



NATIONAL REVENUE AUTHORITY

ANNUAL REPORT 2019

BY:

MONITORING, RESEARCH AND PLANNING (MRP) DEPARTMENT

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1 List of Acronyms

ATAF	African Tax Administration Forum
ASYCUDA	Automated System for Customs Data
CG	Commissioner-General
CIF	Cost, Insurance and Freight
CIT	Corporate Income Tax
CSD	Customs Services Department
D&M	Design and Monitoring
DCG	Deputy Commissioner-General
DMU	Debt Management Unit
DTD	Domestic Taxes Department
DTIS	Domestic Tax Information System
EIRU	Extractive Industry Revenue Unit
ECR	Electronic Cash Register
F&B	Finance and Budget
FOB	Free on Board
GST	Goods and Services Tax
IMF	International Monetary Fund
ITAS	Integrated Tax Administration System
LCS	Legal and Corporate Services
LTO	Large Taxpayers Office
MDAs	Ministries, Departments and Agencies
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MRP	Monitoring, Research and Planning
NASSIT	National Social Security and Insurance Trust
NRA	National Revenue Authority
NTR	Non-Tax Revenue
OMCs	Oil Marketing Companies
OSIWA	Open Society Initiative for West Africa
PATE	Public Affairs and Tax Education Unit
PAYE	Pay as You Earn
PCA	Post Clearance Audit
PIT	Property Income Tax
RIIU	Revenue Intelligence and Investigations Unit
RMC	Risk Management Committee
RMU	Risk Management Unit
RUC	Road User Charges
SCD	Single Customs Declaration
SLRSA	Sierra Leone Road Safety Authority
SMTO	Small and Medium Taxpayers Office
TIN	Taxpayer Identification Number

TSA	Treasury Single Account
VIPS	VAT Integrated Processing System
WAN	Wide Area Network
WIT	Withholding Income Tax

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4 Commissioner-General's Statement

After impressing in 2018 following a notable increase in tax effort, winning of donor and public confidence and ignition of tax administration reforms, the expectation in 2019 was therefore high to ensure we replicate the performance of the previous year.

In 2019 therefore, the government set an ambitious revenue target for the Authority on the grounds of a sound economy and implementation of several tax and customs administration measures and reforms. To these aspirations, we delivered.

We built on the impressive revenue collection in 2018 and improved the revenue/GDP ratio from 12.3% in 2017 to 14.4% in 2019, an increase of 2.1 percentage point of GDP in just two years, good enough to draw accolades from regional pairs, development partners and researchers in revenue administration.

After extensive preparation in 2018, in January 2019, the NRA went live with implementation of the ASYCUDA World system for the administration of customs transactions at the main seaport, and shortly rolled out the system to the post office thus automating parcel post administration for the first time; rolled out the system to Kissy Terminal, thus ensuring administration of petroleum uplift and payment is automated for the first time; rolling out the advanced system to the Airport and then to our main land border with Guinea.

Perhaps what has been most inspiring is the innovations that went along with the implementation of the ASYCUDA World system to the extent these innovations were seen as exemplary for other countries implementing a similar system for Customs administration. NRA made use of the new system to introduce an SMS messaging facility for consignees where we now communicate directly to them on the customs import duties and taxes liable upon assessment as well as key stages in the clearance process of their goods. This innovation was also launched alongside declaration tracking screens at Customs House and the Quay enabling

importers and brokers and indeed the general public to view in real time the status of their consignments along the clearance path.

The NRA also launched Saturday work at the seaport in 2019, thus ensuring importers could now continue clearing their goods on Saturday, thereby reducing the cost of getting into unnecessary demurrage. Finally, in 2019, as part of the customs reforms, the Authority launched in-house banking at Customs House, guaranteeing the availability of banking services to importers and brokers to pay for their goods at close proximity, extend the banking hours on weekdays beyond 4pm and ensure banks are available on Saturdays when the port and customs are in full operation just as in any other weekday. This has eased the constraints of importers and brokers in locating banks outside of the port to make payments for their consignment.

Therefore, in terms of reforms, 2019 was the year of customs administration reforms at the NRA, whilst we target major reforms in domestic tax administration in 2020.

With the aforementioned achievement in the course of the year, the country gained notable recognition, as the NRA and the Commissioner-General bagged several awards and entered into MOUs with both national and international institutions to not only collaborate and share data, but to also support the Authority in its sustainable reform drive. We are repositioning the tax administration in Sierra Leone in the face of an increasingly digital global economy and therefore embrace the benefit of fourth industrial revolution in revenue administration.

As the NRA envisions an institution of excellence and a reference for national public sector institutions and regional tax administrations, and thrives in this forward-looking trajectory, this is not being accomplished without challenges. There still exist lacunas in the tax laws especially on international transactions that provide an opportunity for tax avoidance. The informal sector still constitutes

the largest sector of the Sierra Leone economy, which generally is hard to tax. The economy itself turned out to be challenging in 2019 as forex challenges, slower business activity and sales as well as increasing number of closing companies marred much of the year, thus affecting potential revenue that could have been collected.

However, with a committed political leadership and supervisory Ministry, a passionate donor community, a Board of Directors strong in their oversight function and committed Management and staff of the Authority, we will prevail over these challenges and build a professional workforce and modern institution that are resilient to those challenges, mobilise the revenues needed by government and provide standard revenue administration services to our valued taxpayers consistent with contemporary revenue administration good practices. As I thank all those who have contributed to a successful 2019, I am confident of an even better 2020, all things being equal.

5 Executive Summary

The National Revenue Authority (NRA) is the semi-autonomous government institution with the mission of effectively administering the revenue system of Sierra Leone and facilitation international trade in order to enhance the Government's fiscal space for national development. It was established by the NRA Act 2002 and is directly supervised by the Ministry of Finance and overseen by a Board of Directors.

Revenue Target Achieved

In 2019 the NRA continued its strong trajectory established in recent years of increased revenue collection in support of the Government's fiscal budgetary agenda, enhanced trade facilitation and a strengthened revenue administration.

This report describes in detail the revenue performance of the Authority in 2019, the reforms and policy measure it took to reach its revenue targets and strengthen its ability to sustainably collect revenue, and the planned measures to be undertaken in 2020.

The NRA began the year with an ambitious revenue target agreed between the Government and the IMF, though this target was subsequently revised downward by mutual agreement following new economic and revenue collection forecasts.

The revised domestic revenue target amounted to Le 5.378 trillion and a revenue/GDP ratio of 14.3%. On both measures, the target amounted to a substantial increase in 2018 (the revenue/GDP ratio was 13.7% in that year).

The NRA ultimately collected Le 5.417 trillion in 2019, thereby exceeding the revised target for the year by Le 38 billion. Furthermore, by achieving a final revenue/GDP ratio of 14.4%, the NRA was able to exceed the target by this relative measure as well.

Revenue streams that performed above target in 2019 included GST, import duties, excise (including on petroleum), fisheries, parastatals, Treasury Single Account (TSA) agencies, timber and 'other MDAs'. Even the revenue streams that performed below target (income tax, mines revenues and Road User Charges) still had relatively impressive collections, and the margins of their shortfalls were not as alarming.

Compared to the collection of Le 4.428 trillion in 2018, the 2019 collection represents an excess close to a trillion Leones. Furthermore, the tax effort (revenue as a percentage of GDP) improved by 2.1 percentage points compared to 2017 and by 0.7 percentage point compared to 2018. This is impressive by any international standards.

All revenue streams showed marked improvement in collection compared to the previous year as the NRA engaged in full enforcement actions, aggressive taxpayer education and sensitisation campaigns, extensive audits and the realization of a full year of implementation of key tax policy measures applied only halfway through the previous year.

Departmental Targets

The Domestic Tax Department (DTD) in 2019 just about met its target, collecting Le 2.908 trillion against a target of Le 2.914 trillion. GST was more than the target by Le 47 billion and income tax short by Le 53 billion, implying a net shortfall in total DTD collection by just Le 6 billion (0.2%).

The Customs Services Department (CSD) exceeded its target of Le 1.281 trillion by about Le 33 billion with the total collection of Le 1.314 trillion in 2019. All sub-revenue streams comprising import duty, petroleum excise and import excise were in excess of their respective targets for the year.

The Non-Tax Revenue Department (NTR) is the smallest operational department at the NRA. In 2019, it accounted for 20.1% of the total NRA collection, marginally higher than the 19.95% contribution of this department to total domestic revenue in 2018. All sub-revenue streams improved notably in 2019, and the NTR exceeded its target for 2019 by about 1.3%.

Reform Measures

These successes in achieving the 2019 revenue targets were driven in large part by a raft of reforms to tax policy and administration undertaken or fully implemented in 2019. These include the following:

1. Implementation of important reforms at Customs including:
 - a. Rollout of ASYCUDA World at the Queen Elizabeth II Quay, Kissy Terminal (where transactions of Oil Marketing Companies were captured helping account for more revenues from the petroleum sector), SALPOST, Freetown International Airport, and the Guinea land border.
 - b. Introduction of Saturday Customs operations since August 2019 including the construction and operationalisation of in-house banking facility at the Customs.
2. Strengthened collaboration with revenue collecting MDAs and Treasury Single Account (TSA) agencies, thus consolidating non-tax revenue performance. This collaboration included the signing of MoUs with key agencies for information sharing (FIU, NASSIT).
3. Enhanced taxpayer education and sensitisation through:
 - i. Institutionalisation of an “NRA Hour” on AYV TV from 7pm every Monday,
 - ii. Launch of a half yearly newsletter
 - iii. Development and launch of a comprehensive Tax Guide
 - iv. Use of social media to articulate and share social media articles around the work of the revenue administration
 - v. Taxpayer workshops
4. Continued liberalisation of petroleum prices to remove subsidies.
5. Implementation of Short-Term Revenue Improvement Project (STRIP) in Q4. This specifically addressed compliance issues and institutions of enforcement measures on defaulting taxpayers.

6. Use of third parties to recover tax arrears. In 2019, the NRA particularly made use of the strengthened garnishee provisions in the 2019 Finance Act to use third party sources to recover tax arrears where the debtor had delayed and remained uncooperative to pay off their tax arrears. This yielded substantial revenues for the NRA.
7. Engagement with taxpayers as a first step before enforcement
8. Extensive audits of taxpayers including desk audits
9. Close monitoring of revenue performance through weekly NRA revenue meetings and weekly Economic Management Team Meetings at Statehouse
10. Increased data analysis and investigations of taxpayers.
11. Implementation of a payment tracking system for monitoring non-tax revenues.
12. Conduct of conference examination of taxpayer accounts, with the advantage of speeding up the number of accounts examined and introducing transparency in the assessment process.

In addition to the above measures, significant progress made in the implementation of the new Integrated Tax Administration System (ITAS). The system is on course to go live with Phase 1 for the core taxes in 2020. The World Bank was engaged to extend the ITAS project to accommodate the remaining modules and tax types to ensure full benefit of the system.

The NRA also supported the following legislative measures to strengthen the country's tax system:

- Electronic Cash Registers Regulation
- Excise Stamp Duty Regulation with technical support from development partners
- Transfer Pricing Regulation with Technical support from African Tax Administration Forum (ATAF)
- Finance Act 2020

Tax/Duty Waivers

Total duty waiver granted increased by 75% from Le 363.859 billion in 2018 to Le 636.489 billion in 2019. The key drivers of the 2019 duty waiver amount were those granted to the Government and Non-Governmental Organisations (NGOs) followed by Public International Organizations (PIOs) as shown in Table 3.

Staffing

The total number of staff at the Authority as of 30 December 2019 was 713 compared to 514 in 2018. While a total of 221 staff were recruited in 2019, 23 staff left the Authority in 2019 for various reasons including retirement, resignation, dismissal and death. Thus, the net increase in the number of staff was 199 (39%). The number of women on the staff grew more than the male staff population, with the former increasing by 54% and the latter by 35%.

Cooperation with MDAs and other stakeholders

In 2019, the NRA strengthened collaboration and signed Memorandum of Understandings (MoUs) with revenue collecting MDAs, Treasury Single Account (TSA) agencies and other stakeholders. Specifically, the NRA signed MoUs with the Financial Intelligence Unit (FIU) and the National Social Security and

Insurance Trust (NASSIT) for the sharing of data and other information that can be utilised for tax administration purposes.

Three MoUs have been drafted with the National Civil Registration Authority (NCRA), the National Minerals Agency (NMA) and the Office of the Administrator and Registrar General (OARG) which are expected to be signed in 2020. The NRA also signed two MoUs for technical assistance and cooperation in transfer pricing and revenue administration research with the African Tax Administration Forum (ATAF) and the International Centre for Tax and Development (ICTD). The Authority is also collaborating with the OECD to enhance participation and capacity building in international tax matters.

Enforcement

A number of different units within the NRA are involved specifically in enforcement activities both of domestic taxes as well as customs and non-tax revenues.

The year 2019 saw an increase in revenue recovered from the Anti-Smuggling Unit's activities since 2014 with 2019 recovery almost twice that of 2018 and more than five times that of 2017 recovery. The main sources of these revenues were from intercepted vehicles with expired C59 leading to the recovery of Le 1.041billion and various interventions at the port which led to the recovery Le 9.561billion.

The Risk Management Unit of CSD recovered a total of Le 1.302 billion as a result of the Unit's risk interventions, while the Query and Amendments Unit of CSD amended a total of 1,589 customs declarations that were found with different kinds of errors and omissions which resulted to an uplift value totaling Le 16.176 billion.

The Trade and Tariff Unit of CSD also made several interventions in terms of value uplifts, misclassifications and advance rulings on classification in 2019. These interventions resulted in the Unit recovering Le 18.976 billion as additional revenue.

Trade Facilitation

The year 2019 saw an increase in imports with respect to both dutiable and non-dutiable goods. The total CIF value of both dutiable and non-dutiable imports in 2019 was Le 12.978 trillion compared to Le 7.140 trillion in 2018 (representing an increase of 82%). Of the total imports in 2019, dutiable imports accounted for 62% compared to 80% in 2018.

TIN Issuance and Compliance

The total number of TIN issued in 2019 increased by 13% from 58,535 in 2018. The number of TIN issued to businesses and individuals increased by 2,799 (17%) and 4,616 (11%) respectively in 2019.

The total number of active GST and PAYE tax filers for LTO were 191 and 236 respectively of which, about 90% (172) of taxpayers filed GST on-time and around 64% of taxpayers filed PAYE on-time. It can therefore be deduced that on average GST LTO taxpayers were more compliant than PAYE taxpayers in 2019.

