An investigation of tax payments and corporate structures in the mining industry of Sierra Leone

NOT SHARING THE LOOT

DanWatch

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Diamond found by artisanal miner in Kono district, Sierra Leone

Photo: DanWatch

Content

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summary, key Findings and recommendations:
NMJD, AJME and IBIS

This is an independent DanWatch study conducted in accordance with DanWatch's ethical guidelines and international principles on the conduct of journalists. DanWatch is fully responsible for the contents of the study, except for the summary, key findings and recommendations.

DanWatch is an independent non-profit research center and media that investigates corporations' impact on humans and the environment globally. DanWatch provides the public, consumers and policy makers with new information about companies' global impact and social.

The study is commissioned by the Danish development organisation IBIS.

Based on the content of the report, IBIS, NMJD and AJME have supplied summary, key findings and recommendations.

1. Summary

Sierra Leone is ranked among the poorest countries in the world as number 158 out of 169 on the UN Human Development Index in 2010.[I] 70% of the population lives below the poverty line[II] and there are huge needs for investments in education, health, infrastructure and development.

Sierra Leone is rich in minerals which could contribute significantly to the development of the country. This report clearly illustrates that this is not sufficiently the case. Government revenue from the mining industry in Sierra Leone is limited compared to the importance of the industry to the country. Particularly are revenues from corporate income tax and royalties low, which is surprising as the prices of the minerals exported from Sierra Leone have more than doubled over the last five years and therefore companies are expected to generate profits that should be taxed.

The limited tax contribution from the mining companies has huge implications for poor people in Sierra Leone.

I UNDP, Human development index, 2010. http://hdrstats.undp.org/en/indicators/49806.html

II World Bank, Sierra Leone, 2011. http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/SIERRALEONEEXTN/0,,menuPK:367829~pagePK:141159~piPK:141110~theSitePK:367809,00.html

Key findings

In 2010 the mining industry accounted for almost 60% of exports (US$200 million), but only 8% (US$24 million) of government revenue came from the mining sector. Government revenue from mining accounted for only 1.1% of GDP.

Indirect taxes are the largest contributor to government revenue, while corporate income tax, lease and licenses and royalties constitutes less than half of total government revenue.

The biggest exporter of minerals, Sierra Rutile, pay as little as 2.2 percent of the export value to the government of Sierra Leone.

Royalties are potentially the biggest source of government revenue from the mining companies. However, Sierra Rutile has reduced its royalty rate from 3% to 0,5%.

Mining companies in Sierra Leone have negotiated advantageous agreements with the government, to keep their payments to the government of Sierra Leone low. Contracts are not in accordance with the newly established Mines and Minerals Act.

The top five mines in Sierra Leone are part of company structures with excessive use of low-tax and high-secrecy countries, also known as tax havens, which are particularly useful for moving profits out of countries of operation and reduce corporate income tax payments.

Four of the five reviewed mines in Sierra Leone, Koidu Holdings, African Minerals, Sierra Mineral Holding 1 and Sierra Rutile, are owned through intermediaries based in tax havens such as Bermuda and British Virgin Islands.

Despite increasing minerals prices, mining companies in Sierra Leone hardly declare any profits and therefore corporate income tax revenues are only US$ 2.4 million or 10% of total government revenue from the mining sector.

Only one of the top five mines, Sierra Rutile, is paying corporate income tax.

Besides the limited economic contribution mining entails adverse effects on local communities and environment in mining areas.

2. Recommendations

The government of Sierra Leone and the mining companies should take action to uncover and unleash the lost potential for development from the mining sector.

But also international regulation is needed to strengthen transparency into the corporate structure and accounts of multinational mining companies.

THE GOVERNMENT OF SIERRA LEONE SHOULD:

- Ensure that all contracts are in accordance with the Mines and Minerals Act and other laws with no exemptions or special concessions allowed.
- Review The Mines and Minerals Act in order for Sierra Leone to harvest a larger share of the value of exported minerals, particularly in the wave of increasing prices.
- Ensure full transparency into the sector through complying with the EITI standards, make all contracts public and provide updated and validated information on tax and other contributions from the mining sector to the government.
- Ensure good and transparent governance of the mining sector in order to harvest potential and invest in development for poor people. Critical is capacity development in geological, mining economics and engineering areas; tax and revenue collection; transparent allocation of revenues for development.
- Develop adequate and appropriate regulations relating to resettlement, environmental management, compensation, underground mining, community relations, etc. and the effective monitoring of the sector work.
- Link mining to the national development agenda by establishing a cost benefit analysis (economic, environmental, socio-cultural and political) prior to deciding whether to mine of not in any location and for any mineral

THE MINING COMPANIES SHOULD:

- Disclose accounts on a country by country and project by project level in order to enable for citizens and governments to scrutinise the accounts, including details on trade and investments between subsidiaries, tax payments, profits. These accounts should include subsidiaries in tax havens.
- Pay a fair tax according to the spirit of the laws and avoid tax planning and exemptions to reduce taxes in Sierra Leone.
- Invest directly in Sierra Leone and avoid the use of tax havens.
- Increase procurement of goods and services from Sierra Leone to strengthen trickle-down effects from the mining sector.
- Perform due diligence in relation to compliance with national laws, international best practice, international labour and human rights laws, especially where the national laws and standards are weak.

INTERNATIONAL REGULATORS SHOULD:

- As a first step make it mandatory for extractive industries to follow the principles of EITI of disclosing payments to governments from each project in a country. USA has taken the first step, now EU and other areas should follow suit.
- Further demand full country by country reporting from multinational companies in order to make it transparent for the revenue authorities and the public for each subsidiary of multinationals (also tax havens based) relevant information for assessing tax payments. This include the beneficial owner of the company, financial performance, sales and purchases, number of employees, finance costs, pre-tax profits and tax payments.
- Crack down on tax havens through demanding automatic exchange of tax information for all countries.
- Demand the full implementation of the UN Human Rights Councils Guiding Principles on Business and Human Rights to implement the United Nations "Protect, Respect and Remedy" Framework

NMJD, AJME & IBIS; Freetown & Copenhagen, October 2011

3. Method and Sources

This report presents the results of an investigation of tax contribution from mining in Sierra Leone, with particular focus on the five biggest mining companies. The investigation has included desk-research, interviews and field studies in Sierra Leone.

The report looks at mining legislation and individual mining agreements, as well as actual tax payments from companies. It looks at mechanisms of tax planning through subsidiaries, and compares these with actual corporate structures.

The review of the mining legislation and mining agreements is based on the Mines and Minerals Act, the Income Tax Act, and the Goods and Services Tax Act of Sierra Leone, reports from NGOs and interviews with state authorities and NGOs in Sierra Leone. With assistance from Network Movement for Justice and Development (NMJD) DanWatch obtained a copy of the 2010 agreement between the government of Sierra Leone and Koidu Holdings as well as the 2010 agreement with African Minerals.

The depictions of corporate structures are based on information from annual reports, available prospectuses and public announcements of the companies as well as news articles. For the evaluation of corporate structures we rely on Tax Justice Networks article Identifying Tax Havens and Offshore Finance Centres.[I]

The financial analysis is based on information from several sources:

- Government revenue from mining is from a table provided by the National Revenue Authority (NRA) of Sierra Leone. The table is attached as annex 1.
- Government reported revenue from the individual mining companies in 2010 are from a table presented in the Sierra Leone Poverty Reduction Strategy Paper, Progress Report 2008—10 (PRSP) from the government of Sierra Leone.[II] As far as we are informed, these figures are also from the National Revenue Authority. The table is attached as annex 2.
  For some companies differences in timing between sales, payments from companies and government reporting occurs.
- Sales and exports are from annual reports of companies or based on trade statistics from International Trade Centre (ITC), a joint agency of the World Trade Organization and the United Nations. The accuracy of ITC-data depends on the accuracy of the reporting countries.
- Besides annual reports from the relevant companies, press releases and articles have been used to gather information on the production, revenue and costs of the companies.

A convertion rate of Le 3,385.7 = US$ 1 has been applied to the 2010 figures. This is the yearend rate for 2009 as stated in the annual report from Bank of Sierra Leone.

Throughout the report the term tax planning is used to denote companies' efforts to reduce their tax, consequently also their tax to developing countries. This report does not distinguish between legal and illegal forms of tax planning, because both lead to tax losses in South which is the focus of the report - not the issue of legality.

There is no generally accepted definition of a tax haven. This report uses OECD's definition:

1. No or nominal tax on the relevant income

2. Lack of effective exchange of information

3. Lack of transparency

4. No substantial activities1.

The report is conducted and published in accordance with international standards for the conduct of journalists which includes the right of fair comment and criticism. The analysis of each company have been sent to the company in order to check facts and hear their comments.

African Minerals, Sierra Rutile and Vimetco (owner of Sierra Minerals Holding 1, Ltd) have been helpful in this regard. Their comments are presented in the end of this report.

I Available at http://www.taxjustice.net/cms/upload/pdf/Identifying_Tax_Havens_Jul_07.pdf.

II Sierra Leone Poverty Reduction Strategy Paper (The Agenda for Change) Progress Report, 2008—10, June 2011. http://www.imf.org/external/pubs/ft/scr/2011/cr11195.pdf

4. Introduction

In the underground of Sierra Leone lies a wealth of valuable minerals. Diamonds, gold, rutile bauxite and iron ore are dug up and exported for millions of dollars. Still, Sierra Leone is one of the poorest countries in the world. 70,2 % of the population lives on less than $1,25 per day, and the country is ranked 180 out of 182 on the UN Human Development Index.[I]

Government revenue from the mining sector could be an important source of funding for poverty reduction and development of the country. But those who reap the benefits are international mining companies, reluctant to share the profits with the Sierra Leoneans.

