

***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 DOMESTIC VAT AMOUNTING TO THE GHANA
CEDI EQUIVALENT OF THREE MILLION, ONE HUNDRED AND
FIFTY-FIVE THOUSAND, TWO HUNDRED AND FORTY-FOUR
UNITED STATES DOLLARS AND EIGHTY-EIGHT CENTS
(US\$3,155,244.88) ON LOCAL PURCHASES AND SERVICES IN
RESPECT OF THE REHABILITATION AND UP-GRADING OF
EQUIPMENT IN TECHNICAL UNIVERSITIES, POLYTECHNICS
AND TECHNICAL AND VOCATIONAL TRAINING CENTRES
UNDER THE GOVERNMENT CONCESSIONAL LOAN
AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC
OF GHANA AND THE EXPORT-IMPORT BANK OF CHINA**

1.0 INTRODUCTION

The request for waiver of Domestic VAT amounting to the Ghana Cedi equivalent of *Three Million, One Hundred and Fifty-Five Thousand, Two Hundred and Forty-Four United States Dollars and Eighty-Eight Cents (US\$3,155,244.88)* on local purchases and services in respect of the Rehabilitation and Up-Grading of Equipment in Technical Universities, Polytechnics and Technical and Vocational Training Centres under the Government Concessional Loan Agreement between the Government of the Republic of Ghana and the Export-Import Bank of China was presented to the House on Tuesday 26th May, 2020 by the Honourable

Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Order 169 of the Standing Orders of the House, the request was *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the request with a Deputy Minister for Finance, Hon. Kwaku Agyeman Kwarteng, a Deputy Minister for Education, Hon. Gifty Twum-Ampofo as well as officials from the Ministries of Finance and Education, Council for Technical and Vocational Education and Training (COTVET) and the Ghana Revenue Authority (GRA).

The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

The Committee is grateful to the above-mentioned Deputy Ministers and the officials for attending upon the Committee.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreement:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)
- The Value Added Tax Act, 2013 (Act 870)

- The Commercial Contract between the Government of Ghana acting through the Ministry of Education and Messrs. AVIC International Holding Corporation of China for the implementation of the project and approved by Parliament on Wednesday, 25th July, 2018.

3.0 BACKGROUND

Parliament at its Thirty-Sixth Sitting of the First Meeting held on Friday, 23rd March, 2018 approved by resolution the concessional loan agreement between Government of Ghana and the EXIM Bank of the People's Republic of China for an amount not exceeding RMB754,000,000.00 equivalent to US\$119,101,946.00 (One Hundred and Nineteen Million, One Hundred and One Thousand Nine Hundred and Forty-Six United States Dollars) to finance the rehabilitation and up-grading of equipment in Technical Universities, Polytechnics and Technical and Vocational Training Centers.

Furthermore, Parliament at its Forty-Third Sitting of the Second Meeting held on Wednesday, 25th July, 2018 approved by resolution the Supplementary Contract Agreement Nos. 1& 2 as well as the Commercial Contract between the Government of Ghana acting through the Ministry of Education and Messrs. AVIC International Holding Corporation of China for the implementation of the above-mentioned project.

Subsequently, Parliament at its Forty-First Sitting of the First Meeting held on Friday, 5th April, 2019, approved by Resolution the request for the waiver of Import Duties, VAT, GETFUND, Import NHIL, Special Import

Levy, EXIM levy, AU and ECOWAS levies amounting to US\$26,966,083.00 (Twenty-Six Million Nine Hundred and Sixty-Six Thousand and Eighty-Three United States Dollars) on project materials and equipment to be procured under the Polytechnic, Technical and Vocational Training Centres Upgrading project.

The resolution for tax exemption approved by Parliament covered only imports contrary to Clause 2 of the Supplementary No.1 of the Commercial Contract Agreement.

The present request thus seeks to include Domestic VAT on local purchases and services in the taxes to be waived in connection with the Project.

4.0 PROJECT OBJECTIVE

The Project aims to rehabilitate and upgrade the facilities and equipment of Technical Universities, Polytechnics, Technical and Vocational Training Centres in Ghana.

The Objective of the Project is to improve the employability of Ghanaian youth by providing them with the relevant skills and competencies required for self and formal employment. This is with the view not only to help reduce unemployment among the youth but to also help encourage indigenous entrepreneurship and further provide Ghanaian industries with the relevant manpower to make them globally competitive.

5.0 TOTAL AMOUNT OF WAIVER REQUESTED

The total amount of domestic Value Added Tax (VAT) for which waiver is being sought in the present request is the Ghana Cedi equivalent of *Three*

Million, One Hundred and Fifty-Five Thousand, Two Hundred and Forty-Four United States Dollars and Eighty-Eight Cents (US\$3,155,244.88).

ATTACHMENT: Please find attached as Appendix a breakdown of the relevant taxes as assessed by the Ghana Revenue Authority.

6.0 OBSERVATIONS

6.1 Need for Waiver

The Committee noted that Clause 2 of the Supplementary No.1 to the Commercial Contract Agreement requires all duties and taxes to be waived, including domestic Value Added Tax.

