

**REPORT OF THE FINANCE COMMITTEE ON
THE REQUEST FOR WAIVER OF OUTPUT
VAT AMOUNTING TO US\$990,000.00 IN
RESPECT OF THE CONSTRUCTION OF THE
NATIONAL COMMUNICATION BACKBONE
NETWORK PROJECT (PHASE I)**

1.0 INTRODUCTION

The Request for waiver of Output Value Added Tax amounting to *nine hundred and ninety thousand United States Dollars* (US\$990,000.00) in respect of the construction of the National Communication Backbone Network Project (PHASE I) was laid in the House on Wednesday 23rd March, 2011 and *referred* to the Finance Committee for consideration and report in accordance with article 174(2) of the Constitution and order no. 169 of the Standing Orders of the House.

The Committee met and considered the Agreement with the Deputy Minister of Finance and Economic Planning, Hon. Fifi Kwetey, and technical officers from the Ministry of Finance & Economic Planning and hereby presents this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

2.0 BACKGROUND

On the 28th of July, 2006, Parliament approved by Resolution a Loan Agreement between the Republic of Ghana and the People's Republic of

China for an amount of US\$30.00 million for the construction of the first phase of the National Communication Backbone Network Project.

Parliament further approved a request for the waiver of tax liabilities on equipment/materials to be imported or purchased locally, corporate tax and other taxes totaling **GH¢5,149,208.48** in respect of the project on 28th October, 2008.

Inadvertently however, the Memorandum requesting the above tax waivers omitted to request the waiver of Output VAT of US\$990,000.00.

The Domestic Tax Revenue Division of the Ghana Revenue Authority (GRA) has verified the Output VAT to be US\$990,000.00 (equivalent to GH¢1,415,700.00 at the rate of US\$1.00 to GH¢1.43 as at 22/10/2010)

The actual taxes waived for the project as provided by the Ghana Revenue Authority therefore amounted to **GH¢5,469,910.38**; the breakdown of which is as follows:

• Import VAT	GH ¢1,527,370.56
• Import Duty	GH¢1,101,813.71
• ECOWAS Levy	GH¢55,892.00
• EDIF Levy	GH¢55,892.00
• NHIL	GH¢305,474.11
• Corporate Tax	GH¢1,007,768.00
• Output VAT	<u>GH¢1,415,700.00</u> (equivalent US\$990,000)
TOTAL	<u>GH¢5,469,910.38</u>

3.0 TOTAL WAIVER REQUESTED

The total amount of Output VAT for which waiver is currently being sought is *nine hundred and ninety thousand United States Dollars* (US\$990,000.00).

Attachment: Please find attached as **APPENDIX**, the official assessment of the relevant taxes conducted by the Domestic Tax Revenue Division of the Ghana Revenue Authority.

4.0 OBSERVATIONS

The Committee observed that under a cooperation arrangement with the Government of the People's Republic of China, the Government of Ghana undertook the construction of the National Communications Backbone infrastructure to enhance the provision of communication services nationwide.

To execute the project, the Government of Ghana, represented by the Ministry of Communications, entered into a Contract Agreement with Huawei Technologies Company Limited, Contractor for the project.

The first phase of the project cost US\$30.00 million and was financed from the proceeds of a loan from the People's Republic of China. (Loan approved by Parliament on 28th July, 2006)

The Committee observed that the Project has been duly executed and the network has undergone Provisional Acceptance Testing. It has since been transferred to Vodafone Ghana Limited and constituted the nucleus of the fiber company in the Ghana Telecom privatization exercise.

Under Article 10.1 of the Project Contract Agreement, the project contract price is exclusive of tariffs, Value Added Tax, duties, withholdings, levies, charges or fees.

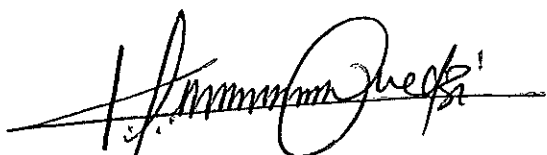
Given that Parliament has already approved a portion of the required tax waiver, the approval of this request totaling US\$990,000.00 would enable the Contractor attain the total exemption envisaged under the Project Contract Agreement.

