

# NATIONAL REVENUE AUTHORITY **ANNUAL REPORT**

2015



## Executive Summary

*The Sierra Leone Economy in 2015 was faced with notable economic shocks including the continuation of the deadly Ebola Virus Disease (EVD) outbreak and sluggish commodity prices particularly for iron ore. Both shocks have had significant consequences on revenue collection in the year.*

*Despite those challenges, the NRA managed to meet the adjusted government set and approved annual revenue target of Le2.080 trillion; surpassing it by 155 billion. Actual total revenue collected by the Authority in 2015 amounted to Le2.235 trillion. This represented an increase in revenue of 2.7% as compared to collection in 2014. With this collection, the Authority was strongly able to support MoFED in the execution of government budget in the midst of both crises, in addition to augmented budgetary support from especially the IMF and the traditional budget support partners.*

*Of the 2014 collection, the Domestic Tax Department (DTD) collected Le1.49 trillion (accounting for 67% of total collection); the Customs and Excise Department (CED) collected Le545 billion (accounting for 24% of total collection); and the Non-Tax Revenue (NTR) Department collected Le195 billion (accounting for 9% of total collection).*

*Overall, the NRA collected more in 2015 compared to 2014. In fact 2015 collection had represented the Authority's highest ever, even outperforming 2013 collection which was a normal year and period of*

*Economic performance in the country. Thus, despite the EVD outbreak, depreciating exchange rate and continued collapse of international commodity prices, the NRA performed impressively.*

*Whilst the revenue collecting agencies of the NRA were pivotal to the Authority's resilient collection, the collaborative support realised from non-operational departments of the Authority should not go unrecognised.*

*The National Revenue Authority remains grateful to its stakeholders including the reliable taxpayers and looks forward to a less challenging and economically revived 2015.*

*As of March 2016, the economy is expected to recover in 2016 with a growth of 12.4 percent following the resumption of iron ore mining and expansion in non-iron ore activities. Growth forecasted to remain strong at 8.1 percent in 2017 and 7.7 percent in 2018.*



National Revenue Authority  
Sierra Leone

Together, through our taxes, we build prosperity

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# NRA STRATEGIC FRAMEWORK

## Our Mandate

The NRA is charged with the responsibility of assessing and collecting domestic taxes, customs duties and other revenues specified by law, as well as administering and enforcing laws relating to these revenues.

## Vision

To have an equitable, effective, simple and transparent tax system.

## Mission

To maximize revenue collection for national development and to buttress sustainable economic growth through:

- Formulating and implementing policies and procedures which promote effective, efficient, transparent, and accountable tax systems.
- Designing simple and effective business processes.
- Developing and enhancing human capacity for improved service delivery.
- Understanding and enhancing the business environment by liaising and collaborating with relevant MDAs, local and international institutions, taxpayers and other relevant stakeholders.

## Core Values

Our activities will be guided by the following core values:

**Integrity:** We are committed to the highest standards of trust and honesty.

**Transparency:** We will act in accordance with the letter and spirit of the Law at all times and ensure full disclosure of information as and when required by Law.

**Accountability:** We will ensure that appropriate mechanisms exist for Staff to be held accountable for their decisions and actions.

**Equity:** We value individual differences and treat customers with dignity and respect.

**Discipline:** We will ensure our staff conducts themselves in accordance with the NRA Code of Conduct and other established principles of good governance at all times.

**Collaboration:** We will work in collaboration with stakeholders and associated institutions to improve our services delivery and overall performance.

**Staff Development:** We will ensure a conducive working environment and create learning opportunities for our staff to enable them to achieve their full potential.

**Service Excellence:** We will provide quality service to our taxpayers and other stakeholders, to facilitate tax compliance and minimize its associated costs.

## ABBREVIATIONS

<b>AGD</b>	Accountant General's Department
<b>AfDB</b>	African Development Bank
<b>AHRD</b>	Admin and Human Resources Department
<b>ASYCUDA++</b>	Automated System for Customs Data
<b>BSL</b>	Bank of Sierra Leone
<b>CGO</b>	Commissioner General's Office
<b>CS</b>	Corporate Secretariat
<b>CSD</b>	Customs Services Department
<b>DFID</b>	Department for International Development
<b>DTD</b>	Domestic Tax Department
<b>DTIS</b>	Domestic Tax Information System
<b>EIRU</b>	Extractive Industry Revenue Unit
<b>EVD</b>	Ebola Virus Disease
<b>F &amp; B</b>	Finance and Budget
<b>FBC</b>	Fourah Bay College
<b>GDP</b>	Gross Domestic Product
<b>GRPO</b>	GST Relief Purchase Order
<b>GST</b>	Goods and Services Tax
<b>ICA</b>	Internal Controls and Audit
<b>ICT</b>	Information, Communication and Technology
<b>IMF</b>	International Monetary Fund
<b>ITAS</b>	Integrated Tax Administration System
<b>ITR</b>	Income Tax Revenue
<b>KPI</b>	Key Performance Indicators
<b>LAN</b>	Local Area Network
<b>LTO</b>	Large Tax Office
<b>MDA's</b>	Ministries, Departments and Agencies
<b>MDBS</b>	Multi-Donor Budget Support
<b>MoFED</b>	Ministry of Finance and Economic Development
<b>MoU</b>	Memorandum of Understanding
<b>MRP</b>	Monitoring, Research and Planning

<b>NMA</b>	National Minerals Agency
<b>NRA</b>	National Revenue Authority
<b>NTR</b>	Non-Tax Revenue
<b>PAF</b>	Performance Assessment Framework
<b>PAF</b>	Performance Assessment Framework
<b>PATE</b>	Public Affairs and Tax Education Unit
<b>PCA</b>	Post Clearance Audit
<b>PFA</b>	Personal Files Audit
<b>PSSD</b>	Preventive Services and Special Division
<b>PTT</b>	Performance Tracking Table
<b>R &amp; D</b>	Resource and Development
<b>RIIU</b>	Revenue Intelligence and Investigations Unit
<b>SLEITI</b>	Sierra Leone Extractive Industry Transparency Initiative
<b>SLP</b>	Sierra Leone Police
<b>SMT</b>	Senior Management Team
<b>SMTO</b>	Small and Medium Tax Office
<b>SSL</b>	Statistics Sierra Leone
<b>STRIP</b>	Short Term Revenue Improvement Strategy
<b>TIN</b>	Taxpayer Identification Number
<b>WAN</b>	Wide Area Network
<b>WCO</b>	World Customs Organisation
<b>WFP</b>	World Food Programme
<b>WHO</b>	World Health Organisation

## ECONOMIC OVERVIEW IN 2015

The 2015 Financial Year was faced with notable economic challenges for Sierra Leone including the continuation of the Ebola Virus Disease (EVD) and the production stop of the biggest iron ore companies in the country.

Compared to the Financial Year 2014, Sierra Leone's economy continued to deteriorate significantly. It is estimated that the Real Gross Domestic Product (RGDP) declined by 21.2 percent whereas the economy still grew by 4.6 percent in 2014<sup>1</sup>.

The production stop by two of the biggest iron ore companies in the country (namely called London Mining and African Minerals at that time) contributed mostly to the decline in GDP growth in 2015 while agriculture and the fisheries sector offset part of the decline.

Iron ore production decreased from 19bn tonnes in 2014 to 0.76bn tonnes in 2015. However, value added of the agriculture sector grew by 3.2 percent in 2015 compared to 0.8 percent of growth recorded in 2014. This can mainly be explained by the recovery of crop production from the impact of the EVD

and the supply of improved rice seeds to farmers by the government. Furthermore, the World Food Programme created the market for most of the Farmer's Associations by buying the rice produced in Sierra Leone. Finally, the forestry and the fisheries sectors grew by 2.1 percent while the construction sector grew by 1.1 percent after recovering from EVD.

The deterioration of the economy also affected government spending. In 2015, the Ministry of Finance and Development (MoFed) allocated Le530bn to the domestic capital budget compared to Le605 bn in 2014. Total capital spending was, however, was 15.5% higher than the allocated budget mainly because of a strong depreciation of the SLL (70 percent of government contracts are foreign currency denominated), and higher-than-expected spending on the Ebola response and poverty projects.

EDV and the halt of iron ore production also put a strain on the foreign exchange market where official exchange rate for the SSL depreciated by 13.33% in 2015 compared to 12.30% in 2014. On the

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<sup>1</sup> MoFED "Macro-Fiscal Forecast and Key Assumptions 2016-2018"

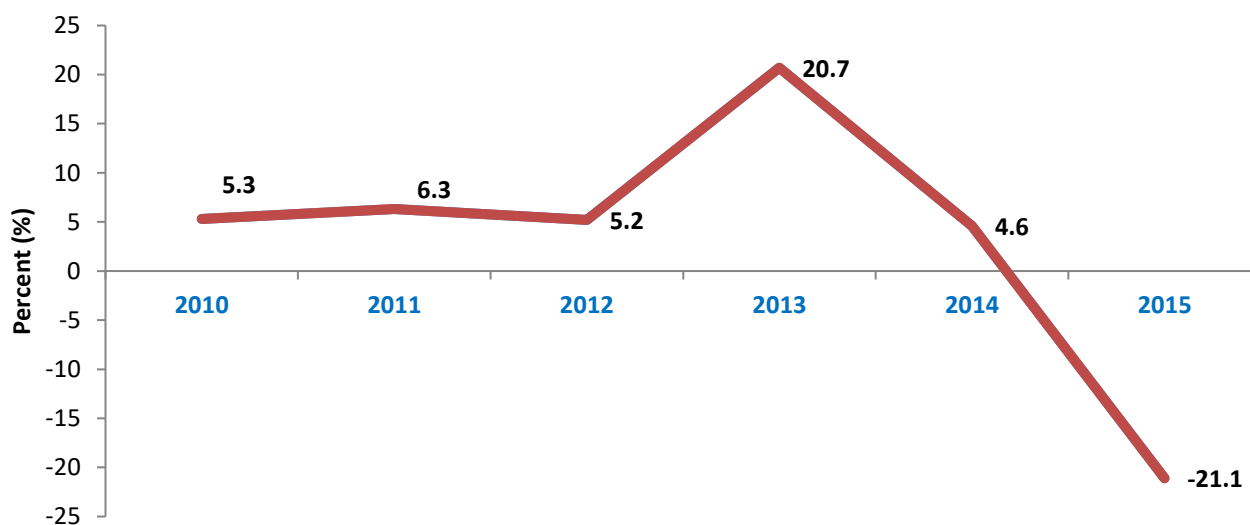
parallel market the rate depreciated by 10.44% in 2015 compared to a depreciation of 19.52% in 2014. The total turnover in the foreign exchange market was 6.29% lower than the total turnover of USD838.22 million recorded for the same in 2014.

High import-dependency coupled with the depreciation of the SLL has moreover contributed to cost-push inflation. According to Statistics Sierra Leone, inflation rates have steadily increased

throughout 2015 and reached an average of 8.75 percent during the last quarter of 2015.

As of March 2016, the economy is expected to recover significantly across 2016 with an estimated growth rate of 12.4 percent following the resumption of iron ore mining and the expansion of non-iron ore activities. Growth forecasted to remain strong at 8.1 percent in 2017 and 7.7 percent in 2018.

