

Deloitte footprint in Africa

Click on the relevant country below
to access the information





Angola

Highlights

Currency:

Angolan Kwanza (AKZ)

Foreign exchange control:

The import and export of foreign funds is regulated by the national bank. Investors may open foreign currency accounts in Angola.

Accounting principles/financial statements:

Angola is not a member of IFAC and IFRS has not been adopted. Auditing is mandatory. Taxpayers must maintain a standard accounting system enabling their taxable income to be clearly and accurately computed and examined. Corporate taxpayers (including a permanent establishment (PE) registered for tax purposes) are required to appoint an accountant registered with the Ministry of Finance as their tax representative.

Principal business entities:

These are the private limited liability company (public limited liability company, branch of a non-resident company and joint venture.

Corporate taxation:

Residence – A business is considered a tax resident if its domicile, head office or place of effective management or control is in Angola.

Basis – A resident company is taxed on its worldwide income; a non-resident is taxed only on Angola-source income

Taxable income – Business income is broadly defined and includes all earnings and gains from both principal and secondary activities.

Taxation of dividends – For residents, dividends are included in taxable income and are liable to taxation at the standard corporate income tax rate, subject to application of the participation exemption.

Withholding tax imposed on dividends may be credited against the final tax liability.

Capital gains – Capital gains are taxed as business income. An inflationary adjustment is deductible from gains arising from the disposal of assets on which capital allowances are not available. Rollover relief is available.

Losses – Tax losses may be carried forward for three years. The carry back of losses is not permitted.

Rate – The standard rate of corporate income tax for residents (including Angolan PEs of non-resident companies) is 35%. A reduced rate of 20% applies for agriculture and forestry activities. The rate is 30% for rent from urban

property and 40% rate on mining activities. Income from oil operations is taxed at 50% or 65.75% for foreign production sharing agreement and joint venture partners.

Surtax – No

Alternative minimum tax – A start-up tax computed by the tax authorities is levied upon the commencement of activities and is based on a table of minimum deemed profits.

Foreign tax credit – Angola applies the ordinary foreign tax credit as a unilateral method for the avoidance of double taxation for residents companies and Angola PEs of non-resident companies.

Participation exemption – Dividends received by an Angola company from another Angola company are deducted from the taxable profit of the recipient, provided by the recipient held at least 25% of the payer company for at least 2 years (or from the incorporated date for companies operating less than two years).

Holding company regime – No

Incentives – Significant incentives are available (for up to 15 years) for foreign and local investors in priority geographic areas and priority industries. These can an exemption from or reduced rates of corporate tax, withholding tax, custom duties and the transfer tax on property.

Withholding tax:

Dividends – A 10% withholding tax is levied on dividends paid to a resident or a non-resident.

Exemptions apply in certain cases and the rate may be reduced to 2.5% or 0% under an incentive package.

Interest – A 15% incentive tax is levied on interest paid to a resident or a non-resident. The rate may be reduced to 2.5% under an incentive package.

Royalties – A 10% withholding tax is levied on royalties paid to a resident or non-resident. The rate may be reduced to 2.5% or 0% under incentive package.

Other – Tax is withheld on payments for most types of services provided to Angola residents. The withholding tax rate is 3.5% for services related to immovable property and 5.25% for other services. For residents, the tax withheld is considered a payment on account on tax due at year end.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – A capital duty of 0.5% is levied on the contribution of new capital in a company.

Payroll tax – No

Real property tax – Real estate tax is charged at a rate of 30% on taxable income arising from urban real estate. Specific rules apply for calculating taxable income for purposes of this tax. The tax is not applied to owner-occupied buildings used for industrial purposes.

Social security – The employer pays 8% and the employee pays 3% of the salary.

Stamp duty – Stamp duty applies to many acts, contracts, documents, etc., at nominal or ad valorem rates. A 1% stamp duty is levied on the monthly turnover of a company.

Transfer tax – Property transfer tax is applicable to transfers of real estate (buildings and lands) at a rate of 10%. The tax is due by the purchaser.

Other – No

Anti-avoidance rules:

Transfer pricing – The arm's length principle applies to related party transactions.

Thin capitalisation – No

Controlled foreign companies – No

Other – No

Disclosure requirements – No

Administration and compliance:

Tax year – Calendar year

Consolidated returns – Consolidated returns are not permitted; each company must file its own return.

Filing requirements – Returns and final tax payments are due by 31 May, along with audited financial statements. Provisional tax is payable monthly at 3.5% of the previous month's turnover.

Penalties – A penalty equal to double the tax due is imposed for late payment of corporate income tax.

Rulings – Potential investors can obtain rulings on tax matters from the national directorate of Taxes. Rulings on binding on the tax authorities provide the facts disclosed remain valid. The tax authorities will also grant specific rulings or general guidance on the interpretations of the tax law.

Personal taxation:

Basis – Individuals are taxed on Angola source income.

Residence – Residence is not defined in Angola tax law, as individuals are taxed, irrespective of their residence, on Angolan-source income.

Filing status – Spouses must file separate returns; joint filing is not permitted.

Taxable income – Individuals are subject to separate tax on income from business, employment, investments and property. Employment income is broadly defined and includes benefits-in-kind.

Capital gains – Capital gains obtained by an individual are only taxable when realised as part of a business activity.

Deductions and allowances – Vacation and severance pay, accident and illness benefits and the "13th month" bonus are excluded from taxable employment income. Social security deductions are deductible.

Rates – Employment income is taxed at progressive rates up

to a maximum rate of 17%. The withholding on investment income is a final tax for individual. Taxable capital gains are included in business income and taxed at the standard tax rate of 20% for unincorporated business. Professional fees are subject to withholding tax at an effective rate of 10.5%.

Other taxes on individuals:

Capital duty – A capital duty of 0.5% is levied on the contribution of new capital in a company.

Stamp duty – A 1% stamp duty is levied on all business receipts. Documents and agreements are also subject to stamp duty at nominal or ad valorem rates.

Capital acquisitions tax – No

Real property tax – Real estate tax is charged at a rate of 30% on taxable income arising from urban real estate. Specific rules apply for calculating taxable income for purpose of this tax. The tax is not applied to owner-occupied buildings used for industrial purposes.

Inheritance/estate tax – A gift and inheritance tax applies to gratuitous transfers of property located in Angola by a resident. The rate is 10% for transfers between spouses, offspring or parents for the first AKZ 3 million, and 15% on the excess.

Net wealth/net worth tax – No

Social security – The employee pays 3% and the employer pays 8% computed on monthly wages. Administration and compliance:

Tax year – Calendar year

Filing and payment – Self-employed individuals must file a tax return by the end of January following the end of the tax year. An employee that only has only employment income is not required to file a personal income tax return.

Penalties – A penalty equal to double the tax due is imposed for late payment of income tax.

Value added tax:

Taxable transactions – Angola levies a consumption tax, which operates as an excise tax and a sales tax on the supply and the import of certain goods and services in Angola.

Rates – the standard rate is 10%, with a reduced rate of 2% on essential foods and medical supplies. Increases rates of 20% and 30% apply to certain luxury items.

Registration – The commencement of activity tax return filed by a new business is used for registration for consumption of tax purposes.

Filing and payment – The monthly return and payment of tax are due by the last business day of the following month.

Source of tax law:

General Tax Law; Corporate Income Tax Code; Withholding tax Law; Social Security System Law; Capital Income Tax Code; Personal Income Tax Code

Tax treaties:

Angola has not concluded any tax treaties.

Tax authorities:

Ministry of Finance

International organisations:

SADC, COMESA, OPEC, AGOA beneficiary

Deloitte contact:

Sérgio Miguel

Email: smiguel@deloitte.pt

Direct: +351 966 41 34 57

Botswana

Highlights



Currency:

Botswana Pula (BWP)

Foreign exchange control:

No

Accounting principles/financial statements:

IAS/IFRS. Financial statements must be filed annually.

Principal business entities: These are the public/private limited liability company, partnership, sole proprietorship and branch of a foreign company.

Corporate taxation:

Residence – A corporation is resident if it is incorporated in Botswana or managed in Botswana.

Basis – Corporate income tax is levied on the Botswana-source taxable income of all companies, other than tax-exempt bodies (such as pension funds or charities) and small companies that elect to be treated as partnerships or sole proprietorships. A company, for income tax purposes, includes any body corporate and any association or society (whether or not incorporated or registered), but excludes a partnership. Foreign-source dividends and interest are deemed to be from a Botswana source and are taxable on accrual, while business profits are taxable only when remitted to Botswana. Non-resident entities carrying on business in Botswana (e.g. branches of foreign companies) are liable for tax in Botswana on the same basis as resident companies, except that the two-tier system of taxation is not applicable. Instead, these branches are subject to tax at a single rate of 25%. There is no further tax on the remittance of branch profits to a foreign head office.

Taxable income – Taxable income is gross income, including capital gains, less exempt income and allowable deductions.

Taxation of dividends – Dividends received are specifically excluded from the definition of gross income and, therefore, constitute exempt income. Dividends received from sources outside Botswana are subject to a flat 15% tax.

Capital gains – Capital gains on the sale of shares and debentures, including those of unincorporated businesses and on the sale of immovable property, are taxable in Botswana at normal corporate rates. However, a 25% allowance is permitted in the calculation of capital gains on the sale of shares. Gains from the sale of shares listed on the Botswana stock exchange are exempt from tax, provided the shares are in the hands of the general public.

Losses – Losses may be carried forward 5 years. Farming and mining enterprises may carry forward their losses indefinitely.

Rate – For residents, the corporate income tax rate is split into 2 tiers: a basic company tax of 15% (5% for manufacturing companies) and an additional company tax (ACT) of 10%. Hence, the effective rate of corporate income tax is 25% (15% for manufacturing companies and IFSC companies). This two-tier system becomes relevant when a company pays dividends. A resident company paying dividends must withhold tax at 15%. This withholding tax can be set off against the company's ACT liability for the tax year, and any unused ACT is accumulated and may be carried forward for 5 years. The 15% withholding tax, which is considered part of the corporate tax structure and not a tax on dividends, can be reduced by ACT not previously used. In effect, the 2-tier system has the result that a resident company incurs no additional tax cost on the distribution of profits, provided the withholding tax payable does not exceed the current year's ACT liability.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Relief from double taxation is provided in the form of a credit against Botswana tax for foreign tax paid on the same income. The credit may be granted under a tax treaty or unilaterally under Botswana domestic tax law. In the latter case, the credit is limited to the amount of Botswana tax applicable on the foreign income.

Participation exemption – No

Holding company regime – No

Incentives – A reduced tax rate of 15% applies in respect of manufacturing and IFSC companies.

Withholding tax:

Dividends – A withholding tax of 15% is levied on all dividends paid by a resident company to a resident or non-resident. The withholding tax is a final tax and may be set off against the 10% ACT liability of the paying company for the tax year.

Interest – A 15% withholding tax is levied on interest paid to non-residents and 10% on interest paid to residents. The withholding tax on interest may not be offset against the corporate liability.

Royalties – The withholding tax on royalty payments made to non-residents is 15%. The withholding tax on royalties may not be offset against the corporate liability.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Local authorities levy a property tax, known as “rates”, on property owners. A 5% transfer duty is levied on all property sales.

Social security – No

Stamp duty – No

Transfer tax – A transfer duty of 5% is levied on the transfer of immovable property.

Other – A capital transfer tax at a rate of 12.5% is imposed on the transfer of assets. Company registration fees are levied at varying rates.

Anti-avoidance rules:

Transfer pricing – No

Thin capitalisation – No

Controlled foreign companies – No

Other – No

Disclosure requirements – No

Administration and compliance:

Tax year – The tax year runs from 1 July to 30 June, although a company may choose any day as its financial year end.

Consolidated returns – Botswana tax law treats every company within a group as a separate and independent taxpayer. No provision is made for group companies to file a consolidated tax return, nor are there provisions for the transfer of losses between group companies. However, relief is provided in respect of dividends paid out of dividends received.

