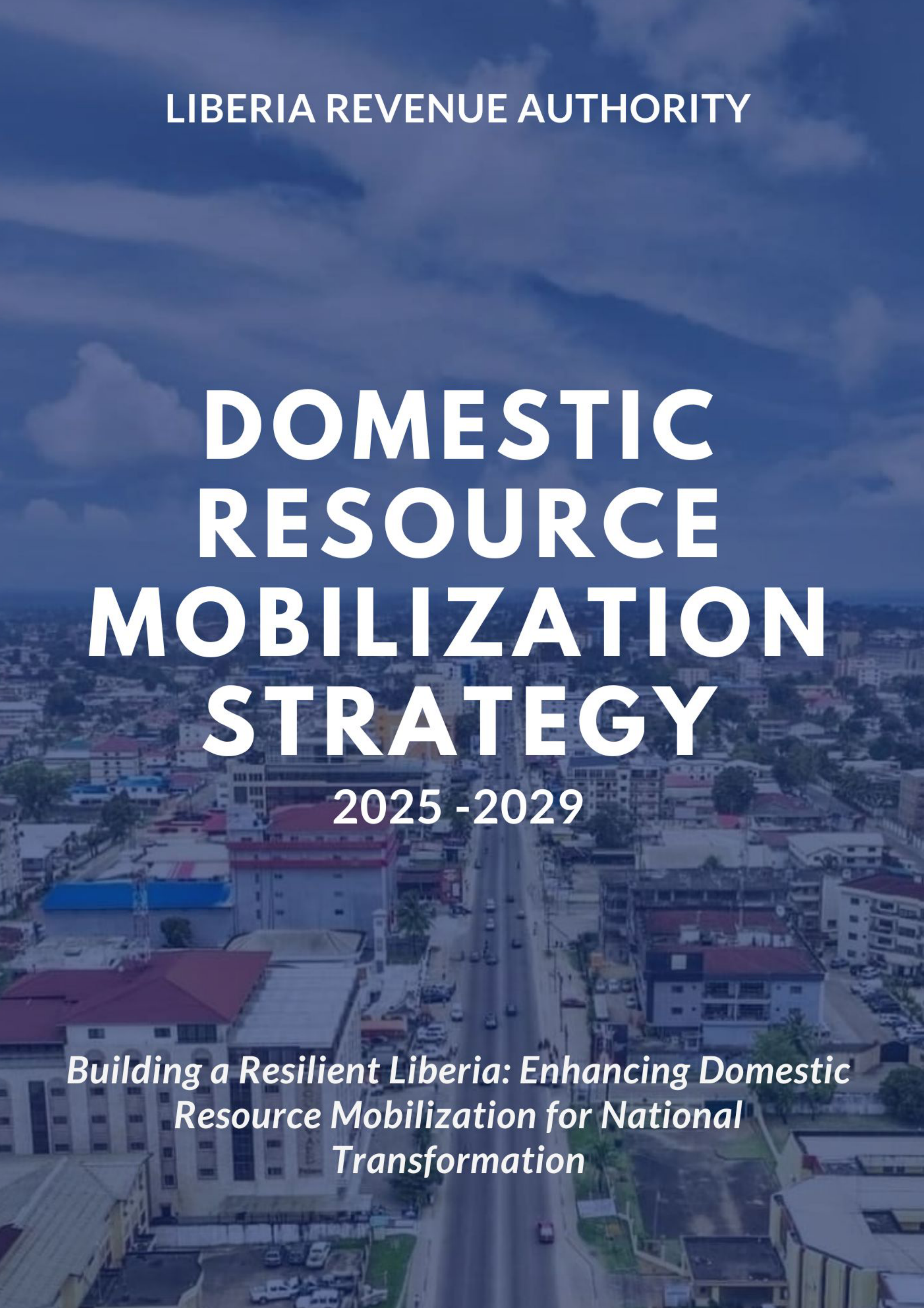


LIBERIA REVENUE AUTHORITY

DOMESTIC RESOURCE MOBILIZATION STRATEGY

2025 -2029

Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation

ACKNOWLEDGEMENT

We would like to express our sincere gratitude to all the individuals and organizations who contributed to the development of the Domestic Resource Mobilization Strategy (DRMS) under the theme: “Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation”. This strategy is the result of a collaborative and participatory process that involved various stages of consultation, validation, and feedback.

We appreciate the valuable inputs and insights provided by the Ministry of Finance and Development Planning, the Liberia Revenue Authority, local government actors and other relevant government agencies. We are especially grateful to the stakeholders from the private sector, civil society, and local communities who participated in the regional stakeholder engagement workshops held in Buchanan, Grand Bassa County, Ganta, Nimba County, Zwedru, Grand Gedeh County and Tubmanburg, Bomi County. Their perspectives and suggestions enriched the analysis and the formulation of the strategy.

We hope that this strategy will serve as a roadmap for enhancing domestic resource mobilization in Liberia and achieving the national development goals. We look forward to the successful implementation and monitoring of the strategy with the continued collaboration and commitment of all stakeholders.

ABREVIATIONS AND ACRONYMS

AEOI	Automatic Exchange of Information
ASYCUDA	Automated System for Customs Data
ASYPM	ASYCUDA Performance Monitoring System
CBL	Central Bank of Liberia
CCS	Compliance Clustering System Program
CSO	Civil Society Organization
DRMS	Domestic Resource Mobilization Strategy
ECOWAS	Economic Community of West African States
EFD	Electronic Fiscal Device System
EMDE	Emerging Markets and Developing Economies
GDP	Gross Domestic Product
HNII	High Net Income Individuals
HNWI	High Net Worth Individuals
HRM	Human Resource Manual
ICT	Information and Communication Technology
IDs	Identifications
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Funds
LBR	Liberia Business Registry
LITAS	Liberia Integrated Tax Administration System
LRA	Liberia Revenue Authority
LRC	Liberia Revenue Code
MFDP	Ministry of Finance and Development Planning
NASSCORP	National Social Security and Welfare Corporation
NIR	National Identification Registry
NDP	National Development Plan
PIT	Personal Income Tax
SIGTAS	Standard Integrated Government Tax Administration System
TAS	Tax Administration System
USAID	United States Agency for International Development
USAID IDEA	USAID Innovation Design, Execution, and Acceleration Support

FORWARD BY THE MINISTER OF FINANCE AND DEVELOPMENT PLANNING (MDFP)

It is with great pleasure and a sense of urgency that I introduce the 2nd Domestic Resource Mobilization Strategy (DRMS) for Liberia under the theme: "Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation." Despite commendable progress in domestic revenue collection over the past five years, our nation's overall performance in this area remains below its true potential and falls short when compared to other tax jurisdictions with similar socioeconomic profiles.

Liberia's average tax-to-GDP ratio from 2012 to 2023, standing at 12.43, is notably below the regional average of 14.1. Furthermore, our computed tax effort ratio of 0.47 is beneath the Sub-Sahara Africa average of 0.50 and the global average of 0.52. This underperformance can be attributed to various factors, including inadequacies in the tax policy regime, inefficiencies in tax administration, and weaknesses in the broader governance structure.

The objectives of the current DRMS are pivotal in addressing these challenges. They include increasing the tax-to-GDP ratio, expanding the number of tax filers, reducing tax compliance costs, enhancing fairness and transparency in the tax system, fostering positive taxpayers' perceptions of the Liberia Revenue Authority (LRA), and decreasing tax expenditures. This comprehensive framework aims to guide reforms in tax policy and tax administration, providing a strategic roadmap to strengthen our fiscal space for national development.

The DRMS is based on data-driven and analytical methodology, and covers the current situation and challenges, the strategic priorities and interventions, the key success factors and enablers, the major risks and mitigation measures, and the monitoring and evaluation framework and implementation arrangements. The DRMS provides a roadmap for improving Liberia’s revenue performance, tax administration, and tax policy, and ensuring accountability and transparency in the process.

This DRMS represents a commitment to our nation's economic growth and prosperity, and I call upon all stakeholders to actively participate in its realization for the betterment of Liberia's future. Together, let us embark on this journey towards a more economically resilient and self-sufficient Liberia.

PREFACE BY THE COMMISSIONER GENERAL OF THE LIBERIA REVENUE AUTHORITY (LRA)

As the Commissioner General of the Liberia Revenue Authority, it is my honor to present the second Domestic Resource Mobilization Strategy (DRMS) under the overarching theme, "Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation." This strategic blueprint emerges as a testament to our commitment to fostering a self-sustaining and resilient Liberia. I am pleased to share insights into the meticulous process that culminated in the formulation of this strategy, detailing the methods, approaches, and analytical frameworks employed. The development of the DRMS hinged on a comprehensive method that seamlessly blended qualitative and quantitative techniques. Through focused group discussions with diverse stakeholders and a thorough review of existing literature and reports, we gained valuable insights into the challenges and opportunities associated with domestic revenue mobilization. The quantitative approach, involving smart tables and graphs, enabled us to analyze revenue collection trends and crucial indicators like tax-to-GDP ratio. This multifaceted method provided a holistic understanding that forms the bedrock of our strategic priorities.

Our three-pronged approach to crafting the DRMS involved a meticulous assessment of the first strategy's implementation, a situational analysis of the current revenue system, and extensive stakeholder consultations. This iterative process ensured that the strategy not only builds upon successful interventions but also adapts to emerging challenges. A phased-out, seven-stage approach facilitated the collaboration and validation of strategies with internal and external stakeholders, ensuring a robust and inclusive document. The analytical framework employed in the DRMS recognizes the intricate interplay between tax policy, tax administration, and the overall governance system. Understanding that the governance system serves as the fulcrum, influencing and being influenced by tax policy and administration, we depicted this relationship through an inverted equilateral triangle. This framework emphasizes the profound implications of the overall governance system on the formulation of tax policies and the administration of the tax system.

The strategic priorities outlined in this DRMS are a result of a collective vision for a resilient Liberia. These priorities unfold in four interconnected threads: Developing DRM-Enabling Tax Policies and Legal Framework, Broadening the Tax Base, Enhancing Voluntary Tax Compliance and Strengthening Enforcement, and Strengthening Institutional Capacity. Each priority aligns with our commitment to fiscal sustainability, fairness, and adaptability to evolving economic landscapes. As you navigate through the pages of this DRMS, you will encounter chapters meticulously structured to provide a comprehensive understanding. Starting with the Introduction and Background, the subsequent chapters delve into the Methods and Approaches, Situational Analysis, Strategic Priorities, Key Success Factors, Risks, and the Monitoring and Evaluation Framework. Annexes further complement the document, offering detailed insights into Strength, Weakness, Opportunity and Threats (SWOT) analysis, strategic priorities, and implementation plans.

In conclusion, this DRMS represents a forward-looking roadmap to guide Liberia toward self-reliance in domestic resource mobilization. I extend my gratitude to the dedicated teams, stakeholders, and partners who contributed to this collective effort. It is our expectation that this Strategy will serve as a catalyst for a resilient and prosperous Liberia, as we collectively enhance domestic resource mobilization for national transformation.

Table of Contents

EXECUTIVE SUMMARY

The Domestic Revenue Mobilization Strategy (DRMS) presented under the theme "Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation" is a pivotal initiative aimed at shaping Liberia's economic trajectory over the next five years (2024-2029). The Strategy serves as a continuation of the first DRMS, covering the period 2018 to 2022. Rooted in principles of equity, efficiency, and transparency, the DRMS seeks to reduce dependence on external funding, enhance fiscal self-reliance, and lay a robust foundation for inclusive economic growth.

Liberia's socio-economic context, characterized by low per capita GDP, high poverty rates, and a youthful population, underscores the critical need for effective domestic revenue mobilization. Despite recent economic growth, the Country faces challenges such as inconsistent growth and external factors like global conflicts and the COVID-19 pandemic. The DRMS acknowledges the lessons learned from the previous Strategy and envisions a resilient revenue-generating system that fosters innovation, adaptability, and collaboration among various stakeholders. The rationale for the DRMS stems from the underperformance of Liberia's domestic revenue mobilization, attributed to shortcomings in the tax policy regime, tax administration effectiveness, and overall governance structure. The Strategy objectives include increasing the tax-to-GDP ratio, expanding the number of tax filers, reducing tax compliance costs, enhancing fairness and transparency in the tax system, fostering positive taxpayer perception, and minimizing tax expenditure.

To achieve these objectives, the DRMS is structured into eight chapters, offering a comprehensive framework. Chapter Two outlines the methods and approaches employed in developing the DRMS, combining qualitative and quantitative techniques. Stakeholder consultations, situational analysis, and lessons from the previous DRMS implementation informed the drafting process. The analytical framework emphasizes the interconnectedness of tax policy, tax administration, and the overall governance system, recognizing the latter's pivotal role in shaping a well-functioning and sustainable revenue-generating system. The inverted equilateral triangle framework illustrates the equal importance of these components and how they influence each other. The DRMS's success relies on its ability to address governance issues, implement strategic priorities, and navigate potential risks, fostering a resilient and self-reliant economy for Liberia's long-term development.

Rooted in a comprehensive situational analysis, Chapter Three underscores the importance of understanding constraints and identifying opportunities within the current revenue-generating system. Through interviews, focus group discussions, and a meticulous review of revenue-related documents, the report she
ds light on shared challenges and innovative ideas within the Liberia Revenue Authority (LRA) and the Ministry of Finance and Development Planning (MFDP). In the backdrop of a global economic slowdown attributed to various factors, including conflicts in Eastern Europe and the Middle East, Liberia's economic outlook remains positive. According to the World Bank, Liberia's GDP is projected to grow from 4.5 percent in 2023 to 5.4 percent in 2024, driven by notable growth in the agriculture sector. Despite this positive trajectory, revenue challenges persist, with the tax-to-GDP ratio ranking below the regional average. The strategy delves into tax effort analysis, highlighting Liberia's untapped tax potential and the need for strategic improvements in tax administration.

A critical aspect of the DRMS involves an in-depth examination of Liberia's tax policies, encompassing business and personal income taxes, levies on various income types, goods and services tax, excise tax, customs duties, real property tax, and administrative fees. Recent tax policy reforms and administrative restructuring, including the establishment of the Liberia Revenue

Authority in 2014, have contributed to increased revenue collection. However, the strategy emphasizes the need for further optimization, pointing to inadequacies in the current tax reporting system and the importance of accurate and transparent reporting for fostering trust among stakeholders.

The Liberia DRMS, framed under the theme "Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation," represents a crucial roadmap for the nation's journey towards self-sustainability. Evolving from the experiences since the adoption of the inaugural DRMS in 2018, the vision is clear: to witness Liberia become a nation capable of independently generating resources to meet its developmental needs. Domestic revenue mobilization, in this context, signifies more than a fiscal mechanism—it embodies a national commitment to self-determination, ownership, and sustainability.

Informed by lessons from the implementation of the past DRMS, the current DRMS unfolds through four interconnected strategic priorities. First, the Strategy advocates for the development of DRM-enabling tax policies and legal frameworks, emphasizing the overhaul of tax laws and administration to align with global best practices. Second, it focuses on broadening the tax base, proposing actions to enhance taxpayer registration, especially in the informal sector, and empowering local governments for sustainable revenue generation. Third, the strategy emphasizes the importance of enhancing voluntary tax compliance and strengthening enforcement, recognizing the interconnectedness of trust-building, simplifying procedures, and utilizing technology. Lastly, the fourth strategic priority centers on strengthening institutional capacity, emphasizing human capital development and technological innovation.

Each priority is complemented by a detailed set of actions, acknowledging the dynamic nature of tax administration and the need for adaptability. The successful implementation of these priorities over the next five years is expected to pave the way for Liberia's resilient and transformative trajectory, aligning with its aspirations for sustainable socio-economic progress. The projected cost for implementing the proposed activities under the four strategic objectives of the DRMS is estimated at United States Dollars Thirty-six Million Five Hundred Thirty-three Thousand Seven Hundred (USD36,533,700.00). This amount is spread over the five-year period of its implementation. For a comprehensive understanding, the detailed actions, proposed implementation timelines and costs are presented in Annexes 2 and 3.

Chapter Five underscores the Key Success Factors vital for the DRMS implementation, providing a comprehensive understanding of the critical elements that contribute to its success. These factors encompass both internal and external dimensions, recognizing the need to navigate potential risks that could undermine the strategy. Chapter Six delves into Major Risks to DRMS Implementation, categorizing risks into external and internal factors, offering insights into proactive risk mitigation measures.

Chapter Seven introduces the DRMS Monitoring and Evaluation Framework, acknowledging the pivotal role of effective monitoring and evaluation in ensuring the Strategy's success. The framework includes a detailed plan developed by the DRMS Monitoring and Evaluation Team, consisting of the Reform and Modernization Division of the Liberia Revenue Authority (LRA) and the Revenue and Tax Policy Division of the Ministry of Finance and Development Planning (MFDP). The plan aims to track progress, assess overall effectiveness, identify and correct weaknesses, and inform decisions related to the DRMS implementation. The Monitoring and Evaluation Team, outlined in Chapter Seven, plays a crucial role in systematically assessing DRMS activities, providing regular updates, developing matrices for data collection, and fostering stakeholder engagement.

Chapter Eight outlines the Implementation Arrangements, detailing how the DRMS will be executed under the existing structures of the LRA and the MFDP. The activities outlined in the DRMS are expected to be aligned with the Corporate Strategic Plans (CSP) of the respective institutions. The plan emphasizes coordination, collaboration, and engagement with stakeholders to ensure a cohesive and effective implementation process. As Liberia embarks on this transformative journey, these chapters collectively provide a holistic perspective on the strategic priorities, success factors, risk mitigation, monitoring and evaluation, and implementation arrangements critical for the realization of a resilient and self-sustaining nation.

The Liberia DRMS (2024-2029) is a blueprint for enhancing the country's ability to raise and spend its own funds for development. It aims to overcome the challenges of low revenue generation, improve tax policies and administration, and foster a culture of self-reliance and accountability. The Strategy is a dynamic and holistic plan that outlines the strategic priorities, success factors, risk mitigation, monitoring and evaluation, and implementation arrangements for achieving a resilient and transformative Liberia.

GLOSSARY OF KEY TERMS[1]

1. Base Erosion and Profit Shifting (BEPS) – refers to a set of tax planning strategies used by multinational enterprises that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax jurisdictions where there is little or no economic activity, resulting in little or no overall corporate tax being paid. The OECD has issued fifteen (15) Action Items to address the main areas where it felt companies have been most aggressively accomplishing this shifting of profit.

2. Domestic Resource Mobilization Strategy (DRMS) – Is a plan of actions designed to increase the capacity of the government, in the medium to long-term, to generate more revenue from domestic sources. A DRMS can help a country to finance its development goals, reduce its dependence on external aid, and improve its fiscal sustainability.

3. Domestic Revenue to GDP ratio is a measure of how much income a country's government collects in total domestic revenues (i.e. taxes, non-tax revenues and fees) relative to the size of its economy. It is calculated by dividing the total revenue by the Gross Domestic Product (GDP) and expressing it as a percentage.

4. Double tax treaty – an agreement between two or more countries that reduces the amount of tax that an international worker or company must pay, so they do not have to pay tax twice on the dame income. It can also prevent tax evasion and promote trade and investment.

5. Excise tax – is a tax levied on specific goods or services, such as tobacco and alcohol. It can be ad valorem (based on the value) or specific (by unit) and is usually paid by businesses and passed on to consumers through higher prices. It is collected by the government for various purposes such as funding public services, discouraging harmful consumption, or protecting the environment.

6. General Anti-Avoidance Rule (GAAR) – is a set of principles-based rules within a country's tax code that aims to eliminate unacceptable tax evasion practices. The tax law gives the tax authority the power to deny a particular tax benefit that would lead to tax avoidance or to increase the tax liability against the taxpayer. GAAR is typically designed to strike down blatant, artificial or contrived arrangements, which are tax driven, but not to impede ordinary commercial transactions.

7. Goods and services – the output of an economic system. Goods are tangible items that customers purchase, while services are intangible activities, benefits, or assistance that one person or business performs or provides to another. Goods and services are the basis of all economic activity and trade.

---

[1] The content in this section was carved out of resources from the following sources: Liberia Revenue Authority (www.lra.gov.lr), International Monetary Fund (www.imf.org), Organization of Economic Co-operation and Development – OECD (www.oecd.org), African Tax Administration Forum – ATAF (www.ataf.org), Tax Foundation (www.taxfoundation.org), Tax Policy Center Urban Institute & Brookings Institute (www.taxpolicycenter.org), UN Working Group on Sustainable Development (www.sustainabledevelopment.un.org) and Merriam-Webster online Dictionary (www.merriam-webster.com)

8. Gross domestic product – the total monetary or market value of all finished goods and services produced in within a country's borders in a specific time period (i.e. a year). It is the measure of the size and health of a country's economy and its growth rate.

9. National development plan – a plan of economic and social development including any amendment or addition to such plan, prepared by the government. It usually outlines the goals, strategies, policies, and programs for a country's progress and prosperity.

10. Non-Filers - Persons (physical or legal) who are required to file tax declarations by law but have not done so. Non-filers may face serious consequences, such as penalties, interests, and/or liens.

11. Revenue efficiency – the measure of how well a tax system collects the potential revenue that is available under the existing tax laws and rates. It reflects the degree of compliance and the administrative costs of collecting taxes. A higher revenue efficiency means that the tax administration is able to collect more revenue with less cost and less distortion to the economy.

12. Revenue reporting – the accurate, adequate and fair declaration of gross sales, gross salaries or gross production.

13. Royalty - a payment made by a private entity to a government for the use or exploitation of a natural resource or a public asset. Royalties are non-tax revenue imposed on the value or quantity of the resources or asset used. It is usually calculated as a percentage of the gross or net revenue generated from the use of the resource or asset

14. Sales tax – a tax on sales or on the receipts from sales, usually calculated as a percentage of the purchase price and collected by the seller. It is a type of indirect tax that is paid by the final consumer of goods and services

15. Tax avoidance – the arrangement of one's financial affairs to minimize tax liability within the law. It is different from tax evasion, which involves breaking the law.

16. Tax Arrears - The total amount of domestic tax, including interest and penalties, which is overdue (i.e. has not been paid by the statutory due date for payment).

17. Tax Compliance – Refers to the taxpayers' decision to comply with the tax laws and regulations by filing and paying tax timely and accurately.

18. Tax compliance gap - is the difference between actual collections and potential collections, given the current tax structure. It is a component of the tax gap that results from taxpayers' non-compliance with their tax obligation, such as underreporting, underpayment or non-filing.

19. Tax effort – is an index (i.e. a way of measuring and comparing) of how effectively a country uses its available tax instruments in collecting taxes, relative to what the country could reasonably expect to collect from these tax instruments.

20. Tax evasion – is the illegal non-payment or underpayment of tax, usually by concealing income or information from tax authorities. Tax evasion can result in fines, penalties, and/or prison time.

21. Tax expenditure – the government revenue loss from tax exclusions, exemptions, deductions, credits, deferrals, and preferential tax rates. It is a form of government spending that reduces the tax burden for certain groups or activities.

22. Tax filing – the process of preparing and submitting tax returns to the tax authority (i.e. LRA). It involves reporting your income, deductions, credits, and taxes for the tax year. You can file your taxes online or in person. You must file your taxes by the due date, correctly to help you avoid penalties and interest.

23. Tax gap – is the difference between taxes legally owed and taxes collected.

24. Tax to GDP ratio - Is a measure of how much tax revenue a country collects as a percentage of its gross domestic product (GDP), which is the total value of goods and services produced in a year. A higher tax to GDP ratio indicates that a country has more resources to spend on public services and investments, while a lower ratio suggests that the government has a smaller role in the economy. The tax to GDP ratio can vary depending on the level of development, the tax system, and the economic performance of a country

25. Taxpayer segments – groups of taxpayers that share common characteristics, such as income level, business type, tax compliance behavior, or service needs. Taxpayer segmentation helps the tax authorities to understand the diversity and complexity of the tax population, design effective tax policies and programs, and provide tailored services and education to different segments. Segments could be based on size, sector, and entity type. Examples of taxpayer segments in Liberia are large-size businesses and individuals (i.e. HNWI or HNII), medium-size, small and micro, not-for-profit and government, real estate, etc.

26. Value added tax – a tax on the amount by which the value of an article has been increased at each stage of its production or distribution. It is an indirect tax imposed on the consumption of goods and services.

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1 Preamble

The Domestic Revenue Mobilization Strategy (DRMS) is a follow-on of the first DRMS, which covered the period 2018 to 2022. It is encapsulated under the theme "Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation" and provides a comprehensive framework and roadmap for the mobilization of revenue from domestic sources over the next five-year period – 2024 to 2029. The development of the DRMS is a recognition that Liberia's socioeconomic development and long-term fiscal resilience as set out in the national development plans (NDP) are, to a greater extent, dependent on the effective mobilization of domestic resources. This DRMS is rooted in the principles of equity, efficiency, and transparency, with the goal of fostering an inclusive and dynamic economy. By harnessing the potential of our domestic resources, we seek to reduce reliance on external funding, enhance fiscal self-reliance, and create a solid foundation for the prosperity of all Liberians and residents of Liberia.

In drafting the current DRMS, we drew on lessons learned from the previous one – in terms of both success stories as well as challenges; and emerging issues following the adoption of the first DRMS in 2018. It seeks the creation of a resilient revenue generating system that embraces innovation, adaptability and a collaborative approach to revenue mobilization that engages all stakeholders – including the private sector, civil society actors, other government agencies and the entire citizenry.

1.2 Socio-Economic Context

A country's socioeconomic context influences its ability to adequately mobilize domestic revenue. Factors such as the level of income, degree of informality, corruption, unemployment rate, and inadequacy of the rule of law, infrastructure deficit and political stability impact a country's capacity to mobilize domestic revenue. For instance, a low-income country is likely to experience low consumption and hence less revenue intake from consumption-based taxes such as VAT or sales tax.

Liberia is currently listed among the least developed countries with a 2022 per capita GDP of US$754.5[2] and a population of approximately 5.2 million[3]. With an annual population growth of 2.1 percent in 2022, Liberia has a youth population, with approximately 40.5 percent of the total population in 2022 below 15 years, 56.2 percent between 15 to 64 years and 3.3 percent above 64[4]. The overall level of poverty remains high despite recent progress– with approximately 60 percent of the population living below the absolute poverty line (i.e., US$2.15 per day at 2017 international prices). The 2022 employment to population ration ratio is recorded at 73.81 percent; while the 2021 HDI rank is 178, which is a one-point improvement over the 2020 rank of 179[5].

On the economic front, the Liberian economy has experienced inconsistent growth over the last five years, with an average growth rate of 1.33 percent. This is being attributed to several exogenic and endogenic factors such as the ongoing global climate crisis, conflicts in the Middle East and Ukraine, and global economic slowdown due the COVID pandemic. That said, the economy expanded by 4.8

[2] World Bank's national account - Liberia's GDP per capita (current US$):
[3] LISGIS 2022 National Population and Housing Census Provisional Results
[4] World Bank's World Development Indicators 2023
[5] UNDP Human Development Index report 2021

percent in 2022 and is expected to record 4.3 percent growth in 2023. The recent growth is underpinned by several factors, including the recent surge in the prices of Liberia's primary export commodities as well as structural reforms undertaken by the GOL. Liberia, under the just concluded IMF program, implemented several structural reforms including the implementation of tax policy and tax administration reforms under the first DRMS.

In terms of sectoral composition, the 2022 growth is driven by the services sector (excluding construction) – accounting for 37.22 percent of GDP. This is followed by the agriculture sector (including forestry and fishery), accounting for 36.19 percent of GDP and industry (excluding construction), and accounting for 21.39 percent. The recent improvement in the economy is being reflected in domestic revenue mobilization. Domestic revenue collection increased over the last five years from US$456.09 million in 2018 to US$616.43 million in 2022, growing at an average annual rate of five percent.