5.0 CONCLUSION

In view of the immense benefits to be derived from the project and the fact that the waiver is a condition of the Credit Agreement already approved by the House, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the **Request for waiver of Output Value Added Tax (Output VAT)** amounting to *nine*

hundred and ninety thousand United States Dollars (US\$990,000.00) in respect of the construction of the **National Communication Backbone Network Project (Phase I)** in accordance with article 174(2) of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI
CHAIRMAN**



**PEACE A. FIAWOYIFE (MS.)
CLERK**

31ST MARCH, 2011

APPENDIX E

✓



OFFICE OF PARLIAMENT

Parliament House - Accra (Ghana)



Telephone No. 664181 (4 lines)
Fax No. 665957

In case of reply the number and date of this letter should be quoted.

Ref No. OP/1/R/016
Your Ref No.

30th Oct. 2008

THE HON. MINISTER,
MINISTRY OF FINANCE AND ECONOMIC PLANNING
ACCRA.

Hon. Minister,

APPROVAL OF REQUEST FOR WAIVER OF TAX LIABILITY ON EQUIPMENT/MATERIALS TO BE IMPORTED OR PURCHASED LOCALLY, CORPORATE TAX AND OTHER TAXES TOTALING GH¢5,149,208.48 IN RESPECT OF THE IMPLEMENTATION OF THE FIRST PHASE OF THE NATIONAL COMMUNICATION BACKBONE NETWORK PROJECT

At the Fourteenth Sitting of Parliament held on Tuesday, 28th October 2008, Parliament approved by Resolution the Request for waiver of tax liability on equipment/materials to be imported or purchased locally, corporate tax and other taxes totaling GH¢5,149,208.48 in respect of the implementation of the first phase of the National Communication Backbone Network project.

I am directed to forward to you the text of the Resolution as follows:

WHEREAS:

1. By the provisions of Article 174 (2) of the Constitution, Parliament is empowered to confer power on any person or authority to waive or vary a tax imposed by an Act of Parliament;
2. The exercise of any power conferred on any person or authority to waive or vary a tax in favour of any person or authority is by the said provisions made subject to the prior approval of Parliament by resolution;
3. By the combined operation of the provisions of section 26 (2) of the Customs, Excise and Preventive Service (Management) Law, 1993 (PNDCL 330), the Export and Import Act, 1995 (Act 503), the Export Development and Investment Fund Act, 2000 (Act 582), the Value Added Tax Act, 1998 (Act 546), the Value Added Tax (Amendment) Act, 2000 (Act 579) and other existing Laws and Regulations applicable to the collection of Customs duties and other taxes on the importation of goods into Ghana, the Minister for Finance and Economic Planning may exempt any statutory corporation, institution or individual from the payment of duties and taxes otherwise payable under the said Laws and Regulations

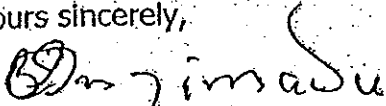
or waive or vary the requirement of such statutory corporation, institution or individual to pay such duties and taxes;

4. In accordance with the provisions of the Constitution and at the request of the Government of Ghana acting through the Minister responsible for Finance and Economic Planning, there has been laid before Parliament a request by the Minister for Finance and Economic Planning for the prior approval of Parliament to the exercise by him of his power under the Laws and Regulations in regard to the payment of the sum of exemptions of GH¢5,149,208.48 as may become due on materials, equipment and services to be imported or purchased locally in respect of the implementation of the first phase of the National Communication Backbone Network project.

NOW THEREFORE, this Honourable House hereby approves the exercise by the Minister responsible for Finance and Economic Planning of the power granted to him by Parliament by Statute to waive such taxes and duties or to exempt the payment of such taxes and duties on specified items, all amounting to GH¢5,149,208.48 as may become due on materials, equipment and services to be imported or purchased locally in respect of the implementation of the first phase of the National Communication Backbone Network project.

