SIERRA LEONE

MEMBER FIRM

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BASIC FACTS

Full name:	Republic of Sierra Leone
Capital:	Freetown
Main languages:	English
Population:	7.69 million (2018 estimate)
Monetary unit:	Sierra Leone Leones (SLL)
Internet domain:	.sl
Int. dialling code:	+232

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The National Revenue Authority (NRA) in Sierra Leone administers most of the taxes payable including the major revenue contributors. The Domestic Taxes Department (DTD) of the NRA was established as a 'one-stop shop' for the administration of all Sierra Leone's domestic taxes – namely the Goods and Services Tax, Pay-As-You-Earn (PAYE), Income Tax, Withholding Tax and Payroll Tax. The tax year of assessment is 1 January to 31 December. The **2021 Finance Act** which came into law in January 2021, brought in some key changes to the existing tax regulations.

RESIDENTS AND NON-RESIDENTS

Resident Individual

1. An individual shall be treated as resident in Sierra Leone for the entire year of assessment if that individual:
   - Has a normal place of abode in Sierra Leone and is present in Sierra Leone at any time during the year of assessment;
   - Is present in Sierra Leone on more than one hundred and eighty two days (182) in a twelve month period that commences or ends during the year of assessment; or
   - Is an official of the Government of Sierra Leone posted overseas during the year of assessment.
2. An individual who was not a resident in the preceding year of assessment shall not be treated as a resident for the period preceding the day the individual was first present in Sierra Leone during the year of assessment.
3. An individual who is not a resident in the following year of assessment shall not be treated as a resident for the period following the last day on which the individual was present in Sierra Leone during the year of assessment if during that period the individual had a closer connection to a foreign country than to Sierra Leone.
4. For the purposes of this section an individual shall not be treated as present in Sierra Leone on any day when:
   - The individual crosses the border to Sierra Leone to perform services as an employee in Sierra Leone;
   - The individual is in transit between two points outside Sierra Leone;
   - The individual is present in Sierra Leone for the purpose of medical treatment or full-time study; or
   - The individual is present in Sierra Leone by of diplomatic status or being dependant of a person with diplomatic status.

Temporary Resident Individual

An individual treated as resident, shall be treated as temporarily resident in Sierra Leone for the entire year of assessment if that individual:

- Is not a citizen of or domiciled in Sierra Leone;
- Does not intend, during the year of assessment, to reside in Sierra Leone for a total period of more than four years, and
- As of the end of the year, has not been resident in Sierra Leone for more than four years.

A company is a resident company if it (a) is incorporated or formed under the laws of Sierra Leone (b) has its effective management and control in Sierra Leone or undertakes the majority of its operations in Sierra Leone. A branch in Sierra Leone of a non-resident company is deemed to be a separate person, which is a resident company.

COMPANY TAX

The CIT rate remains at 25% for all entities except manufacturing companies. The amendment reduced Corporate Income Tax rate from 25% to **15% for manufacturing entities** or factories whose management and functional activities are exclusively set up outside the Western Area.

The main objective of this amendment is to encourage Manufacturing Companies to establish outside of Western Area. Manufacturing entities that are not companies are not qualified for CIT rate reduction. It means qualify Manufacturing Companies will now pay tax on their chargeable income at a lower rate of 15% instead of 25% paid by companies not exclusively operating outside the Western Area.

Temporarily Resident Taxpayer

The calculation of the chargeable income of a temporarily resident taxpayer is similar to that for a resident taxpayer except assessable income includes only Sierra Leone source income and income from other sources that is remitted to Sierra Leone.

A company is considered a resident if it satisfies the three alternative tests of residence; place of incorporation; place of management and control; and place of majority of operations. Subject to subsection (2), a company that does not satisfy any of these tests is a non-resident person for the year of assessment.

Non-resident companies pay tax at the rate of **25%** on income sourced in Sierra Leone. A permanent establishment of a non-resident person in Sierra Leone shall be treated as a resident person separate from but associated with its non-resident owner.

