

# 2021 Finance Act: The benefits of public-private dialogue



## Facilitating dialogue

There has been a recent resurgence of public-private dialogue (PPD) in Sierra Leone and the potential benefits are beginning to be recognised. In the past 12-18 months, PPD supported by Invest Salone has allowed the private sector to provide structured feedback on the government's Quick Action Economic Response Programme (QAERP) and facilitated the incorporation of private sector recommendations into the 2021 Finance Act.

## About the Finance Act

The annual Finance Act is the vehicle for delivering new tax proposals and maintaining administration of the tax system. Historically there is little or no input from the private sector. However, any changes related to taxes can have huge impacts on businesses within Sierra Leone, particularly smaller businesses that are just getting started.

## What is public-private dialogue?

Public-private dialogue (PPD) is structured consultation between firms and the government. It is an approach to policy-making that attempts to identify potential policy tripwires before they become problems. The private sector brings their experience and analysis, which can help policy makers design better policies. They also provide feedback on implementation. One of the ways in which Invest Salone works to improve the investment climate within Sierra Leone is by facilitating dialogue between the public and private sectors to enable better understanding of the issues on both sides.

In the first PPD session that discussed the Finance Act, a coalition of ten Business Member Organisations (BMOs) had virtual meetings with public officials. The sectors represented included tourism, manufacturing, agriculture, professional services, energy, communications, import, mining, general merchandise, clearing and forwarding, printing and indigenous businesses.

## The result

Following discussions between the public and private sectors related to the Finance Act, the private sector put forward 35 tax and non-tax revenue inputs (Income Tax [14], Customs [6], Goods and Services Tax [8], Excise Duty [2] and Others [5]). They also suggested nine other policy considerations.

### **The Government of Sierra Leone incorporated 13 private sector recommendations into the 2021 Finance Act.**

Among the 13 private sector recommendations that were taken up in the Finance Act are some that level the playing field in Sierra Leone and relieve the burdens of the pandemic.

Through one provision, businesses employing female managers between 2021 and 2023 will be eligible for tax credits – in line with the private sector's call to encourage employment of women.

Another provision will relieve start-ups from paying income tax in their first year, enabling small new firms to grow. And to raise skill levels in companies, a withholding tax exemption will be introduced for employing the services of highly skilled experts from outside of Sierra Leone, so long as they participate in a scheme for skills transfer.

Because the tourism sector has been severely damaged by COVID-19, the Finance Act introduces another provision to relieve tourism firms from income tax for the next two years, surpassing the private sector's request for a one-year relief.

Further protections for local industries are included in amendments to the Customs Tariff Act and Excise Act. The updates will remove import duty on wheat for flour production, and reduce excise duties on beer made with Sierra Leonean sorghum, cassava, maize, sugar or barley. Duties will be placed or increased on imported palm oil products, margarine and medicated soap.

Meanwhile, the bill reflects private sector inputs in several amendments to the Income Tax Act. It will set corporate income tax at 15% for manufacturers and factories outside the Western Area; reduce the capital gains tax rate from 30% to 25%; and reduce tax on retained earnings from 30% to 10%. In response to a recommendation that pharmaceuticals be exempted from goods and services tax, the bill will exempt all vaccines as well as medicines used in the treatment of diabetes, high blood pressure, hepatitis and typhoid.

## Next steps

This process can now be used as a model in Sierra Leone to ensure that the private and public sectors work closely together to improve the country's economy.

Further dialogue around the Finance Act is planned between the private sector and Ministry of Finance and National Revenue Authority, which will see the public and private sides engage in reviews and monitoring of the Act's implementation, facilitated by Invest Salone.

