



Sierra Leone
Tax Guide
2015/16

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015/16 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2015, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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JUNE 2015

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BASIC FACTS

Full name:	Republic of Sierra Leone
Capital:	Freetown
Main languages:	English, Temne, Mende, Krio
Population:	6,190,280 (2013 estimate)
Major religion:	Islam
Monetary unit:	Sierra Leone Leones (SLL)
Internet domain:	.sl
Int. dialling code:	+232

KEY TAX POINTS

- Resident companies pay tax at 30% on their worldwide chargeable income.
- Non-Resident companies pay tax at the rate of 30% on income sourced in Sierra Leone.
- Capital gains tax is payable by a chargeable person at the rate of 30% of the capital gain accruing to or derived by that chargeable person from the disposal of a chargeable asset owned by a chargeable person (exemptions apply).
- A branch in Sierra Leone of a non-resident company is subject to tax on repatriated income at the rate of 30% as though such income were a dividend taxable at the rate of 10%, this tax being in addition to income tax on the chargeable income of the branch.
- The Goods and Service Tax (GST) is a form of Value Added Tax (VAT). It is aimed at being comprehensive for most goods and services. Exports are zero-rated and imports are levied at the same taxes as domestic goods and services adhering to the destination principle.
- A resident taxpayer is entitled to an allowable tax credit in respect of foreign income tax borne by the taxpayer on assessable income derived from a foreign source subject to it not exceeding the Sierra Leone income tax on that foreign-source income, calculated by applying the average rate of Sierra Leone income tax to the foreign-source income reduced by any deduction properly allocated to that income.
- Individuals resident in Sierra Leone are subject to personal tax at increasing scales and rates with a top rate of tax of 30%. The income tax year of assessment is 1st January to 31st December.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The National Revenue Authority (NRA) in Sierra Leone administers most of the taxes payable including the major revenue contributors.

The Domestic Taxes Department (DTD) of the NRA has been established as a 'one-stop shop' for the administration of all Sierra Leone's domestic taxes – namely the Goods and Services Tax, Income Tax Pay-As-You-Earn (PAYE), Corporation Tax, Withholding Tax, Payroll Tax, Personal Income Tax, Rent Tax and Foreign Travel Ticket Tax.

In the future, the DTD will also administer non-tax revenues, such as levies and royalties and Excise duties. It exercises its functions with the authority of the Commissioner General of the NRA.

ANNUAL BUDGET

The yearly budget is presented to Members of Parliament by the Minister of Finance and Economic Development for discussion and ratification by Parliament at the end of November of each year, for the commencement of the financial year on 1 January.

RESIDENT INDIVIDUALS

1. An individual shall be treated as resident in Sierra Leone for the entire year of assessment if that individual:
 - Has a normal place of abode in Sierra Leone and is present in Sierra Leone at any time during the year of assessment;
 - Is present in Sierra Leone on more than one hundred and eighty two days (182) in a twelve month period that commences or ends during the year of assessment; or,
 - Is an official of the Government of Sierra Leone posted overseas during the year of assessment
2. An individual who was not a resident in the preceding year of assessment shall not be treated as a resident for the period preceding the day the individual was first present in Sierra Leone during the year of assessment.
3. An individual who is not a resident in the following year of assessment shall not be treated as a resident for the period following the last day on which the individual was present in Sierra Leone during the year of assessment if during that period the individual had a closer connection to a foreign country than to Sierra Leone.
4. For the purposes of this section an individual shall not be treated as present in Sierra Leone on any day when:
 - The individual crosses the border to Sierra Leone to perform services as an employee in Sierra Leone;
 - The individual is in transit between two points outside Sierra Leone;

- The individual is present in Sierra Leone for the purpose of medical treatment or full-time study; or,
- The individual is present in Sierra Leone by of diplomatic status or being dependant of a person with diplomatic status.

