



FISCAL PERFORMANCE AND INVESTMENT OUTLOOK FOR MINERAL PRODUCERS

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February 27, 2018



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Presentation Outline

OVERVIEW OF LIBERIA MINING SECTOR

REVENUE PERFORMANCE OF THE MINING SECTOR

BEHAVIOR OF REVENUE COLLECTION

IMPACT OF PRICE VOLATILITY

CONTRIBUTION TO GDP & COMMERCIAL BANK LOAN

LESSONS LEARNT AND RECOMMENDATIONS



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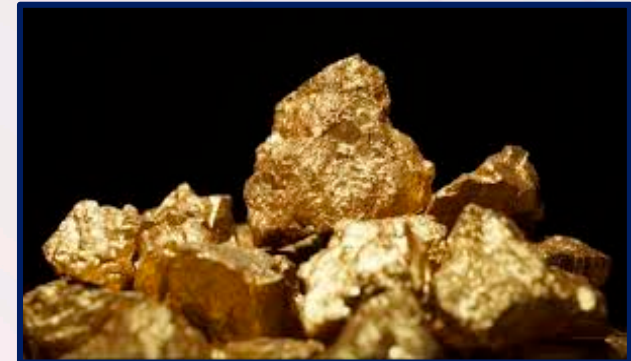
OVERVIEW OF LIBERIA MINING SECTOR

Liberia is endowed with a variety of Minerals

- Gold, Diamond, Iron Ore, Barite etc.

The Mining Sector contributed about US\$29.2 or 5% of total tax collection in FY2016/17

Over 50% of revenue from NR Sector is from mining sector



OVERVIEW OF LIBERIA MINING SECTOR

License Type	# of License	Type of Mineral	# of MDAs	# of Taxpayers	Comment
Mining Class A	7	Iron Ore and Gold	7	7	5 Iron Ore and 2 gold entities
Class B	42	Gold, Diamond, Barite, Zicon, Coltan, etc.	-	31	These are numbers from MLME. Mineral type not categorized. Some license holders have more than one license
Class C	1,000	Gold, Diamond, Barite, etc.	-	800	The number is approximate. Some license holders have more than one license
Exploration	40	Gold, Iron Ore, etc.	-	32	Data from MLME. Some license holders have more than one license
Dealership	25	Gold, Diamond, Zicon, Coltan, etc.	-	20	16 gold dealership, 7 diamond dealership, 1 zicon and 1 coltan. Data from MLME. Some license holders have more than one license

REVENUE PERFORMANCE OF THE MINING SECTOR

In FY 2014/15 mining sector contributed US\$ 39.0m representing approx. 9% of the total LRA collection for the year –US\$437m

This performance declined in FY2015/16 to US\$27.2m being only 6% of the total LRA collections for the year- US\$452m

In FY 2016/2017, mining sector contributed about US\$29.2 representing 5% of total tax collection in FY2016/17

The decline in performance is mainly attributable to the low global commodity prices.



REVENUE PERFORMANCE OF THE MINING SECTOR

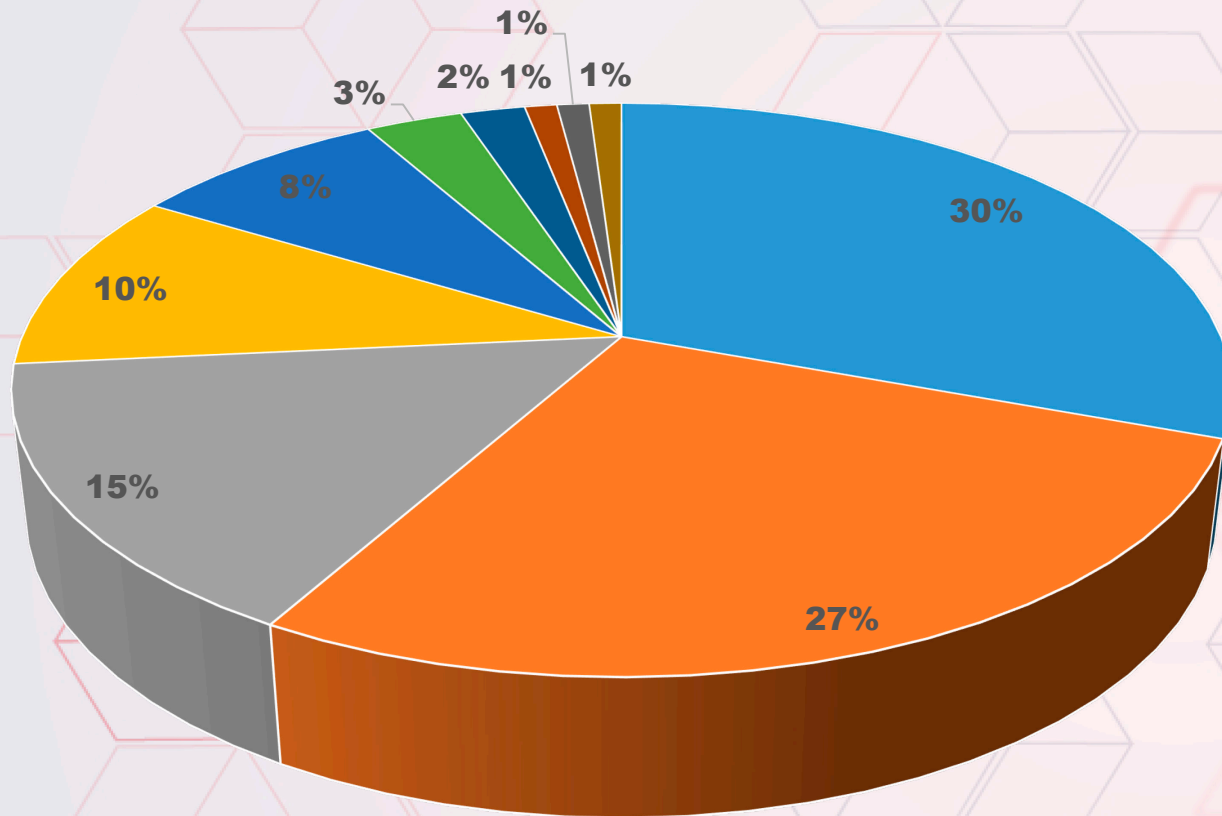
Like in many resource-rich developing countries, mining contributes significantly to revenue

