



NATIONAL REVENUE AUTHORITY

ANNUAL REPORT 2016

BY:

MONITORING, RESEARCH AND PLANNING DEPARTMENT

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EXECUTIVE SUMMARY

The National Revenue Authority (NRA) was established in 2002 through an Act of Parliament called the NRA ACT, 2002. The mandate of the Authority is to assess and collect national revenue, provide for the administration and enforcement of revenue laws, make recommendations to Government for the amendments of certain laws relating to revenue for the purpose of assessing, auditing, and collecting domestic taxes, customs duties and other revenues specified by law.

In view of performing its given responsibilities, the NRA is thrilled to present its annual report for the 2016 financial year. The report underscores reforms and strategies employed to enhance revenue mobilization, reduce revenue leakages, improve customer services, and challenges faced during the period.

Revenue Collection:

Despite the persistent increase in the annual revenue projections, revenue collection has been impressive, particularly in the last ten (10) years. Revenue collected and banked by the NRA for the year 2016 amounted to Le2.799 trillion against a revised annual target of Le2.702 trillion. This collection represents about 4 percent above the revised target. To meet this target, the Authority undertook key initiatives such as the Short-Term Revenue Improvement Programme (STRIP), sensitization campaigns geared towards improving voluntary compliance, strengthening of service delivery, enforcement efforts, and improved internal processes and procedures, and the implementation of a range of audits.

Strategic Management System:

Improved internal systems based on excellent strategic management practices are required for effective and efficient revenue administration. To achieve these results, the Authority implemented its Strategic Plan for the Fiscal period 2013 – 2017 and work plans for each Department and Division. To this end, the Authority ensured a sound administrative foundation by monitoring the progress of these plans. Specifically, the 2013 – 2017 Strategic Plan outlines four broad strategic goals that the NRA aims to achieve: (1) the revenue perspective, (2) the Business

Processes perspective, (3) the Customer perspective and (4) the Growth and Learning perspective.

Challenges:

The NRA is faced with both tax policies and revenue administration challenges. Like most African countries, Sierra Leone has a narrow tax base which reduces potential revenues and makes the country more dependent than it could be on a small section of society. Broadening of the tax base is a key challenge to mitigate this problem. Furthermore, the country is challenged with the growing informal sector making taxation in this sector difficult. These, together with fall in commodity prices particularly in the Iron Ore sector; high rates of tax evasion and avoidance; difficulties in the procedures and criteria for tax rulings and tax decisions form the key challenges the Authority face in carrying out its responsibilities.

The Way Forward:

The NRA is committed to collecting the needed revenues to help the Government finance its budgetary requirements. In this regard, the Authority seeks to mitigate some of these challenges. On the policy side, the Authority seeks to implement the following measures:

- ✓ Imposition of excise on tobacco imports and increase in the import duty rate from 10% to 20%
- ✓ Consolidation of domestic revenue, allowing revenue retaining MDAs to remit their collection into the CRF
- ✓ Restriction of duty waivers by ensuring incentives are granted transparently through existing legislations
- ✓ Legislates a royalty charge of 0.5% on turn over for the telecoms service providers
- ✓ Impose 20% excise on gambling and betting ticket sale
- ✓ Review license fee for alluvial and small-scale mining and fisheries operators

On the administrative side, NRA aims to achieve the following:

- ✓ *Quarterly implementation of STRIP*
- ✓ *Fully operationalize the Small Taxpayer Preparer scheme to add flexibility in compliance management of the hard-to-tax sector*
- ✓ *Develop an accurate and reliable taxpayer base by delving into non-compliance in taxpayer registration and consequently engaging in massive nation-wide registration drive*
- ✓ *Increase field tax audit and post-clearance audits*
- ✓ *Undertake investigation/research on High Net-Worth Individuals*
- ✓ *Follow-up from the Compliance Tax Gap Study estimate and identify sources where leakages could be mitigated*
- ✓ *Continued monitoring of Customs and Services Department processes and procedures to reduce revenue leakages and correct inefficiencies*
- ✓ *Improve internal control mechanism/systems and implement the whistle blower policy*
- ✓ *Collaborate with revenue collecting MDAs to improve collection of NTR by fully implementing the NTRS for various revenue collecting MDAs*
- ✓ *Actively engage MoFED to ensure proposed tax policies (upon which targets were raised) are fully enacted as soon as possible*
- ✓ *Implement the ECOWAS Customs CET*

SECTION ONE

1. NRA CORPORATE STRATEGIC FRAMEWORK

1.1 Introduction

This section presents an overview of the NRA corporate statement, NRA core values, strategic plan with respect to the Authority's vision, mission and strategic goals. It also provides an insight into the Authority's governance arrangements.

1.2 NRA Corporate 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 those revenues.

The Authority has four (4) core mandates as follows:

- Assess and collect revenues on behalf of government
- Improve compliance (Filing & payment on time)
- Improve trade facilitation
- Border security (i.e. to minimize physical smuggling)

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.

1.3 NRA Core Values

Our activities (revenue collection processes and procedures) are 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 service 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, in order to facilitate tax compliance and minimize its associated costs.

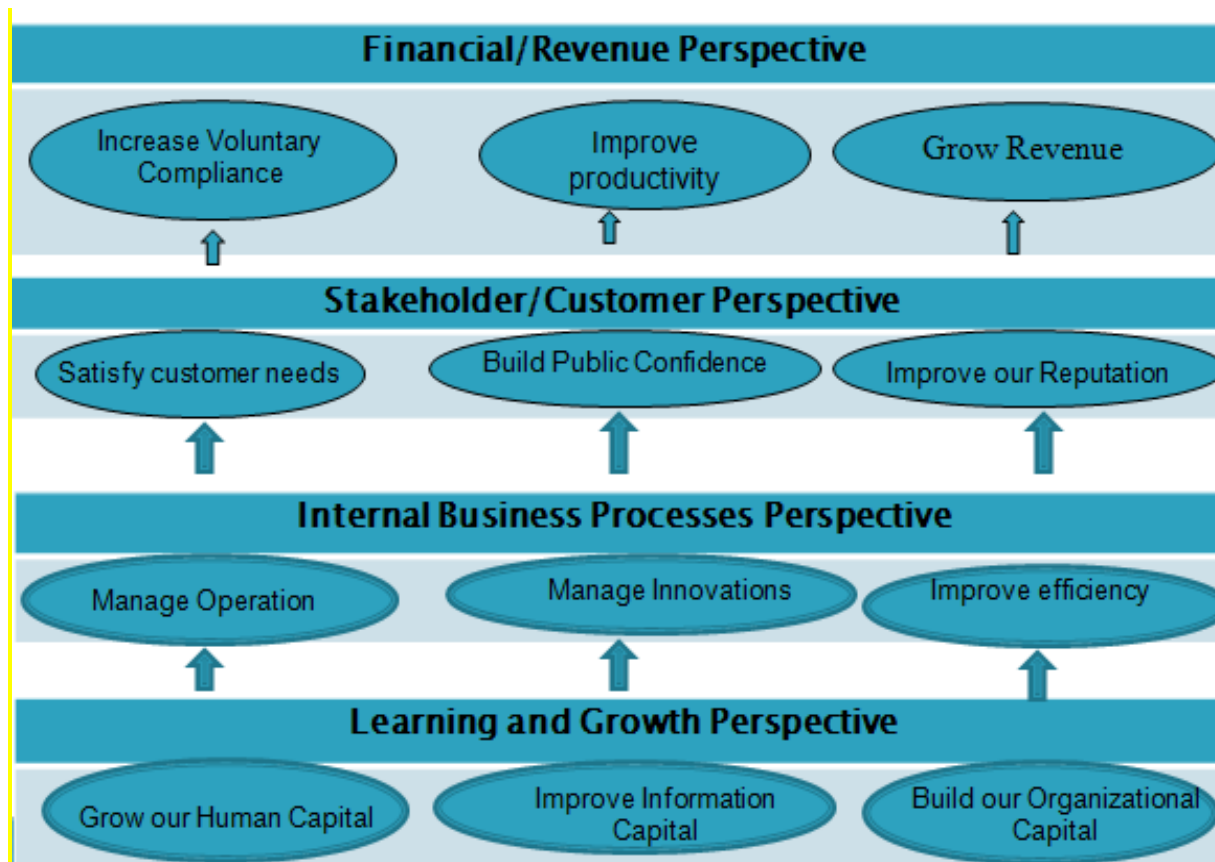
1.4 NRA Strategic plan 2013-2017

Having established a sound administrative foundation to take the organization forward during the course of the previous planning cycle, the Authority's 2012 – 2016 Strategic Plan was revised to range from 2013-2017 with the aim of shifting its strategic orientation from one focused on inputs (in terms of institutional restructuring, the acquisition of IT, etc.) to one aimed at revenue efficiency and effectiveness, development of staff and improving interaction with stakeholders otherwise referred to as our valued customers.

The current 2013 – 2017 strategic plan therefore views the Authority from four (4) perspectives namely: the Revenue perspective, the Business Processes perspective, the Customer perspective and the Growth and Learning perspective. The plan ensures that members of the organization are working toward the same goals in response to a changing environment. These four (4)

perspectives are translated into what we referred to as the Strategic Map Model (SMM) as shown in Figure 1.