**Figure 1: Real GDP Growth Rate (2010-2015)**



**Source:** MoFED “Macro-Fiscal Forecast and Key Assumptions 2016-2018”



## 1.0: REVENUE AND DUTY- FREE ANALYSIS 2015

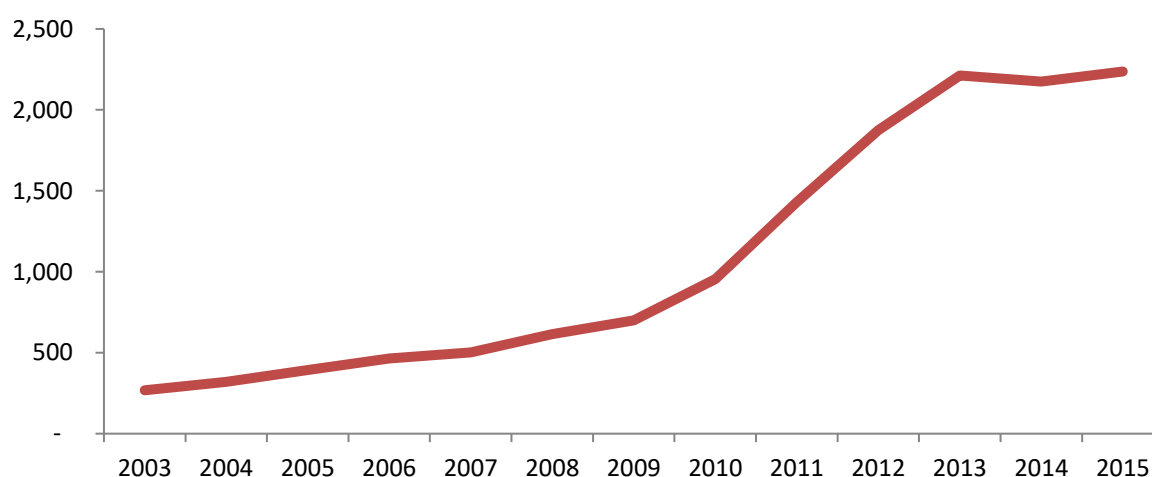
This section presents 2015 revenue and Duty-Free analysis commencing with historical revenue performance and detailed cross-sectional analysis by department and tax-type. The section also presents a brief comparative analysis of duty-free concessions granted to key beneficiaries of the economy by category of exceptions.

### 1.1 Trend in Revenue Collection, 2000 – 2015

Since the inception of the National Revenue Authority (NRA) in 2002, revenue has exhibited an upward trend year on year. Figure 2 shows that revenue collection in 2015 was slightly higher than that of 2014. However, it is also clear that there were challenges in the past two years as a result of the economic shocks discussed in the previous section.

This trend analysis goes some way toward illustrating the impact of the economic shocks facing Sierra Leone in 2014-2015. The following sections will further analyse disaggregated figures to identify more precisely what has been the cause of the slump in the otherwise impressive trend since 2002/3.

**Figure 2:** Trend in Revenue Collection 2000 - 2015 (in LeB')

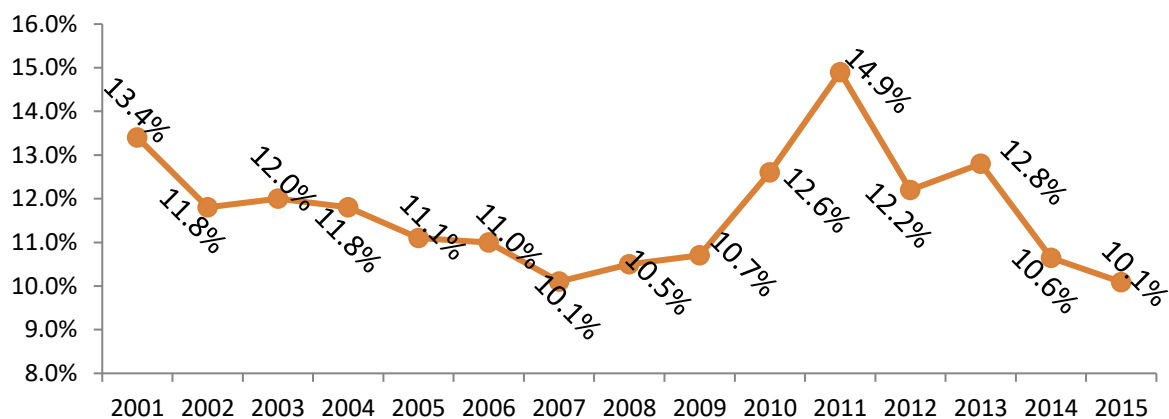


### 1.2 Tax Revenue/GDP Ratio 2010 – 2015

The ECOWAS average ratio of tax collection to GDP is approximately 16%. Sierra Leone has maintained over 10% since its inception, peaking at 14.9% in 2011. After several years of decline the revenue:GDP ratio hit 10.1% in

2015. This is largely attributable to the reduced royalties from the financially challenged iron ore companies in 2014.

**Figure 3:** Revenue as % of GDP



## 1.3 Revenue Performance Analysis 2015

### 1.3.1 Overview of 2015 Annual Target

The uncertainties of the Sierra Leonean economy in 2015 were largely driven by the collapse of the iron ore mining sector since 2014, the prolonged incidence of the EVD and deteriorating exchange rate. These factors meant that macroeconomic aggregates including revenue targets had to be adjusted accordingly. Table 2 below provides an analysis of various NRA revenue targets set over FY2015. Note that these targets exclude Road User Charges, which is a revenue stream not accounted for by the NRA.

Target A relates to the Revenue target set during the 2015 Budget preparation process in September 2014. This was the target presented in the Budget Speech and approved by Parliament. However, at the time

the target was set in September 2014, there was limited knowledge of the extent of the international commodity price collapse and the prolonged nature of the EVD outbreak in the country. Specifically, the EVD outbreak was not expected to last beyond December 2014 and nor was there any knowledge that the two main Iron Ore mining companies were going to collapse.

Target B relates to the target agreed by the country authorities and the IMF in December 2014 during the 3rd review of the country's IMF Programme in Paris. At the time, the two iron-ore mining companies had temporary shutdown. As a result, the revenue target was revised downwards to Le2.070 trillion to account for the limited production of

iron ore (with its accompanying declining sales prices and therefore royalties) and the assumption that the EVD may last onto March 2015. It was also assumed that the economy may have fully recovered by the second half of 2015.

Target C is the target approved by the IMF Board after their meeting on the Sierra Leone programme in March 2015. The IMF Board could not meet in time in December 2014 to approve the revised target during the 3rd Review and by the time they met in March 2015, the Fund had reduced the revenue target marginally to Le1.998 trillion after further understanding that African Minerals may not resume operations at all in 2015.

Target D was the final 2015 target agreed between the IMF and the Sierra Leonean Authorities and was revised slightly upwards following an impressive first half revenue performance. At the time the EVD continued to prevail in the country and the international commodity prices continued to fall at an alarming rate. Further, the expected gain from petroleum excise (due to falling prices) was threatened by the rapidly depreciating exchange rate of the Leone. As a result, the 2015 NRA revenue target was revised to Le2.080 trillion. The succeeding analysis therefore compares the 2015 NRA performance as against this target.

**Table 1: 2015 NRA Revenue Targets (in Billions of Leones)**

Description	Actual	Target	Surplus/ Deficit
<b>Target A:</b> : Original Govt. Budget Speech (set in September, 2014))	<b>2,235</b>	<b>2,290</b>	<b>55</b>
<b>Target B:</b> IMF/MoFED Revised Target (set after 3 <sup>rd</sup> IMF ECF Review – set in December, 2014)	<b>2,235</b>	<b>2,070</b>	<b>165</b>
<b>Target C:</b> IMF Board Approved Target (after 3 <sup>rd</sup> ECF Programme Review in March, 2015)	<b>2,235</b>	<b>1,998</b>	<b>237</b>
<b>Target D:</b> IMF/MOFED Revised Target (after 3 <sup>rd</sup> and 4 <sup>th</sup> ECF Programme Review in September, 2015)	<b>2,235</b>	<b>2,080</b>	<b>155</b>

**Source:** MRP staff compilation

## 1.4 Actual Revenue Performance 2015

Total revenue collected by the NRA for 2015 amounted to Le2.235 trillion<sup>2</sup>. The Domestic Tax Department (DTD) collected Le1.494 trillion (67% of total collection), the Customs Service Department (CSD) collected Le545.8 billion (24% of total collection) and the Non-Tax Revenue (NTR) Department collected Le194.9 billion (9% of total collection).

Based on a target of Le2.080 trillion, the Authority's total collection of Le2.235 trillion is more than the target by Le156 billion (See Table 2 and Appendix A). The DTD exceeded its target by Le104 billion representing 7%. This performance was largely the result of increased enforcement actions implemented in quarter 4 of the year, with several defaulting businesses sealed off. Both Income Tax (particularly personal income tax) and GST revenue streams of the DTD were impressive.

Similarly, the Non-tax Revenue and the Customs Department exceeded their targets by Le22 billion and Le30 billion respectively.

Increased oversight over operations and

enforcement of collection from outstanding obligations were crucial for Customs performance. Further gains in petroleum excise earlier in the year from declining Platt prices helped Customs meet their revenue target. NTR performance on the other hand was mainly due to an improved revenue performance by the fisheries sector.

It is worth noting that despite an overall increase in the amount of revenue collected by the NRA from 2014 through 2015, the amount of non-tax revenue collected decreased since 2014. This could mainly be explained by a drastic fall in the collection of royalties and license fees from the mining sector. However, despite the constraints faced in the mining sector, NTR surpassed its revenue target by Le22 billion (13%) mainly due to increased revenue from the fisheries sector.

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<sup>2</sup>Appendix A provides a detailed revenue breakdown for the year 2015

**Table 2: 2015 NRA Comprehensive Revenue Performances (in LB')**

Details	Actual Revenue	Programme Target	Surplus/ Deficit
<b>Total NRA Revenue</b>	<b>2,235.50</b>	<b>2,079.60</b>	<b>155.9</b>
<b>Domestic Tax Department</b>	<b>1,494.70</b>	<b>1,390.70</b>	<b>104.0</b>
<b>Income Tax Revenue</b>	<b>901.7</b>	<b>831.5</b>	<b>70.2</b>
<i>Corporate tax</i>	245	237.2	7.8
<i>Personal Income Tax</i>	650.3	587.4	62.9
<i>Other Taxes</i>	6.4	6.9	-0.5
<b>Goods &amp; Services Tax</b>	<b>593</b>	<b>559.2</b>	<b>33.8</b>
<i>Import GST</i>	354.2	328.9	25.3
<i>Domestic GST</i>	238.8	230.4	8.4
<b>Customs Revenue</b>	<b>545.8</b>	<b>515.8</b>	<b>30.0</b>
<i>Import Duties</i>	329.4	300.8	28.6
<i>Petroleum Excise</i>	193.1	200.2	-7.1
<i>Other Excises</i>	23.4	14.8	8.6
<b>Non-Tax Revenue</b>	<b>194.9</b>	<b>173.1</b>	<b>21.8</b>
<b>Mines Department</b>	<b>86.5</b>	<b>78.9</b>	<b>7.6</b>
<i>Royalties on Rutile</i>	7.8	11	-3.2
<i>Royalties on Bauxite</i>	6.5	7.3	-0.8
<i>Royalties on Diamond &amp; Gold</i>	28.5	30.3	-1.8
<i>Royalties on Iron Ore</i>	6.1	6.1	0.0
<i>Mining Licences (Inc. Pet.)</i>	37.6	24.1	13.5
<b>Other Departments</b>	<b>108.4</b>	<b>94.2</b>	<b>14.2</b>
<i>Royalties etc. on Fisheries</i>	40.1	35.5	4.6
<i>Parastals</i>	17.8	17.8	-
<i>Other Revenues</i>	50.4	40.3	10.1
<i>Freight Levy</i>	-	0.7	-

**Source:** MRP Database

## 1.5 Comparative Revenue Performance 2014 Vs 2015

In order to measure revenue improvement made in 2015 with respect to that in 2014, collections in the two periods were compared on departmental basis. As depicted in Table 3, total NRA collection in 2015 slightly exceeded that of 2014 by Le61.1billion (or 3%). Both DTD and CSD performed improved slightly on their collections in the previous year. These departments' collections exceeded those of 2014 by Le113.7 billion (8%) and Le45.8 billion ( 9%) respectively as shown in Table 3. The outstanding performance recorded by DTD and CSD may

be primarily due to implementation of enforcement measures against defaulting taxpayers and or importers – ensuring that the right taxes and duties are paid on time.