Impact of the sector compared to its real potential remains relatively low with significant revenue leakages due to smuggling, aggressive tax planning and profit shifting exacerbated by low technical capacity

Case for many resource-rich countries in Africa

REVENUE PERFORMANCE OF THE MINING SECTOR

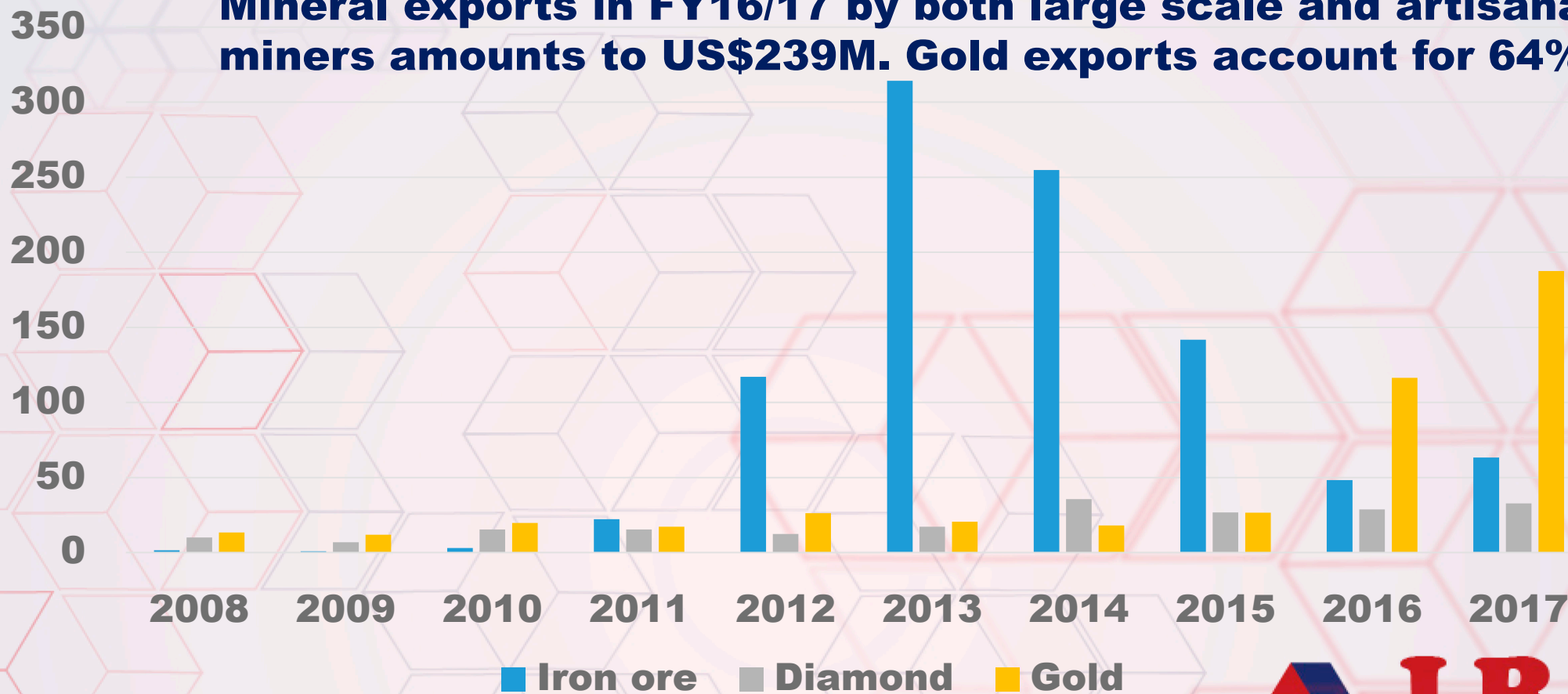
- Mining Sector contributed about US\$29.2m or 5% of total collection for FY16/17. Large scale mining contributed 90% of revenue from the sector. Below are the major revenue streams for FY2016/17.



- WH (Res.) Salaries and Wages
- Royalty
- WH (Res.) Serv. Rendered
- Social Contributions
- Surface Rental
- WH (non-Res.) Services Rendered
- CIT
- Mineral Dealership
- Administrative Penalties
- Gold License Fees

