# NATIONAL REVENUE AUTHORITY

# ANNUAL REPORT 2018

## BY:

## MONITORING, RESEARCH AND PLANNING (MRP) DEPARTMENT

**June 2019**

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# 3  Acronyms

| | |
|---|---|
| CG | Commissioner-General |
| CIT | Corporate Income Tax |
| CS | Corporate Services |
| CSD | Customs Services Department |
| DCG | Deputy Commissioner-General |
| DTD | Domestic Taxes Department |
| DTIS | Domestic Taxpayer Integrated System |
| EIRU | Extractive Industry Revenue Unit |
| F&B | Finance and Budget |
| FAST | Flexible Anti-Smuggling Teams |
| GST | Goods and Services Tax |
| LTO | Large Taxpayers Office |
| MRP | Monitoring, Research and Planning |
| NRA | National Revenue Department |
| NTR | Non-Tax Revenue |
| PAYE | Pay As You Earn |
| PCA | Post Clearance Audit |
| PIT | Property Income Tax |
| RIIU | Revenue Intelligence and Investigation unit |
| RMU | Risk Management Unit |
| RUC | Road User Charges |
| SMTO | Small and Medium Taxpayers Office |
| VIPS | VAT Integrated Processing System |
| WIT | Withholding Income Tax |
| IMF | International Monetary Fund |
| ECF | Extended Credit Facility |

# 4  Executive Summary

This report aims at providing update on the operations and administration of the National Revenue Authority (NRA) in 2018. Essentially, the report focuses on analysing and understanding the situation surrounding operations, successes, challenges and the most effective intervention strategies to achieve the mandate of the authority. Specifically, the report analysis:

- the corporate statements, i.e. the mission, vision and corporate values
- the revenue collection and duty waiver granted in 2018
- the non-revenue related achievement of NRA in 2018
- the special statistics including import and export, LTO and PCA audits
- the revenue potential, the challenges faced in 2018 revenue collection

The report is important because it provides a basis for NRA senior management to make decisions that will improve revenue generation and trade facilitation. The report also shows how strong political will can assist the Authority to maximise revenue collection, e.g. the reduction of duty waiver approvals by introducing the Executive Order No.1 by State House. In addition, the report also assisted in understanding the implementation of tax reforms and legislative provisions i.e. Finance Act 2018 to improve revenue collection. Indeed, this report is timely, enriching and helpful for making sound decisions regarding the operations and management of the Authority.

**Strategic Planning**

Strategic Planning was one of the most important priorities of the NRA in 2018. The Authority developed a new Strategic Plan with a new vision and mission statements. This new Strategic Plan derived its basis from the 2013 - 2017 Strategic Plan whose implementation ended on 31st December 2017. Alongside the introduction of new strategic initiatives, some of the initiatives which did not start or complete during the implementation of the previous Strategic Plan were rolled over to the new strategic plan for implementation. The 2018 - 2022 Strategic Plan focuses on automation of NRA's business processes and integration of IT systems across the Authority. This effort should result in improving the business environment, staff efficiency and revenue maximisation.

**Revenue Performance**

The NRA revenue performance in 2018 was quite impressive. The revenue targets established under the IMF programme in September 2018 was Le4.327 trillion including RUC. NRA collected Le4.374 trillion, which added to the Le54 billion of RUC collection totalled Le4.428 trillion, thus exceeding the IMF Programme target by 101 billion, representing 2.3 per cent in excess. Furthermore, compared to the previous year, the revenue increased by Le1.175 trillion, which represents 36.7 per cent, from Le3.199 trillion in 2017. Out of this amount, DTD accounted for 57.2 per cent, CSD 23.1 per cent and NTR 19.7 per cent. As a percent of GDP, domestic revenue collected in 2018 increased by 1.5 percentage points representing a commendable improvement over a year. On duty waiver, the revenue loss reduced significantly in Quarters Two, Three and Four in 2018 by Le61 billion, representing 20% compared to the same period in 2017. However, overall, (i.e. if Quarter one of 2018 is included), the revenue loss on duty waiver was higher in 2018 by Le92.8 billion, representing 23%increase compared to 2017.

**Cross Border Trade Facilitation**

Despite the impressive revenue performance, the facilitation of trade across borders was severely affected in 2018. Approximately, less than one (1) per cent of trade was facilitated, i.e. 99 per cent of transactions was non-compliant to customs procedures, hence delaying the clearance of those goods, which had a cost implication (e.g. demurrage) to the business community.

# 5  Chapter I

## 5.1  Introduction

### 5.1.1  BACKGROUND INFORMATION

The National Revenue Authority (NRA) is responsible for assessing and collecting all central government's tax and non-tax revenues as mandated by the NRA Act 2002. It started operation in 2003 with Customs and Excise Department (CED) and Income Tax Department (ITD) and later joined by the Non-Tax Revenue (NTR) Department in 2005. In 2011, CED and ITD were transformed to Customs Service Department (CSD) and Domestic Tax Department (DTD) to deepen the reforms and integration drive in the Authority.

In September 2018 under the IMF Extended Credit Facility (ECF) Programme, the NRA was given a revenue target of Le4,326,732 trillion, which represents 60 per cent of the National budget or 90 per cent of the total domestic revenue, which still was insufficient to finance the government's priorities in 2018 due to narrow tax base, low tax compliance, low staff technical capacity, largely manual processes, among other problems.

In order to efficiently and effectively achieve revenue targets, NRA was required to implement structural benchmark, i.e. to prepare draft amendments to the NRA Act, drawing on technical assistance recommendations, and submit to IMF staff for review prior to submitting to the cabinet. Other challenges facing the authority include the introduction of critical legislative provisions (Finance Act 2018), and tax reforms to enhance compliance and trade facilitation.

This report therefore provides a detailed analysis of the revenue and non-revenue activities, challenges, constraints and recommendation for NRA for the period January to December 2018.

### 5.1.2  NRA CORPORATE STATEMENT

The NRA now has a new vision and mission statement which are stated as follows:

#### 5.1.2.1     Mission

The effective administration of the Revenue System and facilitation of trade to enhance Government fiscal space for national development.

### 5.1.2.2      Vision

To be an Institution of excellence, a national and regional reference in public and revenue administration.

### 5.1.2.3      Corporate Values

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

**Transparency:**      We will ensure full disclosure of information as 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 fairness.

**Service Excellence**: We will provide outstanding service to our customers.

### *5.1.3 ECONOMIC OVERVIEW IN 2018*

The Sierra Leone economy generally slowed down in 2018 due to the instability of some key macroeconomic variables. The weak performance of the mining sector largely contributed to the drop in the real GDP growth from 3.7 per cent in 2017 to 3.5 per cent in 2018. The reason being that the iron ore mining companies remained shut down throughout in 2018; and Sierra Rutile Mining Company experienced frequent industrial action resulting to low production.

Furthermore, despite the introduction of tightening monetary policies to reduce consumer prices, leakages in public spending, and to stabilise the exchange rate; inflation increased to 18 per cent in 2018 from 15.3 per cent in 2017. The local currency the "Leone" depreciated against the US dollar by 11.9 per cent due to a reduction in import and export, delay in donor inflows and increase in speculation behaviors. Other foreign currencies also depreciated by the same margin.

However, despite these challenges, domestic revenue collection (including RUC) in 2018 reached Le4.428 trillion, which is Le62billionor 1.4% above the domestic revenue target of Le4.366 trillion (according to the ECF Programme). The NRA revenue collection (excluding RUC) accelerated from Le3.199 trillion in 2017 to Le 4.374 trillion in 2018; thereby

exceeding the IMF revenue target by 1.1 per cent. The tax-to-GDP ratio also spiked from 12.3 per cent of GDP in 2017 to 13.7 percent of GDP in 2018. The reason for the impressive revenue performance was mainly due to policy and administrative reforms such as the rationalization of duty waivers. Alongside the improvement in the domestic revenue, the current account deficit also improved from 14.5 per cent of GDP in 2017 to 13.8 per cent of GDP in 2018 largely due to increase in services and current transfers.

### *5.1.4 NRA STRATEGIC PLAN 2018 -2022*

The NRA started the implementation of a new strategic plan in 2018. The NRA 2018 - 2022 Strategic Plan has a new vision and mission statements which guide the Authority through the next five years. The strategic plan focuses on increased automation of business processes and integration of the related IT systems to maximise staff efficiency and revenue generation.

The mission and vision are supported by three pillars: 1) results, 2) internal processes and 3) people and resources, as shown in the Strategic Map model below:

### *FIGURE 5.1 NRA STRATEGIC MAP MODEL*
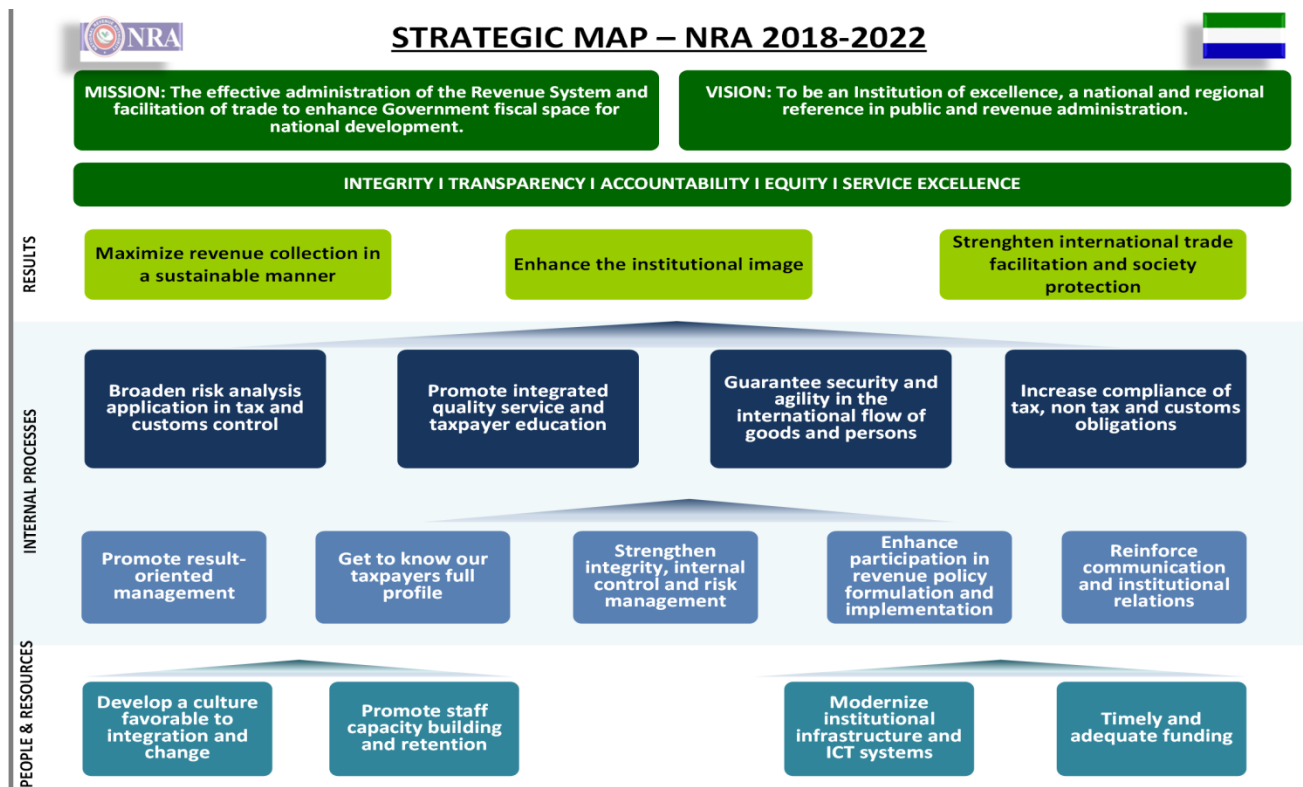
### 5.1.5 GOVERNANCE ARRANGEMENT

The National Revenue Authority (NRA) is directly supervised by the Ministry of Finance (MoF) of the Government of Sierra Leone. The Board of Directors is the governing body which provides an oversight role on NRA management.