**Table 3:** Comparative Revenue Analysis 2014 Vs 2015 (in LB')

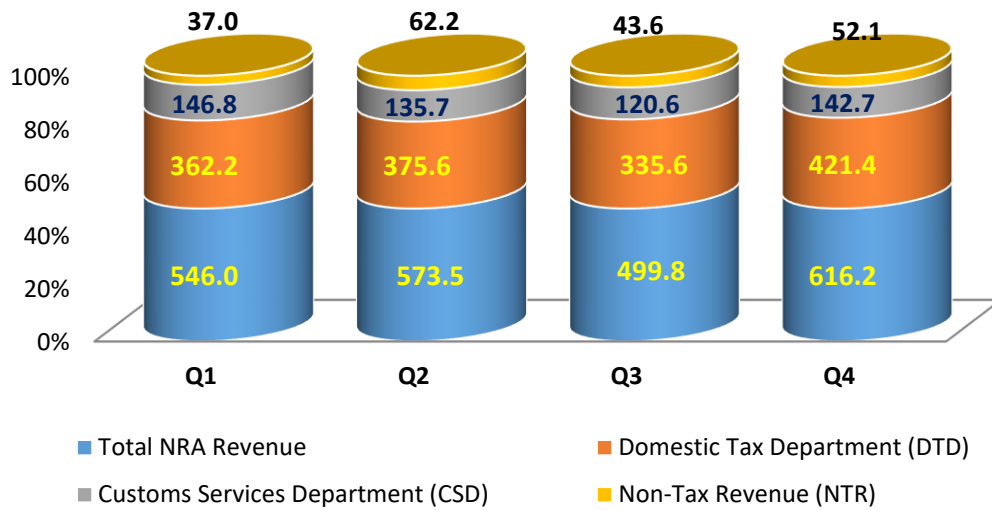
Details	Actual Revenue 2014	Actual Revenue 2015	Surplus/ Deficit	% Surplus/ Deficit
<b>Total NRA Revenue</b>	<b>2,174.4</b>	<b>2,235.5</b>	<b>61.12</b>	<b>3%</b>
<b>Domestic Tax Department</b>	<b>1,381.0</b>	<b>1,494.7</b>	<b>113.68</b>	<b>8%</b>
<i>Income Tax Revenue</i>	<b>915.7</b>	<b>901.7</b>	<b>-14.03</b>	<b>-2%</b>
<i>Corporate tax</i>	277.5	245.0	-32.49	-12%
<i>Personal Income Tax</i>	629.7	650.3	20.58	3%
<i>Other Taxes</i>	8.5	6.4	-2.13	-25%
<b>Goods &amp; Services Tax (GST)</b>	<b>465.3</b>	<b>593.0</b>	<b>127.71</b>	<b>27%</b>
<i>Import GST</i>	266.4	354.2	87.78	33%
<i>Domestic GST</i>	198.9	238.8	39.93	20%
<b>Customs Services Dept (CSD)</b>	<b>500.1</b>	<b>545.9</b>	<b>45.78</b>	<b>9%</b>
<i>Import Duties</i>	268.0	329.4	61.36	23%
<i>Petroleum Excise</i>	217.9	193.1	-24.80	-11%
<i>Other Excises</i>	14.2	23.4	9.21	65%
<b>Non-Tax Revenue (NTR)</b>	<b>293.2</b>	<b>194.9</b>	<b>-98.33</b>	<b>-34%</b>
<i>Mines Department</i>	186.7	86.5	-100.17	-54%
<i>Other Departments</i>	106.6	108.4	1.84	2%

**Source: NRA/MRP Revenue Statistics 2014/15**

## 1.6 Trend in Quarterly Revenue Collection in 2015

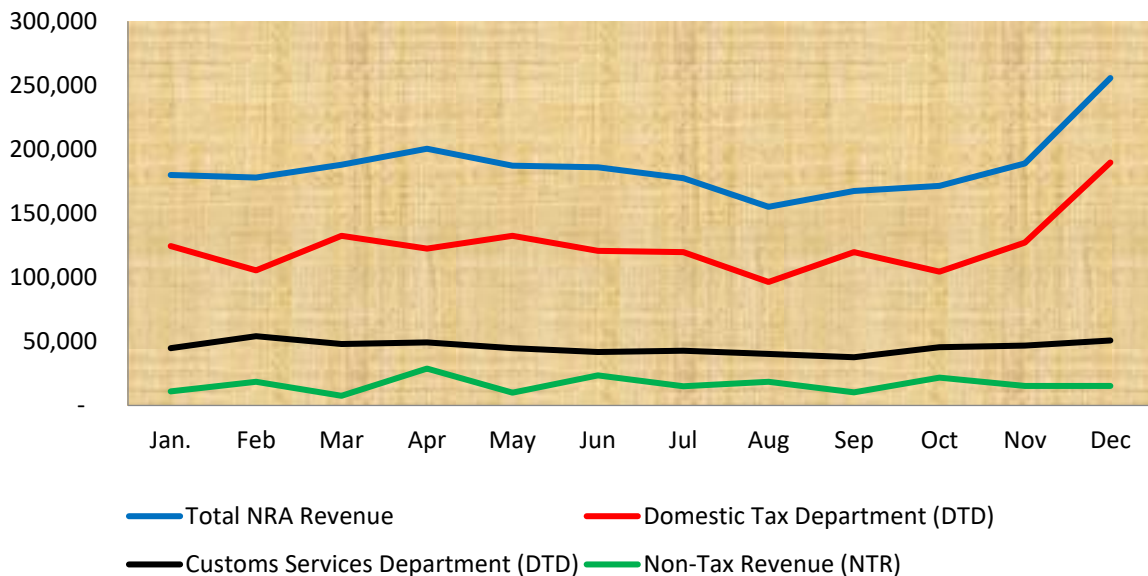
As illustrated in Figure 4, collection surged in the fourth quarter of the year to Le616 Billion, well above the average of the first three quarters, which was Le540.3 billion. Most of this surge in revenue collection came from the DTD (specifically Income-Tax Revenue) in the month of December. The overall monthly trend in revenue collection is like that of the year 2014 (see figure 7).

**Figure 4: Quarterly Revenue Performance 2015 (In LeB')**



Concerning monthly revenue collection, it is clear from Figure 5 that both customs and GST revenue streams are rather consistent, while ITR and NTR are highly volatile. DTD collection trends tend to dictate the overall NRA monthly collection trends since DTD accounts for a greater portion of NRA revenue. The NTR experienced lower collection than in previous years, coinciding with the outbreak of EVD and collapse of the iron ore mining sector.

**Figure 5: Trend in NRA Monthly Rev. Collection 2015**



## 1.7 Customs Outstation Revenue Performance 2015

Like in almost all other countries, Customs operations in Sierra Leone go beyond the capital city, Freetown. Currently the CSD has a total of nine approved outstations as indicated in Table 4. A comparative analysis of revenue collected by each outstation revealed a slight increase (23%) in the customs outstation revenue collection within the period under review. The key drivers of this increment were Lungi, and Kambia; both exceeding its previous year's collection by 29% and 22% respectively. It must be noted that Kailahun (Bailu) in the Eastern Province and Sania in the Northern Province did not report any revenue in 2014 and 2015 respectively.

**Table 4: NRA Outstations Revenue Collection 2014 Vs 2015 (in LeM')**

<b>Customs Outstation</b>	<b>Collection 2014</b>	<b>Collection 2015</b>	<b>% change</b>
KAMBIA	5,332	6,530	<b>22%</b>
LUNGI	5,739	7,399	<b>29%</b>
SANIA	3.26	0	<b>-100%</b>
KABALA	15.01	25.28	<b>68%</b>
BO/KENEMA/GBA	26.57	41.66	<b>57%</b>
KONO	16.98	12.03	<b>-29%</b>
M/ RIVER BRIDGE	102.45	159.10	<b>55%</b>
KOINDU/BUEDU	5.88	9.48	<b>61%</b>
SUSANS BAY	15.54	26.84	<b>73%</b>
KAILAHUN (BAILU)	0.00	6.65	-
<b>Total</b>	<b>5,518</b>	<b>6,811</b>	<b>23%</b>

## 1.8 Reasons for Revenue Collection in 2015

The economy of Sierra Leone faced the continuation of a series of challenges in 2015. Despite this, revenue collection was higher than expected. In order to achieve the collection performance level, the NRA embarked on numerous revenue enhancement measures, which included the following:



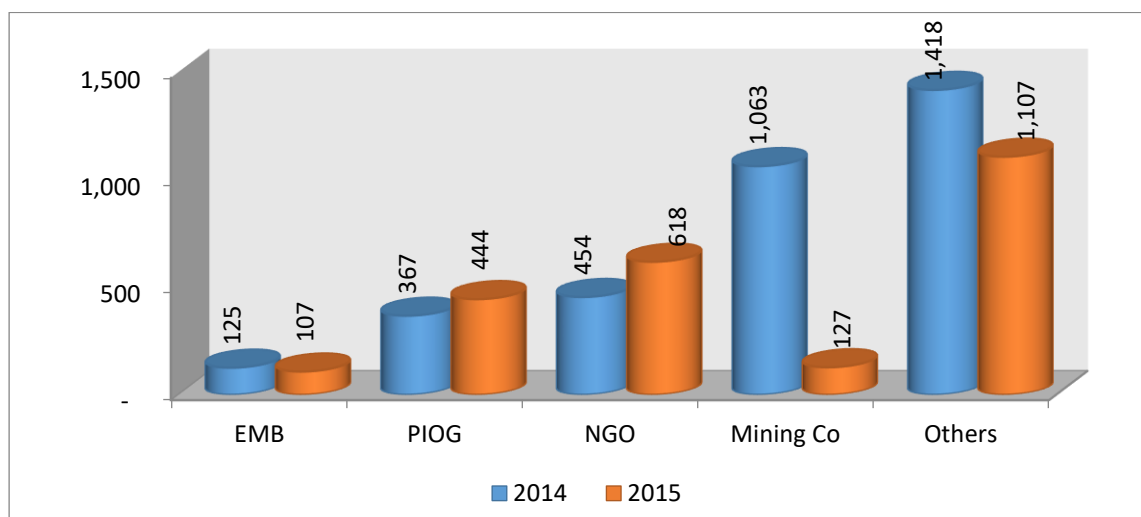
- Enforcement of GST collection from hotels occupied by international Ebola fighters.
- Audit of sub-contractors of African Minerals Ltd that were folding up.
- Payment of outstanding 2014 AML PAYE into quarter 1 of 2015 amounting to Le32.3 billion and of outstanding 2015 PAYE into quarter 4 of 2015 amounting to Le35 billion.
- Enforcement of Collection in the provinces.
- The Introduction of Short-Term Revenue Improvement Project (STRIP) in quarter 4, which concentrated on: **effective debt management, GST compliance, improving compliance for Large & Medium Taxpayers, re-organisation of Rental Income Tax administration, recouping revenues from top contractors in the Extractive, Energy, Water, Telecoms, Infrastructure & Agricultural Industry, and special and Provincial Audits.**
- Increase in media campaigns and sensitisation on paying taxes.
- Minimisation of customs revenue leakages through increased examination and enforcement of the Customs Act 2011; effective Monitoring of CSD operations; effective operations of FAST; and stringent performance measures additionally imposed by CSD Management.

### **1.9 Duty Free Analysis 2015**

This section of the report makes a comparative analysis of customs import duty and import GST concessions granted in 2015 and 2014 by categories of exemptions. It also highlights the status of discretionary duty waiver for the two periods. A total of 2,403 duty-free applications were processed in 2015 compared with 3,427 in 2014: recording a decline of 30%. The approval of any duty-free application is a singular responsibility of the Minister of the MoFED

Figure 8 presents the breakdown of duty waiver applications processed/ reviewed in 2014 and 2015.

**Figure 8: Duty waiver applications processed in 2014 & 2015**



### 1.9.1 Duty Concessions/Waivers Granted in 2015

Table 5 presents import duty and GST waived for the Fiscal Year 2015 by category of exemptions. As shown in the table, total value of duty waived in 2015 amounted to Le375.9 billion. This amount represents 69% and 17% of the total revenue reported by CSD and NRA respectively. Of this total duty waived, import duties accounted for Le180.3 billion (48%) as against Le195.5 billion import GST (representing 52%).

