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Tax Expenditure Benchmark

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Objective of the Presentation

Scope of the Presentation

What is a Tax Expenditure
Benchmark?

Benchmark Relief Measure Identification

Data Estimate

Corporate Income Tax Benchmark

Methodology for Corporate Income Tax
Expenditure Estimate

Goods & Services Tax Benchmark

Challenges in Estimating Tax Expenditure
in Liberia

Outline



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➤ To establish a benchmark and indicator of the estimation of tax expenditure for the various tax kind that fall in the scope of Liberia's tax expenditure

✚ Provide useful information on the design and implementation of the tax regime on tax expenditure

✚ Enhance the overall accessibility and transparency on information relative to Liberia's tax expenditures.

Objectives of the Presentation



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✚ The Presentation provides a description of the tax expenditure benchmark.

✚ Describe the benchmark tax system & how the estimated values of Liberia's Tax Expenditure is determined

✚ Liberia's Corporate Income Tax Benchmark

✚ Liberia's Goods & Services Tax (GST) Benchmark

Scope of the Presentation



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✚ A tax benchmark is a regulatory measure that spells out specific measurable indicators and facilitate the determination of what in a tax law should be taxed at a standard rate.

✚ The benchmark rate structure is the statutory rate from the Liberia Revenue Code (LRC)

✚ The benchmark tax base varies

What is a Benchmark ?

✚ Type of relief measures are identified (Deduction, Reduced Rate, Exemption, etc.);

✚ Goal for these measure (Social, Economic, Environmental, etc.);

✚ The sector or sectors of activity concerned (Agriculture, Mining, Manufacturing Industries, Banking, Insurance, Tourism, etc.);

✚ The beneficiary or beneficiaries of the measure (Religious institutions, Non-for Profit Institutions, Companies, Government, Foreign Government, etc.).

Benchmark Relief Measure Identification



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✚ Estimates for Tax Expenditure is generated from the e-filing platform of the Department of Domestic Tax, except where noted otherwise specified

✚ The estimates in Liberia's Tax Expenditure are not intended to reflect the potential revenue gain over the scope of the tax Expenditure was generated

✚ The estimates are direct mathematical calculation generated in excel to produce the tax revenue foregone for the scope of the reporting period unless stated otherwise

Data Estimates

✚ There are three types of CIT rates

✚ The general rate at 25%, Rice Production Project rate at 15% , Mining & Oil and Gas Sector rate 30%.

✚ The benchmark tax system for CIT is the standard rate of 25%.

✚ The benchmark unit of taxation is levied on the net taxable income of the Corporation

✚ However, there are certain leverage given that deviates from the general provision

Corporate Income Tax Benchmark



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✚ The advance CIT is payable as at the end of every quarter (2%) on the gross income, whilst the annual CIT is payable on the net taxable income. The tax rate varies as per the sector (15%, 25%, 30% depending on the sector)

✚ The filing of returns are requirements for the corporation

✚ The benchmark rate structure for the CIT is the statutory CIT rate from the LRC

✚ The benchmark for CIT provides that the tax rate is applied on the taxable income

Methodology for Corporate Income Tax Expenditure Estimate



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Corporate Income Tax

A	B	C	D	E	F
CIT Gross Declaration (Net Profit/Loss)	CIT Rate per the Revenue Code	CIT Rate per Concession /Investment Incentive	CIT Payable per Revenue Code	CIT Payable per Concession/Investment Incentives	Tax Expenditure
Calculation	-	-	$A*B$	$C*A$	$(A*B) - (C*A)$

Description of the General Regime



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✚ The TE report is generated manually from the e-filing platform

✚ Filing is a key challenge as far as TE report generation is concern

✚ Approximately 60% of taxpayers benefiting from Investment Incentive are not filing, which is a key challenge to the report generation

✚ Evaluating & monitoring of the Investment Incentive holders is a serious challenge

✚ The Liberia Revenue Authority (LRA) is not a part of the vetting Process of granting tax incentives

✚ Lack of coordination and information exchange between stakeholders of government.

✚ The authority to grant tax incentives sits with various stakeholders of government.

Challenges in Estimating Tax Expenditure in Liberia



✚ The establishment of a specific unit (The Tax Expenditure Unit) for the reporting of Tax Expenditure.

✚ The Unit has produced its first tax expenditure report and shared same with the ECOWAS Commission.

✚ The Customs Department of the LRA produces its expenditure annually.

Progress made relative to Tax Expenditure Reporting in Liberia

THANKS



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