



MINISTRY OF TRADE AND INDUSTRY

**INFORMATION BRIEF FOR PROSPECTIVE VEHICLE
ASSEMBLERS UNDER THE GHANA AUTOMOTIVE
DEVELOPMENT POLICY (GADP)**

August, 2019

GHANA AUTOMOTIVE DEVELOPMENT POLICY (GADP)

VISION

The vision is to make Ghana a fully integrated and competitive industrial hub for the Automotive Industry in the West Africa sub-region.

STRATEGIC OBJECTIVES

The strategic objectives of the Auto Policy are:

- To establish a fully integrated and competitive industrial hub for automotive assembling in collaboration with the private sector - global, regional and domestic;
- To generate highly skilled jobs in automotive assembly and the manufacture of components and parts, with spill over effects into other sectors of the economy;
- To establish an asset-based vehicle financing scheme for locally assembled vehicles to ensure affordability for vehicle buyers;
- To improve balance of payments through competitive import substitution and export market development;
- To improve vehicle safety and environmental standards; and
- To transform the quality of the national road transport fleet and safeguard the natural environment.

SCOPE OF THE POLICY

The initial scope of the Auto Policy is to provide the necessary framework to establish assembly and manufacturing capacity in Ghana. The initial coverage of vehicles to be assembled under the policy includes new **passenger cars, SUVs and light commercial vehicles which would include pickups, mini-buses and cargo vans**. For the purpose of policy implementation and effective regulation of incentives, Ghana has categorized auto assembly into Semi-Knocked-Down (SKD), Enhanced SKD and Completely-Knocked-Down (CKD), based on the qualifying list of local or foreign assembly, and Fully-Built-Units (FBUs). Each category is defined according to place of assembly or manufacture. (See Annex 1)

POLICY THEMATIC AREAS

INCENTIVE AND REGULATORY FRAMEWORK

1.0 Fiscal Incentives on new vehicles for Registered Assemblers in the GADP.

1.1 Tax Holidays

- Corporate Tax holiday of 5 years for Enhanced SKD Registered Assemblers.
- Corporate Tax holiday of 10 years to Registered CKD Registered Assemblers and Component s to attract Component s into Ghana and encourage Registered Assemblers to upgrade their investment to CKD Assembly.

Note: Basic SKD Registered Assemblers can apply through GIPC act for tax holiday in line with their level of investment.

1.2 Import Duties and Levies

Registered Assemblers in the Auto Programme

- Exemption of import duties and related charges on any plant, machinery, equipment or parts of the plant, machinery or equipment (that are not already zero-rated) imported for SKD, Enhanced SKD and CKD Auto Assembly
- Waiver of the import duty and domestic levies on imported SKD, Enhanced SKD, and CKD kits and on Original Equipment components, including:
 - a. Import VAT
 - b. National Health Insurance Levy
 - c. GET Fund
 - d. EXIM Levy
 - e. Special Import Levy

Vehicle Imports outside the Auto Programme

- 35% of CIF value as Import Duty on New and Used Vehicles.

The importation of the following vehicles is banned:

- Vehicles older than 10 years
- Salvaged and Flooded Vehicles
- New vehicles without destination certificate issued by an OEM certifying that the vehicle is produced for the Ghana market.
- Vehicles assembled from parts imported as spare parts.

(Used vehicles are defined as vehicles that have previously been registered and has more than 5000 kilometers on the odometer).

1.3 Value-based Duty Rebate Scheme for Imported FBUs by Registered Assemblers

- 35% Import Duty Rebate for FBUs imported from global OEMs under the GADP based on the value of their imported SKD/CKD kits. All other domestic levies will apply. The formula for rebating the FBU imports of Registered Assemblers is as follows:
 - i. A multiplier of one (1:1) for SKD
 - ii. A multiplier of two (2:1) for Enhanced SKD
 - iii. A multiplier of two (2:1) for CKD
 - iv. Registered Assemblers could also benefit from additional incentives for making progress with Local Content, awarded on a points-based system. (See Annex 2)
 - v. The rebates will be granted on a rolling monthly basis, with values in each month available for usage from the following month onwards for 12 months. These rebates are not transferable to any other parties.
 - vi. For this purpose, a rebate certificate will be issued.

After 3 years, there will be a market volume review. Based on the outcome of this review, the complementary ratios would be reconfirmed.

2.0 MARKET DEVELOPMENT AND TRADE FACILITATION

2.1 Government Procurement and Patronage

- Preferential procurement policy for programme vehicles. The split between locally assembled and FBU will depend on the specific requirement from Government.
- Promotion of vehicle purchase/financing and ownership for public sector employees.