Figure 1.0: The NRA Strategic Map Model (SMM)



1.5 Strategic Goals and Objectives

In conformity with the SMM, the new strategic plan correspondingly has four (4) strategic goals for the period 2013-2017.

1. To enhance revenue mobilisation to deliver on NRA's mandate and ensure sustainable fiscal revenue for government by improving voluntary compliance.
2. To improve customer satisfaction, public perception and trust in the Authority by delivering quality and consistent services, building professionalism and staff integrity.
3. To improve efficiency and effectiveness in business processes through modern technology
4. To develop our human capital and strengthen organisational and institutional capacity.

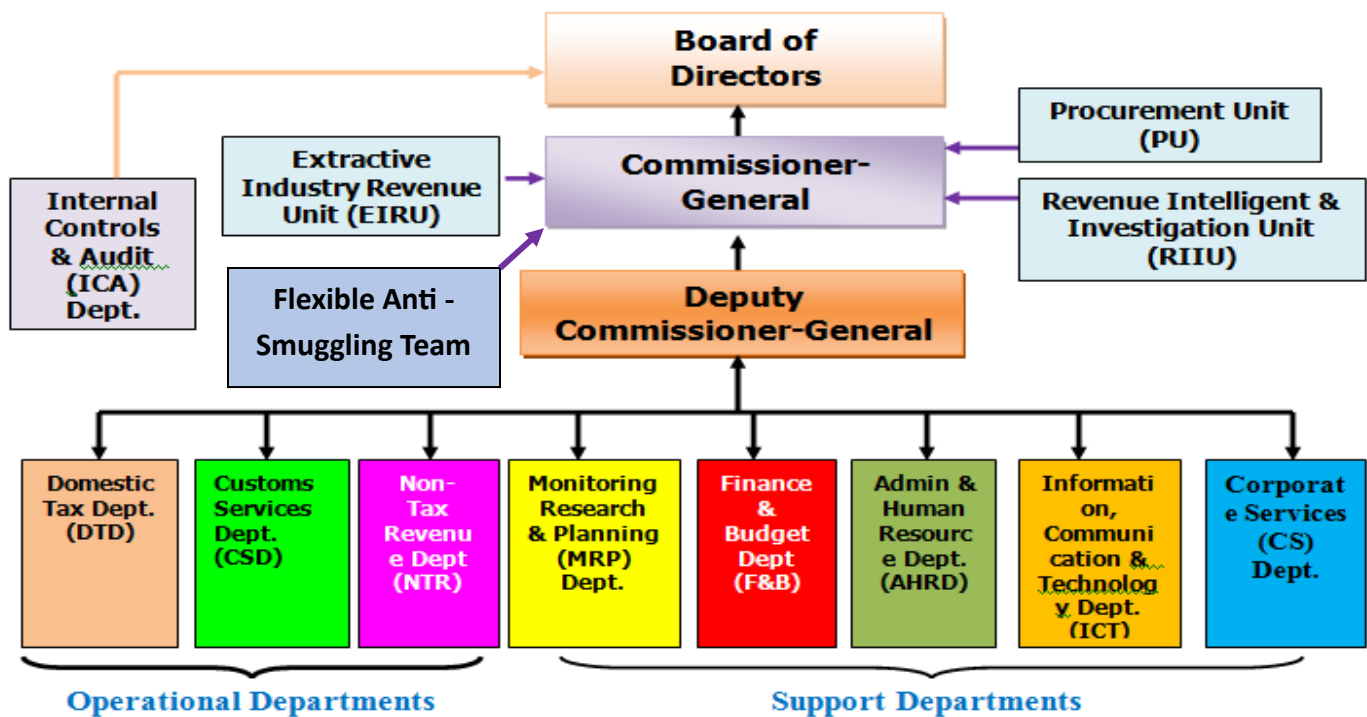
These strategic goals, in turn, have been disaggregated into a series of objectives, outcomes and key performance indicators which are set out to provide a basis for effective monitoring of the implementation of the plan.

However, as the life cycle of the current 2013 – 2017 strategic plan is about to be completed, the Authority through technical assistance by the Adams Smith International (ASI)/UK Department for International Development has commenced review of the current plan with the resultant aim of developing a new strategic plan for the next five-year period 2018 – 2022.

1.6 NRA Governance Arrangements

The NRA is a semi-autonomous government Authority charged with the responsibility of collecting and accounting for all domestic revenues including the non-tax revenues. Headed by a Commissioner-General (CG), the activities of the Authority are overseen and supervised by the Board of Directors and Ministry of Finance and Economic Development (MoFED) respectively. The Authority currently has three (3) operational departments, six (6) support departments, and three (3) Units - a revenue enhancement unit - Revenue Intelligence and Investigation Unit (RIIU) and the Extractive Industry Revenue Unit (EIRU) and a Procurement Unit; all operate directly under the Office of the CG.

Figure 1: NRA Organizational/Current Management Structure



While operational and support departments are headed by Directors or Commissioners, RIIU, EIRU and PU are headed by an Assistant Commissioner, a Manager and a Supervisor respectively.

1.6.1 The Board of Directors

As enshrined in the NRA Act 2002, Part II of Section 5, Sub-section 3 Paragraph (a) – (g), the NRA Board of Directors constitute a seven (7) person team as following

1. *The Board Chairman*
2. *The Financial Secretary*
3. *The Governor, Bank of Sierra Leone*
4. *A Tax Specialist*
5. *An Economist*
6. *A Legal Practitioner and*
7. *The Commissioner-General*

Like any other Board, the NRA Board of Directors headed by the Chairman (Appointed by His Excellency the President) takes decisions on the activity of the NRA.

The responsibility of the Board is confined within the following:

- a) Determine the grading, remuneration, recruitment, promotion and training of staff.
- b) The establishment and administration of codes of conduct.
- c) General determination and formulation of policy for the Authority, but in particular the administrative, human resource and operational policies and procedures; and
- d) Setting targets and standards, including quality and operational output measures for revenue.

1.6.2 The Commissioner-General

In the similar vein, Section 1 of Part IV of the NRA Act 2002 provides the basis for the appointment of the Commissioner General; and like the Chairman of the Board, the CG is also appointed by the President.

The CG shall be the chief executive officer of the Authority and shall be responsible for the implementation of the decisions of the Board.

He or she is subject to the general supervision and control of the Board and performed three (3) broad responsibilities as follows:

- a) The day to-day management of the Authority.
- b) The administration, organisation and control of the other officers and staff of the Authority.
- c) The management of the funds, property and business of the Authority.

The CG is deputised or assisted by a Deputy Commissioner-General in the execution of his/her duties and shall act in the absence of the Commissioner-General.

1.6.3 Operational Department

The Authority has three (3) operational departments. These departments are directly responsible for actual revenue collection, and they include:

1. Domestic Tax Department (DTD),
2. Customs and Services Department (CED) and
3. Non-Tax Revenue Department (NTR).

Domestic Tax Department: Being the largest of the three, DTD comprised of two large units which previously existed as departments. The two units are Income Tax and the Goods and Services Tax (GST) Units. DTD administers all domestic taxes; meaning this Department collects and accounts for all the core taxes meant for the Tax Administration Diagnostic Assessment Tool's assessment. The department also contributes revenue forecasting. It accounts for more than 60% of the total revenue collected and accounted for by the Authority and 27% (133 staff) of the Authority's current staff strength.

Customs Services Department: It is the second largest operational department and mainly deals with the collection of international trade taxes. CSD staff account for about 26% of the total staff strength of the authority and often rank second in terms of revenue collection for the Authority.

Non-Tax Revenue Department: The responsibility of collecting non-tax revenues was transferred from Ministries, Departments and Agencies (MDAs) to the NRA, and the NTR Department was consequently established at the Authority in 2004. The NTR includes fees, Royalties, Licenses, fines, charges and levies and business registration fees; collected by the Government which are not generated from taxes. Revenue collected by this department is reported under two broad categories: Mines revenue and Other revenues.

1.6.4 Support Department

The Authority currently has six (6) support departments (including ICA) as follows:

1. Monitoring, Research and Planning (MRP) Department
2. Finance and Budget Department (F&B) Department
3. Administration and Human Resource Department (AHRD)
4. Information, Communication and Technology (ICT) Department
5. Internal Controls and Audit (ICA) Department
6. Corporate Services Department (CSD)

Monitoring, Research and Planning Department: MRP has been in existence since the founding of the Authority in 2002. In summary, the Department is charged with the responsibility of conducting revenue enhancement research, monitoring of all revenue collection processes and procedures including reform projects and as well as leading the planning activities of the Authority. The Department fully participates in revenue forecasting and tax revenue estimation. Currently MRP is staffed with a Director, two (2) Assistant Directors (Policy & Research and Monitoring & Planning), three (3) Senior Economists and nine (9) Economists,

Finance and Budget Department: The prime responsibility of the Finance and Budget Department of the NRA is to account for government revenue collected by the Authority, manage the budget of the Authority and provide financial advice to all departments and the CG on all financial matters of the Authority. They also contribute to revenue forecasting and tax revenue estimation. With these responsibilities, the department makes available to the Authority financial forecasting and analysis (Budget), statutory financial statements including the Authority's management accounts and maintains good internal financial control and risk management including compliance with the Authority's Financial Regulations. The department also provides procurement guidance, manages the Authority's staff payroll and suppliers' payments.

