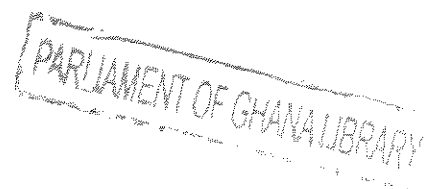


**IN THE FIRST SESSION OF THE SEVENTH PARLIAMENT
OF THE FOURTH REPUBLIC OF GHANA**

**REPORT OF THE
FINANCE COMMITTEE**



ON THE

**REQUEST FOR WAIVER OF IMPORT DUTIES, IMPORT VAT,
ECOWAS LEVY, AND OTHER APPROVED IMPOSTS
INCLUDING EXIM LEVY, SPECIAL IMPORT LEVY AND
INSPECTION FEES AS ASSESSED AMOUNTING TO THE
GHANA CEDI EQUIVALENT OF SIX MILLION, SIXTY-EIGHT
THOUSAND, NINE HUNDRED AND THIRTY-THREE EUROS
(\$6,068,933.00) ON IMPORTED CONSTRUCTION MATERIALS
AND EQUIPMENT IN RESPECT OF THE UPGRADE AND
MAJOR REHABILITATION OF THE TAMALE TEACHING
HOSPITAL – PHASE II BY VAMED ENGINEERING
INTERNATIONAL BV**

8TH NOVEMBER, 2017

Acc No T70

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1.0 INTRODUCTION

The Request for waiver of Import Duties, Import VAT, ECOWAS Levy, and other approved imposts including EXIM Levy, Special Import Levy and Inspection Fees as assessed amounting to the Ghana Cedi equivalent of Six Million, Sixty-Eight Thousand, Nine Hundred and Thirty-Three Euros (\$6,068,933.00) on imported construction materials and equipment in respect of the upgrade and major rehabilitation of the Tamale Teaching Hospital – Phase II by VAMED Engineering International BV was laid in the House on the 10th October, 2017 in accordance with Article 174(2) of the Constitution, and referred to the Finance Committee for consideration and report pursuant to the Standing Orders of the House.

The Committee met with the Deputy Minister for Finance Hon. Kwaku Kwarteng and a technical team from the Ministry of Finance and Ministry of Health to consider the Request.

2.0 BACKGROUND

Teaching hospitals are required to be the centers of excellence and centers of complex care in the hierarchy of health care in the country. Its core function is to provide health care, medical research and training of health workers at pre-service, post graduate and post-basic and in-service levels.

Teaching hospitals also offer referral and specialized care to primary and secondary curative care services at all levels within its catchment area.

Health service delivery constitutes the mainstream function of the Teaching Hospital and it spans the delivery of primary and secondary curative care services through the general out-patient department and polyclinic structure and system.

The mandate of teaching hospitals to offer major clinical training and research work adds another dimension to its nature of requirement in terms of space which would justify such other adjunct facilities such as demonstration rooms, mini labs for side ward procedures, day rooms for patients and teaching space around patient beds in order to secure ease of movement and for effective teaching while not compromising on comfort

It is due to these important role that teaching hospitals play that Government has been committed to support sufficiently all teaching

hospitals in the country to offer referral and specialized care to primary and secondary health services at all levels.

The Tamale Teaching Hospital is one of the teaching hospitals in the country. It is also strategically placed and serves over half of the land mass of Ghana and four of the ten regions. The hospital also serves as the only referral center for tertiary health care in the northern sector and also is a major recipient of patients on the Trans-ECOWAS trade route.

Unfortunately the hospital is in a deplorable condition and unable to fulfil its core function. If the hospital is to play its vital role given its location, then there would be the need for a major rehabilitation of the hospital.

It is in line with government's policy that the Government sought and Parliament approved a number of Loan Agreements to finance the upgrade and major rehabilitation of the Tamale Teaching Hospital.

To this end, the project was broken down into two phases. In the first phase, the existing hospital was rehabilitated and reconstructed into a fully functioning 400-bed tertiary hospital with teaching facilities. It also included facilities for a psychiatric unit and an obstetric unit. Phase one has been completed.

Phase two is expected to increase the capacity of the hospital with an additional 400 beds. In order to implement Phase two, Parliament approved the Loan Agreement for €47, 977, 325 between the Republic of Ghana and ABN AMRO Bank NV of the Netherlands in 2012.

As part of the conditions precedent the loan, the project is to be waived of import duty, import VAT, ECOWAS levy and other approved imposts including EXIM levy, Special Import Levy and inspection fees.

The project is currently underway. However, in order not to stall the project and avoid possible delays, there is the need to request Parliament for a tax waiver for the project. It is this request that is currently before the House for approval.

2.1 Request

The Request is for a tax waiver amounting to Six Million, Sixty-Eight Thousand, Nine Hundred and Thirty-three Euros (€6,068,933.00) for the importation of construction materials and equipment for the project.

2.2 Duration of the Project

The project is to be implemented over a period of two years.