Filing requirements – A self-assessment system applies.

Each company is required to estimate the tax it will pay at the beginning of each year. Under self-assessment, a company that has a tax liability over BWP 50,000 is required to pay the tax in 4 quarterly payments commencing the first quarter after its financial year end. A final, or fifth instalment, can be made 4 months after its year end at the same time that the company submits its return. A company with liability of less than BWP 50,000 is required to pay the full liability 4 months after its year end at the same time that the company submits its return.

Penalties – BWP 100 per day for late filing of the corporate tax return. Interest of 1.5% per month for late payment may be imposed.

Rulings – Rulings are rarely issued.

Personal taxation:

Basis – Resident and non-resident individuals are liable for tax only on Botswana-source income. Residence status is nevertheless important because non-residents are subject to tax at different rates.

Residence – A resident is an individual who has resided in Botswana for 183 days or more in any tax year.

Filing status – Spouses are taxed separately on income.

Taxable income – Taxable income comprises employment, business income, passive income (e.g. dividends, interest, royalties, etc.) and capital gains.

Capital gains – Capital gains are treated as taxable income subject to the normal personal income tax rate.

Deductions and allowances – Few deductions are allowed.

Contributions to a pension or superannuation fund are deductible. Taxpayers with business income are allowed the same deductions as for companies.

Rates – Rates are progressive to 25%.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – Refer to “Other taxes on corporations”.

Inheritance/estate tax – Donations, other gratuitous disposals (such as inter vivos gifts) and estates of deceased individuals are subject to capital transfer tax. The rate is graduated up to 5% for individuals.

Net wealth/net worth tax – No

Social security – No

Administration and compliance:

Tax year – The tax year runs from 1 July to 30 June.

Filing and payment – Only individuals earning non-employment income are required to file a return. Tax on employment income is deducted at source. The income tax return must be filed within 3 months of the end of the tax year, although reasonable extensions may be granted. Any balance of tax due when the tax authorities issue an assessment is payable within 30 days of receipt of the assessment. Unincorporated businesses pay tax on the same basis as individuals.

Penalties – Failure to pay tax or late filing may give rise to interest or penalties. Late payment interest is 1.5% per month and currently there are no penalties for late filing of returns by individuals.

Value added tax:

Taxable transactions – VAT is charged on the supply of goods or services made by a vendor in the course of doing business and on the importation of goods or services by any person.

Rates – The standard rate is 10%. A zero rate applies to, among other items, exports, the international transport of passengers or goods and the insurance or arrangement of those services, and various services rendered directly to non-residents that are not registered for Botswana VAT purposes. In addition, certain goods and services are exempt from VAT, including certain financial services, educational services, the letting of residential accommodation and certain medical services.

Registration – Taxpayers with annual turnover of at least BWP 500,000 must register for VAT purposes.

Filing and payment – A person registered for VAT purposes must submit a VAT return in respect of each tax period within 25 days after the end of the relevant tax period. The tax period is generally 1 calendar month.

Source of tax law:

Income Tax Act; VAT Act

Tax treaties:

Botswana has concluded 10 tax treaties.

Tax authorities:

Botswana Unified Revenue Service

International organisations:

UN, SADC, COMESA

Deloitte contact:

Terry Brick

Email: tbrick@deloitte.co.za

Direct: +267 395 1611

Democratic Republic of Congo

Highlights



Currency:

Congolese Franc (CDF)

Foreign exchange control:

Banks are required to report significant foreign exchange transactions to the Central Bank. Carrying or holding foreign currency in the DRC is not prohibited. Payments to or from a foreign country are subject to a 2% exchange control fee. Exporters are required to repatriate proceeds resulting from exports via commercial banks. Funds carried by travellers that exceed the equivalent of USD 10,000 must be reported.

Accounting principles/financial statements:

Financial statements must be prepared annually under DRC GAAP. The books or accounting records should be maintained in French and denominated in local currency, except for mining operations which may report in foreign currency (USD). Principal business entities: These are the public and private limited liability company, partnership, sole proprietorship, co-operative society and a branch or subsidiary of a local or foreign company.

Corporate taxation:

Residence – A company is resident in the DRC if it is incorporated in the DRC or has its principal place of business there. A PE will be deemed to exist if a person maintains a physical installation in the DRC, regardless of the form (i.e. shop, warehouse, branch, factory, leased building, office, etc.) or conducts professional activities under its own name for more than six months.

Basis – Resident and non-resident corporate entities are subject to tax on income derived from activities carried out in the DRC, i.e. the DRC tax system is source-based.

Taxable income – Corporate income tax is levied on a company's gross income minus allowable deductions. Expenses incurred to realise taxable income generally are deductible for tax purposes.

Taxation of dividends – Dividends received are treated as taxable income.

Capital gains – Capital gains are treated as taxable income and subject to the standard rate of corporate income tax.

Losses – Losses may be carried forward for five years provided they are approved by the tax authorities. Losses may not be carried back.

Rate – The general rate of 40% applies to a DRC-incorporated company, subsidiary or branch of a foreign company. Mining companies are subject to a 30% rate.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – The DRC does not provide for a unilateral foreign tax credit and foreign taxes paid may not be deducted in calculating taxable income. There is no tax equalisation or hypothetical tax in the DRC. The DRC has not concluded any tax treaties.

Participation exemption – No

Holding company regime – No

Incentives – Various incentives are available to qualifying companies, including mining companies. Incentives are generally in the form of reduced tax rates or an exemption.

Withholding tax:

Dividends – Dividends or other distributions made to a resident or non-resident are subject to a 20% withholding tax; the rate is 10% for mining companies.

Interest – Interest paid to a non-resident is subject to a 20% withholding tax; an exemption applies to interest paid to a mining company.

Royalties – Royalties paid to a resident or non-resident are subject to a 20% withholding tax on the net amount (royalty expenses may be deducted in an amount equal to 30% of the gross payment).

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – The employer is required to submit monthly Pay As You Earn returns on behalf of its employees before the 10th of the month following the month the salary is paid or made available. Salaries tax rates are banded and range from 3% to 50%, with a cap.

Real property tax – Land rates are assessed by the provincial and tax authorities. Refer to "Transfer tax".

Social security – The employer is required to contribute 5% of the salary paid (for staff in provinces other than Katanga province) or 9% (for staff in Lubumbashi province) to social security. The employee contributes 3.5% of salary, which is withheld by the employer and remitted to the authorities.

Stamp duty – A 3% stamp duty applies to the transfer of land and building property.

Transfer tax – No

Other – No

Anti-avoidance rules:

Transfer pricing – Although the DRC does not have a transfer pricing law, transactions between related parties must be at arm's length. Abnormal payments made by a local company to a related or group company will give rise to a taxable profit for the local company.

Thin capitalisation – The holder of a mining license must observe a ratio of less than 75/25 between borrowed funds and equity.

Controlled foreign companies – No

Other – No

Disclosure requirements – The tax authorities can require information from a taxpayer concerning its tax affairs and may demand information from a bank or public administration relating to payments of interest, remittances of funds, etc.

Administration and compliance:

Tax year – Calendar year

Consolidated returns – Consolidated returns are not permitted; each company is required to file a separate return.

Filing requirements – A self-assessment and compensating tax return must be filed before 31 March in the year following the end of the company's accounting period. Tax instalments are due no later than 1 August and 1 December based on the relevant proportion of the estimated current or prior year's tax liability.

Penalties – Late payments of self-assessed tax are subject to a 20% penalty for a first offence and 40% for a second offence, plus 10% monthly interest on the amount due.

Rulings – A taxpayer may request a non-binding interpretation from the head of the tax administration.

Personal taxation:

Basis – There is no personal taxation per se in the DRC: taxes due by individuals are remitted to the authorities by the employer. Both residents and non-residents are taxable on employment income derived from the DRC. Individuals engaged in a business are taxed under the rules governing companies, i.e. all income accruing in or derived from the DRC is subject to tax in the DRC.

Residence – An individual is resident for tax purposes if he/she spends more than 6 months in the country.

Filing status – Although the tax law contains provisions applicable to individuals, "personal taxes" are collected through business entities.

Taxable income – All income accruing in or derived from the DRC is subject to tax. Employment income is restricted to salaries and other remuneration received as compensation for activities carried out in the country. All fringe benefits are taxable, except for housing, transport and legal family allowances.

Capital gains – Capital gains are taxable in the DRC.

Deductions and allowances – Non-taxable housing allowances should not exceed 30% of basic salary, and non-taxable transport and family allowances may not exceed the legal limits.

Rates – Progressive rates ranging from 3% to 50%.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – No

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – An employee must contribute to the national social security at a rate of 3.5% of gross salary. The employer is required to contribute 5% of the salary paid (for staff in provinces other than Katanga province) or 9% (for staff in Lubumbashi province) to social security.

Administration and compliance:

Tax year – Calendar year

Filing and payment – Any balance of tax payable is due by 10 January by the employer in the following calendar year. An individual's personal tax is fully settled through the PAYE system.

Penalties – Refer to "Corporate taxation".

Value added tax:

Taxable transactions – VAT will be introduced in 2012.

Currently, the DRC levies a sales tax on the supply of taxable goods and services manufactured or provided in the DRC by a taxable person in the course or furtherance of a business carried on by that person, and on the importation of goods and services into the DRC.

Rates – The standard rate is 18%. Other rates include: a 6% rate on taxable transport transactions; 15% for cross-border transport transactions; 18% for services rendered by a resident entity, 30% when rendered by a non-resident entity and 9% when rendered by a bank or financial institution in respect of a loan, other than a husbandry loan; 18% for building services; 3% for equipment, agriculture and veterinary inputs; and 15% on all other sales.

Registration – Registration is compulsory for all persons (business or individual) that are liable to tax. Registration must take place within 15 days following commencement of a business.

Filing and payment – Sales tax returns and related payments are due by the 15th day of the following month.

Source of tax law:

DRC Tax Code, Tax Procedure Law, Sales Tax Decrees-Laws

Tax treaties:

The DRC has not concluded any tax treaties.

Tax authorities:

Customs Office (OFIDA) – Tax Administration (DGI) and Tax Administration for Land Related and Administrative Revenue (DGRAD)

International organisations:

SADC, WTO

Deloitte contact:

Stéphane Klutsch

Email: sklutsch@deloitte.com

Direct: +242 714 3367

Ghana

Highlights



Currency:

Ghana Cedi (GHS)

Foreign exchange control:

Exchange control exists for imports/exports and also applies to outward transfers of capital, profits, royalties, interest, fees and income of expatriate personnel. Investors under the Ghana Investment Promotion Centre Act 1994 are guaranteed free transfer of profits, interest, fees, charges, loan repayments and liquidation proceeds, while expatriate personnel are allowed to transfer a certain quota of their annual earnings. Non-resident companies are, in principle, free to transfer abroad their net after-tax profits, provided the transfer is done through persons approved by the Bank of Ghana.

Accounting principles/financial statements:

Ghana National Accounting Standards (GNAS), IAS and IFRS. Financial statements must be prepared annually.

Principal business entities:

These are the limited liability company, company limited by guarantee, unlimited company, "external company" (branch) of a foreign company, partnership and sole proprietorship.

Corporate taxation:

Residence – A company is resident in Ghana if it is incorporated under the laws of Ghana or its management and control are exercised in Ghana at any time during a year of assessment.

Basis – Resident companies are taxed on their worldwide income; however, income sourced outside Ghana is taxed in Ghana only if it is brought into or received in Ghana.

Non-resident companies are taxed only on Ghana-source income.

Taxable income – Taxable income is based on the operating profit stated in the company's annual financial statements prepared in accordance with accounting standards, as adjusted by any differences between accounting requirements and the tax law. Such differences normally include disallowable expenses, exempt income and special reliefs allowed under the tax law.

Taxation of dividends – Dividends paid to resident and non-resident shareholders are taxed at a rate of 8%.

Capital gains – Capital gains are taxed separately from business income at a rate of 5%. Gains arising from trading on the Ghana stock exchange are exempt from tax for 20 years as from November 1990.