PARTIAL CORPORATE INCOME TAX EXEMPTION

The 2021 Act provides **25%** partial corporate tax exemption for a taxpayer who undertake Corporate Social Responsibility (CSR) projects in the normal course of business in government priority areas like: free quality education, children's right and teenage pregnancy, infant mortality and health care, agriculture (food and cash crop)

Minimum Turnover Tax for Online and Digital Transactions

The amendment also imposes a **1.5%** on the turnover of all digital and electronic transactions and sales on the universal income derived by a resident taxpayer in Sierra Leone.

Allowable Deduction for Losses of Group Members – Intergroup loss relief

The amendment now allows group members of a company fully registered in Sierra Leone with a minimum of **25%** holding in the group, to recoup losses of members in the same group up to ten years. Provided that ownership and control are tested by reference to the ordinary share capital, voting rights, dividend rights and rights to distributions on liquidation.

Allowable Deduction for Interest Expense

The amendment has further placed a limit on the interest expense allowable for deduction from 50% to **30%** of the person's chargeable business Income, plus financial gains derived. Which means that in ascertaining a person's chargeable income for a year of assessment, the total deduction for financial costs shall not exceed 30% of the person's chargeable business Income, plus financial gains derived by the person.

CAPITAL GAINS TAX

Capital gains tax shall be payable by a chargeable person at the rate of **25%**, (decrease from 30%) of the capital gain accruing to or derived by that chargeable person from the disposal of a chargeable asset owned by a chargeable person. Chargeable asset includes land and sea, property attached and integrated equipment, fixtures, improvements including leases, anything growing on the land and all interest in the property including sea which may be right to future ownership, right to occupy as tenant, life estate, the right to explore, develop, extract or produce oil, and other minerals, the right to shares, stocks and other investment opportunities in an entity, business or company, intellectual property rights, reversion of property , if it is not used for its current purpose, an easement across another person's property and any other privileges relating to the property, business and business asset including goodwill wherever situated;

Chargeable disposal means the sale, realization or change of hands of a chargeable asset other than those specifically exempt from capital gain and chargeable person means a person, individual, corporation and related organizations including permanent establishment, associates, affiliates and joint ventures which have made chargeable disposal of a chargeable asset during a year of assessment.

Exemption from capital gains

- capital gain of a person that is up to and under the minimum chargeable income of SLL 6,000,000 per annum or per transaction;
- capital gain accruing to or derived by a company out of a merger, amalgamation or re-organization of the company where there is continuity of underlying ownership in the asset of at least one quarter;
- capital gain resulting from a transfer of ownership of the asset by a person to that person's spouse, children, parent, brother or sister;
- capital gain resulting from a transfer of ownership of the asset between former spouses as part of a divorce settlement or a genuine separation agreement;
- capital gain where the amount received on realization is, within one year of realization, used to acquire a chargeable asset of the same nature (referred to as "replacement asset"); and
- Where part only of the amount received or realized is used in the manner referred to in paragraph (e), any part of the capital gain represented by the amount used to acquire the replacement asset is less than the cost base of the asset realized at the time of realization.

Withholding Tax Exemption on Dividend Pay to Company within a Group

According to the amendment, a company including a company within a group which received dividend from another resident company is **now exempt** from paying Withholding Tax. The key change is the inclusion of a company within a group.

Reduction of Deemed Dividend Tax Rate

The amendment reduces tax paid on Retained Earnings from 30% to **10%** when it is in excess of 50% post tax profit in a current year of assessment for all cooperate entities including parastatals

BRANCH PROFITS TAX

A branch in Sierra Leone of a non-resident company shall be subject to tax on repatriated income at the rate of **10%** as though such income were a dividend taxable under section 118, this tax being in addition to income tax on the chargeable income of the branch.

Repatriated income is the higher of:

- Funds repatriated in the year out of accumulated profits; and
- The chargeable income of the branch minus
- Sierra Leone income tax paid on that chargeable income and any profit reinvested or retained in the branch.

SALES TAX / GOODS AND SERVICES TAX

The Goods and Service Tax (GST) is a form of Value Added Tax (VAT) with a tax rate of **15%**:

- It is a general tax on consumption expenditure;
- It is collected by GST registered businesses on behalf of the tax authorities;
- It is charged as an addition to the price of goods and services at importation, wholesale and retail stages;
- At each stage in the chain of production and distribution of goods and services, GST is effectively charged on the value added generated.

