

REPORT OF THE FINANCE COMMITTEE

ON THE

REQUEST FOR WAIVER OF IMPORT DUTIES, IMPORT VAT AND NHIL, ECOWAS LEVY, EDIF, INSPECTION FEES, WITHHOLDING TAX, CORPORATE AND INCOME TAXES OTHER RELATED TAXES AMOUNTING TO THE CEDI EQUIVALENT OF SEVEN MILLION, FIVE HUNDRED AND THIRTY-FOUR THOUSAND, SIX HUNDRED AND SEVENTY-NINE UNITED STATES DOLLARS (US\$7,534,679.00) FOR THE OFFSHORE COMPONENT AND THREE MILLION, FIVE HUNDRED AND SEVENTY-TWO THOUSAND, FIVE HUNDRED AND SIXTY-EIGHT GHANA CEDIS AND TWENTY PESEWAS (GH¢3,572,568.20) FOR THE ONSHORE/LOCAL COMPONENT RELATING TO PROJECT MATERIALS AND EQUIPMENT AS WELL AS SERVICES TO BE PROCURED DOMESTICALLY OR IMPORTED FOR USE IN THE IMPLEMENTATION OF THE AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA AND THE GOVERNMENT OF THE REPUBLIC OF KOREA ACTING THROUGH THE EXPORT-IMPORT BANK OF KOREA TO FINANCE THE IMPLEMENTATION OF THE WA WATER SUPPLY SYSTEM DEVELOPMENT PROJECT.

MARCH, 2016

REPORT OF THE FINANCE COMMITTEE ON THE REQUEST FOR WAIVER OF IMPORT DUTIES, IMPORT VAT AND NHIL, ECOWAS LEVY, EDIF, INSPECTION FEES, WITHHOLDING TAX, CORPORATE AND INCOME TAXES OTHER RELATED TAXES AMOUNTING TO THE CEDI EQUIVALENT OF SEVEN MILLION, FIVE HUNDRED AND THIRTY-FOUR THOUSAND, SIX HUNDRED AND SEVENTY-NINE UNITED STATES DOLLARS (US\$7,534,679.00) FOR THE OFFSHORE COMPONENT AND THREE MILLION, FIVE HUNDRED AND SEVENTY-TWO THOUSAND, FIVE HUNDRED AND SIXTY-EIGHT GHANA CEDIS AND TWENTY PESEWAS (GH¢3,572,568.20) FOR THE ONSHORE/LOCAL COMPONENT RELATING TO PROJECT MATERIALS AND EQUIPMENT AS WELL AS SERVICES TO BE PROCURED DOMESTICALLY OR IMPORTED FOR USE IN THE IMPLEMENTATION OF THE AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA AND THE GOVERNMENT OF THE REPUBLIC OF KOREA ACTING THROUGH THE EXPORT-IMPORT BANK OF KOREA TO FINANCE THE IMPLEMENTATION OF THE WA WATER SUPPLY SYSTEM DEVELOPMENT PROJECT.

1.0 INTRODUCTION

The request for waiver of Import Duties, Import VAT and NHIL, ECOWAS Levy, EDIF, Inspection Fees, Withholding Tax, Corporate and Income Taxes Other Related Taxes amounting to the Cedi Equivalent of Seven Million, Five Hundred and Thirty-four Thousand, Six Hundred and Seventy-nine United States Dollars (US\$7,534,679.00) for the Offshore component and Three Million, Five Hundred and Seventy-two Thousand, Five Hundred and Sixty-eight Ghana Cedis and Twenty pesewas (GH¢3,572,568.20) for the

Onshore/Local component relating to project materials and equipment as well as services to be procured domestically or imported for use in the implementation of the Agreement between the Government of the Republic of Ghana and the Government of the Republic of Korea acting through the Export-Import bank of Korea to finance the implementation of the Wa Water Supply System Development Project was presented to Parliament by the Hon. Deputy Minister for Finance Mr. Cassiel Ato Baah Forson on Thursday 17th March, 2016 in accordance with Article 174(2) of the 1992 Constitution. The Hon. Second Deputy Speaker referred the request to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by Hon. Deputy Ministers for Finance and Water Resources, Works and Housing, Messrs. Cassiel Ato Baah Forson and Sampson Ahi and other officials from the Ministries of Finance and Water Resources, Works and Housing and the Ghana Revenue Authority (GRA).

