Personal Income Tax (PIT)

What is a Personal Income Tax (PIT)?
A personal income tax is amount paid by an individual on a periodic basis from his/ her personal income.

What is the PIT table ?
The PIT table shows the different bands of income earners and their corresponding applicable marginal tax rate.

PIT Table				
Band	**From**	**To**	**Tax Rate**	
1	-	70,000	0%	of Gross Taxable Income
2	70,001	200,000	5%	of Excess over 70,000
3	200,001	800,000	6,500 + 15%	of Excess over 200,000
4	800,001	Above	96,500 + 25%	of Excess over 800,000

How is PIT calculated? *The PIT is calculated on the annual gross income which includes all of your cash and non cash benefits . Non cash benefits include vehicles, housing, gasoline coupons, etc. Pursuant to section 202-C, the Law allows for an annual exemption of L$100,000 on the aggregate market value of all non-cash benefits.*

What is meant by an annual gross taxable income?
An annual gross taxable income is the summation of all monthly gross income for the year.

What is the difference between a marginal tax rate and an effective tax rate?
*The difference between a marginal tax rate and an **effective rate** is that a **marginal tax rate** is the tax rate of the taxpayer's band which is applied on the excess amount of his/her tax band and the effective tax rate is the actual tax rate levied on the taxpayer and is derived by dividing tax amount by earning before tax deduction.*

What is the tax rate for a taxpayer who annual gross income is below the exemption threshold? *For any taxpayer whose annual gross income is below the exemption threshold his /her tax rate is ZERO. Meaning no tax payment is required.*

Is the New PIT table also applicable to contractors?
NO. the New PIT table like the old table is only applicable to employees of both public and private sectors. Contractors of both public and private sector will continue to pay the 10% flat rate.

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How does the Government receive my personal income tax as an employee or a contractor?
Government receives personal income taxes from employees and contractors (both Public & Private Institutions) through the following means:

- ☞ *The Employer/ employing entity withholds the correct and fair value of their employee(s) PIT and remits to government revenue account.*
- ☞ *For an employee or contractor of diplomatic missions (Embassies, UN family), the government receives payment when the employee /contractor himself/herself pays his /her income tax liability.*

What is the tax obligation for a taxpayer who annual gross income is above the exemption threshold, assuming US$300 monthly?

Assume a Taxpayer earns US $300.00 a month				
Steps	Description	Formula	Result (Annually)	
			LRD	USD
1	Determine the taxpayer annual gross taxable income in LRD	{300 x 12 x 194.62*} *current US-LRD rate	700,632.00	3,600.00
2	Determine the Tax Band using the PIT Table. In this case, Band 3. [{200,001-800,000} 6,500 + 15% of Excess over 200,000]			
3	Determine the taxpayer annual gross taxable income by subtracting the beginning threshold in the applicable band from the total annual gross taxable income determined in Step 1.	{700,632.00 - 200,000}	500,632.00	2,495.94
4	Multiply the marginal rate of the tax band by the taxpayer net annual gross taxable income.	{500,632.00 x 15%}	75,094.80	383.28
5	Add the lump sum amount in the tax band determined in Step 2 to the amount derived in Step 4 to determine taxpayer total tax obligation.	{75,094.80 + 6,500}	81,594.8	417.24
6	Determine your monthly tax obligation by dividing the amount derived in Step 5 by 12.	{81,594.80 / 12}	6,799.56	**34.94**
7	(Optional) Determine the taxpayer effective tax rate by dividing the taxpayer annual gross taxable income by his/her total tax obligation in Step 5.	{700,632.00 / 81,594.8}	11.65	11.65

How does a tax payer who is earning United States Dollars determine his tax band in deriving his /her tax obligation?
To determine the tax band of USD earners:

- ☞ *Convert the tax payer annual gross taxable income to Liberian Dollars at the CBL published rate*
- ☞ *Match the tax payer annual gross taxable income to the tax band on the tax table.*