2.2 Vehicle Financing Schemes

- Asset-based vehicle financing scheme to promote the purchase of locally assembled vehicles and vehicles imported by local assemblers (Programme vehicles), by the general public.

2.3 Streamlined Processes at the Port (Direct Delivery Procedure)

- Direct Port Delivery Procedure for all cargo consignments imported by Registered Assemblers.
- Dedicated quay to speedily clear imported cargo consigned to Registered Assemblers.

2.4 Export Development

- Promotion and export of locally assembled vehicles to the ECOWAS market.
- Dedicated vehicle export programme to be implemented under the CFTA

3.0 ENVIRONMENT, STANDARDS AND SAFETY

- Compulsory Vehicle Standards for all new and used vehicles.
- Legitimate Test Report from OEM required for all new vehicles to facilitate homologation certification from Ghana Standards Authority.
- Emissions Test and Road Worthy Test by an accredited test facility for all imported used vehicles to be submitted to GSA before shipment.
- Vehicle Marking System to identify vehicles throughout their life span.

4.0 ACCESS TO INDUSTRIAL INFRASTRUCTURE

- Establishment of a purpose-built Automotive Park.
- Facilitation of access to private sector operated industrial parks and properties.

5.0 PARTICIPATION IN THE AUTO PROGRAMME

In order to participate in the Auto Programme, interested OEMs and investors are required to satisfy three main administrative requirements, namely:

- Qualifying Criteria
- Registration into the Auto Programme
- Inspection and Monitoring

Registration into the Auto Programme

The Ministry of Trade and Industry will,

- Develop and effectively administer a Two-Tier Registration System to register into the Auto Programme as follows:
 - i. *Pre-assembly Bonafide Assembler*: This status enables a new assembly plant to import assembly plant equipment at 0% duty and also import CKD/SKD kits for trial/test production purposes at 0% import duty. To ensure that the investor can start preparations as quickly as possible, even while further checks and due diligence is being carried out by MOTI before final registration is granted (prior to the start of actual production).

- ii. *Bonafide Assemblers*: This status is granted to assembly plants that are ready to start volume production. (the registered assembler would only qualify for the benefits from the programme after this status has been confirmed)
 - Register the Assembler with Ghana Revenue Authority (Customs Division) to ensure that their details are incorporated into the Customs and Domestic Tax Systems.
- A. The following constitute the qualifying criteria for registration as a Pre-assembly Bona Fide Assembler.**

The Applicant:

1. Should be a recognized global OEM or have a technical agreement or assembly agreement with such global OEM or have an appointed contract assembler operating under supervision of such global OEM. The corporate entity and its structure must be clearly identified. To ensure the objective of developing the assembly industry, the economic interest of the OEM and any equity participation in the corporate entity must be fully outlined. There is a distinct difference between the Registered Assembler and the Assembler. It could be the same entity, but it could also be separate entities. The commitment/contract with Ghana Government is the Registered Assembler and he should also be the importer of SKD/CKD kits as well as the FBU's that he wants to get complementary benefits on. He will manage the contract assembler to ensure that the planned commitments are met.
2. Will be required to submit a local value addition development and progression plan towards CKD. In the event that the Applicant is not an OEM, such progression plan should include a technical partnership agreement with an OEM. The progression plan should be based on market growth and volume (rather than specific timeframes). The progression plan must be documented and lodged with MOTI so as to confirm the Applicant's intentions and to facilitate the technical monitoring of progress against the planned commitments.
3. The factory address to be provided at registration must include copies of title deed or lease document of the factory address.
4. The Applicant should submit to MOTI an Equipment List for the Vehicle Assembly Plant supplied by the OEM. Such list is necessary for tariff concessions provided under the GIPC Act and MOTI reserves the right to use it in the physical confirmation and tracking of the preparations for production.
5. The minimum requirements for SKD are: -
 - i. At least 2 workstations for assembly process.

- ii. Utility supply - compressed air, electricity and water.
- iii. Tester line with:
 - a. Wheel alignment tester.
 - b. Brake tester.
 - c. Head light aiming.
 - d. Static Quality check.
 - e. Road test.
 - f. Water test.
 - g. Repair station.
 - h. Final Buy-off.
- iv. Hand tools for assembly process.
- v. The Applicant should present an Assembly and Investment Plan clearly indicating the start of production timing and how it plans to progress to CKD assembly level. The minimum requirements for the Assembly Plan should be:
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 - a) Plant Layout.
 - b) Future expansion towards CKD.
 - c) Utility supply requirement plan.
 - d) Human resource plan, including organisation structure and skills development plan.
- vi. The application should clearly indicate the installed capacity of at least 5,000 vehicles per year.

