



A Draft Bill

Title:

AN ACT TO AMEND AND RESTATE SECTIONS 16, 200, 201, AND 205 OF THE CONSOLIDATED TAX AMENDMENTS TO THE REVENUE CODE OF LIBERIA (2000), AS AMENDED, TO ADJUST THE PERSONAL INCOME TAX THRESHOLDS AND REFORM THE INVESTMENT INCENTIVE REGIME.

Submitted By:

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Maryland County, 55th House of Representatives
National Legislature, Republic of Liberia**

Submitted To:

**The Honorable House of Representatives (in session)
55th National Legislature, Capitol Hill Building, R/L**

Date of Submission:

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PREAMBLE

WHEREAS, the Government of Liberia recognizes that current tax thresholds have failed to account for inflation, causing an undue tax burden on low-wage earners;

WHEREAS, the prevailing market exchange rate and cost-of-living standards have rendered the existing \$70,000.00 LRD annual standard deduction obsolete;

WHEREAS, Section 8 of the Consolidated Tax Amendments of 2011 mandates the Minister of Finance to adjust Liberian Dollar amounts in the Code when exchange rates fluctuate by 10 or more basis points;

WHEREAS, the current statutory deduction of \$70,000.00 LRD equates to approximately \$388.00 USD at an exchange rate of \$180:1, which is significantly lower than the intended economic relief;

WHEREAS, the Government seeks to enhance domestic revenue mobilization by curbing high tax expenditures and ensuring that investment incentives are time-bound and performance-based;

NOW THEREFORE, it is enacted by the Senate and House of Representatives of the Republic of Liberia in Legislature Assembled:

SECTION 1: AMENDMENT OF SECTION 200 (DEFINITIONS)

Section 200 of the Revenue Code of Liberia is hereby amended by adding the following definition:

Section 200(a): “Minimum Annual Income Tax Threshold” means the baseline gross annual income below which a natural person shall be exempt from personal income tax (PIT Table).

Section 200(b): For this Act, the Minimum Annual Income Tax Threshold is hereby established at **Six Thousand United States Dollars (\$6,000.00 USD)** annually, or its equivalent in Liberian Dollars.

SECTION 2: AMENDMENT OF SECTION 201 (TAXABLE INCOME)

Section 201 is hereby amended and restated as follows:

Section 2(a) Threshold for Taxation: Every natural person earning a gross monthly income exceeding **Five Hundred United States Dollars (\$500.00 USD)**, or its Liberian Dollar equivalent, shall be subject to personal income tax on the amount exceeding the threshold, in accordance with the graduated rates prescribed under this Code.

Section 2(b) Full Exemption: Every natural person earning a gross monthly income of **Five Hundred United States Dollars (\$500.00 USD) or less**, or its Liberian Dollar equivalent, is hereby exempt from all personal income tax obligations.

Section 2(c) Currency Adjustment: The Minister of Finance and Development Planning, through the Liberia Revenue Authority (LRA), shall calculate and publish the applicable Liberian Dollar equivalent of these thresholds on a **quarterly basis**, using the prevailing market exchange rate as determined by the Central Bank of Liberia.

SECTION 3: AMENDMENT OF SECTION 205 (STANDARD DEDUCTION)

Section 205(a) is hereby amended to align with the new threshold:

Section 205(a): Standard Deduction. An annual standard deduction for a natural person is hereby set at **One Million and Eighty Thousand Liberian Dollars (\$1,080,000.00 LRD)**, or the USD equivalent of **\$6,000.00 USD**. This amount shall be reflected in the tax tables as the "Zero Percent (0%) Bracket".

- *Note: This aligns the \$500/month exemption with the annual LRD total (\$500 x 12 months x 180 LRD rate = \$1,080,000.0 LRD).*

SECTION 4: REFORM OF SPECIAL INVESTMENT INCENTIVES (TAX EXPENDITURE)

A new Section 16(h) is hereby added to the Revenue Code:

Section 16(h)(1) Sunset Provision: All existing tax exemptions and duty waivers granted under Section 16 are subject to a mandatory review and shall expire exactly **three (3) years** from the effective date of this Act. All such incentives shall be automatically repealed unless specifically re-authorized by an Act of the Legislature.

Section 16(h)(2) Prohibition on 100% Waivers: The Minister is prohibited from granting **100% duty or tax exemptions** for goods available in the local market (e.g., furniture, office supplies, non-specialized vehicles). For all other qualified goods, the maximum waiver shall not exceed **fifty percent (50%)** of the applicable duty or tax.

