

**IN THE FOURTH SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**



**REPORT OF THE FINANCE COMMITTEE ON THE
REQUEST FOR WAIVER OF IMPORT DUTY,
IMPORT NHIL, IMPORT GETFUND LEVY, IMPORT
VAT, EXIM LEVY AMOUNTING TO THE GHANA
CEDI EQUIVALENT OF TWENTY-EIGHT MILLION,
TWO HUNDRED AND FIFTY-ONE THOUSAND, TWO
HUNDRED AND FIFTY-EIGHT UNITED STATES
DOLLARS (US\$28,251,258.00) ON MACHINERY,
EQUIPMENT AND RAW MATERIALS TO BE
PROCURED BY KASAPREKO COMPANY LIMITED
UNDER THE ONE DISTRICT ONE FACTORY (1D1F)
PROGRAMME**

1.0 INTRODUCTION

The request for waiver of Import Duty, Import NHIL, Import GETFund Levy, Import VAT, EXIM Levy amounting to the Ghana Cedi equivalent of Twenty-Eight Million, Two Hundred and Fifty-One Thousand, Two Hundred and Fifty-Eight United States Dollars (US\$28,251,258.00) on Machinery, Equipment and raw materials to be procured by Kasapreko Company Limited under the One District One Factory (1D1F) Programme was presented to the House on

Wednesday the 1st day of July 2020 by the Honourable Deputy Minister for Finance, Mr. Charles Adu Boahen on behalf of the Minister responsible for Finance.

Pursuant to Order 169 of the Standing Orders of the House, the Request was *referred* to the Finance Committee for consideration and report.

The Committee met and considered the request with Deputy Ministers for Finance, Hon. Kwaku Kwarteng as well as a team of officials from the Ministries of Finance and Trade and Industry and the Ghana Revenue Authority (GRA) and hereby presents this report to the House pursuant to order 161(1) of the Standing Orders of the House.

2.0 BACKGROUND

Kasapreko Company Limited (KCL) is one of the leading and most successful total beverage products manufacturers in Ghana. The Company is a registered Ghanaian private limited liability company under the Company laws of Ghana. It produces carbonated and non-carbonated soft drinks, water, bitters, whisky, gin, liqueur, brandy and wine and also engages in general farming activities.

The company wants to expand its operations under the One District One Factory (1D1F) initiative to meet market demand. In pursuance of this vision, the Company has acquired and renovated the abandoned Paramount Distilleries factory,

previously owned by GIHOC at **Tanoso** in **Kumasi**. The operationalization of the factory will enable the company to increase its current production capacity, grow sales and satisfy market demand in the Middle Belt and Northern Sector of the country as well as in the Export Market with high prospects for growth and profitability.

3.0 TOTAL WAIVER REQUESTED

The total amount of taxes and duties for which waiver is being sought is the Ghana Cedi equivalent of **Twenty-Eight Million, Two Hundred and Fifty-One Thousand, Two Hundred and Fifty-Eight United States Dollars (US\$28,251,258.00)**

A summary of the relevant duties and taxes is presented in the table below:

TAX ASSESSMENT							
KASAPREKO COMPANY LIMITED							
Description of Items	Qty	CF (USD)	Import Duty	NHIL/ GFUND 5%	import vat 12.5%	EXIM 0.75%	TOTAL (USD)
Various	Various	123,017,982	7401234	5497211	14430178	922635	28,251,258

Attachment: Please find attached as APPENDIX, the detailed assessment of the relevant taxes and duties.

4.0 OBSERVATIONS AND RECOMMENDATIONS

4.1 1D1F Policy Drive

The Committee observed that the One District One Factory (1D1F) Programme was instituted by His Excellency the

President to address the challenge of slow economic growth at the district level through a massive nationwide industrialization drive, which will equip and empower communities to utilize their resources in manufacturing products that are in high demand both locally and internationally. This will allow the country to reap the well-known rewards of industrialization, such as gains in efficiency in every facet of life in our society, increase in agricultural and manufacturing output, a reduction in the reliance on imports and increase in the production of consumer goods and food availability.

4.2 Approval of the 1D1F Tax Incentives by Parliament

The Committee noted that on the 3rd day of May, 2019 Parliament approved by resolution the request for waiver of import Duties, Import VAT, Import GetFund Levy, Import NHIL and EXIM Levy on plant, machinery and equipment or parts, as well as Corporate Tax for five years of operation being tax incentives to support the implementation of the One District One Factory (1D1F) Programme.

As part of the terms of that approval, the House mandated that *"the amount of taxes and duties to be waived for each specific 1D1F-approved factory in exercise of the power conferred on the Minister responsible for Finance shall be assessed by the Ghana Revenue Authority and presented to Parliament for consideration and approval in accordance with Article 174(2) of the Constitution."*

4.3 Benefits of the Project

The Committee observed that the instant project when implemented is expected to facilitate the timely delivery of essential beverage products for local consumption and export. It is also expected to boost the local economy and provide job opportunities for the people of this country.

The Committee noted that the establishment of the factory at Tanoso in Kumasi will provide three hundred (300) direct jobs for factory hands, administrative staff, sales executives and drivers within the five-year period. Presently, Kasapreko employs about 800 direct workers.

