GOVERNMENT OF SIERRA LEONE

MEDIUM TERM REVENUE STRATEGY

MTRS 2023-2027

TABLE OF CONTENTS

FOREWORD

The unprecedented challenges of economic uncertainties, disruptions and a global slowdown which governments around the world have faced over the past few years due to the outbreak of the COVID-19 pandemic and recently the Russia-Ukraine crisis, have not only threatened the livelihoods of many of our citizens, but also undermined domestic revenue mobilisation and put our medium-term development aspirations at greater risk. At this juncture of our country's history, the Medium-Term Revenue Strategy (MTRS) formulated by the Government of Sierra Leone with support from development partners, especially the IMF, would certainly mark a decisive stage in our quest to bring about greater budget sustainability.

The development of an MTRS is critical for setting the pace to augment domestic revenues in the short- and medium term and put Sierra Leone's budget on a sustainable path. As a high-level five-year strategic road map, it sets out the policy, legislative and administrative means or actions by which government will endeavour to mobilize revenue through the tax system to finance its spending needs over the medium-term. This is especially important to reverse the trend of domestic revenues falling largely short of expenditure projections, as well as to support the Government's paramount objective to increase domestic revenue mobilisation to 19-20 percent of GDP by 2027. Recognizing the importance of this task, the Government has already taken action in 2023 to begin implementing the actions outlined in this report.

Better still, while the MTRS will seek to bring in new policy, legislative and administrative reforms, it will also build on existing reform programmes in order to augment the gains from such programmes. Both the National Revenue Authority and Ministry of Finance have collaboratively undertaken tax policy and tax administration reforms, most of which are currently in process, but new initiatives are needed to reinforce and augment gains from these on-going reform programmes. Accordingly, I would like to point out that the MTRS has integrated existing or on-going and new reform initiatives to produce a government-led strategy with a broad consensus on domestic revenue mobilisations goals and objectives to support Government priority spending and the country's development agenda.

I am to also state that I cannot conclude this prologue without expressing my sincerest thanks and appreciation to our development partners, particularly the IMF for their painstaking and effective support during the process of developing the MTRS. The completion and availability of this document is a perfect restatement of our fruitful cooperation with our development partners.

SHEKU A.F. BANGURA
MINISTRY OF FINANCE

ACKNOWLEDGEMENT

The formulation of the MTRS 2023-2027 constitutes a collaborative effort and contributions from various stakeholders. The International Monetary Fund (IMF), responding to a request from the Government, provided sustained technical support and guidance in the preparation of a MTRS2023-2027. Thus, we would like to thank especially its Fiscal Affairs Department (FAD) for their excellent technical support and guidance throughout this process. The World Bank too provided immense support through technical studies and reviews during the preparation of the MTRS2023-2027. Development partners other than the IMF and World Bank also expressed legitimate interest in the development of the MTRS 2023-2027.

The MTRS 2023-2027 product would not have been possible without concerted efforts and contributions from various stakeholders within the government circles. Colleagues from the Ministry of Finance and National Revenue Authority put in great work until the finalization of this document. We, therefore, wish to particularly thank the leaderships of the Ministry of Finance and National Revenue Authority. Special commendations go the MTRS 2023-2027 Development Team, especially the Chief Economist; the Director of Revenue and Tax Policy and his two deputies; and the Senior Director of Monitoring, Research and Planning from National Revenue Authority.

Finally, we would like to make special recognitions of other institutions whose representatives consented to serve in governance committees on the implementation MTRS 2023-2027.

MATTHEW DINGIE
FINANCIAL SECRETARY

EXECUTIVE SUMMARY

CHAPTER I

1.0 INTRODUCTION

1.1 ECONOMIC CONTEXT: OVERVIEW OF PAST TAX SYSTEM REFORMS

Over the years the Ministry of Finance (MoF) and the National Revenue Authority (NRA) have a shared vision to deliver forward-looking tax system reforms in Sierra Leone. The MoF, through the NRA, has implemented several revenue administration reforms and has taken steps to further modernize its operations. In its strategic plan, the NRA aims to optimize revenue collection while at the same time reducing the cost of collection and burden of compliance through adopting new business processes and procedures that are supported by modern Information Technology (IT) systems. Since 2018, the MoF and NRA, have made significant progress in improving the tax systems through the introduction of domestic tax, customs, Non-Tax Revenue and business support systems reforms leading to improved revenue collection.

1.1.1 DOMESTIC TAX SYSTEM REFORMS

The MoF, through the NRA, started its Domestic Tax reforms in 2011 by merging the Income Tax and Goods and Service Tax (GST) Departments which created a one-stop shop for the provision of both income tax and GST services to taxpayers. Staff can deal with both income tax and GST issues at the same time. This saves time, eliminates duplication of roles and reduces cost. As far back as 2012, the implementation of the Domestic Tax Information System (DTIS) supported some reforms. These included: automation of the taxpayer registration process and the re-registration of taxpayers; automation of new GST processes supported by the Value Added Tax Information Processing System (VIPS); automation of new Income Tax forms and processes including Rental Income Tax (RT); Pay As You Earn (PAYE); Personal Income Tax (PIT); Corporate Income Tax (CIT); and (d) the roll-out of DTIS payments module to two banks for most of the payments received by the NRA.

The NRA has made significant progress in implementing the much-anticipated Integrated Tax Administration System (ITAS). The ITAS is now in full operation for both large and medium-sized taxpayers and allows these taxpayers to access an online NRA portal to register and de-register for taxes, file their tax returns and receive payment notices for onward submission to the bank.

In addition to providing a much more convenient and straightforward experience for taxpayers, the system has also automated many of the NRA's internal processes, thereby improving the efficiency and the quality of the service the NRA provides to taxpayers. It also allows the NRA to make better use of the vast quantities of data generated by the day-to-day processes of tax administration, allowing it to become a smarter, more data-driven institution.

The NRA has also continued the rollout of Electronic Cash Registers (ECR) for the administration of GST including the recording and transmission of sales transactions. The ECR programme has helped improve the country's GST compliance rate by automating the printing of GST receipts and transmitting transaction information directly to the NRA, which in turn allows it to monitor compliance.

The year 2020 saw the enactment of a Finance Act with enabling provisions to support the implementation of the ECR scheme. In addition, the ECR Regulations 2020 were drafted, printed, gazetted and approved by Parliament in March 2021. The Government of Sierra Leone through the Ministry of Finance procured and handed over 5,000 ECR devices to the NRA, including the necessary back-office software, servers and network equipment which allow for the automatic transmission of transactions to the NRA server. A total of 3,961 ECR devices have been roll out to businesses as at end June 2023.

The NRA has received technical assistance from IMF AFRITAC West 2 to build data matching capacity, training in computer assisted auditing, development of a Taxpayer Assistance Strategy, development of a Taxpayer Compliance Strategy, and compilation of tax administration data through ISORA.

1.1.2 CUSTOMS ADMINISTRATION SYSTEM REFORMS

In April 2010, NRA introduced the Automated System for Customs Data (ASYCUDA++) at the Quay to improve customs administration and facilitate trade, by reducing customs clearance time and addressing revenue leakages. The system was successfully rolled out to Lungi International Airport in November 2012 and further to Gbalamuya in Kambia District.

The ASYCUDA++ system allows for direct trader input (DTI) that minimizes staff-taxpayer interface and increases efficiency. To compliment the system and support its effectiveness, 4 functional units at Customs were established — the Valuation, Risk Management, Post Clearance Audit, and HS Classified and 'Rules of Origin' units — in July 2011. As a result, clearance time at the Quay for low-risk importers was reduced from seven days in 2009 to five days in 2010 and currently to two days or less. The main achievement under the customs modernization component has been the migration from ASYCUDA++ to ASYCUDA World. The implementation of modernized customs procedures at all the commercial border posts across the country with the exception of the Sierra Leone-Liberia border, implementation of transit procedures, development of a customs stakeholder engagement strategy; acquisition of compact mobile scanners, review of policies and procedures for duty and tax exemptions and; capacity building in post-clearance audit, the rolling out of Electronic Single Windows to key MDAs for the processing of tax and duty waivers and a establishment of a cargo inspection facility are notable achievements under the Customs modernisation..

1.1.3 NON-TAX REVENUE SYSTEM

As the consolidation of domestic revenues through the implementation of Treasury Single Account continued, and the collection of royalties and fees from a resurgent natural resource sector continued to expand, the scope and contribution of non-tax revenues to the total domestic revenue desires making it a priority. Therefore, the NRA in 2021 extended the use of the Non-Tax Revenue System (NTRS) to key MDAs to ensure the Authority is able to track assessment, payment and collections of outstanding payments in respect of these revenue types.

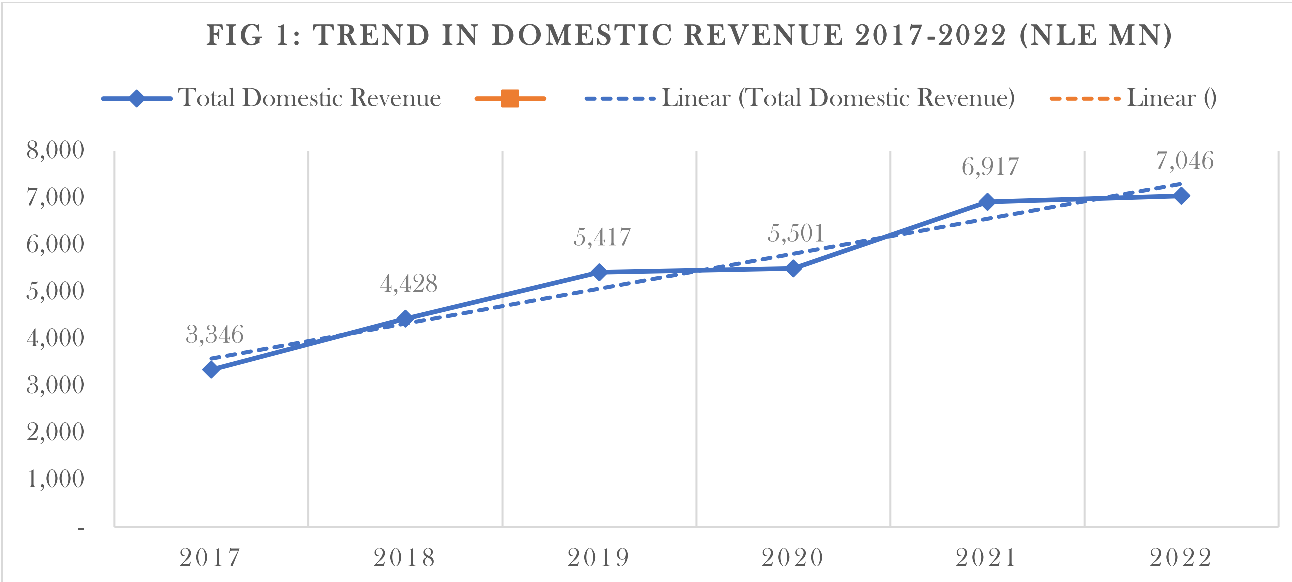
1.1.4 BUSINESS SUPPORT SYSTEM REFORMS

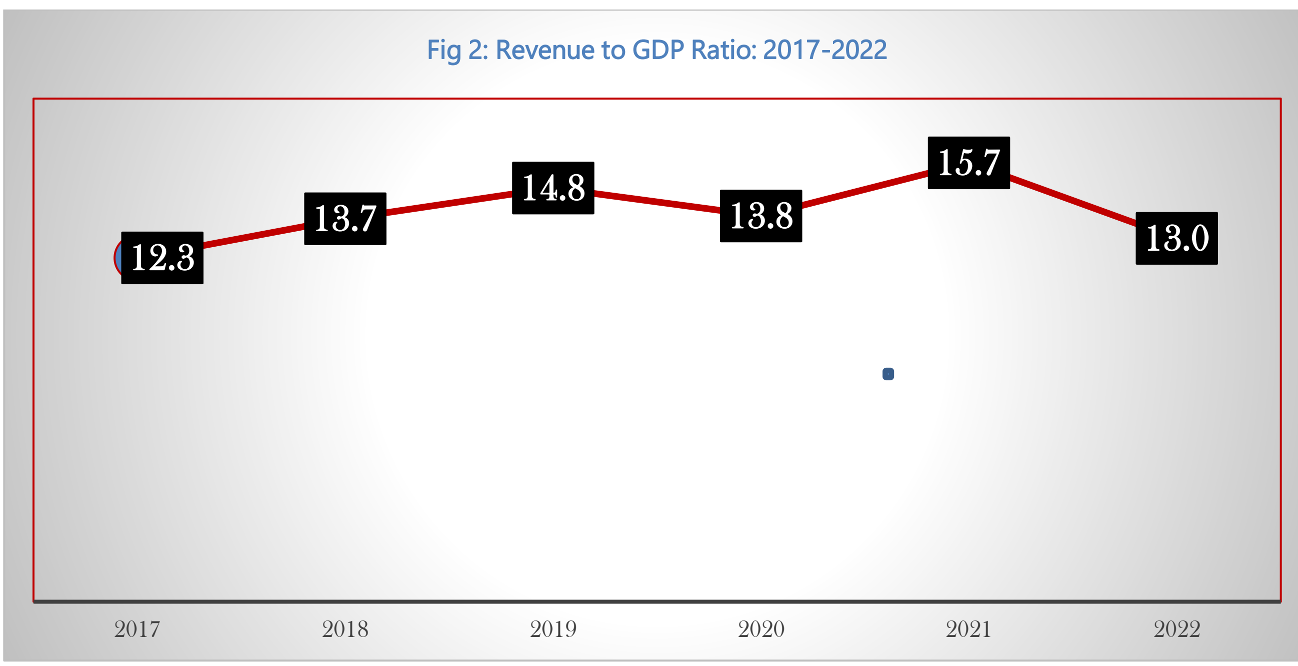
The main focus of the Authority is on ICT sustainability, which includes capacity building and wider use of ICT skills in the operations of the Authority. In addition to the successful implementation of the ASYCUDA World and ITAS, the Authority has deployed the "Great Plains" as a secured computerized financial and management accounting system to ensure transparency and effective tracking of revenue transfers from transit banks to the Consolidated Revenue Fund (CRF) at the Bank of Sierra Leone (BSL). The NRA also recruited a Reform Advisor; introduced an electronic records management system for improved safeguarding of records and minimization of paper handling; implemented taxpayer education and sensitization programs; and installed a Management Information System (MIS) for basic reporting.

1.2 TRENDS IN REVENUE PERFORMANCE

Domestic revenue increased sharply from 12.3% of GDP in 2017, to 13.8% in 2018 and further to 14.8% of GDP in 2019, growing by an annual increase of a billion new Leones above the trend. With the outbreak of the COVID-19 pandemic in 2020, domestic revenue collection was adversely affected. Despite the slight increase in nominal term, domestic revenue fall to 13.8% of GDP, below the trend in 2020. Domestic revenue recovered strongly in 2021, reaching a peak of NLe6.9 billion (15.7% of GDP), the highest level ever achieved on account of the recovery of economic activities and the resumption of implementation of tax administration reforms. The one-off payment of royalties of US$20 million (0.47% of GDP) for stockpile of iron ore tailings exported by Marampa Mines in 2021 also contributed to the improved revenue performance, albeit temporarily.

On average, domestic revenue has been NLe5.1 billion over the past 5 years (2017-2021), thus being significantly above the 2017 collection level of NLe3.3 billion. In fact, Sierra Leone is one of few countries (if not the only) within the sub-region to have raised domestic revenue by over 3 percentage points of GDP within a period of 4 years (from 12.3% in 2017 to 15.7% in 2021). Figures 1 and 2 show the trend in domestic revenue collection in 2017-2022.





Domestic Revenue has also more than doubled within this period (from NLe3.340 billion in 2017 to NLe6.917 billion in 2021). However, with the global economic challenges arising from the lingering COVID-19 pandemic and spill overs of the war in Ukraine on the domestic economy, the gains made in 2021 were reversed in 2022 to the extent that revenue declined to 13.0% of GDP. With these shocks to the economy and the seeming unpredictable nature of domestic revenue collection to sustainably finance government expenditures, it is important that a strategic policy framework is developed and implemented for the mobilisation of domestic revenue to achieve this objective in the medium term.

1.3 RATIONALE FOR THE MTRS

The sustainable financing of Government programmes and projects requires intensive mobilisation of domestic revenue. The MTRS outlines revenue administration and policy measures to support the implementation of the National Development Plan. Therefore, since 2016, the IMF has, as part of its technical assistance programme to strengthening countries in mobilising sustainable revenue for financing the Sustainable Development Goals (SDGs), been guiding countries in the development of medium-term revenue strategies (MTRS). The rationale behind the development of a comprehensive

MTRS is primarily rooted in the need to have a structured plan for sustainable revenue mobilisation over a medium term to help finance the Medium-Term Development Plan (MTDP) and future development plans.

The National Development Plan 2018-2023 aims to support the attainment of middle-income status by 2035. The Plan comprises eight (8) clusters: Human Capital Development, Diversifying the economy and economic growth, Infrastructure and economic competitiveness, Governance and accountability for results, Empowering women, children and persons with disability, Youth employment, sports and migration, addressing vulnerability and building resilience and means of implementations. The cost of implementation of these programmes was estimated at US$8.153 billion.

In the last five years, Government made significant progress in the implementation of the MTNDP despite the unprecedented global challenges. Government prioritized human capital development as the flagship programme and the results achieved are notable. Improvements were achieved in access to education; transition, literacy and numeracy rates; and promoting gender parity and radical inclusion. Investments were made in tertiary and technical and vocational education to increase the employability of youths. On health, progress was also made in improving infant and maternal mortality rates and building capacity to fight epidemic and pandemics. Government also enhanced social protection programmes including the unconditional cash transfer to most vulnerable in our society.

In addition to the investments in the social sector mentioned above, Government also embarked on improving infrastructure covering the constructions of additional township, trunk and feeder roads and bridges to ease transportation and facilitate trade. Furthermore, access to electricity to especially rural households was considerably increased. Internet penetration has significantly increased in the last five years, and mobile connectivity expanded to more remote locations. Government leveraged digitalization to boost efficiency in service delivery and to support innovation in the private sector. The banking sector now benefits from interoperability offered by the National Switch, with even more promise for wider financial inclusion.

These achievements were made possible with improvements in domestic revenue collections. During 2019-2022, total domestic revenue collected amounted to US$2.31 billion. For 2023, domestic revenue is projected at US$500 million. This gives a total domestic revenue collection at US$2.77 billion for 2019-2023. However, the total projected domestic revenue for the implementation of the MTNDP was estimated at US$5.06 billion, indicating a short fall of US$2.29 billion (45% of projected total collections). Some of the programmes in MTNDP were supported by Development Partners. It is worthy to note that despite the contribution from Development Partners, the total available resources were inadequate to finance the implementation of the MTNDP. With this scenario, there is clear case to develop a medium-term revenue strategy to intensify the domestic revenue mobilisation to sustainably and adequately finance the MTNDP.

To pursue the goal of attaining middle income status, the Government has published its new manifesto commitments, which spell out the priorities for the medium term (2023-2027). The priorities include Feed Salone - an initiative to boost agriculture productivity to ensure food security and inclusive; human capital development -nurturing skills for 21st century industry; Youth Employment Scheme (YES) – a Presidential Initiative to create 500,000 jobs for the youth in five years; revamping the Public Service Architecture-delivery, efficiency and professionalism; and Tech and Infrastructure-Pathways for Sustained Economic Growth (TIPEG). These priorities form the basis of a successor National Development Plan 2024-2028. Preliminary estimates for the implementation of a successor MTNDP for the period 2024-2028 is US$12 billion. This reinforces the need for the development of the MTRS. The expected revenue from the MTRS is detailed in Table 3 and the links between this MTRS and MTNDP is provided I Annex 1. As the new MTDP is developed it will be important to ensure that the links between the two plans are clear.

Sierra Leone has embarked on an ambitious plan to improve standards of living and wellbeing, employing SDGs as a framework for setting objectives and measuring progress as aligned in the MTDP 2023. The country's success in implementing this Plan, and future plans will require sustainable domestic revenue resources. Domestic revenues to GDP have been well below the regional average of

18 percent and dropped from the pre-NDP level of less than 12 per percent[1] to 11.6 percent in 2020 before rising to 15.7 percent in 2021.

The MTRS actions will also need to be complimented by changes in how the Government makes tax policy decisions, including the strengthening of tax policy analysis within MoF and stronger coordination with NRA, so that Ministers receive comprehensive advice on the revenue and economic impact of policy changes. As NRA's modernization efforts are delivered and more taxpayer data is digitalized, the capacity for this analysis will be enhanced further.

[1] Sierra Leone's Medium-Term National Development Plan 2019–2023 - Education for Development - A New Direction For Improving People's Lives Through Education, Inclusive Growth, and Building a Resilient Economy: GOVERNMENT OF SIERRA LEONE – VOLUME I., p26

CHAPTER 2

2.0 APPROACH TO THE MTRS

2.1 OBJECTIVES

Sierra Leone's economy, like many others, continues to suffer from the lingering effects of COVID-19 and the Russia-Ukraine crisis. This context continues to worsen the fiscal situation, as pressure mounts for more government resources amidst challenges of low domestic revenues. Thus, Government's broader strategy is to put in place tax policies and revenue administrative measures to:

(i) Support growth, and revival of the economy.
(ii) Support compliance improvement with automation and streamlining of processes and procedures to reduce the cost of tax administration and minimize the cost of compliance.
(iii) Ensure equity and fairness in the tax system to increase the tax base and reduce the average tax burden.
(iv) Support business environment improvements and competitiveness.

The MTRS contain measures to support these objectives and remains an important instrument in achieving the paramount objective of increasing domestic revenue mobilisation to 20 percent of GDP by 2027. In particular, it is very critical for setting the pace of policy, legislative and administrative actions to augment domestic revenues in the short- and medium term and put the country's budget on a sustainable path.

Further, with the MTRS, investors and other taxpayers can now reliably forecast their finances and returns consistently with a predictable tax policy and administration proposals clearly outlined in the MTRS with enforcement dates. In essence, the MTRS makes the tax system more predictable to the taxpayers and prospective investors. The regular changes in the tax laws through the annual Finance Acts has been a source of taxpayer complaint, with some taxpayers arguing that the Sierra Leone tax system is distorting their financial and project economics forecasts. The aim of an MTRS is more than revenue-raising. It can drive a range of goals including equity, efficiency and certainty in the tax system, tax morale, and health and environmental goals.

More importantly, the MTRS will provide a platform for community engagement and whole of government commitment in the development and implementation of revenue mobilisation reforms and measures. The MTRS preparation involves engagement and approval from the top political echelons, the Ministry of Finance, and other MDAs with a stake in revenue mobilisation. The fact that the MTRS is linked with the National Development Plan also enhances the political ownership of the reform strategy. The MTRS seeks to reach this objective by providing a medium-term comprehensive/holistic approach to the tax system reform to improve revenues to accomplish developmental and other goals.

Related to the previous reason for an MTRS is the fact that it is an all-inclusive strategy whose preparation, implementation and dissemination requires the consultations and direct participation of not only public sector institutions, but also the private sector, development partners and civil society organisations, making acceptance of the strategy more likely. Several key tax policy proposal and revenue administration reforms to be implemented require inclusivity of all players including the private sector to promote acceptability of these reforms. This is enhanced through the MTRS process.

Another reason behind the development of the MTRS is to ensure revenue mobilisation measures packaged in the form of a medium-term strategy are evidence-based. The MTRS is an evidence-based strategy that requires the conduction of background studies to inform tax policy and revenue administration measures meant to raise the required revenues that finance the country's expenditure and development goals.

In essence, the MTRS offers the opportunity to build on current reforms and properly embed existing short-term measures into a medium-term reform road map.

2.2 SCOPE

Sierra Leone's MTRS provides a comprehensive reform plan covering both tax policy and administration and aims to provide a blueprint for the fundamental reforms required to build more sustainable and resilient revenue.

This MTRS was developed against the backdrop of uncertainty as the economy recovers from recent shocks. Implementation of the MTRS will be critical to support the new MTDP, currently under development, and will be an important enabler to underpin delivery of the SDGs. The MTRS seeks to balance the pressing need for revenue to finance developments to strengthen health and social services, while continuing to support taxpayers as the economy recovers. Tax policy and administrative reform measures are ambitious and will be sequenced across the life of the MTRS to ensure that capacity is able to be built progressively over the lifespan of the strategy.

2.3 MTRS GOVERNANCE ARRANGEMENTS

The Government recognises that effective governance arrangements is critical to the successful development and implementation of the MTRS. In the recent past, the country had adopted ad hoc, annual tax policy changes in the form of Finance Acts for taxing businesses and such frequent changing trends in tax statute in yearly budget proposals had impacted negatively on business operations. Without a broader policy framework, often, these piecemeal adjustments created a high degree of unpredictability and uncertainty in our tax policy direction. To address this challenge, Government established a Technical Committee with broad-based membership comprising Ministry of Finance, National Revenue Authority, Ministry of Trade and Industry and Bank of Sierra Leone, development partners and private sector. The MTRS Technical Committee is chaired by the Financial Secretary of the Ministry of Finance.

Among other responsibilities, the Technical Committee is tasked with the responsibility of:

(i) identifying the issues and developing the strategy based on the reform agenda of the Government;
(ii) following up and reporting on the implementation of the MTRS to the Steering Committee;
(iii) escalating cross-cutting issues of MDAs to the Steering Committee to support the implementation of the MTRS;
(iv) coordinating the preparation of the MTRS implementation plan, including setting the deliverables, timelines and budgets;
(v) promoting the understanding and support for the effective implementation of the MTRS within each member's agency, institution or representation;
(vi) providing technical input and support on the conduct of revenue impact analysis on the MTRS.
(vii) providing technical advice and support to the Steering Committee on the MTRS implementation plan and its dissemination
(viii) promotes appropriate interagency engagement and coordination at the strategic and ministerial (and agency) levels to provide the fluidity required in the implementation of the strategy.

As directed by Cabinet, Government also established a Steering Committee to lead the MTRS process and reports the progress of the process in terms of developing, implementing, and monitoring the process. The Steering Committee is chaired by the Minister of Finance and its membership includes Ministers and Heads of Agencies, and private sector representatives with the level of authority to bind their agencies to the implementation of MTRS activities. The Terms of Reference of the Steering and Technical Committees can be found in Annex 2.

The Minister of Finance and Commissioner-General of the NRA established a joint Secretariat in the Revenue and Tax Policy Division of the Ministry of Finance and the Research Department of the NRA to provide Secretariat services to the Technical and Steering Committees.

To showcase its leadership support at the highest level for the Medium-Term Revenue Strategy (MTRS) 2023-2027, His Excellency the President directed the Economic Management Team (EMT) to oversee the activities of the MTRS Steering and Technical Committees. The EMT is chaired by His Excellency the President. This is especially important for overarching oversight, influence, and for sustaining the commitment of stakeholders in the MTRS process. The Steering Committee is required to report the progress of the MTRS to Cabinet through the EMT.

Cabinet adopted the Tax Policy and Revenue Administrative Measures contained in the MTRS in April 2023 and authorized the Ministry of Finance to continue engaging relevant stakeholders including development partners for their inputs to finalize and publish the MTRS.

2.4 STAKEHOLDER PARTICIPATION

The MTRS reflects a broader consensus among all key stakeholders about Government policy direction and tax administration priorities over the medium-term. Successful stakeholder participation is fundamental to the creation of effective institutions and ensuring good governance. Equally, the lack of meaningful stakeholder participation can undermine support for the tax system and have a negative impact on domestic revenue mobilization.

The importance of participation and open dialogue among stakeholders (civil society, taxpayers, professional bodies, and taxpayer associations) and public officials (tax administrators and policymakers) to ensure that citizens understand the tax system, are aware of the tax administration and tax policy changes cannot be overemphasized.

We have witnessed how engaging with taxpayers in the policy design and implementation process can create better, more acceptable and socially implementable policies. Therefore, we recognize and ascribe to the fact that national ownership and legitimacy of the MTRS process requires the active engagement of a critical mass of citizens from all segments of the population in the development and implementation of the MTRS. Thus, Annex 3 outlines the stakeholder engagement methods for both the development and implementation of the MTRS.

CHAPTER 3

3.0 THE MTRS INTERVENTIONS

3.1 TAX POLICY AND LEGISLATIVE MEASURES

The design of tax policies, promulgation of new legislations and the review/amendments of existing laws will strengthen the legislative framework for revenue mobilisation over the medium term. This will require a comprehensive review of the Income Tax Law, the Customs Tariff Act 1978, the Excise Act 1982, the Goods and Services Tax 2009 and other fiscal legislations in various Finance Acts to support the fiscal and socioeconomic objectives of Government.

(i) To support Government objectives of increasing domestic revenue collection to 20% of GDP by 2027, the MTRS contains of the following tax policy and legislative measures: Review of the Income Tax Act, 2000, with a view to harmonizing withholding taxes on various forms of capital income and gradually transition to a comprehensive global income taxation in medium to long term;
(ii) Review of the corporate income taxation system, with a view to increasing revenue collection and incentivizing productive investments;
(iii) Review of the Excise Tax Act 1982, with a view to transition excise taxes on fuels, alcohol, tobacco, vehicles, sugar-sweetened beverages, plastics and others to specific rates designed to internalize external costs, thereby reducing harmful behaviour and providing a stable source of revenues.
(iv) Commence the implementation of excise stamps to improve the effectiveness of excise taxation, reduce illicit trade and enhance consumer protection;
(v) Broaden the base of the Goods and Services Tax, by streamlining exemptions currently provided, as well as revising the threshold and reforming the Refund Mechanism;
(vi) Integrate the management of land and property taxes at the national or central level and allow the National Revenue Authority to take on a greater role in assisting local government on these revenue matters for a fee or commission;
(vii) Institutionalize a policy of not negotiating fiscal issues in all new greenfield investments in the extractive sector, taking a disciplined policy to avoid individual contracts containing special and overgenerous fiscal terms that are stabilized over time outside of the general tax law.
(viii) Explore and utilize the possibility of carbon trading and climate finance.

The following sections will elaborate on each of these tax policy measures.

3.1.1 PERSONAL INCOME TAX

Personal income tax (PIT) is imposed on the taxable income of individuals, trustees, partners, and the executors/administrators of the estates of deceased/incapacitated persons. Sierra Leone applies a worldwide system of taxation for resident individuals. A territorial system is applied to the taxation of non-resident individuals. There is no special regime for expatriates. Resident expatriates are subject to the same tax rates as resident national employees. In essence, PIT consists of taxation on employment and business income and taxation of capital income.

A. TAXATION OF EMPLOYMENT AND BUSINESS INCOME

CURRENT SITUATION AND CHALLENGES

Sierra Leone implements a dual tax regime for taxation of personal income that treats the taxation of capital and labour income separately: a progressive rate structure applies to labour income, while all types of investment incomes are typically subject to a flat uniform rate via final withholding taxes. This has advantages of simplicity in collection as it can rely largely on final withholding taxes, and efficiency by taxing mobile capital income at a slightly lower rate than immobile labour income. However, many distortions hamper its efficiency, equity and revenue productivity.

Partnerships are transparent persons for tax purposes. Hence, partners in a partnership are liable to tax in their individual capacity on the income accruing to them under the partnership agreement. The taxable income of a partner includes the partner's share of partnership income for that year. The partner is allowed a deduction of his share of the partnership loss. Similarly, trusts are transparent persons for tax purposes. The trustees and beneficiaries of the estate of deceased/incapacitated persons are liable to tax in their individual capacity on the income derived from the trusts or estates.

Personal Income Tax in Sierra Leone is structured on a schedular basis, with separate taxes imposed on different categories of income, and with gross income and deductible expenses determined separately for each category of income. The tax rates applicable to each category of income are then applied to the taxable amount of the income.

There are three main concerns/challenges with the current schedular taxation approach, which span equity, administration costs, and tax planning opportunities:

- **Loss of Equity:** Taxpayers with the same amount of income (and therefore capacity to pay to tax) may have quite different tax liabilities. This is most evident when comparing an individual who earns employment income and an individual who earns the same amount as capital income (e.g. as interest). Further, individuals with multiple sources of income may obtain the benefit of the marginal rate structure more than once.

- **Greater Administration and Compliance Costs:** Costs are incurred on classification issues at the borders between the different types of income, which can generate the need for detailed taxpayer guidance and definitions, as well as increasing the prospect of taxpayer disputes.

- **Susceptibility to Tax Planning:** Any differences in the final tax burdens imposed under a schedular system on different categories of income may be exploited by taxpayers through tax planning and restructuring to ensure that their income fits within the most tax advantageous category. Further, a schedular PIT can give rise to arbitrage opportunities where amounts are deductible to a payer under one schedule but taxed to the recipient at a lower rate under another Schedule.

Tax Policy Measures for Employment & Business Incomes

A defining feature of the PIT rate structure in Sierra Leone has been its stability over the last decade. In 2012, the tax schedule comprised of three rates and continued to remain so until 2020 when a fourth rate was introduced. However, during that period, the entry rate and the top marginal rate have remained stable at 15 percent and 30 percent, respectively.

The thresholds for the different tax brackets have been periodically revised to adjust for inflation. Sierra Leone intends to maintain the current PIT rate structure. The Government will continue to review the structure periodically to avoid inflation-induced bracket creep.

B. TAXATION OF CAPITAL INCOME

CURRENT SITUATION AND CHALLENGES

Capital income in Sierra Leone includes, rental income, dividends, interests, capital gains and undistributed profits. Differential rates of withholding taxes are applied to these categories of capital income. The patchwork of these final withholding taxes on capital income necessitates a process of harmonization and an eventual transition to a Global Income Taxation where capital income is brought under the standard PIT schedule.

The withholding tax rates are lower than the marginal PIT rate. For example, dividends (10%); undistributed profits (10%); interest (15%); and rental income (10%) are taxed at or below the lowest marginal PIT rate of 15% for employment and business income.

Rental income tax is levied on income from rented land or buildings and payable by anyone not subject to the CIT regime. The relevant taxable rental income is arrived at by granting the landlord a non-taxable threshold of NL7.2 million and a tax-deductible allowance for wear and tear of 10% of the gross rental income that exceeds this non-taxable threshold.

Accordingly, capital income is undertaxed in comparison to labour income, thereby aggravating inequities and revenue productivity of the tax system. The differential rates of withholding tax across forms of capital income create further economic distortions and promote inequity. Therefore, rationalizing the structure of capital income taxation is necessary.

Policy Measures for Taxation of Capital Income

(i) Harmonize the withholding tax rates across all types of capital income (except capital gains tax) at 15% in 2024 to 2026 and increase to 20% thereafter. All exemptions or reduced rates will be eliminated.

