

JANUARY 2022

Sierra Leone Finance Act 2022
Key Highlights

PKF TAX ALERT 2022

ISSUE NO. 7





OVERVIEW

The **Finance Act 2022** was granted Presidential assent on 11th January 2022. The objective of the 2022 Finance Act is to support and strengthen the efficiency of public finance. The Act contains tax and policy measures on reforms that will aid in boosting government revenue, expanding the tax base, improve efficiency in revenue collection, reduce tax evasion and tax avoidance and help to enhance compliance for developing and creating transparency and accountability in economic management.

KEY HIGHLIGHTS IN THE NEW FINANCE ACT 2022

The Finance Act 2022 is effective January 1, 2022 or such other date that may be so specified by the Act. From the commencement of the Finance Act 2022, the following key provisions shall take effect and shall become applicable to all taxpayers. ***Note: this is not a comprehensive guide to the 2022 Finance Act***

- Amendment to the Customs Tariff Act 1978
- Amendment to the Excise Act
- Amendment to the Income Tax Act 2000
- Withholding Tax Expansion
- Amendment to the Goods and Services Act 2009
- GST Exemptions

AMENDMENT TO THE CUSTOMS TARIFF ACT 1978



0 %

Customs Tariff Act of the first schedule has been amended by introducing 0% on wheat for industrial flour production.

HEADING	H.S CODE	SITC	DESCRIPTION	Tariff
10.01	11.01.11.00.00		Wheat (for industrial flour production)	0 %

IMPACT

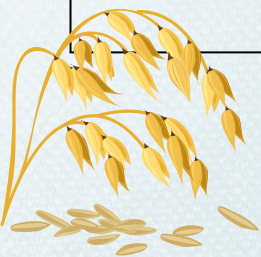
- This will help reduce the prices of commodities in the market
- The Finance Act also provides **exemptions** on the following items from customs duties:
 - All Materials that are under the Harmonised system codes (HS) imported by the government of Sierra Leone for the conduct of elections by the national electoral commission.
 - Arms, ammunition, specialized security vehicles, public order and communication equipment under their respective HS Codes imported by the Government or by a person authorized by Government to do such for and on its behalf.
 - Medals, Medallions, and decorations under their respective HS Codes imported directly by or for the Government for awards by the President and for the use of the Ministries of Defence and Internal Affairs.

AMENDMENT TO THE EXCISE ACT

The **Excise Act 1982** amended in the first schedule by deleting the tariff code 22.09 and introducing the new tariff.



NO	TARIFF CODE	DESCRIPTION	RATES OF EXCISE
1		Locally manufactured beer of more than 80% locally produced raw materials including sorghum, cassava, maize, sugar, and barley	5 %
2		Locally manufactured beer of more than 70% locally produced raw materials including sorghum, cassava, maize, sugar, and barley	8 %
3		Locally manufactured beer of more than 60% locally produced raw materials including sorghum, cassava, maize, sugar, and barley	12 %
4		Locally manufactured beer of more than 50% locally produced raw materials including sorghum, cassava, maize, sugar, and barley	15 %



AMENDMENT TO THE INCOME TAX ACT 2000

SECTION 2 OF THE INCOME ACT 2000 IS AMENDED BY:

<p>(a) deleting the definition of "gross income" and inserting the following new definition-</p> <p>"Gross income" in relation to any year of assessment for any person means the total amount in cash or otherwise, received by or accrued to or in favour of such person from all sources during the year or period of assessment excluding receipts and accruals of a capital nature.</p>	<p>(b) deleting the definition of "large taxpayer" and inserting the following new definition-</p> <p>"Large taxpayer " means a taxpayer with an annual turnover above Le5,000,000,000.00 or other additional requirements as may be prescribed by the Commissioner-General.</p>	<p>(c) deleting the definition of "medium taxpayer" and inserting the following new definition -</p> <p>"Medium taxpayer" means a taxpayer with an annual turnover of an amount above Le100,000,000.00 and up to Le5,000,000,000.00</p>
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<p>(d) deleting the definition of "small taxpayer" and inserting the following new definition -</p> <p>"Small taxpayer" means a taxpayer with an annual turnover above Le10,000,000.00 and an amount up to Le100,000,000.00;"</p>	<p>(e) deleting the definition of "micro taxpayer" and inserting the following new definition -</p> <p>"Micro taxpayer" means a taxpayer with an annual turnover less than Le10,000,000.00."</p>
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IMPACT

