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A Study on Goods and Services Tax Reforms, Its Enactment, Implementation and Administration in Sierra Leone

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Abstract

Business formation, expansion, and operations are affected as a result of tax reforms. Sierra Leone Goods and Services Tax (GST) is a modern form of sales tax, a tax on the consumption of imported and locally produced goods and services. GST is chargeable at every stage of production, distribution, and supply. GST is not a new tax in Sierra Leone, it's a replacement of seven taxes by simplifying and streamlining indirect taxation and reducing the cost of administration of the National Revenue Authority (NRA), government and businesses. This paper has the aim of researching the enactment, implementation, administration, and revenue collections of GST in Sierra Leone and its effect on revenue collection. The study used an exploratory end ex-facto design methodology and data collection used a secondary approach through the Monitoring, Research and Planning (MRP) department of the NRA also extractions were done the through desk survey method, review of available records, and related literature. There are still challenges with tax reform implementation and administration, like most developing countries Sierra Leone has a narrow tax base which reduces potential revenues and results in dependence on a small section of society, and international support, and also GST reform has a lot of weaknesses and compromises find reveals. Broadening the tax base, consultation, discussion, and education of taxpayers and consumers at large will be a key way to reduce the challenges.

Subject Areas

Accounting

Keywords

Taxation, Goods and Services Tax, Tax Reforms, National Revenue Authority

1. Introduction

National Revenue Authority—Sierra Leone (NRA-SL) was established in 2003 following the recommendations of the International Monetary Fund (IMF) to improve revenue collection. NRA administers taxes such as domestic taxes, customs duties, and non-tax revenues. NRA formation improved revenue collections and even greater improvement by the adoption of GST recommended by the IMF, and the government passed legislation for the implementation of GST. GST was supposed to come into effect on 1st March 2009 but was actually effective on January 2010. It replaces seven existing taxes namely, domestic sales tax, import sales tax, entertainment tax, hotel accommodate, on tax, restaurant, and food tax, message tax, and professional services tax. Other taxes such as non-tax, direct taxes, excise duty, export duty, import duty, etc. will be charged in tandem with GST.

GST is another name for sales tax, a charge on domestic consumption of goods and services but not export paid as a certain percentage of the sales value. Though there are some exceptions, most goods and services attract GST. At the same time, businesses are able to reclaim or offset input GST when making taxable supplies. This effect shows that the full amount of tax is borne by the final consumer or user hence there is no tax cascading effect that is GST is not paid on GST. It's a tax that is very cost effective and efficient and is used in many forms in over one hundred countries in the world. Businesses are required to register for GST if their sales are taxable sales exceed a set threshold. However, businesses that do not exceed the set threshold can apply to register voluntarily and enjoy the benefits of registration for GST. The design of the GST system in Sierra Leone underscores the objective of achieving a tax system that will be simple, and efficient for all concerned while with the minimum impact on business activities and the cost of living. Besides, it is estimated that only the top twenty percent of businesses in Sierra Leone will meet the registration requirements for the GST hence, simplifying the tax system. For businesses that met the registration threshold, the cost of compliance should be as low as possible because of the simplicity of operating the system and the ease of understanding. The administration of the system by NRA will be very cost-effective this is because taxpayers registered for GST will act as agents/tax collectors allowing the system to be self-policing. Also by adopting a simple system, the number of NRA staff required would be minimal and therefore the cost to the government will also be minimized.

The introduction of GST in Sierra Leone is a blessing and has many features that make it an attractive means of maximizing revenue collection in Sierra Leone.

2. Research Aim, Objective, and Methodology

2.1. Aim

The aim of this paper is to research the enactment, implementation, administration, and revenue collections of GST in Sierra Leone and its effect on the National Revenue Collection from 2010-2016.

2.2. Research Objective

To understand, the formation, implementation, and relevance of GST to revenue collections in Sierra Leone.

To understand the benefits of GST.

2.3. Research Methodology

The study used an exploratory end ex-facto design methodology and data was collected using a secondary approach through the Monitoring, Research, and Planning (MRP) department of the NRA. In addition, extractions were done the through desk survey method, review of available records, and related literature.

3. The Conceptual Framework of GST/VAT

The genesis of Goods and Services Tax which may be referred to Value Added Tax (VAT) in other countries began in France in the 1950s (Lin, 2008 [1]; Palil & Ibrahim, 2011 [2]; Sanusi, Omar, & Sanusi, 2015 [3]). As VAT is becoming the new normal, companies and government institutions are implementing Goods and Services Tax as part of their indirect tax collection in Sierra Leone.

Countries worldwide can be separated between high, middle, or low tax performers (Sanusi, Omari, & Sanusi, 2015) [3]. The high tax performers worldwide included but were not limited to the United Kingdom, USA, Denmark, Brazil, etc. (Sanusi & Sanusi, 2015 [3]; Von Haldenwang & Ivanyama, 2012 [4]).

It is proven that tax compliance is low among developing countries where people neither believe that the government looks after their interests nor trust that the revenue is used wisely (Sanusi, Omar & Sanusi, 2015 [3]; Everest- Phillips & Sandall, 2009 [5]).

Value Added Tax was not promising future success when it began in the early 20th century; VAT/GST accounted for approximately 20% of the total global tax revenue (James, 2011) [6]. These days, countries are finding it difficult to reduce their increasing budget deficits, and countries both developed and developing countries have adopted VAT/GST because it is considered a means for mobilizing and increasing internally generated revenue.