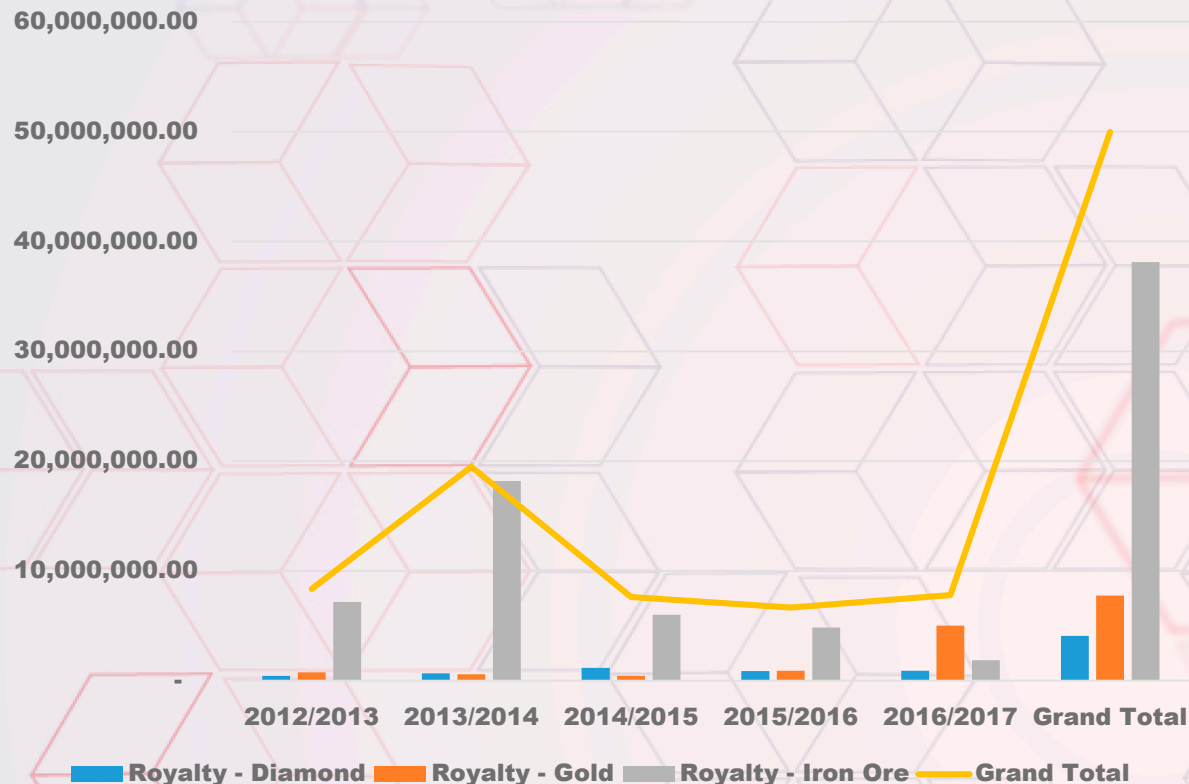
BEHAVIOR OF REVENUE COLLECTION - COMMODITIES EXPORT VALUE (M of US\$)

Mineral exports in FY16/17 by both large scale and artisanal miners amounts to US\$239M. Gold exports account for 64%.



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BEHAVIOR OF REVENUE COLLECTION – ROYALTY



- **3 active minerals producers. 2 Gold, 1 iron ore. These are the major contributors to our royalty basket.**
- **Decline in performance mainly attributable to:-**
 - **Low global commodity prices particularly Iron Ore**
 - **Impact of the Ebola in 2014 which literally halted many productive activities.**

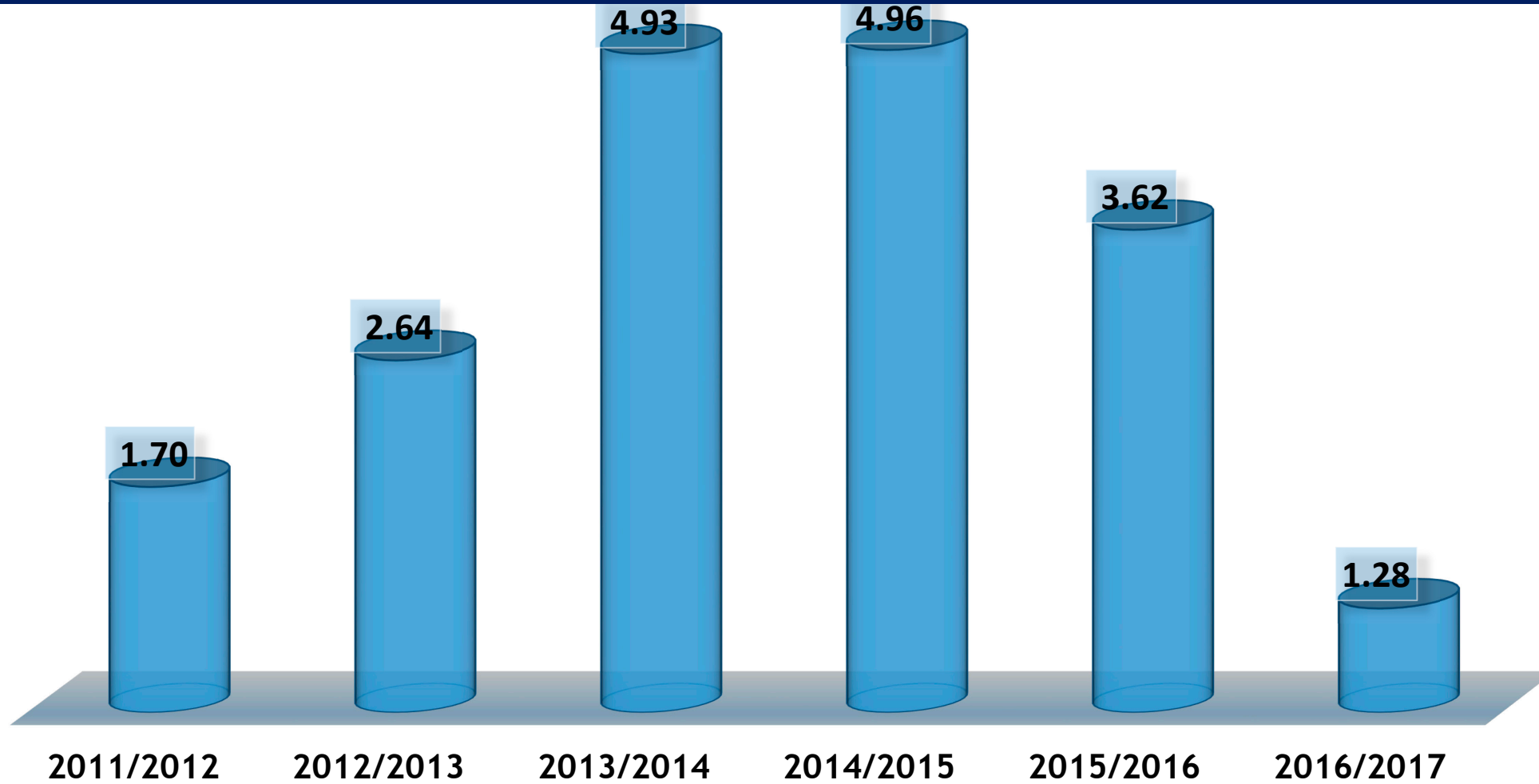
IMPACT OF PRICE VOLATILITY - GOLD PRICES