Full roll-out of the Integrated Tax Administration System (ITAS) has been introduced to enable small and medium taxpayers to formally register thus increasing the tax base. All Small and Medium taxpayers (SME's) should formally register with the National Revenue Authority.

AMENDMENT TO THE INCOME TAX ACT 2000

SECTION 100 OF THE INCOME TAX ACT 2000 IS AMENDED BY:

repealing and replacing subsection (1) with the following new subsection-

"(1) Upon application in writing by a taxpayer who files tax returns by the due date, the Commissioner-General may extend the period within which the return of income is to be made by a maximum period of sixty days upon payment of the following fees-

- (a) large taxpayer -Le20,000,000.
- (b) medium taxpayer -Le10,000,000.
- (c) small taxpayer -Le1,000,000"

IMPACT

An increase in the late filing fees for taxpayers who fail to file in their returns on time and request for an extension will pay the above stated extension fees.

SECTION 106 OF THE INCOME Tax ACT 2000 IS AMENDED BY:

repealing and replacing that section with the following new section

"(1) Income that is due and payable shall be a debt owed to Sierra Leone and shall be payable to the Commissioner-General.

(2) For the purpose of enforcing payment of any liability under this Act, the Commissioner-General shall-

- 1. publish details of each defaulter and his debt in the Gazette or otherwise.
- 2. submit to the minister responsible for finance the current year details of all debt due to National Revenue Authority for the previous year before the 30th day of April."

IMPACT

Income Tax that is due and payable to the National Revenue Authority should be paid to the Commissioner General and on time to avoid fines and being listed and gazetted as a tax defaulter.

SECTION 110 OF THE INCOME TAX ACT 2000 IS AMENDED BY:

(a) inserting the following new subsections (5) and (6) immediately after subsection (4) as follows-

(a) a person shall upon written request by the Commissioner-General provide information on the value of the amount owed to a defaulting taxpayer within twenty-four hours of making the request.

(b) a bank and other financial institution shall upon written request by the Commissioner General provide information on the value of deposit including the bank statement, investment, and other holdings of a defaulting taxpayer within twenty-four hours of making the request.

(6) A person who fails to comply with subsection (5) commits an offence and shall be liable to an administrative fine of Le 500,000,000 or upon conviction to a fine of Le1,000,000,000 or imprisonment not exceeding five years or to both the fine and imprisonment."

(b) the original subsection (5) shall now read as "subsection 7"

IMPACT

Taxpayers and financial institutions are mandated to provide information to the commissioner general on request within a limited time period in order to avoid fines and legal action for non-compliance.

AMENDMENT TO THE INCOME TAX ACT 2000

WITHHOLDING TAX EXPANSION

SECTION 117 OF THE INCOME TAX ACT 2000 IS AMENDED BY:

repealing and replacing subsection (3) with the following new subsection-

"(3) The tax otherwise payable by a contractor on income which tax has been withheld pursuant to subsection (1) shall be reduced by the tax withheld.

" (b) by inserting the following new subsection (4) immediately after the new subsection (3)-

"(4) For the purpose of subsection (3) a contractor means any person who supplies goods, services and works under an express or implied contract through previous, frequent or regular dealings."

(c) in subsection (5) by deleting the amount of Le500,000 and "inserting Le1,000,000 in its place

(d) by inserting the following new subsection (7) immediately after subsection (6) " (7) Subject to subsection (6) a person upon filing a return shall pay an integrated tax administration system [ITAS] process fee of Le10,000 per return to the National Revenue Authority" for the maintenance of the system

(e) by renumbering the section according as subsection (1) to subsection (9)

IMPACT

Withholding Taxes (WHT) that are withheld for payment made to local contractors with a minimum amount of Le 500,000 has now been revised to the higher fee Le 1,000,000. Taxpayers are also required to pay Le 10,000 for each return they are filing with NRA as a system (ITAS) maintenance fee.