1.3 Rationale for the DRMS

Despite the relative improvement in domestic revenue collection over the last five years, the overall performance of domestic revenue mobilization remains under par, especially when it is gauged in terms of the potential to collect or when it is assessed in comparison to other tax jurisdictions with similar socioeconomic profiles. For instance, Liberia's average tax-to-GDP ratio for the period 2012 to 2023 is estimated at 12.43, which is below the regional average of 14.1[6]. Similarly, Liberia's computed tax effort ratio of 0.47 is below the Sub-Sahara Africa average of 0.50 and the world average of 0.52.

The underperformance of Liberia's domestic revenue mobilization is attributed to a combination of factors including the inadequacy of tax policy regime, ineffectiveness of the tax administration system and weaknesses in the overall governance structure. Addressing these issues requires deliberate and thoughtful interventions or reform measures in tax policy, tax administration and the overall governance structure that underpins domestic revenue mobilization – which the current DRMS is set out to achieve.

1.4 Objectives of the DRMS

The overriding objective of this DRMS is to harness domestic revenue for the sole purpose of financing Liberia's national development. It provides a comprehensive framework that guides efforts to increase the fiscal space through domestic revenue mobilization by engendering reforms in tax policy and tax administration. The specific objectives of the current DRMS are:

a. To increase tax-to-GDP ratio to 16 percentage points by 2029.

b. To increase the number of tax filers by 40 percent over 2023 numbers.

c. To reduce tax compliance cost by 30 percent over 2023 numbers.

d. To enhance fairness and transparency in the tax system.

e. To engender a satisfactory or positive taxpayers' perception of the LRA.

f. To reduce tax expenditure by 55 percent over 2023 numbers.

[6] USAID's International Data and Economic Analysis (IDEA) platform

1.5 Structure of the DRMS

For the ease of presentation, the DRMS is organized into eight chapters. Chapter one introduces the DRMS and set out its background. It contextualizes the DRMS by providing the socioeconomic context in which the DRMS is being crafted, stating the overall rationale behind the drafting of the DRMS and outlining the objectives the DRMS seeks to achieve. Chapter two outlines the methods and approaches adopted in developing the DRMS, including the analytical frameworks. Chapter three presents an analysis of the prevailing revenue generating situation. It provides a comprehensive analysis of the revenue generating system including the tax policy regime and administrative processing designed to enforce revenue mobilization. Chapter four sets out the strategic priorities that are to be considered in harnessing domestic revenue mobilization for the financing of the national development. It outlines the measures that are to be taken to increase domestic revenue by expanding the base, protecting collected revenue, and shielding the revenue base from eroding. Chapter five presents the key success factors for the DRMS implementation, while chapter six assesses the risks. Chapter six identifies potential risks and challenges in implementing the strategic priorities set out in chapter four and proffers measures to mitigate said risks. Chapter seven presents monitoring and evaluation framework for the DRMS implementation. Chapter eight outlines the DRMS implementation arrangements.

CHAPTER TWO: METHODS AND APPROACHES DEVELOPING THE DRMS

2.1 Method

The method adopted in drafting the DRMS is a combination of qualitative and quantitative techniques that allow the undertaking of a detailed tax policy and tax administration analysis. With respect to the qualitative technique, focus group discussions were held with various stakeholder groupings – business operators, civil society actors, local leaders, development partners, and core functional units within the LRA and MFDP, as well as other government agencies. These discussions allow the exploration of the participants' thoughts and experiences on the challenges and opportunities that pertain to domestic revenue mobilization. In addition to the focus group discussions, a comprehensive review of existing DRM literature and official reports was also undertaken. This helps to contextualize and present the challenges and opportunities identified during the focus group discussion in common themes.

The quantitative technique basically involves the use of descriptive statistics to analyze the performance of domestic revenue mobilization. These include the use of smart tables and graphs to describe and assess revenue collection trends. It also involves the use of mathematical formulas or models to central tendencies, variability, and distribution of revenue numbers such as tax-to-GDP ratio, tax effort ratio, and distribution of non-filers, late filters and stop filers.

2.2 Approach

A three-pronged approach was adopted in the drafting of the DRMS. First, an in-depth assessment of the first DRMS implementation is undertaken. The aim of the assessment was to determine the extent to which interventions envisaged under the first DRMS were implemented. The assessment also identified gaps in implementation and drew out lessons learned. Accordingly, those interventions that were not completed but are determined to be carried forward are lifted in the current DRMS. Second, a situational analysis of the current revenue generating system is done to identify new issues and challenges that were not anticipated during the drafting of the first DRMS. Third, stakeholder consultation was done to obtain input from and buy-in from the public – including local officials, development partners, private sector operators, and civil society actors.

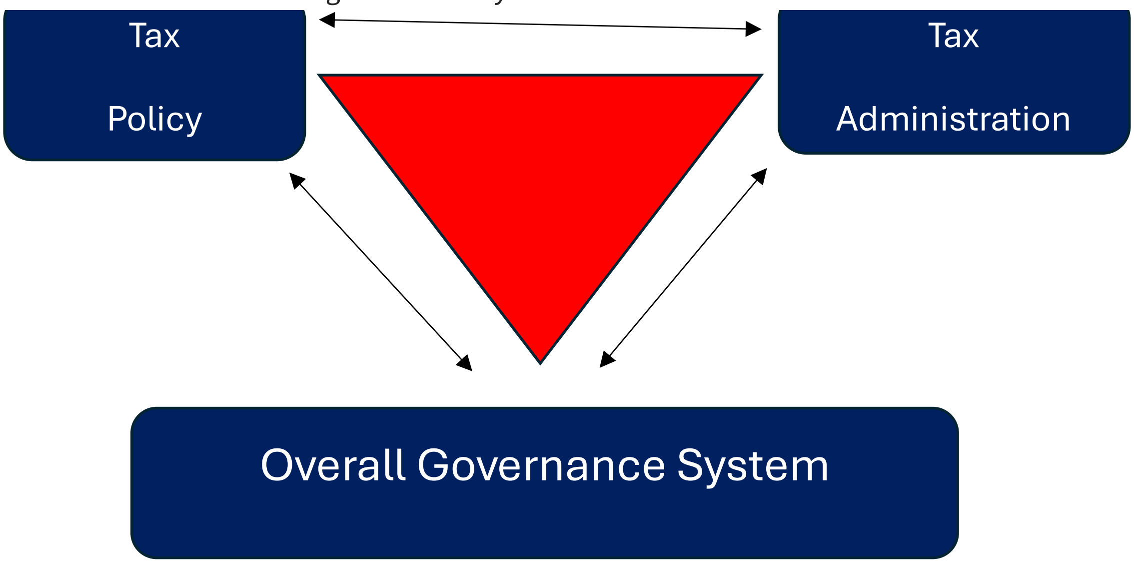
In terms of the sequencing of activities, a seven-stage phase-out approach was adopted in deriving the final draft of the DRMS. Stage one saw the completion of the inception reports and conduct of a situational analysis and diagnosis of the revenue generating system. This was followed by the conduction of four (4) regional stakeholder consultations – in Grand Bassa, Grand Gedeh, Nimba and Bomi Counties. Stage three saw the consolidation of findings from stage one (situational analysis) and stage two (regional stakeholder consultation) to derive the initial draft of the strategies. The initial strategies basically contained a list of tax policy and tax administration interventions aimed at improving domestic revenue mobilization. The initial list of strategies is then presented to the LRA and MFDP for internal validation during stage four. The essence of conducting the internal validation is to identify and agree on the set of strategies that are to be considered in the DRMS from the initial list of strategies. A second round of stakeholder consultation is conducted during stage five, albeit with development partners. The objective here is to ensure their activities or interventions are aligned with the strategies and to obtain their buy in and input to the DRMS. At stage six, inputs, or suggestions from the engagement with development partners are incorporated to produce the draft comprehensive DRMS. This is then externally validated and inputs or suggestions from the external validation are consolidated to produce the final DRMS.

2.3 Analytical Framework

The analytical framework of the current DRMS explores the nexus between tax policy, tax administration and overall governance system. It recognizes the interconnectedness of tax policy, tax administration and the overall governance system and emphasizes how crucial said interconnectedness is for the efficient and sustainable mobilization of domestic revenue. Accordingly, each component plays a distinct yet interconnected role in domestic revenue mobilization and that one can influence as well as be influenced by the others.

However, despite recognizing the interconnectedness of tax policy, tax administration and the overall governance system in mobilizing domestic revenue, the analytical framework underpinning the current DRMS holds that the overall governance system provides the fulcrum upon which tax policy and tax administration are anchored. It recognizes that the overall governance system in the country serves as the fulcrum around which tax policy and tax administration interventions pivot in the revenue generating system. This concept is depicted here using the inverted equilateral triangle – a three-sided geometric figure with equal sides and equal angles[7].

Figure 1: The inverted equilateral triangle depicting the nexus between tax policy, tax administration and the overall governance system.



The equal sides and equal angles of the triangle illustrate the equal importance of tax policy, tax administration and the governance system in generating domestic revenue; while the double-sided arrow exemplifies how the three components influence each other. That said, anchoring the overall governance system at the vertex of the inverted triangle is a recognition that the overall governance

[7] The use of the inverted equilateral triangle as an analytical framework to illustrate the nexus between tax policy, tax administration and the overall governance system is the construction of the current authors.

system has a more profound implications for tax policy formulation and the administration of the tax system.

The success and sustainability of Liberia's Domestic Resource Mobilization (DRM) Strategy, under the theme "Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation," depend heavily on the overall governance framework. The governance system, which encompasses the structures, processes, and institutions through which a country's revenue mobilization is directed and controlled, plays a crucial role in shaping the effectiveness, fairness, and integrity of the revenue generating system. Governance serves as the foundation, ensuring fair and effective implementation of tax policies and administration. A robust governance system enhances tax law enforcement, minimizes corruption, and boosts public trust, which in turn increases voluntary compliance and broadens the tax base. For instance, a governance system with a weak rule of law and/or corrupt judicial system can lead to uncertainty, arbitrary decision-making, and challenges in enforcing tax laws, and hence undermining the mobilization of domestic revenue. The pillars of governance include a strong legal framework, institutional capacity, ethical standards, and public perception. Key interventions and activities to strengthen these areas involve updating tax legislation, enforcing ethical conduct, ensuring transparency, and enhancing stakeholder engagement. For detailed interventions and activities, refer to Annex 4, which outlines specific strategies to improve Liberia's governance framework for effective DRM.

The analysis and assessments of the interventions to be considered in the current DRMS is therefore conducted along the three components of the revenue generating systems as depicted by the inverted equilateral triangle framework – i.e., interventions pertaining to tax policy, interventions relating to tax administration and interventions that have revenue implication but are not directly within the purview of the LRA and MFDP. It is however worth noting that despite their relative importance, interventions identified under the governance component will be suggested to be lifted in the NDP or treated as standalone projects and not considered among the strategic priorities of the current DRMS given that their 'implementation entails a broader national effort and not just the LRA and MFDP.

CHAPTER THREE: SITUATIONAL ANALYSIS

3.1 Introduction

The development of the current DRMS is premised on the understanding that the generation of revenue occurs in a complex system and that an understanding of said system is crucial to designing strategies or initiating measures to improve revenue generation. Accordingly, the assessment of the current revenue generating system allows the identification of the constraints to revenue mobilization and the opportunities to expand and shield the revenue base. In carrying out said exercise, a two-tier approach is adopted. First, interviews and focus group discussions with the core functional units within the LRA and MFDP were conducted to assess and gather qualitative information and insights into the units' current operations. This approach not only unveils shared perceptions and challenges confronting domestic revenue generation but also promotes collaboration and the exchange of innovative ideas on how those challenges can be overcome.

The focus group discussions and interviews are followed by a comprehensive review of documents and administrative reports – including tax laws and policy and revenue performance reports, including tax compliance and enforcement reports. This helps in assessing strengths, weaknesses, threats, and opportunities pertaining to domestic revenue mobilization. The ensuing analysis assesses the LRA structures, the tax policy landscape, legal framework for taxation, existing compliance mechanisms, level of technology adoption, and human resource capability of the entire revenue generating system.

3.2 Regional and Global Economic Outlook

The 2024 economic outlook is characterized by subdued growth in advanced economics and encouraging economic prospects in Emerging Markets and Developing Economies (EMDEs). According to the World Bank's January 3, 2024, publication, global economic growth is expected to decline in 2024, from 2.6 percent in 2023 to 2.4 in 2024 – the third consecutive year of global economic decline[8]. The World Bank attributes the gloomy global economic outlook to several factors. These include the tight monetary policies aimed at reducing inflation in advanced economies, restrictive credit conditions, and overall weak global trade because of the ongoing conflicts in Eastern Europe and the Middle East. For instance, the report gestures that a disruption in energy supplies, mainly due to the conflict in the Middle East, may lead to an increase in energy prices, which, in turn, may lead to an increase in the prices of other major commodities thereby heightening geopolitical tension and economic uncertainty, which could dampen investment and further weaken economic growth.

Despite the gloomy global economic outlook for 2024, aggregate growth in EMDEs is expected to improve in the near term. Growth in EMDEs (excluding China) is expected to improve from 3.2 percent in 2023 to 3.5 percent in 2024 and 3.8 percent in 2025. Similarly, Sub-Sahara Africa (excluding Nigeria, South Africa, and Angola) is projected to grow at 5 percent in 2024 and 5.3 percent in 2025, up from 3.9 percent in 2023. That said, the growth prospect of EMDEs faces several risks including increasing debt and financing cost, escalation of ongoing conflicts in Europe and the Middle East or emergence of new ones, financial stress due to the elevated interest rates, global trade fragmentation, climate-related disasters and weaker than expected growth in China. Given

[8] Figures are extracted from the World Bank Group Flagship Report: Global Economic Prospects, January 3, 2024.

China's growing share of global output and trade, it has become a key export market for all EMDE regions. Accordingly, export-oriented EMDEs with strong direct links to Chinese economy, are particularly vulnerable. Also, exporters of commodities that depend on Chinese demand, notably metals, are also vulnerable to the risks associated with a sharper slowdown in China.

Table 1: Global economic outlook[9]

Real GDP growth at market prices in percent, unless indicated otherwise	2021 Actual	2022 Actual	2023 Estimate	2024 Forecast	2025 Forecast
SSA excluding Nigeria, South Africa, and Angola	4.90	4.80	3.90	5.00	5.30
Sub-Saharan Africa	4.40	3.70	2.90	3.80	4.10
World	6.20	3.00	2.60	2.40	2.70

3.3 Liberia's Economic Outlook

According to the World Bank's January 2024 publication, Liberia's GDP is expected to grow from 4.5 percent in 2023 to 5.4 percent in 2024 and 6.2 percent in 2025. Liberia's medium term growth prospect is driven largely by improvement in the service and mining sectors. The 2024 growth is particularly fueled by growth in agriculture, which is expected to grow by 4 percentage points over 2023 number – that is, from 0.8 percent in 2023 to 4.8 percent in 2024[10].

Table 2: Liberia's real GDP growth outlook (2024-2026)

Real GDP growth annual percentage change, unless otherwise stated	2023		2024		2025	2026
	4th Review	Actual	Projection	Actual	Projection	Projection
Real GDP	4.70	4.60	5.10	4.80	5.80	5.90
of which: Mining & panning	4.30	7.00	5.10	5.20	8.50	8.80
of which: Agriculture & Forestry	4.00	0.90	4.80	4.80	5.20	5.30
of which: Manufacturing	5.50	8.90	4.70	4.80	6.90	6.00
of which: Services	5.50	7.10	5.30	5.90	5.00	5.00

Source: Extracted from the IMF's Liberia selected economic indicators (2021 – 2029),

Inflation is expected to ease at 7.7 percent in 2024, down from 2023's revised estimate of 10.4 percent. The near-term economic outlook also contemplates further depreciation of the Liberian dollar against the US dollar. This is due in part to the anticipated surge in the demand for the US dollar to finance trade. The anticipated depreciation of the Liberian dollar is also a reflection of the easing of the financial squeeze policy recently implemented by the CBL following the introduction of the new banknotes.

[9] Figures are extracted from the World Bank Group Flagship Report: Global Economic Prospects, January 3, 2024

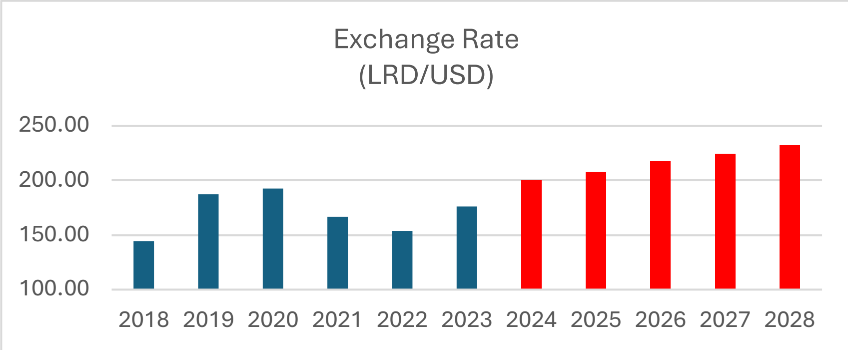
[10] IMF: Liberia's selected economic indicators (2020 to 2028)

Table 3: Average year exchange rate

DATE	BUYING	SELLING
2018	143.6571	144.4255
2019	185.9855	187.2943
2020	191.1030	192.4952
2021	165.2557	166.7415
2022	152.2937	154.0311
2023	173.8934	175.8860
2024	190.5000	192.1100

Note: Average daily rate

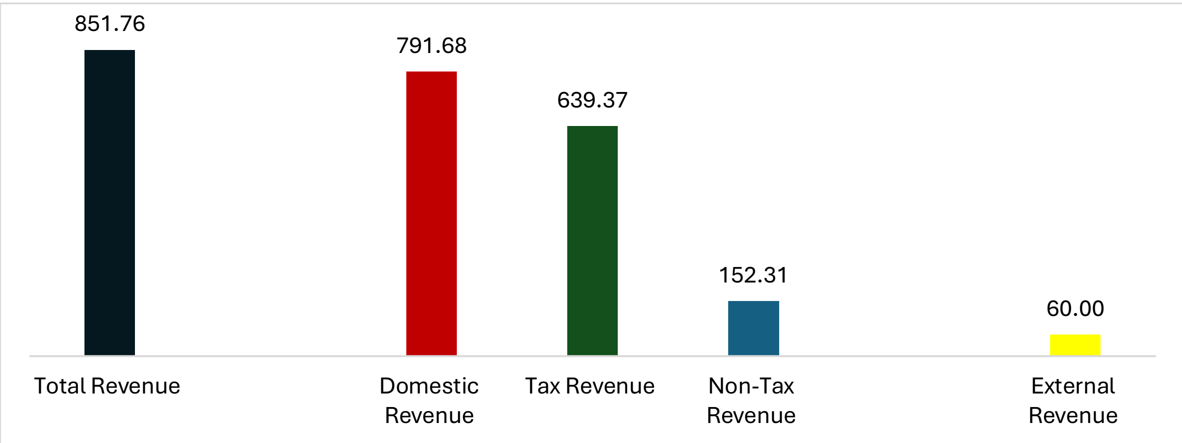
Figure 2: Forecast exchange rate (2024-2028)



3.4 Revenue Performance

The relative improvement in the economic outlook is reflected in the performance of domestic revenue. The approved 2025 revenue budget is US$851.76 million, of which domestic revenue accounts for 92 percent or US$791.68 million. Tax revenue is the lead contributor to domestic revenue, accounting for US$639.37 million or 81 percent. The remaining 19 percent or US$152.31 is on account of non-tax revenue.

Figure 3: 2025 Approved Revenue Budget (US$ million)



3.4.1 REVENUE COMPOSITION

During the period 2012-2017, the six-year period prior to the commencement of the first-DRMS, total revenue grew on average, by 4.17 percent; and 7.94 percent during the period 2018-2022 the six-year period marking the adoption of the first DRMS. Domestic revenue accounts for the biggest share of total revenue during both periods, averaging US$468.55 million per annum before the first DRMS and US$527.14 million per annum thereafter[11]. In terms of growth, domestic revenue grew on average, by 3.84 percent before the first DMR strategy and 5 percent afterward. Tax revenue is the

11 Prior to the adoption of calendar year reporting in 2021, the fiscal year reporting period ran from June-July.

lead contributor to domestic revenue during both periods, averaging US$405.83 million before and US$433.52 million following the adoption of the first DRMS.

In terms of relative growth, domestic revenue grew on average, by 3.84 percent before the first DRMS and 5 percent after the first DRMS, representing 1.16 percentage point performance. Besides taxes on international trade, taxes on property, administrative fees, and external revenue (i.e., direct budget support), all the major revenue resources, after first DRMS, showed performance both in terms of increase in absolute number as well as in percentage growth. Despite recording a US$14.05 million increase before the first DRMS, taxes on international trade declined in growth by 7.69 percentage points during the implementation of the first DRMS. Similarly, growth in taxes on property declined by 15.94 percentage points during the first DRMS period, despite recording average absolute performance of US$0.58 million over the first DRMS period.

Table 4: Before and after first DRMS revenue performance (in US$ million)

Average revenue collection per annum before and after the adoption of the first DRM strategy (in USD million)	Before First DRMS 2012-2017	After First DRMS 2018-2023
Total Revenue	560.81	623.11
Domestic Revenue	468.55	527.14
Tax Revenue	405.82	433.52
Taxes on Income & Profit	170.19	184.08
Taxes on Property	4.41	4.99
Taxes on Goods and Services	53.70	55.46
Taxes on International Trade	169.45	183.50
Other Taxes	8.07	5.49
Non -Tax Revenue	62.25	93.63
Property Income	43.29	71.59
Administrative Fees	15.15	17.25
Fines, Penalties & Forfeits	3.21	0.77
Miscellaneous and Unidentified Revenue	0.60	0.11
External Revenue	92.26	95.97

Table 5: Before and after first DRMS revenue performance (percent change)

Average revenue growth before and after the adoption of the first DRM strategy (in percent)	Before First DRM 2012-2017	After First DRM 2018-2023
Total Revenue	4.17	7.94
Domestic Revenue	3.84	5.00
Tax Revenue	3.97	4.09
Taxes on Income & Profit	6.06	8.06
Taxes on Property	15.26	-0.68
Taxes on Goods and Services	-1.82	8.19
Taxes on International Trade	7.26	-0.44
Other Taxes	-20.98	65.24
Non -Tax Revenue	8.16	11.41
Property Income	9.35	11.25
Administrative Fees	17.63	7.10
Fines, Penalties & Forfeits	21.13	-3.55
Miscellaneous and Unidentified Revenue	246.00	659.38
External Revenue	21.53	-22.72

When it is compared to regional benchmarks and countries with similar economic profiles, the composition of Liberia's revenue sources seems to perform below par. For instance, taxes on goods and services[12] as a percent of total domestic revenue is 10.71 percent, far below the Sub-Saharan Africa average of 31.43 percent and the low-income country average of 32.99 percent. Similarly, labor taxes account for 6 percent of commercial profits in Liberia, which is below the regional average of 14 percent and low-income countries average of 15 percent. These statistics point to the inadequacy of Liberia's tax regime when it is compared to the regional average.

Table 6: Composition of Liberia revenue sources in comparison with regional averages

Indicators	Liberia	Regional Average	Income Group Average	World Average
Taxes on income, profits, and capital gains (% revenue)	31.64	25.40	20.11	23.39
Labor tax and contributions (% commercial profits)	6.10	14.42	15.48	16.48
Total tax and contribution rate (% of profit)	46.20	47.07	46.06	40.45
Other taxes payable by businesses (% commercial profits)	4.80	14.20	12.28	8.21
Other taxes (% of revenue)	1.48	1.51	1.02	2.01
Taxes on international trade (% of revenue)	36.54	13.96	15.03	7.09
Taxes on goods and services (% of revenue)	10.71	31.43	32.99	30.90[13]

3.4.2 TAX TO GDP ANALYSIS

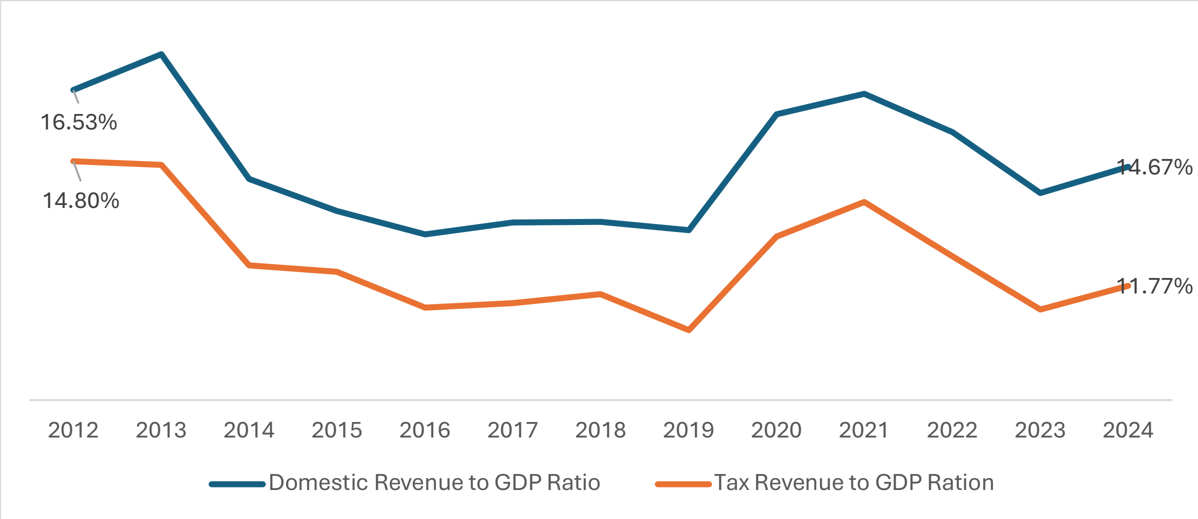
One way to assess the revenue performance of a country is to gauge revenue collection with respect to the size of the economy. Liberia's average tax revenue to GDP over the period 2012 to 2024 is estimated at 12.39, while total domestic revenue-to-GDP is 14.71. When revenue performance is gauged relative to the size of the economy (i.e., tax-to-GDP ratio), Liberia's revenue performance remains under par when it is compared to jurisdiction with similar economic profile. Liberia is ranked 19th among 39 Sub-Sahara African countries and is below the regional average of 14.1 percent [14] by 1.71 percentage points.

[12] Goods and Services Tax in Liberia is a single stage tax while Value Added Tax imposed by the other countries in the sub region are multiple stage tax.

[13] The matrices are extracted from the USAID International Data and Economic Analysis platform. Liberia - Domestic Revenue Mobilization - Country Dashboard - Collecting Taxes: Tax Performance (usaid.gov). For matrices on Liberia where data is not available, such as taxes international trade, taxes on income and profit, tax on goods and services and other taxes, the author computed the same using data obtained from the Liberia Revenue Authority.