IMPACT OF PRICE VOTALITY – IRON ORE PRICES



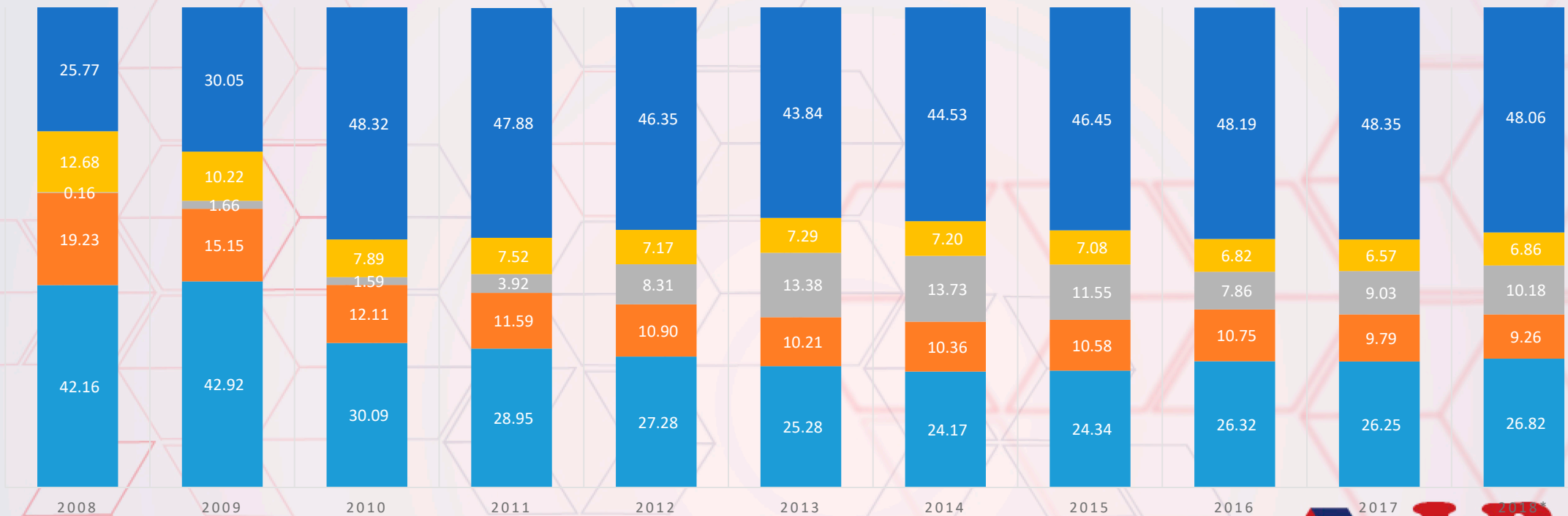
IMPACT OF PRICE VOLATILITY -IRON ORE SHIPMENT (millions of DMT)