SECTION 120 OF THE INCOME TAX ACT 2000 IS AMENDED:

in subsection (3) by repealing and replacing sub-paragraph (i) with the following new sub-paragraph-

" (i) non-taxable threshold of Le6,000,000 monthly or Le7,200,000 per annum"

IMPACT

Individuals and Institutions shall deduct 7,200,000 as the taxable threshold from rental income.



AMENDMENT TO THE INCOME TAX ACT 2000

SECTION 150 OF THE INCOME ACT 2000 IS AMENDED BY:

<p>“150 (1)A taxpayer who fails to file a return-</p>	<p>(2) The following penalties shall apply to a late filer of an annual tax return who files after the due date without good course-</p>	<p>(3) The following penalties shall apply to a late filer of a monthly tax return who files after the due date-</p>
<p>(a) within 30 days after the due date shall be termed a late filer; (b) after 30 days of the due date shall be termed a non-filer.</p>	<p>(a) large taxpayer - Le50,000,000 (b) medium taxpayer - Le25,000,000 (c) small taxpayer-Le2,500,000</p>	<p>(a) large taxpayer - Le10,000,000 (b) medium taxpayer- Le5,000,000 (c) small taxpayer- Le1,000,000</p>
<p>(4) A taxpayer who without good course fails to file an income tax return and any other return required by this Act within the stipulated period shall be liable to the following penalties-</p> <p>(a) large taxpayer -Le100,000,000 (b) medium taxpayer-Le50,000,000 (c) small taxpayer-Le5,000,000</p>	<p>(5) A taxpayer who without reasonable excuse files an income tax return incorrectly stating his chargeable income, shall be liable to a penalty of twenty five percent of the difference between the amount of tax payable for the year of assessment and the amount that would have been payable if the tax payable had been calculated by reference to the incorrect return."</p>	

IMPACT

Taxpayers are encouraged to disclose their correct chargeable income and ensure taxes are filed on time to avoid penalties which would impact negatively on their business cashflow.

THE NINTH SCHEDULE INCOME ACT 2000 IS AMENDED IN:

- (a) paragraph 11 by deleting the amount Le1,000,000 and inserting Le5,000,000 in its place
- (b) paragraph 13 by repealing and replacing subparagraph (v) of subparagraph (a) with the following new sub paragraph-
 - (v) (i) Large taxpayer -Le10,000,000
 - (ii) Medium taxpayer-Le5,000,000
 - (iii) Small taxpayer-Le1,000,000



AMENDMENT TO THE GOODS AND SERVICES TAX ACT 2009

SECTION 37 OF THE GOODS AND SERVICES TAX ACT 2009 IS AMENDED BY:

inserting the following new subsections immediately after subsection (3)

- (4) A taxpayer who fails to file a return-
 - (a) within 30 days after the due date shall be termed a late filer.
 - (b) after 30 days of the due date shall be termed a non-filer.

- (5) The following penalties shall apply to a late filer of an annual tax return who files after the due date without good course-
 - (a) large taxpayer -Le50,000,000
 - (b) (b) medium taxpayer - Le25,000,000

- (6) A taxpayer who without good course fails to file an income tax return and any other return required by this Act within the stipulated period shall be liable to the following penalties-
 - (a) arge taxpayer -Le100,000,000
 - (b) medium taxpayer-Le50,000,000



SECTION 99 OF THE GOODS AND SERVICES TAX ACT 2009 IS AMENDED BY:

repealing and replacing that section with the following new section-

"(99) The Commissioner-General shall issue to a resident person and a non-resident person with no permanent establishment in Sierra Leone but whose income source is from Sierra Leone, a unique Taxpayer Identification Number (TIN), which number may be the same used to identify the person for the purposes of income tax, customs duty, Goods and Services Tax or non-tax revenue or any other transaction with the National Revenue Authority".