Section 16(h)(3) Accountability: The LRA shall submit an **Annual Tax Expenditure Report** to the Legislature, detailing every beneficiary, the value of revenue forgone, and the specific economic benefits (e.g., jobs created) achieved.

SECTION 5: TRANSITIONAL AND REPEAL PROVISIONS

Section 5.1 Effectiveness: This Act shall take effect **thirty (30) days** after its publication in handbills.

Section 5.2 Systems Update: All government agencies and the LRA shall update payroll and tax computation systems within this 30-day period.

Section 5.3 Repeal: Any law, regulation, or administrative instruction inconsistent with the provisions of this Act is hereby repealed to the extent of the inconsistency.

Baseline Analysis about the Revenue Implication and Strategic Rationale for the Personal Income Tax (PIT Table) Adjustment and Investment Reform Act

Background: Liberia's current personal income tax thresholds, set in the Revenue Code of 2000, have been eroded by inflation, leaving even low-wage earners subject to taxation. The proposed Bill seeks to correct this imbalance by raising the exemption threshold to USD 500 per month (USD 6,000 annually), thereby providing immediate relief to workers and increasing disposable income across both public and private sectors. While the adjustment is projected to reduce revenue by USD 63.55 million, the measure is designed to be revenue-neutral through reforms to the investment incentive regime. These reforms include a mandatory three-year sunset clause on exemptions and a 50% cap on non-critical duty waivers, ensuring that concessions are tied to job creation and local economic impact. The Bill thus shifts Liberia's tax policy from subsidizing corporations through perpetual waivers to empowering Liberian workers through direct tax relief.

EXECUTIVE SUMMARY

The proposed Act seeks to achieve two primary objectives:

1. **Immediate Poverty Alleviation:** To provide disposable income to low-wage earners by increasing the PIT exemption threshold to **\$500.00 USD/monthly (\$6,000.00 USD/annually)**.
2. **Fiscal Sustainability:** To offset the resulting revenue loss by curbing "Tax Expenditures" (wasteful exemptions) through a mandatory 3-year sunset clause and a 50% cap on non-critical duty waivers.

STATUTORY CONTEXT & THE "INFLATION GAP"

The current standard deduction of **\$70,000.00 LRD** was established when the exchange rate was significantly lower. At today's market rate (~180:1), the "Zero Percent Bracket" protects only **\$388.00 USD per year**—leaving anyone earning even \$40.00 a month vulnerable to taxation. This is mathematically inconsistent with the agenda to bring relief to the poor.

REVENUE IMPLICATION ANALYSIS

Total projected impact on the National Budget is a contraction of **\$63.55 Million USD**. However, this "loss" is actually a **re-injection** of cash into the local economy:

- **Public Sector (\$23.52M):** This represents a "salary increase" for civil servants without increasing the government's wage bill.
- **Private Sector (\$40.04M):** This places money directly in the pockets of workers in the concessions, retail, and service sectors, driving domestic consumption.

OFFSETTING THE DEFICIT (THE REFORM BRIDGE)

The Bill does not merely "cut" revenue; it recovers it from the **\$240M+ annual Tax Expenditure** currently lost to unproductive investment incentives.

- **The 50% Cap:** By prohibiting 100% duty waivers on non-specialized goods (furniture, office supplies), the government can recover an estimated **\$30M - \$45M** annually.
- **The Sunset Provision:** Currently, many concessions enjoy "perpetual" exemptions. This Act mandates a review every 3 years, ensuring that if an investor is not creating the promised jobs, the government resumes tax collection.

KEY RECOMMENDATIONS FOR COMMITTEE ACTION

1. **Concurrence with LRA:** Request the Liberia Revenue Authority (LRA) to provide a 5-year simulation of PIT collections under the new \$500 threshold.
2. **Harmonization:** Ensure the Ministry of Finance aligns the "Zero Bracket" in the PIT tables with the new statutory \$1,080,000.00 LRD annual deduction.
3. **Public Hearing:** Invite the National Investment Commission (NIC) to justify why 100% waivers should continue for items that can be manufactured locally in Liberia.

CONCLUSION

This Bill is a "revenue-neutral" strategic shift. We are moving away from subsidizing large corporations through open-ended exemptions and moving toward subsidizing the Liberian worker through direct tax relief.

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