Over many years, the GST revenue accounted for a large portion or percentage of total government revenue worldwide. GST/VAT has been adopted by many countries as a result of the growing concern about economic efficiency and tax simplicity in the competitive and integrated world economy (Jenkins & Kuo, 1995) [7]. Countries, where GST has been adopted and implemented have noticed significant contributions of GST to government revenue. France was the first country to administer GST/VAT at a national level; and this commenced in April 1954 (James, 2011) [6]. The adoption of GST/VAT progressed in two major phases. The first phase took place mostly in Western Europe and Latin

America during the 1960s and 1970s, and the second phase of GST/VAT occurred in the late 1980s. Thereafter, GST/VAT got to be adopted in some industrialised countries outside the European Union, such as Australia, Canada, Japan, and Switzerland. This phase also witnessed the rapid expansion of GST/VAT in traditional and developing economies, particularly in Africa and Asia. This was facilitated by the key influences of the World Bank, and the International Monetary Fund (Agbo & Nwadialor, 2020) [8].

The French Economist, Maurice Laure originated the GST/VAT concept. He originally referred to it as "taxe sur la valueur". Omesi & Nzor (2015) [9], define GST/VAT as a consumption tax payable on the goods and services consumed by persons, business organizations, and individuals (Fowler, 2016 [5]; Embuka, 2012 [10]; Kagan, 2020 [11]). The GST payable by businesses depend on their consumption rather than their incomes. GST does not discriminate among the status of income earners. It has advantages over other types of taxes if viewed from the lens of efficiency, neutrality, broadness of base, and revenue earning capacity.

GST/VAT exists in three major types, namely, the New Zealand model, the European model, and the Japanese model. The New Zealand model is the closest to resembling, an ideal GST/VAT. According to James (2011) [6], most jurisdictions have adopted a European—style GST/VAT which is marked by multiple rates and varying degrees of exemptions. According to practice, no two GST/VAT systems are perfectly the same or similar. They might differ in thresholds, rates, exemptions, coverage, and refund. Some GST/VAT systems exist nationally whiles some are limited to manufacturing or wholesale or exist sub-nationally.

3.1. Characteristics of GST

Messre & Norregard (1999) Cited in Ugochukwu & Azubike (2016) [11], a VAT/GST system is ideal to the extent that:

- It is accompanied by an appropriate change in other taxes and in the social transfer system to alleviate or neutralize its negative distributional consequences;
- Its interference with the choice made by both producers and consumers is minimal;
- It does not lead to sustained inflationary pressures either at its introduction or in the long run;
- It generates huge amounts of revenue for the government and minimizes the possibility of tax evasion and avoidance;
- It minimizes government administrative and compliance costs.

James (2011) [6], observes that commentators generally agree on what constitutes an ideal or good VAT/GST regime. The prescriptions according to James (2011) [6] entail a flat rate VAT that extends through to the retail stage of the economy and a VAT/GST that is levied on a broad consumption base of goods and services with minimal exclusions.

3.2. Theoretical Framework

Taxation is part of public finance. Public finance is the study of the spending and revenue-raising activities of government. The most important source of government revenue is taxes. Any tax can be defined as an involuntary payment by a taxpayer without involving a direct repayment of goods and services in return. The taxpayer can enjoy goods and services provided by the government like any other citizen without any preference or discrimination. Taxes are levied for various purposes as listed below:

- To raise revenue for the provision of public goods and services;
- Stabilize the economy that is inflation and deflation;
- Provide protection to local authorities;
- Encourage exportation;
- Encourage the development of industries;
- Fair distribution of resources;
- Allocation of resources etc.

An optimal tax system is a tax system that satisfies most of the principles of taxation.

Adam Smith is the first economist to state what principles a tax system should satisfy. A good tax system meets five basic conditions namely, fairness, adequacy, simplicity, transparency, and administrative ease. Opinions may be varied on what makes a good tax system but there is a general consensus that these five basic conditions should be maximized to the greatest extent possible.

4. Theory of Taxation

Theories of taxation include; the social-political theory, the benefit-received theory, the expediency theory, the cost-of-service theory, and the cost-of-service theory. They can be explained below.

Expediency Theory—this theory suggests that the best way to tax people is to do so in a way that is most convenient for the government. This theory is based on the belief that the government is better off if it can collect taxes in a way that is easiest for them, and that this will ultimately lead to the most revenue being collected.

Benefit Principles—this theory is an example of a public finance theory. It is based on the fact that taxes are levied to fund public goods expenditures in order to reveal a willingness to pay for benefits. In some ways, the principle is similar to the function of private goods allocation.

Adams smith defined the taxation system in his monograph as ‘An inquiry into the nature and causes of the wealth of nations, outlining the four primary conditions for its formation, and emphasizing the importance of equity, determination, convenience, and thrift in taxation administration.

Ability to Pay Theory of Taxation—this principle refers to taxation principles.

The greater a taxpayer's income, the greater their tax liability; not because they use more government goods and services, but because they can afford to pay more. These principles lead to progressive taxation or higher tax rates for people with more money.

Cost of Service Theory—This theory says that some semi-commercial relationship exists between the state and the taxpayers. It is debated that citizens make some contributions in the form of taxes so as to cover the cost as the state performs some basic protective and welfare functions.

5. Empirical Review

Government all over the world needs finance to increase revenue to meet increasing government expenditure. Reviewed related to some of the literature related to GST implementation, administration, and impact on revenue contributions.

The introduction of GST is part of a larger tax restructuring exercise to enable Sierra Leone to integrate with the globally accepted tax rationale and structure. Sierra Leone is cascading the impact of various indirect taxes and it has a positive impact on the revenue performance of the country and ease the collection of indirect taxes under one basket-GST (Kamara & Mingfei, 2015) [12].