I World Bank: 'Sierra Leone: Country Brief', http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/SIERRALEONEEXTN/0,,menuPK:367833~pagePK:141132~piPK:141107~theSitePK:367809,00.html

MINING EXPORTS 2010	
Minerals exports	US$ 199.5 m
% of total exports	60 %
% of GDP	8,88%

In 2010 Sierra Leone exported minerals worth US$ 199.5 million, amounting to 60% of total exports.[II]

In the same year, the contribution to government revenue from the mining sector was US$ 23.6 million - only 7,9 % of domestic revenue, and 1.1 % of GDP.[III]

II International Trade Centre, Trade Map HS2 codes 71 - Pearls, precious stones, metals, coins, etc, and 26 - Ores, slag and ash

III Total domestic revenue and GDP is sourced from Sierra Leone Poverty Reduction Strategy Paper. NOTE - If PAYE is counted in, revenue from mining was US$ 32 million, still amounting to only 1,4 % of GDP and 11% of domestic revenue.

GOVERNMENT REVENUE FROM MINING 2010	
Total mines revenue (excl. PAYE)	US$ 23.6 m
% of total domestic revenue	7.9%
% of GDP	1.1%
Per capita of Sierra Leone	US$ 5.5

This is excluding taxes from salaries to employees (PAYE). This report disregard PAYE, because it is not paid by the company, but by the employees - the company merely collects the tax and forwards it to the government.

The collection of taxes and royalties from the mining companies is an essential step in the process of turning non-renewable resources into sustainable development, which is illustrated below.

Two factors limit government revenue from mining companies. One is the generous tax concessions granted by the government through agreements with the individual companies. Another is the companies' use of tax mechanisms to lower their tax liabilities further. Tax havens can be particularly useful for these mechanisms.

To ensure a reasonable government share of the values extracted from the underground, effective fiscal policies coupled with the capacity to monitor the mining sector are needed. Checking of production, exports, purchases as well as financial transactions of often big multinational corporations is necessary.

The figure below shows government revenue as percent of export value for the three producing companies reviewed in this report. The share of the value of exported minerals, retained by the government through tax contribution is minimal, especially from Sierra Mineral Holdings Ltd. and Sierra Rutile.

This report presents details of the contribution to government revenue from the mining industry as a whole and from the five biggest mining companies in Sierra Leone.

Chapter 4 presents an overview of the sources of revenue from the mining industry, including some of the benefits negotiated by the companies. In addition to the granted tax concessions, companies can use several mechanisms to minimize their tax, including the strategic use of tax havens. These are described in chapter 5.

In chapter 6, the corporate structure and tax payments for each of the five biggest companies are presented, revealing excessive use of tax havens and minuscule contributions to government revenue. The effects of the tax concessions in attracting foreign investments are discussed in chapter 7.

GOVERNMENT REVENUE FROM MINERAL EXPORTS 2010

Company	Export value	Government revenue (excl. PAYE)	Government revenue as percent of exports
Koidu Holdings	US$ 24.4 m	US$ 2.3 m	9.31%
Sierra Mineral Holding Ltd.	US$ 30.3 m	US$ 1.1 m	3.8%
Sierra Rutile	US$ 43.9 m	US$ 1.0 m	2,2%

5. Government revenue from mining

The government has various ways of collecting revenue from mining companies

The companies have negotiated individual agreements thereby reducing their payments

Corporate income tax and royalties constitute a noticeable small part of the collected revenue

Government revenue from mining is collected through various payments of royalties, taxes and levies. The payments and rates are stipulated in the Mines and Minerals Act of 2009 and the Income Tax Act of 2000. These acts constitute the fiscal and legislative framework for mining in Sierra Leone. However, some of the companies have negotiated special agreements with the government, granting them tax concessions or other benefits. The most important sources of government revenue from mining are:

LEASES AND LICENSES

To explore and mine an area you need to hold a mining license and a lease of which you pay a fee. In 2010 mining leases and licenses accounted for US$ 4.4 million or 19 % of government revenue from mining.

ROYALTIES

Royalties are charged by the following percentages of the market value of minerals:[I]

- Precious stones (diamonds): 6,5 % for large scale miners, 3% for small-scale. For special stones defined as those with a market value above US$ 500,000, the rate is 15%.
- Precious metals (gold): 5%
- All other minerals: 3%

Royalties from rutile, bauxite, diamond, and gold accounted for US$ 3 million or 13 % of government revenue from mining.

I Mines and Minerals Act, 2009. Part XVIII, section 2

In contrast to profit-based income taxes, royalties are generally considered difficult to evade and easy to administer.[II] But Sierra Leone has difficulties monitoring the production and exports of mining companies. In this regard, diamond-smuggling is a particular challenge.

CORPORATE INCOME TAX

According to the Income Tax Act of Sierra Leone corporate income tax rate for mining companies is 37.5%, while the general company tax rate is 30%.[III] However, London Mining only recently had their tax rate revised from 6% to 25%[IV]. The agreement with African Minerals also sets the rate to 25%.

If the chargeable income of a company is below 7% of turnover, the mining company shall pay a minimum income tax of 3,5 % of turnover.[V] As we shall see later Sierra Rutile has negotiated a minimum turnover tax of only 0,5%, while African Minerals is totally exempt from it.

Corporate income tax in 2010 accounted for US$ 2.4 million or 10 % of total mines revenue.

II Otto et al.: Mining Royalties A Global Study of Their Impact on Investors,Government, and Civil Society. The World Bank 2006

III Income Tax Act, 2000 (Updated to reflect all tax legislation through December 31, 2008). Part III, section 21 & Sixth schedule, subsection 1

IV Newstime Africa: "Mining agreement between the government of Sierra Leone and London Mining (LMCL) has been revised" September 4th, 2011

V Income Tax Act, 2000 (Updated to reflect all tax legislation through December 31, 2008). Sixth Schedule, subsection 4

This might include payments of US$ 1.5 million from London Mining erroneously booked as corporate income tax. If these are deducted, corporate income tax would only be 4% of government revenue from mining.

WITHHOLDING TAXES

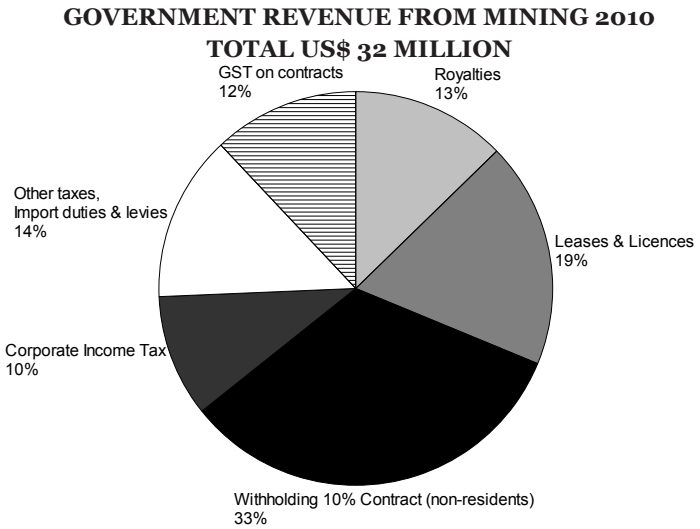
Withholding tax obliges the payer of a payment to withhold a certain percent of that payment as taxes to the government. For example, when a mining company pays interest on a loan, it is to withhold 15% of the amount as taxes. A range of withholding taxes applies to the mining sector:[VI]

- on interest 15%
- on dividends 10%
- on rents (e.g. on machinery) 10%
- on payments to resident contractors 5%
- on payments to non-resident contractors 10%

Withholding tax on payments to non-resident contractors is the largest source of government income from mining companies accounting for US$ 7.8 million or 33% of total mines revenue.

Withholding tax can be an effective way of collecting taxes from one or a few payers instead of many receivers of a payment. As withholding tax taxes outgoing money it can also be used to tax money flows moving out of the country, thus counteracting tax evasion and tax avoidance. However, in this regard it is important to note that withholding tax rates are significantly lower than income tax rates.

VI Income Tax Act, 2000 (Updated to reflect all tax legislation through December 31, 2008). Sixth Schedule, subsection 3



GOODS AND SERVICES TAX

Goods and services tax (GST) is a tax on sales, similar to value added tax. When a good or service is traded, a percent of the price is added to the price, and this percent is paid to the government. Eg. when a mining company contracts an entrepeneur to dig a pit, a percent of the price of the service is transferred to the government. In 2010 GST accounted for US$ 2.8 million or 12% of government revenue from mining.

BREAKDOWN OF REVENUE

The figure above illustrates the various mining taxes' share of total government revenue from mining. Currently the biggest revenue source is the withholding tax imposed on contracts with non-residents. This reflects that many of the mines are still in the development phase, and not yet producing.

Royalties are limited and corporate income tax is currently minimal. Within years, as the big mines move into full production and start creating profits, government revenue from royalties and corporate income tax will become much more important. That is why it is crucial that these taxes are imposed at fair rates and collected effectively.

The mining companies have obtained generous tax concessions through secret agreements with the government of Sierra Leone. Moreover, the companies have additional mechanisms to reduce both royalties and corporate income tax, including the use of tax havens in their corporate structures.

