



NATIONAL REVENUE SYMPOSIUM OF LIBERIA ON: “MEDIUM TERM REVENUE STRATEGY”

Hosted by the Liberia Revenue Authority on

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REPORT



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KEY OUTCOMES

INTRODUCTION

The National Revenue Symposium, held on 18th July, 2017 at the City Hall in Monrovia was an unprecedented one day event presided over by none other than Her Excellency, President Ellen Johnson Sirleaf, bringing together all arms of the Liberian government, taxpayers, development partners, civil society organisations and the Liberia Revenue Authority (LRA). The objective of the event was to discuss the feedback obtained by the LRA having held a nationwide consultation on how taxpayers (approximately 425 respondents), perceive revenue collection as a key responsibility for government and its development programme, and how this could be improved. The result of this discussion/debate is summarized below as some of the key elements to inform Liberia’s Medium Term Revenue Strategy.

BACKGROUND

After three years of its full-fledged operations as a semi- autonomous revenue body, the LRA, established in 2013 and having opened its doors to the public on 1st July, 2014, embarked on a nationwide consultative process, to determine a robust strategy to carry its mandate forward in a bid to increase its efficiency and effectiveness in collecting revenue towards the national development agenda. The LRA, whose key role is to assess, collect and account for government revenue while facilitating trade, clearly recognises that its success is dependent on the existence of a combination of policies and processes that encourage economic growth, as well as providing the certainty required by investors to set up business in Liberia. The task can only be successful if policy makers, administrators and taxpayers are each playing their role, and the symposium, was held to discuss how the LRA achieves its objectives, as well as to increase public awareness and accountability. Indeed, the key message of the day was, that the national revenue yields, were the single most sustainable way to not only service national development needs, but to enable Liberia to meet its sustainable development agenda. Given that currently, approximately two-thirds of the national budget is dependent on development aid, the need cannot be over emphasized.

The purpose of the revenue symposium therefore, was to provide feedback from the consultations to the relevant stakeholders and together agree on the best response to the issues raised nationwide regarding tax policy, tax administration and how this can be improved for increased domestic resource mobilisation (DRM). The presence of all key stakeholders from the Head of State to regional representatives; and all engaged in an in-depth discussion on how best government can be more accountable to its citizens as a prerequisite for improved taxpayer compliance, underscores Liberia's commitment to self- sustainability. On the other hand, government emphasised the obligation of the taxpayer to pay their dues as an investment into improved national socio-economic needs, while on the latter demanded accountability and responsible government expenditure. The meeting noted that there are un-tapped areas that could be taxed that might provide a potential for increased revenue. This report provides a summary, of the key discussions of the panels, and their contribution to what they consider as strong building blocks for the Liberian Medium Term Revenue Strategy.

KEY ISSUES FLAGGED BY MEMBERS IN THE DISCUSSION

Moderated by Her Excellency the President of the Republic, and with a panel comprising of Members of the Legislature, Judiciary, development partners and tax experts, the panel engaged in a discussion with an audience of taxpayers from both the provinces as well as the Capital, Monrovia. Taking into account the results from the national consultations, the discussants together endeavoured to develop a strategy for strengthening DRM in order to facilitate the attainment of the Sustainable Development Goals (SDGs). The key issues and some of the actions proposed to address these are summarized under 4 headings below. These comprise but aren't limited areas such as the;

- **Legislative and Policy Framework**
- **Administrative and Cultural Gaps**
- **Infrastructural & Modernisation Challenges**
- **Governance Issues**

A. LEGISLATIVE & POLICY FRAMEWORK

Participants stated that the LRA is doing an excellent job in mobilizing revenue. They however, underlined the need for this to be buttressed in laws that not only enable the process of tax collection, but are seen as impartial. Taxation, is embedded in the principle of equitability. The current Liberian economic policy, largely focusses on attracting foreign direct investment (FDI). As such, investors primarily in the extractive and hospitality industries enjoy substantial long term incentives that local, newly started businesses do not receive. This creates a distorted investment climate which puts the local business at a competitive disadvantage sighted as leading to non-compliance by local taxpayers. Further, given the general low compliance levels, the policy framework that allows for widening the tax base through realistic moderate tax rates and legislation that provides the appropriate deterrent to noncompliance. The latter, is where the penalties are too low to ensure compliance, or where ordinary enforcement measures such as garnishment, require a court order; thus, frustrating the tax authority. The following were highlighted;