(ii) Aggregate interest and rental income with employment and business income, under the standard progressive PIT schedule, beginning 2027.

C. TRANSITIONING TO GLOBAL INCOME TAX SYSTEM

In the medium term, Sierra Leone will transition to a global income tax (GIT) system, which is expected to improve the fairness of the tax treatment of individuals, regardless of their sources of income. Once under a global income tax system (GIT), any withholding on capital income should be creditable against an individual's broader tax liability.

Under a global income tax, there is no matching of categories of income to the expenses incurred to derive the income, although most global PITs include some level of schedularisation (e.g. to quarantine capital losses so that they can be offset only against capital gains). All income and expenses are then consolidated to arrive at a single taxable income amount subject to taxation at a progressive rate structure.

Policy Measures for Transitioning to Global Income Taxation

Given the challenges involved in fully transitioning to a GIT, Government will take a sequential approach, pursuing this broad reform of the PIT system in three stages.

- In the **first stage**, maintain capital income tax withholding as final, and harmonize rates across dividends, interest, rental income and royalty payments to 15% starting in 2024 to 2026, and at 20 percent thereafter.

- **In the second stage** (i) include capital income under a comprehensive taxable income definition, subject in its entirety to the existing single marginal tax rate schedule; (ii) integrate taxpayer databases at the individual (natural person) level; (iii) move to pre-filled tax returns to HNWI individuals for self-assessment in addition to assessment by withholding agent; and eventually combine all income sources for each natural person for comprehensive taxation under the standard real regime PIT.

In the near term, administrative reforms will be initiated that facilitate the eventual integration of taxable income sources by individual taxpayer. In particular, the NRA will start systematically collecting and integrating data on tax declarations at the individual level (i.e. by the natural person ultimately liable for the tax on income received), rather than the intermediate withholding agent. In addition, to improve the ability to cross-validate tax declarations through third-party reporting for compliance purposes, NRA may benefit from providing pre-filled tax returns to individual taxpayers by 2025.

SUMMARY OF POLICY MEASURES ON TAXATION OF PERSONAL INCOME

(i) Continue to review the PIT structure periodically to avoid inflation-induced bracket creep.

(ii) Harmonize the final withholding tax rates for capital income including dividends, rental income, interests, and royalties but excluding capital gains tax[2] at a rate of 15% from 2024 to 2026, and increase to 20% thereafter.

(iii) Begin the aggregation of interest and rental incomes with labour income and business income in 2027.

(iv) Eliminate all exemptions (non-taxable thresholds) and reduced rates for taxation of capital income and transition to a full GIT starting in 2027.

3.1.2 CORPORATE INCOME TAX

CURRENT SITUATION AND CHALLENGES

Sierra Leone operates a classical tax system whereby tax is charged on profits at the corporate level and on dividends, when those profits are distributed to shareholders. Resident companies are taxable on their worldwide income and non-residents are taxed on income derived from Sierra Leone; permanent establishments (PEs) of non-resident companies are subject to tax in the same way as resident companies.

Sierra Leone operates a "global" tax system. Under this system, company's income from all sources (other than income that is subject to a final withholding tax) is aggregated for the purpose of applying the relevant rates of tax. However, the corporate tax base is significantly eroded by a plethora of exemptions and tax preferences including accelerated depreciation, tax holidays and exemptions in order to attract private investments.

Sierra Leone joined the Base Erosion and Profit Shifting (BEPS) Inclusive Framework in 2016. As part of its commitment under the BEPS, Sierra Leone will draw on any guidance developed by African Tax Administration Forum (ATAF) on the global tax or domestic top-up tax rule, to ensure it is implemented in a way most suited for Sierra Leone.

Sierra Leone has tax treaty with different countries signed across different periods to address issues relating to double tax and double tax avoidance. These tax treaties differ significantly. Sierra Leone is in the process of developing a model tax treaty consistent with the ATAF tax treaty framework.

The taxable income (other than those subject to final withholding tax) is aggregated and subject to tax at the statutory rate of 25% (with the exception of manufacturing entities wholly located outside the Western Area). Incomes received in the form of dividends and interest are subject to final withholding tax at a final rate of 10%. However, dividends received by a resident company from another resident company (i.e. domestic dividends) in the same "group of companies", are exempt from tax. Capital allowances are granted in lieu of the accounting depreciation with respect to a taxpayer's depreciable assets.

Sierra Leone has tried to maintain its competitive position by reducing the CIT rate over time and by providing a wide range of tax holidays and other tax incentives. However, the use of incentives has had the effect of eroding the CIT base, adding to the complexity of the tax law, and increasing compliance and administration costs. Furthermore, these measures have distortionary effects on the economy as the burden of the CIT is unevenly distributed across companies, since not all sectors benefit from tax incentives.

A. CAPITAL ALLOWANCES

[2] Capital Gains Tax will continue to be taxed at 25%

The CIT regime in Sierra Leone allows depreciation (capital allowance) on the cost of a capital asset over its useful life. Capital allowances are granted to persons who own depreciable assets and use those assets to produce income from business. There are two key issues with depreciation: (i) identifying depreciable assets; and (ii) determining the basis of depreciation.

Depreciable assets are classified into groups according to the Seventh Schedule of the ITA. The capital allowance deduction for each pool is then determined by applying the rate of capital allowance prescribed in the schedule against the balance of the pool at the end of the year of assessment. The capital allowance admissible to a person is mandated to be availed in the year granted and cannot be deferred.

The general rate of depreciation for tangible assets (other than buildings) is 10 percent on diminishing value. However, the depreciation rate for plant, machinery and equipment including automobiles and trucks is 40 percent on diminishing value. Similarly, the depreciation rate for buildings varies from 5 percent to 15 percent depending on the use of the building. Additionally, an investment allowance (first year allowance) at the rate of 5 percent is available in the year of acquisition without diminishing the base for determining the amount of depreciation. Further, expenditure on start-up costs on mineral and petroleum prospecting and exploration is allowed to be fully expensed. Similarly, production rights and other expenditure incurred on mineral and petroleum development is allowed to be deducted at the rate of 20 percent on diminishing value after allowing for an initial deduction of 40 percent. The present rates of depreciation provide for under-recovery of investment resulting in implicit taxation of investment. At present, the rates are out of alignment with the prevailing high levels of inflation in Sierra Leone and, therefore, do not support the accumulation of funds for replacement of capital assets within 6 to 7 years. Consequently, there is little economic incentive for companies to modernize plants and machinery.

Policy Measures for Capital Allowance

(i) Maintain the current accelerated depreciation rate (40-20-20),
(ii) Abolish the investment allowance.
(iii) Review sectoral investments agreements with a view to abolishing the reduced corporate tax rates applied to some businesses beginning 2024
(iv) Going forward, maintain the policy of abolishing tax holidays and reduced tax rates for new investments.

B. TREATMENT OF BUSINESS LOSSES

In Sierra Leone, business losses can be carried forward for ten years. However, the amount of loss deductible in each year, is limited to 50 percent of the chargeable income for that year. Such restrictions can result in a tax on investment, particularly in large projects with lumpy investments. Symmetrical tax treatment of gains and losses can reduce the distorting effects of taxation on investment decisions and, in turn, increase economic efficiency. However, in practice, NRA have observed that some businesses inflate expenses to create fictitious losses, and restrictions on carry-forward are imposed to prevent abuse. The introduction of a minimum alternate tax as part of the MTRS will reduce the risk of abuse, and accordingly, removing the restriction would be efficiency enhancing (see discussion of the minimum alternative tax in Section E).

The Government will further investigate the policy rationales for various limitations to loss carry-forward to ensure the system balances creating an enabling environment for forward-looking investments, with the need to counteract aggressive tax planning and meet other policy objectives.

Policy Measures for Business Losses

Government will allow full loss carry-forward for a maximum period of ten (10) years.

C. RETAINED EARNINGS

Retained earnings of all corporate entities (including parastatals) in excess of 50 percent of post-tax profit in the current year of assessment, are treated as dividend paid by companies to a shareholder. Accordingly, like dividend, it is taxed at the rate of 10 percent. The underlying intention of this tax is to compel companies to declare dividends and pay tax at the prescribed dividend withholding tax rate of 10 percent.

Retained earnings (i.e., corporate savings) are typically used for reinvestment in business expansion. Retained earnings are the cheapest form of capital for firms to finance their operations, and where funds are retained, this increases the value of the firm (and thereby, increase capital gains tax if the firm is sold). Therefore, taxation on retained earnings has the potential to amount to a taxation on investment, and furthermore the taxation of retained earnings and capital gains from increases in firm value amount to multiple taxation resulting in excessive burden. By targeting internal company financing, the danger is it induces the firm to take on more external debt.

Policy Measure for Taxing Retained Earnings

Government will waive the tax on retained earnings if evidence of an investment plan is presented within one year.

D. TAX INCENTIVES

Tax incentives have been widely used in developing countries to promote economic growth. Ordinarily, countries offer tax incentives to attract new additional foreign direct investment by attempting to create a competitive edge through reduced tax burdens. Incentives may also be viewed as a necessary cost for offsetting other high non-tax production costs (geographic dislocations). While these arguments are common, international experience suggests that these incentives are seldom effective in promoting overall investment: an otherwise unviable investment (pre-tax) cannot be made viable by CIT incentives, since the CIT only applies when profits are declared. The CIT incentives can only act as a form of subsidy for a business that is already going to succeed, improving company cash flow and returns to investors. For this reason it is best targeted on a narrow set of sectors that are considered to be somehow beneficial or essential to the development of the economy. Consequently, there is a need to better define which sectors are considered essential or strategic, and on what basis, so that incentives balance more carefully any perceived benefits against their costs to revenue.

The Income Tax Act 2000 and Finance Acts contain various incentives to encourage private sector investment and promote the inflow of foreign capital and technology. General incentives include income tax relief by way of accelerated depreciation on plant, machinery, and equipment, or heightened deductions of up to 200 percent for specific classes of expenditures.

Sector-specific incentives have also been provided for investments in agriculture, energy, infrastructure, and pharmaceuticals. Tax holidays are also provided to several sectors, including domestic companies engaged in specified agricultural activities, operating commercial flights, infrastructure development on PPP-basis, production of pharmaceuticals, and poultry farming. In addition, a tax holiday is also provided to companies undertaking a specified level of investment and providing a certain number of jobs, or to SEZs, and they have also been provided to mining investors via mining and mineral development agreements. The tax holiday period varies from 3 to 15 years.

The cumulative effect of these tax holidays is that a large proportion of the economy remains outside the scope of CIT thereby undermining its revenue productivity. CIT tax expenditures were estimated to be US$67.24 million (about 1 percent of GDP) in 2019. At the time, this equated to 70.8 percent of the CIT collections of Sierra Leone in 2019. Further, this translates into erosion of the CIT base by 41 percent. Given that CIT revenues have not shown any improvement since then and the scope of exemptions has only expanded, it would be reasonable to presume that tax expenditures have only increased since 2019. The waivers on import GST and import duties doubled from US$149.4 million in 2018 to US$303.9 million in 2020 before failing to US$156.8 million in 2021, following the introduction of the Electronic Single Window for the processing of exemptions. With support from the World Bank, Government undertook an analysis of tax expenditures. The analysis revealed wide-ranging tax expenditures, with the largest number of identified exemptions within corporate income tax (15), followed by Goods and Services Tax (14).

To address these challenges, Government enacted a Tax and Duty Exemptions Act 2023 (TDEA) for the regulation and administration of exemptions, aiming at rationalising incentives hitherto available in the law. Going forward, this law prohibits the granting of fiscal incentives by ministries, department and agencies, stipulating an annual ceiling on the value of total fiscal incentives to be granted and a provision for the list of items attracting such incentives. The TDEA gives power to the Minister of Finance as the only authority to review the fiscal framework in investment concessions in line with the economic priorities of Government and present the same to Cabinet for approval and Parliament for ratification. Furthermore, Government introduced an Electronic Single Window for the processing and administration of exemptions, aimed at improving transparency and accountability and reducing leakages in the management of exemptions. Government has also established a special committee to negotiate investment Agreements in the extractive and other sectors. The Committee comprised sectoral representatives, the National Revenue Authority and Ministry of Finance, as Chair. With the TDEA now in place, supporting processes will be developed within the MoF to ensure compliance with the Act.

Policy Measures on Tax Incentives

(i) Fully implement the Tax and Duty Exemptions Act,
(ii) Seek legal support from development partners for the review of Mining Lease Agreements and other investment concession agreements,
(iii) Review investment incentives and concession agreements with a view to rationalise the incentive system to broaden the tax base, whilst supporting private investment,
(iv) Review the Electronic Single Window to assess its effectiveness with a view to strengthen controls,
(v) Fully implement provisions of the Public Financial Management Act, 2016 relating to annually assessing, quantifying and reporting tax exemptions

E. MINIMUM ALTERNATIVE TAX (MAT)

The Minimum Alternative Tax (MAT) serves as a backstop or alternative form of the CIT, imposing a CIT liability on companies based on their annual turnover. The primary 'target' of the MAT is existing companies that continue to claim CIT losses and for new companies that claim CIT losses consecutively over a three-year period whilst still continuing to trade, and for that reason it is considered to be a backstop that limits the base-erosion effect of tax incentives and eases the burden on anti-avoidance rules such as transfer pricing to combat international profit shifting. The MAT is a simple tool for ensuring businesses pay some level of CIT, but because it does not take into consideration the unique circumstances of firms, it can impose a cash flow burden on those which are legitimately making losses.

The Government legislated the MAT in 2023, whereby a business will pay either the regular CIT liability or the Minimum Alternative Tax liability, whichever is greater. Businesses that are suffering genuine hardship and undergoing restructuring are excluded from the MAT, and the Government has also ensured that any MAT paid can be credited against future CIT liabilities, thereby lessening its burden on business.

The MAT is a central feature in the MTRS, but it is intended as a transitional arrangement as Sierra Leone moves towards an efficient and equitable CIT tax regime. It will be reviewed periodically for its impact on businesses and on inducing greater CIT compliance.

Policy Measure for MAT Base

Government will introduce a turnover-based MAT at a rate of 1.5%.

SUMMARY OF POLICY MEASURES FOR CORPORATE INCOME TAX

The CIT proposals aim to remove tax barriers to a supportive business and investment environment that expands the role of the private sector by ensuring that incentive policies are reined in, combined with base broadening measures. The following are proposed interventions to address the challenges in increasing domestic revenue from corporate taxes:

(i) Maintain the current accelerated depreciation rate (40-20-20),
(ii) Abolish the investment allowance,
(iii) Review sectoral investments agreements with a view to abolishing the reduced corporate tax rates applied to some businesses beginning 2024,
(iv) Going forward, maintain the policy of abolishing tax holidays and reduced tax rates for new investments,
(v) Allow full loss carry-forward for indefinite periods, subject to certain restrictions.
(vi) Waive the tax on retained earnings if evidence of an investment plan is presented within one year,
(vii) Fully implement the Tax and Duty Exemptions Act,
(viii) Seek legal support from development partners for the review of Mining Lease Agreements and other investment concession agreements,
(ix) Review investment incentives and concession agreements with a view to rationalise the incentive system to broaden the tax base, whilst supporting private investment,
(x) Review the Electronic Single Window to assess its effectiveness with a view to strengthen controls,
(xi) Fully implement provisions of the Public Financial Management Act, 2016 relating to annually assessing, quantifying and reporting tax exemptions,
(xii) Introduce a turnover-based MAT at a rate of 1.5%.

3.1.3 GOODS AND SERVICES TAX

CURRENT SITUATION AND CHALLENGES

The Goods and Services Tax (GST) was introduced in Sierra Leone in 2009 at a standard rate of **15%**, and accounts for on average **2.4% of GDP** in revenues collected annually. While GSTs are designed as a "workhorse" of revenue generation for the budget, its base is currently narrow as **59%** of household consumption is exempt and a further **2.5%** of household consumption is out of scope (e.g. wages). This means the current base of the GST is only **38.5%** of household consumption, which results in lower revenue collections under the GST than most African countries. The main challenges associated with low GST yield in Sierra Leone are the narrow tax base and weak enforcement and compliance.

A. NARROW TAX BASE

This narrow base can be explained by the large agricultural sector and "exemption creep" in recent years. The agricultural sector, which is a difficult-to-tax sector in developing countries, has grown in recent years and adds nearly 60% of GDP in value to the economy. Further, the number of GST exemptions increased from thirteen to thirty over the last seven years. This exemption creep narrowed the base of the GST substantially and exemptions have not been well-targeted at assisting the poor, resulting in a low revenue yielding GST that is proportional when measured against consumption and regressive when measured against income.

B. WEAK ENFORCEMENT AND COMPLIANCE

GST also suffers from weak enforcement and compliance. This is evident from the low effective standard rate estimated at only 4.5% compared to the legislated standard rate of 15 percent – suggesting significant revenues foregone due to weak enforcement and compliance. The narrow-base together with weak compliance result in the GST having a C-efficiency[3] of only 0.19, which is 0.21 below the average for African countries and among the lowest on the continent.

The GST also requires efficient refund practices so that the tax does not impose a significant cash flow burden on firms, but addressing the existing challenges in processing refunds will require action across government, including at NRA but also more widely to improve government cash management practices. The existing challenges with GST refunds have been one driver explaining its narrow base: for example, mining investors have routinely sought to be exempted from the GST system entirely. Improvements to refund practices unlocks the potential to expand the GST base.

C. BROADENING THE BASE OF GST IN SIERRA LEONE

a. Extending the GST collection to the Informal Sector

Broadening the base of the GST is one efficient method of taxing the informal sector. Informal firms cannot deduct GST paid on purchases. They are, therefore, taxed on their inputs without additional compliance or administrative costs. They are also incentivized to register for GST if they predominantly supply to producers. The effectiveness of this feature of the GST is greater the broader its base.

The current targeting of Sierra Leone's cash transfers necessitates care in base-broadening proposals. The data shows that although the number of cash transfers is greatest to poorest quintile of households, richest quintile are the primary beneficiaries when considering the value of cash transfers. For policy, this means that it is unlikely that the burden of the GST can be successfully alleviated by cash transfers, and retaining a few well-targeted exemptions is required to provide relief to the poor.

[3] C-efficiency indicates the current GST revenues as a percentage of potential GST revenues if all final consumption is taxed at one rate. This gap can be divided into a policy gap and a compliance gap. The policy gap indicates revenues not collected due to policy decisions, such as introducing exemptions and zero rates. The compliance gap indicates revenues not collected due to imperfect enforcement.

Policy Measures for Extending GST to the Informal Sector

i. Raise the GST registration threshold to **NLe400,000 from NLe100,000**.

b. Rationalising Exemptions

GST exemptions cascade into export prices and reduce efficiency in the supply side of the economy, making exports less competitive. GST exemptions also result in import bias since imported goods that are domestically exempt from GST are not charged with import GST. The domestic price of the same good may, however, be higher as it includes cascaded input GST, adding to costs. GST exemptions, therefore, contribute to the ongoing trade deficit. Zero-rates on domestic supplies should be avoided because they give rise to GST refunds that NRA may have challenges administering.

i. Agricultural Plant, Equipment and Machinery

Under current policy settings, agricultural plant, equipment and machinery, all agricultural inputs, and all agricultural produce is exempt from GST. In terms of the Act, only agricultural produce for manufacturing is exempt, but a GST cannot be successfully charged based on the future use of goods and services. Taking these exemptions together and considering that most agricultural inputs are imported, nearly the entire agricultural sector, which contributes about 60 percent of GDP in value added terms, is free of GST. This is also evidenced by export-oriented farming cooperatives not registering for GST to claim refunds - there is no input GST for them to claim.

Policy Measures for GST on Agricultural Plants, Equipment, Machinery and Inputs

Going forward, agricultural plants, equipment, machinery and inputs used by medium to large scale commercial agricultural businesses will be subject to GST. In addition to broadening the GST base, this policy will also allow export oriented agricultural businesses to claim GST paid on inputs. However, the policy will continue to exempt farming tools and inputs used by subsistence and small-scale farmers. This will require a review of the First and Second Schedules of the GST Act.

ii. Food Stuffs

Currently, basic food items such as rice, fish, cassava, potatoes, flour and fruits and vegetables are exempt from GST. Government will continue to exempt these food items from GST.

iii. Fuel and Public Transport

Government will continue to exempt fuel and public transport (except those targeted at middle and upper classes, including helicopter services, water taxis and hovercrafts) from GST.

iv. Health and Education

Currently, most inputs used for educational services are GST exempt. Medicines are exempt based on the type of illnesses rather than the type of medicines. The Government will continue to maintain this policy as part of its Human Capital Development agenda.

v. Financial Services, Insurance and Gambling

Currently, GST is not charged on fee-based financial services, short-term insurance premiums and indemnity payments. Life insurance is generally exempt since the intermediation service forms a negligible part of the flow of funds. The GST on fee-based financial services was removed in 2021.

As part of efforts to broaden the GST base, Government will restore GST on fee-based financial services and introduce GST on insurance premium and indemnity payments.

GST is currently administered on gambling services and will now be extended to include gambling tokens, tickets and digital gambling. Furthermore, NRA will strengthen its administration enforcement through the use of technology, to improve compliance and revenue uptake from gambling and betting.

vi. Exemptions for Other Goods and Services

a. Buildings

Currently, there is an exemption on all land and buildings, including the granting of assignments or surrender of an interest in land and buildings, the right to occupy a land or a building. Given that input GST cannot be reclaimed due to these exemptions, this may likely translate to higher sale price of commercial properties, disincentivising the construction of commercial buildings as well as their supply. It is also a tax benefit to wealthier households that purchase residential buildings or accommodation in the formal economy.

Policy Measures on Commercial and Residential Properties

Government will introduce GST on the first sale of commercial buildings, commercial accommodation, and the supply of new residential buildings at the standard rate, while exempting subsequent supplies of residential buildings and the supply of residential accommodation.

b. Digital Services

The law provides for GST to be charged on the supply of digital market, or digital services, through a digital marketplace, refers to e-platforms, whether e-medium, e-commerce, peer-to-peer, advertising based, agency or subscription based, including satellite TV services and online transactions. However, the capacity of its practical administration remains a challenge.

Government will strengthen the administrative capacity of NRA to enforce the implementation of the taxation of digital services. Going forward, NRA will commence a simplified registration process to the suppliers of digital services and satellite TV services limited to large businesses that frequently supply such services to customers in Sierra Leone.

c. Renewable Energy

Sierra Leone has provided GST exemption on solar and solar related materials, including mini grids. While Government's intention in providing these exemptions is to encourage the wider use of or accessibility to renewable energy, records show that domestic prices of solar and solar equipment continue to remain high. This limits its accessibility, therefore does not address the policy intention of Government.

Therefore, (i) while Government will maintain the policy of zero import duty, this equipment will continue to attract GST, (ii) Government will maintain duty and GST exemptions on solar mini grids.

vii. Exemption on Capital Goods for Agriculture and Manufacturing

The 2009 GST Act exempts all plant, equipment and machinery for use in agriculture and manufacturing to avoid refunds arising on imported capital goods. We note that the exemption of capital inputs in these sectors has several negative consequences, including disincentives to register and claim input GST, abuse of the privilege to resell GST exempt capital items to the domestic market, and import bias of capital goods. Additionally, exemption of imported capital goods serves as a disincentive to setting up locally a manufacturing outfit for similar goods.

Government will therefore eliminate GST exemptions on plants, equipment and machinery for agriculture and manufacturing.

viii. Exemptions of Aviation and Aviation Services

The GST law amended in the Finance Act 2019, provided for an exemption on all aviation related services within the international airport in Sierra Leone, including handling, profiling, airline catering, lounge, cargo, and screening. While exemption was intended to bring down the cost of aviation services in Sierra Leone thereby reducing the price of airline tickets, the effect has never been realised.

Government will therefore, restore the application of GST on all aviation related services in Sierra Leone.

ix. Anti-avoidance Provisions

The lack of general anti-avoidance provisions and principal agent provisions facilitates GST evasion and creates uncertainty. Further, specific anti-avoidance provisions are required to address evasion where a single person creates various smaller businesses to avoid GST registration.

Principal-agent provisions can address uncertainty and evasion for tourism operators and where people group their purchases to a single registered importer.

The current issue with telecommunication providers indicating excessive free calls can be addressed by an anti-avoidance provision and should not be addressed by an exemption as currently done.

SUMMARY OF POLICY MEASURES FOR GOODS AND SERVICES TAX

To increase the ability of the GST to effectively mobilise revenue, while limiting effects on the poorest households, Government will institute the following measures:

(i) Raise the GST registration threshold to **NLe400,000**, from **NLe100,000.**
(ii) Introduce GST on agricultural plants, equipment, machinery and inputs used by medium to large scale commercial agricultural businesses. However, Government will continue to exempt farming tools and inputs used by subsistence and small-scale farmers.
(iii) Continue to exempt GST on food items.
(iv) Continue to exempt fuel and public transport (except those targeted at middle and upper classes, including helicopter services, water taxis and hovercrafts).
(v) Continue to exempt health and education services as part of its Human Capital Development agenda.
(vi) Restore GST on fee-based financial services and introduce GST on insurance premium and indemnity.
(vii) GST will continue to be administered on gambling services.
(viii) Introduce GST on the first sale of commercial buildings, commercial accommodation, and the supply of new residential buildings at the standard rate, while exempting subsequent supplies of residential buildings and the supply of residential accommodation.
(ix) Government will strengthen the administrative capacity of NRA to enforce the implementation of the taxation of digital services. In addition, NRA will commence a simplified registration process to the suppliers of digital services and satellite TV services limited to large businesses that frequently supply such services to customers in Sierra Leone.
(x) Re-introduce GST on solar equipment, but the maintaining exemptions policy of zero import duty, on this equipment,
(xi) Maintain duty and GST exemptions on renewable energy on solar mini grids
(xii) Eliminate GST exemptions on plants, equipment and machinery for agriculture and manufacturing once refund practices improve.
(xiii) Restore the application of GST on all aviation related services in Sierra Leone.
(xiv) Introduce anti-avoidance provisions to address evasion where a single person creates various smaller businesses to avoid GST registration.

3.1.4 EXCISE TAXATION

CURRENT SITUATION AND CHALLENGES

The excise regime, which was introduced in 1982, has remained mostly unchanged apart from changes to the excise rate on alcohol and tobacco and the introduction of an excise on energy drinks. New excise legislation is, however, in the process of being drafted. Furthermore, Regulations to introduce Excise Tax Stamps which requires importers, domestic producers and sales agents of excisable goods to register with the National Revenue Authority, are positive changes to this regime.

There are five reasons for excise taxation. First, to internalize external costs of consumption and internal costs not taken into consideration by consumers of harmful goods. Second, to decrease demand of harmful goods. Third, to pay for specific services, such as fuel taxes for road use. Fourth, to raise revenues, and fifth, to address failures of other taxes or policies, such as increasing progressivity if the income tax fails at doing this.

Sierra Leone's excise revenues, which equalled 1.1% of GDP in 2021, are below the average for African (2.4% of GDP) and other low-income countries (2.2% of GDP). Excise revenues tend to be volatile with collections ranging between 1.1 and 1.64 percent of GDP over the period 2017 to 2021. This volatility can be partly explained by the specific excise rate on petroleum products being a residual amount after fixing the fuel price, which has a pronounced effect on overall revenue given that fuels compose on average 92.5 percent of excise revenues. The unpredictability of excise revenues is a policy concern.

Although revenues on excisable goods besides fuels have increased in recent years, these collections remain exceptionally low compared to excise collections in other countries. This suggests that there is potential for additional revenues by efficient taxation of alcohol, tobacco, vehicles, sugar-sweetened beverages and plastics. Efficient taxation will also provide health benefits to citizens and assist in addressing social problems.

The excise rate structure likely contributes to the comparative underperformance of excises In Sierra Leone. Currently, most of the excise taxes are ad valorem (AV), which have the benefit of protecting revenues during inflation without legislated rate adjustments but provide less stable revenue, particularly on commodities whose market price fluctuates. Ad valorem excises are also more vulnerable to under-invoicing as their value can be difficult to observe. Furthermore, specific excises in Sierra Leone are not indexed for inflation and with the current high rate of inflation, excise revenues on goods taxed at a non-indexed specific rate will decrease over time. Finally, ad valorem excises discourage quality improvements by manufacturers and may therefore not be as effective as specific excises at reducing harms and internalizing external costs when their harms are independent of price.

A. EXCISE DUTY ON PETROLEUM PRODUCTS

Sierra Leone emits about 0.57 tons per capita of greenhouse gas (GHG) emissions, which is low when compared-to the world average of 4.78 tons per capita. CO_2 from burning fuels for energy production and methane produced by agricultural activities are the primary contributors to total GHG emissions in the country.

The current system of petroleum excise taxation sees a fortnightly review of global petroleum pricing and exchange rates with a view to creating price stability at the retail level. A 'pass through' review is conducted with the Ministry of Finance, Ministry of Trade, NRA and PRA and where the landed cost (global oil price, shipping and insurance cost) and the nominal exchange rate moved by more than 5%, the excise tax rate can be adjusted to keep retail pump prices from increasing. In effect this serves as a subsidy in terms of higher oil prices and exchange rate depreciations. Falls in the landed price can allow the excise tax rate to be restored, and in some cases, a higher pass through can result in excise refunds.

Looking at the two main fuel types- petrol and diesel, Sierra Leone currently sits in the bottom third of sub-Saharan countries in relation to pricing, although Sierra Leone's petrol and diesel prices are similar to the average for the region. Subsidising fuel prices through adjustment in excise taxes may therefore, incentivize smuggling to neighbouring countries. Smuggling to neighbouring countries, is a risk if fuel prices are artificially lower than those in the neighbouring countries and vise-versa, especially considering the porous borders and the lack of a fuel marking system. There are environmental benefits and incentives to purchase fuel-efficient vehicles provided by full pass-through fuel prices. Ensuring a full pass-through pricing for all fuel products, can assist in Sierra Leone meeting its nationally determined contribution of a 10 percent reduction in GHG emissions by 2030.

At current, the taxes levied on fuels do not cover their external costs. Efficient taxation, therefore, requires that the specific excise not be a residual amount but fixed to internalize the external costs of fuel consumption.

Policy Measure on Excise on Fuel Products

(i) The current specific excise rates on fuel be maintained and fixed at a specific value that will internalise the negative externalities of fuel values. The specific excise rate will not be adjusted as a residual amount after fixing the retail pump price in the event of high international prices and or exchange rate depreciations.

(ii) Gradually increase specific excise rate on fuels and lubricant to an optimal level, to internalize the external costs of fuels

(iii) Introduce fuel marking system

B. EXCISE TAX ON ALCOHOLIC BEVERAGES

The harms to people who consume alcohol and the negative externalities imposed by its consumption are large and well documented. For this reason, alcohol is a classic example of a good on which excise tax is levied as a way of shifting consumption behaviour. Consistent with the principles of excise, the tax base should have regard to this external cost of harms created when the goods are consumed. The excise burden on goods should relate to the level of these external costs, and the amount of tax paid by consumers should relate to the level of consumption. In this way, excise is operating as a 'price signal' and works to inform consumers that they should better manage, or indeed reduce consumption.

Ad valorem based excise taxes, currently in place for domestic brewed beer using more than 50% local ingredients, non-alcoholic beverages and tobacco products, means excise tax relates not to harm, but to other qualities of the product, and can be impacted by factors in the supply chain which can include cost cutting; discounting for bulk or fast payments; transfer pricing arrangements; and other means that legitimately or illegally reduce a taxable value. It is possible for excise revenue on these popular consumer goods to actually fall in an environment of increasing consumption in a behaviour sometimes referred to in excise as 'trading down' as ad valorem taxation is used to offer a lower taxed/lower priced substitute.

Furthermore, the specific excise rate on imported alcohol is based on whether the alcoholic content of a beverage is higher or lower than 10 percent, causing policy inconsistencies. Since the external costs of alcohol consumption tends to increase in line with the amount of alcohol consumed, a specific excise based on the average alcohol content of a particular beverage is required to successfully internalize the external cost of alcohol consumption. Based on the experience of other countries, a specific excise rate between NLe150 and NLe200 per litre of 100 percent alcohol may be sufficient to internalize external costs and raise additional revenues.

The price of domestic beer In Sierra Leone is US$0.40 below the regional average and the price of imported beer is US$0.08 below this average. Beer prices are lower in Sierra Leone than neighbouring countries, providing scope to increase excises without inducing smuggling from neighbouring countries.

As a second challenge, the different excise rates between alcoholic beverages made with domestic inputs and imported beverages do not align with the objectives of excise taxation. Thus, the higher excise on imported alcohol in effect acts as a tax on trade, a purpose for which it was not designed. This policy reduces excise revenue as consumers will substitute fully taxed imported products with the lower taxed domestic products.

Policy Measures on Excise Tax on Alcohol

(i) Convert all ad valorem excises to specific rates based on alcohol content for both locally produced and imported alcoholic beverages (beers, gins, spirits and wines).

(ii) Harmonise the excise tax between imported and locally produced alcoholic beverages.

(iii) In the medium term, the following excise rates will be applied to imported and locally produced alcoholic beverages (beers, gins, spirits and wines).

    a. alcoholic content 10% and below (NLe30.0 per litre)
    b. alcoholic content between 10% to 20% contents (NLe40.0 per litre)
    c. alcoholic content higher than 20% (NLe60.0 per litre)

These rates will be adjusted for inflation over time.

C. EXCISE ON TOBACCO AND TOBACCO PRODUCTS

a. Cigarettes (Tobacco)

The WHO estimates that Sierra Leone's adults consume tobacco at a rate slightly below the average for African countries (13%). This partly explains the low revenues from cigarette excises. Cigarettes are more affordable in Sierra Leone than countries in the region and the African average; the cheapest brand of cigarettes sells for only US$0.26. In fact, based on purchase power parity, cigarettes in Sierra Leone are the second cheapest on the continent.

The rate structure of excises on cigarettes leads to greater price differences between cheaper, potentially lower quality cigarettes and expensive, potentially higher quality cigarettes. Currently the excise tax on cigarettes is ad valorem. Transitioning to a specific excise will reduce the price difference between low and high-quality cigarettes and can, therefore, lead to smokers preferring less harmful cigarettes. The specific excise is also appropriate to internalize the external cost of smoking, since it more closely ties the burden of excise taxation to the harm caused by tobacco products.

Transitioning to a specific rate may also aid in the detection of smuggled cigarettes, as those sold near or below the specific rate must have been smuggled. Although vendors can increase their prices to avoid this form of detection, doing so places a floor on the price of lower quality cigarettes.