A total number of 85 and 114 audit cases were planned for LTO and SMTO respectively in 2019 compared to 61 for LTO and 95 for SMTO in 2018. All planned SMTO audit cases were completed in 2019 and only 25% (21) for LTO in 2019 compared to 75% (46) in 2018. As a result of the field audit conducted in 2019, a total of Le 8.787 billion and Le 199.316 billion were discovered as tax liability for LTO and SMTO respectively.

Looking Forward

The current year 2020 has already thrown up unexpected challenges notably in the form of the global COVID-19 pandemic which has forced the NRA to be flexible in its approach to safeguard the health of the public and its staff while at the same time carrying out its responsibilities for sustainable revenue collection.

The 2020 revenue target has been revised to reflect the economic consequences of the pandemic and the measures taken to combat it, with the new target revised to Le 5.462 trillion, about 16% lower than the original target.

A raft of reform measures are in the pipeline at the NRA, notably the full operationalization of ITAS, changes to tax rates as a result of the Finance Act 2020, and ongoing efforts to expand the tax base, improve cooperation between the NRA and other stakeholders and strengthen the NRA itself so that it can go from strength to strength in carrying out its duties for the people of Sierra Leone.

6 CHAPTER ONE

6.1 INTRODUCTION

6.1.1 Background Information

The National Revenue Authority (NRA) is a semi-autonomous government institution established by the NRA Act, 2002 as part of the Government's reform measures for enhancing government revenue collection and revenue administration.

The primary mandate of the NRA is to assess and collect tax and non-tax revenues as specified by law on behalf of the Government and to administer and enforce the revenue laws. Specifically, the NRA has the following core mandates:

- Assess and collect revenues on behalf of Government
- Improve compliance (filing of returns and making payment on time)
- Improve trade facilitation, and
- Border security

6.1.2 NRA Corporate Statement

The mission and vision statement of the NRA as well as its corporate values are expressed as follows:

Mission

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

Vision

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

NRA Corporate Values

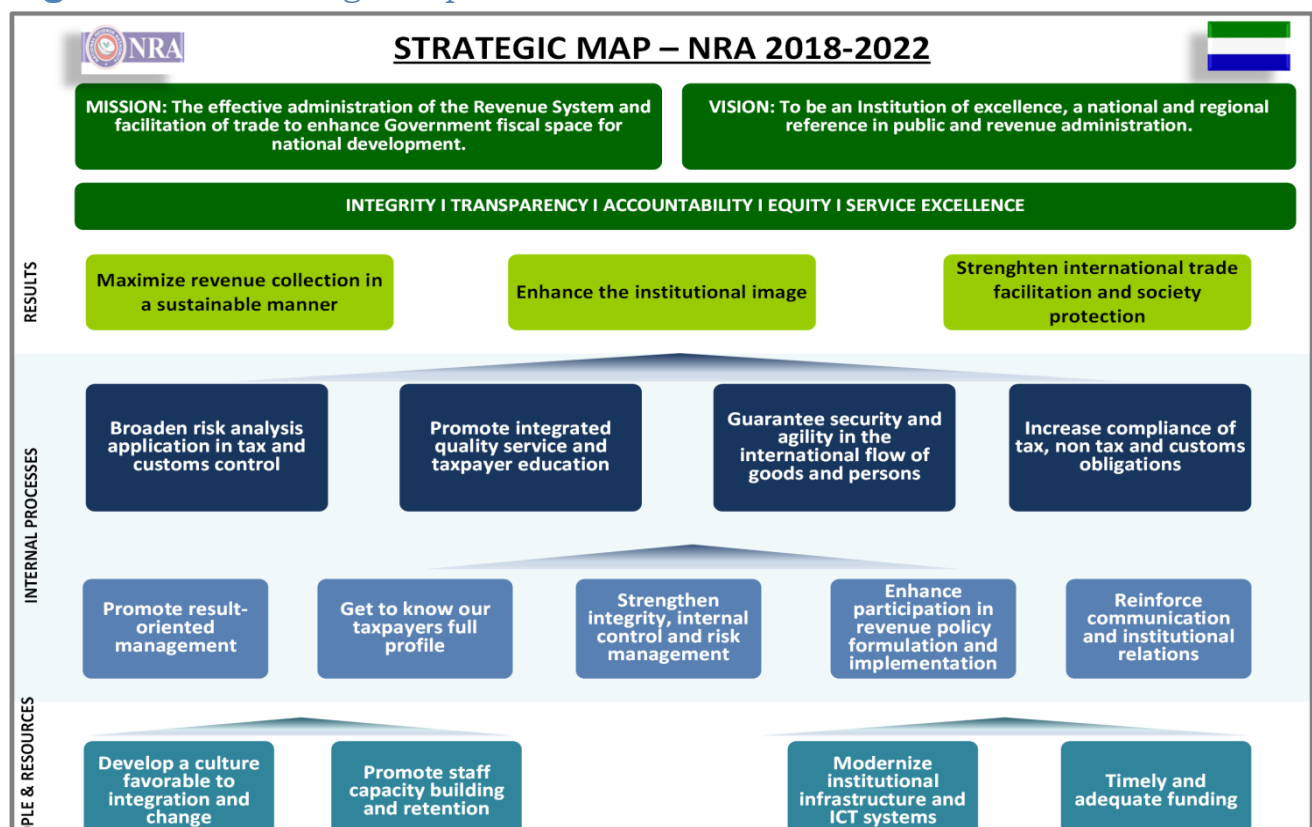
The activities of the NRA are guided by the following corporate values:

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

6.1.3 NRA Strategic Plan 2018-2022

The year under review marks the end of the second year of the implementation of the five year (2018-2022) strategic plan of the Authority that focuses on the automation of business processes and procedures and staff development with the aim of enhancing domestic revenue collection and improving efficient service delivery. To achieve the mission and vision of the Authority, the 2018-2022 Strategic Plan emphasizes three pillars, namely: people and resources, internal processes, and results. These three pillars are translated into the Authority's Strategic Map Model as shown in Figure 1.

Figure 1: NRA Strategic Map



The strategic map also reflects the five Strategic Goals of the NRA which are expressed as follows:

- Effective and efficient revenue mobilization to support government fiscal space
- Develop human capital and institutional capacity
- Enhanced trade facilitation
- Automate and integrate modernized business processes and procedures
- Improve public trust and credibility

6.1.4 Governance Arrangement

The NRA is a semi-autonomous government institution that is directly supervised by the Ministry of Finance (MoF) while the management of the Authority is overseen by a governing Board of Directors headed by a chairperson.

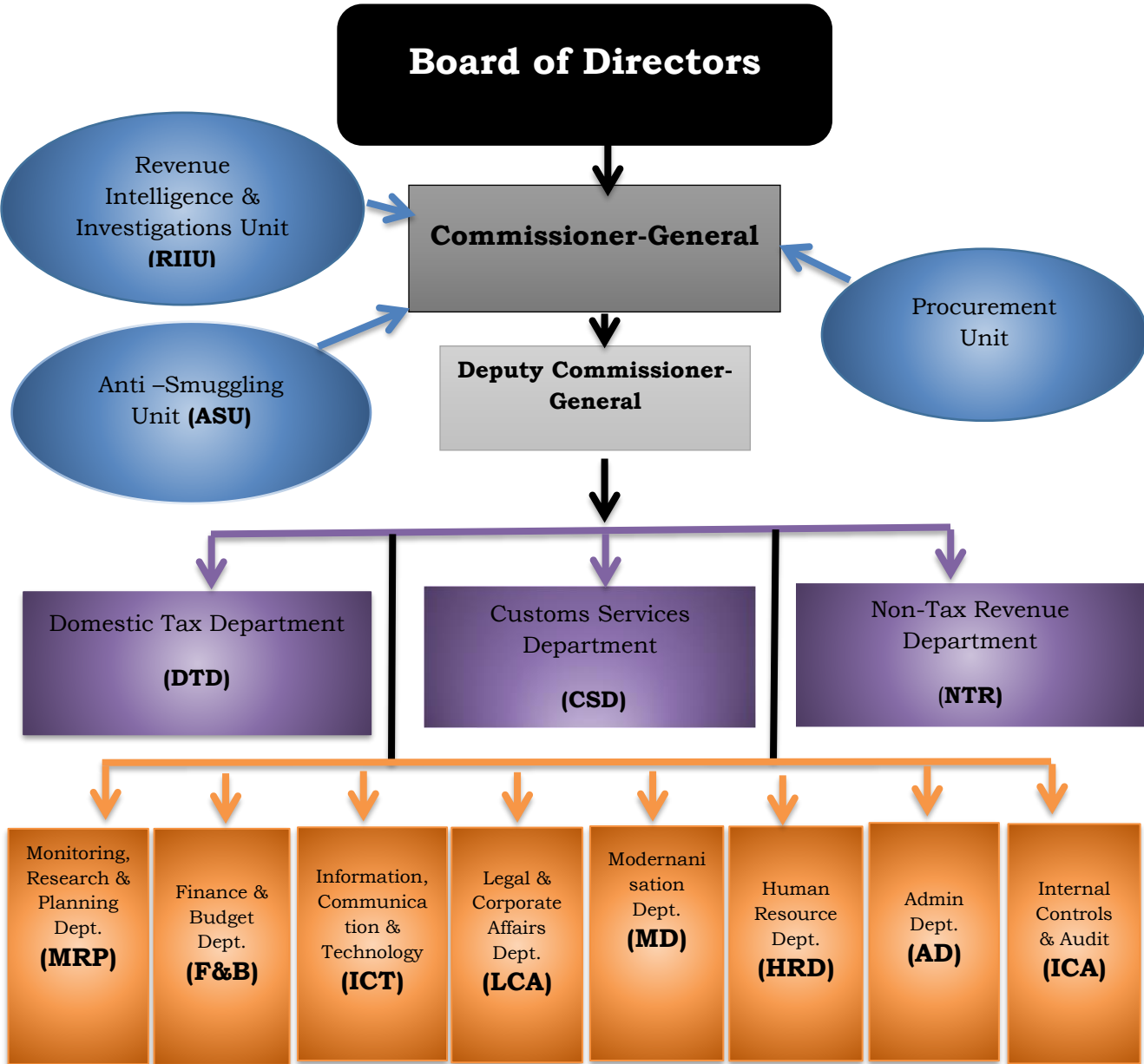
According to the NRA Act, 2002, the membership of the Board of Directors is comprised of the following:

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

In addition to the determination and formulation of management policies, the Board is also responsible for setting performance targets and standards, including quality and operational output measures for revenue collection, and the establishment and administration of codes of conduct. The Board also determines the grading, remuneration, recruitment, promotion and training of staff.

The day-to-day management of the Authority is the responsibility of the Commissioner-General (CG) who, according to the NRA Act, 2002, is the Chief Executive Officer of the Authority. The CG is responsible for the implementation of the Board’s decisions; the administration, organisation and control of staff; and the management of the funds, property and business of the Authority. The Board appoints a Deputy Commissioner-General to assist the Commissioner-General and to act in the absence of the Commissioner-General.

Figure 2: Governance/ Organizational Structure



The NRA has three operational departments (Figure 2), namely the Domestic Tax Department (DTD), Customs Services Department (CSD) and the Non-Tax Revenue Department (NTR), as well as eight support departments that provide support to the operational departments in the collection of revenue. The latter comprise of Monitoring, Research and Planning (MRP); Finance and Budget; Information, Communication and Technology (ICT); Legal and Corporate Affairs (LCA); Modernisation; Human Resource (HR); the Administration Department and the Internal Controls and Audit (ICA) Departments. The Authority also has three Units: the Revenue Intelligence and Investigations Unit (RIIU); Anti-Smuggling Unit (ASU); and a Procurement Unit, all of which operate directly under the Office of the Commissioner-General.

The operational departments are headed by Commissioners and are responsible for actual revenue collection while the support departments are headed by Senior Directors or Directors. All the Commissioners, Senior Director/Directors and their deputies/assistants are appointed by the Board of Directors.

Of the three operational departments, the DTD is the largest and is responsible for the collection of all domestic taxes. The DTD is divided into the Large Taxpayers Office (LTO) and Small and Medium Taxpayers Office (SMTO) and also includes several units including Goods and Services Tax (GST), Domestic Excise, Extractive Industry Revenue Unit (EIRU), Audit, and Design and Monitoring (D&M). Being the second largest operational department, the CSD is responsible for the collection of international trade taxes/levies and excise. The CSD is also a key stakeholder in trade facilitation in addition to the prevention of the importation of harmful goods. Non-tax revenues, which are all government revenues not derived from taxes, are administered by the NTR.

7 CHAPTER TWO

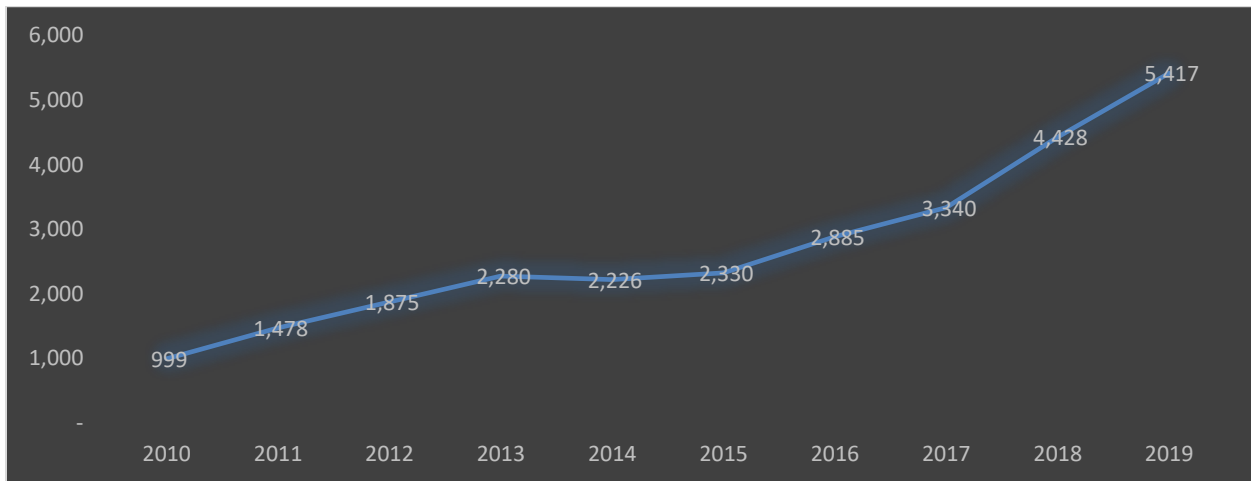
7.1 REVENUE AND DUTY WAIVER PERFORMANCE 2019

This chapter provides an analysis of actual revenue collection for the last five years (2010 – 2019) presented in the form of a trend, and revenue as a percentage of Gross Domestic Product (GDP). In addition, this chapter compares revenue performance between 2018 and 2019, as well as duty waiver statistics for the same period. Also provided in this chapter are revenue performance analysis for the three operational departments of the Authority, and the reasons for the increase/decrease in revenue as well as the challenges encountered in the collection of revenue in 2019.