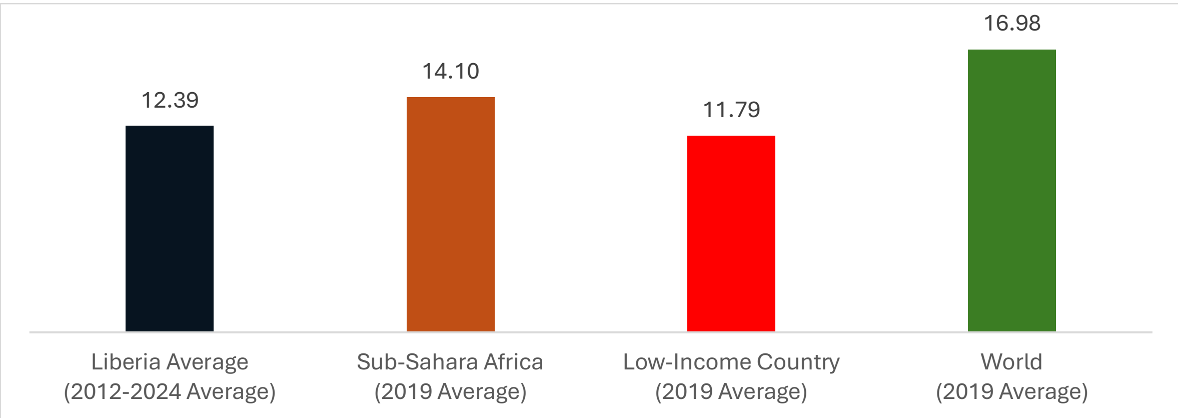
[14] The regional benchmarks are taken from the USAID IDEA project.

Figure 4: Liberia's tax to GDP ratio (2012 - 2024)



Several factors explain Liberia's low tax revenue -to-GDP ratio, among which is the high tax incentive granted to GDP contributing sectors such as mining and agriculture [15]. The major mining and agriculture projects in Liberia operate under concession agreements whose fiscal terms are favorable compared to the standard provisions in the revenue law.

Figure 5: Liberia's tax to GDP ratio in comparison to regional averages.



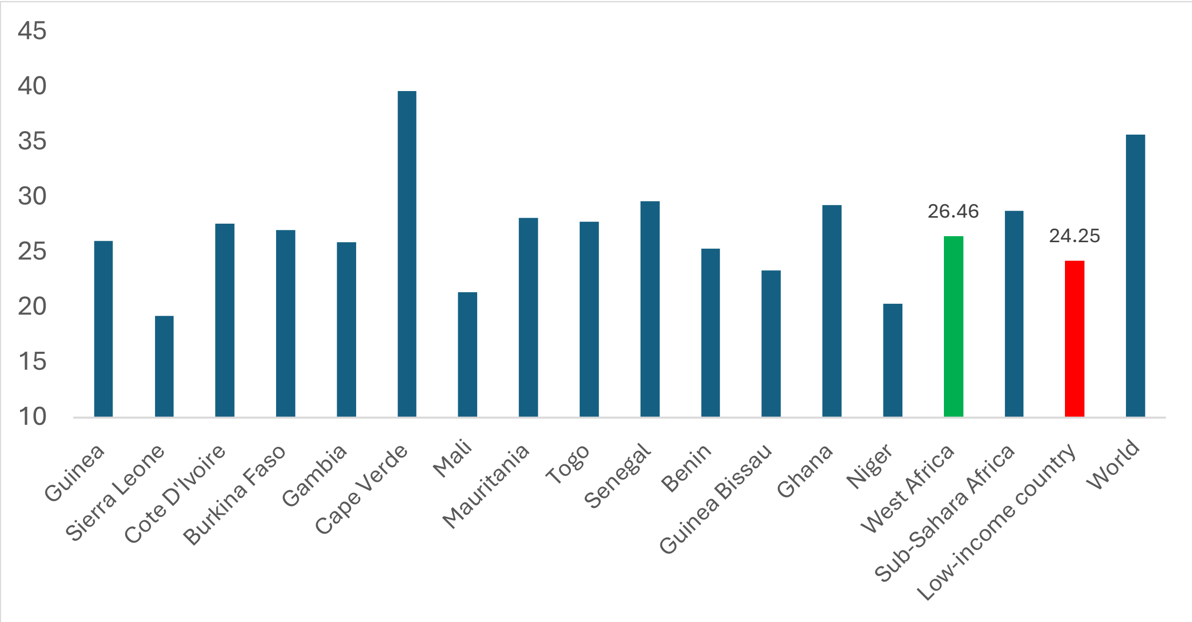
3.4.3 TAX EFFORT ANALYSIS

Tax effort is a measure of the extent to which a tax authority mobilizes tax revenue from the economy. It measures how well a country utilizes its tax potential or capacity, considering the size and structure of its economy. Tax effort is a critical indicator for evaluating the performance of a tax system and assessing the government's ability to collect revenue. A country's tax effort is often represented by the tax effort ratio, which is the proportion of actual tax revenue to the country's overall tax capacity.

---

[15] Liberia Revenue Authority (LRA) 2022 Annual Report Pgs. 34 – 36 & 58 – 60 (www.lra.gov.lr/reports)

Figure 6: Tax capacity for select African countries (expressed as percent of GDP)



The tax capacity is a theoretical construct of the maximum amount of tax revenue a country could potentially collect considering its economic size and structure, tax rates, and tax potential. Put another way, the tax effort ratio is the ratio of actual tax revenue collected as a percentage of GDP and the predicted tax capacity, expressed as percentage of GDP[16]. Accordingly, a tax effort ratio above one implies a high tax effort, that the country effectively utilizes its tax base to exceed the stochastic frontier. As noted from the definition of the tax effort ratio, one indicator that is critical to the computation of a country's tax effort is the country's tax capacity, which is the maximum estimated or predicted value of the potential tax revenue to GDP ratio. The tax capacity ratio considers the country's specific macroeconomic, demographic, and institutional features that may change over time.

The USAID IDEA project has estimated the tax capacity ratios for all ECOWAS countries besides Liberia and Nigeria[17]. However, using the tax capacity ratio of countries or regions with similar economic and social profile like Liberia as a proxy for Liberia, one can estimate Liberia's tax effort ratio. For instance, using West Africa average tax capacity as a proxy, Liberia's tax effort ratio is estimated at 0.47, which is below both the Sub-Sahara Africa average of 0.50 and the low-income country average of 0.4918. With a tax effort ratio below 50 percent, it shows that Liberia is not utilizing its full taxing capacity and hence there is room for improvement.

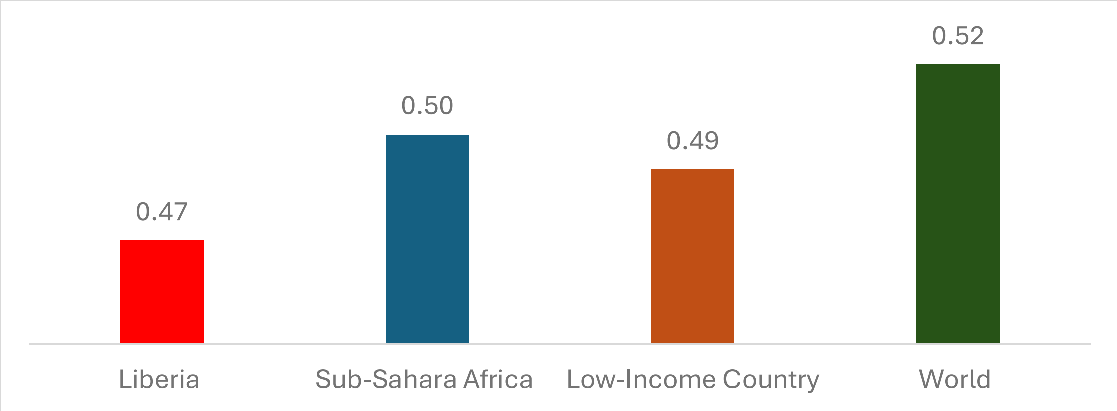
---

[16] The definition of tax effort ratio is taken from the USAID International Data and Economic Analysis platform on domestic resource mobilization. [Liberia - Domestic Revenue Mobilization - Country Dashboard (usaid.gov)]

[17] For Nigeria largely because of its huge fuel export earnings. Tax capacity has been calculated for major outliers and for countries that fall in the IMF's export earning fuel category.

[18] The regional tax effort ratios are obtained from the USAID IDEA platform. The value for Liberia is the author's estimate using the average tax capacity for low-income countries as a proxy for Liberia. [Liberia - Domestic Revenue Mobilization - Country Dashboard - All (usaid.gov)]

Figure 7: Liberia's estimated tax effort ratio in comparison to regional benchmarks.



3.5 Tax Administration

Under Liberia's current tax regime, taxpayers have basically four main compliance obligations – registration, filing, payment, and reporting. The Tax Compliance Risk Management (TCRM) section of the LRA reports on these compliance obligations annually. Assessment of the 2022 and 2021 reports is presented below.

One way to assess the soundness of how a tax authority manages and enforces the tax law and regulations, and how taxpayers comply with their tax obligations is to undertake a comprehensive tax administration and compliance analysis. The overall level of tax compliance in the country is influenced by several factors, including the regulatory and business environment. Conditions in the regulatory and business environment can encourage as well as discourage taxpayers in meeting their tax compliance obligations. For instance, complex and ambiguous tax laws can lead to confusion and errors in tax reporting; whereas clear and straightforward tax laws make it easier for taxpayers to understand their obligations and comply voluntarily. Similarly, an effective and efficient tax administration reduces the burden on taxpayers; while slow, inefficient, or corrupt tax administration can frustrate taxpayers, thereby becoming less willing to meet their compliance obligations.

Again, the USAID IDEA project computes and reports various indicators on how the regulatory and business environment impacts tax compliance and hence domestic revenue mobilization. Several of these measures on Liberia are extracted from the USAID IDEA report and presented below. For ease of analysis, the indicators are presented in comparison with Sub-Saharan Africa, low-income countries, and the world averages. As noted in the table 7, Liberia's performance in comparison with the regional and income group averages is below par on the indicators that matter as far as tax compliance is concerned. For instance, almost 42 percent of firms in Liberia expect to give gifts in meetings with tax officials compared to the regional average of 16 percent and low-income country average of 20 percent[19]. In fact, Liberia is ranked second to Congo (Kinshasa) out of 44 countries on this indicator.

---

[19] Liberia - Domestic Revenue Mobilization - Country Dashboard - All (usaid.gov)

Table 7: Liberia's select tax compliance indicators in comparison with regional averages.

Indicators	Year Recorded	Liberia	Sub-Sahara Africa	Low-Income Country	World
Time to prepare and pay taxes (hours)	2019	139.5	276.29	270.58	239
Firms that do not report all sales for tax purposes (percentage of firms)	2009	97.32	58.64	58.7	48.28
Firms identifying tax rates as a major constraint (percentage)	2017	38.4	35.2	37.7	31
Tax payments (number)	2019	33	36.52	36.42	22.78
Firms identifying tax rates as a major constraint, large firms (100+ employees) (percentage)	2017	26	33.6	35.1	28.6
Firms expected to give gifts in meetings with tax officials (percentage)	2017	41.7	15.7	20.4	11.5
Firms identifying tax administration as a major constraint (percentage)	2017	38.6	28.9	29.9	21.7

3.5.1 REGISTRATION

As a tax compliance indicator, registration captures the number of taxpayers registered with a tax authority on a year-on-year basis. It allows the timely identification of taxpayers, improvement in communication between the tax authority and the taxpayers, and for the provision of vital support services to taxpayers and the public, at large. A well-maintained taxpayer registration system contributes to increasing tax compliance by providing the basis for compliance planning and enforcement.

In Liberia, taxpayer registration is undertaken in two ways based on the type of taxpayer - walk-in and/or online through electronic means. To register as an individual taxpayer (natural persons), a person can simply walk in at any of the LRA facilities to complete their registration or can opt to register remotely through online platforms, while businesses (legal persons) are registered through walk-in. Responsibility to register businesses is entrusted to the Ministry of Commerce, Industry and Trade and Ministry of Foreign Affairs, through the Liberia Business Registry (LBR) - a government agency charged with the responsibility of registering and maintaining up-to-date records of businesses operations. However, for tax purposes the businesses are required to register with the LRA in keeping with the provision of the tax law. Interestingly, the LRA can only register businesses that have completed LBR's registration. This means the number of businesses registered for tax purposes significantly relies on the LBR.

Initially, taxpayers' registration was done through the SIGTAS platform which is not fully integrated with the LBR system. As of December 1, 2023, all registration of taxpayers (i.e. natural and legal persons) originates in LITAS[20]. There is currently a one-stop shop system being operated in Monrovia

[20] Liberia Integrated Tax Administration System (LITAS) is the replacement system for the Standard Integrated Tax Administration System (SIGTAS). Since October 1, 2022, all new taxpayers' registration and Large Taxpayers filings have been conducted in LITAS. As of October 1, 2023, all Medium Taxpayers' filing was moved to LITAS. As of December 1, 2023, SIGTAS has been decommissioned for the processing of any transactions, its use is restricted to reporting only.

where both the LRA and LBR are situated to ease the burden of registration. The SIGTAS system was deployed in the counties as part of the fiscal decentralization efforts but has since been reversed due to lack of capacity to operate them in the counties. Consequently, businesses in the counties now must come to Monrovia to complete their registration. Unlike natural persons that can be registered directly by the LRA, a legal person (business taxpayer) is registered for tax purposes only after completing the business registration process at the LBR. Key tasks performed by the LBR during business registration include name checks and assignment of business registration numbers.

As it is, the LRA's efforts in enforcing business registration are constrained by the inadequacy of the LBR system and LITAS platform currently used by the LRA - both systems are not interfaced with each other. The LRA has moved on to its new system (LITAS) and the LBR is moving on to a new system soon[21].

The LRA uses the annual percentage change in the number of registered taxpayers to gauge the performance of the taxpayer registration as a tax compliance indicator. Analysis of taxpayer registration numbers obtained from the SIGTAS system show an average annual increase of 4.48 percent of the number of registered legal taxpayers (businesses) in 2022. For natural persons (i.e., individual), the increase is 25 percent in 2022.

Table 8: Registered Taxpayers (2021-204)

Taxpayer Category	Number of Taxpayers				Number of Inactive taxpayers (2024 most recent list)
	2021	2022	2023	2024	
Large	319	396	349	381	136
Medium	10,014	10,655	8,281	9,779	5,893
Gov't and nonprofit	10,630	12,079	12,493	13,882	309
Natural resource section	6,465	6,987	7,427	8,564	1.209
Small and micro	92,501	100,705	108,547	121,921	105
Real Property	11,076	11,091	11,081	11,081	10
Total	135,303	141,360	148,178	165,608	7,662

With respect to the registration of legal persons, businesses in the large tax category accounted for the largest percentage increase in taxpayer's registration - recording 24 percent, from 319 businesses in 2021 and 396 businesses in 2022. In terms of absolute numbers, taxpayers in the small and micro tax category recorded the highest, from 92,501 taxpayers in 2021 to 100,705 in 2022, representing a 9percent increase during the period.

One of the limitations of the former system (i.e. SIGTAS platform) in terms of taxpayer registration was that the system did not have a functionality to automatically detect inactive taxpayers given that it was not connected to the reporting platform - the TAS. LITAS as deployed by the LRA will address this limitation as it has the capability to automatically detect inactive taxpayers and its payment capabilities are already integrated with external systems and fully functional. Under the current rule, a taxpayer is rendered inactive if it does not file a return or makes payment for three consecutive years. A total of 6,380 legal taxpayers were listed as inactive as at the end of 2023. This

[21] LITAS project is being implemented in several phases. Full integration with other systems (i.e. ASYCUDA, IFMIS, LBR, CBL, Libertrace, etc) are part of the Phase II. The development work in Phase II is currently ongoing.

number is far below actual given the inadequacy the SIGTAS system had to automatically detect inactive taxpayers on the tax roll. LITAS full deployment is expected to address this challenge and automatically flag inactive taxpayers consistent with the inactive taxpayers' rule.

3.5.2 FILING

The filing of tax returns is currently done in two ways - manually and electronically. The electronic filing system was introduced in 2018 and is now mandatory for medium and large taxpayers. The filing of returns is currently done in SIGTAS/LITAS. Upon registration, businesses are assigned tax types based on their line of operations and hence the tax they are expected to pay. This makes the reference point (i.e., expected filers) for the measurement of filing efforts to vary from one taxpayer group to another and by tax types.

An analysis of filing data in SIGTAS shows that less than 35 percent of expected filers in 2022 filed a return on time, 20 percent filed late and 65 percent did not file or stopped filing. When further assessed based on taxpayer grouping, 45 percent of the expected large tax filers filed on time, 30 percent filed late and 25 percent stopped filing.

Table 9: Filing of Salaries and Wages

Filing of withholding on salaries and wages by taxpayer categories	Expected Filers (% of total)		Expected Filers (count)	
	2022	2021	2022	2021
Large Taxpayers	4	2	686	324
Medium Taxpayers	41	46	6650	8040
Natural Resource	12	1	1933	192
Gov't and Nonprofit	43	51	6876	8891
TOTAL	**100%**	**100%**	**16,145**	**17,447**

3.5.3 REPORTING

Pivotal to a successful domestic revenue mobilization program are issues pertaining to accountability, transparency and data-driven decision making, which are essential for building trust and confidence amongst taxpayers, donors, and other stakeholders. All of these are made possible through accurate revenue reporting. Accurate reporting of revenue is a key element to enhancing resource mobilization capabilities, as it enables the government and the public to have a clear picture of the sources and uses of funds. Accurate reporting also helps to improve the efficiency and effectiveness of revenue collection, as it allows for the identification of potential gaps, leakages, and areas for improvement.

By ensuring revenue information is accurate, timely and accessible, the tax administration can demonstrate its commitment to fiscal responsibility and good governance and thereby increase its domestic revenue mobilization potential. Currently, revenue reporting for tax revenue is done through the LITAS[22] with the capability to capture all necessary information to ascertain that revenue

[22] Payment of taxes are made through the Tax Administration System (TAS) while revenue reporting was made through the Standard Integrated Government Tax Administration System (SIGTAS) until November 30,

reporting meets the adequacy requirement. In the prior period, revenue reporting was done via SIGTAS, which was limited and collected very minimal information (i.e. gross sales, total expenses, and taxable amount) required to be reported. As a result, there was inadequate information reported to derive the revenue numbers. While LITAS has addressed the above-mentioned challenge, it will continue to be limited until it becomes fully integrated with IFMIS and the CBL systems. Without such integration, there will continue to be inaccurate revenue reporting on external resources. Over the years, the practice has been the MFDP notifying the LRA upon receipt of external revenue for subsequent processing in its systems (SIGTAS/TAS). There is often a time gap between external revenues directly received by the MFDP and deposited consolidated revenue accounts at the CBL and reporting of the same in the LRA system (SIGTAS/TAS). It is anticipated that LITAS will resolve this issue when fully integrated with all external systems including CBL and IFMIS. Concurrently, revenue payment reporting is done through the TAS until LITAS becomes fully integrated with ASYCUDA.

Other limitations of TAS/SIGTAS were that they were not directly interfaced with the various revenue collection systems such as the direct bank payment platforms, and mobile money. Payments made through direct bank transfers were processed through a back channel in TAS and revenue payment reporting often took time to complete. As a result, the revenue numbers were not comprehensively captured and reported in a timely manner. There was always an understatement or revenue in transit at the end of the various reporting periods. For example, at the year-end 2022, a significant amount[23] was reported as revenue in transit or not processed in the TAS. All these limitations made it difficult to accurately report and forecast revenue numbers. Today with the deployment of LITAS, the system has been fully integrated with three (3) commercial banks and recording of payment into taxpayers account is seamless and automated. Plans are currently underway to bring additional banks on board as well as other digital payments (i.e., mobile money, orange money, etc.).

3.6 TAX POLICY

Tax policy analysis is one critical step in the formulation of a DRM strategy. It involves the examination and evaluation of tax policy measures with the sole aim of improving revenue collection by strengthening the existing policies and/or introducing new ones. The overriding objective of tax policy analysis is to ensure tax policies are optimized thereby resulting in fiscal sustainability through increased revenue collection. In Liberia, the tax regime consists of both taxes and administrative fees or obligatory payments. These levies are established in the LRC or in individual concessions or agreements. Values expressed in individual concession take precedence over those established in the LRC. Below is a summary of the taxes and fees that are established in the LRC.

3.6.1 TAXES IN EFFECT IN LIBERIA

Business Income Tax

The basis of business income taxation is established in chapters 2 - 9 of the LRC. Accordingly, the basis of taxation is a mixture of the source and residency of the taxpayer. That is, the tax is levied on the Liberian sourced income of non-residents; while for residents, it is levied on their worldwide

2023, when SIGTAS was decommissioned. As of December 1, 2023, all revenue reporting is done via LITAS for tax revenues and when fully integrated with ASYCUDA, for all domestic revenues.

[23] Liberia Revenue Authority (LRA) 2022 Annual Report Pgs. 137 (www.lra.gov.lr/reports)

income (i.e. all economic benefit regardless of the source). The business income tax rate is 25 percent for general businesses, 15 percent for businesses involved in the production and sales of rice and 30 percent for businesses involved in mineral and petroleum mining, and other agriculture activities other than rice cultivation. There is also a minimum tax of 2 percent of gross income, which is in lieu of the annual Business income tax and is treated as a final tax if it is greater than the regular corporate income tax. However, this 2 percent minimum tax payment is subject to refund in future years against the regular corporate income tax not to exceed five (5) years. Detailed breakdown of all taxes in effect in Liberia is found in Annex Five (5).

Personal Income Tax

Personal income tax is levied on the income of a natural person in keeping with the income tax provisions of the LRC. It is levied on the domestic source income of non-residents, while residents are taxed on their worldwide income. In principle, the tax is expected to be applied on a global basis as incomes received by a taxpayer from various sources, regardless of their nature, are to be added and taxed jointly with a single progressive rate structure using the personal income tax table. The first slice of annual income (LRD 70,000) is exempt from the payment of the tax. While the tax is largely collected through withholding by employers. That said, taxpayers can individually file and make payments. The Personal Income Tax bands are subject to annual inflationary adjustment, if the exchange rate between the US and Liberia dollars changes by 10 or more basis points from the average rate prevailing for the preceding calendar year, by the Minister of Finance and Development Planning, by January 31 of the current year.

If, during a calendar year, the average market rate of exchange between U.S. and Liberian Dollars changes by 10 or more basis points from the average rate prevailing for the preceding calendar year, the Minister of Finance & Development Planning shall make an inflation adjustment to the Liberian dollar amounts set out in this Code.

Other Levies on Income

In addition to direct levies on business and individual incomes, there are levies on certain income types such as interests, dividends, royalties and/or general payment to non-resident taxpayers. Levies in this category ensure timely collection of revenue, reduced evasion, safeguard revenue during economic transactions and ensure tax compliance. The withholding rule basically requires a person or an entity making payment to withhold a portion at the time of the payment and remit the same directly to the LRA on behalf of the recipient.

Goods and Services Tax

Goods and Services Tax are levied on the final consumptions under Chapter 10 of the LRC. It is a single-stage sales tax. The goods tax component of the Goods and Services Tax is levied on all goods, except those exempted by law; while the service tax component is levied on select services, including hotels, restaurants, bars, gambling, telecommunication, electricity, and sporting and/or game arranger services. The tax is levied at the rate of 10 percent for general goods and services and 15 percent for telecommunications services.

Excise Tax

Chapter 11 of the LRC provides the basis for excise taxation. Excise tax is imposed on select goods at differentiated rates between locally manufactured and imports. The excise law imposes an excise tax stamp on beverages and tobacco products.

Customs Duties and Related Charges

Customs duties are imposed under Chapters 12 – 18 of the LRC. These are levied on both the imports and exports. Other customs related charges are the ECOWAS trade levy, customs user fees, local fish levy and customs fines and penalties. The specific import duty rates applicable to the various items are contained in the Customs Tariff (Schedules 1 - 6). Valuation of imports and exports is determined based on transaction values or under one of the other valuation methods consistent with the WTO General Agreement on Tariff and Trade (GATT) valuation as provided for in Chapter 16 of the LRC. Customs user fees, in lieu of duties on exports, are imposed on select unprocessed agricultural exports in the form of fees. These include Cocoa, palm, and timber. There is also a levy on transiting goods.

Real Property Tax

The basis for real property taxation is established under Chapter 20 of the Revenue Code. Accordingly, an annual tax is levied on each parcel of land that is not exempt from taxation and is to be levied on the assessed value of the land – both improved and unimproved based on geographical location (city or town lot for unimproved land) and usage (commercial, residential, or industrial for improved land). Real properties are broadly classified into two categories for tax purposes – unimproved property and improved property. Liberia's real property tax regime establishes a multiple rates system as opposed to a single or flat rate. Rates vary according to the classification of the property.

Surface Rental Fees

In addition to the general real property tax provision under Chapter 20 of the LRC, property related taxes are levied on mining and agriculture operations under Chapters 6 and 7 of the LRC. These come in the form of annual surface rental fees. Surface rental amounts stated in the LRC are subject to annual inflationary adjustment in accordance with the GDP implicit price deflator as published and revised from time to time by the US Department of Commerce, Bureau of Economic Analysis. The revised values are to take effect effective January 1 of every calendar year.

Royalties

In Liberia, royalty payments are levied on businesses that are involved in natural resource extraction under 7 and will be involved in carbon credits trade under Chapter 6 of the LRC. Mineral royalties are levied on iron ore, gold, and diamond extractions at various rates at their fair market value (FOB Liberia) on the date of shipment in accordance with Section 10(gg) of the LRC. Unlike mineral royalty, petroleum royalty is applied against the gross production before any cost is deducted. With respect to carbon credit royalty, the rate is applied against the value of the credits. The LRC, however, calls for the drafting of regulations to derive the method for calculating the carbon credits.

3.6.2 ADMINISTRATIVE FEES IN EFFECT

In addition to the core taxes, there are a plethora of fees and charges in effect in Liberia. The basis for these fees is established in Chapter 21 of the LRC. The specifics of these fees are defined in administrative regulations that are jointly issued by the Ministry of Finance and Development Planning and the respective sector ministries and agencies.

3.6.3 TAX POLICY AND ADMINISTRATIVE REFORMS

Policy Reforms

Liberia, over the years, has implemented several tax policy reforms. These reforms range from the formation of the LRA to several amendments to the LRC. The below matrix catalogs the key tax policy reforms undertaken since 2011. As a result of these tax policy reforms as well as other broader fiscal and macroeconomic reforms, total domestic revenue collection increased from US$463.80 million in 2014 to US$616.43 in 2022. That said, when the revenue performance is assessed based on the revenue collection potential, the overall tax policy design seems to be severely inadequate. For instance, Liberia's average tax to GDP ratio for the period 2012 to 2022 is measured at 12.43, which is below the 2019 Sub-Saharan Africa average of 14.10 and world average of 16.98.

