Benin

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What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

While there are no relevant updates in Benin's tax code, Benin has a new investment code since March 2020, which includes:

- Exemption from principal customs duties on imports in the investment period. Companies investing between XOF 50 billion and XOF 500 billion are also exempted from CIT, customs duties, and business tax and are allowed a reduction of 80% of the employer's share of salaries taxes during the exploitation period.
- Exemption from principal customs duties during the investment period for authorized companies whose investment amount is more than XOF 500 billion. These companies are also exempted from CIT, the employer's share of salaries tax, business tax, and license tax during the exploitation period.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Income tax rate reductions for start-up companies	Favorable income tax rates for start-up companies subject to CIT	Standard income tax rate is reduced by 25% for the first two years of operation and by 50% for the third year	Favorable tax rates for start-up companies apply to all new companies subject to CIT	
Incentives for companies investing in their Benin operation and creating new jobs	Exemption from import/export duties, exemption from tax on industrial and commercial profits and exemption from employer part of salaries taxes	Total exemption from import/export duties as well as tax on industrial and commercial profits, exemption from CIT and employer part of salaries taxes	To qualify for duty and CIT exemption, the enterprise must have turnover between XOF 50 million and XOF 1 billion To qualify for exemption from employer's share of salaries taxes the enterprise must be in the first year of activities, or in the first two years of activities for the exemption relating to first employment of an employee	

Industries most often affected by government incentives in country

	Technology, Media & Telecom		**Financial Services**
	Telecom, Media & Entertainment		Banking & Capital Markets
	Technology		Insurance
	Consumer		Investment Management
	Consumer Products		Real Estate
	Retail, Wholesale & Distribution		**Life Sciences & Health Care**
	Automotive		Health Care
	Transportation, Hospitality & Services		Life Sciences
	Energy, Resources & Industrial		**Government & Public Services**
●	Power & Utilities		Health & Social Care
●	Mining & Metals		Defense, Security & Justice
●	Oil, Gas, & Chemicals		Civil Government
●	Industrial Products & Construction	●	International Donor Organizations
		●	Transport

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Type	National incentive?	State, provincial, regional or local incentives?[1]	Filing deadlines imposed?	Did you claim in advance or arrears?[2]	Nature of incentive	Maximum benefit available to large enterprises?	Maximum benefit available to small and medium-sized enterprises?
Investment							
Capex: Start-ups	TEMPORARY INCENTIVE	NO	PERMANENT INCENTIVE NOT APPLICABLE	National: Advance Local: Not applicable	New small companies are not eligible for CIT reduction; New medium-sized and large companies are eligible for reduced CIT rates for the first three years	New large companies (more than 1 billion turnover) are eligible for a reduction of CIT for the first three years of activities The CIT rate is reduced by 25% for the first two years, and by 50% for the third year	New medium-sized companies (turnover between XOF 50 million and XOF 1 billion) are eligible for a reduction of CIT for first three years of activities The CIT rate is reduced by 25% for the first two years, and by 50% for the third year
Capex: Import/ export duty exemptions & tax relief for capex and job creation	TEMPORARY INCENTIVE	NO	PERMANENT INCENTIVE NOT APPLICABLE	National: Advance Local: Not applicable	New companies (whose turnover is more than XOF 50 million) are exempted from the employer's share of salaries taxes for the first year of activity. New companies are also exempted from the employer's share of salaries taxes for two years on the remuneration paid for the first job of registered employees Companies with one year of activity can benefit from a non-renewable annual CIT credit following the conclusion of a long term contract with a Beninese employee after one year of service Authorized companies that invest between XOF 50 million and XOF 1 billion are exempted from principal customs duties at import during the investment period. These companies are also exempted from customs duties at export during the exploitation period Authorized companies are also exempted from CIT during the exploitation period	The tax incentives are available for large companies that make the required amount of investment (XOF 50 million to XOF 1 billion)	The tax incentives are available for medium-sized companies that make the required amount of investment (XOF 50 million to XOF 1 billion)

Key: ● = PERMANENT INCENTIVE ● = TEMPORARY INCENTIVE ● = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

Notes:

1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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Investment (continued)							
Capex: Tax relief for significant capex	Temporary incentive	No	Permanent incentive / Not applicable	National: Advance Local: Not applicable	Authorized companies that invest between XOF 50 billion and XOF 500 billion are exempted from customs duties on import during the investment period. These companies are also exempted from CIT, custom duties, and business tax and are granted a reduction of 80% of the employer's share of salaries taxes during the exploitation period Authorized companies that invest more than XOF 500 billion are exempted from principal customs duties in the investment period. These companies are also exempted from CIT, the employer's share of salaries tax, business tax, and license tax during the exploitation period"	The tax incentives are available for large companies that make the required amount of investment	The tax incentives are available for medium-sized companies that make the required amount of investment
Other							
Industrial Free Zone (IFZ)	Temporary incentive	No	Permanent incentive / Not applicable	National: Advance Local: Not applicable	Exemptions from CIT and VAT for qualifying companies operating within IFZs, including: Exemption from CIT for the first 10, 12, and 15 years for zones 1, 2, and 3, respectively; Reduction of rate of CIT to 20% for five years from 11th, 12th, and 13th year for zones 1, 2, and 3, respectively; Exemption from VAT for the duration of approval for specific goods and services; Exemption from land taxes and business tax for one year from signing of agreement	The number of years of exemption and the taxes concerned depend on geographic area	The number of years of exemption and the taxes concerned depend on geographic area

Key: = PERMANENT INCENTIVE = TEMPORARY INCENTIVE = NEGOTIABLE = NO = LIMITED APPLICABILITY = NOT APPLICABLE

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Country background

The standard corporate tax rate in Benin is 30%, but companies in the industrial sector are subject to a lower rate of 25%. A varying corporate tax rate of between 35%–45% is imposed on companies engaged in oil research and exploration and/or the production and sale of hydrocarbons. There also is a value added tax (VAT) levied at a standard rate of 18%.