The Incapable Mines Monitors

As part of an effort to reduce unemployment a corps of mines monitors were created. But they only have limited knowledge of minerals and are not sufficiently trained. Phillip Tetema Tondoneh, member of parliament, depicts how mines monitors are incapable of detecting diamond smuggling:

"You go to the customs, and you meet a man saying 'I am a mines monitor'. But he does not have any equipment or device. If I am walking with diamonds on my way to Guinea, how will he detect that?"

The ease with which diamonds can be smuggled impairs the governments ability to ensure a share of the exported values. According to the Mines and Minerals Act of 2009 the royalty rate for diamonds is 6,5 %. When this rate was applied Sierra Leone experienced a significant drop in exports, suggesting that diamonds were smuggled and exported from neighboring countries with lower rates. As a response, the rate for small-scale miners was reduced to 3% for small-scale miners. Industrial miner Koidu Holdings is still obliged to pay 6,5 %.

Even if the mines monitors find discrepancies, they might not have much to say. Leslie Mboka, national chairman of Campaign for Just Mining (CJM) tells of a friend who used to be a mines monitor:

"He said, that he would never come near where the plant is, and where they are sorting out the diamonds. And, whatever he said would just fall on deaf ears, because the company already has a relationship with government officials, even in senior positions in high places. So the company can do whatever they want and get away with it, because of the connections they have."

PAYE

Mining companies pay a part of the the salaries of their employees to the government as income tax. The income tax is deducted from each pay-check, hence the term pay-as-you-earn tax, commonly refered to as PAYE. Though this tax is administered by the company, it is not considered a tax paid by the company, but by the employees of the company. Therefore we do not consider PAYE part of government revenue from mining in this report. If PAYE was included, it would account for 26,6% of government revenue from mining.

6. Mechanisms to reduce tax

There are several ways a company can minimize its payments to governments

Some of them are legal, some are illegal, but difficult to detect

Corporate structures with tax havens can reduce the government revenue significantly

There are several ways a company can minimize its tax payments. Some of them are legal, some are illegal, but difficult to detect. Mining companies in developing countries are often subsidiaries of big international mining corporations. International corporate structures and financial instruments can be used to lower tax payments in developing countries and reduce the total tax of the corporation.

The revenue and profit of a company is dependent on its sales and costs. By manipulating prices or reporting incorrectly - or not at all - a company can reduce income or increase costs, in order to reduce the taxable income.

FALSE INVOICING

- Undercharging or lack of reporting on sales can reduce royalty payments and corporate income tax.
- Over-reporting on purchase of goods and services can be used to exaggerate costs and thus reduce profits and corporate income tax.

This is of course illegal, but can be very hard to detect by authorities in developing countries which might lack resources and capacity.

TRANSFER PRICING

- 60 % of all world trade is believed to take place between affiliates of the same company[I]. If the affiliates agree on under- or overpricing on internal sales and purchases, e.g. when a subsidiary mining company buys mining equipment from a sister company, these transactions can be used – like false invoicing – to reduce payments to state. This is called false transfer pricing.

False transfer pricing is illegal. According to OECD Guidelines for Multi-national Enterprises[II] all transactions between affiliates shall be in accordance with the arm's length principle, meaning that they are to be valued as if they had been carried out between unrelated parties, each acting in his own best interest. However, it is difficult for governments to check transactions and estimate the true market value of e.g. specialized mining equipment, consultancy service, sales service etc.

Christian Aid has calculated tax losses in developing countries due to false invoicing and false transfer pricing to be US$ 160 billion a year[III].

Even if charged at arm's length prices sales between affiliates can be used to shift money between different tax jurisdictions. Eg. sales and consultancy services or management can be traded between affiliates. A multinational company group can place its intangible property such as registered trademarks, brand names or patents in a tax haven, and then charge subsidiaries royalties for the use of these.

This will move income from the host country of the subsidiary to the tax haven, and reduce tax for the group.[IV]

FINANCING TECHNIQUES

Sales are not the only transactions between affiliates that can be used to reduce tax. It can also be done by, for example, financing a subsidiary through loans. The following examples explain how corporate structures with tax havens can reduce tax in subsidiary companies as well as for the parent company.

I Christian Aid; Death and Taxes. 2008, p. 2.

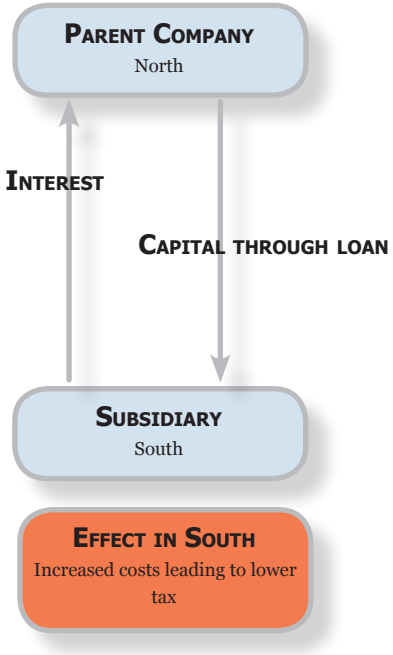
II OECD: Guidelines for Multinational Enterprises. 2011, p. 58f

III Christian Aid: Death and Taxes. 2008, p. 5

IV Somo: Tax Haven and Development Partner. 2007, p.27

Example 1:

A subsidiary mining company in a developing country is financed through loans from a parent company. The subsidiary will have to pay interest on the loan. Payments of interest are a cost to the subsidiary and are deducted from the taxable income. Thus the corporate income tax paid to the developing country is reduced.



However in example 1, the interest on the loan can be taxed in the home country of the parent company as income earned. This can be remedied by channeling the money through a tax haven.

Example 2:

Different types of payments are taxed differently. Intermediate companies in tax havens are useful structures to change the type of payments in order to lower total tax liabilities even more.

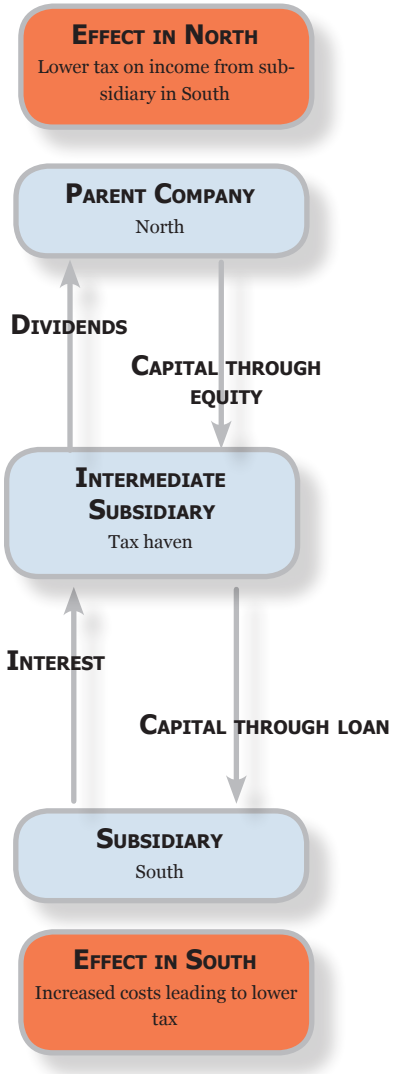
Example 2 illustrates how the use of an intermediate company in a tax haven can change the type of payments and lower the tax even further.

A subsidiary in a developing country is financed through a loan, which reduces the tax in the developing country, as explained in example 1.

In this case, the loan is granted by an intermediate subsidiary in a tax haven, where no or low tax is charged on the interest upon reception.

The intermediate in the tax haven is owned by the parent company through shares. The income from the interest is then forwarded to the parent company as dividends, which are taxed lighter than interest or not at all, and tax on interest income is avoided.

In example 2 the use of an intermediary in a tax haven enables the avoidance of tax on the parent company's income from payments from a subsidiary - payments that are reducing the tax base of the subsidiary. Thus both the parent and the subsidiary achieves tax savings.



Tax haven intermediaries make strategic tax planning effective and thus create incentives to move capital out of developing countries. A policy brief from the OECD explains how tax planning through tax havens can reduce the average effective tax rate on a company to as little as 0,5 %.[V]

As we shall see, all the reviewed companies have intermediary subsidiaries in tax havens. All except London Mining own their operating entitiy in Sierra Leone through an intermediary in either British Virgin Islands or Bermuda, while London Mining has made use of a cash-box-structure in Jersey to finance operations in Sierra Leone. They all have ample opportunity to make use of tax reducing mechanisms such as the one explained in example 2.

In the following chapter, we present the corporate structure and review the tax payments to Sierra Leone for each of the five biggest mining companies in Sierra Leone.

V OECD Policy Brief: Tax Effects on Foreign Direct Investment. 2008.

7. Tax incentives and foreign direct investments

Here the need and effect of tax incentives in attracting foreign direct investments (FDI) is being discussed

This report shows that the limited tax contributions of mining companies is, at least to some extent, caused by a beneficial tax regime provided by the government of Sierra Leone.

The mining sector in general as well as the individual companies have been granted a wide range of tax incentives, from lowered tax and royalty rates, over exemptions from certain taxes and duties, to more peculiar arrangements such as PAYE paid out as shares.

The beneficial tax regime is defended as a necessary means to attract investment. The minister of Finance and Economic Development Dr. Samura Kamara explains:

"It has to be a win-win situation for the government on the one hand and for the investor in the other hand. Because mineral exploitation is highly capital intensive."