Export will be zero-rated and imports will be levied the same taxes as domestic goods and services adhering to the destination principle. Turnover threshold for supplies over a 12-month period is SLL 350,000,000. GST applies to each of the following (with some exceptions):

- All goods subject to customs duty;
- All goods subject to excise duty;
- All goods listed in the First Schedule of the GST Act 2009. These include foods and beverages, wines and spirits, hydrocarbons, tobacco, cement, medicines, paints, perfume and toiletries, soaps, detergents, candles, matches, plastics, paper and paper articles, ammunition and weapons, furniture, motor vehicle bodies, structures and parts of structures for building, bridges, etc.

Zero Rated Supplies: (a) Exports of goods including rutile and its by-products, iron ore, bauxite, gold, diamonds and other minerals (b) Goods shipped as stores on vessels and aircraft leaving Sierra Leone.

Exempted Supplies: (a) Animals, fish, birds imported for breeding and rearing (b) Rice in its raw state (c) Agriculture inputs including chemicals used solely for agricultural inputs (d) Supply of water excluding bottled, packaged or distilled water (e) Books and newspapers (f) Education services (g) Medical services and pharmaceutical (h) financial services (i) telecommunication services (f) environmentally friendly activities (g) electrical energy consumption

In addition to other exempt supplies in the Goods and Services Act 2009, the 2016 Finance Act makes the following exempted provisions;

- For tourism between the period of 1 January 2016 and 31 December 2018, the incorporation of materials required for constructing and setting up new hotels that have more than 100 rooms;
- Issuing identification documents such as passport and voter identification.

Amendment to the Goods and Services Tax Act [GST] 2009

NEW DEFINITION OF TERMS

The 2021 Act amends the above-mentioned Act by providing a new definition of the following terms-

- advertising-based platform- means any digital platform that provides users free access to a web-based service, including a search engine or social media, and charge other persons for advertisement, an often pay-per-click" fee to advertise on the website.

- agency platform- means any digital platform that makes sales on behalf of another taxable person or resell in their own name and earn a commission from the sale or earn a mark-up.

- digital marketplace- means a platform that allows, enables or releases support for direct interactions between buyers and sellers of goods and services through any electronic or digital means for fee, commission, mark-up or direct business benefit.

- E-commerce platform- means any digital platform that facilitates the sale of goods between suppliers, whether own-goods-sellers or sales intermediaries, and consumers who transact through the platform, for which payment is normally made through the platform that charges a commission to the vendor for each sale.

- peer-to-peer platform- means any digital sales intermediary or platform that facilitates sales between individual suppliers and consumers with the platform receiving a commission for each transaction such as ride-sourcing services, accommodation rentals, and household chores, offered by self-employed individuals who own the assets for offering the services.

- subscription-based platforms- means any digital platform that provides goods or services to consumers in exchange for paying membership fees at regular intervals, whether in an on-going or one-off contracted basis.

- supply of service- means any commercial activity other than a supply of goods for which the service provider is obliged to provide a service to another party and a customer for payment.

Taxable Supply
The 2021 Act introduced new paragraph which includes the following supplies as part of a taxable supply-

(h) digital market supply or digital services through a digital marketplace, refers to e-platforms, whether e-medium, e-commerce, peer-to-peer (P2P), advertising-based, agency or subscription-based that include-

- downloadable digital contents, subscription-based media; software programs; electronic data management; supply of music, film, and games electronically; online sale of goods; and any online betting activity;
- search engines and automated help desk services, online tickets, e-learning platforms, audio, vision or digital media, transport hailing platforms, among others.

Upfront Payment of GST by Tax Exempt Persons and Organizations

- The Act clarifies what is required of GST relieved persons as follow-

- To pay GST on goods and services as charged by suppliers
- Request for refunds of those GST input credits to be paid 90 days after submission of claims.
- Present evidence of payment of GST on the particular goods and services upon filing of their requests for refunds.