3.0 OBSERVATIONS

3.1 Scope of the Project

The technical team informed the Committee that the scope of the project entails the following:

- Construction of New 4-storey Accident and Emergency Building
- Four-Storey New Building including faculty offices
- Four-Storey Building including 155 bed Obstetrics and Gynaecology
- Four-Storey Building including 200 bed Children Ward and play room
- New Mortuary building for 50 bodies with Pathologists offices
- Bulk storage
- Medical equipment
- Demolishing of current mortuary and existing power station building
- Project management/ supervision cost
- Consultancy fees for supervision
- Staff housing of a mixture of 3 bedrooms and 2 bedrooms

3.2 Benefits of the project

Responding to the benefits of the project, the technical team indicated that the project when completed would ensure quality health care for the growing population in the northern sector of the country. It would also provide new clinical services, specialties that are required to serve the growing health needs of the population.

The northern sector also records unacceptable high infant mortality rates. There is therefore to expand pediatric services in the sector. These services would be expanded by the Tamale Teaching Hospital when the project is complete to address the challenges.

Further, the intake into the University for Development Studies School of Medicine and Health sciences currently stands at 50 students per year. This intake requires a teaching hospital with a minimum of 650 bed

capacity as required by the Medical and Dental Council, the Professional Accreditation Body. The project, when completed would enable the UDS School of Medicine and Health Sciences meet the minimum standard required for the institution to train doctors.

The technical team also indicated that the location of the hospital is a strategic to take advantage of being a hub for medical tourism in the sub-region with road access to neighboring countries of Burkina faso, Togo, Cote D'Ivoire, Mali, Niger and Nigeria.

3.3 Status of the project

In a response to the current status of the project, the Committee was informed that the project is 50% complete. The technical team acknowledged that the project was however behind schedule but explained that the delay was due to the tax exemption issues.

3.4 Temporal Permits for clearing goods

The Deputy Minister noted that in order to ensure the project is not overly delayed as a result of delays in obtaining tax waivers from Parliament, the Ministry of Finance issued temporal permits to enable the clearance of some items of on-going projects.

The Committee was informed that the Tamale Teaching Hospital project benefited from these temporal permits to mitigate the delays in obtaining tax waivers from Parliament. So far, total temporal permits of Gh¢9,832,340.31 was issued to temporarily waive import duty to enable the contractor clear some equipment for the project.

This temporal exemption has been included as part of the request currently before Parliament for approval.

3.5 Tax exemptions in Agreements

The Committee enquired what Government was doing to address issues relating to tax exemption.

The Deputy Minister indicated that Government has already entered into a number of loan agreements with tax exemption provisions. These agreements have to be complied with. Going forward, Government intends to now negotiate as much as possible new agreements with minimal tax exemption clauses. The Ministry is also reviewing the tax exemption process.

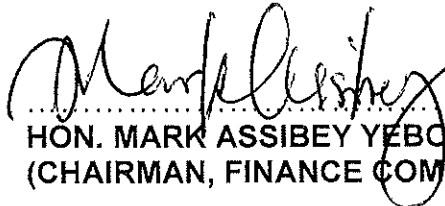
Attached is the assessment of the tax request.

4.0 CONCLUSION

Considering the benefits the health sector stands to gain from undertaking this project and the immense socio-economic benefits to be derived from the project the Committee is of the view that the request is in the right direction.

The Committee therefore recommends to the House the adoption of its report and approve the Request for waiver of Import Duties, Import VAT, ECOWAS Levy, and other approved imposts including EXIM Levy, Special Import Levy and Inspection Fees as assessed amounting to the Ghana Cedi equivalent of Six Million, Sixty-Eight Thousand, Nine Hundred and Thirty-Three Euros (\$6,068,933.00) on imported construction materials and equipment in respect of the upgrade and major rehabilitation of the Tamale Teaching Hospital – Phase II by VAMED Engineering International BV in accordance with Article 174(2) of the Constitution.

Respectfully submitted.


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HON. MARK ASSIBEY YEBOAH (DR)
(CHAIRMAN, FINANCE COMMITTEE)


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

S/No.	TYPE OF TAX	GRA Estimate	Possible Outlook EUR	COMMENTS
1	Import Taxes (Sub items)			The exemptions basically relates to import taxes on core project materials
	Medical Equipment	1,716,857.00		
	Steel Works	2,383,743.00		
	Electrical Mat	1,952,212.00		
	Replacement Parts	16,121.00		
		6,068,933.00		
	% on CIF			
2	Import Duty	5-20%		
	Import VAT	15.0%		
	ECOWAS Levy	0.5%		
	EXIM levy	0.75%		
	NHIL	2.50%		
	CCVR/Ins Fees	1%		
3	Estimated Total		6,068,933	
				WHT applies where the importer has no TIN. Importer is expected to register and file taxes with GRA accordingly as part of compliance. Processing fees mostly applies to capital equipment where import duty is exempt. Not all the equipment falls under such classes and there attract nil fee

SUMMARY OF THE REQUEST FOR TAX WAIVER

ITEM	Import Duty	Import VAT	Import NHIL	Ecowas Levy	EDAIF	Insp Fee	Proc Fee	W/Tax	S.I.L.	TOTAL
Electricals	685,775	899,911	149,985	26,918	26,918	53,836	1,198	53,836	53,836	1,952,212
Steel Works	862,532	980,825	163,471	36,577	36,577	73,153	18,790	138,666	73,153	2,383,743
Medical Equipment	580,895	665,554	110,926	34,294	34,294	68,588	16,540	68,588	137,177	1,716,857
Replacment Parts	4,705	7,764	1,294	236	236	472	-	472	943	16,121
Total Liability	2,133,907	2,554,054	425,676	98024	98,024	196,049	36,528	261,562	265,109	6,068,933