He even admits, that the government currently does not gain much from the mining industry but argues that the earnings will come:

"So far, I cannot say it has been a win-win situation, but the government is trying to optimize its uptake as time goes on. We have allowed a lower level of corporate income tax to attract investment. If these companies do well, the low tax will give much more money than if you try to charge high taxation, and the company does not invest."

Member of Parliament for the oppositional party Sierra Leone People's Party Philip Tetema Tondoneh is not happy with the tax exemptions granted to the mining companies:

"When you calculate, what the country is offering to the big companies, and what we are getting from the companies, it is not commensurate! The cost is higher on the Sierra Leoneans than what the companies are contributing! It is not economically viable for the country!"

He does not give much for the argument, that if the companies do not get their beneficial agreements and concessions, they will go to other countries:

"That is not an excuse! They need our minerals! Lets advertise it internationally, then people will come!"

Philip Tetema Tondoneh's view is supported by international research on the connection between taxation and foreign direct investments. A policy brief from the OECD raises doubts about the requirement or even the ability of tax reductions to attract FDI.

"It is [...] clear that a low tax burden cannot compensate for a generally weak or unattractive FDI environment. Tax is but one element and cannot compensate for poor infrastructure, limited access to markets, or other weak investment conditions."[I]

The government of Sierra Leone is also criticized for making individual and secret agreements with the mining companies. In 2009 NACE analyzed three agreements made with Sierra Rutile and two made with Koidu Holdings, and in 2011 NMJD has contributed with cost-benefit analysis of the agreements with African Minerals and London Mining. They both advocate that the agreements negotiated with individual mining companies should adhere to the general laws of Sierra Leone, also on tax issues.

The minister of Finance defends the apparent flexibility of the laws:

"Foreign private investment capital has different destinations – alternative destinations. If they are not happy with you, they go away! I don't want that to happen. That is why it is good to have a way in which you can engage and have a mutually beneficial consultative type of arrangement."

Meanwhile, research by the International Monetary Fund stresses the need for consistency:

"The cost-effectiveness of providing tax incentives to promote investment is generally questionable. The best strategy for sustained investment promotion is to provide a stable and transparent legal and regulatory framework and to put in place a tax system in line with international norms."[II]

I OECD Policy Brief: Tax Effects on Foreign Direct Investment. 2008

II Vito Tanzi, Howell Zee: Tax Policy for Developing Countries. International Monetary Fund - http://www.imf.org/external/pubs/ft/issues/issues27/index.htm

8. Company profiles

Summary

The review of the companies reveals that:

- they all have intermediaries in tax havens
- generous and sometimes rather peculiar tax concessions limit taxes
- inconsistencies in reported figures suggest the use of tax tricks
- all in all, tax payments to government are minimal

Due to their corporate structures, the companies have ample opportunities of dodging tax. But the tax concessions and other advantages in the tax agreements signed with the government of Sierra Leone remains an important issue.

Company profile: Koidu Holdings

Koidu Holdings is a diamond mining company operating the Koidu Kimberlite Project in Kono District. Koidu Holdings started to develop the mine in 2003 and began mining in 2004.

Koidu Holdings has its registered company office in the British Virgin Islands. It is owned by BSG Investments Ltd. in Switzerland through two subsidiaries in Guernsey and British Virgin Islands respectively. All three of these countries are considered tax havens.[I]

In 2010 the company paid royalties of US$ 1.6 million, but no income tax. Profits or loss are unknown, as the company does not submit annual reports.

The precise annual revenue of Koidu Holdings is unknown. Sierra Leone Investment and Export Promotion Agency (SLIEPA) indicates that annual revenue of Koidu Holdings in Sierra Leone is US$ 24 million. Assuming that a royalty-rate of 6,5 % was paid on all diamond sales, in 2010 total sales would amount to US$ 24.4 million.[II]

The table below summarises Koidu Holdings payments to government, and compares them with exports. Sierra Leone retains 9,31% of the value of exported diamonds through taxes.

KOIDU HOLDINGS GOVERNMENT REPORTED REVENUE 2010	
Royalties	US$ 1.6 m
Corporate Income Tax	0
Other Taxes	US$ 0,7 m
Total payments reported by government of Sierra Leone (Excl. PAYE)	US$ 2.3 m
Export value of production 2010 (estimated)	US$ 24.4 m
Government revenue in percent of production value	9.31 %

In the global diamond industry as a whole, diamond jewelry of US$ 60 billion was sold in 2010. The value of diamond content in jewelry was US$ 18 billion, while the costs of mining diamonds was only US$ 7 billion. The value of a polished diamond is more than doubled when it is polished and marketed, and the costs of mining diamonds represent only 11% of the final price of diamond jewelry.[III]

BSG Resources Ltd. owns - wholly or partly - mining operations in several other countries. The Steinmetz Group has cutting and polishing factories in New York, Johannesburg (South Africa), Windhoek (Namibia), and Gaborone (Botswana). Steinmetz Diamond Group has created Sotheby's Diamonds in a joint venture with the auction house Sotheby's. Sotheby's Diamonds set cut diamonds from Steinmetz in exclusive designed jewelry, that is sold in London, New York and Hong Kong.[IV]

The Steinmetz Group thus controls the entire supply chain, ensuring that the huge value added during the polishing and mounting of diamonds is retained within the group.

Controlling the whole supply chain also creates opportunities for manipulating profits between subsidiaries. The total revenues of the diamonds division of the Beny Steinmetz Group, which also acquires diamonds from mines of other mining companies, are believed to exceed US$ 1.5 billion a year[V]. The production costs of rough diamonds represent only a small part of the val-

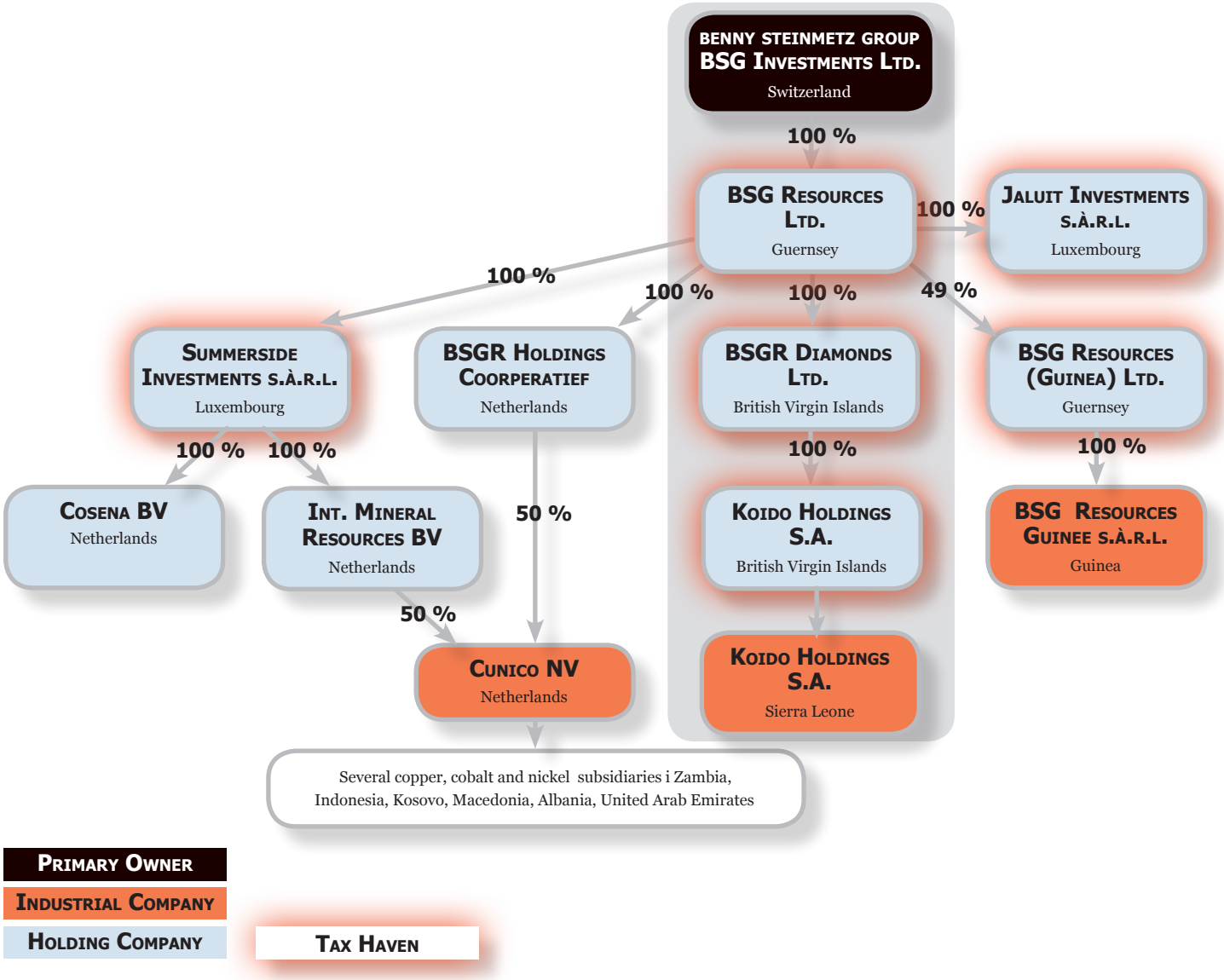
I Tax Justice Network: Identifying Tax Havens and Offshore Finance Centres - http://www.taxjustice.net/cms/upload/pdf/Identifying_Tax_Havens_Jul_07.pdf

II This is in fair accordance with an article: Diamond exports increase by 28% in 2010, presented in Awoko - http://www.awoko.org/2011/02/07/diamond-exports-increase-by-28-in-2010/ saying that Koidu Holdings share of diamond exports in 2010 was 25-26% of total diamond exports corresponding to US$ 23.8 m.