- (i) There is a need for policy coherence in the development of Domestic Resource Mobilization Strategy. There was a general consensus, that the tax laws and their administration needed to facilitate efficient tax collection, while enabling economic development and providing the requisite tax certainty for Foreign Direct Investment(FDI). There was a proposal to **review the rates to moderate rates**, targeting all taxable brackets, that would yield more than the current regime that provides multiple incentives and an exemptions regime that favours a fraction of the potential taxpayers. It was unanimously agreed that, **all discussion on investment promotion and the incentives proposed must be done in full consultation with the LRA**. The process of awarding tax incentive should be consultative in such a way that incentives granted do not lead to revenue leakages. Government should provide a stable and predictable environment for taxpayers.
Further, a development aligned trade policy and economic growth enablers such as improved infrastructure and targeted boosting of the tourism and agricultural sectors, were singled out as areas to boost growth to bridge the gap created by a huge dependency on extractives like Mineral ore whose price had recently plummeted, leading the hugely dependent economy into difficulty. **(Short Term). GoL/LRA**

(ii) There is a need to provide support for transition of taxpayers from the informal to the formal sector. This can be done through **extending the services of the LRA country-wide and conducting a rigorous taxpayer registration drive**. From the consultations, it was evident that a large number of the traders in the Montserrado area and a large part of the provinces were uncovered by the LRA. Taxpayers had to travel long distances to honour their tax obligations, a key element leading to non-compliance. **(Short Term). LRA**

(iii) The compliance rates of taxpayers are extremely low. This is largely attributed to ignorance of tax laws, and limited enforcement. The LRA needs to develop and implement a protracted tax education strategy that will be embraced by all levels of government. This can involve parliamentarians, local government, and other sectors of society viewed as more “friendly”, to compliment the LRA. At the same time these efforts should be combined with sanctions and enforcement for non-compliance to ensure fair and equitable treatment of taxpayers. Penalties for non-compliance should be set at a level that will act as an effective deterrent as opposed to being cosmetic. **Nonetheless, priority should be given to simplification of the tax laws and sensitization of the tax paying populace (Short Term). GoL/LRA**

(iv) There is a need for revision of the current legal and administrative framework for taxation. The revision should be benchmarked against other neighbouring countries in an attempt to promote a clearer and more transparent climate for investment. The revision should also consider measures aimed at broadening the current tax base for example, **through the introduction of Value added tax(VAT)**. The introduction of a VAT regime has the proven effect of broadening the tax base through providing useful data to for improving tax laws and for taxpayer registration. These, coupled with its relative self-policing nature, render the introduction of VAT crucial for the MTRS. **(Medium Term). GoL/LRA.**

B. ADMINISTRATIVE & CULTURAL GAPS

The Government of Liberia officials (GoL), and taxpayers, agreed that there is a low level of tax compliance in Liberia. The discussion during the symposium confirmed the views of the taxpayers

during the consultation process that the low levels of compliance are mainly due to a low taxpaying culture and limited enforcement structures within the LRA among other reasons.

- (i) The LRA should consider all legal remedies available for enforcement of compliance within the current legal framework. In consultation with the Ministry of Finance, Development and planning (MFDP), the LRA should propose tougher measures in areas where major loopholes exist. A key example, given was where senior ranking government officials in the different arms of government were deliberately not meeting their obligations. This not only, robs the national kitty of the much- needed revenue from a privileged category of their society, but it further causes non-compliance from other sectors who know this. **The government should put in place a mechanism for such officers to account to the National Ombudsman.** Emphasis should also be directed towards naming and shaming delinquent taxpayers and fraudsters at all levels. **(Short Term). LRA /GoL**

- (ii) Due to the lack of tax records and lack of automated systems for business transactions, the LRA should focus on mediation as a means to resolving tax disputes instead of court actions. Future efforts should be aimed at enforcing penalties against tax advisors who inaccurately file tax returns for taxpayers **(Short Term). LRA**

- (iii) Taxes should only be enforced if there is a valid legal basis **and as much as possible, enforcement of taxes should be done through clear articles in the tax code.** Only in extreme cases of litigation should tax tribunals and courts of law be involved. The current status is that the larger part of the enforcement LRA does, has to go through courts. It clearly emerged that the time element needs to be taken into account to render enforcement effective, and so legislation as much as possible should put enforcement in the hands of the LRA. Short of this, the taxpayers then use this as a delaying tactic and deny government the tax due under the guise of seeking legal redress, and never ending legal opinions. **(Medium Term). GoL**