7.1.1 Historic Domestic Revenue Performance 2010 – 2019

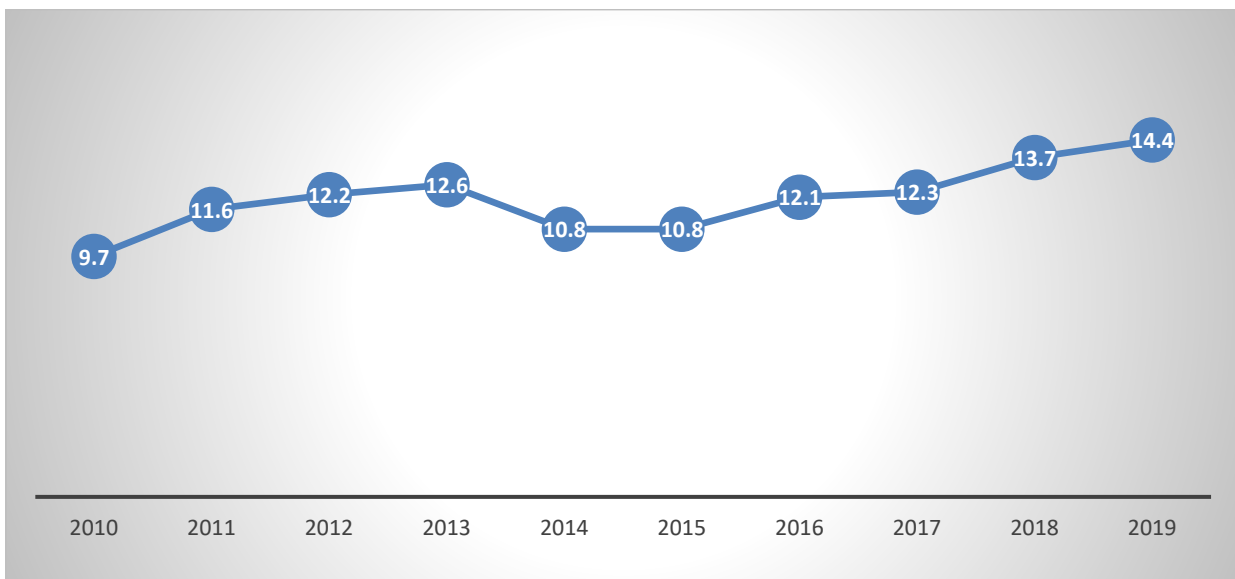
Figure 3 presents the historic trend of domestic revenue collection in Sierra Leone from 2010-2019. The trend in nominal terms shows a steep upward trajectory in revenue collection particularly from 2015 (post-Ebola period) and even steeper between 2017 and 2019 demonstrating the stronger performance in domestic revenue collection in the last two years. The revenue administration reforms and measures supported by strong tax policy commitment in recent years have led to this improved trend in domestic revenue mobilization in Sierra Leone.

Figure 3: Graph of Domestic Revenue Collection 2010-2019 (Le Billion)



When the trend is reported in real terms (as a percentage of GDP) (Figure 4), the effect of the twin shocks of the Ebola crisis and the international commodity price collapse was clear when revenue as percentage of GDP dropped in 2014 and 2015 at a flat rate of 10.8%. The recovery in 2016 was evident just as is the improved performance in the past two years of 2018 and 2019 when the revenue/GDP ratio shot up by 2.1 percentage points from 12.3% in 2017 to 14.4% in 2019 for the reasons described above.

Figure 4: Domestic Revenue as % of GDP (2010-2019)



7.1.2 Revenue Performance In 2019

Originally, Government was optimistic about revenue mobilization in 2019 and therefore set a target as high as Le5.662 trillion. Through the first half of the year, the NRA was on course to meet this annual target. However, in Q3 and Q4, it appeared that the original target was no longer in reach for a variety of reasons. The Government together with the IMF revised this target to be more realistic given the prevailing conditions.¹ This revised 2019 domestic revenue target was to build on the achievement of the previous year and further increase the country's revenue/GDP ratio from 13.7% in 2018 to 14.3% in 2019. The revised 2019 target amounted to Le 5.378 trillion in absolute terms. With a collection of Le 5.417 trillion for 2019, the NRA thereby exceeded the revised absolute target by Le 38 billion (Table 1). In addition, the NRA also exceeded the revised real target of 14.3% of GDP, ultimately achieving a revenue/GDP ratio of 14.4%.

Revenue streams that performed above target included GST, import duties, petroleum excise, other excise, fisheries, parastatals, Treasury Single Account (TSA), timber and 'Other MDAs'. Even the revenue streams that performed below target (income tax, mines revenues and Road User Charges) still had relatively impressive collections, and the margins of their shortfalls were not as alarming.

The impressive performance of petroleum excise is attributable to the maintained government position in liberalising fuel prices whilst protecting the tax take. This was also backed by the introduction of the ASYCUDA World system in customs operations to track uplift and payments. The performance of GST and income tax in the year is largely associated with a combination of improved tax education and sensitisation to enhance voluntary compliance as well as the implementation of a range of enforcement measures to ensure taxpayers comply including the garnishee provision and sealing of premises of a defaulting

¹ This decision was taken during the IMF's Extended Credit Facility (ECF) programme review in September 2019

taxpayer. The extensive field and desk audits conducted by the NRA also helped discover substantial amounts of revenues which were eventually recovered.

The revenue performance of Treasury Single Account (TSA) agencies is due to strengthened collaboration with revenue collecting MDAs and TSA agencies where the assessment and collection functions were jointly planned and executed. The NRA also signed MoUs with key agencies for better information sharing (i.e. the Financial Intelligence Unit and the NASSIT) where their data was utilised to enhance tax assessment and audit.

For parastatal revenues, the transfer of the collection of Cargo Tracking fees to the Sierra Leone Port Authority and the termination of the TPMS contract helped provide additional collection from parastatal revenue streams.

The introduction of Saturday operations at Customs House provided an avenue for an additional day of clearance of goods at the port and therefore increased import-related revenues. Further, the implementation of the advanced ASYCUDA World system with its associated benefits contributed to some extent to increased revenue collection from import duties. Increased surveillance on technical and physical smuggling also helped bring in more revenues from imports.

Table 1: 2019 Domestic Revenue Collection against Target (Le Million)

	2019 Actual	2019 Revised Target	Variance	% Var
TOTAL REVENUE	5,417,037	5,378,990	38,047	0.7%
DOMESTIC TAX DEPARTMENT	2,907,699	2,914,198	(6,499)	-0.2%
<i>Income Tax Revenue</i>	1,877,013	1,930,198	(53,185)	-2.8%
<i>Goods and Services Tax</i>	1,030,686	984,000	46,686	4.7%
Customs Services Department	1,313,905	1,281,000	32,905	2.6%
Import Duty	711,075	710,000	1,075	0.2%
Petroleum Excise	567,476	546,000	21,476	3.9%
o/w IDF	193,348	-	-	
Import Excise	35,354	25,000	10,354	41.4%
NTR	1,088,101	1,073,792	14,309	1.3%
Mines	233,409	270,080	(36,671)	-13.6%
Other Depts.	854,692	803,712	50,980	6.3%
<i>Royalties on Fisheries</i>	108,777	96,005	12,772	13.3%
<i>Parastatal Dividend inc. (Bollorie and cargo tracking)</i>	138,148	60,683	77,465	127.7%
Other Revenues	607,766	647,024	(39,258)	-6.1%
o/w TSA	302,886	330,000	(27,114)	-8.2%
o/w Timber	224,891	220,000	4,891	2.2%
o/w Other MDAs	79,988	97,024	(17,036)	-17.6%
Road User Charge (RUC)	107,332	110,000	(2,668)	-2.4%

7.1.3 Comparative Revenue Performance (2019 Vs 2018)

Compared to the collection of Le 4.428 trillion in 2018, the collection of Le 5.417 trillion in 2019 represents an excess close to a trillion Leones (i.e. Le 989 billion as in Table 2). This 2019 collection is equivalent to 14.4% of GDP, thus improving from the 13.7% realized in 2019 and the 12.3% realized in 2017. Hence, tax effort improved by 2.1 percentage points compared to 2017 and by 0.7 percentage point increase compared to 2018. This is impressive by any international standards.

Table 2: Domestic Revenue Collection 2019 Versus 2018 (Le Million)

	2019 Actual	2018 Actual	Variance
TOTAL DOMESTIC REVENUE	5,417,035	4,428,460	988,575
TOTAL REVENUE (EXCLUDING RUC)	5,309,704	4,374,265	935,439
DOMESTIC TAX DEPARTMENT	2,907,699	2,482,331	425,368
<i>ITR</i>	1,877,013	1,595,948	281,065
<i>GST</i>	1,030,686	886,383	144,303
CSD	1,313,905	1,008,519	305,386
<i>Import Duty</i>	711,075	650,487	60,588
<i>Petroleum Excise</i>	567,476	347,155	220,321
<i>Import Excise</i>	35,354	10,877	24,477
NTR	1,088,099	883,415	204,684
<i>Mines</i>	233,409	222,773	10,636
<i>Other Depts.</i>	854,691	660,642	194,049
<i>Royalties etc. on Fisheries</i>	108,777	94,919	13,858
<i>Other Revenues</i>	745,913	565,723	180,190
<i>o/w TSA</i>	302,886	227,005	75,881
<i>o/w Other MDAs (Inc Timber & Parastatals)</i>	443,027	338,718	104,309
Road User Charge (RUC)	107,332	54,195	53,137

All revenue streams showed marked improvement in collection compared to the previous year as the NRA engaged in full enforcement actions, aggressive taxpayer education and sensitization campaigns, extensive audits and realising the full year implementation of key tax policy measures applied only halfway through the previous year.

7.1.4 Departmental Revenue Performance 2019

Table 1 and Figure 5 show the performance of the three operational departments of the National Revenue Authority in terms of revenue collection against their 2019 revised targets.

7.1.4.1 Domestic Tax Department (DTD)

The DTD is the largest operational department responsible for the collection of all domestic taxes in the country including GST and income taxes. In 2019, the department accounted for Le 2.908 trillion or 53.7% of the total NRA collection, slightly lower than its contribution of 56.1% in 2018. Out of this amount, Le 1.877 trillion was collected as income taxes, including corporate income tax, PAYE, withholding taxes and PIT. About Le 1.031 trillion was collected by the department in respect of GST, both import and domestic.

Compared to the departmental target of Le 2.914 trillion for 2019, the collection of Le 2.908 trillion by the DTD implies the target was just about met, with an insignificant shortfall of only Le 6 billion (or 0.2%). GST was in excess of the target by Le 47 billion and income tax short by Le 53 billion, implying a net shortfall in total DTD collection by just Le 6 billion.

7.1.4.2 Customs Services Department (CSD)

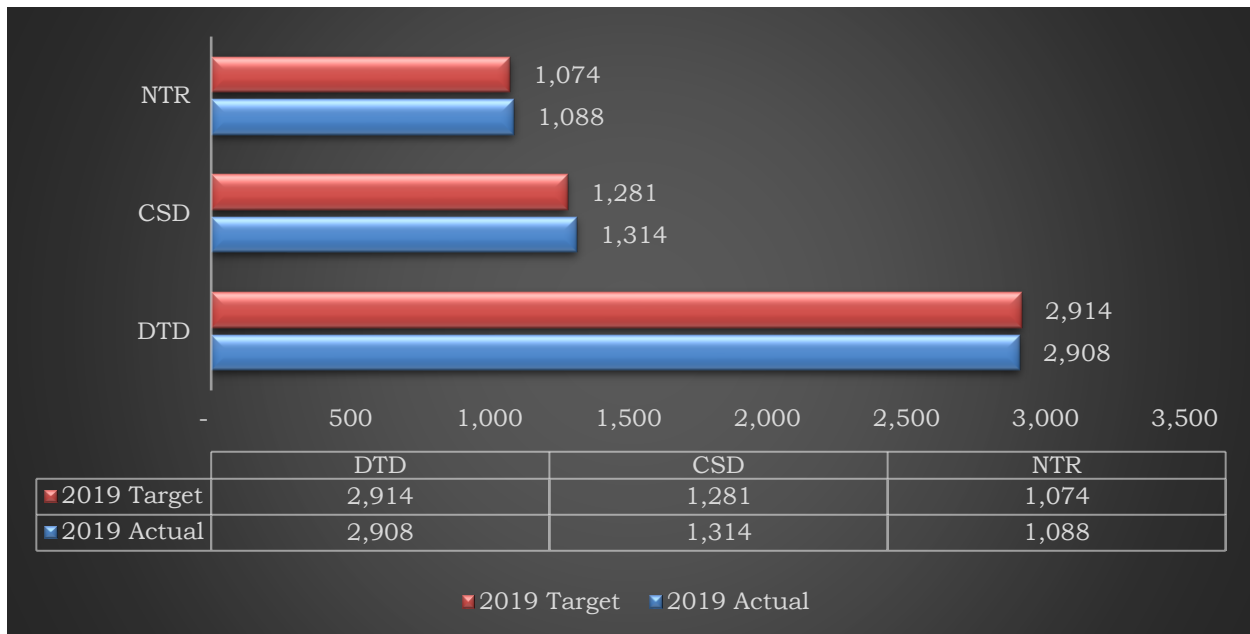
CSD is the second largest operational department in terms of revenue collection, and contributed 24.3% of total domestic revenue in 2019, thus being higher than the 22.8% contribution realised in 2018. It is important to note that the contribution of the CSD to total domestic revenue is in actual fact higher than the figure reported above given that the CSD also collects import GST on behalf of the DTD and in addition facilitates the collection of RUC which are both reported separately. There were significant improvements in all revenue streams of customs in 2019 compared to 2018 which could be attributed to full realisation of the policy of petroleum price liberalisation in 2019 as well as the implementation of ASYCUDA World in 2019.

From a target of Le 1.281 trillion, the department met and exceeded this target by about Le 33 billion with the total collection of Le 1.314 trillion in 2019. All sub-revenue streams comprising import duty, petroleum excise and import excise were more than their respective targets for the year (Table 1).