Policy Measures on Excise on Cigarette

(i) Convert ad valorem excise rate on cigarette to a specific excise rate
(ii) Levy an excise rate of NLe1.5 on a packet of twenty cigarette in 2023 to progressively increase to NLe3.0 by 2027
(iii) Levy an excise rate of NLe0.50 per kilogram of tobacco commencing in 2023 to progressively increase to NLe1.0 by 2027
(iv) Levy excise tax of NLe5.0 per packet of cigar in 2023 to be progressively increase to NLe10.0 by 2027.

b. E-Cigarette and vaping

The harms caused by e-cigarettes[4] and vaping products are well documented, although their use is becoming increasingly popular, particularly among younger users. Market research has the current value of the e-cigarette market in Sierra Leone at US$2 million, with forecast 5.3% annual growth until 2027. Consequently, such products are an ideal target for excise taxes to discourage consumption of these harmful products and the negative externalities they impose, while generating a new source of revenue. Furthermore, imposing an excise on such products will limit the number of people who substitute e-cigarettes for tobacco products as those prices rise, instead of quitting entirely.

There are nearly 60 countries globally that have reported to the WHO (2019) that they place an excise tax upon e-cigarettes, vaping liquids and other heated tobacco products, including four countries in sub-Sahara Africa. It can be argued that such products are admissible as excisable goods under ECOWAS Directive 2/6/09 as 'tobacco' products.

Policy Measures on e-cigarettes

Levy specific excise rate of NLe7 per unit of e-cigarettes and similar personal electric vaporizing devices.

[4] Products containing tobacco, reconstituted tobacco, nicotine, or tobacco or nicotine substitutes, intended for inhalation without combustion; other nicotine containing products intended for the intake of nicotine into the human body at 50%;

D. EXCISE STAMPS

Sierra Leone has commenced the necessary inter-governmental processes to ratify the WHO Protocol to Eliminate the Illicit Trade in Tobacco Products and seek assistance with implementing the controls within that Protocol.

The Finance Act 2019 legislated for the NRA to design and implement an excise tax system. This is now supported by the 2023 Regulation on Excise Stamps. As announced by Parliament, the excise stamp system will incorporate digital technologies that allow for real-time authentication of the excise goods as 'genuine' and with each stamp containing information about the supply chain history and tax status.

Excise tax stamps are a near universally adopted tool to manage the revenue risk from smuggling, undeclaration and underreporting of certain excise goods such as tobacco and alcoholic beverages, although some countries have extended this to non-alcoholic beverages. Based on international experiences, the introduction of excise tax stamps usually results in incremental excise revenues. To prevent these revenues from dwindling and address smuggling, the tax stamp regime will be supported by marketplace and supply chain surveillance.

Policy Measures on Excise Stamps

Government will commence the implementation of Excise Stamps on imported excisable goods by second quarter 2023, and full implementation on all excisable goods will commence 2024.

E. EXCISE ON VEHICLES

Currently, only import duty is levied on vehicles at the rate of 30 percent on cars older than 10 years, 20 percent on cars between 4 and 10 years and 5 percent on cars no older than 4 years. However, there is 20 percent special tax on luxury vehicles, exceeding the value of US$50,000. This tax does internalise the external cost of vehicle use.

Considering the current low excise rates on fuels, the cost of road damage, congestion, space consumption, accidents and GHG emissions are not carried by vehicle owners. A specific excise based on age and/or engine capacity, CO_2 emissions or weight will transfer these costs to vehicle owners and raise additional revenues and is more appropriate than import duties for internalizing these costs. Together with the excise on fuel prices, a well-structured specific excise that increases acquisition costs of older, larger and less fuel-efficient vehicles will meet Government's policy objective of incentivizing the purchase of new, small and fuel-efficient vehicles.

Older vehicles are less fuel efficient and break down more frequently, causing traffic accidents. Larger vehicles create more congestion, road damage and has higher fuel consumption. The best policy to encourage the purchase of new, smaller fuel-efficient vehicles is to increase acquisition costs of older, larger and less fuel-efficient vehicles through a well-structured specific excise on vehicle acquisitions and a high excise on fuel prices. If fuel is expensive but new, small vehicles are more affordable, drivers will invest in these fuel-efficient vehicles.

An annual circulation tax on vehicles is a property tax aimed to support distributional fairness and provide a buoyant source of revenues. It is charged on the ownership of vehicles, including commercial vehicles, buses and trucks. An annual ownership tax can generally be preferred to an acquisition tax. The revenue from a recurrent circulation tax would be buoyant and easier to predict, unlike acquisition taxes on vehicles whose sales vary over the economic cycle. The ownership tax should be simple and vary by value or at least a proxy for value to ensure equity. Weight may be a good proxy for value (being a popular approach in Commonwealth countries) as more expensive vehicles tend to weigh more. The size of the fuel tank of a vehicle is also a reasonable proxy since heavier and more expensive vehicles tend to have larger fuel tanks. A reasonable rate for an annual circulation tax is to equate the tax payable to a tank of fuel. This approach also means that lighter vehicle or more fuel-efficient vehicles will pay lower taxes.

The Government implemented a circulation tax commencing April 2023 as part of the Finance Act, and the near-term focus will be to ensure its implementation.

Policy Measure on Excise on Vehicles

Government will implement the following policy measures on excise taxation on vehicles consistent with the ECOWAS Directives of 2020.

(i) No Excise tax on electric vehicles.

(ii) Introduce specific excise tax based on age and engine capacity at the rate of NLe2,400 for vehicles aged 5-9 years and NLe4,800 for vehicles aged over 10 years, subject to comparison with other sub-region countries. (Rates to be adjusted for inflation over time)

(iii) Remove excise on luxury vehicles.

(iv) Implement the annual circulation tax on vehicles.

F. EXCISE TAX ON ENERGY AND SUGAR SWEETENED BEVERAGES

Currently only energy drinks are taxed at an ad valorem excise rate of 20%. This creates competitive distortions, as consumers can readily substitute their consumption with other sugar-sweetened beverages. Also, the excise rates on sugar-sweetened beverages are not based on the sugar content. Efficient taxation of sugar-sweetened beverages requires that a specific rate is charged based on the sugar content, which addresses the distortions in the industry, provides additional revenues and incentivise producers to lower the sugar content or introduce sugar-free options to the market.

Energy drinks, soft drinks and juice are primarily consumed by wealthy households, as confirmed by the 2018 Integrated Household Survey. The SLHIS confirmed that only Quintile 4 & 5 households consumed these items in any significant quantities. Taxing sugar-sweetened beverages will, therefore, be highly progressive.

As with alcohol, imported fruit juice faces a higher excise tax than domestically produced juices, at 20% compared to 10%. Such a difference cannot be justified by any differential harms from imported juices, and policies to support domestic juice production are better achieved through import duties rather than differential excise tax rates. The policy itself is also of risk of challenge at the WTO level as being contrary to Article III of GATT (National Treatment). An almost identical provision is also found within Article 40 of the ECOWAS Trade Liberalisation Scheme for which Sierra Leone is a founding member.

Policy Measure on Excise Tax on Energy Drinks and Sugar Beverages

(i) Harmonise the excise rates of imported and domestically produced energy and sugar sweetened beverages.

(ii) Replace ad valorem rates to specific excise rates on sugary sweetened drinks and energy drinks (excluding soft drinks) based on the sugar content.

(iii) Introduce specific excise rate of sugar-sweetened drinks and energy drinks as follows:

   a. NLe2.4/litre for beverages with sugar content less than 15 grams per litre;
   b. The Leone equivalent of NLe4.8/litre for beverages with sugar content between than 15-25 grams per litre
   c. The Leone equivalent of NLe7.20/litre for beverages with sugar more than 25 grams per litre

These rates will be adjusted for inflation over time.

G. EXCISE TAX ON GAMBLING SERVICES

The Finance Act 2017 amended Section 2 of the Excise Act 1982 to allow for an excise on 'services' to be adopted. The Finance Act 2017 also amended the Control of Betting and Lotteries Act 1969, enhancing the withholding tax provisions of the Finance Act 2008 by mandating withholding income tax from winners receiving winnings in excess of NLe500. Beyond this, gaming and gambling venues are not subject to special levies.

An excise can be an effective tool in addressing the externalities of gambling, particularly of compulsive gamblers, whilst raising revenue from a relatively small number of regulated venues. Generally, rates are not set as high as for alcohol and tobacco but looks to 'seek a middle ground' where policy does not work to 'un-stimulate demand' nor stimulate demand and recognises the society's attitude to gambling. A look across sub-Saharan Africa indicates a number of countries have adopted gambling or gaming-based excise taxes, and it is likely that other countries may have 'special levies' on gambling or gaming venues.

Policy Measures on Excise on Gambling
Introduce excise tax on gambling (including online gambling) and casinos services at a rate of 10% on the gross gaming and betting revenue.

TAXES ON OTHER EXCISABLE GOODS OR SERVICES

Trash pollution from plastic bags and bottles is a major factor affecting Sierra Leone's environment. The excise tax currently on these products is obsolete and remains unadministered. This requires review to reflect the current situation and address the substantial negative externalities imposed by the use of these goods. An excise could differentiate between biodegradable and non-biodegradable plastics, with a higher rate on non-biodegradable plastics to reflect their heightened cost. Such an excise will incentivize the use of biodegradable plastics and consumers may keep and re-use purchased plastic bags, reducing trash pollution.

Policy Measures on Plastics Materials
Review and index the excise tax on plastics at the rate of 7% of CIF or gross sales on articles of polythene bags, plastic containers and others.

SUMMARY OF POLICY MEASURES ON EXCISE TAXATION

The MTRS will focus on high-impact interventions to reform the current system of excise taxes. The design of these reforms will largely focus on reducing harmful effects by increasing their cost and providing a stable source of revenue for Government. These include:

- (i) The current specific excise on fuel be maintained and fixed at a specific rate and not be a residual amount;
- (ii) Convert all ad valorem excises to specific rates based on alcohol content for both locally produced and imported alcoholic beverages (beers, gins, spirits and wines);
- (iii) Harmonise the excise tax between imported and locally produced alcoholic beverages,
- (iv) In the medium term, the following excise rates will be applied to imported and locally produced alcoholic beverages (beers, gins, spirits and wines).
    - a. alcoholic content 10% and below (NLe30.0 per litre)
    - b. alcoholic content between 10% to 20% contents (NLe40.0 per litre)
    - c. alcoholic content higher than 20% (NLe60.0 per litre)
- (v) Convert ad valorem excise rate on cigarette to a specific excise rate
- (vi) Levy an excise rate of NLe1.5 on a packet of twenty cigarette in 2023 to progressively increase to NLe3.0 by 2027;
- (vii) Levy an excise rate of NLe0.50 per kilogram of tobacco commencing in 2023 to progressively increase to NLe1.0 by 2027;
- (viii) Levy excise tax of NLe5.0 per packet of cigar in 2023 to be progressively increase to NLe10.0 by 2027;
- (ix) Levy specific excise rate of NLe7.0 per unit of e-cigarettes and similar personal electric vaporizing devices;
- (x) No excise tax on electric vehicles;
- (xi) Introduce specific excise tax based on age and engine capacity at the rate of NLe2,400 for vehicles aged 5-9 years and NLe4,800 for vehicles aged over 10 years, subject to comparison with other sub-region countries. (Rates to be adjusted for inflation over time)
- (xii) Remove excise on luxury vehicles;
- (xiii) Introduce annual circulation tax on vehicles;
- (xiv) Harmonise the excise rates of imported and domestically produced non-alcoholic drinks;

(xv) Harmonise the excise rates of imported and domestically produced energy and sugar sweetened beverages;

(xvi) Introduce specific excise rate of sugar-sweetened drinks and energy drinks as follows:
   a. NLe2.4/litre for beverages with sugar content less than 15 grams per litre;
   b. NLe4.8/litre for beverages with sugar content between than 15-25 grams per litre
   c. NLe7.20/litre for beverages with sugar more than 25 grams per litre

(xvii) Introduce excise tax on gambling (including online gambling) and casinos services at a rate of 10% on the gross gaming and betting revenue.

(xviii) Review and index the excise tax on plastics at the rate of 7% of CIF or gross sales on articles of polythene bags, plastic containers and others.

3.1.5 IMPORT DUTIES

Sierra Leone is a member of the Economic Community of West Africa States (ECOWAS) and has accordingly adopted the ECOWAS Common External Tariff (CET). This implies that the import tariffs (import duties) are the same as in other ECOWAS Members States. There are five (5) tariff bands applied by all other Member States for goods imported outside the ECOWAS sub-region. The tariff bands are as follows:

(i) Zero (0%) for essential social goods,
(ii) Five (5%) for goods of primary necessity, raw goods (specific inputs) and capital goods,
(iii) Ten (10%) for intermediates goods and inputs,
(iv) Twenty (20%) for final consumption or finished goods, and
(v) Thirty (30%) for specific goods for economic development.

The ECOWAS Commission has introduced an Import Adjustment Tariff (IAT) to help countries transition fully to the CET. The IAT allows Member States to apply tariff rates that are outside the normal ECOWAS CET, for a maximum of 3% of the country's tariff lines. For Sierra Leone, this constitutes 177 tariff lines including rice, wheat, and selected building material, to protect consumers from higher prices and also support local production in a bid to improve their competitiveness.

IMPORT DUTY ON RICE

Rice is the most important production and consumption food in Sierra Leone. Half of all households and three quarters of rural households, and about two-thirds of all households grow rice. Given the low yields and high per capital consumption, domestic demands exceed supply by over 400,000 metric tons per year. This requires imports valued at US$200 million per year and growing at 5% per year[5].

One of the key challenges faced by local rice producers is competition with relatively cheaper imported rice. The final price of rice in the domestic market is, therefore, a potent policy and political issue, subject to the so-called "full price dilemma". Producers most of whom are poor - want higher food prices; consumers also largely poor and including most rice producers wants lower food prices (Kargbo, 2022). However, the bulk of rice purchase by households is imported and therefore imported rice has been exempted from taxation, both import duty and GST. While the policy of not taxing rice seems socially desirable, tax exemptions on imported rice, which competes unfairly with locally produced rice serves as a disincentive to domestic production and undermines the stability of the domestic market. To address this challenge, Government will therefore restore domestic import on rice.

To encourage local rice production, Government also has an existing import duty exemption for inputs used in the production of rice. This policy is intended to reduce the costs of domestic rice production,

[5] World Bank: Sierra Leone Priority Investment and Policy Reforms for Agricultural Transformation

but with the challenge of ensuring duty-free inputs are actually used for rice production and not on-sold into the domestic market or used for some other agricultural purpose.

Policy Measures on Imported Rice

(i) Restore the import duty on rice.

3.1.6 OTHER TAXES

Additional sources of revenue may be mobilized from sources including a tax on land and buildings, stamp duties on the transfer of property, tourism levy, education levy and efficiency gains in the implementation of the extractive legislations, levies on timber exports and the imposition of a carbon tax.

A. TAXES ON LAND AND BUILDINGS

Raising revenue through property taxes is considered particularly advantageous given that property taxes are considered to have only modest negative effects relative to other forms of taxation. Since the property tax base is essentially immobile, taxes on real property are one of the least distortionary for economic growth.

The Local Government Act 2004 (as amended) empowers local councils to apply property taxes ("property rates") in Part VIII of the Act. The imposition of property taxation has so-far primarily been in Freetown. In 2019 the Freetown City Council (FCC) began a process of enhancing its property tax assessment and enforcement activities, and now imposes a property tax on a progressive basis that has, by some estimates, the potential to increase FCC property tax revenues by 4–5 times. However, many local governments do not have the capability to effectively administer the revenue streams they are charged with collecting.

Leveraging in some way the capability of NRA in revenue matters (including the assessment, collection, and resolution of disputes with taxpayers), could materially improve property tax collections. This could be done by either NRA providing training and assistance to local government authorities, or by reshaping the financial relations between the national and local levels of government and tasking NRA to collect property taxes which are then distributed to local governments (minus the cost of administration). Government intends to study options further and consult local governments as a first step.

B. STAMP DUTIES ON THE TRANSFER OF PROPERTY

Sierra Leone imposes stamp duty on the transfer of real property under the Finance Act 2019, as amended by Finance Acts 2021, at a rate of 0.1 percent of the consideration of the sale (currently administered by the Office of the Administrator and Registrar General and the NRA essentially for the service of registering the transaction. Total revenue from these stamp duties is currently negligible. This rate is lower than nearby countries, and indeed lower than most countries in sub-Saharan Africa.

While such duties discourage mutually beneficial transactions on land and can undermine the regularization and formalization of property markets, they will be an important revenue generating measure in the medium term.

Given Sierra Leone's pressing revenue needs, Government took action in 2023 to raise the rate to 1 percent, to balance the need to generate revenue with the need to avoid incentivizing greater informality (e.g., under-reporting land values). The rate will be monitored carefully over the MTRS period for its impact.

Policy Measures on Stamp Duty on the Transfer of Property

Raise the stamp duty rate of the transfer of immovable property to 1% from 0.1% of consideration.

C. MINING AND PETROLEUM TAXATION

Sierra Leone is a resource-intensive economy, with mining the primary form of natural resource extraction. Mining contributes approximately 5 percent of GDP, but the sector comprises a large share of total exports (approximately 60 percent by value). Key minerals currently mined include iron ore, rutile, diamonds, bauxite and gold. Total revenue from mining is in-line with most mining-intensive economies in Sub-Saharan Africa, although many consider their revenue performance from mining to be underwhelming. The primary revenue source is mineral royalties, which contribute around 0.7 percent of GDP (8 percent of total revenue). Other elements of the fiscal regime contribute relatively little revenue, with only modest CIT and some payments from mining licence fees.

Many mining projects make additional payments to local landowners and sub-national authorities as part of their total natural resource payments to the State. These payments primarily focus on contributions to community development funds, supporting landowners, District Councils, Chiefdom Councils, and Paramount Chiefs. These payments vary in magnitude but tend to be relatively small in aggregate. In 2019, total reported sub-national payments by mining companies were around $4 million. Nonetheless they provide subnational authorities with a revenue stream that indirectly affects the central budget.

The Extractive Industries Revenue Act (EIRA) enacted in 2018 covers both minerals and petroleum, forming the foundation of the fiscal regime. The EIRA provides for the imposition of royalties for both minerals and petroleum and includes a resource rent tax (RRT) if projects become highly profitable and transfers the administration of mineral revenues to NRA. The introduction of the EIRA served as an important "break from the past", changing policy so as to dispense with high-stakes contract negotiations (which carry high risks of affording fiscal terms that may tend towards being overly generous to investors).

However, most producing mines remain under prior fiscal terms negotiated in individual agreements. When the EIRA was introduced in 2018, existing projects were able to retain their negotiated fiscal terms ("grandfathered"), with the condition that there was little room for those protected fiscal terms to be further modified or renegotiated. None of the existing agreements will expire until at least 2030.

The near-term focus of revenue policy should be to preserve the fiscal take and prioritize efforts to combat international profit shifting and ensuring taxpayer compliance, as with most projects grandfathered with stabilized fiscal terms, there appears little scope to raise additional revenue directly without considering contract renegotiations. To combat international profit shifting, recent research on mining and other MNEs have reinforced the efficacy of interest limitation rules in dampening profit shifting (discussed under CIT). Stepping up audits of mining companies may also assist in protecting revenue.

Policy Measures for Mining and Petroleum Taxation

(i) Maintain policy discipline and allow the terms of the EIRA to govern future extractive industries activities.

(ii) Enhance compliance of extractives, by establishing a safe harbour pricing methodology for all minerals sold to related parties, beginning with iron ore.

D. TAXATION OF TIMBER AND TIMBER PRODUCTS

Taxing timber operations has some linkages to mining and petroleum taxation, and to farming. When old-growth forests with long regeneration times are logged, these activities are more akin to mining in that these forests may take many decades to be restored (if they are able to at all). Alternatively, forest plantations with fast-growing tree species may be able to be harvested more regularly given the speed of regeneration. With greater focus on climate change mitigation globally, forestry companies may also earn income from preserving their forest stocks, since they may be able to receive funds from groups seeking to retain their forests to offset carbon emissions elsewhere.

Taxing timber exports using a fixed charge risks under-charging for timber value. Similar as with the export of minerals, transactions between related parties may seek to under-value the timber. There is some evidence that when Sierra Leonean timbers are valued at the point of import, those values are notably higher. Whilst this is addressed in the ITA for corporate tax purposes by transfer pricing provisions, these provisions do not extend to export duties, and consequently there is scope to increase revenues by ensuring duties paid by timber exporters are tied to the value of the timber exported.

In 2023 timber exports of African rosewood were suspended and a priority will be to find a way forward that restores timber production and export at sustainable rates.

Policy Measures for Taxation of Timber and Timber Products

(i) Implement an ad valorem export duty on the export value of timber and timber product in addition to the current fixed charge which will be retained as a minimum alternative.
(ii) With technical assistance, review forestry revenue settings

E. INTRODUCTION OF CARBON TAXATION

Carbon taxes offer several potential advantages, allowing countries to efficiently mobilize additional revenue while incentivizing firms to minimize carbon emissions. Since the taxes levied are proportional to the negative externalities they impose, they can be less adversely distortionary than taxes on labour or capital. Taxing carbon can allow Sierra Leone to minimize increases in more distortionary taxes, while mobilizing revenue needed to support poor and vulnerable households and investing in much-needed infrastructure for the future. Carbon taxes may also be simpler to administer. Since emissions tend to be concentrated in a small number of firms and tied to the use or production of specific goods, compliance can be easier to monitor and taxes harder to evade than other forms of taxation. Further, carbon taxes force firms to internalize costs to society, and may help avoid creating lock-ins for carbon-intensive processes that will be costly to reverse later or lead to stranded assets.

However, despite these potential environmental and fiscal benefits, they need to be designed carefully to minimize any negative economic effects (e.g., on domestic energy costs and the purchasing power of Sierra Leonean households). Households in Sierra Leone are currently facing a cost-of-living crisis, and even moderate increases to common household prices from a carbon emissions tax would be harmful. Consequently, the design and rate of any carbon tax must take into consideration any detrimental effects that they will have on industry.

Finally, and relatedly, carbon taxes can be imposed on a variety of different sources of emissions. Agriculture, forestry, and other land-use change are the primary sources of GHG emissions in Sierra Leone, followed by waste and other carbon-intensive sectors such as transportation and industry. Taxing carbon emissions will further require a determination of which sectors or industries should be within scope of the tax, which requires understanding how those industries will respond to a tax on emissions and their ability to bear it.

Given these challenges, the optimal design of a carbon tax policy will require extensive study and review of comparable regulations internationally. The implementation of the carbon tax will be a long-term process and is unlikely to be completed within the MTRS period. Broadly, it will involve three phases: research to understand the effects of a carbon tax on households and firms; policy formulation to set the most appropriate policy given Government's objectives of raising revenue while minimizing impacts on households or the competitiveness of domestic firms; and implementation, when the carbon tax is imposed and revenues begin to be collected.

Policy Measures for Carbon Taxation

Sierra Leone will approach the implementation of a carbon tax as follows:

(i) Conduct a preliminary study of the distribution of the burden from a carbon tax under different policy scenarios on households and firms.
(ii) In collaboration with international partners, model the effects of a carbon tax under different policy scenarios on export competitiveness, economic growth, employment, and domestic prices.
(iii) Draft a policy on carbon taxation based on findings from the research, if appropriate

(iv) Explore the issuance of Green Bonds
(v) Build capacity of the Climate Finance Unit in the Ministry of Finance and the NRA in preparation for administration of the carbon tax.

F. IMPOSITION OF A TOURISM LEVY

The tourism sector is one of key sectors with potential to drive the diversification of the Sierra Leone economy, Sierra Leone is endowed with wide range of tourist attractions, including beaches, wildlife and national parks. The current budgetary allocation to the sector is inadequate to exploit its potential.

The sector requires substantial investment if it's to compete other tourist destinations in Africa. In midst of the limited fiscal space and the competing priorities of Government, there is the need to identify a reliable and sustainable source of funding for the development of the sector. The Government, therefore, introduced a tourism levy in 2023 to complement other sources of funding to develop and bring the sector to a competitive level. This levy will require administration, and the development of expenditure rules around the uses of the levy revenue.

Policy Measures for the Imposition of Tourism Levy

Introduce a tourism levy at a rate of 2% on the gross sales derived from hotel accommodation, food, drinks and other related services offered by a tourism establishment.

G. IMPOSITION OF AN EDUCATION LEVY

Government introduced the Free Quality School Education Programme in 2018 as part of its flagship programme of human capital development. Whilst the programme has contributed to improving the education outcomes for the period, the cost of implementation is becoming unstainable, given the increase in enrolment and global cost of goods and services. Government will therefore impose an education levy to complement other sources of financing the Free Quality School Education Programme.

Policy Measures for the Imposition of Education Levy

Introduce an education levy at a rate of 1% on withholding tax on service contracts (residents and non-residents) to complement other sources of financing the Free Quality School Education Programme.

SUMMARY OF POLICY MEASURES ON OTHER TAXES AND LEVIES

(i) Consider the possibility of having the National Revenue Authority to collect property taxes on behalf of the Local Councils for a commission.
(ii) Raise the stamp duty rate of transfer of immovable property to 1% from 0.1% of consideration.
(iii) Maintain the disciplined policy of not negotiating additional concessions to allow the terms of the EIRA to govern future extractive industries activities.
(iv) Enhance compliance of Extractives, by establishing a safe harbour for all minerals, beginning with iron ore.
(v) Implement an ad valorem export duty on the export value of timber and timber product in addition to the current fixed charge which will be retained as a minimum.
(vi) With technical assistance, review forestry revenue settings
(vii) Conduct a preliminary study of the distribution of the burden from a carbon tax under different policy scenarios on households and firms.
(viii) In collaboration with international partners, model the effects of a carbon tax under different policy scenarios on export competitiveness, economic growth, employment, and domestic prices.
(ix) Draft a policy on carbon taxation based on findings from the research, if appropriate
(x) Explore the issuance of Green Bonds
(xi) Build capacity of the Climate Finance Unit in the Ministry of Finance and the NRA in preparation for administration of the carbon tax

(xii) Implement the 2023 tourism levy (a rate of 2% on the gross sales derived from hotel accommodation, food, drinks and other related services offered by a tourism establishments)

(xiii) Introduce an education levy at a rate of 1% on withholding tax on service contracts (residents and non-residents) to complement other sources of financing the Free Quality School Education Programme.

3.2 REVENUE ADMINISTRATIVE MEASURES

Businesses are changing their operating models to embrace modern technology and pursue initiatives to create new business opportunities. This brings about both opportunities and challenges to tax administration. Technological advances open up new opportunities to deliver more effective services and adopt better processes. However, there are also many challenges, especially for Sierra Leone's tax system, which is beset with administrative challenges, occasioned by weak enforcement, weak capacity and support systems, low compliance and weak oversight. The administration of revenue in Sierra Leone is centred around domestic taxes, customs revenue and non-tax revenues.

This section of the MTRS outlines key administrative reforms to address the above-mentioned challenges to improve on revenue administration in the medium term. This section focusses initially on those measures aimed at strengthening whole of NRA administration (cross-cutting measures) and then discusses domestic taxes, customs excises taxes and non-tax measures.

3.2.1 CROSS-CUTTING MEASURES

A. STRENGTHEN COMPLIANCE RISK MANAGEMENT (CRM)

Leading revenue administrations adopt an agency-wide approach to CRM, supported by an overarching framework, and policies and procedures. The framework supports and requires consistent approaches and cross-agency and cross-functional coordination of effort. It encourages the use of a broader range of risk treatments, including preventative measures, and enhanced support and supervision, augmenting the traditional narrower focus on enforcement.

Effective CRM includes top-down systemic analysis and a focus on the strategic organizational priorities identified by top management and helps to break down organizational silos and promotes more holistic compliance interventions where risks cut across taxpayer segments, and/or require collaboration across functional areas. Segmentation is an important part of effective CRM. This systematic evaluation provides evidence and justification for the choices that are made about the allocation of resources and ensures that the revenue administration focuses on the most significant matters.

Without a whole agency approach, outcomes such as improved tax morale and improved voluntary compliance are unlikely to be fully realized. Implementation of a comprehensive agency-wide strategic CRM process is critical to supporting NRA's revenue mobilization efforts under the MTRS.

i Authority-Level CRM Framework

With the assistance of the IMF, the NRA developed a compliance improvement strategy for domestic taxes, the implementation of which was part of the 2020 workplan. However, considering the emergence of COVID-19 at that time, it has not yet proceeded. The strategy focused on enforcing registration and filing, and correct reporting (through the audit). It does not appear that customs have developed a similar document.

The NRA has developed a compliance improvement strategy for domestic taxes which focuses on enforcing registration and filing, and correct reporting. However, this strategy limits its focus to domestic taxes, and consequently a comprehensive Authority-level CRM Framework that addresses the compliance risks across NRA functional areas is required. This inclusive framework will require collaboration across organizational units. Setting the CRM Strategy at the organizational level will allow the NRA to address compliance risks that span functional units.

The CRM Framework will guide the development of the compliance improvement strategy and the CIPs targeted at key segments, sectors, and issues across domestic taxes and customs. The framework will include a CRM policy and procedures requiring a whole-of-Authority approach, and the development of a single comprehensive compliance improvement strategy for NRA.

ii. CRM Governance and Organizational Arrangements

Although top management and the Board provide governance, including for emerging CRM approaches, there is no single area assigned to establish a comprehensive CRM framework or to provide procedural and operational guidance on CRM across the NRA. This situation has contributed to the current variety of approaches adopted across the agency, which may be delivering sub-optimal results.

Internationally, revenue administrations commonly establish a top-level CRM committee to approve and oversee CRM activities. These arrangements typically include: (i) one or more top-level CRM Steering Committee(s); (ii) a secretariat to support the committee; and (iii) technical working groups convened from time to time to conduct specific initiatives on behalf of the steering committee.

In line with international best practice, the NRA will establish strategic joint Domestic Taxes and Customs CRM committee. The committee will be chaired by a senior official (ideally someone who reports directly to the CG) and include senior representation from all operational and support departments, to oversee all aspects of CRM. The CRM Steering Committee must be well supported in performing its role and must have access to resources to support their operations and to activities and research. The work area supporting the committee will be vested with the authority and provided with the staff expertise to take the lead in developing the CRM framework, developing the compliance improvement strategy, and guiding the development of the CIP program, in cooperation with other departments.

The NRA has recently made the decision to centralize data management within the Modernization and Enterprise Risk Department and has established a project with eight staff for this purpose. Ultimately it is intended that the project be converted into a section. Considering the limited resources available, centralization is sensible. The NRA will explore expanding the data management project into a CRM unit to encompass both data management and the establishment and maintenance of a CRM Framework.

iii. Compliance Improvement Planning

CIPs detail cross-authority and cross-functional systematic approaches to increase compliance. This approach supports stronger compliance outcomes by more closely coordinating and monitoring the delivery of a suite of actions formulated under an overarching plan. CIPs include a balanced set of preventative and supportive measures and graduated corrective treatments. They entail a collaborative approach across relevant work areas to analyse a risk area, and the development and delivery of treatments will provide greater synergies and enhance revenue mobilization.

CIP approaches can be enhanced through building an understanding of taxpayer behaviours and adopting more differentiated treatments. Treatments are selected and applied based on the behaviours exhibited. Treatments should also include, where relevant, systemic measures designed to reduce the risk, including administrative and policy reforms. Monitoring should include oversight of delivery and impact of both the individual elements of the strategy and the strategy as a whole. Evaluation of results should be similarly focused on both deliveries of individual elements, and the overall outcomes. Preventative and corrective treatments appropriate for medium and lower risk, and systemic treatments that may change the underlying compliance landscape do not seem to be widely deployed and should be developed.

NRA will direct its resources at increasing compliance with a taxpayer's core compliance obligations, which includes correct registration, on-time filing, on-time payment and accurate reporting. Given limited resources, NRA will focus its efforts on the sectors and segments that will have the highest revenue impact or the greatest compliance risk. Accordingly, it will focus on High-Net Worth Individuals and Large Companies given their large revenue contributions, and on extractive industries and natural resource-based industries or industries with international tax risks, given the higher compliance risks in these sectors.

CIPs will include measures to strengthen border controls, enhance the transit of goods system, strengthen excise administration and the granting of exemptions, and customs valuation procedures, as described in earlier sections.

Administrative Measures to Strengthen Compliance Risk Management

(i) Develop and implement a whole NRA strategic CRM framework, including a CRM policy and supporting procedures, and a single comprehensive Authority-level compliance improvement strategy.

(ii) Develop and implement a whole-of-Authority Strategic CRM Framework.

(iii) Establish strategic joint CRM committee comprising domestic taxes and customs chaired by a senior-level officer with inclusive representation from all operational and support departments.

(iv) Explore expanding the data management project into a CRM unit to encompass both data management and the establishment and maintenance of a CRM framework.

(v) Adopt international good practice in the development, implementation, monitoring, and evaluation of comprehensive and coordinated compliance improvement plans.

(vi) Develop and implement comprehensive, cross-agency and cross-functional CIPs under the compliance improvement strategy for priority and higher-risk areas.

B. SIMPLIFYING PROCESSES IN TAX ADMINISTRATION

Building voluntary compliance begins with improving the ease-of-navigation of the tax system and the availability of services to support taxpayers seeking to comply. Recognizing the importance of these factors, NRA has introduced several such initiatives including the simplification of tax and customs processes and expansion of digital offerings and services.

Audits are costly and time-intensive and are just one of the components of an effective compliance risk management strategy. These measures to streamline taxpayer interactions will complement the NRA's efforts to strengthen audit capacity and improve taxpayer compliance.

i. Improving Community Perceptions on the Fairness and Equity of Tax Administration

Trust in revenue administration is correlated with levels of integrity and corruption. Taxpayer perceptions about fairness and equity, as well as the balance of rights and powers are known to be interactive in influencing voluntary compliance. Further, standards of service – including both quality and timeliness – are known to influence taxpayer perceptions and voluntary compliance levels. Managing public perceptions of the integrity of the Authority and ensuring standards of service are being met is therefore a priority.

Effectively communicating the steps the Authority is taking is one step in the process. Applying and publishing the service charter and regularly reporting to the community on the extent to which commitments have been met will help sustain and improve voluntary compliance over time. For this reason, the NRA will update, republish, and apply the service charter originally written in 2016, and regularly publicly report on delivery.

Further, understanding service quality and timeliness, and perceptions about fairness and professionalism of revenue administration will help the NRA to target actions to improve community confidence. Monitoring trends over time in these perceptions can be leading indicators as to whether the NRA's efforts are having the desired effects.

Critical actions that have the having potential to improve confidence and perceptions of fairness across these dimensions include:

- Building community understanding of the links between revenue raising and the delivery of community services, such as health and education.
- Updating the service charter and regularly publishing achievements in meeting the charter.
- Increasing and publicizing the NRA's efforts in reducing the incidence of tax avoidance and evasion and improving the compliance of prominent citizens.
- Improving compliance of SOEs.
- Being seen to be dealing with corruption and strengthening the integrity of administration.