Admin and Human Resource Department: The AHRD is responsible for ensuring that all departments within the Authority are operationally efficient and effective. Its responsibilities range from setting up strategic human resource and administrative direction for human to institutional capacity building in the context of learning and growth. The AHRD ensures that the NRA becomes a comfortable place for its employees and tax administration.

Information, Communication and Technology Department: As a support Department, the ICT is charged with the responsibility of providing reasonably

high-quality ICT services to the Authority despite the any challenges. The Authority over the years has invested heavily on ICT infrastructure and services, such as the provision of tax/revenue software (VIPS, ASYCUDA++ and DTIS) and the extension of its Wide Area Networks (WAN) to the provinces. The staff strength of the department now stands at 17 across the Authority to support and strengthen ICT usage at the Authority.

Internal Controls and Audit (ICA) Department: The Internal Controls and Audit (ICA) department fosters effective internal audit services within the NRA. The department is responsible to provide the Board of Directors, Audit Committee and Management with information about the internal operations, performance, accomplishment and results achieved by the various departments of the NRA. By so doing, it provides information on the assurance and consulting services and other activities of the internal audit functions including Risk Management issues.

Corporate Services Department: The CSD plays a crucial role in achieving the Authority's mandate through providing the organization with a range of services in the areas of Board administration, legal policy advice, tax education and public affairs management. The Department consists of three broad units as follows:

The Board Administration Unit: Coordinates Board meetings, record board proceedings and disseminates instructions from the Board which is the governing body of the Authority.

The Policy and Legal Affairs Unit: Provides legal services, expert knowledge and guidance to maximize the collection of revenue. It also makes proposals for effective legislation and enforcement of tax laws; and

The Public Affairs and Tax Education Unit (PATE): Provides reliable and timely information to stakeholders to improve understanding of complex legal instruments relating to taxation to enhance compliance and revenue collection. The Department currently has total staff strength of six (6).

1.6.5 Revenue Enhancement Units

The Authority has three (3) main functional units. These units support the works of both the operational and support departments already discussed and are directly under the eye watch of the CG. They include:

1. Revenue Intelligent and Investigation Unit (RIIU)
2. Extractive Industry Revenue Unit (EIRU); and

3. Procurement Unit (PU)

- 1. Revenue Intelligent and Investigation Unit:** Established in January 2012, the RIIU came about as a strategy to increase tax compliance and hence maximize revenue collection. The role of this unit is primarily information gathering, intelligence processing and investigations. The intelligence and investigation reports are used as basis for revenue discovery and recovery, disciplinary actions and possibly, prosecution. The RIIU also has the responsibility of integrity management and general fraud detection and investigation both within and outside the NRA, a critical role that had been absent for a long time. Even though the RIIU has three core functions as Investigations, Intelligence gathering and Integrity management, the work of the unit is divided into two (2) sub-sections - The Investigation section and the Intelligence and Corporate Risk Management section. Currently, the unit is headed by an Assistant Commissioner who is the administrative and technical head of the Department, assisted by one (1) Manager, one (1) Supervisor, and three (3) Revenue officers.
- 2. Extractive Industry Revenue Unit:** The EIRU, which was formally established mid-2014, was formed on the recommendation by the International Monetary Fund (IMF) and other international donors in the quest for a specialized extractive industry unit. The principal aim of the establishment of the EIRU is to facilitate a well structured and capacitated system to adequately assess, collect, audit and recover timely revenue from the extractive industry, with a resultant aim of maximizing NRA's revenue.
- 3. Procurement Unit:** The PU of the Authority is mainly responsible for acquiring NRA items from suppliers, often via a competitive bidding process. Like the RIIU and EIRU, this unit exists under the supervision of the CG. The unit currently has five (5) permanent staff including the head who is a supervisor.

SECTION TWO

2. REVENUE AND DUTY-FREE PERFORMANCE 2016

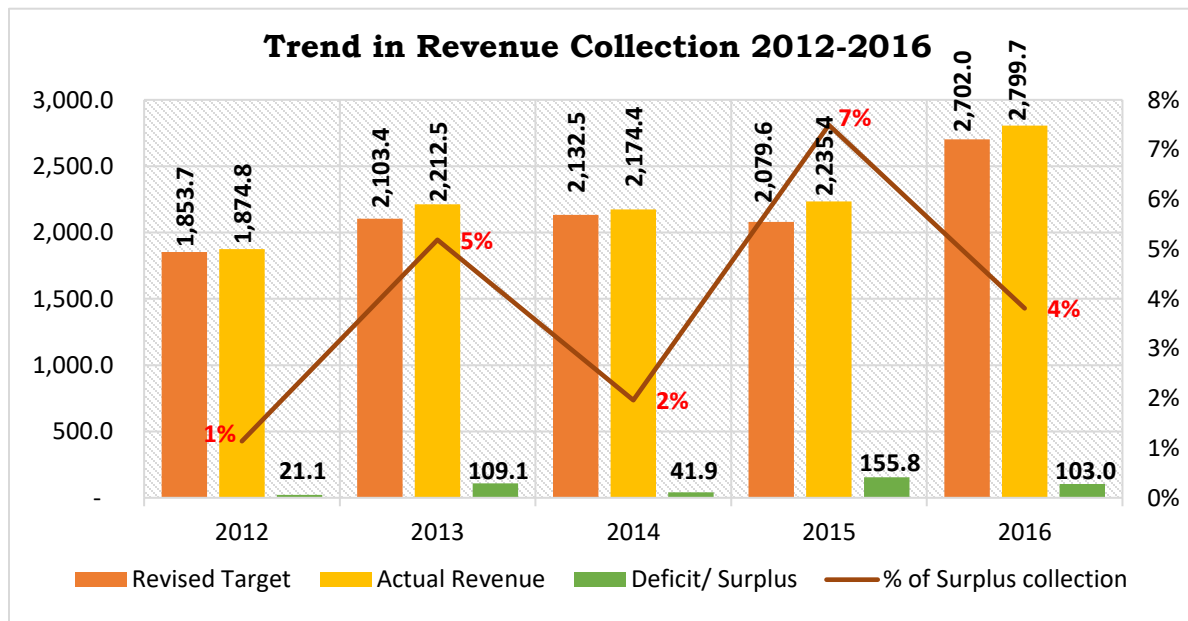
2.1 INTRODUCTION

This Section mainly provides analysis of domestic revenue performance in 2016, commencing with a historic NRA revenue performance for the last five (5) years. It specifically presents the general revenue performance for the Fiscal Year (FY) 2016 by key tax streams of the three (3) operational departments, strategies/reasons for such revenue performance and challenges during the period. A comparative revenue and duty-free performance analysis (2015 vs. 2016) are also done in this section.

2.2 HISTORIC NRA REVENUE PERFORMANCE 2012-2016

Figure 1 shows NRA revenue performance against its revised targets for the past five (5) years. Revenue collection recorded a positive variance for the period 2012 – 2016. Actual collections were above targets by 1%, 5%, 2%, 7% and 4% in 2012, 2013, 2014, 2015 and 2016 respectively; despite the persistence increase in the annual revenue projections.

Figure 1: Trend in NRA Revenue Performance 2012-2016 (in LeB)



The low performance in 2014 relative to 2013 resulted from the economic shock at that period caused by the Ebola epidemic. The effect of the epidemic lasted up

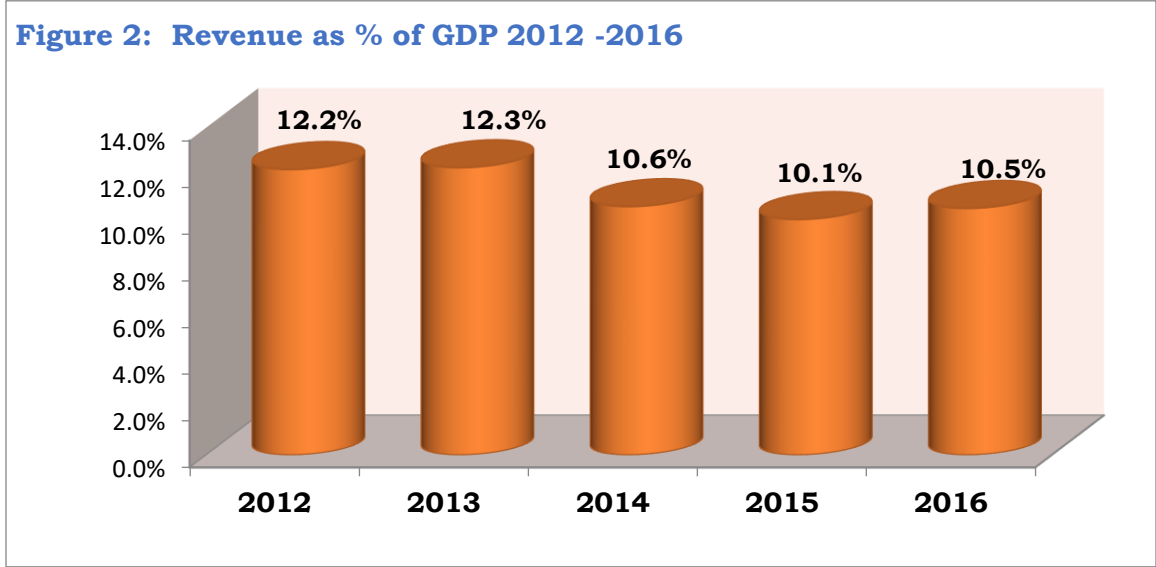
to 2015 which also affected revenue collection in 2015. Even though revenue collection increased between from 2014 and 2015, one may say that revenue collected for 2015 increased at a decreasing rate compared to the increasing trend recorded from 2011 to 2013.

