



Government of Sierra Leone



**HANDBOOK OF
TAX INCENTIVES FOR
INVESTMENT IN SIERRA LEONE**

INTRODUCTION

This Handbook summarises the tax incentives available for investment in Sierra Leone. It is intended as a simplified guide for investors to understand the various tax incentives available in Sierra Leone. The tax incentives in the Handbook have been promulgated in the various tax legislations as deductions, exclusions, reductions, accelerated depreciation or exemptions from tax liability, offered to entice investment in specific economic activities or promote certain investment behaviour. While the tax incentives are primarily offered to attract investment in specific sectors, they may be secondarily provided to support, promote or improve efficiency. For example, there are incentives available to promote the use of renewable energy, better environmental practices, etc.

The Handbook groups these tax incentives into two categories, namely, General and Specific Sectors Tax Incentives. The General Investment Incentives are those available to all businesses, while the Specific Sectors Incentives are only available to specific sector investment or businesses, for example, education, health, energy, agriculture or manufacturing. The Handbook is updated periodically, and this current version covers tax incentives available in various tax legislations, such as the amended, consolidated or upgraded form of the Income Tax Act of 2000; the Goods and Services Tax Act of 2009; the Customs Act of 2011 and the various Finance Acts since 2010 to 2021.

It is important to note that the publication of this Handbook is intended to be used by existing and potential investors to Sierra Leone as well as government officials for guidance purpose only. It is only presented as what is contained in the tax legislation, and it should not be construed or used as a legal instrument that overrides any tax legislation in Sierra Leone, or any international legal instrument to which Sierra Leone is a signatory or an enforcer. Therefore, investors are also encouraged to refer to the relevant tax laws, which are available on the National Revenue Authority's website at: <https://www.nra.gov.sl/> or the Ministry of Finance's website at; <https://www.mof.gov.sl/>.

TAX INCENTIVES

GENERAL INVESTMENT TAX INCENTIVES

INVESTMENT AND EMPLOYMENT INCOME TAX INCENTIVE

EXEMPTION OF GROUP DIVIDEND INCOME

Dividend received by a company from another resident company, including a company within a group, shall be exempt from taxation.

[Relevant Provision \(s\): Section 84 of ITA 2000 \(as amended\)](#)

- **DEDUCTIONS FOR INCOME TAX PURPOSES**
- **Capital Items**

Capital allowances for Plant, machinery & Equipment, including automobiles and trucks utilised in business operations shall be deducted from the profit or other income before tax as follow:

- 40 percent (year 1);
- 20 percent (year 2);
- 20 percent (year 3); and
- 20 percent (year 4)

[Relevant Provision \(s\): Section 39 of ITA 2000](#)

- **Other items or expenses Deductions**

The following costs or expenses shall be deducted at the rate specified therein:

- any expenses on training of staff in an approved training programme – 125%
- any expenses on social services such as building of schools and hospitals and any investments outside the scope of the

original investment that would also be available to the general public for use free of charge – 125%

- expenses which are aimed at promoting exports and the supply of goods overseas – 125%
- freight charges from the quay to a factory or processing site not located within Freetown – 125%
- expenditure incurred promoting an export quality standard Sierra Leonean owned product – 125%
- actual cost of the remuneration payable to any physically or mentally disabled employees, up to the extent of the profits of the year in which the expenditure is made, but any unclaimed amount shall not be available for future deductions – 200%

Relevant Provision (s): [Section 32 of ITA 2000 \(as amended and sections 21 of Finance Act 2011](#)

INCOME TAX CREDIT EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY



A taxpayer who undertakes a Corporate Social Responsibility (CSR) in the normal course of business areas as complimentary activity in support of government in the following priority areas shall be allowed a 25 percent tax credit on such expenditure in the year of assessment:

- Free and quality school education;
- Children welfare;
- Natural disasters and disease outbreaks;
- Maternal child health;
- Agriculture (food and cash crop production, fisheries and animal husbandry) and agri-business; and
- Water and Sanitation

Relevant Provision (s): subsection 3 (c) of Section 115 of ITA 2000 (as amended in Section 19 of Finance Act, 2021)

INCOME TAX RELIEFS FOR STARTUPS SMALL AND MEDIUM ENTERPRISES (SMES)



Any Small and Medium Enterprise established between 1st January 2021 and 31st December 2023, shall be eligible to a tax relief on the income derived in the first one year of business operations.

