

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

REPORT OF THE FINANCE COMMITTEE



ON

REQUEST FOR WAIVER OF IMPORT DUTY, IMPORT VAT AND NHIL, ECOWAS LEVY, EDIF, INSPECTION FEES, WITHHOLDING TAX AND OTHER RELATED TAXES AMOUNTING TO SIX MILLION, TWENTY-FOUR THOUSAND, EIGHT HUNDRED AND TWENTY-THREE UNITED STATES DOLLARS AND EIGHT CENTS (US\$6,024,823.08) ON PROJECT MATERIALS AND EQUIPMENT TO BE PROCURED LOCALLY OR IMPORTED FOR USE IN THE IMPLEMENTATION OF THE CONTRACT AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA AND CHINA JIANGXI CORPORATION FOR INTERNATIONAL ECONOMIC AND TECHNICAL COOPERATION (AUTHORIZED BY THE CHINESE GOVERNMENT) UNDER THE CHINA-AIDED STADIUM PROJECT IN CAPE COAST.

**REPORT OF THE FINANCE COMMITTEE ON THE REQUEST FOR WAIVER
OF IMPORT DUTY, IMPORT VAT, ECOWAS LEVY, EDAIF LEVY,
INSPECTION FEES, WITHHOLDING TAXES AND OTHER RELATED TAXES
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MATERIALS AND EQUIPMENT TO BE PROCURED LOCALLY OR
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AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF
GHANA AND CHINA JIANGXI CORPORATION FOR INTERNATIONAL
ECONOMIC AND TECHNICAL COOPERATION(AUTHORISED BY THE
CHINESE GOVERNMENT UNDER CHINA-AIDED STADIUM PROJECT IN
CAPE COST**

1.0 INTRODUCTION

The request for waiver of Import Duty, import VAT, ECOWAS levy, EDAIF levy, Inspection FEES, Withholding tax and other related taxes amounting to the cedi equivalent of Six Million, Twenty-Four Thousand, Eight Hundred and Twenty-three United States Dollars, Eight Cents (US\$6,024,823.08) on project materials and equipment to be procured locally or imported for use in the implementation of the Contract Agreement between the Government of the Republic of Ghana and China Jiangxi Corporation for International Economic and Technical Cooperation(authorised by the Chinese Government under China-Aided Stadium Project in Cape Coast was presented to Parliament on behalf of the Hon. Minister for Finance by the Hon. Deputy Minister for Finance, Mr. Cassiel Ato Baah Forson on Thursday 19th March, 2014. The Hon First Deputy Speaker referred the request to the

Finance Committee for consideration and report in accordance with Article 174(2) of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by Hon. Deputy Minister of Finance, Mr. Cassiel Ato Baah Forson and officials from the Ministry of Finance and Ghana Revenue Authority (GRA). The Committee is grateful to the Hon. Deputy Minister and officials for their assistance.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana; and

3.0 BACKGROUND

The Government of Ghana is desirous of implementing a policy of building modern and standard stadia in all the ten regional capitals of the country. Already four (4) Regions namely; Greater Accra, Ashanti, Western and Northern Regions have standard sports stadia which were either newly built or renovated and expanded to various capacities. The Six (6) other remaining Regions including the Central Region does not have any modern or standard sport stadia to enhance the development of sports in the country.

In pursuance of Governments policy to achieve the above, Government under the leadership of the Late President, His Excellency Prof. J.E.A. Mills during a State visit to the People's Republic of China, sought the Chinese Government's assistance to build a modern standard sports stadium at Cape Coast. This resulted in an Exchange of Notes and the Signing of Economic and Technical Cooperation Agreement between the two (2) Governments in August, 2011.

To show the determination of the Chinese Government to assist the Government of Ghana in achieving a policy objective of providing standard stadia in all ten regional capitals, the

contract for the design of the Cape Coast Sports Stadium was signed in March 2012, with China IPPR International Engineering Cooperation and was followed by a visit to China by a Ghanaian Technical Team to discuss the details of the Drawings and other Technical aspects of the Project.

In the furtherance of the above, the Ministry of Youth and Sports signed a Contract Agreement on December 13th, 2012 for the construction of the stadium with China Jiangxi Corporation for International Economic and Technical Co-operation, a Chinese Construction Company Operating in Ghana.

Funding of the project is partially through a Chinese Government grant of Thirty Million United States Dollars (US \$30m) for the construction of the superstructure of the stadium whilst the Government of Ghana is required to finance the ground preparatory works, *clearance of the imported construction materials from the port* and related purchases to the project site and the provision of security at the site.

The Government as of the 2013 fiscal year (cf. Ministry of Youth and Sports) has released an amount of over Six Million, Six Hundred and Ninety Thousand Ghana Cedis (**GHC 6,690,000.00**) for the ground preparatory works. This provision does not include the following which will come as an additional cost to government:

- i. The cost of clearing the imported construction materials from the port to the Project site and taxes on local purchases; and
- ii. The cost of provision of security at the Project site.