As the effects of Ebola Virus Disease (EVD) gradually vanished in 2015, the Authority gained its previous momentum in domestic revenue mobilisation in 2016, recording its highest revenue ever (Le2.799 trillion) in the history of its operations. This performance was because of enforcement of revenue collection strategies implemented by the Operational Departments especially the DTD.

2.3 ACTUAL REVENUE/GDP RATIO 2012–2016

With respect to tax/revenue effort, the Sierra Leone revenue/GDP ratio) the past recent five years averaged 11.5%. This ratio fell far below the ECOWAS average ratio of 16%. The Authority has maintained at least 10% since its inception. As shown in Figure 2, the ratio rose from 12.2% in 2012 to 12.3% in 2013, but fell slightly considerably to 10.1% in 2015, largely attributed to lower royalties from the financially challenged iron ore companies despite increased production levels in this year.

The ratio then increased slightly, to 10.5%, in 2016 /as the country recovered from the EVD.



2.4 NRA 2016 REVENUE PERFORMANCE

2.4.1 Overview of Annual Revenue Target 2016

As indicated in Table 1, total NRA 2016 revenue target was initially Le2.064 trillion as per Government Budget Speech, 2015. This target was then revised twice in the year; pursuant to the 5th and 6th IMF Extended Credit Facility Reviews –in April and September 2016 respectively. Based on these two reviews, the target was increased to Le2.648 trillion (increase by Le202 billion) and Le2.702 trillion (further increased by Le54 billion) in April and September respectively.

Table 1: 2016 Revenue Target Analyses (Amount in Million Leones)

Description	Target (Q1-Q4)	Increase
Target A: Original Govt. Budget Speech (set in October 2015)	2,446	-
Target B: IMF/MoFED Revised Target (set after 5 th IMF ECF Review – set in April 2016)	2,648	202
Target C: IMF/MoFED Revised Target (after 6 th ECF Review in September 2016)	2,702	54

Source: MRP staff compilation

2.4.2 Revenue Performance in 2016

Revenue collected and banked by the NRA in 2016 amounted to Le2.799 trillion (see Table 2). The Authority surpassed its revised annual target of Le2.702 trillion¹ by Le97 billion. This collection represents about 14.4% and 4% above the original budgeted target and the revised target respectively. All the three operational departments surpassed their respective individual revised annual targets.

¹ Original Budget was projected at Le2.064 Trillion,

Table 2: NRA Revenue Performance 2016 (Amount in LeM)

Details	2016 Actual Revenue	2016 Revenue Target	Deficit/ Surplus	% contr. to Total NRA Revenue
TOTAL NRA	2,799,704	2,701,972	97,732	100%
Domestic Tax Dept. o/w:	1,935,298	1,852,043	83,255	69%
<i>Income Tax Revenue</i>	1,269,208	1,169,850	99,358	45%
<i>Goods & Services Tax</i>	666,090	682,193	(16,103)	24%
<i>Import GST</i>	367,839	397,231	(29,392)	13%
<i>Domestic GST</i>	298,251	284,962	13,289	11%
Customs Services Dept.	565,289	560,751	4,538	20%
<i>Import Duties</i>	381,633	399,070	(17,436)	14%
<i>Petroleum Excise</i>	163,624	135,417	28,207	6%
<i>Other Excise</i>	20,031	26,264	(6,232)	1%
Non Tax Rev. Dept. o/w:	299,117	289,179	9,938	11%
<i>Mines Dept.</i>	155,517	155,196	321	6%
<i>Other Dept.</i>	143,600	133,983	9,617	5%

Source: MRP Staff Compilation

The DTD collection which consists of both Income Tax and the GST collected the highest Le1.9 trillion. Recording a surplus of Le83.3 billion, DTD collection represents 69% of the total revenue generated by the Authority. The excess collection by DTD was the result of the over performance of Income Tax revenue exceeding its yearly target by Le99.4 billion. GST collection on the contrary reported an under performance of Le16.1 billion

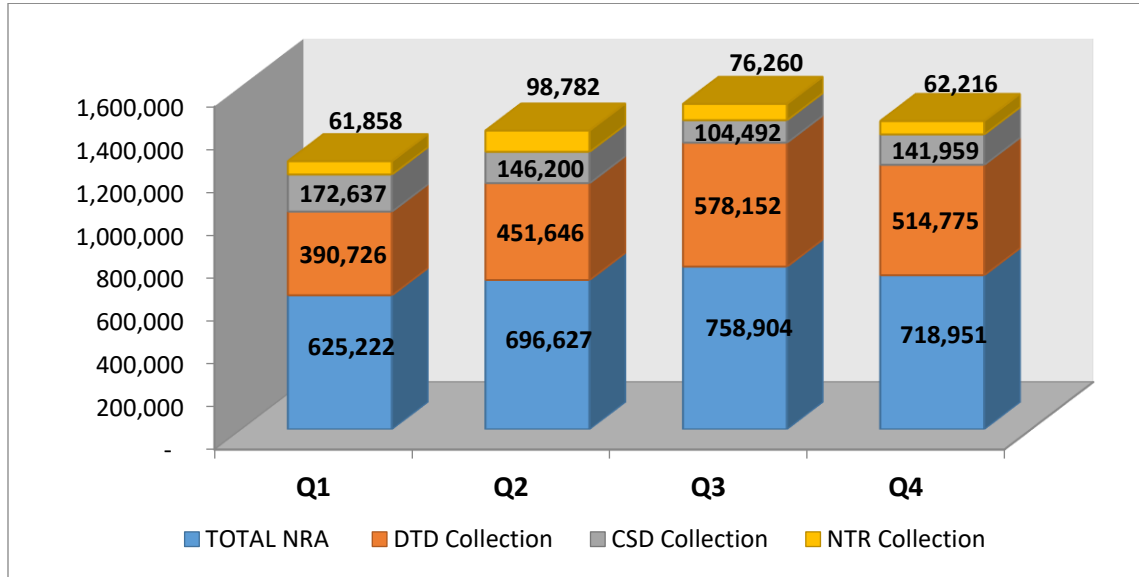
Like DTD, the CSD which contributed the second highest (20%) to the total NRA collection in 2016, surpassed its revised revenue target by Le4.5 billion.

Revenue collected by the NTR department is reported under two main categories – Mines Department and Other departments. Whilst the former are revenues collected from mineral resources, the later are those from MDAs. As shown in Table 2, total NTR collection amounted to Le299.1 billion, also recording a surplus of Le9.9 billion. Of NTR's yearly revenue collection, the Mines Department accounted for the highest (Le155.5 billion) followed by the Other Departments with a total collection of Le143.6 billion. For a detailed breakdown of revenue see Appendix 1.

2.4.3 Quarterly Revenue Performance 2016

Figure 3 presents quarterly analysis of actual revenue collected by the NRA for the Fiscal Year, 2016. As depicted in Figure 3, of the total collection, the Authority collected Le625 billion in Q1; Le697 billion in Q2; Le758 billion in Q3 and Le718 billion in Q4.

Figure 3: Quarterly Analysis of Revenue Performance 2016 (in LeM)



Source: MRP Staff Compilation

The increased revenues in Q3 and Q4 were as the result of one-off revenues (to the tune of Le238 billion) received as Capital Gains Tax (CGT) for the sales of Airtel and Sierra Rutile and increased collection effort mounted in the last two months of the year respectively.

On a departmental basis, DTD registered its highest quarterly collection (Le578 billion) in Q3; whilst that of CSD and NTR were reported in Q1 (Le146 billion) and Q2 (Le99 billion) respectively.

2.5 Outstation Revenue Performance

2.5.1 Customs Outstation Revenue Performance

Customs outstations are charged with the responsibility of collecting customs duties and other related taxes on goods imported, as well as exported in areas such as Lungi, Kambia among others. For the 2016 financial year, total outstation revenues amounted to Le12,157 million. Of this amount, the Lungi post accounted for Le4,356 million (about 35.8 percent) with the other outstations contributing Le7,801 million (around 64.2 percent).

Comparing 2016 outstation collection to previous years, Table 3 indicates that the CSD outstation revenues fell short of its 2015 collection by Le2,052 million (about 14 percent). In particular, Lungi post collected Le3,042 million less than it did in 2015. For the other outstations, their collection outweighed that of 2015 by 14.5 percent implying that collection efforts in these areas have maintained a steady increase.