TEMPORARY RESIDENT INDIVIDUAL

An individual treated as resident, shall be treated as temporarily resident in Sierra Leone for the entire year of assessment if that individual:

- Is not a citizen of or domiciled in Sierra Leone;
- Does not intend, during the year of assessment, to reside in Sierra Leone for a total period of more than four years; and,
- As of the end of the year, has not been resident in Sierra Leone for more than four years.

COMPANY TAX

Company tax is based on computed chargeable income. Resident companies pay tax at 30% on their worldwide income.

TEMPORARILY RESIDENT TAXPAYER

The calculation of the chargeable income of a temporarily resident taxpayer is similar to that for a resident taxpayer except assessable income includes only Sierra Leone source income and income from other sources that is remitted to Sierra Leone.

A company is considered a resident if it satisfies the three alternative tests of residence; place of incorporation; place of management and control; and place of majority of operations. Subject to subsection two, a company that does not satisfy any of these tests is a non-resident person for the year of assessment.

Non-Resident companies pay tax at the rate of 30% on income sourced in Sierra Leone. A permanent establishment of a non-resident person in Sierra Leone shall be treated as a resident person separate from but associated with its non-resident owner”

CAPITAL GAINS TAX

Capital gains tax shall be payable by a chargeable person at the rate of 30% of the capital gain accruing to or derived by that chargeable person from the disposal of a chargeable asset owned by a chargeable person.

Chargeable asset” includes land and sea, property attached and integrated equipment, fixtures, improvements including leases, anything growing on the land and all interest in the property including sea which may be right to future ownership, right to occupy as tenant, life estate, the right to explore, develop, extract or produce oil, and other minerals, the right to shares, stocks and other investment opportunities in an entity, business or company, intellectual property rights, reversion of property , if it is not used for its current purpose, an easement across another person’s property and

any other privileges relating to the property, business and business asset including goodwill wherever situated;

Chargeable disposal” means the sale, realization or change of hands of a chargeable asset other than those specifically exempt from capital gain; and

Chargeable person” means a person, individual, corporation and related organizations including permanent establishment, associates, affiliates and joint ventures which have made chargeable disposal of a chargeable asset during a year of assessment.

EXEMPTION FROM CAPITAL GAINS

- Capital gain of a person that is up to and under the minimum chargeable income of Le3,600,000 per annum or per transaction;
- Capital gain accruing to or derived by a company out of a merger, amalgamation or re-organization of the company where there is continuity of underlying ownership in the asset of at least one quarter;
- Capital gain resulting from a transfer of ownership of the asset by a person to that person’s spouse, children, parent, brother or sister;
- Capital gain resulting from a transfer of ownership of the asset between former spouses as part of a divorce settlement or a genuine separation agreement;
- Capital gain where the amount received on realization is, within one year of realization, used to acquire a chargeable asset of the same nature (referred to as “replacement asset”); and,
- Where part only of the amount received or realized is used in the manner referred to in paragraph (e), any part of the capital gain represented by the amount used to acquire the replacement asset is less than the cost base of the asset realized at the time of realization.

BRANCH PROFITS TAX

A branch in Sierra Leone of a non-resident company shall be subject to tax on repatriated income at the rate of 30% as though such income were a dividend taxable at the rate of 10%, this tax being in addition to income tax on the chargeable income of the branch.

Repatriated income is the higher of:

- Funds repatriated in the year out of accumulated profits; and,
- The chargeable income of the branch less;
- Sierra Leone income tax paid on that chargeable income; and,
- Any profit reinvested or retained in the branch.

SALES TAX / VALUE ADDED TAX

The Goods and Service Tax (GST) is a form of Value Added Tax (VAT). It is aimed at being

comprehensive for most goods and services. Export will be zero-rated and imports will be levied the same taxes as domestic goods and services adhering to the destination principle.