7.1.4.3 Non-Tax Revenue (NTR)

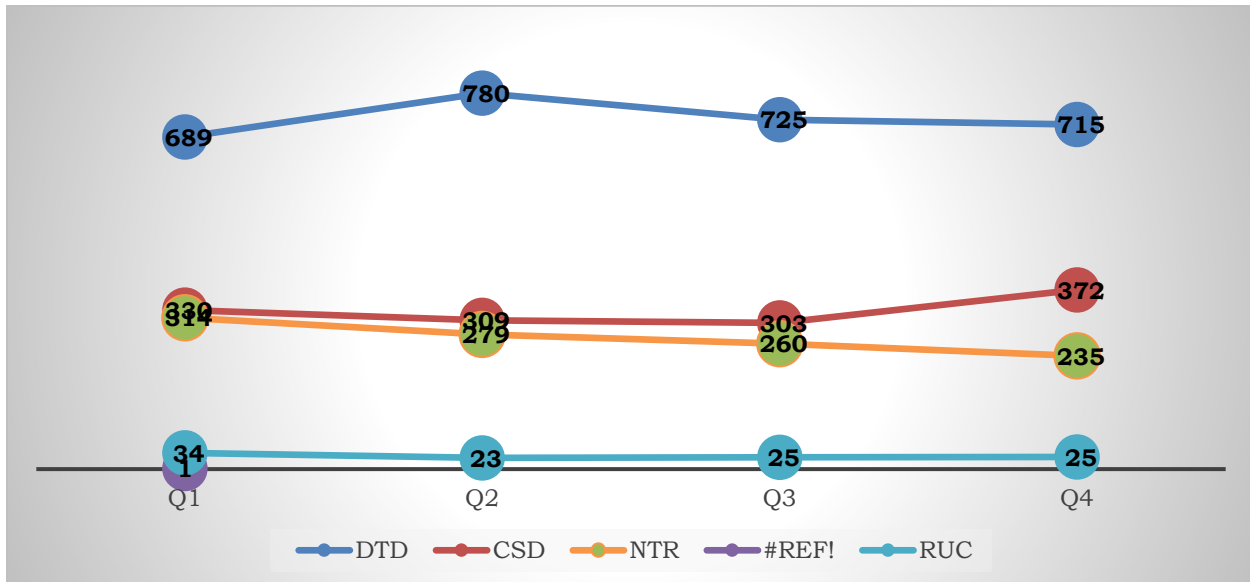
This operational department is the smallest at the NRA. In 2019, it accounted for 20.1% of the total NRA collection, marginally higher than the 19.95% contribution of this department to total domestic revenue in 2018. All sub-revenue streams improved notably in 2019.

Figure 5: Departmental Performance against 2019 Target (Le Billion)



On a quarterly basis (Figure 6), both DTD and NTR showed a downward trend in their quarterly collection in 2019, which was surprising given previous experience where the best performing quarterly collection for both departments had been in Q4. Rather, it was CSD that showed an upward trend in their quarterly revenue collection in 2019. The downward trending collection for DTD in Q3 and Q4 had largely to do with the fact that the accumulated arrears which are usually collected in Q4 were in 2019 mostly already collected in the first half of the year. This is because enforcement measures involving garnishment from third-party sources were utilised in the year. There were, therefore, fewer arrears available to be collected towards the last quarter of the year.

Figure 6: Quarterly Trend of Departmental Revenue Collection in 2019 (Le Billion)



7.1.5 Reasons For Revenue Performance 2019

Factors associated with the impressive revenue performance in 2019 include the following:

13. Implementation of important reforms at Customs including:
 - a. Rollout of ASYCUDA World at the Quay, Kissy Terminal (where transactions of Oil Marketing Companies were captured helping account for more revenues from the petroleum sector), SALPOST, Airport, and the Guinea land border.
 - b. Introduction of Saturday Customs operations since August 2019 including the construction and operationalisation of in-house banking facility at the Customs.
14. Strengthened collaboration with revenue collecting MDAs and TSA agencies thus consolidating non-tax revenue performance and signing of MoUs with key agencies for information sharing (FIU, NASSIT).
15. Enhanced taxpayer education and sensitisation through:

- i. Institutionalisation of an NRA Hour on AYV TV from 7pm every Monday,
 - ii. Launch of a half yearly newsletter
 - iii. Development and launch of a comprehensive Tax Guide
 - iv. Use of social media to articulate and share social media articles around the work of the revenue administration
 - v. Taxpayer workshops
16. Continued liberalisation of petroleum prices to remove subsidies
 17. Implementation of Short-Term Revenue Improvement Project (STRIP) in Q4. This specifically addressed compliance issues and institutions of enforcement measures on defaulting taxpayers.
 18. Use of third parties to recover tax arrears. In 2019, the NRA particularly made use of the strengthened garnishee provisions in the 2019 Finance Act to use third party sources to recover tax arrears where the debtor had delayed and remained uncooperative to pay off their tax arrears. This yielded substantial revenues for the NRA.
 19. Engagement with taxpayers as a first step before enforcement
 20. Extensive audits of taxpayers including desk audits
 21. Close monitoring of revenue performance through weekly NRA revenue meetings and weekly Economic Management Team Meetings at Statehouse
 22. Increased data analysis and investigations of taxpayers
 23. Implementation of a payment tracking system for monitoring non-tax revenues
 24. Conduct of conference examination of taxpayer accounts, with the advantage of speeding up the number of accounts examined and introducing transparency in the assessment process.

7.1.6 Comparative Duty Waiver Performance (2019 Vs 2018)

On the amount of tax/duty waived, total duty waiver granted increased by 75% from Le 363.859 billion in 2018 to Le 636.489 billion in 2019. The implication of

these increased duty waivers in 2019 is the revenue loss to government that would have otherwise been utilized in more productive projects. In this case, both import duty and GST revenues would have performed much higher than is reported for 2019. The key drivers of the 2019 duty waiver amount were those granted to the Government and Non-Governmental Organisations (NGOs) followed by Public International Organizations (PIOs) as shown in Table 3.

Table 3: Duty Waiver Granted in 2018 and 2019 (Le'M)

Beneficiary	2018	2019	VARIANCE	% VARIANCE
Embassy	15,531	23,469	7,938	51%
Government	139,705	386,126	246,422	176%
Mining	30,290	5,592	-24,698	-82%
NGO	59,670	91,203	31,534	53%
PIO	64,485	70,792	6,307	10%
Private	54,179	59,308	5,129	9%
Total	363,859	636,489	272,631	75%

Duty waiver concessions granted to government MDAs increased by 176% from Le 139.705 billion in 2018 to Le 386.126 billion in 2019 while duty waivers granted to NGOs increased by 53% from Le 59.670 billion in 2018 to Le 91.203 billion in the same period. Only waivers to mining and mineral exploration companies recorded a decrease from Le 30.290 billion in 2018 to Le 5.592 billion in 2019.

On a Sectoral basis (Table 4), it is seen that generally waivers are granted to the health, energy, construction, diplomatic and agricultural sectors. In 2019, these sectors still emerge to be the highest granted. In terms of the sectors that increased in waivers in 2019 compared to 2018, it merged that the health sector (by Le220 bn), energy sector (by Le83 bn) realised the biggest increase in concessions signifying increasing government focus in these sectors. Defense (by Le18.7 bn), Trade (by Le10.8 bn) and Transport (Le9.7 bn) also received notable increase in waivers in 2019 compared to 2018.

Table 4: DUTY WAIVER FOR 2018 AND 2019 BY SECTOR ANALYSIS IN BILLION LEONES

SECTOR	2018			2019			VARIANCE ANALYSIS	
	IMPORT DUTY	IMPORT GST	TOTAL	IMPORT DUTY	IMPORT GST	TOTAL	VARIANCE	% VAR
AGRICULTURE	17.5	16.6	34.1	13.8	14.7	28.4	-5.7	-17%
COMMUNICATION	1.9	0.1	2.0	0.3	0.5	0.9	-1.1	-57%
CONSTRUCTION	26.6	26.9	53.5	19.3	29.8	49.1	-4.4	-8%
DEFENCE	9.8	9.3	19.1	0.2	0.2	0.4	-18.7	-98%
DIASPORA	0.0	0.0	0.1			0.0	-0.1	-
DIPLOMATIC	19.7	21.3	41.0	16.0	18.3	34.3	-6.6	-16%
EDUCATION	3.2	2.7	6.0	4.4	5.1	9.6	3.6	61%
ELECTORAL COMMISSION	0.1	0.2	0.3			0.0	-0.3	-
ENERGY	25.9	37.2	63.0	61.8	84.6	146.4	83.3	132%
FINANCIAL	0.0	0.1	0.1	0.1	0.2	0.3	0.2	206%
FISHING			0.0	0.0	0.0	0.0	0.0	
HEALTH	38.1	52.2	90.3	149.8	160.7	310.4	220.2	244%
IMMIGRATION	1.2	1.1	2.3			0.0	-2.3	-
MANUFACTURING			0.0	0.1	0.1	0.2	0.2	
MINING	3.2	2.9	6.1	3.3	2.6	5.9	-0.3	-4%
MINISTRY OF FINANCE	0.1	0.2	0.2			0.0	-0.2	-
NATIONAL AUTHORISING OFFICE	0.0	0.1	0.1			0.0	-0.1	-
NATIONAL REVENUE AUTHORITY	0.0	0.0	0.1			0.0	-0.1	-
OFFICE OF THE PRESIDENT	0.5	0.5	1.0	0.9	1.1	2.0	1.0	105%
OIL	0.3	0.0	0.3	0.0	0.0	0.1	-0.2	-69%
PARLIAMENT	0.0	0.0	0.1	0.4	0.3	0.7	0.6	1219%
SECURITY	0.2	0.3	0.5	1.0	0.9	2.0	1.5	319%
SOCIAL WELFARE	3.8	3.6	7.4	4.9	6.2	11.1	3.7	50%
SPORTS	0.0	0.0	0.0	0.8	0.7	1.5	1.5	5261%
TOURISM	2.7	2.4	5.0	0.3	0.5	0.8	-4.2	-83%
TRADE	7.3	8.1	15.4	12.6	13.5	26.2	10.8	70%
TRANSPORT	8.0	7.3	15.3	2.9	2.6	5.5	-9.7	-64%
WATER RESOURCES	0.3	0.4	0.7	0.3	0.3	0.5	-0.1	-21%
YOUTH	0.0	0.0	0.1	0.1	0.1	0.2	0.1	197%
Grand Total	170.3	193.6	363.9	293.4	343.1	636.5	272.6	75%

8 CHAPTER THREE

8.1 KEY NON-REVENUE ACHIEVEMENTS IN 2019

8.1.1 Taxpayer Sensitisation and Education

The Public Affairs and Tax Education Unit (PATE) (a unit under the Legal and Corporate Affairs Department) in collaboration with the Taxpayer Services (TPS) unit (a unit under the Domestic Tax Department) is responsible for providing a reliable, timely and uninterrupted flow of information to taxpayers, stakeholders and the general public about tax laws, reforms and other information regarding the general administration of the Authority with the aim of minimising noncompliance and subsequently enhancing domestic revenue collection. A summary of the key initiatives carried out by the PATE Unit and TPS during the period under review that was geared towards improving tax awareness and service delivery are provided below:

- Radio talk shows called “NRA Hour” were hosted on African Young Voices (AYV) and the Sierra Leone Broadcasting Corporation (SLBC) every Monday and Thursday where staff of the Authority educate the general public on tax issues and the need for tax compliance. There were also “NRA Hour” shows hosted by other radio stations in Bo, Kenema, Makeni and Kono.
- To create awareness especially on the different reform measures being implemented by the NRA, jingles (both audio and visual in English and local languages) were aired on different radio and television stations country wide.
- Several meetings and workshops were organized all over the country to educate stakeholders on tax compliance, administrative and policy reforms currently under implementation. This provided a platform for stakeholders to interact with staff of the Authority and to address their concerns.

- In collaboration with the Open Society Initiative for West Africa (OSIWA), several tax clinics were hosted in shopping centres in the district headquarter towns.
- Launch and distribution of the NRA Tax Guide and half yearly Newsletter in addition to the printing of brochure/flyer that provides comprehensive and relevant information on the different revenue laws, NRA processes and procedures, and taxpayer obligations.
- Approval by the CG for the construction and erection of 20 large billboards with different tax messages around Freetown and the provinces (still in progress);
- The Public Relations Officer (PRO) of the Authority did write-ups about the NRA which were disseminated through various social media platforms for the general public to know the key activities of the institution for the week in addition to regularly updating the Authority's website with relevant information and downloadable forms.

8.1.2 ICT Tax/Revenue Reform Innovations

Over the past few years, considerable efforts have been made in revenue mobilisation. This progress has been highly influenced by the implementation of several reform and modernisation projects. Key among the projects implemented in 2019 were:

- ASYCUDA World implemented and rolled out to the Queen Elizabeth II Quay, Oil Marketing Companies (OMCs) at Kissy Terminal, Sierra Leone Postal Services (SALPOST), Freetown International Airport, and Gbalamuya border post. Training and support provided to end users in the use of the system. Further functionalities of the system were activated to include a declaration tracking system and SMS and email facility.
- The NRA's ICT infrastructure has been strengthened with servers, fire equipment, computers, networking systems, processor licences, even though there is scope to further enhance it for faster internet speed.

- Electronic Single Window is under development for eight MDAs in a bid to facilitate trade.
- Significant progress made in ITAS implementation. The system is on course to go live in 2020. The World Bank was engaged to extend the ITAS project to accommodate the remaining modules and tax types to ensure full benefit of the system.
- Completed the procurement arrangement for the implementation of the Electronic Cash Registers (ECR).
- Introduced Saturday Customs Operations and constructed and operationalised in-house banking facility at the Queen Elizabeth II Quay.

8.1.3 Tax Policy and Legislative Reforms

Consistent with other countries with modern, semi-autonomous revenue authorities, the MoF in Sierra Leone, in collaboration with the NRA, formulate tax and non-tax policies and legislations, while the NRA implements these policies and legislation. In collaboration with the MoF, the following regulations were drafted in 2019:

- Review of NRA Act 2002
- ECR Regulation
- Excise Stamp Duty Regulation with technical support from development partners
- Transfer Pricing Regulation with Technical support from African Tax Administration Forum (ATAF)
- Finance Act 2020

8.1.4 Human Resource Management

The primary responsibilities of the Human Resource Department (HRD) are recruitment, training, maintenance and review of staff records and staff appraisal. This Department has four units, namely: Salary and Records; Training, Manpower Planning and Capacity Building; Staff Welfare; and Recruitment and Appraisal. This section provides an analysis of the key activities completed by the HRD for the period under review.

