

A quick guide to Taxation in Liberia 2013

*2013 Tax Facts
and Figures*





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Introduction

The income tax regime in Liberia has been stable since the year 2001 when The Revenue Code of Liberia (2000) was enacted. In 2011 however, there were some amendments with specific sections provided on petroleum and mining operators.

In this publication all tables/illustrations and other currency references are in Liberia Dollars (LIB\$) which is approximately LIB\$ 78.5 to 1 US\$ as at 23 August 2013.

This guide is prepared as a general overview. For more detailed planning please ensure professional advice is obtained.

Office locations in Ghana

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A brief profile of PricewaterhouseCoopers

Global Overview

PricewaterhouseCoopers (www.pwc.com) is the world's largest professional services organisation. We provide industry-focused assurance, tax and advisory services to build public trust and enhance value for our clients and their stakeholders. More than 184,000 people in 157 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

Our Core Values

Our core values of **excellence, teamwork and leadership** define how our people work. We strive to deliver what we promise, work together as a team and lead by example.

PricewaterhouseCoopers in Africa

With 58 permanent offices employing more than 7,700 professional staff in 33 countries, PricewaterhouseCoopers is able to offer the highest level of quality services in almost every country in Africa. Permanent offices can be found in:

Algeria	Angola	Botswana
Cameroon	Chad	Cote D'Ivoire
Democratic Republic of Congo (DRC)	Egypt	Equatorial Guinea
Gabon	Ghana	Kenya
Liberia	Libya	Madagascar
Malawi	Mauritius	Morocco
Mozambique	Namibia	Nigeria
Republic of Congo	Republic of Guinea	Rwanda
Senegal	Sierra Leone	South Africa
Swaziland	Tanzania	Tunisia
Uganda	Zambia	Zimbabwe

PricewaterhouseCoopers Ghana

PricewaterhouseCoopers is in the process of setting up an office in Liberia. Until the Liberia office is fully operational, the Ghana office, which has eight Partners/Directors and over 250 employees, shall continue providing services with respect to Liberia from the Ghana office

The Ghanaian firm, which is a full member of the network of firms of PricewaterhouseCoopers, has unrestrained access to the global firm's vast resource base of proprietary knowledge, methodologies and experience.

Our clients include private sector businesses – both multinational and national; and many government institutions – at national and local levels and financial institutions.

From Ghana, the firm also services clients located in or with business and development interests in Sierra Leone and The Gambia.

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Taxation of individuals

Income liable to tax

Income tax is levied in each Tax Year on the gross income of both resident and non-resident persons in Liberia.

The gross income of resident persons includes all economic benefits regardless of source.

The gross income of non-resident persons includes only those economic benefits having source in Liberia (i.e. the income must be derived from or accrued in Liberia).

Resident individual

An individual is resident in Liberia for the entire tax year if that individual person-

- has a normal place of abode in Liberia and is present in Liberia at any time during the tax year;
- is present in Liberia for more than 182 days in a 12-month period that ends during the tax year; or
- is an employee or an official of the Government of Liberia posted abroad during the tax year.

An individual who was not a resident in the preceding tax year is not treated as a resident for the period preceding the day that the individual was present in Liberia during the tax year.

Non-Presence of an Individual in Liberia

An individual is deemed to be non-present in Liberia on the day when:

- The individual enters Liberia for the purpose of performing services as an employee in Liberia;
- The individual is in transit between two points outside Liberia;
- The individual is present in Liberia for the purpose of medical treatment or full-time study; or
- The individual is present in Liberia by reason of diplomatic status or is a dependent of such an individual.

Taxable Income

The taxable income of a person for a tax year is the aggregate of that person's income for the year from economic benefits of whatever kind.

Examples of economic benefits include income from each business, employment, interest, rents, royalties, dividends, payments received under a pension, retirement or annuity arrangement and gains on the disposition of property used in a business or held for investment.

Annual tax rates – Resident Individuals

The annual personal income tax of every resident individual in Liberia is determined in accordance with the following schedule:

Tax table: Personal Annual Income Tax Rates

Bands	From (LIB \$)	To (LIB \$)	Tax rate	
1	-	70,000	0%	of Gross Taxable Income
2	70,001	200,000	5%	of Excess over 70,000
3	200,001	800,000	6,500 + 15%	of Excess over 200,000
4	800,001	Above	96,500 + 25%	of Excess over 800,000

Income from employment

A person's income from an employment is that person's gains or profits from that employment including benefits received in the form of noncash property.

A resident individual is liable to tax on all income from his/her employment in Liberia regardless of where it is paid.

