



The Impact of Tax Strategies on Revenue Mobilization in Sierra Leone

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Abstract

Tax revenues are essential for government operations. This reliance on tax funds creates an incentive for governments to be accountable to taxpayers. Citizens expect responsible and efficient use of tax revenues, leading to improved governance practices. Choices regarding tax reform strategies have significant societal implications. They affect priorities, income distribution, and the relationship between the state and its citizens. Effective tax reforms can align state policies with the needs and interests of the population. Periodic evaluations by tax experts are crucial. These evaluations assess the performance of different tax categories, identify weaknesses, and provide the basis for tax reforms. It's important to have a comprehensive understanding of the tax system. The research indicates that there's been more emphasis on indirect tax reform than on direct taxes. This might have consequences for income distribution and fairness in the tax system. Many taxpayers lack sufficient tax education, leading to non-compliance. This highlights the importance of taxpayer education to ensure compliance and a better understanding of tax obligations. There's room for improvement in domestic revenue mobilization. While there has been an increase in revenue relative to GDP growth, challenges such as the burden on formal sector employees and organizations remain. The findings suggest the need to adjust thresholds, revise lists of zero-rated supplies, and reevaluate tax-exempt institutions. These changes can help capture more income for tax purposes and ensure fairness in the tax system. Trade tax reform is important for developing countries, but policymakers must consider the unique challenges posed by informal economies. Tailored solutions are necessary to raise revenue while preserving economic efficiency and welfare. External events like the Ebola and COVID-19 pandemics can impact the benefits of tax reforms, highlighting the need for resilience in revenue generation.

Subject Areas

General Business Research

Keywords

National Revenue Authority (NRA), Pay As You Earned (PAYE), Domestic Tax, Extractive Industry Revenue, Succession Plan, Gross Domestic Product (GDP), Sierra Leone

1. Introduction

The National Revenue Authority (NRA) of Sierra Leone was established on September 13, 2002, with the enactment of the National Revenue Authority Act, 2002 (Act No-11) [1]. Before the establishment of the NRA, revenue collection in Sierra Leone was fragmented, with different government agencies handling different aspects of revenue collection, such as customs and excise, income tax, and the government gold and diamond office, among others. The creation of the NRA brought these agencies together under one umbrella to streamline and improve revenue collection (NRA Website) [2].

Assessing the impact of revenue generation strategies and tax reforms is crucial to understanding their effectiveness in improving revenue mobilization over the years. This assessment helps identify areas of success and areas that require further improvement. Taxation is a primary source of revenue for Sierra Leone, as it is in many countries. It is a compulsory levy imposed on individuals and companies to finance the functions and activities of the state. By formulating and implementing appropriate tax policies, the government can enhance revenue collection and reduce dependency on external sources. While tax reforms and revenue generation strategies are implemented, it is essential to assess their impacts systematically. This assessment helps identify the strengths and weaknesses of the reforms, determine their effectiveness in generating revenue, and identify areas for improvement. By continuously evaluating the impact of these strategies, the government can refine its approach to revenue mobilization and ensure optimal outcomes for economic development. In conclusion, revenue mobilization is crucial for the economic development of Sierra Leone. The NRA, as an institution, is responsible for revenue collection and plays a vital role in implementing tax reforms and revenue generation strategies.

The Government of Sierra Leone through the NRA and in collaboration with partners such as the World Bank, International Monetary Fund, African Development Bank, and the European Union to mention a few had implemented various tax reforms strategies but the question is whether the tax reforms strategies have improved revenue mobilization and economic growth; hence this research is focused on assessing tax reform strategies and its impact on revenue mobilization and Gross Domestic Product (GDP) in Sierra Leone.

2. Research Aim, Research Objectives, and Research Question

2.1. Research Aim

The aim of this research is to assess the impact of tax reform strategies on revenue mobilization and Gross Domestic Product in Sierra Leone.

2.2. Objectives of the Study

The objective of the study is divided into general and specific.

2.2.1. General Objective

The objective of the study is to assess the impact of tax reform strategies on revenue mobilization and Gross Domestic Product in Sierra Leone.

2.2.2. Specific Objectives

To identify the various tax reforms being implemented by the National Revenue Authority the specific objective will focus on:

To find out whether there are problems in domestic revenue mobilization.

To find out whether tax reform strategies affect revenue mobilization in Sierra Leone.

To find out whether tax reform strategies have an impact on the Gross Domestic Product

2.3. Research Questions

What are the different tax reforms established by the National Revenue Authority?

What are the problems in domestic revenue mobilization at the National Revenue Authority?

What is the relationship between tax reforms and domestic revenue mobilization in Sierra Leone?

What is the relationship between tax reform strategies and Gross Domestic product?

3. Research Methodology

This study adopted the case study approach. A sample size of 55 participants was considered which comprised staff from all the departments in the National Revenue Authority in Freetown, was selected for a detailed study of tax reforms and their effect on revenue mobilization in Sierra Leone. It was envisaged that the findings of the case study would enable meaningful generalizations to be made about the impact of tax reform strategies on revenue mobilization in Sierra Leone. The case study approach has been adopted because macro-level studies are difficult to conduct and their capital costs are high. Numerous field assistants would be difficult (if not impossible) with inadequate resources to supervise them closely. When working with a large sample, it may be impossible to establish close relationships with respondents and research contacts of necessity, be

limited to formal questionnaires without adequate follow-up. The data collected is unlikely to be detailed or reliable enough to provide the information required for development strategy formulation. In order to curb the problem of reliability and validity of our research, the sample was limited to 55 participants drawn from all the departments in the National Revenue Authority in Freetown. Data collection for the quantitative data and qualitative data was done through questionnaires and follow-up interviews. In addition, data were collected from the internet, articles, and the NRA Website. The mixed methods model was used for the purpose of this research. The quantitative data analysis was done by using descriptive statistics and the qualitative data analysis was done using the descriptive research method.

The research population constituted all professional staff of the NRA. The selection of the participants was based on the following characteristics: 1) the in-depth knowledge of the participants in the operation of the NRA and as their knowledge was considered valuable in meeting our research objective; 2) NRA is a specialized institution that requires expertise in its operations hence the selection of targeted participants were those that can provide the researchers with the requisite information for this research.

The study identified three categories of professional staff:

- 1) Top Management (comprising the Commissioner-General, Deputy Commissioner-General, Commissioners and Deputy Commissioners, Directors, and Deputy Directors);
- 2) Middle-level management staff (comprising Assistant Directors and Assistant Commissioners) and
- 3) Lower-level employees (comprising field implementers - officers who are responsible for tax assessment and collection). This cadre of personnel includes managers, supervisors, and revenue officers.

The precise number of staff within each category was not disclosed by the authority as it was considered "sensitive".

To ensure that all categories of personnel were involved in the study, purposive random sampling was employed. Purposive sampling, also known as judgment sampling, is a non-probability sampling method where researchers deliberately select individuals or cases based on specific characteristics or qualities that are relevant to the research study. It involves selecting participants who are considered to be information-rich or have unique perspectives and insights related to the research topic. Researchers typically employ purposive sampling when they believe that certain individuals or cases can provide valuable and in-depth information that aligns with the research objectives. In purposive sampling, researchers rely on their judgment, expertise, and prior knowledge to identify and select participants who can provide relevant information or represent specific characteristics or perspectives of interest. This approach allows for a targeted and focused sampling process, which can be particularly useful when studying specialized or hard-to-reach populations. It was decided to select 15 respondents from top management, 15 respondents from middle-level management, and 25

respondents from the lower-level employees, making a total of 55 respondents for the study.

4. Literature Review

Trade tax reform may be an important component of fiscal reform in developing countries, however, policymakers must also consider the unique challenges posed by informal economies and work to develop tailored solutions that can effectively raise revenue while preserving economic efficiency and welfare. Developing countries generally find it easier to tax foreign trade at their ports, because of the limited administrative apparatus associated with tariffs, than to adopt the more complex tax systems of developed countries (Michael *et al.* 1993) [3]. In most developing countries, income taxes, especially personal income taxes, have a limited impact on financing public sector activities and do not significantly affect income distribution. Developing countries often rely on increased revenues from value-added taxes (VAT) to finance the limited expansion of public sector activities (Bird & Zolt, 2011 [4]; Martinez-Vazquez & Bird, 2010 [5]). Value-added tax is a consumption tax levied on the value added at each stage of the production and distribution process. It is an important source of revenue for governments, particularly in developing countries where other sources of revenue may be limited or unreliable (Bird & Zolt, 2011) [4]. In addition, developing countries generally receive more revenue from corporate income taxes than personal income taxes, with the share from the personal income tax declining (Bird & Zolt, 2005 [6]; Martinez-Vazquez, Vulovic, & Liu, 2010 [7]). Bird & Zolt (2011) [4] pointed out that adopting a different form of personal income tax—a dual income tax, a combination of a progressive tax on labour income and a lower flat rate tax on income from capital—may both improve existing personal income taxes in many developing countries and potentially serve as an important platform toward more fundamental tax reform. Corporate income taxes can be a significant source of revenue for many countries. In addition to acting as a backstop (Bird & Zolt, 2011) [4] to the personal income tax, the corporate income tax not only plays a much greater role in raising revenue in developing countries than in developed countries (Gordon & Li, 2009) [8] but also succeeds in capturing at least some location-specific rents (Sorensen, 2007) [9]. The tax system affects returns to investments in a number of complex ways; among other things, the tax paid will generally depend on the profitability of the investment, the legal status of the entity investing, and the sources of finance. The proportion of total income tax revenues derived from corporate income taxes relative to personal income taxes can indeed vary based on the economic circumstances and level of development of a country. In general, wealthier and more developed countries tend to have a more diverse tax base, with personal income taxes contributing a larger share of total income tax revenues compared to corporate income taxes. This is because wealthier countries typically have a larger proportion of the population engaged in formal employment and earning personal income

subject to taxation. On the other hand, poorer countries often rely more heavily on corporate income taxes as a source of revenue (Gordon & Li, 2009) [8].