The board members comprise of:

- a chairperson (appointed by the President),
- the Financial Secretary,
- the Bank Governor,
- a tax specialist,
- an economist,
- a legal practitioner and
- the Commissioner-General (also appointed by the president).

These members are responsible for the determination of remuneration, recruitment, promotion and training of staff. They also determine and formulate management policies; as well as setting performance targets and standards including quality and output measures for revenue collection.

### FIGURE 5.2: GOVERNANCE STRUCTURE
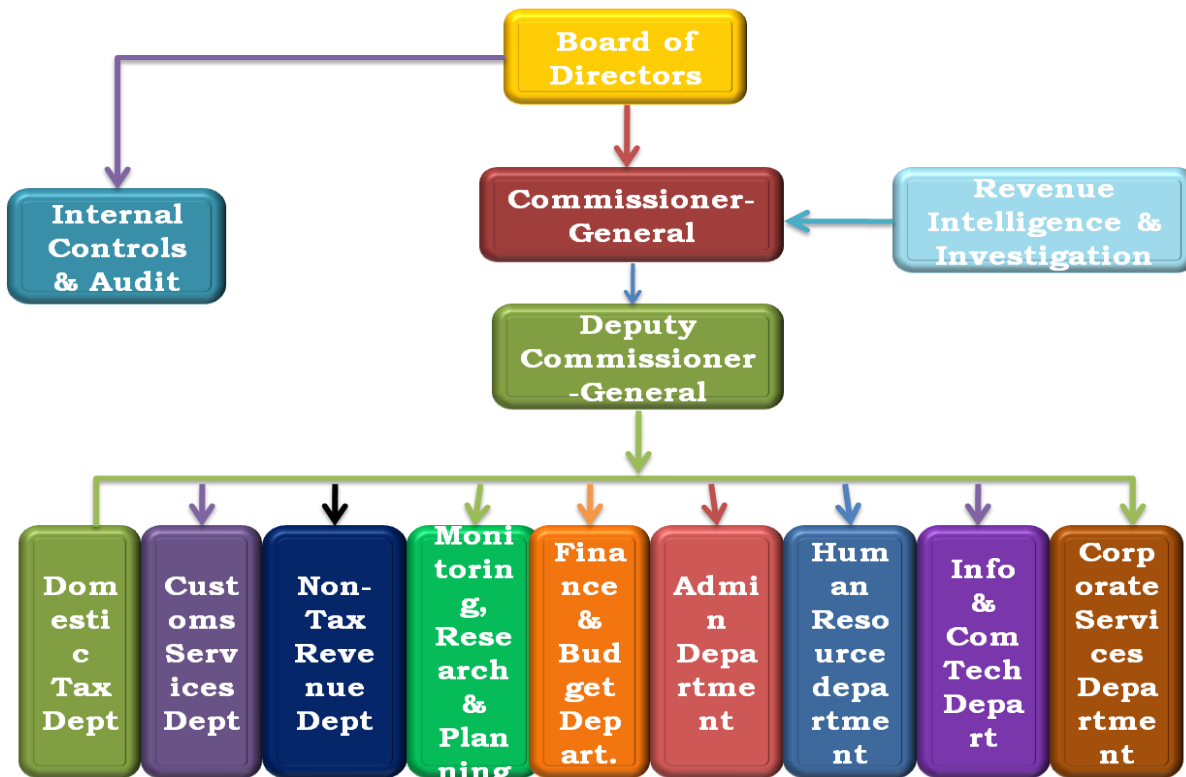
The Commissioner-General is the Chief Executive Officer responsible for the implementation of Board decisions. He is also responsible for the day-to-day management of the Authority; the administration, organisation and control of staff; and the management of the funds, property and business of the Authority. A Deputy-Commissioner-General is appointed by the Board of Directors to assist the Commissioner-General and to act while the latter is away from office.

Below the position of Deputy Commissioner-General, there are three (3) operational departments: the two (DTD and CSD) are headed by commissioners and deputy commissioners while the remaining department (NTR) is headed by an assistant commissioner. Below the commissioners, there are six (6) directors each heading a support department and assisted by an assistant director(s). All the commissioners, directors and their deputies/assistants are appointed by the Board of Directors.

The Domestic Taxes Department (DTD) is the largest operational department responsible for the collection of all domestic taxes. It is divided into large taxpayers' office (LTO) and the Small and Medium Taxpayers Office (SMTO). Other DTD Units are the Goods and Services Taxes (GST), the Domestic Excise (DE) and the Extractive Industry Revenue Unit (EIRU). The Customs Services Department (CSD) is second largest operational department responsible for the collection of revenue on import, export and Transit. It also plays a role in trade facilitation and the security of the society from harmful importation. The Non-Tax Revenue (NTR) is the third largest operational department charged with the collection of non-tax revenue such as court fines, fees, licences, royalties, etc. The support departments provide support to the operational departments in the collection of revenue. They include Finance and Budget (F&B), Admin, Human Resource, Corporate and Services (CS), Information and Communication Technology (ICT), Monitoring, Research and Planning (MRP), Internal Control and Audit (ICA), Revenue Intelligence and Investigation Unit (RIIU), Procurement Unit, etc. It is important to note that RIIU and Procurement units are under the Officer of the Commissioner-General.

# 6 Chapter II

## 6.1 Revenue and Duty-Free Performance in 2018

This Chapter provides analysis of the revenue collection in 2018. It starts with a historical perspective of the NRA collection for the last five years, i.e. from 2014 to 2018. A comparative analysis between 2018 and 2017 follows immediately before the revenue analysis for the three operational departments, i.e. DTD, CSD and NTR. The reasons for the high performance and duty-free performance are all highlighted towards the end of the Chapter.

### 6.1.1 HISTORIC REVENUE PERFORMANCE (LAST 5YEARS)

The revenue collection continued to show a positive trend in 2018. Within the five years, the total revenue collection doubled by Le2.2 trillion from Le2.17trillion in 2014 to Le4.37 trillion in 2018. Figure 2.1 shows the total revenue collection for the NRA from 2014 to 2018. The figures are recorded in trillion Leones as shown in the diagram:

*FIGURE 6.1: HISTORIC REVENUE PERFORMANCE BY NRA (2014 - 2018)*
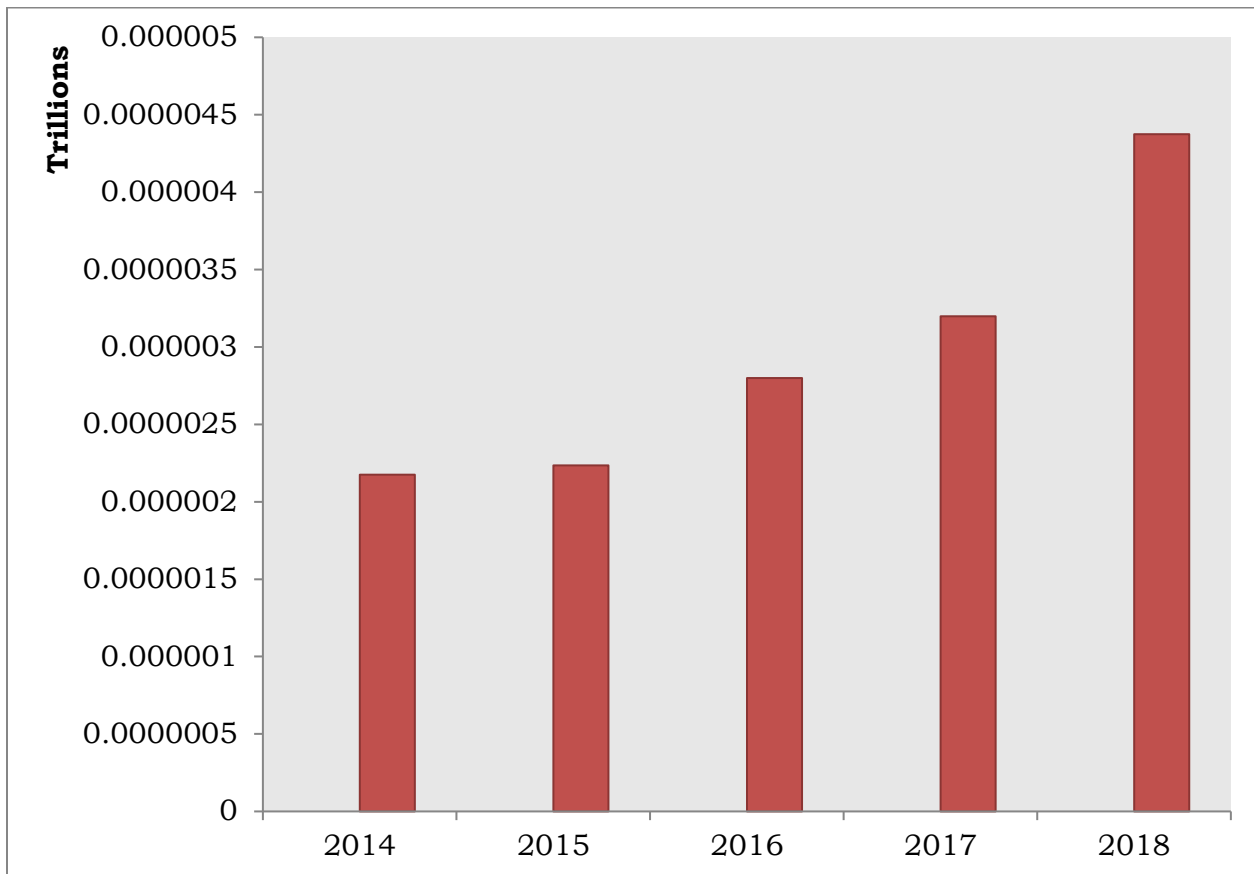
The increase in revenue was because of the implementation of tax reforms particularly ICT systems in the operational departments. Comparing each year during the same period, the least revenue growth was 2.8 per cent for 2015 due to the impact of the Ebola outbreak on the total collection, and the fall in the commodity price, more so the price of iron ore in the world market. On the other hand, the highest revenue growth 36.7 per cent took place in 2018. This growth was attained because of a significant reduction in the duty waiver approvals in Q2 to Q4 of 2018. In particular, the duty waiver approvals for the private and mining sectors slumped by 43 per cent and 64 per cent respectively. The revenue growth in 2016 of 25.3 per cent was also impressive. In 2017, however, the revenue growth was moderate, 14.3 per cent.

