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**Options for Duty Savings on Imports of Raw Materials into Ghana**

Duties on imported products in Ghana are very high (generally 20-25%). For this reason, it is important to look at ways of paying less duty on imported raw materials to be used in manufacturing products in Ghana to be exported. There are three major ways to accomplish this:

1. Drawback
2. Ghana Free Trade Zone
3. Concessions
4. **Drawback**

Drawback is the refund of part or all of the duties paid on imported goods when those goods are exported or used in a prescribed manner. Drawback may be paid for goods exported in the same condition as they were imported or for goods used to manufacture articles which are then exported. In certain circumstances, drawback may also be paid on goods that have been lost or abandoned. Ghana law provides for drawback in sections 40-42 of the Customs Management Act 1993 and in section 106 of the Customs Act 2015 (Act 891). The Customs Regulations 1976 (L.I. 1060) also address drawback.[[1]](#footnote-1)

Goods are deemed exported when they are:

1. Placed in a free zone or duty free shop;
2. Exported;
3. Designated as stores;
4. Used for equipment, repair or construction of a ship or aircraft; or
5. Used for any other purpose that the Commissioner-General may determine.

To claim a duty drawback, a claimant is required to provide documentary proof endorsed by the Customs division of GRA as evidence of re-export.[[2]](#footnote-2) The documents required include certified copies of the import documents; import duty payment receipts, drawback debenture form (Form C3) (copy attached); container and sealed number; export documents and statement of composition form (Form C2A) (copy attached) if it is a material drawback. Additionally, claimants must attach their copy of the Import Bills of Entry and Bill of Lading or Airway bill. At most five working days are required to process claims for refunds following which Government has to pay the duty drawback to exporters through an escrow account established with the Bank of Ghana for the purpose. Operationally, refunds are administered via a check drawn on the CEPS Refund Reserve Account (Escrow Account controlled by Bank of Ghana) with the following signatories: Commissioner General of Ghana Revenue Authority (GRA) or representative, Minister of Finance or representative and Executive Secretary or representative of GRA. Exporters have a twelve-month time frame beginning from the date of the first export within which the duty drawback can be claimed. The Commissioner-General is required by law to pay a drawback claim within twelve months after verifying the claim.

There have been numerous complaints from the private sector that there are unreasonable delays in the payment of drawback claims. There has been a separate fund for refunds since July 2016, but it has not always been adequately funded. There are reports that this situation has changed and that refunds are now being made much faster. In addition, CEPS is working on trying to make the process electronic. Because the electronic system is not yet operational, CEPS insists on hard copies of all documents, putting an additional burden on claimants. Ceps complains that claimants do not know how to properly fill out the documents and do not keep proper records.

Additional training for traders definitely appears to be needed. It should be possible to walk through the process of applying for drawback for a potential claimant and then following up to see what happens – how quickly the claim is paid, etc.

1. **Ghana Free Trade Zone**

The Free Zone Act, 1995 (Act 504) establishes free zones in Ghana for promotion of economic development. The Act sets up a Free Zone Board. Subject to any other laws, the President may set up any area of land or building as a free zone and any airport, river port, seaport, or lake port as a free port. No one may develop or manage a free zone unless it is a body corporate registered under the Companies Code 1963 (Act 179) or the Private Partnership Act 1962 (Act 152) and it has a license to develop or manage the free zone or to carry on a trade, business or industry within the free zone. A free zone must meet the requirements of the law with respect to buildings, the provision of utilities, fencing or any other necessary infrastructure and the cost of CEPS on-site services. A person may propose properties already owned for operation of a free zone. The Free Zone Regulations, 1996, address the requirements for developing a free zone, operating an enterprise in a free zone and customs operations in a free zone.

The laws in force in Ghana with respect to importing and exporting of goods and services (other than consumer goods) will not apply to goods brought into the free zone from outside Ghana or to goods exported out of the free zone to a country outside Ghana. Imports into the free zone are exempt from taxes and duties. The Minister for Trade and Industry may authorize the sale of goods from a free zone up to 30 percent of the annual production. Such goods will be treated as imports into Ghana and are subject to all laws related to imports. The sale of goods and services by a domestic enterprise to the free zone will be considered exports from Ghana.