The Committee is grateful to the Hon. Deputy Ministers and officials from the two Ministries and GRA 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
- The Loan Agreement between the Government of the Republic of Ghana and the Export-Import Bank of Korea (Government Agency for the EDCF)

3.0 BACKGROUND

The Government of the Republic of Ghana has obtained funding from Korean Exim Bank to fund the Wa Water Supply Expansion Project to increase the capacity of supply by 15,000m³/day to improve the water supply within the Upper West Region. The current output is 1350m³/day. Under the World Bank Urban Water Project about 2650m³/day will also be added bringing the daily supply to 19000m³/day.

The Project is aimed at increasing the production and reliability of the water system by providing an alternative source of water by drawing water from the Black Volta and treating it for distribution.

Currently, Wa experiences perennial water shortages as a result of the reliance on underground water which is dwindling. Drawing water from the Black Volta will ensure a regular supply of water to Wa and its environs.

The project upon will serve a total population of 158,000 in the following communities: Wa Municipal Assembly, University of Development Studies Campus, Jambusi, Kong, Guo, Paze, Dorimon, Boro, Sirigili, Chira, Sombo

4.0 CURRENT STATE OF THE PROJECT

With the facilitation of the Ghana Water Company and the Ministry of Water Resources, Works and Housing and the Ghana Revenue Authority, critical project equipment and items have been cleared at the Port without the contractor suffering full tax except some port levies. The items were consigned to the GWCL for easy clearance. It is noted that the project is currently about eighty percent complete with the completion date rescheduled to mid-2016

5.0 APPROVAL OF THE LOAN AGREEMENT

Honorable Member may recall that Parliament at its seventh (7th) Sitting of the Third (3rd) Meeting held on 31st October 2012, approved by resolution the Loan Agreement covering an amount of \$55,500,000.00 between the Government of Ghana and Korean Exim Bank.

6.0 OBSERVATIONS

Tax assessment by the Ghana Revenue Authority

The Committee noted that based on estimates provided by the Ministry of Water Resources Works and Housing through the Ministry of Finance, the GRA has assessed and given interim waiver awaiting Parliamentary approval. The tax liability which comprises both the onshore and offshore components together form about 15% of the loan amount in line with projects of similar nature. Summary of the various components of the tax exemption is as follows:

➤ Materials and equipment, spare parts	-	US\$7,534,679.00
➤ Corporate and Personal Income Taxes	-	GH¢1,819,112.00
➤ VAT/NHIL	-	GH¢1,753,456.20

Legal Basis for the Waiver

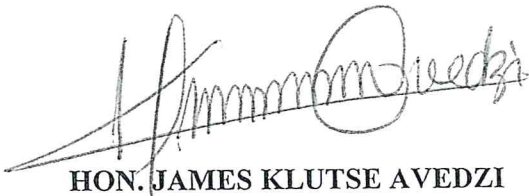
The Committee noted that the request is in line with Sub-Clause 14.1 of the Particular Conditions of the Contract Agreement signed between Ghana Water Company and Kolon-Pyunghwa, which states that all taxes, duties and levies including corporate and expatriate income tax imposed on the goods and services in the Republic of Ghana provided by the Contractor under the EDCF Loan for the execution of the Contract shall be either made exempt or borne by the Employer.

7.0 CONCLUSION AND RECOMMENDATION

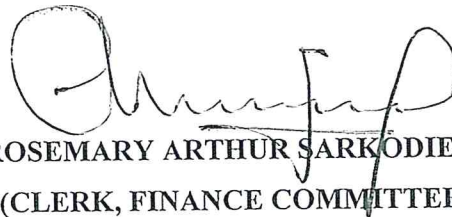
The Committee after considerable deliberations on the referral recommends to the House to adopt its report and approve by resolution, the request for waiver of Import Duties, Import VAT and NHIL, ECOWAS Levy, EDIF, Inspection Fees, Withholding Tax, Corporate and Income Taxes Other Related Taxes amounting to the Cedi Equivalent of Seven Million, Five Hundred and Thirty-four Thousand, Six Hundred and Seventy-nine ~~United States Dollars (US\$7,534,679.00) for the Offshore component and Three Million,~~ Five Hundred and Seventy-two Thousand, Five Hundred and Sixty-eight Ghana Cedis and Twenty pesewas (GH¢3,572,568.20) for the Onshore/Local component relating to project

materials and equipment as well as services to be procured domestically or imported for use in the implementation of the Agreement between the Government of the Republic of Ghana and the Government of the Republic of Korea acting through the Export-Import Bank of Korea to finance the implementation of the Wa Water Supply System Development Project in accordance with Article 174(2) of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.



HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)



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

March, 2016