Taxation of non-resident individuals

A non-resident individual is one who is not a resident individual during a tax year.

A non-resident individual is liable to tax on all economic benefits sourced in Liberia. The rate of tax applicable to a non resident individual is determined by the kind or description of economic benefits being sourced in Liberia. A non-resident employee would be taxed at the rate of 15% on employment income earned in Liberia.

The employer deducts the tax and pays it to the Bureau of Internal Revenue (BIR) by the 10th day of the month following the month in which the deduction was or should have been made.

Non-cash benefits

Non-cash benefits provided by an employer to an employee other than medical expenses/credit are valued at 100% of fair market value. However the aggregate total of non-cash benefit provided to an employee up to LIB\$ 100,000 per tax year is exempt from tax.

Tax Year (individuals)

The tax year for both individuals and partnerships is the calendar year (January 1 to December 31).

Social Security

Contributions

The Social Security Law and Labour Law makes it mandatory for all employees in Liberia to contribute to a pension scheme in Liberia.

Rates of contribution

Social Insurance

The employer's monthly mandatory social security contribution is 3% of all elements of earnings whilst the employee's contribution is also 3% of all elements of earnings.

Workmen's Compensation

The employer's monthly mandatory workmen's contribution is 1.75% of the employee's payroll whilst the employee's contribution is nil.

Remittance of contribution

The employer is responsible for remitting the total mandatory contributions within 15 days from the end of the month.



Corporate Tax

Tax rate

A legal entity resident in Liberia is taxed as follows:

Type of entity	Rate of tax	Remarks
General company	25%	
Life insurance	4% of gross receipts	Applies where at least 30% of the income of the enterprise is from life insurance and only on that portion from life insurance proceeds
Agricultural and renewable resource projects	25%	For rice production projects
	15%	
Mining and petroleum companies	30%	Additional surtax on high-yield mining projects
	20% surtax	

Resident criteria – companies

An entity is resident for tax purposes if that company:

- is incorporated or formed under the laws of Liberia and either:
 - has its management and control in Liberia; or
 - undertakes the majority of its operations in Liberia;
- Is a corporation, registered business company, limited liability company, foundation, trust, limited partnership, or similar arrangement that undertakes some business activity in Liberia and has a majority of shareholders, or beneficiaries (by vote or value) resident in Liberia; or

- is a general partnership, joint venture or trust and a partner, co-venturer or trustee is a resident in Liberia.

For vessel companies, an entity is not deemed to be resident in Liberia if it carries out no activities in Liberia except those above and does one or more of the following:

- secures or maintains registry of a ship in Liberia (other than registry services);
- owns a Liberia flag vessel; or
- conducts activities in Liberia solely related to the operation, chartering or disposition of a ship other than for transportation exclusively within Liberia.

Presumptive tax payers

Where a legal entity or natural person is expected to earn a gross income of less than LIB\$ 3,000,000 (USD 40,816.3) for a tax year, the person qualifies as a small taxpayer and has an obligation to pay corporate income tax at a rate of 4% of annual turnover in lieu of the income tax.

Tax Year

The tax year is the calendar year unless otherwise granted by the Minister of Finance.

The Minister may on a written application by a legal person (other than a trust for example) grant permission to use some other 12-month period as the tax year (fiscal year).

Deductions allowed

A taxpayer is permitted a deduction for the ordinary expenses of producing income during the tax year. Such expenses include among others; depreciation expense or amortization of capital, losses incurred in a business and sustained during the tax year, business interest on business indebtedness etc.

Limitation of Deductions

Limitations to tax deductible expenses from gross income include personal expenses, capital expenditure and Liberian or foreign income tax among others.

Foreign Exchange Gains and Losses

Foreign exchange gains or loss will only be recognized when they are actually realized (i.e. when payment is made.)

Depreciation and Amortization

An annual allowance for depreciation and amortization of capital expenditures may be deducted in accordance with physical and non-physical depreciation of depreciable property.