Table 5: Staff strength, separation and training beneficiaries in 2019

Department	No. of Staff	Staff Separation	*Training Participants
CG's OFFICE	17	-	49
HUMAN RESOURCE	81	-	375
ADMIN	122	6	295
CSD	176	9	513
NTR	53	4	26
F & B	19	-	39
MRP	18	-	28
ICT	26	1	29
ICA	9	-	22
L&CA	8	1	6
DTD	84	3	324
TOTAL	713	24	1,706

* includes staff that benefited from more than one training

8.1.5 Staff Strength

The total number of staff in the Authority as at 30 December 2019 was 713 compared to 514 in 2018 (Table 5). While a total of 221 staff were recruited in 2019, 23 staff left the Authority in 2019 for various reasons including retirement, resignation, dismissal and death. Thus, the net increase in the number of staff was 199 (39%). Of the 713 staff, male staff represented 78% (558) of the total staff population compared to 22% (155) for female while the male and female staff population in 2018 were 413 (80%) and 101 (20%) respectively. Although the male staff population accounted for over three-quarters of the total staff population, the data underscores the Authority's commitment to gender

mainstreaming in terms of employing qualified female staff. The number of women on the staff grew more than the male staff population, with the former increasing by 54% and the latter by 35%.

The Authority also contracted 50 staff in July 2019 to embark on a six-month taxpayer registration and verification exercise with the DTD and MRP Department.

8.1.6 Staff Training, Manpower Planning and Capacity Development

The NRA believes in creating opportunities for staff capacity development, attracting and retaining qualified individuals. It is in this light that a total of 1,706 staff participated in training programmes on different subjects in revenue administration. Note that these 1,706 staff that participated in different training programmes include those that benefitted from more than one training course in the year. Of the 1,706 participants, 1,393 (82%) and 313 (18%) were male and female respectively. Also, of the 1,706 participants, a total of 1,646 participated in internal/local training while 60 (4%) participated in external training courses.

8.1.7 Staff Separation

A total of 24 staff (compared to 10 staff in 2018) separated from the Authority in 2019 due to various reasons including retirement (8 staff compared to 6 staff in 2018), resignation (7 staff), dismissal (4 staff), termination (1 staff compared to 3 staff in 2018) and death (3 staff compared to 1 staff in 2018). All of these resulted to additional cost to the Authority in 2019 in terms of payment of terminal benefits, staff replacement cost and death benefits. It is therefore recommended that the authority's retention policy needs to be reviewed and more emphasis should be placed on sensitizing staff on the importance of the Terms and Conditions of Service (TACOS).

8.1.8 Staff Appraisal, Confirmation and Promotion

A total of 358 staff were appraised in 2019. Forty-seven (47) staff were also confirmed in various acting positions of which 25 were from DTD, 14 from CSD

and 4 each from CG's office and Admin respectively. Also, 14 staff were promoted to various positions (5 promoted to Manager, 6 to Supervisor and 3 to Officer).

8.2 COLLABORATION WITH KEY STAKEHOLDERS

Enhancing domestic revenue collection calls for collaboration between the NRA and other stakeholders which has been ongoing for the past decade. In 2019, the NRA strengthened collaboration and signed Memorandum of Understandings (MoUs) with revenue collecting MDAs, Treasury Single Account (TSA) agencies and other stakeholders. Specifically, the NRA signed MoUs with the Financial Intelligence Unit (FIU) and the National Social Security and Insurance Trust (NASSIT) for the sharing of data and other information that can be utilised for tax administration purposes. Three MoUs have been drafted with the National Civil Registration Authority (NCRA), the National Minerals Agency (NMA) and the Office of the Administrator and Registrar General (OARG) which are expected to be signed in 2020. The NRA also signed two MoUs for technical assistance and cooperation in transfer pricing and revenue administration research with the African Tax Administration Forum (ATAF) and the International Centre for Tax and Development (ICTD). The Authority is also collaborating with the OECD to enhance participation and capacity building in international tax matters.

8.3 DOING BUSINESS AND TRADE FACILITATION REFORMS 2019

Several reforms were undertaken in 2019 that were geared towards improving the business environment and facilitating trade in Sierra Leone. These reforms include:

- ASYCUDA World (which among other functions is aimed at facilitating trade) implemented and rolled out to the Quay, Kissy Terminal, SALPOST, Airport and Gbalamuya (Sierra Leone-Guinea border).
- Real time declaration tracking system and messaging system on the clearance path at the Quay in addition to declaration monitoring screens

provides real-time information to importers as to the status of their declaration/consignment.

- In-house banking facility at the CSD constructed and operationalized.
- Introduction of Saturdays customs operations.

8.4 PUBLIC RECOGNITION AND TRUST (INCLUDING AWARDS)

In the year under review, the NRA and the CG attracted a lot of internal and international recognitions/awards, and the Authority has been referenced as a model institution for performance. The Authority received the “All Works of Life” (AWOL) Award for “Parastatal of the Year 2019.” As a result of the reform measures (both policy and administrative) implemented by the NRA, Sierra Leone got an improved rating in the “Paying Taxes Indicator” of the World Bank’s 2020 Doing Business Report. The NRA scored 73 points which was well above the regional average for Sub-Saharan Africa (SSA) of 57.8 points and also outperformed key reformers like Kenya and Ghana.

In addition, the Authority was able to complete a number of research assignments in 2019 including a needs assessment survey of the taxpayers selected for roll out of the pilot ECR scheme, conduct of an Employee Satisfaction Survey, conduct of a survey on employee perception of the medical insurance scheme in use, collaboration with civil society consortium on the conduct of a taxpayer perception survey, and the conduct of tax gap analyses for domestic GST and international Trade.

8.5 ANTI-SMUGGLING UNIT ACTIVITIES IN 2019

The Anti-Smuggling Unit (ASU) was established as an operational unit of the Customs Services Department (CSD) under the direct supervision of the Commissioner-General. The Unit is tasked with tackling technical and physical smuggling through intelligence gathering, conducting investigations on suspicious transactions, conducting patrols and effectively monitoring CSD’s

general operations. The Unit has a further mandate to prevent the importation/exportation of contraband goods as well as prohibited and harmful goods into/out of Sierra Leone. The ASU worked in collaboration with other units of the CSD such as the Risk Management Unit (RMU), Valuation Unit and Physical Examination Unit to identify high risk consignments which assisted immensely in minimising leakages. The role of the ASU is therefore exclusively complementary in revenue mobilisation.

8.5.1 Prevention Of Technical and Physical Smuggling

The most common sources of fraud related to technical smuggling include under-invoicing, goods under-declaration, incorrect statement of origin to benefit from preferential trade agreements, use of wrong currency code, misclassifications, forgery etc., all of which have the potential to reduce revenue collection. Efforts employed by the ASU during the review period largely involved:

- Scrutinizing import/export declarations.
- Collaborating and maintaining intelligence networks with various stakeholders including the RIIU, FIU, Sierra Leone Police and the Military.
- Conduct of special fraud related investigations.
- Border patrols.
- Inspection of suspected stores, warehouses and shops to ensure that goods satisfy Customs formalities; and
- Manning temporary checkpoints along major routes leading to market centres to intercept smuggled goods.

8.5.2 Other ASU Support Functions

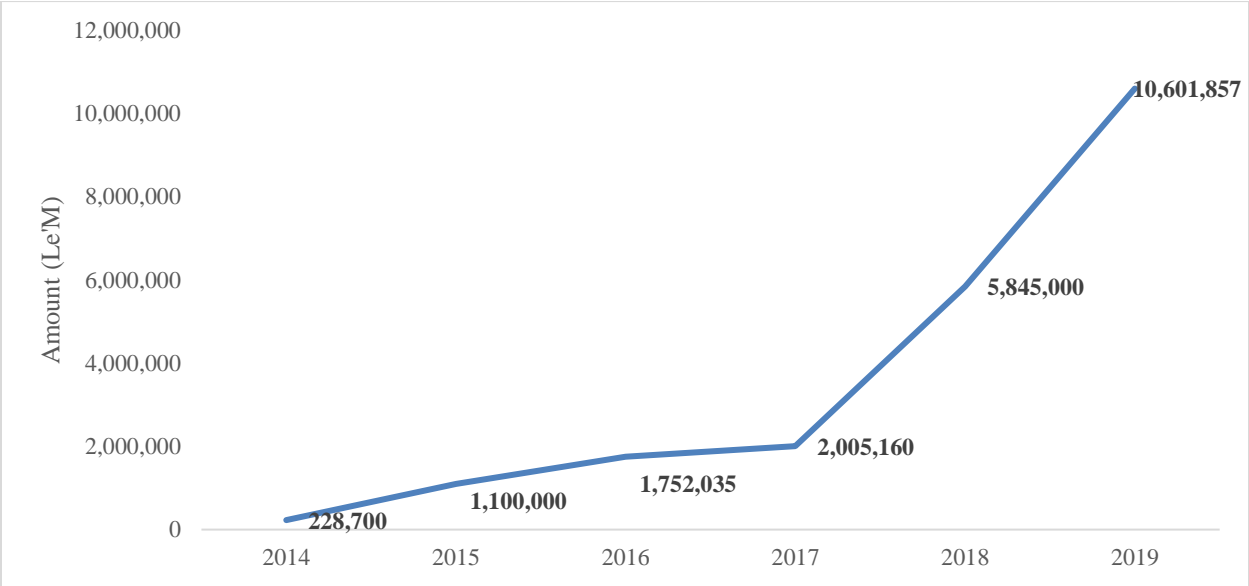
During the period under review, the ASU supported the Customs administration in the day-to-day conduct of Customs processes in the following areas:

- **Transit Operation** – ASU facilitated the inspection and escort of transit goods en-route to neighboring countries. The volume of trade recorded in respect of transit goods amounted to 44,447 metric tons and was valued at Le 82.540 billion with Le 2.230 billion collected as transit fees. There was no major incidence of fraud recorded on the conduct of transit trade.
- **Export Trade** – The ASU witnessed and reported on the stuffing of export consignments and followed up on all such transactions until they were released for export. Exports generally take the form of direct permanent exports, re-exports and temporary exports.
- **Warehousing Operation** – The ASU supported the escort of goods meant to be warehoused and further conducted periodic monitoring of the ex-warehousing process to ensure that there is no room for leakages. Of the 30 registered and licensed warehouse operators in the CSD database, only 15 remained active and fully covered by commercial bank bonds as at the end of 2019. The remaining 15 were dormant and without goods.
- **ASU – Sierra Leone Road Safety Authority (SLRSA) Cooperation** – In a bid to minimise the potential risk of registering/licensing vehicles which have not gone through customs formalities, the NRA and the SLRSA agreed to deploy an ASU resident Officer at the SLRSA to validate all vehicle/motorcycle clearance documents including license slips. A total of 50 vehicles were referred by the ASU Officer deployed at the SLRSA for proper documentation with the CSD.

8.5.3 Annual Revenue Performance by ASU From 2015 – 2019

Figure 7 shows that there has been an increase in revenue recovered from ASU activities since 2014 with 2019 recovery almost twice that of 2018 and more than five times that of 2017 recovery. The main sources of these revenues were from intercepted vehicles with expired C59 leading to the recovery of Le 1.041billion and various interventions at the port which led to the recovery Le 9.561billion.

Figure 7: Historical Revenue Performance by ASU (2014 - 2019) in Le'M



The following strategies were adopted by the ASU to enhance revenue collection in 2019:

- Effective collaboration with RMU, PCA and Valuation units to detect and prevent technical smuggling.
- Monitoring of duty-free consignments and collection of duties from non-deserving importers.
- Enforcement of laws relating to penalties by using distress actions where necessary to recover taxes.

- Making necessary interventions on high-risk consignments and periodic checks with those that are scheduled for release without inspection (Green Lane);
- Routine operations that detect and intercept foreign-registered vehicles with expired Temporary Importation Certificate (C59A) or those that are illegally imported for sale and illicitly registered at the SLRSA without the payment of duties and other related NRA taxes.

8.6 UPDATE ON RISK MANAGEMENT ACTIVITIES

In order to promote voluntary compliance, the Risk Management Unit (RMU) of the CSD profiled importers and Clearing and Forwarding Agents into the various Customs lanes (red, blue, yellow and green lanes). The Unit provides suspected risk notices and makes recommendations to other units along the processing path. Some of these notices may arise from issues bordering on valuation, classification, currency codes, improper documentations, CVC input errors and physical verification of quantity and content of some declarations suspected to be understated or with vague description.

8.6.1 Key Activities Carried Out by RMU In 2019

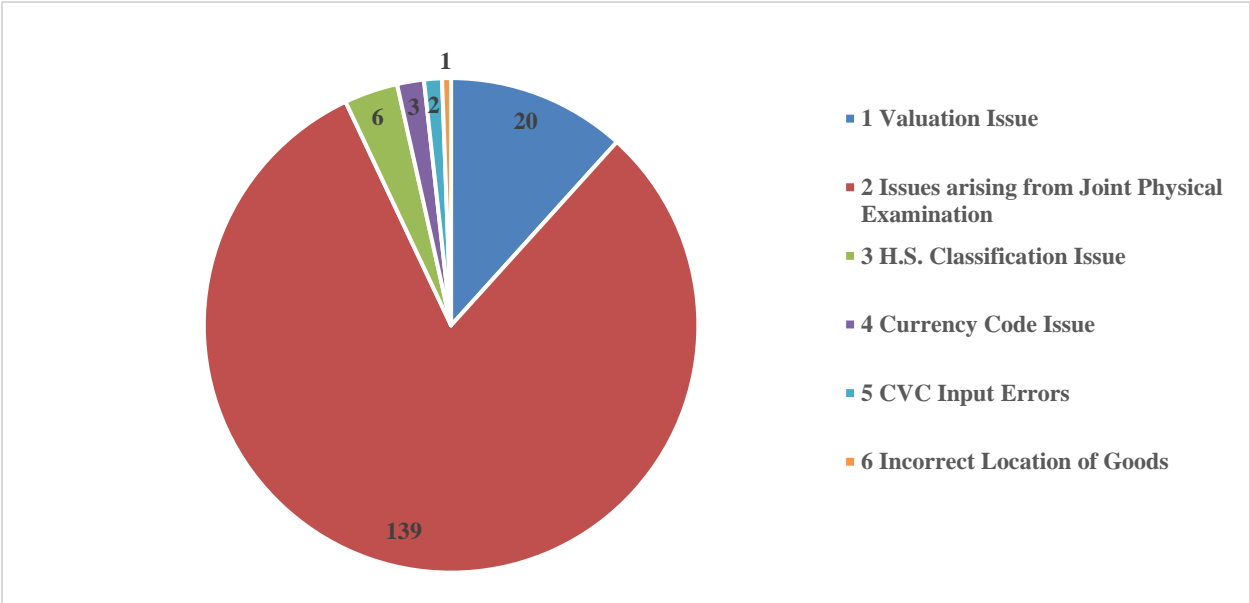
The activities of the RMU were interrupted in quarters one and two of 2019 as a result of the migration from ASYCUDA ++ to ASYCUDA World. Following the migration to ASYCUDA World, the Unit finalised and submitted a list of profiled importers (149 importers) in July to the Risk Management Committee which was subsequently approved and configured into ASYCUDA system. Although there were still challenges in accessing ASYCUDA World at the initial stage of its implementation, the Unit nevertheless made several interventions in both the processing path and physical examination verification which brought additional revenue to the Authority.

