

Overview of Taxation in Sierra Leone

Sierra Leone

2017

About

Sierra Leone Opportunities for Business Action (SOBA) is a private sector development programme that uses a market systems approach to facilitate pro-poor economic growth in Sierra Leone. The programme collaborates with private sector business in three primary areas: (1) sustainable energy, (2) agriculture, (3) professional services and entrepreneurship markets, to trial and scale innovative and inclusive business practices that reduce poverty and improve economic opportunities for poor women and men.

OVERVIEW OF TAXATION IN SIERRA LEONE

June 2017



Presented to SMEs on behalf of SOBA

PRESENTATION OUTLINE



Introduction



Income Taxes and Taxpayer Obligations



Goods and Services Tax and Taxpayer Obligations



Import Taxes



Tax Schedules




Promoting Voluntary Compliance

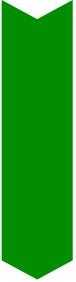
INTRODUCTION




The four major obligations of taxpayers are
REGISTRATION, FILING OF TAX RETURNS, PAYMENT OF TAXES AND ACCURATE REPORTING



Income Taxes comprise of Corporation Tax, Individual Income Tax, PAYE, Withholding Tax and Rent Tax



Businesses are also required to register and charge GST if they meet the GST registration threshold of Le350M


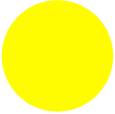





The Import Taxes are Import Duty, Excise Duty, ECOWAS Levy and Import GST

THE DIFFERENT TYPE OF INCOME TAXES

- **Corporation Tax** - tax on profits of Companies and Trust at 30%
- **PAYE Tax** – tax on employment income of employees
- **Individual Income Tax** – tax on profits of Individuals and Partnerships. Also includes PAYE and SME Regime
- **SME Regime** – a special tax regime for small and micro enterprises (i.e. turnover btw Le10M to 350M)
- **Withholding Tax (Contractor's)** – advanced income tax at 5.5% (local) and 10.5% (foreign)
- **Rent Tax** – a withholding tax on rent at 10% after deductions and allowances

OTHER TAXES AND LEVIES

-  **Goods and Services Tax (GST)** – is a tax on consumption expenditure at 15%
-  **Import Duty** – tax paid on the import of goods into Sierra Leone in accordance with the Harmonised System (HS) Code
-  **Excise Duty** – tax paid on specific goods that may be deemed harmful to society e.g. on cigarettes and alcohol
-  **ECOWAS Levy** – a levy of 0.5% paid on imported goods
-  **Import GST** – calculated at 15% of CIF plus all taxes paid on import.
-  **Payroll Tax** – a levy paid for employing foreign workers

OBLIGATIONS UNDER INCOME TAX – CORPORATION TAX AND TRADE TAX (INDIVIDUAL OR PARTNERSHIPS) - 1

1. Register with Corporate Affairs Commission or Office of Administrator & Registrar General
2. Register with NRA for Taxpayer Identification Number (TIN)
3. Send in revenue estimate by 31 January yearly
4. Pay four quarterly instalments of budget estimate on 15 March, 15 June, 15 September and 15 December

OBLIGATIONS UNDER INCOME TAX – CORPORATION TAX AND TRADE TAX (INDIVIDUAL OR PARTNERSHIPS) -2

- 5. File Income Tax Return (IT1 or IT2) by 30 April the following year and pay remaining Income Tax
- 6. Income Tax Return should be accompanied with Financial Statement from Chartered Accountant
- 7. Proper Books of Accounts and records of transactions should be kept
- 8. See Income Tax Act 2000 as amended

OBLIGATIONS UNDER INCOME TAX – WITHHOLDING TAX

- 1. Register with NRA for WHT if you withhold tax from contractors
- 2. WHT is 5.5% for local contractors and 10.5% for foreign contractors
- 3. Deduct 5.5%/10.5% from all payments made to contractors and pay to NRA by 15th of month following month collected
- 4. Also submit WHT returns at time of payment

OBLIGATIONS UNDER INCOME TAX – RENT TAX

1. Register with NRA for Rent Tax if you own land/building you rent
2. File Rent Tax Return 90 days after rent received from tenant
3. Deduct 10% of rent paid (after deductions) to landlord when you rent building for your business
4. Pay Rent Tax Deducted to NRA within 90 days of deduction from landlord rent


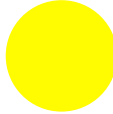


OBLIGATIONS UNDER INCOME TAX – PAYE TAX

- 1. PAYE Tax is deducted and from salaries of employees
- 2. Register with NRA for PAYE Tax if you have employees
- 3. PAYE Tax should be deducted and paid to NRA on or before 15th of the month following the month it was deducted
- 4. PAYE Tax Return is also due to NRA on or before 15th of the month following the month it was deducted

OBLIGATIONS UNDER PAYROLL TAX

- 1. Payroll Tax is a levy for foreign workers paid by the employer – Le500,000 ECOWAS Citizens and Le3 Million Non-ECOWAS Citizens
- 2. Register with NRA for Payroll Tax if you have foreign employees
- 3. Payroll Tax to be paid by 31 January yearly for all foreign employee
- 4. Payment should be made within one month of arrival of foreign employee if employee comes within the year