Losses – Losses may be carried forward for five years following the year in which the losses were incurred. This applies to mining, farming, agro-processing, tourism,

Information Communications Technology (that develop software locally) and manufacturing companies that manufacture mainly for export. All others are not allowed to carry forward losses.

Rate – 25%

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Companies can claim a foreign tax credit for taxes imposed on their income in countries that have concluded a tax treaty with Ghana.

Participation exemption – No

Holding company regime – No

Incentives – Tax incentives include a reduced tax rate of 20% for financial institutions on loans granted to farming enterprises and leasing companies, and 8% for non-traditional export companies. Rural banks and free-zone companies pay tax not exceeding 8% after a 10 year exemption period, while agro-processing companies pay tax of between 0% and 20%, depending on their location. A rebate is granted to manufacturing and waste processing companies located outside Accra and Tema. In regional capitals other than Accra and Tema, the rebate is 25% of tax liability, and in other places it is 50% of tax liability. Agricultural enterprises, agro and waste processing companies, rural banks, venture capital financing companies, companies in the free-zone enclave and manufacturing companies engaged in the processing of crops, fish or livestock produced in Ghana are exempt from corporate tax for periods ranging from three to 10 years. Real estate companies are exempt for five years with some limitations. Employers receive a tax credit for employing new graduates as part of their workforce. This incentive ranges from 1% to 5% of the salaries or wages of such employees.

Withholding tax:

Dividends – Dividends paid to a resident or non-resident are subject to a withholding tax of 8%.

Interest – Interest paid to a resident or non-resident is subject to an 8% withholding tax. Withholding tax is not levied on interest paid to resident financial institutions.

Royalties – A final withholding tax of 10% is levied on the payment of royalties to non-residents.

Branch remittance tax – A 10% tax is imposed on the repatriated profits of branches of non-resident persons operating in Ghana.

Other – Management and technical service fees paid to a non-resident is subject to a 15% withholding tax, with a 10% rate applying to rental payments. Payments for goods and services to a resident in excess of GHS 500 generally attract a 5% withholding tax.

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – The municipal authorities levy “rates” on the occupation of real property. The rates are deductible in calculating corporate tax liability.

Social security – The employer must contribute 13% of an employee’s basic salary to the Social Security and National Insurance Trust, with the employee contributing 5%.

Stamp duty – Stamp duty is charged at the rate of 0.5% on the issue of shares. Stamp duty also applies on the transfer of certain property.

Transfer tax – No

Other – Gift tax at the rate of 5% applies to specified assets received as gifts exceeding a threshold in a year of assessment.

Anti-avoidance rules:

Transfer pricing – The Commissioner of Internal Revenue Service has authority to adjust income in transactions between related persons to reflect the chargeable income and/or tax payable that would have arisen had the transaction been conducted at arm’s length.

Thin capitalisation – A non-resident person, other than a financial institution, is deemed to be thinly capitalised if the ratio of interest-bearing debt (from its shareholders) to equity exceeds 2:1. Interest deductions or exchange losses arising on debt in excess of the 2:1 ratio are disallowed.

Controlled foreign companies – No

Other – Income splitting, which involves the transfer of income and or property to associates with a view to reducing tax liability, is not allowed.

Disclosure requirements – No

Administration and compliance:

Tax year – The government’s fiscal year is from 1 January to 31 December, although companies are allowed to choose their own accounting year.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – Taxpayers must submit an annual return within four months of the end of the tax year.

Penalties – Offences liable to penalties include failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold taxes and impeding tax administration. Penalties range from fines to imprisonment, or both.

Rulings – No

Personal taxation:

Basis – An individual is liable for taxes on the gains or profits derived from gainful employment in Ghana, regardless of where payment is made.

Residence – An individual is resident in Ghana for tax purposes if: (1) he/she is a citizen of Ghana, other than a citizen who has a permanent home outside Ghana from 1 January to 31 December in any calendar year; or (2)

present in Ghana for 183 days in a 12 month period; or (3) a citizen who is temporarily absent from Ghana for a period not exceeding 365 continuous days where that citizen has a permanent home in Ghana. All other individuals are considered non-residents.

Filing status – The employer is required to furnish a return for each employee by 31 March following the end of a tax year. Individuals who earn taxable income from non-employment activities are also required to file an annual tax return.

Taxable income – An individual is liable to tax on the gains from employment exercised in Ghana regardless of where the payment is made. Gains include allowances or benefits paid in cash or in kind to, or on behalf of, that person from the employment, except for exempt income.

Capital gains – Gains arising from trading on the Ghana stock exchange are exempt from tax for 20 years of assessment as from November 1990. A 5% capital gains tax is imposed on chargeable assets.

Deductions and allowances – A resident individual may deduct various personal allowances and reliefs from gross income in arriving at his/her annual taxable income. These reliefs include a basic allowance of GHS 1,008 (tax-free chargeable income); GHC 100 for a married taxpayer supporting a spouse or an unmarried taxpayer supporting at least two children or an employed or self-employed taxpayer over the age of 60; tuition relief of GHC 100 for the education of a child (maximum three children); and additional relief of GHC 50 for taxpayers supporting an elderly relative (a maximum of two relatives). Professional, vocational or technical skill training relief is GHS 200. Social security contributions and life insurance premiums also are deductible within certain limits.

Rates – Resident individuals are taxed at graduated rates with the top marginal rate at 25%. Non-resident individuals pay taxes on their employment income at a rate of 15%.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is payable on the registration of certain legal documents and on the transfer of certain property.

Capital acquisitions tax – No

Real property tax – District and Metropolitan assembly property rates apply.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – The employer must contribute 13% of an employee’s basic salary to the Social Security and National Insurance Trust, with the employee contributing 5%.

Administration and compliance:

Tax year – Calendar year

Filing and payment – It is the responsibility of the employer to withhold and remit taxes from an employee's monthly wages and file a tax return on behalf of the employee by 31 March. Where an individual earns income during a year of assessment other than income from employment, the individual is required to file an annual personal tax return by 30 April following the end of the tax year.

Penalties – Offences liable to penalties include failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold taxes and impeding tax administration. Penalties range from fines to imprisonment, or both.

Value added tax:

Taxable transactions – VAT is imposed on the supply of goods or services in Ghana and on the import of goods or services. The tax base is generally the amount paid, plus any duties and taxes (excluding VAT). For imports, the tax base is the customs value, plus any import duties and taxes, except VAT.

Rates – A standard VAT rate of 12.5% and the National Health Insurance Levy (NHIL) of 2.5% apply, bringing the total to 15%. Retailers operate under a flat rate scheme at the rate of 3%.

Registration – A business making taxable supplies of goods in excess of GHS 10,000 over a 12 month period is required to register for VAT purposes. There is no registration threshold for the supply of taxable services.

Filing and payment – A VAT return must be submitted by the last working day of the month immediately following the accounting period to which the return relates.

Source of tax law:

Internal Revenue Act, 2000 (Act 592) as amended, Internal Revenue Regulations (L.I. 1675), Value Added Tax Act, 1998 (Act 546), the Value Added Tax regulations (L.I. 1646) and Amendments and Petroleum Income Tax Law 1987 P.N.D.C.L. 188

Tax treaties:

Ghana has concluded seven tax treaties.

Tax authorities:

Ghana Revenue Authority, Tax Revenue Division; Customs, Excise and Preventive Service. These authorities are governed by the Revenue Agencies Governing Board (RAGB).

International organisations:

WTO, OECD

Deloitte contact:

Evans Tomety
Email: etometry@deloitte.com

Direct: +234 1271 7838

Kenya

Highlights



Currency:

Kenyan Shilling (KES)

Foreign exchange control:

No, but banks must report significant foreign exchange transactions to the central bank (i.e. all transactions in excess of USD 10,000 must be reported).

Accounting principles/financial statements:

IFRS. Financial statements must be prepared annually.

Principal business entities:

These are the public/private limited liability company, company limited by guarantee, sole proprietorship, partnership, co-operative society and branch of a local or foreign company.

Corporate taxation:

Residence – A company or similar corporate entity is tax resident if it is incorporated under Kenyan law, if management and control of its affairs are exercised in Kenya or if the Minister of Finance declares the entity to be tax resident in a notice published in the Kenya Gazette.

Basis – Resident and non-resident corporate entities are subject to tax on all income accruing in or derived from Kenya.

Taxable income – Income tax is imposed on a company's gross income minus allowable deductions. In general, expenses must be incurred "wholly and exclusively" in the production of income and not be capital in nature to be deductible for tax purposes.

Taxation of dividends – Dividends from a Kenyan company are not subject to additional tax other than what is deducted at source (refer to "Withholding tax"). Attributable expenses are disallowed as deductions. Dividends from a foreign company are not taxable in Kenya.

Capital gains – Capital gains are not taxable in Kenya (while there is capital gains legislation, it has been suspended since 1985).

Losses – Business income, investment income (other than for financial institutions, for which investment income is considered business income), rental income and income from agriculture are assessed separately and losses only may be set off against taxable income from the same source. As from 12 June 2009, tax losses may be deducted in the year in which they arise and the four following years of income (previously, an indefinite carry forward was allowed). Losses may not be carried back and capital losses are not deductible.

Rate – The general corporate income tax rate is 30%, with a branch of a foreign company taxed at 37.5%. Newly listed companies enjoy a reduced rate for three to five years

following the year of listing, the rate (20%-27%) and period depending on the percentage of capital listed (more than 20%).

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign taxes paid are treated as an allowable expense, except where a tax treaty applies, in which case a tax credit is granted.

Participation exemption – No

Holding company regime – No

Incentives – Kenya provides for a 100% investment deduction on hotel buildings and on buildings and machinery used in manufacturing. Manufacturing investment in buildings and machinery situated within satellite towns adjoining Nairobi, Mombasa or Kisumu attract an investment allowance of 150%. Enterprises in export processing zones enjoy a 10 year tax holiday.

Withholding tax:

Dividends – No withholding tax is imposed if the recipient is a qualifying Kenyan financial institution or the resident recipient company controls 12.5% or more of the capital of the payer. Otherwise, the rate is 5% for dividends paid to residents of Kenya and on listed shares for citizens of the East African Community, and 10% for other non-residents.

Interest – The general rate on interest paid to a resident or non-resident is 15%.

Royalties – Royalties paid to a resident are subject to a 5% withholding tax; the rate is 20% if paid to a non-resident.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – Refer to "Stamp duty."

Payroll tax – No

Real property tax – Land rates are assessed by local authorities. Refer to "Transfer tax".

Social security – An employer must contribute 5% of payroll to the National Social Security Fund, up to an annual maximum of KES 2,400 per employee.

Stamp duty – Stamp duty is charged at nominal or ad valorem rates on certain financial instruments and transactions. Stamp duty of 1% is payable upon the creation and increase of authorised share capital. Stamp duty is levied at a rate of 4% on immovable property (2% if levied outside the municipalities) and 1% on the transfer of shares and other securities. An exemption applies if the shares/securities are listed on the Nairobi stock exchange.

Transfer tax – Refer to “Stamp duty.”

Other – Compensating tax is imposed on dividends declared from untaxed profits and is calculated as the cumulative tax paid since 1988 (including compensating tax and tax attributable to dividends received), less the cumulative tax attributable to dividends paid at the standard rate. This tax is not recoverable against future income tax liabilities. Fringe benefits tax is chargeable on companies in respect of concessionary rate loans granted to employees. All other benefits are taxable to the employee.

Anti-avoidance rules:

Transfer pricing – Kenyan law requires arm’s length pricing between related enterprises. Compliance with the OECD guidelines generally ensures compliance, although domestic transfer pricing rules have been in place since 2006

Thin capitalisation – Interest expenses are proportionately restricted for foreign controlled companies (other than licensed financial institutions) when the ratio of all interest-bearing liabilities exceeds three times the payer’s issued and paid up capital and revenue reserves/accumulated losses. Control, for these purposes, includes participations of at least 25%.

