



# Excise Tax Reform Implementation Strategy

## 1. Background

Liberia has embarked on an extensive excise tax reform program. The Ministry of Finance and Development Planning (MFDP) and Liberia Revenue Authority (LRA) with the support from USAID Revenue Generation for Governance and Growth (RG3) Project prepared a draft excise tax bill in 2018 to replace a sub-optimally structured existing excise tax law. The new law was passed by the House of Representatives on November 20, 2018 and Senate on November 28, 2018 while it was signed by the President on December 14, 2018. It was printed into Handbills on January 2019.

Major excise tax reforms introduced through the new law include:

- Reduction of the list of excisable goods from 57 to 7 to improve business environment and reduce scope for corruption.
- Converting rates for tobacco and alcohol from ad valorem (fixed as percent of the price) to specific (expressed in Dollar per unit of measurement) to minimize under-invoicing during importation.
- Introducing excise stamps in order to strengthen the administration of excise duties.
- Modernizing the structure of the law and providing clearer provisions regarding taxable items, taxable values and filing and payment requirements.

LRA began implementing the new excise law from July 1, 2019. To implement the new excise tax regime properly and effectively, Liberia Revenue Authority has developed a comprehensive excise tax reform implementation strategy consisting of the following elements:

- Excise Tax Regulations
- Procedures and Guidelines of Affixing Excise Stamps on Excisable Goods
- Excise Tax Operating Manual/Flowchart
- Excise Stamps Operating Manual/Flowchart
- Study Tour
- Capacity Building
- Outreach Campaign
- Tax Educations Meetings/Visits
- Excise Tax Data Base
- Monitoring
- Timeline

An Excise Tax Reform Implementation Core Group consisting of members from MFDP and LRA will be set up for about approximately one year to make necessary preparation and monitoring of the excise reform implementation.

## 2. Excise Tax Regulations



0888-572-572  
0770-572-572



www.lra.gov.lr  
info@lra.gov.lr

Excise tax regulations will be developed to specify, among other things, the responsibilities of the excise taxpayers. Regulations will include registration process, storage and delivering of excisable goods, computation of excise tax, book keeping, filing, and payment process as well as monitoring and enforcement. Regulations will also include provisions relating to losses and refund and specify various forms to be completed by the excise taxpayers.

### **3. Procedures and Guidelines of Affixing Excise Stamps on Excisable Goods**

The new excise law gives authority to the Commissioner General of the LRA to issue regulations relating to:

- (a) the excisable goods to which excise stamps shall be affixed or applied;
- (b) the systems of management of excisable stamps and excisable goods; and
- (c) the place and time of affixing or applying excise stamps.

To this end, LRA will develop Procedures and Guidelines of Affixing Excise Stamps on Excisable Goods covering the goods subject to excise stamps, type of excise stamps, process of obtaining and returning excise stamps, time, place and process of applying excise stamps, and process relating to payment and refund of excise stamps fees.

### **4. Excise Tax Operating Manual**

LRA will prepare an excise tax operating manual, which should explain the process of how to calculate and pay excise tax, how to maintain records, how to complete various excise tax forms, how and when to file excise returns and other necessary tasks. The manual will also cover control procedures, including tax visits, follow-up on non-filers, non-payers, refund, arrear collection and audits.

### **5. Excise Stamps Operating Manual**

The concept of excise stamps is new for both tax collectors and taxpayers in Liberia. LRA will prepare excise stamps operating manuals that should provide information on types of excise stamps, the goods to which excise stamps shall be affixed, the process of how to apply excise stamps, time and place of affixing excise stamps, process for obtaining and returning excise stamps, fees for the excise stamps, the process for payment and refund of excise stamps fees, and audit.

### **6. Study Tour**

As study tours can play a vital role in learning best practices being adopted in other countries in the region LRA with the support of the USAID Revenue Generation for Governance and Growth (RG3) Project will organize a study tour to an appropriate country on excise tax for key officials of MFDP and LRA.

### **7. Capacity Building**

LRA will develop the capacity of MFDP and LRA officials to implement the new excise regime properly and effectively and to inform potential taxpayers and public at large about the new excise regime.



## 8. Outreach Campaign

LRA, MFDP and USAID RG3 Project have already initiated an excise tax outreach program. The two organizations conducted taxpayer education about the changes in the excise system. In the first half of 2019, several stakeholder engagement meetings were conducted with manufacturers, importers, brokers' unions, tax accountants, chambers of commerce, and others to explain rationale and basic features of the new excise regime. During the workshop, LRA distributed copies of the Excise Tax Law and FAQs and delivered a presentation to approximately 80 participants.

The outreach program will be extended throughout the country in the second half of 2019. To this end, LRA will develop various education materials including FAQs on the (i) rationale for excise tax reform in Liberia, and (ii) the need to introduce excise stamps.

## 9. Tax Educations Meetings/Visits

LRA also will organize excise tax education visits and meetings to explain to potential excise taxpayers in detail about their excise tax requirements to implement the new excise regime properly and effectively in a timely manner.

## 10. Excise Tax Data Base

LRA will prepare an excise tax data base covering the excise taxpayers, their location, contact details, types of excisable goods and their brands, total amount and value of production and excise tax paid on a monthly basis.

## 11. Monitoring

The excise tax reform implementation process will be closely monitored by the excise tax core group throughout the year.



## 12. Timeline

The timeline to implement excise tax reform process is stated below:

SN	Activity	Responsibility		Timeframe	Remarks
		Organization	Individual		
1	Draft Excise Tax Bill	MFDP/LRA/RG3	MFDP/LRA/RG3 staff	2018	Completed
2	Passage of the Excise Tax Act	House of Representatives and Senate	MPs	November 2018	Completed
3	Approval	President's Office	President	December 2018	Completed
4	Development of First Draft of Excise Tax Regulations	MFDP/LRA/RG3	Excise tax core group members and RG3 advisors	August-December 2019	Ongoing
5	Procedures and Guidelines of Affixing Excise Stamps on Excisable Goods	LRA/RG3	Domestic tax commissioner and his subordinate and RG3 Advisor	August-November 2019	On going
6	Excise Tax Operating Manual	MFDP/LRA/RG3	Excise Tax Core Group and RG3 Advisors	January-February 2020	
7	Excise Stamps Operating Manual	MFDP/LRA/RG3	Excise Tax Core Group and RG3 Advisors	January-February 2020	
8	Study tour	LRA, MFDP and RG3		November 2019	Completed
9	Echo-training	MFDP/LRA/RG3	Excise Tax Core Group and RG3 Advisors	November-December 2019	Completed
10	Outreach program	MFDP/LRA/RG3	Excise Tax Core Group and RG3 Advisors	August-December 2019	Conducted in Bong, Granda Bassa, Grand Cape Mount, Margibi, Montserrad o and

					Nimba counties
<b>11</b>	Tax Educations Meetings/Visits	LRA	LRA Member of Excise Tax Core Group	September - December 2019	On going
<b>12</b>	Excise Tax Data Base	LRA	LRA Member of Excise Tax Core Group	August-September 2019	On going
<b>13</b>	Monitoring	MFDP/LRA/RG3	Excise Tax Core Group	Mid-2019 to Mid-2020	On going