OBLIGATIONS UNDER GOODS AND SERVICES TAX (GST) - 1

-  1. Register with NRA for GST if Sales/Turnover of taxable supplies is more than Le350M
-  2. Charge GST for all taxable supplies – i.e. all supplies not listed in the Second Schedule of [GST Act 2009](#)
-  3. Issue Government GST Invoice for all sales (few exceptions)
-  4. Submit and pay GST by end of month following the month GST was received e.g. Feb 28 for January GST

OBLIGATIONS UNDER GOODS AND SERVICES TAX (GST) - 2

- 5. GST is paid at import stage called Import GST. 15% of CIF + Import Taxes
- 6. Import GST can be claimed for taxable supplies called input tax
- 7. GST paid to other suppliers that are business related can also be claimed as input tax
- 8. Only The President, Embassies and International Organizations are exempted from GST. They will produce a GST Relief Purchase Order (GRPO).

INDIVIDUAL INCOME TAX AND PAYE TAX RATES

Part 1 of the First Schedule of ITA 2000

- Less than Le 6,000,000 @ 0%
- Le 6,000,000 to Le12,000,000 @ 15%
- Le 12,000,000 to Le18,000,000 @ 20%
- Le 18,000,000 to Le24,000,000 @ 30%
- Excess over Le 24,000,000 @ 35%

- **PAYE Allowance Threshold Le6,000,000**

SME REGIME TAX RATES

Bracket	Gross Turnover	Tax Payable
1	Gross Turnover under Le10,000,000	Nil
2	Gross turnover of Le10,000,000 but not exceeding Le 20,000,000	100,000 + 2% of the amount above 10,000,000
3	Gross turnover of Le 20,000,000 but not exceeding Le100,000,000	300,000 + 4% of the amount above 20,000,000
4	Gross turnover of Le 100,000,000 but not exceeding Le 200,000,000	3,500,000 +5% of the amount above 100,000,000
5	Gross turnover of Le200,000,000 but not exceeding Le350,000,00	8,500,000 + 6% of the amount above 200,000,000



RENT TAX CALCULATION

	Le	Comments
Yearly Rent	50,000,000	User to input
Less Non-Taxable Threshold	<u>3,600,000</u>	This amount is fixed
	46,400,000	
Less Deductible Allowance (20%)	<u>9,280,000</u>	The percentage of 20% is fixed
	<u>37,120,000</u>	
Rent Tax (10%)	3,712,000	Rent Rate of 10% is fixed – S120(3)(a) of ITA 2000

10% of the Gross Rent if the Landlord is a company or non-resident

IMPORT TAXES CALCULATION

IMPORT TAXES FORMULAS

Import Duty (ID)	$ID \% \times CIF$
Excise Duty (ED)	$30\% \times (CIF + ID)$
Income Tax (IT)	$3\% \times CIF$
ECOWAS Levy (EL)	$0.5\% \times CIF$
Import GST (IGST)	$15\% \times (CIF + ID + ED)$
Total Import Taxes	$ID + ED + IT + EL + IGST$



AN EMPLOYEE vs AN INDEPENDENT CONTRACTOR



An "employee" means an individual who receives employment income and includes any individual engaged for short-term or part-time work other than an individual acting as an agent – **Section 2 ITA 2000**



An "Independent Contractor" is a person or company providing a service or goods on a contractual basis, and not regarded as the legal responsibility of those with whom the contract is made, or formally accorded employee status

CONTRACT OF/FOR SERVICE



A **Contract of Service** is an agreement whereby a person agrees to employ another as an employee and the employee agrees to serve his employer as an employee. For the purpose of the minimum wages, a collective agreement is also a contract of service.



A **Contract for Service** is an agreement whereby a person is engaged as an independent contractor, such as a self-employed person, vendor or freelancer carrying out an assignment or a project for his establishment. For example, a house owner engages services of a painter, a plumber or a grass-cutter for his residence.

OTHER DIFFERENCES

Contracts Of Service	Contracts For Service
Employer-Employee relationship	Client-Independent Contractor relationship
Usually a continuous relationship	A relationship organised around the completion of a one-off piece of work
A duty of care owed to employees, as the employer.	A duty of care, arising from occupiers' liability
The employer is generally liable for the vicarious acts of employees.	The client is generally not liable for the vicarious acts of independent contractors
Protective legislation applies to contracts	In general, protective legislation does not apply
Wages/Salary payment method	Various methods of payment, including lump sum per job
Provision of equipment and tools for work by the employer	Independent Contractor provides his own tools and equipment for work performed
Employer determines the working hours of the employees	The Client does not determine the hours of work of the Independent Contractor

PROMOTING VOLUNTARY COMPLIANCE



NRA website: www.nra.gov.sl



Taxpayer Service Centers at Tax Offices



Call Center – 088-139-139 – 9am to 5pm



Business Briefs on NRA Website



Public and Private Rulings



DISCUSSION