The NRA will focus on communicating publicly the actions it is taking to improve integrity and reduce corruption. The NRA will also continue to research ways to influence taxpayer behaviour and measure and improve perceptions, focusing particularly on perceptions of fairness and professionalism. The NRA will review and implement these recommendations.

ii. Leveraging Stakeholder Engagement to Improve Service Delivery

Stakeholder engagement helps to better understand the needs of taxpayers and improve relationships, and consequently aids in improving the design and delivery of services. Increasing the level of stakeholder engagement in the design and delivery of specific taxpayer interactions is likely to improve the ability of these interactions to generate the desired behaviours and improve the ease of use experienced by customers concerned.

The useability of new services and approaches could be enhanced by adopting user-based design and testing. This is particularly relevant to support of the development of products related to the new ICT systems including the Electronic Single Window System and business re-engineering. Engagement with users establishes, often through observation, their requirements for a particular product or service. User testing helps to gauge the usability of products or services by testing to assess ease of use and navigation; correctness of application; and opportunities for improvement. The goal is to collect qualitative and quantitative data to identify opportunities to improve useability, and identify problems at an early stage before a significant investment is made. NRA will make full use of user-based design and testing to improve the usability and accessibility of its interactions with taxpayers, focusing on the provision of clear advance and the expansion of digital services. The focus on service delivery will extend across Domestic Taxes, Customs and Non-Tax Revenue.

Basic infrastructure and equipment availability remains a barrier to full utilization of systems by staff and taxpayers/traders. Despite significant progress in energy access and internet connectivity, these services remain volatile. National capacity to absorb digital techniques for engaging with the NRA remains challenging. While taxpayers and traders may be at the higher end of the scale, an adult literacy rate hovering around 43 percent means that messaging should be presented in a way that is accessible to a less literate audience. Furthermore, computer literacy within the general population remains low, increasing the need for training and public sensitization. User testing will ensure that the services and platforms delivered are tailored to the needs of the population.

The NRA and MOF regularly seek input from key stakeholders in the development of policies and organizational approaches. Standing committees have been set up by both agencies to facilitate these discussions. There may be potential to extend these discussions. While there is a clear commitment to engaging stakeholders there may be opportunities for greater engagement in shaping organizational focus, in identifying service needs and delivery channels. To support the implementation of the MTRS, the NRA will put renewed focus on stakeholder engagements.

Administrative Measures for Simplifying Processes of Tax Administration

(i) Improve communication about the actions the Authority is taking to improve integrity and reduce corruption; study how the Authority can further improve perceptions of its fairness and professionalism.

(ii) Monitor trends over time in public perceptions about the fairness and equity of the tax system and its administration by the NRA.

(iii) Update, republish and apply the service charter and regularly report publicly on its implementation.
(iv) Undertake taxpayer education programmes, including building community understanding of the links between revenue raising and the provision of community services such as health and education.
(v) Explore additional actions to strengthen taxpayer confidence and undertake research on influencing taxpayer behaviour and measuring and improving taxpayer perceptions.
(vi) Enhance the current focus on integrity and combating corruption and implement additional measures to improve confidence and perceptions of fairness.
(vii) Update and republish the service charter and commit to regularly reporting to the community on the achievement of the charter standards.
(viii) Conduct taxpayer and stakeholder surveys including assessing of community confidence in the revenue system and the NRA, and perceptions of professionalism, integrity, and fairness.
(ix) Streamline taxpayer interactions, focusing on the provision of clear advice and the expansion of digital services.
(x) Continue user testing to improve services and digital platforms.
(xi) Strengthen engagement with stakeholders to shape organizational focus and identify service needs and delivery channels.

C. BUILDING AN OUTCOME-DRIVEN REVENUE ADMINISTRATION

Understanding the impact of measures in the MTRS is essential to ensuring that policies and administrative actions adopted are consistent with the goals of efficient and equitable revenue mobilization. This requires measures to strengthen the monitoring and evaluation of the performance of the NRA to meet the objectives of the Strategy.

i. Strengthening Monitoring and Evaluation of Organizational Performance

Reliable and comprehensive management information is essential in a high-performing revenue administration. The NRA collects data on domestic revenue mobilisation and has commenced work on assessing the domestic tax gap. It also collates limited data required to support monitoring and evaluation of its performance and trends in voluntary compliance.

The NRA is currently transitioning from spreadsheet-based monitoring and evaluation to an automated system aimed at improving the accessibility of management information. The rollout of ITAS and ASYCUDA World provides opportunities to support better management information for monitoring and evaluation. However, these automated system reports tend to focus on the delivery of planned activities which are not sufficient on their own.

Monitoring and evaluation of organizational performance at all levels across the NRA will need to be strengthened to support the performance improvements and to support MTRS implementation. Further, the NRA should strengthen monitoring of information on the effectiveness of its various compliance interventions, in addition to tracking revenue collected. Going beyond simply monitoring revenue collected is likely to require the use of reports from ITAS and ASYCUDA World, in addition to reports generated out of the NRA's data warehouse. Consequently, the NRA will develop a comprehensive outcomes-based monitoring and evaluation framework including levels and trends in compliance with core compliance obligations.

Administrative Measures for Outcome- Driven Revenue Administration

(i) Develop a comprehensive outcomes-based monitoring and evaluation framework.
(ii) Strengthen monitoring of the effectiveness of compliance interventions.

H. MODERNIZING BUSINESS OPERATIONS, CAPACITY, AND PRODUCTIVITY

Delivering a program of reforms and achieving the anticipated revenue gains will require strengthening organizational capacity. Key areas of focus under the MTRS include improving IT infrastructure to increase alignment with the requirements of modern revenue administration; developing a more systematic approach to building and using data; modernizing CRM functions; and building staff capacity in critical areas.

ii. Improving Information Technology

Information Technology is a key enabler for both new administrative measures and for improving the efficacy of existing practices. IT resources are essential for the integrity and security of data in ITAS, ASYCUDA, ECR, ESW, and data warehouse programmes and the ability of the NRA to analyse and fully leverage the data available to it. The success of these programmes depends on continuous investment by NRA in supporting infrastructure and resources, including capacity development for its staff, to maintain and improve on its existing systems. To achieve this, the following measures will be pursued in the medium term:

a. Investing Technology and Infrastructure

The Customs ASYCUDA World project has completed technical implementation of core modules, with plans to enable further functionality as operational capacity permits. DTD has enabled core ITAS modules for registration, filing and taxpayer accounting. The ECR system has been launched for merchants with fiscal devices, and larger taxpayers that operating internal systems (e.g., supermarkets, distributors) have been integrated. Further, plans are in place to enhance the system for tax clearances, e-seals, and the rollout of excise tax stamps.

The strategic advantage of these systems is to provide greater efficiencies for taxpayers and the administration and better access to reliable data. Data is the foundation of intelligence, both about the internal operations of the business (process enhancement) and improved compliance. As discussed above, a central competent of the MTRS is to leverage sources of data accessible to the NRA, and data from these digital systems will feed into the NRAs research operations.

It is common among low-income countries for new systems to be implemented with a capital injection from donor funding, only to atrophy and become obsolete due to an inability to fund the ongoing cost of maintenance and continuous enhancement. For this transition to be successful, the enabling infrastructure and resources need to be maintained and improved. As the NRA digitalizes, it needs to plan for the proportion of the operating budget to shift from human to technology costs. It must also ensure that donors understand that procurement should place heavy emphasis on ongoing costs.

Revenue authorities in higher-income countries tend to allocate between 12 and 25 percent of their operating budget to ICT (the NRA sits around 7 percent) and do not suffer the same challenges around accessing foreign currency. Consequently, NRA will continue to invest in ICT infrastructure underpinning these systems and will take steps to ensure that its technological costs are fully accounted for in its operating budget, seeking support from donors where appropriate. NRA will also explore implementing an abbreviated Service and Asset Management process, including a service desk (prior to the more extensive ISO20000-based approach).

Administrative Measures for Investing in Technology and Infrastructure

(i) Leverage sources of data accessible to the NRA its digital systems to feed into NRA research activities.
(ii) Invest in ICT infrastructure underpinning its systems and account for technological costs in the NRA's operating budget.
(iii) Explore implementing an abbreviated Service and Asset Management process including a service desk, with a view to eventually implement an ISO20000-based approach.

b. Build Organizational ICT Capacity

Continuing this transition requires close collaboration between staff in ICT and operations, working jointly to ensure the effective and efficient re-engineering of tax administration processes. Modern software project methods require a deep understanding of business processes by IT staff, and openness to change by operational leaders. This is a cultural shift that requires change leadership, shifting the focus of the ICT function from providing commodity services (servers, networks, and applications) to enabling business processes. To this end, the NRA will develop a strategy to improve liaison between Business Operations and IT and foster greater strategic collaboration.

Sustaining and supporting the digital platforms must be resourced internally. To be successful, capacity must be embedded within the NRA, not in an external project team with members who will leave on completion. The most successful technology projects are carried out by internal teams with external technical support. External contractors are utilized to back-fill legacy roles so that internal staff can focus on the project. While this is difficult in the context of donor-funded projects, many countries have demonstrated that it can be achieved. The NRA will ensure that its IT and Data Analytics teams participate fully in the implementation of these technology projects, and that consequently the capacity to develop and maintain these projects is retained within the Authority. ICT staff are in great demand globally, and once trained they are presented with many external employment options. Tactical methods such as bonding can only be regarded as a stop-gap measure. The NRA is a technology leader within Sierra Leone, which puts it at the forefront of issues that will increasingly affect the entire public sector. Consequently, the NRA will focus on developing capacity within its ranks through the development of a rolling, internally delivered staff development plan to increase IT capacity within the workforce. It will further commence engagements at a national level across Government and with academic institutions to develop a strategy for sustainable capacity building programme in the long term.

Administrative Measures for Building Organisation Capacity in ICT Capacity

(i) Develop a strategy to improve cooperation between Business Operations and IT and foster greater strategic collaboration.
(ii) Ensure that IT and Data Analytics teams participate fully in the implementation of technology projects and that the capacity to develop and maintain such projects is retained within the NRA.
(iii) Focus on developing capacity within the Authority through the development of a rolling, internally delivered staff development plan to increase IT literacy within the workforce.
(iv) Engage with Government and academic institutions to develop a strategy to build capacity and ensure skills are available in the longer term.
(v) Finalize a tactical plan for retention, including bonding, graduate entry, remuneration and career development.
(vi) Implement a systematic and sustained competency-based internal training program to enhance NRA ICT capacity.

ii Improving Data Management

The NRA is at the early stages of its enterprise intelligence journey. Its analysis capabilities are emerging, and a strategy and plan to implement a data warehouse with associated analysis tools is underway. A central component of this data management strategy is the creation of a data warehouse to provide an aggregation point for a wide variety of internal and external data. Once loaded it can then be used to provide a variety of reports, dashboards, and specific exercises such as data matching. The data warehouse is the strategic enabler, while system-specific reporting is a tactical and operational tool.

Many new opportunities arise from the digitalization of the NRA's operations, and as information moves into systems it becomes available not only for processing but analysis. In addition to centralizing data and making it more easily accessible, it will also enable the NRA to better manage data quality.

The data warehouse capability will be initially limited to internal data sets (ITAS, ASYCUDA, and ECR), with the later addition of third-party data, subject to warehouse capacity, legislative powers, and suitability of data for onboarding. Gathering the right sorts of additional data, in the right formats, and ensuring that data acquisition is able to evolve with changing business environment without the constant need for changes to the law are priority actions. To ensure a smooth process when integrating third-party data, the NRA will review data access powers to ensure legal authority is unambiguous and pursue a test case in court if necessary.

To maximize the benefits of the data warehouse, NRA will centralise the data management process in a team responsible for data acquisition, facilitation, quality assurance and cleansing, and monitoring. This unit will be mandated to continually review and improve data quality. It will also provide a focal point for data governance and acquisition, providing technical expertise for identifying, sourcing, and ingesting external information. Interfaces to external sources are prone to technical failure, so the unit will also take responsibility for monitoring and maintaining data feeds.

Administrative Measures for Improving Data Management

(i) Complete implementation of the data warehouse, prioritizing data for ITAS, ASYCUDA and ECR and later expanding to include third-party data.
(ii) Review data access powers to ensure the legal authority is unambiguous.
(iii) Centralise data management process.

iii. Modernising Risk Management Functions

Modernizing risk management functions for Customs and Domestic Tax requires further specialized capability. In Customs this requires improved automation of processes, particularly in customs clearance and embedding data analysis into risk management systems, which will support the generation of risk profiles. In Domestic Tax, this requires the effective use of existing data sets, as well as the adoption of a wider range of treatments to mitigate risks, including more systemic responses. These are discussed in the relevant sections earlier in the report.

Administrative Measures for Modernising Risk Management Functions

(i) Modernize risk management functions for Customs and the Domestic Tax Department and build specialized capacity to leverage and maintain its data systems.
(ii) Embed risk management outputs into existing systems, including operationalising risk management modules in ASYCUDA World and ITAS.

iv Enhancing HRM

The ability of the NRA to successfully achieve its goal of mobilising revenue and implement the administrative and policy measures described in the MTRS depend on the strength of its human resources. However, the Authority is currently beset by several HRM challenges, including limited staffing coupled with limited staff with appropriate specialist skills. Key specialists needed by the Authority include IT specialists, data analysts, and data scientists are paramount. In addition, the Authority also requires experts in (i) international taxation including transfer pricing, information exchange, and the evaluation of consequences of the recent global tax deal; (ii) audit capabilities and techniques; (iii) specialist design, and process management skills, that support the development of compliance risk management; (iv) programme and project management; and (v) HRM practitioners.

The MTRS proposes to increase staff budget to enable specialist recruitment in targeted areas and fund high level training in identified specializations required by the MTRS programme.

Administrative Measures for Modernising Risk Management Functions

(i) Increase staff budget to enable specialist recruitment in targeted areas.
(ii) Fund training in identified specializations by the MTRS program in fields including IT, data analytics, and data science; and with specialized knowledge including international taxation, audit capabilities and techniques, process management, programme and project management, and HRM practitioners.

Summary of Cross Cutting Measures

a. Strengthen Compliance Risk Management

(i) Develop and implement a whole NRA strategic CRM framework, including a CRM policy and supporting procedures, and a single comprehensive Authority-level compliance improvement strategy.

(ii) Develop and implement a whole-of-Authority Strategic CRM Framework.

(iii) Establish strategic joint CRM committee comprising domestic taxes and customs chaired by a senior-level officer with inclusive representation from all operational and support departments.

(iv) Explore expanding the data management project into a CRM unit to encompass both data management and the establishment and maintenance of a CRM framework.

(v) Adopt international good practice in the development, implementation, monitoring, and evaluation of comprehensive and coordinated compliance improvement plans.

(vi) Develop and implement comprehensive, cross-agency and cross-functional CIPs under the compliance improvement strategy for priority and higher-risk areas.

b. Simplifying Processes of Tax Administration

(xii) Improve communication about the actions the Authority is taking to improve integrity and reduce corruption; study how the Authority can further improve perceptions of its fairness and professionalism.

(xiii) Monitor trends over time in public perceptions about the fairness and equity of the tax system and its administration by the NRA.

(xiv) Update, republish and apply the service charter and regularly report publicly on its implementation.

(xv) Undertake taxpayer education programmes, including building community understanding of the links between revenue raising and the provision of community services such as health and education.

(xvi) Explore additional actions to strengthen taxpayer confidence and undertake research on influencing taxpayer behaviour and measuring and improving taxpayer perceptions.

(xvii) Enhance the current focus on integrity and combating corruption and implement additional measures to improve confidence and perceptions of fairness.

(xviii) Update and republish the service charter and commit to regularly reporting to the community on the achievement of the charter standards.

(xix) Conduct taxpayer and stakeholder surveys including assessing of community confidence in the revenue system and the NRA, and perceptions of professionalism, integrity, and fairness.

(xx) Streamline taxpayer interactions, focusing on the provision of clear advice and the expansion of digital services.

(xxi) Continue user testing to improve services and digital platforms.

(xxii) Strengthen engagement with stakeholders to shape organizational focus and identify service needs and delivery channels.

c. Outcome-Driven Revenue Administration

(i) Develop a comprehensive outcomes-based monitoring and evaluation framework.

(ii) Strengthen monitoring of the effectiveness of compliance interventions.

d. Modernising Business Operations, Capacity and Productivity

(i) Leverage sources of data accessible to the NRA its digital systems to feed into NRA research activities.

(ii) Invest in ICT infrastructure underpinning its systems and account for technological costs in the NRA's operating budget.

(iii) Explore implementing an abbreviated Service and Asset Management process including a service desk, with a view to eventually implement an ISO20000-based approach.

(iv) Develop a strategy to improve cooperation between Business Operations and IT and foster greater strategic collaboration.
(v) Ensure that IT and Data Analytics teams participate fully in the implementation of technology projects and that the capacity to develop and maintain such projects is retained within the NRA.
(vi) Focus on developing capacity within the Authority through the development of a rolling, internally delivered staff development plan to increase IT literacy within the workforce.
(vii) Engage with Government and academic institutions to develop a strategy to build capacity and ensure skills are available in the longer term.
(viii) Finalize a tactical plan for retention, including bonding, graduate entry, remuneration and career development.
(ix) Implement a systematic and sustained competency-based internal training program to enhance NRA ICT capacity.
(x) Complete implementation of the data warehouse, prioritizing data for ITAS, ASYCUDA and ECR and later expanding to include third-party data.
(xi) Review data access powers to ensure the legal authority is unambiguous.
(xii) Centralise data management process.
(xiii) Modernize risk management functions for Customs and the Domestic Tax Department and build specialized capacity to leverage and maintain its data systems.
(xiv) Embed risk management outputs into existing systems, including operationalising risk management modules in ASYCUDA World and ITAS.
(xv) Increase staff budget to enable specialist recruitment in targeted areas.
(xvi) Fund training in identified specializations by the MTRS program in fields including IT, data analytics, and data science; and with specialized knowledge including international taxation, audit capabilities and techniques, process management, programme and project management, and HRM practitioners.

I. ENABLE MTRS AND OTHER LEGISLATIVE CHANGE

NRA will play an important role in realizing revenue and delivering other improvements enabled by legislative reforms. These may require strengthening capacity to support specific legislative and administrative reforms, which will need to be further evaluated and mitigations implemented once the MTRS is settled and approved.

NRA will conduct an implementation readiness assessment once the tax policy initiatives are settled and develop a prioritized plan to address identified priority areas. An implementation readiness assessment will help NRA to identify and plan to strengthen priority gaps in preparation for MTRS implementation.

The implementation readiness assessment will focus on capacity across six components of revenue administration: (i) People; (ii) Systems and CRM; (iii) Tools; (iv) Data; (v) Legal Framework; and (vi) Organization Structure and Governance. Capacity weaknesses in areas critical to the effective implementation of the MTRS policy reforms will need be prioritized.

Measures to Enable MTRS and other Legislative Changes
Conduct an implementation readiness assessment once the tax policy initiatives are settled; develop a prioritized plan to address identified priority areas.

3.2.2 DOMESTIC TAXES ADMINISTRATIVE REFORMS

The core responsibility of Domestic Tax Administration is centred on the implementation and enforcement of tax legislation and regulations. These activities include more effective identification and registration of taxpayers that are likely to contribute revenues, more effective processing of tax returns and third-party information access and sharing, closer, more effective, and less costly approaches to the examination of the completeness and correctness of tax returns and assessment of tax obligations, streamlining collection of taxes and provision of more targeted services to taxpayers.

Currently, the Government is putting in place drastic measures to address weak enforcement, low compliance, weak capacity and support systems, as detailed below:

A. IMPROVING COMPLIANCE ENFORCEMENT

A comprehensive compliance improvement strategy and compliance improvement plans (CIPs) for domestic taxes will comprise initiatives to address specific high-risk taxpayer segments and broader efforts to improve compliance with the core taxpayer obligations (registration, filing, payment, and accurate reporting). Each of these elements of compliance improvement are examined in more detail below.

Compliance improvements in domestic taxes are projected to increase the tax-to-GDP ratio by 3.7 percent of GDP after five years.

(i) Addressing Tax Evasion and International Tax Risks for Priority Taxpayer Segments

Large businesses and extractive industries account for most of the tax revenue collected by the NRA, it is estimated[6] that 80% Sierra Leone's domestic taxes come from large taxpayers. They also present significant compliance risks because of the scale of their cross-border transactions with related parties. In the extractives sector, it can be difficult to establish the actual cost of high-value equipment imported into the country where this has been acquired from other members of the Multinational Enterprises (MNEs). The correct valuation of minerals when they are exported to related parties is another high-risk to revenue collection. Similarly, tax avoidance and base erosion, including but not limited to transfer pricing, are critical risks in the large taxpayer segment.

The NRA has dedicated units managing large taxpayers and the extractives sector, but they have yet to tackle the key risk areas. The NRA will expand its plan to review and monitor these taxpayers more closely, including but not limited to reviewing the audit plan to audit a high proportion of these taxpayers especially given additional information on their transactions. While the NRA has had some success in tackling attempts to disguise the levels of remuneration being paid to expatriates that is taxable in Sierra Leone, major cross-border risks have not been addressed. The NRA has yet to conduct a transfer pricing audit, although there is clear evidence that transfer mispricing is taking place. Domestic law provisions requiring compliance with the arm's length principle are now in place and staff in the NRA have received training in the principles of transfer pricing and the audit of cross-border transactions.

Administrative Measures to Address Tax Evasion and International Tax Risks for Priority Taxpayer

In the MTRS period, the NRA will more closely monitor these high-risk sectors and put these principles into practice, by commencing this increased focus on these priority risks, including, but not limited to audits. This is an aspect of tax compliance that could deliver significant revenue in the early years of the MTRS. Moreover, since quarrying and fishery are extractive in nature, the NRA would include them in the segmentation criteria for the Extractive Unit for effective monitoring and compliance.

[6] Sierra Leone's response in the International Survey on Revenue Administration.

Further, the NRA will develop a more sophisticated approach to the risk assessment of large taxpayers and extractives, including the use of computer-assisted monitoring and audit techniques to increase its ability to increase coverage and detect anomalies and inconsistencies in the electronic records of large firms, associated entities under common ownership holistically. In the large taxpayer segment, risk assessments based on statistical methods need to be complemented by more qualitative risk reviews. These make use of interactions with these taxpayers and unstructured data from a wide variety of sources to assess whether the results reported for tax purposes are consistent with the picture that emerges from a review of that data. Examples of the types of information used for this purpose include media reports about the taxpayer, including its own press releases, the published "glossy" accounts and annual report of the ultimate parent, regulatory filings that are available publicly (e.g. those filed with the SEC), and public country-by-country reports and academic research papers.

(ii) Identification of High Net-worth Individuals (HNWIs)

High net-worth individuals (HNWIs) have the potential to make a significant contribution to total revenue, and their compliance has a wider impact as it affects attitudes to tax compliance in the broader society. However, there is evidence of low levels of tax compliance among wealthy landlords, business owners, politically exposed persons and professionals. The NRA's efforts to improve compliance with personal income taxes will focus on compliance among HNWIs.

To address the challenge of increasing compliance among HNWIs, the NRA will develop a compliance improvement plan to target this key segment. In the initial phase of the HNWI project, the NRA will focus on providing enhanced services, and monitoring the income streams that are important sources of their wealth and basic compliance. The NRA will target obtaining information on income stream of these individuals and use them to secure compliance. Encouraging HNWIs to register and file tax returns will help to secure additional revenue, and access to third-party information will make it easier to verify declared income figures. Once the NRA has developed a better understanding of the segment and how to approach an HNWI audit, more sophisticated monitoring, and where necessary, audits of HNWIs can be put in place.

Administrative Measures for Addressing Tax Evasion and International Tax Risks for Priority Taxpayer Segments

(i) Expand the extractive Industries Compliance Improvement Plan and the audit plan to cover a higher proportion of large taxpayers and taxpayers in the extractives industry.
(ii) Promote awareness about the tax treatment of cross-border transactions and initiate interventions, including audit, with a view to identifying and deterring tax evasion through transfer pricing fraud.
(iii) Develop a more sophisticated approach to the risk assessment of large taxpayers and taxpayers in the extractives industry.
(iv) Develop a compliance improvement plan to target High Net-Worth Individuals.

ii. Registration of Taxpayers and Increasing On-Time Filing Rates

While the number of taxpayers registered for Personal Income Tax (PIT) increased significantly in recent years and the number of registered corporations more than doubled in the same period, levels of informality remain high. The NRA will continue its efforts to increase the base of registered taxpayers, aiming to add a further 25 percent to the register, focusing on adding taxpayers who have the potential to increase the revenue collected. If increased registration is crudely targeted, NRA risks registering persons with low or no tax liability, which will increase administration costs without increasing revenue.

Among those taxpayers who are registered, filing performance still falls short. In 2021, for instance, only 63 percent of large taxpayers (who have the resources to file and pay on time) filed their PAYE returns on time, compared to GST on-time filing at 85 percent. For small and medium taxpayers, filing performance varies. In 2021, on-time filing of GST returns increased from a low base in the previous year (47 percent) to 89 percent, but only 39 percent of CIT returns were filed on time.

ITAS currently does not impose a penalty for late filing until the overdue return is filed. This creates an incentive for later filers to defer filing the overdue return indefinitely. The legislation is clear that the penalty is incurred when the due date for filing has passed, so the problem is the way the system is configured. NRA is currently pursuing a fix to the ITAS system so that penalties can be imposed and pursued as soon as a return is late. NRA will also ensure that ITAS provides accurate real-time data about filing under all tax types as part of the performance dashboard that NRA uses to manage its business.

Administrative Measures for Registering Taxpayers and Increasing On-Time Filing

(i) Continue efforts to increase the tax base by identifying and registering unregistered taxpayers, prioritizing higher value taxpayers such as HNWIs and large taxpayers.
(ii) Invest in interventions to increase on-time filing rates, with a target of achieving on-time filing rates of 90 percent for large taxpayers.
(iii) Update ITAS so that penalties are imposed as soon as a return is late.
(iv) Integrate indicators on on-time filing into the NRA's management dashboards.

iii. Improve Debt Management Practices

The introduction of ITAS has made it possible to automate the process of reconciling payments to individual taxpayer accounts. When taxpayers make payment through the commercial banking system, the payment is identified with the taxpayer's Taxpayer Identification Number (TIN) and a unique reference that indicates the tax type and period to which it relates. All commercial banks in Sierra Leone use this system for tax payments now and it enables ITAS to automatically post the payment to the taxpayer's account.

The individual taxpayer account balances shown in ITAS are not yet reliable. The NRA has established a procedure for cleaning the data before the figures are transferred to ITAS, but the scale of the task has been a challenge. NRA now aims to complete the data cleaning process going forward.

Ideally, irrecoverable debt should be written off, but NRA lacks the legal powers to do this. In practice, it appears that a statute of limitations bars the recovery of debts that are more than six years old. Good practice suggest that these debts should be written off. Operationally NRA will focus on debts that it can recover and ensure that the data about debt balances identify collectible and uncollectible debts separately. Reports to the Ministry of Finance will also reflect the distinction.

Given the specialized nature of debt management, the NRA will continue with plans to create a centralised debt management function, which will manage the domestic tax debts and customs debt that is the subject of enforced collection. Managing enforced collection of taxes and customs debt as a single process is more efficient and addresses the overall net liability of the debtor. The new debt management department will adopt best practices in tax debt management. NRA expects tax debt recovery to be improved by the creation of new courts dedicated to dealing with tax defaulters. This was recently agreed with the Chief Justice and NRA expects the new courts to become operational soon.

Administrative Measures for the Implement Debt Management Practices

(i) Complete the data cleaning process for taxpayer data in ITAS.
(ii) Prioritize recoverable debts for debt collection.
(iii) Distinguish between collectable and uncollectable debt in reports to the Ministry of Finance.
(iv) Create a specialized debt management function which will manage the domestic debts and customs debt that is the subject of enforced collection.
(v) Set up and operationalise Revenue Court to deal with tax defaulters and other revenue offences.

iv. Improving compliance of Tax Obligations by State Owned Enterprise (SOEs)

State-Owned Enterprises (SOEs) account for approximately 80 percent of the current debt balance. SOEs have no mainstream tax liabilities of their own but collect taxes due from other parties (e.g.

payroll taxes, GST, and taxes withheld from payments to contractors). When SOEs fail to pay over withholding taxes, contractors are unable to obtain the credit due against their own liabilities. This magnifies the debt figure and undermines confidence in the tax system. SOE debts tend to become irrecoverable, and the NRA has limited ability to enforce payment. It also diverts resources from the Government's agreed priorities to the SOEs.

Administrative Measures for Improving the Payment of Liabilities by State-Owned Enterprises

(i) Identify all outstanding tax obligations of SOEs and agree on a payment plan in collaboration with the Ministry of Finance for the settlement of these obligations.

v. Enhance Audit Capability

Improving the audit capability of the NRA is a core priority of the MTRS, as audit is an important and essential element of a successful tax compliance strategy. Having a credible audit capability is particularly important in an environment where levels of voluntary compliance are low. Currently, the Domestic Tax Department is understaffed to adequately audit taxpayers. This low capacity represents significant challenges for an effective tax administration.

The NRA has received support from its development partners in training staff in aspects of international tax and the extractives industry but may need further support to put that knowledge into practice. Tackling these risks is an immediate priority. In the long term, an enhanced audit capability will be supported by NRA's human resources strategy. Developing career paths for auditors, complemented by a training and development program, will improve operational performance, and help to recruit and retain capable staff.

The NRA will increase the resources devoted to audit functions to enable it to increase the coverage and depth of its audit program and address the high-risk areas discussed earlier.

Administrative Measures to Enhance Audit Capability

(i) Implement NRA's human resources strategy.
(ii) Devote more resources (human, technical and financial) to audit functions.

vi. Implement Risk-Based Case Selection

Compliance Risk Management is an important strategic approach that helps to shape the overall approach to supporting and improving taxpayer compliance. Audit case selection and compliance monitoring is one, albeit important, element of this much bigger CRM process. The NRA will review its criteria for identifying taxpayers for audits to ensure that case selection for taxpayers in all segments is based on risk management principles, and that audits are more effectively targeted. For example, while smaller taxpayers are risk assessed, some rules in the current system are not risk-based. Specifically, cases are excluded from audit if there has been an earlier audit within a specified period. Such basic rules may incentivize the deliberate under-reporting of incomes, in the periods after an audit as there is less likelihood actions will be taken to correct them.

Administrative Measures for the Implement Risk-based Case Selection

Review criteria for identifying taxpayers for audits to ensure that case selection for taxpayers in all segments is based on risk management principles.

vii. Increase Bi-Directional Engagement with Taxpayers

The NRA has put in place a call centre to handle taxpayers' telephone calls and has enabled taxpayers to submit inquiries electronically through the taxpayer portal. For example, they may result from a misunderstanding of the law, problems with the way forms and guidance are worded, or poorly designed processes. Understanding the root causes of customer contact will enable NRA to take preventative action to eliminate common causes of enquiries and inadvertent error.

The NRA already invests considerable resources on taxpayer engagement and sensitization. This program will be expanded to include specific campaigns that will support its efforts to improve compliance in high-risk segments, in particular HNWIs. For example, regulated professionals such as self-employed lawyers, doctors, engineers and accountants, are a readily identifiable group, with representative bodies and registers of licensed practitioners.

Administrative Measures for Increasing Engagement with Taxpayers

(i) Analyse reasons for contacting the NRA to identify aspects of the tax system that are causing confusion and error, including exploring options to leverage data from electronic communications with the NRA.
(ii) Expand taxpayer engagement and sensitization programmes to include HNWIs and other high-risk taxpayer segments.
(iii) Explore approaches that leverage sources of information about tax obligations of self-employed regulated professionals.

viii. Enhancing compliance of SMEs

Institutional capacity remains a challenge for revenue administration in Sierra Leone, undermining the effort of the National Revenue Authority to meet its revenue targets. This is best explained by a combination of factors. The first being the inability of the NRA to provide a simpler, accessible, and swift payment platform for payers of non-tax revenues and for SMEs paying smaller amounts of domestic taxes and import duties. As a response, the NRA has recently launched the NTR mobile app for payers of non-tax revenues, yet this has not been extended to cater for SMEs intending to pay domestic taxes and import duties. The second factor associated with weak institutional capacity at the NRA to cater for the business sector is lack of designated taxpayer services centres in major cities across the country. The NRA commenced a block registration exercise in the Western Area in 2021, but could not proceed with phase 2 of the Block Management System requiring the installation of containerized offices in the created blocks to serve as follow up registration and taxpayer service centres to bring tax administration services closer to the taxpayers and the business community. The effect of the aforementioned challenges is low tax compliance of taxpayers.

Administrative Measure for Enhancing Compliance of SMEs

(i) Configure the current online NTR mobile App and extend its application to ITAS and the ASYCUDA World thus enabling smaller taxpayers to use their mobile phones to pay their import taxes at the borders as well as pay domestic taxes needing to go to the bank.
(ii) Extend the block registration of unregistered businesses nationwide, while maintaining the focus of registration of taxpayers likely to generate revenue. Establish taxpayer service centers in designated blocks closer to taxpayers, install solar systems to these offices, and provide equipment and furniture to the containerized offices. This will save businesses the cost of moving longer distances to benefit from taxpayer services or seek clarification of tax issues to the NRA.
(iii) Undertake extensive taxpayer education and sanitization campaigns to improve compliance of the hard-to tax sector.

B. ENHANCING THE FUNCTIONALITY AND INTEGRATION OF TAX ADMINISTRATION SYSTEMS

In 2021, the NRA commenced the implementation of the ITAS to automate and integrate the administration of income tax and GST enabling the online registration, filing of returns and payment of taxes. Tracking of taxpayer compliance is also provided by the ITAS. However, the management modules including taxpayer's services, risk management, audit, investigation, forecasting, tax exemption management and debt management are yet to be fully operationalised.

In addition to the ITAS, NRA has recently implemented the Electronic Cash Register (ECR) system to electronically capture the sales data of GST registered businesses on a real-time basis. This will strengthen the compliance, boost GST collection and facilitate audit trail of transactions. Currently, both the ECR and ITAS are not integrated, creating constraints in taxpayer compliance profiling and reconciliation.

The MTRS will adopt the following key actions to ensure the functionality and integration of these systems:

i. Enhancing the functionality of ITAS

An essential element of the implementation of the ITAS will be the capability to provide the management of Domestic Taxes with accurate and timely data about operational performance. Taxpayer Services Module of the ITAS, including its suite of management information will comprise comprehensive data about taxpayer service across all channels. This will enable NRA to track its performance against key performance indicators of customer service. Similarly, ITAS will provide managers with real-time information about the progress and results of compliance activity.

