



AN INVESTOR'S GUIDE TO INVESTING IN TOURISM IN SIERRA LEONE

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SIERRA LEONE TOURISM

Background

Once infamous for its civil war, "blood diamonds" and the Hollywood block buster movie also ironically captioned "blood diamonds", Sierra Leone has experienced quite substantial and steady economic growth year on year over the last number of years. The restoration of peace and a stable democracy was expected to aid the country's promotion as a prime tourism destination.

However, while the extractive, fishing and agriculture sectors have indeed taken off successfully attracting massive foreign direct investment, the tourism sector appears to have been playing catch up.

Endowed with a coastline that boasts of large stretches of uninterrupted and unspoiled beaches infamous for their white powdery or soft and golden sand and sandwiched on the one side by lush forested hills and on the other side, the vast gaze of the Atlantic ocean; the growth of the sector backed by breaks and fiscal incentives cast in legislations should have been second to none.

There is no gainsaying that the Government of Sierra Leone (hereinafter referred to as GoSL) has made attracting foreign investments generally one of its main priorities. It has developed in addition to existing legislations, an incentive package of tax and other breaks as well as customs duty exemptions among others to attract large scale, foreign investments.

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Consequently, Sierra Leone is now ranked by the World Bank among others as being among "the thirty most improved economies in the world over the past five years" and is highly ranked in "ease of starting a business" and in "protecting investors in West Africa" in particular "number two in Africa and twenty seven worldwide for investor protection".

In the GoSL's Letter of Intent of 1st October 2013 to the Managing Director of the International Monetary Fund, it clearly recognised the importance of developing tourism and tourism related projects and in this regard stated as follows; "**to help achieve the objectives of the 'Agenda for Prosperity (AFP)' (a GoSL strategic plan that focuses on addressing the infrastructure deficit and growing the private sector among others), the GoSL plans to implement a number of transformational investment projects including a new airport on the mainland.....The GoSL believes in particular that the construction of a new airport will support private sector development and economic growth, increase tourism...**". Fast forward to present day, the funds for the construction of the new airport have been secured and the contract awarded. With the Project Implementation Unit (PIU) specifically set up for the new airport at the helm of things, a sooner delivery of the new airport is expected.

Although there have been bleeps in the tourism investment radar with the recent opening of The Place Resort, Radisson Blu-Mammy Yoko Hotel and ongoing construction of the Hilton Cape Sierra Hotel to name a few, the tourism industry in Sierra Leone is nowhere near its full potential when compared to others in the sub region, for example The Gambia. The purpose of this article therefore is to showcase Sierra Leone and to provide a guide and blue print to the investor to tap these incentives and leverage the opportunities that the industry affords so

as to ensure healthy returns on the investment made.

Applicable Legislative Framework & Fiscal Regime

(A) Development Aids and Incentives in the Development of Tourism Act.

The principal law in Sierra Leone for tourism is "The Development of Tourism Act No. 11 of 1990" (hereinafter referred to as The Act") whose short title states as follows; "An Act to make new and better provisions for the promotion and development of Tourism in Sierra Leone; to provide for the establishment of a National Tourism Development Board which shall be the National Tourism Development Authority in Sierra Leone; and for connected purposes". The Board is a body corporate with a Chairman and General Manager charged generally with developing all aspects of the tourism industry in Sierra Leone and promoting its efficiency. The Minister of Tourism has oversight of the activities of the Board. For the purposes of the Act and this article, an "Approved Development" means a development program approved by the Board and which is of such type and magnitude that it will contribute to the national economy through the expansion of tourism in Sierra Leone.

It is in Part V of the Act under the rubric "Development Aids and Incentives" that some of the most generous incentives known to the industry and for attracting and developing tourism are contained.

- i. Income Tax & other Tax Reliefs: An approved development by way of constructing a new hotel, extending, restoring or renovating an existing hotel or any tourist facility or amenity shall qualify for relief by way of capital allowance as provided for by the Act, relief from surtax for a period not exceeding five years as the Board may determine (but such relief shall not apply to profits earned in excess of 150% of the

- original capital invested), relief from income tax in such manner and for such period not exceeding five years as the Board may determine (but such relief shall not apply to the extent that the total amount during the tax holiday period exceeds 150% of the original capital invested)
- ii. Losses: Any net loss incurred by any business approved by the Board during the tax holiday period shall for the purpose of ascertaining the total income of that business as provided for in the Income Tax Act be carried forward and be available for set-off against the profits or income arising from any business in the basis of the period of the year of assessment immediately following the expiration of the tax holiday period or against the profits or income arising from such business in any of the basis periods of the next following five years of assessment immediately following the expiration of the tax holiday.
 - iii. The right to remit capital: A business approved by the board that receives and or benefits from foreign direct investment or employs a significant amount of expatriate capital shall as of right be entitled on cessation of the business to be entitled to remit the value and or such foreign capital and or expatriate capital out of Sierra Leone. It shall also be entitled to remit any accrued profits or dividends.
 - iv. Exemption from Duty: For the purposes of an approved development by way of constructing a new hotel or any other tourist amenity or facility or for the provision of a tourist service in an operation licenced under the Act or the restoration, extension or renovation of an existing one it is necessary to import building materials, machinery or equipment that is not easily available in Sierra Leone, these shall be imported free of customs duty for the period of the construction or rehabilitation. As if this relief is not extensive enough, the importation of linen, cutlery, glassware, chinaware that are not easily available in Sierra Leone shall also be imported free of customs duty for a period not exceeding three years.
 - v. Relief from Payroll Tax: The Act recognizes the importance and necessity of expatriate personnel for a tourist facility in Sierra Leone. To this end the Act has sought to strike a balance between the need of a tourist facility to bring in competent expatriate expertise having the skills and expertise not readily available in Sierra Leone as it puts it and at the same time develop the local content work force (in addition to those contained in the Investment Promotion Act). In this regard, the tourist facility and the expatriate staff will under the Act be granted relief from payroll tax for a total of six such expatriate staff for a period of three years.
 - vi. Further Reliefs: The jewel in the crown, so to speak in the Act in so far as incentives and attracting investment in the sector, is the unlimited powers given to the Minister of Tourism in consultation with the Ministry of Finance and with the subsequent approval of Cabinet of Sierra Leone to grant further reliefs not envisaged and or addressed in the Act as the situation may demand. In effect, where there is a need and the case is made by the investor, the executive by the provisions of the Act does have unlimited powers to intervene and grant any and all such further reliefs (not captured in the Act or any other legislative instrument) to