Moreover, it is important to note that the revenue targets for each year was surpassed, except the target for 2017. The targets were exceeded by 2 per cent for 2014, 4 per cent for 2015, 7 per cent for 2016, and 1.1 per cent for 2018. For 2017, however, the actual collection was slightly lower than the target by 0.03 per cent.

### 6.1.2 NRA REVENUE PERFORMANCE IN 2018

In 2018, total domestic revenue collection amounted to Le4.428 trillion, including RUC. Excluding RUC, the NRA collected Le4.374 trillion, which was short of the original revenue target of Le4.327 trillion but by only Le53 billion or 1%. However, following the effect of the elections conducted in March and some policy revision following the assumption of the new Government, the IMF together with the Government Authorities revised the revenue target in September 2018 to Le4.327 trillion reflect the aforementioned. The Authority surpassed this revised annual target by Le47,460 billion, representing 1.1% of the total collection. If RUC collection of Le54 billion is added, then this target was exceeded by Le101 billion. In 2018, the NRA also exceeded its 2017 annual collection by Le 1.175 trillion, representing 36.7%. Notably, corporate income tax exceeded its corresponding revenue target by 34.7%. The tax from timber, import duty, petroleum excise and import GST also exceeded their targets by 16.2%, 8.5%, 7.4% and 9.3% respectively.

However, it must be noted that certain tax streams performed below expectation. For example, personal income tax, Income Tax Returns (ITR), and domestic GST all fell short of their revenue targets by 9.2%, 0.7% and 15.3% respectively.

Table 2-1 represents the total revenue collected by the NRA for 2018:

***TABLE 6-1: NRA ANNUAL COLLECTION FOR 2018***

| | 2018 Actual | 2018 Target | Variance | % Var |
|---|---|---|---|---|
| **Total NRA Revenue (Less RUC)** | **4,374,192** | **4,326,732** | **47,460** | **1.1%** |
| *DTD* | **2,502,063** | **2,527,039** | **(24,976)** | **-1.0%** |
| *ITR* | **1,615,679** | **1,626,805** | **(11,126)** | **-0.7%** |
| *Corporate Tax o/w* | 438,331 | 325,495 | 112,836 | 34.7% |
| *Personal Income Tax o/w* | 1,157,616 | 1,274,350 | (116,734) | -9.2% |
| *Other Taxes (FTT)* | 19,732 | 26,960 | (7,228) | -26.8% |
| *GST* | **886,383** | **900,233** | **(13,850)** | **-1.5%** |
| *Import GST* | 550,580 | 503,896 | 46,685 | 9.3% |
| *Domestic GST* | 335,803 | 396,338 | (60,535) | -15.3% |
| *CSD* | **1,008,519** | **951,706** | **56,813** | **6.0%** |
| *Import Duty* | 650,487 | 599,742 | 50,745 | 8.5% |
| *Petroleum Excise* | 347,155 | 322,685 | 24,470 | 7.6% |
| *Import Excise* | 10,877 | 14,597 | (3,719) | -25.5% |
| *Special Tax and Duties* | - | 14,683 | (14,683) | -100.0% |
| *NTR* | **863,610** | **847,987** | **15,623** | **1.8%** |
| *Mines* | **222,773** | **220,691** | **2,081** | **0.9%** |
| *Other Depts.* | **640,837** | **627,296** | **13,541** | **2.2%** |
| *Royalties etc. on Fisheries* | 94,846 | 93,750 | 1,097 | 1.2% |

| Other Revenues (Inc. Timber) | 318,986 | 274,575 | 44,412 | 16.2% |
|---|---|---|---|---|

### 6.1.3 COMPARATIVE REVENUE PERFORMANCE (2017 VS. 2018)

NRA revenue collection performed extremely well by exceeding its revenue target for the period January to December 2018. This was not the case during the same period in 2017. For example, NRA collected Le4,374,264 trillion in 2018 as against the collection of Le3,199,024 in 2017, thereby exceeding the collection in 2017 by Le 1,175,240 trillion, representing 36.7%. This 36.7 per cent increase in collection for 2018 is significantly higher than the average 2018 annual inflation rate of 18 per cent.

Table 2-2 shows a comparative analysis of NRA's revenue performance for the period January to December 2018 as against the same period in 2017.

### TABLE 6-2: COMPARATIVE ANALYSIS OF REVENUE COLLECTION (2018 VS 2017)

Table 1: A Comparative Analysis of Revenue Performance between 2017 and 2018

|  | 2017 | 2018 | Variance | % Var |
|---|---|---|---|---|
| **NRA Revenue (less RUC)** | 3,199,024 | 4,374,264 | 1,175,240 | 36.7% |
| *DTD* | 1,902,562 | 2,502,063 | 599,501 | 31.5% |
| *ITR* | 1,188,596 | 1,615,679 | 427,083 | 35.9% |
| *Corporate Tax o/w* | 222,197 | 438,331 | 216,135 | 97% |
| *Personal Income Tax o/w* | 960,890 | 1,157,616 | 196,726 | 20% |
| *Other Taxes (FTT)* | 5,510 | 19,732 | 14,222 | 258% |
| *GST* | 713,965 | 886,383 | 172,418 | 24% |
| *Import GST* | 411,921 | 550,580 | 138,660 | 34% |
| *Domestic GST* | 302,044 | 335,803 | 33,759 | 11% |
| *CSD* | 909,767 | 1,008,519 | 98,753 | 11% |

| | | | | |
|---|---|---|---|---|
| *Import Duty* | 485,727 | 650,487 | 164,761 | 34% |
| *Petroleum Excise* | 407,005 | 347,155 | (59,851) | -15% |
| *Import Excise* | 17,035 | 10,877 | (6,158) | -36% |
| *NTR* | 386,696 | 863,682 | 476,987 | 123% |
| *Mines* | 149,022 | 222,773 | 73,750 | 49% |
| *Other Depts.* | 237,673 | 640,910 | 403,236 | 170% |
| *Royalties etc. on Fisheries* | 72,303 | 94,919 | 22,616 | 31% |
| *Parastatal Dividend* | 29,500 | - | (29,500) | -100% |
| *Freight Levy* | 901 | - | (901) | -100% |
| *Other Revenues (Inc. Timber)* | 134,969 | 318,986 | 184,017 | 136% |

Compared to the non-RUC revenue target of Le4.326 trillion set by the government in September 2018, the annual collection of Le4.374trillion represents a 1.1% surplus. Including RUC, total domestic revenue collected in 2018 was Le4.428 trillion, which is Le62 billion or 1.4 per cent above the domestic revenue target of Le4.366 trillion according to the ECF Programme.

### 6.1.4 DEPARTMENTAL REVENUE PERFORMANCE

Figure 2.2 shows the revenue collection by the three NRA operational departments in 2018, recorded in trillions of Leones. According to the Table, the revenue performance by the departments showed improvement, except a few tax streams where shortfalls (i.e. below the revenue targets) were recorded.

### 6.1.4.1     Domestic Tax Department (DTD)

DTD is the biggest operational department responsible for the collection all domestic taxes in the country. In 2018, it accounted for Le 2,502,063 trillion or 57.2 per cent of the total NRA collection. Out of this amount, Le438,331billionwas collected as corporate tax, recording an increment above this tax stream's revenue targetofLe112,836 billion, which represents 34.3 per cent of the total DTD collection. In addition, an amount of Le550,580 billionwas collected as import GST, which increased above its target by Le46,685 billion, representing 9.3 per cent of DTD's total collection.

Despite the improvement in DTD's revenue performance, the department failed to attain its annual revenue target in 2018. The revenue target set for DTD in September 2018 was Le2,527,039 trillion. Out of this amount, the department collected Le2,502,063 trillion falling short by Le24,976 billion which represents 1.0 per cent of the target.

### 6.1.4.2     Customs Services Department (CSD)

CSD is the second largest operational department in terms of revenue collection and contributed 23.1 percent of NRA's total collection in 2018. The department was given a revenue target of Le951,706 billion under the IMF programme in September; it collected a total of Le1,008,519 trillion thereby exceeding the target slightly by Le56,813 billion which represents 6 per cent of the total collection. The import duty collection exceeded the target by Le50,745 billion (8.5 per cent) from Le599,742 set as target for this tax stream to Le650,487 billion recorded as actual collection.

Comparatively, total collection was moderately higher in 2018 than2017 by Le98,753 billion (11 per cent). In particular, the collection of import duties including special tax and duties was 34 per cent higher in 2018. However, the collection on petroleum excise and import excise did not perform as expected as both recorded a shortfall of 15 per cent and 36 per cent lower in 2018 than 2017 respectively.

### 6.1.4.3     Non-Tax Revenue (NTR)

This operational department is the smallest at the NRA. In 2018, it accounted for 19.7 percent of the total NRA collection. Like CSD, NTR exceeded its revenue collection by Le15,623 billion (1.8%) from a target of Le847,987 billion to an actual collection of Le863,610 billion. Comparatively, total collection significantly exceeded by Le476,987 (123

per cent) as the annual collection increased from Le386,696 billion in 2017 to Le863,682 billion in 2018.During the period under review, the mines revenue and royalties on fisheries showed substantial improvement, exceeding their annual collection in 2017 by 49 per cent and 31 per cent respectively.

