Liberia Revenue Authority | Monrovia - Liberia **2026**

Why Liberia Should Transition from GST to VAT

The Government of Liberia is preparing to transition from the current Goods and Services Tax (GST) to a Value Added Tax (VAT). This leaflet explains what this change means and why it matters to you as a citizen.

1. What is GST?

GST is a single-stage sales tax charged on most taxable goods and services, whether produced in Liberia or imported. For imported goods, GST is collected at the border, while for locally manufactured goods it is collected at the point of production. GST also applies to certain services. The standard GST rate is 12 percent, while communication services are taxed at 15 percent.

2. What is VAT?

VAT is a multi-stage tax charged on most goods and services, whether imported or produced locally, except those exempted by law. It is collected at each stage of the production and distribution process, ensuring that tax is spread across the entire value chain. The standard VAT rate is 15 percent on taxable goods and services, while exports are zero-rated.

3. Why is the Government of Liberia considering replacing GST with VAT?

The current GST has a narrow tax base and does not grow adequately as the economy expands. It contributes relatively little to total tax revenue and is insufficient to meet Liberia's increasing development and fiscal needs. GST can also distort prices because taxes paid at the import or manufacturing stage may be marked up and passed along the supply chain.

4. How is VAT better than GST?

VAT is a broad-based, fair, and efficient tax collected at each stage of production and distribution. Because it taxes only the value added at every step, the tax burden is spread more evenly across businesses, reducing tax evasion and making revenue more stable and reliable. International experience shows that VAT is one of the most productive and buoyant taxes, generating around 6 percent of GDP in many developing countries, compared to less than 3 percent of GDP currently generated by GST in Liberia.

5. Why has the Government of Liberia decided to replace GST with VAT now?

The Government of Liberia has considered replacing GST with VAT for many years. Liberia, along with all other Economic Community of West African States member states, agreed to adopt VAT as a common indirect tax under the VAT Protocol signed in 1996 and the Harmonization Directive adopted in 2009. All Economic Community of West African States members except Liberia have since implemented VAT.

Preparations for introducing VAT in Liberia began in 2009 following a Memorandum of Understanding between the Ministry of Finance and Development Planning and the Economic Community of West African States Commission. However, these efforts were disrupted by the Ebola crisis, the COVID-19 pandemic, and other challenges. With improved stability now in place, the Government has resumed the reform process to fulfill its regional commitments and modernize the tax system.

6. What preparations has the Government of Liberia made to introduce VAT?

The Government of Liberia has undertaken several legislative, institutional, and taxpayer education initiatives to prepare for the introduction of VAT. The VAT Law has been approved by the Legislature, signed by the President, and printed as handbills under the authority of the Ministry of Foreign Affairs. In addition, detailed VAT Regulations, including 27 schedules, have been approved by the Government.

Capacity-building activities have been carried out to strengthen the expertise of officials of the Ministry of Finance and Development Planning and the Liberia Revenue Authority in VAT principles, operations, international best practices, legal frameworks, and administrative procedures. An extensive VAT education and public awareness program has also been launched to inform potential taxpayers, consumers, and the general public.

7. When is the Government of Liberia planning to introduce VAT?

VAT will be introduced once all preparatory measures are completed. Transitional VAT registration is scheduled to begin on July 1, 2026, allowing businesses time to adjust, with full VAT collection expected to commence on July 1, 2027.

8. What changes would ordinary Liberians notice after the introduction of VAT?

Following the introduction of VAT, ordinary Liberians are likely to notice changes in the buying and selling of goods and services. VAT-registered businesses will issue invoices that clearly show VAT as a separate charge, making taxation more visible and transparent.

9. Will there be an increase in price levels after the introduction of VAT?

No. VAT will not be introduced as an additional tax; it will replace the current GST. GST is levied at an early stage of the production and distribution chain and becomes embedded in the final price paid by consumers. Because GST is hidden in prices, consumers are often unaware of how much tax they are paying.

Under VAT, tax is applied at each stage of the supply chain but is shown separately on receipts. While prices of some individual goods or services may change due to market adjustments, the introduction of VAT itself is not intended to cause a general increase in price levels. Instead, VAT replaces GST in a clearer, more efficient, and more transparent manner.

10. Why does VAT matter to me as a citizen?

VAT helps the Government raise more stable and reliable revenue to fund schools, hospitals, roads, electricity, water, security, and other essential public services. When government revenue improves, service delivery can also improve. The stronger revenue performance of VAT enables better planning and financing of national development.

VAT is not just a tax. It is a tool for building a stronger, fairer, and more productive Liberia, benefiting citizens today and for generations to come.