[Relevant Provision \(s\): Section 45 of Finance Act, 2021](#)

Income tax-exemption

Any business registered in Sierra Leone and having, at least, 20% Sierra Leonean ownership as of 1st January, 2015 and beyond shall be entitled to corporate tax exemption.

- for a period of five (5) years if its fulltime workforce is at least 100 employees and minimum investment is \$5,000,000.00;
- For a period of ten (10) years if its workforce is at least 150 employees and minimum investment is \$7,500,000.00.

[Relevant Provision \(s\): Section 24 of Finance Act 2014](#)

DONATION INTO SKILLS DEVELOPMENT FUND



For the purposes of income tax, any investor who makes a donation into the Skills Development Fund, shall be eligible for 100% deduction of the donation from profits for the same year that the donation is made, but any unclaimed amount shall not be available for future deductions.

[Relevant Provision \(s\): Section 25 of Finance Act 2014](#)

EMPLOYMENT OF DISABLED PERSONS

Income tax-deductions

For the purposes of income tax, there shall be deducted from the taxable profits of any business or establishment, 200% of the actual cost of the remuneration payable to any physically or mentally disabled employees, up to the extent of the profits of the year in which the expenditure is made, but any unclaimed amount shall not be available for future deductions.

Requirements

- A claim for this deduction shall be accompanied by a certificate of disability issued by the prescribed authority in the prescribed form in respect of the employee with disability.

- Disability shall have the meaning assigned thereto in the Persons with Disability Act, 2010.

Relevant Provision (s): Section 21 of Finance Act 2011

SOCIAL SERVICES

Income tax-deductions

For the purpose of ascertaining the chargeable income derived by a taxpayer during a year of assessment, there shall be deducted at the rate of 125% any expenses on social services such as building of schools and hospitals and any investments outside the scope of the original investment that would also be available to the general public for use free of charge.

Any expenses on social services, such as building of schools and hospitals and any investment that is outside the scope of the original investment and which would be also available to the general for use free of charge, shall be eligible for deduction from profits of 100% of the cost incurred up to the extent if profits for the purposes of the Income Tax Act 2000.

Requirements

Investment must be approved by the relevant MDA.

Relevant Provision (s): Section 16 of Finance Act 2011

EXPORTS PROMOTION



Income tax-exempted income

Five (5) percent of business income derived from export sales calculated as necessary in the proportion that export sales bear to total sales are exempt from income tax.

Relevant Provision (s): [Section 31 sub-section \(i\) and \(h\) of Income Tax Act 2000:](#)

Income tax-deductions

- **General Promotion of Exports**

For the purpose of ascertaining the chargeable income derived by a taxpayer during a year of assessment, there shall be deducted at the rate of 125% expenses which are aimed at promoting exports and the supply of goods overseas.

Relevant Provision (s): [Section 32 sub-section \(d\) \(ii\) of the Income Tax Act 2000](#)

- **Promotion of Quality and Standards in Exports**

For the purpose of ascertaining the chargeable income derived by a taxpayer during a year of assessment, there shall be deducted at the rate of 125% expenditure incurred promoting an export quality standard Sierra Leonean owned product

Relevant Provision (s): [Section 32 sub-section \(2\) \(d\)\(v\) of the Income Tax Act 2000](#)

- **Promoting Made in Sierra Leone Product**

Any expenses incurred on promoting an export quality standard Sierra Leonean owned product shall be eligible for deduction from profits of 100% of the cost incurred up to the extent of profits of the same year the expenditure is made

[Relevant Provision \(s\): Section 34 sub-section \(c\) of the Income Tax Act 2000:](#)

- **Promotion of Brand Name**

Expenses shall be eligible only if made in promoting a brand name by making such a name internationally known, including expenditure on bill-board advertisements in international airports and highways

[Relevant Provision \(s\): Section 34 sub-section \(c\) of the Income Tax Act 2000](#)

Requirements

Expenses shall be in relation to the following activities

- Overseas advertising, publicity and public relations work
- Supplying samples abroad, including delivery costs
- Undertaking export market research
- Preparing tenders for supply of goods overseas
- Supplying of technical information abroad; preparing exhibits and participation costs in trade or industrial exhibitions, virtual trade or shows and trade portals and fares for overseas travel by company employees for business
- Maintaining sales offices and warehouses overseas to promote exports
- Hiring professionals to design packaging for supports; subject to the company using local professional services
- Undertaking feasibility studies for overseas projects identified for the purpose of tenders

- Preparing architectural and engineering models, perspective drawings and 3-D animations for participation in competitions at international level
- Participation in trade or industrial exhibitions in the country or overseas

The deductions shall, with the necessary modifications, apply to the tourist industry, in respect of the costs incurred in the overseas promotion of Sierra Leone as a tourist destination.