Controlled foreign companies – No

Other – No

Disclosure requirements – The tax authorities have the statutory right to require information from a taxpayer concerning its own tax affairs, and also may require information from banks about payments of interest.

Administration and compliance:

Tax year – The tax year is the calendar year, although a company (other than a financial institution) may adopt any year end. All taxable income is assessed in the fiscal year in which the company’s accounting year ends.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – The self-assessment and compensating tax returns must be filed within six months of the end of a company’s accounting period. Tax instalments are due within 20 days of the end of each quarter year based on the relevant proportion of the estimated current tax or 110% of the tax for the prior year, less previous instalments paid and withholding tax deducted at source, with the balance of tax, if any, due four months after the company’s year end. Agricultural companies make their first instalment payment 20 days after the third quarter. An employer is required to submit quarterly Pay As You Earn (PAYE) returns before the 10th of the month following the end of each quarter, in respect of emoluments earned in each of the three months, including the tax deducted. Alternatively, an employer can file monthly returns electronically.

Penalties – Late payments of self-assessed tax are subject to a 20% penalty, plus 2% per month. Late filing is subject to a 5% penalty (minimum KES 10,000) on any amount still owed four months after the company’s year end.

Rulings – A taxpayer may request a non-binding interpretation by the Kenya Revenue Authority of tax legislation as it applies in general, or to specific situations.

Personal taxation:

Basis – All income accruing in, or derived from, Kenya is

subject to tax in Kenya. A Kenyan resident is taxable on his/her worldwide employment income; a non-resident is taxable only on Kenyan-source employment income. Only Kenyan citizens may offset tax on foreign employment income against the tax charged in Kenya on such income. Non-citizen residents must include their after-tax foreign-source employment income in their Kenya taxable income.

Residence – An individual is resident in Kenya if he/she has a permanent home in Kenya and is present in Kenya for any time during the year. An individual present in Kenya for at least 183 days in the tax year is resident, as is any person who has averaged 122 days in the country in the tax year and the previous two tax years.

Filing status – A married couple living together may elect to file separate returns. Otherwise (unless they are living apart, when separate returns are filed), the tax on their combined income is assessed on them proportionately, with the tax on the wife’s earned and investment income calculated as if it were the sole source of joint income.

Taxable income – All income accruing in, or derived from, Kenya is subject to tax in Kenya in the same way as applies to the business income of companies. Employment income is broadly defined and includes amounts paid outside Kenya. Fringe benefits are taxable on the employee, at either actual or deemed cost.

Capital gains – Capital gains are not taxable in Kenya (while there is capital gains legislation, it has been suspended since 1985).

Deductions and allowances – Personal relief is KES 13,944 per annum. The following may be deducted from taxable income: up to KES 150,000 annually in mortgage interest for owner-occupied property; contributions to a registered pension or provident fund up to KES 240,000 annually (the deduction may not exceed 30% of employment income); and 15% of health or life insurance premium payments (up to KES 60,000 annually). The daily subsistence allowance up to KES 2,000 paid when working away from the normal place of duty is not taxable.

Rates – Progressive rates of 10%, 15%, 20% and 25% are levied on the first KES 466,705 in approximately equal bands and at 30% on any amount exceeding KES 466,704.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is charged at nominal or ad valorem rates on certain financial instruments and transactions.

Capital acquisitions tax – No

Real property tax – No

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – An employee must contribute to the national social security and hospital insurance funds up to an annual maximum of KES 2,400 and KES 3,840, respectively. The percentage rates are 5% and approximately 1% of payroll, respectively. Legislation has been proposed, that would link hospital insurance fund contributions to levels of income.

Administration and compliance:

Tax year – Calendar year

Filing and payment – Any balance of tax payable is due by 30 April in the following calendar year. Personal tax returns are due by 30 June following the end of the tax year. A personal tax return is required even where an individual's personal tax has been fully settled through the PAYE system.

Penalties – Refer to "Corporate taxation".

Value added tax:

Taxable transactions – VAT is imposed on the supply of taxable goods and services made or provided in Kenya by a taxable person in the course of or in furtherance of any business carried on by that person and on the importation of goods and services into Kenya.

Rates – The standard rate is 16%. Zero rated supplies include the export of goods and taxable services and the supply or import of specified goods, particularly where used in agriculture, health and education, computer hardware and software, international air travel and supplies to licensed oil exploration companies. Exempt supplies include financial services provided by banks and most agricultural produce in its unprocessed or preserved state. A special rate of 12% applies to the supply of electricity and fuel.

Registration – Registration is compulsory where the turnover of taxable supplies is, or is expected to be, KES 5 million or more in a 12 month period.

Filing and payment – VAT returns and any related payments are due by the 20th day of the following month.

Source of tax law:

Income Tax Act and Value Added Tax Act

Tax treaties:

Kenya has 8 treaties.

Tax authorities:

Kenya Revenue Authority

International organisations:

EAC, COMESA, WTO

Deloitte contact:

Nikhil Hira

Email: nhira@deloitte.com

Direct: +254 20 423 0377



Mozambique

Highlights

Currency:

Mozambique Metical (MZM or MT locally)

Foreign exchange control:

Incoming capital must be registered with the Bank of Mozambique. Foreign currency-designated accounts may be opened and funds retained.

Accounting principles/financial statements:

Mozambique GAAP is based on the French system. All commercial banks adopted IFRS as from 2007 and other large companies from 1 January 2010, although many foreign-controlled previously used IFRS. Only multinationals and companies incorporated under the foreign investment law require an annual audit. Changes have been made to the Corporate Income Tax Code to accommodate the introduction of IFRS. The Chart of Accounts based on IFRS for Medium Size companies and the Chart of Accounts for small size companies and others entered into force 1 January 2011.

Principal business entities:

These are the public company (SA), private limited company (Lda), joint venture and branch of a foreign company.

Corporate taxation:

Residence – A company is resident if its head office or place of effective management or control is in Mozambique, or if the business is registered in Mozambique.

Basis – A resident company is taxed on its worldwide income. A non-resident company is subject to tax only on its Mozambique-source income.

Taxable income – All income and gains are included in taxable income. Expenses considered indispensable in the generation of income or gains subject to tax are deductible.

Taxation of dividends – Dividends are subject to a 20% withholding tax (10% for shares listed on the Maputo stock exchange) unless they qualify for the participation exemption (see below). Foreign-source dividends are taxable at the full company rate.

Capital gains – Capital gains or losses are included in ordinary income and taxed at the company rate. An inflation allowance is available (which has to be determined on a case-by-case basis, since the inflation co-efficients have not been set by the tax authorities).

Losses – Tax losses may be carried forward for five years. The carryback of losses is not permitted.

Rate – The standard company or branch tax rate is 32%, although a penalty rate of 35% may be charged on

unsubstantiated payments. Agricultural companies will be subject to the standard rate from 1 January 2011 absent government extension of the special 10% rate. Special tax regimes apply to certain investment projects where incentives are granted.

Surtax – No

Alternative minimum tax – An AMT applies to very small entities (turnover less than USD 71,500).

Foreign tax credit – Mozambique applies the ordinary foreign tax credit as a unilateral method for the avoidance of double taxation of income obtained abroad for resident companies and permanent establishments of non-resident companies. Unused credits may be carried forward for up to five years.

Participation exemption – No withholding tax is levied on dividends paid to a Mozambique company that has held 20% or more of the shares in an associated company in Mozambique for at least two years.

Holding company regime – No

Incentives – Incentives, including tax credits and the reduction or exemption of corporate tax, are available under the Fiscal Benefits Code. Companies that invest in Rapid Development Zones and Industrial Free Zones, in agriculture, mining, oil, tourism and industrial and services projects also may benefit from incentives that vary by location, the number of employees and whether the products are exported.

Withholding tax:

Dividends – Dividends paid to residents and non-residents are subject to a 20% withholding tax (10% for shares listed on the Maputo stock exchange) unless the rate is reduced under a tax treaty.

Interest – Interest paid to residents and non-residents is subject to a 20% withholding unless the rate is reduced under a tax treaty. A 0% rate applies to interest paid to a registered Mozambique financial institution.

Royalties – Royalties paid to residents and non-residents are subject to a 20% withholding tax unless the rate is reduced under a tax treaty.

Other – Payments made to non-residents for telecommunications services, international transport services and the assembly and installation of telecommunications equipment are subject to a 10% withholding tax.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – An annual municipal tax is assessed at up to 0.4% (for a residence) and 0.7% (for offices) of the value of property in Maputo and Matola.

Social security – The employer pays 4% of staff emoluments, with no upper limit.

Stamp duty – Stamp duty at 0.4% applies to share transfers and 0.2% to transfers of buildings. Land transfers (which are always leaseholds) are exempt from stamp duty.

Transfer tax – A transfer tax of 2%, normally paid by the transferee, is charged on the transfer of title to a building. The rate is 10% when the buyer is resident in a jurisdiction with a more beneficial tax regime.

Other – An economic activity tax is charged on businesses in municipal areas, but the costs vary according to location, type and size of the business, and are not significant.

Anti-avoidance rules:

Transfer pricing – The arm's length principle applies to deals between related parties. For payments to companies in low tax jurisdictions, the authorities will need to be satisfied that the payment was genuine and reasonable.

Thin capitalisation – The deduction of intercompany interest may be limited where the indebtedness to a non-resident related party is more than twice the equity.

Controlled foreign companies – No

Other – No

Disclosure requirements – Banks are required to report any suspicion of money laundering activities.

Administration and compliance:

Tax year – The tax year is the calendar year, although a company may adopt any accounting date, if so authorised.

Consolidated returns – Consolidated returns are not required; each company in a group must file a separate return for tax purposes.

Filing requirements – Companies must make three provisional corporate tax payments in May, July and September. The total amount should be 80% of the amount of the tax assessed for the previous year. Annual tax returns and the balance of tax due must be submitted by 31 May, with supporting documents filed a month later.

Penalties – There are penalties for late filing, nonpayment of tax and failure to disclose records. Penalties range from approximately USD 100 to USD 33,000. Interest is charged on late payments. Prison terms for tax fraud may be up to 8 years, or up to two years for negligence.

Rulings – General rulings on the interpretation of the tax law, or advance rulings on the taxation of specific transactions may be obtained from the tax authorities. Such rulings are binding on the authorities with respect to the disclosed facts of the transaction.

Personal taxation:

Basis – A resident individual is subject to tax on worldwide income, with unilateral relief available for any foreign tax paid. A non-resident is taxable only on Mozambique-source income.

Residence – An individual is resident for tax purposes if he/she resides in the country for more than 180 days in a tax year, or has a permanent residence in Mozambique on 31 December.

Filing status – Returns are filed on a household rather than a separate basis.

Taxable income – The income of an individual is taxed under separate schedules for employment, trade and business, capital gains, real estate and other income. Employment income is widely defined and includes benefits or advantages received from the employer.

Capital gains – The gross gain or loss is halved for rights in real estate or business assets. For shares, the percentage factor depends on how long the shares have been held, from 75% (held up to one year) to 30% (held over five years).

Deductions and allowances – Personal and dependent allowances are available.

Rates – Employment income is taxed under the PAYE system at rates up to 32%. The maximum rate applies to monthly income approximating USD 24,000. A 25% rate applies above approximately USD 7,000 per month.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty at 0.4% applies to share transfers and 0.2% to transfers of buildings. Land transfers (which are always leaseholds) are exempt from stamp duty.

Capital acquisitions tax – No

Real property tax – An annual municipal tax is assessed at up to 0.4% (for a residence) and 0.7% (for offices) of the value of property in Maputo and Matola.

Inheritance/estate tax – Estate duty/donations tax is payable by the beneficiary/recipient. The rate ranges from 2% to 10% and depends on the amount and the relationship between the donor and the recipient.

Net wealth/net worth tax – No

Social security – The employee pays 3% of emoluments, with no upper limit.

Administration and compliance:

Tax year – Calendar year

Filing and payment – For employees, tax returns are due by 31 March, with any final tax paid by 30 April.