**Table 5: Duty-free Concession by Category of exemption, 2015 (in LeM')**

Period	Type of Tax	Amount Waived	Total
Embassies	Import Duty	7,487	<b>12,574</b>
	Import GST	5,087	
Public Int. Org	Import Duty	39,776	<b>80,618</b>
	Import GST	40,842	
Non-Govt. Org	Import Duty	13,598	<b>30,834</b>
	Import GST	17,236	
Mining/Expl. Co	Import Duty	7,318	<b>12,331</b>
	Import GST	5,013	
Others	Import Duty	112,156	<b>239,543</b>
	Import GST	127,387	
<b>Grand Total</b>	<b>Import Duty</b>	<b>180,336</b>	<b>375,906</b>
	<b>Import GST</b>	<b>195,570</b>	

Mining/Exploration companies, the category that has been granted huge duty waiver in the past, accounted for the least amount of import duty and import GST waived in 2015 whist ‘Others’ recorded the highest.

As can be seen in Appendix E, the highest amounts of import duty and import GST were waived in June amounting to Le38.5billion and Le51.8billion respectively.

**1.9.2 Comparative Analysis of Duty-Free Concessions 2014 Vs 2015**

As shown in Table 6, total duty-free concessions increased slightly from Le372.3 billion in 2014 to Le375.9 billion in 2015 showing an overall increase of 1% in 2015. As notable in Table 2, duty waivers granted to Mining/Exploration companies drastically decreased from Le98.0billion in 2014 to Le12.3 billion in 2015 or by 87%. This 87% (Le85.7 billion) decrease can be attributed to the suspension or closing of operations by African Minerals SL Ltd in 2015. African Minerals Ltd now Shandong Group of Companies has been the main beneficiary of duty free in the mining/exploration sector in the past recent years; accounting for 39%, 31%, 23% and 3% of the total duty-free concession granted in 2012, 2013, 2014 and 2015 respectively.

<b>Organisation</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>% Variance</b>
	<b>372,288</b>	<b>375,905</b>	<b>3,617</b>	1
Embassies	9,564	12,574	3,010	31
Public Int. Org	71,501	80,619	9,118	13
Non Govt Org	19,911	30,837	10,926	55
Mining/Expl. Co	98,008	12,333	-85,675-	87
Others	173,304	239,542	66,237	38

Duty waivers granted to NGOs increased by 55% or by Le10.9 billion which is alarming, but this also may be attributed to the increase in the operations of NGOs in the country especially in the fight against the deadly EVD. Public International Organisations and Embassies/High Commissions recorded

increases of 13% and 31% respectively in the amount of duty waiver concessions granted in 2015.

The ‘Others’ category which comprises constructions companies, MDAs, Private Sector and other beneficiaries alarmingly increased by 38% from Le173.3 billion in 2014 to 239.5 billion in 2015. This category has been one of the major beneficiaries of duty-free concession accounting for 47% and 64% of total duty waiver in 2014 and 2015 respectively.

**1.9.3 Comparative analysis of discretionary duty waivers in 2014 & 2015**

In the recent years, discretionary duty waiver contributed to the alarming rate of increase in total duty waivers granted to the various beneficiaries. However, a remarkable decrease of Le106.0 million (1%) was recorded in 2015 (i.e. decreasing from Le17.8 billion in 2014 to Le17.6 in 2015). The 1% exhibited in 2015, however, indicates that authorities involved in the administration of duty waivers have instituted strong controls in the granting them. Table 7 provides monthly comparative analysis of discretionary duty waiver in 2014 and 2015. The highest monthly discretionary duty waiver (Le6.0 billion) was recorded in June and July of 2014 and 2015 respectively whilst the least were reported in January (Le223 million) and May (Le0) of 2014 and 2015 respectively.

**Table 7 Discretionary Duty-Free Concessions 2014-2015 (in Million Leones)**

Month	2014	2015	Variance	% Variance
<b>Total</b>	<b>17,753</b>	<b>17,647</b>	<b>(106)</b>	<b>1</b>
Jan	223	410	187	1
Feb	2,464	161	(2,303)	13
Mar	737	3,982	3,246	18
Apr	441	3,233	2,792	16
May	575	-	(575)	3
Jun	1,512	5,967	4,455	25
Jul	5,977	1,547	(4,430)	25
Aug	2,997	1,709	(1,288)	7
Sep	253	-	(253)	1
Oct	541	614	73	0
Nov	2,019	21	(1,998)	11
Dec	14	3	(10)	0

## 2.0: NON-REVENUE PERFORMANCE OF OPERATIONAL DEPARTMENTS

The previous section of this report discusses the revenue statistics over recent years, placing more emphasis on the current (2015) revenue performance. This section presents the **non-revenue** aspect of the three operational Departments, the DTD, CSD and the NTR department. The non-revenue aspect here has to do

with mainly issues relating to compliance, general statistics and trade facilitation. The following subsections focus on each of the operational departments and certain key performance indicators are used in assessing non-revenue performance.



## 2.1 Domestic Tax Department (DTD)

<b>5,906</b>	<b>5,502</b>	<b>1,643</b>	<b>110</b>
<ul style="list-style-type: none"> <li>• Total number of registered businesses in 2015.</li> <li>• Up from 5,628 in 2014, representing a 4.9% increase.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of Tax Identification Numbers issued in 2015.</li> <li>• Up from 5,221 in 2014.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of GST registered Taxpayers in 2015.</li> <li>• Up from 1,494 in 2014.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of Field Tax Audits Conducted.</li> <li>• Less than the 218 that were planned for the year.</li> </ul>

Table 8 shows the summary statistics of DTD Non-Revenue Performance indicators for 2015. From the column on the left, most registration and compliance statistics increased based on the year 2014. Field Tax Audits, however, fell below their yearly targets both for LTO and SMTO tax registers.

<b>Table 8: DTD Summary Statistics</b>			
	<b>2014</b>	<b>2015</b>	<b>% change</b>
<i>LTO Tax Register</i>	155	158	2%
<i>MTO Tax Register</i>	2,476	2,511	1%
<i>STO Tax Register</i>	2,997	3,237	8%
<i>SMTO Tax compliance (filing on time)</i>	20,770	21,515	4%
<i># TIN issues</i>	5,221	5,502	5%
<i>GST Tax Register SMTO</i>	1,371	1,519	11%
<i>GST Tax Register LTO</i>	123	124	1%
<i>GST Filing on Time SMTO</i>	14,420	16,150	12%
<i>GST Filing on Time LTO</i>	1,436	1,456	1%
	<i>Planned</i>	<i>Actual</i>	
<i># Field Tax Audits (LTO)</i>	82	44	<b>-46%</b>
<i># Field Tax Audits (SMTO)</i>	136	66	<b>-51%</b>

### 2.1.1 LTO Tax Register by Industry

A Tax Register records the number of taxpayers under a particular revenue administration during a specific period, usually a year. It directs the administration of tax institutions to make the necessary projections in the collection of tax revenue.

Table 9 shows details from the Large-Taxpayers Register (LTO), the financial and manufacturing institutions remained constant, while we experience a decline in the Telecommunications, Extractive, whole/retail enterprises, construction and general trading services and other industries.

<b>Table 9: LTO register by Industry</b>	<b>Number of Taxpayers</b>	
	<b>2014</b>	<b>2015</b>
<i>Financial Institutions</i>	22	22
<i>Telecommunications</i>	5	4
<i>Manufacturing</i>	13	13
<i>Extractive Industry</i>	14	12
<i>Retail/ Wholesale</i>	51	50
<i>Construction</i>	8	6
<i>General Trading/ Services &amp; Others</i>	42	51

### 2.1.2 MTO Tax Register

For the Medium-Taxpayers Register (MTO), which holds a less disaggregated version of tax data, it is observed that in 2014, more companies were registered than in 2015 whilst there are more registered trades in 2015 than in 2014 as shown in Figure 10.

<b>Table 10: MTO register by Industry (No. of Taxpayers)</b>		
	<b>2014</b>	<b>2015</b>
<i>Company</i>	1017	736
<i>Trade</i>	1459	1775

### 2.1.3 STO Tax Register by Location

The Small-Taxpayers Register (STO) is comprised of the three tax districts in Freetown and NRA offices in the headquarter towns of Bo, Kenema, Kono and Makeni.

As seen in Table 11, TD1 which is the Tax District for Freetown East recorded the highest number of taxpayers, 701 and 700 taxpayers in 2014 and 2015 respectively. TD3 which is the Tax District for Freetown West recorded a significant reduction in the number of taxpayers. The reduction of taxpayers at TD3 can be attributed to the fact that the boundaries were re-defined, thus reducing on the tax area. The reduction of taxpayers in Kenema can be attributed to the outbreak of Ebola Virus which strongly affected the Kenema district.

<b>Tax Office</b>	<b># Taxpayers 2014</b>	<b># Taxpayers 2015</b>	<b>Increase/ Decrease</b>
<i>TD1 - F/t East</i>	701	700	0%
<i>TD2 - F/t Central</i>	407	488	20%
<i>TD3 - F/t West</i>	535	448	-16%
<i>Bo</i>	260	427	64%
<i>Kenema</i>	544	531	-2%
<i>Kono</i>	248	263	6%
<i>Makeni</i>	302	380	26%
<i>Total</i>	2997	3237	8%

There were significant changes in Freetown Central (TD2) and Freetown West (TD3) which saw an increase of 20% and fall of 16% respectively. However, this is explained by a re-defining of tax areas meaning that the area of TD2 increased while that of TD3 was reduced.

Thus, the most significant changes were in Bo and Makeni which recorded significant increases in the number of taxpayers, 64% and 26% respectively.



#### **2.1.4 GST Tax register**

There exist more individual GST taxpayers within the small and medium taxpayers category than in the large taxpayers' category. With respect to the periods under review, the GST tax-base increased by 10% from 2014 to 2015. There was a significant increase in the number of GST taxpayers for SMTO, with 148 newly registered taxpayers in 2015.

#### **2.1.5 Taxpayer Identification Number Statistics 2008 – 2015**

The Taxpayer Identification Number (TIN) is a unique computer-generated number given to every registered taxpayer and taxpaying entities, individuals, Government departments, public corporations, commercial businesses and other bodies. As its name implies, the TIN identifies taxpayers for the purpose of all their tax and other revenue liabilities. It is also required for identification in all other transactions and dealings with the NRA. There has been a continuous increase in the number of TINs issued up until 2014 when number of TIN issued dropped drastically from 6120 in 2013 to 5221 in 2014.