III Tacy's 2010 Diamond Pipeline, published in Mining Journal special publication - Diamonds, June 2011. Available at http://www.mining-journal.com/__data/assets/supplement_file_attachment/0008/273185/Diamonds2011_scr.pdf

IV Beny Steinmetz Group, August 2011, http://www.steinmetz-group.com/en/

V Beny Steinmetz Group Investments (unofficial website), "Economic News of the Year 2009", April 2010. http://bennysteinmetzinvestments.blogspot.com/2010/04/economic-news-of-year-2009.html



ue of the rough diamonds[VI].

The owner and final beneficiary of the companies within the Beny Steinmetz Group, is the Israeli billionaire Beny Steinmetz. Beny Steinmetz has a net worth of US$ 6 billion and is the 162nd richest man in the world, according to Forbes.[VII]

A COMPANY ABOVE THE LAW

In September 2010 Koidu Holdings renewed its mining agreement with the Government of Sierra Leone. Patrick Tongu from Network Movement for Justice and Development (NMJD) has acquired a copy of the new agreement, and he is not happy with the content:[VIII]

"Clause 6.1 in the agreement gives the company more power than the national law! Clause 6.1 clearly states that the company will abide by the laws of Sierra Leone and all other national legislations, except where it comes into conflict with the provisions in the Koidu Holdings agreement. Why should an agreement with an individual company supercede the laws of the country? It means the company has more power than the government itself."

Patrick Tongu is disappointed with the efforts

VI Government of Northwest Territories (Canada), "2007 diamond industry Report, diamond facts", 2008. http://www.iti.gov.nt.ca/publications/2008/Diamonds/diamond07.pdf

VII Forbes "Beny Steinmetz", 2011. http://www.forbes.com/profile/beny-steinmetz/

VIII DanWatch interview with Patrick Tongu, Koidu, Sierra Leone. May 21st 2011

of Koidu Holdings to resettle the local community., when the company takes over their land. Initially, 300 households needed to be resettled, and even after 7 years this has not been achieved. With expansion of the mining area a further 700 households will need to be resettled.

He is also concerned about the freedom of movement of the people still living within the concession area of the mine. The mining agreement of Koidu Holdings allows the company to fence its concessions. Accordingly, Koidu Holdings is now constructing a major wall of stones, cutting through the landscape.

"According to the agreement, the company is allowed to check people entering or leaving the concession. It can even stop people from moving within the concession. The irony is, that there are still people living on the concession, who the company has not been able to resettle. These people are going to be harassed!"

Koido Holdings is constructing a wall around its premises in the town of Koido. Photo: Danwatch

Company profile: Sierra Mineral Holdings 1, Ltd

Sierra Mineral Holdings 1, Ltd mines bauxite, which is an aluminum ore. Vimetco Group bought the company from Sierra Rutile in 2008 along with two other subsidiaries, all incorporated in the British Virgin Islands.

In 2010 Sierra Mineral Holdings 1 reported losses and was not obliged to pay income tax. Vimetco has since taken over management of the mine and thereby increased production and profitability, resulting in payments of corporate income tax in 2011[I]. The liable income tax will be reduced by deferred tax assets.

Royalties are by far the largest payment from the company to the state of Sierra Leone. Vimetco reports sales from Sierra Leone of US$ 30 million of which a 3% royalty was paid, amounting to US$ 908,196.[II] The difference between this and the amount reported by government occurs because royalties are paid on a quarterly basis and with a small delay, so that the last quarterly portion of any year is paid to the government in the subsequent year.[III]

I Communications with Vimetco, October 3rd 2011

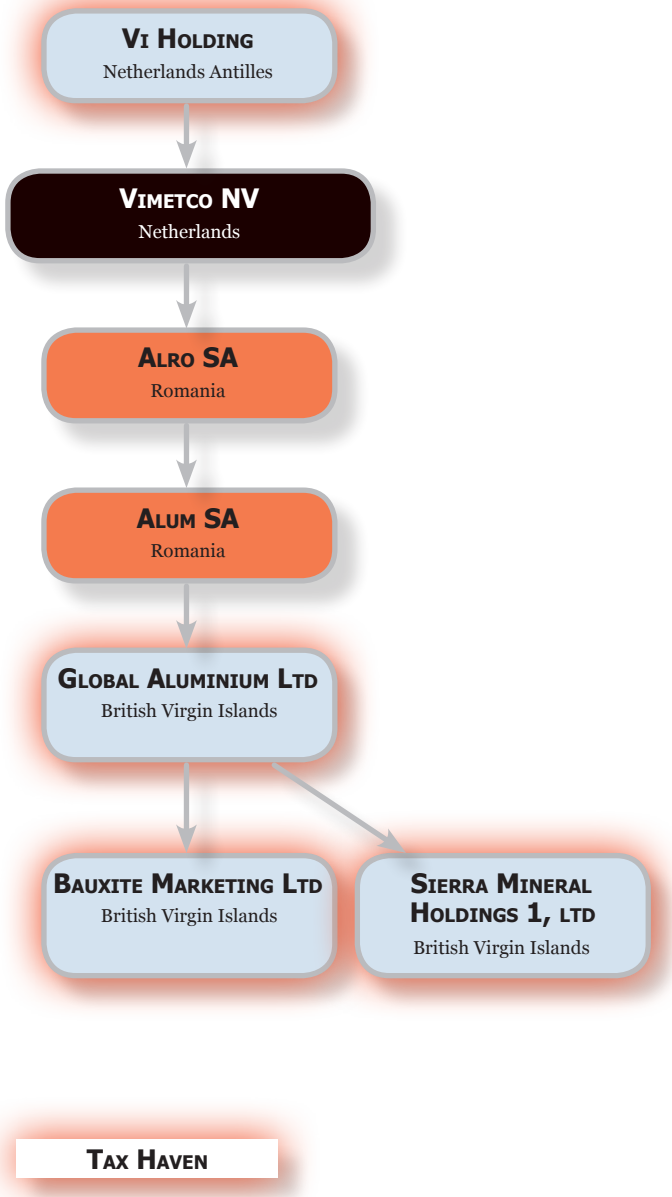
II Communications with Vimetco, October 3rd 2011

III Communications with Vimetco, October 5th 2011

SIERRA MINERAL HOLDINGS 1 GOVERNMENT REPORTED REVENUE 2010	
Royalties (reported by government of Sierra Leone)	US$ 1.1 m
Corporate Income Tax:	0
Other taxes	US$ 47,080
Total payments reported by government of Sierra Leone (Excl. PAYE)	US$ 1.1 m
Export value of production 2010:	US$ 30.3 m
Government revenue in percent of value of exports	3.8%

Most of the produce goes to Romania where Sierra Mineral Holdings 1 fully covers the demand of its owner Alum SA's refinery. The bauxite is refined and processed into aluminium, and during this process the value increases significantly. Total sales for the Vimetco group was US$ 2,295 million.[IV] Sierra Leone does not get a share of this value added. As Vimetco controls the entire supply chain the company benefits from the value added along every step in the value chain.

IV Vimetco, Annural Report 2010.



Company profile: African Minerals Ltd

African Minerals Ltd was formerly Sierra Leone Diamond Company Ltd, but changed its name in 2007. Currently, the company's main activity is development of an iron ore mining project in the Tonkolili mine located in the Sula mountain range in Northern Sierra Leone. The Tonkolili Project is expected to enter into production in the last quarter of 2011. Moreover, African Minerals Ltd is constructing a railway to transport the iron ore to the coast for export.

All of the company's subsidiaries in Sierra Leone are owned through subsidiaries in tax havens, notably the Bermuda. The company states that this is not to avoid paying Sierra Leone taxes, but to protect the capital gains of shareholders in the event of a disposal.[I]

African Minerals present their annual report and financial statements on a consolidated basis. This means that they do not report on the income, equity and balance etc. for each of the subsidiaries but for the group as a whole. For the financial year 2010 African Minerals reported a group loss of US$ 36 million.[II]

Besides the 3% royalty, African Minerals has agreed to pay 0.1% of gross sales to each of two development funds, managed and controlled by the company. As the company is not producing yet, they are not yet paying royalties. The lack of production is reflected by the loss, resulting in no obligation to pay income tax either.

African Minerals have negotiated a special income tax rate of 25%[III] - significantly lower than the 37,5% stipulated in the income tax act. Moreover, the company is exempt from the minimum income tax of 3,5% of turnover, that applies when chargeable income is below 7% of turnover.[IV] The minimum tax could ensure that government gets a share of the value of exports, even when business is bad or chargeable income is manipulated.

The financial statements of the group do not give details of income, expenses and tax payments of the individual companies in the corporate structure.

Operating expenses of the group was US$ 47.4 million.[V] As most of the activities of the group relate to the development of the mine and construction of the railroad, it must be anticipated that the majority of these expenses are incurred in the projects in Sierra Leone. Payments to the government of Sierra Leone account for only 7,4% of African Minerals' operating expenses.

The agreement between African Minerals and the government of Sierra Leone excempts African Minerals and its contractors from paying Goods and Services Tax (GST), though the Goods and Servies Act of 2009 only excempts machinery, apparatus and appliacnes designed for the exclusive use in mining.