Patra (2018) [13] studied the Impact of GST on the Prices in Odisha. The study sighted advantages such as simplicity in administration and enforcement and the creation of a national market. However, revenue losses resulting from the implementation of GST by the state governments of India are compensated by the central government. Secondary data was collected to achieve the results of the research. The Tax GDP ratio will increase to 12% by 2020 due to the implementation of GST in India and this indirect tax reform in India will strengthen the Indian Economy with the increased value of tax revenue

Kapoor (2018) [14], identified the limitations of implementing GST that took 17 years, cascading effect of taxes, variations in tax rates and tax structures among different states and the non-availability of input tax credits in some cases were some of the major limitations of the different indirect taxes applicable at that time. The aims are primarily to eliminate the cascading effect of tax prevailing in the previous tax regime and make the tax system more simple, efficient, and transparent.

Puri (2022) [15], this paper focuses on the opinion of SMEs toward the impact on business practices post-launch period of the Goods and Services Act (GST). This research recognizes that integrating goods and services taxation is a world-class system as it increases tax revenue in major economies like India. In addition, it was a significant breakthrough toward comprehensive indirect tax reform for India.

Limberg, (2020) [16] research focused on the Banking crises and the modern tax state and questioned asked was Have banking crises boosted path-breaking fiscal innovations? To answer this question the researcher draws on the literature that deals with the impact of warfare on fiscal capacity; argue that banking crises have facilitated the rise of progressive tax instruments by causing revenue needs and demands for fiscal fairness. The argument was tested by means of event history analyses and new worldwide data on the introduction of the two main pillars of the modern tax state: the personal income tax (PIT) and the general sales tax (GST). Further, examine the adoption of PIT in the United States and in Argentina. The findings stress the importance of financial and economic crises for fiscal institutions and call for a closer investigation of how non-bellicist shocks have shaped the modern state.

Chapagai (2021) [17], researched the contribution of Value Added Tax to the Gross Domestic Product in Nepal based on empirical pieces of evidence, and the emphasis was on the Value Added Tax (VAT) consumption levied at each stage of the consumption chain that is born by the final consumer of the product or service. To meet the objective, time series macroeconomic data of GDP and VAT were used, and the Ordinary Least Square technique was employed to test the hypotheses formulated. The result shows that VAT contributes significantly to GDP and also the findings reveal that there is the existence of both a positive and strong relationship between VAT and GDP.

Mallick (2021) [18], empirical research to understand the role of Information and Communication Technology infrastructure and governance quality in direct and indirect tax revenues mobilization. The findings surprisingly reveal that ICT infrastructures and governance quality have no significant positive effect on overall tax revenue collections. This contrary outcome could be possible when there is greater scope for taxpayers to easily escape out of the tax net by carrying out the transactions outside the ICT system or without relying on the use of ICT infrastructure and leaving no trace behind.

Fakunmoju (2022) [19], the objective of the study was to examine the effect of indirect taxes (VAT) and (CED) on Nigeria's macroeconomic stability via real gross domestic product in Nigeria. The study used an ex post facto research design focused on RGDP, VAT, CED, interest rate, and exchange rate in Nigeria within the period of 1995-2020. The Autoregressive Distributed Lag (ARDL) method of analysis was employed while a unit root test was carried out among study variables and results showed that there was a mixed level of stationarity. The finding revealed that the short-run model indicated that CED, INT, and EXR were major short-run determinants of Nigeria's economic growth while VAT was not a short-run determinant of economic growth. In addition, finding established that long-run estimates established that, VAT, CED, and INT show positive signs, indicating they influence macroeconomic stability measure with RGDP positively while EXR has a negative effect on macroeconomic stability via RGDP (Adj.$R^2 = 0.537$, F-stat = 74.001, $p < 0.05$). The study concluded that both in the short and long runs VAT, CED, INT, and EXR affected Nigeria's macroeconomic stability. The study recommended that for an economy to achieve macroeconomic stability, the government should ensure that VAT, CED, and INT are not highly charged to investors and consumers when buying products and services, acquiring raw materials from other countries, and seeking loans in the bank.

Mukherjee, Badola (2022) [20], In the present paper, the research aimed at studying compliance cost which is often referred to as the "hidden cost of taxation" and acts disincentive for enterprises to comply with the tax regime; they developed a methodology to measure VAT/Sales Tax compliance costs of unincorporated enterprises in India based on unit-level data of the National Sample Survey Office (NSSO)'s 73rd round survey (July 2015-June 2016). The researchers observed regressiveness in the estimated compliance cost with reference to average annual turnover and progressiveness in the average market value of the total asset.

Teik & Rahim (2020) [21], this paper focuses on fourteen curated news articles on the GST Malaysia Info web portal set up by the former government to educate the public on the benefits of the Goods and Services Tax (GST) to the country and the people by analyzing lexical words with experiential values. The data collection, categorization, and analysis entail the use of simple corpus linguistic tools and close reading of the data based on the researchers' interpretative resources or "member's resources" (Fairclough, 2001). The analysis of this study utilized a qualitative approach indicating that the people are not only persuaded to "buy" the idea of the new GST tax regime but also to buy into the ideology and discourse of nation-building from the introduction of a more efficient way of tax collection. It uncovers how the manipulation of an educational campaign on the GST into a political discourse of nation-building produces a positive portrayal of the government with an efficient economic development plan. Drawing on Fairclough's (1989, 2001, 2015) three-dimensional Critical Discourse Analysis framework with a focus on different values of formal linguistic features, this study offers insights into the interplay between language, politics, and nation-building.

