

MEMORANDUM TO PARLIAMENT

**CONTRACT AGREEMENT BETWEEN
MINISTRY OF FINANCE
AND
AUTHENTIX, USA
FOR THE PROCUREMENT OF TAX STAMP SYSTEM**

**SETH TERKPER
MINISTER OF FINANCE**

MARCH, 2014

ACC NO : 3789
Class No : PM/AUTH/14

1. PARLIAMENT DECISION REQUIRED

Honourable members are respectfully invited to consider and ratify the contract agreement between the Ministry of Finance and Authentix, USA for the procurement of tax stamps system.

2. BACKGROUND INFORMATION

Recent developments regarding the loss of revenue through illicit trade have necessitated the introduction of measures to improve current inspection, verification and monitoring procedures as part of efforts to increase revenue collection and address other challenges. Illegal operators smuggle tobacco, textile and other excisable product as well as indulge in the sale of counterfeitable product. The use of tax stamps and banderols on such selected excisable products has been identified as an effective means of addressing these challenges.

The system will provide solution through the use of the tax stamp with detection gadget and database administration system for monitoring, tracking and reconciliation. This system technology provides overt, covert and forensic secure identification features that are incorporated into the tax stamp to be applied on selected products at the point of manufacture and importation into the commerce of the Republic of Ghana. The design of the Tax stamp shall be such as to distinguish between locally manufactured and imported products and the various product categories. It is envisaged that this system will create strong stakeholder relationships between manufacturers, importers and the revenue authority. It may further promote confidence and public health through the recognition and consumption of legitimate products.

The technology will interface with existing management systems of the Ghana Revenue Authority and will further enhance and complement existing risk assessments to promote effective intelligence led audits and inspections associated with revenue collection.

Parliament in December 2013 passed the Excise Tax Stamp 2013 Act, (Act 873), to give the legal backing to this policy. The Ministry of Finance has entered into a contract agreement with Authentix, USA for the procurement of the tax stamp system.

3. IMPLEMENTATION PLAN

The Excise Tax Stamp program will be implemented taking into consideration the system expertise, industry knowledge and governmental insights to develop an

effective and efficiently robust state-of-the-art system. Following the ratification of the contract, the subsequent schedule of activities will be delivered:

- I. Installation of the System Web based portal
- II. Operational and production testing
- III. Installation of the appropriate stamp affixing machinery where necessary on production lines of manufacturers
- IV. Testing, validation and acceptance of machinery and system
- V. Training of officers in the use of monitoring and detection devices

The supplier of the fiscal tax stamp will be expected to have adequate stock levels of stamps at all times and provide Customer Support and Maintenance throughout the duration of the project.

4. FINANCIAL IMPACT

The introduction of the tax stamp system is envisaged to help increase tax revenue by at least 10% above current levels for each of the categories of products affected. Government does not intend to introduce any new levies and taxes or pre-finance the project

The cost of the entire system, its maintenance and continued operation shall be borne out of the expected increased revenue above current levels of the specified products, taking into consideration the growth rate in GDP, inflation and other verifiable objective economic factors.

The cost of the stamps is not expected to have any significant impact on prices. The cost of the machinery to be used for affixing the tax stamps for very high speed production plants may be significant enough to merit some form of concession. It is proposed to allow the set off of the verified and approved cost as a deductible cost before tax in two years.

The pricing milestones for the duration of the 5 year programme is summarised as below.

Milestone	Year	Description	Amount	\$USD
	1	Advance Payment	0% of the Annual Price	0
1	1	Delivery	25% of the Annual Price	\$ 2,947,500
2	1	Installation	35% of the Annual Price	\$ 4,126,500
3	1	Final Acceptance	40% of the Annual Price	\$ 4,716,000
n/a	2-5	Monthly payment	1/12 th of the Annual Price	\$ 982,500

The Annual price for the system is USD11, 790,000.00

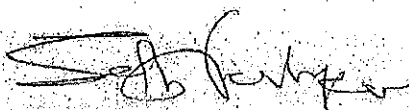
5. CABINET APPROVAL

Cabinet at its Seventeenth meeting held on Thursday, 13th March, 2014, approved the contract agreement between the Ministry of Finance and Authentix, USA, for the procurement of the tax stamp system. Please find attached copy of the Cabinet approval letter.

6. RECOMMENDATION

On the basis of the above, Honourable members are respectfully requested to consider and ratify the contract agreement between the Ministry of Finance and Authentix, USA for the procurement of a tax stamp system.

Respectfully submitted



HON. SETH TERKPER
MINISTER OF FINANCE

Date: 17th March 2014