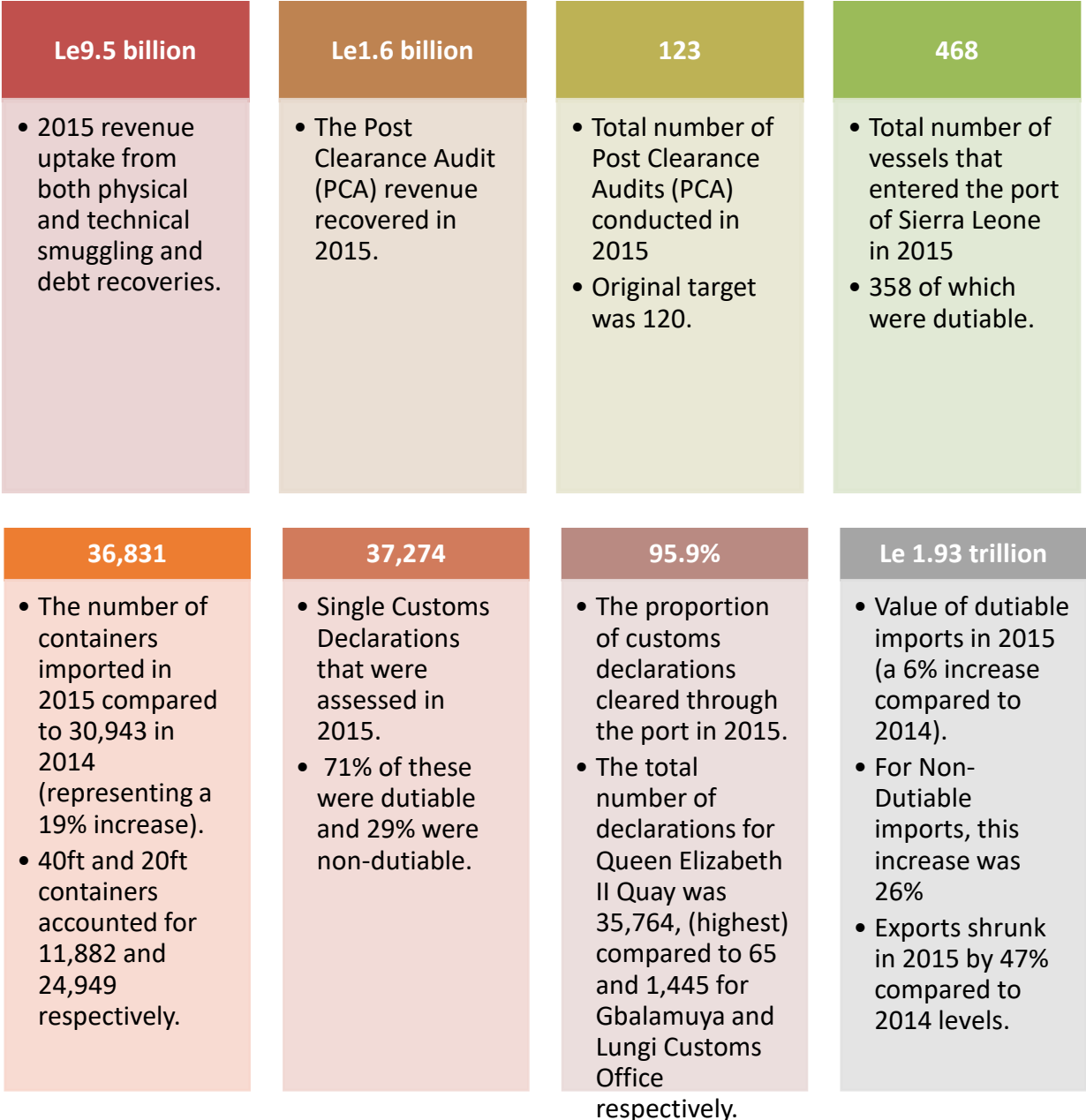
#### **2.1.6 GST compliance (filing of payments on time/late)**

In 2015 as compared to 2014 there was an increase in returns filing for both categories of taxpayers. There was a 12% increase in the returns filing for the small and medium taxpayers. There is an observed 1.4% increase in the returns filing on time for the large taxpayers.

#### **2.1.7 Field Tax Audits in 2015 (planned/actual)**

Field audits are conducted quarterly at LTO and SMTO to continually ensure that taxpayers do not evade tax and ensure that the correct procedures are followed when paying taxes. As indicated in Table 8, in 2015 from the 136 field tax audits planned at SMTO only 66 audits were conducted and completed. That is only 48.5% of the audit was completed. At LTO, a total of 44 of the 82 field tax audits planned were completed, that is, 53.7% of the audits planned were completed in 2015. One possible reason that caused the difference is the postponement of most of these audits by the taxpayers.

## 2.2 Customs Services Department



### 2.2.1 Trade Facilitation Activities in 2015

Generally, trade facilitation looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximize efficiency

while safeguarding legitimate regulatory objectives. As one of the Authority’s core mandates, the NRA over the years has contributed in the facilitation of trade within the country through the following ways:

1. Decentralization of the issuance of TINs to the Office of the Administrator and Registrar General (OARG) in 2014.
2. Reduction of customs clearing time (for low-risk importers and error free declarations) to at most one and a half days.
3. Procurement of mobile scanners to facilitate physical examination of consignments both in Freetown customs and the provinces.
4. Construction of a cargo inspection facility at the Queen Elizabeth II Quay to enhance physical examination of goods.
5. Reduced on the number of customs clearing processing path as well as endorsing joint physical examination.
6. Establishment of a Post Clearance Audit Unit (PCA) at Customs; thereby allowing low risk importers to clear without going through rigorous physical examination and later subject them to audit.

### **2.2.2 ASU/PSSD Activities**

The Anti-Smuggling Unit (ASU), formerly called Preventive Services and Special Duties (PSSD) Unit is one of the constituent units of the CSD of the NRA. The prime responsibility of this unit is to curb smuggling through frequent border patrols and physical examination of consignments with the resultant aim of minimizing

revenue leakages. Though the unit is stationed at CSD, it reports directly to the Commissioner General of the Authority. The Unit contributed Le9.5billion to the total revenue reported by CSD in 2015. This amount includes revenue uptake from both physical and technical smuggling and debt recoveries.

Below are the core ongoing activities of the unit:

- Designing and implementing strategies to control smuggling nationwide.
- Preventing the inflow of prohibited goods and ensuring that goods imported into the country satisfy all legal requirements for such importation.
- Conducting land and sea patrols and monitoring the activities of any smuggling gangs.

- Monitoring and providing escort of goods and vehicles on transit and for export to neighbouring countries.
- Providing adequate inspection and monitoring of warehouses, factories and monitor clearance on permits.
- Supports all NRA outstations in line with the Authority's goal of revenue maximization, preventing smuggling and enforcing other border protection services.
- Liaising with other security agencies and analyse any intelligence provided by them for submission to the authorities for appropriate action to control smuggling.

### **2.2.3 Post Clearance Audit Activities in 2015**

The PCA Unit was set up in 2011 by the management of Customs as part of NRA's effort to modernize customs processes and procedures and more so to reduce excessive controls and to promote legitimate trade consistent with best practice. The unit is tasked with the responsibility to conduct field audits by means of verifying the accuracy of import and export declarations, accounting records and all relevant customs commercial data held by persons /companies directly or indirectly involved in international trade and the accomplishment of Customs formalities. The outcome of such undertakings compliments the effort of Risk Management Unit in profiling traders based on compliance level.

In other words, the PCA serves as a fiscal safety net for revenue leakages by recommending where applicable possible recovery and any control measure that may be of relevance to Customs management.

The PCA carries out its audit exercises anchored on a comprehensive annual audit plan. The audit plan is drawn up by the Risk Management unit based on several agreed risk indicators. The PCA is not a revenue generation unit; but its activities in most case contribute to revenue collection by the CSD.

A total of 123 audits were completed, marginally exceeding the target of 120 with a revenue recovery to the tune of Le 1.5 billion. Comparatively, in

2014, 106 audits were completed, considerably short of the target of 180, with a recovery of Le 2.7 billion. The recoveries identified in 2015 were

largely due to misclassifications, variation in historical values, under assessment, and errors in freight among others.

**2.2.4 Vessels/Ship Analysis 2014/2015**

Total number of vessels that entered the port of Sierra Leone in 2015 was 468 compared to 551 in 2014 (a decrease of 15%); as shown in Figure 9. Of the 468 vessels, 358 and 110 were dutiable and non-dutiable vessels respectively. Were as of those 551 vessels recorded in 2014,

dutiable and non-dutiable vessels were 324 and 227 respectively. This shows that whilst there was an increase in the number of dutiable vessels in 2015, there was a substantial decrease in non-dutiable vessels in 2015.

**Figure 9: Dutiable and Non-Dutiable Vessel Analysis 2014/2015**

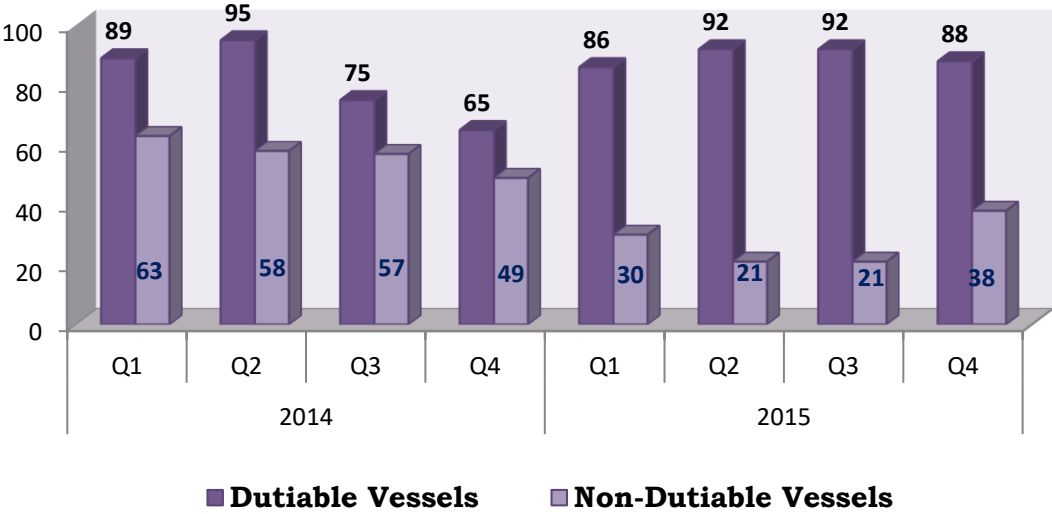
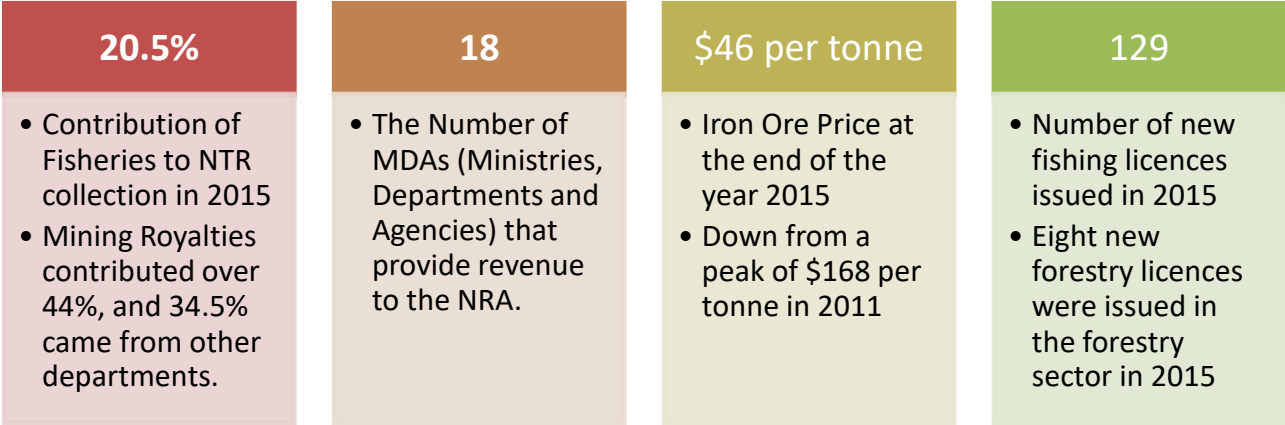


Figure 4 demonstrates that quarters two and three of 2015 recorded the highest inflow of dutiable vessels, 92,

but the lowest inflow of non-dutiable vessels, 21.

In 2014, the highest inflow of dutiable vessels was also in quarter two, 95 vessels, followed by quarter one, 89 vessels. However, unlike 2015, the lowest inflow of non-dutiable vessels, 29, in 2014 was recorded in quarter four. The high increase in the inflow of non-dutiable vessels in 2014 could be as a result of the Ebola outbreak which led to a highly significant importation of medical consignments (medicines and medical equipment) that do not attract payment of duties.

### 2.3 Non-Tax Revenue (NTR) Department



Unlike other Operational Departments of NRA, the NTR has a limited taxpayer base and works exclusively with MDAs to collect and account for all non-tax revenues they levy. For 2015 NTR managed collecting revenues from 18 MDAs.

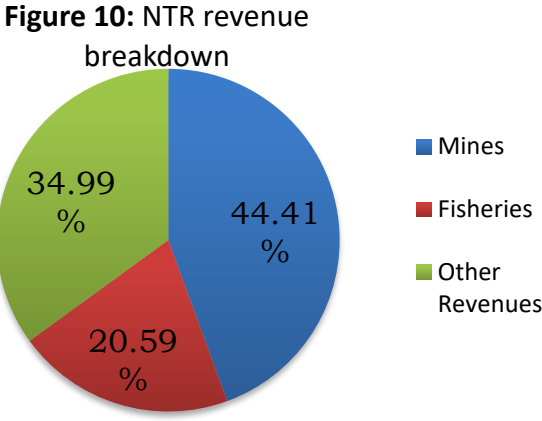
#### 2.3.1 Mining Sector

NTR is responsible for the collection of royalties, license and other registration fees from the mining sector. While the mining sector was still the highest revenue contributor to NTR in 2014, this changed in 2015 with the mining sector only

constituting 44% of total non-tax revenue collected.

