

PRODUCT NAME	ART. NO.	CUSTOM TARRIFF
32. Mattress Labels		
33. Polyethylene film		
34. Kraft Paper		
35. Industrial fibre felt		
36. Inner Spring panels for dpring mattresses		
37. Bonnel spring Units		
38. Steel wires		
39. Prefabricated Rigid PU panels		

Passed in Parliament this *10th day of March*, in the year of our Lord two thousand and sixteen.

IBRAHIM S. SESAY,
Clerk of Parliament.

THIS PRINTED IMPRESSION has been carefully compared by me with the Bill which has passed Parliament and found by me to be a true and correct printed copy of the said Bill.

IBRAHIM S. SESAY,
Clerk of Parliament.

ACT

Supplement to the Sierra Leone Gazette Vol. CXLVII, No. 17
dated 24th March, 2016

SIGNED this *17th day of March*, 2016.

DR. ERNEST BAI KOROMA,
President.



No. 6



2016

THE FINANCE ACT, 2016

Short title.

Being an Act to provide for the imposition and alteration of taxes, duties and excise and for other related matters.

[

] Date of commencement.

ENACTED by the President and Members of Parliament in this present Parliament assembled.

AMENDMENT OF THE INCOME TAX ACT, 2000

Amendment of Section 2. **1.** Section 2 of the Income Tax Act, 2000 is amended by inserting in the appropriate alphabetical position, the following new definitions—

“branch” means a place where a person carries on business and includes—

- (a) a place where a person is carrying on business through an agent, other than a general agent of independent status acting in the ordinary course of business as such;
- (b) a place where a person has, is using or is installing substantial equipment or substantial machinery; or
- (c) a place where a person is engaged in a construction, assembly or installation project for a period of more than six months;

“compliance certificate” means a certificate prescribed by the Commissioner-General under subsection (1) of section 174A;

“micro taxpayer” means a taxpayer whose annual turnover is between Le10,000,000 and Le 90,000,000;

“small taxpayer” means a taxpayer whose annual turnover is between Le 90,000,001 and Le 350,000,000;

“small and micro taxpayer” means a taxpayer who is either a micro or a small taxpayer;”

Amendment of section 9. **2.** Sub-paragraph (v) of paragraph (b) of section 9 of the Income Tax Act, 2000 is amended by the repeal and replacement of sub-paragraph (v) by the following new sub-paragraph—

“(v) a public educational institution that is wholly or partly funded by the Government of Sierra Leone from the Consolidated Revenue Fund.

3. Subsection (3) of section 4 of the Income Tax Act, 2000 is amended by deleting “Small Medium Enterprises (SME) Regime” and inserting “Small and Micro Taxpayer Regime” Amendment of Section 4(3).

4. The Income Tax Act, 2000 is amended by inserting after section 20 the following new section— Amendment of Section 20.

Mining sector
taxation.

21. The chargeable income of a person derived from the exploitation of mineral rights, prospecting and exploration licenses, mining licences or mining leases granted under the Mines and Minerals Act, 2009 (Act No. 12 of 2009) shall be determined in accordance with and taxed at the rates prescribed in the Sixth Schedule”.

5. Paragraph (j) of subsection (3) of section 23 of the Income Tax Act, 2000 is amended by deleting “Le 2,640,000” and inserting “Le 6,000,000”. Amendment of Section 23.

6. The Income Tax Act, 2000 is amended by inserting immediately after section 31 the following new section— Amendment of Section 31A.

Exemption
of income of
Sierra Leone
airlines.

31A. (1) The income of any Sierra Leone company that provides commercial passenger flights is exempt from tax for the year of assessment ending 31 December 2016 and the subsequent four years of assessment.

(2) For subsection (1) “Sierra Leone company” means a company—

- (a) that is incorporated in Sierra Leone;
- (b) that is largely managed or controlled in Sierra Leone; and
- (c) the underlying ownership or control of which is held or exercised by citizens of Sierra Leone.”.