The Resolution is respectfully submitted for your appropriate action.

Yours sincerely,


EMMANUEL ANYIMADU
CLERK TO PARLIAMENT

Cc: Hon. Attorney-General and Minister for Justice
Ministry of Justice,
Accra.

Hon. Minister
Ministry of Communications
Accra.

BRIEF ON

RATIFICATION OF OUTPUT VAT EXEMPTIONS FOR THE NATIONAL COMMUNICATION BACKBONE NETWORK PROJECT (PHASE ONE)

Parliament at its sitting on 28th July, 2006 approved by Resolution the Loan Agreement between the Republic of Ghana and People's Republic of China for an amount of US\$30.00 million for the construction of the first phase of the National Communication Backbone Network Project (Project).

Parliament also at its sitting on Tuesday, 28th October 2008 approved the request for waiver of tax liability on equipment/materials to be imported or purchased locally, corporate tax and other taxes totaling **GH¢5,149,208.48** in respect of the construction of the Project.

The original memo inadvertently omitted to request the Output VAT exemption of US\$990,000, and only requested for Import duty and Import VAT exemptions of GH¢678,762.48, which Parliament, at that time, granted.

The various assessments from the Customs, Exercise and Preventive Service (CEPS), the VAT Service and the Internal Revenue Service (IRS) that amounted to GH¢5,149,208.48 were based on estimates and also on the project list of equipment/materials to be imported or purchased locally.

After a successful completion of the project in December 2009, the actual taxes exempted for the construction of the first phase of the National Communication Backbone Network Project as provided by CEPS, VAT, IRS amounted to **GH¢ 5,469,910.38**. Details of the taxes exempted are as follows:

- Import VAT - GH¢1,527,370.56;
- Corporate Tax - GH¢1,007,768.00 (US\$1,017,768.00);
- Import Duty GH¢1,101,813.71;
- ECOWAS Levy GH¢55,892.00;
- EDIF Levy GH¢55,892.00;
- NHIL GH¢305,474.11
- Output VAT GH¢1,415,700.00 (US\$990,000.00 at 1.43 exchange rate value 22/10/2010)

It is in line with the above, we are requesting Parliament to consider and ratify Output VAT exemption totaling US\$990,000.00 inadvertently omitted in the October 4, 2008, tax waiver request.

Ghana Government Backbone Network Project (Phase 1)

Part 1

No.	TYPE	SUBCONTRACTOR	CONTRACT NO.	INVOICE AMOUNT (USD)	Corresponding VAT Amount Applying for Exemption (USD)
1	VAT	Huawei Technologies (Gh) S. A. Ltd.	4190002880604100A	60600000	990,000.00
2.	VAT	Huawei Technoolgies CO. Ltd.	0002880604100A	3000000	4, 500,000.00
Total (USD)					5, 490,000.00

Part 2	TYPE	SUBCONTRACTOR	INVOICE AMOUNT GH¢	Corresponding VAT Amount Applying for Exemption GH¢
			4,525,083.18	4,525,083.18
Total GH¢				678, 762.48

From Custom (COPS)

