

IN THE THIRD SESSION OF THE EIGHTH PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA



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REPORT OF THE FINANCE COMMITTEE ON THE REQUEST FOR THE WAIVER OF CUSTOMS DUTIES, IMPORT VAT, IMPORT NHIL, GETFUND LEVY, EXIM LEVY, SPECIAL IMPORT LEVY AND DOMESTIC VAT AMOUNTING TO GHANA CEDI EQUIVALENT OF FOUR MILLION, NINE HUNDRED AND FIFTY-FOUR THOUSAND, FIVE HUNDRED AND EIGHTY-SEVEN UNITED STATES DOLLARS, EIGHTY-EIGHT CENTS (US\$4,954,587.88 [MADE UP OF US\$4,624,731.00 ON IMPORTS AND US\$329,856.88 ON LOCAL PURCHASES]) ON MATERIALS/GOODS TO BE PROCURED FOR THE CONSTRUCTION OF THE MINISTRY OF FOREIGN AFFAIRS AND REGIONAL INTEGRATION OFFICE ANNEX BUILDING PROJECT.

1.0 INTRODUCTION

The request for the waiver of Customs Duties, Import VAT, Import NHIL, GETfund Levy, EXIM Levy, Special Import Levy and Domestic VAT amounting to Ghana Cedi equivalent of Four Million, Nine Hundred and Fifty-Four Thousand, Five Hundred and Eighty-Seven United States Dollars, Eighty-Eight Cents (US\$4,954,587.88 [made up of US\$4,624,731.00 on imports and US\$329,856.88 on local purchases]) on materials/goods to be procured for the Construction of the Ministry of Foreign Affairs and Regional Integration Office Annex Building Project was presented to the House on 17th March, 2023 by Hon. Majority Leader and Minister for Parliamentary Affairs, Mr. Kyei-Mensah-Bonsu for and on behalf of the Minister of Finance in accordance with Article 174 (2) of the Constitution. Pursuant to Orders 169 of the Standing Orders of the House, the request was referred to the Finance Committee for consideration and report.

The Committee subsequently met and discussed the request with Deputy Minister of Finance and Foreign Affairs and Regional Integration, Mrs. Abena Osei Asare, Kwaku Apratwum-Sarpong and Thomas Mbomba respectively, officials from the Ministries of Finance and Foreign Affairs and Regional Integration.

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

The Committee is grateful to the Hon. Deputy Minister and Officials for attending upon it and assisting in the deliberations.

2.0 REFERENCE DOCUMENT

The Committee referred to and was guided by the following documents amongst others during its deliberations:

- The 1992 Constitution of the Republic of Ghana;
- The Standing Orders of the Parliament of Ghana;
- The Public Financial Management Act, 2016 (Act 921); and
- Exemptions Act, 2022 (Acts 1083)
- The Grant/Aid Agreement between the Government of the Republic of Ghana and the People's Republic of China for the Construction of Office Annex Building for the Ministry of Foreign Affairs;
- Supplementary Implementation Agreement for the China-Aid Annex Office Building Project for the Ministry of Foreign Affairs and Regional Intergration.

3.0 BACKGROUND

It will be recalled that fire gutted the offices of the Ministry of Foreign Affairs and Regional Integration in 2009 which left the Ministry without a working space from which to operate. The Ministry then temporarily occupied the Jubilee House which had been newly built but was not in use whilst government sought for funding to provide the Ministry with a new office accommodation. The Government of the Peoples Republic

of China came to the assistance of the Government of Ghana and constructed a new office complex for the Ministry. The project was executed by a Chinese contractor and completed in March, 2013 and is currently being occupied by the staff of the Ministry.

However, the newly constructed office building was inadequate for the operation of the Ministry. As a result, a request was made to the Chinese Government who agreed to expand the building by constructing an Annex Office Building which shall include new facilities such as a clinic, gymnasium and a press briefing hall.

The Governments of Ghana and China therefore signed an Implementation Aid Agreement on April 9, 2021 for the Construction of the Ministry of Foreign Affairs and Regional Integration Annex Office Building Project for an amount of circa RMB138.2 Million Yuan to implement the project. Subsequently, a Supplementary Agreement was signed between the two Governments on December 28, 2022 which revised the funding amount to RMB134 Million Yuan or US\$19,793,205.32 (exchange rate of US\$1.00=RMB6.77). The Agreement however provided that the beneficiary country shall be responsible for all local taxes on equipment, materials and services either imported or procured locally for the project.

In fulfillment of this obligation, the Ministry Finance upon assessment by the Ghana Revenue Authority is requesting Parliament to approve the waiver of Customs Duties, Import VAT, Import NHIL, GETfund Levy, EXIM Levy, Special Import Levy and Domestic VAT amounting to Ghana Cedi equivalent of Four Million, Nine Hundred and Fifty-Four Thousand, Five Hundred and Eighty-Seven United States Dollars, Eighty-Eight Cents (US\$4,954,587.88 [made up of US\$4,624,731.00 on imports and US\$329,856.88 on local purchases]) on materials/goods to be procured for the Construction of the Ministry of Foreign Affairs and Regional Integration Office Annex Building Project.

4.0 OBJECTIVE OF THE PROJECT

The main purpose of the project is to improve upon the office accommodation of the Ministry of Foreign Affairs and Regional Integration and ease the present challenges of limited office space.