an investor without the need for any legislative intervention or confirmation by way of amendment of an existing Act of parliament or the promulgation of a new one.

(B) Investment Incentives in the Finance Act No. 3 of 2013

In the most recent edition of the Finance Act of Sierra Leone, the Income Tax Act has been further amended to give far much more reaching incentives and breaks generally. In addition to the incentive packages and breaks contained in the Act and or any other legislation, it is not uncommon in Sierra Leone for investors undertaking very substantial investment projects in Sierra Leone to request (by way of additional guarantees) the GoSL to enter into an agreement by way of a Memorandum of Understanding that will be binding between the GoSL and the investor setting out the initial framework agreements reached that will cover issues including but not limited to the nature of GoSL support to the project, permits that are required, granted or waived, environmental and social impact assessment, expatriate staff, duty waivers for the import and export of equipments and materials, tax, exchange control, change in law and expropriation. Under the provisions of the Finance Act No. 3 of 2013, all such agreements containing fiscal incentives prepared by Ministries, Department and Agencies shall be approved by the Minister responsible for Finance and ratified by the Parliament of Sierra Leone. By so doing, the agreement is domesticated into law by the Parliament of Sierra Leone (the highest law making organ) and becomes part of our *corpus juris*.

(C) Allowable Deductions and other Breaks in the Income Tax Act

In addition to the specific tax breaks, holidays and incentives contained in the Act and other existing legislation, various deductions are allowable in determining the taxpayer's assessable income for the year of

assessment. These include research and development costs, capital allowance deduction for depreciable assets, investment allowance for the tourism industry, repairs and improvement and start-up costs.

(D) The Investment Promotion Act No. 10 of 2004

The Investment Promotion Act was promulgated into law to promote and attract both domestic and foreign investment in Sierra Leone. This Act provides some key investment guarantees to the investor. It permits expatriate personnel with work permits to make remittances abroad through a local commercial bank. It also guarantees a foreign investor engaged in a business enterprise in Sierra Leone, the remittance of profits after tax without restriction. In addition, an investor may freely repatriate the proceeds received from the liquidation of a business enterprise in Sierra Leone and awards resulting from any settlement of disputes in respect of the business enterprise. In particular, "there shall be no restriction on the transfer of repayment of principal and interest on arms length third party loans contracted out of Sierra Leone and registered with the Bank of Sierra Leone". In addition to the provisions against expropriation in the Constitution of Sierra Leone Act No. 6 of 1991, guarantees against expropriation are provided for in mandatory terms by this Act. This Act also contemplates and makes provision for the bringing of expatriate staff in country. In addition and on the issue of expatriate staff, it grants an expatriate staff issued with a work permit from the Ministry of Labour, Social Security and Industrial Relations and his immediate family exemption from customs duty in so far as the personal effects of the expatriate is concerned. Finally, this Act acknowledges in clear and unambiguous terms that access to land is vital to the operation of a business enterprise by an investor and has committed the GoSL to taking all such

necessary steps that may be required to facilitate an investor's access to land.

[The role of the Sierra Leone Investment and Export Promotion Agency \(SLIEPA\)](#)

The tip of the spear as it were in marketing Sierra Leone as a profitable and safe place for foreign direct investment is SLIEPA. Officially, the Ministry of Trade and Industry has oversight of this agency which is a creature of statute. In practice however, it operates quite independently and without the Ministry in pursuit of its core objective, i.e. to promote investment in Sierra Leone and the exports of Sierra Leonean products. It is Sierra Leone's official agency to assist and inform investors and focuses on developing policies and programs to stimulate local and export trade, improve the investment climate, encourage expansion and diversification of business, trade and industry generally. It is also responsible for facilitating the business of investors especially when it involves government ministries, supplying information and providing a forum for private sector to discuss investment policies.

[Conclusion](#)

Sierra Leone is undoubtedly in intrinsic component of the new frontier for foreign

direct investments in Africa. What was once potential has now become an opportunity waiting to be explored and tapped. With such generous fiscal and other incentives provided, an investment in tourism in Sierra Leone today is well poised to give the investor willing to take the challenge substantial returns on its investment.

[Disclaimer](#)

This article sets out some basic information and a guide to investing the tourism sector in Sierra Leone. Although the contents of the publication are correct, true, well researched and to the best of our knowledge, information and belief at the time of press true, readers are encouraged to seek further specific and or professional advice from the Firm before taking action on the basis of the opinions or fact expressed herein. We cannot accept any responsibility for any facts or errors that this article may contain whether negligent or otherwise, or take responsibility for any loss or damage suffered by any person or business interest that relies on this publication. The article is produced by the Corporate & Investment Department, Macauley, Bangura & Co, 31 Lightfoot Boston Street, 4th Floor, UMC Building, Freetown, Sierra Leone

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