Penalties – Refer to corporate tax "Administration and compliance" rules.

Value added tax:

Taxable transactions – VAT is chargeable on the supply of goods and services in Mozambique, and on imports.

Rates – The standard rate is 17%. Banking and certain health, education and philanthropic services are exempt and exports of goods and services are zero rated.

Registration – Form one is used to obtain a Unique Tax Number and Form six as a declaration of initiation of activities.

Filing and payment – The monthly VAT must be filed by the last day of the following month.

Source of tax law:

Corporate Income Tax Code; Personal Income Tax Code;
Value Added Tax Code; Fiscal Benefits Code

Tax treaties:

Mozambique has six tax Treaties (Mauritius, South Africa,
Macau, Portugal, Italy and the United Arab Emirates).

Tax authorities:

Mozambique Tax Authority (Autoridade Tributária
de Moçambique)

International organisations:

SADC, AGOA beneficiary country

Deloitte contact:

Célia Meneses

Email: cmeneses@deloitte.co.mz Direct: +258 21 320 955

© 2011 Deloitte & Touche. All rights reserved. Member of Deloitte Touche Tohmatsu Limited



Nigeria

Highlights

Currency:

Nigerian Naira (NGN)

Foreign exchange control:

Equity share capital must be brought into Nigeria through authorised dealers (banks). The remittance of dividends is permitted, provided the share equity was imported. There are no restrictions on the percentage of profits that may be distributed as dividends. The remittance of interest, royalties and technical fees also is permitted, provided the royalty contracts and technical fees have been approved by the National Office for Technology, Acquisition and Promotion.

Accounting principles/financial statements:

NASB SAS/ IAS/IFRS. Financial statements must be prepared annually and filed with the Corporate Affairs Commission.

Principal business entities:

These are the public and private limited liability company, partnership and sole proprietorship. Foreign companies are required to incorporate local subsidiaries or branches.

Corporate taxation:

Residence – The Companies Income Tax Act uses the concept of a “fixed base” rather than residence. Any company doing business in Nigeria and that has a fixed base as defined in the act is subject to tax. A non-resident company operating through a fixed base or permanent establishment (PE) as defined in a tax treaty also will be subject to the Nigerian tax regime. A Nigerian company is one incorporated in Nigeria. All companies involved in petroleum operations, as defined by the Petroleum Profit Tax (PPT) Act, wherever incorporated, are subject to PPT.

Basis – Nigerian companies are taxed on worldwide income, while companies registered in a foreign jurisdiction with a fixed base or PE are taxed only on Nigerian-source income.

Taxable income – Taxable income is a company’s income, less allowable deductions and losses. Income of a capital nature is not included in taxable income.

Taxation of dividends – Dividends received by a Nigerian company from another Nigerian company are exempt from corporate income tax.

Capital gains – Capital gains tax is generally levied at a rate of 10%. Gains from the disposal of shares are not subject to capital gains tax.

Losses – Losses may not be carried back but may be carried forward indefinitely (except insurance companies, which are limited to a four year carry forward).

Rate – The corporate tax rate for non-oil and gas companies is 30%.

Surtax – No

Alternative minimum tax – A minimum tax is levied to ensure that, unless exempt, every company pays a certain amount of corporate income tax. The minimum tax is payable by a company where, in any year of assessment, the total assessable profits from all sources results in a loss or no tax being payable or tax payable that is less than the minimum tax. When turnover is NGN 500,000 or less, the minimum tax is the highest of 0.5% of gross profits or 0.5% of net assets, or 0.25% of paid-up capital or 0.25% of turnover. When turnover exceeds NGN 500,000, an additional tax is payable, calculated at the rate of 0.125% of the turnover exceeding NGN 500,000. Agricultural and agro-allied companies, companies with at least 25% foreign equity and any company in the first four years of commencement of business are not required to pay the minimum tax.

Foreign tax credit – A unilateral credit is not available to corporate taxpayers. However, income tax paid in non-treaty countries is deductible if Nigeria also taxes the income

Participation exemption – No

Holding company regime – No

Incentives – Various investment incentives are available to foreign investors, including import concessions, tax exemptions for exported products, tax reductions for qualifying companies and tax deductions for R&D expenses.

Withholding tax:

Dividends – Dividends are subject to a 10% withholding tax whether paid to a resident or non-resident recipient unless the rate is reduced under a tax treaty.

Interest – A withholding tax of 10% is imposed on payments of interest to a resident or non-resident unless the interest is exempt. Exempt interest includes interest on savings accounts, provided the amount deposited is below NGN 50,000.

Royalties – Tax must be withheld at a rate of 10% in respect of royalty payments to a non- resident company or individual, unless the rate is reduced under a tax treaty.

Other – Payments, such as management consulting fees and fees for technical services and commissions, are subject to withholding tax at a rate of 10% for corporate recipients and 5% for individuals. A 10% withholding tax applies to all rental payments and director’s fees. These withholding taxes are final for non-resident recipients, but may not be final for residents.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – States and local authorities levy “rates” on the occupation of real property.

Social security – The employer is required to make a compulsory pension contribution at a minimum of 7.5% of an employee’s basic salary, transport and accommodation allowances. An employee also contributes a minimum of 7.5% of earnings. While there is no maximum limit to the amount that may be contributed by an employer, the minimum total contribution is 15%.

Stamp duty – Stamp duty is charged by both federal and state governments on various commercial and legal documents, such as transfers of deeds, insurance policies and bills of exchange.

Transfer tax – No

Other – PPT, rather than corporate tax, is imposed on petroleum companies. Income for PPT purposes refers to the value of the oil and related substances extracted, except gas, plus any other income of the company. Various deductions are allowed. The tax rate is normally 85%. Education tax at a rate of 2% is payable by all resident companies. The tax base is calculated on the company’s adjusted/assessable profits for corporate income tax or PPT purposes before the deduction of capital allowances. The tax is payable by self-assessment or assessment notices issued by the federal tax authorities and is an allowable expenditure for PPT purposes.

Anti-avoidance rules:

Transfer pricing – There are no specific transfer pricing rules, but transactions are required to be conducted at arm’s length.

Thin capitalisation – There are no specific thin capitalisation rules, but transactions are required to be conducted at arm’s length.

Controlled foreign companies – No

Other – The arm’s length principle applies to all transactions.

Disclosure requirements – Annual tax returns must be accompanied by signed, audited financial statements.

Administration and compliance:

Tax year – The tax year is 12 months on a preceding year basis except for the commencement of a new business, a change of accounting date and cessation of business where special rules apply.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – A corporate taxpayer must file an annual return, based on its income for the accounting year. The return is due within six months after the end of the accounting year. The taxpayer’s audited financial statements must accompany the return.

Penalties – A taxpayer failing to file a return will be assessed by the tax authorities to the best of their judgement. Penalties may apply for late filing.

Rulings – No

Personal taxation:

Basis – Nigerian residents are taxed on their worldwide income. Foreign-source income of residents is taxable if remitted to Nigeria. Foreign-source income in convertible currency arising from salaries, dividends, interest, rents, royalties, fees or commissions is exempt if brought into Nigeria through approved channels. Income brought into Nigeria through domiciliary accounts by athletes, playwrights, authors, musicians, artists and temporary guests who are professionals also is exempt. Non-residents are taxed on Nigerian-source income, generally via withholding at source.

Residence – An individual is deemed to be resident in Nigeria if he/she spends more than 180 days in any 12 month period in Nigeria.

Filing status – Each individual must file a return; joint filing is not permitted.

Taxable income – Employment income is generally taxable unless otherwise exempt. Business profits earned by an individual from a trade or profession and other investment income also are taxable.

Capital gains – Capital gains tax is generally levied at a rate of 10%. Gains from the disposal of shares are not subject to capital gains tax.

Deductions and allowances – Deductions are granted for personal and dependent children allowances. Additionally, a certain proportion of earned income is tax exempt.

Rates – Rates are progressive up to 25%.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duties are charged by both federal and state governments on various commercial and legal documents, such as transfers of deeds, insurance policies and bills of exchange.

Capital acquisitions tax – No

Real property tax – States and local authorities levy “rates” on the occupation of real property.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – The employer is required to make a compulsory pension contribution at a minimum of 7.5% of an employee’s basic salary, transport and accommodation allowances. An employee also contributes a minimum of 7.5% of earnings. While there is no maximum limit to the amount that may be contributed by an employer, the minimum total contribution is 15%.

Administration and compliance:

Tax year – Calendar year

Filing and payment – An individual engaged in full-time employment is taxed under the pay-as-you-earn system. The employer withholds personal income tax from the employee's salary or wages and pays it to the tax authorities within 14 days. An individual whose only source of income is employment income from a single employer must file a tax return unless his/her employment income does not exceed NGN 30,000 per year. Other individuals pay tax by self-assessment or direct assessment. Financial statements and schedules, when applicable, must accompany the self-assessment return. Payments may be made in full or, upon application, in instalments. Withholding tax suffered at source can be used to offset income tax due.

Penalties – Penalties and interest are levied for late payments or failure to file returns.

Value added tax:

Taxable transactions – VAT is payable on taxable supplies of goods and services, including imports.

Rates – The VAT rate is 5%. Exempt goods and services include basic foodstuffs, medicines, medical devices and medical services, and exported goods and services. Some items are zero rated.

Registration – Most businesses are obliged to register for VAT purposes. An exemption applies to individuals and small-scale traders, who may register voluntarily so that they can recover VAT they pay on business related purchases.

Filing and payment – VAT returns are filed on a monthly basis, along with any payments due. The returns cover the VAT paid (input VAT) and VAT received (output VAT) in the previous month. If the input VAT paid by the taxpayer exceeds the output VAT charged to the taxpayer's customers, the taxpayer may apply for a refund. Input VAT does not include VAT paid on revenue expenses, which are otherwise charged to the profit and loss account. Various penalties and interests are charged on VAT law violations.

Source of tax law:

Federal Inland Revenue Service (Establishment) Act, Companies Income Tax Act, Petroleum Profit Tax Act, Personal Income Tax Act, Capital Gain Act, Value Added Tax Act. Tax treaties: Nigeria has 10 tax treaties Tax authorities: Federal Inland Revenue Service, State Boards of Internal Revenue

International organisations:

AU, ECOWAS, WTO

Deloitte contact:

Evans Tomety

Email: etometry@deloitte.com

Direct: +234 1271 7838

Tanzania

Highlights



Currency:

Tanzanian Shilling (TZS)

Foreign exchange control:

None, exchange rates are determined by market forces.

Resident and non-resident corporations and individuals can hold bank accounts in any currency. Repatriation payments generally may be made in any currency, subject to the need to demonstrate reasons for payment before a transfer in foreign currency takes place.

Accounting principles/financial statements:

Financial statements are prepared annually using IFRS and certain local standards.

Principal business entities:

These are the sole proprietorship, partnership, trust, private and public limited liability company, co-operative and branch of a foreign corporation.

Corporate taxation:

Residence – A corporation is a resident if it is incorporated under the Tanzanian Companies Act or, at any time during the tax year, management and control of its affairs is exercised in Tanzania.

Basis – Residents are taxed on worldwide income.

Non-residents are taxed on income sourced in Tanzania.

Foreign-source income for residents is taxed under the same rules as Tanzanian-source income, although foreign-source losses may only be offset against foreign-source income.

Branches of foreign corporations are taxed in the same way as resident companies, with an additional tax on branch profits.

Taxable income – Taxable profit is obtained by adjusting income under specific tax rules. Generally all expenditure incurred wholly and exclusively in the production of income from any business or investment is deductible. Capital expenditure is subject to specific depreciation rates.

Taxation of dividends – Dividends received by a resident company from another resident company are exempt if the recipient holds 25% or more of the payor's shares.

Capital gains – Gain (or loss) is included in business or investment income and taxed at 30%. For land and buildings, a single instalment is payable at 10% for residents and 20% for non-residents at the time of transfer, which is creditable against the final corporate income tax liability.

