



# Liberia Fiscal Guide 2017/2018

**Tax**

# Introduction: Liberia Fiscal Guide

## Income Tax

### Business Income

Generally residents are taxable on all income regardless of source. Therefore, foreign source income by a resident is taxable in Liberia subject to available foreign tax credit relief. Non-residents are subject to tax on income having a source in Liberia. The Corporation tax rate is 25% and 30% for general companies and mining/petroleum companies respectively. Some mining/petroleum companies have concessionary tax rates with the government. Withholding taxes also apply to certain types of income for both residents and non-residents. Withholding tax on interest, dividends, and royalties paid to a non-resident is the final tax.

### Rates

Resident companies	
Capital gains#	Treated as income
Rental income	10%*
Dividends	15%**
Interest	15%
Royalties	15%
Natural resource payments	15%
Management & consultancy fees	10%
Gaming	20%
Contract of services	10%
Mining, petroleum and renewable resource projects	
Interest	5%
Dividends	5%
Services	6%
Acquisition price	10%

Non-resident companies	
Capital gains#	Sales of shares in a resident company taxable as income
Rental income	15%
Dividends	15%
Interest	15%
Royalties	15%
Natural resource payments	15%
Management & consultancy fees	15%
Contract of services	15%
Mining, petroleum and renewable resource projects	
Interest	5%
Dividends	5%
Services	6%
Acquisition price	15%

# Gains are treated as income and gains below L\$ 1,600,000 on the sale of personal-use property may be excluded from income.

\* WHT is due on rental income where the aggregate annual rent exceeds LIB\$70,000

\*\* Dividend paid by a resident company to another resident company is exempt.

# Tax on employment income of resident natural persons

Tax is applied on payments or benefits received in the form of non-cash property including the following:

- o Wages and salaries
- o Gifts received by an employee in the course of employment
- o Allowances provided by the employer for benefit of the employee

Employment income is deemed to arise in Liberia if the employment giving rise to the income is carried on in Liberia irrespective of where the contract of employment is signed or payments are made.

Non-cash benefits provided by an employer to an employee are valued at 100% of fair market value and are only included as part of an employee's income if the aggregate value of the benefit is in excess of L\$ 100,000 per year.

In addition a natural person is entitled to a credit against income tax due for approved medical expenses (medical insurance premium and the amount of medical care costs) paid by the person during the tax year.

## Resident natural person's income tax table

Taxable income (L\$)	Rate of tax (%)
0 up to but not over – 70,000	Nil
70,001 up to but not over – 200,000	5% of the excess over 70,000
200,001 up to but not over – 800,000	15% +6,500 of the excess over 200,000
Above 800,000	25% +96,500 of the excess over 800,000

## Capital gains tax

There is no separate Capital Gains Tax regime although capital gains arising from the disposal of property (whether real or personal, tangible or intangible) used in a business or held as investment are included in taxable income and subject to income tax except for gains from the sale of property held for personal use below L\$ 1,600,000.

## Capital losses

Capital losses from disposal of property other than property used in a business are deductible against taxable income. If the property is held for investment, the loss is deductible to the extent the loss is offset by gain on the disposition of the investment during the tax year. Unused investment loss may be carried forward to future tax years not exceeding five years.

## Transfer pricing and thin capitalisation

Liberia does have limited transfer pricing rules. The Minister of Finance may distribute, apportion or allocate amounts to be included or deducted in calculating income and credits granted, or disregard a transaction that was entered into as part of a tax avoidance scheme which would result or has resulted in less tax being paid.

There are no thin capitalisation rules applicable in Liberia. However, the amount of interest payable which exceeds the total of interest income receivable and 50% of taxable income is not deductible.

In relation to the mining, petroleum, agricultural and renewable resources operations the interest which was disallowed may be carried forward indefinitely.

Interest may be re-characterised as dividends

# Inheritances and donations

No estate duty is levied in Liberia nor is a donation or gift tax applied. However distributions from a trust or an estate are chargeable to income tax.

## Transaction taxes

### Goods and Services Tax (“GST”)

There is a GST in operation in Liberia.

GST is imposed on:

- o A taxable supply of goods by a manufacturer where the manufacture of the goods takes place in Liberia and the supply is made in connection with the carrying on of a business;
- o A taxable import including a supply of service incidental to an import of goods; such as services giving rise to commission for packaging, transportation, insurance, and warranty costs payable on or by reason of the imports; and
- o On taxable services supplied in Liberia such as on electricity, telecommunications, water for a fee, board, lodging and incidental services and gambling.

The rate of GST applicable to a taxable supply of goods and services is 7% of the amount of the taxable supply.