The concept of a dual-income tax system aims to combine the advantages of a flat tax regime with the flexibility to separate the taxation of labour income and capital income. This approach offers several potential benefits, both from an economic and political perspective. From an economic standpoint, a dual-income tax system allows countries to compete for capital on an international level without having to impose the same tax rate on labour income, which is generally less mobile across borders. This flexibility can help attract investment and promote economic growth. By applying different tax rates to capital income and labour income, countries can create a more efficient tax structure that takes into account the different factors affecting the mobility of these income sources. A political perspective, of a dual-income tax system, may address concerns related to growing income inequalities (Ulsaner, 2008) [10]. When income disparities increase, it can lead to negative consequences such as corruption and political instability (Cardenas & Tuzemen, 2010) [11]. By incorporating at least a mildly progressive personal income tax component, a dual-income tax system can help establish a visible fiscal contract between citizens and the state. This means that the tax system can be designed in a way that reflects the principle of fairness and contributes to a more equitable distribution of wealth. The progressive nature of the personal income tax component can act as a “mirror of democracy,” reflecting the values and preferences of the citizens (Webber and Wildavsky, 1986) [12]. A well-designed dual-income tax system offers the potential to combine the advantages of a flat tax regime, such as simplicity and efficiency, with the added flexibility to differentiate between labour and capital income. This approach can contribute to economic competitiveness while addressing concerns about income inequality and its potential negative impacts on governance. Import tariffs and excise taxes have traditionally been significant sources of revenue for many developing countries. However, due to concerns about economic efficiency and tax simplicity in a globalized economy, several countries are shifting towards consumption-type value-added taxes (VAT) as an alternative (Jenkins & Kuo, 2000) [13]. In Sierra Leone, Goods and Services Tax (GST) is another name for sales tax, a charge on domestic consumption of goods and services but not export paid as a certain percentage of the sales value. Though there are some exceptions, most goods and services attract GST. At the same time, businesses are able to reclaim or offset input GST when making taxable supplies. This effect shows that the full amount of tax is borne by the final consumer or user hence there is no tax cascading effect that GST is not paid on GST (Kamara & Momoh, 2023) [14].

The growth of e-commerce poses significant challenges for Value Added Tax (VAT) collection, particularly in relation to online services, digital products, and low-value imported goods. This challenge is especially relevant in African jurisdictions where existing VAT rules may not effectively capture and levy taxes on these types of transactions. VAT is an important source of tax revenue for many

African countries, and it is crucial to address the challenges arising from the digitalization of the economy. To tackle these challenges, a new toolkit has been developed to assist African jurisdictions in implementing VAT reforms specific to e-commerce (KPMG, 2023) [15]. The toolkit covers various aspects of VAT reform and provides guidance on (KPMG, 2023) [15]:

1) Policy design and legislative reform: This involves developing appropriate policies and updating legislation to ensure the taxation of international e-commerce is effectively addressed. It may include considerations such as determining the threshold for VAT registration and the treatment of cross-border transactions.

2) Building infrastructure for registration and compliance: Implementing e-commerce VAT reforms requires the establishment of robust systems and processes for Communication strategy: Effectively communicating the changes and requirements related to e-commerce VAT reforms is crucial. Developing a communication strategy helps ensure that e-commerce businesses and consumers are aware of their obligations and understand the new regulations.

3) Support registration of e-commerce businesses and facilitate ongoing compliance. This may involve creating online platforms or portals for registration, reporting, and payment of VAT.

4) Audit and risk management: To combat VAT fraud associated with online trade, it is necessary to implement effective audit and risk management strategies. This may involve employing advanced techniques to identify potential fraud and developing measures to address non-compliance in the e-commerce sector.

By addressing these key designs, and administrative, and operational elements, the toolkit aims to support African jurisdictions in implementing major VAT reforms for the taxation of international e-commerce. This will help ensure the proper collection of VAT on online sales, safeguard tax revenue and adapt VAT systems to the evolving digital economy.

Tax policy is the set of decisions taken by public authorities in matters of taxation, and it aims to modify tax law according to specific objectives; tax also serves as the main resource of states' revenue mobilization (Eddine *et al.*, 2021) [16]. Through taxation, governments can generate the necessary funds to finance public expenditures, such as infrastructure development, healthcare, education, and defense. Well-established political systems are more likely to see reform, but governments are less likely to undertake it the longer they have held office. Authoritarianism does not predict reform except, relatively speaking, in the narrower range of variation among elected governments (Mahon, 2004) [17]. Tax policy is a critical tool for governments to generate revenue and finance public services and programs (Eddine *et al.*, 2021) [16]. It involves decisions on how taxes are structured, rates, exemptions, and other elements that shape the overall tax system. The objectives of tax policy can vary widely, including promoting economic growth, reducing income inequality, encouraging specific behaviors (such as investment or consumption), and maintaining fiscal stability. Even in

contemporary times, organizations like the OECD countries continue to grapple with tax-related issues. Taxation remains a central and important topic, especially during elections. The choices made regarding tax policy have significant implications for societal priorities, income distribution, and the overall relationship between the state and its citizens. In the context of developing countries during the 1980s and 1990s, economic reforms were implemented. Taxation systems that developed over time served as a crucial source of government funding. This financial dependence on tax revenues created an incentive for governments to be accountable to their taxpayers (Islam, 2001) [18]. On the other hand, the historical experience with taxation in the Western world demonstrated that a government's financial dependency on tax revenues fosters governance benefits by promoting accountability to citizens (Fjeldstad & Rakner, 2003) [19]. Taxation systems in Western countries involved negotiations and agreements between rulers and taxpayers, aiming to ensure fairness and proportionality in tax. The common strategy for tax policies in developing countries, often driven by IMF and World Bank policies, has been to reduce trade taxes and compensate for the revenue loss by increasing VAT (Emran & Stiglitz, 2005) [20]. This approach has been widely implemented under structural adjustment and stabilization policies. This approach involves targeted exemptions for certain goods or sectors. The rationale behind these exemptions is to protect the poor and vulnerable segments of the population and industries considered strategically important for the economy. While selective indirect tax reform has its merits, it also faces challenges. Governments in developing countries may struggle to accurately identify the poor and vulnerable populations, as well as the sectors that need protection. Information scarcity and limited administrative capacity can hinder effective implementation. Targeted exemptions can lead to distortions in the economy and create opportunities for rent-seeking. If exemptions are granted to one sector, it may incentivize other sectors to lobby for similar treatment, potentially leading to inefficient resource allocation.

The literature on the piecemeal reform of import tariffs and indirect taxes has a rich history and has been explored by various scholars over the years. The foundation for the literature on piecemeal reform can be traced back to the work of Bertrand and Vanek (1971) [21], building upon the insights of Meade (1955) [22]. These early works provided important concepts that influenced subsequent research. The focus of this body of literature is to establish the circumstances in which incremental reforms of tariffs and taxes can lead to overall welfare improvements. The presence or absence of an active government budget constraint is considered in this analysis. Several notable scholars have made significant contributions to this field. Hatta (1977 [23], 1986 [24]), Diewert *et al.* (1989) [25], Michael *et al.* (1993) [3], Abe (1995) [26], and Anderson (1996) [27] are mentioned as researchers who have delved into the analysis of welfare effects resulting from the gradual reform of tariffs and taxes. The literature on this topic continues to evolve, with researchers exploring various aspects of piecemeal reform. The primary focus remains on identifying the conditions that enable

step-by-step adjustments in trade and fiscal policies to enhance overall welfare. The reform of tariffs and subsidies has consequences not only for a nation's welfare but also for global welfare, as it affects price wedges in relevant markets, as noted by Kowalczyk (2002) [28]. It is worth noting that, the literature on the gradual reform of import tariffs and indirect taxes has a rich history, with foundational works by influential scholars. The ongoing research in this field seeks to refine our understanding of the conditions under which such reforms can lead to welfare improvements and their impact on both national and global welfare.