Garg & Sain (2022) [22], the purpose of the proposed study was to determine the effects of GST on the Indian economy by looking at how it will affect various industries separately. With an exploratory focus and a reliance on secondary sources, this study draws its conclusions. The study is exploratory in nature and Secondary Data was used for the study and was collected from different sources *i.e.* Journals, Periodicals, Newspapers & different websites. The researchers identified that one of the most significant actions taken by the administration is the introduction of the Goods and Services Tax (GST), and the use of an information technology (IT) method for goods and services tax increases the openness of tax income to the public.

Prowd & Kollie (2021) [23], this paper determines the factors that are likely to drive tax revenue performance. The researchers gathered monthly time series data and employed the Johansen cointegration approach and VECM estimation technique. The empirical results revealed that, in the long run, tax revenue responds positively to real property, income, profit, property income, goods and service tax, administrative fees, import duties, excise tax, grants, loans, inflation, and GDP Growth. Conversely, tax revenue responds negatively to social development contributions from agriculture and mining, real exchange rate, and population growth. Given these findings, they recommended, among others, that Liberia's over-reliance on direct tax (*i.e.*, PIT and CIT) revenue be mitigated. In particular, they recommended the adoption of a VAT regime in place of the current GST regime.

Oladipupo, Azeez (2022) [24], examined the optimization of sales revenue to enhance the profitability growth of listed brewery companies in Nigeria. The population of the study was made up of the seven (7) brewery firms listed on Nigerian Stock Exchange. A sample of three (3) firms was purposefully selected. The study adopted an ex-facto design and used secondary sources of data to obtain data from the annual accounts and reports of the firms between 2011 and 2020. Findings from the study revealed that the coefficient of return on sales is positively and significantly signed (0.143097, P-value of 0.0014 < 0.05). The study concluded that sales revenue has a positive relationship with the profitability growth of listed breweries firms in Nigeria The study recommended that the management/managers of breweries firms should look into advertising strategies that can exploit the market to increase their turnover.

Makara *et al.* (2019) [25], this paper discusses the Goods and Services Tax (GST) implementation experiences that confronted Malaysian, Botswana, and Australian Small and Medium-sized Enterprises (SMEs). Botswana uses the term Value-Added Tax (VAT), which is synonymous with the Goods and Services Tax (used in Malaysia and Australia). This paper also refers to international SMEs' tax compliance cost studies, for example, the UK, New Zealand, and Singapore. The extent to which the key stakeholders' participation in the overall GST implementation and policy debate was discussed. Further, from a compliance cost perspective, the paper focuses on the mix of charging categories, the GST registration threshold, the use of technology for GST compliance, the zero-rating of most food, the role of the Australian, Botswana, and Malaysia consumer "watch-dogs" in the SMEs' compliance requirements, the methods of accounting for the GST and the potential implementation benefits for SMEs was outlined.

Abshari *et al.* (2021) [26], this paper evaluate the attempt by the government of Belize to introduce progressivity into their single-rate VAT through zero rating and exemption from taxation of many goods and services that are major expenditure items of poor households. The distributional impacts are measured by a tax reform that eliminates all zero ratings except for exports and a few exemptions. By eliminating zero-rated items and significantly reducing the number of exempt items, the impact of the reform adds a regressive element, although overall, the VAT system remains progressive. However, 75% of the revenues raised by this reform would be paid by the top 40% of the income distribution. The increased revenues could finance an expansion of an existing transfer scheme that exclusively targets poor households. In addition, reforms would eliminate at least 40% of the personnel costs of administering the current VAT system.

Ogbonna, G.N. (2021) [27], investigated the impact of the recent tax amnesty programme implemented by the Nigerian Government, on the country's economic development. The Autoregressive Distributive Lag (ARDL) framework was applied for the data analysis and the result showed that the Tax amnesty program which was implemented between July 2017 and June 2018 has no significant impact on nominal GDP per capita which served as a proxy for economic development. However, while company income tax showed no significant impact on nominal GDP per capita, the effects of both custom and excise duties and value-added tax extend beyond the current period because value-added tax has a negative total effect on nominal GDP per capita whereas the total effect of custom and excise duties is positive. Based on these findings, this study concludes that custom and excise duties significantly influence Nigeria's GDP per capita because of the strategy of their implementation and collection while company income tax and VAT do not. In view of the foregoing conclusion, this study recommends that a future tax amnesty program should not be undertaken by the government until it had addressed the critical issues of lack of sufficient data, capacity constraints, inadequate advocacy for tax payment consciousness, corrupt tax officials, and lack of political will. The government was also advised not to effect any increase in VAT but could increase the customs and excise duties because of their respective economic advantage and positive effects on per capita income.

Etim *et al*. (2020) [28], examined the effect of the digitalization of the economy on tax compliance in Nigeria. The researcher adopted the survey strategy and use a structured questionnaire to collect data. The simple percentage, descriptive statistics, and linear regression techniques were used to analyze the data. The results suggest that tax compliance is negatively influenced when the economy is digitalised. It is therefore recommended that the government of Nigeria should consider developing a tax policy that would aid in taxing e-transactions, tax education, and including taxation of e-transactions in the tax laws. The researchers are of the view that doing so would likely improve tax compliance and thus boost digital transactions' contribution to government revenue.

Limberg (2019) [29], argued that crisis countries have raised income tax progressivity because of fiscal fairness considerations. The researcher tested the claim by analysing a new data set on top marginal personal income tax (PIT) rates for 122 countries from 2006 to 2014, applying matching methods and a difference-in-differences design. The results show that countries with a financial crisis have increased top PIT rates by 4 percentage points. Furthermore, rising public debt only leads to higher top PIT rates when it is crisis-induced. These findings demonstrate that notions of fiscal fairness can still shape progressive taxation in the 21st century.