FEMALE MANAGERIAL EMPLOYMENT PROMOTION

Income tax-credit

Any business employing a female employee in a management position between 1st day of January 2021 and 31st of December 2023 shall be eligible to a tax credit at a rate of 6.5% on the PAYE of that female employee

Relevant Provision (s): [Section 38 of Finance Act 2016](#)

PLANT, MACHINERY AND EQUIPMENT



Duty Free Importation

New and existing businesses importing plants and machinery, excluding spare parts and general-purpose vehicles, exclusively for their business operations (and not for resale), shall be entitled to duty free import for three years from the date of their first registration.

Requirements

This shall apply:

- in the case of a new business if the investment is at least \$10,000,000
- in the case of an existing business if the investment is at least \$5,000,000 in expanding the business

SECTOR SPECIFIC TAX INCENTIVES

AGRICULTURE



Income tax-exempted income

The income of an individual derived from any agricultural activity involving rice farming and tree crop farming such as cocoa, coffee, oil-palm, poultry, livestock and ruminants, cashew, ginger, chilli, vegetable and tubers for a period of ten years from the commencement of the agricultural activity.

The income of a company incorporated in Sierra Leone derived from any agricultural activity involving rice farming and tree crop farming such as cocoa, coffee, oil-palm, poultry, livestock and ruminants, cashew, ginger, chilli, vegetable and tubers, for a period of ten years from the commencement of that activity and fifty percent of any dividend paid in that period provided the company maintains full records of all transaction relevant to the agricultural activity.

Requirements

- Foreign investor
- If he intends to irrigate, at least, 500 hectares of agricultural land or to cultivate, at least 2,500 hectares of such land not irrigated; or
- if he intends to invest at least US\$1 million in livestock production or processing
- Domestic investor
- If he intends to irrigate, at least 100 hectares of agricultural land or to cultivate, at least, 500 hectares of such land irrigated or
- if he intends to invest at least \$500,000 in livestock production or processing
- Forested land does not qualify

Relevant Provision (s): Section 31 (1)(f)(2) & (3) of the Income Tax Act 2000

Import duty-free importation

- Entities engaged in agricultural production shall be entitled to duty-free import of agricultural inputs for a period of five years from the date of first registration

Agricultural inputs

- Fertilizers
- Pesticides
- Insecticides
- Seeds and seedlings

- Hybrid tree seeds
- Seed animal for feeding purpose
- Old-day chicks
- Animal semen

Interest on Loans for Agricultural Investment **Income tax-exempted income**

Interest payable on any loan granted by a bank for the purposes of an agricultural investment shall be exempted from a withholding tax, provided that the rate of interest on the loan is not more than the base lending rate at the time the loan was obtained

Requirements

Provided that the rate of interest on the loan is not more than the base lending rate at the time the loan was obtained and the trade or business to which the Agricultural investment is made must be connected with any of the following:

- The establishment or management of plantations for the production of rubber, oil palm, coffee, cashew and similar cash crops;
- The cultivation or production of cereal crops, tubers, fruits of all kinds, cotton, beans, groundnuts, sesame seeds, vegetables, pineapples, bananas and plantains; and
- Animal husbandry, to include poultry, piggery, cattle rearing, and fish farming.

FISH FARMING



Income tax-exempted income

Fish farms comprising, at least ten fish ponds and measuring at least 200 square metres shall, of the 1st January 2015, be exempted from income tax on:

- income derived from any fish farming activity
- 50% of any dividend paid as a result of these activities, for a period of five years

Relevant Provision (s): [Section 26 of Finance Act 2015](#)

POULTRY FARMING



Income tax-exempted income

The income derived from investment in poultry business shall be exempt from income tax for a period of three years

- Sierra Leonean Citizen

In the case of a Sierra Leonean citizen if the investment is at least \$50,000

- Non- Sierra Leonean Citizen

In the case of a non-citizen, if the investment is at least \$500,000

Duty-free importation

Import of feeds, vaccine ad veterinary drugs for poultry and livestock shall attract duty-free import for a period of five years from the date of commencement of business

TOURISM SECTOR



Income Tax Relief

All tourism establishments registered with the National Tourist Board (NTB), shall be eligible for income tax relief for the period 1st of January 2021 to 31st December 2021.