The table below shows the various classes of assets and their annual tax depreciation rate:

Class	Assets Description	Assets included	Rate
1 Tangible Moveable Property (excluding Fixtures)	Heavy Machinery (based on pools)	Tractors, Communication towers, power support towers, buses for at least 20 passengers, air planes, ships, heavy trucks (at least 5 tons and similar equipment	30%
	Light Machinery (based on pools)	Passenger automobiles, office furniture, computers, printers, telephones, passenger vans or buses for fewer than 20 passengers, light trucks (less than 5 tons empty weight) and similar equipment.	40%
2 Tangible Fixed Property	Other (including petroleum expenditure outside a project area)	To be depreciated on an asset by asset basis by the straight line method (SLM)	15 years period SLM
	Used in agriculture	Based on pools	20%
	Used in mining and petroleum exploration	Using SLM	20% per year

3 Intangible Property	Other Used in mining	Patents, copy rights, and other intangible property, including goodwill are depreciated on an asset by asset basis Using SLM	15 years period at SLM 20% per year or expected period of production if shorter
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Special Incentive Deduction

a) Incentives for New investments

There are special incentives for qualifying new investors in specified sectors such as tourism, manufacturing, energy, health, low and medium income housing, transport, communication, banking, agriculture, export and waste management.

To qualify, the capital invested must be at least US\$ 1 million for foreign owned business and for enterprises with 100% Liberian ownership, a minimum capital investment of US\$ 300,000. For hospitals or health clinic, the minimum capital investment is US\$ 50,000.

The special tax incentive runs for 5 years from the commencement of investment as per the investor's certificate.

b) Incentive for Agricultural and Renewable resource contractors

A special incentive deduction is available in the first year in which an agricultural asset is placed into service in an economically deprived zone. The amount of deduction ranges between 12.5%, 7.5% and 5% depending on the zone where the asset is put into use.

Carry Over of tax losses

Net operating loss incurred in any particular year can be carried forward to a maximum of five years. The earlier losses will be relieved before the later losses. Carry forward of losses is permitted up to 5 years for general companies and 7 years for mining, petroleum and renewable resources entities.

Limitation to carry over losses

If within a period of three years there is a change of at least 50% in the underlying ownership or control of a company, no carry forward is allowed of any losses from prior periods as well as any concessions made as investment incentives.

Dividends

Dividend received by a resident corporation from another resident corporation is exempt from tax. This will however not apply where the dividend received is by virtue of ownership of redeemable shares in the corporation paying the dividend or if the dividend is paid in a dividend stripping arrangement.

Lease transactions

If a lessor leases tangible property to a lessee under finance lease contract, for the purpose of taxation, the lessee is treated as the owner of the property and lease payments are treated as payments made on a loan to the lessee.

Property Transfer

Gain or loss on the disposition of property is included in taxable income.

Gains from the Disposition of property

A gain or loss from the disposition of property is includible in taxable income and taxed at the corporate income tax rate of 25%.

Calculation of capital gain

The amount of gain or loss is determined by subtracting the transferors adjusted tax cost for the property from the amount derived from the disposition.

Where payments for the transferred property include noncash property, the transferor's amount derived is equated to the fair market value of the noncash property plus any cash equivalent the transferor receives or is entitled to receive as a result of the transfer.

Income splitting

Where a person attempts to split income with another person, the Minister of Finance may adjust amounts to be included or deducted in calculating income. The Revenue Code of Liberia of 2000 (RCL) defines income splitting to include transfers of income or property (including money) to an associate with the result that the transferee receives or enjoys the income from that property and a reason for the transfers is to reduce the combined tax liability of the transferor and transferee.

Property tax

Property tax is imposed on every owner of real property, except exempt real property. The tax is imposed on both improved and unimproved land. The rates imposed vary depending on the description and location of the real property.



International transactions

Geographic source of income

Income is from a source in Liberia if it is derived from an activity which occurs in Liberia. It includes income derived from an activity in Liberia, performance of services or employment exercised in Liberia and income derived from the disposal of the interest of a shareholder of a resident entity:

Income derived from the sale, operation, rental or chartering of a vessel is not from a source in Liberia except to the extent such income is derived from transportation or use exclusively within Liberia.

Income of a permanent establishment (“PE”)

A PE of a non resident person in Liberia is treated as a resident legal person with respect to the business carried out by that PE in Liberia.

Transfer pricing

There is no specific regulation on transfer pricing in the RCL. However, the Minister of Finance has the power to adjust non arm’s length transactions between related parties to reflect the actual tax payable had the transactions between them been at arm’s length.

Thin capitalisation

Deduction for interest payable to any person other than a resident bank is limited to the amount of interest income received plus 50% of taxable income excluding interest income. This also applies to mining and petroleum operators except that the interest carried forward does not expire.

Relief from double taxation

Where an international agreement ratified by Legislature has entered into force and establishes rules inconsistent with those provided in the Revenue Code, the international agreement supersedes the Revenue Code to the extent of the inconsistency.