African Minerals explains, that the company paid GST prior to the granting of the mining licence, and that some GST was erronesously paid after the granting of the license. The company will not seek to have those erroneous payments reverted.[VI]

The US$ 2.8 million GST in 2010 - the biggest payment of African Minerals in 2010 (disregarding PAYE) - is thus a mistake.

In the following table, payments to government are compared to the expenses of the group.

AFRICAN MINERALS GOVERNMENT REPORTED REVENUE 2010	
Corporate income tax	0
Royalties	0
Other taxes	US$ 3.5 m
Total payments reported by government of Sierra Leone (Excl. PAYE)	US$ 3.5 m
Operating expenses of group	US$ 47.4 m
Government revenue as percent of operating expenses	7.4%

I Correspondance with African Minerals, October 4th, 2011

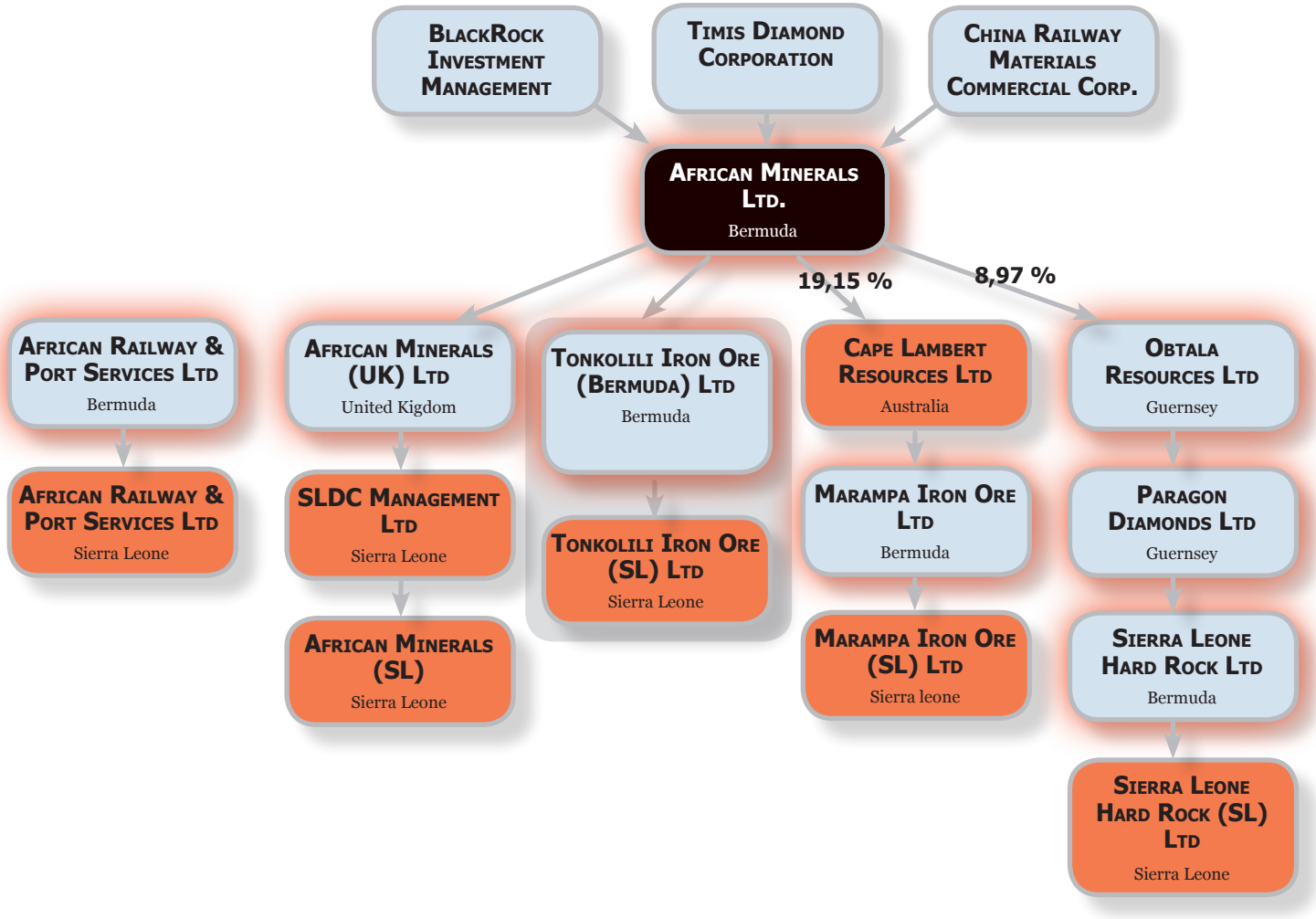
II African Minerals, Annual Report 2010, p. 46

III Mining Lease Agreement between Government of Sierra Leone and African Minerals, Art. 19 (c) (i) and (ii)

IV Mining Lease Agreement between Government of Sierra Leone and African Minerals, Art. 19 (c) (i) and (ii)

V African Minerals, Annual Report 2010, p. 58

VI Correspondance with African Minerals, October 4th, 2011



Primary Owner

Industrial Company

Holding Company

Tax Haven

TAXES AS ASSETS

In the financial statements of African Minerals Ltd taxes are noted as an income. This is because losses can be carried forward and deducted from future profits for tax purposes.

The Income Tax Act states that for mining companies: "A loss in any year of assessment may be carried forward as a deduction against income of the subsequent year of assessment".[I] However, African Minerals have negotiated, that losses can be carried forward for tax purposes for 10 years.[II]

So regarding taxes, years with losses mean that the company is accumulating tax credits. Once a company starts making a profit, the former losses will reduce or eliminate the taxable profits.

In its 2010 annual report African Minerals states that it has obtained a 'deferred tax asset' of US$ 8.2 million.[III]

African Minerals notes, that this is normal practice due to the amount of investments and the timespan from investement to profitability, that characterizes the mining industry.[IV] NMJD has also assessed this tax concession to be fair.[V]

I Income Tax Act, sixth schedule.

II Mining Lease Agreement between Government of Sierra Leone and African Minerals, Art. 19 (f)

III African Minerals, Annual Report 2010, p. 47

IV Correspondance with African Minerals, October 4th, 2011

V Network Movement for Justice and Development (NMJD) 2011, Cost-benefit review of African Minerals Limited Mining Lease Agreement (Tonkolili)

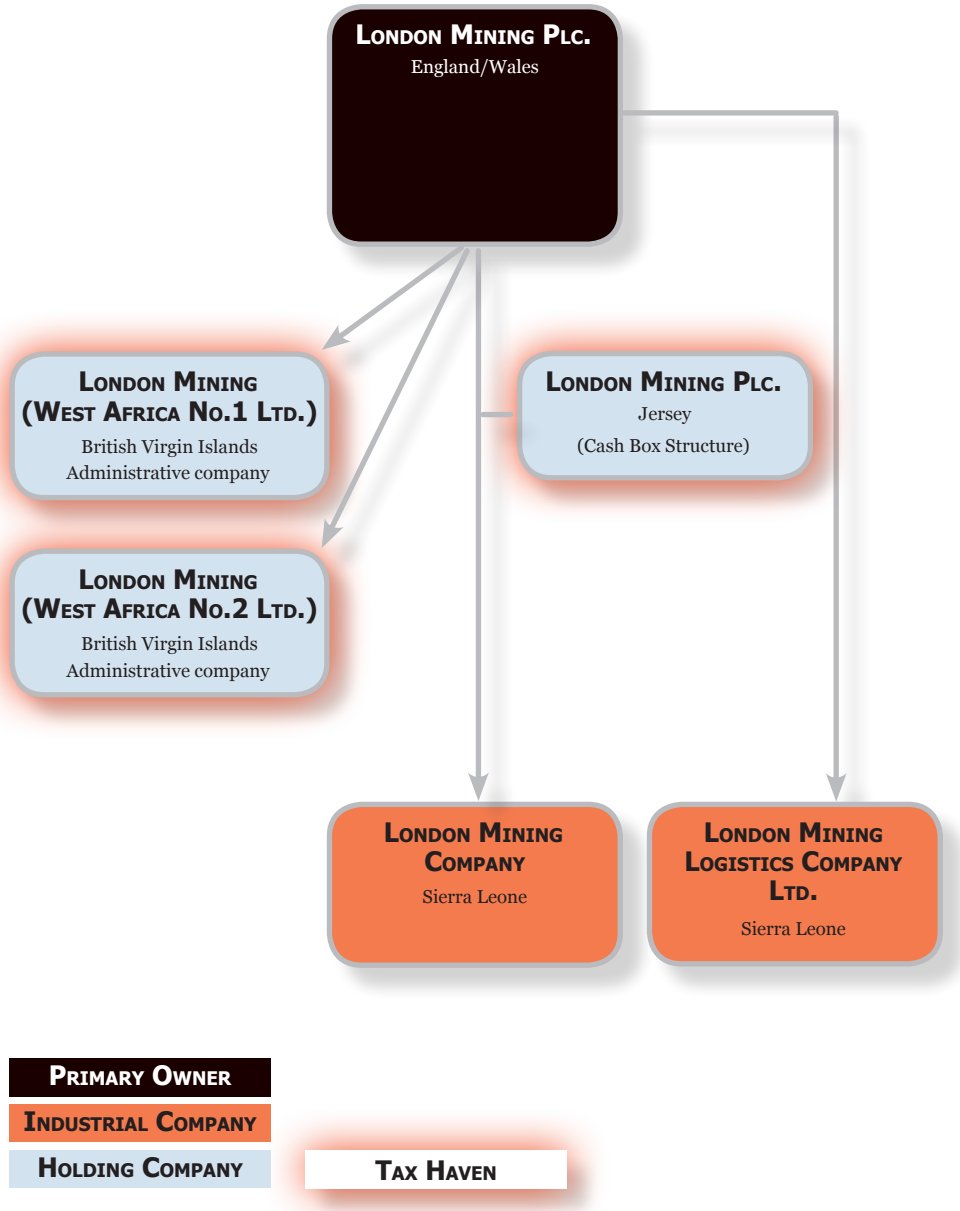
Company profile: London Mining

London Mining is a mining company with activities in Sierra Leone, Greenland, Saudi Arabia, China and Colombia. In Sierra Leone, London Mining is developing iron ore extraction at the Marampa site, alongside with Marampa Iron Ore (SL) (see African Minerals and Cape Lambert above).