*FIGURE 6.2: REVENUE PERFORMANCE BY DEPARTMENT IN 2018*
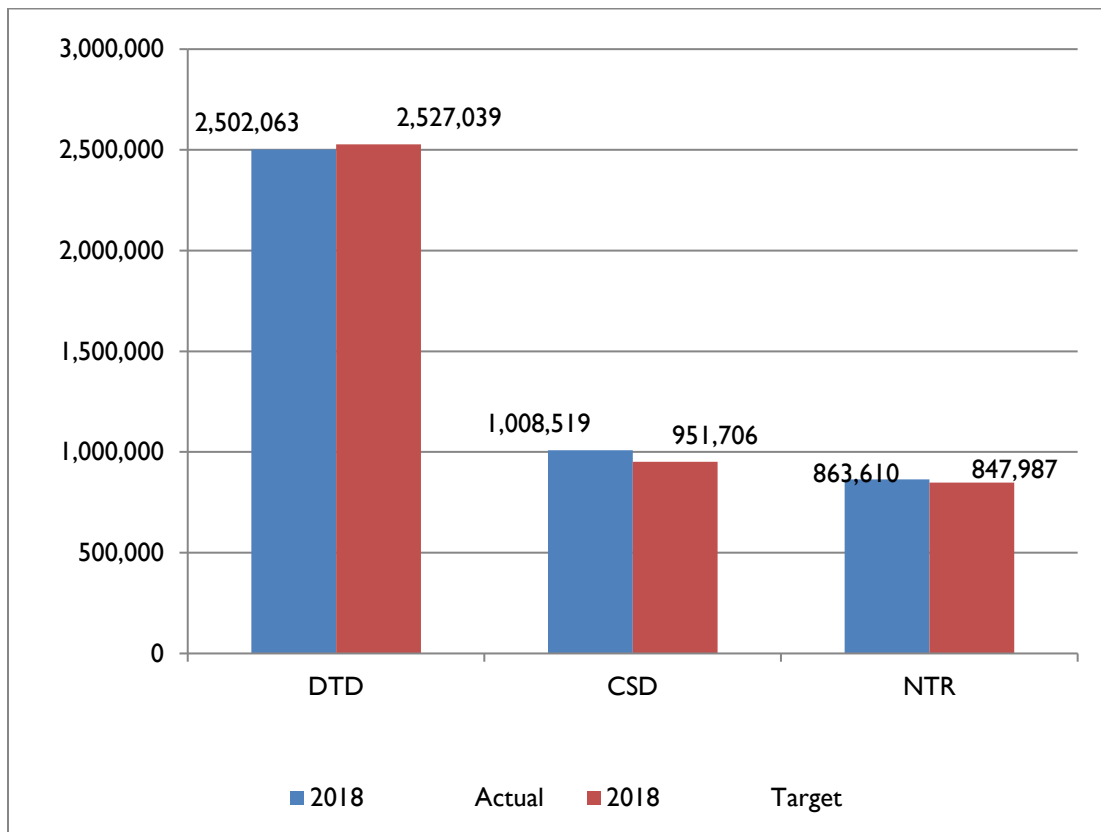


### 6.1.5 QUARTERLY REVENUE PERFORMANCE BY DEPARTMENTS

Figure 2.3 represents revenue performance by the operational department from $Q_1$ to $Q_4$ in 2018. Generally, as already mentioned, the revenue collection increased in all quarters in 2018 than 2017. However, the three departments exhibited variations in revenue collection trend. For instance, DTD started with a high collection in $Q_1$, but slowly increased from $Q_2$ to $Q_3$before falling slightly in $Q_4$. On the other hand, CSD trended upward steadily i.e. exhibiting no seasonality at all in the collection from Q1 to Q4. However, unlike CSD, NTR depicted a seasonal pattern, i.e. a rise and fall fashion in the collection from Q1 to Q4.

**FIGURE 6.3: REVENUE COLLECTION (Q₁ TO Q₄ FOR 2018)**
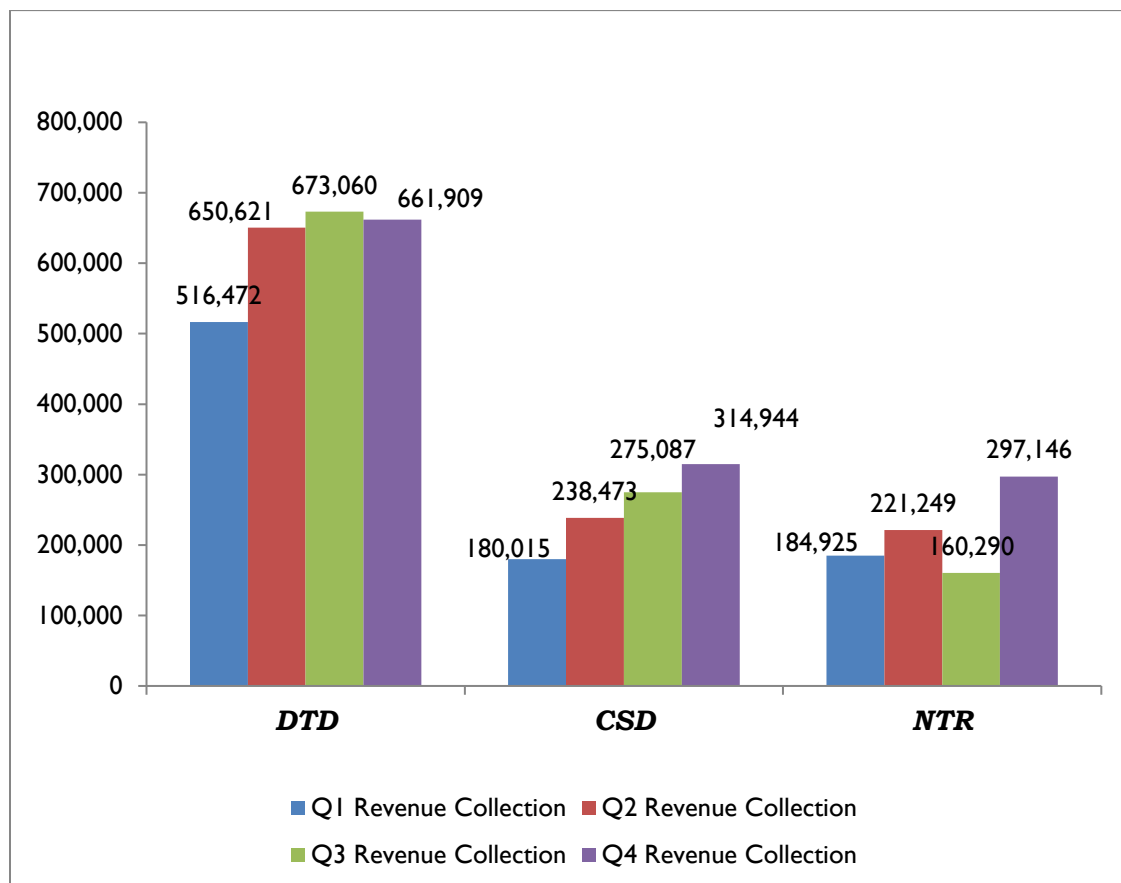


### 6.1.6 REASONS FOR REVENUE PERFORMANCE 2018

a. Liberalisation of Petroleum revenue and enforcement of a monitoring mechanism for uplift and payment.

b. Implementation of reforms (ASYCUDA World and DTIS)

c. Close monitoring of revenue collection, both within NRA and outside of the Authority (State House and MoF)

d. Selected performance of some MDAs (e.g. NATCOM and Fisheries)

e. Collaboration with key MDAS (NATCOM, Ministry of Lands, Fisheries, NMA and NCP)

f. Integrity promotion measures (staff sensitization on integrity and change management, detection of corrupt practices and implementation of stringent punitive actions)

g. Follow up from tax audits and targeted audits for selected SOEs

h. Aggressive tax education and regular reminders to taxpayers

i. Effective monitoring and auditing of GST returns monthly.

j. Close monitoring of Income tax due dates for filing and payment by the DTD.

### 6.1.7 COMPARATIVE DUTY –FREE PERFORMANCE (2018 VS. 2017)

As shown by the comparative analysis in Figure 2.4, total Duty waiver granted increased by 23%from Le403.1 billion in 2017 to Le496.0 billion in 2018. The key duty waiver beneficiaries of the 2018 were the private and government entities followed by Public International Organization (PIO) and Non-Governmental Organization (NGO).

Though there was a significant increase in the overall duty waiver in 2018, Mining and Private sectors registered decrease of 63% and 43% respectively. Duty waiver on imports by NGOs showed an alarming increase by 319% from Le25.2 billion in 2017 to Le 105.7 billion in 2018.

### FIGURE 6.4: DUTY WAIVER GRANTED (2018 VS 2017)
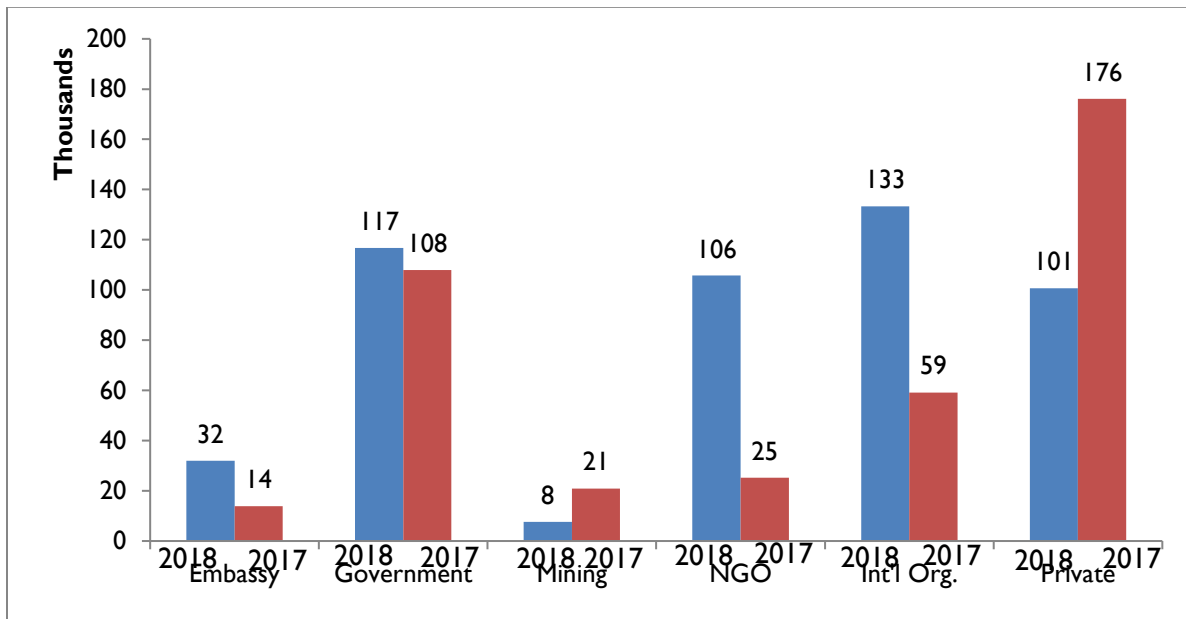


Nevertheless, although the duty waiver figure for 2018 was higher than for 2017, the duty waiver for Q2, Q3 and Q4 in 2018 showed a significant reduction relative to Q1 of the same year. However, the increase for Q1 cancels the effect of the decrease recorded in the other three quarters resulting to increase in the duty waiver in 2018 above 2017overall.