Issuance of GST Invoice and the use of Electronic Cash Register System
The Act encourages consumers who buy or receive services from GST-registered suppliers to request for GST Invoice. It also requires GST registered businesses to maintain an electronic cash register to invoice and record all transactions, and issue to the customer an original GST receipt or invoice generated from the electronic cash register (ECR) system or any automated system of the National Revenue Authority in respect of all supplies of goods and services made, whether such GST receipt or invoice is requested by the customer or not.

Also, as the National Revenue Authority (NRA) is set to Fully roll out the Electronic Cash Register (ECR) in 2021, the Act further introduced the following additional rules to help NRA deal with the non-use, misuse or tampering of the Electronic Cash Register System, and other similar systems of the NRA-that:

- A registered GST taxpayer shall report within 24 hours to the Commissioner-General any breakdown or fault in the use of the Electronic Cash Register System so as to allow timely repairs or replacement of the machine''.

- A registered GST taxpayer who fails to use the electronics cash register system or fails to report a breakdown or any fault affecting the effective use of the electronic cash register system, shall be subject to the penalty provisions prescribed in the regulations relating to the electronics cash register system''.
- In the case of breakdown in the systems issuing electronically generated receipts from the electronic cash register system and other similar automated systems of the National Revenue Authority, the Commissioner-General shall authorise in writing a GST registered taxpayer to use an alternative receipting system prescribed by the Commissioner-General until the breakdown or fault is rectified".

Real Time and Direct Capturing of Taxpayers Data

The act now empowers the commissioner-General to remotely or through installations to ensure that real time information on turnover is captured from the following and similar businesses-

- casinos and related facilities;
- money market operatives including, Money Gram, Western Union, RIA, Afro International, banks, foreign exchange bureaux, etc.;
- mobile network operators (MNOs) and Internet Service Providers (ISPs);
- utility service providers including Electricity Distribution and Supply Authority (EDSA),
- Electricity Generation and Transmission Company (EGTC), Independent Power Producers (IPPs), water production and supply services;

FRINGE BENEFITS TAX

Non-cash benefits given by employers to employees are included in employment income on the basis of the higher of the cost to the employer or the market value.

Non-Cash Benefit

Motor vehicle	Value to be added for tax purposes P×(R+20%C) where C is the purchase cost or full lease cost of the vehicle; P is the proportion of the employee's non business use; R is the employer portion of the running cost of the vehicle in the year.
Accommodation	Market rent of accommodation reduced by payment made by employee toward the benefit
Discharge/reimbursement of employee utility expenditure	Amount paid or reimbursed
Provision of domestic assistants	Employer's contributions towards the total emoluments paid to domestic assistant
Provision of meal, refreshment or entertainment	Actual cost to employer of providing the benefits
Waiver of an obligation	Amount of payment or repayment waived

LOCAL TAXES

The City/Town Councils in the 14 Districts administer local taxes.

OTHER TAXES

1. National Social Security and Insurance Trust (Nassit)

The National Social Security and Insurance Trust (NASSIT) is a Statutory Public Trust set up by the National Social Security and Insurance Trust Act No. 5 of 2001 to administer Sierra Leone's National Pension Scheme. The primary responsibility of the Trust is the part replacement of income lost as a result of the contingencies of old age, invalidity and death. Employers and employees contribute 10% and 5% respectively of the employees' employment income.

2. Small, Micro, Medium and Large Tax Payer - New Definition of Taxpayer Categories

Section 2 of the Income Tax Act 2000 is amended by substituting new definitions of the following words–

1. **“Large Taxpayer-** means a taxpayer with an annual turnover of above **Le6,000,000,000** or other additional requirements as may be prescribed by the Commissioner-General”
2. **“Medium Taxpayer-** means a taxpayer with a turnover of an amount above Le350,000,000 and up to Le6,000,000,000.”
3. **“Micro Taxpayer-** means a taxpayer with a turnover less than **Le10,000,000.”**
4. **“Small Taxpayer-** means a taxpayer with a turnover above **Le10,000,000** and an amount up to Le350,000,000”

The Act provides tax relief for SMEs on income derived in the first year of business operations from 1st January 2021 to 31st December 2023. This is to help reduce start-up costs for SMEs.