Table 10: Tax Policy Reforms Since 2011

Year	Category	Brief Description
2011	Natural resource taxation	Introduction of LRC chapters 6 and 7
2011	Anti-Avoidance Rule	Introduction of Section 15
2011	Business income taxation	Reduction of the rate from 30 to 25 percent
2011	Personal income taxation	New PIT table with 4 bands
2011	Investment incentives	Introduction of new section 16 granting incentives for business investment in certain sectors
2011	Goods and services taxation	Introduction of differentiated GST rate for GSM services and restaurants
2012	Customs Tariff Schedule	The Harmonized Commodity Description and Coding System (Harmonized System) came into effect. The instrument of accession was deposited in 2020
2013	Establishment of the LRA	The LRA was created as a semi-autonomous agency out of the MFDP. Commence operations July 2014
2015	Accession to the WTO	Liberia ratified its accession to the World Trade Organization and became a member. This process included the adoption of the General Agreement on Tariff and Trade (GATT) Valuation for Customs Transactions
2016	Import duties	Adoption of the ECOWAS CET in replacement of Liberia's tariff. The rates were to phase out over a four-year period starting from 2017.
2016	Real property taxation	Reduction of rate for commercial and residential properties
2016	Goods and services taxation	Increase the GST rate from 7 to 10 percent

Year	Category	Brief Description
2016	Investment incentives	Amendment of the investment incentive provision of the LRC. The reform basically removed other forms of incentives and limited the incentives to GST and import duties on imported goods
2017	Customs Tariff Schedule	Adoption of the WCO Harmonized System (HS) 2017 version
2018	Excise taxation	Amendment of the entire excise provision of the LRC introducing new excisable items and rates. This amendment also introduced the excise tax stamp
2019	Customs Law and Procedures	Amendment of the entire Part V of the LRC covering chapters 12 - 18 on customs law and procedures. This amendment domesticated the WCO Revised Kyoto Convention (RKC) on the Simplification and Harmonization of Customs Procedures and WTO General Agreement on Tariff and Trade (GATT) Valuation.
2020	Customs Procedures	Liberia deposited its instrument of accession to the WCO RKC on the Simplification and Harmonization of Customs Procedures which came into effect in 2021
2021	Investment incentives	Amendment of the investment incentive provision of the LRC reducing the tenure of the incentive from 5 to 3 years and further qualifying the eligible sectors as provided for in regulation. It also included continuing oversight of the incentive by MFDP, NIC and LRA
2021	Liberia Revenue Code (LRC)	Consolidation and codification of all amendments of the LRC since 2011 into Liberia Revenue Code as Amended
2021	Trade Facilitation Agreement	On April 29, 2021, Liberia adopted the WTO Protocol on Trade Facilitation Agreement. This agreement aims to make trade easier and faster by simplifying the procedures for moving, releasing, and clearing goods across borders. It also promotes effective cooperation between customs and other relevant authorities on trade facilitation and customs compliance issues
2024	Value Added Tax (VAT)	Amendment of Chapter 10 of the LRC with the passage of the VAT law and repeal of the GST provision, albeit with a sunrise provision calling for implementation to begin in 18 months from the effective date. The law has since been amended to reduce the rate from 18 to 15 percent.

Year	Category	Brief Description
2024	Various provisions of the LRC	Other provisions of the LRC were also amended in 2024. These include, for example, increasing the GST rate from 10 to 12 percent and adjustment of the limitation for interest deduction under Section 203(d) from 50 percent of taxable income to 25 percent.

Tax Administration Reforms

The Tax Policy Reforms have been supported and provided for several tax administration reforms and modernizations programs and projects. These reforms have helped to increase the revenue collection and mobilization, improve the efficiency and effectiveness of the tax system by reducing administrative costs, simplifying the procedures, and enhancing service delivery for the taxpayers and that tax administration. These reforms have also fostered a culture of voluntary compliance and trust among the taxpayers, contribute to the economic growth and competitiveness of Liberia and support good governance and accountability of the government. The tax administration reforms are further discussed below looking at the impact on the institutional structure and governance and the reforms programs and project implemented.

Tax Administration Structural and Governance Reform

Until September 2013, revenue and tax policy and administration were incorporated in the Department of Revenue, Ministry of Finance. As part of the broader government reform agenda, the Ministry of Finance and Development Planning (MFDP) was established in line with international financial management best practices[24] to improve governance and accountability of the public sector and enhance the coordination and alignment of the national development plan with the budget and the medium-term expenditure framework. This resulted in the extraction of the Department of Revenue which encompassed Bureaus of Internal Revenue and Customs and Excise, and the tax administration functions and the creation of the Liberia Revenue Authority (LRA).

The LRA was established by an Act of the Legislature and began operations on July 1, 2014. As a semi-autonomous agency, the LRA is responsible for the administration and enforcement of the revenue laws and regulations of Liberia[25]. Its establishment is to ensure that all functions of revenue collection and management are optimized, and to increase the revenue mobilization potential of the country. It was also a part of the broader government's reform agenda to modernize and strengthen the revenue administration system, and to foster a culture of voluntary compliance and trust among taxpayers.

Recent Tax Administration Reforms

Liberia, over the years, has implemented several tax administration reforms. These reforms range from the development and implementation of revenue mobilization strategies to several projects in

[24] Ministry of Finance and Development Planning. https://mfdp.gov.lr/
[25] Liberia Revenue Authority. revenueauthorityact.pdf (lra.gov.lr)

digital transformation to enhance the functions of registration, filing, payment, and reporting. The matrix below catalogs the key tax administration reforms undertaken since 2014.

Table 11: Tax Administration Reforms Since 2014

Year		Brief Description
2015	Corporate Strategic Plan	Completed the first Corporate Strategic Plan for 2016/2017 - 2020/2021 which assembled a platform for a more efficient and effective tax administration in Liberia
2016	TADAT Assessment	Liberia completed its TADAT assessment in June 2016 and the report was published in 2017. TADAT evaluated the performance of the LRA in nine (9) key outcome areas, using 32 indicators and 55 dimensions and provided a comprehensive and objective diagnosis of the strengths and weaknesses of the LRA, as well as recommendations for improvements
2016	Transformation and Modernization Division	Established this Division at the Enterprise level of the LRA to centrally manage the reform agenda implementation and evaluate all current and future reform projects
2017	Benchmarking Study of Liberia Tax System	USAID conducted under the RG3 project a benchmarking study of the Liberia Tax System and compared with 15 countries within Africa and beyond using TADAT. The findings of the study revealed that Liberia's tax system has some strengths but also several areas for improvement, and the provided specific recommendation and a prioritized action plan for implementing reforms.
2017	Direct Payments from Bank Accounts	Established transitory accounts in all commercial banks in Liberia and introduced the payment of taxes directly from taxpayers account to the transitory account resident in the same commercial bank. Prior to this all payments were made via cash ($100 and below) or manager's checks (above $100). This process also led to an increase in cash payments to $250.00. Only used for Domestic Tax Payments
2018	Direct Payments from Bank Accounts	The direct payments were expanded to include payments from international trade (i.e., Customs Department)
2018	E-Filing	Introduction of electronic filing via an e-filing platform in tax administration
2018	Mobile Money	Introduction of tax payments via mobile money in Liberia. It enables tax payment to be made conveniently, without the need for cash, faster, and is inclusive of the informal sector.
2018	Debt	Established a Debt Management and Recovery Division with

Year		Brief Description
	Management and Recovery	the Legal and Board Department with focus on recovery of tax debt
2018	Centralized Assessment Unit	Established and operationalized the Centralized Assessment Unit to do all customs assessment using a single window and no human interfaces. This enables the LRA concentrate the development of its capabilities in the areas of classification, valuation, and goods origin within a select unit
2018	ASYCUDA World Upgrade	implemented the upgrade of the ASYCUDA World client interface system which was introduced in Liberia in 2009 into a web-based interface system that allows users to access, with appropriate credentials, from anywhere in the work
2021	Excise Tax Stamp	Introduction of Excise Tax Stamp in Tax Administration in Liberia with the development, deployment and roll out of the tax stamps and system
2021	Simplified Customs Declaration	Development of the simplified Customs Declaration in ASYCUDA World and the roll out of the system to five (5) Customs Business Offices.
2021	New Integrated Tax Administration System (ITAS)	Completed procurement and award of the contract to develop and implement a new integrated tax administration system (LITAS) to replace SIGTAS. This system allows taxpayers to manage their own accounts and handle the filing, payment and reporting through the comfort of their homes and offices.
2021	Electronic Fiscal Device (EFD)	Introduction of electronic fiscal device in Liberia to be installed in supermarkets, restaurants and other businesses and help to strengthen transparency in filing and payment of Goods and Services Tax (GST) and income tax.
2024	Nationwide campaign to strengthen voluntary compliance	Conducted over 620 media and public engagement activities with the aim of increasing the visibility of the LRA and educating the public on its core functions. Also under this initiative, the LRA website was revamped to make it user friendly and to allow user engagement to over 45,000 hits.
2024	Increasing access to information	Completed the design and construction of a modern pilot one-stop-shop service and a toll-free center at the headquarters.
2024	Institutionalizing tax education	Signed a tripartite MOU with the Ministry of Education, and the West African Examinations Council (WAEC) to promote tax education. Also under the initiative, a National Student Day event was organized to engage students in discussion

Year		Brief Description
		on tax matters civic responsibility. Other activities included 15 tax clinics for schools, concessions and MACs; 48 radio shows; hosting of the annual Taxpayer Appreciation Day; and drafting of tax crime and investigations awareness handbook for taxpayers.
2024	Enhancing the LRA's internal capacity	- Finalized the five-year Corporate Strategy Plan (2025-2030) - Transition from a paper-based system to an automated performance management system. - Renovation of key TBO – Kakata, Red Light, Bensonville, Central Monrovia and Gbarnga. - Investigated 13 out of 17 reported employee misconduct cases, with 9 sustained and 2 referred to the LACC.

3.7 Challenges to Domestic Revenue Mobilization

Liberia grapples with a myriad of challenges in mobilizing domestic resources for its developmental needs, falling into four overarching categories: tax policy and legal framework, taxpayer compliance and enforcement, staffing and capacity building and technological infrastructure and innovation. In terms of tax policy and legal framework, issues include the impact of inefficient tax policies, rates, exemptions, and incentives on revenue collection. These challenges also encompass delays in litigating tax cases, lack of a salvage vehicle valuation regime fostering tax evasion, inadequacies in the real property tax system, failure to adjust personal income tax for inflation, and a complex tax incentive regime hindering monitoring and reporting. Moreover, the large informal sector escapes the tax net.

On the taxpayer compliance and enforcement front, challenges encompass a low tax culture, limited intelligence gathering on taxpayers, absence of a unique national identification number facilitating tax evasion, difficulties in distinguishing active from inactive taxpayers, outdated proof of delivery provisions, and a pervasive issue of high tax evasion and avoidance.

Staffing and capacity building stand as pivotal determinants of the Liberia Revenue Authority's (LRA) effective tax administration, influencing both the quality and quantity of human resources available. However, the LRA grapples with several challenges in this domain. These include critical skills gaps in areas such as auditing, transfer pricing, and information technology, necessitating expertise for handling complex tax issues. The inadequacy of existing staff development programs, recruitment challenges due to insufficient background checks and low competitiveness, retention issues fueled by high turnover rates and a lack of transparent promotion policies, and continuity challenges affecting service delivery due to workforce disruptions are notable obstacles.

Additionally, the crucial role of technological infrastructure and innovation in modernizing tax administration is acknowledged, but the LRA faces a range of challenges in this realm. Policy issues related to digital economy taxation, taxpayer registration complexities, obstacles in filing tax returns and making payments online, reporting standardization difficulties, infrastructure deficiencies, and data management and integration issues collectively pose formidable constraints on the efficient mobilization of domestic resources in Liberia. Urgent and comprehensive reforms are imperative to address these multifaceted challenges and mitigate potential threats to the LRA's effectiveness. These multifaceted challenges pose significant impediments to the effective mobilization of domestic resources in Liberia, demanding immediate and comprehensive reforms and measures.

CHAPTER FOUR: STRATEGIC PRIORITIES

4.1 Introduction

In the pursuit of a resilient and self-sustaining Liberia, the DRMS provides a pivotal roadmap, evolving from the lessons learned and experiences gained since the adoption of the inaugural DRM Strategy in 2018. Under the thematic banner of "Building a Resilient Liberia: Enhancing Domestic Resource Mobilization for National Transformation," our vision is clear – to witness Liberia emerge as a nation capable of generating more of its own resources to meet its developmental needs and aspirations. Domestic resource mobilization is not only a fiscal mechanism aimed at generating revenue; but also, an instrument that represents a profound national commitment to self-determination, ownership, and sustainability[26]. It refers to how countries use their own funds to provide public services that help reduce poverty, offer vital services, and reduce their reliance on foreign aid. DRM does not mean increasing taxes or raising tax rates; instead, it involves amongst other things, improving existing systems, enhancing audits, and simplifying processes[27].

Informed by the valuable lessons learned from the previous DRMS, our strategic foresight has crystallized into four carefully selected priorities. Accordingly, the current DRMS unfolds through these four pivotal interconnected strategic priorities that are not only responsive to the lessons learned from past implementations but also considered challenges and opportunities that have emerged since the drafting of the first DRMS. They are deliberately tailored to be implemented within existing resources, ensuring a pragmatic and sustainable trajectory over the next five years. The strategic priorities and actions are presented below at a very high level. Annex # 2 presents the details of these priorities and ensuing actions along with a proposed implementation timeline. In concert, these four strategic priorities weave a comprehensive tapestry, each thread reinforcing the other. Collectively, they form the backbone of Liberia's journey towards self-reliance, ensuring a resilient and transformative trajectory that aligns with the nation's aspirations for sustainable socio-economic progress.

4.2 Strategic Priority 1: Develop DRM Enabling Tax Policies and Legal Framework

At the forefront of our strategic blueprint lies the imperative to create a conducive environment for DRM. This priority entails a comprehensive overhaul of tax laws, regulations, administration, and revenue governance. It considers, among other things, simplifying the tax system, reducing exemptions, enhancing transparency, and aligning with international standards. By doing so, it demonstrates Liberia’s commitment to foster innovation, adaptability, and collaboration across all stakeholders. This foundational shift lays the groundwork for a resilient revenue-generating system, ensuring flexibility and responsiveness to evolving economic landscapes. The rationale behind this priority is to create a favorable regulatory landscape that facilitates streamlined revenue generation, promotes fairness, and aligns Liberia's fiscal policies with global best practices, adapting to continuous changes in the economy.

---

[26] Domestic resource mobilization | FP Financing Roadmap
[27] Domestic Resource Mobilization | Economic Growth and Trade | U.S. Agency for International Development (usaid.gov)

Under this priority, several actions are outlined. The first set of actions involves reviewing tax policies and legislation to broaden the tax base. It entails a review and redesign of the entire Personal Income Tax (PIT) Regime to include income and other benefits (i.e. bonus, severance and/or termination benefits). Initially, the redesigning of the Personal Income Tax (PIT) regime is to account for inflation and depreciation of the Liberian dollar and reducing the exemption threshold on the filing requirement. Other actions for consideration include but are not limited to strengthening international tax information exchange capabilities and developing policies for negotiating tax treaties to prevent double taxation and fiscal evasion. Additionally, there is a focus on counteracting international tax avoidance and evasion in line with the Base Erosion and Profit Shifting (BEPS) action plans and developing comprehensive property tax legislation, with a specific emphasis on local government revenue transition.

The second set of actions pertains to the review of tax policies and legal frameworks related to tax expenditure. This involves rationalizing income tax exemptions, incentives, eliminating discretion, introducing non-renewal of existing exemptions, maintaining sunset clauses, and repealing or rescinding unproductive tax holidays. Another aspect involves expanding DRM capabilities through the enactment of the Value-Added Tax (VAT) legislation, including the broadening of the VAT base.

The third set of actions focuses on the full implementation of the Economic Community of West African States (ECOWAS) Common External Tariff (CET). Lastly, action four emphasizes modernizing and simplifying tax laws and rules to strengthen voluntary tax compliance. This includes revising tax laws, rules, and procedures to reflect good practices and enhance the overall efficiency of the tax system. Together, these actions aim to create a robust and responsive fiscal framework that supports Liberia's economic growth and development through enhanced Domestic Resource Mobilization.

4.3 Strategic Priority 2: Broaden the Tax Base

Under this strategic priority, which aims to broaden the tax base, a comprehensive set of actions has been proposed to enhance revenue potential and adapt to the evolving economic landscapes. One key element involves boosting taxpayer registration. Introducing and or operationalizing a single and unique taxpayer identification, continuing the cleaning and updating of the tax register, and leveraging external information to identify unregistered taxpayers are crucial steps. Collaborative efforts with governmental agencies such as the Civil Service Agency, the Liberia Business Registry and the Ministry of Commerce & Industry are integral to registering all civil and public servants and businesses, respectively. Moreover, the strategy underscores the importance of strengthening the taxation of the informal sector. This involves not only expanding the Compliance Clustering Program[28] but also promoting the formation of cooperatives or associations among small traders to facilitate tax compliance. The multifaceted approach recognizes the dynamic nature of the informal sector and seeks to bring it under a more structured and regulated taxation framework.

Furthermore, the strategy emphasizes the need to design and implement revenue-generating capabilities at the local government and sub-local government unit levels. Improving and updating

[28] Compliance Clustering System (CCS) Program is an initiative of the Liberia Revenue Authority launched October 29, 2019. The Compliance Clustering System seeks to improve tax education and ensure that taxpayers have full access to information they need in becoming complaint with the revenue code. The new system involves the division of small and medium taxpayers according to their defined locations or communities which are called clusters or zones.

the real property register, along with expanding the Real Property Tax Project[29] with a focus on efficient collection, are integral components of this initiative. By empowering local government structures to generate their own revenue, Liberia aims to fully implement the Local Government Act with the devolution of own source revenues, enhance financial autonomy at the local level and contribute to the overall goal of broadening the tax base. This approach aligns with a broader vision of fiscal sustainability and economic resilience, ensuring that Liberia remains adaptable to emerging economic trends while securing sustained fiscal growth.

4.4 Strategic Priority 3: Enhance Voluntary Tax Compliance and Strengthen Enforcement

The effectiveness of tax compliance relies on a combination of enforcement, facilitation, and trust-building strategies[30]. The likelihood of taxpayers complying is higher when there is a strong enforcement system in place, with increased chances of detection and penalties for non-compliance. At the same time, compliance is facilitated when it is easy and low-cost for individuals to meet their tax obligations. Trust plays a crucial role, as individuals are more inclined to comply when they believe in the fairness of the tax system and have confidence that their contributions will translate into public benefits. It therefore denotes that investments in enforcement and trust-building are not separate strategies but are interconnected. Trust is built through the existence of effective enforcement mechanisms, such as fair punishment for non-compliance. On the other hand, in environments with low trust, it becomes challenging to garner the political support needed to enhance enforcement capacities. Therefore, investing in trust-building is not only about creating a positive perception but also about cultivating a political atmosphere that supports robust enforcement. This strategic priority thus seeks the use of a balanced mix of these elements working together to foster a tax system where taxpayers willingly comply with their obligations.

Recognizing the fundamental role of voluntary tax compliance, the strategy places a primary emphasis on cultivating a culture of cooperation among taxpayers. This involves simplifying procedures, leveraging education, and embracing technology and innovation to encourage voluntary adherence to tax obligations. The intention is to strike a delicate balance between fostering voluntary compliance and fortifying the government's capacity to ensure adherence to tax regulations. Additionally, enhancing tax morale and trust is pivotal for voluntary compliance. Tax morale is the intrinsic willingness to pay tax[31], which is influenced by various factors such as moral beliefs, legal obligations, social norms, and perceived fairness of the tax system while trust in the tax system is the confidence that taxpayers have in the ability and integrity of the government to collect taxes effectively and efficiently, and to use them for public goods and services[32]. This can be achieved by improving the fairness and transparency of the tax system, increasing government

---

[29] Real Property Tax Project is the real estate tax expansion project, which seeks to expand the tax base while enhancing the decentralization effort envisaged by the Local Government Act. It was launched as a pilot, on December 15, 2021, in Margibi County. The project will enable a close engagement with the local county authorities, recruitment of personnel from in the county and sharing of 50% of the revenue with the county. The project was rolled out to Buchanan, Grand Bassa County in 2022 with the expectation of being rolled out in the remaining counties.

[30] Innovations-in-Tax-Compliance-Conceptual-Framework.pdf (worldbank.org) pg. 9

[31] Tax Morale : What Drives People and Businesses to Pay Tax? | OECD iLibrary (oecd-ilibrary.org)

[32] Tax morale | ACCA Global

accountability and responsiveness[33], providing quality public service, and promoting social norms that support tax compliance.

The priority involves simplifying and stabilizing tax laws and regulations, which entails reviewing and reforming tax policies and legislation, harmonizing tax rules and procedures, and ensuring consistency and clarity in tax interpretation and guidance. This initiative aims to reduce compliance costs and uncertainties for both taxpayers and tax administration, ultimately boosting compliance and revenue. Furthermore, building a tax compliance culture is crucial. It is the attitude and behavior of taxpayers towards paying their taxes voluntarily and honestly. This involves developing and implementing a comprehensive taxpayer education [34] strategy, improving outreach and education, organizing targeted tax campaigns, and sustaining the recognition and award systems for compliant taxpayers. This should include the establishment and roll out of one-stop full taxpayers' service and call centers, acceleration of the LRA continuous engagement with taxpayers in cities as well as remote locations[35] and the development of various tax information and laws in local dialects. Streamlining and simplifying tax laws and rules also play a pivotal role in strengthening voluntary compliance. This includes designing and implementing simplified tax returns for small taxpayers, distributing brochures of tax laws via multiple channels, and harmonizing tax rules and procedures.

To improve the perception of the tax system means making taxpayers more aware of the benefits and fairness of paying taxes as well as the consequences of not paying them[36]. It also means making taxpayers more confident and satisfied with the quality and accessibility of taxpayer services, such as filing, payment, refund, and audit. This improvement in the perception of the tax system includes accelerating initiatives such as enhancing the tax disputes resolution mechanism, improving transparency through outreach and communication, and conducting comprehensive tax expenditure analyses. Improvement in perception of the tax system requires a comprehensive approach that considers the needs and preferences of different groups of taxpayers[37]. It also requires constant monitoring and evaluation to ensure its effectiveness and sustainability. Improving perception of the tax system can help increase voluntary compliance, reduce tax evasion and avoidance, and foster a sense of civic duty and citizenship[38].

Correspondingly, strengthening revenue enforcement[39] is a pivotal component of this strategy as taxpayers would need to comply with the tax laws and regulations. This strategic priority aims to proactively detect non-filers, capture inactive taxpayers, and streamline the return filing process. Critical actions that can detect, deter and punish tax evasion and avoidance include but are not limited to the enforcement of online return submissions and digital tax payments, enhancing control over Electronic Fiscal Devices (EFDs) installation and usage, and expanding utilization of excise stamps to cover additional excisable products[40]. Having a robust enforcement program in place will

---

[33] WIDER Working Paper 2023/54-Tax and sustainable development in sub-Saharan Africa: Beyond accountability and responsiveness (unu.edu) Pg. 4
[34] Executive summary | Building Tax Culture, Compliance and Citizenship : A Global Source Book on Taxpayer Education, Second Edition | OECD iLibrary (oecd-ilibrary.org)
[35] IBID Pg 14
[36] Improving Tax Collection, Raising Tax Revenue and Lessons in Tax Reform - IMF F&D Magazine
[37] 4. Communicating tax to raise awareness | Building Tax Culture, Compliance and Citizenship : A Global Source Book on Taxpayer Education, Second Edition | OECD iLibrary (oecd-ilibrary.org)
[38] 4. Communicating tax to raise awareness | Building Tax Culture, Compliance and Citizenship : A Global Source Book on Taxpayer Education, Second Edition | OECD iLibrary (oecd-ilibrary.org)
[39] KRA-TAX-INVESTIGATION-FRAMEWORK-1.pdf
[40] Economic_Growth_-Liberia_Domestic_Resource_Mobilization_.pdf (usaid.gov)

ensure that taxpayers pay their fair share of taxes, prevent, or reduce tax evasion and avoidance which undermine revenue collection and distort economic activity, promote a level playing field among taxpayers in a free market economy like Liberia and enhance public trust and confidence on the tax system.

To fortify enforcement mechanisms, a critical step involves improving data and information management. This includes adopting modern and integrated information systems, enhancing data quality and security, expanding data sources and coverage, and employing data analytics and intelligence tools. Additionally, compliance plans tailored for large, medium, small, natural resource, and non-profit taxpayers are proposed, along with improved detection mechanisms for non-compliant professionals. Data interoperability and exchange of information are emphasized through achieving AEIO[41] status. Business intelligence and analysis are strengthened to identify high-risk areas and transactions while implementing the ASYCUDA Performance Management Program. Collaboration with Joint Security is prioritized to combat smuggling.

Furthermore, the strategy includes measures to strengthen audit capacity, with the development and enhancement of industry-specific audit capabilities and manuals, quality assurance on audits for high-risk sectors, implementation of a robust risk-based audit program, and capacity development initiatives. Overall, these actions collectively form the comprehensive strategic priority to fortify tax compliance and enforcement mechanisms, leveraging technology, tailored compliance plans, and enhanced audit capabilities.

4.5 Strategic Priority 4: Strengthen Institutional Capacity

The focus here is on strengthening institutional capacity which is integral to the success or sustainability of domestic revenue mobilization[42]. This strategic priority is presented into two parts - strengthening staffing and capacity building and boosting technological infrastructure and innovation. It recognizes the pivotal role of human capital and technological innovation in effective revenue mobilization.

One key initiative under this priority is the development of staff skills and professionalism. Liberia envisions this through the formulation and execution of a comprehensive Human Resource Strategic Plan[43], which not only outlines the skills like tax administration, law and technology required but also addresses recruitment and training of young and talented staff. Continuous training programs should be instituted to keep staff abreast of evolving tax laws and international best practices, fostering a dynamic and adaptive workforce. Specialized units must be established and/or enhanced to address emerging challenges such as transfer pricing, international

---

[41] Automatic Exchange of Information (AEOI) is the exchange of information in a systematic way between countries without the receiving country having to request. On June 11, 2018, Liberia signed the Mutual Multilateral Convention on Mutual Administrative Assistance in Tax Matters, making it the 122nd jurisdiction to join the world's leading instrument for boosting transparency and combating cross-border tax evasion. This Convention is a cornerstone for the implementation of the automatic exchange of Country-by-Country reports on the activities of multinational enterprises, under the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project, and is a powerful tool in the fight against illicit financial flows. Liberia has not been asked to commit not has it set a date for the first year of automatic exchange of information (www.oecd.org/tax/transparency/AEOI-commitments)

[42] Tax Capacity Building: A Practical Guide to Developing and Advancing Tax Capacity Building Programmes | READ online (oecd-ilibrary.org)

[43] 15_090_Handbook_on_Tax_Administration_(Second Revised Edition)_final_web_0.pdf (ibfd.org) Chapter 7; pg. 587

transactions and digital taxation. The emphasis is on enhancing and enforcing performance management, reporting and evaluation system, leveraging onsite and online knowledge management platforms, and fostering institutionalized staff exchange programs and attachments to enhance expertise.

Implementing performance metrics and incentive systems will promote accountability and excellence, while collaboration with international organizations and the private sector will provide access to external expertise. Ethical considerations are paramount, necessitating the establishment of a robust code of conduct and whistleblower protection mechanisms to maintain integrity within the organization. Moreover, embracing change management [44] is a critical component of strengthening institutional capacity. The acknowledgment that tax administration is dynamic necessitates the creation and continuous improvement of a tax training school. This involves infrastructure enhancements and the development of human and knowledge capacity among resource persons/experts. The development and regular reviews of the curriculum aligned with emerging taxation issues and the provision of refresher courses on challenging tax matters will illustrate LRA's commitment to keeping its human capital abreast of evolving demands.

Another critical component in strengthening the staff and capacity building is improving staff conduct. By strictly enforcing a code of conduct for revenue officers, adopting a zero-tolerance policy towards unethical practices, and implementing anti-corruption measures, Liberia aims to ensure the integrity of its revenue administration. Sanctioning staff involved in malpractice, and publishing anti-corruption policies and whistleblower arrangements further underscore the commitment to transparency and accountability. Additionally, adopting a customer-focused approach, coupled with motivation and performance-based rewards, aims to instill a service-oriented mindset within the revenue officers.

A third element involves developing capacity in revenue policy analysis. This encompasses the procurement of appropriate software, the creation and implementation of tools for tax and non-tax policy analysis, and the training of analysts in utilizing these tools for revenue forecasting. It also considers the establishment of data management system that will enhance the analytical capabilities of the revenue officials and ensure the timely submission of Liberia's tax data to international institutions such as ECOWAS, IMF, WTO, etc. By integrating these measures, Liberia seeks not only to strengthen the technical skills of its workforce but also to cultivate a culture of accountability, integrity, and adaptability within its revenue administration.