Table 3: Customs Outstation Revenue Performance				
Station	2016	2015	Variance	% of Variance
SLFNA: Lungi	4,356.50	7,399.06	(3,042.57)	-41.1%
Kambia	7,389.53	6,530.42	859.11	13.2%
Sania	-	-	-	0.0%
Kabala	16.54	25.28	(8.74)	-34.6%
Bo/Kenema/Gba	42.17	41.66	0.51	1.2%
Kono	4.67	12.03	(7.36)	-61.2%
M/River Bridge	280.83	159.10	121.74	76.5%
Koindu/Buedu	2.41	9.48	(7.08)	-74.6%
Susans Bay	63.88	26.84	37.03	137.9%
Kailahun (Bailu)	1.13	6.65	(5.52)	-83.0%
Other Outstation Total	7,801.16	6,811.46	989.69	14.5%
Grand Total	12,157.65	14,210.53	(2,052.87)	-14.4%

Source: MRP Staff Compilation

2.5.2 DTD Outstation Revenue Performance

The DTD has five (5) outstation tax-districts as shown in Table 4. In 2016, the five outstations collected Le26,793 million with Bo contributing the highest (27.8 percent), followed by Kenema (23.5 percent) and Lungi (22.4 percent). Collection by the five tax districts fell by Le2,914 million (9.8 percent) as compared to that of 2015 mainly because of the Le6,125 million (50 percent) shortfalls recorded by the Lungi office. It should be noted that collections at Lungi are to a greater extent dependent on flight frequencies which may explain the higher collection in 2015 relative to 2016.

Table 4: DTD Outstation Revenue Performance				
Station	2016	2015	Variance	% of Variance
Makeni	5,373.81	5,167.51	206.30	4.0%
Lungi	6,012.68	12,138.46	(6,125.78)	-50.5%
Kono	1,646.57	1,524.46	122.11	8.0%
Bo	7,458.64	5,882.77	1,575.87	26.8%
Kenema	6,301.68	4,994.53	1,307.15	26.2%
Grand Total	26,793.38	29,707.72	(2,914.34)	-9.8%

Source: MRP Staff Compilation

2.6 REASONS FOR 2016 REVENUE PERFORMANCE

The under mentioned are the key reasons for revenue performance in 2016:

- Increased field audit scope.
- Payment of outstanding 2014 AML Arrears amounting to Le22 billion and of outstanding SRL arrears amounting to Le14 billion.
- Collection of CGT from sale of Airtel to Orange and the sale of Sierra Rutile amounting to Le180 billion and Le58 billion respectively.
- Increased import value of key dutiable commodities in (exchange rate effect).
- Collection from timber concessions and exports due to temporary lifting of ban on timber export.

2.7 COMPARATIVE REVENUE ANALYSIS: 2015 VS. 2016

Analysing the performance of the NRA for FY2016 will also involve assessing how the Authority performed compared to FY2015. Table 3 therefore presents comparative analysis of the revenue collection in 2016 against revenue collection in the previous year of 2015.

Revenue collected by the NRA in 2016 amounted to Le2.800 trillion. This collection was higher than that collected in 2015 (Le2.235 trillion) for the same period by 25% (Le564 billion). All the operational Departments collected slightly higher than their previous year's collection.

The DTD collected Le441 billion more in 2016 compared to 2015, which was largely the result of improved collection from Personal Income Tax (Le286 billion more) and Corporate Tax (Le79 billion more). GST also increased slightly by Le73 billion above previous year's collection.

Similarly, Customs collection in 2016 was Le19 billion more than its 2015 collection. This was largely the result of the overwhelming performance of revenue from import duties which recorded Le52 billion above 2015 collection. The drop of revenue from the petroleum excise may be due to government policy on subsidising petroleum pump prices during depreciating exchange rate experienced in 2016.

Table 5: Comparative Revenue Analysis: 2015 Vs 2016

Details	Actual Revenue 2015	Actual Revenue 2016	Increase/ Decrease	% Increase/ Decrease
Total NRA Revenue	2,235,373	2,799,704	564,331	25%
Domestic Tax Department	1,494,739	1,935,298	440,559	29%
Income Tax Revenue	901,691	1,269,208	367,518	41%
<i>Corporate Tax</i>	<i>245,008</i>	<i>324,479</i>	<i>79,471</i>	<i>32%</i>
<i>Personal. Income Tax</i>	<i>650,329</i>	<i>936,442</i>	<i>286,113</i>	<i>44%</i>
<i>Other Taxes</i>	<i>6,354</i>	<i>8,288</i>	<i>1,934</i>	<i>30%</i>
Goods and Services Tax	593,048	666,090	73,041	12%
<i>Import GST</i>	<i>354,211</i>	<i>367,839</i>	<i>13,628</i>	<i>4%</i>
<i>Domestic GST</i>	<i>238,837</i>	<i>298,251</i>	<i>59,413</i>	<i>25%</i>
Customs Service Depart.	545,813	565,289	19,476	4%
<i>Import Duties</i>	<i>329,368</i>	<i>381,633</i>	<i>52,266</i>	<i>16%</i>
<i>Petroleum Excise</i>	<i>193,084</i>	<i>163,624</i>	<i>(29,460)</i>	<i>-15%</i>
<i>Other Excise</i>	<i>23,361</i>	<i>20,031</i>	<i>(3,330)</i>	<i>-14%</i>
Non-Tax Revenue	194,821	299,117	104,296	54%
<i>Mines Dept.</i>	<i>86,528</i>	<i>155,517</i>	<i>68,989</i>	<i>80%</i>
<i>Other Depts.</i>	<i>108,293</i>	<i>143,600</i>	<i>35,307</i>	<i>33%</i>

Source: MRP Staff Compilation

NTR collection in 2016 was significantly higher than that in the previous year by 54% (Le104 billion). This was because of the impressive performance of mining royalties, licenses and royalties on fisheries.

2.8 COLLECTION CHALLENGES IN 2016

Revenue collection in 2016 faced a series of challenges. Prominent among those challenges are as follows:

- Slow recovery of the economy (slow pick up of iron ore prices).
- Revenue loss from petroleum subsidy; this was the more reason while petroleum excise was unable to meet its Le167 billion target.
- Untimely disbursement of NRA commission from MoFED.
- Slower or late implementation of the Finance Act 2016.

- Slower import activity; largely driven by forex accessibility.
- Recent austerity measures and their effect on government and private consumption.

2.9 DUTY WAIVER ANALYSIS 2016

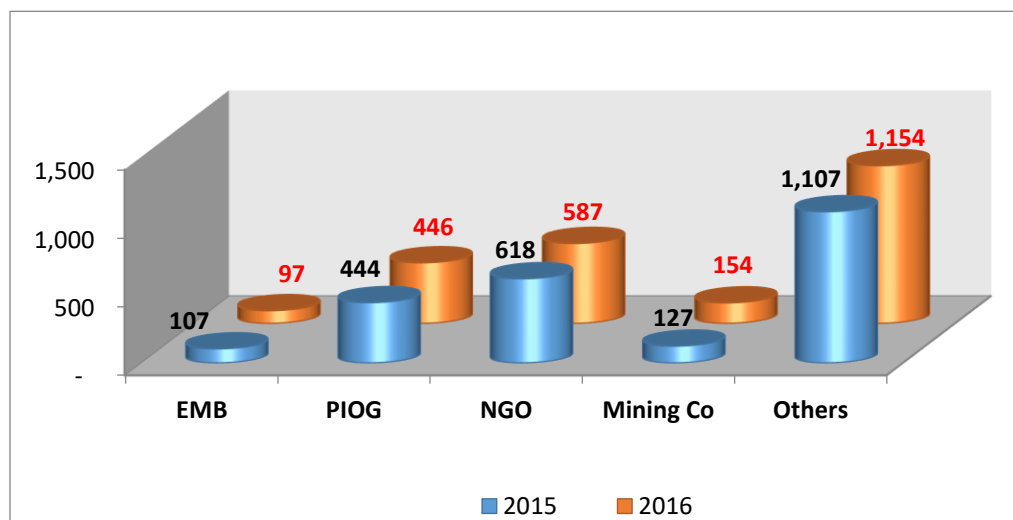
Duty-Free/waiver basically refers to duty concessions granted to sets of categories of beneficiaries. The Parliament of the Republic of Sierra Leone has the sole right to grant this facility to beneficiaries; but in most times and due to the nature of the job involved, they often give the mandate to either the NRA or the MoFED (Ministry of Finance and Economic Planning) to act on their behalf. For the period under review (2016), the approval of any duty-free application is a singular responsibility of MoFED. A processing fee of one million Leones (Le1,000,000) per duty-free declaration is demanded from every beneficiary for processing of the documents. This fee is only paid to the NRA after the duty-free declaration/application form has been approved by the minister of MoFED.

2.9.1 Duty Waiver Applications Processed (2015 vs. 2016)

Normal duty waiver applications follow set criteria in which they are first examined by the line/supervisory Ministries before being sent to the Revenue and Tax Policy Division of the MoFED for technical assessment and subsequently approved by the Minister/Deputy Minister of MoFED upon the advice of the Duty Waiver Committee in the MoFED set by the Financial Secretary.

The approved applications are forwarded to the Commissioner-General (CG) of NRA for a review before payment of service/administrative fee of (Le1,000,000). The Director, Monitoring, Research and Planning (MRP) Department of NRA advises the CG upon reviewing the applications. A copy of this advice is sent to the Commissioner, Customs Services Department (CSD) for onward actions (e.g. physical examination) and release.

Figure 4: Duty Waiver Applications processed in 2015 and 2016



Source: MRP Staff Compilation

Figure 4 shows the amount of duty waiver applications processed in 2016 compared to 2015 by category of exemptions. The highest number of applications were processed for 'Others' in 2016 (1,154) than in 2015 (1,107) whilst Embassies/High commissions recorded the least number of applications in both 2015 and 2016.

For Non Governmental Organisations, duty waiver applications declined from 618 in 2015 to 587 in 2016. Mining/Exploration companies recorded a slight increase in the number of applications; this might be due to the fact that Shandong Steel Group former African Mineral Ltd has increased its importation in anticipation of resumption of operations in the period.