# 7 Chapter III

## 7.1 Non-Revenue Activity Performance in 2018

### 7.1.1 TAXPAYERS SENSITIZATION AND EDUCATION

The Public Affairs and Tax Education (PATE) unit is responsible for tax education and sensitisation at the NRA. The main objective of setting up this unit is to increase compliance which should result in revenue maximisation. On 28th to 29th June 2018, NRA in collaboration with OSIWA organised workshops in Bo and Kenema on NRA business processes. During the workshops, seventy-three (73) and fifty (50) taxpayers from Bo and Kenema respectively participated the workshops.

The following were the topics covered in the workshops:
- Goods and Services Tax (GST)
- Corporation tax
- Withholding tax
- Rent tax
- Filing of income tax returns
- The need for tax compliance
- How taxpayers are assessed
- ASYCUDA World Implementation
- Process of clearing goods at Customs
- Post Clearance Audit (PCA)
- Gold card scheme, and
- Anti-smuggling

In addition to the workshops, radio talk shows and town hall meetings were also conducted for the benefits of the public.

### 7.1.2 ICT TAX/REVENUE REFORM INNOVATIONS

- Installation and Configuration of a robust ICT infrastructure to support the ASYCUDA World system. The objective of this action is to achieve a secured ICT infrastructure to support the ASYCUDA World system and facilitate e-services on a 24-hour basis

- Completed the building of the ASYCUDA World prototype. This activity was followed by a testing of the prototype which involves preparation and production of the IT environment for the launching of the ASYCUDA World
- Completed the ITAS procurement process, set up project team and undertook an initial preparation which involves the commencement of the review of the draft project plan.
- Completed the procurement of the Electronic Cash Register (ECR) for Sierra Leone
- Supported the ECOWAS Common External Tariff (CET) by loading the CET tariff into the ASYCUDA++ production server.
- Provided routine support:
  - ✓ Management and administration of NRA business systems
  - ✓ maintenance and administration of NRA existing ICT infrastructure, i.e. the LANs and WAN
  - ✓ Training of end users on basic computer skills
  - ✓ Provided end user's support

### 7.1.3 ADMIN AND HUMAN RESOURCE DEPARTMENT (AHRD)

The Admin and Human Resource Department is responsible for recruiting, training, reviewing, and maintaining staff records using the Great Plane software and HR data base. Table 3-1 presents the total staff strength, the training beneficiaries by gender, the recruitment and separation cases carried out by the department from January to December 2018:

### TABLE 7-1: STAFF STRENGTH AND TRAINING BENEFICIARIES IN 2018

| Department | Staff strength by department | Total Training beneficiaries | Number of Female Training beneficiaries | Number of Male training beneficiaries | No. of staff employed | No. of Separation cases |
|---|---|---|---|---|---|---|
| CG's Office | 16 | 2 | 0 | 2 | 2 | 1 |
| CS | 05 | 3 | 2 | 1 | 1 | 1 |
| F&B | 16 | 2 | 0 | 2 | 2 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| DTD | 133 | 27 | 10 | 17 | 0 | 4 |
| CSD | 132 | 38 | 11 | 27 | 3 | 1 |
| ICT | 17 | 1 | 0 | 1 | 1 | 0 |
| ICA | 09 | 3 | 1 | 2 | 1 | 0 |
| HRD | 23 | 6 | 5 | 1 | 0 | 1 |
| NTR | 27 | 0 | 0 | 0 | 0 | 0 |
| Admin. | 119 | 21 | 2 | 19 | 21 | 2 |
| MRP | 17 | 7 | 0 | 6 | 0 | 0 |
| MPO | | 2 | 1 | 1 | 0 | 0 |
| **TOTAL** | **514** | **112** | **33** | **79** | **32** | **10** |

### Staff Strength

According to Table 3-1, the total staff strength of the NRA as of December 2018 was 514. Out of this total, three departments (i.e. DTD, CSD & Admin) have a total of 384 staff representing 75 per cent of the total NRA staff. The remaining 25 per cent was shared among the other eight departments, which are mainly support departments. This result suggests that NRA staff strength is one of the lowest among comparator countries in West Africa.

### Staff Training by Gender

In terms of training, out of a total of 514 staff, 112 staff benefited from training (internal and external), which represents 21.8 percent of the total staff strength of NRA, probably due to resource constraint. Out of the total training beneficiaries, 79 were males representing 70.5 per cent, while the remaining 33 were female representing 29.5 per cent. This result depicts a gender imbalance favouring male staff for training.

### Staff Recruitment

Furthermore, 32 staff representing 6.2 per cent of the total NRA staff were recruited for various positions. A majority, 65.6 per cent were recruited for the Admin Department. The

remaining 34.4 per cent was shared among the other departments. The result suggests that the recruitment was more focused on non-essential staff, e.g. drivers, secretaries and office assistants, than technical staff.

**Separation cases**

Finally, the Table shows that 10 staff, representing 2 per cent of the total NRA staff left the Authority for various reasons including termination, retirement and death. This result suggests that the Authority has a low staff turnover, i.e. it is cable of retaining staff.

### 7.1.4 COLLABORATION WITH KEY STAKEHOLDERS

In the process of executing its mandate, NRA collaborates with other key stakeholders both internal and external. For the external stakeholders, collaboration with donor partners and other development partners such WCO, IMF, World Bank, etc. was prioritised by the NRA in 2018. This resulted in the continued implementation of international treaties and information sharing with those institutions. For the internal stakeholders, the NRA sign Memoranda of Understanding (MoU) with some public institutions such as:

a. MoU between National Telecommunication Commission (NATCOM) and National Revenue Authority (NRA). This MoU was aimed at ensuring the provision of information relating to various activities carried out by operatives in the telecoms sector for both local and foreign contractors or suppliers that have effect on their tax compliance as provided by law of these operatives in particular a revenue collection of both parties to this MoU

b. MoU between Civil Society Consortium and National Revenue Authority to improve community accountability and service delivery. As the name implies, Civil Society Consortium is a collection of civil society groups bound by a common vision and a key advocate of good governance and public service delivery in Sierra Leone.

### 7.1.5 DOING BUSINESS REFORMS IN 2018

i. Completion of Phase 1 and 2 of the ITAS projects which involved the mobilisation of hardware, configuration and customisation of the system.

ii. TIN Registration of NRA tax register verified, i.e. taxpayers outside of the NRA tax register captured through a national registration drive

iii. Pilot scheme involving 300 taxpayers gone live

iv. procurement of supplier completed, and the payment gateway and reconciliation system customised

v. Transfer pricing Regulation enacted

vi. Domestic Tax Preparer scheme implemented for the SMEs

vii. National Taxpayer Day held alongside series of taxpayer education events

viii. Training of staff within the unit conducted. Series of change management and sensitisation programmes for the NRA and the public held

ix. Third party data from FCC and EDSA received census of rented property completed and database created and enhanced.

### *7.1.6 UPDATE ON ASU ACTIVITIES*

In 2018, the ASU focused exclusively on collaboration with the Risk Management Unit (RMU) and physical examination unit to identify high risk consignments, which assisted significantly in minimizing leakages. The core mandate of the ASU is to tackle smuggling and prevent the importation of prohibited, restricted and harmful goods. The fight on smuggling has been along two fronts (i.e. physical and technical) and several activities are involved, which makes the scope of operations enormous. Overall revenue recovered through this window is in the region of Le4.7 billion.

### *7.1.7 PREVENTION OF PHYSICAL SMUGGLING*

In 2018, ASU employed different strategies to combat physical and technical smuggling. The strategies adopted included:

- **Intelligence Gathering -** ASU undertook intelligence gathering in collaboration with other stakeholders. Officers were sent on reconnaissance missions to gather intelligence, but the outcome of this approach was minimal due to low commitment of the other players.

- **Stakeholder Collaboration** – since the staff strength was too low to cover all the border crossing points, the ASU engaged with the neighbouring countries (Guinea and Liberia) and local partners such as the Police, Military, and community informants to establish effective border management system, as well as foster information sharing on security related issues.

- **Border Patrols -** The ASU carried out patrols in porous border areas to forestall illegal access to major urban market centers in Freetown, Makeni, Bo, Koidu and Kenema. However, owing to manpower and logistics challenges, very little was achieved from teams operating in those areas.

- **Rummaging -** Routine searching of stores, warehouses, shops, etc to verify whether suspect goods already in those secured locations had satisfied customs formalities.

- **Manning Temporary Checkpoints -** Deployed ASU personnel along major routes leading to market canters to intercept smuggled/uncustomed items.

- **Prevention of Technical Smuggling - t**he ASU also helped in preventing under-invoicing; under-declaration; incorrect statement of origin; incorrect currency code; misclassifications; forgery, etc. This window has been the major contributor to ASU revenue during the period under review.


### 7.1.8 OTHER ASU SUPPORT FUNCTIONS

The ASU was also instrumental in the day-to-day conduct of ancillary customs processes. Over the review period, ASU supported the Customs administration in the following areas:

- **Transit Operations**– ASU facilitated the inspection and escort of transit goods. In 2018, a total of 1,016 declarations with 46,739.97 metric tons and a CIF Value of Le119.06 billion were transited through Sierra Leone. The total transit fees collected from these transactions was Le3.67 billion.

- **Export Trade** – The ASU assisted in the stuffing of export consignments and following-up on all such transactions until completion. The major goods exported in 2018 include: minerals (iron ore, bauxite, rutile, zircon, diamonds) and other products such as timber, scrap metals, cocoa, coffee, fish products, local foodstuffs including palm oil.

- **Warehousing Operation** – The ASU also escorted goods meant for warehousing and engaged in periodic monitoring of the ex-warehousing process to ensure that there

was no room for leakages. Owing to staffing challenges during the review period, very little was done along this line.

- **ASU – Sierra Leone Road Safety Authority (SLRSA) Cooperation** - Based on mutual agreement, an ASU resident Officer is deployed at the Roads Safety Authority (RSA) to validate all vehicle/motorcycle clearance documents including license slips. This ensures transparency in the vehicles license and registration process.