Lastly, the Liberia Revenue Authority (LRA) requires strategic infrastructure investments to enhance operational efficiency, ensure security, and facilitate trade for the successful implementation of Domestic Resource Mobilization (DRM) Phase II. Key needs include improving border infrastructure by establishing or renovating facilities to support inspections and revenue collection, addressing logistical gaps with modern technologies, and surveillance systems to enable efficient operations. Automation and modernization of systems, such as e-payments and risk management tools, are critical to streamline processes and promote transparency. Strengthened enforcement and compliance capabilities, including communication infrastructure and resources for emergency responses, are essential for effective operations. Additionally, updated facilities and tools at headquarters and major ports will enhance service delivery. These investments aim to build a secure, efficient, and technologically advanced Tax and Customs infrastructure that supports revenue collections, trade facilitation and national security goals.

[44] Change management in tax administrations. | Inter-American Center of Tax Administrations (ciat.org)

In advancing the Liberia Domestic Resource Mobilization (DRM) Strategic Priority #4, the emphasis on strengthening institutional capacity extends to Part Two, focusing on boosting technological infrastructure and innovation. This dimension recognizes the pivotal role of technology in modernizing revenue administration. A critical initiative within this framework is the acceleration and enhancement of Integrated Taxpayer Databases[45]. By establishing centralized and integrated taxpayer databases across government agencies, Liberia aims to improve accuracy, reduce duplication, and streamline data management. This not only enhances the efficiency of tax administration but also provides a comprehensive view of taxpayer activities.

Moreover, designing intuitive and user-friendly interfaces for online tax filing and payment systems is a strategic move to encourage broader participation. Simplifying the process not only makes it more accessible to a wider audience but also fosters a positive perception of the tax system. The expansion of digital payment options and ensuring their security further incentivizes taxpayers to embrace online channels, contributing to the overall efficiency and transparency of revenue collection.

To bolster these efforts, improving data quality and availability is crucial. Enhancing the data warehouse to facilitate seamless data exchange and investing in advanced analytics tools for enforcement purposes are critical components of this initiative. A robust data infrastructure not only supports day-to-day operations but also enables the revenue administration to make informed decisions based on accurate and timely information.

Recognizing the dynamic nature of technology, Liberia's DRM strategy also promotes collaboration with the private sector. Partnering with private entities brings in external expertise, additional resources, and innovative solutions to address technological challenges. This collaboration ensures that the revenue administration stays at the forefront of technological advancements, fostering a culture of continuous improvement and adaptability.

In summary, the focus on boosting technological infrastructure and innovation under Strategic Priority #4 reflects Liberia's commitment to leveraging technology as a catalyst for efficient, transparent, and modernized revenue administration. From integrated taxpayer databases to strategic partnerships with the private sector, these actions collectively aim to position Liberia's DRM efforts on a technologically resilient and innovative trajectory.

As the foundation for effective DRM, the fourth priority revolves around building institutional capacity. Through targeted training programs for tax officials at all levels, Liberia seeks to equip its human capital with the technical skills necessary for the successful implementation of DRM strategies. Furthermore, this priority emphasizes the establishment of a culture of ownership and accountability among all stakeholders involved in DRM. By clarifying roles and responsibilities, creating incentives for performance improvement, and establishing feedback mechanisms, Liberia aims to foster a collaborative and responsive institutional framework that underpins the entire DRM strategy.

---

[45] Change Management in Tax Administrations: resources, regulations and requirements (inveniolsi.com)

4.6 Implementation Timeline and Cost

The projected cost for implementing the proposed activities under the four strategic objectives of the Domestic Resource Mobilization Strategy is United States Dollars Thirty-six Million Five Hundred Thirty-Three Thousand Seven Hundred (US$36,533,700.00), spread over the strategy five-years period. The allocation for each strategic objective is outlined in the table below. Strategic Objective 1 requires United States Dollars Ten Million Five Hundred Thirty-two Thousand Seven Hundred Fifty-four (US$10,532,754.00) with most of the spending in the first year. Strategic Objective 2 is allocated United States Dollars Five Million Nine Hundred Seventy-two (US$5,972,000.00), distributed evenly across the five years. Strategic Objective 3 has the highest total cost of United States Dollars Thirteen Million Six Hundred Fifty-eight Thousand Nine Hundred Fifty (US$13,658,950.00), with significant expenditure in the second year. Strategic Objective 4 is budgeted at United States Dollars Six Million Three Hundred Seventy Thousand (US$6,370,000.00), with costs spread throughout the five years. The annual allocations ensure a balanced approach to achieving the strategic objectives while maintaining financial sustainability.

Table 12: Implementation Timeline and Estimated Cost

No.	Strategic Objectives	Implementation Timeframe & Cost (US$'000.00)					
		Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Total
1.0	Strategic Objective 1	6,427.75	2,090.00	2,015.00	0.00	0.00	10,532.75
2.0	Strategic Objective 2	2,972.00	750.00	750.00	750.00	750.00	5,972.00
3.0	Strategic Objective 3	1,767.32	8,981.99	1,697.32	867.32	345.00	13,658.95
4.0	Strategic Objective 4	1,371.00	1,576.00	1,231.00	1,041.00	1,151.00	6,370.00
	Grand Total	**12,538.07**	**13,397.99**	**5,693.32**	**2,658.32**	**2,246.00**	**36,533.70**

CHAPTER FIVE: KEY SUCCESS FACTORS

Political Commitment and Leadership: The Minister of Finance and Development Planning, and the Commissioner General of the LRA must lead and support the DRM agenda, and mobilize the resources and stakeholders needed for the strategy. Therefore, they must ensure clear vision, goals and strategies that align with the overall policy framework for DRM. They must commit to institutional, legal and regulatory reforms, anti-corruption measures and international cooperation, and resist short-term pressures and pursue long-term results.

Effective Coordination and Collaboration: The DRM Strategy requires LRA and MFDP cooperation and active engagement with and among various actors and institutions, such as the Legislature, the Judiciary, the civil society, the private sector, and the development partners. The LRA will work with other institutions seamlessly, share information, avoid duplication, and communicate clearly. LRA will involve and address the concerns of various stakeholders and create public-private partnerships that foster investment and fair tax collection. MFDP will also share relevant information and be transparent and accountable to the public. The MFDP and LRA commit to also review and update the DRM strategies regularly to adapt to changing conditions and global trends. Liberia still requires external support for the successful implementation of a range of the DRMS reforms. The Government will therefore continue collaborating with Development Partners for technical and financial assistance to ensure successful implementation of the DRMS. External support may be sought from global and regional multilateral organizations, to include IMF, WB, OECD, ATAF, WATAF, AU and ECOWAS to support modernization efforts and share lessons on good practices.

Resources and Capacity: The Government must allocate enough funds for the LRA's operations so that LRA can invest in a skilled workforce that can understand and implement complex tax policies, conduct audits, and address legal issues. The LRA will provide continuous training and capacity-building programs to keep its staff updated on the latest tax laws, international standards, and technological advancements. LRA will adopt modern technology, implement effective risk management, promote public awareness, offer legal support, foster international cooperation, and establish robust monitoring and evaluation mechanisms. These elements will help to ensure the LRA has adequate resources and capacity to carry out its mandate and functions, and to foster a culture of voluntary compliance among taxpayers.

Monitoring and Evaluation: LRA will set clear Key Performance Indicators collect and report data regularly, engage with stakeholders, conduct periodic assessments, adhere to timelines, perform cost-benefit analysis, assess risks, solicit feedback, learn from best practices, and measure impact. The LRA will use a comprehensive and robust framework that defines the objectives, indicators, targets, and milestones of the DRM process, and that allows it to report, give feedback, and learn from the achievements, challenges, and lessons of the DRM process. These elements help the LRA to monitor and evaluate the implementation and outcomes of the strategy, and to adapt to changes in the environment and the outcomes.

Increased Tax Culture and Compliance: LRA’s commitment to this strategy is to improve awareness and education on the tax laws and obligations, reduce the cost and complexity of compliance, address the perception and reality of corruption and favoritism in tax administration, and demonstrate transparency and accountability in revenue management and public service delivery. Therefore, the LRA will create awareness, ensure transparency, simplify processes, promote fairness, provide incentives, enforce penalties, offer support, leverage technology, collaborate with professionals, engage with communities, maintain continuous communication, and apply behavioral insights. The government, therefore, commits to prudent, transparent and corruption free use of public funds as well as accountability in public service delivery and management of public resources, the benefits of paying taxes and improved adherence to the rule of law.

CHAPTER SIX: MAJOR RISKS TO the DRMS IMPLEMENTATION

The successful implementation of the DRMS may be undermined due to several risk factors. These risks, which have been discussed under various sections of the current DRMS, are summed below two groups – i.e., external, and internal risks.

6.1 External Risk Factors and Mitigating Strategies

External Risks to Successful Implementation of the DRMS	Risk Mitigating Measures or Strategies
1. External economic shocks due to the ongoing conflict in the Middle East and Eastern Europe	i. Reduce dependency on a single or volatile revenue stream by diversifying income sources, this will mitigate the impact of economic shocks from specific regions. ii. Build up adequate foreign exchange reserves and fiscal buffers to cushion the impact of external shocks and maintain macroeconomic stability
2. Slower than expected global economic growth.	i. Develop scenarios for different economic growth rates and create a flexible DRMS that can adapt to varying global economic conditions, ensuring the strategy remains robust in different scenarios. ii. Strengthen regional integration and cooperation to expand intra-African trade and investment opportunities. iii. Pursue structural reforms to enhance domestic productivity and competitiveness, and foster innovation and entrepreneurship
3. Climate related disaster	i. Integrate climate-adaptive policies within the DRMS to enhance the country's ability to recover quickly from climate-related disasters and continue revenue mobilization efforts. ii. Promote climate-smart agriculture and renewable energy sources to reduce greenhouse gas emissions and adapt to changing weather patterns
4. Price volatility of Liberia's major export commodities	i. Develop value-added industries and services to increase the domestic value of exports and reduce exposure to price fluctuations. ii. Establish mechanisms for managing commodity price risks, to stabilize revenues and mitigate the impact of price volatility. iii. Explore options for diversifying Liberia's export portfolio to reduce dependence on a few commodities, helping to spread the risk and minimize the impact of price fluctuations in specific markets. iv. Establish stabilization funds or hedging instruments to smooth out the revenue

External Risks to Successful Implementation of the DRMS	Risk Mitigating Measures or Strategies
	fluctuations and mitigate the adverse effects of price shocks
5. Lack of collaboration External resistance to proposed changes and reforms proffered in the DRMS.	i. Implement a robust stakeholder engagement plan to communicate the benefits of the DRMS, addressing concerns and fostering collaboration among key stakeholders, including the public, businesses, and other relevant entities. ii. Introduce the DRMS in phases or through pilot programs, allowing for graduate adaptation and minimizing resistance by demonstrating positive outcomes before full-scale implementation. iii. Communicate clearly and transparently the objectives, strategies and expected outcomes of the DRMS, and provide feedback and accountability mechanisms to address concerns and grievances,
6. Emergence of a global health crisis such as the 2013 Ebola crisis and 2019 COVID pandemic	i. Develop a comprehensive contingency plan within the DRMS to address potential disruptions caused by global health crisis, ensuring the continuity of revenue generation activities during such events. ii. Allocate resources to strengthen healthcare to ensure the country's resilience against global health crisis, with a focus on rapid response and containment.
7. Drop or fluctuation in development assistance from partners such as World Bank	i. Improve the efficiency and effectiveness of public spending by prioritizing and aligning expenditures with national development goals and monitoring and evaluating the results.
8. Weaknesses in Liberia's legal and regulatory framework	i. Strengthen the rule of law and the enforcement of contracts and property rights and protect investors and consumers from fraud and abuse. ii. Reform and harmonize the legal and regulatory framework to ensure consistency, clarity, and transparency, and reduce compliance costs and uncertainties.
9. Corruption and huge informal economy	i. Implement anti-corruption measures and promote transparency and accountability in public financial management and service delivery. ii. Formalize the informal sector by simplifying the registration and taxation procedures and providing incentives and support services to informal businesses.
10. Lack of political will to carry on reforms proposed in the DRMS such as reform of the tax incentive regime.	i. Demonstrate the political commitment and leadership to implement the DRMS. ii. Assess and evaluate the costs and benefits of the tax incentive regime, and rationalize and

External Risks to Successful Implementation of the DRMS	Risk Mitigating Measures or Strategies
	streamline the incentives to ensure they are targeted, transparent and effective
11. Global tax evasion and avoidance exacerbated by the advent of the digital age	i. Continue active participation in the global and regional initiatives and framework to combat tax evasion and avoidance, such as the OECD Base Erosion and Profit Sharing (BEPS) project and the African Tax Administration Forum (ATAF). ii. Adapt and modernize the tax rules and administration to address the challenges and opportunities posed by the digital economy, such as e-commerce, digital platforms, and cryptocurrencies.

6.2 Internal Risk Factors and Mitigating Strategies

Internal Risks to the Successful Implementation of the DRMS	Risk Mitigating Measures or Strategies
1. Inadequate funding for the DRMS implementation	i. Prioritize the most critical and feasible reforms within the DRMS identified from the conduct of a cost/benefit analysis and allocated funds accordingly to achieve the most impact with the available resources and avoid wasting funds on ineffective or unrealistic reforms. This should include a clear and transparent budgeting process and a sound governance framework to ensure accountability and efficiency in the use of funds. ii. Explore and leverage multiple funding sources in addition to government budgetary support like grants, partnership with international organizations, and private sector collaboration. iii. Seeking external support from development partners, who may be willing to provide technical and financial assistance for the DRMS implementation like the World Bank, IMF, EU, AfDB, ECOWAS, etc. The support could help to ease the fiscal burden on the government and ensure adequate resources for the DRMS activities.
2. Weak institutional capacity of the LRA and MFDP to undertake propose reforms.	i. Provide adequate training, incentives, and performance management for the LRA and MFDP staff involved in the DRMS implementation to improve their skills, knowledge, motivation, and productivity and reduce staff turnover and corruption. ii. Seek external technical assistance and establish partnerships with organizations or countries that have successfully implemented similar reforms. Such collaborations can bring in expertise,

Internal Risks to the Successful Implementation of the DRMS	Risk Mitigating Measures or Strategies
	knowledge transfer and best practices, enhancing the institutional capacity of LRA and MFDP.
3. Weak or ineffective DRMS monitoring and evaluation mechanism.	i. Establish clear and robust DRMS monitoring and evaluation framework, with well-defined indicators, targets, timelines, roles, and responsibilities to help measure the progress and impact of the DRMS implementation, identify and address any challenges or gaps and provide feedback and learning for improvement. ii. Continue the regular and transparent reporting and dissemination of the DRMS monitoring and evaluation results, both internally and externally to enhance accountability and credibility of the DRMS implementation and increase awareness and support of the stakeholders and the public. iii. Initiate and conduct regular and independent performance audits of the DRMS to evaluate its effectiveness by third-party experts to ensure objectivity and provide valuable insights into areas that need improvement
4. Inadequate technology and data management systems at the LRA and MFDP hinder efficient tax administration, data analysis, and taxpayer services.	i. Invest in upgrading and modernizing the technology and data management systems at the LRA and MFDP to improve the efficiency, accuracy, security and accessibility of tax administration, data analysis and taxpayers' services and reduce the costs and errors associated with semi-automated or manual processes. ii. Implement robust data security and privacy measures to address concerns related to the handling of taxpayer information. It may involve adopting encryption technologies, regular security audits, and compliance with data protection regulations to build trust and confidence in the system.

CHAPTER SEVEN: THE DRMS MONITORING AND EVALUATION FRAMEWORK

Effective monitoring and evaluation of the DRMS is crucial to its overall success. Accordingly, a motoring and evaluation plan is included as an integral component of the DRMS. It provides the basis for a systematic measurement of progress of achievement of the strategic priorities of the DRMS. A detailed monitoring and evaluation plan will be developed by the DRMS monitoring and evaluation team comprising the Reform and Modernization Division of the LRA and the Revenue and Tax Policy Division of the MFDP. The plan will, among other things, provide an overview of the strategic priorities or activities and facilitate the collection of data to assist the following:

- Tracking progress of DRMS activities
- Assessing the overall effectiveness of the DRMS
- Identifying and correcting weaknesses in the DRMS implementation
- Informing decisions on the DRMS implementation

7.1 Monitoring and Evaluation Team

The Transformation and Modernization Division of the LRA, working in close collaboration with the Revenue and Tax Policy Division of the MFDP, will monitor and evaluate the implementation of the DRMS. The team is expected to undertake the following:

- Regular assessment of DRMS activities,
- Advise the implementing units or divisions on the DRMS activities,
- Organize regular review meetings to provide updates on DRMS implementation,
- Develop monitoring and evaluation matrix and foster data collection.
- Provide support to units or division implementing the DRMS activities.
- Facilitate the overall implementation of the DRMS including coordinating engagements with partners and other stakeholders.

7.2 Specific Undertakings of the Monitoring and Evaluation Team

1. Data collection and Tools

Throughout the implementation of the DRMS, the team will continuously track progress by collecting data or information on each activity, collated data will be analyzed to ascertain the level of progress towards achieving the agreed targets or outcomes.

2. Data Quality Review

The team will undertake systematic review of data or information obtained from the implementation activities units to ensure accuracy, reliability, completeness, and consistency.

3. Progress Report

The team will produce a periodic progress report indicating the extent to which activities outlined in the DRMS are achieved. Said report will also capture emerging issues that have implication for the successful implementation of the DRMS.

4. Stakeholder engagement and Participation

Integral to the team scope of work is the facilitation of DRMS, which includes engaging external stakeholders such as civil society actors, private sector actors, development partners and other government institutions to harness their participation in the DRMS implementation.

7.3 Monitoring and Evaluation Plan

A comprehensive monitoring and evaluation plan that incorporates the various activities earmarked under the DRMS and their respective outcomes or targets will be used to track and measure progress made because of the DRMS. Accordingly, progress will be measured against the outcome of a baseline assessment that will be done at the inception of the DRMS implementation.

Critical to the monitoring and evaluation process is tracking the activities and overall progress of the DRMS. A template of the DRMS activity tracking tool is presented below.

DRMS Activity Tracking Tool Template

Name	DRMS Activity Tracking Tool
Date	Indicate
Objective	To monitor and track the implementation progress of key activities within the DRM strategy.
Instruction	Enter information for each activity as it progresses. Update the status, responsible party, and deadlines regularly. Use this tool to ensure that DRM strategy activities are on track and any delays or issues are promptly addressed.

Activity Number	Activity Description	Responsible Party	Start Date	End Date	Status (In Progress/ Completed/ Delayed	Notes/ Comments
Strategic Priority 1: Develop DRM Enabling Tax Policies and Legal Framework						
1.1 Review Tax Policy and Legislation to Broaden the Tax Base:						
1.1.1						
1.1.2						
1.1.3						
1.1.4						
1.1.5						

Legend:

Status	▪ Status: In Progress (Ongoing activities) ▪ Completed (Finished activities) ▪ Delayed (Activities that missed deadlines).
Notes/Comments	▪ Add any relevant notes or comments about the activity's progress or issues.
	To monitor and track the implementation progress of key activities within the DRM strategy.

Summary

Total Activities	▪ Indicate the total number of activities earmarked for the reporting period.
Completed Activities	▪ Indicate the total number of activities completed during the reporting period
Completed Activities to Date	▪ Indicate the number of activities completed to date
In Progress Activities	▪ Indicate the number of activities in progress during the reporting period
Delayed Activities	▪ Indicate the number of activities delayed during the reporting period
Overall Progress	▪ Provide a summary of the overall progress of the DRMS implementation
Next Steps	▪ Outline the next steps or actions to address delayed activities or advance ongoing ones

CHAPTER EIGHT: IMPLEMENTATION ARRANGEMENTS

The DRMS will be implemented under the existing structure at the LRA and the MFDP given that implementation of the activities outlined in the DRMS are largely in the purview of the two institutions. Activities outlined in the DRMS that are pertaining to the LRA will be lifted in the LRA's Corporate Strategic Plan (CSP) and those pertaining to the MFDP will be lifted in the Revenue and Tax Policy Division's CSP. This Arrangement is a flexible and adaptable plan for implementing the DRMS in phases. It allows tailored and gradual actions to suit each stage of the Strategy. It also acknowledges the need for ongoing revision and adjustment of revenue policies and practices. The Implementation Arrangement does not prescribe every DRMS-related decision but rather provides general direction and guidance on how to achieve and monitor the DRMS goals.

Purpose

The main purposes of the implementation arrangements are:

i) To give advice on the key tasks needed to implement the DRMS
ii) To assist in tracking the progress of developing and executing DRMS actions
iii) To ensure logical and orderly implementation of DRMS; and
iv) To enable various stakeholders involved in the DRMS actions to foresee and cope with potential challenges and issues.

The following Steps are envisaged in the DRMS implementation:

1. Step One (1) - Establishing Coordination Mechanism – This step recognizes that a structure must be put in place to effectively coordinate the DRMS implementation. As proposed, it is envisaged that the existing structures of the LRA and MFDP that are currently in place and working should remain. Notwithstanding the above, the LRA and MF`DP oversight should have clearly defined roles and responsibilities in overseeing and implementing the DRMS. The current Transformation and Modernization Division (TMD) Team should continue to be utilized as the dedicated coordination team to ensure seamless collaboration and utilization of existing competence in DRMS implementation.
2. Step Two (2) – Communication Strategy/Plan for DRMS – Awareness and sensitization are the key part of this step for key stakeholders expected to be involved in the implementation of the DRMS. Therefore, stakeholders must be identified and categorized based on relevance to the DRMS including the Legislature, Judiciary and Executive branches of government, local authorities, tax practitioners, professional associations (i.e. LICPA, LNBA, etc.), private sector representatives, academics, media, development partners and the public. A comprehensive communication plan will be developed to raise awareness, highlighting the benefits of DRMS and the roles of different stakeholders and providing relevant training to enhance their understanding. This plan will serve as a tool for galvanizing, mobilizing, and eliciting the support and participation of all key stakeholders and is expected to continue for the life of the Strategy.
3. Step Three (3) – Implementation – This step of the process can be subdivided into six sub parts.
    I. Technical Meetings – At the technical level, an inaugural meeting will be organized post-launch to coordinate and collaborate on the first year DRMS initiatives. Subsequent regular meetings will be scheduled to discuss progress, challenges, and adjustments in the implementation. Also, over the implementation, task forces

to address specific aspects of the DRMS will be formed to ensure specialized attention to key areas.

II. Review and Reporting – Periodic reviews of the DRMS measures will be conducted to assess their effectiveness and adjust as needed. Annual reports on the implementation status, detailing achievements, challenges, and proposed improvements will be prepared. To ensure financial support for its implementation, the DRMS measures will be aligned with the budgeting processes.

III. Monitoring Meetings and Reporting – To monitor the DRMS, key performance indicators for the DRMS will be identified and a robust system for collecting and analyzing relevant data will be put in place and or enhanced. This information will be used to prepare quarterly reports on the implementation progress, highlighting successes and areas requiring attention. Periodic reviews (i.e. annual, mid-term and end-term) will be conducted involving stakeholders, to assess the overall impact of the DRMS, evaluate the strategy's effectiveness, make necessary adjustments, and gauge the long-term impact and sustainability of the DRMS.

IV. Iterative Process and Continuous Improvement – To ensure the DRMS remains relevant and responsive throughout its implementation, a feedback mechanism will be established to capture input from stakeholders and make iterative adjustments to the DRMS. This strategy will embrace an adaptive management approach, allowing for flexibility in implementation based on real-time feedback and changing circumstances.

V. Capacity Building and Skill Enhancement – Training programs and knowledge sharing will be key in the implementation of the DRMS. Relevant staff within LRA and MFDP will participate in training programs to be implemented to enhance their capacity for effective DRMS implementation while knowledge-sharing sessions, workshops and seminars will be used to disseminate best practices and lessons learned.

VI. Resource Mobilization – The successful implementation of the DRMS relies on the timely and adequate availability of resources. Therefore, the TMD Team will develop both short-term and long-term financial requirements to ensure adequate budget allocation and will lead the process of exploring partnerships with development partners and international organizations to secure additional resources for DRMS.

ANNEXES

Annex 1: SWOT Analysis for DRMS

This SWOT Analysis presents the strengths and opportunities that should be strategically capitalized upon in the implementation of the DRM Strategy, weaknesses to address and threats to proactively mitigate to optimize domestic resource mobilization. Collaboration with key stakeholders and a commitment to innovation and resilience will be essential for the successful implementation of the Domestic Resource Mobilization Strategy.

Elements	Description
Strengths	i. Semi-autonomous authority with tax assessment and collection authority ii. Implemented various tax reforms since 2014 to improve efficiency and convenience. iii. Achieved remarkable performance despite the pandemic
Weaknesses	i. Challenges in expanding the tax base, improving tax compliance, and reducing tax evasion and fraud. ii. Lacks adequate human and financial resources, as well as modern technology and infrastructure. iii. Relies heavily on external resources to finance its projects
Opportunity	i. Support and collaboration with MFDP for fiscal and tax policy formulation. ii. International partners with technical and financial support for tax reforms iii. Available information on new and innovative ways to mobilize domestic
Threats	i. Political and social pressures from various stakeholders with conflicting interest and expectations ii. External shocks such as economic downturn, health crises, natural disasters, and security threats iii. Competition and challenges from other revenue agencies in the region

Annex 2: Details of Strategic Priorities and Proposed Interventions

In pursuit of a robust and sustainable fiscal framework, the LRA embarked on a transformative journey to develop and enhance Domestic Resource Mobilization (DRM) through strategically prioritized initiatives. This annex presents the detailed activities and implementation plan for the four (4) strategic priorities to be implemented.

STRATEGIC PRIORITY 1: DEVELOP DRM ENABLING TAX POLICIES AND LEGAL FRAMEWORK

This comprehensive plan outlines a series of actions meticulously designed to fortify the fiscal landscape over a five-year horizon. In the short term (Year 1-2), focus will be on reviewing tax policies, broadening the tax base, rationalizing tax expenditures, and laying the groundwork for VAT legislation. Moving into the medium to long term (Year 3-5), the plan envisions the full implementation of these policies, culminating in a modernized and simplified tax framework. This roadmap reflects our commitment to fostering an environment conducive to voluntary tax compliance, international best practices, and sustainable economic growth.

Short-Term Activities (Year 1-2):

1.1 Review Tax Policy and Legislation to Broaden the Tax Base:

1.1.1 Conduct an assessment and review of the PIT Regime with focus on income and benefits.

1.1.1.1 Conduct an initial review of PIT brackets and prepare a proposal for alignment with inflation.

1.1.1.2 Analyze the benefits regime and develop a draft proposal to reform the benefits regime.

1.1.2 Analyze filing exemptions for employees and draft a plan to standardize requirements for medium and large taxpayers.

1.1.3 Explore the feasibility of introducing staff imposition as an enforcement measure and develop a draft policy.

1.1.4 Initiate the process of strengthening international tax information exchange capabilities to qualify for the Automatic Exchange of Information (AEOI).

1.1.5 Begin drafting a policy for the negotiation of tax treaties on avoidance of double taxation and prevention of fiscal evasion.

1.1.6 Conclude the renegotiation of the existing tax treaty with Germany; and utilize lessons learn within the proposed tax treaty negotiation policy to carve the strategy.

1.1.7 Enhance the action plan to counteract international tax avoidance and evasion in line with BEPS action plans.

1.1.8 Initiate the drafting of comprehensive property tax legislation, with a focus on local government revenue transition.