Losses – Subject to continuity-of-ownership and same business tests, losses may be carried forward indefinitely. The carryback of losses is not permitted.

Rate – The general rate is 30% of the total income for the year. As from 1 July 2009, however, newly listed companies on the Dar es Salaam Stock Exchange that have issued at least 30% of their share capital to the public are subject to a corporate income tax rate of 25% for three consecutive years from the date of listing.

Surtax – No

Alternative minimum tax – A company with tax losses for three consecutive years is liable to a minimum tax at 0.3% on turnover.

Foreign tax credit – Foreign tax paid may be credited against Tanzanian tax on foreign-source income, but the credit is limited to the amount of Tanzanian tax payable. Excess credits may be carried forward.

Participation exemption – Yes, refer to "Taxation of dividends".

Holding company regime – No

Incentives – Companies in export processing zones are exempt from income tax and withholding tax on dividends, interest and rent for the first 10 years.

Withholding tax:

Dividends – Dividends paid to a resident company controlling 25% or more of the distributing company's shares are exempt. Dividends paid by a company listed on the Dar es Salaam stock exchange are taxed at 5%; otherwise, the rate is 10% irrespective of whether the dividends paid are paid to residents or non-residents.

Interest – The general rate on interest paid to residents and non-residents is 10%; exemptions are available for interest earned by non-residents on deposits in banks registered by the Bank of Tanzania and on interest paid to resident financial institutions.

Royalties – The withholding tax on royalties paid to residents and non-residents is 15%.

Branch remittance tax – A branch profits tax is imposed at a rate of 10%.

Other taxes on corporations:

Capital duty – No

Payroll tax – The Skills and Development Levy, payable by the company, is calculated at 6% of cash emoluments to employees.

Real property tax – For the Dar es Salaam region, property tax is charged on residential and commercial properties at the rate of 0.15% and 0.2%, respectively, of the total value. Real property in other regions is taxed at the relevant municipal rates determined in accordance with the local authority laws.

Social security – The employer and employee each contribute 10%, with the employer deducting the employee's contribution from wages.

Stamp duty – Stamp duty may be levied either as a specific amount or at progressive rates up to a maximum of 1% of the value of the consideration.

Transfer tax – A transfer tax of TZS 50,000 applies to motor vehicles.

Other – A city service levy is imposed at a rate of 0.3% of turnover.

Anti-avoidance rules:

Transfer pricing – The arm's length principle applies to transactions between affiliates, both resident and non-resident. Transfer pricing guidelines are being drafted.

Thin capitalisation – With effect from 1 July 2010, the interest deduction is limited to the interest portion in respect of debt that does not exceed the 70:30 debt-to-equity ratio. Before this date, the interest deduction for payments made by an exempt controlled resident entity (as defined) was limited to the sum of interest income plus 70% of total income, excluding interest income and interest expenses. Non-deductible amounts may be carried forward.

Controlled foreign companies (CFO) – A "controlling person" must include in income the attributable income less distributions from a controlled foreign trust or company.

Other – Taxpayers are subject to a general anti-avoidance rule when the main purpose of an arrangement is the avoidance or reduction of tax liability. Specific rules negate income splitting.

Disclosure requirements – The "Return of Income of an Entity" form must include disclosures of whether the return is in respect of a branch of a foreign company and also whether the entity: is dormant; is a Tanzanian resident as a result of its place of effective management; is exclusively a tax resident of another country as a result of the application of a tax treaty; or has a participation right in a CFC.

Administration and compliance:

Tax year – Calendar year, although a different 12 month period may be approved.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – Under the self-assessment regime, an estimated return is filed three months after the start of the tax year. Estimated tax is payable in four installments. The final tax return must be filed within six months from the tax year end.

Penalties – Penalties apply for late filing of returns and late payment.

Rulings – Taxpayers may request a private ruling setting out the Commissioner's position with regard to the application of the tax code on a proposed or actual arrangement. Rulings are binding on the Commissioner where, before its issuance, full and true disclosures of all aspects of the arrangement relevant to the ruling were made.

Personal taxation:

Basis – Tanzanian residents are taxed on their worldwide income. Non-residents are taxed only on Tanzanian-source income.

Residence – An individual is resident in Tanzania for the tax year if he/she: (a) has a permanent home in Tanzania and is

present in Tanzania during any part of the year; (b) is present in Tanzania during the year for a period(s) amounting in the aggregate to 183 days or more; (c) is present in Tanzania during the year and in each of the 2 preceding years for periods averaging more than 122 days in each tax year; or (d) is an employee or an official of the government of Tanzania posted abroad during the tax year.

Filing status – Each individual must file a return; joint filing is not permitted.

Taxable income – Income is taxed on a graduated scale: TZS 112,500 is charged on the first TZS 720,000 per month, and 30% on the excess. Taxable employment income includes both cash and non-cash benefits. Income derived by an individual in conducting a business is taxed in the same way as a company, although special rates apply if the turnover is less than TZS 20 million.

Capital gains – Gain or loss is included in business or investment income and taxed at 30%. For land and buildings, a single instalment is payable at 10% for residents and 20% for non-residents at the time of transfer, which is creditable against the final tax liability.

Deductions and allowances – Medical expenses, health insurance premiums and onsite meals provided by an employer to employees on a non-discriminatory basis do not form part of taxable employment income. Social security contributions are not taxable.

Rates – Rates are progressive from 0% to 30%.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty may be levied either as a specific amount or at progressive rates up to a maximum of 1% of the value of consideration.

Capital acquisitions tax – No

Real property tax – Refer to "Other taxes on corporations".

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – The employer and employee each contribute 10%, with the employer deducting the employee's contribution from wages.

Administration and compliance:

Tax year – Calendar year

Filing and payment – Except for resident individuals who have no income tax payable for a year of income or who only derive employment income subject to PAYE, every person is required to file an income tax return no later than six months after the end of the year and attach any withholding tax certificates supplied with respect to payments received during the year of income. An estimated tax return is due within the first three months of a tax year, with estimated tax due in quarterly instalments. Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities. Income not subject to PAYE is self assessed and four instalments are payable in advance with the final balance payable within six months after the year end.

Penalties – Individuals are subject to penalties for late filing of returns and late payment of tax.

Value added tax:

Taxable transactions – VAT is levied on the supply of goods and services.

Rates – The standard rate is 18%; a zero rate mainly applies to exports of goods and professional and communications services.

Registration – The registration threshold is a turnover of TZS 40 million over a period of 12 consecutive months.

Filing and payment – Monthly returns and payment are due by the last business day of the month following the supply.

Source of tax law:

Income Tax Act 2004, VAT Act 1997, East African Customs Management Act 2004, Stamp Duty Act 1972, Vocational Education and Training Act 2000 and Annual Finance Acts

Tax treaties:

Tanzania has concluded 9 tax treaties.

Tax authorities:

Tanzania Revenue Authority (TRA)

International organisations:

OECD, WTO, EAC, SADC, CATA

Deloitte contact:

Bill Page

Email: bpage@deloitte.co.ug

Direct: +256 414 343 850

Uganda

Highlights



Currency:

Ugandan Shilling (UGX)

Foreign exchange control:

Although forex repatriations from Uganda are not restricted, any person seeking to repatriate funds in excess of UGX 50 million should obtain a tax clearance certificate from the Uganda Revenue Authority.

Accounting principles/financial statements:

Ordinarily IFRS. Financial statements must be prepared annually. Accounts can be prepared on cash basis for tax purposes provided prior permission from the tax authorities is obtained.

Principal business entities:

These are the (public/private) limited liability company, joint venture, sole proprietorship, partnership, trust and branch of a foreign company.

Corporate taxation:

Residence – A company or similar corporate entity is tax resident in Uganda for a “year of income” if: (1) it is incorporated under Ugandan law; (2) management and control of its affairs are exercised in Uganda; or (3) the majority of its operations are carried out in Uganda.

Basis – A resident corporate entity is subject to tax on worldwide income. A non-resident corporate entity is subject to tax only on Uganda-source income.

Taxable income – Income subject to tax includes profits, gains, dividends, interest and non-monetary benefits, advantages or facilities obtained through gainful means. Expenditure incurred in the production of income is generally deductible for tax purposes.

Taxation of dividends – Dividend income is taxable at the corporate tax rate, but is exempt where a resident recipient company controls 25% or more of the voting power of the resident payer company. Any withholding tax deducted is allowed as a credit against the company’s tax for the year. Foreign-source dividends are taxable.

Capital gains – Capital gains derived from the disposal of assets held by a company are taxable. The gain is the excess of proceeds over the cost of the assets and related expenses and is taxed at the company tax rate as part of business income. The taxpayer can elect to claim inflation relief for assets acquired before 31 March 1998. In the case of an involuntary disposal, there is no gain or loss where the proceeds are re-invested in similar assets within one year.

Losses – Trading losses, including capital losses, may be carried forward indefinitely and offset against future trading income.

Losses incurred on the completion of a long-term contract may be carried back. Losses may be disallowed where there is more than a 50% change in corporate ownership during a 12 month period and for two years immediately preceding the ownership change, the company engages in a new business or investment designed to reduce its tax liability.

Rate – The corporate tax rate is 30% for resident companies and branches of foreign companies. The rate for mining companies ranges between 25% and 45%.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – A foreign tax credit is available where the foreign income is also taxable in Uganda. The credit may be used in the year in which it arises to offset Ugandan tax payable on such income. Otherwise, the credit is forfeited.

Participation exemption – No

Holding company regime – No

Incentives – Mining operations are granted a 100% first year deduction for capital expenditure incurred in the exploration of, discovery, testing or gaining access to mineral deposits. An initial allowance of 50% is available for plant and machinery brought into use in the major towns (75% elsewhere in the country). An industrial buildings allowance (20% initial, 5% annual) is granted to factories, hotels and hospitals.

Withholding tax:

Dividends – A 15% withholding tax is imposed on dividends paid to a non-resident company. The rate may be reduced under a tax treaty.

Interest – Interest paid to a resident or non-resident is subject to a 15% withholding tax. In the case of a non-resident, the rate may be reduced under a tax treaty.

Royalties – Royalties paid to a non-resident are subject to a 15% withholding tax, which may be reduced under a tax treaty. Royalties paid to a resident are exempt from withholding tax.

Branch remittance tax – Remittances to a foreign head office that meet certain requirements are subject to a 15% branch-level tax.

Other taxes on corporations:

Capital duty – Duty is charged on the incorporation of a company and on an increase in the nominal capital at 0.5%.

Payroll tax – No

Real property tax – Property rates are levied by the local authorities.

Social security – An employer must contribute 10% of an employee's monthly salary, wages and cash allowances to the National Social Security Fund (NSSF).

Stamp duty – Stamp duty is charged at nominal or ad valorem rates on a variety of financial instruments and transactions.

Transfer tax – A transfer tax of 1% is levied on the transfer of immovable property and on the transfer of shares and other securities (except for shares listed on the Uganda stock exchange).

Other – Specific rules apply to companies in the oil and gas sector.

Anti-avoidance rules:

Transfer pricing – The Revenue Authority is developing transfer pricing guidelines. The general anti-avoidance legislation requires transactions between associated parties be on arm's length terms.

Thin capitalisation – Interest deductions are restricted for foreign-controlled resident companies, other than financial institutions, when the ratio of foreign debt on a given date to the audited foreign equity at the beginning of the year exceeds 2 to 1. Equity includes unrealised revaluation reserves.

Controlled foreign companies – No

Other – Where "dividend stripping" reduces the value of shares, the dividends must be included in the company's income to the extent deemed necessary by the authorities.

Disclosure requirements – The authorities may require information from taxpayers regarding their tax affairs.

Administration and compliance:

Tax year – A company may adopt a year of income different from the normal fiscal year (July to June).

Consolidated returns – Consolidated returns are not permitted; each company in a group must file its own return.