HUAWEI TECHNOLOGIES CO, LTD
MINISTRY OF COMMUNICATIONS

Ref.	Goods Description	Cif Ght	I/DUTY Exempt	VAT Exempt	Eco Levy Exempt	EDIF Exempt	NHIL Exempt	TOTAL Exempt
1	AIR CONDITIONER FOR SHELTERVIZ. 46 SETS 1 X 40'	86,060.42	17,212.08	10,757.55	430.30	430.30	2,151.51	30,981.74
2	POWER DISTRIBUTION CABINET FORSHELTERVIZ.23 SETS	13,913.58	1,391.36	1,739.20	69.57	69.57	347.84	3,617.54
3	SUPPLY OF 24 FIBERS (DUCT G.652B)	60,400.20	6,040.02	8,305.03	302.00	302.00	1,661.01	16,610.06
4	SUPPLY OF 24 FIBERS(BURIED G. 652B)	398,777.38	39,877.74	54,831.89	1,993.89	1,993.89	10,966.38	109,663.79
5	SUPPLY OF JOINT CLOSURES 24 FOC	14,205.49	2,841.10	2,130.82	71.03	71.03	426.16	5,540.14
6	SUPPLY OF TERMINATION 24 FOC	80,179.45	8,017.95	11,024.67	400.90	400.90	2,204.93	22,049.35
7	SUPPLY OF WARNING TAPE	72,658.90	14,531.78	10,898.83	363.29	363.29	2,179.77	28,336.96
8	SUPPLY OF GALVANISED STEEL PIPE	118,329.35	11,832.94	16,270.29	591.65	591.65	3,254.06	32,540.59
9	SUPPLY OF LIGHTING DRAINAGE WIRE	290,330.20	29,033.02	39,920.40	1,451.65	1,451.65	7,984.08	79,840.80
10	AVR AND ISOLATION TRANSFORMERINDOOR UNIT FOR GENERATORVIZ. 23 SETS	6,639.59	0.00	0.00	33.20	33.20	0.00	66.40
11	AC ELECTRICAL DISTRIBUTION BOARDFOR GENERATORVIZ. 23 SETS	4,689.21	468.92	644.77	23.45	23.45	128.95	1,289.54
12	POLYVINYL CHLORIDE(40/33 MM & 32/28MM)7 X 40'	159,650.11	15,965.01	21,951.89	798.25	798.25	4,390.38	43,903.78
13	SHELTER WITHOUT AIR- CONDITIONEROR POWER DISTRIBUTION CABINETVIZ. 23 SETS	378,837.39	37,883.74	52,090.14	1,894.19	1,894.19	10,418.03	104,180.29
14	GENERATOR 17.5 KVA & 27 KVAWITHOUT AVR OR ACDBVIZ.23 SETS CKD	415,987.27	20,799.36	54,598.33	2,079.94	2,079.94	10,919.67	90,477.24
15	OPTIX OSN 3500VIZ.23 SET8 X 40'	1,402,489.76	140,248.98	192,842.34	7,012.45	7,012.45	38,568.47	385,684.69
16	OPTIX BWS 1600GVIZ.27 SET	5,596,764.07	559,676.41	769,555.06	27,983.82	27,983.82	153,911.01	1,539,110.12
17	OPTIX IMANAGER T2000VIZ.1 SET	186,442.56	18,644.26	25,635.85	932.21	932.21	5,127.17	51,271.70
18	INTEGRATED CABINETVIZ.23 SET	111,881.14	11,188.11	15,383.66	559.41	559.41	3,076.73	30,767.32
19	TOOLS AND DOCUMENTATIONVIZ.1 LOT	5,505.28	0.00	0.00	27.53	27.53	0.00	55.06
20	POWER SUPPLY SYSTEMVIZ.23 SET	293,962.34	29,396.23	40,419.82	1,469.81	1,469.81	8,083.96	80,839.63
21	BITS EQUIPMENTVIZ.1 SET	38,981.54	1,949.08	5,116.33	194.91	194.91	1,023.27	8,478.50
22	SPARE PARTS FOR OPTIX OSNSERIES EQUIPMENTVIZ.1 LOT	712,043.95	71,204.40	97,906.04	3,560.22	3,560.22	19,581.21	195,812.09
23	SUPPLY OF 24- FIBERS(BURIED G.652B)VIZ.156000METER	153,963.58	15,396.36	21,169.99	769.82	769.82	4,234.00	42,339.99
24	SUPPLY OF 110/102MM GALVANISEDSTEEL PIPEVIZ.500 METER	11,749.36	1,174.94	1,615.54	58.75	58.75	323.11	3,231.09
25	SUPPLY OF LIGHTNING DRAINAGEWIREVIZ.80000METER	165,430.95	16,543.10	22,746.76	827.15	827.15	4,549.35	45,493.51