Mpofu (2022) [30], a conceptual analysis based on a critical review of the literature, contributes to the ongoing debate by assessing the possibilities and constraints of taxing the digital economy in Africa using value-added tax (VAT). The paper reviewed 55 articles, most of them current, published between 2014 and 2022, reflecting the embryonic nature of the subject area. The findings on the opportunities include the existence of VAT regulation, increased revenue mobilization, and efficiency gains, while challenges include ambiguities in legislation, capacity constraints, and tax knowledge gaps. The implications of using VAT to collect tax from the digital economy encompass the increased cost of digital services, decreased access, increased inequality and impediment to employment creation, poverty reduction, digital financial inclusion, and the realization of sustainable development goals.

Slemrod & Velayudhan (2022) [31], examined VAT at 100: A Retrospective Survey and Agenda for Future Research. The research was not to advocate a return to the RST, but because it allows the researchers to evaluate the performance of two tax instruments in actual practice instead of comparing them to their idealized versions, which are never achieved. This paper reveals that the VAT introduces new evasion opportunities not possible in an RST such as invoice mills and carousel fraud. The research finding proposed new metrics and a research agenda to evaluate the "health" of the real VAT.

Seelkopf (2021) [32], describes the new Tax Introduction Dataset (TID) and the selection of tax sample and the structure of the dataset, descriptively map temporal and regional patterns of tax introductions around the world, and draw on TID to investigate associations between tax introductions and economic development, war, and democratization. The comprehensiveness of research measures is of critical value to empirical work on the causes of tax innovation and its consequences for the state, society, and economy.

Agbo & Nwadialor, (2020) [8], examined Value Added Tax System and identified its global emerging issues and their related consequences. Further, it highlighted the development of VAT and its computational analysis, particularly as it relates to Nigeria. There were a lot of struggles in the implementation phase of VAT in Nigeria a lot of debates and amendments were necessary before it was successfully implemented and administered.

Kamara & Mingfei (2015) [12], a study on the most effective medium for Goods and Services Tax in Sierra Leone found that radio was the most effective medium of publicity for the implementation of GST in Sierra Leone.

In a study of the macroeconomic effect of VAT in Nigeria using a computable general equilibrium analysis by Ajakaiye (1999) [33], the result shows that VAT plays a significant contribution to revenue mobilization in Nigeria. Also in a study by Keen & Lockwood (2010) [34], on the efficacy of VAT in enhancing revenue generation, they discovered that VAT has helped countries to mobilize more revenue than they would have done if it were not in place. Moreover, Yakubu and Jibrin (2013) [35], studied the impact of VAT on the economic growth of Nigeria using the Johnson Co integration test. It shows that VAT has a positive impact on economic growth in Nigeria.

6. The Introduction of GST in Sierra Leone

The NRA with the support of the United Kingdom's Department for International Development (DfID) thought it fit as a reform to introduce and implement GST. The need for a team leader was needed for the implementation which brought into play an astute professional, diligent, delightful, and resilient young gentleman by then in the name of Alfred Akibo-Betts who had just completed his Association of Chartered Certified Accountants (ACCA) in 2006 to lead the GST project implementation.

Alfred Akibo-Betts was immediately transferred to lead the GST project and work with Crown Agents, an international consultancy firm that was chosen by DfID to help NRA with the reform. The Crown Agent team leader at the time was George Blankson who later became Ghana Revenue Authority's first s Commissioner General. A team was formed that worked with all Crown Agent consultants to build a governance structure to oversee the implementation of the project and design an implementation plan to guide the implementation process. In the team, two industrious staff were also included, James Tengbeh, currently the Assistant Commissioner of Tax field Audit and Kenei Kangbai who is currently leading the Tax field Audit unit at the Large Taxpayers Office to support the implementation process. The team worked closely with Crown Agents' consultant to build systems, design tax policy, draft the GST laws, design a publicity plan and engage with stakeholders.

6.1. Governance Structure and Policy Decisions

Governance is the decision-making process where a group of people may reach agreed decisions through brainstorming and interactions; this approach can be undertaken by any formal and informal institutions that may lead to the formation, reinforcement, and reproduction of social norms and institutions (Sanusi, Omar & Sanusi, 2015 [3]; Bevir, 2013 [36]) In the public sector context, it is defined as the government's ability to make, and enforce laws and provide goods and services to the public regardless of any constitution they hold (Fukuyama, 2013 [37] Sanusi & Sanusi, 2015 [3]).

Governance within the context of taxation can be referred to as an informative tool used to discuss, tax evasion and tax avoidance if the government knows how to consciously tackle the tax issues through the board and management; however, it is not a simple process due to the legal framework surrounding the system and also the pressure between enforcement and compliance. (Morrell & Tuck 2014 [38], Sanusi, Omar & Sanusi, 2015 [3]). The governance processes cannot be handled in isolation as it requires a mutual relationship with other government agencies and regulatory bodies. Governance in GST can be discussed from different spectrums which cover the subject matter of corporate governance such as internal control and monitoring systems inside the organization; technology being used and policy and procedures are examples of governance that can be discussed in taxation. The processes of governance and monitoring of the implementation of decisions reached by stakeholders such as the board of directors, management, and other government agencies will shape the tax system of the country (Sanusi, Omar & Sanusi, 2015) [3].