4.0 **PROJECT DESCRIPTION**

The Cape Coast Sports Stadium project is a 15,000-Seater capacity stadium and will have facilities for track and field events with (8) Runways. There will also be two football fields with natural turfs, two Basketball Courts, One Outdoor Handball Court, One Boxing Training field, One gym, an Athletes' Dormitory, LED Electronics Display , Audio System, a Reception among others.

5.0 OBSERVATIONS

Current Status of the Project

The Committee was informed that Phase I of the GoG's component of the project which includes acquisition of land, completion of demolition works, earthworks, construction of drainage system and access roads to the site and the connection of utilities to the site, are almost complete. However, Phase II which involves landscaping and provision of all related municipal facilities outside the red line of the project will be undertaken on completion of the superstructure of the stadium. Further, works on the superstructure of the stadium which commenced on 1st July, 2013 is far advanced.

Legal basis for the Waiver

The Committee was informed that the Government as well as the Contractor is required to fulfill all of its obligations under the signed Contract Agreement and under Clause 4.1.5 of the Contract Agreement (Exchange of Notes) between the Government of Ghana acting through the Ministry of Youth and Sports and the China Jiangxi Corporation for International Cooperation (the contractor, Chinese Party), the Government of Ghana is to provide exemption from payment of applicable Tariffs, VAT and other taxes and duties on all equipment and materials procured domestically or imported into the country for the purposes of the project. The import of this provision is that the Government of Ghana shall absorb the taxes and other fiscal levies on both imported and locally purchased equipment, materials and services for the execution of the Contract applicable in Ghana and the request is in fulfilment of GoG's obligations.

The tax assessed list of equipment, materials and other materials for the execution of the project for which the tax exemptions are being sought for as well as the verification letter by the Architectural and Development Services Ltd (AESL) were attached for the perusal of the Committee.

Assessment of Duties, Taxes and Levies to be exempted

The Committee noted that in pursuant of the above provision and requirement of article 174(2) of the Constitution and within the framework of Tariff 3AF.3 of the third Schedule

(Exemptions; Technical Assistance Scheme), the Customs Division and the Domestic Tax Revenue Division of Ghana Revenue Authority have respectively assessed the applicable taxes, duties and levies as pertains to both the domestic purchases and foreign purchases of materials and equipment for the project and granted interim approval pending parliamentary approval.

The computation is broken down as follows:

- i) VAT on Local Purchases - GH¢4,817,992.35
- ii) Custom Duties and related Charges on Import -USD \$4,701,380.60

The value of the VAT on the local purchases was derived by using the Customs Ex rates at US\$1 to GH¢3.64050 for the week ending 24/03/15 – 30/03/15

A copy of detailed assessment was attached for the consideration of the Committee.

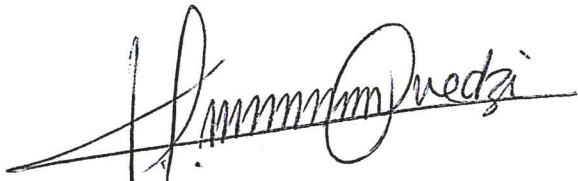
The Committee also noted that the assessment of the levies were based on the invoices submitted by the supplier/contractor. The Committee is therefore of the view that since the values for the assessment were based on the invoices submitted by the supplier, the Ministry of Finance should ensure that the final waiver would be reassessed and verified by the Destination Inspection Companies (DICs) upon arrival of the items in the country. Further, the Monitoring Unit of the Tax Policy Unit of the Ministry of Finance should conduct an audit of the items that would be imported or purchased locally to ensure that there is value for money and the items for which the exemption is being given are not diverted.

6.0 CONCLUSION

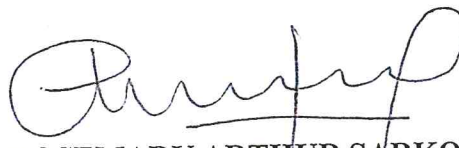
The Committee has carefully examined the referral and recommends to the House to adopt its report and approve by resolution, request for waiver of Import Duty, import VAT, ECOWAS levy, EDAIF levy, Inspection Fees, Withholding tax and other related taxes amounting to Four Million, Seven Hundred and One Thousand, Three

Hundred and Eighty United States Dollars, Sixty Cents (US\$4,701,380.60) and Four Million, Eight Hundred and Seventeen Thousand, Nine Hundred and Ninety-two Ghana Cedis, Thirty-five pesewas (GH¢4,817,992.35) on project materials and equipment to be procured locally or imported for use in the implementation of the Contract Agreement between the Government of the Republic of Ghana and China Jiangxi Corporation for International Economic and Technical Cooperation (authorised by the Chinese Government under China-Aided Stadium Project in Cape Coast in accordance with Article 174 of the 1992 constitution of the Republic of Ghana.

Respectfully Submitted.



HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)



ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)

March, 2015