Out of the 149 importers profiled and approved by the Risk Management Committee (RMC), 74 importers (50%) were selected for the Blue Lane, 56

importers (37%) were selected for the Yellow Lane and 19 importers (13%) were selected for the Red Lane. A total of 171 declarations were, however, identified and suspected to have risk issues in the period under review. This prompted suspected risk notices to be sent to the various units dealing with such declarations for appropriate actions.

Figure 8 provides a breakdown of specific suspected risk issues identified and referred to other units for appropriate action. It can be seen that 81% of the SCDs were found to have risk issues (under-declaration of quantity and misdescription) and were identified as a result of joint physical examinations, while 12% of the SCDs examined had valuation issues.

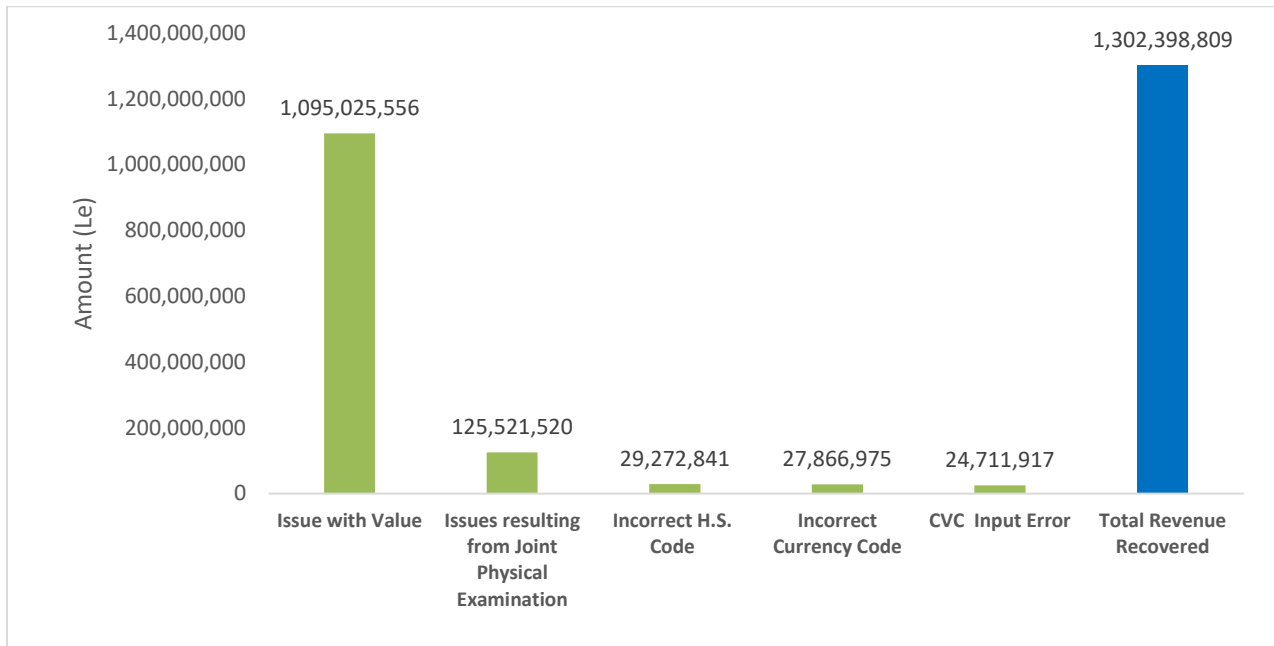
Figure 8: Breakdown of suspected risk issues identified by the RMU in 2019



8.6.2 Revenue Recovered by RMU

Figure 9 shows that in 2019, the RMU recovered a total of Le 1.302 billion as a result of the Unit’s risk interventions.

Figure 9: Revenue Recovered by RMU in 2019



Of this amount, 1.095 billion (84%) was recovered as a result of under-valuation, 125.522 million (10%) as a result of issues discovered during joint physical examinations while the remaining 81.852 (6%) was as a result of incorrect H.S. Code, Currency code and input error combined.

The RMU Unit also profiled 92 importers in the last quarter of 2019 in addition to the 149 already profiled importers in the first half of 2019. However, this list is yet to be approved by the Risk Management Committee. Of these 92 importers, 64 importers (70%) were selected for the blue lane, 23 (25%) selected for the red lane and 5 (5%) selected for the yellow lane.

8.7 UPDATE ON QUERY AND AMENDMENT

The primary objective of the Query and Amendments Unit of the Customs Services Department is to amend declarations that are found to be with errors and omissions which the Unit receives from other units within the CSD. For the period under review, the Unit amended a total of 1,589 declarations that were found with different kinds of errors and omissions which resulted to an uplift value totaling Le 16.176 billion. The errors and omissions contained in these

declarations included incorrect commodity code, incorrect income tax rate, incorrect items value, incorrect customs procedure and additional code, incorrect description of goods, incorrect total number of packages, incorrect gross weight, incorrect currency value and incorrect chassis number.

8.8 UPDATE ON TRADE AND TARIFF ACTIVITIES

The Trade and Tariff Unit made several interventions in terms of value uplifts, misclassifications and advance rulings on classification in 2019. These interventions resulted in the Unit recovering Le 18.976 billion as additional revenue. In addition, the unit provided advance rulings (which are binding) to businesses that wish to seek clarification from the CSD on specific issues.

9 CHAPTER FOUR

9.1 SPECIAL RELEVANCE STATISTICS

9.1.1 Import and Export Statistics 2018 Vs 2019

The statistics presented in this section were extracted from ASYCUDA World. The year 2019 saw an increase in imports with respect to both dutiable and non-dutiable goods. The total CIF value of both dutiable and non-dutiable imports in 2019 was Le 12.978 trillion compared to Le 7.140 trillion in 2018 (representing an increase of 82%). Of the total imports in 2019, dutiable imports accounted for 62% compared to 80% in 2018.

Table 6: Dutiable Imports CIF (Le'M) 2018 vs 2019

SITC CATEGORY	2018	2019	DIFFERENCE	% DIFF
BEVERAGES	93,383,530	71,926,660	-21,456,870	-23%
OTHER ITEMS	43,906,323	74,353,653	30,447,330	69%
ANIMAL AND VEGETABLE OILS, FATS AND WAXES	62,116,759	66,149,405	4,032,646	6%
TOBACCO	98,582,704	111,774,720	13,192,016	13%
CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	153,980,431	177,718,745	23,738,314	15%
MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	937,231,744	1,165,496,429	228,264,686	24%
FOOD AND LIVE ANIMALS	2,007,254,451	2,146,628,080	139,373,630	7%
MACHINERY AND TRANSPORT EQUIPMENT	1,400,428,916	1,512,367,026	111,938,110	8%
MISCELLANEOUS MANUFACTURED ARTICLES	377,667,325	523,428,490	145,761,166	39%
CHEMICALS AND RELATED PRODUCTS, N.E.S.	458,810,996	485,115,151	26,304,155	6%
MINERAL FUELS, LUBRICANTS AND RELATED MATERIALS	71,975,326	1,688,275,970	1,616,300,644	2246%
TOTAL	5,705,338,505	8,023,234,330	2,317,895,825	41%

Table 6 shows that dutiable imports increased by Le 2.318 trillion (41%) in 2019. Of all the categories of imports, only beverages recorded a decrease in dutiable imports in 2019 (falling by 23%) while the category mineral fuels, lubricant and related products recorded the largest absolute and percentage increase of

2246%. The major dutiable imports categories in 2019 were food and live animals; mineral fuels, lubricants and related materials; machinery and transport equipment; and manufactured goods which together accounted for 81% of total dutiable imports. Foods and live animals accounted for the highest of dutiable imports (27%) followed by mineral fuels, lubricants and related materials (21%).

Table 7: Non-Dutiable Imports CIF 2018 vs 2019 (Le'M)

SITC CATEGORY	2018	2019	DIFFERENCE	% DIFF
BEVERAGES	486,275	279,292	-206,982	-43%
OTHER ITEMS	11,079,359	7,851,758	-3,227,600	-29%
ANIMAL AND VEGETABLE OILS, FATS AND WAXES	951,661	3,880,673	2,929,012	308%
TOBACCO	-	-	-	-
CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	33,395,137	308,263,915	274,868,778	823%
MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	385,746,144	908,292,927	522,546,783	135%
FOOD AND LIVE ANIMALS	43,037,283	108,805,363	65,768,080	153%
MACHINERY AND TRANSPORT EQUIPMENT	600,151,685	1,761,352,430	1,161,200,745	193%
MISCELLANEOUS MANUFACTURED ARTICLES	144,656,801	1,201,453,746	1,056,796,946	731%
CHEMICALS AND RELATED PRODUCTS, N.E.S.	205,893,627	639,820,987	433,927,360	211%
MINERAL FUELS, LUBRICANTS AND RELATED MATERIALS	9,301,830	14,449,329	5,147,499	55%
TOTAL	1,434,699,801	4,954,450,422	3,519,750,621	245%

It can be seen from Table 7 that non-dutiable imports increased by Le 3.520 trillion (245%) in 2019. Only the categories beverages and other items recorded a decrease in non-dutiable imports in 2019. The category crude materials inedible, except fuels recorded the largest percentage increase (823%) followed by miscellaneous manufactured articles (731%). It can also be seen from Table 7 that machinery and transport equipment, miscellaneous manufactured articles; manufactured goods classified chiefly by material, chemicals and related products together accounted for 91% of total non-dutiable imports.

Machinery and transport equipment alone accounted for over one-fourth (36%) of total non-dutiable imports (the highest share of total non-dutiable imports in 2019) followed by miscellaneous manufactured articles (24%).

Table 8 compares the top 10 countries of origin for imports (imports for home consumption-IM4 and warehousing-IM7 combined) in 2018 and 2019. The top 10 countries of origin for imports accounted for over 70% of total imports in both 2018 and 2019. As depicted from the table, China and France were the main sources of Sierra Leone’s imports in 2018 and 2019 respectively. China, India, United States of America, Belgium, Turkey and Brazil were among the top 10 import origins in both 2018 and 2019. It can also be seen that imports from these countries increased in 2019.

Table 8: Top 10 Major Countries of Origin for Imports* 2018 vs 2019 (Le’M)

NO.	2018		2019	
	ORIGIN COUNTRY	CIF VALUE	ORIGIN COUNTRY	CIF VALUE
1	CHINA	1,693,948	FRANCE	4,324,728
2	INDIA	623,990	SWITZERLAND	3,483,245
3	BELGIUM	549,805	INDIA	1,988,143
4	UNITED ARAB EMIRATES	445,664	CHINA	1,775,662
5	UNITED STATES	423,576	SWEDEN	916,978
6	TURKEY	405,825	UNITED STATES	793,533
7	REPUBLIC OF SOUTH AFRICA	355,033	BELGIUM	546,398
8	PAKISTAN	270,065	TURKEY	540,971
9	SPAIN	244,901	BRAZIL	390,470
10	BRAZIL	243,922	SOUTH AFRICA	378,546

*IM4 (imports for home consumption) and IM7 (warehouse)

It can further be seen from Table 9 that, in terms of CIF value, imports from France, Switzerland, Sweden and Brazil were dominated by one category of imports. For instance, around 97% and 93% of the imports by value from France and Switzerland respectively were petroleum products, while 98% of the imports by value from Sweden were vehicles and 70% of the imports from Brazil were rice. Imports from the rest of the other import origins were largely made up of assorted items as each import product accounted for less than half of the

exporting country's total exports to Sierra Leone. It should be noted that this table is not exhaustive and only lists the top five categories for each country.