ITAS includes audit and risk management modules that are in the process of being implemented. The risk management module will make it possible to automate the risk rules that are currently managed manually in various spreadsheets. It should also make it easier to analyse taxpayers' reported results across industry sectors and segments, including MNEs. However, risk criteria need to be dynamic and revisited in each compliance cycle, in the light of the results of previous compliance activity and in response to changes in taxpayer behaviour.

Administrative Measures to Maximally Leverage Implementation of ITAS

(i) Leverage information collected through ITAS to inform management decisions.
(ii) Build internal capabilities to revise and refine risk criteria after the ITAS warranty period.
(iii) Operational the remaining management modules of the ITAS
(iv) Secure post implementation support of the ITAS

ii. Strengthening the Implementation of Electronic Cash Register (ECR) System

The Electronic Cash Register (ECR) system provides NRA with a new real-time source of data about transactions undertaken by GST taxpayers. Since its introduction in April 2021, the ECR has been fraught with a series of challenges, including the low rate of acceptability of the machines, weak functionality of the system, non-issuance of ECR receipts by businesses, amongst others. NRA has commenced strategies to incentivize and encourage customers to demand receipts, through public education and awareness raising campaigns, mystery shopping and lottery.

The following administrative measures will be pursued by the NRA to strengthen the administration of the ECR systems in the medium term.

Administrative Measures for Strengthening the Implementation of Electronic Cash Register (ECR) System

(i) Continue to monitor implementation of ECR program and expand efforts to identify anomalies that may indicate improper use or compliance issues.
(ii) Strengthen the functionality of the ECR system to enhance its performance and minimize manipulations and fraudulent practices by users.
(iii) Deepen tax education and taxpayer training on the system.
(iv) Complete integration of ECR data stream with the NRA's data warehouse.

iii. Integration of Electronic Cash Register (ECR) System and the ITAS

Currently, the Electronic Cash Register and ITAS are stand-alone systems, operating in silos. The integration of these systems will ensure the automatic update of taxpayer accounts, ensure completeness and accuracy in taxpayer declaration with non-human intervention. This will also support taxpayer audit and data matching.

Administrative Measures for Integration of Electronic Cash Register and ITAS

(i) Review the requirements for the integration of ECR and ITAS systems.
(ii) Seek technical and financial support to complete the integration of the systems.

D. IMPROVING ACCESS TO AND MANAGEMENT OF DATA TO SUPPORT CRM

Another component of improving compliance risk management includes supporting data warehousing, capacity for data analytics, supporting systems integration and access to third-party data sources. In the medium term, the NRA will pursue the following administrative measures to improve access to and effectively manage data to support CRM.

i. Integrate Third-Party Data Sources and Enhance Analytics Capabilities

Currently, the data availability and reliability pose a major challenge for revenue administration. Tax administration data exist separately in different systems within the Authority, and not centralised in a single repository from which data can be extracted, transformed and loaded for analysis. Furthermore, the NRA does not have access to third-party data sources in a real-time integrated basis to support data matching and assessment. In addition, there is limited capacity of the NRA for data analytics, though there are recent efforts in setting up and training of the data analytics team with support from development partners.

Effectively analysing the numerous sources of data available to Government will be essential for enhancing the NRA's capabilities in identifying and tackling risks of non-compliance and better targeting services. External data sources of interest include the land registry, other asset registers and vehicle licensing data, and data on business and company registration. An impediment to systematic data sharing with other government agencies has been the slow pace of digitalization within those agencies. However, several of them are now in the process of implementing electronic systems. NRA has access to some data about commodity prices but it is not comprehensive and currently lacks access to the commercial databases that tax administrations use to support their transfer pricing compliance programs.

Further, the NRA will subscribe to information exchange (including automatic exchange of information platform) and international databases including on iron ore market data, bauxite market data, and other product market indexes.

The NRA will pursue the following measures to address the challenges of data analytics and third-party data sharing:

Administrative Measures for Integrating Third-Party Data Sources and Enhancing Analytics Capabilities

(i) Complete data warehouse and develop capacity of in-house data analytics team.
(ii) Initiate partnerships with external agencies to increase access to third-party data.
(iii) Fully leverage available sources of data.
(iv) Access commodities data and require MNEs to complete comprehensive transfer pricing documentation in accordance with the OECD's transfer pricing guidelines.

ii. Improve Access to Domestic Banking Information and Information Exchanged with Other Tax Administrations

NRA is about to renew its efforts to become a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Forum). Doing so will commit Sierra Leone to compliance with the Forum's standards on the exchange of information and the Common Reporting Standard (CRS). The latter requires financial institutions to report information about non-residents' financial accounts in a standard format so that it can be exchanged with partner jurisdictions. Access to information about the financial accounts that residents have in other countries will complement efforts to improve HNWI compliance. This single instrument would enable Sierra Leone to request information from multiple countries, including several tax havens.

Administrative Measures for Improving Access to Domestic Banking Information & Information Exchanges

(i) Review the appropriateness of requiring financial institutions to report information about resident's financial accounts, at the same time as they are required to report the financial accounts of non-residents.
(ii) Review the appropriateness of a voluntary disclosure program to encourage the declaration of undisclosed offshore assets.

(iii) Explore becoming a signatory to the Multilateral Convention on Mutual Assistance in Tax Matters.

SUMMARY OF ADMINISTRATIVE MEASURES FOR DOMESTIC TAX ADMINISTRATION

The following present a summary of the key recommendations to improve the administration of domestic taxes in the medium term.

a. Improving Compliance Enforcement

Tax Evasion and International Tax Risks for Priority Taxpayer Segments

(i) Expand the extractive industries Compliance Improvement plan and the audit plan to cover a higher proportion of large taxpayers and taxpayers in the extractives industry.
(ii) Initiate reviews and audits of cross-border transactions with a view to identifying and deterring tax evasion through transfer pricing fraud.
(iii) Develop a more sophisticated approach to the risk assessment of large taxpayers and taxpayers in the extractives industry.
(iv) Develop a compliance improvement plan to target High Net-Worth Individuals.

Registration of Taxpayers and Increasing On-Time Filing Rates

(i) Continue efforts to increase the base of by identifying and registering unregistered taxpayers, prioritizing high value taxpayers and HNWIs and large taxpayers.
(ii) Invest in interventions to increase on-time filing rates, with a target of achieving on-time filing rates of over 90 percent for large taxpayers.
(iii) Update ITAS so that penalties are imposed as soon as a return is late.
(iv) Integrate indicators on on-time filing into the NRA's management dashboards.

Improving Debt Management Practices

(i) Integrate indicators for on-time payments by taxpayers into the NRA's management dashboards.
(ii) Complete the data cleaning process for taxpayer data in ITAS.
(iii) Prioritize recoverable debts for debt collection.
(iv) Distinguish between collectable and uncollectable debt in reports to the Ministry of Finance.
(v) Create a specialized debt management function which will manage the domestic debts and customs debt that is the subject of enforced collection.
(vi) Set up and operationalise Revenue Court to deal with tax defaulters and other revenue offences.

Improving the Payment of Tax Liabilities by State-Owned Enterprises

(i) NRA to identify all outstanding tax obligations of SOEs and agree on a payment plan in collaboration with the Ministry of Finance for the settlement of these obligations.

Enhance Audit Capability

(i) Implement NRA's human resources strategy.
(ii) Devote more resources (human, technical and financial) to audit functions.

Implement Risk-based Case Selection

(i) Review criteria for identifying taxpayers for audits to ensure that case selection for taxpayers in all segments is based on risk management principles.

Increasing Engagement with Taxpayers

(i) Analyse reasons for contacting the NRA to identify aspects of the tax system that are causing confusion and error, including exploring options to leverage data from electronic communications with the NRA.

(ii) Expand taxpayer engagement and sensitization programmes to include HNWIs and other high-risk taxpayer segments.
(iii) Explore approaches that leverage sources of information about tax obligations of self-employed regulated professionals.

Enhancing compliance of SMEs

(i) Configure the current online NTR mobile App and extend its application to ITAS and the ASYCUDA World thus enabling smaller taxpayers to use their mobile phones to pay their import taxes at the borders as well as pay domestic taxes needing to go to the bank.
(ii) Extend the block registration of unregistered businesses nationwide and establish taxpayer service centers in designated blocks closer to taxpayers, install solar systems to these offices, and provide equipment and furniture to the containerized offices. This will save businesses the cost of moving longer distances to benefit from taxpayer services or seek clarification of tax issues to the NRA.
(iii) Undertake extensive taxpayer education and sanitization campaigns to improve compliance of the hard-to tax sector.

b. Enhancing the functionality and Integration of Tax Administration Systems

Maximally Leverage Implementation of ITAS

(i) Leverage information collected through ITAS to inform management decisions.
(ii) Build internal capabilities to revise and refine risk criteria after the ITAS warranty period.
(iii) Operational the remaining management modules of the ITAS.
(iv) Secure post implementation support of the ITAS.

Strengthening the Implementation of Electronic Cash Register (ECR) System

(i) Continue to monitor implementation of ECR program and expand efforts to identify anomalies that may indicate improper use or compliance issues.
(ii) Strengthen the functionality of the ECR system to enhance its performance and minimize manipulations and fraudulent practices by users.
(iii) Deepen tax education and taxpayer training on the system.
(iv) Complete integration of ECR data stream with the NRA's data warehouse.

Integration of Electronic Cash Register (ECR) System and the ITAS

(i) Review the requirements for the integration of ECR and ITAS systems.
(ii) Seek technical and financial support to complete the integration of the systems.

c. Improving Access to and Management of Data to Support CRM

Integrate Third-Party Data Sources and Enhance Analytics Capabilities

(i) Complete data warehouse and develop capacity of in-house data analytics team.
(ii) Initiate partnerships with external agencies to increase access to third-party data.
(iii) Fully leverage available sources of data.
(iv) Access commodities data and require MNEs to complete comprehensive transfer pricing documentation in accordance with the OECD's transfer pricing guidelines.

Improve Access to Domestic Banking Information and Information Exchanged with Other Tax Administrations

(i) Review the appropriateness of requiring financial institutions to report information about resident's financial accounts, at the same time as they are required to report the financial accounts of non-residents.

(ii) Review the appropriateness of a voluntary disclosure program to encourage the declaration of undisclosed offshore assets.

(iii) Explore becoming a signatory to the Multilateral Convention on Mutual Assistance in Tax Matters.

3.2.3 CUSTOMS ADMINISTRATION

Within the framework of the MTRS, a series of customs revenue administrative interventions have been designed for implementation that are clearly targeted at enhancing sustainable revenue performance and improving trade facilitation and border controls. Core amongst the strategic initiatives include, improving compliance, managing customs exemptions, strengthening valuation, strengthening post-clearance audit, full operationalisation of ASYCUDA World and strengthening customs data acquisition and management.

A. IMPROVING COMPLIANCE

Improving compliance in customs administration is a key component of increasing customs revenue, as strengthening border controls, enhancing the control of transit and improving risk management will help reduce leakages.

a. Strengthening Border Controls

Border controls are complex, given the wide range of stakeholders involved with varying roles and should therefore be organized carefully. They include controls by customs (i.e. search of carriers/persons, valuation, HS classification, documentary checks, physical examination, facilitation of legitimate trade, preventing importation/exportation of prohibited and restricted goods etc.) and other border agencies having an interest in border activities.

Border controls should be organized in a coordinated and cooperative manner to serve the rational and legitimate interests of other Government agencies having a stake in border management.

The following are critical to strengthening border controls and management:

i. Expansion of Electronic Single Window (ESW) System

Implementation of the Sierra Leone Electronic Single Window (ESW) system is a major step to achieving coordinated and integrated border management. With the support of the World Bank, NRA is in the process of establishing the Electronic Single window and has conducted readiness assessment of other stakeholders to ensure the feasibility of interfacing with single window platform. Currently, an ESW has been established for processing customs duty exemptions. The full operationalisation the single window requires that Other Government Agencies (OGAs) and stakeholders automate their own internal processes to interface with the platform. They should also institute risk-based controls to avoid unnecessary burden for Customs. The NRA/Customs may have difficulties in securing resources in starting up ESW, and thus may require support from donors and other development partners.

As part of efforts to strength border controls and improve compliance, NRA will streamline and simplify the current sets of customs processes and procedures. Processing of advance information and customs declarations, managing physical and financial guarantees, processing declarations, selection for physical and/or documentary checks, the release of goods, post-release verification, payment of taxes and release of guarantees, and clearance of goods for free circulation will be considered and treated as a single process.

Furthermore, infrastructure is a crucial enabling factor for the efficient execution of border control activities, including valuation, physical inspection and documentary checks. Without adequate infrastructure, the ability of Customs to perform their duties can be impaired. Infrastructure includes the availability of sufficient IT equipment, a reliable telecommunication network, and the required software applications (ASYCUDA World). It will also involve ensuring the integration of customs controls into cargo processing in seaports and airports.

Administrative Measures for the Expansion of Electronic Single Window System

(i) Seek support from development partners to fully operationalise the Electronic Single Window

(ii) Explore the feasibility of allowing other OGAs to join the Electronic Single Window platform.

(iii) Automation of internal processes of OGAs and other stakeholders to interface with the Electronic Single Window Ensure that all officially designated border crossings, international seaports, and airports are satisfactorily manned by customs and provided with adequate infrastructure.

(iv) Streamline and simplifying the current set of customs processes and procedures.

(v) Ensure customs agents have adequate capacity to undertake valuation, classification and to identify the origin of imported goods.

(vi) Limit the use of sanctions, penalties, and enforcement tools to the purposes they have been designed for to avoid unnecessary delays and costs.

ii. Enhance Border Patrols & Surveillance

The difficult operational environment along the land borders and the challenges to control the sea borders require solutions. Such border sections include the perimeters of the ports, seacoasts, and waters forming parts of the customs territory, land borders, and control of means of conveyance including postal services. Mobile control units play an important role in ensuring that the flow of people and goods across Sierra Leone's borders are in line with laws and regulations.

However, the effectiveness of these units is hampered by limited staff, equipment and training. Recognizing the importance of these mobile control units to the integrity of our national borders, NRA will strengthen these units with additional staff, equipment and training. This will enable them to monitor illegal trafficking across the borders using enhanced intelligence measures, track smuggling itineraries, and identify communication centres (e.g., road crossings, trade hubs, passages, and bridges) for controlling the movement of goods inland, both legitimate and illicit via mobile patrol units. NRA will also equip units to physically monitor the sea borders to ensure full control of external borders.

In the medium-term NRA will procure proper equipment such as patrol boats, vehicles, telecommunications equipment, mobile office equipment, small scanners, bar code readers, rapid result test kits for substances/chemicals, trained staff, among others. In the meantime, NRA will use cooperative arrangements with OGAs like the Port Authority, Military Naval wing, police, Standards Bureau and ONS to ensure its minimum operations are in place.

Furthermore, intelligence, processing of fraud-related information, and Risk Management (RM) are critical to the mobility and effectiveness of these mobile patrol units. Consequently, NRA will invest resources in ensuring they have they intelligence and risk management techniques to be effective and undertake a study to identify the nature of risks and the actual extent and forms of fraud in transit goods with a view to exploring possible solutions.

Administrative Measures for Enhancing Border Patrols & Surveillance

(i) Strengthen mobile control units with additional staff, equipment, and training; equip units to physically monitor the sea borders.

(ii) Invest resources in intelligence and risk management techniques to support mobile patrol units.

(iii) Undertake a study to identify the nature of risks and the actual extent and forms of fraud in transit goods, with a view to exploring possible solutions.

iii. Enhance Implementation of Revised Kyoto Convention, HS Classification and Rules of Origin Conventions

Timely and appropriate implementation of the various conventions in line with World Customs Organisations/World Trade Organisation prescribed standards is critical in supporting revenue mobilization, trade facilitation, improved trade, and competitiveness amongst member states, and as well reduction in the potential for revenue fraud. Customs must continuously simplify and streamline its business processes and procedures to accommodate and harmonize the design of regional/national trade regimes and ensure prompt implementation of various protocols to the trade. In line with the Revised Kyoto Convention, this requires that adequate legislation be catered for through consistent reviews of existing laws and/or introducing supplementary laws as required.

Customs staff also need to be trained and given capacity in the use of ETLS portal launched by ECOWAS, and to be able to monitor products' origin. NRA will secure the training and technical assistance to support staff and ensure the transition is a success.

Administrative Measures for Enhancing the Implementation of Revise Kyoto Convention, HS Classification and Rules of Origin Conventions

(i) Government will review the existing legislations reviews or where necessary introduce new laws to facilitate the implementation of the various trade related conventions and protocols.
(ii) Seek support from development partners such as WTO, UNCTAD, World Bank, and FCDO for training and technical assistance in the transition to HS 2022.

b. Enhance Control of Transit

Customs control over the transit movement of goods is becoming increasingly important. With the arrival of better infrastructure – ports, airports, and roads – in Sierra Leone and across the region, transit to other destination countries has become more feasible and important for trade. However, there is currently no regional transit system in place. Transit is a challenge to securing the tax base and revenue collection and to serving the trading community by keeping administrative burden and costs (including financial guarantees) at a reasonably low level.

A regional approach is the ideal solution to this challenge, such as that contemplated under the Economic Community of West African States (ECOWAS) Framework (SIGMAT[7]). In addition, the NRA will endeavour to implement a fair and secure national transit regime for traders and consignments unable to satisfy the requirements of the regional customs transit arrangement. This national transit regime will cover the movement of goods from one border point to another; and from a customs border office in Sierra Leone to the seaport/airport in Sierra Leone, and vice versa. The regional solution should cover movements from departure customs offices within the customs territory of the cooperating ECOWAS countries to the ECOWAS exit point and on the import side, from the ECOWAS entry customs office to the destination customs office of another ECOWAS country.

The systems governing the transit of goods should balance administrative burdens and costs with revenue collection. It should also secure mutual administrative assistance that will make possible for CSD to carry out cross border investigations of customs fraud and other border crimes, and collect potentially lost revenue, apply sanctions and penalties, and ultimately enable the criminal prosecution of offenders. CSD will participate fully and actively in the development of these systems to secure the safety of revenue collection, reasonable operational burden to NRA, and the enforceability of the restrictions and prohibitions in the transit.

Given its importance, NRA will continue to work with regional customs administrations, development partners and the ECOWAS Secretariat to develop a regional transit system. Once such a system is established, NRA will train staff and economic operators involved in the system (e.g. traders and transport companies) in the principles of the new transit system.

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[7] "Système Interconnecté de Gestion des Marchandises en Transit", which translated into English means the "Interconnected System for the Management of Goods in Transit"

Administrative Measures for Enhancing the Control of Transit

(i) Collaborate with ECOWAS Secretariat, the customs administrations of neighbouring countries and development partners to design a common regional transit system for goods.
(ii) Train staff and economic operators involved in the system once such a system is designed.

c. Strengthen Compliance Improvement

Improving compliance with Customs obligations is an important means of increasing revenue and improving the health and safety of Sierra Leoneans. Achieving this will require aligning incentives for traders such that compliance is the least-cost path. To this end, Customs must adequately penalize offenders for non-compliance but also provide clear advantages to compliant traders to incentivize compliance.

To strengthen deterrence, NRA will review the legislation applicable to infractions and penalties with a view of ensuring that it has sufficient powers to impose penalties in the case of non-compliance – particularly in cases of fraud – and to ensure that sanctions imposed are sufficiently strong as to disincentivize non-compliance. On the other side, to incentivize compliance, NRA will continue to streamline customs procedures and focus on decreasing the time to clear consignments, particularly for low-risk importers. These improvements will not only increase compliance, but through their facilitation of trade will additionally support economic growth and consequently the expansion of the tax base.

Specifically for the extractive industries, NRA will work with its international partners to strengthen customs procedures and capacities to effectively verify the quantity, grade and value of minerals and timbers being exported from Sierra Leone and impose sanctions in cases of fraud. For imported inputs, NRA will similarly strengthen procedures and capacities to verify the value and declared use for imported inputs to minimize risks of fraudulent declarations. In the event of non-compliance, sanctions will be imposed on the offending companies.

Administrative Measures for Strengthening Compliance Improvement

(i) Review applicable legislation on infractions and penalties to ensure that NRA has sufficient powers to impose penalties in the case of non-compliance.
(ii) Continue to streamline customs procedures and decreasing the time to clear consignments, particularly for low-risk importers.
(iii) Collaborate with international partners to strengthen procedures and capacities to verify the quantity, grade and value of exported minerals and timbers.
(iv) Strengthen procedures and capacities to verify the value and declared use of inputs destined for extractive industries.

d. Enhance Customs Risk Management

The ASYCUDA World Selectivity Module is a cornerstone in the Customs Service Department risk management architecture. However, this module requires more attention and regular maintenance. The important building blocks of the framework are: intelligence, processing of information and making recommendations for decisions by the Risk Management Committee, translation of the decisions into the Risk Management system, and feeding information into the ASYCUDA World Selectivity Module.

Risk scoring and risk profiles allows CSD to effectively target its resources at the highest-risk consignments. However, to effectively develop these risk scores and profiles, initial risk scoring needs to be supplemented by a more qualitative reviews of risks and the greater use of internal and external data sources (e.g. trade and marketing data, previous importations). Consequently, joint efforts with the Domestic Tax Department (DTD) will be stepped up in developing risk criteria and profiles to be inputted into the system.

Administrative Measures for Enhancing Customs Risk Management

(i) Supplement risk scoring with qualitative reviews of risks and greater use of internal and external sources of data.

(ii) Deepen joint efforts with the Domestic Tax Department to develop risk criteria and profiles to be inputted into the ASYCUDA World Selectivity Module.

e. Enhance Execution of Specialized Tasks

To strengthen the capacity of Customs officers to execute specialized tasks, NRA will explore the feasibility and appropriateness of developing specialized units:

- To ensure the effective coordination of these units, NRA will explore developing a national Coordination and Command Unit to monitor field interventions, help with security and connect mobile teams with other relevant units to ensure swift follow-ups following investigations.
- To further strengthen Customs' capacity to undertake effective valuation, origin and tariff classification, NRA will explore developing specialized national units to guide and assist field operations.

Administrative Measures for Enhancing the Execution of Specialized Tasks

(i) Explore creating specialized units, including for the coordination of mobile patrol units and for Valuation, Origin and Tariff Classification.

B. MANAGEMENT OF CUSTOMS EXEMPTIONS

Exemptions allow Government to target tax relief at specific industries and entities. For example, exemptions on import GST are targeted at specific capital equipment to encourage investment in certain capital-intensive industries, or to provide relief to organizations such as embassies and High Commissions. However, exemptions have grown at an alarming rate in recent years and now exceed the value of dutiable imported goods. This erodes the tax base reducing opportunities for collecting taxes and increases risks of fraud and costs of administration.

A critical requirement in exemption control is to check if the exemptions have been used for the purpose originally granted. The following measures will contribute to efficient and effective controls of this regime:

a. Define goods granted exemptions unequivocally using HS terms. This authority should give an unequivocal definition of the subject of exemption preferably using HS codes or a definition that can be translated easily into HS codes. Using HS codes makes the control of exemption enforceable through automation.

b. Delegate authority for ensuring the use of exempted goods for the purposes originally to the authority that can do this job the most easily and effectively. In the case of customs-related exemptions, close control by the customs administration of the use of exempted goods for the purpose defined in the document is the best practice. Customs will have the required authorization, number of staff, skills, and equipment to undertake this policing job.

Administrative Measures for Management of Exemptions

(i) Define goods granted exemptions unequivocally using HS terms.

(ii) Delegate authority for ensuring the use of exempted goods for the purposes originally stated to the authority who can do this most effectively (e.g., empower customs to police use of goods from customs-related exemptions)

(iii) Ensure the full implementation of the Duty and Tax Exemption Act to rationalise exemption use.

C. STRENGTHENING CUSTOMS VALUATION

Valuation is a critical component of the customs system that ensures that the appropriate taxes and charges are imposed on imported and exported goods. Valuation assessment is not only pivotal to a sustainable revenue mobilization by Customs, but also maintains the fairness/equality in revenue assessment amongst taxpayers, improves quality of trade data and competitiveness, and minimizes the potential for tax fraud.

An essential component of the valuation process is to build a background valuation price reference database (PRD) that can support field valuation work. This database should bring together all relevant information from various sources available to customs and carry out analyses, drawing conclusions, identifying risk levels for different areas of customs administration, and feeding the ASYCUDA World valuation module with the required values and data.

Such a system should be sensitive to cases of deliberate over-valuation. Tax policy incentives may give more benefits to certain companies in the taxation areas as compared to "losses" in customs administration by over-paying import-related taxes. Typically, Corporate Income Tax (CIT) and GST benefits are provided to extractive/manufacturing industries on the condition of meeting the minimum value of investments in mining through imports of machinery and supplies. Customs should therefore be able to undertake periodic investigations on suspicious claims to determine their appropriateness. This must be accompanied by strengthened cooperation with domestic taxation to filter out cases of fraud using over-valuation.

Therefore, the NRA will support initiatives geared towards building adequate capacity to undertake valuation, reflected in acquisition of a Price Reference Database (PRD), coupled with enhancing utilization of ASYCUDA World valuation module. Furthermore, NRA will pursue MOUs specifying the opportunities for mutual assistance and laying down the modalities, conditions, and processes for collaborations aimed at clarifying and addressing suspected valuation fraud cases.

Administrative Measures for Strengthening Customs Valuation

(i) Acquire a Price Reference Database to support the valuation module and fully operationalise the module in ASYCUDA World.
(ii) Strengthen capacity to detect cases of over-valuation fraud, including through enhanced checks at customs and greater collaboration with DTD.
(iii) Pursue MOUs with key stakeholders specifying opportunities for mutual assistance and mechanisms for collaboration in addressing suspected valuation fraud cases.
(iv) NRA to explore the use of Artificial Intelligence (AI) technology to track and detect issues of technical smuggling.

D. STRENGTHENING POST-CLEARANCE AUDIT

Post-Clearance Audits (PCAs) are an important tool available to CSD to speed up processing times at ports of entry by allowing low-risk consignments to be processed and released quickly, while maintaining accountability and allowing CSD to deter tax evasion and fraud. Given the importance of Post-Clearance Audits to the efficiency and fairness of the customs system, efforts to strengthen them are a priority under the MTRS.

PCA serves many objectives including relaxing pressures on front-line processing at the borders, expediting the release and clearance of goods, facilitating compliant trade, focusing on possible sources of revenue leakage, and refocusing limited resources on high-risk consignments. However, repositioning and refocusing of Post-Clearance Audit (PCA) is needed in order to ensure that its design and implementation meets these goals.

Furthermore, data collected during a PCA can additionally target information and evidence in addition to that already assessed at the time of release and clearance of goods, such as evidence on the price actually paid or payable (e.g. banking information and entries in accounting), as well as information and evidence for the actual originating status of imported goods including information on direct purchases.

Currently, the design of annual audit plans and the selection of targets for PCA are not always governed by these opportunities and needs, and do not fully consider assessments of risk levels by types of economic operators, types of goods, taxation levels, and revenue impact. Reflecting such considerations in audit plans and the selection of targets will ensure that the benefits of PCA are more fully realized. In relation to the classification of the imported goods, documentation on the nature and composition of goods that may have significant impacts on the amount of taxes and duties payable will be sought. A posteriori, post-release, and post-clearance verification of the processing of declarations without opportunities for using added information carries limited value and will be assigned less priority.

Building a strong PCA framework is a basic feature of an effective revenue administration. Important building blocks are the structures governing PCA activities including management oversight, identification of directions and priorities for audits, approval of audit plans, assessing results of audits including consequences in other areas, and resource allocation to audit activities. Selection of officers and training of auditors equipping them with appropriate experience and skills are critical to an effective audit system.

To support these objectives, the powers of NRA in accessing critical information during audits will be reviewed and recommendations put forward for amending legislation to ensure availability of all information and documentation required, including direct access to banking and business-related information.

Further, sharing of experience with Domestic Taxation and other customs administrations to support audit work will be improved, including studying international general and specific customs-related audit standards. Also, further work will be done to coordinate audits with the DTD, avoiding parallel work with companies and undertaking joint audits where it carries added value.

Administrative Measures for Strengthening Post Clearance Audit

(i) Review and refocus PCA activities and upgrade its governance.
(ii) Develop staff capacity through training to enable the PCA team to be effective and efficient.
(iii) Fully enforce the provisions in the revenue laws, strengthening the power of NRA to access critical information during audits.
(iv) Improve coordination of Post-Clearance Audits with DTD to avoid parallel work and undertake joint audits where it provides value.
(v) Improve experience sharing between Customs and DTD, and other customs administrations to support audit work.

E. FULLY OPERATIONALIZE AND ROLL OUT ASYCUDA WORLD

Sierra Leone is transitioning from ASYCUDA++ to ASYCUDA World, with some ports of entry including Queen Elizabeth II Quay and the airport having already completed the transition, while smaller ports of entry are still using the older ASYCUDA++ system. This creates numerous administrative and data integrity challenges.

The rollout of ASYCUDA World to all border offices is critical for the harmonization and uniform application of customs processes and procedures across trade regimes. For this to be achieved, the necessary related IT infrastructure and internet connectivity must be in place at all border crossings with Liberia and Guinea and other inland offices. Furthermore, based on assessments already undertaken, NRA will also secure funding for advanced training of both the technical and ASYCUDA functional teams. This will enhance their capacity to develop applications/systems, as well as understand full utilization of outstanding modules in ASYCUDA to support all trade/clearance regimes. The current version of ASYCUDA World requires an upgrade to be able for instance, to implement the ASYCUDA Regional Transit Guarantee Scheme.

Administrative Measures for Operationalisation and Rollout of ASYCUDA World

(i) Fully operationalize and rollout of ASYCUDA World at all customs offices, including putting in place the necessary IT infrastructure and internet connectivity at all border crossings with Liberia and Guinea, and inland offices.

(ii) Fully utilise the outstanding modules of ASYCUDA World.

(iii) Strengthen the capacity of the IT Directorate to ensure full control over initiating, managing, and overseeing the development of IT administration policies, priorities, functional specifications in cooperation with the relevant departments and units, and actual upgrade projects.

F. STRENGTHENING DATA ACQUISITION AND MANAGEMENT

Access to domestic and international sources of public information and information from other government agencies is important. However, Customs faces several challenges in accessing the data in needs to be effective.

Restrictive banking secrecy legislation limits access to banking data which could provide evidence of the price actually paid. Receipt and subsequent processing of electronic declarations from traders are of elevated importance. This will allow addressing data exchange with clients. Use of electronic signature is also an important component in complying with international standards.

NRA will also explore acquiring data from international databases such as the WCO Regional Intelligence Liaison Offices (RILO) and, where possible, directly from key partner countries under mutual administrative assistance agreements. NRA will further explore the possibility of using mirror data analysis. NRA will also explore the use of market data subscriptions (e.g., for mining products) as part of its risk analysis and audit processes. For example, NRA in 2023 invested in a subscription to iron ore pricing data, to assist the Agency to verify iron ore export prices.

Administrative Measures for Strengthening Data Acquisition and Management

(i) Facilitate changes in legislation allowing access to banking data to strengthen valuation control.

(ii) Implement a system for receiving and processing electronic declarations from traders, including enforcement of provisions in current legislations for the use of electronic signatures.

(iii) Explore acquisition of data from international databases and through mutual assistance agreements.

SUMMARY OF MEASURES FOR CUSTOMS ADMINISTRATION

a. Improving Compliance

Strengthening Border Controls

(i) Seek support from development partners to fully operationalise the Electronic Single Window.

(ii) Explore the feasibility of allowing other OGAs to join the Electronic Single Window platform.

(iii) Automation of internal processes of OGAs and other stakeholders to interface with the Electronic Single Window Ensure that all officially designated border crossings, international seaports, and airports are satisfactorily manned by customs and provided with adequate infrastructure.

(iv) Streamline and simplifying the current set of customs processes and procedures.

(v) Ensure customs agents have adequate capacity to undertake valuation, classification and to identify the origin of imported goods.

(vi) Limit the use of sanctions, penalties, and enforcement tools to the purposes they have been designed for to avoid unnecessary delays and costs.

(vii) Strengthen mobile control units with additional staff, equipment, and training; equip units to physically monitor the sea borders.

(viii) Invest resources in intelligence and risk management techniques to support mobile patrol units.
(ix) Undertake a study to identify the nature of risks and the actual extent and forms of fraud in transit goods, with a view to exploring possible solutions.
(x) Government will review the existing legislations reviews or where necessary introduce new laws to facilitate the implementation of the various trade related conventions and protocols.
(xi) Seek support from development partners such as WTO, UNCTAD, World Bank, and FCDO for training and technical assistance in the transition to HS 2022.

Enhance Control of Transit

(i) Collaborate with ECOWAS Secretariat, the customs administrations of neighbouring countries and development partners to design a common regional transit system for goods.
(ii) Train staff and economic operators involved in the system once such a system is designed.

Enhance Customs Risk Management

(i) Supplement risk scoring with qualitative reviews of risks and greater use of internal and external sources of data.
(ii) Deepen joint efforts with the Domestic Tax Department to develop risk criteria and profiles to be inputted into the ASYCUDA World Selectivity Module.

b. Management of Exemptions

(i) Define goods granted exemptions unequivocally using HS terms.
(ii) Delegate authority for ensuring the use of exempted goods for the purposes originally stated to the authority who can do this most effectively (e.g., empower customs to police use of goods from customs-related exemptions).
(iii) Ensure the full implementation of the Duty and Tax Exemption Act to rationalise exemption use.

c. Strengthening Customs Valuation

(i) Acquire a Price Reference Database to support the valuation module and fully operationalise the module in ASYCUDA World.
(ii) Strengthen capacity to detect cases of over-valuation fraud, including through enhanced checks at customs and greater collaboration with DTD.
(iii) Pursue MOUs with key stakeholders specifying opportunities for mutual assistance and mechanisms for collaboration in addressing suspected valuation fraud cases.
(iv) NRA to explore the use of Artificial Intelligence (AI) technology to track and detect issues of technical smuggling.

d. Strengthening Post-Clearance Audit

(i) Review and refocus PCA activities and upgrade its governance.
(ii) Develop staff capacity through training to enable the PCA team to be effective and efficient.
(iii) Fully enforce the provisions in the revenue laws, strengthening the power of NRA to access critical information during audits.
(iv) Improve coordination of Post-Clearance Audits with DTD to avoid parallel work and undertake joint audits where it provides value.
(v) Improve experience sharing between Customs and DTD, and other customs administrations to support audit work.

e. Fully Operationalize and Roll out ASYCUDA World

(i) Fully operationalize and rollout of ASYCUDA World at all customs offices, including putting in place the necessary IT infrastructure and internet connectivity at all border crossings with Liberia and Guinea, and inland offices.
(ii) Fully utilise the outstanding modules of ASYCUDA World.
(iii) Strengthen the capacity of the IT Directorate to ensure full control over initiating, managing, and overseeing the development of IT administration policies, priorities, functional specifications in cooperation with the relevant departments and units, and actual upgrade projects.

f. Strengthening Data Acquisition and Management

(i) Facilitate changes in legislation allowing access to banking data to strengthen valuation control.
(ii) Implement a system for receiving and processing electronic declarations from traders, including enforcement of provisions in current legislations for the use of electronic signatures.

