

**IN THE FIRST SESSION OF THE SEVENTH PARLIAMENT  
OF THE FOURTH REPUBLIC OF GHANA**



**REPORT OF THE  
FINANCE COMMITTEE**

**ON THE**

**REQUEST FOR WAIVER OF IMPORT  
DUTIES, IMPORT VAT, EXIM LEVY,  
ECOWAS LEVY AND OTHER APPROVED  
IMPOSTS INCLUDING VAT, AMOUNTING  
TO THE GHANA CEDI EQUIVALENT OF  
US\$92,406,226.88 ON THE DIRECT EPC  
COST IN RESPECT OF THE 400MW  
COMBINED CYCLE GAS TURBINE  
POWER PLANT IN TEMA BY EARLY  
POWER LIMITED**

**6<sup>TH</sup> OCTOBER, 2017**

PARLIAMENT OF GHANA LIBRARY  
PARLIAMENT HOUSE  
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Cooperatie, U.A., Sage Petroleum Limited., GE Ghana Energy Investments I.B.V., Quantum Gas Terminal Limited and Early Power Limited in respect of the 400 MW Combined Cycle Gas Turbine Power Plant in Tema by Early Power Limited (EPL).

Subsequently, Early Power Limited (EPL) and the Electricity Company of Ghana (ECG) executed a Power Purchase Agreement (PPA) on 14<sup>th</sup> September, 2016 under which EPL agreed to supply ECG with up to 400MW of electrical power and energy and cooperate on other aspects of the project.

Further to the Put/Call Option Agreement approved by Parliament, Cabinet at its Thirteenth Meeting held on Thursday 3<sup>rd</sup> August 2017 granted approval for the *Request for Waiver* of specified taxes associated with the project to be laid in Parliament for consideration and approval in accordance with Article 174(2) of the 1992 Constitution of the Republic of Ghana.

#### **4.0 OBSERVATIONS**

##### **4.1 Government's Energy Policy**

The Committee observed that the Project is in line with Government's objective of increasing total installed generating capacity and increasing private investment in power generation as well as increasing thermal generation in the energy mix.

It was noted that the implementation of the 400MW Bridge Power Project by the special purpose entity (EPL) would help the



country to meet the demand for electricity whilst further reducing the dependency on hydropower.

#### **4.2 Lower Operating Cost**

The Committee was informed that the 400MW Combined Cycle Gas Turbine (CCGT) plant would come with relatively lower operating costs which will ultimately benefit the Ghanaian consumer in the form of a relatively lower tariff.

#### **4.3 Location Advantage**

The Committee noted that the site for the plant is in close proximity to the Tema Oil Refinery (TOR) and other public and privately owned generation facilities, thus facilitating interconnection and power evacuation with the benefit of an existing LPG import and power evacuation infrastructure.

#### **4.4 Phased Development**

Officials of the Ministry of Finance informed the Committee that the Project would be developed in two stages as follows:

- Stage 1: development of a 200 MW LPG-fired CCGT plant including associated LPG fuel storage and transportation infrastructure with CCGT heat rate of 7,852 LVH btu/kwh
- Stage 2: development of a 200 MW LPG/gas-fired CCGT plant and additional LPG storage infrastructure, with CCGT heat rate of 7,139 LVH btu/kwh.

Presently, the sponsors of the project, EPL are developing Stage 1 of the project under a singular EPC Contract.



#### **4.5 Project Capacity**

Honourable Members noted with concern the inconsistency in documentation regarding the project in which the capacity of the plant is stipulated in one breadth as 400MW and in another breadth as 406 MW.

It was explained to the Committee that even though such plants have a margin of error of *plus* or *minus* a few mega watts, the official capacity of the Plant as approved by Parliament is 400 MW.

#### **4.6 Project Equipment**

The Committee expressed concern about the inability of the state to track and trace many of the equipment and materials that come into the country under tax exemption/waivers after the relevant projects are completed. The Committee implored the Ministry of Finance and the Ghana Revenue Authority to put measures in place to track the equipment and vehicles that would be imported under the present waiver so that when the project comes to an end, the state would be the residual beneficiary of such equipment and vehicles.

#### **4.7 Impact of Exemptions/Waivers**

Some Members expressed concern about the numerous tax waivers that the state has granted and wondered whether they have made the country better off or worse off.

To this, the Deputy Minister for Finance, Hon. Kwaku Kwarteng explained that with the support of the DFID, Government was auditing the various exemptions and waivers granted in the system to help establish the true cost/benefit of these exemptions. He said a consultant was in the process of being procured to help with the audit.

#### **4.8 Assessment of the Taxes**

*Please find attached as APPENDIX 1 and 2 the taxes and duties requested to be waived as assessed by the Ghana Revenue Authority.*

#### **5.0 CONCLUSION**

The Committee has thoroughly considered the Request and finds that it is in consonance with the Put/Call Option Agreement approved by Parliament for the establishment of the 400 MW Combined Cycle Gas Turbine Power Plant in Tema by Early Power Limited.

