



LRA
LIBERIA REVENUE AUTHORITY

Liberia's Achievements & Challenges on Tax Expenditure Reforms

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Liberia Revenue Authority

OUTTURN

- ❖ **Liberia's Progress on Tax Expenditure**
- ❖ **Formulation of the National Tax**

❖ Liberia's Progress on Tax Expenditure

Completed the Strategic Framework for the Monitoring & Evaluation of Liberia's Tax Expenditure

The Establishment of a National Monitoring and Evaluation Team (NAMET) for Liberia's Tax Expenditure

The Establishment of a Tax Expenditure Unit

Production of Three (3) Tax Expenditure Reports

❖ Liberia's Progress on Tax Expenditure

The Establishment of a Tax Expenditure Unit

The Tax Expenditure Unit is Partially Functional

The Unit has produced Three Annual Tax Expenditure Reports and Several Monthly and Quarterly Reports

The Unit is fully represented on the National Monitoring & Evaluation Team for Tax Expenditure

The Unit has benefited from ECOWAS training on Tax Expenditure

Strategic Framework for Monitoring & Evaluation

General Objectives

Evaluation work plan

Focus Objectives

Evaluation Team

Contributing Partners and
their individual roles

Potential Evaluation Questions

Evaluation Approach/
Methodology

Data Collection Methodologies

Evaluation Phases

Risk Mitigation Strategy

Evaluation Criteria

Ethical Considerations

National Monitoring and Evaluation Team (NAMET)

Co-led by the three government institutions authorized with the awarding, monitoring, and reporting of all tax expenditures in Liberia

Ministry of Finance and Development Planning (MFDP),

National Investment Commission (NIC)

Liberia Revenue Authority (LRA).

The NAMET has since commence work

Tax Expenditure Reports

GST Benchmark Tax System

Generally, it indicates, for each tax type, the tax base, and the standard rate

Methodology

Revenue loss method as the basis for computing the GST tax expenditure

Data sources

Data were extracted from the electronic filing system (for domestic GST) and ASYCUDA (for import GST).

Conceptual
Framework &
Evaluation
Methodology

GST Tax Expenditure by Type of Taxpayer (in USD M)

Types of Taxpayers	Import GST	Domestic GST	Total GST TE
Natural Person (Individuals)	0.127	0.00	0.127
Legal Person (Businesses)	128.22	9.15	106.36
Total GST TE	128.35	9.15	138.20

Import GST TE by legal or policy instruments

Means of Administering

Amount (USD M)