5. Result and Discussion

The research result and discussions will focus on the following thematic areas: characteristics of respondents; the roles of the respondents and their knowledge of major tax reforms such as GST, Integrated Tax Administration System, Electronic Cash Register Machines, the implementation of Income Tax Act, increase in import duties, administrative structures, and tax education; and the relationship between tax reforms strategies and the impact on Revenue as a Percentage of GDP and Real Gross Domestic Product Ratio.

5.1. Characteristics of Respondents

The respondents for this study comprised 55 staff members from the following departments of the National Revenue Authority: Domestic Tax, Customs and Excise, Non-Tax Revenue, Internal Audit, Finance and Budget, Modernization, Administration, Corporate Services, and Monitoring and Planning. We focused our research questions, and collections of data from these departments and do believe that the responses obtained and subsequent analysis of results are generalizable in Sierra Leone. The various segments of the samples comprise respondents from each of the following three personnel categories: 1) 15 from Top Management, 2) 15 from Middle-Level Management, and 3) 25 from Lower level employees which include field implementers; these are officers who are responsible for tax assessment and collection.

5.1.1. Gender Distribution of Respondents

Gender inequity in the workplace can be a persistent problem, particularly in industries that are traditionally male-dominated. This inequality can arise from various factors, including biased recruitment processes. However, addressing gender bias is not only essential for promoting fairness and equal opportunity but also for improving overall productivity and economic outcomes. Gender bias can lead to productivity losses of approximately \$2.8 million per year, highlighting the significant impact of this issue (World Economic Forum Website) [29]. When qualified individuals are overlooked or discriminated against based on their gender, it not only hampers their career prospects but also deprives organizations of valuable talent and diverse perspectives. One effective approach to combat gender bias in recruitment is implementing standardized interviews and skills-based assessments. By using structured and consistent evaluation criteria,

organizations can minimize the influence of personal biases and focus on candidates' qualifications and abilities (World Economic Forum Website) [29]. This approach helps to level the playing field and provide a fairer assessment of all applicants, regardless of gender.

Standardized interviews involve asking each candidate a set of predetermined questions, which helps ensure that all applicants are evaluated based on the same criteria. These interviews can be designed to focus on job-related skills, experience, and qualifications rather than personal characteristics or stereotypes. By eliminating subjective factors, organizations can mitigate the risk of unconscious bias influencing the selection process. Implementing these measures requires a commitment from organizations to recognize and address gender bias in their recruitment processes. Training recruiters and hiring managers on unconscious bias, promoting diversity and inclusion, and establishing clear evaluation criteria are crucial steps in creating a fair and equitable hiring process.

Figure 1 summarizes the gender distribution of respondents. It can be seen in **Figure 1** that 56% of respondents were male while 44% were female. These statistics are indicative that NRA has no gender bias in the recruitment of its staff. Unlike the typical situation in public sector establishments which are dominated by male staff, it is impressive that a significant proportion of personnel were females. This is probably due to recent efforts by the central government to mainstream gender issues in all facets of national life, especially in education and the workplace.

It's worth noting that addressing gender inequity in the workplace requires a comprehensive approach beyond recruitment practices alone. Organizations should also focus on creating an inclusive culture, promoting equal opportunities for career advancement, and offering support and resources to all employees. By fostering an environment that values diversity and gender equity, organizations can maximize productivity, innovation, and overall success.

5.1.2. Age Distribution of Respondents

Age has been found to contribute to various organizational outcomes such as employee turnover, promotion probabilities, performance, and work involvement (Lawrence, 1987) [30]. However, a comprehensive theory that explains the

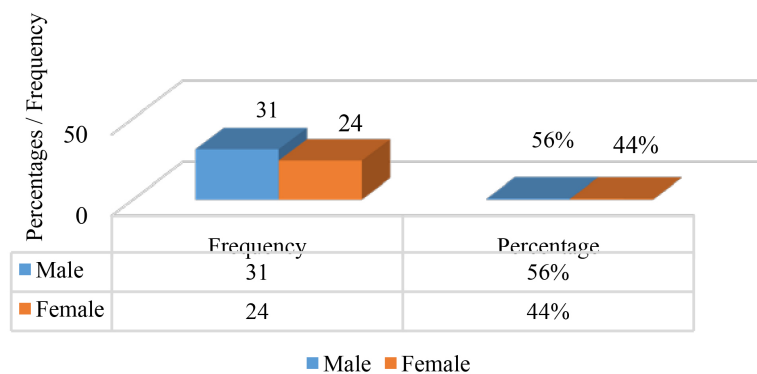


Figure 1. Gender distribution.

mechanisms behind these age effects is yet to be established. Existing explanations often focus on specific perspectives, leading to a fragmented understanding of the phenomenon. Individuals make career choices based on their experiences and circumstances at different stages of life, which can influence their job preferences and aspirations. Similarly, organizations often consider the distribution of employee ages in their succession planning efforts, recognizing that different age groups bring unique strengths and challenges. Understanding age effects is crucial for effective human resource management. It helps organizations tailor their practices and policies to attract, retain, and develop a diverse and inclusive workforce across different age groups. By recognizing the unique contributions and challenges associated with each stage of life, organizations can create an environment that maximizes productivity, engagement, and overall organizational success. **Figure 2** provides a vivid picture of the age distribution of respondents at NRA. Respondents ranged in age from 20 to over 40 years.

It is evident from **Figure 2** that the majority of staff are youth between the ages 20 - 35 which indicates 69% of the workforce at NRA are youths. This is not surprising as it is in the best interest of the organization to maximize its revenue mobilization as tax collection entails substantial physical exertion; as collectors and other field staff pursue establishments and individuals that owe tax revenue. The age distribution also provides an enabling environment for a succession plan to be mapped out in a transparent process taking eligibility, performance, academic achievement, and skills as basic yardsticks of measurement. A small percentage (9%) of staff over 40 years of age is in the top management category. Recognizing the positive and negative features associated with different age groups, organizations have historically aimed to leverage the strengths of each age group while mitigating potential challenges (Lawrence, 1987) [30]. This can involve implementing age-diverse teams, providing training and development opportunities for all age groups, fostering intergenerational collaboration, and designing flexible policies that accommodate the diverse needs and preferences of employees at different stages of their careers. Although understanding the advantages and disadvantages of age distribution and its impact on organizational performance is also fundamental this research did not delve into the age effect on employees and its impact on NRA performance.

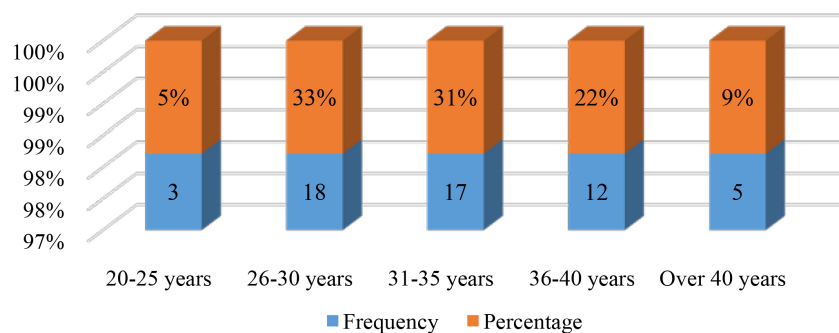


Figure 2. Age distribution of respondents.

5.1.3. Academic Qualifications of Respondents

This research investigated the levels of education of the respondents in order to determine their expertise and experience with respect to tax assessment and tax collection as more skilled and qualified workers allocate resources more effectively across tasks and are more able to adapt to change and respond to new opportunities (Kamara & Momoh, 2023) [14]. In addition, the expertise, experience, and informed knowledge of staff members at NRA may aid effectiveness and efficiency not only in the assessment and collection of tax but facilitate the search for an improved approach for tax implementation in the contemporary “Global Village” and be tailored made to meet the needs of Sierra Leone Tax environment. The responses of respondents are indicated in **Figure 3**. **Figure 3** reveals that the vast majority of staff members at the rate of 89% is either university graduates or have professional qualifications such as computer science and accounting that are of direct relevance to revenue mobilization. The range of academic qualifications and professional qualifications is a clear signpost that the management of NRA does recruit the right caliber of staff members.

The recruitment and selection of exceptional employees play a vital role in an organization’s strength and performance. By attracting and hiring individuals with the right qualifications and fit (Ekwoaba, Ikeije, & Ufoma, 2015) [31], organizations can benefit from reduced turnover, high employee motivation, improved financial performance, and increased creativity and innovation (Boxall & Purcell, 2016) [32]. Investing in effective recruitment practices contributes to the generation of human capital advantage, giving organizations a competitive edge in today’s dynamic business environment. A firm’s strength is based on the qualifications of employees and the quality of their relationships. Therefore, the recruitment of exceptional employees results in high organizational performance and the generation of human capital advantage. This research revealed that NRA has recruited highly trained and qualified employees to ensure the smooth functioning of NRA as most of its functions are technical and require specialized staff.

