Mining firms want tax exemptions for explorations

By Suleiman Mustapha

MINING companies in Ghana have called for the exemption of exploration companies from the payment of Value Added Tax (VAT) on large cost items.

They said the exemption of big ticket cost items such as drilling and laboratory services would create an enabling environment and reduce the risks associated with exploration.

The President of the Ghana Chamber of Mines, Mr Eric Asubonteng, said during the chamber's online annual general meeting (AGM), which was monitored by the Daily Graphic, that the exemption of the payment of VAT on exploration would create opportunities for both local and foreign investors.

Mining firms have, for many years, suffered the brunt of a business unfriendly tax regime that increases the cost of mining in the country.

One pressing challenge Ghana faces is how to sustain the gains that have been made partly as a result of investment in the past.

Racing against two neighbours

Cote d'Ivoire and Burkina Faso, two of the country's neighbours, have turned on an aggressive pursuit of mining investments.

Their strength, unlike Ghana's, is that they do not charge taxes on exploration, a benefit mining companies in Ghana are worried may give the those neighbours some edge and ultimately impact on the ability of the mining industry in Ghana to attract more foreign direct investments (FDIs).

Mr Eric Asubonteng

Exploration is the single most critical activity that guarantees sustainable production of minerals and the discovery of new mineral resources to support production from existing mines or replace exhausted economic ore body.

Because of the risks involved in exploration, some analysts believe that charging exploration taxes is inimical to the growth of the industry in Ghana.

Mr Asubonteng enforced that view and argued that any discussion on the mining industry should be placed within the context that it was a risky business

Mr Asubonteng, who also heads AngloGold Ashanti, Obuasi Mine, expressed worry over the significant decline in exploration investments in the country.

"This is alarming for a country to which mining is critical for foreign exchange and revenue generation, as well as other value-enhancing services," he said.

The comparisons

He outlined some comparative data that indicated that the projected exploration spending for Africa in 2019 stood at $615.9 million, of which Burkina Faso was the biggest beneficiary, attracting $132 million in 2019, while Africa's biggest gold producer, Ghana, came second with $98.6 million.

Sad commentary

"This disparity runs its own sad commentary for the Ghanaian mining industry," the chamber President said.

He said Ghana must continue to create the requisite policy and legal prescriptions and platforms to engender mining exploration.

"Essentially, it will be immensely useful to put in place an incentive scheme that will reduce the cost associated with exploration to help attract the required investments into this high-risk business of mineral exploration," he added.

Poor rail network

The chamber also complained about the poor state of the country's railway system, which it said inhibited the growth of the mining industry.

"To take optimal advantage of the opportunities in the bulk minerals that Ghana is endowed with, a well-functioning railway system is a sine qua non.

"Without a railway system, which is a more cost-competitive mode of transporting the bulk materials to the ports for shipping, companies will be forced to use the more expensive road haulage alternative from their respective mines, Mr Asubonteng said.

He said the rehabilitation of the railway network in the country would not only inure to the benefit of the mining companies but also provide a cost-effective alternative for transporting passengers and goods for the other sectors of the economy.

It is estimated that the cost of road haulage is 50 per cent more expensive than the alternative of using the rail lines, which will consequently result in high cost of operation and adversely impact the revenue that the state will receive by way of corporate tax.