The London Mining subsidiary in Sierra Leone is owned directly by London Mining Plc. but there are several other subsidiaries in tax havens in the corporate structure that could facilitate tax planning.

London Mining has raised US$ 110 million for the Marampa project by the construction of a subsidiary company, London Mining Plc. in Jersey.[I]

The tax effect in Sierra Leone of this arrangement depends on how the money raised are forwarded from the subsidiary to Sierra Leone. If they are forwarded as a loan, the Sierra Leone subsidiary will pay interest. The interest will then be a cost, minimizing the profit, and thus the tax base for income tax to be paid in Sierra Leone.



I London Mining, 'LONDON MINING PLC LAUNCHES USD110M CONVERTIBLE BOND', http://www.londonmining.co.uk/lm-launches%20usd110m%20convertible%20bond.aspx

London Mining is not yet producing, and thus pays no royalties. Its first shipment of iron ore is planned in late 2011. It will be interesting to see, how the production translates into revenue for the Sierra Leonean state.

In the presentation of revenue from the mining sector presented in the Poverty Reduction Strategy Paper progress report of Sierra Leone[II] a corporate income tax of US$ 1.5 million from London Mining is stated. This figure is very unlikely as London Mining is not yet producing, and reported a US$ 10.3 million loss for its iron ore project in Sierra Leone. On the other hand, no contributions other than PAYE and payroll tax are listed. Not even a payment for mining license is noted.

This might mean that the US$ 1.5 million represent the sum of several other payments. As these payments are unknown it is impossible to evaluate the numbers.

LONDON MINING GOVERNMENT REPORTED REVENUE 2010	
Royalties	0
Corporate income tax	0
Other taxes	US$ 1.5 m
Total payments reported by government of Sierra Leone (Excl. PAYE)	US$ 1.5 m
2010 Year Loss on project	US$ 10.3 m

The annual report of London Mining does not disclose the annual costs of operations for the activities in Sierra Leone.

FUTURE TAXES?

Until it was recently amended, the agreement of London Mining included a reduced tax rate which Leslie Mboka, national chairman of Campaign for Just Mining (CJM), describes as a robbery:[III]

"The Mines and Minerals Act of 2009 clearly stipulates that a mining company should pay 37,5 % in corporate income tax. Immediately after the London Mining agreement came into force in January 2010 and the company is only to pay 6 %. From 37,5 to 6 % - that is broad day robbery of the people!"

The London Mining Agreement has since been revised, and the income tax rate is now 25%.[IV]

However, when London Mining starts making income and supposedly create profits they will not only be paying a lowered income tax rate, the tax base will also be reduced:

- In its 2010 annual report London Mining explains how a "deferred tax asset" of $ US$ 1.3 is recognised, because London Mining expects to be exempt for paying this amount in taxes to Sierra Leone in the foreseeable future. This is beause losses in previous years can be carried forward and deducted from later profits, thus reducing or eliminating the tax base.
- Deferred tax assets are only recognized, when it is expected that they will result in tax reductions within a foreseeable future. London Mining has further unrecognized tax losses of US$ 19.4 million.

II Sierra Leone Poverty Reduction Strategy Paper (The Agenda for Change) Progress Report, 2008—10, June 2011. http://www.imf.org/external/pubs/ft/scr/2011/cr11195.pdf

III DanWatch interview with Leslie Mboka, Freetown, Sierra Leone. May 17th 2011

IV Newstime Africa: "Mining agreement between the government of Sierra Leone and London Mining (LMCL) has been revised" September 4th, 2011

Company profile: Sierra Rutile Ltd.

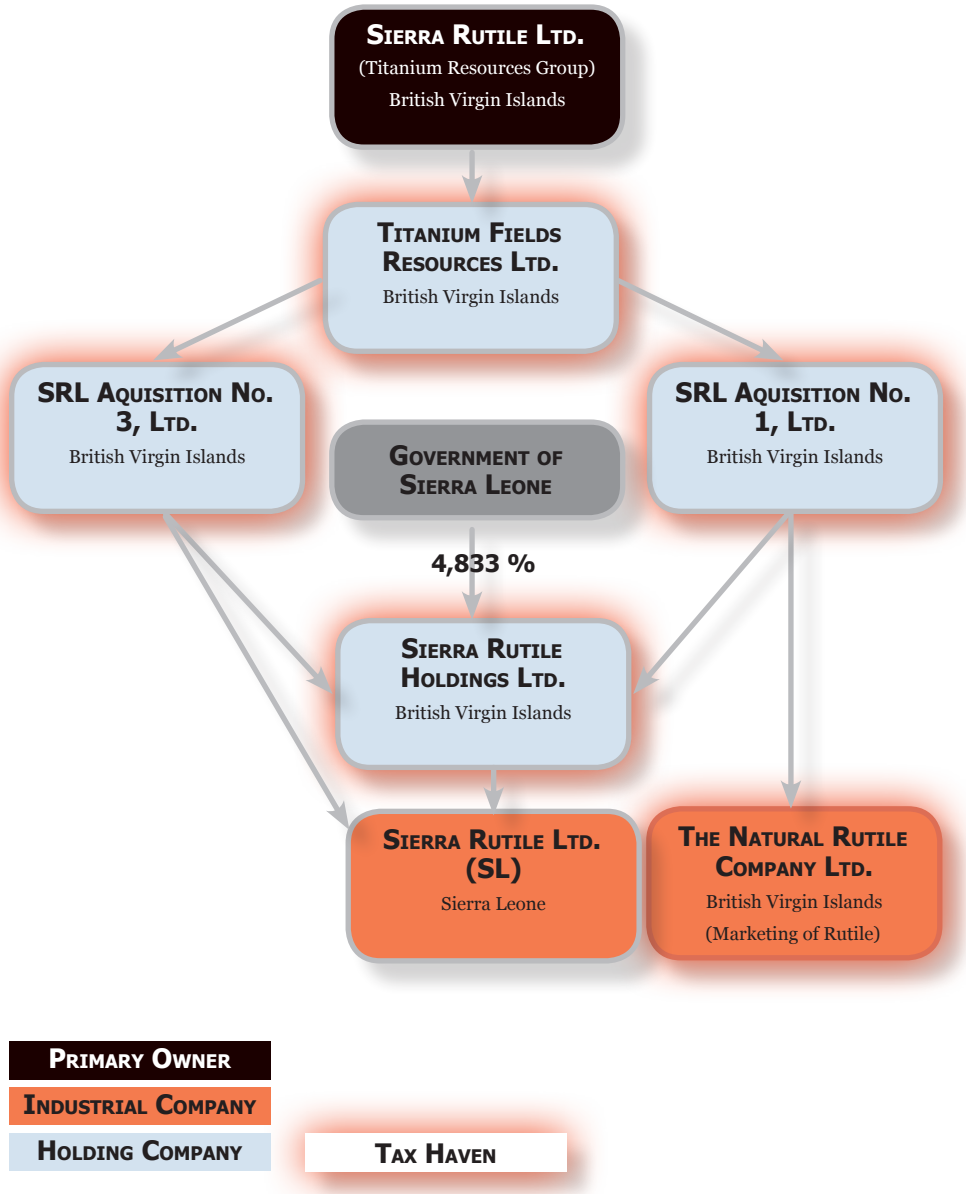
Sierra Rutile Limited (SL) operates a rutile mine near the Imperi Hills in the south west of Sierra Leone. Rutile resources in the mine are estimated to be over 600 million tonnes, making it one of the worlds largest natural rutile deposits. Extractions of rutile in this site began in 1967, but later closed. In 2005, Government facilitated the re-opening of the Sierra Rutile mines by securing a grant of €25 million from the EU and forwarding the loan to the company.

Sierra Rutile was formerly known as Titanium Resource Group, but changed its name in February 2011. The subsidiary Sierra Rutile Limited (SL) is owned through intermediate holding companies in the British Virgin Islands.

Sierra Rutile presents its financial reporting on a consolidated basis. For the year 2010 sales of rutile, ilmenite and zircon was US$ 43.9 million.[I] The company recorded a loss before tax of US$ 13.7 million, of which operating loss was US$ 11 million.[II]

Still payment of US$ 70,532 in corporate income tax was recorded. Sierra Rutile is the only of the reviewed companies that pays corporate income tax. Sierra Rutile pays corporate income tax based on its turnover rather than profits, in accordance with the mining agreement between the company and the state of Sierra Leone, whereby the tax rate is to be 0,5% of turnover.

