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## INVESTMENT INCENTIVE CODE

### **Section 2. Definition:**

As used in the act, unless the context otherwise requires, the following terms shall mean.

**Incentive**- Certain Customs Duty, Income Tax and other benefits which the Government is to offer under this Act to a new and expanding business enterprise for the purposes of promoting the economic growth and the development of Liberia.

**Project Proposal**- The final plan describing the planned Operation, the required investment, and containing projected balance sheets and profit statements. The project proposal also contains the incentives requested. The project proposal is submitted with a draft Investment Incentive Contract as proposed by the sponsor. When approved, the Project Proposal becomes a part of the Investment Incentive Contract.

**Investment Incentive Contract**- A contract, supported by the approved Project Proposal, between the Government of the Republic of Liberia and the sponsor of an Investment Project setting out the customs duty, income tax and other benefits (incentives) granted by the Government of the Republic of Liberia in respect of Investment project.

**Approved Investment Project**- An Investment Project in respect of which an Investment Incentive Contract has been signed by the Government of the Republic of Liberia and the Sponsor. An Investment Project may become an Approved Investment Project whether the project is a completely new enterprise or the essential expansion of an existing enterprise where essential expansion shall mean an increase of existing facilities through an incremental investment amounting to at least 25% of the sum total of capital hitherto invested and associated with commensurate increase in employment.

**Sponsor**- One or more person(s), partnership(s), corporation(s) or other entity (entities) or any combination wherefore that undertake, finance and operate an Approved Investment Project in Liberia. The term Sponsor shall include sponsor or assignee if the assignment is made in according with Section 15 of this act.

**Approved Imports**- Capital, plant and equipment, machinery and know-how imported for use in creation of the facilities of an Approved Investment Project; furthermore, raw materials, semi-finished products auxiliary materials and other supplies required in the production processes of the final products.

Goods which are being produce in Liberia that are comparable in quality and price to goods intended to be imported determined by the Government shall be excluded from approved import goods considered by the sponsor as approved imports shall be specified in the project proposal and in the case of the existence of competing local supplies, the once verifying insufficiency of such rest with the sponsor and must be detailed in the project proposal.

### **Section 3- The Application of This Act:**

- 1) Incentives may be granted to sponsors undertaking Approved Investment Projects in Liberia, that:

Process, fabricate, manufacture finished and semi-finished goods from raw materials and or assemble finished goods from component parts, i.e., enterprise of the manufacturing sector.

- 2) Incentives may also be granted to sponsors undertaking other Approved Investment Projects in Liberia that belong to the sector of:
  - a. Agriculture, Forestry and fishing; or
  - b. Mining and Quarrying; or
  - c. Electricity, Gas and Water, to the extent that this is not contrary to the Public Authority Laws; or
  - d. Building and Construction; or
  - e. Transportation and Communication; or
  - f. Those sub-sectors of the service sector which provide technical services to the sectors listed in subsection (1) and in paragraphs (a) through (c) in the present subsection, or
  - g. Those sub-sectors of trade and services that provide services and supplies to tourism.
- 3) An Approved Investment Project may be a combination of activities belonging to more then one of the sectors and sub-sectors listed in sub-sectors (1) and (2) above.
- 4) All persons or entities seeking duty, tax or other privileges as incentive for a new investment or investment essential expansion of existing business in Liberia shall do so under this act provided that all rights and privileges which have been granted as to as will as obligations of enterprises during business in Liberia prior to the enactment of this act shall remain unaffected by the operation of the Act.
- 5) An investment incentive contract shall be negotiated and signed by the Government of the Republic of Liberia with the sponsor of an approved investment project.