1.1.9 Outline the framework for a tax policy targeting High Net Worth (HNW) and High Net Income (HNI) individuals.

1.1.10 Ensure the publication and effective implementation of amendments to Sections 806(a) and 905(a) to expand the withholding agent to include non-residents making payment of any nature once it is of a Liberian source.

1.1.11 Develop an action plan to review and design a comprehensive and coherent tax policy framework that addresses the specific needs and characteristics of the informal sector.

1.1.12 Collaborate with relevant national stakeholders and partners to formally established the Liberia Tax Institute.

1.1.13 Review the revenue regimes of the maritime, electricity, mining and tourism sectors and ascertain potential revenue to enhance resource mobilization.

1.2 Review of Tax Policy and Legal Framework Pertaining to Tax Expenditure:

1.2.1 Start the process of rationalizing income tax exemptions and incentives, with a focus on eliminating discretion and measuring the policy impact.

1.3 Expand DRM Capabilities through the Enactment and Implementation of VAT Legislation

1.3.1 Update the framework for VAT legislation, outlining key principles and components.

1.3.2 Identify items for broadening the VAT base and initiate discussions on limiting zero-rated and exempt items.

1.3.3 Identify and allocate adequate resources for VAT implementation readiness preparation.

Medium to Long-Term Activities (Year 3-5):

1.4 Review Tax Policy and Legislation to Broaden the Tax Base:

1.4.1 Draft required legislation based on PIT Regime approved policy and support the legislation enactment.

1.4.1.1 Finalize the review of PIT brackets and implement adjustments to align with inflation.

1.4.1.2 Implement the approved legislation for reformed PIT regime.

1.4.2 Implement standardized filing requirements for medium and large taxpayers based on the revised filing exemption threshold.

1.4.3 Decide on the implementation of staff imposition as an enforcement measure and communicate the policy.

1.4.4 Meet all commitments requirements and capabilities to commence the first year of AEOI.

1.4.5 Finalize and implement the policy for the negotiation of tax treaties on avoidance of double taxation.

1.4.6 Successfully renegotiate old or disadvantageous tax treaties.

1.4.7 Implement action plans to counteract international tax avoidance and evasion in alignment with BEPS.

1.4.8 Enact comprehensive property tax legislation, with a focus on local government revenue transition.

1.4.9 Implement the tax policy targeting High Net Worth (HNW) and High Net Income (HNI) individuals.

1.5 Review of Tax Policy and Legal Framework Pertaining to Tax Expenditure:

1.5.1 Review of the Liberia's tax incentive regime and proffer recommendation for reforms

1.5.2 Complete the rationalization of income tax exemptions and incentives, incorporating sunset clauses and reviewing investment allowances.

1.6 Expand DRM Capabilities through the Design and Enactment of VAT Legislation:

1.6.1 Finalize the design and enact VAT legislation.

1.6.2 Implement changes to broaden the VAT base, limiting zero-rated and exempt items.

1.6.3 Strengthen VAT implementation secretariat for effective awareness before and during rollout

1.6.4 Develop or deploy VAT implementation infrastructure including electronic fiscal devices.

1.7 Initiate Tax Policy considerations and analysis to address the implications of emerging issues:

1.7.1 Propose tax policy and legal framework based on findings of the studies conducted around Climate Finance (i.e. Carbon Credits) and its impact on resource mobilization.

1.7.2 Propose tax policy and legal framework based on findings from the feasibility studies conducted for "new" Renewable and Nonrenewable natural resources.

1.8 Full Implementation of the ECOWAS CET:

1.8.1 Ensure the full implementation of the ECOWAS CET in collaboration with relevant stakeholders.

1.8.2 Undertake a comprehensive CET impact study and propose nontariff measures to mitigate adverse impact on critical sector.

1.9 Modernize and Simplify Tax Laws and Rules to Strengthen Voluntary Tax Compliance:

1.9.1 Complete the revision of tax laws, rules, and procedures, incorporating international good practices.

1.9.2 Simplify the penalty regime of the LRC.

1.9.3 Strengthen the LRC provision of taxpayer documentation and empower the LRA's ability to acquire taxpayer information through amendment to the LRC or through regulations.

STRATEGIC PRIORITY 2: BROADEN THE TAX BASE:

This comprehensive five-year plan underscores our commitment to broadening the tax base through enhanced taxpayer registration strategies, strengthened taxation in the informal sector, and the development of local government revenue generation capabilities. The short-term initiatives will set the foundation for more robust and sustainable long-term interventions, fostering a tax system that is inclusive, efficient, and responsive to the evolving needs of our economy.

Short-Term Activities (Year 1-2):

2.1 Boost Taxpayer Registration:

2.1.1 Introduce and/or operationalize a Single and Unique Taxpayer Identification system.

2.1.2 Conduct a comprehensive clean-up and update of the tax register.

2.1.3 Utilize external (third-party) information to proactively detect and register unregistered taxpayers.

2.1.4 Collaborate with the relevant government agencies, such as Civil Service Agency (MACs), to register all Civil and Public Servants.

2.1.5 Establish partnerships with MACs, Liberia Business Registry, Ministry of Commerce & Industry, and business associations/groups to facilitate the registration of businesses.

2.1.6 Institutionalized regular engagement with MACs and other revenue generating agencies to source new revenue streams.

2.2 Strengthen Taxation of the Informal Sector:

2.2.1 Expand the implementation of the Compliance Clustering Program and roll out to four (4) additional counties.

2.2.2 Implement measures to strengthen taxation in the informal sector, including encouraging the formation of Small, Micro, and Petty Traders cooperatives/associations for tax purposes.

2.3 Design and Implement Revenue Generation Capabilities of Local Government:

2.3.1 Improve and update the real property register, ensuring its accuracy and completeness.

2.3.2 Expand the real property tax project with a strategic focus on enhancing real property tax collection mechanisms into three (3) additional counties.

2.3.3 Ensure increase in real property tax collection proportionately with increase in property tax row

Medium to Long-Term Activities (Year 3-5):

2.4 Boost Taxpayer Registration:

2.4.1 Consolidate the Single and Unique Taxpayer Identification system and ensure its widespread adoption. The understanding is that the National Identification Number (NIN) issued by the National Identification Registry (NIR) should be the national identifier for major transactions such as opening of bank account, issuance of passports, social security transactions and accessing other government services.

2.4.2 Conduct periodic updates and maintenance of the tax register to enhance accuracy and completeness.

2.4.3 Institutionalize the use of external information for continuous identification and registration of unregistered taxpayers.

2.4.4 Ensure the comprehensive registration of all Civil and Public Servants in collaboration with relevant agencies.

2.4.5 Institutionalize collaboration with MACs, Liberia Business Registry, Ministry of Commerce & Industry, and business associations/groups for sustained business registration.

2.5 Strengthen Taxation of the Informal Sector:

2.5.1 Optimize the Compliance Clustering Program by rolling out to the ten (10) remaining counties for broader coverage and effectiveness.

2.5.2 Strengthen taxation in the informal sector through ongoing support for Small, Micro, and Petty Traders cooperatives/associations.

2.6 Design and Implement Revenue Generation Capabilities of Local Government

2.6.1 Improve and update the real property register, ensuring its accuracy and completeness. This can only be achieved by the adoption of a national addressing system by the Ministry of Post and Telecommunication (MOPT) and National Land Cadaster by the Liberia Land Authority (LLA).

2.6.2 Expand the real property tax project with a strategic focus on enhancing real property tax collection mechanisms.

2.6.3 Expand the real property tax project with a strategic focus on enhancing real property tax collection mechanisms into four (4) additional counties.

STRATEGIC PRIORITY 3: ENHANCE VOLUNTARY TAX COMPLIANCE AND STRENGTHEN ENFORCEMENT

This comprehensive five-year plan aims to enhance voluntary tax compliance and strengthen enforcement through a series of short-term and medium-to-long-term interventions. Regular assessments and adjustments will be made to ensure the effectiveness and adaptability of these initiatives in a dynamic fiscal landscape.

Short-Term Activities (Year 1-2):

3.1 Improve Taxpayer Services and Proficiency:

3.1.1 Establish, implement, and roll out a Taxpayer Full-Service Center, including a call center.

3.1.2 Reactivate and expand complaints drop boxes in each tax and customs business office.

3.1.3 Strengthen online systems platforms (LITAS, ASYCUDA World, e-Tax Clearance, e-verify, etc.).

3.1.4 Establish mobile tax compliance office(s).

3.1.5 Roll out the simplified customs declaration to all customs ports.

3.1.6 Introduce and fast-track the implementation of a single-window system.

3.1.7 Expand bonded warehouses for general merchandise

3.2 Build a Tax Compliance Culture:

3.2.1 Develop and implement a taxpayer education strategy.

3.2.2 Improve taxpayers' outreach and education, including introducing regional taxpayer's day.

3.2.3 Organize targeted tax campaigns, including 'Know Your Taxes Week.'

3.2.4 Improve the tax credit and refund system.

3.2.5 Re-introduce a Recognition and Award system for compliant taxpayers (Taxpayers' Appreciation).

3.2.6 Improve the taxpayer protest and appeals process.

3.2.7 Expand the tax compliance strategy to cover all tax types.

3.2.8 Enhance and implement a tax compliance strategy by taxpayer segmentation.

3.3 Enhance Taxpayer Education

3.3.1 Teaching Tax to Students:

3.3.1.1 Engage with stakeholders to garner support for integrating tax education into the mandatory school curriculum.

3.3.1.2 Establish and/or conclude discussions with the Ministry of Education for the inclusion of tax as a fundamental part of the educational curriculum.

3.3.1.3 Collaborate with Educational Organizations: Enter agreements with educational organizations to implement tax programs targeting young people.

3.3.1.4 Develop teaching materials in collaboration with these organizations to facilitate effective tax education.

3.3.2 **Accelerate Education Initiatives for Businesses:**

3.3.2.1 Enhance Quarterly Workshops: Strengthen existing workshops for new businesses, ensuring comprehensive coverage of tax-related topics.

3.3.2.2 Introduce at least two additional quarterly workshops at the regional level for new businesses, expanding outreach and accessibility.

3.3.2.3 Introduce Tax Dialogues: Initiate tax dialogues between the Liberia Revenue Authority (LRA) and taxpayers, focusing on fair treatment and boosting tax morale.

3.3.2.4 Ensure active participation of the Commissioner General in these dialogues to underscore the commitment of the tax authority.

3.3.2.5 Utilize Webinars: Launch webinars as a communication channel to extend the reach of the tax authority on various tax topics.

3.3.2.6 Tailor webinar content based on feedback from taxpayers' surveys to address specific informational needs.

3.3.2.7 Building Synergies with CSOs: Forge partnerships with Civil Society Organizations (CSOs) to embed taxpayer education in broader civil society programs.

3.3.2.8 Collaborate on awareness campaigns and events that emphasize the importance of tax compliance and civic responsibility.

3.3.2.9 Improve taxpayer awareness through billboards, media campaigns, tax-related school programs, and town hall meetings.

Medium to Long-Term Activities (Year 3-5):

3.4 Institutionalizing Taxpayer Education

3.4.1 Teaching Tax to Students:

3.4.1.1 Implement Curriculum Changes:

3.4.1.2 Work with the Ministry of Education to finalize and implement changes to the mandatory curriculum, integrating tax education at appropriate educational levels.

3.4.1.3 Monitor and evaluate the effectiveness of the curriculum changes to ensure continuous improvement.

3.4.1.4 Strengthen Collaboration with Educational Organizations:

3.4.1.5 Deepen collaboration with educational organizations to refine and expand tax programs for young people.

3.4.1.6 Evaluate and update teaching materials to keep them relevant and engaging.

3.4.1.7 Accelerate Education Initiatives for Businesses:

3.4.2 Institutionalize Regional Workshops:

3.4.2.1 Institutionalize the practice of regional workshops for new businesses, ensuring sustainability and widespread coverage.

3.4.2.2 Assess the impact of regional workshops on tax compliance among new businesses.

3.4.3 Institutionalize Tax Dialogues:

3.4.3.1 Formalize the tax dialogue program, making it a regular and integral part of the LRA's engagement with taxpayers.

3.4.3.2 Evaluate the effectiveness of tax dialogues in improving taxpayer perception and morale.

3.4.3.3 Include the Judiciary and other legal entities in tax dialogues.

3.4.4 Expand Webinar Offerings:

3.4.4.1 Expand and diversify webinar topics based on evolving taxpayer needs and changes in tax policies.

3.4.4.2 Evaluate the reach and impact of webinars on taxpayer education and compliance.

3.4.5 Strengthen CSO Partnerships:

3.4.5.1 Strengthen and broaden partnerships with CSOs to sustain and expand taxpayer education initiatives.

3.4.5.2 Collaborate on research and surveys to assess the effectiveness of taxpayer education programs and identify areas for improvement.

3.4.5.3 Conduct routine engagement with other tax practitioners and stakeholders

3.4.5.4 Collaborate with regional bodies on organizing international events that enhance tax awareness and compliance (such as the West African Conference on Taxation)

STRATEGIC PRIORITY 4: STRENGTHENING INSTITUTIONAL CAPACITY

Short & Long - Term Activities (Year 1-5):

4.1 Strengthening Revenue Administration Processes

4.1.1 Streamline and simplify the rules, practice notes and forms.

4.1.1.1 Design and implement a simplified tax return for small taxpayers to improve compliance.

4.1.1.2 Develop and distribute brochures of the tax laws, rules, and procedures for ease of reference, including translation into the main local languages.

4.1.1.3 Harmonize tax rules and procedures, ensuring consistency and clarity in interpretation and guidance.

4.1.1.4 Publish tax rulings.

4.1.2 Improve Perception of the Tax System:

4.1.2.1 Improve the tax disputes resolution mechanism.

4.1.2.2 Develop tax appeals manuals and guides.

4.1.2.3 Expedite administrative dispute resolution and clear backlog of cases.

4.1.3 Improve transparency:

4.1.3.1 Strengthen outreach and communication on tax issues, including improving online content.

4.1.3.2 Collect data for a comprehensive tax expenditure analysis.

4.1.3.3 Publish a tax expenditure report as part of the national budget process.

4.1.3.4 Establish a tax policy forum.

4.1.4 Strengthen Revenue Enforcement Capacity:

4.1.4.1 Enforce online returns submissions and digital tax payments.

4.1.4.2 Strengthen control on the use of EFDs.

4.1.4.3 Strengthen control on the use of excise stamps and expand to other excisable products.

4.1.4.4 Timely detect non-filers.

4.1.4.5 Capture 'inactive' taxpayers.

4.1.4.6 Strengthen the exchange of information and data interoperability (i.e., attaining AEIO status).

4.1.4.7 Improve the return filing process.

4.1.5 Enhance Revenue Reporting Capacity:

4.1.5.1 Improve the detection of non-compliant professionals.

4.1.5.2 Develop and implement distinct compliance plans for large, natural resource, medium, non-profit, and small taxpayers.

4.1.5.3 Strengthen business intelligence and analysis.

4.1.5.4 Identify and analyze high-risk areas with reference to persons (natural and legal), commodities, and transactions.

4.1.5.5 Launch and implement the ASYCUDA Performance Management (ASYPM) Program.

4.1.5.6 Strengthen revenue analysis capabilities.

4.1.5.7 Strengthen revenue data management and sharing capabilities.

4.1.5.8 Initiate regular exchange of information among MACs and other regulatory bodies.

4.1.5.9 Improve the data warehouse to facilitate.

4.2 Establish Procedures for Monitoring the Implementation of Incentive Regimes:

4.2.1 Develop and/or update tax arrears manuals.

4.2.2 Develop and implement a tax debt recovery strategy.

4.2.3 Collaborate with Joint Security (LDEA, LIS, and Police) to deal with smuggling of goods.

4.3 Strengthening Revenue Administration Processes (improve transparency)

4.3.1 Strengthen Outreach and Communication on Tax Issues, including improving online content

4.3.2 Collect Data for Comprehensive Tax Expenditure Analysis

4.3.3 Publish Tax Expenditure Report as Part of the National Budget Process

4.3.4 Establish a Tax Policy Forum

4.4 Strengthening Revenue Administration Processes (strengthen revenue enforcement capacity)

4.4.1 Enforce Online Returns Submissions and Digital Tax Payments

4.4.2 Strengthen Control on the Use of EFDs

4.4.3 Strengthen Control on the Use of Excise Stamps and Expand to Other Excisable Products

4.4.4 Timely Detect Non-filers

4.4.5 Capture ‘Inactive" Taxpayers

4.4.6 Strengthen Exchange of Information and Data Interoperability

4.4.7 Improve the Return Filing Process

4.5 Strengthening Revenue Administration Processes (enhance revenue reporting capacity)

4.5.1 Improve Detection of Non-compliant Professionals

4.5.2 Develop and Implement Distinct Compliance Plans for Various Taxpayer Categories

4.5.3 Strengthen Business Intelligence and Analysis

4.5.4 Identify and Analyze High-risk Areas

4.5.5 Launch and Implement the ASYCUDA Performance Management Program

4.5.6 Strengthen Revenue Analysis Capabilities

4.5.7 Strengthen Revenue Data Management and Sharing Capabilities

4.5.8 Initiate Regular Exchange of Information Among MACs and Other Regulatory Bodies

4.5.9 Improve the Data Warehouse Facilities

4.6 Establish Procedures for Monitoring and Implementation of Incentive Regimes

4.6.1 Undertake comprehensive review of the existing tax incentives (mapping of incentives)

4.6.2 Develop tax incentive monitoring framework with clear objectives, indicators, and roles and responsibility of relevant GOL agencies

4.6.3 Institutionalize tax expenditure reporting by building capacity and regularly publishing tax expenditure reports

4.7 Strengthen Audit Capacity:

4.7.1 Develop and implement an audit manual on specific industries (banking, insurance, telecommunication, mining, manufacturing, merchandising, construction).

4.7.2 Conduct Quality Assurance on audits of high-risk sectors/taxpayers.

4.7.3 Integrate and implement a robust risk-based audit program.

4.7.4 Implement audit capacity development initiatives

4.7.5 Build capacity in sector-specific audits.

4.8 Enhance Tax Debt Management

4.8.1 Develop and/or update tax arrears manuals

4.8.2 Develop and implement a tax debt recovery strategy

4.8.3 Reconcile consolidated Debt Stock

4.8.4 Collaborate with Joint Security (LDEA, LIS, and Police) to deal with smuggling of goods.

4.9 Construction/Enhancement of Customs and Tax Business Offices

4.9.1 Construction and enhancement of thirty (30) Tax and Customs Business Officers

4.9.2 Operationalization of the offices and staff training

Annex 3: Implementation Timeline and Cost

A. INTRODUCTION

The Government of Liberia is pleased to present the Implementation Plan for the second Domestic Revenue Mobilization (DRM) Strategy, a comprehensive roadmap designed to enhance revenue generation and fiscal sustainability over the next five years. As a low-income country striving to achieve its development aspirations, Liberia recognizes the critical importance of mobilizing domestic resources to finance essential public services, promote economic growth, and alleviate poverty. With the overarching objective of increasing total revenue to US$1 billion or over within the stipulated timeframe, this implementation plan outlines a strategic framework for the effective execution of the DRM strategy.

The DRM strategy, as articulated in the preceding document, is structured around two primary pillars: tax policy reforms and tax administration reforms. These pillars represent the cornerstone of the Government's efforts to enhance revenue collection efficiency, fairness, and effectiveness. Through targeted interventions aimed at improving tax policy design and implementation, as well as strengthening tax administration capacity and processes, Liberia seeks to create a conducive environment for sustainable revenue mobilization.

The implementation plan is structured to translate the DRM strategy into actionable steps, ensuring a coherent and systematic approach to reform implementation. Recognizing the need for prioritization and sequencing of activities, the plan delineates short-term strategies, to be executed within the first two years, and the medium-term strategies which are scheduled for implementation over the subsequent three years. This phased approach allows for a focused and gradual rollout of reforms, thereby maximizing the likelihood of success and minimizing implementation risks.

The short-term strategies encompass priority actions that can yield immediate results in revenue generation and tax compliance enhancement. These include initiatives that will lay the groundwork for more ambitious medium-term reforms while providing tangible benefits to the economy and society in the near term. In contrast, the medium-term strategies are designed to address structural challenges and institute long-term improvements in the tax system, laying the foundation for sustained revenue growth beyond the five-year horizon.

This implementation plan underscores the Government commitment to effective governance, transparency, and accountability in the implementation of the DRM strategy. It emphasizes the importance of stakeholder engagement, coordination, and monitoring to ensure the successful execution of reform initiatives. As Liberia embarks on this journey to strengthen its revenue mobilization capacity, it looks forward to collaborating with domestic and international partners, civil society organizations, and private sector to achieve its ambitious revenue targets and advance its development agenda.

The projected cost for implementing the proposed activities under this all of these strategic objectives is United States Dollar Thirty-six Million Five Hundred Thirty-three Thousand Seven Hundred (US$36,533,700.00) allocated over the period of the five (5) years. The annual and details distribution allocated to specific activities in this section is summarized in the table below.

Table 13: Implementation timeframe and cost

No.	Strategic Objectives	Implementation Timeframe & Cost (US$'000.00)					
		Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Total
1.0	Strategic Objective 1	6,427.75	2,090.00	2,015.00	0.00	0.00	10,532.75
2.0	Strategic Objective 2	2,972.00	750.00	750.00	750.00	750.00	5,972.00
3.0	Strategic Objective 3	1,767.32	8,981.99	1,697.32	867.32	345.00	13,658.95
4.0	Strategic Objective 4	1,371.00	1,576.00	1,231.00	1,041.00	1,151.00	6,370.00
	Grand Total	**12,538.07**	**13,397.99**	**5,693.32**	**2,658.32**	**2,246.00**	**36,533.70**

Implementation Cost Gap Analysis

Table 14: Implementation Cost Gap Analysis

No	Strategic Objective	Total Cost (US$'000.00)	Other Identified Funding Source		Funding Gap (US$'000.00)
			Institution Name	Amount	
1.0	Strategic Objective 1	10,532.75	ECOWAS	45.00	4,554.93
			World Bank/GREAT	5,932.825	
2.0	Strategic Objective 2	5,972.00	World Bank/GREAT	1,602.725	4,269.275
			UNDP	100.00	
3.0	Strategic Objective 3	13,658.95	ECOWAS	25.00	3,516.68
			World Bank/GREAT	3,117.275	
			LIFT	7,000.00	
4.0	Strategic Objective 4	6,370.00	World Bank/GREAT	305.00	6,065.00
	Grand Total	**36,533.70**		**18,127.825**	**18,405.875**

B. STRATEGIC PRIORITY 1: DEVELOPMENT OF DRM ENABLING TAX POLICIES AND LEGAL FRAMEWORK

Activities under this part include a series of action intended to enhance the tax policy and legal framework appertaining to revenue mobilization in Liberia. These initiatives are divided into short-term and medium-term activities. Short-term (Year 1-2) initiatives include revision of existing tax policies, broadening of the tax base, rationalizing tax expenditures, and laying the groundwork for VAT implementation. Conversely, moving into the medium-term (Year 3-5), will see a full implementation of policies, culminating in a modernized and simplified tax framework. The overriding of objective of Strategic Priority 1 is to provide clarity and certainty to taxpayers regarding their tax obligations. When tax laws and policies are well-defined and transparent, taxpayers can understand their obligations better, which reduces confusion and encourages compliance. The projected cost for implementing the proposed activities under this strategic objective is United States Dollar Ten Million Five Hundred Thirty-two Thousand Seven Hundred Fifty-four (US$10,532,754.00) allocated over the period of five (5) years.

1.4 Review Tax Policy and Legislation to Broaden the Tax Base:

No.	Activities	Implementation Indicator	Implementation timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Conduct an assessment and review of the PIT Regime with focus on income and benefits taxation	Completion of PIT regime assessment report.					
2	Conduct an initial review of PIT brackets and prepare a proposal for alignment with inflation.	Proposal for PIT bracket alignment with inflation submitted to relevant authorities.					
3	Analyze the benefits regime and develop a draft a proposal to reform the benefits regime.	Draft proposal for benefits regime reform completed.					
4	Analyze filing exemptions for employees and draft a plan to standardize requirements for medium and large taxpayers.	Draft plan for standardized filing exemptions completed.					
5	Explore the feasibility of introducing staff imposition as an enforcement measure and develop a draft policy.	Feasibility study report on staff imposition completed.					
6	Initiate the process of strengthening international tax information exchange capabilities to qualify for the automatic exchange of information (AEOI).	Memorandum of Understanding (MoU) signed with relevant international partners for information exchange.					
7	Begin drafting a policy for the negotiation of tax treaties on avoidance of double taxation and prevention of fiscal evasion.	Draft policy document on tax treaty negotiation completed.					

No.	Activities	Implementation Indicator	Implementation timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
8	Conclude the renegotiation of the existing tax treaties with Germany; and utilize lessons learn within the proposed tax treaty negotiation policy to carve the strategy.	Renegotiation of tax treaties with Germany completed.					
9	Enhance the action plan to counteract international tax avoidance and evasion in line with BEPS action plans.	Updated action plan aligned with BEPS action plans completed.					
10	Initiate the drafting of comprehensive property tax legislation, with a focus on local government revenue transition.	Draft comprehensive property tax legislation initiated.					
11	Outline the framework for a tax policy targeting high net worth (HNW) and high net income (HNI) individuals.	Framework for HNW and HNI tax policy outlined.		75	15		
12	Ensure the publication and effective implementation of amendments to Sections 806(a) and 905(a) to expand the withholding agent to include non-residents making payment of any nature once it is of a Liberian source.	Amendments to Sections 806(a) and 905(a) published and implemented.					
13	Develop an action plan to review and design a comprehensive and coherent tax policy framework that addresses the specific needs and characteristics of the informal sector.	Action plan for informal sector tax policy framework development completed.	75	15			
14	Draft required legislation based on approved PIT Regime policy and support legislation enactment	Completed draft legislations based on the approved PIT Regime policy.	20				
15	Finalize the review of PIT brackets and implement adjustments to align with inflation.	Published circular announcing the revised PIT table	15				
16	Implement standardized filing requirements for medium and large taxpayers based on the revised filing exemption threshold.	Percentage of medium and large taxpayers compliant with the revised filing exemption threshold.					
17	Decide on the implementation of staff imposition as an enforcement measure and communicate the policy.	Decision made on the implementation of staff imposition, measured by official communication or policy announcement.					