### 7.1.9 ANNUAL COMPARATIVE REVENUE PERFORMANCE BY ASU FROM 2014 – 2018

There has been a consistent growth in revenue recovered since 2014. From Le228.7 million in 2014, revenue recovered increased consistently over the years to Le4.7 billion in 2018 as provided in (Table 3-2).

### TABLE 7-2: HISTORICAL REVENUE PERFORMANCE BY ASU (2014 - 2018)

| Period | Amount Recovered (Le) |
|--------|----------------------|
| 2014 | 228,700,000.00 |
| 2015 | 1,100,000,000.00 |
| 2016 | 1,752,035,090.00 |
| 2017 | 2,005,159,680.00 |
| 2018 | 4,703,891,000.41 |

*Note: An amount of Le2.48 billion being arrears in duties and penalties relating to under-invoicing by Platinum and Co. Limited has still not been paid.*

### 7.1.10     REVENUE PERFORMANCE BY TEAMS PER PERIOD

Table 3.3 below reveals that about77% of the Unit's revenue were contributed by the Western Area team in both 2016 and 2017. while contribution by the North team for same periods were at least 19%. However, revenue contribution by South and East teams (i.e. combined) is slightly above 3% in 2016 and 2017.The trend in 2018 indicates an increase in performance by the Western Area team, whose contribution is in the region of 83%.

*TABLE 7-3: REVENUE RECOVERY BY FAST TEAM (2016 - 2018)*

| Teams | 2016 | % Contr. | 2017 | % Contr. | 2018 | %Contr. |
|-------|------|----------|------|----------|------|---------|
| | (Le '000) | | (Le '000) | | (Le '000) | |
| **West** | 1,348,993.60 | 77.0 | 1,542,744.29 | 77.0 | 3,890,102.13 | 82.7 |
| **North** | 337,549.47 | 19.3 | 397,415.39 | 19.8 | 713,298.78 | 15.2 |
| **South** | 37,127.02 | 2.1 | 35,000.00 | 1.7 | 100,490.50 | 2.1 |
| **East** | 28,365.00 | 1.6 | 30,000.00 | 1.5 | - | - |
| Total | 1,752,035.09 | 100.0 | 2,005,159.68 | 100.0 | 4,703,891.41 | 100.0 |

Performance by the Northern patrol team is largely motivated by the fact that the Customs post in Kambia is a major crossing from Guinea and many others within the peripheral regions are used to bypass this main crossing point. In view of this, a lot of interceptions are made by the team in the North. Furthermore, a lot more trade coming from Guinea heading to all the four regions of the country could hardly escape without being intercepted by this team, owing to their strategic placement. The South/East teams are essentially inland posts, having access to only goods entering the Bo/Kenema markets. In most cases, goods arriving Bo/Kenema would have gone through official channels in Kambia or Jendema (MRU).

### 7.1.11 SOURCES OF ASU REVENUE IN 2018

Attempt has further been made to analyze revenue recovered by ASU in relation to its sources. Table 3.4 shows that the bulk of recoveries relate to various infractions at the Freetown Port. This suggest that tackling technical smuggling at the port must still be a major concern for Customs, especially those having to do with, under-invoicing, goods under-declaration, misclassification etc.

*TABLE 7-4: SOURCES OF REVENUE RECOVERED BY ASU/FAST IN 2018*

| Source of Revenue | Amt. Recovered (Le '000) | % Contr. |
|---|---|---|
| Intercepted Vehicles with Expired C59 | 236,821.61 | 5.0 |
| Various Infringements at the Port | 2,871,192.11 | 61.0 |
| Goods Intercepted by Road (Teams) | 713,789.28 | 15.2 |
| Fisheries Unit | 882,088.41 | 18.8 |
| Total | **4,703,891.41** | **100.0** |

*Note: An amount of Le2.48 billion being arrears in duties and penalties relating to under-invoicing by Platinum and Co. Limited has still not been paid.*

### 7.1.12    ASU ARRESTS/SEIZURES MADE IN 2018

Attempt has been made to capture statistics on all arrests and seizures that were done during the period under review. This has been presented in Table 3-5 below:

*TABLE 7-5: SUMMARY OF ARRESTS/SEIZURES NY FAST IN 2018*

| Description of Item | Quantity | Remarks |
|---|---|---|
| Assorted and Expired medicines | 19 cartons | These medicines though expired, were handed over to the Pharmacy Board, being the appropriate body responsible by law to handle such matters. |
| Shot gun cartridges | 4 cartons | The items arrested were handed over to the AIG North. |
| Pharmaceutical products | 34 cartons | These goods were also received by members of Pharmacy Board for destruction. |
| Used clothing | 3 x 40ft | Revenue recovered including penalties amounting to Le955.3 |

| | | |
|---|---|---|
| | | million and goods have been released to owner |
| Cooking oil | 5 x 20ft | Additional revenue recovered including penalties amounting to Le375.56 million and goods have been released. |
| Timber and other imported goods | 5,430 sheets | Penalty paid and timber released |
| Assorted imported goods arrested at Yams farm | 737 packages | Goods still in custody |

### 7.1.13 UPDATE ON RISK MANAGEMENT ACTIVITIES

In 2018, the Risk Management Unit (RMU) continued with its core mandate of profiling both importers and customs brokers. Approximately, 437 large importers which represents 80% of all transactions at CSD were profiled. The profiles of importers and brokers are the main criteria for the selection of declarations into various lanes such as Green lane for error free declarations; Blue lane for prompt release followed by Post Clearance Audit (PCA); Yellow lane for documentary scrutiny and Red lane for physical examination.

For the period under review, the RMU developed profiles for a total of 200 importers and submitted them to the risk management committee for validation and onward configuration to the ASYCUDA Systems.

### 7.1.14 KEY ACTIVITIES CARRIED OUT BY RMU IN 2018
- Profiling of Importers and Brokers.
- Categorization of Importers and brokers into the Red, Yellow, Blue and Green lanes.
- Enhancing compliance by promptly bringing to the attention of management and relevant officers along the processing path any noticeable infringement in the daily review of SADs.
- Witness controversial physical examinations jointly with Anti-Smuggling Unit (ASU) personnel to ensure clarity and additional duty recovery where applicable.
- Develop and implement the RMU Framework for CSD.
- Develop and consolidate an annual Risk Register for CSD and.

- Provide advice to CSD management on best practice as regards to customs operations under a risk-based customs controls.

### 7.1.15 JOINT PHYSICAL EXAMINATIONS

RMU requested for several declarations that were being processed. Based on RMU's intervention, ten declarations had their customs values uplifted at the Valuation Section resulting in an additional revenue of Le766,014,187.10. Below is a table stating declarations' registration numbers and dates with revenue recovered (Table 3-6).

*TABLE 7-6: REVENUE RECOVERED BY RMU THROUGH JOINT EXAMINATION*

| 7.1.16 DECLARATION REGISTRATION NUMBER & DATE | 7.1.17 DIFFERENCES OF DUTY |
|---|---:|
| C-13957 of 25/06/2018 | 407,757,000.00 |
| C-27960 of 02/10/2018 | 13,385,836.64 |
| C-22399 of 06/12/2018 | 96,573,256.31 |
| C-18261of 09/08/2018 | 7,939,304.25 |
| C-24095 of 19/10/2018 | 19,325,608.32 |
| C-24075 of 29/10/2018 | 13,990,483.52 |
| C-19658 of 28/08/2018 | 34,942,632.86 |
| C-21286 of 18/09/2018 | 149,091,325.30 |
| C-21535 of 20/09/2018 | 3,596,667.38 |
| C-10068 of 04/05/2018 | 19,412,072.52 |
| **Total** | **766,014,187.10** |

# 8  Chapter IV

## 8.1  Special Relevance Statistic

### 8.1.1  TAXPAYER REGISTRATION

For the purpose of transacting with the NRA, every taxpayer is required to have a Taxpayers Identification Numbers (TIN) which contains his or her business address and other contact details. This assists the Authority to trace taxpayers when payment of taxes is due. Table 4-1 compares the number of taxpayers who were registered and issued with TIN in 2017 and 2018.

*TABLE 8-1: TAXPAYER REGISTRATION*

|             | 2017   | 2018   | Variance | %variance |
|-------------|--------|--------|----------|-----------|
| # of TIN    | 50,666 | 58,535 | 7,869    | 16%       |
| Businesses  | 13,517 | 16,311 | 2,794    | 21%       |
| Individuals | 37149  | 42,224 | 5,075    | 14%       |

According to the table, the taxpayer registration generally increased from 2017 to 2018.In particular, the total number of TIN registration increased by 7,869 from 50,666 in 2017 to 58,535 in 2018, representing 16% of the total TIN issued. There were two categories of taxpayers issued with TIN, i.e. those who registered new businesses and individuals, e.g. one-off importers. In 2017 and 2018, the number of TIN issued to individuals is greater than that issued to businesses. However, between 2017 and 2018, the number of TIN issued to businesses increased by 2,794, representing 21%; more than the number of TIN issued to individual, which increased by 5,075 representing 14% in 2018.

### 8.1.2  TAX COMPLIANCE (FILING ANALYSIS) & ENFORCEMENT (DTD & CSD)

The Compliance Unit is responsible for auditing at the Large Taxpayers Office (LTO) of the Domestic Tax Department (DTD). It provides assurance and fiscal safety net for the Tax Authority. The Table below provides statistics on the number of audits completed and Work In Progress (WIP) for various tax types for 2017 and 2018:

*TABLE 8-2: LTO AUDIT LIABILITIES IN 2018 & 2017 (BILLION LEONES)*

| Tax Type | 2017 Liabilities | | | 2018 Liabilities | | |
|---|---|---|---|---|---|---|
| | Completed | WIP | Total | Completed | WIP | Total |
| CIT/PIT Tax | 1,993 | - | 1,993 | 2,860 | 262 | 3,122 |
| GST | 4,756 | - | 4,756 | 16,767 | 260 | 17,027 |
| PAYE | 2,458 | - | 2,458 | 212 | 336 | 548 |
| WHT | 6,736 | - | 6,736 | 402 | 2,014 | 2,416 |
| Payroll | 94 | - | 94 | - | - | - |
| Total | 16,037 | - | 16,037 | 20,241 | 2,873 | 23,114 |
| Total Audit | 45 | 23 | 68 | 14 | 29 | 43 |

According to the Table, LTO performed less audits in 2018 than 2017. The total number of audits in 2018 dropped from 68 cases in 2017 to 43cases in 2018. In addition, the number of completed also dropped from 45 in 2017 to 14 in 2018. However, the number of works in progress cases increased from 23 in 2017 to 29 in 2018. On the audit liabilities, the total audit liabilities increased from Le 23,114billion in 2018 to Le 16,037 billion in 2017. In 2018, out of the total amount of liabilities, Le 20,241 billion was raised from completed audit cases, and Le 2,873 billion was raised from work in progress audit cases. Comparing liabilities by tax types, audit liability on GST increased to Le 17,027 billion in 2018 from Le 4,756 billion in 2017. Similarly, CIT/PIT also increased from Le 1,993 billion in 2017 to Le 3,122 billion in 2018. On the other hand, the liabilities on WHT dropped from Le 6.736 billion in 2017 to Le 2,416 billion in 2018. The audit liabilities of all the remaining tax types also indicated a decline in 2018.

