



**DTBB/007/2016**

**Domestic Taxes Business  
Brief 7 (2016):  
The Imposition of Pay-Roll  
Tax**

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## **Purpose**

The purpose of this brief is to explain to interested parties the imposition of Pay-Roll Tax with the important provisions of the Pay-Roll Tax Act 1972 as amended.

## **Who should read this?**

- Organisations that employ foreign staff including Non-Governmental Organisations (NGOs).
- Companies and businesses operating in and outside Sierra Leone that are registered in Sierra Leone.
- Permanent Establishments including branches of foreign companies.
- Any other organisation or institution employing foreign staff.

## **Background**

Over time organisations and businesses that employ non-Sierra Leoneans have misunderstood the application of the Pay-Roll Tax Act 1972 as amended and this has led to revenue losses. This brief clarifies different issues such as the imposition, rates, due dates and exemptions with respect to Pay-Roll Tax.

## **Current Position**

### ***Imposition of the Tax***

Section 2 (1) of the Pay-Roll Tax Act 1972 as amended states that “there shall be charged and levied upon, and paid by, every employer, a pay-roll tax in respect of every employee who is not a citizen of Sierra Leone for each calendar year during which such employee is employed”.

Therefore, in accordance with Section 2 (1), any employer that employs a non-citizen should pay Pay-Roll Tax for that employee for each calendar year irrespective of the time the employee is present in Sierra Leone.

### ***Who pays the Pay-Roll Tax?***

Section 7 (1) of the Pay-Roll Tax Act 1972 as amended states that “the pay-roll tax shall be paid and borne by the employer and the employer shall not be entitled to pass on the tax to any employee”.

It is clear that it is the responsibility of the employer to pay the Pay-Roll Tax.

### ***Pay-Roll Tax Levy***

The Pay-Roll Tax Amendment Act 2004 states the Pay-Roll tax levies as follows:

- ECOWAS Citizens:           Le500,000           per annum
- Non-ECOWAS Citizens:   Le3,000,000       per annum

### ***Due Dates for payment of Pay-Roll Tax***

Section 3 of the Pay-Roll Tax Act 1972 as amended states the due dates are as follows:

- (1) For foreign employees that are present in Sierra Leone on the 1<sup>st</sup> day of January each year; it shall be paid not later than the 31<sup>st</sup> day of January in the year in respect of which it is payable.
- (2) Where an employee in respect of whom Pay-Roll Tax is payable comes into the employment of his employer after the 1<sup>st</sup> day of January; such tax shall be paid within fourteen days from the day on which such employee came into such employment.

### ***No adjustment of Pay-Roll Tax***

Section 9 of the Pay-Roll Tax Act 1972 as amended states that “where an employee in respect of whom pay-roll tax is paid or payable remains in or comes into employment for only a part of the year for which such tax is paid or payable, the tax shall notwithstanding the period of employment remain the same”.

Therefore, it doesn't matter whether the foreign employee was present in Sierra Leone for 1 day or 365 days, Pay-Roll Tax is still to be paid for that employee for that calendar year.

### ***Exemption from paying Pay-Roll Tax***

The Pay-Roll Tax Act 1972 as amended made provision for various categories of employers that will be exempted from paying Pay-Roll Tax:

- (1) Employee shareholders of limited companies with a minimum shareholding of 40% of the capital – Section 2 (3).
- (2) The President; Religious or Charitable Institutions of a public character in respect of Clergymen and Missionaries; Diplomatic and Consular Missions or representatives in Sierra Leone – Section 8 (1).

Furthermore, the Pay-Roll Tax Act (Exemption of Certain Classes of Employers) Order 1973 states that employers employing these classes of employees will be exempted from paying Pay-Roll Tax for them:

- (1) Persons who are exempted from Income Tax under any law ratified by Parliament – Section 2 (b).
- (2) Persons whose services are provided directly or indirectly under a Technical Assistance Programme between the Government and any other Government – Section 2 (c).
- (3) Employees resident outside Sierra Leone but are resident in Sierra Leone only for temporary purposes and not with intent to be resident in Sierra Leone – Section 2 (d).
- (4) Temporary teachers at a University, College or School or educational institution of a public character – Section 2 (d).
- (5) Employees of ecclesiastical, charitable or educational institutions of public character who are not connected with a business carried on by the institution – Section 2 (e).

## **Where can I get further information?**

For further information please contact the Domestic Taxes Helpline on Telephone Numbers: [078/025/030/044 - 970844](tel:078025030044).

The Domestic Taxes Helpline is available Monday to Friday, 8am to 5pm.

We can also be contacted through [dtd@nra.gov.sl](mailto:dtd@nra.gov.sl).

Information on Domestic Taxes and other taxes can be found on the NRA website [www.nra.gov.sl](http://www.nra.gov.sl).