TAX ASSESSMENT FORM

2

AGENT'S NAME & ADDRESS: MINISTRY OF COMMUNICATIONS
HWL 70009012 of 04/07
 3. TIN NO. _____ 4. FORM NO. _____
 5. BILL OF LADING NO. _____ 6. DECLARANT NO. _____ 7. EXCHANGE RATE: \$1 = 1.0557

Description of Goods (9)	CIF G#	Tax Description														Total G#		
		Imp. Duty		Imp. VAT		Imp. NHIL		ECOWAS Levy		EDIF		Insp. Fee		Exam. Fee			Processing Fee	
		Rate % (10)	Amount (11)	Rate % (12)	Amount (13)	Rate % (14)	Amount (15)	Rate % (16)	Amount (17)	Rate % (18)	Amount (19)	Rate % (20)	Amount (21)	Rate % (22)	Amount (23)		Rate % (24)	Amount (25)
POWER DISTRIBUTION CABINET	441,554	10%	44,155	12.5%	60,714	2.5%	12,143	0.5%	2,208	0.5%	2,208	1%	4,416					125,844

DATE _____
 certify that the assessment given is true and correct.
 Signature: _____
 Date: _____
 Importer/Agent's Name & Designation: _____

checked and found correct and complete.
 Date: 08-08
 For Official Use
THE COMMISSIONER
REVENUE & EXCISE & PREV. DUTIES
P. O. BOX 68
ACCRA
 Signature: _____
 Officer's Name & Rank: GIDEON ALEY
CAI

TAX ASSESSMENT FORM

1. IMPORTER/AGENT'S NAME & ADDRESS: MINISTRY OF COMMUNICATIONS
 2. INVOICE NO.: HWCO7C325046 of 25/03/07
 3. TIN NO.: _____
 4. FORM NO.: _____
 5. DECLARANT NO.: _____
 6. EXCHANGE RATE: 1.085

Description of Goods (9)	CIF GHA	Tax Description														Total GHA (26)		
		Imp. Duty		Imp. VAT		Imp. NHIL		ECOWAS Levy		EDIF		Insp. Fee		Exam. Fee			Processing Fee	
		Rate % (10)	Amount (11)	Rate % (12)	Amount (13)	Rate % (14)	Amount (15)	Rate % (16)	Amount (17)	Rate % (18)	Amount (19)	Rate % (20)	Amount (21)	Rate % (22)	Amount (23)		Rate % (24)	Amount (25)
POLYVINYL CHLORIDE (40/33mm)	186,080	10%	18,608	12.5%	25,586	2.5%	5,117	0.5%	930	0.5%	930	1%	1861					53,032
POLYVINYL CHLORIDE (32/25mm)																		

I hereby certify that the assessment given is true and correct.
 Date: _____

Signature: _____
 Importer/Agent's Name & Designation: _____

For Official Use

Assessment rechecked and found correct and complete.
 Date: 08-08-08

Signature: [Signature]
 Officer's Name & Rank: CURTON GLEY
CA#

TAX ASSESSMENT FORM

1. IMPORTER / AGENT'S NAME & ADDRESS: MINISTRY OF COMMUNICATIONS

2. INVOICE NO.: _____ 3. TIN NO.: _____ 4. FORM NO.: _____

5. AIRWAY BILL / BILL OF LADING NO.: _____ 6. DECLARANT NO.: _____ 7. EXCHANGE RATE: 1 = 1.0557

Qty.	Description of Goods	CIF	Tax Description														Total		
			imp. Duty		Imp. VAT		Imp. NHIL		ECOWAS Levy		EDIF		Insp. Fee		Exam. Fee			Processing Fee	
			Rate % (10)	Amount (11)	Rate % (12)	Amount (13)	Rate % (14)	Amount (15)	Rate % (16)	Amount (17)	Rate % (18)	Amount (19)	Rate % (20)	Amount (21)	Rate % (22)	Amount (23)		Rate % (24)	Amount (25)
51 SETS	OPTIX	9,743,056	10%	974,306	12.5%	1,339,670	2.5%	267,934	0.5%	50,417	0.5%	50,417	1%	100,835					2,783,579
23 SETS	INTEGRATED CABINET																		
1 SET	TOOLS & DOCUMENTATION																		
1 SET	BITS EQUIPMENT																		
1 SET	SPARE PARTS for OPTIX																		
1000M	FIBRES	340,435	0%	-	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
500M	GALVANISED STEEL PIPE																		
30,000M	DRAINAGE WIRE																		
2 SETS	POWER SUPPLY SYSTEM																		