The funding raised through taxes can be used for developmental projects such as the construction of roads, education, hospitals, economic growth, and the like (Everest- Philips & Sandall 2009) [5]. Good governance will depend on efficient administration, trust in government, and political stability, the absence of the three conditions mentioned will make the development of an effective and efficient tax system slow. (Sanusi, Omar, & Sanusi, 2015 [3]). The current trend of discussions on global tax governance is without borders, hence it is incumbent on governments in each country to pool and delegates some of their tax autonomy to the worldwide level and restraint the reality that taxation should have solely belonged to their own country (Rixen, 2011b [39] & Sanusi, Omar & Sanusi, 2015) [3]).

In Sierra Leone, the VAT oversight Project Committee was formed but later renamed as Project GST Oversight Committee (PGOC) to oversee the project. The change from VAT to GST was triggered by the then Minister of Finance (John Benjamin) as he claimed that GST was simple for the public to understand, and helped communication in the local languages. The PGOC had five areas to deal with: Policy, Legislation, publicity and tax education, information, communication and technology, and human resource management. The PGOC was chaired by the then Commissioner General. The project plan was inclusive recognizing and including the relevance of the private sector such as the Chamber of Commerce, Sierra Leone Indigenous Business Association, and the Institute of Chartered Accountants of Sierra Leone.

According to Akibo-Betts (2019) [40], a vital step in implementing a new tax is to get the policy decision right. The policy decisions determined how the tax is structured and the policy options eventually feed into the tax law. The policy decision was to look at the tax rate, exemptions, threshold, appeal process, penalties, etc. This was done cognizant of the impact on the economy, revenue yield, and application in other African countries. Three policy papers were developed by the project team for the Ministry of Finance to form the basis of the draft GST Bill.

6.2. GST Administration

A special unit was created and approval was given for the administration of the new tax. The unit was named the GST Administration Unit and was structured along operational functional lines such as Taxpayers' services and registration, Returns and Payments Processing, Audit and Enforcement, and a policy unit. Recruitment of staff was done and training of these staff was done in collaboration with Crown Agent's consultants.

6.3. Tax Education and Publicity

According to Alfred Akibo-Betts (2019) [21], lessons learned from other countries that had implemented GST/VAT made it imperative to execute a very robust publicity campaign to ensure that all the relevant stakeholders including the government, private sector, and citizens understood the complexities of the new tax. A nationwide sensitization and publicity campaign were made, and a presentation was made to the then President, Parliamentarians, Government MDAs, Local councils, universities, etc. Other approaches were also adopted such as workshops, interactions with taxpayers, television presentations and announcements, radio discussions, advertisements, newspapers headlines were used, flyers, wallpapers, billboards, etc. these were all done to ensure enough education and understanding and a caution from the lessons learned in other countries.

6.4. Passing of the Draft GST Bill into Law

Though the GST implementation process started in 2006 under the late President Dr. Ahmed Tejan-Kabba it was fully implemented in 2010 by President Dr. Earnest Bai Koroma. The Bill was debated in Parliament and was fully supported by members of parliament of all political parties and subsequently passed into law and became the GST Act 2009.

6.5. Taxpayer Registration

Businesses were registered based on threshold requirements. According to section 15 of the GST Acts, 2009, a person is required to apply for registration under the act on the last day of any month, if:

1) The person exceeded the registration threshold in the period of 12 or lesser months ending on that day;

2) The person exceeded one-third of the registration threshold in the period of 4 months ending on that day or;

3) There are reasonable grounds to expect that the person will exceed the registration threshold in the twelve-month period commencing on the following day.

The registration threshold is a GST-exclusive turnover of taxable supplies in any twelve-month period exceeding Le, 200 Million (approximately US$50,000 at that time). GST staffs were deployed nationwide to register businesses that met the registration requirements.

6.6. Stock Stake

This was done to determine the number of credits taxpayers were eligible to claim when the tax became operational. This was a moment that coaxes businesses to embrace the new tax (GST).

6.7. Automation of GST Administration

By then tax administration was manual and taxpayers' information was kept in files and cabinets. However, as a means to ease GST administration and support the process, Crown Agent allowed NRA to use the VAT Information Processing System (VIPS) they developed and used in other African countries, this enabled NRA to record tax returns and process payment information.

6.8. Effective Implementation Date

The date of commencement according to the initial plan for GST was 1st September 2009. However, businesses were not ready and a lot of issues or concerns were raised by the business community to mention, that proper education to understand the system was not done, and prominently, they had not synchronised or set up the administrative structures within their businesses to administer the GST. With these plights, the government was considerate and request that NRA should collaborate with the business community to provide adequate education and agreed on a new start date. On the bases of the collaboration, it was unanimously agreed that GST implementation commences effective 1st January 2010.

6.9. GST Computation and Remittance in Sierra Leone

The rate of GST in Sierra Leone is 15% and is charged on all taxable goods and services. Businesses/taxpayers registered for GST are required to include GST on the invoice value of their goods and services at the slated rate and remit to the NRA after deducting input GST on expenses incurred. The net amount (Output GST minus Input GST) is payable if the Output GST is greater than the Input GST and a refund or GST credit occurs if Input GST is greater than Output GST.

6.10. Definition of GST Terminologies

Taxable supplies—these are goods and services subject to GST.

Zero-rated supplies—these are those supplies that are within the scope of GST but are taxed at a zero rate (0%).

Exempt supplies—these are goods and services that are not taxed.

Taxable person-these are businesses or individuals making taxable supplies and who are legally required to register for GST as a result of having met the registration criteria.

A registered Person is a person or business making taxable supplies and who has registered for GST as a result of legal or voluntary requirements.