3. Payroll Tax

Non-resident individuals are subject to a **25%** income tax rate on personal income derived from activities and employment in Sierra Leone.
All employers are obliged to make a yearly payroll tax return for all non-citizens (foreign national) employees they hire, as follows:

- ECOWAS Nationals: SLL 1,500,000 per employee per year;
- Non-ECOWAS Nationals: SLL 5,000,000 per employee per year.

The amount payable, together with the completed Return, must be submitted to the DTD on or before 31st January of the year in which they apply. Where a non-citizen is employed in the course of the year, a subsequent return and payment must be filed within 14 days from the date of the employment.

4. Business Registration

The Corporate Affairs Commission (CAC) is tasked with the registration of all Companies, both locally incorporated business and branch registration in accordance with the Companies Act 2009.

5. Inheritance / Estate duty

A tax duty of **10%** of the value of the entire estate is payable.

6. Stamp and Transfer Duty

Stamp duty rates vary from **1% to 12.5%**. This applies to agreements, bills of exchange, promissory notes, bills of lading, bonds, leases and conveyances.

B. DETERMINATION OF TAXABLE INCOME

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income. The Income Tax Act 2000 lists specific regulations for dealing with fixed assets, real estate, products, shares or securities sold, as well as deductible property plant and equipment, depreciation, bad and doubtful debts and meals, refreshment and entertainment.

CAPITAL ALLOWANCES

Depreciable assets are classified into groups with depreciation rates as follows:

1. Plant, machinery and equipment, including automobiles and trucks: 40%
2. All other tangible depreciable assets except buildings & intangible depreciable assets: 10%
3. Buildings used to house industrial, manufacturing, or agricultural activities: 15%
4. Buildings used to house commercial activities other than those described in group 3: 10%
5. Buildings other than those described in groups 3 and 4: 5%
6. Expenditure on start-up costs on mineral and petroleum prospecting and exploration: 100%
7. Production rights and other expenditure incurred on mineral and petroleum development
8. shall be as follows:
   - Initial allowance: 40%
   - Annual allowance: 20%.

INVESTMENT ALLOWANCES

The amount of investment allowance to be deducted from business income is five percent of the cost of the relevant asset.

BUSINESS INVESTMENT RELIEF

The maximum relevant amount of business investment relief available to an individual is fifty percent of qualifying investments totaling not more than SLL 3, 000,000 in any year of assessment.

New businesses that invest at least USD 10 million and existing businesses that invest USD 5 million in the expansion of their business will be granted duty free importation of 3 years for the imports of plants, machinery excluding spare parts and general purpose vehicles (vehicles for personal use are excluded) for use in their business operations.

Public Private Partnership (PPP) infrastructural projects get 15 years relief from corporation tax.

DEPRECIATION

Depreciation is not allowed. However, capital allowances deduction for depreciation of a taxpayer's Depreciable assets are allowed

STOCK/INVENTORY

Trading stock:

- A taxpayer who maintains trading stock shall establish and maintain inventories of such stock.
- A deduction shall be allowed for the cost of trading stock sold during the year of assessment.
- The cost of trading stock sold in a year of assessment shall be determined by adding to the value of opening trading stock the cost of goods acquired during the year and subtracting the value of closing trading stock.
- A cash-basis taxpayer may calculate the cost of trading stock on the prime-cost or absorption-cost method and an accrual-basis taxpayer shall calculate the cost of trading stock on the absorption-cost method.
- The value of trading stock on hand at the end of the year of assessment shall be the lower of its cost or market value at that date.
- Where particular items of trading stock are not readily identifiable, a taxpayer may account for the trading stock on the first-in-first-out method or the average-cost method, but once chosen, a stock valuation method may only be changed with the written permission of the Commissioner, and a taxpayer using the last-in-first-out method shall change to the first-in-first-out or the average stock method within five years from the date of commencement of this Act.

