



PARLIAMENT OF SIERRA LEONE

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Parliamentary Budget Office's Analysis on the Finance Act 2024.

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WHERE TO FIND OUR PRODUCTS:

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Key Highlights:

1. Stamp Duty rate

From 2% to 1% of consideration for Conveyance

From 2% to 0.2 of consideration for financial Instruments

2. Amendments to customs and Tariff Acts 1978

2.1 Import Duty Restored

Rice

5% effective January 2024

10% Effective Feb. 2025

- Was suspended due to the rising prices of basic necessities, during the 2008/2009 global crisis
- The country is losing substantial resources that could have been collected as revenue, and the price reduction remain unachieved.

Cement 10%

Iron Rod 20

- Prices of cement and iron rod were increased following the supply chain disruption in the global market resulting from the Russia-Ukraine crisis. Customs duties were reduced from 10% to 5% (cement) and from 20% to 10% (iron rod) to ameliorate the escalating price effects on consumers.
- With now relative stability in the supply chain and reduction in freight costs, government has reverted to required ECOWAS CET rates of 10% for cement and 20% for iron rods.
- *Proceeds here will be used for infrastructure*

Cooking Gas 5%:

- Was exempted with the expectation of reduction of prices to consumers, aimed at encouraging the increase in the use of clean energy sources for cooking, and to discourage the use of wood and charcoal. None was achieved.
- Tax restored.

2.0 Excise Duties

Alcohol & Beverages (Range NLe 20 to 100 per Liter)

- Rates are harmonized to specific based on alcohol content for all alcohol and alcoholic beverages. In essence, the tax rate was not increase.
- Reduce alcohol consumption for health reasons
- Raise money for Government to pay negative effects caused by consuming the product

Sugar Beverages (Range: 0 to 0.03% per gram of Sugar added)

- Discourage the intake of excess sugar in beverages, which lead to health problems.

- Revenue generation to deal with health issues caused by sugar beverages.

Tobacco & e-Cigarette (NLe 2 per Packet of Tobacco, & NLe 50 per KG of Tobacco)

- To raise revenues to be used to address the negative effects of consuming tobacco
- To ensure smuggling is reduced.

Petroleum Products (Petrol, Diesel & Fuel Oil only)

- To protect the excise revenues from being eroded, in case of changes in price

Plastic products (NLe 16 Per KG of gross sales value)

- To address the environmental effects of plastic materials wastes on landfill sites, waterways etc.

Gambling Services (5% of net revenue from gambling)

- To reduce externalities associated with gambling
- Raise revenue for government

3.0 AMENDMENTS TO THE FORESTRY ACT 1988

Royalty on Export of Timber and Timber Products (Reviewed by adding 1.5% to 5% of market value)

- To address the environmental issues arising from the activities
- use the resources to support the tree planting programs

4.0 AMENDMENTS TO THE INCOME TAX ACT 2000

4.1 Minimum Alternate Tax (MAT) reduced from 3% to 2% of turnover for any loss-making company.

Newly incorporated companies exempt for the first three years

Companies into liquidation exempt for the first two years

Why?

- To bring into the tax net the "zero tax companies", which consistently continue to show losses and yet remain in operations.

4.2 Harmonizing Capital Income (15% Harmonized rate)

- To avoid income shifting by taxes to taxes with lower rates

5.0 GST ACT 2009

5.1 GST Registration amount increased from Le100,000,000 to Le500,000,000 (NLe500,000)

- To ease pressure on small businesses
- To ease implementation GST

5.2 Restoring GST Exemptions on Plant, Machinery & Equipment

- To raise revenue to support the BIG 5 Agenda
- To support private sector investment and economic diversification
- Improve job creation by encouraging small businesses to grow

- To ease the administration burden of refunds on huge cash flows arising from input-output mechanism

5.3 Telecommunication Services

GST exemptions for allowable free and promotional calls and data use not exceeding 15% of the total billable and unbillable calls used.