CONTRIBUTION TO GDP & COMMERCIAL BANK LOAN

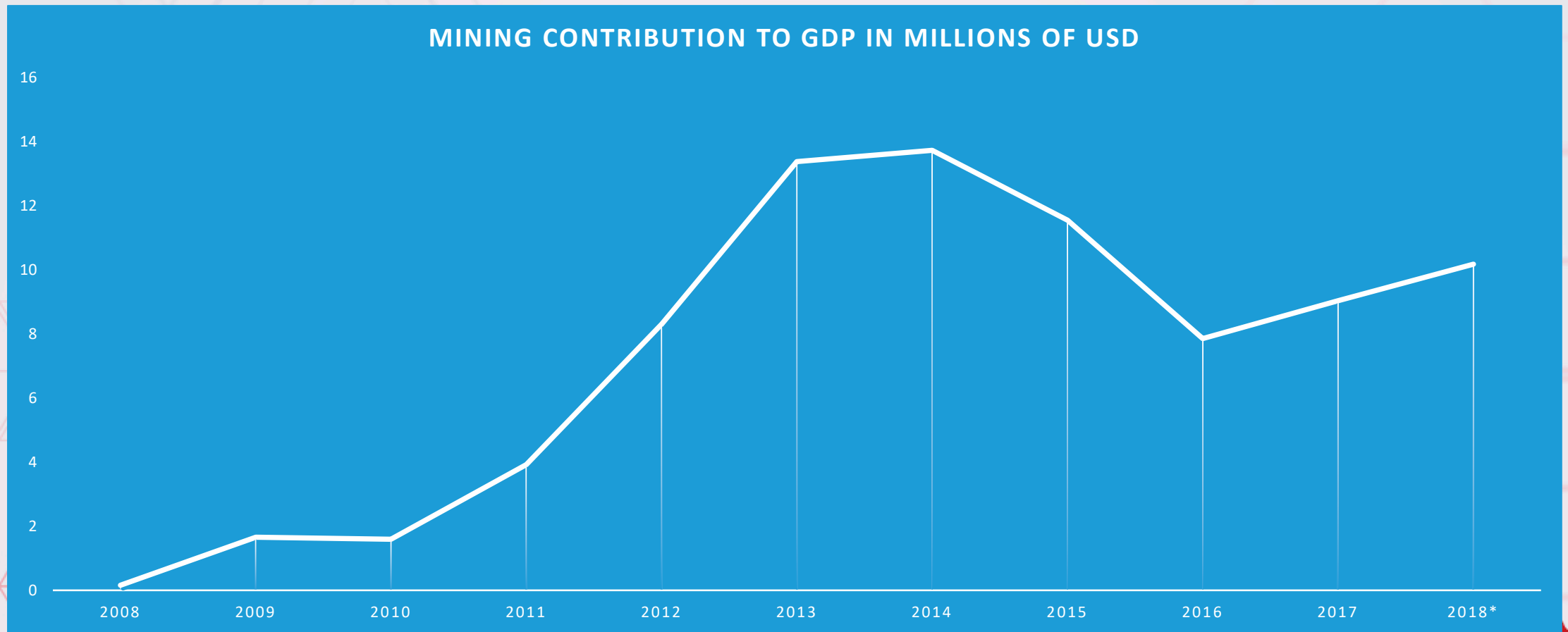
SECTOR CONTRIBUTION TO GDP, 2008-2016

■ Agriculture & Fisheries
 ■ Forestry
 ■ Mining & Panning
 ■ Manufacturing
 ■ Services

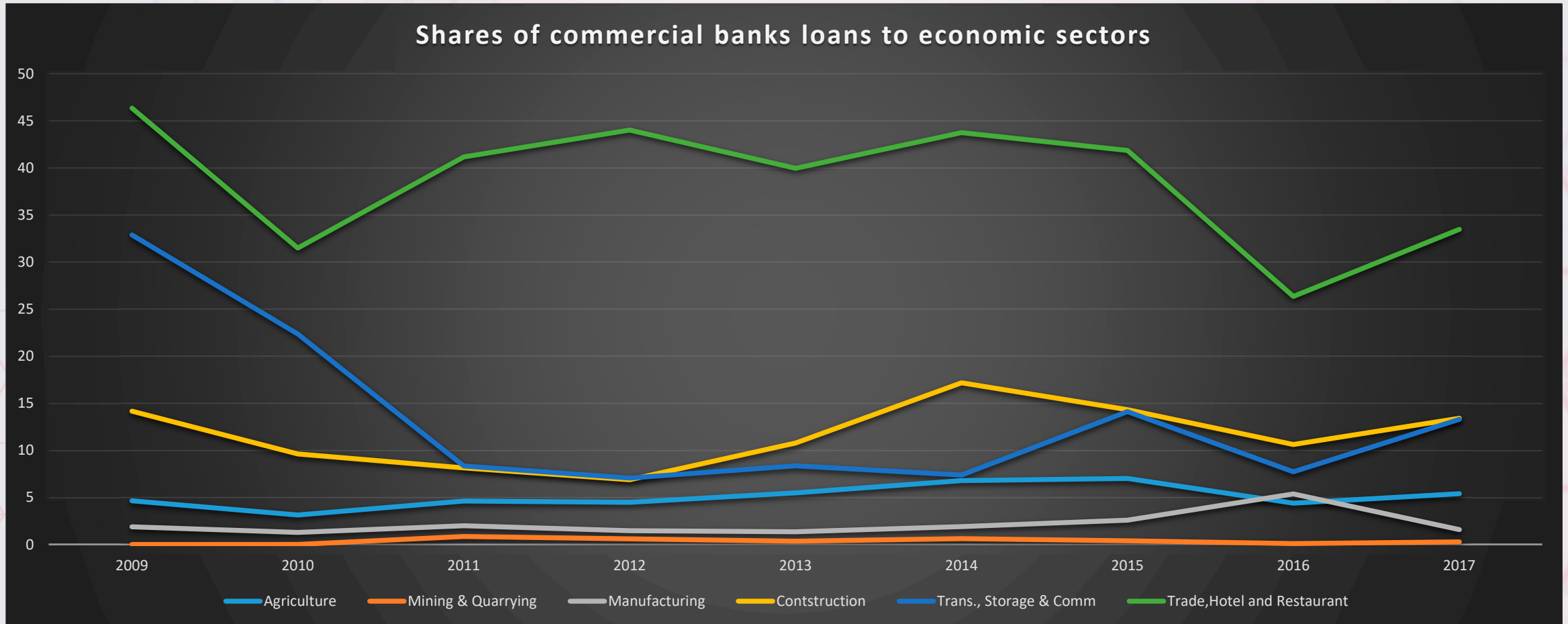


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CONTRIBUTION TO GDP & COMMERCIAL BANK LOAN