Operating in the free zone provides for several benefits, including:

1. No import or export duty;
2. Exemption from payment of income tax for 10 years;
3. An income tax rate after the initial ten-year period not to exceed 15%[[3]](#footnote-3);
4. Exemption from payment of taxes on dividends arising from free zone investments;
5. Foreign investor or domestic investor may hold up to 100% of the shares;
6. Foreign and domestic investors have equal status in the free zone;
7. No import license required;
8. Minimal customs formalities;
9. No restrictions on repatriation of dividends or profit;
10. Guaranteed against nationalization and expropriation;
11. Expedited work permits; and
12. Guarantee of wages not below minimum wage in Ghana.

Applying for a license to develop a free zone requires the submission of an application, accompanied by copies of the Certificate of incorporation, the Company Regulations, the partnership agreement (where applicable) and any other document required by the Board. A license will be issued within 28 working days from submission of a proper application. The developer must commence operations within 6 months of receipt of the license.

Applying for a license to operate an enterprise in a free zone requires submission of Form 4 (copy attached), .accompanied by copies of the Certificate of Incorporation, the Company Regulations, the partnership agreement (where applicable), Tax Clearance Certificate (where applicable) evidence of lease of real property or intention to acquire property and any other document required by the Board. Upon approval, a license to carry on specific activities will be issued. The enterprise must commence operations within 6 months. The enterprise must comply with all requirements regarding health, safety, erection of structures and environmental laws.

The current costs for developers and users of free zones are as follows:

1. Initial costs –

Developer

Manufacturing

Service

Commercial

1. Annual renewal costs-

Developer

Manufacturing

Service

Commercial

The procedures for operation of a free zone, including importing into the zone, exemption from VAT on local purchases, sale into the domestic market, exemption from tax on utilities, vehicle exemptions, exemption from VAT on services, exemption from duties/taxes on transactions between free zone enterprises and work permits are contained in the document entitled “Standard Operating Procedure for Tax/Duty Exemptions (copy attached).[[4]](#footnote-4) Exporters using the Ghana Free Zone report few problems.

1. **Concessions**

The Commissioner-General’s Order No. 2013/001 of 8th January, 2013 provides for revised requirements for registration of manufacturers. Implementation of this order is contained in Customs Form 187 (copy attached). The requirements for registering for a manufacturer’s license include submission of the following documents:

1. Certificate of Registration;
2. Certificate of Incorporation (where applicable);
3. Certificate to Commence Business;
4. Companies’ Code (where applicable);
5. Passport pictures of the owners or directors with copies of national identity card, driver’s license or bio date page of passport;
6. Criminal clearance of the Director;
7. Particulars concerning other directorships;
8. VAT registration certificates;
9. IRS Clearance Certificate;
10. Site plan;
11. Block plan;
12. Valid building permit;
13. Directional map;
14. Fire safety certificate;
15. Environmental protection certificate (where applicable); and
16. Food and drug certificate (where applicable).

Other requirements include a description and flow chart of the manufacturing process, a list of plants and machinery, a list of raw materials, a statement of composition and a list of finished products.

The Jamestown office of CEPS indicated that it may be possible to obtain reduced duties on imported materials for registered manufacturers.[[5]](#footnote-5) This is determined on a case-by-case basis.

1. Numerous attempts to obtain a copy of these regulations were not successful. CEPS indicated that they are under review and not available. [↑](#footnote-ref-1)
2. The person at CEPS responsible for drawback said the company should send a letter to CEPS, on company letterhead, stating its intention to use drawback. This is not mentioned in the law, but it may be a good idea to do it anyway. [↑](#footnote-ref-2)
3. Previously, this was 8%. [↑](#footnote-ref-3)
4. This document was obtained from the GFTZ website and may not be completely up-to-date. [↑](#footnote-ref-4)
5. It is not clear that any procedure has been set up to do this. [↑](#footnote-ref-5)