GST applies to each of the following (with some exceptions):

- All goods subject to Customs Duty;
- All goods subject to Excise Duty;
- All goods listed in the First Schedule of the GST Act 2009. These include foods and beverages, wines and spirits, hydrocarbons, tobacco, cement, medicines, paints, perfume and toiletries, soaps, detergents, candles, matches, plastics, paper and paper articles, ammunition and weapons, furniture, motor vehicle bodies, structures and parts of structures for building, bridges, etc.

Every registered GST trader shall in the ordinary course of business, maintain an electronic cash register as may be determined by the Commissioner-General for the purpose of recording all transactions.

Turnover threshold for supplies over a 12-month period is SLL 350,000,000. Goods and services tax shall be imposed on the following in accordance with the Goods and Services Tax Act 2009:

- For mining companies, all non-production related items;
- For construction companies all non-construction related items; and,
- For agricultural companies all non-agricultural related items.

The classification of items that are non-production related, non-construction related and non-agricultural related shall be determined by the Commissioner -General.

The rate of GST applicable to a taxable supply or import is:

- If the supply or import is zero-rated under the First Schedule, zero per cent;
- In any other case, 15 per cent.

FRINGE BENEFITS TAX

Non-cash benefits given by employers to employees are included in employment income on the basis of the higher of the cost to the employer or the market value.

Non-cash Benefit

Motor vehicle	Value to be added for tax purposes $P \times (R + 20\%C)$ where C is the purchase cost or full lease cost of the vehicle; P is the proportion of the employee's non business use; R is the employer portion of the running cost of the vehicle in the year.
Accommodation	Market rent of accommodation reduced by payment made by employee toward the benefit

Discharge/reimbursement of employee utility expenditure	Amount paid or reimbursed
Provision of domestic assistants	Employer's contributions towards the total emoluments paid to domestic assistant
Provision of meal, refreshment or entertainment	Actual cost to employer of providing the benefits
Waiver of an obligation	Amount of payment or repayment waived

LOCAL TAXES

The City and Town Councils in the 14 Districts administer local taxes.

OTHER TAXES

NATIONAL SOCIAL SECURITY AND INSURANCE TRUST (NASSIT)

The National Social Security and Insurance Trust (NASSIT) is a Statutory Public Trust set up by the National Social Security and Insurance Trust Act No. 5 of 2001 to administer Sierra Leone's National Pension Scheme.

The primary responsibility of the Trust is the part replacement of income lost as a result of the contingencies of old age, invalidity and death. Employers and employees contribute 10% and 5% respectively of the employees' employment income.

SMALL AND MICRO TAX PAYER REGIME

Turnover income tax payable in SLL:

- Under 10,000,000 Nil
- 10,000,001 - 20,000,000 100,000 plus 2% of the amount above 10,000,000
- 20,000,001 - 100,000,000 300,000 plus 4% of the amount above 20,000,000
- 100,000,001 - 200,000,000 3,500,000 plus 5% of the amount above 100,000,000
- 200,000,000 - 350,000,000 8,500,000 plus 6% of the amount above 200,000,000

PAYROLL TAX

All employers should make a return and pay tax for all non-citizen employees they employ, as follows:

- ECOWAS Nationals - SLL 500,000 per employee per year
- Non-ECOWAS Nationals - SLL 3,000,000 per employee per year

The amount payable, together with the completed Return, must be submitted to the DTD on or before 31st January of the year in which they apply. Where a non-citizen is employed in the course of the year, a subsequent return and payment must be filed within 14 days from the date of the employment.

BUSINESS REGISTRATION

The Office of the Administrator and Registrar-General (OARG) deals with starting a business and

registering property indicators. Stamp duty is applicable and rates vary according to the type of instrument.

INHERITANCE / ESTATE DUTY

A tax duty of 10% of the value of the entire estate is payable.

STAMP AND TRANSFER DUTY

Stamp Duty rates vary from 1% to 12.5%. This applies to agreements, bills of exchange, promissory notes, bills of lading, bonds, leases and conveyances.