Filing requirements – A provisional return must be filed within six months of the commencement of the company's accounting year and again if the estimated tax liability is revised. The estimated tax for the year is payable in two installments before the end of the first six month period and before the company's year end. A final return and balance payment is due within six months after the company's year end. Companies in the oil and gas sector must file the annual tax return within one month after the end of the accounting period. This return should indicate details of government petroleum revenues and other taxes prescribed by the tax authorities. The annual consolidated revenue return must be filed within 3 months after the end of each tax year of income. Provisional tax returns showing an estimate of income for each calendar year quarter for the year of income should be filed at least 30 days before the commencement of a year of income.

Penalties – A 20% penalty on the shortfall will be levied where the provisional tax paid is less than 90% of the actual liability. The penalty on late payments is 2% per month on the shortfall and 2% of the gross tax liability for the year when a

return is filed late. Other civil and criminal penalties may be levied in specific circumstances.

Rulings – A private ruling may be obtained from the tax authorities on how the tax legislation applies to a specific transaction. Rulings are binding provided the taxpayer makes a full disclosure and completes the transaction as described.

Personal taxation:

Basis – A resident individual is subject to tax on worldwide income. However, foreign-source employment income is exempt from tax in Uganda where the individual has paid foreign tax on the income. For other types of income, a foreign tax credit is available in the same way as it is for companies. Non-residents are subject to tax on Uganda-source income. Rental income is taxed separately at 20% on 80% of the gross income over UGX 1.56 million. Fringe benefits are taxable to the employee at scale rates or the actual cost to the company, subject to a market value test.

Residence – An individual present in Uganda for at least 183 days in any 12 month period is resident for the tax years beginning and ending in that period. In addition a person with a permanent home in Uganda, or who has been present for an average of at least 122 days during three consecutive tax years is deemed to be tax resident.

Filing status – Married couples are required to file separate returns; joint returns are not permitted.

Taxable income – Income includes profits, gains, dividends, interest, and non-monetary benefits, advantages or facilities obtained through gainful means. The withholding tax on dividends (15%, or 10% on dividends from companies listed on the Uganda stock exchange) is treated as a final tax for individuals. The withholding tax (15%) on interest from a financial institution is a final tax for individuals.

Capital gains – Gains from non-business assets are not subject to capital gains tax (except gains from the sale of shares in a private limited liability company). Only gains on the disposal of business assets are subject to capital gains tax.

Deductions and allowances – Life insurance premiums, contributions to retirement funds and medical expenses paid for by an employer are not taxable employee benefits.

Rates – Tax is imposed at graduated rates from 0% to 30%. Annual income in excess of UGX 4.92 million is taxed at 30%. In the oil and gas sector, resident contractors and subcontractors are taxed at a rate of 30%; non-resident contractors deriving income under a Uganda-source services contract are taxed at 15%.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is charged at nominal or ad valorem rates on a variety of financial instruments and transactions.

Capital acquisitions tax – No

Real property tax – Property rates are levied by the local authorities.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – An employee must contribute 5% of monthly salary, wages and cash allowances to the NSSF.

Administration and compliance:

Tax year – The normal tax year runs from 1 July to 30 June. It is possible to have a different tax year with the approval of the tax authorities.

Filing and payment – Quarterly provisional returns must be filed by individuals receiving income not subject to PAYE or other withholding tax. Individuals (including partners in a partnership) with taxable income must file a tax return within six months after the end of the fiscal year (i.e. 31 December), unless their income is from a single employer and subject to PAYE, or the individual is a small business taxpayer taxed on the basis of turnover. Partnership and rental income returns and final tax payments are due four months after the year end.

Penalties – A 20% penalty on the shortfall will be levied where the provisional tax paid is less than 90% of the actual tax liability. The penalty on late payments is 2% per month on the shortfall and 2% of the gross tax liability for the year when a return is filed late. Other civil and criminal penalties may be levied in specific circumstances.

Value added tax:

Taxable transactions – VAT is levied on the sale of goods and provision of services. VAT is also chargeable on the import of non-exempt goods and services.

Rates – The standard rate is 18%. Zero rated supplies include an exported supply of goods or services and the supply or import of specified goods, particularly where used in agriculture, health and education. Exempt supplies include agricultural produce in an un-processed state, financial and insurance services and computer hardware and software.

Registration – Compulsory registration applies to a person making, or expecting to make, taxable supplies of UGX 12.5 million or more in a three-month period.

Filing and payment – VAT returns must be filed by the 15th day of the following month, together with any outstanding amount.

Source of tax law:

Income Tax Act, CAP 340, Value Added Tax Act, CAP 349.

Tax treaties:

Uganda has concluded 9 tax treaties.

Tax authorities:

Uganda Revenue Authority

International organisations:

EAC, COMESA, WTO

Deloitte contact:

Bill Page

Email: bpage@deloitte.co.ug

Direct: +256 414 343 850

Zambia

Highlights



Currency:

Zambian Kwacha (ZMK)

Foreign exchange control:

No restrictions are imposed on the import or export of capital. Repatriation payments can be made in any currency. Both residents and non-residents can hold bank accounts in any currency.

Accounting principles/financial statements:

IFRS. Financial statements must be filed annually.

Principal business entities:

These are the public/private limited liability company, partnership, sole trader, joint venture and registered branch of a foreign company.

Corporate taxation:

Residence – A company or similar corporate entity is tax resident if it is incorporated in Zambia, or if the control and central management of its business is exercised within Zambia during the year.

Basis – Residents are taxable on income received or accrued from an actual or deemed Zambian source. Foreign-source dividends and interest are taxable in Zambia. For non-residents, withholding tax deducted on their Zambian-source income is the final tax in Zambia.

Taxable income – Businesses are subject to corporate income tax on trading profits and other taxable income, such as interest, royalties and rental income. In general, expenses and losses of a revenue nature that are wholly and exclusively incurred for the purpose of the business are allowable as deductions. For other sources, to be deductible, expenses must have been incurred wholly and exclusively in the production of income from that source. The cost of providing noncash benefits to employees is not deductible for income tax purposes.

Taxation of dividends – Dividends received by a resident company from another resident company are not taxable at the level of the recipient, and any tax withheld at source is final (see “Dividends” under “Withholding tax”). Foreign-source dividends are taxable at the corporate rate.

Capital gains – There is no tax on capital gains in Zambia. A balancing charge on the disposal of assets is included in taxable income, based on the proceeds less the tax written-down value, up to the total capital allowances claimed.

Losses – Losses may be offset against future income from the same source for the next five years of account (10 years for copper and cobalt mining companies). For mining companies, losses may be indexed to the ZMK exchange rate against the U.S. dollar.

Rate – The rate is 35% for companies and branches, with the following special rates: 35% general rate for banks and mobile telecommunications companies and 40% on amounts over ZMK 250 million; 30% for mining companies, plus a variable profits tax of up to 15%; and 15% for exporters of non-traditional products and for farming and fertiliser producing companies. A one year discount of 2% is granted to a newly listed company on the Zambian (Lusaka) stock exchange (7% if 33% of the shares have been taken up by Zambians).

Surtax – A surtax is levied on banks and mobile telecommunications companies’ taxable income exceeding ZMK 250 million and a variable profits tax on income from mining operations (see above under “Rate”).

Alternative minimum tax – No

Foreign tax credit – A foreign tax credit is available in respect of tax suffered on foreign income taxable at source and in Zambia. The credit is limited to the attributable tax according to a statutory formula where the denominator is the total of taxable and exempt income.

Participation exemption – No

Holding company regime – No

Incentives – Special incentives apply to investment made in a priority sector or product under the Zambia Development Agency Act.

Withholding tax:

Dividends – Dividends paid to a resident or a non-resident are subject to a 15% withholding tax. A resident company receiving dividends from another resident company on which tax has been withheld can offset this tax against tax due on the dividends it distributes. Dividends from a company listed on the Zambian stock exchange are paid gross to a resident individual. The rate applicable to a non-resident may be reduced under a tax treaty.

Interest – Interest paid to a resident or a Non-resident is subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

Royalties – Royalties paid to a resident or a non-resident are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Local councils levy rates on property payable twice a year. See also “Transfer tax”, below.

Social security – The employer must match the employee’s contributions to the National Pensions Scheme Authority (NAPSA).

Stamp duty – Stamp duties are charged on various documents and transactions at nominal or ad valorem rates.

Transfer tax – A property transfer tax of 5% of the open market value is levied on the transfer of land and buildings and shares other than those listed on the Zambian stock exchange.

Other – A 3% advance income tax is levied on commercial imports, subject to ministerial remission. Where paid, the tax may be deducted from the taxpayer’s final income tax for the fiscal year. Mineral royalty is a levy chargeable at rates ranging from 3% to 5% on the monthly turnover of mining right holders.

Anti-avoidance rules:

Transfer pricing – Zambian transfer pricing rules require that transactions between associated persons be on arm’s length terms. The tax authorities can replace actual conditions with arm’s length conditions for commercial or financial transactions between associated persons.

Thin capitalisation – Interest in excess of that arising from a debt-to-equity ratio of 3:1 is disallowed for mining companies.

Controlled foreign companies – No

Other – Where the tax authorities consider that the main purpose of a transaction or series of transactions is the avoidance or reduction of liability to income tax, they can direct that adjustments be made.

Disclosure requirements – For purposes of administering the Income Tax Act, the tax authorities may require a taxpayer or any other person to furnish information on his/her own or another person’s tax affairs.

Administration and compliance:

Tax year – Year ending 31 March, but a company may apply to adopt any accounting reference date. Company profits from year ends in July to March are wholly taxed in the fiscal year in which the accounting year ends. For year ends from April to June, the profits are related back to the previous fiscal year.

Consolidated returns – The filing of consolidated returns is not permitted; each company in a group is taxed separately.

Filing requirements – Final returns are due by 30 September. An estimate of taxable income for the fiscal year is due by 30 June, and may be revised during the year. Quarterly provisional tax payments are due on a current year basis by 14 July, 14 October, 14 January and 14 April.

Penalties – A penalty equal to 25% of the tax liability underpaid is imposed if less than 2/3 was paid as provisional tax. Late payments of provisional tax attract interest at 2% over the Bank of Zambia discount rates. In addition, all late payments (provisional or final) are subject to a penalty of 5% of the tax due per month. The penalty for filing a late return is ZMK 360,000 per month.

Rulings – No

Personal taxation:

Basis – Individuals (both resident and non-resident) are taxed on income received or accrued from an actual or deemed Zambian source. Residents also are taxable on foreign-source dividend and interest income.

Residence – An individual becomes tax resident upon entering Zambia with an intent to establish permanent residence or by being present in Zambia for at least 183 days in a tax year.

Filing status – Joint returns are not permitted; spouses are taxed separately.

Taxable income – Taxable income includes business income, employment income (defined broadly), annuities, interest, royalties and property income. Dividends from companies listed on the Zambian stock exchange are exempt from tax.

Capital gains – There is no tax on capital gains in Zambia. A balancing charge on the disposal of assets is included in taxable income, based on the proceeds less the tax written-down value, up to the total capital allowances claimed.

Deductions and allowances – Interest on bank savings and deposit accounts, treasury bills and government bonds is subject to a withholding tax of 15%. Pension contributions up to 15% of taxable emoluments (capped at ZMK 1.86 million) are deducted from taxable income.

Rates – The first ZMK 12.0 million per annum is not taxed. The next bands up to ZMK 20.8 million and ZMK 50.4 million are taxed at 25% and 30%, respectively. Any excess is taxed at 35%. Compensation for loss of employment is tax-free up to ZMK 35 million, with the balance taxed at a flat rate of 10%. Local authorities are permitted to add a 2% levy on income of resident individuals, up to ZMK 15,000 annually.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duties are charged on various documents and transactions at nominal or ad valorem rates.

Capital acquisitions tax – No

Real property tax – Local councils levy rates on property payable twice a year. A property transfer tax of 5% of open market value is imposed on the transfer of land and buildings.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – The employee’s contribution to NAPSA is capped at the lower of 5% of basic salary and ZMK 6,403,468.80 per annum.

Administration and compliance:

Tax year – Year ending 31 March.

