

Finance Act 2024: Overview



Introduction



The Sierra Leone Income Tax Act of 2000 undergoes annual amendments, with the revised legislation being designated as the Finance Act.

The Finance Act for the year 2024 was officially passed in the Wells of Parliament on 3 November 2023, Presidential approval was granted on 19 January 2024. Thus, the said Act will now be enforced, it will be reflective on transactions and operations.

Significant modifications have been incorporated into the Finance Act of 2024, which may have direct or indirect implications for your business/organization. Therefore, it is crucial to stay informed about these changes and ensure full compliance with the updated provisions.



1. REVISION OF THE GST REGISTRATION THRESHOLD

The **GST registration threshold** has been elevated from **Nle100,000** to **Nle 500,000**. This adjustment is perceived as an effort to exempt smaller taxpayers from GST, possibly due to the administrative costs associated with this particular taxpayer category. Consequently, **taxpayers falling below the new GST threshold of NLE 500,000** may no longer be required to utilize **ECR machines**. Additional clarification is advisable for those who have already registered and have been fulfilling GST obligations.

Access to Taxpayer Bank Accounts

The **Commissioner General** is vested with the **authority** to engage with commercial banks to **gain access to taxpayers' accounts**. This measure is implemented to **assess or investigate** whether a taxpayer meets the prescribed **threshold** or not.



2. ADJUSTMENT OF WITHHOLDING TAX (WHT) RATES

There has been a **modification** in the **Withholding Tax (WHT) rates** for management and professional fees, dividends, rents, and lottery winnings, with an **increase from 10% to 15%**.



3. IMPLEMENTATION OF EDUCATION LEVY

A **new educational levy** was incorporated into the provisions of the Finance Act 2024. This levy, **amounting to 1%** of the value of contracts related to the supply of goods, services, and works in support of the education sector, has been introduced. It is noteworthy that this is in **addition** to the **existing National Health Insurance Levy of 0.5%**.

Consequently, taxpayers are now **obligated to withhold** a total of **6.5% and 11.5%** from payments made to **residents and non-residents**, respectively. It is important to highlight that, akin to the **National Health Insurance Levy**, the education levy is non-claimable but remains deductible for Corporate Income Tax (CIT) purposes by resident entities.

4. Minimum Alternate Tax (MAT)

The Finance Act of 2024 has **introduced clarity** regarding the applicability of **Minimum Alternate Tax (MAT)** to companies experiencing allowable losses, effective from the **1st of January 2023** in the year of assessment.

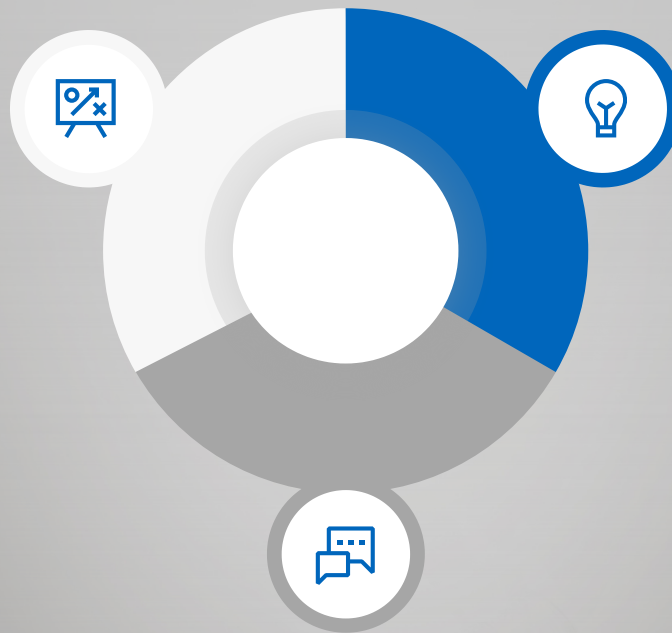
For MAT purposes, "loss" is defined by **Section 32A** of the Income Tax Act of 2000 (as amended) as the extent to which allowable deductions exceed the taxpayer's assessable **income for the year of assessment**. This definition differs from accounting loss or loss before tax as stated in financial statements.

MAT is now extended to **non-resident companies** with a **permanent establishment (PE)** in Sierra Leone, and the applicable rate has been **reduced from 3% to 2%** of turnover since its introduction in the Finance Act of 2023.

MAT Credit

Companies subject to MAT are entitled to a MAT credit equal to the actual MAT paid for a given year of assessment. However, the MAT credit is permitted to offset income tax only when the taxpayer has a chargeable income; it cannot be used to offset income tax based on MAT.

MAT credits are non-refundable and will be utilized in the order in which they are granted.



MAT Exemptions

MAT is not applicable to the following:

- I. Mining and petroleum companies in the extractive industry.
- II. Companies during the first three (3) years of incorporation.
- III. Companies during the first (2) years after going into liquidation.