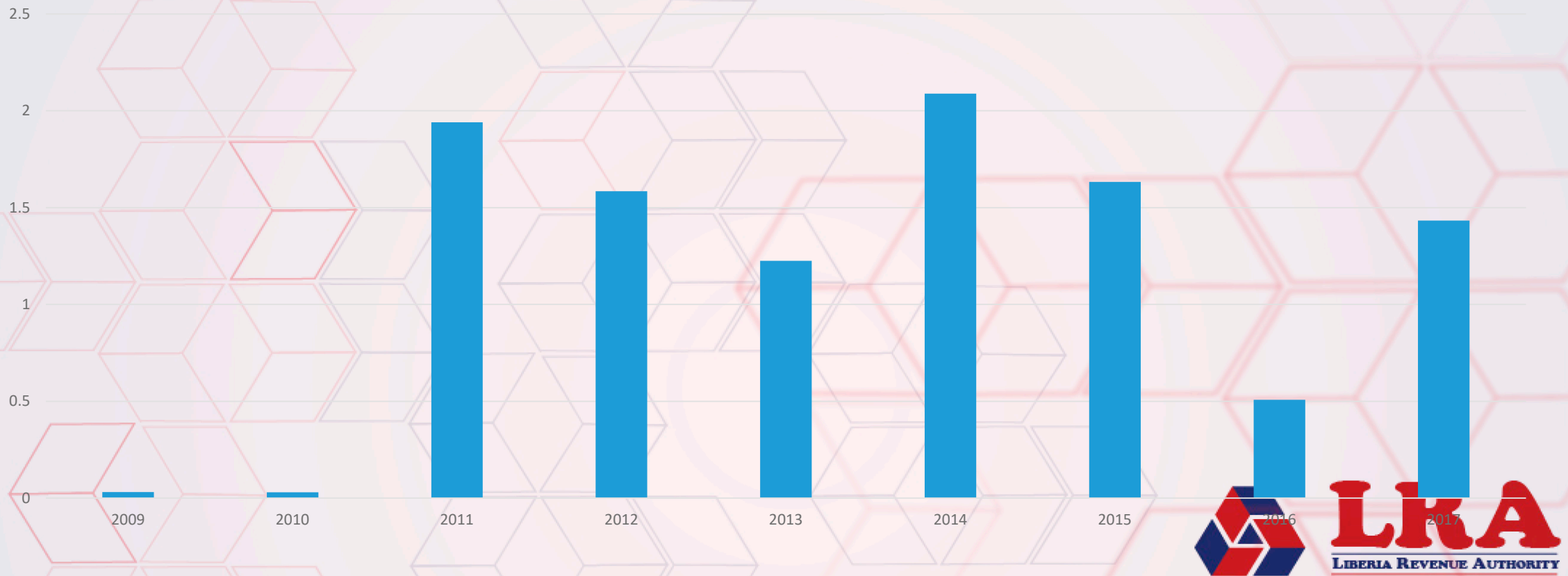


CONTRIBUTION TO GDP & COMMERCIAL BANK LOAN

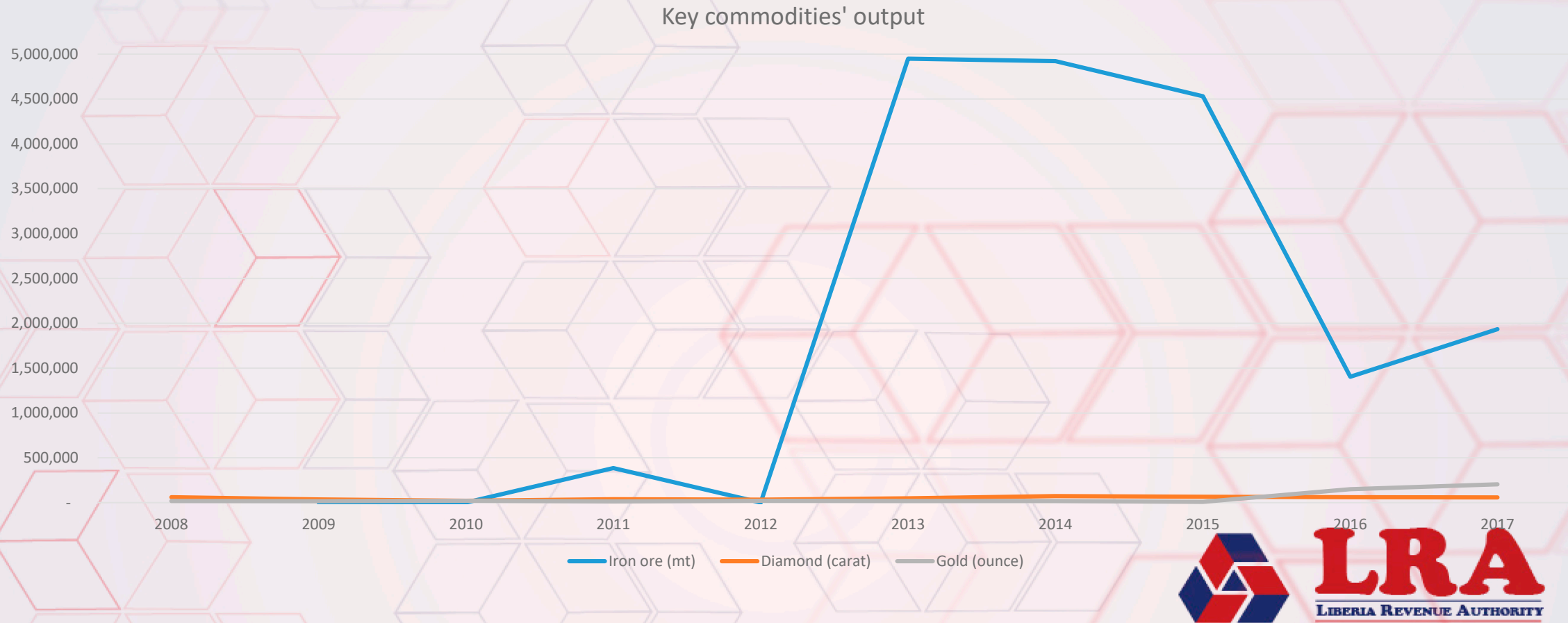


CONTRIBUTION TO GDP & COMMERCIAL BANK LOAN

Commercial banks loans to the Mining sector
million USD

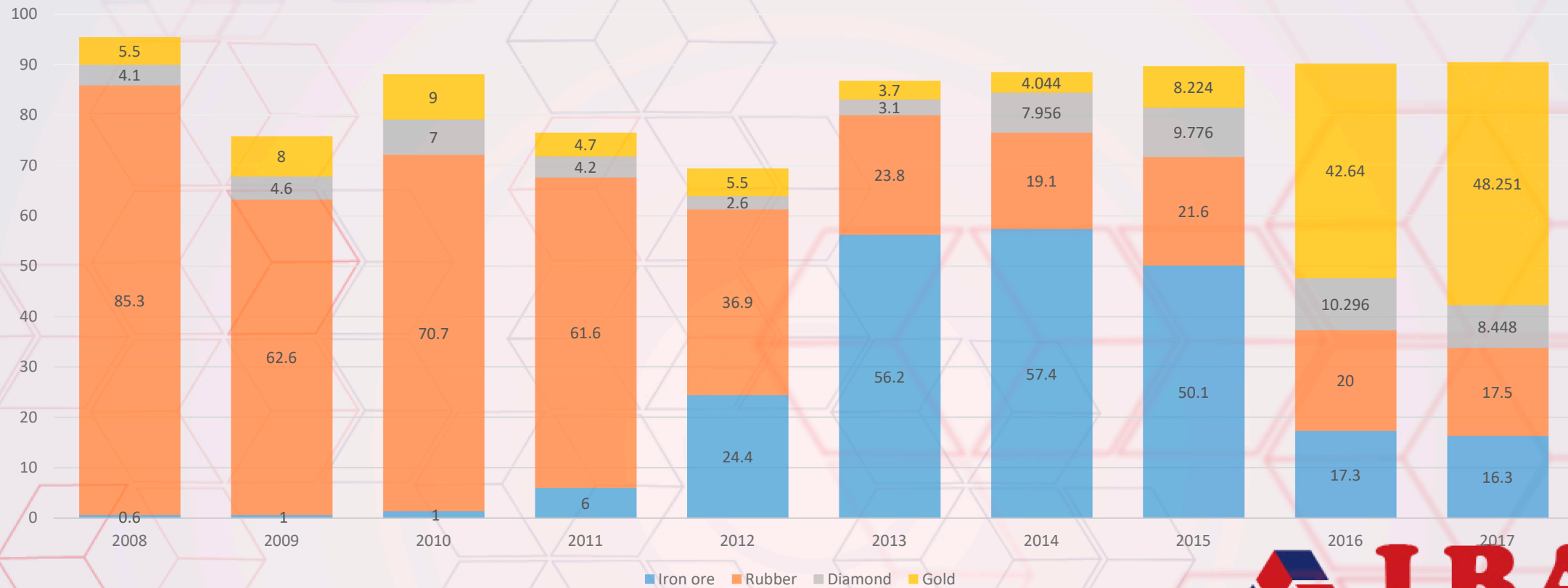


CONTRIBUTION TO GDP & COMMERCIAL BANK LOAN



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COMMODITIES' SHARE OF EXPORT



INVESTMENT OUTLOOK - Mining Sector Fiscal Regime

Fiscal Issues	LRC Rate	MDAs Average Rate
Income Tax	30%	25%
Interest	5%	5%
Dividend	5%	3%
Services	6%	6%
Royalty -Gold	3%	3%
Royalty	4.5%	4.5%
Surface Rental - Exploration	\$0.20	\$0.15
Surface Rental - Production	\$7.50	\$4.73
Surtax on positive net cash flow	20%	
Upfront Payment	-	\$8,857,100
ETL	0.5%	0.5%
Customs User Fees	1.5% or 10,000	\$328,571
GST	10%	-
Mineral Development Fund	-	\$35,714
Social Contribution	-	\$1,816,071
Scientific Research Fund	-	57,143

Revenue Collection Mechanisms -Large Scale Mining Sector

Self assessment regime

Due dates for payment of taxes and duties are stipulated in the respective MDAs

Mineral royalties are normally paid after export

Mineral prices are benchmarked on international reference prices on the day of export or as stipulated in the MDA

- **Iron Ore- Platts mineral price database**
- **Gold- LBMA PM-Fix on the day of shipment from Liberia**

GoL/LRA rely on independent inspection company (Bureau Veritas) and the refinery to confirm quality and quantity of minerals shipped

LRA/NRTS validates royalty payments



COLLECTIONS STRENGTHENING INITIATIVES - LARGE SCALE

Established a Mining Revenue Taskforce with the Ministry of Lands, Mines and Energy (MLME) to maximize synergies to enhance monitoring and supervision.

Developed Income Tax Transfer Pricing (TP) Regulations, Related Returns And Practice Notes With Support of the WBG. This Will Become Mandatory Effective March 2018.

Process Underway To Domesticating And Adopting the ATAF/WBG TP Risk Assessment Toolkit For Liberia, Train Staff And Deploy the Toolkit Before March 2018 TP Returns Filing.

Worked with the MLME other stakeholders to develop SOP for mineral sampling and Testing



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COLLECTIONS STRENGTHENING INITIATIVES – ASM SECTOR

Process Underway Led By Ministry of Lands, Mines And Energy (MLME) To Formalize Artisanal Miners Into Cooperatives. We are in Collaboration With MLME.