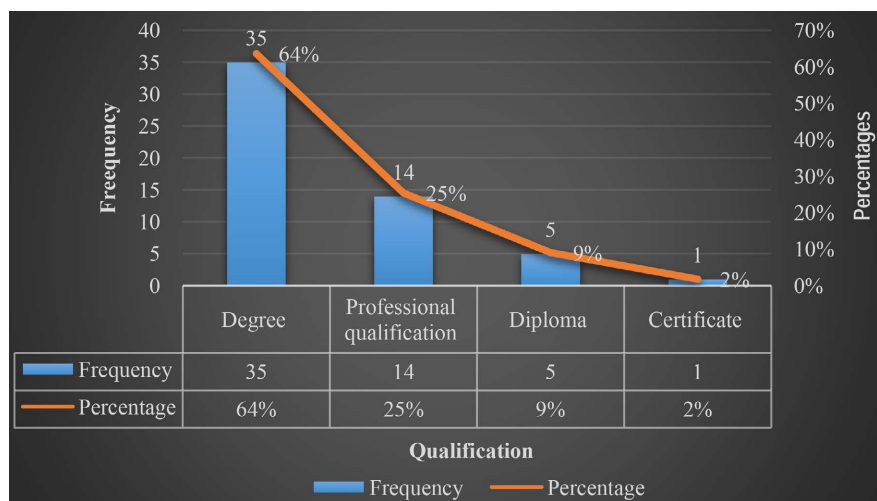


Figure 3. Academic qualifications.

As a fundamental function of the Human Resources (HR) Department at NRA, the HR Department provides personnel and logistics support to operations and support departments by recruiting, developing, and retaining competent human capital. The types of qualified staff members recruited by NRA as related to qualification are indicated in **Figure 3**.

5.1.4. Length of Service and Succession Plan

A succession planning program ensures keeping the most accurate person in an accurate position at an accurate time. Succession planning is an advanced tool that can create future pioneers and urge individuals to take part in learning and advancement opportunities (Brooks & Henderson, 2005) [33]. Succession planning enables the organization to save the expense of external hiring and encourages inside executives to ensure a management position in the future. Individuals are more enthusiastic about their career progression and quests for jobs. It is, therefore, necessary that organizations must develop strategies like succession planning to ensure that they are capable of attracting and retaining talent within the organization. The connection between succession planning (SP) and employee retention (ER) is indeed significant, and their effectiveness can influence each other. When succession planning is ineffective, it can lead to increased turnover, which, in turn, undermines the success of the succession plan. Conversely, effective succession planning practices can contribute to higher employee retention rates. To maximize the benefits of succession planning and employee retention, organizations should focus on implementing effective succession planning practices while also addressing factors like job security, rewards, and supervisor support. Creating a supportive work environment, providing opportunities for career development, and offering competitive compensation and benefits are key elements in enhancing employee retention and overall organizational success. This research finding reveals that the HR department at NR is responsible for performance management and the introduction of compensation schemes for high-performing staff and retaining competent human capital. Theoretical findings indicate that organizations with effective succession planning practices tend to have better employee retention rates (Hassan & Siddiqui, 2020) [34]. In addition, current emerging trends in the corporate world emphasize the necessity to invest in the active development of organizational leaders (Hassan & Siddiqui, 2020) [34].

Succession planning is an advanced tool that can create future pioneers and urge individuals to take part in learning and advancement opportunities (Hassan & Siddiqui, 2020) [34]. The respondents' lengths of service and succession plans with NRA were investigated; the outcome of our investigation reveals that most of the respondents have had considerable work experience with the NRA and were, therefore, *au fait* with the policies and procedures of NRA. **Figure 4** reveals that only 13% of the respondents had worked for less than a year. The majority 49% had worked for 1 - 5 years, 27% had worked for 6 - 10 years and 11% worked for over 10 years. It can be concluded, therefore, that the majority of the

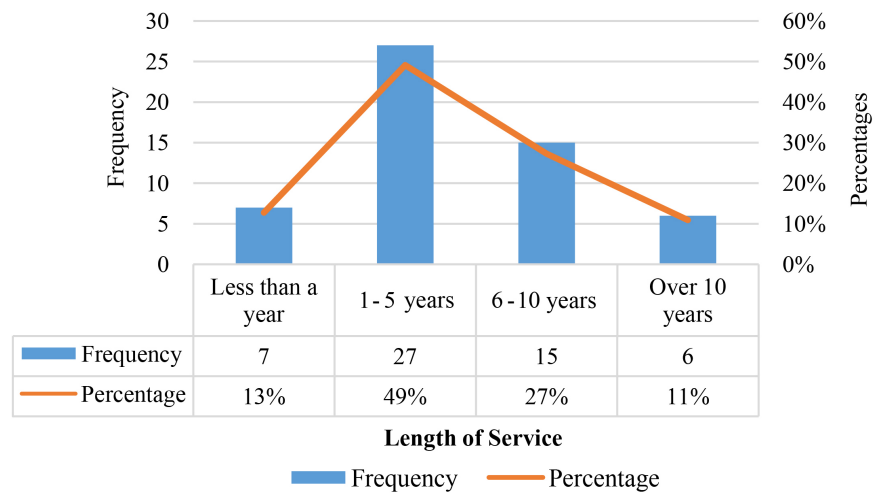


Figure 4. Length of service and succession plan.

respondents had adequate experience regarding the NRA policies and procedures. Those employees that worked for over 10 years and are either approaching their retirement or are middle-aged employees serve as the “**institutional memory**” of NRA. It is important to fathom that as employees approach retirement age, organizations face the task of planning for succession and knowledge transfer. Older employees may possess institutional knowledge, mentorship capabilities, and a wealth of experience that is difficult to replace. Organizations need to develop strategies to capture and transfer this knowledge to younger generations and ensure a smooth transition. On the other hand, middle-aged employees typically bring stability, experience, and expertise to their roles. They may have established professional networks, deep knowledge of their industry, and valuable organizational knowledge. Their productivity and commitment can be crucial for the organization’s success. Managers must strive to maintain their engagement and motivation, providing opportunities for growth, recognition, and work-life balance to avoid stagnation or burnout. This research reveals that there is no succession plan in place at NRA. It is of great essence for NRA to have a succession plan in place considering the benefits of a succession plan discussed in this section. However, as a vantage point for NRA, HR Department provides personnel and logistics support to operations and support departments by recruiting, developing, and retaining competent human capital and is also responsible for performance management and the introduction of compensation schemes for high-performing staff.

5.1.5. Distribution of Respondents by Department

The aim for the distribution of questionnaires by departments was to understand the roles, responsibilities, skills, qualifications, and how the NRA handles segregation of duties in the business of revenue mobilization and in achieving the functions, mandate, vision, and mission for which NRA was established. There are segregations of duties at NRA to achieve the Authority’s mandate of

assessing and collecting domestic taxes, customs duties, and other revenues specified by law, as well as administering and enforcing laws relating to these revenues. The clarity of the roles and responsibilities of each department are articulated in the departmental functions and responsibilities. Over the years the National Revenue Authority had developed many departments and units each with a specific function with a demand to meet effective and efficient revenue mobilization. The key functional departments within the National Revenue Authority, their functions, roles, and responsibilities of each department are outlined in the subsequent subsections.

1) Customs Services Department

The department is geared to support government reforms in improving doing business experience in Sierra Leone. The Department maintains an integral role in facilitating the free movement of persons and goods across the country's frontiers, with emphasis on turnaround time and client experiences, and border controls.

2) Domestic Taxes Department

The Domestic Taxes Department (DTD) was formed in 2011 with the main objective of simplifying tax administration and making it easier for taxpayers to comply with their tax obligations. Over the last few years, the NRA modernization programme has focused on effective "Customer Service Delivery" and the formation of the DTD was instrumental to that principle. The main focus of DTD is "Customer Service Delivery", hence the department is structured along functional lines instead of tax type under the old system.

Each operational area has four main functions: 1) Taxpayer Registration and Services 2) Returns and Payment Processing 3) Compliance and Debt Enforcement 4) Audit and Assessment. These functions ensure that the department provides better in-house services to taxpayers in terms of taxpayer services and returns processing, and also ensure that compliance increases under the self-assessment system by monitoring debt and filings.

In forming DTD, both the administration of Income Tax and Goods and Services Tax (GST) were combined. The advantage of this combination for the customer was that it made it easier for them to comply as they only had to deal with one tax office for all their tax issues, and for the NRA it made it more effective as they will continue to have a holistic view of the taxpayer. The DTD is segmented into different tax offices. The Large Taxpayers Office (LTO) deals with the largest taxpayers and mainly includes Multinationals, Extractive & Mining Operators, Telecommunication Companies, Banking & Finance Players, Large Importers, and Major Contractors. DTD strive to provide first-class services for all large taxpayers as they are small but contribute more than 80% of revenue generated.

In line with the revenue mobilization drive of the NRA, a separate unit called an Extractive Industry Revenue Unit (EIRU) was set up within the domestic tax department and has an Assistance Commission to manage the affairs of the unit.