26. CERTIFICATE

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

Signature: _____

Importer/Agent's Name & Designation: _____

Date: _____

For Official Use

Assessment rechecked and found correct and complete.

08-08-08

NEW CUSTOMS TARIFF
 EXERCISE & PREV. SERVICE
 P.O. BOX 24

Signature: _____

Officer's Name & Rank: GIDEON C. LEY
CA I

TAX ASSESSMENT FORM

(5)

MINISTRY OF COMMUNICATIONS

4. FORM NO.: _____
7. EXCHANGE RATE: 1 = 1000

IMPORTER/AGENT'S NAME & ADDRESS: _____
INVOICE NO.: CVEK2SSC6C41SCAP1401 of 20/04/07 TIN NO. _____

6. DECLARANT NR. _____

5. AIRWAY BILL / BILL OF LADING NO.: _____

Tax Description

Qty.	Description of Goods	CIF	Imp. Duty		Imp. VAT		Imp. NHII		ECOWAS Levy		EDIF		Insp. Fee		Exam. Fee		Processing Fee	
			Rate %	Amount	Rate %	Amount	Rate %	Amount	Rate %	Amount	Rate %	Amount	Rate %	Amount	Rate %	Amount	Rate %	Amount
			(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
23 SETS	AVR AND ISOLATION TRANSFORMER	8,338	0%	-	0%	-	0%	-	0.5%	66	0.5%	66	1%	132				
23 SETS	ELECTRICAL DISTRIBUTION BOARD	4,866	10%	487	25%	669	25%	134										

26. CERTIFICATE

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

Date: _____

Assessment rechecked and found correct and complete.

08-08-08

Date

For Official Use

**THE COMMISSIONER
CUSTOMS, EXCISE & PREY, SERVICES
P. O. BOX 62
ABEJA**

Signature: _____

Importer/Agent's Name & Designation: _____

Signature: [Signature]

Officer's Name & Rank: Andron Aie
CA I

TAX ASSESSMENT FORM

MINISTRY OF COMMUNICATIONS

1. IMPORTER/AGENT'S NAME & ADDRESS:

2. INVOICE NO.:

HWCO704110 FC of 11/04/07

3. TIN NO.:

6. DECLARANT NO.:

4. ECVR NO.:

7. EXCHANGE RATE: ₦1 = 1.00

5. AIRWAY BILL / BILL OF LADING NO.:

Qty.	Description of Goods	CIF	Tax Description															
			Imp. Duty		Imp. VAT		Imp. NHIL		ECOWAS Levy.		EDIF		Insp. Fee		Exam. Fee		Processing Fee	
			Rate % (10)	Amount (11)	Rate % (12)	Amount (13)	Rate % (14)	Amount (15)	Rate % (16)	Amount (17)	Rate % (18)	Amount (19)	Rate % (20)	Amount (21)	Rate % (22)	Amount (23)	Rate % (24)	Amount (25)
	FIBRES	G#4																
238m	JOINT CLOSURES																	
806m	TERMINATION 24 for	1,206,252	10%	120,625	12.5%	165,860	2.5%	33,172	0.5%	6,031	0.5%	6,031	1%	12,063				
56400	WARNING TAPE																	
498m	STEEL PIPE																	
12660	DRAINAGE WIRE																	

26. CERTIFICATE

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

Date:

Signature:

Importer/Agent's Name & Designation:

For Official Use

TAX COMMISSIONER & PREV. SERVING

Signature:

Officer's Name & Rank: GIDEON G. CAI

rechecked and found correct and complete.