### 8.1.3 UPDATE ON TAX /REVENUE ARREARS

The DMU is charged with the responsibility of managing and collecting all Customs arrears. The DMU manages arrears emanating from partial payment of import duty (approved by the Commissioner General), and liabilities emanating from PCA audit. Both liabilities are collected through a payment plan.

In 2018, DMU collected a total of Le 2.438 billion as liabilities. Out of this amount, Le 1.357 billion was liability collected from part import duty payment, while the Le 1.081

billion was the actual amount collected as liability emanating from PCA audit. The strategies used during the debt collection include effective collaboration with the DTD Debt management unit and the use of the Debt Collection Equation designed by the DMU for debt collection.

### 8.1.4 OFFENCES/INFRACTIONS FOUND DURING PCA AUDIT IN 2018

The discrepancies found during the audit sessions are outlined below:

- ➢ Misclassifications,
- ➢ Variation in historical values,
- ➢ Wrong exchange rate,
- ➢ Revenue infringement, and
- ➢ Wrong freight, among others.

### 8.1.5 DECLARATION STATISTICS–BY LANES BASIS (2017 VS. 2018)

In 2018, RMU developed risk criteria for 437 large importers which represents 80 per cent of all CSD transactions. Out of this number, the RMU profiled a total of 200 importers for the red, blue and yellow and submitted the profiles to the Risk Management Committee for validation and onward transfer to the ASYCUDA Section for configuration.

**Figure 4.1** shows a comparative analysis of the percentage of customs declarations which were selected to the Red, Yellow, Blue and Green channels in the ASYCUDA system for 2017 and 2018.

*FIGURE 8.1: DECLARATION SELECTIVITY BY LANE (2018 VS 2017)*
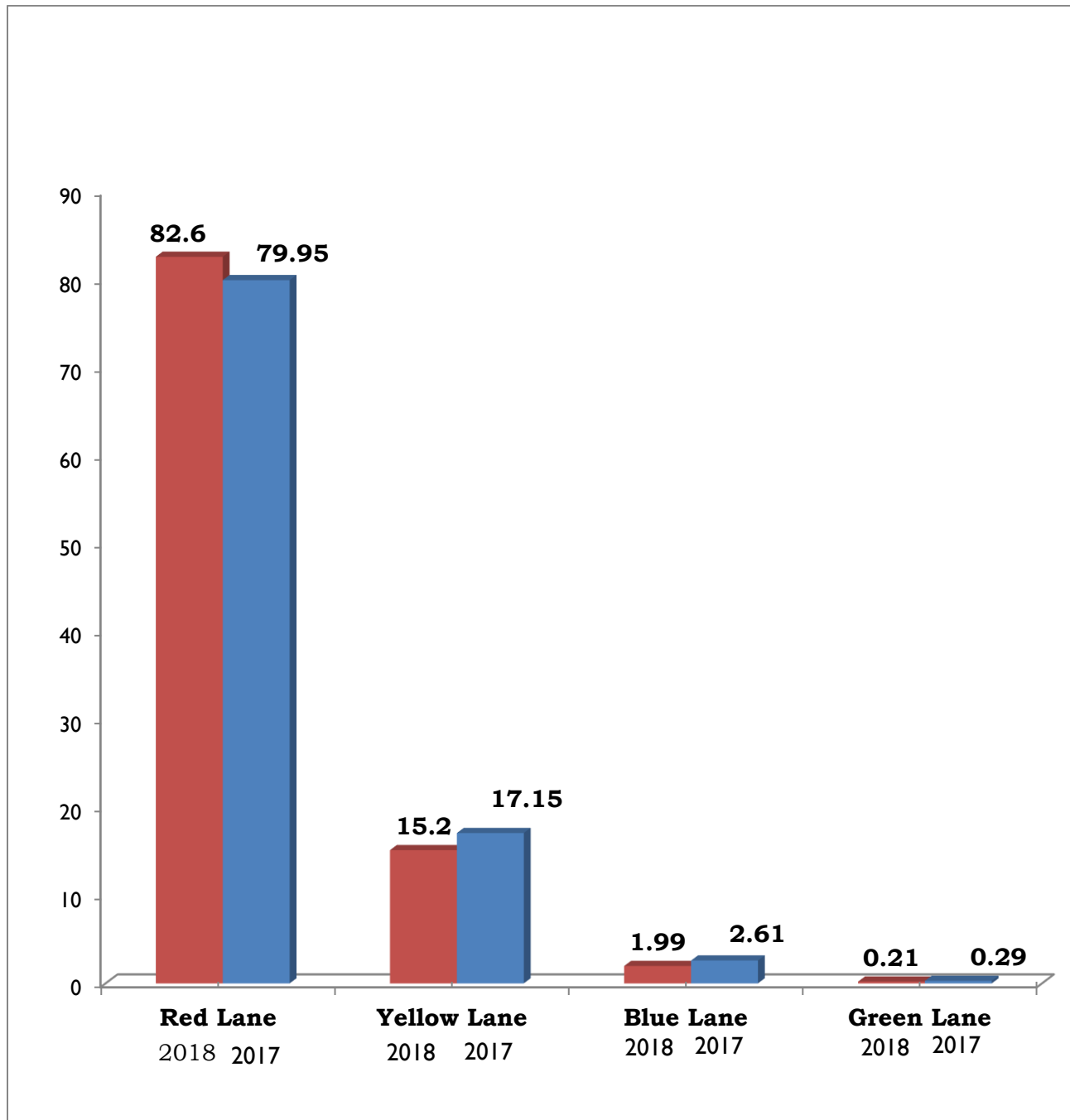
Overall, the declarations routed to the Red lane continue to increase while those routed to the Yellow, Blue and Green lanes continue to decrease. The declarations selected to the Red lane are four (4) times more than all those routed to the Yellow, Blue and Green Lanes put together. Specifically, the number of declarations selected to the Red lane increased by 2.65 per cent (2,771) from 25,055 in 2017 in Figure1 to 27,826 declarations in 2018 in Figure2. On the other hand, the number of declarations selected to the Green Lane dropped by 0.08 per cent (18) declarations from 92 in 2017 in Figure1 to 74 in 2018 in Figure2. Furthermore, the declarations of all the selectivity lanes (Yellow, Blue and Green) declined from 20.05 per cent (6,285) in 2017 to 17.4 per cent (5,863) in 2018; except the declarations routed to the Red lane which increased from 79.95 per cent (25,055) in 2017 to 82.6 per cent (27,826) in 2018.

According to the above analysis and the data from the ASYCUD World system, one may be tempted to conclude that trade facilitation at the Customs Services Department (CSD) is worst in 2018 compared to the previous years. This implies that Customs procedures are going back to the old ways, i.e. the "Red Taped" or " the 100 per cent physical examination" which allows little or no trade facilitation and deterioration in the turnaround time.

### 8.1.6 POST CLEARANCE AUDIT (PCA) SECTION

The PCA seeks to reduce excessive Customs controls at the borders and to facilitate the clearance of compliant trade. The unit undertakes field audits based on risks to verify whether the accounting records and the information submitted to customs during clearance are consistent with the Customs formalities. The outcome of the PCA field audits is submitted to the Risk Management unit for risk profiling of the traders.

Blue lane declarations are not examined physically at the border post; rather they are subjected to post clearance audit controls. Out of the 30,912 declarations registered and assessed in the ASYCUDA system, 728 of them were selected through the blue lane which represents 0.61 percent of the total declaration processed for the year. These consignments were mainly perishable merchandise.

PCA completed a total of 120 filed audits for the whole of 2018. The total liability raised during the audits was Le 1.444 billion. The importers affected may challenge this amount if they have convincing evidence, otherwise they will be required to pay the full amount.

# 9 Chapter V

## 9.1.1 ABOUT 2019 REVENUE TARGET/PROJECTION

2019 Revenue target is presented in Table 5.1and shows that Le1.294 is targeted to be collected in Q1, Le1.422 in Q2, Le1.363 in Q3 and Le1.457 in Q4. Thus, for the year, the revenue target set for the NRA (excluding RUC) id Le5.537 trillion.

**Table 5.1: 2019 Revised Quarterly Projections (Le Million)**

|  | Q1 | Q2 | Q3 | Q4 | TOTAL |
|---|---|---|---|---|---|
| **MONTHLY FLOWS** |  |  |  |  |  |
| **TOTAL NRA REVENUES (Excluding RUC)** | **1,294,318.49** | **1,422,218.80** | **1,363,639.89** | **1,457,237.79** | **5,537,414.98** |
| **DOMESTIC TAX DEPARTMENT** | 736,543.50 | 791,166.37 | 753,518.34 | 825,073.92 | **3,106,302.14** |
| **Income Tax Department (ITD)** | 479,633.34 | 506,074.91 | 487,873.35 | 544,261.33 | **2,017,842.93** |
| *Corporate Tax* | 98,726.52 | 120,769.53 | 109,407.76 | 133,455.98 | *462,359.80* |
| *Personal Income Tax - incl. Govt. PAYE* | 374,546.82 | 377,078.39 | 370,333.65 | 402,280.77 | **1,524,239.63** |
| *Other Taxes (Foreign Travel Tax & penalty)* | 6,360.00 | 8,227.00 | 8,131.93 | 8,524.57 | *31,243.50* |
| **Goods and Services Tax (GST)** | 256,910.16 | 285,091.46 | 265,644.99 | 280,812.60 | **1,088,459.21** |
| Import GST | 150,424.34 | 164,553.24 | 159,588.76 | 161,103.72 | 635,670.06 |
| Domestic GST | 106,485.82 | 120,538.22 | 106,056.24 | 119,708.87 | 452,789.15 |
| **CUSTOMS AND SERVICE DEPARTMENT (CSD)** | 335,071.11 | 375,167.08 | 358,325.83 | 382,036.08 | **1,450,600.10** |
| **Import Duties** | 185,549.23 | 214,728.31 | 201,767.21 | 210,428.10 | **812,472.86** |
| **Excise on Petroleum** | 137,249.33 | 146,798.03 | 145,934.29 | 160,024.03 | **590,005.68** |
| **Other Excise** | 12,272.55 | 13,640.73 | 10,624.33 | 11,583.95 | **48,121.56** |
| **Special Tax and duties** | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| **NON-TAX REVENUE DEPARTMENT (NTR)** | 222,703.88 | 255,885.35 | 251,795.72 | 250,127.78 | **980,512.74** |
| **Mines Revenue** | 51,517.57 | 65,314.50 | 64,900.43 | 47,052.61 | **228,785.12** |
| Royalties on Iron Ore | 1,223.39 | 4,760.94 | 1,514.39 | 890.93 | 8,389.65 |
| Royalties on Rutile | 15,252.37 | 17,835.26 | 16,943.49 | 12,313.82 | 62,344.95 |
| Royalties on Bauxite | 3,923.66 | 5,232.11 | 2,162.80 | 3,664.65 | 14,983.21 |
| Royalties on Diamond and Gold | 15,228.99 | 19,025.52 | 11,703.27 | 14,680.02 | 60,637.80 |
| Licences (Including petroleum revenue) | 15,889.16 | 18,460.67 | 32,576.48 | 15,503.21 | 82,429.51 |
| **Other Departments** | 171,186.31 | 190,570.84 | 186,895.29 | 203,075.17 | **751,727.62** |
| Royalty of Fisheries etc | 29,100.19 | 29,978.53 | 22,212.54 | 24,297.80 | 105,589.06 |
| Other Revenues (Incl. freight levy & Parastatal) | 34,041.89 | 52,548.09 | 31,875.75 | 36,622.83 | 155,088.56 |
| Timber | 39,058 | 39,058 | 39,058 | 39,058 | 156,230 |
| TSA | 68,987 | 68,987 | 93,750 | 103,097 | 334,820 |