CAPITAL GAINS AND LOSSES

- The gain realised or the loss incurred on the disposal of a business or investment asset is taken into account in determining chargeable income.
- The gain from the disposal of an asset is the excess of the consideration received over the adjusted cost base of the asset.
- The loss from the disposal of an asset is the excess of the adjusted cost base over the consideration received.
- The gain or loss on disposal of an asset which is not a business or investment asset is not taken into account in determining chargeable income.

DIVIDENDS

Dividends received from an investment in Sierra Leone by a resident and a non-resident person is subject to a final withholding tax at 10%. The withholding tax on dividend does not apply to a dividend paid by a resident company to another resident company or to a complying retirement fund resident in Sierra Leone. Under certain conditions, payments other than distributions out of profits may be treated as dividends.

INTEREST DEDUCTIONS

A taxpayer that is not a bank is entitled to a deduction of eighty percent of the interest expenses paid in respect of a debt obligation incurred by the taxpayer to produce assessable income.

LOSSES

Losses can be carried forward. Any allowable loss suffered by the taxpayer to the extent that the loss has not been deducted in a previous year of assessment in-so-far as the tax payable each year will be less than 50% of the tax due if such loss is not carried forward.

FOREIGN SOURCED INCOME

Income is from a foreign-source if it is derived from an activity which occurs outside of Sierra Leone. Any income which is not from a source in Sierra Leone is foreign-source income.

THIN CAPITALISATION

The limitation of the deductibility of interest expenses that are borne on a loan from a shareholder or his associate is restricted to 50% of the excess of that loan over the shareholder's paid-up shares

Furthermore, the standard gearing ratio applicable to mining companies is 3:1. Excess interest is deemed a dividend.

PROFESSIONAL SERVICE PROVIDERS

The 2021 amendment exempts a professional service provider whose income is already subject to 10% withholding tax per transaction from paying further 5.5% on its service fee. This is regarded as double taxation of the same income. The clarity provided by the Act now means that professional service Providers (i.e., doctors, lawyers, accountants, engineers, and management consultants) are now excluded from the Withholding Tax rate of 5.5% chargeable on payments made to contractors. Thus, payments made to Professional Service Providers should now only attract **10%** WHT.

EMPLOYMENT OF WOMEN MANAGERS

The 2021 Act introduces a tax rebate (tax credit) to a business that employ a female employee in a management position between 1st day of January 2021 and 31st day of December 2023. That business shall be eligible to a tax credit at a rate of **6.5%** on the PAYE of that female employee. However, such tax credit is not automatic, as it will have to be approved under a Utilisation Plan with the National Revenue Authority (NRA) as stated under section 19 of the same Act

INCENTIVES

Importation of plants, machinery or equipment

The following shall be entitled to duty free import for a period of three years from the date of first registration:

- New and existing businesses importing plants, machinery or equipment excluding vehicles;
- New business if it invests at least USD 10,000,000; and
- An existing business if it invests at least USD 5,000,000 in expanding the business.

Petroleum refinery

A petroleum refinery investing a minimum of USD 20,000,000 and employing at least fifty Sierra Leonean citizens shall be eligible for the following relief:

- A corporate tax relief not exceeding five years; and
- Equipment and machinery for establishing the refinery shall be imported free of duty for a period of five years.

A new business investing a minimum of USD 2,000,000 and employing at least twenty Sierra Leonean citizens shall be eligible for the following relief:

- A corporate tax relief not exceeding five years; and
- Equipment and machinery for establishing a new business shall be imported duty free for a period of five years.

Agriculture

(1) Entities engaged in agricultural production shall be entitled to duty-free import of agricultural inputs for a period of five (5) years from the date of first registration.
(2) For the purpose of this section "agricultural inputs" means:
  (a) Fertilizers;
  (b) Pesticides;
  (c) Insecticides;

(d) Seeds and seedlings;
(e) Hybrid tree seeds;
(f) Seed animal for feeding purpose;
(g) Day-old-chicks; and
(h) Animal segment

(3) The income derived from investment in poultry business shall be exempt from income tax for a period of three (3) years:

(a) In the case of a Sierra Leonean citizen if the investment is at least USD 50,000; and
(b) In the case of a non-citizen, if the investment is at least USD 500,000.