[Relevant Provision \(s\): Section 50 of Finance Act, 2021](#)

Hospitality and fringe benefit for promotion

A deduction is allowed for meal, refreshments and entertainment expenses in respect of hospitality to export customers

[Relevant Provision \(s\): Section 34 sub-section \(c\) of the Income Tax Act 2000](#)

AVIATION INDUSTRY



Income tax-exemptions

Sierra Leonean Company

The income of any Sierra Leone company that provides commercial passenger flights is exempt from tax for the year of assessment ending 31st December 2016 and the subsequent years of assessment

Requirements

“Sierra Leone Company” means a company-

- that is incorporated in Sierra Leone
- that is largely managed or controlled in Sierra Leone; and
- the underlying ownership or control of which is held or exercised by citizens of Sierra Leone

Relevant Provision (s): [Section 31A of the Income Tax Act 2000](#) and [Section 6 of the Finance Act 2016](#)

INFRASTRUCTURE



Income tax-exemptions

Income derived from any undertaking under the Public-Private Partnership Infrastructure Projects in excess of twenty million dollars (\$20,000,000) shall enjoy a corporate tax relief for fifteen years (15 years).

[Relevant Provision \(s\): Section 23 of Finance Act 2011](#)

Duty Free Importation

During the period of construction of any undertaking under the Public-Private Partnership Infrastructure Projects in excess of excess of twenty million dollars (\$20,000,000), subject to the provision of an approved bill of quantities, the importation of plant, equipment and other inputs, excluding petroleum products, shall be duty-free.

[Relevant Provision \(s\): Section 23 of Finance Act 2011](#)

MANUFACTURING



Income tax-exemptions

A new business investing a minimum of US\$2,000,000 and employing at least twenty Sierra Leonean citizens shall be eligible for a corporate tax relief not exceeding five years.

Relevant provision(s): [Section 48\(a\) of Finance Act 2013](#)

Duty Free Importation

A new business investing a minimum of US\$2,000,000 and employing at least twenty Sierra Leonean citizens shall be eligible for importing duty-free equipment and machinery for establishing a new business for a period of five years.

Relevant provision(s): [Section 48\(b\) of Finance Act 2013](#)

Reduced Corporate Income Tax

Subject to Section 3 of the ITA 2000, corporate income tax for manufacturing entities or factories whose management and functional activities are exclusively set outside the Western Area shall be at rate of 15%.

Relevant provision(s): [Section 5 of ITA 2000 \(as amended in section 8 of Finance Act 2021\)](#)

Duty Concessions for Raw Materials

For raw materials (for any manufacture), each under their substantive HS Codes, the import duty rate is 5%.

Relevant provision(s): Section 2 of Customs Tariff Act 1978 (as amended in Section 2 of the Finance Act 2020)

Duty Concessions for Packaging Materials

For packaging materials, each under their substantive HS Codes, the import duty rate is 5%.

Relevant provision(s): Section 2 of Customs Tariff Act 1978 (as amended in Section 2 of the Finance Act 2020)

Requirements

Raw materials mean basic materials which are needed for the manufacture of goods, but which are still in a raw, natural, unrefined or unmanufactured state and for a manufacturer, any material or goods which are required for his manufacturing process, whether they have actually been previously manufactured or are processed or are still in a raw or natural state.

Interest Withholding Tax Exemption

Interest on Loans for investment in the manufacturing sector
Interest on any loan granted as working capital by a bank to any legally registered company engaged in the manufacturing sector and for the sole use of such business shall be exempted from withholding tax.

Requirements

Provided:

- The rate of interest on the loan is not more than the base lending rate at the time the loan was granted.
- The beneficiary company of the loan is using at least 40 percent of locally produced materials for its manufacturing

LIQUIDIFIED PETROLEUM AND GAS

Duty Free Importation

Any new business:

- assembling stoves or cookers, whether fuelled by kerosene or liquidified petroleum gas
- importing or producing liquefied petroleum gas, and
- investing a minimum of \$500,000 and employing a minimum of fifty persons for that purpose

shall be entitled to import duty-free for any period of three years chosen by that business, all related equipment for the production and delivery to market of the stoves or cookers, including gas cylinders, briquette machines and cookers.