Extractive Industry Revenue Unit (EIRU)

In 2004, the responsibility for the collection of non-tax revenues was transferred from MDAs to the National Revenue Authority, and the Non-Tax Revenue Department (NTR) was consequently established at the Authority. Non-tax revenues are collected under financial provisions provided among others in the following Acts: Mines and Mineral Act 1994; Fisheries Management Act 1994; Forest Act 1998; and the Building Fee Act 1974. The Extractive Industry Revenue Unit (EIRU) was established by the National Revenue Authority (NRA) to manage the handling of all extractive-industry-related taxes. To date, the administration of the extractive industry has been the responsibility of the large tax office of the Domestic Tax Department (DTD). However, in the quest for specialized knowledge of the sector, this responsibility was shifted to the EIRU. The Unit facilitates the assessment, collection, audit, and timely recovery of revenue from the extractive industry.

3) Support Departments

The Support Department has the following inter-department within the support department.

Human Resources Department: The HR Department provides personnel and logistics support to operations and support departments by recruiting, developing, and retaining competent human capital. It is also responsible for performance management and the introduction of compensation schemes for high-performing staff. This department thus plays a major role in helping the Authority meet revenue aspirations and provide quality service to its customers.

The HR Department further carries out the following functions: 1) Prepares technical plans and programs for the development and implementation of office policies, procedures, and guidelines in all areas of Human Resource Management/Development; 2) Develops/recommends programs that foster better employee relations, staff welfare benefits, career development, staff discipline, and other related aspects; 3) Provides support to the various organizational units on staff-related issues and technical/professional advice through collaboration with other institutions to implement capacity-building programs. 4) Enforces/ monitors the implementation of Human Resource policies and procedures across the Authority and forward regular reports to Management and the Board for appropriate consideration; 5) Collaborates with other comparator agencies/ institutions and government with respect to HR-related matters; 6) Processes personnel transactions, administer salaries/payroll, and maintains personnel records in the Authority.

4) Administration Department

This department is designed to serve as a conduit of support especially addressing the logistical needs of all other departments in the Authority. It undertakes/executes all other functions of the supply chain management except procurement/purchasing which falls under a separate domain. The department carries out the following functions: 1) Provides overall direction in the maintenance and control of the authority's property; 2) Ensures the availability of a conducive

working environment to enhance staff performance; 3) Develops and maintains operating standards and skills/techniques in collaboration with the lateral departments/units and in consonance with the mission and mandates of the Authority; 4) Provides technical/professional services/support relating to general administration functions; 5) Maintains the implementation of work plans and activities of the department in a timely and efficient manner.

5) Finance and Budget Department

The Finance and Budget Department is responsible for the financial management of the Authority. It controls budget spending and ensures that the institution's liquidity position is secured. This department further aids the flow of revenues to the government and accounted for all revenues being collected and transferred to the Consolidated Fund.

Functions of the Finance & Budget Department Include 1) Collection of revenue for the NRA which is deposited in the Consolidated Revenue Fund (CRF). 2) Revenue reconciliation with Commercial banks. 3) Participation in Cash Management meetings. 4) Issuance of securitized receipts to outstations to ensure accountability of funds. 5) Information and Communication Technology Department

6) The Information and Communication Technology (ICT)/Modernization Department

Through its restructuring and updating of the ICT network, it has significantly contributed to the Authority's impressive revenue performance over the years. The Department has helped transform the operations of NRA by applying modern information systems that have greatly enhanced the Authority's administrative efficiency, which has subsequently resulted in improved revenue collection. The Department supports both the operational and support departments through the introduction of modern information technology and process automation. The Authority currently uses the following application systems in its day-to-day operations: The ASYCUDA++ for Customs operations; The VIPS Plus for GST Processing; The Domestic Tax Information System (DTIS); Great Plains for HR and Financial Management; The ICT infrastructure which includes both the LAN and WAN; The NRA website and the Intranet and the NRA Corporate messaging system.

7) Internal Controls and Audit Department

The Internal Controls and Audit Department (ICA) is an independent and objective appraisal department created by the NRA Act 2002. The primary role of this department is to advise the Board through the Audit Committee and the Commissioner General on internal controls, risk management, and governance systems in the Authority. This is done by measuring and evaluating the effectiveness of controls and systems in achieving the Authority's strategic and operational objectives. In addition, the department provides assurance to Management in systems they are responsible for and assist Management in making improvement to these systems. The department also provides consultancy services as and when it is required by the Board or Management.

8) Corporate Services

The Corporate Services Department plays a crucial role in achieving the Authority's mandate by providing the organization with a full range of services in the areas of board administration, policy, and legal affairs, tax education & public affairs management, and protocol. The Department is split into three units namely: 1) Board Administration and Protocol, 2) Policy & Legal Affairs, and 3) Tax Education & Public Affairs Management.

Functions of the three units of the Department: 1) The Board Administration (BA) Unit of department coordinates board meetings, record board proceedings, and disseminates instructions from the Board; 2) The Public Affairs and Tax Education (PATE) Unit provides reliable and timely information to stakeholders to build a positive tax-paying culture and improve compliance with tax laws; 3) The Policy & Legal Affairs (PLA) Unit provides legal services, makes proposals for effective legislation and enforcement of tax laws. The Corporate Services Director is responsible for providing leadership which includes the provision of necessary support and resources to staff to enable them to operate in an effective manner. The Department is situated at the Head office, Modesty House 7 Bathurst Street, Freetown.

9) Monitoring Research and Planning Department

The Monitoring Research and Planning Department (MRP) is charged with the responsibility of conducting revenue enhancement research, monitoring all reform projects and revenue collection processes and procedures as well as leading the planning activities of the Authority.

Functions of the MRP Department include: 1) Conducting research to enhance domestic revenue collection; 2) Monitoring key performance indicators & operational procedures of the Authority; 3) Leading the planning process of the Authority; 4) Processing duty-free concession applications and advising Management based on regulations. 5) Collecting, collating and regularly updating tax and non-tax revenue databases from which reports and publications are produced. 6) Preparing revenue reports and contributing to the general publications of the Authority. 7) Responding to data/information requests on Domestic Revenue and Economic Performance by Development partners-MDAs, ECOWAS, DFID, IMF, and World Bank; 8) monitoring and evaluating bilateral and multi-lateral agreements (such as the ECOWAS Common External Tariff) relating to taxes and customs duties. 9) Representing the Authority in meetings as scheduled by the Director and or the Commissioner-General's office.

Revenue Intelligence and Investigation Units: To be recognized as the premier provider of quality and timely tax intelligence, investigation, and risk management service that fosters optimum revenue collection within the National Revenue Authority. To enhance taxpayer voluntary compliance by detection and proactive investigation of tax evasion whilst maintaining confidence in the integrity of Sierra Leone's tax system through a dedicated and professional workforce, this, in turn, will maximize revenue collection. To enhance revenue collection by the authority through investigation of all detected cases of tax

fraud/evasion and apply all the preventive measures at the disposal of the respective tax legislation. The functions of the unit are as follows: 1) To support the effectiveness and efficiency of Revenue departments audit programs through the provision of intelligence summaries and risk profiling; 2) To support the Revenue departments through providing specialized investigative services into tax frauds and crimes, determining the method of operation, identifying the sponsors or perpetrators, and prosecuting them to enhance compliance. 3) To detect areas of willful negligence and graft by NRA staff and make recommendations, after full investigations, for necessary disciplinary action.

The distribution of respondents by the specialized departments where they work was investigated. The findings are presented in **Figure 5**. It is noticeable from **Figure 5** that the biggest employers are “Customs and Excise” 22% and “Domestic Tax” 29% of respondents, followed by Non-Tax Revenue 11%, and Monitoring and Planning 9% of respondents.

5.2. Tax Reforms

5.2.1. Familiarity with Major Tax Reforms

Tax systems can become outdated or complex over time, leading to inefficiencies, inequities, and opportunities for tax evasion or avoidance. Tax reform aims to address these issues by modifying tax laws, regulations, and administrative procedures. It may involve adjusting tax rates, expanding or reducing the tax base, introducing new tax incentives or deductions, and streamlining tax compliance processes. Respondents were interviewed regarding their knowledge of all major tax reforms (such as GST, ITAS, ECR Machine, income tax act, an increase of import duties, administrative structures, and tax education). The findings are presented in **Figure 6**. It is evident from **Figure 6** that the personnel of NRA has been adequately educated about their major tax reforms as the vast majority of 80% of respondents are familiar with all tax reforms, policies, and procedures, while 11% are familiar with some of the reforms. Only 9% claimed that they were not familiar with any of the tax reforms. This evidence is closely in sync with the majority of 49% that worked for 1 - 5 years, 27% that worked

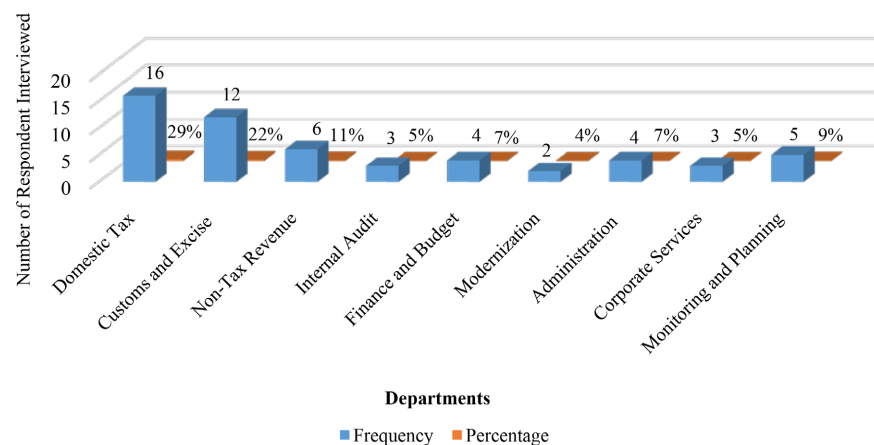


Figure 5. Respondent distribution.