### 9.1.2 PROPOSED REVENUE REFORMS AND MEASURES FOR 2019

1. **Develop and implement a comprehensive, accurate, up-to-date and reliable taxpayer database.** Non-compliance with business registration and tax payments considered to be significant. Linked to that there is Lack of complete coverage for TIN, as well as for GST registration. Duplication in TIN Register is a common occurrence and there is a lack of harmonisation between TIN and GST Registers. A registration strategy has therefore been implemented and involves TIN register cleaned up, TIN and GST registers harmonization achieved. Spot checks conducted by NRA to ensure all businesses and individuals have TIN and are GST-registered. Inspection & surveys of businesses will also be undertaken to update the taxpayer database

2. **Explore the property tax potential** to mobilise domestic revenues. A rent unit has been reestablished at the NRA to enhance the rental database and implement an enforcement programme for collecting rental income tax. Third party data from Stats SL, EDSA and Local Government is being gathered to enhance the rental database.

3. **Gathering third party data for data matching purposes**. Also includes compliance checks and conducting compliance audit on misclassification of employees as contractors. This will also necessitate the full implementation of nCEN for tracking Customs intelligence data.

4. **Improving Sierra Leone's GST "c-efficiency".** Percentage of businesses GST-registered and filing returns is low. The NRA is on course to introduce the use of electronic cash registers for the administration of Goods and Services Tax (GST). GST administration is not supported by Electronic Cash Registers (ECRs) in Sierra Leone as is now the case in many African countries.

5. **Implementing other specific measures to widen the revenue base.** There is evidence of notable noncompliance across a range of revenue instruments. Compliance is weakened by gaps and fragmentation of transactions and tax liability data. Absence of tax court. Tax compliance measures being taken: (i) professionals; (ii) rental payments; (iii) property buyers; (iv) assessing 3rd party GoSL agency data.

6. **Enhance customs valuation.** Whilst awaiting the ASYCUDA World, the current ASYCUDA++ is being interfaced with a Price Reference Database to improve

valuation of customs imports. Third Party sources with original commercial invoices are also being used to challenge under-declared import values.

7. **Review and standardize processing and clearance of transit goods**. Transit procedures in Sierra Leone have been revised in line with best practice and the Research Department is also conducting a study to understand the factors for the rising trends of transit goods through Sierra Leone with the aim of addressing any adverse revenue implication it may have.

8. **Enhance NRA integrity mechanisms.** Staff integrity is crucial to reducing revenue leakages. The NRA will closely monitor the NRA aspect of the Anti-Corruption strategy, finalise and approve the whistle blower policy, recruit whistle blowers, train procurement staff on procurement laws and regulations, and undertake refresher awareness meetings on integrity issues.

9. **Enhance cooperation and collaborative strategy with all stakeholders.** Revenue collection involves multitude of stakeholders who will provide information that will inform compliance improvement. Therefore, the NRA is currently developing a stakeholders engagement strategy which it intends to implement in the short term; enhance cooperation with government agencies; and establish a mechanism for NRA-to-business partnership). Currently, the NRA is holding meetings with TSA agencies to carry out enforcement activities jointly to ensure they are on target with their revenue projections. NRA has also deployed staff in their offices for collection of the targeted revenues.

10. **Develop an overarching communication strategy** and information dissemination platform. This will involve developing and implementing a media engagement strategy, regularly updating the NRA website and developing a common information hub for import and export regulations.

11. **Deploy ASYCUDA World at Queen Elizabeth II Quay** and Customs House that will simplify the clearance process and make it faster for our traders; and has with it an inbuilt valuation module to improve customs valuation and therefore minimize revenue leakages.

12. The NRA will further **implement the Post Clearance Audit monitoring systems** to improve compliance in customs declaration.

2. **Implement an automated payment gateway and reconciliation system**; and integrate the payment and reconciliation system with all banking and GOSL systems. Complete reconciliation of revenue in terms of tax assessed, collections, transfers and arrears does not take place; the only reconciliation that occurs at least quarterly is between actual revenue collections and transfers to the CRF.

13. **Collaborate with MoF to review the abuse of tax incentives** to ensure they are not over-generous to the extent government loses the much-needed revenues for public service delivery. There can be discretionary exemptions on GST, customs and income tax leading to significant revenue loss and no clear benefit to economy. Mechanisms will be put in place to ensure no granting of new exemptions.

14. **Adopting ECOWAS Common External Tariff (CET**). In June 2018, Sierra Leone implemented the ECOWAS CET, with the likely net positive effect on Customs revenue as the tariff rates, when fully implemented, are likely to increase below their current low levels compared to the average for ECOWAS.

15. **Improving voluntary compliance through aggressive taxpayer education and sensitization**. The tax regime and administrative procedures System seem too complicated for SMEs, thus raising compliance costs and reducing compliance rate. The NRA is therefore implementing a nation-wide tax education programme supported by OSIWA in this respect. Additionally, a Taxpayer Assistance Strategy has been developed and is being implemented **Upfront payment of duties and charges on petroleum products**. Payment of import duty, excise duty and road user charges by OMCs has not been timely. Currently, a mechanism has been put in place with OMCs paying duties and charges upfront (not later than one week) prior to uplifting based on quantity of fuel to be uplifted and NRA assessment.

16. **Tracking tax obligations/arrears and applying enforcement measures** to recover them. Enforcement – letters are being sent to companies in tax liability and also requesting BSL to deny any external repatriation of funds from these companies until they comply. Other companies that could not respond to notice of enforcement will have their premises sealed.

17. The NRA is also currently **auditing GST registered businesses** of both LTO and MTO cases that claim huge GST credits, causing them to not pay domestic GST to government.

18. **Close monitoring of Petroleum uplifts and revenue payment**. Weekly forecasts of Petroleum Excise volumes now done jointly with PRA and the OMCs. NRA and BSL are also to finalize arrangement to install ASYCUDA at BSL to help track payments in respect of petroleum revenues and hence aid compliance. Further, NRA has posted new smart staff at the petroleum warehouses, capacitating them with installation of computers and seals to ensure NRA in full control of opening and closure of these warehouses.

# Appendix: Abridged Versions of the 2017-2018 Audited Financial Statements of the NRA

### STATEMENT OF COMPREHENSIVE INCOME

|  | 2018<br>Le.'000 | 2017<br>Le.'000 |
|---|---|---|
| **INCOME** | | |
| REVENUE | 105,246,900 | 78,742,560 |
| OTHER OPERATING INCOME | 6,248,595 | 3,746,337 |
| **TOTAL INCOME** | 111,495,495 | 82,488,897 |
| | | |
| **EXPENDITURE** | | |
| ADMINISTRATIVE EXPENSES | 39,420,643 | 43,740,017 |
| STAFF COSTS | 68,024,128 | 55,136,195 |
| GOVERNANCE COSTS | 1,691,334.00 | |
| DEPRECIATION | 4,668,669 | 4,985,611 |
| **TOTAL EXPENDITURE** | 112,113,440 | 103,861,82 |
| | | |
| **FINANCE COSTS** | 1,865,110 | 2, 632,978 |
| | | |
| **RESULT FOR THE YEAR** | (2,483,055) | (24,005,904) |

## STATEMENT OF FINANCIAL POSITION

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | | Le.'000 | | Le.'000 |
| **ASSETS** | | | | |
| **TANGIBLE NON-CURRENT ASSETS** | | | | |
| PROPERTY, PLANT & EQUIPMENT | | 27,145,903 | | 26,646,4277 |
| | | | | |
| **TOTAL NON-CURRENT ASSETS** | | 27,145,903 | | 26,646,427 |
| | | | | |
| **CURRENT ASSETS** | | | | |
| RECEIVABLES & PREPAYMENT | | 30,704,168 | | 14,122,181 |
| CASH & CASH EQUIVALENT | | 22,256,414 | | 14,302,766 |
| | | | | |
| **TOTAL CURRENT ASSETS** | | 52,960,582 | | 28,424,947 |
| | | | | |
| **TOTAL ASSETS** | | **80,106,485** | | **55,071,374** |
| | | | | |
| **FUNDING & LIABILITIES** | | | | |
| ACCUMULATED FUND | | 1,593,298 | | 9,220,035 |
| | | | | |
| **NON-CURRENT LIABILITIES** | | | | |
| CAPITAL FUNDS | | 1,212,709 | | 1,212,709 |
| EMPLOYEE BENEFIT PROVISION | | 30,415,148 | | 22,809,826 |
| **TOTAL NON-CURRENT LIABILITIES** | | 31,627,857 | | 24,022,535 |
| | | | | |
| **CURRENT LIABILITIES** | | | | |
| INCOME TAX LIABILITIES | | 1,304,637 | | 1,304,637 |
| OTHER PAYABLES | | 45,580,693 | | 20,524,167 |
| **TOTAL CURRENT LIABILITIES** | | 46,885,330 | | 21,828,804 |
| **TOTAL FUNDING & LIABILITIES** | | **80,106,485** | | **55,071,374** |