It is also envisaged to provide a potential of an estimated one thousand eight hundred (1800) indirect jobs for distributors, retailers and small businesses who will sell the products across the country, and for individuals such as food vendors, rental house owners and commercial drivers who will provide services to the workers of the company.

4.4 Project Financing Plan

As to how much the project will cost, the Committee was informed that the project cost is estimated at GH¢624,262,483, involving debt and equity financing. The promoters of the business are investing GH¢390,262,483 and have secured a loan of GH¢234,000,000 from SG Ghana and Stanbic Bank for the purchase of plants and machinery and its related operations for the Kumasi Factory, the breakdown is as follows;

Equity and Debt Financing

	EQUITY GH¢	LOAN GH¢	TOTAL GH¢	
Building	24,583,670		24,583,670	4%
Furniture and fittings	948,809		948,809	0%
Office and Other Equipment	4,024,767		4,024,767	1%
Motor Vehicles	18,953,912		18,953,912	3.04%
Laboratory Equipment	398,555		398,555	0.06%
Plant and Machinery	158,449,033	114,000,000	272,449,033	44%
Capital Work in Progress	182,910,737		182,910,737	29%
Working Capital		120,000,000	120,000,000	
TOTAL	390,262,483	234,000,000	624,262,483	100%
GEARING RATIO	0.37			

4.5 Ghanaian-owned Company

The Committee noted that Kasapreko is a Ghanaian company and hence there is reasonable assurance that most of its profits and resources will be retained in the country to boost the economy, unlike foreign investors who eventually repatriate their profits abroad.

The incentives being approved for the company would also help elevate the company from a Ghanaian giant into a sub-regional giant and leader in the industry.

4.6 Need to Guard Against Misapplication of the Waiver

The Committee noted that the waiver being granted Kasapreko Company Limited constitutes the largest single waiver under the 1D1F programme so far.

The Committee strongly advises the Ministry of Finance and the Ghana Revenue Authority to ensure that the waiver being granted is not applied towards any other items than the ones specified in the assessment schedule.

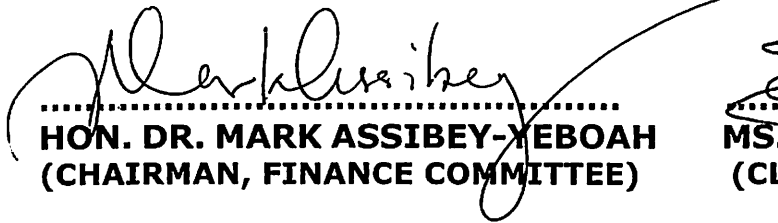
5.0 CONCLUSION

The Committee is satisfied that the request is in consonance with the general framework for tax waivers for the 1D1F Programme that was approved by the Parliament.

The Committee hence recommends to the House to adopt this report and *approve by resolution*, the **request for waiver of Import Duty, Import NHIL, Import GETFund Levy, Import VAT, EXIM Levy** amounting to the Ghana Cedi equivalent of **Twenty-Eight Million, Two Hundred and Fifty-One Thousand, Two Hundred and Fifty-Eight United States Dollars (US\$28,251,258.00)** on **Machinery, Equipment and raw materials** to be procured by **Kasapreko Company Limited** under the **One District One Factory (1D1F) Programme** in accordance with Article 174(2) of the 1992

Constitution of the Republic of Ghana.

Respectfully submitted.


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HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)


.....
MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)

14TH JULY, 202

TAX ASSESSMENT

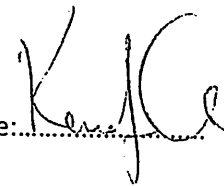
MINISTRY OF TRADE & INDUSTRY/1D1F/KASAPREKÇ COMPANY LIMITED

Description of Items	Qty	unit	CIF (USD)	I/D RATE	Import Duty	NHIL/ GFUND 5%	import vat 12.5%	EXIM 0.75%	TOTAL (USD)
MACHINES									
KRONESNFILLING & PACKAGING LINES	2	units	12,000,000	5%	600000	0	0	90000	690,000
PREFORMS PRODUCTION MACHINES	1	unit	3,500,000	5%	175000	0	0	26250	201,250
SACHET PRODUCTION MACHINES (HASSIA SACHET LINE)	3	units	1,500,000	5%	75000	0	0	11250	86,250
CLOSURES PRODUCTION MACHINES	1	unit	2,500,000	5%	125000	0	0	18750	143,750
RAW MATERIALS (FOR 2020 - 2025)									
HIGH FRUCTOSE CORN SYRUP	1E+07	kg	25,006,694	10%	2500669	1375368	3610341	187550	7,673,929
HDPE RESINS	6671498	kg	9,206,669	5%	460333	483350	1268794	69050	2,281,528
PET RESINS	6.2E+07	kg	68,163,259	5%	3408163	3578571	9393749	511224	16,891,708
MASTERBATCH	33357	kg	1,141,360	5%	57068	59921	157294	8560	282,843
TOTAL			123,017,982		7401234	5497211	14430178	922635	28,251,258

CERTIFICATE

TOTAL TAX LIABILITY=28,251,258U.S. DOLLARS

This is to certify that the assessment given is true and correct.

Signature: 

Importer/Agent's Name & Designation:.....

For Official Use

Assessment rechecked and found correct and complete.

.....22-05-2020.....

Date

Signature: 

Officer's Name & Rank:- GIDEON GLEY (SNR REV. OFFICER)