Amendment of section 32(2). **7.** Subsection (2) of section 32 of the Income Tax Act, 2000 is amended by inserting immediately after paragraph (aa) thereof the following new paragraph—

“(b) any allowable loss suffered by the taxpayer to the extent that the loss has not been deducted in the previous year of assessment in-so-far as the tax payable each year will be 50% of the tax due if such loss is not carried forward; and”.

Amendment of section 35(1). **8.** Section 35 of the Income Tax Act, 2000 is amended by inserting immediately after subsection (1) thereof, the following new subsection—

“(1A) Subsection (1) does not apply to interest expenses that are—

- (i) included in the adjusted cost base of an asset; or
- (ii) borne on a loan from a shareholder or his associate to the extent of interest of one half the excess of that loan over the shareholder’s paid up shares.

Amendment of section 95. **9.** Section 95 of the Income Tax Act, 2000 is amended by inserting immediately after subsection (6) of the following new subsection —

“(7) A transaction with a related party during a year of assessment shall disclose the following —

- (a) the relationship with the related party;
- (b) the volume and value of the transaction;
- (c) the price charged and the basis or method of ascertaining that price; and
- (d) the comparative price for a similar transaction made with non-controlled entities or charged by non controlled entities”.

10. Subsection (3) of section 97 of the Income Tax Act, 2000 is amended by the repeal and replacement of paragraphs (b), (c), and (d) respectively and the addition of a new paragraph (e)— Amendment of section 97(3).

“(b) in the case of a non-governmental organisation (NGO) or an organisation whose income is exempt under section 9 – annual accounts, stating income from trading activities, income from any other source, and expenditure;”

(c) in the case of a person carrying on business in Sierra Leone with annual turnover of not more than Le 350, 000 000 but not less than Le 10, 000, 000, copies of the annual account;

(d) in the case of –

(i) a person to whom paragraph (a) or paragraph (c) applies; and

(ii) who carries on business through two or more branches, the annual accounts of the business, disaggregated accounts for each branch setting out the information prescribed by the Commissioner-General; and

(e) in the case of a person who has opted under subsection (2) of section 4 to be taxed under the Small and Micro Taxpayer Regime, a simple return completed by an agent approved under a domestic preparer scheme for small and micro taxpayers specified by the Commissioner-General”.

11. Section 128 of the Income Tax Act, 2000 is amended by inserting the following new subsection immediately after subsection (5)— Amendment of section 128.

“(6) The obligations of a person to act as a withholding agent under this Part are not affected by that person being an organisation to which paragraph (b) of section 9 applies.”

Amendment
of section
155A

12. Section 155A of the Income Tax Act, 2000 is amended by inserting immediately after subsection (3), the following new subsection–

“(4) All costs associated with sealing of business premises and other enforcement of distress actions shall be borne by the taxpayer against whom the distress action is taken”.

Amendment
of section
170(1).

13. Section 170 of the Income Tax Act, 2000 is amended by the repeal and replacement of subsection (1) with the following new subsection–

“(1) Forms, notices, returns, statements, tables, compliance certificates and other documents prescribed or published by the Commissioner-General shall be in such form including electronic and machine readable form as the Commissioner-General may determine.”

Amendment
of section
174.

14. The Income Tax Act, 2000 is amended by inserting immediately after section 174 the following new sections–

(1) “174A (1) The Commissioner-General shall issue to a taxpayer who has opted under subsection (2) of section 4 to be taxed under the Small and Micro Taxpayer Regime a compliance certificate if–

- (a) the taxpayer has filed a return of income in accordance with subsection (3) of section 97; and
- (b) paid tax due and payable in respect of that return under Part XIV.

(2) A taxpayer issued with a compliance certificate under subsection (1) must immediately display, or affix, the certificate in a public and conspicuous place in their business premises”.

174B. (1) Subject to subsection (2), a taxpayer who, without reasonable excuse, fails to display or affix a compliance certificate as required by subsection (2) of section 174A is liable to a penalty of Le300,000 and for each day after notice of failure to display a penalty of Le100,000 would be levied.

(3) The maximum penalty that is payable under subsection (1) is Le 1,000,000.”