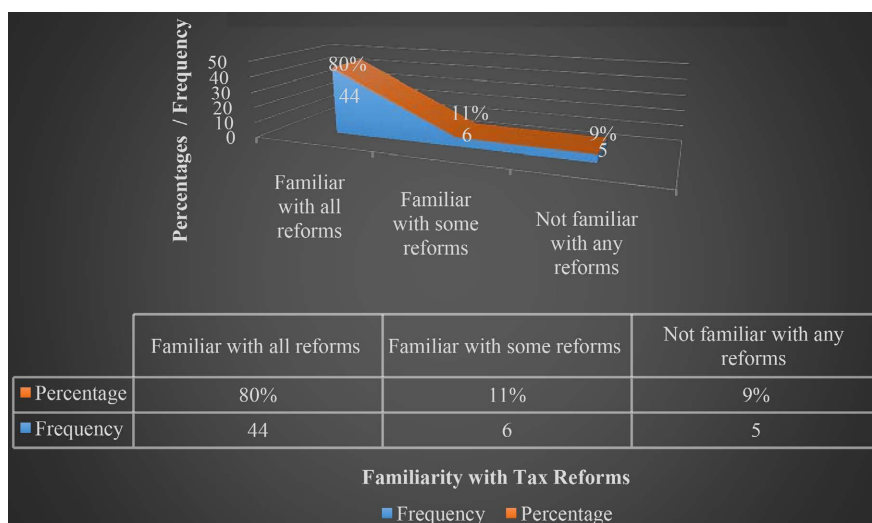


Figure 6. Familiarity with major tax reform.

for 5 - 10 years, and 11% that worked for over 10 years and are *au fait* with the tax reform strategies, policies and procedures of NRA discussed in Section 5.1.4. However, considering the importance of tax strategies reforms with the aim of increasing the revenue mobilization process; making changes to a country's tax system in order to improve its efficiency, equity, and effectiveness of the tax systems all staff members should *au fait* themselves with the tax reform strategies, policies, and procedures of NRA. And in addition, the primary goals of tax reform are often to generate higher revenues, close loopholes, simplify the tax system, promote economic growth, and ensure fairness in taxation thus staff members' familiarity with the tax reform strategies, policies, and procedures of NRA is of the essence. Although 80% of NRA staff are knowledgeable and equipped with the necessary tools of tax reforms strategies is not enough as 100% is recommended by the researchers to minimize loop loops of revenue mobilization. It is, therefore, imperative for staff members of NRA to be fully equipped with the knowledge and skills of tax strategies reforms to ensure effective and efficient tax collection which would be a necessary stepping stone to increase revenue mobilization. However, it's worth noting that tax reform can be a complex and contentious process, as different stakeholders may have varying interests and opinions on how the tax system should be structured. Balancing the needs of different groups and ensuring the fairness of the reforms are crucial considerations for policymakers undertaking tax reform initiatives.

5.2.2. Goods and Services Tax Knowledge

Many countries have adopted the Value Added Tax (VAT) as part of their tax systems. The VAT has become a significant source of tax revenue globally, contributing approximately one-fourth of the world's total tax revenue (Aizenman & Jinjark, 2005) [35]. The adoption of VAT was seen as a response to new challenges faced by countries. However, the debate surrounding the welfare gains of transitioning from trade taxes to VAT is ongoing. Emran and Stiglitz (2005) [20]

have raised concerns about the effectiveness of VAT in the presence of a large informal sector. The informal sector, which operates outside the formal economy and often avoids tax compliance, can pose challenges to the successful implementation and collection of VAT. Respondents were asked to indicate whether they considered the introduction of GST a major indirect tax reform. Their responses are summarized in **Figure 7**.

The majority (73%) of respondents considered GST a major indirect tax reform however, 27% considered it a “fairly good” but not a major indirect tax reform. Overall, therefore, it can be said that the introduction of GST is perceived positively as an indirect tax reform by the staff of the NRA. However, tax education within the NRA is imperative as 27% are not in agreement hence the holistic approach to tax reforms will be a commendable effort.

5.2.3. Effect of Increase of Import Duties on Growth of Local Industries

The WTO encourages its member nations to make commitments to reduce tariffs and other barriers to trade. Tariffs are import duties or taxes imposed on goods as they enter a country. By reducing tariffs, countries aim to facilitate the flow of goods across borders, promote economic growth, and enhance global trade. The WTO’s efforts in promoting and enforcing commitments to reduce tariffs and barriers to trade have played a crucial role in facilitating global trade and supporting the growth of the global economy. Although it is the WTO’s view that by reducing tariffs, countries aim to facilitate the flow of goods across borders, promote economic growth, and enhance global trade; it was envisaged by NRA that an increase in duties levied on imports would act as a stimulus for local industries growth in Sierra Leone. Respondents were asked whether they considered this to be the case. Data analysis revealed as indicated in **Figure 8** that 11% of respondents “strongly agree” while 62% “agree”—making a total of 73% who perceive an increase in import duties as a stimulus for the growth of local industries. Of the remainder, 20% were “not sure”, while 7% disagreed with the claim. It can be concluded, therefore, that overall, respondents believe that an increase in import duties does help local industries to grow which is in contrast with the belief of WTO on the flow of goods across borders, which promotes economic growth, and enhance global trade.

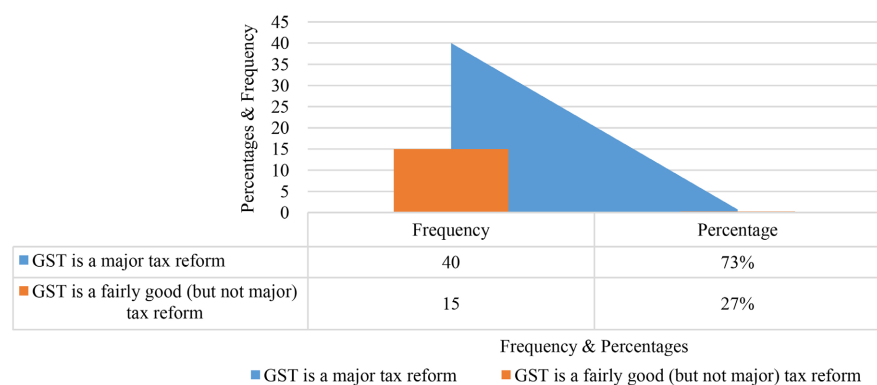


Figure 7. Introduction of GST.

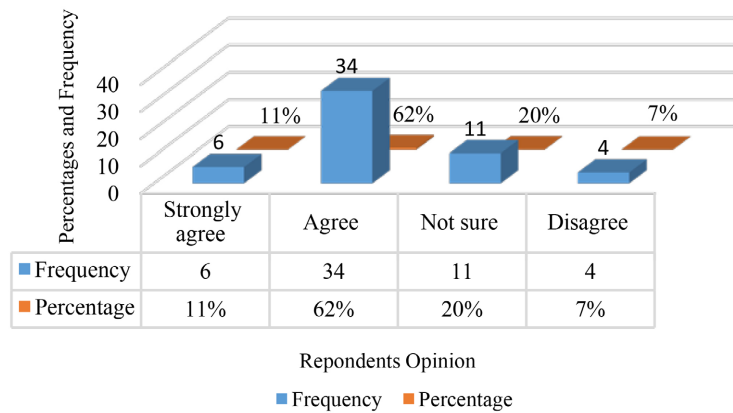


Figure 8. The impact of increased import duties on local industries growth.

5.2.4. Income Tax Act

In most developing countries income taxes, particularly personal income taxes, play only a limited role in financing public sector activities and have little effect on income distribution (Michael *et al.*, 1993 [3]; Bird & Zolt, 2005 [6]). Developing countries have generally financed the limited expansion of public sector activities through increased revenues from value-added taxes (Michael, *et al.* 1993 [3]; Martinez-Vazquez & Bird, 2010 [5]). Respondents were required to indicate whether they considered the Income Tax Act to represent a major direct tax reform. Their responses are reflected in **Figure 9**. The Figure indicates that the overwhelming majority (84%) of respondents considered the Income Tax Act to be a major tax reform. 7% were “not sure”, while 10% disagreed with the assertion. These findings imply that, overall, the introduction of the Income Tax Act is considered to be a major direct tax reform but its impact on revenue was not revealed due to the data limitations.