The main reasons for this cut in revenues has been a slowdown of the Chinese economy coupled with a drastic fall in iron ore prices – falling

from a peak of \$168 per tonne in 2011 to \$46 per tonne in February 2016. Figure 10 depicts the breakdown of NTR revenue collection in 2015.



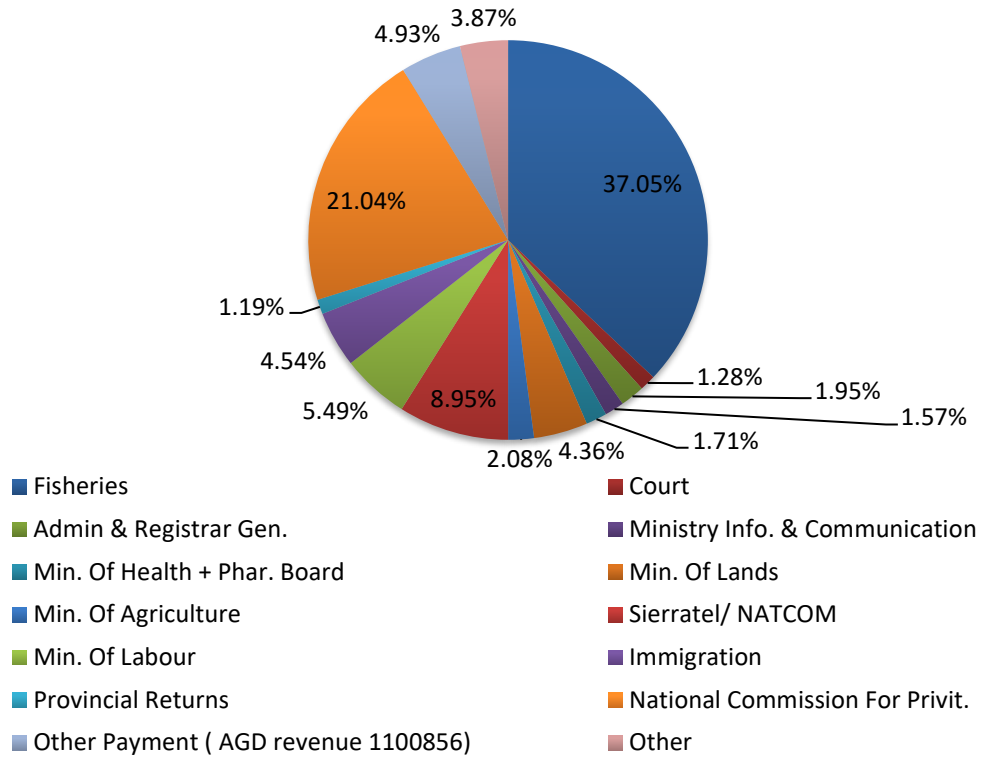
**2.3.2 Analysis of Other MDAs**

Followed by the mining sector, the largest source for non-tax revenue is the fisheries sector (contributing 20.5 % to total non-tax revenue collected) and the ministry of lands.

The continuous increase in revenue from the fisheries sector from Le31bn to about Le40 billion was mainly due to the increased awareness by the stakeholders for licensing of individual fishing vessels and the acquisition of territorial water patrol boat by Government of Sierra Leone.

The significant increase in work permit revenues was due to the NTR’s collaboration with the relevant stakeholders and the public awareness campaign by the public affairs and Tax Education (PATE) unit of the NRA. Further, NTR also increased the collection in work permit revenues by (a) reconciling and exchanging data with other units within the NRA, especially LTO (b) accessing more details of taxpayers on their foreign employees using a standardized template.

**Figure 11: Breakdown of MDAs under NTRD**





## 3.0 PROGRESS TOWARD THE STRATEGIC GOALS

### 3,1 Introduction

This section will build upon the strategic framework as identified in detail above. The NRA has a 5-year strategic plan for 2012-2017 based upon four strategic goals. These goals are identified in this section and an explanation is provided for each. The NRA has made some progress toward each of these four goals in 2015. The specific activities outlined below were undertaken by the NRA in 2015 in the aim of achieving these goals.



### 3.2 GOAL1: Enhancing Revenue Mobilisation

The first strategic goal is to maximize revenue mobilisation. Dependence on donor funding to undertake national development is sometimes unpredictable, problematic and unsustainable. There is donor aid fatigue. Alongside numerous unrealistic conditionality's associated with donor financing, this has made dependence on foreign resources less attractive.

- **Review of NTR rates for four MDAs:**

Some MDAs have outdated fees/rates for goods and services that do not reflect value for money. Proposals for new rates/fees were submitted to MDAs as per output and rates for three of the four MDAs have been approved by Parliament. The remaining legislation for the Ministry of Agriculture, Forestry and Food Security (MAFFS) is now at the Law Officers Department for eventual submission to Parliament.

- **Small taxpayer regime to capture the “hard-to-tax”:**

Tax compliance from the informal sector remains very low. However, the legal framework for Small and Micro Enterprises (SMEs), the tax-payers regime and a corresponding database have now all been established and are in operation.

- **Debt Management Unit set up:**

Separate debt management responsibilities exist for every operational department. Hence, there is a need to centralise for effective debt management and to better synchronise data and enforcement actions.

A provisional centralised debt management team was set up and is operational. More than 10% of the total debt stock has been recovered. The provisional debt enforcement team set up will be co-opted into the proposed unit. The performance of this team has been evident in the recovery of huge debts in quarter 4 of 2015.

- **NRA Act 2002 to be reviewed and submitted for Cabinet approval:**

An ASI Consultant has been recruited, and issues for consideration in the review have been drafted; internal and external stakeholder consultations have commenced. The review of the Act is in progress and the process of consultation and drafting is in an advanced stage. This activity has now been rolled over to 2016.

- **Revised Income Tax and Goods & Services Tax Acts developed or formulated:**

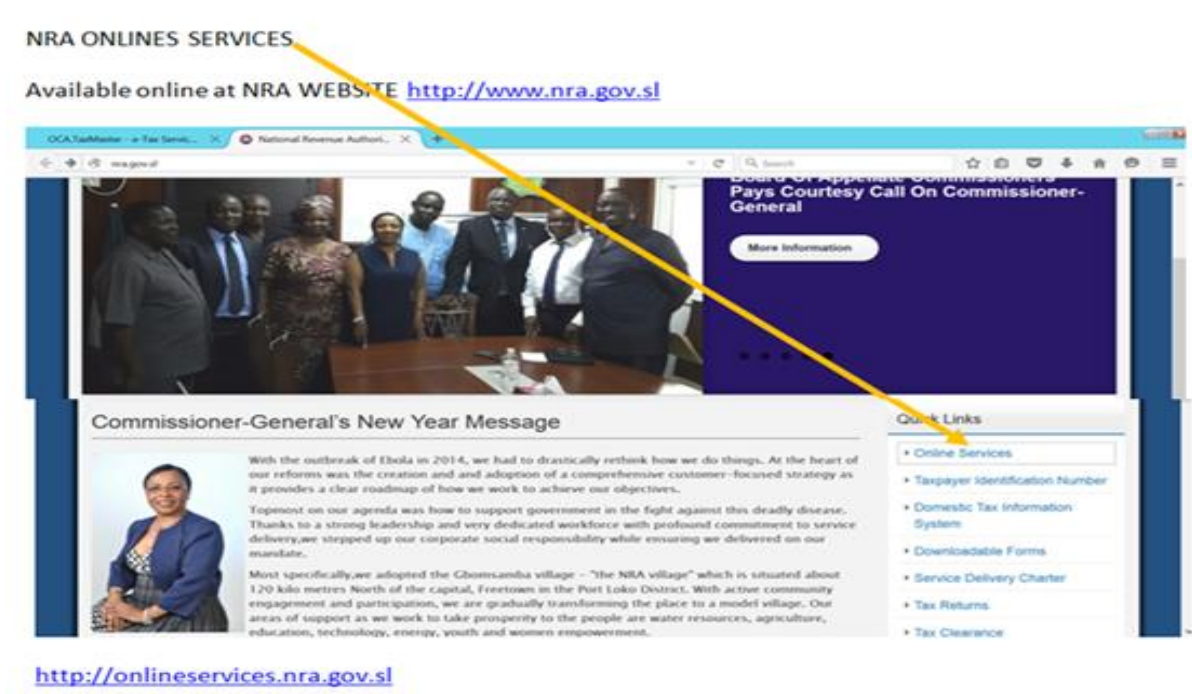
This activity was taken over by Adam Smith International (ASI) and is contingent upon approval from cabinet of the Revenue Administration Bill. ASI has commenced the review process of both Acts. This output is yet to be completed due to delays in Cabinet and Parliamentary approval of the RAB. However, the review process of both Income Tax and GST Acts is in progress and will be completed after Parliamentary approval.

### 3.3 GOAL 2: Improving Efficiency and Effectiveness through Modern Technology

The second goal of the strategic plan is to improve the efficiency and effectiveness of our systems through modern technology. The aim here is to simplify our business processes in order to reduce compliance time and costs and increase the ease of doing business. Part of the strategy to achieving this goal is to continue with automation and to fully integrate tax administration systems across the NRA. The benefit of automation is not only seen in reducing transaction time and cost, but also in minimizing corruption through inbuilt audit trails in these systems.

- **System to support online submission of Income Tax Returns developed:**

Although the Domestic Tax Information System is already operational, a manual system for the submission of tax returns still operates at the NRA thus creating inconveniences both for the taxpayers and NRA. Testing of the system has been done and training of taxpayers on the system started. The system has been piloted to 8 taxpayers and has gone live since quarter one of 2016.



- **Virtual Private Network (VPN) for ASYCUDA++ extended to Western Area:**

The VPN access to ASYCUDA++ which initially was restricted to Customs Cline Town office and its environs only, has been extended to Western Rural and sensitization has also been done.

- **Introduction of an Integrated Tax Administration System commenced:** Preparation for the introduction of ITAS has already commenced as Business Process Re-engineering (BPR) meant to identify its requirements has been completed and the procurement process commenced. Separate systems do exist for administration of the different domestic taxes as well as for those of international trade taxes and hence the rationale for the introduction of an ITAS.

- **ICT Security and Standards Policies implemented to achieve ISO standards:**

Progression to automation is now apparent, hence the need for the development and approval of ICT security and standard policies. However, the certification of the ICT Standards is contingent on SLSB customising the ISO 27,000 standards for Sierra Leone, which will take place in 2016.

- **Automation of the NTR Extractives and revenue streams of the NRS, MLSS, and MAFFS:**

Development of software for NTR Extractives Payment System is in progress. The NRA will engage RDF and ASI for extension of the NTRS to the other MDAs.

- **Electronic Records Management Project:**

This is aimed at automating the Authority's records; both from operations and support departments of the Authority. It has the advantage of making tax administration more efficient. Funds have been secured and framework and technical specification/requirement for tendering completed. The contract has been awarded and work has started.



### **3.4 GOAL 3: Improve Customer Satisfaction and Public Confidence in the Authority**

The third strategic goal of the plan aims to improve customer satisfaction and public confidence and trust in the Authority in a manner that would yield sustained results. We consider our customers (taxpayers and other stakeholders) most important, and our key strategy will be skewed towards the provision of timely and quality services, ensuring collaboration with the public and engaging on information sharing to improve communication and key external relationships. Being transparent in our operations and tackling corruption and staff integrity have also been taken into consideration.

- **Customs average clearance time maintained at one and a half day:**

Clearance time and technical control for importers is currently on an average of 1.5 days in 2015. The average clearance time for error-free declarations has been maintained at one and half days (as targeted) for customs clearance process.