3.2.4 EXCISE ADMINISTRATION

Excise taxes are an important tool for deterring the consumption of goods whose costs are not fully internalized by the consumer and are an increasingly important source of Government revenue. Under the MTRS, Sierra Leone will implement a number of changes to Excise Tax Policy, which will require corresponding measures be taken to strengthen the administration of the excise tax system. As petroleum products account for a large share of all excise revenues in Sierra Leone, the effective and efficient control of imported petroleum products is a core objective of the MTRS.

A. ENHANCE CONTROL OF IMPORTED PETROLEUM PRODUCTS

Imported petroleum products represent more than 40 percent of revenue and therefore deserve enhanced attention and scrutiny in controls. Controls should be enhanced in customs import processing of petroleum products, as all domestic needs are met through imports currently. As it is, there is limited expertise in terms of knowledge regarding valuation and effective monitoring of this market and there is need for benchmarking/study tour of more efficient models elsewhere in other customs administrations. There is also a need to secure an accredited laboratory to check the composition and/or product quality of the imported substance, as this may have implications for the product value and related excise tax.

The need to have access to relevant commercial data including pre-arrival information, commercial documents like invoices and certificates of origin is critical. In most commercial operations, pumps and multiple related meters indicate the quantities unloaded from the vessels into the storage facilities in the port. Customs and excise administration should have free access to these meters. In addition, Customs should have the capacity to control the authenticity of the meters and the safety from external interference to fraudulently change the data from the meters. This requires special expertise and equipment but given the significant amount of revenue at stake, the NRA will invest the necessary resources to provide these means.

To address the issue of quality, smuggling, abuse of exemptions and optimise the revenue uptake from the downstream petroleum, Government has contracted a reputable international company to undertake a petroleum product marking scheme, introducing a unique identifier (marker) to track and trace quantities of petroleum products at depots and outlets for distribution.

Administrative Measures to Enhance the Control of Importation of Petroleum Products

Implement the fuel marking scheme.

3.2.5 NON-TAX REVENUE MEASURES

Non-tax revenue offers significant scope for growth to complement tax revenues. Currently, non-tax revenue contributes between 2-3 % of GDP. However, systemic challenges limit its potential, including the unpredictable policy environment and inadequate institutional arrangements, as well as systematic management and administrative difficulties. In recognition of these challenges, Government has embarked on a number of non-tax revenue interventions. The interventions entail the automation of processes, the development of a policy for non-tax revenues and strengthening of systems and procedures pertaining to its management. The MTRS will ensure that appropriate oversight by the Ministry of Finance is provided for the smooth implementation of the various non-tax revenue interventions.

Summary of Administrative Measures for Non-Tax Revenues

In order to achieve the objective of improving non-tax revenue over the strategy period, the NRA will implement the following strategies:

(i) Complete the automation of Non-Tax Revenue payment process with a payment app.
(ii) Integrate Non-Tax Revenue systems with ITAS.
(iii) Develop a strategy for collaboration with revenue collecting MDAs.
(iv) Develop a risk management system to assess and manage potential risks associated with non-tax revenue mobilisation.
(v) Facilitate the review and development of legislations/regulations that reflects local and regional trends for schedule of fees or rates.
(vi) Develop systems, policies and programs to foster tax education.

CHAPTER 4

4.0 IMPACT OF THE REVENUE INITATIVES

4.1 INTRODUCTION AND APPROACH

The steps in setting a revenue goal include determining the baseline revenue projections, setting the medium-term expenditure ambitions, and quantifying the revenue goals for the MTRS. Sierra Leone has identified the gap between the aspirational expenditure needs and the revenue projections. The country's revenue target is to raise Revenue-to-GDP from a baseline of 13.1 percent of GDP in 2022 to about 19% percent of GDP within 5 years. Having sufficient revenues to meet the expenditures necessary for Sierra Leone to achieve the Sustainable Development Goals and its Medium-Term Development Plan is a key consideration.

Revenue modelling is a critical capability for a revenue agency. It serves several purposes:
It assists with testing assumptions, teasing out relationships between cause and effect. It is part of the discipline of thinking before acting, a crucial part of the planning process.

It helps establish quantitative key indicators: these can then be monitored as a compliance initiative progresses allowing for tuning or even cancellation if early results do not align with expectations.
By quantifying outcomes in terms of the key mission (delivering revenue) it allows for prioritization of scarce resources using a more quantitative approach than is often found.

The revenue yields arising from the forecasts were informed by a combination of useful background theoretical understanding of tax policy and administration, front-line knowledge of the Sierra Leone tax system and a solid foundation of tax compliance theory. The phasing of activities, seasonal impacts, resource constraints and experience of similar activities was brought into the mix in making judgement of the tax yields.

It is important to note that Revenue targets are not outcomes for the tax agency – in fact, they can damage organizational improvement (by overshadowing quality and focus on reforms) and reinforce public perception that tax is simply about extracting as much money as possible from citizens, damaging taxpayer morale.

Over the next five years, the contribution of tax and non-tax revenue required is shown in Table 3, arising from tax policy measures and revenue administration measures.

The revenue figures arrived at are only broad estimates and will be reviewed and updated as more data is available for forecast. Revenue effort is generally expressed as a percentage of gross domestic product to eliminate growth and inflation effects from models.

4.2 REVENUE IMPACT OF THE TAX POLICY MEASURES

The tax policy measures are outlined in Table X and yield a total of 0.76% of GDP in the first year of implementation of the MTRS in 2023 and rising to as high as 4.19% of GDP by the close of the MTRS in 2027, as most of the tax policies become fully implemented and their effect on domestic revenue become more evident following enforcement of the legislated policies over time.

It can be seen that the transitioning to global income tax, the rationalisation of Exemptions (especially of GST), fixing of the excise tax element of the fuel pump price, introduction of MAT, the full swich of excise tax valuation from ad valorem to specific and the harmonisation of the rates between domestic and imported excisable products, restoration of import duty on rice in line with ECOWAS CET, and the review of the policy on taxation of forestry products were the tax policy ,measures with the most impactful tax yields over the period of implementation of the MTRS. This implies if Sierra Leone is to realise notable revenue effort over the medium terms, these tax policy proposals must be prioritised for implementation.

Table 1: Revenue Impact of Tax Policy Measures

Tax	Tax Policy Measure	Revenue Implication (% of GDP) 2023	2024	2025	2026	2027
Personal Income Tax	Harmonise Capital Income Tax rates except Capital Gains Tax currently at 25% at 15% from 2024 to 2026 and increase to 20% thereafter	0.00	0.15	0.25	0.30	0.45
	Aggregation of interest income and rental income with labour and business profits will commence only in 2027 taking into consideration the current capacity of the tax administration	0.00	0.00	0.00	0.00	0.55
	Full transition to Global Income Tax commencing in 2027	**0.00**	**0.15**	**0.25**	**0.30**	**1.00**
Corporate Income Tax (Capital Allowance & MAT)	(i) Abolish investment allowance and adopt full expensing of capital items (ii) Review tax investment incentives (iii) Introduce a turnover-based minimum alternate tax (MAT) at the rate of 1.5%.	0.00	0.10	0.10	0.10	0.10
Goods & Services Tax (Broadening the GST Base)	(i) Remove the current exemption on plant, machinery, equipment for Agriculture and Manufacturing. (ii) Restore GST on fee-based financial and aviation services, (iii) Introduce GST on insurance premiums and indemnity payments, excl. life insurance (iv) Introduce GST on Gambling tokens and tickets (v) Introduce GST on the first sale of commercial and residential buildings. (vi) Introduce GST on digital services including Satellite TV	0.15	0.20	0.20	0.20	0.20
Import Duty	Restore import duty on rice	0.00	0.20	0.30	0.25	0.20
Excise Tax	Convert ad valorem taxes on fuels, alcohol, tobacco, vehicles, sugary-sweetened beverages, whether imported or locally produced second half of 2023	0.01	0.15	0.15	0.15	0.15
Excise on Alcohol	(i) Convert all Ad valorem excises to specific rates based on alcohol content for both locally produced and imported alcoholic beverages (beers, gins, spirits and wines) (ii) Introduce a specific excise regime for locally produced spirits, wines and gins; alcoholic content 10% and below (NLe30.0 per litre); above 10% to 20% alcoholic content (NLe40.0 per litre); higher than 20% (NLe 60.0 per litre).	0.01	0.08	0.10	0.10	0.10
Excise on Fuel	(i) Gradually increase specific excise rate on fuels to internalize the external costs of fuels to NLe2.40/litre for diesel and NLe2.8/litre for gasoline (ii) Introduce fuel marking system (iii) Introduce excise rate on petroleum-based lubricants – NLe2.2/Lit	0.10	0.40	0.50	0.50	0.50
Excise on Cigarette and tobacco products	(i) Convert ad valorem excise rate on cigarette to a specific excise rate (ii) Levy an excise rate of NLe1.5 on a packet of twenty cigarette in 2023 to progressively increase to NLe3.0 by 2027 (iii) Levy an excise rate of NLe0.50 per kilogram of tobacco commencing in 2023 to progressively increase to NLe1.0 by 2027 (iv) Levy excise tax of NLe5.0 per packet of cigar in 2023 to be progressively increase to NLe10.0 by 2027. (v) Levy specific excise rate of NLe7 per unit of e-cigarettes and similar personal electric vaporizing devices.	0.00	0.01	0.05	0.05	0.06

Tax	Tax Policy Measure	Revenue Implication (% of GDP) 2023	2024	2025	2026	2027
Excise on vehicles	(i) Maintain the import duty on vehicles consistent with the ECOWAS CET rate and Introduce specific excise tax based on age and engine capacity at the rate of NLe2,400 for vehicles aged 5-9 years and NLe4,800 for vehicles aged over 10 years, subject to comparison with other sub-region countries. (Rates to be adjusted for inflation over time) (ii) Remove excise on luxury vehicles (iii) Introduce annual circulation tax on vehicles	0.00	0.00	0.02	0.02	0.03
Excise on energy drinks and Sugary Beverages	Introduce specific excise rate of sugar-sweetened drinks and energy drinks as follows: (i) NLe2.4/litre for beverages with sugar content less than 15 grams per litre; (ii) NLe4.8/litre for beverages with sugar content between than 15-25 grams per litre (iii) NLe7.20/litre for beverages with sugar more than 25 grams per litre	0.01	0.03	0.04	0.05	0.05
Excise on Plastics and plastic materials	Introduce specific excise tax on plastics at the rate of NLe5 per Kg	0.00	0.04	0.05	0.06	0.10
Excise on Gambling	Introduce excise on gambling and casino services at a rate of 10% of gross betting revenue	0.00	0.08	0.10	0.10	0.10
Annual Circulation Tax	Introduce annual circulation tax on vehicle ownership	0.00	0.01	0.01	0.01	0.01
Stamp Duty	Increase stamp duty rate of immovable property from 0.001 (0.1%) of consideration to 0.01 (1%) of consideration	0.05	0.06	0.06	0.05	0.05
Timber	(i) Review forestry revenue settings drawing on external cooperation partners (ii) Apply timber export duty according to timber value	0.00	0.10	0.15	0.20	0.20
Tourism Levy	Introduce Tourism Levy of 2 % on medium to large touristic facilities	0.03	0.10	0.10	0.10	0.10
Education Levy	Introduce an Education of 1% of withholding tax on contracts	0.00	0.12	0.12	0.12	0.12
Total Revenue Potential from Tax Policy		**0.36**	**1.83**	**2.30**	**2.36**	**3.07**

4.3 REVENUE IMPACT OF REVENUE ADMINISTRATION MTRS MEASURES

The revenue administration measures of the MTRS are those that require the National Revenue Authority to develop reform initiatives to ensure tax compliance is enhanced, the tax base is expanded, leakages are reduced, and administration of revenue is simplified and made more efficient for increased revenue mobilisation.

From Table XX, the implementation of compliance improvement initiatives in key taxpayer segments and groups, taxation of HNWIs, improving compliance of SMEs, strengthening customs valuation, the implementation of excise stamp and fuel marking, and the automation of real time access to telecoms and betting transactions, constitute the main sources for improved revenue effort from implementation of revenue administrative initiatives over the medium term.

Table 2: Revenue Implications of the Revenue Administration Measures of the MTRS

Tax	Administrative Measure	Revenue Implication (% of GDP)				
		2023	2024	2025	2026	2027
Income Tax and GST	Enhancing Compliance Risk Management of the large taxpayers through recruitment of more taxpayers from the SMEs pool and hidden economy into the regime	0.00	0.56	0.60	0.65	0.66
Rental Income Tax and Personal Income Tax	Rental Income and High Net Worth Individuals (HNWI)	0.00	0.25	0.37	0.48	0.50
Personal Income Tax	Enhancing compliance of SMEs through BMS, data matching etc	0.00	0.34	0.38	0.44	0.45
Income Tax, royalties	Enhancing compliance of the Extractives	0.00	0.05	0.07	0.08	0.10
Import duty and Import GST	Strengthening Customs Valuation and controlling technical smuggling	0.08	0.20	0.30	0.40	0.45
Import duty and Import GST	Enhancing post-clearance Audit and risk selectivity at Customs	0.00	0.00	0.01	0.01	0.01
Import duty and Import GST	Control of duty waiver management and monitoring – Customs Exemptions	0.02	0.04	0.06	0.08	0.08
Excise tax	Implementation of Excise Stamp and Fuel Marking	0.00	0.30	0.40	0.40	0.40
GST	Automation of the provision of Real time turnover data on Telecoms and Gaming and Betting	0.00	0.60	0.60	0.60	0.60
Non-Tax Revenue (incl. TSA, Fisheries)	Strengthen payment compliance of MDAs	0.00	0.08	0.1	0.13	0.15
Total Revenue from Administrative Measures		**0.10**	**1.97**	**2.34**	**2.72**	**2.85**

Summary of Revenue Potential of the MTRS Measures

Overall, the revenue effort from implementation of the tax policy and revenue administration measures of the MTRS will yield from nearly 0.5% of GDP in 2023 to as high as 5.8% of GDP, which when added to the base of 13.0% realised in 2022 will translate to about 19.0% of GDP in domestic revenue mobilisation by the completion of the MTRS in 2027, which would be higher than the regional revenue effort.

Table 3: Total Revenue Implications of the Measures of the MTRS

Tax Policy Measure	Revenue implication (% of GDP)				
	2023	2024	2025	2026	2027
Tax Policy Measures	0.36	1.83	2.30	2.36	3.07
Revenue Administration Measures	0.10	1.97	2.34	2.72	2.85
Gross Revenue Potential	**0.46**	**3.80**	**4.64**	**5.08**	**5.92**

CHAPTER 5

5.0 STRENGTHENING INSTITUTIONAL COORDINATION AND SUPPORT MECHANISMS

5.1 INTERNAL COORDINATION

In addition to the measures to improve coordination outlined earlier in the MTRS, MOF and NRA will further focus on these priority areas for coordination:

5.1.1 POLITICAL LEADERSHIP

Political leadership support at the level of the President, Cabinet and Parliament for oversight, influence and sustaining commitment of stakeholders in the MTRS process is critical to its success. It is incumbent on the executive branch of government to lead, influence and coordinate the formulation and implementation of the MTRS.

In order to ensure appropriate political engagement and coordination at the highest level, Government has established a Cabinet Sub-committee to exercise appropriate oversight over the formulation and implementation of the MTRS. An inter-agency technical committee comprising of senior officials of the Ministry of Finance, National Revenue Authority, Ministry of Trade and Industry and other relevant government agencies has been tasked to regularly provide briefings about progress of implementation of the MTRS to the leaderships of these institutions, who are required to in turn brief Cabinet and the Economic Management Team (EMT) presided at Statehouse by the president, as well as Parliament. To create buy-in and establish the process as nationally owned, the executive leadership was involved right from the formulation of the MTRS to define its strategic vision and priorities, shape its agenda and finance its implementation.

5.1.2 MINISTRY OF FINANCE AND NRA

In practice, the architecture of domestic revenue mobilization is the collective responsibility of several government ministries, departments and agencies, whose mandates as defined in specific legal and national regulatory policy documents may bring about some hierarchical and horizontal relationships that require coordination at all levels. For example, the success of the MTRS process, particularly its implementation is unquestionably not possible without effective cooperation and coordination between the Ministry of Finance and National Revenue Authority to initiate, formulate, and implement the MTRS, including its financing.

Currently, an MTRS Steering Committee, comprising heads of the Ministry of Finance and National Revenue Authority, as well as a technical secretariat with a small number of support staff have been put in place to approve action plans and provide fluidity in the implementation of the strategy. Part of the role of the technical secretariat is to support the development and implementation of an action plan, especially follow-up of agreed actions for the MRTS implementation.

Further, NRA and MOF recently signed an MOU to strengthen data sharing between the Policy Unit of the MOF and NRA. This will ensure that the MOF can access NRA data where reasonable to support the formulation of effective tax policy.

5.1.3 NRA AND OTHER MDAS

Given the role of other ministries, departments, and agencies in MTRS process, an inter-agency operational committee comprising of officials of the National Revenue Authority, Ministry of Trade and Industry and other relevant government agencies has been put in place to resolve cross departmental issues or escalate more complex issues of the MTRS process. The committee, which is guided by the MTRS Steering Committee has been constituted to provide better interagency coordination at the technical or operational level.

5.2 STRENGTHENING EXTERNAL COORDINATION

5.2.1 PRIVATE SECTOR

Given the need for a broader consensus among all key stakeholders about the formulation, development and implementation of the MTRS, consultations were held with key stakeholders in private sector, and civil society organizations, academia, and other professional bodies. These consultations were deemed to obtain inputs about issues, opportunities, raise questions, offer suggestions, or identify challenges to achieving successful implementation of the MTRS.

Also, a feedback mechanism in the form of an annual dialogue forum with these stakeholders has also been put in place to review the progress of implementation of the MTRS. For instance, we have instituted a technical tax working group to provide an avenue for regular dialogue with private sector players so as to identify and resolve any concerns they may have.

5.2.2 DEVELOPMENT PARTNERS

Development partners form an integral part of the tax system. The support they lend to the tax authorities, including the Ministry of Finance is critical for the formulation, development and successful implementation of the MTRS. In addition to technical assistance support received in the formulation and development of the MTRS, targeted capacity building support at both technical and infrastructural level from development partners will continue to be needed to effectively support the implementation of the MTRS. For this, the Government stands ready to optimise the role of development partners for enhanced domestic revenue mobilization.

Therefore, as part of its arrangements to enhance coordination with development partners on the implementation of the MTRS, the Government invited a number of development partners to serve as active committee members in both the steering and technical committees of the MTRS. The MTRS committees are platforms for intensive engagements and a way to coordinate external support with development partners on Government domestic revenue mobilization drive. They are also essential for avoiding duplication of efforts, optimizing resources for technical assistance and aligning programme support provided by development partners on domestic revenue mobilization.

The Government will continue to leverage the interest of development partners in supporting the implementation of MTRS including the IMF, EU and the World Bank. These engagements will also provide further opportunities to identify bottlenecks, risks and support mechanisms for improved domestic revenue mobilization.

5.2.3 OTHER REVENUE AUTHORITIES

Established cooperation and partnership between the tax authorities in Sierra Leone and other revenue authorities can be a very good platform for exchange of information, experience sharing and transfer of skills and technology. Programmes of support and cooperation from more advanced tax administrations can help the NRA acquire not only modern technology, and software but also information about certain taxpayers to improve risk profiling, counter evasion and develop effective measures to support the tax system.

For example, the NRA has been benefiting from its relationship with the African Tax Administration Forum (ATAF) which was established as part of efforts to develop a global response to tax administration issues. The ATF brings together Commissioners and Director Generals from many tax jurisdictions across Africa to share information and experience and to identify international good practices for resolving particular administration issue. ATAF recently assisted the NRA with transfer pricing audits, reviewing of the transfer pricing regulations and training programmes.

5.2.4 PARTNER INSTITUTIONS

Apart from development partners visibly involved in supporting Government's effort to augment revenue, the authorities will also require more collaboration with other international partners, including the ATAF, ECOWAS, OECD and WCO for external support. The development of partnerships with international partners, universities, research institutions can go a long way to addressing skills gaps, improving domestic revenue mobilization and making the tax system more efficient and effective.

The leaderships of the Ministry of Finance and National Revenue Authority in Sierra Leone have already had some engagements with some international partners, such as the OECD's support to provide training on international tax and exchange of information and the Tax Inspector Without Borders on tax audits and other areas. All these engagements will also provide further opportunities to identify bottlenecks, risks and support mechanisms for improved domestic revenue mobilization.

CHAPTER 6

6.0 INSTITUTIONAL CAPACITY DEVELOPMENT

6.1 STRENGTHENING TAX POLICY FORMULATION

To maintain consistency with the overall fiscal objectives of the budget, tax and revenue policy decisions require careful scrutiny. The Ministry of Finance has an important "gateway" function to scrutinize revenue proposals for their economic and fiscal impact. A strong gateway is essential in providing high-quality advice to the Minister and to Cabinet, and in maintaining fiscal discipline. The Ministry's primary role is codified in Finance Act 2013, s.51 that provides that all agreements containing fiscal incentives must be approved by the Minister of Finance and ratified by Parliament.

The Finance Act is the primary vehicle to implement tax policy changes each year in Sierra Leone, but the controls on tax policy change are limited. Legislative amendments are possible whenever Parliament is sitting, but in practice most revenue matters are bundled into the budget process, which is then implemented through an annual Finance Act. However, this can lead to an overwhelming number of tax law amendments being contemplated simultaneously and requiring review by a small team of officers.

This large volume of changes risks insufficient review of each proposal, weakening fiscal controls and diverting budget decisions away from government policy priorities. When the process operates like this it also reduces the ability of officials and key ministerial advisers to keep track of which interest groups in the community are being afforded benefits by the budget over time. Apart from the effect on total revenue, this can also lead to budget decisions that divert funds away from the government's bigger policy priorities.

Strengthening the "gatekeeper" function of the Ministry of Finance and NRA will be a priority. Several processes will be considered to slow down the pipeline of tax law proposals and ensure greater fiscal and strategic coherence in which changes are adopted. These include:

- Set a revenue policy "spending limit" in each budget as part of the overall budget strategy. Once the cumulative tally of revenue impacts limit for the budget is reached, offsetting tax policy options that raise revenue could be adopted or Ministers with new revenue proposals be required to offset them with budget savings elsewhere.
- Strengthen the analytical skills of the tax policy review function of the Ministry of Finance to enable analysis of their economic and revenue impact and increase cooperation with the NRA for informing which tax laws are likely to be open to tax planning and abuse by taxpayers.
- Slow down the number of tax policy changes implemented in each budget to improve analysis and scrutiny of proposed measures.
- Track proposals over time, including (for example) where proposals originated, who they benefit, and how much they cost to help in combating interest groups.
- Develop a list of potential tax policy measures that increase revenue. In the event that additional fiscal consolidation is required at short notice, this list of pre-approved actions could be used on an ad hoc basis to offset revenue losses.

Recommendations for Strengthening Tax Policy Formulation

Review processes to ensure greater fiscal and strategic coherence in tax policy measures, and implement these processes if deemed appropriate.

6.2 STRENGTHENING REVENUE ADMINISTRATION CAPACITY

6.2.1 DEPENDENCIES AND CAPACITY NEEDS

As discussed in the preceding sections, there is need to strengthen the NRA's revenue administration capacity. While needs will vary by unit, these needs can be summarised as:

1. Improve NRA capacity to hire, train, and retain employees with a high level of skills relevant to their position to increase the level of human capital within the organization.
2. Enhance the supporting infrastructure to enable employees to effectively fulfil their roles, from investing in IT resources and support to securing the physical infrastructure required of customs ports.
3. Implement reforms to internal processes to improve organizational performance management.
4. Implement a whole of Authority CRM Framework.
5. Developing a more systematic approach to building and using strategic data sets and put these approaches into practice.
6. Put in place deliberate change management plans to ensure the workforce and key stakeholders understand and support the modernization and other change programs.

Each of these core impetuses are discussed in preceding sections, often more than once as they affect many aspects of the NRA's performance. Ensuring that these dependencies and needs are met is essential to a successful implementation of the MTRS.

6.2.2 PROGRAM GOVERNANCE

The MTRS will be managed as a reform program (i.e., a group of related projects), and as such reform governance arrangements will be required. Governance arrangements will include: a steering committee; program business owner; program management committee; program manager; project managers; and project team members from both the NRA and MOF. Apart from the steering committee which may draw membership from both internal and external sources, the rest should be drawn from mainstream functions within the NRA and MOF.

A strong project management framework will be required to deliver MTRS. The NRA has developed a reform dashboard, with assistance from the IMF, which is awaiting executive approval. The dashboard is limited to use within the NRA but appears to be suitable for broader use across the MTRS. The NRA and MOF will evaluate options to use this dashboard across both agencies to support MTRS governance, and if deemed unsuitable, set up an alternative MTRS project management arrangements.

The success of the CRM framework and the CIPs will also require governance and oversight of development and implementation. Cross-cutting structures and processes will be essential to mitigate organizational silos and support end-to-end approaches required by the CRM framework and the CIPs. Further, as implementation progresses it will be necessary to provide oversight and ensure collaboration between the various areas required to support the new measures. The NRA will therefore develop and put in place structures necessary to ensure effective coordination, oversight, and collaboration. This will be supported through the establishment of program oversight focusing on monitoring the CRM framework and each of the CIPs to ensure that they are on track to deliver the broad range of goals and revenues anticipated. Ideally, each CIP will be assigned a project manager and a cross-cutting project team, although if resources are constrained, the CIP projects may be grouped by tax and customs under one project manager and team each (but this may have an impact on the delivery of the revenue at the pace estimated). The CRM governance arrangements are discussed in Section IV.

6.3 MANAGEMENT SUPPORT AND CHANGE MANAGEMENT

Top management will actively support the MTRS and will be seen by all staff to be driving the change. An overarching Change Management Strategy and supporting plans will be developed to help embed reforms and transition the organization into a modern institution. The Change Management Strategy will provide a summary of the reform initiatives and how they will transform the NRA. It will also provide a communication tool for both internal and external audiences, including setting forth the consultation approaches to stakeholders. Change Management Plans are prepared at the initiative level providing details on how impacts will be addressed and how consultations will be managed including timelines.

The NRA will develop and implement an enterprise change management strategy and plan as a matter of urgency and will maintain the corresponding change management efforts throughout the period of the MTRS. Change management is a central component of this MTRS, and it will be championed by top management accordingly.

6.4 HUMAN RESOURCES

The transformation of business processes driven by the MTRS reforms will require new skill and varied sets. Consequently, a HRM plan will be needed to address staffing and skills needs, including retraining of staff whose roles change or are replaced through automation. The NRA recognizes that process efficiencies will be created as business processes are automated, electronic services are adopted and paper-based processes are eliminated, and some activities will be obliterated completely. Some staff retraining has already commenced.

The staff profile will need to change to support the new skill sets required by modernization and as a result of MTRS. The addition of higher complexity IT, project management, interpretation, and tax audit roles, including international taxation and sector specialization capabilities is likely to present workforce planning challenges, and as outlined in the previous sections, the NRA will take active efforts to build capacity internally and attract and maintain talent to meet these requirements.

The movements in staff profiles are complex and must be carefully managed. It is likely that these changes will take some time to be realized and can only be achieved progressively. Consequently, the NRA will develop a workforce plan to identify the staffing numbers, and the mix of skills and competencies, that will be required. Coupled with this, a transition plan to achieve the new profile will be developed. The workforce plan will be guided by a long-term HR strategy, with leadership development, training and capacity building, and performance management.

6.5 CAPACITY DEVELOPMENT AND DONOR FUNDING

The MTRS aims to help the MOF and NRA enhance revenue through improved taxpayer support, compliance improvements, and trade facilitation. To achieve this, stronger programs to develop organizational capacities are needed. As discussed in preceding sections, the MOF and NRA will identify and prioritize Capacity Development and liaise with donors to ensure support for the MTRS is coordinated.

The NRA will continue to leverage capacity development through the Fiscal Affairs Department (FAD) and other development partners. The NRA has benefited through ongoing support from FAD and other development partners across multiple areas. The ongoing enhancement of both Domestic Tax and Customs is only possible through a strong program of development of both staff and NRA systems and processes. The IMF has expressed their commitment to continuing supporting capacity development (CD). FAD will work with the MOF and the NRA to agree on the direction for CD to support the MTRS.

Recommendations for Strengthening Revenue Administration Capacity

(i) Manage the MTRS as a reform program and establish reform governance arrangements.
(ii) Evaluate and if considered fit-for-purpose, approve the NRA's reform dashboard. The NRA and MOF will evaluate options to use this dashboard across both agencies to support MTRS governance, or alternative project management will be established.
(iii) Develop and implement an enterprise change management strategy and plan to support business change and MTRS initiatives. The change management efforts will be maintained throughout the period of the MTRS.
(iv) Develop a long-term HR strategy, including leadership development, training and capacity building, and performance management.
(v) Develop and adequately fund a workforce plan.
(vi) Identify and prioritize capacity development and liaise with donors to ensure support for the MTRS is coordinated.

6.6 STRENGTHENING THE CAPACITY OF OTHER STAKEHOLDERS

Capacity building is essential, not only within MOF and NRA, but also within external partners and other stakeholders. In addition to the specific capacity building initiatives described earlier in the MTRS, MOF and NRA will explore the potential for additional programmes to build the capacity of external stakeholders where it could be of benefit to them and the goals of furthering revenue collection and administration.

CHAPTER 7

7.0 IMPLEMENTATION OF THE MTRS

Governance, monitoring and evaluation are essential for the effective implementation of any strategy, and will play a central role in the MTRS. Given the extent of collaborations required across agencies and departments in implementing the planned activities, the leadership and governance arrangements will require extensive cooperation between departments responsible for each activity in executing MTRS measures and in monitoring and evaluation activities. To this end, the MTRS Steering Committee will be responsible for providing overarching leadership and for coordinating monitoring and evaluation activities, with the ultimate responsibility for executing the evaluations resting on the relevant departments.

The governance and monitoring and evaluation strategy for the MTRS will focus on high level oversight, supported by rigorous measures of effectiveness, quality, and efficiency to support management decisions. This includes a focus on:

- Establishing and maintaining a high level leadership and governance framework.
- Developing and reporting rigorous measures of effectiveness, quality, and efficiency of the implementation of MTRS activities.
- Providing comprehensive and reliable management information on operational performance at all levels, that can be used for continuous review and improvement.
- Evaluating the performance indicators to ascertain whether they are achieved.
- Providing a baseline for subsequent evaluation of the strategy.

7.1 ROADMAP FOR IMPLEMENTATION

The implementation of activities prescribed in the MTRS will be staggered over the course of the five-year period to ensure that the necessary legislative and institutional capacity is available for the effective implementation of the MTRS. The implementation of the MTRS will be accomplished by building MTRS activities into the relevant departmental work plans and the annual Operational Plans with respective targets, which in turn will be cascaded into Departmental Performance Agreements. The timeline for the implementation of each activity will be developed under the guidance of the MTRS Steering Committee.

7.2 MTRS LEADERSHIP AND MONITORING AND EVALUATION FRAMEWORK

The MTRS is an important government initiative to support the future development of Sierra Leone. As such, the MTRS will be supported by highly visible leadership and formal monitoring and evaluation. The arrangements supporting MTRS will be layered and will include an MTRS Steering Committee as well as leadership and governance arrangements within each of the implementing agencies, primarily the MoF and the NRA.

As part of the MTRS implementation, a comprehensive outcomes-based monitoring and evaluation framework will be developed to support the implementation and continuous and post-completion evaluation of the MTRS. This framework includes a set of Strategic Objectives and, corresponding to each, a set of Activities and Key Performance Indicators (KPIs) to measure progress against the objectives of the MTRS. For each KPI, a calculation formula, measurement criterion and yearly target is included.

To the extent possible, the leadership arrangements and the Monitoring and Evaluation Framework for the MTRS has been designed to correspond with the NRA and MoF's own M&E Frameworks. There is, by design, an especially high degree of correspondence between the Strategic Objectives and Indicators for the Revenue Administration Reforms included in the MTRS and the NRA's own Strategic Plan (2023-2027), given that the majority of these activities will be executed by the NRA itself. The implementation of the MTRS will be integrated into the existing planning frameworks of the implementing agencies. This will strengthen delivery, improve linkages and cut down on the duplication of evaluation and planning efforts. The MTRS

Steering Committee Secretariat will coordinate with MoF and NRA to further ensure the efficient and timely evaluation of activities for the MTRS.

Monitoring and evaluation of the MTRS will focus on two fronts. First, it will track the performance of the implementation of MTRS activities against KPIs and their respective targets to understand the extent to which the implementation of the MTRS is achieving Government's Strategic Objectives. Secondly, it will involve project/activity level evaluations focused on tracking and evaluating the performance of a specific project or activity, such that Government can understand in detail the strengths and weaknesses of these interventions, and how they can be improved.

Monitoring and evaluation activities will leverage on data from a large number of sources that were previously unavailable, such as the wealth of data produced from ITAS, the ECR program, and ASYCUDA World, to evaluate activities within the MTRS. These sources of data will be critical in monitoring the performance of the MTRS implementation against the prescribed KPIs, and will be additionally leveraged to support the evaluations for individual interventions. These will take the forms of:

- Field evaluation: This method will be conducted for selected initiatives to assess the level of implementation, identify challenges facing implementation and verify actual performance on the ground. It will also provide qualitative information to supplement the quantitative data provided by departments; and
- Outcomes/impact evaluation: Impact evaluation will be used to estimate the causal effect of a programme on outcomes of interest. Impact evaluation follows through from evidence to policy, helping establish whether the worth of investment in the project has been realized and assessing the extent to which changes can be attributed to interventions being evaluated.

The outcomes evaluation will guide decisions on:
(a) Closure of projects that are not achieving their objectives
(b) Rollout of pilot projects
(c) Changes in scope, timeline
(d) Expansion of current projects

The MTRS governance and leadership arrangements and the Monitoring and Evaluation Framework for the 2023-2027 MTRS is available in Annex 4.