No.	Activities	Implementation Indicator	Implementation timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
18	Meet all commitments requirements and capabilities to commence the first year of AEOI.	Completion status of necessary capabilities such as IT infrastructure upgrades and staff training.	1,322.5				
19	Finalize and implement the policy for the negotiation of tax treaties on avoidance of double taxation.	Tax treaty negotiation policy finalized and approved by the relevant authorities	60				
20	Successfully renegotiate old or disadvantageous tax treaties.	Number of old or disadvantageous tax treaties successfully renegotiated.					
21	Implement action plans to counteract international tax avoidance and evasion in alignment with BEPS.	Completion of action plans to counteract international tax avoidance and evasion.	60				
22	Enact comprehensive property tax legislation, with a focus on local government revenue transition.	Property tax legislation finalized and enacted.	175				
23	Implement tax policy targeting high net worth (HNW) and high net income (HNI) individuals.	Increase in revenue collected from HNW and HNI individuals compared to previous years.	15				
	Sub Total – 1.1. Tax Policy and Legislation to Broaden Tax Base – US$1,847,500		**1,742.5**	**90**	**15**		

1.5 Review of Tax Policy and Legal Framework Pertaining to Tax Expenditure:

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Start the process of rationalizing income tax exemptions and incentives, with a focus on eliminating discretion and measuring the policy impact.	Number of tax incentives reviewed and assessed for relevance, effectiveness, and impact.					
2	Review of Liberia's tax incentive regime and proffer recommendation for reforms.	Completed tax incentive review report with recommendations for reforms.	60				
3	Complete the rationalization of income tax exemptions and incentives, incorporating sunset clauses and reviewing investment allowances.	Completion status of the review and adjustment of investment allowances to align with economic priorities and development goals.					
	1.2 Review of Tax Policy and Legal Framework Pertaining to Tax Expenditure – US$60,000.00		**60**				

1.6 Expand DRM Capabilities through the Enactment and Implementation of VAT Legislation

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Update the framework for VAT legislation, outlining key principles and components.	Number of stakeholder consultations conducted in respect of VAT implementation					
2	Identify items for broadening the VAT base and initiate discussions on limiting zero-rated and exempt items.	Regulation limiting exempt supplies drafted and approved					
3	Identify and allocate adequate resources for VAT implementation readiness preparation.	Percentage of budget allocated for VAT implementation readiness preparation.	1,400	500	500		
4	Finalize the design and enact VAT legislation.	Legislation enacted within the set timeline as per the national legislative process.					
5	Implement changes to broaden the VAT base, limiting zero-rated and exempt items.	Regulation considering number of zero-rated and exempt items identified for limitation or removal approved.					
6	Develop or deploy VAT implementation infrastructure including electronic fiscal devices.	Number of electronic fiscal devices developed or deployed	2,665.254	1,500	1,500		
	1.3 Expand DRM Capabilities through the Enactment and Implementation of VAT Legislation – US$8,065,254.00		**4,065.254**	**2,000**	**2,000**		

1.7 Initiate Tax Policy considerations and analysis to address the implications of emerging issues:

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Propose tax policy and legal framework based on findings of the studies conducted around Climate Finance (i.e. Carbon Credits) and its impact on resource mobilization.	Proposal development completed within the allocated timeframe and resources.	250				
2	Propose tax policy and legal framework based on findings from the feasibility studies conducted for "new" Renewable and Nonrenewable natural resources.	Proposal development completed within the allocated timeframe and resources.	200				

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
	1.4 Initiate Tax Policy considerations and analysis to address the implications of emerging issues – US$450,000.00		**450**				

1.8 Full Implementation of the ECOWAS CET:

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Ensure the full implementation of the ECOWAS CET in collaboration with relevant stakeholders.	Full implementation of the ECOWAS CET achieved within the agreed-upon timeline.	75				
2	Undertake a comprehensive CET impact study and propose nontariff measures to mitigate adverse impacts on critical sectors.	Completion of the impact study and proposal of nontariff measures within the allocated timeframe and resources.	35				
	1.5 Full Implementation of the ECOWAS CET – US$110,000.00		**110**				

1.9 Modernize and Simplify Tax Laws and Rules to Strengthen Voluntary Tax Compliance:

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Complete the revision of tax laws, rules, and procedures, incorporating international good practices.	Revision completed within the allocated timeframe and resources.					
2	Simplify the penalty regime of the LRC.	Revision of penalty regime completed within the allocated timeframe and resources.					
3	Strengthen the LRC provision of taxpayer documentation and empower the LRA's ability to acquire taxpayer information through amendment to the LRC or through regulations.	Amendments or regulations enacted within the allocated timeframe and resources.					
	1.6 Modernize and Simplify Tax Laws and Rules to Strengthen Voluntary Tax Compliance:						

C. STRATEGIC PRIORITY 2: BROADEN THE TAX BASE:

Activities under this part include measures to enhance taxpayer registration, strengthen the taxation of the informal sector, and the development of local government revenue generation capabilities. The below activities will be undertaken as a means of broadening the tax base. The projected cost for implementing the proposed activities under this strategic objective is United States Dollars Five Million Nine Hundred Seventy-two Thousand (US$5,972,000.00) allocated over the period of five (5) years.

2.1 Boost Taxpayer Registration:

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Introduce and operationalize a Single and Unique Taxpayer Identification system.	Successful implementation of online platforms for TIN registration and management.					
2	Conduct a comprehensive clean-up and update of the tax register.	Percentage of outdated or duplicate taxpayer records identified and rectified.	42				
3	Utilize external (third-party) information to proactively detect and register unregistered taxpayers.	Number of unregistered taxpayers identified and registered through third-party data sources.					
4	Collaborate with the relevant government agencies, such as Civil Service Agency (MACs), to register all Civil and Public Servants.	Percentage of civil and public servants registered for tax purposes.					
5	Establish partnerships with MACs, Liberia Business Registry, Ministry of Commerce & Industry, and business associations/groups to facilitate the registration of businesses.	Percentage increase in the number of registered businesses as a result of partnership initiatives					
6	Consolidate the Single and Unique Taxpayer Identification system and ensure its widespread adoption.	Percentage of taxpayers issued with a unique taxpayer identification number (TIN) under the consolidated system.					
7	Conduct periodic updates and maintenance of the tax register to enhance accuracy and completeness.	Frequency of updates conducted on the tax register.					
8	Institutionalize the use of external information for continuous identification and registration of unregistered taxpayers.	Integration of external information sources into the taxpayer registration system for continuous identification purposes.					

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
9	Ensure the comprehensive registration of all Civil and Public Servants in collaboration with relevant agencies.	Percentage of civil and public servants registered for tax purposes.					
10	Institutionalize collaboration with MACs, Liberia Business Registry, Ministry of Commerce & Industry, and business associations/groups for sustained business registration.	Successful implementation of streamlined business registration processes and procedures through institutionalized collaboration.					
	2.1 Boost Taxpayer Registration: US$42,000.00		**42**				

2.2 Strengthen Taxation of the Informal Sector:

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Expand the implementation of the Compliance Clustering Program and roll out to four (4) additional counties.	Number of additional counties where the Compliance Clustering Program has been successfully implemented.	210				
2	Implement measures to strengthen taxation in the informal sector, including encouraging the formation of Small, Micro, and Petty Traders cooperatives/associations for tax purposes.	Successful implementation of supportive measures such as simplified tax procedures and capacity-building initiatives for informal sector taxpayers.	300				
3	Optimize the Compliance Clustering Program by rolling out to the ten (10) remaining counties for broader coverage and effectiveness.	Percentage of remaining counties where the Compliance Clustering Program has been successfully implemented.					
4	Strengthen taxation in the informal sector through ongoing support for Small, Micro, and Petty Traders cooperatives/associations.	Successful implementation of support measures such as capacity-building initiatives and simplified tax procedures for informal sector taxpayers.	420				
	2.2 Strengthen Taxation of the Informal Sector: US$930,000.00		**930**				

2.3 Design and Implement Revenue Generation Capabilities of Local Government:

No.	Activities	Implementation Indicator	Implementation Timeframe & Costs (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Improve and update the real property register, ensuring its accuracy and completeness.	Number of outdated or inaccurate property records rectified or updated.					
2	Expand the real property tax project with a strategic focus on enhancing real property tax collection mechanisms into three (3) additional counties.	Number of additional counties where the real property tax project has been successfully expanded.					
3	Ensure increase in real property tax collection proportionately with increase in property tax role.	Percentage increase in real property tax collection compared to the increase in the property tax roll.					
4	Improve and update the real property register, ensuring its accuracy and completeness.	Number of outdated or inaccurate property records rectified or updated.					
5	Expand the real property tax project with a strategic focus on enhancing real property tax collection mechanisms.	Number of enhanced real property tax collection mechanisms implemented as part of the project expansion.					
6	Expand the real property tax project with a strategic focus on enhancing real property tax collection mechanisms into four (4) additional counties.	Number of additional counties where the real property tax project has been successfully expanded.	2,000	750	750	750	750
	2.3 Design and Implement Revenue Generation Capabilities of Local Government: US$5,000,000.00		**2,000**	**750**	**750**	**750**	**750**

D. STRATEGIC PRIORITY 3: ENHANCE VOLUNTARY TAX COMPLIANCE AND STRENGTHEN ENFORCEMENT

Activities under Strategic Priority 3 basically cover taxpayer services and education programs. Improved quality taxpayer services and education programs enhance domestic revenue mobilization by fostering voluntary compliance, reducing tax evasion, and promoting positive tax payment culture. The projected cost for implementing the proposed activities under this strategic objective is United States Dollar Thirteen Million Six Hundred Fifty-nine Thousand Four Hundred Forty-three (US$13,659,443.00) allocated over the period of five (5) years.

3.1 Improve Taxpayer Services and Proficiency:

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Establish, implement, and roll out a Taxpayer Full-Service Center, including a call center.	Availability of a dedicated call center with specified operating hours and response times.		150			
2	Reactivate and expand complaints drop boxes in each tax and customs business office.	Number of complaints drop boxes installed or reactivated across tax and customs business offices.	5				
3	Strengthen online systems platforms (LITAS, ASYCUDA World, e-Tax Clearance, e-verify, etc.).	Reduction in system downtime or technical issues reported by users.	1,471.81875	521.81875	521.81875	521.81875	
4	Establish mobile tax compliance office(s).	Number of taxpayer interactions or compliance activities conducted through mobile tax offices.					
5	Roll out the simplified customs declaration to all customs ports.	Number of customs ports where the simplified customs declaration system has been implemented.		2,133.892	500	25	25
6	Introduce and fast-track the implementation of a single-window system.	Launch date and timeline adherence for the introduction of the single-window system.		5,915.776	185	30	30
	3.1 Improved Taxpayer Services and Proficiency – US$11,886,943.00		**1,476.81875**	**8,571.48675**	**1,206.81875**	**576.81875**	**55**

3.2 Build a Tax Compliance Culture:

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Develop and implement a taxpayer education strategy.	Completion of the taxpayer education strategy document.	15				
2	Improve taxpayers' outreach and education, including introducing regional taxpayer's day.	Number of outreach events conducted, including regional taxpayer's day.	48	48	48	48	48
3	Organize targeted tax campaigns, including 'Know Your Taxes Week.'	Number of targeted tax campaigns conducted, including 'Know Your Taxes Week.'	10	10	10	10	10
4	Improve the tax credit and refund system.	Number of taxpayer complaints or disputes related to the credit and refund system.					

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
5	Re-introduce a Recognition and Award system for compliant taxpayers (Taxpayers' Appreciation).	Establishment of criteria and guidelines for the Recognition and Award system.	50	50	50	50	50
6	Improve the taxpayer protest and appeals process.	Reduction in the average processing time for taxpayer protests and appeals.					
7	Expand the tax compliance strategy to cover all tax types.	Inclusion of all tax types in the tax compliance strategy document.					
8	Enhance and implement a tax compliance strategy by taxpayer segmentation.	Improvement in compliance rates among segmented taxpayer groups.					
	3.2 Build a Tax Compliance Culture: US$555,000.00		**123**	**108**	**108**	**108**	**108**

3.3 Enhance Taxpayer Education (Teaching Tax to Students)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Engage with stakeholders to garner support for integrating tax education into the mandatory school curriculum.	Number of stakeholders engaged in discussions and meetings regarding tax education integration.	10				
2	Establish and or conclude discussions with the Ministry of Education for the inclusion of tax as a fundamental part of the educational curriculum.	Initiation and conclusion of discussions with the Ministry of Education regarding tax education integration.		120			
3	Collaborate with Educational Organizations: Enter agreements with educational organizations to implement tax programs targeting young people.	Number of educational organizations or institutions engaged in collaborative agreements for tax education programs.		25	25	25	25
4	Develop teaching materials in collaboration with education organizations to facilitate effective tax education	Availability and accessibility of teaching materials to schools and educators for implementation in the classroom.			200		
	3.3 Enhance Taxpayer Education (Teaching Tax to Students): US$430,000.00		**10**	**145**	**225**	**25**	**25**

3.4 Enhance Taxpayer Education (Accelerate Education Initiatives for Businesses)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Enhance Quarterly Workshops:	Number of workshops conducted for new businesses.	45	45	45	45	45
2	Introduce Additional Quarterly Workshops at the Regional Level:	Number of additional quarterly workshops introduced at the regional level.					
3	Initiate Tax Dialogues:	Number of tax dialogues conducted between LRA and taxpayers.					
4	Ensure Active Participation of the Commissioner General	Frequency of participation by the Commissioner General in the dialogues.					
5	Launch Webinars as a Communication Channel:	Number of webinars conducted on various tax topics.					
6	Tailor Webinar Content Based on Feedback:	Improvement in participant satisfaction with webinar content after tailoring.					
7	Build Synergies with CSOs:	Number of partnerships established with Civil Society Organizations (CSOs)	7.5	7.5	7.5	7.5	7.5
8	Collaborate with CSOs on Awareness Campaigns and Events:	Number of joint awareness campaigns and events conducted with CSOs					
	3.4 Enhance Taxpayer Education (Accelerate Education Initiatives for Businesses) – US$262,500.00		**52.5**	**52.5**	**52.5**	**52.5**	**52.5**

3.5 Institutionalizing Taxpayer Education (Implement Curriculum Changes)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Work with the Ministry of Education to finalize and implement changes to the mandatory curriculum:	Agreement reached with the Ministry of Education on the integration of tax education.					
2	Monitor and evaluate the effectiveness of the curriculum changes:	Regular assessments of student learning outcomes related to tax education.					
3	Deepen collaboration with educational organizations to refine and expand tax programs for young people.	Participation rate and engagement level of students in tax education programs.					
4	Evaluate and update teaching materials to keep them relevant and engaging	Availability and accessibility of updated teaching materials to educators and students					

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
5	Accelerate Education Initiatives for Businesses	Number of businesses reached through educational initiatives.					
	3.5 Institutionalizing Taxpayer Education (Implement Curriculum Changes)						

3.6 Institutionalizing Taxpayer Education (Regional Workshops)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Institutionalize Regional Workshops for New Businesses:	Conduct of regional workshops in multiple locations, covering a significant portion of the target audience	75	75	75	75	75
2	Assessment of Regional Workshops' Impact on Tax Compliance	Analysis of tax compliance data among businesses that have participated in regional workshops compared to those that have not.					
	3.6 Institutionalizing Taxpayer Education (Regional Workshops) – US$375,000.00		**75**	**75**	**75**	**75**	**75**

3.7 Institutionalizing Taxpayer Education (Tax Dialogue)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Formalize Tax Dialogue Program	Integration of tax dialogues into the LRA's strategic plans and annual operating frameworks.	15	15	15	15	15
2	Evaluate Effectiveness of Tax Dialogues	Comparison of compliance rates or behavior among taxpayers who have participated in tax dialogues versus those who have not.					
	3.7 Institutionalizing Taxpayer Education (Tax Dialogue – US$75,000.00		**15**	**15**	**15**	**15**	**15**

3.8 Institutionalizing Taxpayer Education (Expand Webinar Offerings)

No.	Activities	Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Expand and Diversify Webinar Topics:	Range of topics covered in webinars reflecting evolving taxpayer needs and changes in tax policies.	15	15	15	15	15
2	Evaluate Reach and Impact of Webinars	Measurement of the number of attendees and participants in each webinar session					

No.	Activities	Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
	3.8 Institutionalizing Taxpayer Education (Expand Webinar Offerings) – US$75,000.00		**15**	**15**	**15**	**15**	**15**

3.9 Institutionalizing Taxpayer Education (Expand Webinar Offerings)

No.	Activities	Implementation Indicator	Implementation Timeframe				
			Y1	Y2	Y3	Y4	Y5
1	Strengthen and Broaden Partnerships with CSOs:	Increase in the number of collaborative agreements or partnerships established with CSOs for taxpayer education initiatives					
2	Collaborate on Research and Surveys:	Execution of joint research projects or surveys with CSO partners to assess the effectiveness of taxpayer education programs.					
	3.9 Institutionalizing Taxpayer Education (Expand Webinar Offerings)						

E. STRATEGIC PRIORITY 4: STRENGTHENING THE INSTITUTIONAL CAPACITY OF THE LRA

Activities under this part of the DRM Strategy involve measures to enhance the capabilities of the LRA to efficiently collect taxes while at the same ensuring integrity and fairness of the tax system. They include activities aim at equipping the LRA with the necessary tools, resources, and expertise to confront emerging challenges, adapt to the evolving tax landscapes, and foster a culture of transparency and accountability. The projected cost for implementing the proposed activities under this strategic objective is United States Dollar Three Million Three Hundred Thousand (US$3,300,000.00) allocated over the period of five (5) years.

4.1 Strengthening Revenue Administration Processes (streamline and simplify the rules, practice notes and forms)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Design and Implement a Simplified Tax Return for Small Taxpayers:	Availability of guidance materials or manuals to assist small taxpayers in completing the simplified tax return.	10		10		
2	Develop and Distribute Brochures of Tax Laws, Rules, and Procedures:	Completion and distribution of printed and digital brochures outlining tax laws, rules, and procedures.	25	25	50	25	25
3	Harmonize Tax Rules and Procedures	Documentation of harmonized tax rules and procedures reflecting consistency and clarity.					

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
4	Publish Tax Rulings	Regular publication of tax rulings on the designated platform or through official communication channels	5	5	5	5	5
	4.1 Strengthening Revenue Administration Processes (streamline and simplify the rules, practice notes and forms) – US$195,000.00		**40**	**30**	**65**	**30**	**30**

4.2 Strengthening Revenue Administration Processes (Improve Perception of the Tax System)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Improve the Tax Disputes Resolution Mechanism	Revision or development of policies and procedures governing the tax disputes resolution mechanism					
2	Develop Tax Appeals Manuals and Guides	Completion and distribution of comprehensive manuals and guides outlining the tax appeals process.	25		10		10
3	Expedite Administrative Dispute Resolution and Clear Backlog of Cases	Establishment of performance metrics to track the progress of dispute resolution efforts.					
4	Develop and conduct Comprehensive and specific perception Surveys	Periodic Survey Reports	100	50	50	100	50
	4.2 Strengthening Revenue Administration Processes (Improve Perception of the Tax System) – US$395,000.00		**125**	**50**	**60**	**100**	**60**

4.3 Strengthening Revenue Administration Processes (improve transparency)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Strengthen Outreach and Communication on Tax Issues, including improving online content.	Enhancement of online content, including the launch of a dedicated tax information portal or website	50		50		50
2	Collect Data for Comprehensive Tax Expenditure Analysis	Documentation of methodologies and sources used to collect tax expenditure data.	10	10	10	10	10

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
3	Publish Tax Expenditure Report as Part of the National Budget Process	Publication of a comprehensive tax expenditure report alongside the national budget					
4	Establish a Tax Policy Forum	Holding of inaugural meetings or conferences to launch the tax policy forum.	100		100		100
	4.3 Strengthening Revenue Administration Processes (improve transparency) – US$500,000.00		**160**	**10**	**160**	**10**	**160**

4.4 Strengthening Revenue Administration Processes (strengthen revenue enforcement capacity)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Enforce Online Returns Submissions and Digital Tax Payments	Increase in the percentage of tax returns submitted online compared to paper-based submissions.					
2	Strengthen Control on the Use of EFDs	Training provided to taxpayers and tax officials on the proper use and maintenance of EFDs.	100	100	100	100	100
3	Strengthen Control on the Use of Excise Stamps and Expand to Other Excisable Products:	Expansion of excise stamp usage to cover additional excisable products	100	100	100	100	100
4	Timely Detect Non-filers	Implementation of automated systems or algorithms to identify and flag non-filers.					
5	Capture 'Inactive' Taxpayers	Implementation of targeted communication and outreach campaigns to engage inactive taxpayers					
6	Strengthen Exchange of Information and Data Interoperability	Establishment of secure data sharing mechanisms and protocols to facilitate information exchange					
7	Improve the Return Filing Process	Streamlining of the return filing process to reduce complexity and paperwork.					
	4.4 Strengthening Revenue Administration Processes (strengthen revenue enforcement capacity) - US$1,000,000.00		**200**	**200**	**200**	**200**	**200**

4.5 Strengthening Revenue Administration Processes (enhance revenue reporting capacity)

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Improve Detection of Non-compliant Professionals	Implementation of targeted monitoring and audit programs focusing on professional service providers.					
2	Develop and Implement Distinct Compliance Plans for Various Taxpayer Categories	Completion and adoption of tailored compliance plans for different taxpayer segments.					
3	Strengthen Business Intelligence and Analysis	Training of staff on business intelligence tools and methodologies.					
4	Identify and Analyze High-risk Areas:	Identification and prioritization of high-risk areas based on data analysis and risk assessment.					
5	Launch and Implement the ASYCUDA Performance Management Program:	Completion of performance assessments and evaluations within the ASYCUDA framework					
6	Strengthen Revenue Analysis Capabilities	Acquisition or development of tools and resources for revenue analysis, such as revenue forecasting tool, data visualization software and modeling platform					
7	Strengthen Revenue Data Management and Sharing Capabilities	Establishment of formal channels and protocols for information exchange among regulatory bodies.					
8	Initiate Regular Exchange of Information Among MACs and Other Regulatory Bodies:	Collaboration with other government agencies to streamline data sharing processes and enhance interagency cooperation					
9	Improve the Data Warehouse Facilities	Integration of data from disparate sources into the data warehouse for centralized access and analysis					
	4.5 Strengthening Revenue Administration Processes (enhance revenue reporting capacity)						

4.6 Establish Procedures for Monitoring and Implementation of Incentive Regimes

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Undertake comprehensive review of the existing tax incentives (mapping of incentives)	Compiling and/or regularly updating a comprehensive tax incentive inventory.					
2	Develop tax incentive monitoring framework with clear objectives, indicators, and roles and responsibility of relevant GOL agencies,	Completion and publishing of a comprehensive tax incentive monitoring framework.					
3	Institutionalize tax expenditure reporting by building capacity and regularly publishing tax expenditure reports.	Periodic publication of tax expenditure report.					
	4.6 Establish Procedures for Monitoring and Implementation of Incentive Regimes						

4.7 Strengthen Audit Capacity

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Develop and implement an audit manual on specific industries (banking, insurance, telecommunication, mining, manufacturing, merchandising, construction).	Publication of sector-specific audit manual	20	75	20		
2	Conduct quality assurance on audits of high-risk sectors/taxpayers.	Timely completion of quality assurance reviews					
3	Integrate and implement a robust risk-based audit program.	Conducting periodic risk-based audits.	60	60	60	60	60
4	Implement audit capacity development initiatives.	Carrying out regular training of auditors	55	55	55	55	55
	4.7 Strengthen Audit Capacity – US$690,000.00		**135**	**190**	**135**	**115**	**115**

4.8 Enhance Tax Debt Management

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Develop and/or update tax arrears manuals.	Publication of the arrear manuals	25		25		
2	Develop and implement a tax debt recovery strategy.	Publication of the debt recovery strategy	15	5			
	Reconcile consolidated Debt stock		75	15			
3	Collaborate with Joint Security (LDEA, LIS, and Police) to deal with smuggling of goods.	Completion of MOUs with relevant institutions.	20	500	10	10	10
	4.8 Enhance Tax Debt Management – US$710,000.00		**135**	**520**	**35**	**10**	**10**

4.9 Construction/Enhancement of Customs and Tax Business Offices

No.	Activities	Implementation Indicator	Implementation Timeframe & Cost (US$'000.00)				
			Y1	Y2	Y3	Y4	Y5
1	Construction of 30 tax and customs offices	Six (6) Buildings completed, furnished, commissioned and being utilized annually	570	570	570	570	570
2	Operationalization of the offices and staff training.	Buildings being Utilized and maintained aligned with construction plans	6	6	6	6	6
	4.9 Construction/Enhancement of Business Houses – US$2,880,000.00		**576**	**576**	**576**	**576**	**576**

Annex 4: Overall Governance and Sectoral Interventions

Governance is the very foundation upon which societies are built, the invisible hand guiding the fair and effective implementation of policies and laws. In Liberia, as in any nation, the governance framework is not just a backdrop but also the stage itself where the drama of domestic resource mobilization unfolds. In the quest for sustainable economic growth and development, Liberia stands at a critical juncture where the effectiveness of its taxation policies and administration interventions hinges profoundly on the overarching governance framework. We delve into the intricate relationship between governance and taxation, elucidating how the synergy is indispensable for Liberia's domestic resource mobilization strategy.

In Liberia, the governance framework is the linchpin that holds the wheels of tax policy and administration together. A strong governance system ensures that tax laws are enforced equitably, revenue is collected efficiently, corruption is minimized and public trust is bolstered: When the public perceives the tax system as fair and just, voluntary compliance increases, and the tax base broadens. The pillars of governance in resource mobilization encompass a multi-faceted approach crucial for effective tax policy and administration in Liberia. At its foundation lies the Legal Framework, serving as the cornerstone that articulates the nation's values and priorities through well-drafted tax laws accessible to all stakeholders. Institutional Capacity stands as the vital muscle behind implementation, requiring robust and adaptable institutions capable of navigating economic shifts and technological advancements. Ethical Standards form the moral compass, emphasizing integrity within tax administration and overall environment through unwavering oversight to combat corruption. Finally, Public Perception, casting a significant shadow, demands transparency, clear communication, and fairness to foster trust in the tax system, aligning government intentions with public expectations for successful policy implementation.

Proposed activities and some interventions to improve the overall governance framework for Domestic Resource Mobilization in Liberia:

Table One (1): Interventions to Improve the Overall Governance Framework for DRM

No	Interventions	Activities
1.0	Augmenting Legal Frameworks to Buttress Tax Laws	
1.1	Review and Update Tax Legislations	Conduct comprehensive review of existing tax laws and identify gaps and areas for improvement
1.2	Legislative Drafting	Develop new tax and other legislations that closes loopholes, simplifies and aligns with international best practices
1.3	Capacity Building	Train tax officials, members of the executive, judiciary and lawmakers on the latest tax legislation and enforcement strategies
1.4	Public Consultations	Engage with stakeholders, including businesses and civil society, to gather input on proposed tax and governance reforms.
2.0	Upholding Ethical Standards to Engender Trust among Taxpayers and the General Citizenry	
2.1	Code of Conduct	Enforce the code of conduct for public officials and civil servants that emphasizes integrity, fairness, and professionalism
2.2	Ethics Training	Implement regular ethics training for public officials and tax officials to reinforce ethical behavior and decision-making
2.3	Whistleblower Protection	Create mechanisms for reporting unethical behavior, with protections in place for whistleblowers
2.4	Taxpayer Education	Educate taxpayers on their rights and responsibilities, emphasizing the importance of ethical compliance

No	Interventions	Activities
3.0	Fostering a Culture of Accountability and Transparency within the Governance Apparatus	
3.1	Open Data Initiatives	Make tax data and government spending transparent through open data platforms
3.2	Performance Audits	Conduct regular audits on government programs to assess performance and identify areas for improvement
3.3	Stakeholder Engagement	Involve citizens and civil society organizations in monitoring tax collection and government expenditure
3.4	Legal Enforcement	Strengthen legal mechanisms to hold corrupt official accountable and prosecute tax evasion effectively
3.5	Unique National Identifier	Make the NIN the singular national identifier for all official transactions.
3.6	National Addressing System and Property Cadaster	Develop and adopt a national addressing system and property cadaster.

As we pivot from the overarching governance framework necessary for Domestic Resource Mobilization (DRM), it is crucial to spotlight sectoral interventions in sync with the ARREST Agenda of the Government of Liberia (GoL). These interventions, while pivotal for broadening Liberia's resource base, operate beyond the immediate scope of the Liberia Revenue Authority (LRA) and the Ministry of Finance and Development Planning (MFDP), demanding a collaborative approach and integration into a national development plan to harness their full potential for national development. This section deals with targeted interventions in income growth potential and tax premium sectors to enhance DRM.

