



Why Excise Tax Reform?

1. What is excise tax?

Excise tax is a commodity-based tax. It is levied on excisable goods.

2. Which goods are excisable?

Excisable goods are defined by the excise tax law. Generally, tobacco products, alcoholic and non-alcoholic beverages, sugar, certain cosmetic products, gambling equipment and a few luxury items are specified as excisable items.

3. Is excise tax levied only on domestic products?

No, it is levied on the production and importation of excisable goods.

4. What is the base of excise tax?

The base of excise tax depends upon the type of rates of the tax. If excise tax is levied with specific rates, (i.e., expressed as a fixed amount per unit of measure of the excisable items) the tax base is physical units of excisable items such as weight, length, size, stick, pack etc. On the other hand, if excise tax is levied with ad valorem rate (i.e., expressed as a percentage of the value of excisable items) the tax base is the value of excisable items. For example, for imports, excise is levied on the sum of CIF (cost, insurance and freight) price and applicable customs and other duties on imports while in the case of domestic products tax base is the greater of the ex-factory price or normal selling price.

5. When is excise tax levied?

In case of domestic products, excise tax is levied at the time of removal of goods from the factory, while in the case of imports it is levied at the time of importation of excisable goods.

6. When is excise tax paid?

In the case of imports of excisable goods, the excise tax must be paid at the customs point together with the customs duties according to the same procedure as for customs duties. In the case of domestic products, excise tax of each tax period (calendar month) must be paid within 21 days after the end of the period.

7. Is there any need to submit excise tax return?

Yes, an excise taxpayer on domestic goods is required to file an excise tax return for each tax period within 21 days after the end of the period, whether or not any excise tax is due for the period. However, no additional return need be made for excisable imported goods listed on a consumption entry form for purposes of the External Tariff Law and for which the excise tax was paid at the time of entry.

8. What are the objectives of excise tax?

Excise tax is levied to meet the social objectives and revenue demands as follows:

- to discourage the consumption of items that are health hazards, that create negative externalities and that generate environmental problems;
- to check the demand of luxurious items; and
- to generate revenue to support the national development.



9. Why has the Government of Liberia initiated the excise tax reform program?

The Government of Liberia has initiated the excise tax reform program to make the excise system simple, transparent, efficient, and to generate additional revenue for the development of Liberia.

10. What are the major areas of excise tax reform?

Excise tax reform measures include:

- Reduction in the number of excisable items.
- Conversion of ad valorem rates into specific rates on tobacco products, alcoholic and non-alcoholic beverages.
- Introduction of excise stamps.
- Rationalization of excise tax law.

11. What is the rationalization of excise law?

The new excise legislation corrects problems regarding the previous excise tax law. For example, the design of the excise part of the Liberia Revenue Code was suboptimal. There was a lack of clarity regarding the imposition of tax. Some items were taxed through the Liberia Revenue Code, some by Customs Tariff while others were captured through regulations. It was therefore necessary to rationalize the excise tax law. The new law follows international best practices and is easier to understand. Under the new law, excise will be levied only through the revenue code and no excise tax should be introduced through Customs Tariff and/or any regulations on items other than specified as excisable items through the Revenue Code.

An outline of the structure of the old and the new laws (Chapter 11 of the Liberia Revenue Code) on excise tax is presented below:

Liberia Revenue Code, Chapter 11. Excise Tax	
Old Structure	New Structure
Section 1100. Earth and Stone; Asbestos Products	Section 1102. Definitions
Section 1101. Scrap Metal Exported from Liberia	Section 1103. The Concept of Excise
Section 1120. Alcoholic Beverages	Section 1104. Taxpayers
Section 1121. Tobacco and Tobacco Products	Section 1105. Object of Tax
Section 1122. Gambling Equipment	Section 1106. Excisable Goods and Services
Section 1140. Cosmetics, Non-Alcoholic Beverage and Water	Section 1107. Exemptions
Section 1141. Luxury Goods	Section 1108. Excise Tax Rates
Section 1142. Sugar in Crystal or Granule Form	Section 1109. Time of Taxable Transaction
Section 1160. Payment of Excise Tax	Section 1110. Tax Base
Section 1161. Excise Tax Returns	Section 1111 Calculation of Tax
Section 1162. Amount Payable	Section 1112. Tax Deductions
Section 1163. Seizure of Goods and Protest of Seizure	Section 1113. Tax Treatment of Exports
Section 1164. Monosodium Glutamate	Section 1114. Tax Period
	Section 1160. Payment of Excise Tax
	Section 1161. Excise Tax Returns
	Section 1163. Seizure of Goods and Protest of Seizure
	Section 1165. Excise Control
	Section 1166. Excise Stamp
	Schedule I: Excise Tariff

12. Which items have been removed from excise tariff?

The number of excisable items under the previous regime was over 50. However, the Government of Liberia abolished excise duties on most of the items, including biscuits, bread, eggs, ice cream, candles, wire nail, and zinc, which did not meet the objectives of excise tax but only created compliance and administrative costs.

13. Which items are subject to excise tax under the reformed excise regime?

Following items will be subject to excise tax under the reformed excise system:

- ✓ Alcoholic and non-alcoholic beverages
- ✓ Tobacco products
- ✓ Luxury vehicles
- ✓ Jewellery
- ✓ Cosmetics
- ✓ Sugar
- ✓ Gambling equipment

14. What are the rates of excise tax under the reformed excise regime?

Excise tax is commonly levied with specific rates on tobacco products and alcoholic and non-alcoholic beverages while ad valorem rates are applied to other items. Current excise tax rates are given in Annex I to this document.