Output Tax—this is the GST charged on the supply/sale of goods and services.

Input Tax—the GST incurred by a registered person for making taxable supplies to customers.

Exempt Input Tax is a portion of GST that cannot be reclaimed as input tax because it is incurred in the provision of exempt supplies.

The partial exemption relates to a situation where a taxable person makes both taxable supplies and exempt supplies.

Tax year—this is any period of 12 calendar months, beginning on the first day of April, May, June, etc., according to the accounting periods allocated to a taxable person.

The Accounting period in relation to a taxable person means the period determined by the Commissioner General for that person to make returns and payments of GST.

Commissioner General—is the Commissioner General of the NRA who is officially charged under the GST Acts to administer the GST.

Regulations—the primary GST Law contains provisions for subsidiary law, in the form of regulations. These may be made to cover administrative, technical, and operational matters. They will empower the Commissioner General to prescribe formal and procedural requirements and will enable changes to cover new situations and loopholes without alteration to the Law.

6.11. The GST Acts

The GST Act 2009 has undergone several amendments by various Finance Acts to match current business trends, regulate bases for revenue generation for the government, and help to clarify provisions for taxpayers. Consideration of policies should be given greater attention to help improve the operations of the tax which will enhance the business climate and ensure GST legislation is in line with international trends in taxation.

7. Trend in GST Revenue

The data shown in Figure 1 indicates the various GST revenue collected for the various years after the implementation of GST in Sierra Leone. The Import and Domestic GST show a progressive increment throughout the years indicating success in the implementation and a boost in revenue collections.

Figure 1 indicates the progressive increase in the import GST and the Domestic GST. The increase in sensitization and strategies put in place by the administrative professional in the department and the consultant brought about a

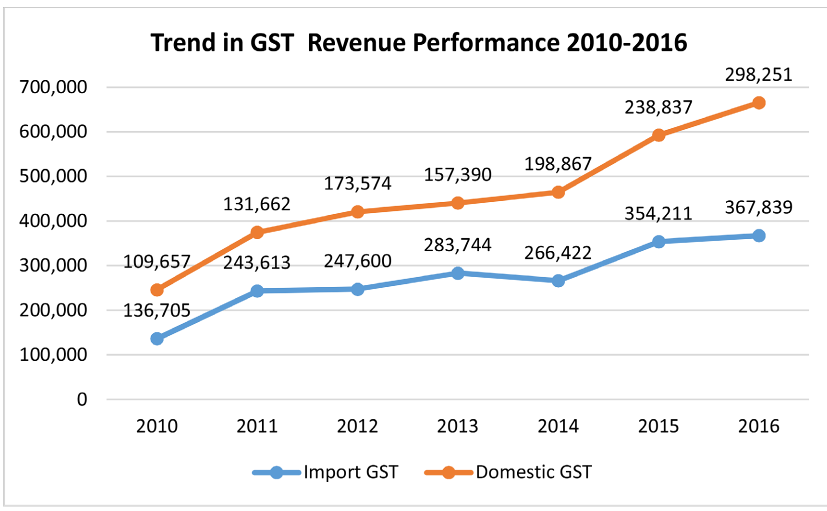

Figure 1. Trend in GST revenue performance 2010-2016.

progressive increase in revenue performance and had a positive effect on revenue collected.

7.1. GST Revenue Performance on Total Revenue 2010-2016

The data below shown in Table 1 compare the GST revenue and Total revenue collected during the various periods and also the percentage of GST revenue collected over the Total revenue collected.

Figure 2 shows fluctuations of GST revenue collected over Total revenue collected. The fluctuation in GST revenue collection is a result of the fluctuation in variances of total revenue for the various years. GST revenues show a steady increase in collections hence, a positive contribution to the total revenue collected.

Figure 3 shows percentage fluctuations of GST revenue collected over Total revenue collected. The fluctuation in percentage resulted from the fluctuation in variances of total revenue for the various years. GST revenues show a steady increase in collections hence, a positive contribution to the total revenue collected.

7.2. Benefits of GST Implementation in Sierra Leone.

One of Sierra Leone's major tax reforms through the NRA is the introduction of GST as a single tax system for administering seven indirect taxes it replaces. The GST as a single tax system is a comprehensive and destination-based consumption

Table 1. GST revenue collection compared to total revenue.

Year	2010	2011	2012	2013	2014	2015	2016
GST Revenue	246,362	375,275	421,174	441,134	465,289	593,048	666,090
Total Revenue	955,663	1,428,781	1,874,810	2,212,546	2,174,380	2,235,373	2,799,704
GST Revenue in Percentage	2010	2011	2012	2013	2014	2015	2016
Percentage	26%	26%	22%	20%	21%	27%	24%

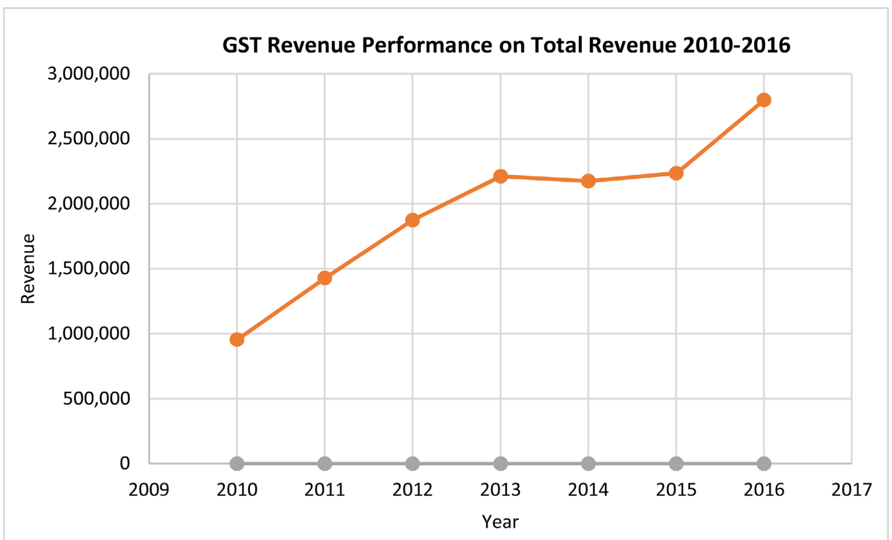

Figure 2. GST revenue performance on total revenue 2010-2016.