INVESTMENT INFORMATION

The Investment Promotions Act 2004 was enacted to promote and attract both domestic and foreign private investment for the development of production and value adding opportunities, to improve export and employment opportunities.

The Act provides for several incentives for investors. Sections 8-10 of the Act provides for the following;

- Expatriate personnel with work permits shall be permitted to make remittances abroad through their commercial banks, subject to such withholding tax obligations as are contained in the Income Tax Act 2000.
- The remittance of profits, after taxes, earned by a foreign investor from a business enterprise, is guaranteed as constituting current international transactions in respect of which payments transferred abroad shall be allowed without restriction.
- An investor may freely repatriate proceeds received from the liquidation of a business enterprise and awards resulting from any settlement of disputes in respect of such business enterprise.
- There shall be no restriction on the transfer of repayments of principal and interest on an arm's length third party loan contracted outside Sierra Leone and registered with the Bank of Sierra Leone but interest payments due on such loans may be subject to the withholding tax obligations in the Income Tax Act, 2000.

B. DETERMINATION OF TAXABLE INCOME

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income.

The Income Tax Act 2000 lists specific regulations for dealing with fixed assets, real estate, products, shares or securities sold, as well as deductible property plant and equipment, depreciation, bad and doubtful debts and meals, refreshment and entertainment.

CAPITAL ALLOWANCES

Depreciable assets are classified into groups with depreciation rates as follows:

Group Assets Included	Rate of Capital Allowance
Plant, machinery and equipment, including automobiles and trucks	40%
All other tangible depreciable assets except buildings- and intangible depreciable assets	10%
Buildings used to house industrial, manufacturing, or agricultural activities	15%
Buildings used to house commercial activities other than those described in group 3	10%
Buildings other than those described in groups 3 and 4	5%
Expenditure on start-up costs on mineral and petroleum prospecting and exploration	100%
Production rights and other expenditure incurred on mineral and petroleum development shall be follows:	
• Initial allowance	40%
• Annual allowance	20%

INVESTMENT ALLOWANCES

The amount of investment allowance to be deducted from business income is five percent of the cost of the relevant asset.

BUSINESS INVESTMENT RELIEF

The maximum relevant amount of business investment relief available to an individual is fifty percent of qualifying investments totalling not more than Le3, 000,000 in any year of assessment.

DEPRECIATION

Depreciation is not allowed. However, capital allowances deduction for depreciation of a taxpayer's depreciable assets are allowed.

STOCK / INVENTORY

- A taxpayer who maintains trading stock shall establish and maintain inventories of such stock.
- A deduction shall be allowed for the cost of trading stock sold during the year of assessment.
- The cost of trading stock sold in a year of assessment shall be determined by adding to the value of opening trading stock the cost of goods acquired during the year and subtracting the value of closing trading stock.
- A cash-basis taxpayer may calculate the cost of trading stock on the prime-cost or absorption-cost method and an accrual-basis taxpayer shall calculate the cost of trading stock on the absorption-cost method.
- The value of trading stock on hand at the end of the year of assessment shall be the lower of its cost or market value at that date.

- Where particular items of trading stock are not readily identifiable, a taxpayer may account for the trading stock on the first-in-first-out method or the average-cost method, but once chosen, a stock valuation method may only be changed with the written permission of the Commissioner, and a taxpayer using the last-in-first-out method shall change to the first-in-first-out or the average stock method within five years from the date of commencement of this Act.

CAPITAL GAINS AND LOSSES

- The gain realised or the loss incurred on the disposal of a business or investment asset is taken into account in determining chargeable income.
- The gain from the disposal of an asset is the excess of the consideration received over the adjusted cost base of the asset.
- The loss from the disposal of an asset is the excess of the adjusted cost base over the consideration received.
- The gain or loss on disposal of an asset which is not a business or investment asset is not taken into account in determining chargeable income.