7.3 REPORTING MECHANISM

Periodic monitoring and evaluation of any reform intervention is crucial to its success. The 2023-2027 MTRS reform strategy will adopt a number of approaches in reporting and disseminating the findings from the continuous evaluation of the Strategy. Key amongst them include the following:

- ***Annual workplan for the implementation of MTRS interventions***: The MTRS Steering Committee will develop a comprehensive annual workplan on the basis of targeted activities in the revenue strategy. The workplan will accommodate any changes/updates relevant given the present circumstances during implementation of the reforms. It will draw on inputs from all component heads of the relevant thematic areas of the strategy, to ensure ownership and buy-in at all times. The annual workplan will be prepared and approved before the beginning of the new fiscal year of implementation.

- ***Quarterly performance monitoring and evaluation reports***: Each department responsible for implementing activities described in the MTRS will prepare a quarterly progress report on the implementation of activities they were responsible for. The quarterly reports from department will be submitted to the MTRS Steering Committee Secretariat for review and consolidation. The quarterly performance report will catalogue physical outputs and outcomes of MTRS interventions linked to each activity, progress made thus far, challenges encountered and recommendations for remedial actions. The consolidated quarterly progress report will also include the financial status of the implementation of the MTRS interventions, indicating how much has been spent so far, having regard to value-for-money, and balance of funds uncommitted thus far. The quarterly report should be prepared and approved for dissemination not later than four (4) weeks after the end of the previous quarter.

- ***Annual performance monitoring and evaluation report:*** Not later than eight (8) weeks after the end of the previous fiscal year, the MTRS Steering Committee Secretariat, in consultation with responsible departments, shall prepare an annual performance monitoring and evaluation report indicating outputs and outcomes achieved and the corresponding financial performance report. The consolidated annual M&E progress report, once approved by the GoSL, should be published within one month after compilation (or within three months after the end of the financial year), whichever comes first. The annual financial progress report should be subjected to external audit.

- ***Mid-Term Review (MTR):*** Within the third year of implementation of the five-year revenue strategy, a mid-term review/evaluation shall be conducted to assess the level and progress of implementation, challenges encountered thus far, areas/interventions that need adjustments/realignment, and make appropriate recommendations. The MTR is crucially important to ensure that corrections are made during the period of implementation to maximize the effectiveness of reforms undertaken as part of the MTRS. The MTR may take the form of joint MoF/NRA evaluation or the recruitment of qualified, independent evaluation experts. As part of measures to build local capacity, it is strongly recommended to appoint key GoSL officials to be part of the independent evaluators.

  Implementation Completion M&E Report: A final M&E will be carried out at the end of the fifth year of implementation. The evaluation undertaken will ascertain in detail the level of implementation, challenges encountered, lessons learned, and recommendations thereon. The findings and recommendations of the final evaluation report will form the basis for future reform programmes. The MTRS Steering Committee will undertake to collaborate with external partners to support the evaluation of the MTRS, ensuring a robust assessment of the activities and reforms undertaken as part of this strategy.

ANNEX 1: ALIGNMENT OF THE MTRS WITH NATIONAL DEVELOPMENT PLAN

How Sierra Leone's Medium Term Revenue Strategy Supports the National Development Plan Clusters.

MTRS Supports Development Goals

- Sierra Leone's MTRS will be a major contributor to help mobilize higher and more sustainable levels of general revenue to support the government's national development goals.
- In addition to proving the revenue to enable investment in these goals, MTRS will also contribute directly to supporting important policy clusters outlined in the National Development Plan[8]:

Cluster One: Human capital development.

- ✓ The personal income tax system will be fairer, taxing individuals with the same income, regardless of the source, in the same way.
- ✓ The excise tax system changes will ensure that the price of harmful goods reflects the community costs of health care, and to drive reduced consumption and improve overall health.
- ✓ Administrative measures to strengthen compliance, including better data management, improved compliance with core compliance obligations and strengthening the operations of the ECR system will support a more level playing field and promote entrepreneurship.

Cluster Two: Diversifying the economy and promoting growth

- ✓ The MTRS will provide investors and other taxpayers with more certainty about tax policy and administration, making the tax system more predictable to the taxpayers and prospective investors.
- ✓ The MTRS reforms will remove distortions and drive a range of goals including equity, efficiency and certainty in the tax system.
- ✓ Provision of modern digital services and reducing tax compliance burden will provide a more favourable business environment and support reduced costs of doing business and promote investment across all sectors.

Cluster Three: Infrastructure and economic competitiveness.

- ✓ NRA's continued efforts under the MTRS to strengthen facilitation of the private sector, improve border controls, and support reduced compliance costs through the delivery of more digital services, will support productivity and competitiveness.
- ✓ Rationalization of tax incentives to balance more carefully the benefits of tax incentives against their costs will promote more targeted investment and support economic competitiveness.
- ✓ Adopting a minimum alternative tax will protect Sierra Leone's tax base and providing a more predictable and consistent approach to other tax advantages for capital expenditure will increase global competitiveness.

Cluster Four: Governance and accountability for results.

- ✓ Modernization of the revenue administration, including strengthening systems and management information reporting, will deliver better information to manage performance.
- ✓ The increased rigour in monitoring delivery of commitments will improve accountability for results and act as a model for other government agencies.

Cluster Five: Empowering women, children, and persons with disability.

- ✓ A more accessible and fairer tax system will provide better support for more vulnerable members of the community.

Cluster Six: Youth employment, sports, and migration.

- ✓ A fairer personal income tax system will support Youth entrepreneurship (employment and empowerment)..
- ✓ Measures to promote a level playing field for all, by reducing participation in the shadow economy and strengthening compliance with core compliance obligations will support entrepreneurship.

Cluster Seven: Addressing vulnerabilities and building resilience.

- ✓ Exploration of options to protect the environment, such as a carbon tax, will support a healthier community and help to build national environmental resilience.
- ✓ Reforming excises on fossil fuels will reduce climate impacts and further support environmental goals.

Cluster Eight: Plan implementation.

- ✓ MTRS revenue mobilisation will be a critical source of financing for the plan.

[8] The current National Development Plan will conclude in 2023 and will be updated over the period of this MTRS. Further work will be required to align the MTRS with the plan as the new plan emerges.

ANNEX 2: TERMS OF REFERENCE FOR MTRS STEERING AND TECHNICAL COMMITTEES

1.1 STEERING COMMITTEE

Composition of the Steering Committee

The MTRS Steering Committee shall be chaired by the Minister of Finance and co-chaired by the Resident Representative of the IMF, and both shall be the Project Sponsors for the MTRS 2023-2027. Its membership shall also include:

1. The Minister of Trade and Industry
2. The Minister of Mines and Mineral Resources
3. The Minister of Fisheries and Marine Resources
4. The Deputy Minister of Finance
5. The Financial Secretary
6. The Governor, Bank of Sierra Leone
7. The Commissioner General, National Revenue Authority
8. The President, Sierra Leone Chamber of Commerce and Agriculture
9. The Country Manager, World Bank Sierra Leone Country Office
10. The Country Manager, African Development Bank, Sierra Leone Country Office
11. The Representative of the European Union Delegation in Sierra Leone
12. The Development Director, FCDO
13. The Coordinator, Budget Advocacy Network
14. The Executive Director, Institute of Governance Reform

The Chair will adopt other members into the Steering Committee as and when required. In the event the Minister be unable to sit in an MTRS Steering Committee meeting, the Deputy Minister of Finance will serve as Committee Chair.

Role of the Medium-Term Revenue Strategy (MTRS) 2023-2027 Steering Committee

The role of the MTRS Steering Committee shall be as follows:

- Ensures that the implementation of the MRTS 2023-2027 is aligned with Government overall strategy.
- Approves the MTRS implementation plan with agreed reformed actions, deliverables, timelines and budget.
- Provides ministerial leadership, oversight, influence, and coordination for implementing the MTRS.
- Acts as interface for the provision of political leadership support at the level of Cabinet and the President, which is critical for interagency coordination at the strategic and ministerial levels.
- Assists with resolving strategic level issues and risks advanced by the Technical Committee.
- Monitors structural benchmarks relating to domestic revenue mobilization.
- Assesses or obtains feedback about the MTRS progress implementation and reports on such development to the Economic Management Team and/or Cabinet.
- Holds accountable the respective institutions or agencies responsible for the implementation of actions, policy and administrative measures contained in the MTRS document.

Responsibilities of the Steering Committee Chairpersons

The Steering Committee Chairpersons shall:

- Cause the Determination and setting of the agenda for each meeting based on the requirement of such a meeting.
- Cause agendas and supporting materials to be delivered to members in advance of meetings.
- Make the purpose of each meeting clear to members and explains the agenda at the beginning of each meeting.
- Clarify to members and summary discussions throughout each meeting.

- Timely manage each meeting by putting time limits on each agenda item and keeping all discussions and meetings to the barest minimum.
- Facilitate broad participation from members in discussion by encouraging them to raise or comment on issues during meetings.
- End each meeting with a summary of decisions, assignments and responsible parties and timeline for delivery of each action.
- Adopt members into the committee as and when required.

Responsibilities of Individual Steering Committee Members

- Individual Steering Committee members shall ensure that they:
  (i) Understand the MTRS 2023-2027 – its goals, objectives, and desired deliverables.
  (ii) Understand, take and genuinely represent the interests of the overall domestic revenue mobilization objectives of Government.
  (iii) Actively seek out opportunities and make contributions to ensure delivery of the MTRS outcomes and overall success.
  (iv) Ensure that review to update of the MTRS is aligned with the overall Government strategy as well as policies and directions across government as a whole.
  (v) Actively participate in meetings through attendance, discussion, and review of minutes, papers and other Steering Committee documents.
  (vi) Support open discussions and debates, including feedback during Steering Committee meetings.

Deliverables of the Steering Committee

- The following shall be part of the deliverables of the Steering Committee:
  (i) Approved MTRS 2023-2027 inclusive of development partners' inputs.
  (ii) Approved MTRS implementation plan with agreed actions for the MRTS implementation, deliverables, timelines and budget.
  (iii) Minutes of meetings of the Steering Committee with key decisions, outcomes and next steps.
  (iv) Sanctioned Technical Committee reports on the status of the implementation of the MTRS.
  (v) Briefing reports/notes to the Economic Management team and Cabinet on the progress of the implementation of the MTRS.

Frequency of Meetings

As the meetings will ideally consider and discuss key milestones of the MTRS, as set out in the implementation plan, the Steering Committee will hold its meetings quarterly, and may call up members for meetings as may be required.

1.2 TECHNICAL COMMITTEE

Composition of the Technical Committee

The MTRS Technical Committee shall be chaired by the Financial Secretary and its membership shall also include:

1. The Chief Economist, Ministry of Finance
2. The Principal Deputy Finance Sectary
3. The Permanent Secretary, Ministry of Mines and Mineral Resources
4. The Director, Monitoring, Research and Planning, National Revenue Authority
5. The Commissioner of Domestic Taxes Department, National Revenue Authority
6. The Commissioner of Customs Services Department, National Revenue Authority
7. The Commissioner of Non-Tax Revenue Department, National Revenue Authority
8. The Director of Mines, National Minerals Agency
9. The Chief Director, Ministry of Trade, and Industry
10. The Director of Fisheries, Ministry of Fisheries and Marine Resources
11. The Representative of the Governor, Bank of Sierra Leone
12. The Executive Secretary, Sierra Leone Chamber of Commerce and Agriculture
13. The Coordinator, Budget Advocacy Network

14. The Executive Director, Institute of Governance Reform
15. The President, Sierra Leone Manufacturers Association
16. The President, Sierra Leone Importers Association

The Chair of the Technical Committee will adopt other members as and when required. In the event that Technical Committee are unable to attend a meeting, they are allowed to send proxies to meetings. However, while proxies may be allowed to participate in discussion, they cannot take active role in decision-making. Where committee members intend to send a proxy to a meeting, they shall inform the Chair of their intention not less than two business days before the scheduled meeting. For effective participation and smooth discussions of issues, only limited cases of proxies shall be allowed.

Role of the Medium-Term Revenue Strategy (MTRS) 2023-2027 Technical Committee

The Technical Committee which shall report to the Steering Committee will make decisions and inputs in the development of the implementation plan, recommend reform actions, and oversee activities relating to the implementation of the MTRS. The role of the MTRS Technical Committee shall be as follows:

(ix) promotes the understanding and support for the effective implementation of the MTRS within each member's agency, institution or representation.

(x) provides technical input and support on the conduct of revenue impact analysis on the MTRS.

(xi) coordinates the preparation of the MTRS implementation plan, including setting the deliverables, timelines and budgets

(xii) provides technical advice and support to the Steering Committee on the MTRS implementation plan and its dissemination

(xiii) monitors and supports follow-up actions for the MRTS implementation to enhance revenue performance.

(xiv) accountable to the Steering Committee for the implementation of the reform actions within each technical committee representative's agency.

(xv) regularly reports progress on the implementation of the MTRS to the Steering Committee.

(xvi) promotes appropriate interagency engagement and coordination at the strategic and ministerial (and agency) levels to provide the fluidity required in the implementation of the strategy

Responsibilities of the Technical Committee Chair

The Financial Secretary as Chair of the Technical Committee shall exercise similar roles to the Committee as the Steering Committee Chair. In particular, he shall have full responsibility to ensure that agendas are set, and other support materials provided in time for meetings, which shall be facilitated for broad participation and manage well to get the best out of each meeting.

Responsibilities of Individual Technical Committee Members

- Like the Steering Committee, Individual Technical Committee members shall make effort and ensure that they:

  (i) Understand the MTRS 2023-2027 – its goals, objectives, and desired deliverables.

  (ii) Understand, take and genuinely represent the interests of the overall domestic revenue mobilization objectives of Government.

  (iii) Actively seek out opportunities and make contributions to ensure delivery of the MTRS outcomes and overall success.

  (iv) Actively participate in meetings through attendance, discussion, and review of minutes, papers and other documents.

  (v) Support open discussions and debates, including feedback during Steering Committee meetings.

Deliverables of the Technical Committee

The following shall be part of the deliverables of the Technical Committee:

(i) Reviewed MTRS 2023-2027 inclusive of development partners' inputs.

(ii) Developed MTRS implementation plan with agreed actions for the MRTS implementation, deliverables, timelines and budget.

(iii) Minutes of meetings of the Technical Committee with key decisions, outcomes and next steps.

(iv) Sanctioned Technical Committee reports on the status of the implementation of the MTRS.

(v) Briefing reports/notes prepared for the Economic Management team and Cabinet on the progress of the implementation of the MTRS

(vi) Other deliverables as the Steering Committee may direct and sanction.

Frequency of Meetings of the Technical Committee

Given the importance of the Technical Committee to review and discuss key milestones of the MTRS and advise the Steering Committee accordingly, the Technical Committee will hold meetings once every month, and may call up members for meetings as may be required.

ANNEX 3: MTRS STAKEHOLDER ENGAGEMENT FRAMEWORK

Stakeholder engagement is a central principle of Sierra Leone's MTRS. The government of Sierra Leone recognises that involving stakeholders in the design of both the policy and administrative design processes generates better results. This principle will be rigorously applied in all aspects of the MTRS design and implementation. MTRS engagement will balance the, often competing, interests of various stakeholders and will ensure that feedback is properly considered and evaluated.

The approach to MTRS stakeholder engagement has been guided by the Organisation for Economic Coordination and Development (OECD) best practice for methods of stakeholder engagement in policy making.[9] Key features of the MTRS stakeholder engagement framework include:

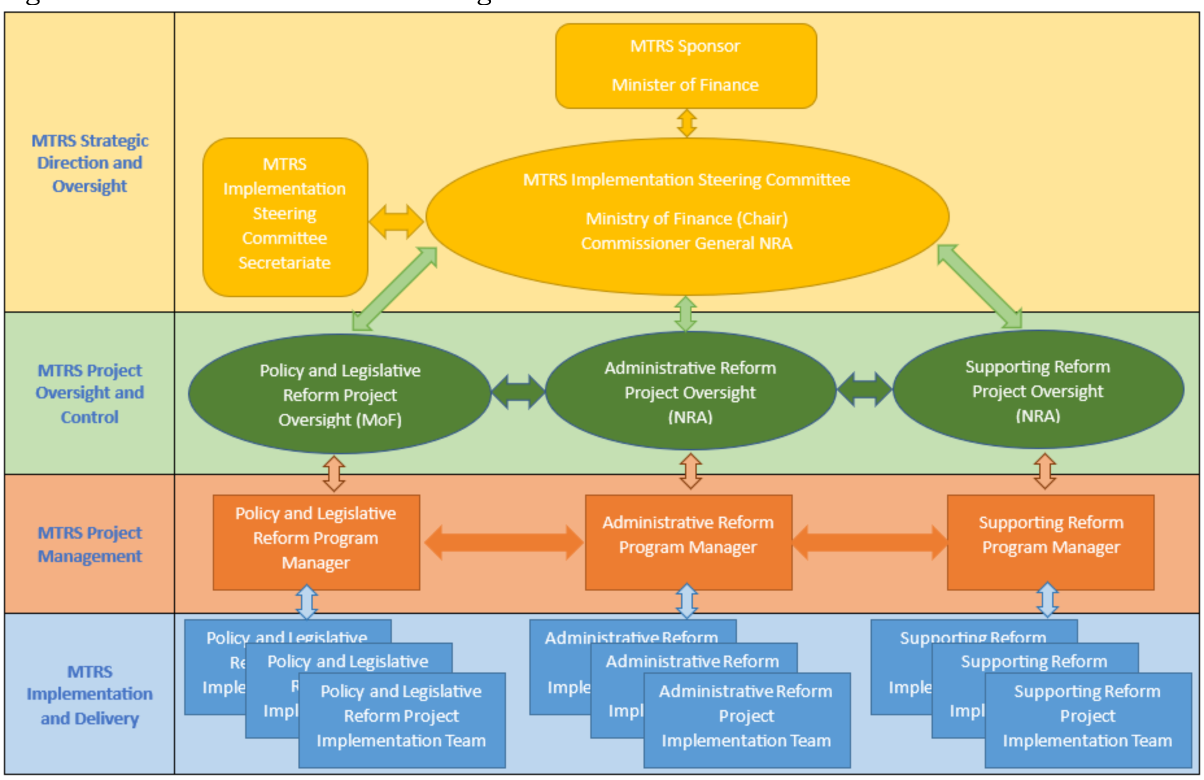
- Ad hoc consultations throughout the design of both policy and administrative measures. This approach is used to collect information from identified interested parties by phone calls, letters, and emails. These processes will be less formal and more flexible, so that authorities can obtain a range of views quickly, particularly in the early stages of design. However, it is recognised that these methods have limitations and are not as transparent. This approach will not be used in isolation and will only be used as part of a broader engagement framework.
- Structured Consultations at various key stages of the design process. The current approaches used in relation to both policy and administrative design will be expanded to include all MTRS measures. Formal meetings will be organised, with an agenda, and all discussions and action items will be documented. Feedback will be provided to stakeholders on how their inputs will be actioned.
- Publication of draft regulatory proposals for public comment. Publication will be supported by systematic circulation to identified interested groups, as well as broad public dissemination. This process is intended to gather a range of views from both well organised stakeholders and the general public.
- Public meetings and workshops to present proposed tax changes to any interested people and communities. This approach may be used for both policy and administrative measures and is likely to be the most beneficial method to share information and less useful as a consultative technique.

[9] OECD. 2017. Best Practice Principles on Stakeholder Engagement in Regulatory Policy

ANNEX 4: MTRS MONITORING AND EVALUATION FRAMEWORK

The leadership and monitoring and evaluation framework provides a layered structure designed to provide leadership over the MTRS and to support the tracking of progress towards delivery of expected results and to assess the outcomes and impact of MTRS measures across the MTRS period. An MTRS Steering Committee, including members from across government, the private sector, and civil society will be established to oversee evaluation of the MTRS implementation at the highest level. The monitoring and evaluation framework will be layered and the MTRS Steering Committee will be supported by oversight arrangements within both MoF and NRA. MoF and NRA will lead the monitoring of day-to-day implementation within each agency. Figure X provides a broad overview if the framework.

Figure X: Governance and Monitoring and Evaluation Framework



Once policies are implemented, analysis of the revenue targets and other objectives will be continually monitored. Monitoring and Evaluation, led by the MTRS Steering Committee, will use reports produced by the MoF and NRA to track high level performance and delivery, and promote accountability and cross agency collaboration in the implementation of the MTRS.
The MTRS Steering Committee will provide overarching leadership and governance across the MTRS. The Steering Committee will meet regularly to ensure that MTRS measures are being implemented according to timelines, and to initiate remedial action where delivery is at risk. At a minimum the steering committee will review MTRS implementation quarterly and annually. More frequent meetings may be required where implementation timelines are considered to be at risk. The Steering Committee will also be responsible for initiating a mid-term review of MTRS implementation and delivery in the third year and for overseeing the development of a completion report.

Monitoring and evaluation of the MTRS will focus on two fronts. First, it will track the performance of the implementation of MTRS activities against KPIs and their respective targets to understand the extent to which the implementation of the MTRS is achieving Government's Strategic Objectives. Secondly, it will involve project/activity level evaluations focused on tracking and evaluating the performance of a specific project or activity, such that Government can understand in detail the strengths and weaknesses of these interventions, and how they can be improved.

Monitoring and evaluation activities will leverage on data from a large number of sources that were previously unavailable, such as the wealth of data produced from ITAS, the ECR program, and ASYCUDA World, to evaluate activities within the MTRS. These sources of data will be critical in monitoring the performance of the MTRS implementation against the prescribed KPIs, and will be additionally leveraged to support the evaluations for individual interventions. These will take the forms of:

- Field evaluation: This method will be conducted for selected initiatives to assess the level of implementation, identify challenges facing implementation and verify actual performance on the ground. It will also provide qualitative information to supplement the quantitative data provided by departments; and
- Outcomes/impact evaluation: Impact evaluation will be used to estimate the causal effect of a programme on outcomes of interest. Impact evaluation follows through from evidence to policy, helping establish whether the worth of investment in the project has been realized and assessing the extent to which changes can be attributed to interventions being evaluated.

The outcomes evaluation will guide decisions on:

(e) Closure of projects that are not achieving their objectives
(f) Rollout of pilot projects
(g) Changes in scope, timeline
(h) Expansion of current projects

ANNEX 5: TIMELINE FOR IMPLEMENTATION OF TAX POLICY MEASURES

	2023	2024	2025	2026	2027
Personal Income Tax					
		(i) Continue to review the PIT structure periodically to avoid inflation-induced bracket creep. (ii) Harmonize the final withholding tax rates for capital income including dividends, rental income, interests, and royalties but excluding capital gains tax at a rate of 15% from 2024 to 2026 and increase to 20% thereafter. (iii) Continue to review the PIT structure periodically to avoid inflation-induced bracket creep.	(i) Harmonize the final withholding tax rates for capital income including dividends, rental income, interests, and royalties but excluding capital gains tax at a rate of 15% from 2024 to 2026 and increase to 20% thereafter.	(i) Harmonize the final withholding tax rates for capital income including dividends, rental income, interests, and royalties but excluding capital gains tax at a rate of 15% from 2024 to 2026 and increase to 20% thereafter.	(i) Begin the aggregation of interest and rental incomes with labour income and business income in 2027. (ii) Eliminate all exemptions (non-taxable thresholds) and reduced rates for taxation of capital income and transition to a full GIT starting in 2027.
Corporate Income Tax					
	(i) Maintain the current accelerated depreciation rate (40-20-20) (ii) Maintain the policy of abolishing tax holidays and reduced tax rates for new investments (iii) Waive the tax on retained earnings if evidence of an investment plan is presented within one year (iv) Fully implement the Tax and Duty Waiver Act (v) Seek legal support from development partners for the review of Mining Lease Agreements and other investment concession agreements (vi) Review investment incentives and concession agreements with a view to rationalise the incentive system to broaden the tax base, whilst supporting private investment (vii) Review the Electronic Single Window to assess its	(i) 0	(i) Review sectoral investments agreements with a view to abolishing the reduced corporate tax rates applied to some businesses beginning 2024 (ii) Maintain the current accelerated depreciation rate (40-20-20) (iii) Abolish the investment allowance and adopt full expensing of capital items (iv) Maintain the policy of abolishing tax holidays and reduced tax rates for new investments (v) Allow full loss carry-forward for indefinite periods, subject to certain restrictions. (vi) Waive the tax on retained earnings if evidence of an investment plan is presented within one year, (vii) Fully implement the Tax and Duty Waiver Act (viii) Fully implement provisions of the Public Financial Management Act, 2016 relating to annually assessing,	(i) Review sectoral investments agreements with a view to abolishing the reduced corporate tax rates applied to some businesses beginning 2024 (ii) Maintain the current accelerated depreciation rate (40-20-20) (iii) Abolish the investment allowance and adopt full expensing of capital items (iv) Maintain the policy of abolishing tax holidays and reduced tax rates for new investments (v) Allow full loss carry-forward for indefinite periods, subject to certain restrictions. (vi) Waive the tax on retained earnings if evidence of an investment plan is presented within one year, (vii) Fully implement the Tax and Duty Waiver Act	(i) Review sectoral investments agreements with a view to abolishing the reduced corporate tax rates applied to some businesses beginning 2024 (ii) Maintain the current accelerated depreciation rate (40-20-20) (iii) Abolish the investment allowance and adopt full expensing of capital items (iv) Maintain the policy of abolishing tax holidays and reduced tax rates for new investments (v) Allow full loss carry-forward for indefinite periods, subject to certain restrictions. (vi) Waive the tax on retained earnings if evidence of an investment plan is presented within one year (vii) Fully implement the Tax and Duty Waiver Act

	2023	2024	2025	2026	2027
	effectiveness with a view to strengthen controls. (viii) Fully implement provisions of the Public Financial Management Act, 2016 relating to annually assessing, quantifying and reporting tax exemptions, (ix) Introduce a turnover-based MAT at a rate of 3%.		quantifying and reporting tax exemptions (ix) Review sectoral investments agreements with a view to abolishing the reduced corporate tax rates applied to some businesses beginning 2024	(viii) Fully implement provisions of the Public Financial Management Act, 2016 relating to annually assessing, quantifying and reporting tax exemptions	(viii) Fully implement provisions of the Public Financial Management Act, 2016 relating to annually assessing, quantifying and reporting tax exemptions
Goods and Services Tax					
	(i) Introduce GST on agricultural plants, equipment, machinery and inputs used by medium to large scale commercial agricultural businesses. However, Government will continue to exempt farming tools and inputs used by subsistence and small-scale farmers. (ii) Continue to exempt GST on food items (iii) Continue to exempt fuel and public transport (except those targeted at middle and upper classes, including helicopter services, water taxis and hovercrafts) (iv) Continue to exempt health and education services as part of its Human Capital Development agenda (v) Restore GST on fee-based financial services and introduce GST on insurance premium and indemnity (vi) GST will continue be administered on gambling services. However, NRA will strengthen its administration enforcement to improve compliance and revenue uptake	(i) Raise the GST registration threshold to NLe400,000, from NLe100,000. (ii) Introduce a voluntary registration threshold of NLe100,000 as a way of encouraging informal businesses to register for GST. (iii) Continue to exempt GST on food items (iv) Continue to exempt fuel and public transport (except those targeted at middle and upper classes, including helicopter services, water taxis and hovercrafts) (v) Continue to exempt health and education services as part of its Human Capital Development agenda (vi) GST will continue be administered on gambling services. However, NRA will strengthen its administration enforcement to improve compliance and revenue uptake (vii) Introduce GST on the first sale of commercial buildings, commercial accommodation, and the supply of new residential buildings at the standard rate, while exempting subsequent supplies of residential buildings and the supply of residential accommodation (viii) Government will strengthen the administrative capacity of NRA to enforce the implementation of the taxation of digital services. In addition,	(i) Continue to exempt GST on food items (ii) Continue to exempt fuel and public transport (except those targeted at middle and upper classes, including helicopter services, water taxis and hovercrafts) (iii) Continue to exempt health and education services as part of its Human Capital Development agenda (iv) Restore GST on fee-based financial services and introduce GST on insurance premium and indemnity (v) GST will continue be administered on gambling services. However, NRA will strengthen its administration enforcement to improve compliance and revenue uptake (vi) Government will strengthen the administrative capacity of NRA to enforce the implementation of the taxation of digital services. In addition, NRA will commence a simplified registration process to the suppliers of digital services and satellite TV services limited to large businesses that frequently supply such services to customers in Sierra Leone	(i) Continue to exempt GST on food items (ii) Continue to exempt fuel and public transport (except those targeted at middle and upper classes, including helicopter services, water taxis and hovercrafts) (iii) Continue to exempt health and education services as part of its Human Capital Development agenda (iv) Government will strengthen the administrative capacity of NRA to enforce the implementation of the taxation of digital services. In addition, NRA will commence a simplified registration process to the suppliers of digital services and satellite TV services limited to large businesses that frequently supply such services to customers in Sierra Leone (v) Maintain duty and GST exemptions on renewable energy on solar mini grids (2023-2027)	(i) Continue to exempt GST on food items (ii) Continue to exempt fuel and public transport (except those targeted at middle and upper classes, including helicopter services, water taxis and hovercrafts) (iii) Continue to exempt health and education services as part of its Human Capital Development agenda (iv) Government will strengthen the administrative capacity of NRA to enforce the implementation of the taxation of digital services. In addition, NRA will commence a simplified registration process to the suppliers of digital services and satellite TV services limited to large businesses that frequently supply such services to customers in Sierra Leone. (v) Maintain duty and GST exemptions on renewable energy on solar mini grids (2023-2027)

	2023	2024	2025	2026	2027
	(vii) Government will strengthen the administrative capacity of NRA to enforce the implementation of the taxation of digital services. In addition, NRA will commence a simplified registration process to the suppliers of digital services and satellite TV services limited to large businesses that frequently supply such services to customers in Sierra Leone (viii) Re-introduce GST on solar equipment, but the maintaining exemptions policy of zero import duty, on this equipment (ix) Maintain duty and GST exemptions on renewable energy on solar mini grids (x) Eliminate GST exemptions on plants, equipment and machinery for mining and manufacturing (xi) Restore the application of GST on all aviation related services in Sierra Leone	NRA will commence a simplified registration process to the suppliers of digital services and satellite TV services limited to large businesses that frequently supply such services to customers in Sierra Leone (ix) Maintain duty and GST exemptions on renewable energy on solar mini grids (x) Introduce anti-avoidance provisions to address evasion where a single person creates various smaller businesses to avoid GST registration	(vii) Maintain duty and GST exemptions on renewable energy on solar mini grids		
EXCISE TAXATION					
	(i) Convert all ad valorem excises to specific rates based on alcohol content for both locally produced and imported alcoholic beverages (beers, gins, spirits and wines) (ii) Harmonise the excise tax between imported and locally produced alcoholic beverages (iii) In the medium term, the following excise rates will be applied to imported and locally produced alcoholic beverages (beers, gins, spirits and wines): a. alcoholic content 10% and below (US$1.50 per litre)	(i) Maintain the current specific excise on fuel and fix at a specific rate that is not a residual amount (ii) Harmonise the excise tax between imported and locally produced alcoholic beverages: (iii) In the medium term, the following excise rates will be applied to imported and locally produced alcoholic beverages (beers, gins, spirits and wines): a. alcoholic content 10% and below (US$1.50 per litre) b. alcoholic content between 10% to 20% contents (US$2 per litre) c. alcoholic content higher than 20% (US$3.0 per litre) (iv) Convert ad valorem excise rate on cigarette to a specific excise rate	(i) Levy an excise rate of NLe1.5 on a packet of twenty cigarette in 2023 to progressively increase to NLe3.0 by 2027 (ii) Levy an excise rate of NLe0.50 per kilogram of tobacco commencing in 2023 to progressively increase to NLe1.0 by 2027 (iii) Levy excise tax of NLe5.0 per packet of cigar in 2023 to be progressively increase to NLe10.0 by 2027. (2023-2027)	(i) Levy an excise rate of NLe1.5 on a packet of twenty cigarette in 2023 to progressively increase to NLe3.0 by 2027 (ii) Levy an excise rate of NLe0.50 per kilogram of tobacco commencing in 2023 to progressively increase to NLe1.0 by 2027 (iii) Levy excise tax of NLe5.0 per packet of cigar in 2023 to be progressively increase to NLe10.0 by 2027. (2023-2027)	(i) Levy an excise rate of NLe1.5 on a packet of twenty cigarette in 2023 to progressively increase to NLe3.0 by 2027 (ii) Levy an excise rate of NLe0.50 per kilogram of tobacco commencing in 2023 to progressively increase to NLe1.0 by 2027 (iii) Levy excise tax of NLe5.0 per packet of cigar in 2023 to be progressively increase to NLe10.0 by 2027. (2023-2027)

	2023	2024	2025	2026	2027
	b. alcoholic content between 10% to 20% contents (US$2 per litre) c. alcoholic content higher than 20% (US$3.0 per litre) (iv) Convert ad valorem excise rate on cigarette to a specific excise rate (v) Levy an excise rate of NLe1.5 on a packet of twenty cigarette in 2023 to progressively increase to NLe3.0 by 2027 (vi) Levy an excise rate of NLe0.50 per kilogram of tobacco commencing in 2023 to progressively increase to NLe1.0 by 2027 (vii) Levy excise tax of NLe5.0 per packet of cigar in 2023 to be progressively increase to NLe10.0 by 2027. (viii) Levy specific excise rate of NLe7.0 per unit of e-cigarettes and similar personal electric vaporizing devices (ix) No excise tax on electric vehicles; (x) Harmonise the excise rates of imported and domestically produced non-alcoholic drinks; (xi) Harmonise the excise rates of imported and domestically produced energy and sugar sweetened beverages.	(v) Levy an excise rate of NLe1.5 on a packet of twenty cigarette in 2023 to progressively increase to NLe3.0 by 2027 (vi) Levy an excise rate of NLe0.50 per kilogram of tobacco commencing in 2023 to progressively increase to NLe1.0 by 2027 (vii) Levy excise tax of NLe5.0 per packet of cigar in 2023 to be progressively increase to NLe10.0 by 2027. (viii) Levy specific excise rate of NLe7.0 per unit of e-cigarettes and similar personal electric vaporizing devices; (ix) Introduce specific excise tax based on age and engine capacity at the rate of US$150 for vehicles aged 5-9 years and US$300 for vehicles aged over 10 years, subject to comparison with other sub regional countries; (x) Introduce specific excise rate of sugar-sweetened drinks and energy drinks as follows: a. The Leone equivalent of US$0.1/litre for beverages with sugar content less than 15 grammes per litre; b. The Leone equivalent of US$0.2/litre for beverages with sugar content between than 15-25 grammes per litre c. The Leone equivalent of US$0.3/litre for beverages with sugar more than 25 grammes per litre (xi) Introduce excise tax on gambling (including online gambling) and casinos services at a rate of 10% on the gross gaming and betting revenue.			
IMPORT DUTIES					
	Maintain tax exemptions on inputs used in the production rice, excluding plants, machinery and equipment (2023).	Restore the import duty on rice (2024).			
OTHER TAXES					

	2023	2024	2025	2026	2027
	(i) Raise the stamp duty rate of transfer of immovable property to 1% from 0.1% of consideration. (ii) Enhance compliance of Extractives, by establishing a safe harbour for mining company audits, beginning with iron ore. (iii) Review forestry revenue settings, drawing on external cooperation partners as needed. (iv) Conduct a preliminary study of the distribution of the burden from a carbon tax under different policy scenarios on households and firms. (v) Build capacity of the Climate Finance Unit in the Ministry of Finance and the NRA in preparation for administration of the carbon tax. (vi) Introduce a tourism levy at a rate of 2% on the gross sales derived from hotel accommodation, food, drinks and other related services offered by a tourism establishment.	(i) Consider the possibility of having the National Revenue Authority to collect property taxes on behalf of the Local Councils for a commission. (ii) Raise the stamp duty rate of transfer of immovable property to 1% from 0.1% of consideration. (iii) Maintain the disciplined policy of not negotiating additional concessions to allow the terms of the EIRA to govern future extractive industries activities. (iv) Enhance compliance of Extractives, by establishing a safe harbour for mining company audits, beginning with iron ore (v) Implement an ad valorem export duty on the export value of timber and timber product in addition to the current fixed charge which will be retained as a minimum. (vi) Conduct a preliminary study of the distribution of the burden from a carbon tax under different policy scenarios on households and firms. (vii) In collaboration with international partners, model the effects of a carbon tax under different policy scenarios on export competitiveness, economic growth, employment, and domestic prices. (viii) Draft a policy on carbon taxation based on findings from the research, if appropriate. (ix) Explore the issuance of Green Bonds. (x) Build capacity of the Climate Finance Unit in the Ministry of Finance and the NRA in preparation for administration of the carbon tax. (xi) Introduce a tourism levy at a rate of 2% on the gross sales derived from hotel accommodation, food, drinks and other related services offered by a tourism establishment.	(i) Consider the possibility of having the National Revenue Authority to collect property taxes on behalf of the Local Councils for a commission. (ii) Draft a policy on carbon taxation based on findings from the research, if appropriate.	(i) Consider the possibility of having the National Revenue Authority to collect property taxes on behalf of the Local Councils for a commission (2025-2027).	(i) Consider the possibility of having the National Revenue Authority to collect property taxes on behalf of the Local Councils for a commission (2025-2027).