- GST on Alcoholic beverages – 10%
- Export of Goods – 0%
- Hotel services, Gambling, sale of ticket for international travel, Travel agency, sporting or game arranger services – 10%
- Telecommunication services – 15%
- Imported Goods – 7%, 10% or 0% depending on the type of goods

A person is required to register for GST if:

- o At the end of any 12 month period, taxable supplies/taxable services equivalent to or exceeding L\$ 5,000,000; and
- o At the beginning of any 12 month period, there are reasonable grounds to expect that the taxable amount of taxable supplies/taxable services during the period will exceed L\$ 5,000,000.

An application in the prescribed form shall be made to the Commissioner of Liberian Revenue Authority within 21 days of the date on which the person is required to register. The Commissioner will within 21 days confirm a person’s registration with the issue of a GST registration certificate and a tax identification number.

The time of supply of goods is the earlier of the date on which:

- o The tax invoice for the supply of the goods is issued; or
- o The tax invoice for the supply of the goods is required to be issued.

A taxable supply occurs on the earlier of the date on which:

- o The services tax invoice is issued; or
- o The tax invoice for the supply of services is required to be issued.

A supply of goods occurs at the place where the goods are delivered or made available by the supplier or, if the delivery involves transportation, the place where the goods are when transportation occurs. In addition, a supply of services occurs at the place of business from which the service is rendered.

## Stamp and transfer duty

Stamp duties are levied on a wide range of instruments and documents at rates that vary from 1% to 12.5%. These include agreements, bills of exchange and promissory notes, bills of lading, bonds, leases and power of attorney letters.

## Double tax treaties and reduced rates

Liberia has double taxation treaties with Germany and Sweden. The relevant double tax treaties do not provide for a reduction in the WHT rate. They only provide for relief against foreign tax credits. A treaty with Canada has been signed but is not in effect while double taxation treaties relating to shipping and aircraft income is in force with New Zealand and the United States. This exemption applies to the operation of ships and aircraft registered in the signatory countries.

# Investment information

## Investment rules

The National Investment Commission was set up by an Act of Parliament to promote and attract private investment, both domestic and foreign, for the development of value adding opportunities, export creation and employment opportunities.

## Investment incentives

Liberia has a liberal business climate intended to attract foreign investment and stimulate economic growth and development. Incentives granted under the Investment Incentive Code include exemption from custom duties, income tax, stamp fees and other benefits to new and expanding businesses for approved investment projects in manufacturing, agriculture, forestry, fishing, mining, building and construction, transport and communication.

Approved investment projects may also be eligible for support in securing loans and guaranteeing credit by the Central Bank.

- Exemptions from Trade Taxes:
  - a. Machinery, equipment, raw materials, semi-finished products and other supplies to be used in the project are exempt from import duty up to 90% of their dutiable value; and
  - b. Manufactured goods exported from the production of the project are entitled to full rebate on import duties and full refund of both income tax and excise tax.
- Exemptions from Income Tax:
  - a. Reinvested profits are exempt from income tax. However, if the reinvestment is in employee housing, the exemption is subject to prior approval from the National Investment Commission ("NIC"); and
  - b. Profits not reinvested are exempt from 50% of the income tax otherwise payable.
- Other benefits:
  - a. Approved investment projects may receive certain additional benefits on application to the government, such as the lease of land in government-owned

industrial parks at a preferential rate, reasonable tariff protection, purchase of project products by government agencies, etc.

## Conditions to be fulfilled

In order to be eligible for the incentives summarised above, the project must:

- Fall within one or more of the areas listed under priority areas of investment such as energy, tourism and hotel operations, hospitals and medical clinics, as well as manufacturing of finished products having at least 30% local raw material content;
- Make a minimum investment of USD \$1 million under the revised Investment Code of 2008;
- Employ and train Liberians at all levels and increase their numbers in case of expansion;
- Use raw materials and other supplies of Liberian origin when their quality and price is roughly equal to that of imports, as determined by the government;
- Produce local value added of 25% or more; and
- Leave an option open for Liberians to purchase shares or otherwise participate in the ownership of the project.

In addition to the conditions listed above, the investor needs to ensure that the investor's own risk-bearing capital is not less than one-third of the borrowed capital (if any). In granting incentives, the NIC takes into consideration the location of the project, its environmental impact and its potential for job creation.

## Period of incentive grant and possible extension

The incentives summarized above are granted for a period of five years and may be extended for to 15 years for foreign companies with investment in excess of USD \$15million. This will however, be subject to legislative and presidential approval.