IMPACT

The taxpayer identification number will better track income derived in Sierra Leone from non-permanent establishment tax payers, help improve customer service and make it easier for taxpayers to do file returns with the National Revenue Authority and ensure efficient processing of tax returns.

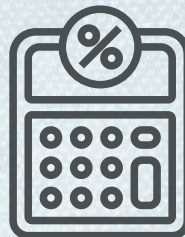
SECTION 58 OF THE GOODS AND SERVICES TAX ACT 2009 IS AMENDED BY:

repealing and replacing that section with the following new section.

58 "A person who fails to pay GST on or before the date due for payment is liable to a penalty equal to one-twelfth of the 364-day treasury bill rate for each month in which the GST remains outstanding until the payment is made"

IMPACT

It is the obligation of the tax taxpayers to file and submit annual tax returns and other tax returns on or before the due date as provided in the act. Taxpayers who fail to file in their returns will be liable to pay the penalty charge as provided in the Finance Act 2022.



GST EXEMPTIONS

THE SECOND SCHEDULE OF THE GOODS AND SERVICES TAX ACT 2009 IS AMENDED AS FOLLOWS:

by repealing and replacing paragraph (13) with the following new paragraph:

13. **Supply-** Plant, equipment and machinery

Description- Plant, equipment, machinery, apparatus and appliances designed for use exclusively in-

1. agriculture, veterinary, fishing and horticulture
2. Manufacturing and
3. Mining

This paragraph shall be classified as exempt under the harmonized systems commodity classification code

(b) by inserting the following new paragraphs immediately after paragraph (29)-

(30) **Supply:** - Materials for the conduct of national elections.

Description: All materials imported by Government or development partners on behalf of the Government for the conduct of elections by the National Electoral Commission.

(31) Arms, ammunition, and security equipment

Description: Arms, ammunition, specialized security vehicles, public order and communication equipment imported by the Government or by a person authorized by Government to do such for and on its behalf.

(32) **Supply:** Medals and Medallions

Description: items of medals, medallions and other decorations imported directly by or for the Government for awards by the President and for the use of the Ministries of Defence and Internal Affairs.

IMPACT

The amendment will help improve agricultural, construction, and manufacturing activities.



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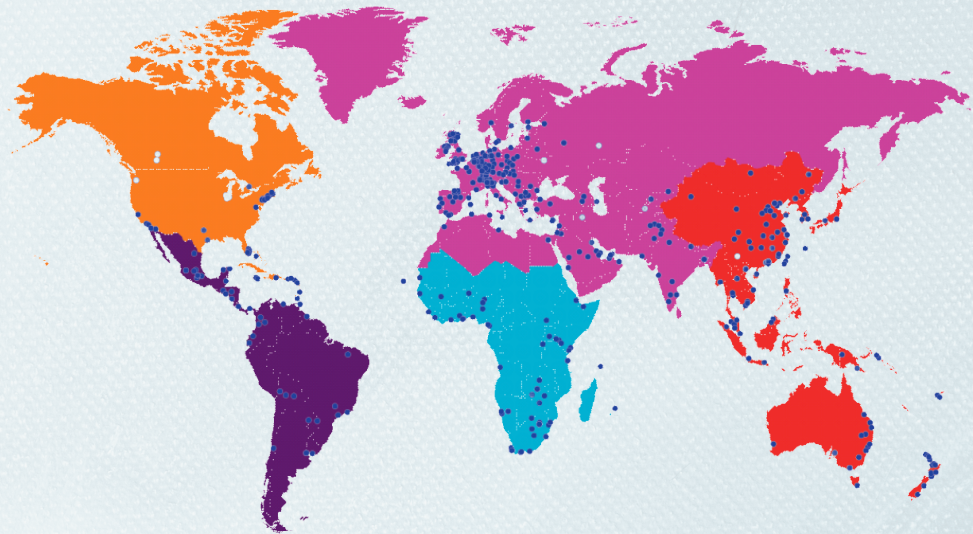
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Member firms generate **1.4 billion**
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