Joint Field Inspections of Class B Miners With MLME.

Process Underway To Establish A Team Within NRTS To Focus On ASM Sector.

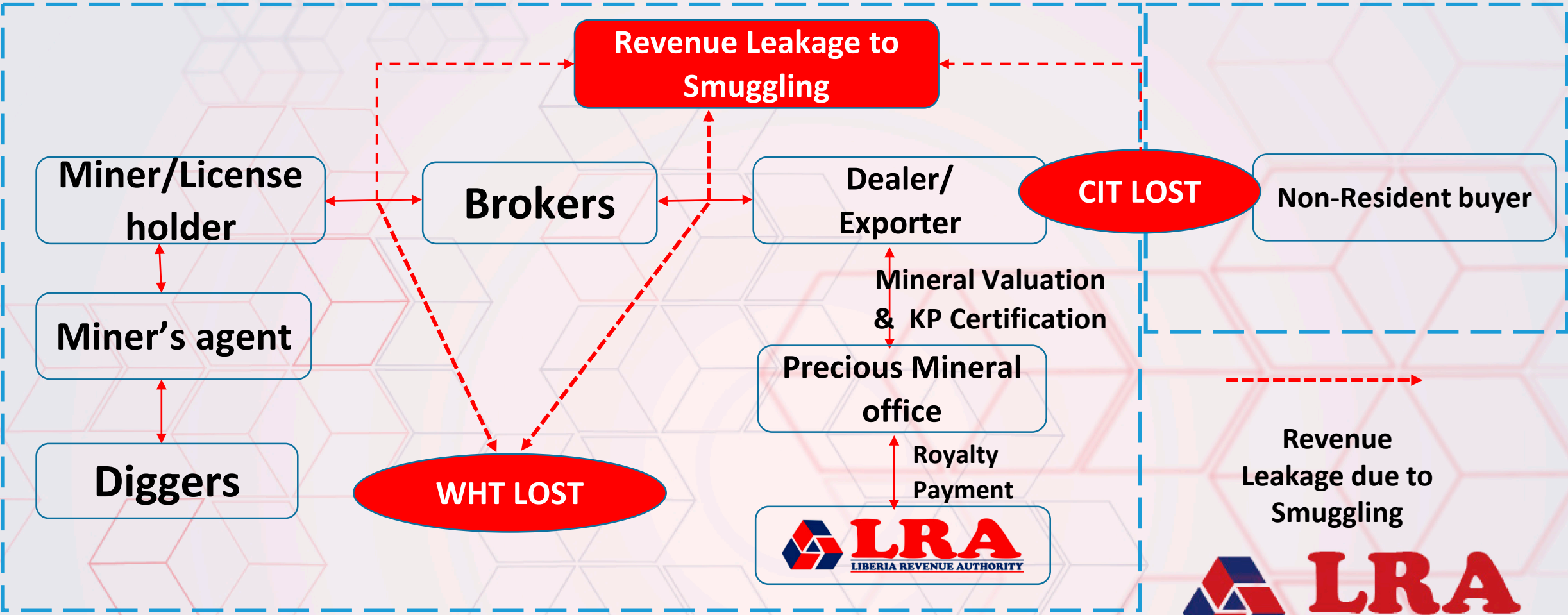
Planning to undertake a study to introduce Letters of Credit for all exporters in Liberia as tax compliance enhancement measure

Planned Interface Between MCAS And SIGTAS To Facilitate Seamless Information Flow



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KEY SECTOR CHALLENGES -ASM Value Chain



KEY SECTOR CHALLENGES - ASM

Large Informal Mining Sector With Poor Tax Compliance Attitude.

- Between 2012 And 2016 Liberia Exported Gold And Diamonds From the ASM Sector Worth Approx. US\$87m But Only Collected 3% Royalty Worth US\$2.6m And CIT of Only US\$0.46m!!!

Huge Revenue Leakage Due To Smuggling Especially By the Informal Sector Through the Porous Borders in the Region

Activities in the ASM Sector Not Formally Organized Thus Complicating Compliance Monitoring

Politically Sensitive Sector employing a significant segment of the population

CAPACITY STRENGTHENING INITIATIVES

LRA plans to undertake a mining sector study to inform policy reforms on value addition and maximization of revenue along the mining value chain in Liberia.

Established An Exchange of Information (EOI) Unit. Training of LRA Auditors On Information Exchange Procedures Undertaken With the Support of OECD.

LESSONS LEARNT

Countering BEPS in the Mining Sector Requires a Multi-faceted Approach Entailing

Sustainably Building Sector Specific Expertise to Strengthen Revenue Administration's Capacity to Identify and Plug Revenue Leakages Along the Entire Value Chain.

Practical Knowledge and Skills Transfer is Critical in Strengthening Audit Capacity in the Sector. Thanks to the TIWB and WB and other Donor Partners for Their Capacity Building Programs.

LESSONS LEARNT

Countering BEPS in the mining sector requires joint efforts of the revenue authorities and supervising government agencies and ministries. Together we have

Strengthened mine inspection capacity

Undertaken few mineral sampling and testing

Share information and intelligence



United Nations
Economic Commission for Africa

High Level Panel on

ILLICIT
Financial Flows

from Africa

Track it!

Stop it!

Get it!



Illicit financial flows: why Africa needs to
“track it, stop it and get it”

**Track It,
Stop It,
and
Get It.**

- **Thabo Mbeki,
on Illicit Financial
Flows in Africa**



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Building Liberia Together with our Taxes



LIBERIA has made some progress.
Thanks to all our development
partners.

**However, the battle is still very far
from over and further support is
still required.**

Thank You!



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QUESTIONS???