(4) Import of feeds, vaccine and veterinary drugs for poultry and livestock shall attract duty free import for a period of five years from the date of commencement of business.

Research and Development

For the purposes of income tax, any expenses incurred on research and development by an investor, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made but any unclaimed amount shall not be available for future deductions.

Training

For the purposes of income tax, any expenses incurred on training of local staff in an approved training programme, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made but any unclaimed amount shall not be available for future deductions.

C. FOREIGN TAX RELIEF

- A resident taxpayer is entitled to an allowable tax credit in respect of foreign income tax borne by the taxpayer on assessable income derived from a foreign source.
- The allowable tax credit in respect of any foreign-source income may not exceed the Sierra Leone income tax on that foreign-source income, calculated by applying the average rate of Sierra Leone income tax to the foreign-source income reduced by any deduction properly allocated to that income.
- The allowable tax credit in respect of foreign-source income and the Sierra Leone income tax imposed on that income are calculated separately for each amount of foreign-source income derived by a taxpayer.
- Foreign-source income derived by a foreign branch of a resident company is aggregated and considered a single receipt of income.

Foreign Employment Income of Residents

Foreign-source employment income derived by a resident individual during a year of assessment from employment in a foreign country shall be exempt from income tax if the income is chargeable to tax in the foreign country.

D. CORPORATE GROUPS

There are no special rules existing for the taxation of groups.

E. RELATED PARTY TRANSACTIONS

Expenses incurred in these transactions are allowable. But the Commissioner General has power to re-characterise a transaction entered into as part of a tax avoidance scheme.

In line with paving the way for the enactment of Transfer Pricing regulations, the 2016 Finance Act requires transactions with a related party during the assessment year to disclose;

- The relationship with the related party;
- The volume and value of the transaction;
- The price charged and the basis or method of ascertaining that price;
- The comparative price for a similar transaction made with non-controlled entities or charged by non-controlled entities.

In light of the above, there will be increased scrutiny from the tax authorities on transactions between related parties

F. EXCHANGE CONTROL

Exchange controls are under the direct supervision of the Corporate Affairs Commission (CAC) and the Bank of Sierra Leone (BoSL). Application must be made in first instance to the CAC for approval before proceeding to the BoSL for concurrence and granting of an Exchange Control Permit (ECP).

Foreign Exchange: In order to improve transparency and efficiency in foreign exchange transactions and achieve a market-determined foreign exchange rate, the Bank of Sierra Leone (BSL) has initiated weekly auctions of non-cash foreign exchange. While the auction is primarily designed as a mechanism for the BSL to efficiently inject foreign exchange into the market, it also envisages a window for the sale of foreign exchange by other economic agents at market rates.

DIAMOND EXPORTING

- Residents and non-residents are allowed to finance their diamond operations in Sierra Leone in United States Dollars, in notes, drafts or bank transfers.
- Diamond Exporters should ensure that moneys brought into Sierra Leone for their transactions are channelled through the banking system. Foreign exchange could be brought into Sierra Leone in any of the following ways:
  a) Letter of Credit
  b) Telegraphic Transfer
  c) Cash Dollar Notes
- For b) and c) above, Diamond Exporters will be allowed to export up to the amount of funds confirmed by the commercial banks as brought in.
- On a quarterly basis, commercial banks will be required to submit to the Bank of Sierra Leone returns on the inflows and outflows in respect of each licensed exporter.
- The list of commercial banks in Sierra Leone at any point in time would be obtained from the Bank of Sierra Leone.

G. PERSONAL TAX

Pay-As-You-Earn [PAYE] Rates of Tax Applicable to Individual Resident in Sierra Leone

The minimum monthly wage is SLL 600,000 and non-taxable monthly allowance is SLL 600,000. PAYE tax calculation is done on a graduating scale as follows:

If Annual chargeable income is	The Tax Rate is
Less or equal to 7,200,000	Nil
>Le7,200,000 but up to >Le14,400,000	15%
>Le14,400,000 but up to >Le 21,600,000	20%
>Le21,600,000 but up to > Le 28,800,000	25%
Over Le 28,800,000	30%

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends (%)		Interest (%)	Royalties (%)
	Individuals, companies (%)	Qualifying companies (%)		
Domestic rates				

Companies	10	10	15	25
Individuals	10	--	15	25
Treaty countries:				
Norway	--[1]	--[1]	0	0
South Africa	--[1]	--[1]	--[1]	--[1]
United Kingdom	0	0	--[1]	0

Notes:
1. No reduction under the treaty, the domestic withholding tax rate applies.

