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GOVERNMENT OF SIERRA LEONE

Ministry of Finance
Treasury Building
George Street
Freetown
Sierra Leone

20th October 2020

MF-Rev 62/1020/19/01

The Auditor General
Audit Service Sierra Leone
2nd Floor, Lotto Building
Tower Hill
Freetown

Dear Auditor General,

**AUDIT QUERY FOR FISCAL YEAR 2019 IRO DISCREPANCIES IN TIMBER
EXPORT LEVY COLLECTIONS AND THE FINANCE ACT 2018 STIPULATIONS**

I am directed to refer to the above subject and to inform you that the attention of the Ministry of Finance has been drawn to an audit query that your institution directed at the National Revenue Authority (NRA), in respect of an apparent discrepancy between the units of valuation used by Leadway Trading Company (SL) Limited in collecting timber levies and Section 3 of the Finance Amendment Act, 2018, which amended Section 25 of the Forestry Act of 1988, dealing with export levy on timber.

We believe that seemingly discrepancy might have occurred due to unintentional error for several reasons. First, it is important to note that the Finance Act 2008 originally amended Section 25 of the Forestry Act of 1988, introducing a new provision as follows:

25A. An exporter of any timber or timber products shall, before the exportation, pay to the National Revenue Authority as export levy on every twenty cubic metres of such timber or part thereof, the leone equivalent of US\$ 1500.

Then in 2018, Section 3 of the Finance Amendment Act, 2018 amended the same Section 25 of the Forestry Act of 1988, intending to only replace the export levy amount of "US\$1500" and the words "cubic meters" by "US\$2500" and "20-foot container", respectively. However, the draft inadvertently omitted the word "twenty" from the original and did not also replace the words: "cubic meters" with "20-foot container", for which the final legislated provision reading as follows:

25A. An exporter of any timber or timber products shall prior to exportation pay to the National Revenue Authority a timber royalty of US \$2,500 on every cubic meters of such timber or part thereof.

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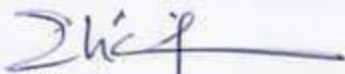
25A. An exporter of any timber or timber products shall prior to exportation pay to the National Revenue Authority a timber royalty of US \$2,500 on every cubic meters of such timber or part thereof.

Secondly, it is very improbable for any exporter of timber to pay \$2,500 per cubic metre, as a standard 20-foot container is equivalent to approximately 33.2 cubic metres. This means that, if we are to go by the apparent error in the Finance Amendment Act, 2018, an exporter of timber would have to pay \$83,000 for a standard 20-foot container, which is quite impracticable. Thirdly, it may interest you to note that since the legislation of timber levy in Sierra Leone, the unit of valuation has been per 20-foot container, as opposed to cubic metres.

Thus, by the policy rationale and spirit of the law, the measurement for 20-foot container was inadvertently stated as cubic meters.

We are in the process of amending the errors among others in the forthcoming Finance Act, 2021.

I thank you for your anticipated cooperation.



Idrissa Kanu

For: Financial Secretary

Copy to:

The Hon. Minister of Finance
The Hon. Deputy Minister of Finance I
The Hon. Deputy Minister of Finance II
The Financial Secretary
The Principal Deputy Financial Secretary
The Commissioner General, NRA
The Chief Executive Officer, Leadway Trading