



Annual Income Taxation of Partnerships

1. What is Annual Income Tax Return?

An annual income tax is the filing of a tax return capturing all of the financial and economic activities of the natural and legal persons for a particular tax period, usually a year. .

The partnership as an entity is not subject to tax, but the income of the individual partners is taxed in relation to the **Personal Income Tax rules of Section 200, Liberia Revenue Code**. A representation of that tax table appears below:

Personal Income Tax Table for Resident Natural Persons

Step	Taxable Income (in Liberian dollars)	Tax Rate and Computation (in Liberian Dollars)
1	0 to 70,000	Not Applicable
2	70,001 to 200,000	5% of the excess over 70,000
3	200,001 to 800,000	6,500 + 15% of the excess over 200,000
4	800,001 and above	96,500 + 25% of the excess over 800,000

Partner’s Filing of Personal Income Taxes

Who pays Personal Income Tax?

It is paid by all natural persons who exercise employment or work in Liberia no matter the agency or entity or the kind of work being done and citizens working with the Liberian Government in foreign service.

It is paid by resident natural persons, resident legal persons, and nonresident persons. The gross income of a resident includes all economic benefits regardless of source. The gross income of a nonresident person includes only economic benefits having a source **in Liberia**. **Chapter 8 of the Revenue Code of Liberia** found at www.lra.gov.lr defines residency.

What is the legal basis for Personal Income Taxation?

- (a) Every person is obliged to pay the taxes for which the person is liable.
- (b) No one may be required to pay taxes that are not provided for by this Code.
- (c) **Liberia Revenue Code, Section 2**, found at www.lra.gov.lr.

Use the Personal Income Tax Table for Resident Natural Persons shown above to estimate what your tax is based on your report of partnership income and income from employment and other sources.





A Partner's Requirements for Filing

- A partner reports his share of income by filing an Individual Income Tax Return Form
- A Partner reports income from employment and other income using his Individual Income Tax Return provided by the LRA.
- The Individual Income Tax Return contains schedules for wages and salaries, income from dividends and interest, income received from partnerships, estates, and trusts, and other income generating activities.

Due dates for filing Personal Annual Income Tax Returns

File your Personal Income Tax Return on or before March 31 for calendar year taxpayers. File your Personal Income Tax Return no later than 3 months after the last day of taxpayer's fiscal year.

2. What is the Partnership rate of tax on Taxable Income?

The partnership rate of tax is 25% on taxable income.

3. What is Taxable Income?

The taxable income of a legal or natural person for a tax year is that person's gross income less:

- a. Exclusions
- b. Deductions
- c. Personal allowances

4. What is Gross Income?

Gross income for tax purpose means the aggregate of all income earned, from wherever source derived by a taxpayer during a tax year. Example of items that are included in gross income are:

- a. Earnings from employment, including benefits received in the form of noncash property above L\$100,000.
- b. Receipts from the operation of business, profession, vocation, trade, or proprietorship;
- c. Non-exempt interest, rent, royalties, and non-exempt dividends;
- d. Payments received under a pension, retirement, or annuity arrangement;
- e. Distribution from a trust or an estate, except as limited by income tax rules for agricultural and renewable resources.
- f. Gain on the disposition of property (whether real or personal, tangible or intangible) used in a business or held for investment (including gain sometimes called "capital gain").





5. What are Exclusions?

Sickness, Disability or Death Benefits, Gifts and Transfers by Death, Noncash Benefits Provided by an Employer, Tax-Exempt Government Obligations, Personal-Use Property, and Exclusion of Interest for Small Savers. **Liberia Revenue Code, Section 202.**

6. What are Deductions?

As limited by Section 203 of the Liberia Revenue Code, deductions include certain Expenses, Losses, Bad Debts, Business Interest, and Net Operating Loss Carryforward. **Liberia Revenue Code, Section 203.**

What are Personal Allowances?

Standard Deduction (applies only to income not exceeding LD70,000.00. **Liberia Revenue Code, Section 205(a).**

Charitable Contribution Deduction. **Liberia Revenue Code, Section 205(b).**

Medical Tax Credit. **Liberia Revenue Code, Section 219.**

Methods and Procedures for Filing Annual Income Tax Return for Partnerships

- The Partnership will complete an Annual Income Tax Return form. Taxes due will be paid by individual members of the Partnership.
- The Partnership pays advanced tax of 2% if it is a medium or large taxpayer and 4% if it is a small taxpayer on a quarterly basis. **Liberia Revenue Code, Section 200 (a) (b).**
- At the time of filing annual taxes, if Partnership files and pays tax, the amount of tax paid by the Partnership is creditable against tax owed by the partners. **Liberia Revenue Code, Section 200 (a) (b).**
- If the Partnership owes taxes, it is due and payable.



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