This is significantly below the minimum turn-



I Sierra Rutile Limited, Annual Report 2010, p. 66

II Sierra Rutile Limited, Annual Report 2010, p. 7

over tax rate of 3,5% that the Income Tax Act provides for.[III]

The 0,5% amounts to US$ 219,550. Government of Sierra Leone reported US$ 70,591. Sierra Rutile explains the difference with the timing of payments and prior corporate income tax overpayments.[IV] If the company did indeed pay US$ 219,550, government revenue in percent of value of exports would still be only 2,5%.

According to National Advocacy Coalition on Extractives (NACE), Sierra Rutile has also reduced its royalty-rate to 0,5 %. This matches the registered royalties of US$ 229,583. According to the Mines and Minerals Act of 2009 royalty rates on rutile should be 3%. Compared to this, the government has foregone US$ 1.1 million in 2010. Sierra Rutile itself says, that from 2009-2014 the difference between the rates of 3% and 0.5% could mean that the government foregoes US$ 9.3 million.[V]

The following table summarises Sierra Rutiles payments to government and reveals that Sierra Leone retains only 2.4% of the value of exports from Sierra Rutile. Sierra Rutile states that they also paid US$ 349,782 in national insurances.[VI] We do not regard these as taxes, and hence do not include this figure in our calculations.

III Income Tax Act, 2000. Section 21 (Sixth Schedule), subsection 4

IV Correspondance with Sierra Rutile, October 10th, 2011.

V NACE 'Sierra Leone at the crossroads' 2009, p. 1

VI Correspondance with Sierra Rutile, October 10th, 2011.

SIERRA RUTILE LTD. GOVERNMENT REPORTED REVENUE 2010	
Corporate Income Tax	US$ 70,591
Royalties	US$ 229,495
Other taxes	US$ 669,286
Total payments reported by government of Sierra Leone (Excl. PAYE)	US$ 969,372
Export value of production	US$ 43.9 m
Government revenue in percent of value of exports	2.2%

SHARES INSTEAD OF PAYE

Sierra Rutile has made a peculiar arrangement with the government of Sierra Leone regarding PAYE tax from its employees. Sierra Rutile does withhold money from salaries to employees, but they are not forwarded to the government in cash. Instead, the government receives shares in Sierra Rutile amounting to the value of PAYE.

In 2010 non-paid PAYE accrued for US$ 1 million; in 2009 it was US$ 1.2 million. Instead of the foregone PAYE, at December 31, 2010 the government of Sierra Leone held 4.833 % of the shares in Sierra Rutile Holdings Ltd, the intermediate holding company which owns Sierra Rutile in Sierra Leone.[VII]

VII Sierra Rutile, Annual Report 2010, p. 70

Sierra Rutile Holdings Ltd. is incorporated in the tax haven of British Virgin Islands and discloses no financial accounts. Thus the earnings or loss per share is unknown. Basic loss per share in the group as a whole was US$ 0.032 in 2010.[VIII]

The original agreement provided for PAYE up to US$ 37 million to be paid as shares over the years until 2014.[IX] Sierra Rutile is currently in negotiations with the Government of Sierra Leone to begin making cash PAYE payments from 2012 onwards.

Whilst the economic contribution of Sierra Rutile is limited by tax concessions, the company has profound impacts on the local environment and community, living in a landscape that Leslie Mboka describes:[X]

"If you look at the huge environmental impacts, there are countless artificial lakes. We have drowning cases, not only unsupervised children, but adults are drowning in these lakes that are 60-70 feet deep. We have a constant threat of flooding, especially in the Bonthe and Moyamba districts. We have had cases where communities were flooded. In 2005 Mobelmo and Mosama were completely wiped out of the map! They no longer exist! - as a result of reckless mining. How do we correct this environmental madness? Sierra Rutile has not made any serious attempt to restore the environment."

VIII Sierra Rutile, Annual Report 2010, p. 68

IX Sierra Rutile, Annual Report 2010, p. 70

X DanWatch interview with Leslie Mboka, Freetown, Sierra Leone. May 17th 2011

Sierra Rutile states that these incidents occured due to lack of investments when the mine was abandoned during and immediately after the civil war, that the company paid compensation and that significant funds have since been invested to ensure that the dams are well constructed and maintained.[XI]

XI Correspondance with Sierra Rutile, October 10th, 2011.

Appendix 1 :

MINES REVENUE COLLECTED BY THE NATIONAL REVENUE AUTHORITY - JANUARY - DECEMBER, 2010
(Amount in Million Leones)

Collection Agency	Mines Tax Handles	Amount Collected	% Contribution to Tatal Mines Revenue	% Contribution to Tatal NRA Revenue	% Contribution to the Nominal GDP Revenue
Non Tax Revenue Department (NTR)	Royalties on Rutile	707.9	0.7	0.1	0.0
	Royalties on Bauxite	3,718.4	3.4	0.4	0.0
	Royalties on Diamond	4,654.2	4.3	0.5	0.1
	Royalties on Gold	1,055.7	1.0	0.1	0.0
	Mining Lease	6,560.0	6.0	0.7	0.1
	Mining Licences	8,224.7	7.6	0.9	0.1
	Sub - Total	***24,920.9***	***22.9***	***2.6***	***0.3***
Income Tax Department (ITD)	Withholding 5% Contract	7,238.0	6.7	0.8	0.1
	PAYE	28,859.2	26.6	3.0	0.4
	Withholdint 10% Rent	65.0	0.1	0.0	**
	Payroll Tax	114.5	0.1	0.0	**
	Corporate Tax	8,016.1	7.4	0.8	**
	Withholdint 10% Contract (Non resident)	26,366.2	24.3	2.8	0.3
	Personal Income Tax	213.3	0.2	0.0	**
	Standard Assessment (STD)	52.6	0.0	0.0	**
	Sub - Total	***70,924.9***	***65.3***	***7.4***	***0.8***
Customs and Excise Deparment (CED)	Import Duty	3,190.1	2.9	0.3	0.0
	Ecowas Levy	0.5	**	**	**
	Import GST	6.8	0.0	**	**
	Withholding Income Tax	3.0	0.0	**	**
	Sub - Total	***3,200.4***	***2.9***	***0.3***	***0.0***
Goods & Service s Tax	*GST on contract fees*	*9,590.3*	*8.8*	*1.0*	*0.1*
	Sub - Total	***9,590.3***	***8.8***	***1.0***	***0.1***
Analysis	Grand Total Mines Revenue	108,636.5			
	Total NRA Revenue	955,662.0			
	Nominal GDP	7,605,300.0			
	Total Mines Revenue as % of Total NRA Revenue			11.4	
	Total Mines Revenue as % of Nominal GDP			1.4	

Total number of Mining companies	98
Individuals dealing in Mining Activities	319

Note: ** = Negligible

use these

Appendix 2:

Table 4.8.1: Revenue from The Mining Sector, 2010 (Million of Leones)

No.	Name of Mining Company	Mining Activity/Type of Mineral	Tax Type													Total	% Cont.
			Mining Licences	Mineral Resources Royalty	Prospecting Right	Mining Lease	W/H 5% Contract	W/H 10% Rent	Payroll Tax	Corporate Tax	GST on Contract	Import Duty	Ecowas Levy	Import GST	W/H Income Tax		
1	African Minerals	Iron Ore, Gold, Diamond, Prec.	10	-	-	-	2,124	46	68	-	9,570	4	0	7	2	11,831.3	34.3
2	Koidu Holdings	Diamond, Gold & Base Metal	471	5,365	-	779	161	2		-	-	909	0		1	7,687.0	22.3
3	London Mining Co. LTD	Iron Ore	-	-	-	-	-		57	5,123	-	-	-	-	-	5,180.3	15.0
4	Sierra Mineral Holding LTD	Bauxite	-	3,718	-	-	159	-	-	-	-	-	-	-	-	3,877.4	11.2
5	Sierra Rural LTD	Titamun, Zircon & Monazite	399	777	-	-	1,820	-	47	239	-	-	-	-	-	3,282.0	9.5
6	Cluff Gold (SL) LTD	Gold	880	121	-	-	194	17			-	-	-	-	-	1,211.8	3.5
7	West African Zircon	Not Specified	707	-	-	-	-	-	-	-	-	-	-	-	-	706.6	2.0
8	Kripto Intn'l (Mining SL) Ltd	Not Specified	12	-	326	-	-	-	-	-	-	-	-	-	-	338.7	1.0
9	Sierra Leone Exploration & Mining Co.	Bauxite	258	-		-	-	-	-	-	-	-	-	-	-	257.8	0.7
10	Marampa Iron Ore (SL) Ltd	Bauxite, Gold, Precious & Base Metals	-	-	20	-	88	-	-	-	-	-	-	-	-	107.3	0.3
Total			**2,735.8**	**9,981.0**	**345.8**	**778.7**	**4,546.7**	**65.0**	**171.5**	**5,362.1**	**9,570.3**	**913.0**	**0.5**	**6.8**	**3.0**	**34,480.2**	**100.0**

Analysis	
Total Mines Revenue from first Ten (10) Largest Companies	2,772.40
Total 2010 Mines Revenue	08,636.50
Total NRA Revenue	55,662.00
Nominal Gross Domestic Product (GDP)	,705,300.00
Total Mines Revenue from first Ten (10) Largest Companies % of Total 2010 Mines Revenue	57.80
Total Mines Revenue as % of Total NRA Revenue	11.40
Total Mines Revenue from Ten (10) Largest Companies as % of Total NRA Revenue	6.60
Total Mines Revenue as % of Nominal GDP	1.40

AJME