



OFFICE OF THE MINISTER

REPUBLIC OF LIBERIA

MINISTRY OF FINANCE & DEVELOPMENT PLANNING

P.O. BOX 10-9016
1000 MONROVIA, 10 LIBERIA



January 13, 2022

PRESS RELEASE

The Government of Liberia through the Ministry of Finance and Development Planning announces the commencement of additional stakeholder engagement on the transition from GST to VAT.

In order to boost tax revenue and enhance transparency and accountability, as well as spur development across the country, the Government of Liberia, under the leadership of President George Manneh Weah, announces its readiness to commence a roadmap that would culminate in the introduction of VAT as a replacement of the Goods and Services Tax (GST). Intense consultations with a range of stakeholders would precede the introduction of VAT.

The introduction of Value Added Tax is in consonance with regional commitments of ECOWAS member states. It has also been chosen as a common tax for the sub-region in order to encourage an increase in sub-regional trade on a non-discriminatory basis. Liberia, as it stands, is the only country in the sub-region that is either not VAT compliant or not yet on the path to being VAT compliant.

Since 2018, with support from USAID, the World Bank and other development partners, the Government of Liberia initiated a comprehensive reform of tax policy and tax administration. These efforts were impacted by COVID-19 and other factors. The stage is now set for accelerating the VAT process.

When introduced, VAT would broaden the tax base, make the tax system neutral and efficient. This regime would make exports more price-competitive at different stages of the VAT production process; under valuation and smuggling would be less attractive and more difficult, which would help generate more revenue, not only from VAT but also from other taxes, including import duties, excise and income tax. Value Added Tax is considered the most revenue productive and buoyant tax, which is currently generating about 6% of GDP in many developing countries vis-à-vis less than 3% of GDP generated by GST in Liberia. This clearly indicates the need to introduce VAT in Liberia to generate additional revenue without imposing significant burden on consumers.



OFFICE OF THE MINISTER

REPUBLIC OF LIBERIA
MINISTRY OF FINANCE & DEVELOPMENT PLANNING

P.O. BOX 10-9016
1000 MONROVIA, 10 LIBERIA



The VAT is not going to be introduced as an additional tax on businesses or consumers. It would be levied in place of the current GST regime. The VAT regime would not impose additional burden on consumers. Besides, goods and services such as agricultural products, medical services, medical supplies or drugs and educational services would be exempt from VAT.

As a result, ordinary Liberians would not be negatively impacted by VAT, because a threshold would be established to exclude small businesses (petit traders). An important benefit resulting from the introduction of VAT would be the exemption of small businesses with annual turnover that would fall below the VAT registration threshold. All of such businesses would be exempt from VAT formalities. The Government of Liberia, with full support from USAID has made preliminary preparations for the introduction of VAT, including the preparation of a draft VAT law, a VAT White Paper, a VAT Road-Map (Migration Plan), a VAT Development Budget, and VAT concept papers.

Before the full implementation of VAT, preparatory works, including capacity building for tax officials, education of taxpayers, development of IT systems and comprehensive public awareness and consultation would be carried out.

As of the publication of this release, the Government of Liberia officially commences citizen engagement and sensitization as a preparatory step to the implementation of VAT in Liberia. The migration of VAT is expected to take three to four years.

Signed:



Samuel D. Tweah, Jr.
MINISTER