(4) A taxpayer who fails to display or affix a compliance certificate within seven days of its issue under section 174A commits an offence and is liable, on conviction, to a fine of Le 5,000,000”.

15. Part 1 of the First Schedule of the Income Tax Act, 2000 is amended by the repeal and replacement of the annual taxable threshold and corresponding rate with the following–

Amendment
of Part 1 of
First Sched-
ule.

If chargeable Income	Tax
Less or equal to 6,000,000	Nil
> Le 6,000,000 but not > Le 12,000,000	15%
> Le 12,000,000 but not > Le 18,000,000	20%
> Le 18,000,000 but not > Le 24,000,000	30%
Over Le 24,000,000	35%

16. The Income Tax Act, 2000 is amended by inserting immediately after the Fifth Schedule the following new Schedule–

Amendment
of fifth
Schedule.

“SIXTH SCHEDULE (Section 21)

MINING SECTOR

1. The rate of tax applicable to companies under section 21 for the year of assessment commencing 1st January 2016 shall be thirty percent.

2. The rate of capital allowances–

- (a) on expenditure under section 43 (start-up costs) on mineral and petroleum prospecting and exploration shall be one hundred percent; and
- (b) on production rights and other expenditure incurred on mineral and petroleum development shall be–

- (i) an initial allowance of forty percent of cost in the year of expenditure; and
- (ii) an annual allowance of twenty percent of cost for each of the three years succeeding the year of expenditure.

3. The rate of withholding tax to be paid by taxpayers under section 21 shall be—

- (a) on interest to residents 10 percent
- (b) on interest to non-residents 15 percent
- (c) on interest to affiliates 15 percent
- (d) on interest to non-affiliates including recognised financial institution 5 percent
- (e) on dividends to residents 10 percent
- (f) on dividends to non-residents 10 percent
- (g) on rents 10 percent
- (h) on royalties and natural resource payments 25 percent
- (i) on payments to resident contractors 5 percent
- (j) on payments to non-resident contractors who are not party to a double taxation avoidance agreement with the Government of Sierra Leone 5 percent
- (k) on pensions and annuities under section 121(2) ... 15 percent
- (i) on payments to non-resident contractors who are (resident of a country which is) party to a double taxation avoidance agreement with the Government of Sierra Leone ... 10 percent

4. If the holder of a small-scale mining licence or a large scale mining licence does not maintain audited accounts pursuant to subsection (3) of section 69, then the licence holder shall pay a minimum income tax of three and one half percent of turnover.

- 5. (a) Subject to paragraph (b), a loss in any year of assessment may be carried forward as a deduction against income of the subsequent year of assessment.
- (b) Accumulated losses can be carried forward up to a maximum of ten years from the date of commencement of commercial production.

6. Where a deduction for head office expenses exceeds one-half percent of sales, any excess of such expense shall be treated as a dividend under section 85.

7. Where a deduction for interest payable on loans is prohibited because the total debt of the paying company exceeds three times the total equity and where interest payments exceed fifty percent of income before capital allowances, any amount disallowed shall be treated as dividend under section 85.

AMENDMENT OF THE GOODS AND SERVICES TAX ACT, 2009

17. Section 62 of the Goods and Services Tax Act, 2009 is amended by inserting immediately after subsection (2) the following new subsection—

Amendment of section 62.

(3) A GST registered person who issues a GST invoice that is not printed in accordance with subsection (3) of section 31, unless the registered person is authorised by the Commissioner-General in writing to print its own GST invoice containing the prescribed information, is liable to a penalty of Le 5,000,000 for each GST invoice issued.

18. The Goods and Services Tax Act, 2009 is amended in the First Schedule by inserting the words “and services” immediately after “goods”.

Amendment of First Schedule.

19. The Goods and Services Tax Act, 2009 is amended in paragraph 2 of the Second Schedule by inserting the following immediately after the word ‘polishing’ in the “Description” —

Amendment of Second Schedule.

3. Supply of port services in respect of the import of rice is exempt being an exempt supply under paragraph 3 of the Second Schedule.”