Given the necessity of the tax waiver for the smooth implementation of the Project, the Committee **recommends** to the House to adopt this Report and approve by Resolution, the **Request for waiver of Import Duties, Import VAT, EXIM Levy, ECOWAS Levy and other approved imposts including VAT, amounting to the Ghana Cedi equivalent of Ninety-Two Million, Four Hundred and Six Thousand, Two Hundred And Twenty-Six United States Dollars and**

**Eighty-Eight Cents (US\$92,406,226.88) on the direct EPC cost in respect of the 400MW Combined Cycle Gas Turbine Power Plant in Tema by Early Power Limited** in accordance with Article 174(2) of the 1992 Constitution and the Standing Orders of the House.

Respectfully Submitted.

PARLIAMENT OF GHANA LIBRARY  
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HON. DR. MARK ASSIBEY-YEBOAH  
(CHAIRMAN, FINANCE COMMITTEE)

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



# APPENDIX 1

**406 MW  
Tax Exemption Review for EPL  
EPL**

S/No.	TYPE OF TAX	TPU Review	COMMENTS
1	<b>Import Taxes: Machinery</b> Import Duties Import VAT	71,056,227	The downward revision is on account of disallowing processing fees/ WHT and third party charges and consumable estimated to be around 28%. The revision is also informed by some operational items subject to re-exportation. TPU shall advise EPL that the payment of import duties on parts could be taken as expense for tax purpose or capitalised for allowance. Exemptions mainly applies during establishment phase
2	<b>Withholding Tax (WHT)</b> EPC Cost Financing/Interest Charges Dividend Capital Return Insurance premium Payment to Engineers	As per Tax Law	This is basically income taxes which is disallowed for purposes of exemptions and compliance. entities may apply to CG for direct exemption as per the tax law. The EPC cost however is captured under the VAT exemptions but not for WHT
3	<b>Stamp Duty</b> Security Documents Land Registrations	disallowed	Stamp duty is on account of the beneficiary which ensures the enforceability and validity of the documents per Act 689. VAT exemptions granted on direct project procurement for purposes of tax exclusive tariff approval by PURC and the PCOA approval by Parliament
4	VAT	21,350,000	
		<b>92,406,226.88</b>	

APPENDIX 2

Description of Items (Non Core)	Qty	CFI (\$)	I/D Rate	Imp Duty	Imp VAT	Imp't NHIL	ECO Levy	EXIM	SIL	Revised	Total USD (As Assessed)
instruments	1 lot	4028000	10%	402,800.00	664620	110770	20140	30210	0	1,228,540.00	1,309,100.00
parts	1 lot	4900000	5%	245,000.00	771750	128625	24500	36750	0	1,206,625.00	1,304,625.00
Building Finishing Mat(undefine)	1 lot	1000000	20%	200,000.00	180000	30000	5000	7500	20000	442,500.00	462,500.00
Erection consumables	1 lot	3872000	20%	774,400.00	696960	116160	19360	29040	77440	1,713,360.00	1,790,800.00
steam parts	1 lot	20,000,000	5%	1,000,000.00	3150000	525000	100000	150000	0	4,925,000.00	1,650,000.00
Spare parts	1 lot	20,000,000	5%	1,000,000.00	3150000	525000	100000	150000	0	4,925,000.00	1,650,000.00
serviced parts (Consumables)	1 lot	20,000,000	5%	1,000,000.00	3150000	525000	100000	150000	0	4,925,000.00	1,650,000.00
batteries'	1 lot	3000000	20%	60,000.00	54000	9000	1500	2250		126,750.00	132,750.00
m electrical mat (Auxillaries)	1 lot	150,000	10%	15,000.00	24750	4125	750	1125		45,750.00	48,750.00
Erection consumables	1 lot	3872000	20%	774,400.00	696960	116160	19360	29040		1,635,920.00	1,790,800.00
auxillaries	1 lot	7,500,000	5%	375,000.00	1181250	196875	37500	56250		1,846,875.00	286,250.00
equipment	1 lot	150000	5%	7,500.00	23625	3937.5	750	1125		36,937.50	12,375.00
crane	1 lot	300000	5%	15,000.00	47250	7875	1500	2250		73,875.00	24,750.00
others	1 lot	436000	10%	43,600.00	71940	11990	2180	3270	0	132,980.00	141,700.00
batteries'	1 lot	300,000	20%	60,000.00	54000	9000	1500	2250	0	126,750.00	132,750.00
LPG consumables	1 lot	3494000	20%	698,800.00	628920	104820	17470	26205	69880	1,546,095.00	1,615,975.00
lifting equipment (Aux)'	1 lot	150000	5%	7,500.00	23625	3937.5	750	1125		36,937.50	12,375.00
crane 2	1 lot	300,000	5%	1,500,000.00	270000	45000	1500	2250	0	1,818,750.00	24,750.00
Inspection & Processing Fees											6,569,462.00
Withholding Taxes		Note:									27,179,174
The Withholding Tax is on Account so Revised from Main Assessment											
Processing Fees Are charges which are Disallowed											
Processing Fees are Not Applied Where Import Duty Exacts											
The Items Excluded Includes Consumables and Items Admission under Temporary Importation											
The exclusions revises the gross estimates by about 28% downwards											
										Approx 72% of Gross	71,510,030.00
											71,056,226.88