Table 9: Major Imports* by Country-of-Origin 2019 (Le'M)

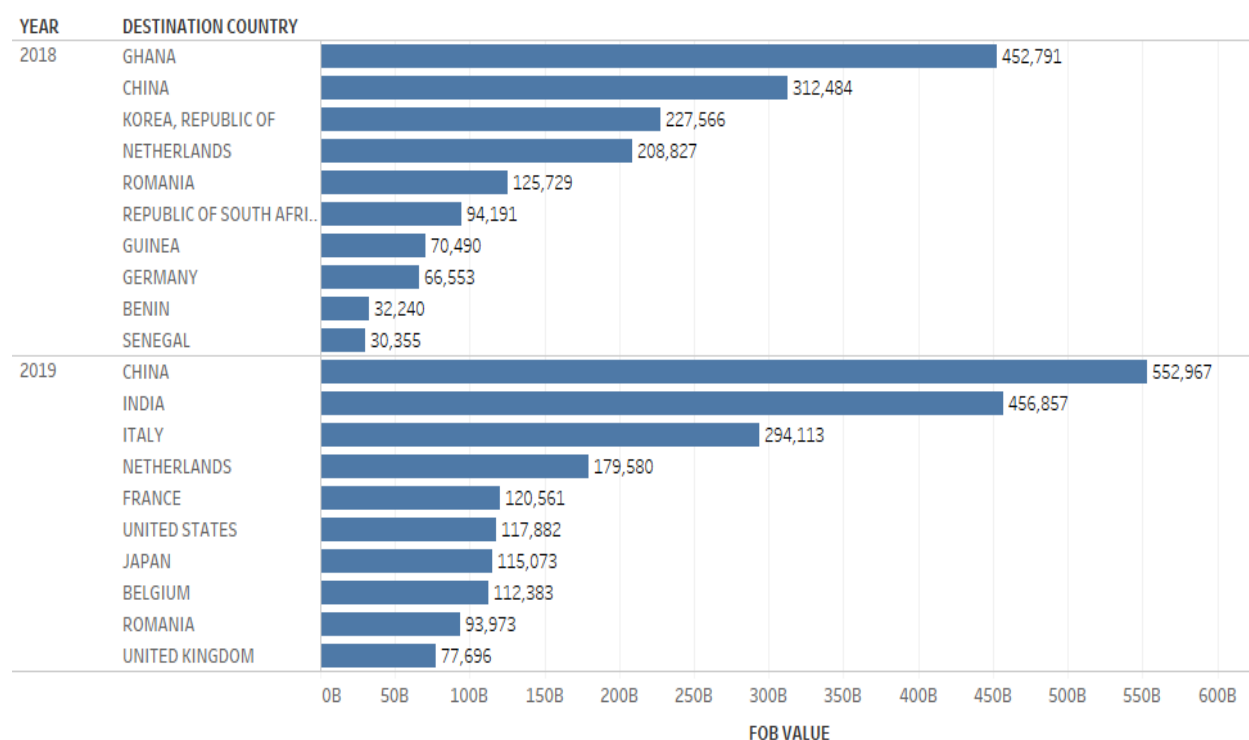
COUNTRY	COMMODITY CODE	PRODUCT DESCRIPTION	CIF VALUE
FRANCE	2710	Petroleum Product	4,200,539
	8703	Motor vehicle for the transport of persons	20,638
	2008	Fruits	10,330
	1701	Sugar	5,923
	8541	Transistors and Semi-conductors	4,607
SWITZERLAND	2710	Petroleum Product	3,234,358
	1006	Rice	198,505
	1701	Sugar	27,716
	2711	Gases	10,486
	1101	Wheat or meslin flour	3,904
INDIA	9027	Instruments for physical & chemical analysis	825,478
	3004	Medicament	163,683
	1006	Rice	155,134
	7308	Structure and part of structure e.g. bridges, gates, roofs, doors etc.	129,371
	7307	Tube or pipe fittings of cast iron	117,727
CHINA	1006	Rice	327,560
	8504	Transformers, converters & inductors	92,770
	9017	Drawing, measuring instruments	50,388
	6309	Worn clothing and other worn articles	50,280
	8517	Telephones	50,072
SWEDEN	8702	Motor vehicle for the transport of persons	898,944
	8430	Grading, levelling, excavating etc. machines	6,545
	8517	Telephones	2,958
	8544	Cables	2,139
	0207	Frozen Chicken	1,057
USA	3004	Medicament	223,220
	8703	Motor vehicle for the transport of persons	87,818
	4901	Printed books, brochures, leaflets etc.	59,333
	1006	Rice	48,338
	0207	Frozen Chicken	27,773
BELGIUM	8703	Motor vehicle for the transport of persons	126,853
	0703	Onions	45,122
	8702	Motor vehicle for the transport of persons	32,245
	1701	Sugar	19,396
	8429	Machines for construction work	16,014

TURKEY	2523	Cement	201,790
	7214	Iron/steel bars/rods	137,260
	1101	Wheat or meslin flour	68,926
	6305	Bags for packing goods	12,384
	8544	Cables	9,462
BRAZIL	1006	Rice	271,679
	1701	Sugar	45,417
	0207	Frozen chicken	42,386
	1901	Malt extract	11,361
	1704	Sugar confectionary	3,348
SOUTH AFRICA	8413	Pumps of liquids	30,094
	8474	Sorting, crushing, mixing etc. machines	24,696
	8431	Parts of machine	24,468
	7318	Screws, bolts and nuts	16,404
	9018	Medical instruments	15,359

*IM4 (imports for home consumption) and IM7 (warehouse)

Presented in Figure 10 are the top 10 export destinations in 2018 and 2019. The FOB value of Sierra Leone's exports to the rest of the world increased from Le 1.736 trillion in 2018 to Le 2.329 trillion in 2019 (representing a 34% increase). The top 10 export destinations (in terms of FOB value) in 2018 and 2019 accounted for over 90% respectively of total exports with Ghana and China being the primary export destinations in 2018 and 2019 respectively. China, the Netherlands and Romania were among the top 10 export destinations in both 2018 and 2019. Although Ghana happens to be the primary export destination in 2018, it is not among the top 10 export destinations in 2019. The 2018 trade data shows that 86% (Le 390.856 billion) of Sierra Leone's exports to Ghana in 2018 were made up of engines and motors which were exported in February.

Figure 10: Top 10 Major *Export Destination 2018 vs 2019 (Le'M)



*EX1: Export of goods originating from Sierra Leone

The principal exports to the top 10 export destinations are presented in Table 10.

Table 10: Major Exports* by Destination 2019

DESTINATION CITY	COMMODITY CODE	PRODUCT DESCRIPTION	FOB VALUE
CHINA	4407	Wood sawn or chipped	416,820
	0403	Buttermilk, curdled milk and cream, yogurt, etc	78,552
	8109	Zirconium and articles thereof	17,064
	2615	Niobium, tantalum, vanadium or zirconium ores and concentrates	16,474
	0303	Frozen fish and parts of fish	7,359
INDIA	7204	Waste and scrap of cast iron	438,340
	2620	Slag, ash and residues containing metals or metallic compounds	18,301
	1511	Crude palm oil and its fractions	12
	1207	Palm nuts and kernels	181
ITALY	1901	Food of malt extract	294,113
NETHERLANDS	1801	Broken cocoa beans	103,543
	1802	Cocoa shells, husks, skins and other cocoa waste	34,669

	2005	Preserved vegetables other than by vinegar, etc, not frozen	13,323
	1212	Seaweeds, algae, sugar beet and cane	11,980
	0403	Buttermilk, curdled milk and cream, yogurt, etc	5,768
FRANCE	2618	Granulated slag from the manufacture of iron or steel	60,280
	2614	Titanium ores and concentrates.	60,280
UNITED STATES	2618	Granulated slag from the manufacture of iron or steel	112,688
	0303	Frozen Fish and parts of fish	2,556
	1511	Crude palm oil and its fractions	1,110
	0409	Natural honey	848
	1515	Vegetable oils	220
JAPAN	2618	Granulated slag from the manufacture of iron or steel	115,073
BELGIUM	2618	Granulated slag from the manufacture of iron or steel	83,995
	1802	Cocoa shells, husks, skins and other cocoa waste	14,349
	1801	Broken Cocoa beans	5,534
	2101	Extracts of coffee/tea	1,986
	0708	Beans	1,868
ROMANIA	2620	Metallurgical Bauxite	54,902
	2613	Molybdenum ores	20,446
	2617	Coltan	18,624
UNITED KINGDOM	1108	Starch	76,518
	8419	Non-domestic heating/cooling equipment	593
	1511	Crude palm oil and its fractions	267
	1801	Broken Cocoa beans	85
	1507	Soya-bean oil and its fractions	84

*EX1: Export of goods originating from Sierra Leone

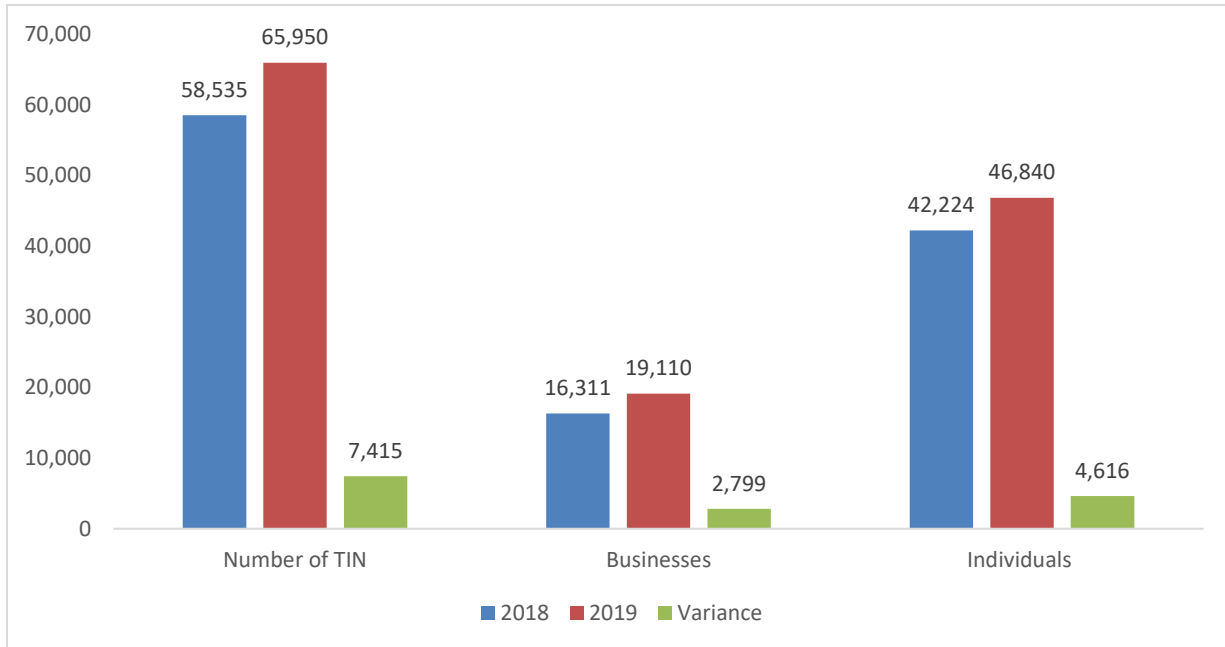
As shown in Table 10, China and India were Sierra Leone's top 2 export destinations in 2019 with timber and waste and scrap being the principal exports to China and India respectively.

9.1.2 Taxpayer Registration

Taxpayers are required to register with the NRA for tax purposes. The registration process involves giving each taxpayer a unique number known as a Taxpayer Identification Number (TIN) which can be used to identify every taxpayer. Thus, the total number of taxpayers registered with the NRA in 2019 can be determined by the total number of TIN issued. Figure 11 shows that the total number of TIN

issued in 2019 increased by 13% from 58,535 in 2018. The number of TIN issued to businesses and individuals increased by 2,799 (17%) and 4,616 (11%) respectively in 2019.

Figure 11: NRA Taxpayer Registration 2018 Vs 2019



As a way of enhancing the taxpayer register which has been largely inaccurate and outdated, the NRA undertook verification of taxpayers with a TIN. About 4,000 taxpayers were verified and records updated as at end December 2019.

9.1.3 Tax Compliance (Returns Filing) For LTO In 2019

From Table 11, the total number of active GST and PAYE tax filers for LTO were 191 and 236 respectively of which, about 90% (172) of taxpayers filed GST on-time and around 64% of taxpayers filed PAYE on-time. It can therefore be deduced that on average GST LTO taxpayers were more compliant than PAYE taxpayers in 2019.

Table 11: LTO Tax Compliance Statistics 2019

Tax Type	2019	
	Average Number of On-time Filers	% of Total
GST on-time fillers	172	90%
PAYE on-time fillers	151	64%
Total number of Active GST Taxpayers	191	
Total number of Active PAYE Taxpayers	236	

9.1.4 Tax and Customs Audit and Enforcement (2018 vs. 2019)

The Compliance and Enforcement Unit of the DTD collects all domestic tax liabilities emanating from audit. Table 12 shows the number of planned and special audit cases, completed audit cases and the amount discovered as tax liability following field audit for the period 2018 and 2019 for both LTO and SMTO. A total number of 85 and 114 audit cases were planned for LTO and SMTO respectively in 2019 compared to 61 for LTO and 95 for SMTO in 2018. 100% (114) of SMTO audit cases were completed in 2019 and only 25% (21) for LTO in 2019 compared to 75% (46) in 2018. As a result of the field audit conducted in 2019, a total of Le 8.787 billion and Le 199.316 billion were discovered as tax liability for LTO and SMTO respectively.

Following the collection of tax liabilities by the Compliance and Enforcement Unit of LTO and SMTO, the outstanding liability of taxpayers as of March 2020 is Le 2.930 billion for LTO and Le 9.679 billion for SMTO. Special audit cases are audit cases that are identified by senior or middle management for audit at any time in the year and are not part of the cases planned to be audited in the year.

Table 12: Tax and Customs Audit Statistics (2018 VS 2019) (Le'M)

2018 Audit Statistics	Planned	Special	Actual	Liability
Field Tax Audits (LTO)	61	7	46	30,995
Field Tax Audits (SMTO)	95	11		
2019 Audit Statistics	Planned	Special	Actual	Liability
Field Tax Audits (LTO)	85	9	21	8,787
Field Tax Audits (SMTO)	114	13	114	199,316

The Compliance and Enforcement Unit of CSD comprises the Post Clearance – Audit (PCA) Unit and Debt Management Unit (DMU). The Compliance and Enforcement Unit of CSD manages all arrears emanating from partial payment of import duty (approved by the CG) as well as liabilities emanating from Post Clearance Audit.

During the period under review, the PCA Unit conducted and completed a total of 152 audits of which 83 were compliance and 69 were limited scope with a potential revenue recovery which amounted to Le 3.090 billion. This additional revenue generated was because of issues identified during PCA such as misclassifications, variation in historic values, incorrect exchange rate and revenue infringement and wrong freight.

A total of Le 29.037 billion was granted as credit in 2019 but only Le 18.590 billion was paid resulting in an outstanding balance of Le 10.447 billion. There is still a cumulative credit amount that covers the period 2011 – 2019 which is Le 41.950 billion of which Le 25.321 billion has been paid so far leaving an outstanding balance of Le 16.628 billion.

10 CHAPTER FIVE

10.1 2020 REVENUE TARGET AND REFORMS

10.1.1 2020 Revenue Target

The domestic revenue target for 2020 was originally set at Le 6.470 trillion, around 19% higher than in 2019 (representing an increase of Le 1.041 trillion).

However, given the economic impact of the ongoing global COVID-19 pandemic and the social distancing and lockdown measures taken by Government to slow the spread of the virus, the domestic revenue target for the year was revised in March 2020.

The new target for 2020 is Le 5.362 trillion, about 17% lower than the original target and just about the same as the revised target for the previous year.

Table 13 below shows the original 2020 target as well as the quarterly targets consistent with the Budget Speech and as agreed with the IMF.