Relevant Provision (s): [Section 24 of Finance Act 2011 \(as amended\)](#)

MINING AND PETROLEUM



Income tax-deductions for Acquiring Mineral Rights

Expenses incurred to acquire mineral and petroleum exploration and production rights and in respect of mineral and petroleum development are treated as if they were incurred for a depreciable asset

[Relevant Provision \(s\): Section 42 of the Income Tax Act 2000](#)

Income tax-deductions for Capital Allowances

The rate of capital allowances

- on expenditure under section 43 of the ITA 2000 (start-up costs) on mineral and petroleum prospecting and exploration shall be one hundred percent; and
- on production rights and other expenditure incurred on mineral and petroleum development shall be
- an initial allowance of forty percent of cost in the year of expenditure; and

- an annual allowance of twenty percent of cost for each of the three years succeeding the year of expenditure

A loss in any year of assessment may be carried forward as a deduction against income of the subsequent year of assessment. Accumulated losses can be carried forward up to a maximum of ten years from the date of commencement of commercial production.

[Relevant Provision \(s\): Sixth Schedule of the Income Tax Act 2000 and Section 6 of Finance Act 2011](#)

PETROLEUM REFINERY



Income tax-exemptions

A petroleum refinery investing a minimum of \$20,000,000 and employing at least fifty Sierra Leonean citizens shall be eligible for a corporate tax relief not exceeding five years.

[Relevant Provision \(s\): Section 47 of Finance Act 2013](#)

Duty Free Importation

A petroleum refinery investing a minimum of \$20,000,000 and employing at least fifty Sierra Leonean citizens shall be eligible for importing duty-free equipment and machinery for establishing the refinery for a period of five years.

[Relevant Provision \(s\): Section 47 of Finance Act 2013](#)

PHARMACEUTICALS

Income tax-exemptions

Any business (a) manufacturing drugs, medical devices and other health-related items according to the guidelines of the World Health Organization; (b) investing a minimum of US\$500,000.00; and (c) employing a minimum of fifty persons for that purpose, shall be eligible for a corporate tax relief not exceeding ten years in addition to other incentives the business may be eligible for.

Relevant Provision (s): [Section 25\(1\) of Finance Act 2011](#)

Duty Free Importation

Raw materials for any new business engaging in the manufacturing of drugs, medical devices and other health-related items according to the guidelines of the World Health Organizations, shall be imported duty-free for a period of ten years, while.

Relevant Provision (s): [Section 25\(2\) of Finance Act 2011](#)

Import Duty Concessions

intermediate goods for any new business manufacturing drugs, medical devices and other health-related items according to the guidelines of the World Health Organizations, shall be imported at the rate of 3% for a period of ten years.

Relevant Provision (s): [Section 25\(2\) of Finance Act 2011](#)

RENEWABLE ENERGY GENERATION



Corporate Tax Exemption

Any business engaging in the provision or supply of renewable energy from solar mini-grids in Sierra Leone shall be eligible for a five-year corporate tax relief, commencing from the date of registering first commercial production or 1st January 2021, or whichever comes later. Provided the relief is fully reflected in the tariff price negotiated between the government and the business concerned.

[Relevant Provision \(s\): Section 54 of Finance Act 2021](#)

Duty Free Importation

The importation of Photovoltaic System Equipment and low energy and energy efficient appliances that meet relevant International Electrotechnical Commission (IEC) global standards for resale or use by third parties shall be duty-free.

[Relevant Provision \(s\): Section 34 of Finance Act 2016](#)

Comparative Tax Rates (PIT, CIT and VAT/GST) in selected African Counties

Country	PIT	CIT	VAT/GST
Sierra Leone	30	25	15
Guinea	40	35	18
Liberia	25	25	NA
Ivory Coast	60	25	18
Gambia	30	31	15
Ghana	30	25	17.5
Nigeria	24	30	7.5
Benin	30	30	18
Madagascar	20	20	20
Senegal	40	30	18
Sudan	15	35	17
Rwanda	30	30	18
Uganda	40	30	18
Kenya	30	30	16
Malawi	30	30	16.5
Tanzania	30	30	18
Zimbabwe	40	24	15
Zambia	37.5	35	16
Estwatini	33	27.5	15
South Africa	45	28	15

Source: *tradingeconomics.com* and KPMG

Key: PIT – Personal Income Tax

VAT – Value Added Tax

CIT- Corporate Income Tax

GST – Good and Service Tax