WITHHOLDING TAX RATES

(a) Rates of Tax to be withheld from Payments made to Residents:
Types of Payment Rates

Payments to contractors: 5.5%
Dividends: 10%
Interests: 15%
Rents: 10%
Royalties: 25%
Pensions and annuities: 15%
Natural resource payments: 25%
Winnings of SLL 500,000 and above from any lottery: 10%

(b) Rates of Tax to be withheld from Payments made to Non-Residents:

Employment income: 25%
Payments to contractors: 10.5%
Dividends: 10%
Interest: 15%
Rents: 10%
Royalties: 25%
Pensions and annuities: 25%
Natural resource payments: 25%
Payments to or applications for the benefit of non-resident beneficiaries: 25%

INVESTMENT INFORMATION

The Investment Promotions Act 2004 was enacted to promote and attract both domestic and foreign private investment for the development of production and value adding opportunities, to improve export and employment opportunities. The Act provides for several incentives for investors (Sections 8-10):

- Expatriate personnel with work permits shall be permitted to make remittances abroad through their commercial banks, subject to such withholding tax obligations as are contained in the Income Tax Act 2000.
- The remittance of profits, after taxes, earned by a foreign investor from a business enterprise, is guaranteed as constituting current international transactions in respect of which payments transferred abroad shall be allowed without restriction.
- An investor may freely repatriate proceeds received from the liquidation of a business enterprise and awards resulting from any settlement of disputes in respect of such business enterprise.
- There shall be no restriction on the transfer of repayments of principal and interest on an arms-length third party loan contracted outside Sierra Leone and registered with the Bank of Sierra Leone but interest payments due on such loans may be subject to the withholding tax obligations in the Income Tax Act, 2000.

RESIDENCE AND WORK PERMIT

All foreign citizens are required to obtain a work permit from the Ministry of Labour.

OTHER PROVISIONS

TAX EXEMPTION TAX FOR MINI GRIDS

Businesses engaging in the provision or supply of renewable energy from solar mini-grids in Sierra Leone shall be eligible for a **five-year** corporate tax relief, commencing from the date of registering first commercial production or 1st January 2021, or whichever comes later.

However, the exemption can only be granted provided the relief is fully reflected in the tariff price negotiated between the government and the business concerned.

WITHHOLDING TAX EXEMPTION FOR HIGHLY SKILLED EXPATRIATES

The Act introduces a new withholding Tax exemption to businesses involved in the service of highly skilled experts whose services are not readily available in Sierra Leone. However, the granting of such exemption is subject to written application by a taxpayer and an approved scheme for skills transfer to Sierra Leoneans.

Common External Tariff

Section 26 of the 2018 Finance Act states that the ECOWAS Common External Tariff (CET) shall come into force on the date ECOWAS accepts Sierra Leone's 3% ECOWAS preferential rates.

Rental Tax Amendment

Section 120 of the Income Tax Act,2000 (as amended in the Finance Act, 2018) is repealed and replaced with new sub-paragraphs which increase the non-taxable threshold in the aggregate from **SLL 6,000,000** to **SLL 7,200,000.**

Import Duty Amendment

The Schedule to the Customs Tariff Act, 1978 is amended in Part II by inserting the following-

- All raw materials, semi-processed and finished products, properly labelled for use as input into the production of goods by manufacturing companies will attract an import duty of **5%** instead of 20%
- Products imported by Packaging Industries will attract an import duty of **10%**

This should encourage manufacturing and reduce Sierra Leone's dependency on imports. This is also good for the "Made in Sierra Leone" product initiative.

END.

PKF