



Activity brief (December 2014)

Establishment of a Natural Resource Tax Unit in the Liberian Revenue Department

21 January 2013 – 20 April 2014



Background: With its high mineral potential – including gold and diamonds – Liberia could increase its national wealth for the benefit of its people. Liberia, following recent internal conflict, is one of the world's poorest countries (ranked 182 of 187 countries on the United Nations Human Development Index, 2011).

The Liberian Ministry of Finance approached the Australian Government with a formal request for technical assistance to enhance their management of the natural resources sector. Specifically, the request involved assistance to establish a Natural Resources Tax Unit (NRTU) in the Ministry's Revenue Department.

In response to the request, the Australian Government funded a technical adviser to support the Revenue Department for a period of 15 months. The NRTU forms part of the Large Taxpayer Division and provides Division auditors with specific expertise to assist with the review and audit of natural resource companies operating in Liberia.

Objective: The key objective of the activity was to provide assistance to the Liberian Government to increase the efficiency and effectiveness of revenue collection in the minerals sector.

Activity description: The technical adviser from the Australian Taxation Office supported the project and provided technical assistance to staff in a number of areas. The adviser:

- ▣ assisted the NRTU to establish procedures and systems to administer a natural resource tax, including the development of an audit strategy;
- ▣ advised on organisational arrangements for the NRTU, including job descriptions; and
- ▣ provided structured training, on-the-job mentoring and technical guidance to officials.

Ten officials from the Ministry participated in a study tour to Australia in September 2013. They met with representatives from Liberian mining companies, non-government organisations and peak industry groups. They gained an

understanding of Australian policymakers' approach to attracting investment, formulating efficient taxation policies and maintaining an effective tax system.

Sector: Extractives

Outcomes: The Ministry has established and staffed the NRTU and has clarified its mandate as an advisory function.

The activity improved numerous internal processes, including: the valuation of oil and for various metals for royalty purposes; pricing agreements; and unitisation agreements for cross-border natural resources sharing. This, in turn, increased government revenue and encouraged large taxpayers to be more compliant. Evidence from Liberia suggested that in 'one mining agreement negotiation, the impact of NRTU advice in terms of revenue saving is in excess of USD 30 million over the first four years of production, increasing over the life of the project'.

In addition, NRTU team members demonstrated their newly acquired knowledge in four separate resource sector tax projects in which they provided advice on seven separate major tax issues during the first audit.

An additional achievement of the activity that was not anticipated was the NRTU being called upon, and supported by the AAPF activity, to provide tax advice to a Government of Liberia team negotiating new resources sector contracts.

In Ghana, the activity assisted in increasing the capability of Ghana Revenue Authority personnel to identify and treat non-compliance as well as improving the understanding of the need to manage the tax system as part of the entire fiscal system, requiring engagement with business, professionals, community and government.

Participating country: Liberia

Date approved:	28/03/2012
Implementation partner:	The Liberian Ministry of Finance
Total cost:	AUD 706 418