

# **TAX PERCEPTION SURVEY**

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The Monitoring Research & Planning (MRP) Department  
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## **INTRODUCTION**

*Tax revenue forms the largest share of Sierra Leone's domestic revenue and budget resources. Recent efforts have increased the domestic revenue-to-GDP ratio from 12% in 2017 to 14% in 2018, with a target of 20% by 2023.*

*Effective tax collection relies on taxpayer compliance, which is shaped by perceptions, attitudes, and experiences with the tax system. Understanding these factors is essential for designing effective compliance strategies to raise revenue collection and increase efficiency in tax administration. Tax perception surveys are key tools in assessing these factors but they can also inform broader tax and spending policies, addressing issues such as tax justice, fairness, business impacts, enforcement, and policy enhancements.*

*The NRA has conducted several tax perception surveys, including the 2008 Tax Perception Survey and the 2017 Customer Satisfaction Survey, which informed the 2019 survey.*

## **OBJECTIVES**

1. To determine the level of general tax awareness among businesses and how it varies across central, local, and informal taxes.
2. To examine taxpayers' attitudes and how their perceptions influence tax compliance decisions.
3. To assess customer satisfaction with the National Revenue Authority's (NRA) service delivery, reforms, and staff professionalism.
4. To evaluate the level of trust that customers have in the collection and use of tax revenue by different government entities.
5. To gauge satisfaction levels regarding taxpayers' sensitization and education programs, as well as businesses' main sources of tax information.
6. To assess satisfaction levels concerning revenue collection, compliance costs, ease of compliance, enforcement actions, and the fairness of the tax system.
7. To suggest ways in which the revenue system can be made more effective, efficient, and equitable.

## **METHODOLOGY**

The study used a qualitative approach with two main tools:

1. semi-structured questionnaires for business interviews and a checklist for stakeholder consultations.
2. A random sampling method targeted small-to-medium enterprises using a "take-some" stratum approach.

Data collection spanned four weeks, utilizing the Computer Assisted Personal Interview (CAPI) method for real-time data recording. Electronic and field monitoring ensured data quality by identifying and addressing errors early. The cleaned data was prepared and analysed using SPSS, with findings presented through tables, frequencies, and charts.

The study surveyed 2,755 businesses, primarily from the NRA directory (78.5%), with 21.5% being unregistered. It included large, medium, and small enterprises, as well as micro-enterprises, covering diverse business sizes across the country.

# **FINDINGS**

## **CONTACTING THE NRA**

In the past 12 months, over one-third of businesses reported contacting the NRA, with the majority (80%) of these interactions occurring face-to-face with NRA officials. Common reasons for contacting the NRA include business/taxpayer registration, tax clearance, filing tax returns, and obtaining GST receipts. Notably, about 11% of businesses that contacted the NRA admitted to offering gifts or hospitality to tax officials, with most of these gifts consisting of money and food.

## **THE TAX SYSTEM**

Over 20% of businesses interviewed described the current NRA Tax system as either complex or very complex. Nonetheless, about 40% of businesses interviewed trust the NRA, although almost 25% of them did not trust them at all. On NRA services, most businesses rated the services provided by the NRA as satisfactory with obtaining a TIN, customs declaration processes and filing tax returns among the services most satisfied with.

## **PAYMENT OF NRA TAXES**

More than two-thirds of businesses surveyed reported paying NRA taxes, with larger businesses more likely to comply. Most cited legal obligations or civic responsibility as their reasons for paying, while only 12% attributed it to the perceived fairness of the tax system. Over half of businesses had undergone tax audits, but audits did not appear to influence accurate tax reporting. Although most were unaware of penalties for tax default, 12.6% reported paying fines, which significantly encouraged compliance. Tax evasion motivations included perceptions of tax mismanagement and high tax burdens, underscoring the need for improved transparency and fairness in the system.

## **KNOWLEDGE OF NRA TAXES, TAX LAWS, REFORMS & FILING RETURNS**

Approximately 77.5% of respondents were aware of NRA taxes, with registration fees (80.6%) and GST (55%) being the most recognized. However, knowledge of tax laws and penalties for offences was low, and 80% of taxpayers lacked awareness about filing tax returns, varying by business size. A quarter of businesses aware of NRA taxes engaged in import/export, while over half understood the customs declaration process, mostly on paper. Only 24% were comfortable using the ASYCUDA World system. Despite recent NRA reforms, awareness of these changes remains limited, highlighting the need for enhanced taxpayer education on taxes, laws, reforms, penalties, and digital systems like ASYCUDA.

## **CHARACTERISTICS OF BUSINESSES AND REGISTRATION STATUS**

Most of the businesses interviewed were small-scale (45%), with a significant portion (46%) being sole proprietorships and primarily operating in the service sector (87%). Nearly half of the surveyed businesses were located in the Western Area region. Additionally, a larger proportion (79.7%) of businesses reported being registered with the NRA, compared to those registered with OARG and CAC.

## **SOURCES OF INFORMATION**

The three main cited sources of information were radio, NRA staff, and television. The authority often organises sensitization workshops for taxpayers. Overall, 15.6% of respondents consented to have attended tax education and sensitization programmes organized by NRA with such attendance varying with the size of business, as large taxpayers seem to have benefited the most.

## **POLICY RECOMMENDATIONS**

- 1. Regularly update the business register and harmonised procedures with the Office of the Administrator and Registrar General (OARG) and Corporate Affairs Commission (CAC).*
- 2. Conduct comprehensive tax education and sensitization programmes.*
- 3. Produce a clear strategy for law and penalty enforcement aimed at enhancing tax compliance.*
- 4. Provide NRA staff with additional targeted trainings, based on responsibilities, for further skill development, with particular emphasis on improving the NRA's communication with businesses.*
- 5. Continue to simplify the tax system to facilitate compliance and discourage tax evasion.*
- 6. Engage businesses more frequently to encourage voluntary tax compliance, build relationships with the private sector and improve the reputation of the NRA.*
- 7. Conduct perception surveys every 2 years to monitor progress and ensure that efforts to increase revenue are in line with taxpayer perceptions.*