It is thus necessary for the Domestic VAT component of the taxes to be waived in accordance with Article 174(2) of the 1992 Constitution of the Republic of Ghana.

6.2 Piecemeal Approach to the Taxes

The Committee noted that Parliament at its Forty-First Sitting of the First Meeting held on Friday, 5th April, 2019, approved by Resolution the request for the waiver of Import Duties, VAT, GETFUND, Import NHIL, Special Import Levy, EXIM levy, AU and ECOWAS levies amounting to US\$26,966,083.00 (Twenty-Six Million Nine Hundred and Sixty-Six Thousand and Eighty-Three United States Dollars) on project materials and equipment to be procured under the Polytechnic, Technical and Vocational Training Centres Upgrading project.

As to why the Domestic VAT component was not added to earlier request approved by the House in April 2019, the Committee was informed that the omission though inadvertent, still reflects the reluctance of the Ministry of Finance to let go of tax revenue otherwise due the state.

Deputy Minister for Finance, Hon. Kwaku Kwarteng explained to the Committee that once the Ministry's attention was drawn to the omission, it had no option than to present the instant request to Parliament in consonance with the subsisting Contract Agreement for the implementation of the project.

6.3 Benefits of the Project

The Committee observed that the project when implemented is expected to produce highly skilled human capital through:

- i. Improved Teaching and Learning Environment in the beneficiary Public TVET institutions
- ii. Increased supply of high calibre TVET graduates
- iii. Increased participation levels at TVET; and
- iv. Increased supply of high calibre TVET instructors.

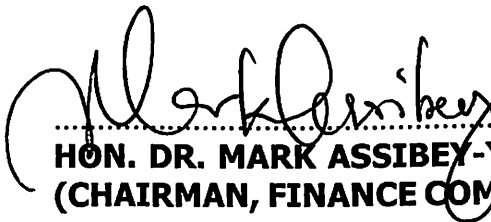
7.0 CONCLUSION

The Committee has thoroughly considered the request and finds the approval of same to be necessary for the timely and smooth implementation of the project.

In view of the anticipated benefits that the educational sector stands to gain from the implementation of the project, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the **request for waiver of Domestic VAT** amounting to the Ghana Cedi equivalent of *Three Million, One Hundred and Fifty-Five Thousand, Two Hundred and Forty-Four United States Dollars and Eighty-Eight Cents (US\$3,155,244.88)* on local purchases and services in respect of the

Rehabilitation and Up-Grading of Equipment in Technical Universities, Polytechnics and Technical and Vocational Training Centres under the Government Concessional Loan Agreement between the **Government of the Republic of Ghana** and the **Export-Import Bank of China** 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)



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

4TH JUNE, 2020

ASSESSED DOMESTIC VAT ON GOODS AND SERVICES TO BE PROCURED FOR AVIC VOCATIONAL TRAINING PROJECT						
S/N	Description	Unit	Quantity	Price exclusive of Tax	VAT BASE (IN USD)	ASSESSED DOMESTIC VAT @ 12.5% IN USD
	Cement	Ton	9612	1,249,560.00	1,312,038.00	164,004.75
	Sand	M2	21,024	168,192.00	176,601.60	22,075.20
	Gravel	M2	26,372	329,644.00	346,126.20	43,265.78
	Paint	set	52	115,675	121,458.75	15,182.34
	Putty powder	Ton	51	56,890	59,734.50	7,466.81
	LOCAL PROCURED SERVICES					
	Engineering supervision services	SET	1	2,000,000	2,100,000.00	262,500.00
	Construction equipment leasing	SET	1	800,000	840,000.00	105,000.00
	Construction services	SET	1	9,800,000	10,290,000.00	1,286,250.00
	Labour outsourcing services	SET		320,000	336,000.00	42,000.00
	Consulting services	SET	1	500,000	525,000.00	65,625.00
	IMPORTED SERVICES					
	Project site survey and design	SET	1	2,400,000.00	2,520,000.00	315,000.00
	Project management and consultancy	SET	1	2,000,000.00	2,100,000.00	262,500.00
	Setting of vocational systems, profession and course	SET	1	2,000,000.00	2,100,000.00	262,500.00
	Textbooks Development and preparation	SET	1	900,000.00	945,000.00	118,125.00
	Copyright and Intellectual property rights	SET	1	400,000.00	420,000.00	52,500.00
	Installation and training management	SET	1	500,000.00	525,000.00	65,625.00
	Installation and training source organisation	SET	1	500,000.00	525,000.00	65,625.00
	TOTAL (N USD)			24,039,961.00	25,241,959.05	3,155,244.88
	EXCHANGE RATE			5.4423	5.4423	5.4423
	TOTAL (IN GHC)			130,832,679.75	137,374,313.74	17,171,789.22
The exchange rate used is the Bank of Ghana daily inter bank Weighted Average Rate (Mid-rate) of GHC 5.4423 to USD1 for Wednesday, April 01, 2020						