15. Why have specific rates been adopted in place of ad valorem rates on tobacco products and alcoholic beverages?

Specific rates have been adopted as they:

- Are easier to administer as they require minimum paper work and investigation and do not require product valuation
- Make tax definitive and transparent
- Are more effective to discourage consumption of health hazardous goods and reduce negative externalities than ad valorem rates
- Facilitate revenue forecasts or enhance predictability

16. Why have common specific rates been applied to lower and higher priced goods?

As stated above, excise tax is levied to discourage the consumption of items that are health hazards, that create negative externalities and that generate environmental problems. The size of the excise tax, for example on cigarettes, may be determined by the extent of the damage done to smokers and nonsmokers. As cheaper cigarettes do not damage the health of smokers and non-smokers less than the expensive ones, common specific rates for both sets of cigarettes are justified. That is why there is a growing practice internationally to levy excise tax with common specific rates on tobacco and alcohol and Liberia is following suit.

17. What is excise stamp?

An excise stamp is a type of highly secured revenue stamp affixed to some specified excisable goods to indicate that the required excise tax has been paid by the manufacturer or importer of excisable products.

18. What products are subject to excise stamps?

Tobacco products and alcoholic beverages need to have excise stamp affixed.

19. Why has Liberia decided to introduce excise stamps?

Excise stamps are commonly used internationally to reduce smuggling, under declaration and misclassification of excisable goods and counterfeit products and the Government of Liberia is going to follow suit.

20. Is the excise stamp a new tax?

No. The excise stamp is not a new tax. It is a means of identifying goods on which excise tax has been paid or will be paid. Citizens will be requested to inform the Liberia Revenue Authority if they see excisable goods being sold without the stamps.

21. How will excise stamps benefit the manufacturers and importers of tobacco products and alcoholic beverages?

Currently some traders are involved in smuggling tobacco products and alcoholic beverages and do not pay applicable taxes. Such actions create an unfair competition in the market, in which honest traders and manufacturers suffer. Excise stamps will create a more level playing field for manufacturers and importers of tobacco products and alcoholic beverages by reducing smuggling and combating illicit trade.

22. How will excise stamps benefit the consumers?

Currently, there are few mechanisms to distinguish between real and fake products. Excise stamps will protect consumers from counterfeit products.

23. How will excise stamps benefit the government?

As excise stamps reduce smuggling, under-declaration and mis-classification of excisable goods and combat illicit trade, they ensure that the excise tax and other taxes are paid. This will lead to an increase in much needed revenue to make Liberia more prosperous. Excise stamps will also help identify the origin of the products subject to excise stamps and provide statistics regarding the items subject to excise stamps.

Annex I: Excise Tariff

Harmonized Code #	Article Description	Excise Tax Rates	
		Imported	Local
Alcoholic and non-alcoholic Beverages			
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit,	US\$ 0.45/ltr	US\$ 0.05/ltr

Harmonized Code #	Article Description	Excise Tax Rates	
		Imported	Local
	whether or not containing added sugar or other sweetening additions		
2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter or flavored, ice and snow.	US\$ 0.45/ltr	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/ltr	US\$ 0.02/ltr
2203	Beer made from malt	US\$ 1.00/ltr	US\$ 0.35ltr
2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009.	US\$ 1.00/ltr	US\$ 0.35ltr
2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances.	US\$ 1.00/ltr	US\$ 0.35ltr
2206	Other fermented beverages (for example, cider, Perry, mead, sake); mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.	US\$ 1.00/ltr	US\$ 0.35ltr
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol.; spirits, liqueurs and other spirituous beverages.	US\$ 3.00/ltr	US\$ 2.00ltr
Tobacco and tobacco products			
2401	Unmanufactured tobacco, tobacco refuse	US\$0.40/pack of 20 sticks	

Harmonized Code #	Article Description	Excise Tax Rates	
		Imported	Local
2402	Cigars, cheroots, cigarillos and cigarettes of tobacco or tobacco substitutes		
	Cigarettes with filter	US\$0.40/pack of 20 sticks	
	Cigarettes without filter	US\$0.40/pack of 20 sticks	
	Others	US\$0.40/pack of 20 sticks	
2403	Other manufactured tobacco and manufactured tobacco substitutes; “homogenized” or “reconstituted” tobacco; tobacco extracts and essences	50%	
8543	E cigarette	50%	
	Others	50%	
Cosmetics			
3304	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)	20%	10%
Sugar			
1701.99.10.00	Cane or beet sugar and chemically pure sucrose, in solid form.	5%	5%
1701.99.90.00	Cane or beet sugar and chemically pure sucrose, in solid form.	5%	5%
Luxury goods			
8703	Luxury vehicles and vessels (including boats and yachts and other vessels for sports and pleasure) “Luxury Vehicles” means	10%	10%

Harmonized Code #	Article Description	Excise Tax Rates	
		Imported	Local
	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		
7113-7118	Jewelry Jewelry, goldsmiths' and silversmiths' wares and other articles	20%	10%
Gambling equipment			
9504	Video game consoles and machines, articles for funfair, table or parlor games, including pintables, billiards, special tables for casino games and automatic bowling alley equipment.	30%	