

**Anglophone West Africa  
Appendix 5: Sierra Leone**

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Working Paper**

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## Country: Sierra Leone

<i>Basic Country Information</i>			
Geographic size	71,740km <sup>2</sup>	Independence	27 April 1961
Capital city	Freetown	Population	4.9 million
Secondary cities/towns	Bo, Kenema, Makeni	Urbanisation	37%
System of government	Constitutional republic with a directly elected president and a unicameral legislature	GDP (per capita)	US\$342
<i>Government Structures</i>			
Levels/Tiers of government	Two-tier system of government with a central government and 19 local councils (5 city councils, 1 municipality, and 13 district councils.		
Traditional authorities or chiefdoms	Below the 19 councils is the chiefdom councils. There are currently 149 chiefdom councils. In principle the chiefdom council is not recognized as a level of government, though the Local Government Act mandates them to collect certain revenues and share with the local councils.		
<i>Land Issues and the Property Market</i>			
Land tenure	State ownership, private, communal and family land ownerships exist in Sierra Leone.		
Land titling/registration	Customary laws and practices and some locally enacted legislation govern the administration of land in Sierra Leone		
Land rent	Paid only for the leasing of state land		
Property Market	Property market is grossly underdeveloped and the sale or buying of property is done on an ad hoc basis. Thus there are many property disputes due to multiple sales and registration of property.		
<i>Taxes</i>			
National	Comprises of direct and indirect taxes, namely taxes on profits and individual incomes, capital gains, withholding taxes on wide range of incomes and presumptive taxes; indirect taxes include: import duty, and sales tax.		
Sub-national	Urban property tax, property transfer tax, local tax, licences and fees		
<i>Property-related Taxes: National</i>			
Property Transfer Tax	Levied on a wide range of instruments and documents at rates varying from 1% to 12.5%. Significant progress made in the areas of governance structure for the design and implementation of VAT legislation. VAT was scheduled to be fully operational in 2008.		
Capital Transfer Tax	No capital transfer taxes currently form part of Sierra Leone's tax system.		
Capital Gains Tax	There is no separate capital gains tax although the Income Tax Act states that capital gains arising from the disposal of a business should be included in the taxable income and subject to income tax.		
<i>Property-related Taxes: Sub-national</i>			
	Rates on property		

<i>Annual Property Tax</i>		
<b>Relevant Legislation: Local Government Act 2004</b>		
	<i>Legislation</i>	<i>Practice</i>
<b><i>Tax Base &amp; Taxpayer</i></b>		
Tax base	Buildings, whether occupied or unoccupied. The Act does not provide a definition for "buildings".	
Coverage of tax base	All councils, i.e. cities, the municipality and districts councils	Only in major cities, namely Freetown, Bo, Kenema and Makeni

Taxpayer	Owners of buildings	
<b>Valuation &amp; Assessment</b>		
Valuation	Assessed annual value of all buildings. This is not, however, clearly defined in the Act.	Freetown City Council still uses the area based method for property rates. Valuation continues to pose a serious problem as the method stated in the Local Government Act is not clear and may not be applicable in the case many types of council.
Responsibility for valuations	Councils are mandated to appoint valuers and assessment committees.	Only a few government valuers and measurement recorders in the case of Freetown City Council. There are no valuers in other, smaller councils
Valuation cycle	Not specified in the Act.	Valuation has not taken place in other Freetown 20 years. However in other major cities that Kenema and Bo, property identification exercises started in 2007 and 2008 respectively.
Objection & appeal	Not specified in the Act.	Since revaluation has not taken place for a long period, property values are grossly undervalued. Thus rates charged on property generate insignificant revenues. Over the years there are no cases of objection
Quality control measures	Not specified in the Act.	No quality control in practice.
<b>Rate Setting and Tax Relief</b>		
Tax rates	A single rate in respect of each class of assessed buildings. Councils are mandated to set their own rates subject to guidelines issued by the Minister of Local Government in consultation with the Minister of Finance.	
Exemptions	Buildings used for public religious worship, hospitals and clinics, educational institutions, burial grounds and crematoria, buildings owned by diplomatic missions (as may be approved by the minister of Foreign Affairs).	
Tax relief measures	If assessed building or part of it has been demolished or removed during any financial year.	
<b>Tax Administration</b>		
Billing		
Collection	Local councils should make adequate efforts to collect revenues from their own sources. Payments of rates can be done in two or more equal instalments	Centralized collection, i.e. taxpayers required to go to the tax offices to make payments; collection mechanisms are weak.
Enforcement	The sale of movable asset by public auction to the highest bidder within twenty days of levying warrant; if failed to recover amount the council shall apply to court for the sale of the building.	Freetown City Council has occasionally published names of delinquent taxpayers. No court action had ever been initiated due to lack of political will and weak enforcement mechanisms.
<b>Additional Comments</b>		
Importance of property tax		Accounts for about 21% for all 19 council own revenue; 27% for

		City/town councils but less than 1% for district councils. For Freetown city council property tax accounts for about 42% of internally generated revenue.
Role of the property tax	The LGA 2004 in Section 20(1) states that a local council shall be responsible to mobilise the human and material resources necessary for the overall development and welfare of the people of the locality.; and property tax should be a major component of own revenue	Some councils especially councils have not collected any revenue property tax over the years. They rely more on transfers.
Tax effort		About 0.25% of GDP
Other issues		The poor state of housing/housing in almost all district councils due to the civil conflict that destroyed most structures poses a limitation on the implementation of property tax.