Filing and payment – The employer deducts tax monthly on a PAYE basis and is responsible for remitting it within 14 days of the end of each month. An individual with non-employment income in excess of the personal tax exempt threshold must make quarterly provisional tax payments based on current year estimates. The tax return is due by 30 September. Non employment income less than ZMK 200 million per annum is subject to turnover tax at 3% paid monthly under the presumptive turnover tax system (which does not require the filing of a tax return).

Penalties – A penalty equal to 25% of the tax liability underpaid is imposed if less than 2/3 was paid as provisional tax. Late payments of provisional tax attract interest at 2% over the Bank of Zambia discount rates. In addition, all late payments (provisional or final) are subject to a penalty of 5% of the tax due per month. The penalty for filing a late return is ZMK 180,000 per month.

Value added tax:

Taxable transactions – VAT is charged on the taxable supplies of goods and services in Zambia and on the import of goods. The import of services is normally taxable through a reverse charge VAT. The cash accounting basis can be used in the construction sector, with prior approval and is mandatory for companies carrying on mining operations.

Rates – The standard rate is 16%. A zero rate applies to exports and supplies to approved persons or organisations. Exempt supplies include basic foodstuffs, health and education, and the sale of land and dwelling houses. However, the development of dwelling houses for sale is standard rated.

Registration – Businesses with annual taxable supplies in excess of ZMK 200 million are required to register for VAT. Voluntary registration is allowed below the threshold under certain conditions.

Filing and payment – The VAT return must be filed monthly by the 21st day of the following month.

Penalties – Late payments of VAT attracts additional tax of 0.5% of the amount due per day. Additional tax equal to ZMK180,000 or 0.5% of the tax payable, whichever is greater is charged per day for failure to file a VAT return.

Source of tax law:

Income Tax Act, Value Added Tax Act, Customs and Excise Act.

Tax treaties:

Zambia has 19 tax treaties.

Tax authorities:

Zambia Revenue

Authority International organisations:

SADC, COMESA, AGOA beneficiary country

Deloitte contact:

Victor Muhundika

Email: vmuhundika@deloitte.com Direct: +260 211 228 677



South Africa

Highlights

Currency:

South African Rand (ZAR)

Foreign exchange control:

Exchange control is administered by the South African Reserve Bank, which has delegated powers to authorised dealers (banks licensed to deal in foreign exchange). South Africa does not impose exchange controls on nonresidents, but exercises exchange controls over residents and transactions between residents and nonresidents.

Accounting principles/financial statements:

IFRS. Financial statements must be prepared annually.

Principal business entities:

These are the public and private limited liability company, close corporation, partnership, sole proprietorship and external company (i.e. branch of a foreign company).

Corporate taxation:

Residence – A corporation is resident if it is incorporated in South Africa or effectively managed in South Africa, but does not include a corporation that is deemed to be exclusively a resident of another country for purposes of a tax treaty between South Africa and that other country.

Basis – Residents are taxed on worldwide income; nonresidents are taxed on South African source income and capital gains on the disposal of immovable property and assets of a permanent establishment in South Africa. Foreign source income derived by residents is subject to corporation tax in the same way as South African source income. Branches are generally taxed in the same manner as subsidiaries, but at a higher rate.

Taxable income – Income tax is imposed on a company's profits, which consist of business / trading income, passive income and capital gains. Expenses incurred in the production of income may be deducted in computing taxable income.

Taxation of dividends – Dividends received by a South African company from another South African company are exempt from corporation tax, although the Secondary Tax on Companies (STC), calculated on the net amount of dividends declared at a rate of 10%, is imposed on the payer of the dividends (subject to exemption). Dividends received from a foreign company are in principle subject to income tax, although various exemptions exist (e.g. where at least 20% of the shares and voting rights are held). When the foreign dividend is taxable, a credit for withholding tax suffered is generally available.

Capital gains – Capital gains are taxed at the normal income tax rate on 50% of the gains; however, gains on the sale of substantial foreign share holdings are exempt if certain conditions are satisfied.

Losses – Trading losses may be carried forward indefinitely. The carryback of losses is not permitted.

Rate – Rates are 28% for companies and 33% for branches.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign tax paid on foreign source income may be credited against South African tax on the same profits, but the credit is limited to, amongst others, the amount of South African tax payable on the foreign income.

Participation exemption – A participation exemption may apply to capital gains derived by a South African resident holding company on the disposition of a substantial share holding in a foreign company, other than a "foreign financial instrument holding company". To qualify for the exemption, the South African company must hold at least 20% of the equity shares and voting rights in a foreign company for at least 18 months before the disposal and the interest must be disposed of to a nonresident. Complex anti-abuse rules apply to the participation exemption.

Holding company regime – South Africa has introduced a regional holding company regime, which is not subject to the controlled foreign company, STC and thin capitalisation rules. Exchange control relief is also given to such headquarter companies. Specific requirements exist to qualify as a headquarter company.

Incentives – Incentives include a preferential corporate tax rate for small business corporations; an R&D deduction; depreciation allowances; urban development and infrastructure development allowances; public private partnerships grants; environmental expenditure deductions; a carbon-reducing exemption; oil and gas income tax incentives and a film allowance.

Withholding tax:

Dividends – No withholding tax is imposed on dividends. Refer to STC under "Taxation of dividends".

Interest – South Africa does not levy withholding tax on interest paid to nonresidents.

Royalties – The withholding tax on royalties paid to a nonresident is 12% unless the rate is reduced under a tax treaty.

Other – Where a purchaser of South African immovable property makes a payment to a nonresident, the resident must withhold a percentage of the amount payable, depending on whether the seller is an individual, a company or a trust. A final withholding tax of 15% is withheld on gross payments to nonresident entertainers and sports persons who earn income in South Africa.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – A 1% payroll levy (“skills development levy”) is imposed on all employers, but companies with payroll costs below ZAR 500,000 are exempt.

Real property tax – The municipal authorities levy “rates” on the occupation of real property. Rates are deductible in calculating corporation tax liability. Refer to “Transfer tax”.

Social security – Employers must contribute the equivalent of 1% of gross income for each employee, plus a 1% deduction from the employee, to the Unemployment Insurance Fund.

Stamp duty – Securities Transfer Tax is levied on the transfer of securities (including shares) at a rate of 0.25%.

Transfer tax – An 8% tax applies to the transfer of real property to companies unless the transaction is subject to VAT.

Other – Donations (gift) tax is payable by a donor at 20% of the value of property donated by South African residents (non-public companies).

Anti-avoidance rules:

Transfer pricing – The transfer pricing legislation requires a South African taxpayer to follow arm’s length principles in transactions with connected persons outside South Africa. The tax authorities may adjust prices to the arm’s length prices that would have been charged between independent parties dealing at arm’s length.

Thin capitalisation – Thin capitalisation provisions limit the deduction of interest payable by South African companies on debt provided by a nonresident connected person in relation to the South African borrower or entitled to participate, directly or indirectly, in not less than 25% of the company’s equity. As a general guideline, the tax authorities should not apply the thin capitalisation provisions if the debt-to-equity ratio does not exceed 3:1. Any interest disallowed on excessive debt will be regarded as a dividend subject to STC.

Controlled foreign companies – Under the CFC rules, an amount equal to the net income earned by a CFC in relation to a South African resident is subject to tax in the hands of the South African resident unless an exemption applies. A CFC is a foreign company in which one or more South African residents hold, directly or indirectly, more than 50% of the participation or voting rights of the company. The tax paid in the foreign country may generally be offset against the South African tax payable.

Other – A statutory GAAR applies.

Disclosure requirements – The tax authorities may, for purposes of the administration of the Income Tax Act, require any taxpayer or any other person to furnish information, documents or other items.

Administration and compliance:

Tax year – The tax year is the same as the corporation’s accounting year.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – Companies are required to file their income tax returns annually, within 12 months of the company’s financial year end. Advance payments of tax must be made twice a year, based on estimates of the final tax amount, the first during the first six months of the company’s financial year and the second before the end of the year. Where the provisional tax payments are less than the final tax liability, a third provisional tax

return may be submitted, accompanied by an additional payment of provisional tax, within six months after the end of the tax year.

Penalties – Penalties and interest are imposed for failure to comply.

Rulings – Binding rulings are available from the tax authorities on the interpretation of most provisions of the Income Tax Act.

Personal taxation:

Basis – South African residents are taxed on worldwide income. Nonresidents are taxed on their South African source income and capital gains from the disposal of immovable property and assets of a permanent establishment in South Africa. Interest from a South African source paid to a nonresident will not be taxable in South Africa if the person is outside South Africa for more than 183 days in the tax year and does not conduct a business in South Africa.

Residence – An individual is resident if he/she is “ordinarily resident” in South Africa, or is physically present in South Africa for more than 91 days during each of the current and preceding five tax years, and physically present in South Africa for a period exceeding 915 days in the aggregate.

Filing status – The tax year for individuals runs to the end of February. Tax returns must be filed by a date published by the Commissioner of the South African Revenue Service.

Taxable income – Taxable income is gross income less exempt income and allowable deductions. Gross income from employment includes all remuneration in cash or in kind, including bonuses, allowances and taxes reimbursed or paid on the employee’s behalf. Dividends from South African companies are tax free. The tax-free portions for lump sums received from a pension, provident fund and retirement annuities are all calculated differently, depending on whether the payment is as a result of resignation, withdrawal or retirement.

Capital gains – 25% of capital gains is taxable at the regular income tax rate.

Deductions and allowances – Subject to certain restrictions, deductions are granted for medical expenses, contributions to pension and retirement annuity funds, certain donations and travel and motor vehicle expenses.

Rates – Rates are progressive to 40%.

Other taxes on individuals:

Capital duty – No

Stamp duty – The rate is 0.25% on the transfer of shares.

Capital acquisitions tax – No

Real property tax – Transfer duty is paid on the acquisition of immovable property where the transaction is not subject to VAT. Transfers to individuals are subject to duty at progressive rates, up to a maximum of 8%. The municipal authorities levy a real estate tax, known as “rates”, on the occupation of real property.

Inheritance / estate tax – Estate duty is payable at the rate of 20% on the worldwide net estate of an individual who dies while ordinarily resident in South Africa, with a standard deduction of ZAR 3.5 million per estate. Certain other deductions are allowed, the most important of which is the deduction for assets accruing to the surviving spouse. Estate duty is also payable on the net South African situated estate of a person who dies while not ordinarily resident in South Africa. The same deductions and exemptions are applicable.

Net wealth/net worth tax – No

Social security – Employers must contribute the equivalent of 1% of gross income for each employee, plus a 1% deduction from the employee, to the Unemployment Insurance Fund.

Administration and compliance:

Tax year – The tax year ends 28 February.

Filing and payment – Tax returns must be filed by a date published by the Commissioner. Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities. Income not subject to PAYE is self-assessed - individuals must make tax payments at six month intervals during the tax year and a final payment six months after the tax year.

Penalties – Penalties and interest apply for failure to comply.

Value added tax:

Taxable transactions – VAT is levied on the sale of goods and the provision of services.

Rates – The standard rate is 14%; certain transactions are zero-rated or exempt.

Registration – A person making standard or zero-rated supplies of more than ZAR 1 million per year is obliged to register. Nonresidents that carry on an enterprise in South Africa are required to register.

Filing and payment – VAT returns are generally submitted every 2 months, but businesses with an annual turnover in excess of ZAR 30 million must submit monthly returns. Returns must be submitted within 25 days after the end of the tax period. Payment in full must accompany the return.

Source of tax law:

Income Tax Act No. 58 of 1962

Tax treaties:

South Africa has concluded more than 60 tax treaties. Tax authorities: South African Revenue Service

International organisations:

African Union, Common Monetary Area, Commonwealth, IMF, Cotonou Convention, Multilateral Investment Guarantee Agency, Non-Aligned Movement, UN, UNCTAD, World Bank, WCO, WTO

Deloitte contact:

Louise Vosloo

Email: lvosloo@deloitte.co.za

Direct: +27 11 806 5360