

REGIONAL DEVELOPMENTS

Africa (Common Law Countries)*

I. Ghana

A. VALUE ADDED TAX

The government of Ghana has announced that it intends to implement a Value Added Tax (VAT) regime in Ghana effective from January 1995. The VAT will replace the current sales tax, which the government considers burdensome to administer and less efficient to collect.

B. TARIFFS

Import duties on all goods imported under exemption and concessionary rates will now attract a rate of 10 percent. Those classified as standard and luxury will attract a 25 percent import duty. Further, the government has listed sixteen classes of goods that will attract undisclosed but exceptionally high import duties: cigarettes, alcoholic beverages, flour, textiles, insecticides, rubber sandals, iron rods, electrical equipment, leather products, cosmetics (creams), chemicals (soaps), batteries, milk, spices, plastic goods, and confectioneries. The new policy has been initiated ostensibly to protect and encourage local production.

C. TAXES

The Ghanaian government recently announced a new corporate tax of 15 percent on profits from nontraditional exports. Also, taxes on dividends received by foreign residents have been reduced from 35 to 10 percent.

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D. BILL TO ATTRACT FOREIGN INVESTMENTS

A new draft bill on foreign investments introduced in 1993 is presently undergoing deliberations in the Ghanaian Parliament. If passed into law in its present state, the bill will, among other things, guarantee foreign investors an unconditional right to transfer dividends or net profits attributable to the investments into any convertible currency. The law will also guarantee payments for foreign loans and the fees and charges for the transfer of technology. The measures are calculated to improve the foreign investment climate.

II. Nigeria

A. NEW VALUE ADDED TAX

The Nigerian government has introduced a new VAT regime (the VAT Decree), which became effective from January 1, 1994. The tax rate is 5 percent of the value of the goods or services acquired. The VAT Decree exempts the following goods from taxation: pharmaceutical and medical products, books and educational materials, basic food items, newspapers and magazines, baby products, commercial vehicles and spare parts, fertilizer, and agricultural machinery.

B. NEW FOREIGN EXCHANGE REGULATIONS

The Central Bank of Nigeria (CBN) on January 24, 1994, released the Monetary, Credit and Foreign Exchange Guidelines (new Guidelines) for the 1994 fiscal year, which made some changes to the foreign exchange regime. Under the new Guidelines, the official rate of the Nigerian currency, Naira (₦), was pegged at ₦22 to US\$1. Hitherto, the rate was determined by supply and demand.

All local requests for foreign exchange have to be made to the CBN through local banks. The CBN allocates available foreign exchange in bidding sessions. All imports into Nigeria above US\$1,000 are to be made on the basis of letters of credit.

Any person or corporation coming to Nigeria with more than US\$5,000 or its equivalent will be required to declare it at the airport. Any lesser amount is exempt from such declaration.

C. OIL AND GAS

According to a new oil and gas policy, all existing or new foreign oil companies interested in oil exploration and exploitation in Nigeria are required to enter into production sharing contracts with the government for new acreage. This policy is a departure from the earlier policy whereby foreign oil companies and the Nigerian government (through the Nigerian National Petroleum Corporation) operated through "participation joint ventures."

D. EXPATRIATE QUOTAS

According to a government statement release in early March 1994, all local or foreign corporations applying for approval for expatriate quotas for foreign nationals will be subjected to new and stricter requirements. The corporations must show evidence that the particular jobs have been advertised in Nigeria and abroad and no Nigerians were either available or qualified to take the jobs.

Also local professional groups will be involved in the screening for the purpose of approving expatriate quotas. According to the Nigerian government, these measures were meant to prevent a situation where local professionals were fast losing their jobs to foreign nationals.

III. South Africa

A. GENERAL PREFERENTIAL TREATMENT

Following the emergence of a new government in South Africa, Canada has extended a General Preferential Treatment Status to South Africa, which reduces duty on South Africa's exports by 33 percent.

B. CORPORATE TAX

As from April 1, 1994, corporate income taxes in South Africa were lowered from 40 percent to 35 percent.

IV. Zambia

A. NEW EXCHANGE CONTROL REGULATION

Effective January 29, 1994, the Zambian Exchange Control Act ceased to exist. Under the new dispensation, Zambian nationals will be free to invest their local and foreign financial resources in any lawful way that they may choose.

Visitors or entities entering Zambia will no longer be required to declare amounts of cash and travellers cheques less than US\$5,000. Amounts of cash and travellers cheques in excess of US\$5,000 or its equivalent must be declared to custom officers on entering or leaving Zambia. Those who fail to comply will be subject to heavy penalties.

B. NEW MINING ROYALTIES AND INCENTIVES

Effective April 1, 1994, the Mineral Tax Act of 1989 was abolished. Consequently, the new royalty on base metals and industrial minerals is 3 percent, while royalties on precious stones and gemstones is 5 percent. Also, exemptions of import duties and sales tax have been extended to the mining sector. The measures are intended to encourage investments in the mining sector.