5.2.5. Administrative Procedures in Tax Management

Tax administration procedures play a crucial role in influencing the level of domestic revenue mobilization. These procedures encompass the activities and practices undertaken by tax authorities to ensure the efficient and effective implementation of tax laws and the collection of taxes. In addition, the quality and effectiveness of tax administration procedures significantly impact domestic revenue mobilization. By implementing efficient and transparent procedures, governments can enhance compliance, reduce tax evasion, and improve the overall efficiency of tax collection, leading to increased revenue generation for public expenditures and socioeconomic development. The respondents were asked whether administrative procedures are properly followed by the NRA. Their responses are graphically shown in **Figure 10**.

It is evident from **Figure 10** that the vast majority of 80% of respondents believe that administrative procedures are properly adhered to in tax management. Only 13% of respondents claim that administrative procedures are not properly followed, while 7% reported were “not sure”. In summary, the overall, administrative procedures are properly followed in tax management. However, the

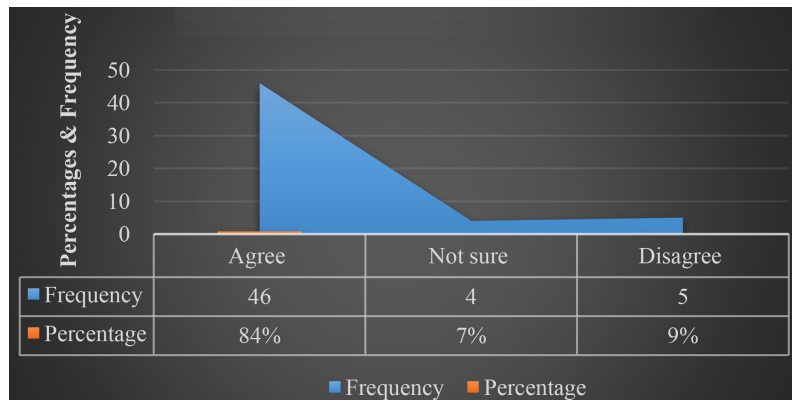


Figure 9. Income tax act reforms.

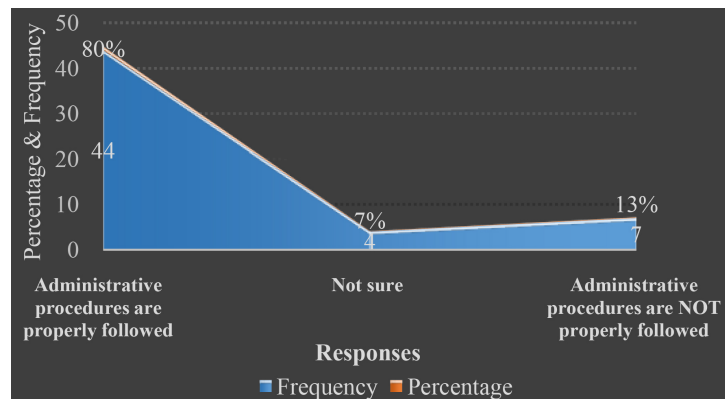


Figure 10. Perceptions of tax administration.

loopholes identified by the 13% of respondents that led to their negative perception that administrative procedures are not properly followed should be investigated and internal controls instituted, implemented, and monitored to ensure administrative procedures are properly followed in tax management. The consequences, of not following administrative procedures would lead to wastages, corrupt practices, pilferage, and leakages in revenue mobilization needed for economic development. The 7% who are not sure whether administrative procedures are properly followed in tax management should be provided with training on tax administration procedures to enable them to know when tax administrative procedures are properly followed and when procedures are not followed.

5.2.6. Tax-Payer Education

Raising sufficient tax revenues remains a major challenge for many countries, especially in light of the impacts of the COVID-19 pandemic (OECD 2021) [36]. Taxpayer education can be a key tool to boost the willingness of individuals and businesses to voluntarily pay tax, and play a vital role at the heart of mobilizing the tax revenues urgently needed to help achieve the Sustainable Development Goals according to a new OECD study (OECD 2021) [36]. “Effective tax systems rely on high levels of voluntary compliance; increasing the understanding of how

taxpayer education can impact directly the willingness of taxpayers to comply voluntarily can help countries raise the revenues they need to achieve Sustainable Development Goals and build trust in the fairness of the tax system”, said Grace Perez-Navarro, Deputy-Director of the OECD Centre for Tax Policy and Administration. The second edition of *Building a Tax Culture, Compliance, and Citizenship A Global Source Book on Taxpayer Education* provides valuable insights into taxpayer education initiatives from around the world. The report emphasizes the importance of increasing tax literacy and its impact on shaping a country’s tax culture. It highlights a unique dataset of 140 taxpayer education initiatives implemented in 59 developed and developing countries. This research investigated NRA taxpayers’ education. Specifically, respondents were asked whether taxpayers are provided with adequate education on their taxation obligations. The findings are presented in **Figure 11**.

Figure 11 reveals majority of respondents (67%) do not consider the education of taxpayers to be adequate indicating a serious deficiency in the tax mobilization drive. A minority of respondents consider the training provided to taxpayers to be “very adequate” (7%) or “reasonably adequate” (9%) and 16% of respondents are not sure of the tax education adequacy. It can be concluded from the foregoing that taxpayer education should be given greater attention and intensified for the enhancement of domestic revenue mobilization. Hence the following tax education be undertaken as recommended in the second edition of *Building a Tax Culture, Compliance, and Citizenship a Global Source Book on Taxpayer Education* that provides valuable insights into taxpayer education initiatives from around the world. The forms of tax education are as follows: 1) Teaching tax: This approach involves in-depth and long-term engagement with various audiences, including young people, adults, and entrepreneurs. The aim is to educate individuals about tax-related concepts, laws, and their implications. This approach fosters a deeper understanding of taxation and its impact on citizens’ daily lives. 2) Communicating tax: This approach focuses on raising awareness among taxpayers through higher-level engagement. Initiatives under

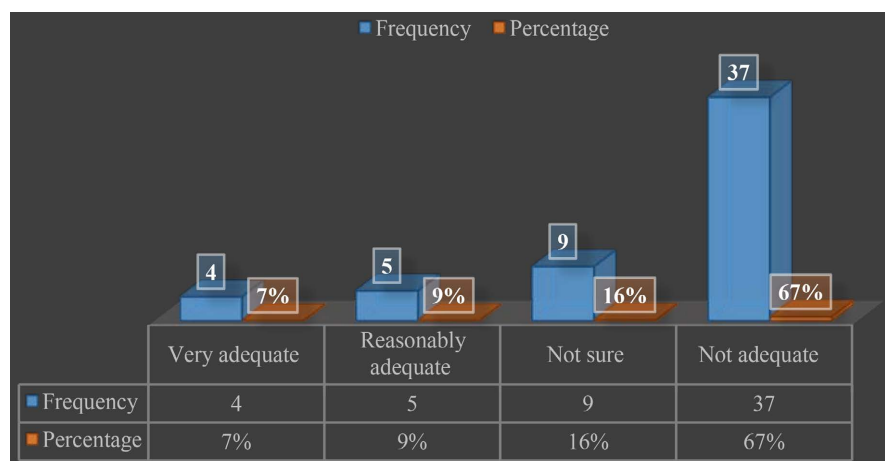


Figure 11. Adequacy of tax payer education.

this category include social media campaigns, tax fairs, television shows, and other communication channels. The behavioral economics techniques may also be used to tailor messages and encourage positive responses from taxpayers. 3) Supporting tax compliance: This approach provides practical assistance to taxpayers, particularly in using modern e-administration tools and meeting their tax obligations. It aims to facilitate compliance and support vulnerable taxpayers in fulfilling their reporting requirements. Taxpayer education initiatives should not be limited to tax administrations alone. Effective partnerships with schools, business associations, non-governmental organizations (NGOs), and other stakeholders play a vital role in successful taxpayer education.

5.3. The Relation between Tax Reform Strategies and the Impact on Revenue as a Percentage of GDP and Real Gross Domestic Product Ratio

The increase in tax revenues has a positive and significant impact on economic growth and thus the GDP. In order to understand the trend of Revenue as a Percentage of GDP and Real Gross Domestic Product Ratio, data was sourced from International Monetary Fund, General Government Revenue for Sierra Leone [SLEGGRG01GDPPT], retrieved from Federal Reserve Economic Data (FRED) [37] was used. The Data retrieved from FRED is indicated in **Table 1**. The data in **Table 1** and the trends shown in **Figure 12** and **Figure 13** indicate a positive relationship between tax reforms strategies and the growth in Revenue as a Percentage of GDP and Revenue GDP Ratio. The tax reforms strategies increased the revenue mobilization and therefore contributed to a positive and steady increase in Revenue as a Percentage of GDP and Revenue GDP Ratio from 2008 to 2012 but growth was stunted significantly by the break of the Ebola pandemic in 2013 and 2014. However, Revenue, as a Percentage of GDP and Revenue GDP Ratio bounced back in 2015 with significant increases in 2018 and 2019 but the Ebola outbreak stunt the growth in 2020.