2.9.2 2016 Duty Waiver concession by Category of Exemption

Table 6 presents import duty and GST waived for the Fiscal Year 2016 by category of exemptions. Total value of duty waived in 2016 amounted to Le336.2 billion. This amount represents 59% and 12% of the total revenue reported by CSD and NRA respectively. Of this total, the import duty waived accounted for Le157.7 billion (or 47%) as against Le178.6 billion (or 53%) import GST waived.

Table 6: Duty Free concession by Category of Exemption, 2016
(Amount in Million Leones)

Beneficiary	Type of Tax	Amount Waived	Total
Embassies	Import Duty	6,381	13,792
	Import GST	7,412	
Public Int. Org	Import Duty	30,812	86,501
	Import GST	55,689	
Non Govt Org	Import Duty	11,479	28,148
	Import GST	16,668	
Mining/ Expl. Co	Import Duty	7,866	13,501
	Import GST	5,635	
Others	Import Duty	101,141	194,303
	Import GST	93,162	
Grand Total	Import Duty	157,679	336,245
	Import GST	178,566	

Source: MRP Staff Compilation

2.9.3 Comparative Duty waivers Analysis 2015 Vs. 2016

Table 7 gives a detailed comparative analysis of duty waivers granted in 2015 and 2016. As in the table, total duty waiver concessions decreased by 11% from 2015 to 2016. This reduction was influenced by the significant declines in the amount granted to 'Others' and Non-Governmental Organizations (NGOs) by Le45.2 billion (19%) and Le2.7 billion (9%) respectively.

Table 7: Comparative Duty waivers Analysis 2015 Vs. 2016

Category	2015	2016	Variance	% Variance
Embassies	12,574	13,792	1,218	10
Public Int. Org	80,619	86,501	5,882	7
Non Govt. Org	30,837	28,148	(2,689)	(9)
Mining/Exploration Co	12,333	13,501	1,168	9
Others	239,542	194,303	(45,239)	(19)
Total	375,905	336,245	(39,660)	(11)

Source: MRP Staff Compilation

Conversely, Embassies/High Commissions, Mining/Exploration companies and Public International Organisations recorded slight increases of 10%, 9% and 7% respectively from 2015 to 2016. These increases were however overshadowed by the high reduction in duty waivers granted to 'Others'. Hence the reduction in the overall duty waiver granted over the period.

SECTION THREE

3. Key Non-Revenue Achievement 2016 (operation & Support Depts)

3.1 Taxpayers Sensitization and Education

Taxpayer sensitization and education programmes form an integral part of improving service delivery to taxpayers. It presents taxpayers with the opportunity of understanding tax laws, processes and procedures. At the NRA, the Public Affairs and Tax Education Unit (PATE) is charged with the responsibility of providing reliable and timely information to stakeholders to improve understanding of tax laws, enhancing voluntary compliance and maximizing revenue collection. In 2016, the Unit carried out key taxpayers' sensitization and education programmes including workshops, television and radio programmes, newspapers, website and front desk assistance to circulate vital information. Prominent among the activities carried out by the Unit in 2016 include:

- ✓ Pre-launched the E-service sensitization campaign.
- ✓ Launched the Customers Call Centre. However, its popularization remains a challenge as taxpayers are yet to frequently call the Centre.
- ✓ Published articles on the activities of the NRA and coordinated press interviews with various radio and television station.
- ✓ Introduced NRA Youtube Channel with video clips on the launching of the Call Centre being uploaded.
- ✓ Designed and drafted corporate newsletter.
- ✓ Reviewed web content particularly news page.
- ✓ Delivered tax education campaigns in schools; and
- ✓ In collaboration with the DTD, the Unit organised a sensitization workshop for doctors, lawyers and engineers.

3.2 Corporate Social Responsibility (CSR)

Over the years, the NRA has made efforts in meeting its corporate social responsibilities. In 2016, the NRA Board approved a corporate social responsibility policy to ensure that all corporate activities are coordinated and carried out within a policy framework.

As part of the Authority's CSR, the following activities were undertaken in 2016:

- ✓ A sum of Le125 million was paid into the Ebola Health Workers Victims Trust fund account and a disbursement of Le525 million was made to 105 (One hundred and five) beneficiaries of families of health workers that died from Ebola.
- ✓ The Authority commissioned a toilet at Bamoi.
- ✓ As part of the Gbomsamba Water Supply Project, bore holes were drilled and equipments sourced to develop a gravity water system based on the drilled bore holes.
- ✓ For the Gbomsamba School Construction Project, the building was completed to wall height and roofed.
- ✓ Solar lights for primary school, junior secondary school, and health centre were installed at various schools in Gbomsamba. Similarly, solar poles were fixed for town barry, primary school and the NRA constructed Secondary School.
- ✓ NRA concluded negotiations with First International Bank (FIB) to administer a micro-credit using NRA funds as part of the Gbomsamba Women Empowerment Project.

3.3 ICT Tax/Revenue Reform Innovations

Despite the implementation challenges envisage in the fiscal year 2016, the Authority through its Information, Communication and Technology (ICT) Department undertook six (6) key ICT projects as follows:

1. The ICT Infrastructure – Connecting all NRA Freetown Offices to Fibre Optic Wide Area Network

The Wide Area Network (WAN) Fiber Project for the NRA Freetown Metropolitan offices was completed for 9 sites. Fiber Integration with NRA Network infrastructure was initiated and completed for all offices except Freetown Tax Office West, which currently is affected by a fiber cable damaged by SLRA during their road construction.

All other sites within the Freetown Metropolitan Area network have been connected to each other at a maximum latency of 3ms and minimum of 1ms which is over 500% increase in network speed across the WAN. The TIN and ASYCUDA++ applications synchronization is at a more productive rate, while TIN generation is being populated into the ASYCUDA++ Application database seamlessly. Data dumps are being copied between Customs House and Gladvic House Servers vice versa as offsite backups via the Fiber WAN within few minutes.

2. The ICT Infrastructure – NRA Taxpayer Call Centre (TCC)

The National Revenue Authority call centre was formally launched on the 6th of December, 2016. This call centre serves as a centralized one-stop information centre for all taxpayer information. The call centre is staffed with personnel from the various operational departments of the NRA.

The new call centre is fully operational from 8AM to 5PM every day from Monday to Friday. As a new system, there may be some challenges especially in the area of who to contact and when. By every indication TCC seems to be very efficient and effective.

3. The Electronic Document Management System (EDMS)

Installation and configuration of the EDMS has been completed and the solution is being piloted at the Large Taxpayers office. All files in the LTO file registry are in the process of being scanned and achieved in the system. A sizeable number of DTD personnel have undergone user and super-user training on the use of the system. It is expected that those trained as super-users will replicate the training to other users.

Additionally, the Vendor is at the moment transferring administrative ownership of the solution to the ICT department by way of conducting system administration training for the ICT department. The roll-out of the EDMS to other NRA departments is expected to commence in January 2017.

4. The E-filing Application for Domestic Taxes

In a bid to support one of the Authority's core strategies which includes the simplification of its business processes and procedures, the ICT department embarked on implementing an e-filing application that will support e-transactions for domestic taxes through a functional online service where taxpayers can also easily file tax returns and manage their tax records.

The first phase of the e-services application which includes the online application for Taxpayer Identification Number (TIN) and the filing of GST returns has been completed. The e-services application was piloted for selected LTO taxpayers. The piloting phase is hoped to be extended of to some selected MTO taxpayers. The other features which include e-services for Income taxes (i.e. CIT, PIT, PAYE, 5.5%, 10.5%, Payroll, and Rent) are currently undergoing alpha testing by the ICT department. End-user testing will commence as soon as the alpha testing is completed.

5. Extending the Non-Tax Revenue System (NTRS) to the Ministries of Lands and Marine Resources

A point-to-Point secure VPN was established between Youyi Building and Gladvic House. The NTRS application is now operational in the NRA office at the Ministry of Lands. End-user training has been conducted on the use of the NTRS application.

Some system administration training was also conducted for NRA ICT staff on the administrative module of the NTRS application. Further sessions are scheduled to take place in January 2017.

6. Development and implementation of a Price Reference Database to improve customs valuation

The development and installation of the price reference database has been completed. The database is currently in use and being updated with Customs transaction data at the Valuation unit in the CSD. The database is agreed to be updated regularly; preferably with a minimum of three months' historical data from the existing Microsoft Excel data.

3.4 Human Resource Management

The human resources department is tasked with performing administrative functions of the Authority including recruitment and training of employees, paying of employees' benefits and compensation among others. In 2016, the department undertook several activities with the following:

✓ Training

Within the course of the year, the Authority undertook 27 International training courses; and conducted 27 Local/in-house training. A total of 427 staff representing 83.1% of the NRA staff benefitted from these training. 75 staff benefited from international training, 338 from in-house and 14 from local training. A summary of these training is given in appendix 3(a) and 3(b) respectively. Full details of all training conducted in 2016 can be found in the 2016 annual training report.

✓ **Recruitment & Staff performance Appraisal**

Five (5) staff were recruited during the year. CSD restructuring resumed in 2015. A pre-recruitment examination was conducted only for CSD staff.

