



NEWS RELEASE

Liberia to Reduce Uncertainty for Investors with New Income Tax Transfer Pricing Regulations

Removing national investment barriers, fostering cross-border investment and regional integration

MONROVIA, Liberia, June 17, 2016 — The World Bank Group and the Liberia Revenue Authority (LRA) co-hosted policy meetings and a capacity building workshop on Liberia's new transfer pricing regulations from June 13-17, under the *Improved Business and Investment Climate in West Africa Project*. A meeting was also held with taxpayers to introduce the new regulations, explain their obligations, and to answer any questions. The new regulations, to be enacted on July 1, will reduce uncertainty for investors and ensure that Liberia collects revenues in accordance with international good practice.

"The Economic Community of West African States is committed to implementing programs that facilitate regional integration and making it work for private sector operators and the people of West Africa," said **Kalilou Traoré, ECOWAS Commissioner in Charge of Industry and Private Sector**.

Liberia's new transfer pricing regulations adopt the internationally accepted 'Arm's Length Principle' for the purposes of determining the income and associated expenditure for transactions between related persons. Under the new rules, the taxpayers are required to keep documentation to demonstrate their measure of taxable profit accords with the arm's length principle. The taxpayers must also file a 'transfer pricing schedule' with the annual income tax return for the year in which the transactions take place. The rules are aligned with international standards and aim to protect Liberia against the erosion of its tax base and provide multinational enterprises with certainty of treatment, reducing the risk of double taxation.

"The fact the European Union is financing this event is testimony of the importance we give to the promotion of the private sector as an engine for an economic and social development of West Africa. Our support to improving trade and investment conditions is a priority of the EU cooperation with the region," said **Tiina Intelmann, European Union Ambassador, Liberia**.

The reforms in Liberia aim to remove potential national investment barriers, foster cross-border investment and regional integration in line with the ECOWAS Investment Policy Framework. They represent a significant step forward for transfer pricing regulations in West Africa, and will represent an example upon which other countries in the region will draw in developing their own local rules.

The project has worked closely with the Liberia Revenue Authority since April 2015, which was the beginning of country's initiative to build an effective transfer-pricing regime. Significant input and advice on the drafting of the new Regulations and return schedule was provided. The authority was also assisted to create a transfer pricing team within an international tax unit. The officers of the newly established team will undergo an intensive training to equip them with skills and knowledge for the enforcement of the new rules. The LRA will be further supported under the OECD and UNDP **Tax Inspectors without Borders initiative**, which was initiated in Liberia in close cooperation with the World Bank Group.

"Liberia has enormous potential to strengthen competitiveness and increase investment flows, which can drive growth, reduce poverty, and deliver jobs to the country. The World Bank Group is pleased to be working with other development partners to support Liberia to improve their competitiveness," said **Frank Ajibola Ajilore, IFC Resident Representative for Liberia**.

The *Improved Business and Investment Climate in West Africa Project* is a four-year initiative, funded by the European Union, that was launched in November 2014. The €7.7 million project seeks to support ECOWAS to improve investment policy in West Africa. It seeks to address a range of investment policy issues that constitute barriers for the private sector to invest efficiently across the region.

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About ECOWAS

The Economic Community of West African States (ECOWAS) was established on May 28 1975 via the Lagos treaty. ECOWAS is a 15-member regional body with a mandate of promoting economic integration in all fields of activity of its member states. As one of the pillars of the African Economic Community, ECOWAS was set up to foster economic integration by creating a borderless region where the population has access to its abundant resources under a sustainable environment and promote good governance and democracy. For more information, please visit www.ecowas.int.

About the World Bank Group

The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. It comprises five closely associated institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), which together form the World Bank; the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID). Each institution plays a distinct role in the mission to fight poverty and improve living standards for people in the developing world. For more information, please visit www.worldbank.org, www.miga.org, and www.ifc.org.