Table 13: IMF Quarterly BUDGET PROFILE FOR FY2020 (Le M)

GOVERNMENT OF SIERRA LEONE

	FY2020	FY2020	FY2020	FY2020	FY2020
	Budget	Budget	Budget	Budget	Budget
	Q1 - 4	Q1	Q2	Q3	Q4
PARTICULARS	Jan - Dec	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec
Domestic Revenue	6,470,436	1,480,201	1,558,302	1,658,310	1,773,623
Excluding RUC	6,345,607	1,451,091	1,527,078	1,626,482	1,740,956
Income Tax Revenue	2,203,234	504,162	524,058	573,557	601,457
Corporate Tax	380,232	87,053	87,053	99,160	106,965
Personal Income Tax - incl. Govt PAYE	1,823,002	417,109	437,005	474,396	494,492

Goods and Services Tax	1,241,056	274,012	287,013	323,015	357,016
Import GST	724,574	159,978	167,569	188,588	208,439
Domestic GST	516,482	114,034	119,444	134,427	148,577
Customs and Excise Department	1,537,690	354,920	374,917	382,423	425,430
Import Duties	855,063	184,014	197,015	212,016	262,019
Excise Duties on Petroleum Products	630,423	157,837	164,298	157,375	150,914
Other Excise Duties	52,204	13,070	13,605	13,032	12,497
Mines Department	361,125	84,214	90,330	92,077	94,504
Royalty on Rutile	105,169	24,525	26,306	26,815	27,522
Royalty on Bauxite	20,268	4,726	5,070	5,168	5,304
Royalties on Diamond and Gold	39,113	9,121	9,784	9,973	10,236
Royalty on Iron Ore	29,194	6,808	7,302	7,444	7,640
Licenses(Including Petroleum Revenue)	167,382	39,033	41,868	42,678	43,803
Other Departments	1,002,502	233,782	250,760	255,411	262,548
Royalties etc. on Fisheries	122,715	28,617	30,695	31,289	32,114
Parastatals	60,000	13,992	15,008	15,298	15,702
Other Revenues (Including TSA Agencies and Timber)	819,787	191,173	205,057	208,824	214,733
Road User Charges & Vehicle Licenses	124,829	29,110	31,224	31,828	32,667

Table 14: Revised Quarterly Budget Profile for 2020 (Le M)

Details	Q1 2020 (Actual)	Q2 Proj.	Q3 Proj.	Q4 Proj.	Revised Target
TOTAL DOMESTIC REVENUE	1,406,790	1,276,990	1,254,905	1,424,251	5,362,936
TOTAL NRA REVENUES (Excl. RUC)	1,380,870	1,251,890	1,230,594	1,398,151	5,261,505
DTD	710,990	746,755	732,004	791,093	2,980,843
Income Tax	464,730	510,018	502,227	551,072	2,028,046
Goods and Services Tax (GST)	246,260	236,738	229,777	240,022	952,797
CSD	314,140	284,846	297,640	347,371	1,243,997
Import Duties	156,171	148,857	150,878	169,218	625,124
Excise on Petroleum	149,340	118,079	134,380	163,930	565,729
Other Excise	8,629	17,910	12,381	14,223	53,143
NTR	355,740	220,288	200,950	259,687	1,036,666
Mines Revenue	81,980	41,458	39,633	52,448	215,519
Other Departments	273,760	178,831	161,317	207,239	821,146
Royalty on Fisheries etc	25,810	33,285	26,516	28,476	114,087
Parastatal	69,240	5,059	4,600	6,100	84,999
Other Revenues	178,710	140,486	130,201	172,663	622,060
<i>TSA Agencies</i>	<i>101,690</i>	<i>89,863</i>	<i>87,477</i>	<i>111,918</i>	<i>390,948</i>
<i>Timber Levy and afforestation</i>	<i>57,440</i>	<i>29,935</i>	<i>15,000</i>	<i>20,000</i>	<i>122,375</i>
<i>Other MDAs</i>	<i>19,580</i>	<i>20,688</i>	<i>27,724</i>	<i>40,745</i>	<i>108,737</i>
RUC	25,920	25,100	24,311	26,100	101,431

10.1.2 Proposed Revenue Reforms and Measures For 2020

The NRA has several reforms and other revenue-enhancing measures planned and in various phases of implementation in 2020. These include:

- changes to tax policy
- reforms to tax administration
- capacity building
- measures aiming to facilitate trade
- plans for institutional growth
- plans for further cooperation with development partners

10.1.3 Tax Policy Changes In 2020

Planned changes to tax policy in 2020 aim to increase domestic revenue mobilisation by eliminating exemptions and improving controls; reducing tax rates and exemptions to improve the business environment; and reviewing existing tax regimes and implementing new regimes where needed.

Elimination of exemptions and improved controls on duty-free concessions

The NRA will support the introduction of transfer pricing legislation to ensure consistency with international best practice and to minimize transfer mispricing and revenue loss from related-party transactions. This legislation will be designed with support from ATAF and the UNDP.

In addition, the NRA will introduce measures to avoid the abuse and misuse of duty and tax waivers, namely by streamlining definitions, revoking duty-free concessions obtained on the basis of false information, and limiting the GST exemption on free and promotional calls and free data use to the extent that the value of such supply does not exceed 10% of the total billable and unbillable calls and data use in that period. The result of these measures will be a consistent policy framework and level playing for duty and tax waivers, with waivers granted in accordance with this transparent framework.

Reducing rates and exemptions to improve the business environment

The Corporate Income Tax rate dropped from 30% to 25% effective January 2020. This change should substantially address concerns about high levels of business taxation and will be implemented together with complementary tax administration measures to enhance compliance and broaden the tax base.

All aviation-related charges will be exempt from GST with a view to reducing air ticket prices. The aim of this measure is to encourage tourist flows and consequently raise domestic GST collections and other taxes on increased tourist consumption.

Finally, import duties will be revised to ensure that all raw materials, semi-processed and finished products properly labelled for use as input into the production of goods by manufacturing companies will attract an import duty of 5% instead of a higher rate. Products imported by Packaging Industries will attract an import duty of 10% instead of the higher percentages specified in the tariff code.

New and enhanced tax regimes

The NRA will support the Government in its ongoing review of the fiscal regimes in all existing extractive and similar agreements with a view to reducing revenue losses and creating a competitive platform for all investments.

Furthermore, a special tax regime for professional services providers and other high net worth individuals will be implemented in order to better bring these taxpayers into compliance.

Finally, the NRA will implement a Domestic Tax Preparers Scheme and work to simplify the tax regime for small and medium-sized enterprises. Both efforts aim at broadening the tax base to include these businesses. The NRA will work with other MDAs to explore the revenue and growth potential of the tourism industry once the industry begins its recovery from the COVID-19 pandemic.

10.1.4 Tax Administration Changes In 2020

In addition to changes in tax policy, the NRA will also aim to increase domestic revenue collection through several enhancements to the system of tax administration. These changes will include improvements in ICT systems and digitisation; strengthened enforcement and controls; efforts to expand the tax base; and new and enhanced tax regimes.

Improvements in ICT systems and digitization

The NRA will work to ensure that ITAS (the Integrated Tax Administration System) becomes operational in 2020 thereby enhancing the efficiency and effectiveness of the tax administration. Furthermore, conditions permitting, the NRA plans to implement the pilot Electronic Cash Register (ECR) programme in 2020.

The NRA plans to activate the Valuation Module of ASYCUDA World and enhance it with the Indian Price Reference Database. It is planned to allow this to be operational in the outstations as well.

Finally, the NRA plans to set up a data warehouse with trained NRA staff able to extract, transform and store data in a centralized repository. Increased access to data through MoUs and the OECD's automatic exchange of information (AEOI) should allow the NRA to expand the amount and kinds of revenue-enhancing analysis that can be performed with its own data.

Strengthening enforcement and controls

In 2020, the NRA will continue to strictly enforce tax legislation through ongoing efforts to enhance intelligence and investigations. The Authority will work to enhance its own capacity to undertake specialized tax and transfer pricing audits.

CSD will work to continue improving its risk management functions by better reflecting the main areas of risk and monitoring and updating the risk profile modules of ASYCUDA World as well as reinforcing the capacities of the Risk Management Unit.

Work will begin to operationalise the excise stamp duty regime to reduce smuggling from imported alcoholic and tobacco products.

Beneficiaries of GST Relief Purchase Orders (GRPO) will be obliged to make an upfront payment of the tax and then get a refund within 90 days upon filing of a reclaim for refund.

Finally, the NRA will ensure the implementation and enforcement of the revenue enhancing provisions of the Finance Act 2020.

Expanding the tax base

The NRA will continue its critical work to expand the country's tax base both to ensure increased, sustainable revenue as well as for the broader benefits related to a wider tax base. In pursuit of these goals, the NRA will continue to implement a robust tax education program, including a taxpayer communication strategy, taxpayer workshops, publishing relevant taxpayer education materials, and implementing a National Taxpayer Day.

The Authority will begin undertaking a 'block' registration of taxpayers to further enhance the accuracy and reliability of the tax register, building on the taxpayer verification efforts of 2019 and previous years. The nationwide block registration will capture taxpayers not verified from the current verification process.

Finally, the NRA will undertake a census of rented property in the major cities to establish a reliable and complete rental income tax database and begin the automatisations of the cadastre systems.

10.1.5 Capacity Building For Enhanced Revenue Mobilisation

The NRA has a variety of plans to strengthen its ability to collect revenue through capacity building in 2020. These include the data warehouse and enhanced analytics capacity as well as improvements in the following areas:

- international taxation.
- transfer pricing audit.
- specialized audit.
- tax analysis and revenue forecasting.
- customs valuation and risk management.
- destination inspection in preparation for future Customs takeover of that function.

Capacity building for NRA staff in some or all of the above areas may require external training. Additional training for ICT staff is envisioned as their role becomes more critical over the coming year (data warehouse, ITAS, ASYCUDA modules, etc.) in a variety of areas central to the NRA's core mission.

10.1.6 Trade Facilitation

The NRA will tackle its objectives in trade facilitation in 2020 through the rollout of the single electronic window for customs to reduce the time spent on the clearance of imported goods and the rollout of ASYCUDA World to the border post at Jendema. With support from the African Development Bank, the NRA will continue the digitisation of the customs process to consolidate those reforms already implemented by the Authority.

10.1.7 Institutional Growth

The NRA also plans to make several internal institutional changes and improvements to better equip it in its missions of tax and customs administration. These will include the transformation of RIIU to a full department of RIED and the reconstruction of the Customs border post at Jendema. Other provincial Customs border posts will be refurbished, as will the WAMA building.

In the longer-term, the NRA will continue to pursue the construction of a Revenue House as a central headquarters, while maintaining the WAMA building and other NRA-owned property as operational offices.

Finally, the NRA will establish a data analytics unit responsible for the data warehouse described above to be embedded in the Research Department.

10.1.8 Working And Engaging With Development Partners

The NRA will continue its strong partnership with a wide array of development partners able to support the Authority in pursuing its core missions.

The NRA received an HRMC mission from the UK in January 2020 to support the Authority's effort in data analytics, audit and risk management. The NRA will work with DFID for a new four-year revenue modernisation support project.

In addition, work will begin with the World Bank by the end of 2020 for a new PFM project (including revenue mobilization) starting in 2021. The Compliance Improvement project supported by the AfDB will be implemented, and work will continue with the WTO to guide the operationalization of excise duty stamps.

10.1.9 Possible Key Challenges and Mitigation Measures

Of course, the overriding challenge facing the NRA in 2020 was the unexpected emergence of the COVID-19 pandemic which has already forced the Authority to be flexible in its approach to tax administration and take measures to protect the safety of the public and the government's main sources of revenue. These measures are ongoing and are being adapted as conditions change and more information about the virus and ways to combat its spread becomes known. As noted above, the revenue target for 2020 was revised downward in March in part to reflect the economic consequences of the pandemic and the measures taken to fight it.

Aside from the pandemic, there exist several other challenges to the agenda described above. These include the difficulty in managing multiple reforms simultaneously while also balancing these against short-term revenue needs.

As described above, the large increases in duty and tax waivers seen in the previous year will likely continue to pose a challenge to the NRA's domestic revenue mobilisation objectives, though there are plans in place to maintain a grip on these waivers and ensure that they are used appropriately and for their intended purpose.

Finally, there remain gaps in the legislative framework especially with respect to international transactions which the NRA will work with other MDAs and international partners to mitigate (for example, through the work on transfer pricing).

**11 Appendix: Abridged Versions of the
2017-2019 Audited Financial Statements
of the NRA**

STATEMENT OF COMPREHENSIVE INCOME

	2019		2018		2017
	Le.'000		Le.'000		Le.'000
INCOME					
REVENUE	153,300,000		105,246,900		78,742,560
OTHER OPERATING INCOME	8,849,723		6,248,595		3,746,337
TOTAL INCOME	162,149,723		111,495,495		82,488,897
EXPENDITURE					
ADMINISTRATIVE EXPENSES	39,766,456		39,420,643		43,740,017.
STAFF COSTS	100,979,668		68,024,128		55,136,195
DEPRECIATION	6,186,633		4,668,669		4,985,611
AMORTISATION	65,417		-		-
TOTAL EXPENDITURE	146,998,174		112,113,440		103,861,823
FINANCE COSTS	596,837		1,865,110		2, 632,978
RESULT FOR THE YEAR	14,554,712		(2,483,055)		(24,005,904)

STATEMENT OF FINANCIAL POSITION

	2019 Le.'000	2018 Le.'000	2017 Le.'000
ASSETS			
TANGIBLE NON-CURRENT ASSETS			
PROPERTY, PLANT & EQUIPMENT	41,309,063	27,145,903	26,646,427
INTANGIBLE NON-CURRENT ASSETS			
SOFTWARE	848,588	-	-
TOTAL NON-CURRENT ASSETS	42,157,651	27,145,903	26,646,427
CURRENT ASSETS			
RECEIVABLES & PREPAYMENT	50,050,749	30,704,168	14,122,181
INVENTORIES	1,572,100	-	-
CASH & CASH EQUIVALENT	12,716,596	22,256,414	14,302,766
TOTAL CURRENT ASSETS	64,339,445	52,960,582	28,424,947
TOTAL ASSETS	106,497,096	80,106,485	55,071,374
FUNDING & LIABILITIES			
ACCUMULATED FUND	15,680,487	1,593,298	9,220,035
NON-CURRENT LIABILITIES			
CAPITAL FUNDS	1,212,709	1,212,709	1,212,709
EMPLOYEE BENEFIT PROVISION	34,608,753	30,415,148	22,809,826
TOTAL NON-CURRENT LIABILITIES	35,821,462	31,627,857	24,022,535
CURRENT LIABILITIES			
INCOME TAX LIABILITIES	1,304,637	1,304,637	1,304,637
OTHER PAYABLES	53,690,510	45,580,693	20,524,167
TOTAL CURRENT LIABILITIES	54,995,147	46,885,330	21,828,804
TOTAL FUNDING & LIABILITIES	106,497,096	80,106,485	55,071,374