DIVIDENDS

Dividends received from an investment in Sierra Leone by a resident and a non-resident person is subject to a final withholding tax at 10%. The withholding tax on dividend does not apply to a dividend paid by a resident company to another resident company or to a complying retirement fund resident in Sierra Leone. Under certain conditions, payments other than distributions out of profits may be treated as dividends.

INTEREST DEDUCTIONS

A taxpayer that is not a bank is entitled to a deduction of eighty percent of the interest expenses paid in respect of a debt obligation incurred by the taxpayer to produce assessable income.

LOSSES

Any allowable loss suffered by the taxpayer to the extent that the loss has not been deducted in a previous year of assessment in-so-far as the tax payable each year will be less than 50% of the tax due if such loss is not carried forward;

FOREIGN SOURCED INCOME

Income is from a foreign-source if it is derived from an activity which occurs out of Sierra Leone. Any income which is not from a source in Sierra Leone is foreign-source income.

INCENTIVES

IMPORTATION OF PLANT, MACHINERY OR EQUIPMENT

The following shall be entitled to duty free import for a period of three years from the date of first registration.

- New and existing businesses importing plants, machinery or equipment excluding vehicles;
- New business if it invests at least US\$10,000,000.00; and,
- An existing business if it invests at least US\$5,000,000.00 in expanding the business.

PETROLEUM REFINERY

A petroleum refinery investing a minimum of USD 20,000,000 and employing at least fifty Sierra Leonean citizens shall be eligible for the following relief:

- a) A corporate tax relief not exceeding five years; and,
- b) Equipment and machinery for establishing the refinery shall be imported free of duty for a period of five years.

A new business investing a minimum of USD 2,000,000 and employing at least twenty Sierra Leonean citizens shall be eligible for the following relief:

- a) A corporate tax relief not exceeding five years; and,
- b) Equipment and machinery for establishing a new business shall be imported duty free for a period of five years.

AGRICULTURE

- (1) Entities engaged in agricultural production shall be entitled to duty-free import of agricultural inputs for a period of five (5) years from the date of first registration.
- (2) For the purpose of this section “agricultural inputs” means:
 - (a) Fertilizers;
 - (b) Pesticides;
 - (c) Insecticides;
 - (d) Seeds and seedlings;
 - (e) Hybrid tree seeds;
 - (f) Seed animal for feeding purpose;
 - (g) Day-old-chicks; and,
 - (h) Animal segment.

The income derived from investment in poultry business shall be exempt from income tax for a period of three (3) years:

- (a) In the case of a Sierra Leonean citizen if the investment is at least USD 50,000; and,

(b) In the case of a non-citizen, if the investment is at least USD 500,000.

Import of feeds, vaccine and veterinary drugs for poultry and livestock shall attract duty free import for a period of five years from the date of commencement of business.

RESEARCH AND DEVELOPMENT

For the purposes of income tax, any expenses incurred on research and development by an investor, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made but any unclaimed amount shall not be available for future deductions.

TRAINING

For the purposes of income tax, any expenses incurred on training of local staff in an approved training programme, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made but any unclaimed amount shall not be available for future deductions.

C. FOREIGN TAX RELIEF

- A resident taxpayer is entitled to an allowable tax credit in respect of foreign income tax borne by the taxpayer on assessable income derived from a foreign source.
- The allowable tax credit in respect of any foreign-source income may not exceed the Sierra Leone income tax on that foreign-source income, calculated by applying the average rate of Sierra Leone income tax to the foreign-source income reduced by any deduction properly allocated to that income.
- The allowable tax credit in respect of foreign-source income and the Sierra Leone income tax imposed on that income are calculated separately for each amount of foreign-source income derived by a taxpayer.
- Foreign-source income derived by a foreign branch of a resident company is aggregated and considered a single receipt of income.