The tax-to-GDP ratio in Sierra Leone decreased by 0.8 percentage points from 11.8% in 2019 to 11.0% in 2020. In comparison, the average for the 31 African countries within the publication 2022 has decreased by 0.2 percentage points over the same period and was 16.0% in 2020. Since 2010, the average for the 31 African countries has increased by 1.6 percentage points, from 14.4% in 2010 to 16.0% in 2020. Over the same period, the tax-to-GDP ratio in Sierra Leone has increased by 1.9 percentage points, from 9.1% to 11.0%. The highest tax-to-GDP ratio in Sierra Leone was 11.8% in 2019, with the lowest being 7.6% in 2007. The highest share of tax revenues in Sierra Leone in 2020 was contributed by personal income tax (32%). The second-highest share of tax revenues in 2020 was derived from taxes on goods & services other than VAT (31%). In 2020, Sierra Leone's non-tax revenues amounted to 8.6% of GDP. This was lower than the average non-tax revenues for the 31 African countries (6.8% of GDP). Grants represented the largest share of non-tax revenues in Sierra Leone in 2020, amounting to 5.8% of GDP and 67.4% of non-tax revenues (OECD 2022) [38].

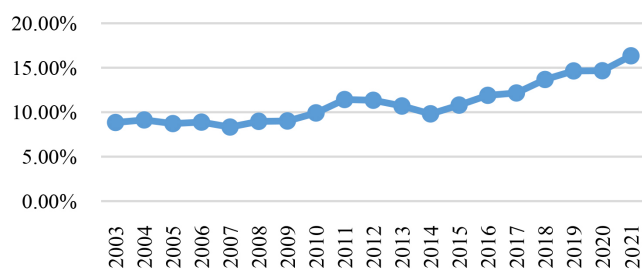


Figure 12. Revenue as a percentage of GDP.

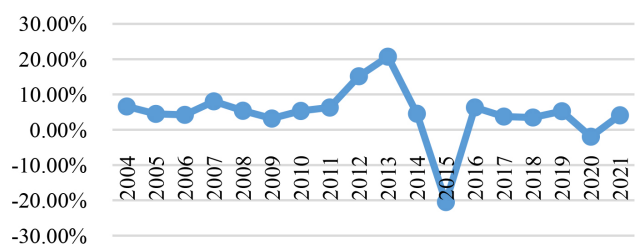


Figure 13. Real gross domestic product.

Table 1. Revenue as a percentage of GDP and revenue GDP ratio.

Revenue as a Percentage of GDP		Real Gross Domestic Product	
2003	8.84%		
2004	9.12%	2004	6.60%
2005	8.72%	2005	4.51%
2006	8.88%	2006	4.22%
2007	8.33%	2007	8.06%
2008	8.97%	2008	5.40%
2009	9.02%	2009	3.19%
2010	9.92%	2010	5.35%
2011	11.42%	2011	6.31%
2012	11.34%	2012	15.18%
2013	10.70%	2013	20.72%
2014	9.81%	2014	4.56%
2015	10.80%	2015	-20.49%
2016	11.89%	2016	6.35%
2017	12.16%	2017	3.76%
2018	13.67%	2018	3.46%
2019	14.64%	2019	5.25%
2020	14.65%	2020	-1.97%
2021	16.33%	2021	4.10%

Source: Federal reserve economic data.

6. Summary

6.1. Conclusion and Limitation

Tax systems can become outdated or complex over time, leading to inefficiencies, inequities, and opportunities for tax evasion or avoidance. Tax reform aims to address these issues by modifying tax laws, regulations, and administrative procedures. It may involve adjusting tax rates, expanding or reducing the tax base, introducing new tax incentives or deductions, and streamlining tax compliance processes. Effective tax reform can contribute to increased government revenues, which can be used to fund public services, infrastructure development, and social welfare programs. It can also enhance economic productivity, attract investment, and promote overall economic growth by creating a more favorable environment for businesses and individuals. However, it's worth noting that tax reform can be a complex and contentious process, as different stakeholders may have varying interests and opinions on how the tax system should be structured. Balancing the needs of different groups and ensuring the fairness of the reforms are crucial considerations for policymakers undertaking tax reform initiatives. Although the principles of the tax are broadly the same everywhere, the rules can be enacted and implemented differently in different countries so that the compliance burden on business varies considerably. Many countries have adopted the Value Added Tax (VAT) as part of their tax systems. The VAT has become a significant source of tax revenue globally, contributing approximately one-fourth of the world's total tax revenue. The adoption of VAT was seen as a response to new challenges faced by countries. However, the debate surrounding the welfare gains of transitioning from trade taxes to VAT is ongoing. The informal sector, which operates outside the formal economy and often avoids tax compliance, can pose challenges to the successful implementation and collection of VAT. The WTO encourages its member nations to make commitments to reduce tariffs and other barriers to trade. Tariffs are import duties or taxes imposed on goods as they enter a country. By reducing tariffs, countries aim to facilitate the flow of goods across borders, promote economic growth, and enhance global trade. The WTO's efforts in promoting and enforcing commitments to reduce tariffs and barriers to trade have played a crucial role in facilitating global trade and supporting the growth of the global economy.

As employees approach retirement age, organizations face the task of planning for succession and knowledge transfer. Older employees may possess institutional knowledge, mentorship capabilities, and a wealth of experience that is difficult to replace. Organizations need to develop strategies to capture and transfer this knowledge to younger generations and ensure a smooth transition. The connection between succession planning (SP) and employee retention (ER) is indeed significant, and their effectiveness can influence each other. When succession planning is ineffective, it can lead to increased turnover, which, in turn, undermines the success of the succession plan. Conversely, effective succession planning practices can contribute to higher employee retention rates.

Findings indicate that organizations with effective succession planning practices tend to have better employee retention rates. The finding of this research indicates that NRA has no succession plan we therefore recommend that NRA work on a succession plan and effectively and efficiently implement the succession plan.

Overall, findings on tax reforms indicated that more emphasis was put on indirect tax reform but direct tax heads were given negligible attention. The majority of taxpayers do not get sufficient tax education and this leads to non-compliance on the part of taxpayers. Domestic revenue mobilization is still performing poorly, a larger portion of domestic tax revenue is raised from indirect taxes, domestic revenue mobilization procedures are not effective, and collecting tax revenue from organizations is easier than from individual taxpayers. A huge tax burden rests on the few registered organizations and employees working in the formal sector. However, the general trend indicates an increase in tax revenue of 1.9 percentage points, from 9.1% to 11.0% in 2020 as related to the percentage growth in the GDP which signals the strength and benefits of tax reforms although these benefits were strangled by the Corona pandemics respectively. The highest tax-to-GDP ratio in Sierra Leone was 11.8% in 2019, with the lowest being 7.6% in 2007. The finds of this research revealed that the National Revenue Authority needs to lower the PAYE threshold in order to capture the income of the majority of citizens for tax purposes. Further, there is a need to revise the list of zero-rated supplies, diplomatic privileges, and the list of institutions whose income is tax-exempt. By bringing together the various revenue-collecting agencies under one umbrella, the NRA has fostered coordination and cooperation among different departments, leading to better revenue administration and enforcement. This centralized approach has enhanced accountability and transparency in the tax system. Overall, the establishment of the Sierra Leone National Revenue Authority has been a significant step in transforming the country's tax system and enhancing revenue mobilization and trade facilitation. Increasing revenue mobilization is an important driver of economic growth. Many countries are still struggling to collect sufficient revenues to finance their own development. According to the World Bank, countries collecting less than 15% of GDP with Sierra Leone, not an exception in taxes must increase their revenue collection in order to meet the basic needs of citizens and businesses; this level of taxation is an important tipping point to make a state viable and put it on a path to growth. (World Bank Website) [39] The quality and effectiveness of tax administration procedures significantly impact domestic revenue mobilization. By implementing efficient and transparent procedures, governments can enhance compliance, reduce tax evasion, and improve the overall efficiency of tax collection, leading to increased revenue generation for public expenditures and socioeconomic development.

The limitation of this research is that the participants for this research were limited to NRA staff members; in order to broaden the scope of this research, future researchers are advised to include taxpayers as participants of their re-

search and hence focus their research on the Impact of Tax Reforms on the Economic Growth of Sierra Leone.

6.2. Recommendation to NRA Management and Future Researchers

The finding of this research indicates that NRA considers the development and implementation of a succession plan; we, therefore, recommend that NRA work on a succession plan and effectively and efficiently implement the succession plan and increase the revenue mobilization to meet the minimum requirement of 15% of GDP. In addition, the researchers' recommendation is that the management of NRA increases tax education for taxpayers and periodic evaluations are carried out by tax experts to establish the performance of each tax head. Future research is recommended on the impact of tax reforms on economic growth in Sierra Leone and research on the impact of age on the performance of the NRA.

Conflicts of Interest

The authors declare no conflicts of interest.

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