The Applicant may engage with MOTI to provide explanations and seek clarification. Likewise, MOTI may engage with the Applicant for like purposes. However, no material variation from these requirements will be accepted

MOTI will inform the Applicant in writing that it has become eligible for the status of a Pre-assembly Bona Fide Assembler.

B. Qualification as Bona Fide Assembler

To be accredited as a Bona Fide Assembler within the GADP the following conditions and procedures must be complied with after meeting all the requirements as a Pre-assembly Bonafide Assembler:

1. The Bona Fide assembler should be the importer of SKD or CKD kits as well as the importer of the FBU's to qualify under the complementary import incentive scheme.
2. The Technical Committee must confirm that the factory complies with requirements stipulated in A 5 above.
3. The Technical Committee must confirm that the Assembler will be capable of complying with all standards and regulations that are applicable.
4. The Assembler must register with the GRA as having the capacity and facilities to comply with the customs administration procedures as will be required by Chapter 98.13 of the Customs Book. Non-compliance with such customs administration procedures can result in the revocation of the Bona Fide Assembler status.

MOTI and the Applicant may engage for purposes of explanation, clarity and facilitation. However, no material variation of the above conditions will be permissible.

MOTI will inform the Applicant in writing that it has become eligible for Bona Fide Assembler status.

6.0 INSTITUTIONAL AND GOVERNANCE STRUCTURES

Auto Desk

Auto Technical Working Group

Auto Council

Inter-Ministerial Facilitation Team

CEOs Consultative Group

ANNEXES

Annex 1

DEFINITIONS FOR ASSEMBLY OF VEHICLES UNDER GHANA AUTO POLICY			
ASSEMBLY CONDITION	SKD	Enhanced SKD	CKD
Vehicle cabin/body	Foreign Assembly	Foreign Assembly	Local Assembly
E-Coating	Foreign Assembly	Foreign Assembly	Local Assembly
Sealing & Painting	Foreign Assembly	Foreign Assembly	Local Assembly
Glass - Windscreen, Rear Window and side glass	Foreign Assembly	Local Assembly	Local Assembly
Electrical harnesses	Foreign Assembly	Local Assembly	Local Assembly
Braking & clutch systems, including pipes	Foreign Assembly	Local Assembly	Local Assembly
Instrument panel	Foreign Assembly	Local Assembly/Foreign Assembly	Local Assembly
Roof Trim	Foreign Assembly	Local Assembly	Local Assembly
Carpets	Foreign Assembly	Local Assembly	Local Assembly
Seats	Foreign Assembly	Local Assembly	Local Assembly
Door Trim Panels	Foreign Assembly	Local Assembly	Local Assembly
Fuel tank	Foreign Assembly	Local Assembly	Local Assembly
Cab & Load box to Chassis Assy for framed vehicles	Local Assembly	Local Assembly	Local Assembly
Monocoque Vehicle RR Sub-Frame Assy to Body	Local Assembly	Local Assembly	Local Assembly
Centre Console	Foreign Assembly	Local Assembly	Local Assembly
Frt & RR bumpers	Local Assembly	Local Assembly	Local Assembly
Head and tail lamps	Local Assembly	Local Assembly	Local Assembly
Exhaust systems	Local Assembly	Local Assembly	Local Assembly
Engine & Gearbox Fitment	Local Assembly	Local Assembly	Local Assembly
Prop Shaft Fitment (if applicable)	Local Assembly	Local Assembly	Local Assembly
Battery	Local Assembly	Local Assembly	Local Assembly
Tyres & wheels	Local Assembly	Local Assembly	Local Assembly
Radiator Grille	Local Assembly	Local Assembly	Local Assembly

The formula that will be used to calculate the Local Content Ratio is as follows if imported cost in local parts invoice price to Assemblers are less than 50%:

Local content (LC)

$$= \frac{\text{Invoice price of local components}}{\text{CIF price of all imported CKD parts} + \text{Invoice price of local components}} \times 100$$

Manufacturing Process	Multiplier	Local Content	Total incentive (as a product of Customs value declaration)
SKD Assembly	1	LC	1+LC
Enhanced SKD Assembly	2	LC	2+LC
CKD Assembly	2	LC	2+LC

Table 2. Illustration of Value based incentives

Calculation example:-

A local Assembler has a CKD operation and imported \$9 million worth of CKD kits in a month. He used \$1 million worth of localized parts in these vehicles

$$\begin{aligned} \text{Local Content} &= \frac{1,000,000}{9,000,000 + 1,000,000} \\ &= 0,1 \end{aligned}$$

$$\begin{aligned} \text{Total Import complementation} &= (2+0,1) \times 9,000,000 \\ &= 18,900,000 \end{aligned}$$

So, he can import FBU's to the value of \$18,900,000 at zero duty.