# Investment information (cont.)

## Liberian corporate and shipping registry

Liberia is a maritime and corporate registry. Many corporations are registered under Liberian Law as non-resident domestic corporations (offshore companies). Non-resident domestic corporations are not permitted to do business in Liberia and are therefore not subject to Liberian tax. The Ministry of Commerce or any similar regulatory agency does not have regulatory powers over them nor are they subject to any enactment intended to regulate the conduct of business in Liberia. As a maritime registry over 2,600 vessels are registered under the Liberian flag.

Prominent features of the Liberian corporate registry are:

- Corporate directors, officers and shareholders may be of any nationality and may reside anywhere in the world;
- Corporations may serve as directors;
- The location of the corporation's executive office is at the discretion of the corporation;
- Corporation organisational and management meetings may be held anywhere in the world;
- Business activities may be conducted in any location;
- Names of corporate officers, directors and shareholders need not be filed or listed in Liberia either at incorporation or on an annual basis;
- Annual reports, tax forms and audit statements are not required in Liberia;
- Bearer shares are permitted;
- The same person may serve as the director and hold the offices of president, secretary and treasurer;
- With less than three shareholders, a corresponding number of directors is permitted - i.e. one shareholder allows one director;
- Liberian corporations have no minimum capital requirements;
- Issuance of shares is not reported or recorded in Liberia; and
- If shares have a par value, it may be expressed in any currency.

## Exchange control

Exchange controls are administered by the central bank. Authorised dealers may process and approve requests for transactions and transfers abroad without reference to the central bank. Exporters are no longer required to surrender foreign exchange to the central bank but must repatriate the proceeds to Liberia. Exports are controlled by use of an Export Form that is required to be completed for each shipment. Imports can be paid provided these are supported by relevant documentation.

There are no restrictions applicable on profits, loan and interest. Other remittances may be processed through an authorised dealer provided requisite supporting documentation is provided. The Prevention of Money Laundering Law of 2002 gives effect to international requirements in respect of due diligence, record keeping, report of suspicious conduct, the offence of laundering the proceeds of criminal conduct and international cooperation in identifying, freezing and confiscating the proceeds of criminal conduct in another jurisdiction

## Residence and work permits

Persons entering Liberia must hold a visa (except ECOWAS citizens who require a valid passport only). Visas can be obtained prior to departure at any Liberian Embassy and Consular Offices abroad, but can also be obtained at the Airport upon arrival in Liberia.

Within 48 hours of entry into Liberia, a visitor must report to the Bureau of Immigration and Naturalisation ("BIN") in order to register and to be issued with a Temporary Stay that allows a visitor to stay in Liberia for periods between 30-90 days. However, for stays over 90 days the person must apply for a Resident Permit, the receipt of which is a condition precedent to an application for a work permit from the Ministry of Labour.

In addition to a Resident Permit, a person who contemplates traveling in and out of Liberia must also apply for a Re-entry Permit, which acts as a multiple entry visa, and allows unlimited trips to and from Liberia without additional cost or procedure.

# Trade and bilateral agreements

## Trade and bilateral agreements

Membership – WTO, ACP-EU Partnership Agreement, ECOWAS, MRU.

Bilateral investment treaties concluded with the United States of America, United Kingdom, Denmark and Kenya.

## Economic Statistics

GDP June 2015	0.5% Nationally, GDP per Capita: USD \$786.00
Inflation rate as at 31 <sup>st</sup> December 2013	8.8% [Last quarter of 2016]
USD/LD Exchange rate	L\$102.5./US\$1.00
Interest rate: Average Lending rate	Projected 13%. Actual 13.59%

## Travel Information

Visa Requirements	A visa is required to travel to Liberia
Flights	New York, London and West African countries
Inoculations	Yellow fever

## Currency

Liberia is a dual currency economy. The Liberian Dollar (LRD) and the US Dollar (USD) are widely used.

## Languages

The official language is English, although a number of local languages are spoken.

## Official holidays

- 1 January (New Year's Day)
- 11 February (Armed Forces Day)
- 2<sup>nd</sup> Wednesday in March (Decoration Day)
- 15 March (JJ Robert's Birthday)
- 14 May (National Redemption Day)
- 25 May (Africa Day)
- 2<sup>nd</sup> Friday in April (Fast and Prayer Day)
- 26 July (Independence Day)
- 24 August (Flag Day)
- 1<sup>st</sup> Thursday in November (Thanksgiving Day)
- 29 November (President Tubman's Birthday)
- 25 December (Christmas Day)

# Thank you

Contact us

**Vidal T.O Decker**  
**Managing Partner**

**T:** +232 (22) 222061/2

**E:** vtodecker@kpmg.com

**Isaika Balogun**  
**Head of Tax**

**T:** +232 (22) 222061/2

**E:** iabalogun@kpmg.com

[www.kpmg.com](http://www.kpmg.com)





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