Percent of Total

Concession Agreements

33.98

26%

Incentive Certificates

53.35

42%

Executive Orders

20.15

16%

Administrative Waivers

15.46

12%

International Conventions

5.41

4%

Total Import GST TE

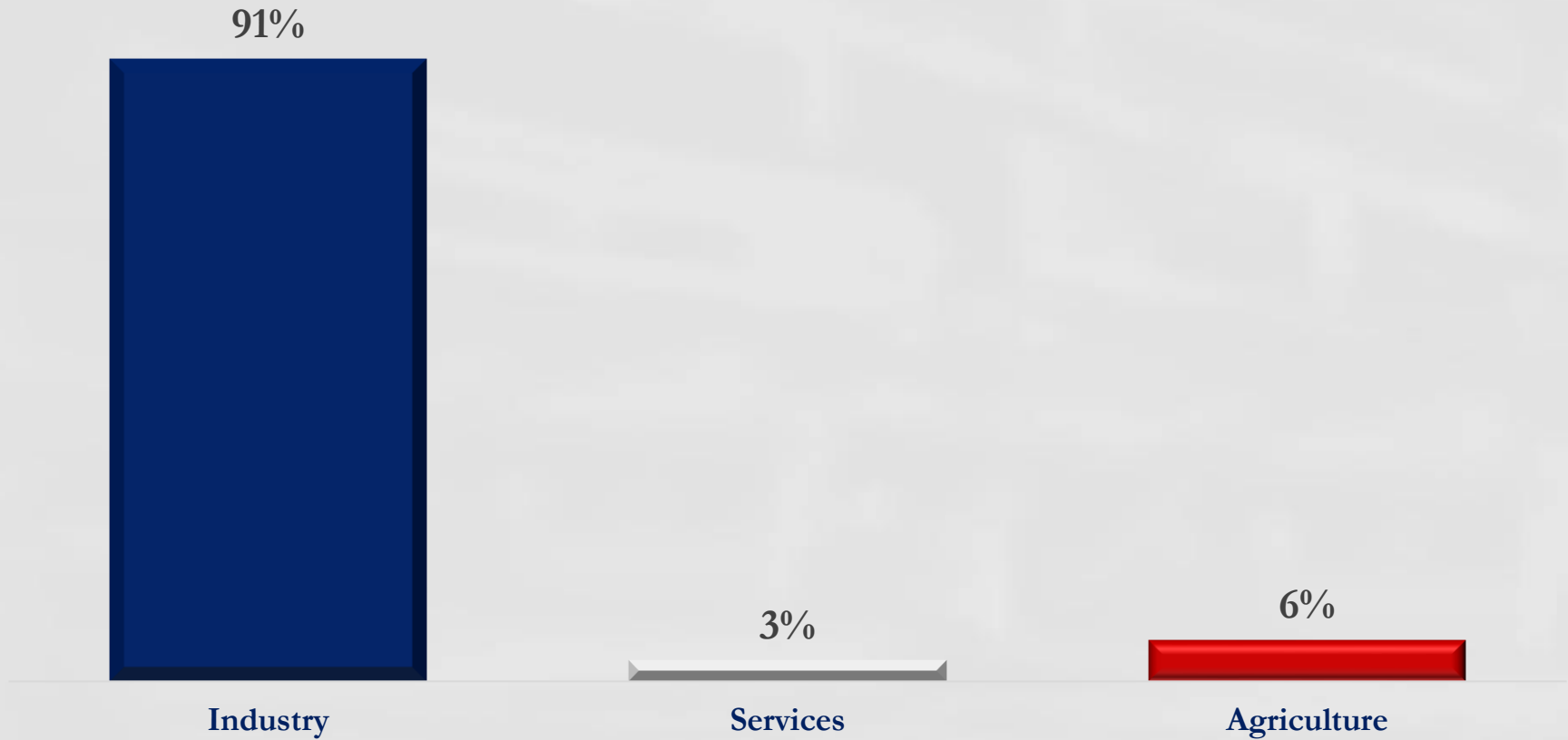
128.35

100%

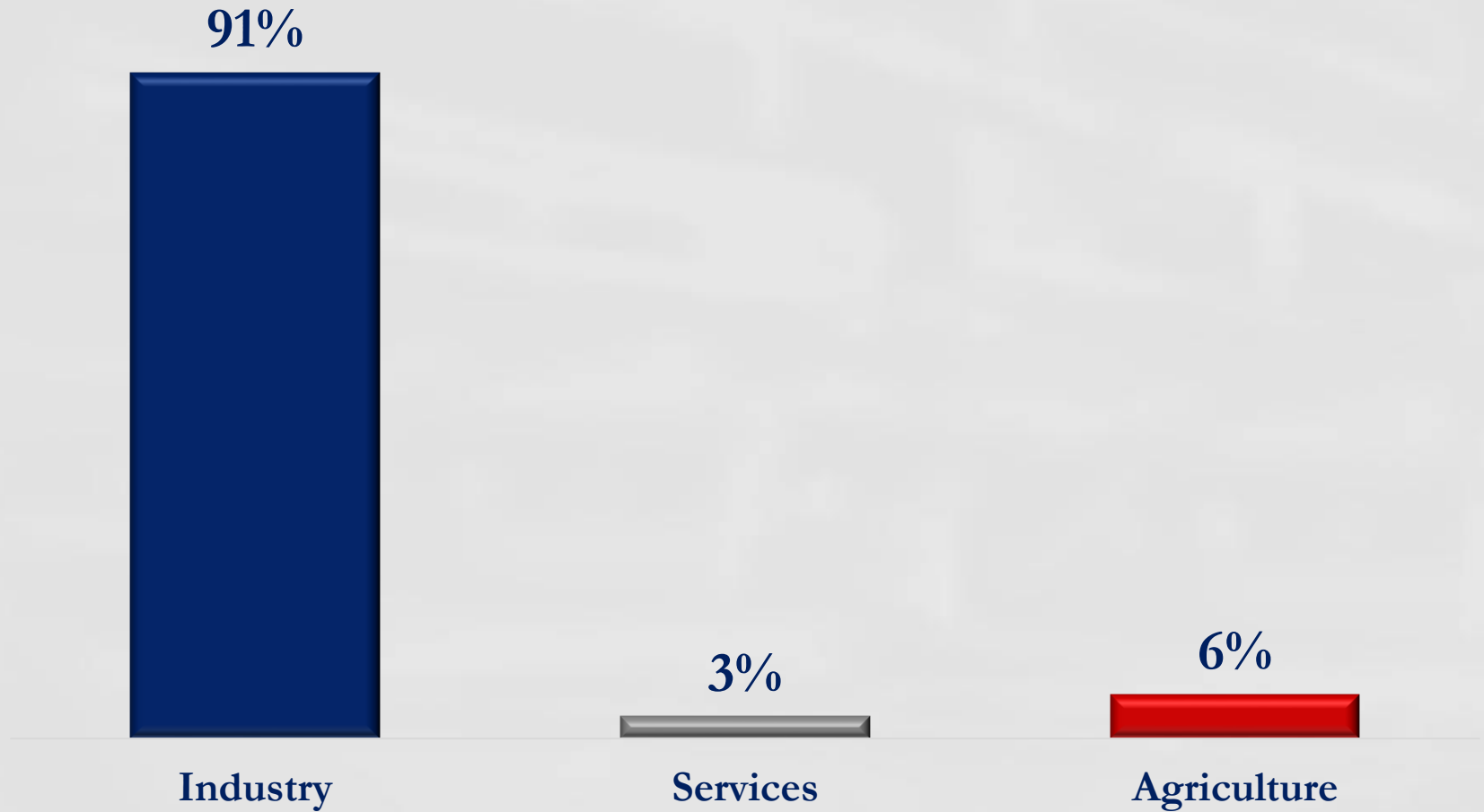
GST Tax Expenditure Estimation using the Liberia Benchmarked GST rate (USD M)

Sources of Derogations	Imports	Domestic Tax	Total
Administrative waivers (Liberian Returnees)	0.127	0.00	0.127
Concession agreements	33.98	9.15	43.13
Investment Incentive Contracts (Sections 16)	53.35	0.70	54.05
Executive Orders by the President	20.15	0.00	20.15
National Tax Legislation (Section 9)	14.15	0.00	14.15
Special Exemption, Tax Refund & Duty-Free Stores	1.19	0.00	1.19
Conventions (Diplomatic Missions and INGOs)	5.41	0.00	5.41

Domestic GST TE by Beneficiaries (in USD million)



Import GST TE by Sectors or Activities



Import GST TE by Sectors or Activities

Sectors and Sub-Sectors

Value USD M

Percent (%)

Industry

116.60

91%

w/o Manufacturing

88.82

76%

w/o Mining

27.78

24%

Services

3.66

3%

w/o market services

3.06

84%

w/o nonmarket services

0.60

16%

Agriculture

8.09

6%

Import GST TE by Sectors or Activities

Sectors and Sub-Sectors

Value USD M

Percent (%)