5.0 SCOPE OF THE PROJECT

The Ministry of Foreign Affairs and Regional Integration Annex Office project is a six (6) storey building which shall among others, comprise the following among others:

- Banquet Hall;
- 144-capacity Press Briefing Room;
- Clinic;
- Gymnasium; and
- Basement for parking 49 vehicles.

6.0 JUSTIFICATION FOR GOVERNMENT'S SUPPORT FOR TAX EXEMPTION

Government of Ghana acting through the Ministry of Foreign Affairs and Regional Integration upon signing of the Aid Agreement for the implementation of the project is expected to abide by and satisfy fully, conditions provided under the Agreement.

Articles 11.1.2; 11.1.3; 11.1.4 of the Aid Implementation Agreement stipulates that the Government of Ghana shall exempt the contractor and personnel to be engaged to work under the project from corporate tax, personal income tax, customs duties on equipment, machinery, materials, goods and services and other local taxes applicable in Ghana.

Following from the above, the Government of Ghana is thus obligated to bear the component of the project financing cost covering taxes, duties, fees and other applicable fiscal levies which may be imposed in the Republic of Ghana with respect to the procurement of materials and equipment locally and of imports for the execution of the project. The government therefore intends to waive all domestic taxes and import duty on the core project related materials and equipment as assessed by the Ghana Revenue Authority.

7.0 ASSESSMENT OF TAXES, DUTIES AND LEVIES TO BE WAIVED

The Ghana Revenue Authority (GRA) has assessed the taxes, duties and levies payable on the materials and equipment to be imported and procured locally under the project at a total cedi equivalent of US\$4,954,587.88 (i.e. Import Duties, Import VAT, NHIL/GETFund, Exim and Special Import Levies of US\$4,624,731.00) and (Domestic VAT of US\$329,856.88) which is summarised in the table below:

| Tax type | Taxes Assessed | Tax Waiver Amount (US\$) |
|----------------------|--------------------------------|--------------------------|
| Imports (A) | Import Duty | 2,018,663.00 |
| | Import NHI levy / GETFund levy | 642,953.00 |
| | Import VAT | 1,687,751.00 |
| | EXIM levy | 83,620.00 |
| | Special Import levy | 191,744.00 |
| Sub-total (A) | | 4,624,731.00 |
| Domestic (B) | VAT | 329,856.88 |
| Sub-total (B) | | 329,856.88 |
| TOTAL (A+B) | | 4,954,587.88 |

8.0 OBSERVATION

The Committee having carefully scrutinized the request, made the following observation:

8.1. Compliance with Act 1083

The Committee noted that the Ministry of Finance is seeking to waive domestic VAT which is not consistent with the Exemptions Act 2022. The Ministry of Finance explained that the Grant Agreement in which the tax concessions were made was entered into prior to the coming into force of Act 1083. The Committee noted that the Grant Agreement was signed in April 2021 and the necessary tax



concessions were agreed to by both parties. Failure to grant the waiver could lead to breach on the part of Ghana and could negatively affect the delivery of the project. Fortunately, such tax exemption agreements have been saved under the Exemptions Act, 2022. The Committee having regards to the fact that the facility is entirely a grant, urges the House to approve the waiver of all taxes for the execution of the project to commence.

8.2 Denomination of Domestic Taxes in Dollars

The Committee noted that the request seeks to grant waiver of domestic taxes in United States Dollars even though the taxes are assessed and would be paid in Ghanaian Cedis. The Committee is of the view that the payment of the taxes and the granting of the waiver in Ghana Cedis will not risk expose the contractor to exchange losses. The conversion of the assessed domestic taxes to United States Dollars is therefore not necessary. The Committee further opined that the denomination of local taxes in foreign currency could expose the waiver to abuses. The Committee therefore recommends that the Domestic taxes should be re-dominated in Ghana Cedis for an effective administration and monitoring. The Committee recommends to the House to approve the sum of **GH¢6,280,305.17** Domestic VAT on Goods and Services to be procured for the project.

9.0 CONCLUSION AND RECOMMENDATION

The Committee noted that there is risk that some items and equipment purchased with funds from the grant facility may be retained by persons other than the Ministry of Foreign Affairs and Regional Integration or Government as their private property. The Committee therefore recommends to this House to require the Ministry to takes steps to ensure that all items purchased from the grant facility have been properly documented as property of the state and to report the said steps to Parliament within three months.

The Committee having carefully examined the referral is of the view that the exemptions are necessary for the execution of the project. Successful execution of the project would enhance service delivery and promote efficiency in the Ministry of Foreign Affairs and Regional Integration.

The Committee therefore recommends to the House to adopt its report and approve by Resolution the request for the waiver of Customs Duties, Import VAT, Import NHIL, GETfund Levy, EXIM Levy and Special Import Levy amounting to **Ghana Cedi equivalent of Four Million, Six Hundred and Twenty-Four Thousand, Seven Hundred and Thirty-One United States Dollars, Eighty-Eight Cents (US\$4,624,731.00) on imports and Four Million, Three Hundred and Twenty-Two Thousand, Eight Hundred and Seven Ghana Cedis and Forty-Five Pesewas (GH¢4,322,807.45) on local purchases of materials/goods** to be procured for the Construction of the Ministry of Foreign Affairs and Regional Integration Office Annex Building Project in accordance with Article 174 (2) of the 1992 Constitution, Section 22 of the Exemptions Act and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.



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HON. KWAKU A. KWARTENG
(CHAIRMAN, FINANCE COMMITTEE)



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JOANA A. S. ADJEI (MRS.)
(CLERK, FINANCE COMMITTEE)

22nd March, 2022