New reforms have been implemented by the Benin government to foster foreign direct investment. This includes creating a unified regulatory framework for public-private partnerships, a single business registration desk, and multiple tax incentives to support private investments. Moreover, the current administration (led by President Patrice Talon) has initiated a process to modernize public procurement and to revise fees to transfer state-owned lands. The tax regime also has been simplified to favor micro and small enterprises.

According to the United Nations Conference on Trade and Development, World Investment Report 2019, foreign direct investment (FDI) inflows from the United States represent 21.6% of Benin's GDP (USD 14.251 billion in 2018). The National Infrastructure Development Plan, which contains a series of private-public partnerships, has helped boost FDI.

Country synopsis

Benin (officially the Republic of Benin, formerly Dahomey) is a country in West Africa, bordered by Togo to the west, Nigeria to the east, and Burkina Faso and Niger to the north.

Part of the Gulf of Guinea, Benin has a 121 kilometer-long coastline and a population of close to 11.4 million. The country has recently been carrying out key economic and structural reforms.

Benin is a tropical nation, highly dependent on agriculture, and one of the world's largest producers and exporters of cotton and palm oil. Substantial employment and income arise from subsistence farming.

According to the African Development Bank, real GDP growth is projected to be 6.3% in 2019 and 6.8% in 2020. Growth in the raw materials extractive sector is projected to reach 5.7% in 2019, driven mainly by the cotton sector.

Industrial growth is projected to expand by 13.3% in 2019, owing to building and public works (growing by 25%) and the electricity and water sectors, projected to grow 8% as the 120-megawatt Maria-Gléta power plant begins production.

Benin is a member of the African Union, the Economic Community of West African States (ECOWAS), and the West African Economic and Monetary Union.

Benin is highly integrated with the regional market: 70% of its exports go to the ECOWAS zone (mainly Nigeria) and the port of Cotonou remains a transit corridor for countries such as Burkina Faso, Mali, and Niger. Benin is also integrated into the regional capital markets and is host to subsidiaries of regional banking groups.

The main challenges for the country are diversifying exports and modernizing trading services and trade and transport services.

Economic growth prospects are good but remain vulnerable to external shocks, especially rainfall, global cotton and oil prices, and changes in Nigeria's economic situation.

Investment incentives

Incentives are granted under several laws, including the investment code, mining code, petroleum code, environment code, free zone law, etc.

Capex

- **Start-ups:** The Benin tax code provides a reduction of corporate income tax (CIT) rates in the first three years of operation. CIT is reduced by:
  - 25% for the first and second years of operation; and
  - 50% for third year of operation.

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These exemptions apply only to new medium and large companies established in Benin whatever their sectors of activity.

- **Import/export duty exemptions and tax relief for capex and job creation:**
  - New companies (whose turnover is more than XOF 50 million) are exempted from the employer's share of salaries taxes for the first year of activity. New companies are also exempt from the employer's share of salaries taxes for two years on the remuneration paid for the first job of an employee declared to Social Security.
  - Companies with one year of activity can benefit from a non-renewable annual CIT credit following the conclusion of a long-term contract with a Beninese employee after one year of service.
  - Apart from these general exemptions and following the provisions of the Benin investment code, authorized companies (with a capex investment amount of between XOF 50 million and XOF 1 billion) are exempted from principal customs duties at import during the investment period. These companies are also exempted from customs duties at export and from CIT during the exploitation period.
- **Tax relief for significant capex:**
  - Following the provisions of the Benin investment code, authorized companies that invest between XOF 50 billion and XOF 500 billion are exempted from principal customs duties on import during the investment period. These companies are also exempted from CIT, customs duties, business tax, and license tax and are granted a reduction of 80% of the employer's share of salaries taxes during the exploitation period.
  - Following the provisions of the Benin investment code, authorized companies that invest more than XOF 500 billion are exempted from principal customs duties during the investment period. These companies are also exempted from CIT, the employer's share of salaries tax, business tax, and license tax during the exploitation period.

Other incentives

Industrial Free Zones

Enterprises licensed to operate in Industrial Free Zones (IFZs) can apply for exemptions from VAT and CIT, but the scope of the exemptions depend on the geographic area of each company. While the exemptions are not fixed, applicants could be awarded the following benefits:

- Exemption from CIT for the first 10, 12, and 15 years for zones 1, 2 and 3, respectively;
- Reduction of the rate of CIT to 20% for five years from the 11th, 12th, and 13th year for zones 1, 2, and 3, respectively;
- Exemption from VAT for the duration of the approval for specific goods and services;
- Exemption from land taxes and business tax for one year from the signing of the agreement.