Definition of Turnover for MAT

The Finance Act of 2024 further specifies that "turnover" aligns with the gross income defined in Section 2 of the Income Tax Act of 2000, as amended by the Finance Act of 2021. Notably, interest and dividend income, subject to final Withholding Tax (WHT), are excluded from this turnover calculation.

"Gross Income" is defined as the income derived from all sources of a taxable person before any deduction or allowance.

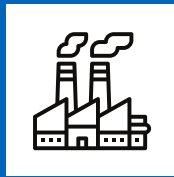
5. Reinstatement of GST Exemptions

Machinery

In the Finance Act of 2024, the GST exemptions on plant, machinery, and equipment exclusively employed in the following sectors have been reintroduced:



Agriculture



Manufacturing



Mining



Upstream petroleum operations

Telecommunication Services

The Act also reinstates exemptions from GST for **free calls and free data use** related to **promotional activities**, provided they **do not exceed 15%** of billable and un-billable calls during a specific period. It is noteworthy that this limit was previously set at 10% in 2022 before being removed from GST exemptions by the Finance Act of 2023.

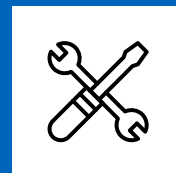
6. Import Duty Adjustments

The Finance Act of 2024 **introduces changes** to import duties, particularly affecting rice, cement, iron rods, and cooking gas. The updated **import duties** are as follows:



Rice

A **5% duty on rice** will be effective from January 1, 2024, with an increase to 10% scheduled for January 1, 2025.



Iron Rods

There is an increase in the duty on **iron rods, rising to 15%** from the previous rate of 10%.



Cement

The duty on **cement** has been **elevated from 10% to 20%**.



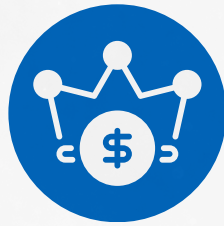
Cooking Gas

A **new 5% duty** is now imposed on the importation of **cooking gas**.



7. Reduction in Stamp Duty Rates

In the Finance Act of 2023, the **stamp duty** rate was set at 2%. However, the Finance Act of 2024 has implemented a **reduction** in stamp duty rates, now standing at **1%** for **properties** and **0.2%** for **financial instruments**.



8. Royalty Return Requirement

Mining companies, as part of their obligations to the **National Revenue Authority**, are mandated by the Extractive Industry Revenue Act to submit a prescribed royalty return to the Commissioner General.

Under the provisions of the Finance Act 2024, **penalties** are **now enforced** for the failure to file a timely royalty return. A **failure to submit a royalty** return by the specified due date may incur a **penalty of NLe 100,000** or **5% of the royalty** payable for the relevant period, whichever is greater.

Increase in Gold Royalty Rates

The Finance Act of 2024 has **revised** the **royalty rates** for **gold mining**. The **new** rates are set at **5%** for **large-scale** mining and **1%** for **artisanal** mining.



9. Repatriation of Export Proceeds

Exporters **dealing** in minerals, agriculture, quarrying, forestry, fish and marine products, along with other **commodities**, are obligated to **repatriate 30%** of their **export proceeds** back to **Sierra Leone** within **45 days** from the date of export.



10. FAILURE TO SUBMIT ELECTRONIC MANIFEST – SHIPPING AGENTS

As per the stipulations of the Finance Act of 2011, **fin**es ranging from **NLE 250,000 to NLE 2,500,000** were instituted for the **failure to submit** a manifest in electronic form within 24 hours following the arrival of the respective vessel.

Under the **updated provisions** of the Finance Act 2024, these **fin**es have been **increased**. First-time offenders now face fines ranging from **NLE 500,000 to NLE 1,000,000**, while repeated offenders may incur fines between **NLE 1,000,000.00 and NLE 2,000,000.00**.

Demurrage days

Additionally, demurrage days have been recalibrated, **transitioning** from **weekdays to official working days**.



11. TAXATION OF DIGITAL PRODUCTS AND SERVICES INCOME

As per the recent **amendments**, income generated from offering **digital products and services** to consumers in Sierra Leone by both **residents** and **non-residents** is now considered income sourced in Sierra Leone and is **subject to income tax**.

This encompasses **various** activities, including but **not limited to**:

- I) Satellite TV subscriptions
- II) Online ticket sales
- III) Search engines
- IV) Digital gambling and betting activities.



12. TELECOMMUNICATIONS

Surcharge on Cellular Services

The Finance Act of 2024 has introduced **amendments** to the provisions governing the imposition of **surcharges on cellular services** for telecom operators. The revised surcharge rates are as follows:

- I) NLe 0.1 on billable on-net mobile voice calls per minute;
- II) NLe 0.05 on billable off-net mobile voice calls per minute;
- III) NLe 0.2 on outgoing international voice calls per minute;
- IV) 2% of the total commission, fees, or charges derived from mobile money transactions.

It is important to note that the **cumulative surcharges** applied should **not exceed 5%** of the **sales value** of mobile data, including recharges and bundles.


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