- **An Additional 3 MOUs signed with key stakeholders to strengthen institutional collaboration:**

There is a need for MOUs to be signed with additional institutions. The Anti-Corruption Commission, Njala University College, and National Minerals Agency were selected to sign MOUs with the Authority in 2015 to add to the list of

previous MOUs signed by the Authority with the Sierra Leone Police, Attitudinal and Behavioural Change and Fourah Bay College. Signing of the third MOU (with the National Minerals Agency (NMA)) will be done in the first quarter of 2016.



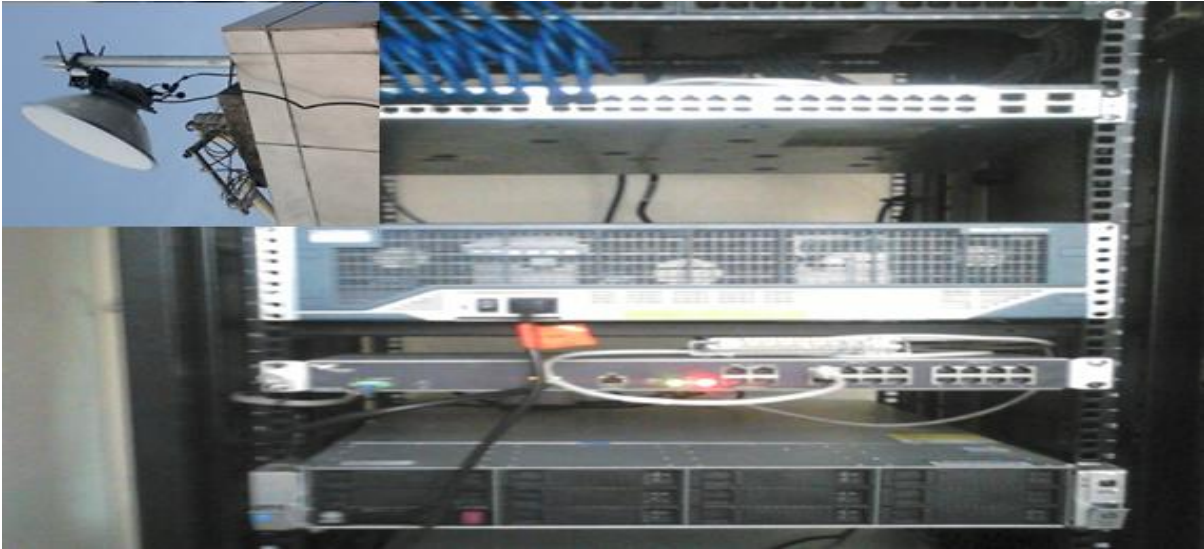
- **Construction of one Market Toilet:**

This project is geared towards offering support to our importers and taxpayers who ply the Sierra Leone-Guinea route via Kambia. Decent toilet facilities will be constructed at the Bamoi Market to the benefit of our taxpayers. Land and funds have been secured. Drawing and design have been completed and submitted, and contracts have been awarded. The NRA retainer architect is to survey the site and provide design.

- **Taxpayer call centre established:**

In order to maintain a robust position on automation of NRA’s business processes and procedures with the resultant aim of strengthening the services of our valued taxpayers, the NRA embarked on the establishment of a taxpayer call centre in 2014. This project, though seriously affected by EVD in 2014, was largely completed in 2015. Its prime function is to pick up calls from our various customers and relay them to experts to address their concerns. All the materials have been procured and installed and the project awaits the signing of a contract

on the provision of “dedicated lines” with Africell; the other network companies Airtel and Sierratel shall follow later as the project proceeds.



**Donation of Bus to Njala University:**

In fulfilment of the Authority’s Corporate Social Responsibility (CSR), the NRA in 2014, donated an 18-seater bus to the Fourabay College, University of Sierra Leone. A similar donation was again made to the Njla University in addition to a series of other social corporate responsibilities.



### **3.5 GOAL 4: Developing Human Capital and Strengthening Institutional Capacity**

The fourth strategic goal of the plan is to develop human capital and strengthen the institutional and organizational capacity of the Authority including corporate governance. This is where we are committed to developing the skills and competencies of our workforce and motivate them to deliver through improved conditions of service. Developing a code of corporate governance, strengthening our integrity committee and improving our corporate social responsibility will be critical to achieving this goal.

- **A comprehensive skills audit of NRA staff conducted to align staff capacity to relevant works:**

Although staff training has been undertaken for various categories of staff, there is always the need for the Authority to have a comprehensive report on the capacity gap(s) and training needs of its employees. The Authority through the MRP Department therefore conducted a comprehensive Skills Audit on its Employees in 2015. Final report will be produced by the end of quarter one of 2016, as draft report has already been produced, awaiting comments from members of the SMT.

- **Recruitment of 160 in-house staff for CED:**

CED recruitment is required to fill existing vacancies and meet reform requirement for CED restructuring. The Board has approved the existing organogram. Recruitment of managers and supervisors has been completed. Recruitment of Revenue officers to be completed in January 2016.

- **Construction of Platform for Mobile Scanner at Gbalamuya:**

There is a need to introduce modern customs examination procedures to Gbalamuya to compliment ASYCUDA++. Resources have been mobilised from the Peoples Republic of China and the NRA has accepted the request to commence the procurement process and transportation of scanners. Negotiation to get a contractor is at an advanced stage now. An additional scanner is on the high seas.



- **Good Governance Workshop:**

The good governance workshop brings together Boards of Directors of various public institutions to benefit from corporate governance training and also to share practical experiences on good governance.



## 4.0 CHALLENGES & WAY FORWARD

### 4.1 Challenges:

Despite the impressive revenue performance recorded in 2015, the following remains as key challenges for the Authority as we forge ahead with our revenue collection mandate:

- **Taxpayer base:** The informal sector which narrows down the tax base of most economy including Sierra Leone, continue to pose serious threat to the tax administration system by the NRA as this sector is growing at an increasing rate.
- **Tax Compliance:** Tax compliance, which largely has to do with filing and payment of taxes on time, remains a challenge; especially among the small and medium taxpayers where compliance rate is still below 70% as opposed to 94% by large taxpayers.
- **Tax policies/regulations:** Over the years we have experienced how tax policies/regulations have lowered the revenue base of the Authority. For instance, it's no secret that the NRA has forgone lots of revenue in respect of the zero-import duty and import GST rates associated with rice importation and granting of series of discretionary duty-free concessions.
- **Information Technology:** Automation of tax systems has proven excellent in modern tax administration. As an Authority, most of our tax processes and procedures are either partially automated or not automated at all. This continues to pose operational challenges with respect to tax/revenue assessment, payment and reconciliation.
- **Slow recovery of the Economy:** The slow recovery of the economy has and continues to have a negative effect on revenue mobilization driven by the Authority. With the current deteriorating international price of iron ore coupled with very low activities in the export market and volatile exchange rate, the activity of the Authority is bound to be affected to a certain limit.

## **4.2 Measures for Meeting the 2016 Revenue Target:**

### **1. Tax Policy Measures (as stated in the 2016 Finance Bill)**

- Elimination of discretionary waivers – MDAs are now required to pay for their inputs.
- Liberalisation/harmonisation of the petroleum pricing formula - retail pricing formula to be harmonised with the commercial pricing formula to eliminate subsidies.
- Increased PAYE rate for top earners (Le2 million/month) from 30% to 35%.
- Increase in withholding tax on management and technical fees from 10 percent to 15 percent.
- Introduction of a national health insurance levy of 0.5 percent on the value of all contracts in support of the proposed National Health Insurance Scheme.

### **2. Tax Administration Measures**

(i) Implementation of measures to curb fraud and tax evasion in 2016, including the following key actions:

- Build capacity for specialized revenue audits, especially in the mining, financial and telecommunication sectors.
- Implement the Small Taxpayer Preparer Scheme to add flexibility in compliance management of the hard-to-tax sector.
- Develop and implement a revenue accounting and reconciliation system for effective reconciliation with transit accounts in the commercial banks and the Central Bank.
- Better regulate and capacitate Clearing and Forwarding Agents

(ii) Expand the existing automation drive to include online submission of domestic tax returns; implementation of the automated Extractive Revenue Payment system of NTR; rolling out of the enhanced DTIS software to Transit Banks to capture tax payments and issue receipts on time; and Enhancing the ASYCUDA++ by implementing its remaining modules; and

(iii) Improve GST compliance through the application of a penalty of Le5 million levied on each unauthorized receipt issued by a GST registered business other than that provided or certified by the NRA.

(iv) Implement a new Revenue Administration Act with consistent and simplified administrative provisions and rewrite the parent Acts to reflect consequential amendments.

(v) Continuation of STRIP Phase 2 (onto June):

GST compliance, compliance of large & medium taxpayers, re-organization of rental income tax administration, special & provincial audits, and targeting top contractors.

### **4.3 Medium to Long Term Reforms to Support Revenue Collection and Administration:**

- Use of electronic cash registers for GST registered vendors. These registers will interface with the Online Tax System and allow real time capture of transactions to enhance GST compliance as well as reduce under-declarations.
- Expand on current automation drive of tax administration, including the introduction of an integrated tax administration system (ITAS); migration from ASYCUDA++ to advanced ASYCUDA World; and the creation of a data warehouse to link the NRA systems and reconcile revenue and tax administration data for internal and external demands.

## APPENDIX A

### Detailed Revenue Performance 2015 (in LB')

Details	Actual Revenue	Programme Target	Surplus/ Deficit
<b>Total NRA Revenue</b>	<b>2,235.50</b>	<b>2,079.60</b>	<b>155.9</b>
<b>Domestic Tax Department</b>	<b>1,494.70</b>	<b>1,390.70</b>	<b>104.0</b>
<b>Income Tax Revenue</b>	<b>901.7</b>	<b>831.5</b>	<b>70.2</b>
<i>Corporate tax</i>	245	237.2	7.8
<i>Personal Income Tax</i>	650.3	587.4	62.9
<i>Other Taxes</i>	6.4	6.9	-0.5
<b>Goods &amp; Services Tax (GST)</b>	<b>593</b>	<b>559.2</b>	<b>33.8</b>
<i>Import GST</i>	354.2	328.9	25.3
<i>Domestic GST</i>	238.8	230.4	8.4
<b>Customs Revenue (CED)</b>	<b>545.8</b>	<b>515.8</b>	<b>30.0</b>
<i>Import Duties</i>	329.4	300.8	28.6
<i>Petroleum Excise</i>	193.1	200.2	-7.1
<i>Other Excises</i>	23.4	14.8	8.6
<b>Non-Tax Revenue (NTR)</b>	<b>194.9</b>	<b>173.1</b>	<b>21.8</b>
<b>Mines Department</b>	<b>86.5</b>	<b>78.9</b>	<b>7.6</b>
<i>Royalties on Rutile</i>	7.8	11	-3.2
<i>Royalties on Bauxite</i>	6.5	7.3	-0.8
<i>Royalties on Diamond &amp; Gold</i>	28.5	30.3	-1.8
<i>Royalties on Iron Ore</i>	6.1	6.1	0.0
<i>Mining Licences (incl.Pet.)</i>	37.6	24.1	13.5
<b>Other Departments</b>	<b>108.4</b>	<b>94.2</b>	<b>14.2</b>
<i>Royalties etc. on Fisheries</i>	40.1	35.5	4.6
<i>Parastals</i>	17.8	17.8	-
<i>Other Revenues</i>	50.4	40.3	10.1
<i>Freight Levy</i>	-	0.7	-