FOREIGN EMPLOYMENT INCOME OF RESIDENTS

Foreign-source employment income derived by a resident individual during a year of assessment from employment in a foreign country shall be exempt from income tax if the income is chargeable to tax in the foreign country.

D. CORPORATE GROUPS

There are no special rules existing for the taxation of groups.

E. RELATED PARTY TRANSACTIONS

Expenses incurred in these transactions are allowable. But the Commissioner General has power to re-characterise a transaction entered into as part of a tax avoidance scheme.

F. WITHHOLDING TAX

PAYMENTS MADE TO RESIDENTS

The following types of payment are subject to the withholding tax when paid to residents:

- Payments to contractors - 5%
- Dividends -10%
- Interests - 15%
- Rents -10%
- Royalties - 25%
- Pensions and annuities - 15%
- Natural resource payments - 25%
- Real property - 10%
- Winnings of SLL 500,000 and above from any lottery - 10%

PAYMENTS MADE TO NON-RESIDENTS

The following types of payment are subject to the withholding tax when paid to non-residents:

- Employment income - 25%
- Payments to contractors -10%
- Dividends - 10%
- Interest - 15%
- Rents and royalties - 25%
- Pensions and annuities - 25%
- Natural resource payments -25%
- Payments to or applications for the benefit of non-resident beneficiaries - 25%

G. EXCHANGE CONTROL

Exchange controls are under direct supervision of the Bank of Sierra Leone.

In order to improve transparency and efficiency in foreign exchange transactions and achieve a market-determined foreign exchange rate, the Bank of Sierra Leone (BSL) has initiated a weekly auctions of non-cash foreign exchange.

While the auction is primarily designed as a mechanism for the BSL to efficiently inject foreign exchange into the market, it also envisages a window for the sale of foreign exchange by other economic agents at market rates.

DIAMOND EXPORTING

Residents and non-residents are allowed to finance their diamond operations in Sierra Leone in United States Dollars, in notes, drafts or bank transfers. Diamond Exporters should ensure that moneys brought into Sierra Leone for their transactions are channelled through the banking system. Foreign exchange could be brought into Sierra Leone in any of the following ways:

- a) Letter of Credit;
- b) Telegraphic Transfer;

c) Cash Dollar Notes.

For B and C above, Diamond Exporters will be allowed to export up to the amount of funds confirmed by the commercial banks as brought in.

On a quarterly basis, commercial banks will be required to submit to the Bank of Sierra Leone returns on the inflows and outflows in respect of each licensed exporter. The list of commercial banks in Sierra Leone at any point in time would be obtained from the Bank of Sierra Leone.

H. PERSONAL TAX

There was a pronouncement of the revised minimum wages in 2014 to SLL 500,000. The rates of tax applicable to individuals resident in Sierra Leone are as follows:

Tax Threshold	Rate of Tax
Not over SLL 3,600,000 per annum	Nil
Next SLL 3,600,000 per annum	15%
Next SLL 3,600,000 per annum	20%
Excess over SLL 10,800,000 per annum	30%

On a monthly basis, the rates are as follows:

Tax Threshold	Rate of Tax
Not over SLL 300,000 per month	Nil
Next SLL 300,000 per month	15%
Next SLL 300,000 per month	20%
Excess over SLL 900,000 per month	30%

Further, for individuals receiving employment income, there is a threshold on non-taxable allowance of SLL 2,600,000 per annum or SLL 220,000 per month.

The income tax year of assessment is 1 January to 31 December.

RESIDENT AND WORK PERMIT

All foreign citizens are required to obtain a work permit from the Ministry of Labour.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

There is a double tax treaty with the United Kingdom (UK). It is very old but is still valid because it has never been cancelled. The UK - Sierra Leone Treaty was extended by the colonial authorities to cover countries such as The Gambia, Ghana, Nigeria, Canada, New Zealand, Denmark and Norway. However, this does not reduce the rate of withholding taxes on payments to non-residents.



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