#### **Section 4 - Conditions:**

No enterprise shall be accorded the approved investment project status; that is no incentives shall be granted unless it satisfies the following conditions:

- 1) Fall within the overall priority as established by the National Planning Council
- 2) Ensure the permanent employment of Liberians at all levels and carries out approved training schemes and in case of expansion increases, employment and augment training activities harmony with the volume of expansion.
- 3) Levels an option for Liberians to contribute to the enterprise by purchasing shares or otherwise participating in the ownership.
- 4) Provide a local value added amounting to not less than 25% of the value of gross output.
- 5) Takes its raw materials and other supplies of Liberian origin and imports other such items of which the local product is not available in sufficient quantity and or its quality or price is not approximately equal with the intended imports as determined by the Government.

#### **Section 5 - Incentives:**

- 1) Enterprise that are granted Investment Incentive Contract shall be entitled to the following customs duty benefits in respect of the Approved Investment Project;
  - a) Approved imports of machinery and equipment to be used in establishing the Approved Investment Project shall be exempt from import duty up to 90% of the dutiable value of such imports. No exempt shall be made for construction materials and spare parts on non-capital equipment. Any equipment with less than a three-year lifespan may be considered non-capital.
  - b) Approved non-capital materials semi-finished product and other supplies used in the production operation of the approved investment project shall be exempt from import duty up to 90% of the dutiable value of such import.
  - c) Approved imports listed under paragraphs (a) and (b) above shall not be exempt from counselor fees.
- 2) Enterprise that are granted Investment Incentive Contract shall be entitle to the following income tax benefits in respect of the Approved Investment Project:

- a) Profits reinvested into fixed assets shall be exempt from income tax. Exemption of reinvestment into housing for employees must receive prior approval from the Concession and Investment Commission (NIC).
  - b) All the remaining profits of the enterprise shall be exempt from 50% income tax that would be otherwise payable.
- 3) Enterprises that are granted Investment Incentive Contract shall be entitled to full rebate on import duties and full refund of income tax as well as excise tax paid by them in respect of the manufactured goods exported from the production of the Approved Investment Project.
- 4) Sponsors of enterprises having Investment Incentive Contract in respect of an Approved Investment Project may be granted by the Government, upon application by the sponsor in the project proposal, one or more of the following additional benefits;
- a) The lease of available land for plant site in government owned industrial park at a preferential rate during the term of lease together with the possible assistance by Government in making available other necessary infrastructure facilities,
  - b) Support in securing loans and /or contribution to equity capital of pertinent Government agencies with priority give in this respect to small entrepreneurs.
  - c) Reasonable tariff protection has to be calculated so as to protect the local ex-factory price inclusive of excise tax, if any,
  - d) Loss carry-forward provisions as regulated by the income tax law of Liberia,
  - e) Accelerated depreciation and an initial depreciation as regulated by the income tax law of Liberia,
  - f) The government and its agencies shall purchase products from the production of the approved investment project provided quantities are sufficient and the quality and price of the products are equal to those intended to be purchased from elsewhere. The sufficiency of quantities and the similarity of quality and price of goods are to be determined by the Government of Liberia,
  - g) Furthermore, an indirect benefit flows from what is stipulated in paragraph (3) in sector 4, of this act.

## **Section 6 - Period and Degree of Incentive:**

- 1) Incentive described in sub-section (1), (2) & (3) as well as paragraph (c) of sub section (4), Section (5) shall be granted for a period not exceeding five (5) years.
- 2) The beginning of this period should commence from the date of arrival of the machinery and equipment at the port in respect of Incentive under Section 5, sub-section (1) and from the date when marketable production starts in respect of Incentives under Section 5, sub-section 2, 3 and in paragraph (e) of sub-section 4.
- 3) These two dates have to be specified in the project proposal and the Investment Incentives Contract,
- 4) Other Incentives described in Section 5 but not specifically mentioned in sub-section (1) of this section shall extend for the life of the Investment Incentive Contract.
- 5) The possibility of an extension of the incentive period as described in sub-section 1 and 2 above is regulated by Section 10 of this act.

Certain incentives may be granted fully or partially depending on the fulfillment by the Approved Investment Project of certain national development strategy criteria: such as national development priority, location, employment, linkage effects. This applies to Incentives