✓ **Separation and payment of benefits**

A total of nineteen (19) staff separated from the Authority in 2016. Amongst these were: three (3) terminations, four (4) death, ten (10) retirement, and two (2) resignations. Fifteen (15) of the separated staff were paid benefits accordingly. Also, death benefits were paid to nine staff for the loss of their next-of kin or dependants (with supporting documents).

✓ **Confirmation**

Thirty-one (31) staff were Confirmed during the year: CSD, twenty-eight (28); CGO, one (1); AHR, one (1); and F&B one (1).

✓ **Study leave**

Eight (8) Staff were granted study leave without pay during the year: MRP, three (3); DTD, three (3); ICT, One (1); F&B, one (1). The details are given in appendix 5

✓ **Staff motivation: supply of uniforms & seasonal items**

The contract for the supply of staff uniforms was awarded to SCEMSI (SL) LTD. The uniforms were delivered in the 3rd quarter and supplies made to staff except a few because of sizes. Whilst the uniform for the Custom Services Department (CSD) was for all Customs staff, uniform for the other departments was only for officers and below. The uniform will boost the morale of staff and positively project the corporate image of the Authority.

✓ **Challenges**

Staff shortage

Power outages from EDSA

Lack of pool vehicles

Outdated computers and accessories

3.5 Collaboration with Key Stakeholders

Over the years, NRA has collaborated with key stakeholders for the advancement of its operations. In 2016, the Authority partnered with various stakeholders through the signing of a memorandum of understanding among other things.

3.5.1 Memorandum of understandings

First Bank Nigeria is the newest member of our revenue collection entity following a Memorandum of Understanding signed to ease our revenue collection and facilitate trade.

The National Public Procurement Authority (NPPA) also had a Memorandum of Understanding with the National Revenue Authority as a means of promoting transparency, accountability etc in the procurement of goods and services within the authority.

In a bid to track down and minimize money laundry and other financial crimes including funding terrorist groups, the National Revenue Authority was also able to sign a Memorandum of Understanding with the Financial Intelligence Unit (FIU)

3.5.2 Other forms of collaboration

In a bid to achieve its corporate social responsibilities, the NRA collaborated with the Deputy Chief Medical officer at the Ministry of Health and Sanitation in the execution of the purpose of the Ebola Trust Fund which was meant for Health worker victims of the deadly virus. NRA also collaborated with the Ministry of Social Welfare, Gender and Children's Affairs for the same purpose.

At Gbomsamba, the NRA Adopted Village, as the Authority strives to improve the lives of its people, series of collaborations were made with different service providers including

- FIBank- To provide Microfinance services in order to improve the standard of living and a means of sustainable livelihood.
- Ministry of Energy- to provide support with solar energy within the village households, schools and religious houses.
- Sierra Leone Water Company (SALWACO) - to work on providing clean, safe and accessible water to the community
- The Ministry of Agriculture, Forestry and Food Security - to support farmers with not just seeds but also techniques and other services like training of basic agricultural skills and so on.

3.6 Public Recognition and Trust (Including Awards)

In carrying out its mandate, NRA has over the period attracted a lot of attention both within and outside Sierra Leone. The Authority has made tremendous efforts in improving its reputation. As manifested in 2016, the Authority received prominent awards among the following:

- ✓ Anti-Corruption Commission Most Compliant Institution 2016 Award by the Anti Corruption Commission of Sierra Leone.
- ✓ Best Performing Chief Executive Officer Award by the Council of Executive Officers of Sierra Leone.
- ✓ 2015 Performance Excellence Recognition by the Office of Chief of Staff.

SECTION FOUR

4. Special Relevance Statistics

4.1 Taxpayer Registration

A tax register records the number of taxpayers under a revenue administration during a specific period, usually a year. The LTO and MTO tax registers comprise of corporate and trade taxpayers that fall within their thresholds. The STO register comprises of all the tax districts in Freetown and the NRA offices in headquarter towns of BO, Kenema, Makeni, and Kono.

Table 8: NRA Tax Register (2015 VS 2016)

	2015	2016	Variance	% Change
# TIN issues	5,502	5,721	219	4%
LTO Tax Register	158	186	28	18%
MTO Tax Register	2,511	874	-1,637	-65%
STO Tax Register	3,237	5,157	1,920	59%

Source: MRP Staff Compilation

Table 8 gives a comparative analysis of the number of taxpayers for the period 2015 and 2016. The table shows a progressive growth in the tax register for all tax offices. It also shows a 4% increase in the number of TIN issued from 2015 and about 65% fall in MTO Tax Register.

4.2 Tax compliance (filing analysis) & enforcement (DTD & CSD)

Table 9: NRA Tax Compliance Statistics (2015 VS 2016)

	2015	2016	Variance	% Change
SMTO Tax compliance (filing on time)	21,515	24,990	3,475	16%
LTO Tax compliance (PAYE Filing on time)	1,652	1,631	-21	-1%
GST Filing on Time SMTO	16,150	14,251	-1,899	-12%
GST Filing on Time LTO	1,456	1,450	-6	0%

Table 9 shows compliance statistics for both LTO and SMTO for the period 2015 and 2016. There is a drop in GST compliance levels in 2016 as compared to 2015 for both LTO and SMTO.

4.3 Tax and Customs Audit (2015 vs. 2016)

Table 10: Tax and Customs Audit Statistics (2015 VS 2016)

2015 Audit Statistics	Planned	Actual	% Change
# Field Tax Audits (LTO)	82	44	-46%
# Field Tax Audits (SMTO)	136	66	-51%
Post Clearance Audit (CSD)	120	123	3%
2016 Audit Statistics	Planned	Actual	% Change
# Field Tax Audits (LTO)	88	68	-23%
# Field Tax Audits (SMTO)	73	44	-40%
Post Clearance Audit (CSD)	-	123	

4.4 Import and Export Statistics (2015 vs. 2016)

The year 2016 witnessed an increase (about 96.5%) in importation compared to 2015. This increase in imports was due to the notable increase in non dutiable imports as dutiable imports fell short of 2015 by 0.2%. Similarly, exports show a notable increase of about 1.7 trillion.

Table 11: Import and Export Statistics (2015 versus 2016)

Import Statistics (M/Tons)			
Year	Dutiable	Non-Dutiable	Total
2015	1,998,619.59	2,874,285.84	4,872,905.43
2016	1,994,840.01	7,580,780.24	9,575,620.25
Variance	(3,779.58)	4,706,494.40	4,702,714.82
Export Statistics (M/Tons)			
2015	1.6 trillion		
2016	3.3 trillion		
Variance	1.7 trillion		

4.5 Container and Vehicle Statistics (2015 vs. 2016)

Table 12a: Container Statistics (2015 VS 2016)

Container Statistics			
Year	20FT	40FT	Total
2015	24,949	11,882	36,780
2016	24,005	12,008	36,013
Variance	(944)	126	(767)

Despite a drop in the number of 20ft containers imported in 2016 from 2015, the number of 40ft containers increased by 1.1%. However, this increase could not make up for the short fall in the number of 20FT containers imported in 2016. Thus, the total number of containers imported in 2016 fell by 2% compared to 2015.

Table 12b: Vehicle Statistics 2016

Vehicle Statistics 2016			
Year	Dutiable	Non-Dutiable	Total
New	23,847	510	24,357
Used	10,780	281	11,061
Total	34,627	791	35,418

The number of Vehicles imported increased in 2016 of which 34,627 were dutiable. New and Used Vehicles accounted for 24,357 and 11,061 respectively.

4.6 Vessel statistics (2015 vs. 2016)

Table 12c: Vessel Statistics (2015 versus 2016)

Vessel Statistics			
Year	Dutiable	Non Dutiable	Total
2015	358	110	468
2016	349	121	470
Variance	(9)	11	2

As seen in Table 12, total number of vessels that docked the Freetown port in 2016 amounted to 470. This represents a 0.4% increase in total vessels from 2015 to 2016. These figures indicate an increase in non dutiable by 10% with a fall in dutiable imports of 2.5%.

4.7 Offences/Infractions Committed by Importers/Agents, 2016

There are various offences which tend to derail the operations of the CSD. Thus, we provide an analysis of revenue recovered by offence type, with a view to determine the most frequent offences at the customs department. As shown in Table 13, about Le998.46 million was raised in additional duties and penalties for various infringements and customs related fraud. Of this total, 48.4% of relate to goods under-declaration, 23% to error in inputting, 17% to incorrect description and under-declaration, 8.7% to arrested vehicles with expired C59 and the remaining 2.9% to misspecifications that attracted review of initial values that were applied. On the whole, 65.4% of these collections are related to under-declaration of goods.