Withholding Tax

The following are currently the applicable rates of withholding taxes

Income	Rate %	Remarks
Resident persons		
Interest, royalties, License fees and similar payments	15%	
Dividend (excluding resident corporations)		
Rent where the aggregate annual rental income exceeds LIB\$ 70,000	10%	
Payers of gambling earnings	20%	
Payments by mining, petroleum and renewable resource projects		
Interest	5%	
Dividends	5%	
Services	6%	
Payment for the acquisition of an investment asset in Liberia	10%	
Payment to high risk suppliers	20%	A high risk supplier is one identified as presenting a high risk of tax avoidance
Other payments, other than for employment services (LIB\$ 100,000 or more) for services	10%	
Payment by a Government agency (other than the above mentioned payments)	4%	
Non-Resident persons		

Interest, royalties, License fees, dividend and similar payments	15%	Final Tax
Rent	15%	Final Tax
Gambling winnings	20%	Final tax
Payments by mining, petroleum and renewable resource projects		
<ul style="list-style-type: none"> • Interest • Dividends • Services 	5% 5% 6%	
Other payments for services including payment for employment services rendered in Liberia	15%	Final tax
Payment for the acquisition of an investment asset in Liberia	15%	Final tax



Administrative procedures

Furnishing of returns of income

A return on income should be filed with the Bureau of Internal Revenue (BIR) within 3 months after the end of the person's tax year. The return should include a separate statement of income and expenditure and a statement of assets and liabilities for each business undertaking carried on within that business by that person.

Cases where a return is not required

In the following cases, a return shall not be filed by:

- A natural person with income subject to withholding and derives 90% or more of gross income from employment income;
- A resident natural person who for a tax period is a presumptive taxpayer. However, this is subject to certain conditions including filing a presumptive tax return and wearing a badge or displaying the badge.

Assessment

An assessment of tax payable is made in one of the following ways:

- By self assessment in the form of tax payers statements of tax due on return for a tax year;
- By act of withholding; or
- By notice of determination.

Payment of tax under assessment is due on or before the due date specified in the notice of the assessment.

Payment of Advance tax

Advance instalment taxes are due by the 15th day following the end of each quarter of the tax payer's tax year.

Offences and penalties

There are penalties and in some cases criminal liability applies for non compliance with the tax law.



Goods and Services Tax

Imposition of Goods and Services Tax (GST)

A tax to be known as Goods tax and Services tax is imposed on the following:

- Every taxable supply of goods by a registered manufacturer;
- Every taxable importation of goods; and
- Every supply of taxable services in Liberia by a registered services provider.

Person Liable for GST

- Goods Tax payable on taxable supply of goods is to be accounted for by the registered manufacturer;
- Goods tax payable on taxable importation of goods is to be paid by the importer, unless the importer is a registered manufacturer and the import is used to produce the registered person's manufactured goods; and
- Service Tax payable on a supply of taxable services is to be accounted for by the registered service provider making the supply.

Recoverability of GST

Goods and Services tax payable by a registered manufacturer and service provider is recoverable by them from the recipient.

Persons required to register

Any person who carries on any business of manufacture or business of providing taxable services has an obligation to register as follows:

- At the end of any twelve month period where taxable supplies or services totaling LIB\$ 3,000,000 or more was made; or
- At the beginning of any twelve months period where there are reasonable grounds to expect that taxable supplies or services totaling LIB\$ 3,000,000 or more will be made.

Any person having an obligation to register per the above qualification shall apply to be registered within 21 days.

Definition of taxable supply

- The term taxable supply of goods means any supply (other than an exempt supply) of goods by the manufacturer thereof where the manufacturer of goods is in Liberia and of services by the registered service provider in connection with the carrying on of a business.
- The term taxable supply of services means any supply of services (other than an exempt supply) in connection with the carrying on a business including; the supply of

electricity, telecommunications, services supplied in carrying on a business of a hotel and other services in the sectors of air travel, vehicle rental, communications, automotive repair services, professional services (other than medical) and port-related service.

A supply is made in connection with the carrying on of a business of a person where the supply is made as part of or incidental to, any independent economic activity of the person whatever the purpose or results of that activity.

Applicable GST Rate

The rates of goods and service tax payable on the various taxable supplies are as below:

Type of supply	Rate (%)
Goods and services	7%
Alcoholic beverages	10%
Export of goods	0%
Imported goods	7%, 10% or 0% depending on the type of imported goods;
Other services including : <ul style="list-style-type: none"> • Hotel services • Gambling services • Sale of tickets for international travel • Travel agency • sporting or game arranger services 	10%
Telecommunications services	15%

Returns

Every registered manufacturer and service provider shall file GST returns for each tax period (calendar month) within 21 days after the end of the period, whether or not any goods or service tax is due for such period.





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