- (iv) The Domestic Resource Mobilization Strategy should be aligned with the developmental strategies and should prioritise critical issues such as dealing with Transfer Pricing, Taxation of

the Extractive Industry, and bridging the current gap within the legal and administrative framework for taxation. In the midst, of huge resource challenges and infrastructure gap, premium should be placed on low hanging fruits such as coordination and prioritization with other agencies, **identifying and addressing potential revenue risk among others (Medium to Long Term)**. **LRA/GoL**

C. INFRASTRUCTURAL & MODERNISATION CHALLENGES

The need to modernize the LRA processes and increase IT use was cited as key in terms of reducing the compliance costs in both time and money, and specifically the payment by mobile phone technology was highlighted as urgently required especially to enable compliance by the small & medium level taxpayers. This, coupled with an increased presence of the LRA both in the provinces and outskirts of Monrovia, was cited as crucial for not only short term enforcement of taxes due, but for tax education and increasing the tax base through consistent registration, targeted compliance levels and timely service, in the medium and long term. Some highlights include;

- (i) Efforts aimed at decentralization of taxes and **the sharing of revenue collected with local communities should be a critical component of the Domestic Resource Mobilization Strategy**. There needs to be formed a system of managing blocks that simplify tax education, and instil a degree of self- policing among taxpayers. This would be particularly effective in the Montserrado area where a huge number of taxpayers easily fall under the guise of being in the informal sector. Blocks are particularly effective at registration and thus widening the tax base. These would also enable the establishment of a regular forum to not only discuss tax issues, but also to provide details of revenues collected as well as the challenges envisaged, and together determine remedies. This therefore should be viewed as a partnership on the wider national front **(Short Term)**. **LRA/LOCAL GOVERNMENT**
- (ii) Initiatives aimed at educating taxpayers should be concerted efforts by all actors (Legislative, Executive and Judiciary) of the government and not the LRA alone. The LRA should

develop and implement an effective communication strategy. The strategy should focus on the involvement of Community leaders and members in tax sensitization programs. It should also be communicated in all languages in Liberia. Long term priorities should focus on the inclusion of taxation in the national curriculum of primary and tertiary institutions in Liberia **(Short Term)**.

LRA/GoL/LEG/JUD/etc.

(iii) The collection of revenue should be modernised to **include electronic payment** where possible, and through a partnership with banks to limit the element of officers dealing directly with taxpayers at the point of payment. Secondly, the **electronic exchange of information**, should be developed between relevant government departments with the LRA, eg. On tenders issued. Finally, the discussion consistently indicated that at the macro level, the **national Infrastructure development strategy** had to be taken into account and improved; particularly the road network is a backbone to the economic development of Liberia, as this would widen markets and render these equally accessible. **(Short Term) LRA/GoL**

D. GOVERNANCE ISSUES

Both the consultations and the discussion at the symposium, noted that corruption is adversely impacting on compliance by the taxpaying public. Of particular mention was 1) Non- payment of tax due by senior government officials, and 2) corruption by some officers in the LRA. It was generally, agreed that enforcement would not be effective unless these two issues were addressed.

(i) Efforts aimed at the development of the DRM Strategy should also consider a mechanism for properly reporting on taxes by making public their set targets, and thereafter publicly report on their revenue performance. The GoL on the other hand should consciously account for revenue received and allocated to the various sectors/counties as a motivation to all and recognition of the populations efforts in Nation building. Events such as Taxpayer appreciation days should be institutionalised

and projects financed from taxpayer collections also publicly celebrated. Further, risk that poses a threat to revenue collection should be identified and appropriate measures taken to protect national revenue. **LRA/GoL**

(ii) Additionally, the LRA staff code of conduct should be decisive in dealing with corrupt officers summarily and together with their accomplices. On the other hand, there is need for **government to properly remunerate LRA**, so as to eliminate any self-aggrandisement and temptation by its officers. Additionally, their Human resource policy should protect its officers from targeted for their integrity by taxpayers aiming to compromise these members of staff. **(Short Term). GoL/LRA.**

(iii) The LRA should prioritise continuous tax education for all persons subject to the tax code and temper this with clear, and non-segregative enforcement measures that don't favour any category of people. A whistle-blower system, managed at the highest level of the organisation, should be instituted to help in information gathering and sharing. This too often acts as a deterrent, as one never knows who will report incidents of corruption**(Short Term).**
LRA

NOTE: The tables below, in a snapshot, convey in tabular form some of these key outcomes and proposed areas of action. While table 1 emphasizes the 3 factors crucial to widening the tax base and increasing revenue for development, table 2 categorises what actions need to be taken by a specific entity; GoL, LRA, Taxpayers and Development partners.