- To Increase access to promotions and free calls
- To increase market access and volume of turnover

6.0 AMENDMENTS TO FINANCE ACTS

6.1 Fines for shipping agents not uploading shipping manifest in time

First time offender – between NLe500, 000 and NLe1, 000,000

Repeated offender – Between NLe1, 000,000 and NLe2, 000,000

6.2 Education Levy - Support the Education Sector (1 % Value of all goods & Services)

7.0 AMENDMENT TO THE EXTRACTIVE INDUSTRIES REVENUE ACT 2018

Penalty for late filing of royalty returns - Higher of: NLe10, 000 or 5% of the total royalty payable.

Royalty rate on export of Gold: from 3% to 1% for artisanal or small scale mining

- To reduce smuggling of gold and increase tax revenue

8.0 Amendment to Finance Act 2019

Disengagement from the Public Service from a Foreign Mission- Terminal benefit computed as one month's gross salary for every year served computed on the basis of the Local Salary Grade

9.0 Amendments to Finance Act 2021

9.1 Repatriation of Export Proceeds- At least 30% within 45 days from the date of export to be brought back to Sierra Leone

- Will Increase the foreign reserve of the state.

10.0 AMENDMENTS TO FINANCE ACT 2023

10.1 Telecommunications regulatory charges for operators on cellular services: (Ranges between 0.2 to 0.5 on voice calls per minutes)

10.2 Commission, fees, or charges derived from mobile money transactions- 2%

10.3 Mobile data charge not exceeding 5%

11.0 AMENDMENTS TO THE TAX AND DUTY EXEMPTION ACT 2023

11.1 Importation of plants, machinery and equipment for manufacturing of biodegradable plastic alternatives: Duty Free for a period of five (5) years effective the date of first importation

- To support manufacturing and value addition in the agricultural sector

12.0 OTHER INVESTMENT INCENTIVES

- Incentives for raw materials at 5% import duty
- Incentives for manufacturers using local agricultural materials
- Incentives for agricultural inputs

13.0 SUMMARY OF GOVERNMENT POLICY INTENTION ON THE FINANCE ACT 2024 & ANTICIPATED CHALLENGES:

Why the Imposition of new taxes, and Re-Instatement of others?

1. **To meet government commitments-** the big five agenda programs on the bases of which the citizens have re-elected the president need to be addressed and requires huge capital investment. Reliance on donor support may not lead us to achieving that. Eg Monies accruing from the restoration of import duty on rice will be ring-fenced and used to support Government's FEED SALONE program.
2. To meet the expectations of our international Partners: IMF, World Bank and may others keep advising on improvement in domestic revenue mobilization hence the need for re-instatement of some of these taxes.
3. **To protect local manufacturers and boost economic growth:** Taxes on the importation of agricultural equipment are waived among other things to encourage economic growth.
4. To address externalities associated with certain good. E.g. Increase in tax on Tobacco, Alcoholic drinks reduces importation and subsequently health challenges associated with their consumption.
5. **Encourages repatriation of foreign currencies among business through tax system,** hence could support macroeconomic stability.
6. **Improve job creation.** Minimum Alternative Tax (MAT) reduced from 3% in 2023 to 2% in 2022. This intensifies businesses, encourages investment, improve job creation in line with government agenda.
7. To enhance consistency in excise taxes

14.0 SOME OF THE CHALLENGES THAT MAY HINDER THE ACHIEVEMENT OF THE POLICY INTENTS

1. Timely deployment of the needed technology by NRA to actualize some the tax laws

2. Possibility of short term increase in the prizes. e.g. Cost of Rice, Iron Rod, etc. may increase in the short run. The impact of this may however be reduced on the employed poor as wages are pronounced to be increased for grade 6 and below.
3. Limited administrative capacity of the NRA in the enforcement and collection of the required taxes.
4. Possibility of indirectly growing the Informal Economy: a significant portion of economic activity occurs in the informal sector, where transactions are often unrecorded and tax evasion is prevalent.

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