	2023	2024	2025	2026	2027
		(xii) Introduce an education levy at a rate of ...% to complement other sources of financing the Free Quality School Education Programme.			

ANNEX 6: TIMELINE FOR IMPLEMENTATION OF REVENUE ADMINISTRATIVE MEASURES

	2023	2024	2025	2026	2027
Cross Cutting Measures					
a. Strengthen Compliance Risk Management	(i) Develop and implement a whole NRA strategic CRM framework, including a CRM policy and supporting procedures, and a single comprehensive Authority-level compliance improvement strategy. (ii) Establish strategic joint CRM committee comprising domestic taxes and customs chaired by a senior-level officer with inclusive representation from all operational and support departments. (iii) Explore expanding the data management project into a CRM unit to encompass both data management and the establishment and maintenance of a CRM framework. (iv) Adopt international good practice in the development, implementation, monitoring, and evaluation of comprehensive and coordinated compliance improvement plans. (v) Develop and implement comprehensive, cross-agency and cross-functional CIPs under the compliance improvement strategy for priority and higher-risk areas	(i) Develop and implement a whole NRA strategic CRM framework, including a CRM policy and supporting procedures, and a single comprehensive Authority-level compliance improvement strategy. (ii) Explore expanding the data management project into a CRM unit to encompass both data management and the establishment and maintenance of a CRM framework. (iii) Adopt international good practice in the development, implementation, monitoring, and evaluation of comprehensive and coordinated compliance improvement plans. (iv) Develop and implement comprehensive, cross-agency and cross-functional CIPs under the compliance improvement strategy for priority and higher-risk areas (2023-2027).	(v) Develop and implement a whole NRA strategic CRM framework, including a CRM policy and supporting procedures, and a single comprehensive Authority-level compliance improvement strategy. (i) Adopt international good practice in the development, implementation, monitoring, and evaluation of comprehensive and coordinated compliance improvement plans. (ii) Develop and implement comprehensive, cross-agency and cross-functional CIPs under the compliance improvement strategy for priority and higher-risk areas.	(i) Develop and implement a whole NRA strategic CRM framework, including a CRM policy and supporting procedures, and a single comprehensive Authority-level compliance improvement strategy. (ii) Develop and implement comprehensive, cross-agency and cross-functional CIPs under the compliance improvement strategy for priority and higher-risk areas.	(i) Develop and implement a whole NRA strategic CRM framework, including a CRM policy and supporting procedures, and a single comprehensive Authority-level compliance improvement strategy. (ii) Develop and implement comprehensive, cross-agency and cross-functional CIPs under the compliance improvement strategy for priority and higher-risk areas

	2023	2024	2025	2026	2027
b. Simplifying Processes of Tax Administration	(i) Improve communication about the actions the Authority is taking to improve integrity and reduce corruption; study how the Authority can further improve perceptions of its fairness and professionalism. (ii) Monitor trends over time in public perceptions about the fairness and equity of the tax system and its administration by the NRA. (iii) Update, republish and apply the service charter and regularly report publicly on its implementation. (iv) Undertake taxpayer education programmes, including building community understanding of the links between revenue raising and the provision of community services such as health and education. (v) Enhance the current focus on integrity and combating corruption and implement additional measures to improve confidence and perceptions of fairness. (vi) Streamline taxpayer interactions, focusing on the provision of clear advice and the expansion of digital services. (vii) Continue user testing to improve services and digital platforms. (viii) Strengthen engagement with stakeholders to shape organizational focus and identify service needs and delivery channels.	(i) Improve communication about the actions the Authority is taking to improve integrity and reduce corruption; study how the Authority can further improve perceptions of its fairness and professionalism. (ii) Monitor trends over time in public perceptions about the fairness and equity of the tax system and its administration by the NRA. (iii) Update, republish and apply the service charter and regularly report publicly on its implementation. (iv) Undertake taxpayer education programmes, including building community understanding of the links between revenue raising and the provision of community services such as health and education. (v) Explore additional actions to strengthen taxpayer confidence. (vi) Enhance the current focus on integrity and combating corruption and implement additional measures to improve confidence and perceptions of fairness. (vii) Conduct taxpayer and stakeholder surveys including assessing of community confidence in the revenue system and the NRA, and perceptions of professionalism, integrity, and fairness. (viii) Streamline taxpayer interactions, focusing on the provision of clear advice and the expansion of digital services. (ix) Continue user testing to improve services and digital platforms. (x) Strengthen engagement with stakeholders to shape organizational focus and identify service needs and delivery channels.	(i) Improve communication about the actions the Authority is taking to improve integrity and reduce corruption; study how the Authority can further improve perceptions of its fairness and professionalism. (ii) Monitor trends over time in public perceptions about the fairness and equity of the tax system and its administration by the NRA. 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(vi) Conduct taxpayer and stakeholder surveys including assessing of community confidence in the revenue system and the NRA, and perceptions of professionalism, integrity, and fairness. (vii) Strengthen engagement with stakeholders to shape organizational focus and identify service needs and delivery channels.	(i) Improve communication about the actions the Authority is taking to improve integrity and reduce corruption; study how the Authority can further improve perceptions of its fairness and professionalism. (ii) Monitor trends over time in public perceptions about the fairness and equity of the tax system and its administration by the NRA. (iii) Update, republish and apply the service charter and regularly report publicly on its implementation. (iv) Undertake taxpayer education programmes, including building community understanding of the links between revenue raising and the provision of community services such as health and education. (v) Explore additional actions to strengthen taxpayer confidence (vi) Enhance the current focus on integrity and combating corruption and implement additional measures to improve confidence and perceptions of fairness (vii) Conduct taxpayer and stakeholder surveys including assessing of community confidence in the revenue system and the NRA, and perceptions of professionalism, integrity, and fairness. (viii) Strengthen engagement with stakeholders to shape organizational focus and identify service needs and delivery channels.
c. Outcome-Driven Revenue Administration	Strengthen monitoring of the effectiveness of compliance interventions. (2023-2024).	(i) Develop a comprehensive outcomes-based monitoring and evaluation framework. (ii) Strengthen monitoring of the effectiveness of compliance interventions.			

	2023	2024	2025	2026	2027
d. Modernising Business Operations, Capacity and Productivity	(i) Leverage sources of data accessible to the NRA IT digital systems to feed into NRA research activities. (ii) Invest in ICT infrastructure underpinning its systems and account for technological costs in the NRA's operating budget. (iii) Explore implementing an abbreviated Service and Asset Management process including a service desk, with a view to eventually implement an ISO20000-based approach. (iv) Develop a strategy to improve cooperation between Business Operations and IT and foster greater strategic collaboration. (v) Ensure that IT and Data Analytics teams participate fully in the implementation of technology projects and that the capacity to develop and maintain such projects is retained within the NRA. (vi) Focus on developing capacity within the Authority through the development of a rolling, internally delivered staff development plan to increase IT literacy within the workforce. (vii) Implement a systematic and sustained competency-based internal training program to enhance NRA ICT capacity. (viii) Complete implementation of the data warehouse, prioritizing data for ITAS, ASYCUDA and ECR and later expanding to include third-party data. (ix) Review data access powers to ensure the legal authority is unambiguous. (x) Centralise data management process. (xi) Modernize risk management functions for Customs and the Domestic Tax Department and build specialized capacity to leverage and maintain its data systems (xii) Embed risk management outputs into existing systems, including operationalising risk management modules in ASYCUDA World and ITAS. (xiii) Increase staff budget to enable specialist recruitment in targeted areas.	(i) Leverage sources of data accessible to the NRA IT digital systems to feed into NRA research activities. . (ii) Invest in ICT infrastructure underpinning its systems and account for technological costs in the NRA's operating budget. (iii) Explore implementing an abbreviated Service and Asset Management process including a service desk, with a view to eventually implement an ISO20000-based approach. (iv) Develop a strategy to improve cooperation between Business Operations and IT and foster greater strategic collaboration. (v) Ensure that IT and Data Analytics teams participate fully in the implementation of technology projects and that the capacity to develop and maintain such projects is retained within the NRA. (vi) Focus on developing capacity within the Authority through the development of a rolling, internally delivered staff development plan to increase IT literacy within the workforce. (vii) Engage with Government and academic institutions to develop a strategy to build capacity and ensure skills are available in the longer term. (viii) Finalize a tactical plan for retention, including bonding, graduate entry, remuneration and career development. (ix) Implement a systematic and sustained competency-based internal training program to enhance NRA ICT capacity. (x) Complete implementation of the data warehouse, prioritizing data for ITAS, ASYCUDA and ECR and later expanding to include third-party data. (xi) Modernize risk management functions for Customs and the Domestic Tax Department and build specialized capacity to leverage and maintain its data systems. (xii) Embed risk management outputs into existing systems, including	(i) Leverage sources of data accessible to the NRA IT digital systems to feed into NRA research activities. (2023-2025). (ii) Invest in ICT infrastructure underpinning its systems and account for technological costs in the NRA's operating budget. (2023-2026). (iii) Develop a strategy to improve cooperation between Business Operations and IT and foster greater strategic collaboration. (iv) Ensure that IT and Data Analytics teams participate fully in the implementation of technology projects and that the capacity to develop and maintain such projects is retained within the NRA. (v) Implement a systematic and sustained competency-based internal training program to enhance NRA ICT capacity. (vi) Modernize risk management functions for Customs and the Domestic Tax Department and build specialized capacity to leverage and maintain its data systems. (vii) Embed risk management outputs into existing systems, including operationalising risk management modules in ASYCUDA World and ITAS. (viii) Increase staff budget to enable specialist recruitment in targeted areas. (ix) Fund training in identified specializations by the MTRS program in fields including IT, data analytics, and data science; and with specialized knowledge including international taxation, audit capabilities and techniques, process management, programme and project management, and HRM practitioners.	(i) Invest in ICT infrastructure underpinning its systems and account for technological costs in the NRA's operating budget. (2023-2026). (ii) Ensure that IT and Data Analytics teams participate fully in the implementation of technology projects and that the capacity to develop and maintain such projects is retained within the NRA. (2023-2027). (iii) Implement a systematic and sustained competency-based internal training program to enhance NRA ICT capacity. (2024-2026)	Ensure that IT and Data Analytics teams participate fully in the implementation of technology projects and that the capacity to develop and maintain such projects is retained within the NRA. (2023-2027).

	2023	2024	2025	2026	2027
	(xiv) Fund training in identified specializations by the MTRS program in fields including IT, data analytics, and data science; and with specialized knowledge including international taxation, audit capabilities and techniques, process management, programme and project management, and HRM practitioners.	operationalising risk management modules in ASYCUDA World and ITAS. (xiii) Increase staff budget to enable specialist recruitment in targeted areas. (xiv) Fund training in identified specializations by the MTRS program in fields including IT, data analytics, and data science; and with specialized knowledge including international taxation, audit capabilities and techniques, process management, programme and project management, and HRM practitioners.			
MTRS & Other Legislative Changes					
	Conduct an implementation readiness assessment once the tax policy initiatives are settled; develop a prioritized plan to address identified priority areas.				
Domestic Tax Administration					
a. Improving Compliance Enforcement	(i) Expand the extractive industries Compliance Improvement plan and the audit plan to cover a higher proportion of large taxpayers and taxpayers in the extractives industry. (ii) Develop a more sophisticated approach to the risk assessment of large taxpayers and taxpayers in the extractives industry. (iii) Develop a compliance improvement plan to target High Net-Worth Individuals. (iv) Continue efforts to increase the tax base by identifying and registering unregistered taxpayers, prioritizing high value taxpayers and HNWIs and large taxpayers. (v) Invest in interventions to increase on-time filing rates, with a target of achieving on-time filing rates of over 90 percent for large taxpayers. (vi) Update ITAS so that penalties are imposed as soon as a return is late. (vii) Integrate indicators on on-time filing into the NRA's management dashboards. (viii) Integrate indicators for on-time payments by taxpayers into the NRA's management dashboards. (ix) Complete the data cleaning process for taxpayer data in ITAS. (x) Prioritize recoverable debts for debt collection. (xi) Distinguish between collectable and uncollectable debt in reports to the Ministry of Finance.	(i) Expand the extractive industries Compliance Improvement plan and the audit plan to cover a higher proportion of large taxpayers and taxpayers in the extractives industry. (ii) Initiate reviews and audits of cross-border transactions with a view to identifying and deterring tax evasion through transfer pricing fraud (iii) Develop a more sophisticated approach to the risk assessment of large taxpayers and taxpayers in the extractives industry. (iv) Develop a compliance improvement plan to target High Net-Worth Individuals (v) Continue efforts to increase the tax base by identifying and registering unregistered taxpayers, prioritizing high value taxpayers and HNWIs and large taxpayers. (vi) Invest in interventions to increase on-time filing rates, with a target of achieving on-time filing rates of over 90 percent for large taxpayers. (vii) Prioritize recoverable debts for debt collection. (viii) Distinguish between collectable and uncollectable debt in reports to the Ministry of Finance. (ix) Create a specialized debt management function which will manage the	(i) Continue efforts to increase the tax base by identifying and registering unregistered taxpayers, prioritizing high value taxpayers and HNWIs and large taxpayers. (ii) Invest in interventions to increase on-time filing rates, with a target of achieving on-time filing rates of over 90 percent for large taxpayers. (iii) Prioritize recoverable debts for debt collection. (iv) Distinguish between collectable and uncollectable debt in reports to the Ministry of Finance. (v) NRA to identify all outstanding tax obligations of SOEs and agree on a payment plan in collaboration with the Ministry of Finance for the settlement of these obligations. (vi) Implement NRA's human resources strategy. (vii) Devote more resources (human, technical and financial) to audit functions. (viii) Explore approaches that leverage sources of information about tax obligations of self-employed regulated professionals.	(i) Continue efforts to increase the tax base by identifying and registering unregistered taxpayers, prioritizing high value taxpayers and HNWIs and large taxpayers. (ii) Invest in interventions to increase on-time filing rates, with a target of achieving on-time filing rates of over 90 percent for large taxpayers. (iii) Distinguish between collectable and uncollectable debt in reports to the Ministry of Finance. (iv) Implement NRA's human resources strategy. (v) (vi) Undertake extensive taxpayer education and sensitization campaigns to improve compliance of the hard-to tax sector.	(i) Continue efforts to increase the tax base by identifying and registering unregistered taxpayers, prioritizing high value taxpayers and HNWIs and large taxpayers. (ii) Invest in interventions to increase on-time filing rates, with a target of achieving on-time filing rates of over 90 percent for large taxpayers. (iii) Distinguish between collectable and uncollectable debt in reports to the Ministry of Finance. (iv) Implement NRA's human resources strategy. (v) Undertake extensive taxpayer education and sensitization campaigns to improve compliance of the hard-to tax sector.

	2023	2024	2025	2026	2027
	(xii) Set up and operationalise Revenue Court to deal with tax defaulters and other revenue offences. (xiii) NRA to identify all outstanding tax obligations of SOEs and agree on a payment plan in collaboration with the Ministry of Finance for the settlement of these obligations. (xiv) Implement NRA's human resources strategy. (xv) Devote more resources (human, technical and financial) to audit functions. (xvi) Review criteria for identifying taxpayers for audits to ensure that case selection for taxpayers in all segments is based on risk management principles. (xvii) Analyse reasons for contacting the NRA to identify aspects of the tax system that are causing confusion and error, including exploring options to leverage data from electronic communications with the NRA. (xviii) Expand taxpayer engagement and sensitization programmes to include HNWIs and other high-risk taxpayer segments. (xix) Explore approaches that leverage sources of information about tax obligations of self-employed regulated professionals. (xx) Configure the current online NTR mobile App and extend its application to ITAS and the ASYCUDA World thus enabling smaller taxpayers to use their mobile phones to pay their import taxes at the borders as well as pay domestic taxes needing to go to the bank. (xxi) Extend the block registration of unregistered businesses nationwide and establish taxpayer service centers in designated blocks closer to taxpayers, install solar systems to these offices, and provide equipment and furniture to the containerized offices. This will save businesses the cost of moving longer distances to benefit from taxpayer services or seek clarification of tax issues to the NRA. (xxii) Undertake extensive taxpayer education and sensitization campaigns to improve compliance of the hard-to tax sector.	domestic debts and customs debt that is the subject of enforced collection. (x) Set up and operationalise Revenue Court to deal with tax defaulters and other revenue offences. (xi) NRA to identify all outstanding tax obligations of SOEs and agree on a payment plan in collaboration with the Ministry of Finance for the settlement of these obligations. (xii) Implement NRA's human resources strategy. (xiii) Devote more resources (human, technical and financial) to audit functions. (xiv) Review criteria for identifying taxpayers for audits to ensure that case selection for taxpayers in all segments is based on risk management principles. (xv) Analyse reasons for contacting the NRA to identify aspects of the tax system that are causing confusion and error, including exploring options to leverage data from electronic communications with the NRA. (xvi) Expand taxpayer engagement and sensitization programmes to include HNWIs and other high-risk taxpayer segments. (xvii) Explore approaches that leverage sources of information about tax obligations of self-employed regulated professionals. (xviii) Configure the current online NTR mobile App and extend its application to ITAS and the ASYCUDA World thus enabling smaller taxpayers to use their mobile phones to pay their import taxes at the borders as well as pay domestic taxes needing to go to the bank. (xix) Extend the block registration of unregistered businesses nationwide and establish taxpayer service centers in designated blocks closer to taxpayers, install solar systems to these offices, and provide equipment and furniture to the containerized offices. This will save businesses the cost of moving longer distances to benefit from taxpayer services or seek clarification of tax issues to the NRA. (xx) Undertake extensive taxpayer education and sensitization campaigns to improve compliance of the hard-to tax sector.	(ix) benefit from taxpayer services or seek clarification of tax issues to the NRA. (x) Undertake extensive taxpayer education and sensitization campaigns to improve compliance of the hard-to tax sector.		

	2023	2024	2025	2026	2027
b. Enhancing the functionality and Integration of Tax Administration Systems	(i) Leverage information collected through ITAS to inform management decisions. (ii) Build internal capabilities to revise and refine risk criteria after the ITAS warranty period. (iii) Operationalise the remaining management modules of the ITAS. (iv) Secure post implementation support of the ITAS. (v) Strengthen the functionality of the ECR system to enhance its performance and minimize manipulations and fraudulent practices by users. (vi) Deepen tax education and taxpayer training on the system. (vii) Complete integration of ECR data stream with the NRA's data warehouse. (viii) Review the requirements for the integration of ECR and ITAS systems. (ix) Seek technical and financial support to complete the integration of the systems.	(i) Build internal capabilities to revise and refine risk criteria after the ITAS warranty period. (ii) Operationalise the remaining management modules of the ITAS. (iii) Secure post implementation support of the ITAS. (iv) Continue to monitor implementation of ECR program and expand efforts to identify anomalies that may indicate improper use or compliance issues. (v) Strengthen the functionality of the ECR system to enhance its performance and minimize manipulations and fraudulent practices by users. (vi) Deepen tax education and taxpayer training on the system. (vii) Seek technical and financial support to complete the integration of the systems.	(i) Continue to monitor implementation of ECR program and expand efforts to identify anomalies that may indicate improper use or compliance issues. (ii) Deepen tax education and taxpayer training on the system.	(i) Continue to monitor implementation of ECR program and expand efforts to identify anomalies that may indicate improper use or compliance issues. (ii) Deepen tax education and taxpayer training on the system.	Continue to monitor implementation of ECR program and expand efforts to identify anomalies that may indicate improper use or compliance issues.
c. Improving Access to and Management of Data to Support CRM	(i) Complete data warehouse and develop capacity of in-house data analytics team. (ii) Fully leverage available sources of data. (iii) Access commodities data and require MNEs to complete comprehensive transfer pricing documentation in accordance with the OECD's transfer pricing guidelines. (iv) Review the appropriateness of requiring financial institutions to report information about resident's financial accounts, at the same time as they are required to report the financial accounts of non-residents. (v) Review the appropriateness of a voluntary disclosure program to encourage the declaration of undisclosed offshore assets. (vi) Explore becoming a signatory to the Multilateral Convention on Mutual Assistance in Tax Matters.	(i) Complete data warehouse and develop capacity of in-house data analytics team. (ii) Initiate partnerships with external agencies to increase access to third-party data. (iii) Fully leverage available sources of data. (iv) Access commodities data and require MNEs to complete comprehensive transfer pricing documentation in accordance with the OECD's transfer pricing guidelines. (v) Review the appropriateness of requiring financial institutions to report information about resident's financial accounts, at the same time as they are required to report the financial accounts of non-residents. (vi) Review the appropriateness of a voluntary disclosure program to encourage the declaration of undisclosed offshore assets.			
CUSTOMS ADMINISTRATION					
a. Improving Compliance	(xii) Seek support from development partners to fully operationalise the Electronic Single Window. (xiii) Explore the feasibility of allowing other OGAs to join the Electronic Single Window platform.	(i) Seek support from development partners to fully operationalise the Electronic Single Window.	(i) Ensure that all officially designated border crossings, international seaports, and airports are satisfactorily manned by	(i) Ensure customs agents have adequate capacity to undertake valuation, classification and to identify the origin of imported goods.	(i) Ensure customs agents have adequate capacity to undertake valuation, classification and to identify the origin of imported goods.

	2023	2024	2025	2026	2027
	(xiv) Automation of internal processes of OGAs and other stakeholders to interface with the Electronic Single Window (xv) Ensure customs agents have adequate capacity to undertake valuation, classification and to identify the origin of imported goods. (xvi) Limit the use of sanctions, penalties, and enforcement tools to the purposes they have been designed for to avoid unnecessary delays and costs. (xvii) Strengthen mobile control units with additional staff, equipment, and training; equip units to physically monitor the sea borders. (xviii) Invest resources in intelligence and risk management techniques to support mobile patrol units. (xix) Government will review the existing legislations reviews or where necessary introduce new laws to facilitate the implementation of the various trade related conventions and protocols. (xx) Seek support from development partners such as WTO, UNCTAD, World Bank, and FCDO for training and technical assistance in the transition to HS 2022. (xxi) Collaborate with ECOWAS Secretariat, the customs administrations of neighbouring countries and development partners to design a common regional transit system for goods. (xxii) Train staff and economic operators involved in the system once such a system is designed. (xxiii) Supplement risk scoring with qualitative reviews of risks and greater use of internal and external sources of data. (xxiv) Deepen joint efforts with the Domestic Tax Department to develop risk criteria and profiles to be inputted into the ASYCUDA World Selectivity Module.	(ii) Explore the feasibility of allowing other OGAs to join the Electronic Single Window platform. (iii) Automation of internal processes of OGAs and other stakeholders to interface with the Electronic Single Window. (iv) Ensure that all officially designated border crossings, international seaports, and airports are satisfactorily manned by customs and provided with adequate infrastructure. (v) Streamline and simplifying the current set of customs processes and procedures. (vi) Ensure customs agents have adequate capacity to undertake valuation, classification and to identify the origin of imported goods. (vii) Limit the use of sanctions, penalties, and enforcement tools to the purposes they have been designed for to avoid unnecessary delays and costs. (viii) Strengthen mobile control units with additional staff, equipment, and training; equip units to physically monitor the sea borders. (ix) Invest resources in intelligence and risk management techniques to support mobile patrol units. (x) Undertake a study to identify the nature of risks and the actual extent and forms of fraud in transit goods, with a view to exploring possible solutions. (xi) Government will review the existing legislations reviews or where necessary introduce new laws to facilitate the implementation of the various trade related conventions and protocols. (2023-2024) (xii) Collaborate with ECOWAS Secretariat, the customs administrations of neighbouring countries and development partners to design a common regional transit system for goods. (xiii) Train staff and economic operators involved in the system once such a system is designed.	customs and provided with adequate infrastructure. (ii) Ensure customs agents have adequate capacity to undertake valuation, classification and to identify the origin of imported goods. (iii) Limit the use of sanctions, penalties, and enforcement tools to the purposes they have been designed for to avoid unnecessary delays and costs. (iv) Strengthen mobile control units with additional staff, equipment, and training; equip units to physically monitor the sea borders. (v) Invest resources in intelligence and risk management techniques to support mobile patrol units. (vi) Supplement risk scoring with qualitative reviews of risks and greater use of internal and external sources of data.	(ii) Limit the use of sanctions, penalties, and enforcement tools to the purposes they have been designed for to avoid unnecessary delays and costs. (iii) Strengthen mobile control units with additional staff, equipment, and training; equip units to physically monitor the sea borders. (iv) Invest resources in intelligence and risk management techniques to support mobile patrol units.	(ii) Limit the use of sanctions, penalties, and enforcement tools to the purposes they have been designed for to avoid unnecessary delays and costs. (iii) Strengthen mobile control units with additional staff, equipment, and training; equip units to physically monitor the sea borders. (iv) Invest resources in intelligence and risk management techniques to support mobile patrol units.

	2023	2024	2025	2026	2027
		(xiv) Supplement risk scoring with qualitative reviews of risks and greater use of internal and external sources of data. (xv) Deepen joint efforts with the Domestic Tax Department to develop risk criteria and profiles to be inputted into the ASYCUDA World Selectivity Module.			
b. Management of Exemptions	(i) Define goods granted exemptions unequivocally using HS terms. (ii) Ensure the full implementation of the Duty and Tax Exemption Act to rationalise exemption use.	(i) Define goods granted exemptions unequivocally using HS terms. (ii) Delegate authority for ensuring the use of exempted goods for the purposes originally stated to the authority who can do this most effectively (e.g., empower customs to police use of goods from customs-related exemptions). (iii) Ensure the full implementation of the Duty and Tax Exemption Act to rationalise exemption use.	(i) Ensure the full implementation of the Duty and Tax Exemption Act to rationalise exemption use.	(i) Ensure the full implementation of the Duty and Tax Exemption Act to rationalise exemption use.	(i) Ensure the full implementation of the Duty and Tax Exemption Act to rationalise exemption use.
c. Strengthening Customs Valuation	(i) Strengthen capacity to detect cases of over-valuation fraud, including through enhanced checks at customs and greater collaboration with DTD. (ii) Pursue MOUs with key stakeholders specifying opportunities for mutual assistance and mechanisms for collaboration in addressing suspected valuation fraud cases. (iii) NRA to explore the use of Artificial Intelligence (AI) technology to track and detect issues of technical smuggling.	(i) Acquire a Price Reference Database to support the valuation module and fully operationalise the module in ASYCUDA World. (ii) Strengthen capacity to detect cases of over-valuation fraud, including through enhanced checks at customs and greater collaboration with DTD. (iii) Pursue MOUs with key stakeholders specifying opportunities for mutual assistance and mechanisms for collaboration in addressing suspected valuation fraud cases. (iv) NRA to explore the use of Artificial Intelligence (AI) technology to track and detect issues of technical smuggling.	(i) Strengthen capacity to detect cases of over-valuation fraud, including through enhanced checks at customs and greater collaboration with DTD. (ii) Pursue MOUs with key stakeholders specifying opportunities for mutual assistance and mechanisms for collaboration in addressing suspected valuation fraud cases. (iii) NRA to explore the use of Artificial Intelligence (AI) technology to track and detect issues of technical smuggling.	(i) Pursue MOUs with key stakeholders specifying opportunities for mutual assistance and mechanisms for collaboration in addressing suspected valuation fraud cases.	(i) Pursue MOUs with key stakeholders specifying opportunities for mutual assistance and mechanisms for collaboration in addressing suspected valuation fraud cases
d. Strengthening Post-Clearance Audit	(i) Develop staff capacity through training to enable the PCA team to be effective and efficient. (ii) Fully enforce the provisions in the revenue laws, strengthening the power of NRA to access critical information during audits. (iii) Improve coordination of Post-Clearance Audits with DTD to avoid parallel work and undertake joint audits where it provides value. (iv) Improve experience sharing between Customs and DTD, and other customs administrations to support audit work.	(i) Review and refocus PCA activities and upgrade its governance. (ii) Develop staff capacity through training to enable the PCA team to be effective and efficient. (iii) Fully enforce the provisions in the revenue laws, strengthening the power of NRA to access critical information during audits. (iv) Improve coordination of Post-Clearance Audits with DTD to avoid parallel work and undertake joint audits where it provides value. (v) Improve experience sharing between Customs and DTD, and other customs	(i) Develop staff capacity through training to enable the PCA team to be effective and efficient. (ii) Improve coordination of Post-Clearance Audits with DTD to avoid parallel work and undertake joint audits where it provides value. (iii) Improve experience sharing between Customs and DTD, and other customs administrations to support audit work.	(i) Improve coordination of Post-Clearance Audits with DTD to avoid parallel work and undertake joint audits where it provides value. (ii) Improve experience sharing between Customs and DTD, and other customs administrations to support audit work.	(i) Improve coordination of Post-Clearance Audits with DTD to avoid parallel work and undertake joint audits where it provides value. (ii) Improve experience sharing between Customs and DTD, and other customs administrations to support audit work.

	2023	2024	2025	2026	2027
		administrations to support audit work.			
e. Fully Operationalize and Roll out ASYCUDA World	(i) Fully operationalize and rollout of ASYCUDA World at all customs offices, including putting in place the necessary IT infrastructure and internet connectivity at all border crossings with Liberia and Guinea, and inland offices. (ii) Fully utilise the outstanding modules of ASYCUDA World. (iii) Strengthen the capacity of the IT Directorate to ensure full control over initiating, managing, and overseeing the development of IT administration policies, priorities, functional specifications in cooperation with the relevant departments and units, and actual upgrade projects	(i) Fully operationalize and rollout of ASYCUDA World at all customs offices, including putting in place the necessary IT infrastructure and internet connectivity at all border crossings with Liberia and Guinea, and inland offices. (ii) Fully utilise the outstanding modules of ASYCUDA World. (vi) Strengthen the capacity of the IT Directorate to ensure full control over initiating, managing, and overseeing the development of IT administration policies, priorities, functional specifications in cooperation with the relevant departments and units, and actual upgrade projects	(vii) Fully operationalize and rollout of ASYCUDA World at all customs offices, including putting in place the necessary IT infrastructure and internet connectivity at all border crossings with Liberia and Guinea, and inland offices. (viii) Fully utilise the outstanding modules of ASYCUDA World. (ix) Strengthen the capacity of the IT Directorate to ensure full control over initiating, managing, and overseeing the development of IT administration policies, priorities, functional specifications in cooperation with the relevant departments and units, and actual upgrade projects		
f. Strengthening Data Acquisition and Management	(i) Implement a system for receiving and processing electronic declarations from traders, including enforcement of provisions in current legislations for the use of electronic signatures.	(i) Facilitate changes in legislation allowing access to banking data to strengthen valuation control. (ii) Implement a system for receiving and processing electronic declarations from traders, including enforcement of provisions in current legislations for the use of electronic signatures.			
EXCISE ADMINISTRATION					
	Implement the fuel marking scheme.	Implement the fuel marking scheme.			
NON-TAXES ADMINISTRATION					

	2023	2024	2025	2026	2027
	(i) Complete the automation of Non-Tax Revenue payment process with a payment app. (ii) Develop a strategy for collaboration with revenue collecting MDAs. (iii) Facilitate the review and development of legislations/regulations that reflects local and regional trends for schedule of fees or rates. (iv) Develop systems, policies and programs to foster tax education.	(i) Complete the automation of Non-Tax Revenue payment process with a payment app (ii) Integrate Non-Tax Revenue systems with ITAS. (iii) Develop a risk management system to assess and manage potential risks associated with non-tax revenue mobilisation. (2024-2025) (iv) Facilitate the review and development of legislations/regulations that reflects local and regional trends for schedule of fees or rates. (v) Develop systems, policies and programs to foster tax education.	(i) Integrate Non-Tax Revenue systems with ITAS. (ii) Develop a risk management system to assess and manage potential risks associated with non-tax revenue mobilisation. (iii) Facilitate the review and development of legislations/regulations that reflects local and regional trends for schedule of fees or rates. (iv) Develop systems, policies and programs to foster tax education.	(i) Facilitate the review and development of legislations/regulations that reflects local and regional trends for schedule of fees or rates. (ii) Develop systems, policies and programs to foster tax education.	(i) Facilitate the review and development of legislations/regulations that reflects local and regional trends for schedule of fees or rates. (ii) Develop systems, policies and programs to foster tax education.