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116.60

91%

w/o Manufacturing

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Services

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84%

w/o nonmarket services

0.60

16%

Agriculture

8.09

6%

GST TE to GDP Ratio

Tax Expenditure	Amount (in USD M)	TE to GDP Ratio
GST TE	138.20	4.13%
w/o GST TE due to exemption	128.35	3.83%
w/o GST TE due to reduced rate	9.85	0.30%
Import GST TE	128.35	3.83%
w/o Import GST TE due to Exemption	128.35	3.83%
w/o Import GST TE due to Reduced Rate	0.00	0.00%
Domestic GST TE	9.85	0.30%
w/o Domestic GST TE due to exemption	9.85	0.30%
w/o Domestic GST TE due to reduced rate	0.00	0.00%
Nominal GDP	3,350.00	

Tax Expenditure Reports

Tax Expenditure	Amount USD m)	TE to TR Ratio
GST TE	138.20	22.87%
w/o GST TE due to exemption	128.35	21.24%
w/o GST TE due to reduced rate	9.85	1.63%
Import GST TE	128.35	21.24%
w/o Import GST TE due to Exemption	128.35	21.24%
w/o Import GST TE due to Reduced Rate	0.00	0.00%
Domestic GST TE	9.85	1.63%
w/o Domestic GST TE due to Exemption	9.85	1.63%
w/o Domestic GST TE due to Reduced Rate	0.00	0.00%
GST Revenue	104.77	17.19%
GST TE	138.20	18.91%
GST TE as percent of GST Revenue	131.91%	-
Import GST Revenue	56.07	9.28%
Import GST TE	128.35	21.24%
Import GST TE as a percent of import GST revenue	228.91%	
Domestic GST Revenue	48.70	8.06%
Domestic GST TE	9.85	1.63%
Domestic GST TE as percent of domestic GST revenue	20%	-
Total Revenue	604.13	

Tax Expenditure Reports

**GST Tax
Expenditure
Estimation using
the Regional
Benchmarked
Rate**

Description	Unit	Scenario -1	Scenario -2
2021 CIF value	USD m	1,296.72	1296.72
Import duties	USD m	57.92	139.33
GST base	USD m	1,354.64	1,436.10
Calculated Import GST (18%)	USD M	290.21	303.94
Calculated Domestic GST at 18 percent	USD M	87.66	87.66
Calculated Domestic GST at 18 percent	USD M	331.49	346.14
Fiscal Year 2022 GST Collected	USD M	104.77	104.77
Estimated GST Tax Expenditure	USD M	226.72	241.37

Tax Expenditure Reports

Findings from
the Fiscal Year
2022 Tax
Expenditure
Report

FY 2022 Report Indicates that for every dollar collected in GST Revenue, US\$1.31 is foregone as Tax Expenditure.

This amount increases significantly to US\$3.71 for every dollar collected when using the ECOWAS VAT Directive Rate of 18 percent as the Reference Tax System

The GST Tax Expenditure to GDP Ratio is Computed at 4.13 percent

GST Tax Expenditure to Total Revenue Ratio is 23.84 percent.

Liberia's Measures to Reduce Tax Expenditure

September 2022, MFDP Issued a Circular to regulate Tax Expenditure

May 31, 2023, an Administrative Regulation was signed Tax Expenditure

Legal Basis

Note 2, Second Schedule of the Revenue Code which states that "the privilege of exemption from duties shall be contingent upon compliance with regulations promulgated by the Commissioner General in consultation with the Minister of Finance & Development Planning".

Challenges

Political Will and Logistic

Digital Infrastructure for the Reporting of Tax Expenditure

Tax Expenditure still be granted to taxpayers even after the sunset clause

The Publication of the Tax Expenditure in the National Budget is still a challenge

Briefcase holders of Tax Expenditure, taxpayers with Incentives but are not aware

Business Plans/Proposal as a measurable tool for monitoring & Evaluation

Building Liberia Together with our Taxes



Thank You!