Agriculture Sector

The agriculture sector in Liberia is a cornerstone for both food security and job creation, playing a vital role in the nation's socio-economic fabric. It is the main livelihood for nearly half of the workforce, primarily consisting of smallholder and subsistence farmers[46]. With agriculture contributing to 25-35% of Liberia's GDP and over 75% of the population relying on it for their livelihood, the sector's impact on job creation is substantial[47].

In terms of food security, despite Liberia's conducive climate and fertile soils, the country has faced challenges due to poverty and inefficiencies in its food and agricultural systems[48]. The agriculture sector's importance is underscored by the fact that it can address the pressing food security and nutrition challenges, where nearly 40% of the population suffer from undernutrition as of 2022[49]. Moreover, Liberia imports up to 60% of its staple food, making the nation vulnerable to global market price shocks and emphasizing the need for a robust domestic agricultural sector. Efforts to enhance agricultural productivity and resilience are crucial to increase productivity and build resilience, thereby improving food security and creating jobs in the process.

The agriculture sector in Liberia is not only a significant contributor to the country's GDP but also has the potential to enhance its contribution to tax revenue. As of 2021, agriculture accounted for

[46] Liberia Food Security Fact Sheet (July 2022) - ReliefWeb. https://reliefweb.int/report/liberia/liberia-food-security-fact-sheet-july-2022.
[47] Liberia - IFAD. https://www.ifad.org/en/web/operations/w/country/liberia
[48] Agriculture & Agribusiness in Liberia | NIC. https://www.investliberia.gov.lr/industries/agribusiness
[49] The Republic of Liberia Global Agriculture and Food Security Program https://www.gafspfund.org/sites/default/files/inline

31% of Liberia's real GDP[50], providing a substantial base for taxation. However, the tax-to-GDP ratio from this sector may not be fully realized due to factors such as small-scale operations, low-technology practices and tax exemptions. Investment in innovative agricultural practices is key to unlocking the sector's potential for job creation and increasing its tax-to-GDP ratio. Innovation can lead to improved agricultural yields, labor efficiency, and household income for smallholder farmers[51]. This, in turn, can lead to a more substantial tax base as incomes rise and agricultural enterprises grow.

For instance, the introduction of affordable mechanization and modern farming techniques can significantly boost productivity. This not only creates jobs in the sector but also increases the value of production, which could lead to higher tax revenues. Moreover, as the sector grows and becomes more profitable, it could attract more investment, further expanding the tax base. The tax discount sectors in Liberia, where the tax-to-GDP ratio is lower than the sector's contribution to GDP, present an opportunity for strategic tax policy interventions. By focusing on these sectors, the government can incentivize growth while gradually increasing tax contributions in line with sectoral growth. This approach can ensure that the agriculture sector's growth is not stifled by taxation while still ensuring that it contributes its fair share to the national revenue. In summary, strategic investments in innovative agricultural practices can catalyze job creation and employment in Liberia. This, coupled with a nuanced approach to taxation, can increase the tax-to-GDP ratio of the agriculture sector, leveraging its full potential as one of the tax discount sectors to bolster Liberia's domestic resource mobilization efforts.

Mining Sector

The mining sector in Liberia is a significant engine for income generation and job creation. Historically, it has been the backbone of the economy, with iron ore mining alone contributing more than 60% of export earnings and about 25% of GDP during its peak years[52]. The sector provides direct employment opportunities and stimulates indirect job creation through its supply chain and service demand. Regarding tax revenue, the mining sector has been a major contributor to total revenues, and this indicates the sector's capacity to significantly impact the national revenue through taxation. The mining sector's role in Liberia's economy is multifaceted, impacting income generation, job creation, and tax revenue. Strategic investments and innovative approaches can amplify these impacts, enabling the sector to capitalize on its position and contribute more effectively to Liberia's growth and development

Investment in innovative strategies within the mining sector can further enhance its contribution to job creation and employment. For instance, adopting advanced technologies and sustainable mining practices can increase efficiency and productivity, leading to the expansion of operations and the creation of new jobs. Moreover, such innovations can attract foreign direct investment, which can provide additional capital and expertise to the sector. In terms of increasing the tax-to-GDP ratio, innovative investments can lead to higher profitability within the mining sector, which in turn can result in a larger tax base. This is particularly important for Liberia, where the tax-to-GDP ratio is lower than the sector's contribution to GDP, indicating a tax discount sector. By increasing

[50] Liberia - Agricultural Sectors - International Trade Administration. https://www.trade.gov/country-commercial-guides/liberia-agricultural-sectors
[51] Livelihood Resilience and Escaping Poverty in Liberia. https://api.scoreforpeace.org/storage/pdfs/PUB_Liberia20_A5_Report-Livelihood_FINAL_20210806-compressed.pdf.
[52] The mining sector of Liberia: current practices and environmental https://link.springer.com/article/10.1007/s11356-017-9647-4

the tax-to-GDP ratio, the mining sector can ensure that its growth translates into a proportional increase in tax revenues, thereby supporting the country's overall economic development.

The table below presents some innovative strategies that may be employed within the mining sector to further enhance its contribution to job creation, employment and tax revenue

Table Two (2): Interventions to Enhance the DRM Capability of the Mining Sector

No	Interventions	Activities
1.0	Local Content Policies	Implement policies that prioritize hiring and procurement from local communities Impact: increase job opportunities for Liberians and stimulate economic development in mining regions.
2.0	Skills Development Programs	Investing in training and skills development programs for local workers Impact: improve employability within the mining sector and beyond for local workers; obtaining long-term sustainable employment
3.0	Technology and Efficiency Improvements	Embrace innovative technologies and practices to improve productivity in the mining sector Impact: higher revenues for companies and the government through increased tax contributions
4.0	Environmental and Social Responsibility	Adopt sustainable mining practices that minimize environmental degradation and promote social responsibility Impact: enhance the sector's social license to operate, attract investment; and ensure long-term viability

Tourism Sector

The tourism sector in Liberia holds significant potential for income generation and job creation. A sector can stimulate economic diversification and provide opportunities for sustainable development. With Liberia's rich cultural heritage and natural beauty, including its lush rainforests and extensive coastline, the country is well positioned to develop various forms of tourism, such as eco-tourism, cultural tourism, and adventure tourism[53]. Tourism has the potential to generate substantial income for Liberia by attracting visitors who spend money on accommodation, food, transportation, souvenirs, and various activities. This spending cascades through the economy, benefiting various sectors such as hospitality, transportation, retail, and agriculture. Additionally, tourism creates a wide array of job opportunities directly in tourism-related industries like hospitality and tour guiding, as well as indirectly through supporting industries.

Liberia's land cover, which includes approximately 42% of the Upper Guinea Rainforest and a nearly 350 km coastline,[54] presents a diverse range of tourism opportunities. Eco-tourism, in particular, can thrive in Liberia due to its rich biodiversity, including rainforests, national parks, and coastal areas. This form of tourism not only promotes environmental sustainability but also supports local

[53] Tourism: An Alternative Solution to Unemployment in Liberia. https://sleeplessinmonrovia.com/op-ed/tourism-an-alternative-solution-to-unemployment-in-liberia/
[54] Reports: – Liberia Revenue Authority. https://revenue.lra.gov.lr/reports/

communities by creating jobs and generating income through activities like guided nature tours, wildlife observation, and community-based tourism initiatives[55]. By promoting eco-tourism, Liberia can attract nature enthusiasts, conservationists, and adventure seekers interested in exploring its pristine natural environments sustainably.

The tourism sector's contribution to tax revenue can be significant through various channels. By attracting international and regional tourists, the sector can generate income through direct taxes on tourism-related businesses, such as accommodation and tour operators, like hotel taxes, service taxes, and other tourism-related levies as well as indirect taxes on goods and services consumed by tourists. Moreover, innovative strategies such as the development of tourism infrastructure, marketing campaigns, and the establishment of the Liberia Tourism Authority can further support job creation and employment[56]. Tourism can stimulate economic activities and implementing these strategies can lead to an increase in the tax-to-GDP ratio of the tourism sector by expanding the tax base and ensuring that tourism-related businesses contribute their fair share to the national revenue[57].

The table below presents some innovative strategies that may be employed within the tourism sector to further enhance its contribution to job creation, employment and tax revenue. Most of these interventions were outlined in the Liberia Domestic Resource Mobilization Strategy (2018 – 2022) and implementing these strategies can catalyze the growth of the tourism sector, leading to increased employment opportunities, higher tax revenues, and a more vibrant economy overall. The resultant impact of these interventions could be multifaceted, leading to increased employment, higher income levels for local communities, and a more diversified economy less reliant on traditional sectors such as mining and agriculture.

Table Three (3): Interventions to Enhance the DRM Capability of the Tourism Sector

No	Interventions	Activities
1.0	Establishment of Liberia Tourism Authority	Extraction of the Bureau of Tourism from the Ministry of Information, Culture and Tourism; Dedicated Authority with specialized focus to enable more targeted policies, investments, and promotion efforts to develop the sector Impact: streamline efforts, focus on strategic planning, and attract investment to enhance the sector's impact on the economy
2.0	Infrastructure Development	With Domestic Direct Investments (DDI) and or Foreign Direct Investments (FDI), through public/private partnerships (PPP) - Investing in - Transportation networks - Accommodation facilities - Tourist attractions Impact – Improved accessibility and visitor experience

[55] Liberia: Liberia Unveils Ambitious Tourism Strategy, Targets US$125 Million. https://www.liberianobserver.com/liberia-liberia-unveils-ambitious-tourism-strategy-targets-us125-million
[56] Why the Establishment of Liberia Tourism Authority Is Pivotal To .... https://www.liberianobserver.com/why-establishment-liberia-tourism-authority-pivotal-sustained-economic-alternatives
[57] Sustainable Tourism in Liberia: Rebuilding Post-Conflict ... - Solimar. https://www.solimarinternational.com/sustainable-tourism-in-liberia/

No	Interventions	Activities
3.0	Skills Development	Provision of training and capacity-building programs for locals in the tourism industry, including - Hospitality - Guiding and - Conservation Impact: enhance employability of Liberian in the tourism industry
4.0	Marketing and Promotion	Launching targeted marketing campaigns and attract a diverse range of visitors from key source markets; Promoting Liberia as a destination for international conferences and events Impact: raise awareness of Liberia's tourism sector offerings
5.0	Regulatory Reforms	Streamline regulations and licensing processes and encourage investment in the sector Impact: reduce barriers to entry for tourism businesses
6.0	Community involvement	Engage local communities in tourism planning and development initiatives Impact: ensure that communities benefit from tourism growth through job creation, income generation, and cultural preservation.
7.0	Monitoring and Evaluation of the Tourism Strategy	Establish a monitoring and evaluation mechanism to assess the effectiveness of these interventions Impact: make adjustments as necessary to achieve sustainable tourism development goals

Technology and Innovation Sector

The technology and innovation sector holds significant potential for Liberia, particularly in terms of income generation and job creation. This sector can drive economic growth by fostering new businesses and industries, which in turn can create employment opportunities, especially for the youth. For instance, the spread of mobile phones and increasing smartphone penetration have created new income opportunities through digital platforms, social media, and apps[58]. Moreover, digitalization can help increase efficiency, reduce costs, and create new opportunities for businesses, thereby contributing to economic growth and job creation[59].

Investing in the technology and innovation sector opens up avenues for income generation through various means such as software development, IT services, digital marketing, and e-commerce. Additionally, as the sector grows, it creates a demand for skilled professionals in fields like software engineering, data science, digital marketing, and cybersecurity. By fostering a conducive environment for tech startups and encouraging entrepreneurship, Liberia can leverage the potential of its youth population and drive job creation in high-value sectors. By investing in innovative

---

[58] The Promise and Limitations of Technology for Tax Mobilization - World Bank. https://thedocs.worldbank.org/en/doc/a5b77ab0e0490f3e59c0bd9d56534755-0050022021/original/Technology-and-Tax-PRT-Slides.pdf.

[59] Entrepreneurship Development as a Tool for Employment Creation, Income …. https://link.springer.com/article/10.1007/s13132-024-01747-w.

strategies within the technology and innovation sector, Liberia can foster sustainable growth and job creation. This includes initiatives such as establishing tech hubs and incubators, providing incentives for research and development, promoting STEM education, and facilitating access to financing for tech startups. These strategies not only stimulate economic activity but also attract foreign investment and partnerships, further boosting the sector's growth and tax contributions.

Investing in the technology and innovation sector creates a ripple effect throughout the economy by generating demand for goods and services from other sectors. For instance, tech companies require office space, equipment, and various professional services, leading to job creation in construction, real estate, and consulting industries. Furthermore, the digitization of processes and services improves efficiency across sectors, leading to overall economic growth and employment opportunities.

The technology sector can contribute significantly to tax revenue by expanding the tax base through the formalization of digital transactions and businesses. Initiatives like e-filing and electronic property enumeration can enhance tax compliance and reduce corruption, which is crucial for increasing tax revenue[60]. The efforts to automate revenue collection, such as those by the Liberia Revenue Authority, are steps in the right direction. The technology and innovation sector can significantly contribute to tax revenue through several channels. As tech companies and startups grow, they generate profits subject to corporate income tax; their employees may earn higher incomes compared to traditional sectors and thus contribute more to income tax revenue. Additionally, sales taxes can be levied on digital products and services, further increasing government revenue. Investment in innovative strategies within the technology sector is also vital for job creation and improving the tax-to-GDP ratio. By fostering a dynamic and innovative tech ecosystem, Liberia can diversify its revenue sources, reduce dependency on traditional sectors, and achieve sustainable economic development.

The technology and innovation sector holds immense potential for Liberia's economic transformation by driving income generation, job creation, and increasing tax revenue. By implementing supportive policies and investing in innovative strategies, Liberia can harness the power of technology to foster inclusive growth and build a prosperous future for its citizens.

The Technology and Innovation Strategy in Liberia could include several interventions and activities aimed at fostering growth and development in the sector. Here are some potential initiatives.

Table Four (4): Initiatives to Enhance the DRM Capability of the Technology and Innovation Sector

No	Initiatives	Activities
1.0	Development of a National ICT Policy	Establish a policy framework to create a conducive environment for technology and innovation as initiated in 2021[61] Impact: Fostering a culture of innovation and entrepreneurship

[60] How innovation can boost jobs creation – Cenfri. https://cenfri.org/articles/how-innovation-can-boost-jobs-creation/.

[61] Liberia Economic Update: Prospects for Inclusive and Sustainable Growth. https://www.worldbank.org/en/news/press-release/2022/09/27/liberia-economic-update-prospects-for-inclusive-and-sustainable-growth

No	Initiatives	Activities
2.0	Infrastructures Upgrades	Investing in national ICT infrastructure to include the expansion of internet connectivity through projects like the one undertaken by CSquared Impact: Promoting economic growth and development
3.0	Cybersecurity and e-Government	Strengthening cybersecurity measures and automating government processes Impact: improved efficiency and transparency
4.0	Education and Training	Investing in education to create a skilled workforce capable of supporting and advancing the technology sector[62] Impact: Reducing the skills gap and increasing employment opportunities.
5.0	Research and Innovation Centers	Establishing 7centers dedicated to research and innovation[63] Impact: Foster a culture of creativity and technology advancements
6.0	Digital Economy Summit	Organize events like the Monrovia Tech Summit to bring together industry leaders and develop strategies for digital transformation Impact: Fostering collaboration and networking among industry leaders

[62] LIBERIA'S NEW NATIONAL DEVELOPMENT STRATEGY. https://openknowledge.worldbank.org/bitstream/handle/10986/16456/787670WP0Box370egy0planning0June017.pdf

[63] Liberia: Voluntary National Review on the Implementation Status of the .... https://sustainabledevelopment.un.org/content/documents/26287VNR_2020_Liberia_Report.pdf

Annex 5: Taxes in Effect in Liberia

Business Income Tax

Business (corporate) Income Tax Category	Applicable Tax	Explanation
General businesses	25 percent	The tax is applied on the annual profit (i.e., taxable income)
Small businesses (<LRD3m)	4 percent	The tax is applied on annual gross turnover
Petty trader with roof (<LRD200k)	2,400	The tax is an annual lump sum payment
Petty trader at a fixed place	1,200	The tax is an annual lump sum payment
Petty traders outside Montserrado	480 (or 240)	The tax is an annual lump sum payment
Life insurance businesses	4 percent	The tax is applied on annual gross turnover
Mineral and petroleum mining	30 percent	The tax is applied on the annual profit
Agriculture (besides rice)	30 percent	The tax is applied on the annual profit
Rice production	15 percent	The tax is applied on the annual profit

Personal Income Tax

Bands	Taxable Income Range (LRD)	Tax Rate and Composition
1	0 to 70,000	Nil
2	70,001 to 200,000	5 percent of the excess over 70,000
3	200,001 to 800,000	6,500 + 15 percent of the excess over 200,000
4	800,001 and above	96,500 + 25 percent of the excess over 800,000

Other Levies on Income

Description	Rate (per recipient)	
	Residents	Nonresidents
Payments by a natural or legal person (General)		
Withholding on interest payment	15 percent	15 percent
Withholding on payment for service rendered	10 percent	15 percent
Withholding on dividend payment	15 percent	15 percent
Withholding on rental income	10 percent	15 percent
Withholding on royalty payment	15 percent	15 percent
Withholding on license fee payment	15 percent	15 percent
Withholding on wins from gaming	20 percent	20 percent
Withholding on acquisition price	10 percent	15 percent
Payment by mining, petroleum and agriculture producers under Chapters 6 and 7		
Withholding on interest payment	5 percent	
Withholding on dividend payment	5 percent	
Withholding on payment for service rendered	6 percent	
Payment by Government Agencies to Residents and Nonresidents		
Withholding on all category of payments	up to 4 percent	

Excise Tax

Harmonized Code	Article Description (Excisable Items)	Rates	
		Imports	Locally Manufactures
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether containing added sugar or other sweetening matter.	S$0.45/liter	US$0.05/liter
2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow.	US$0.45/liter	NIL
2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009.	US$0.30/liter	US$0.02/liter
2203	Beer made from malt	US$1.0/liter	US$0.35/liter
2204	Wine of fresh grapes, including fortified wines; grapes must other than that of heading 20.09.	US$1.0/liter	US$0.35/liter
2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances.	US$1.0/liter	US$0.35/liter
2206	Other fermented beverages (for example, cider, Perry, mead, sake); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.	US$1.0/liter	US$0.35/liter
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol.; spirits, liqueurs, and other spirituous beverages.	US$3.0/liter	US$2.0/liter
2401	Unmanufactured tobacco, tobacco refuse	USD 0.40/stick of 20 cigarettes	
2402.20	Cigarettes, of tobacco or tobacco substitutes	USD 0.40/stick of 20 cigarettes	
2402.10	Cigars, cheroots, cigarillos	USD 0.40/stick of 20 cigarettes	
2402.90	Others	80%	
2403	Other manufactured tobacco and manufactured tobacco substitutes; “homogenized” or reconstituted” tobacco; tobacco extracts and essences (i.e., shisha and shisha ingredients or hookah)	80%	
8543	E-Cigarette	50%	
9614	Smoking pipes (including pipe bowls) and cigar or cigarette holders, and parts thereof (i.e., hookah utensils)	50%	
33	Cosmetics and cosmetic aids including perfumes, toilet preparation, hair products and nail products (**soap, toothpaste, toilet tissues and disinfectants are not cosmetics or cosmetic aids for excise tax purposes**)	20%	
1701.99.10.00	Cane or beet sugar and chemically pure sucrose, in solid form.	5%	
1701.99.90.00	Cane or beet sugar and chemically pure sucrose, in solid form.	5%	

Harmonized Code	Article Description (Excisable Items)	Rates	
		Imports	Locally Manufactures
8703	Luxury vehicles and vessels (including boats and yachts and other vessels for sports and pleasure) "Luxury Vehicles" means any automobile that is in the class of private passenger automobiles and that has a minimum of a CIF value of US$60,000.00 for a new car or US$30,000.00 for a used car	10%	
7113-7118	Jewelry, goldsmiths' and silversmiths' wares and other articles	10%	
9504	Video game consoles and machines, articles for funfair, table, or parlor games, including printable, billiards, special tables for casino games and automatic bowling alley equipment.	30%	

Customs Duties and Related Charges

No.	Customs Related Charges	Rate
1	ECOWAS Trade Levy (ETL)	0.5%
2	Customs user fees	1.5%
3	Local fish levy	
4	Customs fines and penalties	Assorted

Export Duties Description	Rate
Unprocessed raw material (e.g., cocoa, palm, etc.	2.5 percent of FOB value
Semi processed raw materials	1.25 percent of FOB value
Export fees for the use of customs facilities	US$100
Transit fees	2.5 percent of CIF value

Real Property Tax

Unimproved Land (Land Only)	Rate	
Located within the corporate limits of a city, town, municipal or commonwealth district		
Parcel of land in city or town lot	3.5%	On the assessed value
Parcel of land in city or town lot and used as farmland	4.0%	On the assessed value
Parcel of land in city or town lot and used for other purpose	4.5%	On the assessed value
Located outside the corporate limits of city, town, municipal or commonwealth district		
Parcel of land used for farmland	$5	On each acre

Improved Land (Land + Improvements)	Rate	
Business or commercial use (in whole or part)	1.50%	On the assessed value
Industrial use (in whole or part)	1.50%	On the assessed value
Residential use (exclusively)	0.25%	On the assessed value
Farm use in urban areas	0.33%	On the assessed value
Farm use outside urban areas	0.25%	On the assessed value
Public land (but privately use) – Residential	0.143%	On the assessed value

Public land (but privately use) – Commercial	0.10%	On the assessed value

Surface Rental

No.	Surface Rental	Rates
Mining Operations		
1	Land within a mineral exploration license area	US$0.20 per acre
2	Land within a mineral mining license area (1-10 yrs.)	US$5.00 per acre
3	Land within a mineral mining license area (11-25 yrs.)	US$10.00 per acre
Agriculture Operations		
1	Developed land within a concession area	US$2.00 per acre
2	Undeveloped land within a concession area	US$1.00 per acre

Royalties

No.	Mineral and Agriculture Royalty	Rates
1	Iron ore	4.5%
2	Gold and other base metals	3%
3	Commercial diamond	5%
4	All other minerals	2-3%
5	Petroleum	10%
6	Carbon credit royalty for agriculture operators	10%

Administrative Fees in Effect

No.	Sector Ministries and Agencies	Examples of Fee Types
1	Liberia Business Registry	Businesses registration fee
2	Ministry of Health and Social Welfare	Birth certificate and related fees
3	Center for National Document Records	Marriage certificate
4	Ministry of Foreign Affairs	Passports
5	Liberia Immigration Service	Resident permits
6	Liberia National Fire Service	Fire safety certificate
7	Ministry of Labor	Work permits
8	Ministry of Justice	Private contract security accreditation
9	Liberia Pharmacy Board	Agency fees
10	Ministry of Education	School operation permit
11	Forestry Development Authority	Land Rental Fees
12	Ministry of Internal Affairs	Divorce certificate
13	Ministry of Post and Telecommunication	Expedited mail service
14	Liberia National Police	Travel clearance
15	Ministry of Youths and Sports	Arena rental
16	Liberia Maritime Authority	Companies or agency registration
17	Ministry of Transport	Motor vehicle registration
18	Liberia Board of Nursing and Midwifery	State board registration

19	Temple of Justice	Fees for subpoena of witness
20	National Public Health Institute of Liberia	Water processing and company certificate
21	Ministry of Mines and Energy	Mineral mining licenses
22	Liberia Medicine & Health Product Regulatory Authority	Drug Importation permits
23	Ministry of Finance and Development Planning	Agency registration
24	Ministry of Public Works	Zoning permits
25	Ministry of Agriculture	Agriculture products export permits
26	Liberia Telecommunication Authority	FM radio station operation permit
27	National Fisheries and Aquaculture Authority	Access fees

LIST OF TABLES

LIST OF FIGURES

ABOUT THE AUTHORS

Atty. Decontee T. King-Sackie

Atty. Decontee T. King-Sackie stands out as a versatile and seasoned professional, boasting a rich tapestry of roles including legal expert, certified accountant, and authority in tax, customs, trade, and forest governance. Her impressive 20-plus-year career is marked by pivotal roles in shaping revenue systems and sustainable forest governance, as well as her contributions to pivotal trade, tax, and customs policies. Her leadership has been instrumental in steering regional and international projects to success, working alongside multinational entities and development agencies. Her reputation for stellar communication and a progressive approach to reform is well established.

In her illustrious career, Atty. King-Sackie has held notable positions such as Deputy Commissioner General for Technical Affairs at the Liberia Revenue Authority (LRA), and Assistant Minister for Revenue and Commissioner of Customs and Excise within the Ministry of Finance. Her tenure is celebrated for significant strides, notably her involvement in the creation of the LRA's inaugural Corporate Strategic Plan, which introduced groundbreaking HR reforms and anti-corruption measures that greatly enhanced operational efficiency and accountability. She is also lauded for modernizing taxpayer services and customs administration, transitioning from traditional methods to automated systems, and implementing risk-based audits and compliance strategies that have optimized trade procedures and bolstered revenue.

Currently, Atty. King-Sackie is the Managing Partner at ZE'AD Advisors and Consultants, an affiliate of Andersen Global, and serves as an Independent Consultant, notably as the EU VPA FLEGT Facilitator, overseeing the Voluntary Partnership Agreement between the European Union and the Liberian Government. Her profound expertise in revenue generation, governance, and reform initiatives has earned her the role of co-author of this DRMS, aimed at boosting domestic resource mobilization for national progress, and the Revenue Sharing Law of 2021 Regulations.

Her academic achievements are equally impressive, with a Master in Public Administration from Harvard University, an MBA in Accounting from Cuttington University Graduate School, and Bachelor (Honor) degrees in Law and Business Administration (Accounting) from the University of Liberia. These credentials, combined with her extensive experience, render her a venerated figure in her domain. Atty. King-Sackie is an active member of several professional bodies, including the Liberian National Bar Association, the Institute of Chartered Accountants of Ghana, the Liberian Institute of Certified Public Accountants and African Customs Policy Network (AfCPN). Her board memberships span across prominent organizations such as ECOBANK Liberia Limited, the IOE&IT Africa Advisory Board, MARWOPNET, TRIBE and Empowerment Squared (E2) Liberia. Beyond her professional pursuits, she is a dedicated humanitarian and has served as the Past President of the Rotary Club of Sinkor, part of Rotary International and Treasurer (Tamias) of Delta Iota Zeta, Zeta Phi Beta Sorority Inc. Her multifaceted career and contributions reflect her commitment to excellence and service.

Mr. Molley O. Kiazolu

Molley Okomfo Kiazolu is a fiscal economist with over 14 years of tax policy and public financial management (PFM) experience. He has served in various capacities at institutions overseeing Liberia's fiscal policy and PFM functions as well as technical advisor to development partners, including the World Bank, USAID Liberia Economic Policy Dialogue Activity (LEPDA) and the Economic Community of West African States (ECOWAS). Molley currently serves as Fiscal and Local Governance Expert for the Liberia Local Empowerment for Accountability and Decentralization (LEAD) Project – a USAID Activity aims at supporting the Government's fiscal decentralization program and domestic revenue mobilization efforts.

Prior to taking on his current role with the USAID LEAD Activity, Molley served as assistant commissioner for research and revenue forecasting at the Liberia Revenue Authority (LRA) and director for tax policy and research at the Ministry of Finance and Development Planning (MFDP). Molley holds four post graduate degrees – two from the Australian National University (in Economic Policy and Public Administration), one from the University of Liberian (in Public Sector Financial Management) and one from the United Nations University for Peace (in Development Studies). He completed his undergraduate studies at African Methodist Episcopal University with a Bachelor of Science degree in economics.