**Source:**MRP Database

## APPENDIX B

### Detailed Revenue Performance 2014 (in LB')

Details	Actual Revenue	Programme Target	Surplus/ Deficit
<b>Total NRA Revenue</b>	<b>2,174.4</b>	<b>2,132.5</b>	<b>41.9</b>
<b>Domestic Tax Department</b>	<b>1,381.0</b>	<b>1,353.5</b>	<b>27.53</b>
<b>Income Tax Revenue</b>	<b>915.7</b>	<b>888.2</b>	<b>27.54</b>
<i>Corporate tax</i>	277.5	277.9	-0.41
<i>Personal Income Tax</i>	629.7	603.5	26.24
<i>Other Taxes</i>	8.5	6.8	1.72
<b>Goods &amp; Services Tax (GST)</b>	<b>465.3</b>	<b>465.3</b>	<b>-0.01</b>
<i>Import GST</i>	266.4	278.8	-12.34
<i>Domestic GST</i>	198.9	186.5	12.33
<b>Customs Revenue (CED)</b>	<b>500.1</b>	<b>480.8</b>	19.34
<i>Import Duties</i>	268	271.3	-3.21
<i>Petroleum Excise</i>	217.9	196.5	21.4
<i>Other Excises</i>	14.2	13	1.16
<b>Non-Tax Revenue (NTR)</b>	<b>293.2</b>	<b>298.2</b>	-4.97
<b>Mines Department</b>	<b>186.7</b>	<b>192.1</b>	-5.42
<i>Royalties on Rutile</i>	3.4	3.7	-0.36
<i>Royalties on Bauxite</i>	4.6	6.8	-2.17
<i>Royalties on Diamond &amp; Gold</i>	41.1	43	-1.94
<i>Royalties on Iron Ore</i>	96.1	98	-1.95
<i>Mining Licences (incl.Pet.)</i>	41.5	40.5	1
<b>Other Departments</b>	<b>106.6</b>	<b>106.1</b>	0.45
<i>Royalties etc. on Fisheries</i>	31.3	32.6	-1.27
<i>Parastals</i>	0	0	0
<i>Other Revenues</i>	74.2	72.4	1.82
<i>Freight Levy</i>	1	1.1	-0.1

**Source:** MRP Database

## APPENDIX C

### Detailed Revenue Performance 2015 (in LB')

#### NRA Collection 2015 against target

Details	Q1 Total	Q1 Target	Surplus/Deficit	Q2 Total	Q2 Target	Surplus/Deficit	Q3 Total	Q3 Target	Surplus/Deficit	Q4 Total	Q4 target	Surplus/Deficit	Yearly TOTAL	Yearly TARGET	Surplus/Deficit
<b>Total NRA Revenue</b>	<b>546.3</b>	<b>548.8</b>	<b>-2.5</b>	<b>573.5</b>	<b>579.5</b>	<b>-6.0</b>	<b>501.0</b>	<b>484.2</b>	<b>16.8</b>	<b>616.2</b>	<b>467.1</b>	<b>149.1</b>	<b>2,237.0</b>	<b>2,079.6</b>	<b>157.4</b>
<b>Domestic Tax Department</b>	<b>362.7</b>	<b>362.8</b>	<b>-0.1</b>	<b>375.6</b>	<b>379.9</b>	<b>-4.3</b>	<b>336.8</b>	<b>334.9</b>	<b>1.9</b>	<b>421.4</b>	<b>313.2</b>	<b>108.2</b>	<b>1,496.5</b>	<b>1,390.7</b>	<b>105.8</b>
<b>Income Tax Revenue</b>	<b>225.5</b>	<b>225.7</b>	<b>-0.2</b>	<b>214.9</b>	<b>219.5</b>	<b>-4.6</b>	<b>194.5</b>	<b>189.5</b>	<b>5.0</b>	<b>268.5</b>	<b>196.8</b>	<b>71.7</b>	<b>903.4</b>	<b>831.5</b>	<b>71.9</b>
<i>Corporate Tax</i>	<i>56.0</i>	<i>56.1</i>	<i>0.0</i>	<i>65.9</i>	<i>65.9</i>	<i>-</i>	<i>49.9</i>	<i>58.8</i>	<i>-9.0</i>	<i>73.7</i>	<i>56.5</i>	<i>17.2</i>	<i>245.5</i>	<i>237.2</i>	<i>8.2</i>
<i>Personal Income Tax</i>	<i>168.6</i>	<i>168.7</i>	<i>-0.1</i>	<i>147.5</i>	<i>152.1</i>	<i>-4.6</i>	<i>143.3</i>	<i>129.4</i>	<i>13.9</i>	<i>192.2</i>	<i>137.2</i>	<i>55.0</i>	<i>651.6</i>	<i>587.4</i>	<i>64.2</i>
<i>Other Taxes</i>	<i>0.9</i>	<i>0.9</i>	<i>-</i>	<i>1.5</i>	<i>1.5</i>	<i>-</i>	<i>1.4</i>	<i>1.3</i>	<i>0.0</i>	<i>2.6</i>	<i>3.2</i>	<i>-0.6</i>	<i>6.4</i>	<i>6.9</i>	<i>-0.5</i>
<b>Goods and Services Tax</b>	<b>137.2</b>	<b>137.1</b>	<b>0.1</b>	<b>160.7</b>	<b>160.3</b>	<b>0.4</b>	<b>142.3</b>	<b>145.4</b>	<b>-3.1</b>	<b>152.9</b>	<b>116.4</b>	<b>36.5</b>	<b>593.0</b>	<b>559.2</b>	<b>33.8</b>
<i>Customs and Excise Department</i>	<i>146.8</i>	<i>146.8</i>	<i>-</i>	<i>135.7</i>	<i>135.7</i>	<i>-</i>	<i>120.6</i>	<i>114.9</i>	<i>5.7</i>	<i>142.7</i>	<i>118.3</i>	<i>24.4</i>	<i>545.8</i>	<i>515.8</i>	<i>30.0</i>
<i>Non-Tax Revenue</i>	<i>36.9</i>	<i>39.3</i>	<i>-2.4</i>	<i>62.2</i>	<i>63.9</i>	<i>-1.7</i>	<i>43.6</i>	<i>34.4</i>	<i>9.2</i>	<i>52.1</i>	<i>35.6</i>	<i>16.5</i>	<i>194.7</i>	<i>173.1</i>	<i>21.6</i>
<b>Mines</b>	<b>16.2</b>	<b>17.4</b>	<b>-1.2</b>	<b>24.5</b>	<b>24.9</b>	<b>-0.4</b>	<b>24.5</b>	<b>17.1</b>	<b>7.4</b>	<b>21.4</b>	<b>19.5</b>	<b>1.9</b>	<b>86.5</b>	<b>78.9</b>	<b>7.7</b>
<i>Other Depts.</i>	<i>20.7</i>	<i>21.9</i>	<i>-1.2</i>	<i>37.7</i>	<i>39.0</i>	<i>-1.3</i>	<i>19.1</i>	<i>17.3</i>	<i>1.9</i>	<i>30.7</i>	<i>16.1</i>	<i>14.6</i>	<i>108.2</i>	<i>94.2</i>	<i>14.0</i>

**Source:** MRP Database

## APPENDIX D

### Domestic Revenue Target 2016 (LM')

Detail	Q1 Jan - Mar	Q2 Apr - Jun	Q3 Jul - Sep	Q4 Oct - Dec	Q1 - Q4 Jan - Dec
<b>Total Domestic Revenue (Excluding Grant)</b>	<b>619,293</b>	<b>667,941</b>	<b>602,665</b>	<b>669,440</b>	<b>2,559,339</b>
<b>Total NRA Revenue Target</b>	<b>592,733</b>	<b>637,409</b>	<b>575,878</b>	<b>639,816</b>	<b>2,445,836</b>
<b>Domestic Tax Department (DTD)</b>	<b>379,888</b>	<b>407,166</b>	<b>373,989</b>	<b>394,460</b>	<b>1,555,503</b>
<b>Income Tax Revenue</b>	<b>231,303</b>	<b>236,356</b>	<b>224,134</b>	<b>228,730</b>	<b>920,523</b>
<i>Corporate Tax</i>	67,582	69,644	61,100	60,572	258,898
<i>Personal Income Tax</i>	161,746	164,443	161,043	165,956	653,189
<i>Other Taxes</i>	1,974	2,269	1,991	2,202	8,436
<b>Goods and Services Tax</b>	<b>148,585</b>	<b>170,810</b>	<b>149,855</b>	<b>165,730</b>	<b>634,980</b>
<i>Import GST</i>	85,432	98,211	86,163	95,290	365,096
<i>Domestic GST</i>	63,153	72,599	63,693	70,440	269,884
<b>Customs and Excise Department</b>	<b>164,666</b>	<b>168,156</b>	<b>159,314</b>	<b>201,348</b>	<b>693,483</b>
<i>Import Duties</i>	79,560	91,460	80,240	118,740	370,000
<i>Excise Duties on Petroleum     Products</i>	80,445	71,338	74,374	77,410	303,568
<i>Other Excise Duties</i>	4,660	5,357	4,700	5,198	19,916
<b>Non Tax Revenue Department</b>	<b>48,180</b>	<b>62,087</b>	<b>42,575</b>	<b>44,008</b>	<b>196,850</b>
<b>Mines Department</b>	<b>21,885</b>	<b>18,561</b>	<b>19,038</b>	<b>16,949</b>	<b>76,433</b>
<i>Royalty on Rutile</i>	4,362	5,014	4,399	4,865	18,641
<i>Royalty on Bauxite</i>	1,783	2,049	1,798	1,988	7,618
<i>Royalties on Diamond &amp; Gold</i>	7,091	7,002	5,143	6,794	26,031
<i>Royalty on Iron Ore</i>	-	-	-	-	-
<i>Licenses etc.</i>	8,650	4,495	7,698	3,302	24,144
<b>Other Departments</b>	<b>26,294</b>	<b>43,527</b>	<b>23,536</b>	<b>27,059</b>	<b>120,416</b>
<i>Other Revenue - incl.         Freight Levy</i>	254	292	256	283	1,084
<i>Royalties etc. on Fisheries</i>	10,249	11,782	10,337	11,232	43,601
<i>Parastatals</i>	2,340	2,690	2,360	2,610	10,000
<i>Other Revenues</i>	13,451	28,762	10,583	12,934	65,731
<b>Road User Charges &amp; Vehicle Licenses</b>	<b>26,560</b>	<b>30,532</b>	<b>26,787</b>	<b>29,624</b>	<b>113,503</b>

SOURCE: Budget Profile for FY2014 - 2018



## APPENDIX E

### Customs Duty & Import GST Concession by Category of Exemptions, 2015

(in LM')												
Period	Embassies		Public Int. Org		Non Govt. Org		Mining/Expl Co		Others		Total	
	Duty	GST	Duty	GST	Duty	GST	Duty	GST	Duty	GST	Duty	GST
<b>TOTAL</b>	<b>7,486</b>	<b>5,088</b>	<b>39,777</b>	<b>40,843</b>	<b>13,600</b>	<b>17,237</b>	<b>7,320</b>	<b>5,013</b>	<b>112,154</b>	<b>127,388</b>	<b>180,336</b>	<b>195,569</b>
Jan-15	816	414	2,024	2,709	1,003	1,215	2,099	1,697	5,951	5,380	<b>11,892</b>	<b>11,417</b>
Feb-15	186	160	911	1,109	1,036	1,089	-	-	5,321	4,898	<b>7,454</b>	<b>7,256</b>
Mar-15	161	128	2,866	3,792	1,289	2,026	1,665	1,047	11,422	20,678	<b>17,403</b>	<b>27,671</b>
Apr-15	57	93	6,391	6,047	1,455	2,545	491	388	8,808	8,367	<b>17,202</b>	<b>17,440</b>
May-15	978	503	2,204	1,721	1,355	1,740	0	-	4,926	5,408	<b>9,463</b>	<b>9,372</b>
Jun-15	377	377	9,817	9,452	656	1,230	1,424	1,291	25,841	39,471	<b>38,114</b>	<b>51,822</b>
Jul-15	1,984	11	2,042	1,600	1,613	2,468	235	24	8,147	6,160	<b>14,021</b>	<b>10,263</b>
Aug-15	611	966	3,708	3,550	1,756	933	321	260	6,541	4,586	<b>12,938</b>	<b>10,296</b>
Sep-15	839	510	3,573	3,921	422	854	-	-	13,256	11,917	<b>18,090</b>	<b>17,202</b>
Oct-15	838	1,191	3,573	3,921	1,351	1,421	25	-	6,095	4,384	<b>11,883</b>	<b>10,918</b>
Nov-15	558	618	1,766	1,882	738	780	207	94	6,461	6,970	<b>9,731</b>	<b>10,344</b>
Dec-15	82	116	901	1,138	924	935	851	212	9,387	9,168	<b>12,145</b>	<b>11,569</b>