FACTORS TO GROW TAXES AND FILL TAX GAP	
i.	A fair system based on moderate tax rates
ii.	Effective and efficient tax administration that implements legislation holistically & not selectively
iii.	Expanding revenue by minimizing revenue loss and growing the economy

Table 1: Factors to widen the tax base

	1. FORWARD ACTIONS FOR THE LRA	2. FORWARD ACTIONS FOR GOVERNMENT	3. FORWARD ACTIONS FOR THE TAXPAYERS	4. FORWARD ACTIONS FOR THE DONOR PARTNERS
i.	Development and implementation of a consultative taxpayer education strategy	Provide a percentage of the revenue collected to the LRA for administration of taxes	Compliance with existing tax laws	Provide support for the connection of the south- eastern region of Liberia
ii.	Staff development through a robust capacity building program	Provide logistical support needed for the expansion of LRA activities to the various counties	Timely payment and filing of taxes	Provide support for training in international taxation and transfer pricing
iii.	Strengthen and expand the activities of the LRA	Review current tax incentive regime with a goal of identifying and closing potential gap	Truthful declaration of taxes	Provide support for training and audit of the extractive industry and other specialized sectors by getting technical support to determine the specific value chain value chain
iv.	Development and implementation of effective procedures for tax administration	Provide investment needed for the acquisition of the ICT infrastructure for the LRA	Coordination with the LRA in the area of Tax Education	Provide support for the investment in Revenue Management Systems needed to effectively collect

				revenue
v.	Target informal sector	Fixing of macroeconomic issues and diversification of the economy	Use of mediation process as opposed to litigation	Investment in the transport and energy sector of Liberia
vi.	Strengthen taxpayer mediation through the Board of Tax Appeals	Strengthen Tax Policy: both legislative and non-legislative		Specific commitment to support the Infrastructure
vii.	Effectively coordinate with other government agencies in the administration of tax	Enact new taxes like VAT and overhaul of existing taxes		
		Invest in basic social services		
viii.		Make tax system foreign direct investment and private sector friendly but equitable		
ix.		The requirement of a court order for the LRA to e.g. close a business that is evading tax needs to be revised, as it renders enforcement difficult		
x.		Strengthen taxpayer mediation through the Board of Tax Appeals		
xi.		Provide support for the development of the private sector		
xii.		Improve road access and farm to market road		

Table 2: Key Actions for each category in the MTRS

AREAS OF POTENTIAL ATAF SUPPORT TO LIBERIA

ATAF has extensive experience in the drafting of tax legislation and in assisting members implement new legislation and regulations. This includes new legislation relating to issues such as transfer pricing, permanent establishments and capital gains tax. ATAF's tax experts have assisted members in the drafting of new rules and in undertaking inter-government and multi-stakeholder consultations.

ATAF is also working with members on issues relating to the broadening of their tax bases such as through the introduction of VAT regimes and has recently formed the ATAF VAT Technical Committee to facilitate the sharing of best practice across Africa.

Building the capacity of the LRA will be key to Liberia meeting the objectives set out at the Symposium and ATAF have a proven track record in areas such as training tax auditors and in assisting members with Tax Administration Diagnostic Assessment Tool (TADAT) assessment work¹. ATAF has staff experienced in tax audit work and has qualified TADAT assessors.

CONCLUSION

The Symposium has identified a wide range of actions that Liberia needs to take to improve its DRM and help it meet its SDGs. These actions will benefit both the government and taxpayers by creating a more equitable tax system and a more certain and transparent investment climate in Liberia.

Improved tax legislation and enforcement measures will be key to achieving these objectives as will building the capacity of the LRA. If Liberia is to achieve its goals it will require action not only from the LRA but also from the government of Liberia, the Legislature, the Judiciary and taxpayers. ATAF stands ready to assist Liberia in achieving these goals.

END

¹ TADAT is designed to provide an objective assessment of the health of key components of a country's system of tax administration

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