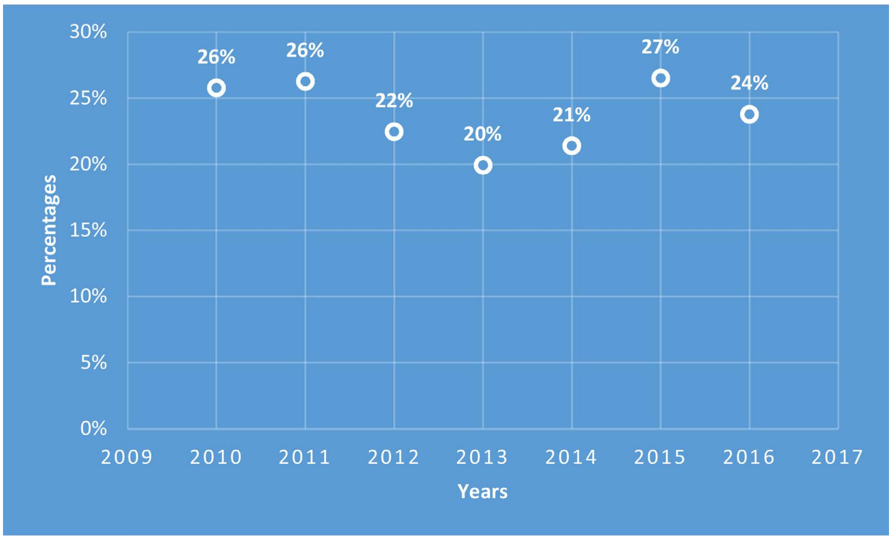

Figure 3. GST revenue performance in percentages on total revenue 2010-2016.

tax levied at multiple stages of value addition in the supply chain of products and services (Mohan & Alie. 2018) [41]. As taxation is the major source of revenue generation for economic development and growth, the introduction of GST impact positively on the NRA and the Sierra Leone Economy at large.

Collections of GST have grown from Le246 Billion in 2010 to Le666 Billion in 2016 and are the second largest revenue collection after Income Taxes. The benefits of GST are vivid and clear to the Sierra Leone economy and are presented below:

GST generates huge amounts of government revenue as indicated in the trend in GST performance showing a steady progression from 2010 Le 246 billion, 2011 Le 375 billion, 2012 Le421 billion, 2013 Le441 billion, 2014 Le465 billion, 2015 Le593 billion, and to 2016 Le666 billion. This progression in GST collections improved total revenue collections and boost government infrastructural development programmes, healthcare initiatives, and education in the country.

GST introduction minimises the government's administrative and compliance cost, it introduced the Value Added Tax Integrated Processing Systems (VIPS) which helps to process information of taxpayers efficiently and by administering seven taxes under one tax angle minimise administrative costs. Compliance of taxpayers became easy as taxpayers do not need to account for seven taxes but as one single tax now. Moreover, the government took significant steps to enhance tax compliance by ensuring that all taxpayers within the stated threshold register for GST with appropriate training and tax education provided for proper accounting.

GST also enhances fair pricing to consumers, since the supply chain consists of manufacturers, suppliers, warehouses, distributors, dealers, etc., the government levied GST on the value added at each stage in the process to avoid double taxation. Hence, the net tax payable will be on the value-added goods or services.

8. Conclusions and Recommendations

In Sierra Leone, at the time of introducing GST, it was not promising future success as the country had no experience with its implementation and the rumors of an increase in the prices of goods and services do not help the implementation of GST. Its introduction came about as part of larger tax reforms to integrate with the globally accepted tax policies and structures and at a time when the government needed to fix the economy by raising the much-needed revenue to meet the developmental needs of the country. In many developing countries, the ability to generate sustainable revenue has remained a big challenge. The introduction of GST in Sierra Leone is undoubtedly a big benefit as it contributes a large portion of the total revenue generation in the country. Taxpayers are now in full corroboration with the NRA by making tax administration simple. As tax policy plays important role in any country's economic development, GST is stimulating growth in terms of improved revenue collections and improvement in taxpayers' compliance even though there are still challenges of tax avoidance and evasion in the system.

On the other hand, more effort is needed by the government in collaboration with businesses to frequently and timely adjust the tax system as new goods and services and methods of business frequently emerge in most cases with the aid of technological development. Efforts by NRA are needed to intensify in creating effective ways of broadening the tax base by taxing the informal sector which will bring more businesses into the tax net. Also creating an atmosphere where GST proceeds are retrieved instantly from businesses and other institutions that are involved in GST collection. A tax policy for a reasonable GST registration threshold to eliminate the GST compliance burden on small businesses. Finally, the strengthening of the GST enforcement team and continuous improvement in implementation procedures and efficiency and effectiveness of administration.

Conflicts of Interest

The authors declare no conflicts of interest.

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