Offence	Add. Duties	Penalties	Total
Arrested Vehicles (with expired C59)	53,062.20	34,036.30	87,098.50
Error in Inputting	229,299.25	-	229,299.25
Excess Qty. but misspecifications	29,002.39	-	29,002.39
Incorrect description & Qty. Under declaration	87,138.53	82,896.67	170,035.20
Qty. Under declaration	276,719.32	206,303.07	483,022.39
Total	675,221.69	323,236.04	998,457.73

4.8 Arrests and Seizures in 2016

In 2016, the CSD made a series of arrests/seizures for different reasons/offences. These are presented by regions as indicated in Table 14 below:

Table 14: Summary of Arrests and Seizures made in 2016

North Fast Team				
No.	Description of item	Quantity	Reason/Offence	Action Taken
1	Beverages (Beer)	3,302 cartons	Expired	Destroyed
2	Frozen Fish product	527 cartons	Controversial release of consignment	Released to ONS
3	Petroleum products	356 jerry cans (20 litres each)	Storage and security issues	Released to Sierra Leone Police (SLP)
4	Mixed items	147 packages	Expired	Destroyed
5	Empty plastic drums	6 units	Seized along with the petroleum products	Released to the (SLP)
6	Timber	Large quantities	Lack of storage facilities	Released to the SLP
7	Motor bikes	4 units	Awaiting payments of duties and taxes plus penalties	Still in custody
8	Pharmaceutical products	26 large sizes irregular cartons of assorted medicines		15 cartons delivered to Pharmacy Board: 11 cartons still in our custody
9	Mixed items	1,173 packages of foodstuffs	Expired	Goods still in custody
Western Area Fast Team				
1	Vehicles	12 units	To pay duties and taxes plus penalties	Cleared and released

SECTION FIVE

5. Prospect and Challenges/Risks Going forward (2017)

5.1 About 2017 Revenue Target/Projection

With a collection of Le2.799 trillion in 2016, a target of Le3.468 trillion has been set for 2017 represents an increase of Le664 billion (24%) in 2017 largely coming from the petroleum excise, customs duties, GST and income tax (one-off revenues are eliminated).

From Table 8, it is depicted that the 2017 NRA revenue target was further disaggregated to a quarterly basis, with quarter one (Q1) collection targeted at Le874 billion, Q2 at Le906 billion, Q3 at Le816 billion and Q4 at Le872 billion respectively.

With this quarterly breakdown, it implies that there is a big task ahead to collect the revenue and hence, it requires more efforts to collect the revenue with immediate effect to meet and exceed the target.

The IMF is on the verge of negotiating a new programme with the country; indications are that this new programme is aimed at enhancing revenue efforts consistent with regional averages. Therefore, all things being equal, the current revenue /GDP ratio of 11.8% for 2017 may likely increase significantly; thus, implying considerably higher revenue target in the new IMF programme.

The NRA needs to come up with short-, mid-, and long-term pragmatic revenue mobilisation measures in addition to the proposed tax policy reforms if we are to generate this much needed revenues to meet the ambitious targets.

Table 13: 2017 Revenue Target/Projection

	2017	Q1	Q2	Q3	Q4
Domestic Revenue	3,596,098	906,164	937,595	848,538	903,801
NRA Collection	3,467,997	874,139	905,570	816,513	871,776
Income Tax Revenue o/w:	1,261,266	326,688	327,607	293,007	313,964
<i>Corporate Tax</i>	362,245	90,726	110,411	80,663	80,445
<i>Personal Income Tax-incl. Govt. PAYE</i>	883,960	230,543	213,607	210,074	229,736
<i>Other Taxes</i>	15,061	5,419	3,589	2,270	3,783
Goods and Services Tax o/w:	829,213	207,565	211,530	195,465	214,652
<i>Import GST</i>	449,536	110,503	115,588	105,041	118,404
<i>Domestic GST</i>	379,677	97,062	95,942	90,424	96,248
Customs and Excise Department o/w:	1,036,855	261,641	260,632	249,035	265,550
<i>Import Duties</i>	487,389	122,755	122,107	117,331	125,196
<i>Excise Duties on Petroleum Products</i>	491,900	125,059	122,268	118,761	125,813
<i>Other Excise Duties</i>	41,084	9,706	12,136	8,822	10,420
<i>Other Revenue-incl. Freight Levy</i>	16,482	4,121	4,121	4,121	4,121
Non-Tax Revenue o/w :	340,663	78,245	105,801	79,006	77,610
Mines Department	167,567	39,505	42,021	45,104	40,937
Other Departments	173,096	38,740	63,780	33,902	36,673
Road User Charges and Vehicles Licenses	128,101	32025	32,025	32,025	32,025

5.2 Proposed Revenue Reforms for 2017

There have been major changes in the tax systems of Sierra Leone with a wide variety of economic systems and levels of development during the last decade. The thrust of these reforms differed from time to time consistent with the strategic plan of NRA.

In many Tax Administration Authorities including the NRA, the immediate or long run reason for tax reforms has been the need to enhance revenues to meet impending fiscal crises.

In a bid to meet the much-needed revenue to address the government fiscal space, the NRA is embarking on the following reforms:

- ✓ Establish a centralised debt management and compliance unit.
- ✓ Migrate ASYCUDA++ to ASYCUDA World.
- ✓ Develop and implement a revenue accounting and reconciliation system.
- ✓ Improve Customs valuation by updating the Price Reference Database with original price data from Cargo Tracking Company.
- ✓ The full use of Mobile Scanners for non-intrusive methods of import examination.
- ✓ Establish and operationalize an Integrated Tax Administration System (ITAS).
- ✓ Procure and implement electronic cash registers for GST.
- ✓ Continue to work with the R4P to modernise revenue administration; and
- ✓ Design a new tax administration improvement programme through the IMF's RMTF Technical Assistance programme.

5.3 Prospect analysis of meeting the 2017 target

The 2017 revenue target of Le Le3.468 trillion was set on certain assumptions; and we can meet and exceed this target provided if:

- ✓ We maintain the policy on the removal of the fuel subsidies through the harmonisation of the petroleum pricing formula.
- ✓ We impose and increase the excise on tobacco from 10% to 20%
- ✓ All MDAs remit their collections to the CRF
- ✓ Duty waiver is restricted granted based on the legislations
- ✓ We review the license fees for alluvial and small-scale mining and fisheries operators, and legislate a royalty charge of 0.5% on turn over for the telecoms service providers
- ✓ We opt to implement the STRIP on a quarterly basis
- ✓ We formalise the informal sector and develop a reliable broad-based taxpayer register

- ✓ Increase tax and post-clearance audits and build the capacity of the audit staff on specialised audits
- ✓ We revisit business tax assessments by operationalising data matching programme
- ✓ Improve on the classification and valuation of customs data and enhance taxpayer compliance through the development of an effective compliance and risk management strategy

5.4 Possible key challenges and Mitigation measures

5.4.1 Possible key challenges

- ✓ Sierra Leone has a narrow tax base which reduces potential revenues and the make the country more dependent than it could be on a small section of society. Broadening of the tax base is a key challenge to mitigate this problem.
- ✓ Auditing of specialised sectors.
- ✓ Sierra Leone is the presence of highly growing informal sector; the formalisation of this sector is a challenge for taxation.
- ✓ Fall in commodity prices particularly in the Iron Ore sector.
- ✓ High rates of tax evasion and avoidance.
- ✓ Assessing the effectiveness of tax incentives.
- ✓ Putting in place effective administrative monitoring mechanisms on tax exemptions.
- ✓ Difficulties in the procedures and criteria for tax rulings and tax decisions.
- ✓ Difficulties in identifying the physical location of business entities.
- ✓ The continued retention of revenue by MDAs.
- ✓ The deteriorating exchange rate and its ramifications on importation.
- ✓ Continued delay in resumption of operations of Timis Mining Corporation.
- ✓ The looming national elections.
- ✓ The slow economic recovery and prolonged austerity measures.

5.4.2 Mitigation Measures

The mitigation measures can be grouped into two distinct folds, and these include tax policies and revenue administration measures.

Proposed Tax Policies for 2017:

- ✓ Imposition of excise on tobacco imports and increase in the import duty rate for same- from 10% to 20%
- ✓ Removal of fuel subsidy through the harmonisation of the petroleum pricing formula
- ✓ Consolidation of domestic revenue, allowing revenue retaining MDAs to remit their collection into the CRF

- ✓ Restriction of duty waivers by ensuring incentives are granted transparently through existing legislations
- ✓ Legislates a royalty charge of 0.5% on turn over for the telecoms service providers
- ✓ Impose 20% excise on gambling and betting ticket sale
- ✓ Review license fee for alluvial and small-scale mining and fisheries operators

Revenue Administration Measures:

- ✓ Quarterly implementation of STRIP
- ✓ Fully operationalize the Small Taxpayer Preparer scheme to add flexibility in compliance management of the hard-to-tax sector
- ✓ Develop an accurate and reliable taxpayer base by delving into non-compliance in taxpayer registration and consequently engaging in massive nation-wide registration drive
- ✓ Collaborate with MoFED to review and restrict tax incentives and exemptions
- ✓ Increase field tax audit and post-clearance audits
- ✓ Operationalize data matching programme to revisit business tax assessments
- ✓ Undertake investigation/research on High Net-Worth Individuals
- ✓ Build capacity for specialised revenue audits
- ✓ Follow-up from the Compliance Tax Gap Study estimate and identify sources where leakages could be mitigated
- ✓ Continued monitoring of CSD processes and procedures to reduce revenue leakages and correct inefficiencies
- ✓ Improve taxpayer compliance through the development of an effective compliance and risk management strategy
- ✓ Improve internal control mechanism/systems and implement the whistle blower policy
- ✓ Collaborate with revenue collecting MDAs to improve collection of NTR by fully implementing the NTRS for various revenue collecting MDAs
- ✓ Actively engage MoFED to ensure proposed tax policies (upon which targets were raised) are fully enacted as soon as possible
- ✓ Implement the ECOWAS Customs CET
- ✓ Improve on the classification and valuation of customs data