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Guide to Fiscal Information

Key Economies in Africa 2013/14

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Preface

This booklet contains a summary of tax and investment information pertaining to key countries in Africa.

This year's edition of the booklet has been expanded to include an additional five countries over-and-above the thirty countries featured in last year's edition.

The thirty-five countries featured this year comprise: Algeria, Angola, Benin, Botswana, Burundi, Cameroon, Democratic Republic of Congo (DRC), Egypt, Ethiopia, Equatorial Guinea, Gabon, Ghana, Ivory Coast, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Republic of Congo (Brazzaville), Rwanda, Senegal, South Africa, South Sudan, Swaziland, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.

Details of each country's income tax, VAT (or sales tax), and other significant taxes are set out in the publication. In addition, investment incentives available, exchange control regimes applicable (if any) and certain other basic economic statistics are detailed.

The contact details for each country are provided on the cover page of each country chapter/section and also summarised on page 4, Tax Leaders in Africa. An introduction to the Africa Tax Desk (including relevant contact details) is provided on page 3, Africa Tax Desk.

This booklet has been prepared by the Tax Division of Deloitte. Its production was made possible by the efforts of:
- Moray Wilson and Adrienne Snyman – editorial management and content.
- Bruno Messerschmitt, Delia Ndlovu and Sarah Naiyeju – Deloitte Africa Tax Desk.
- Deloitte colleagues in various cities/offices in Africa and elsewhere.

Unless otherwise indicated, the fiscal information is current as at 31 December 2013. The economic statistics have been obtained from the best information available during 2013.

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Africa Tax Desk

Deloitte has a presence in 34 countries in Africa servicing 51 countries. These firms have been clustered into English, French and Portuguese-speaking areas to better facilitate service delivery for our clients. Deloitte is very fortunate to already have well established practices across the African continent, with most of them being the leading firms in their markets. The legal integration of these firms has moved Deloitte into a completely different league, further cementing its market-leading position in Africa. Deloitte in Africa is represented by over 350 partners, over 6 000 people comprising numerous industry and subject matter experts, including tax professionals who have successfully assisted clients with their Africa expansion strategies.

The Deloitte Africa Tax Desk (ATD) is a liaison between our Deloitte offices across Africa and the Global network, as well as a guide to Deloitte clients to ensure they are in contact with the right people and have access to up-to-date Deloitte publications.

Getting up-to-date and accurate information on taxation in many African countries can be challenging, however, a wealth of knowledge exists within the Deloitte network of country offices, independent correspondent firms and contact firms throughout Africa. Providing easy and timely access to this knowledge is a key role of the ATD.

As part of the ATD's role, it:

- Acts as the first point of contact for basic Africa tax and investment enquiries by orientating our people and clients with published tax and business materials.
- Connects Deloitte people and clients looking for more detailed support with the appropriate advisor in our African network.
- Initiates and nurtures relationships with non-Deloitte offices in Africa to provide a continent-wide support network.
- Works with the Deloitte Africa Tax Leaders to address client needs and co-ordinate a client service team, especially for international clients, active in multiple African tax jurisdictions.
- Promotes the services offered by Deloitte's African offices to practices and clients within and outside the region.
- Facilitates cross-office sharing of knowledge and experience about tax and investing in Africa to strategically position member firms to exploit new market opportunities.

For more information, please contact the Africa Tax Desk team:

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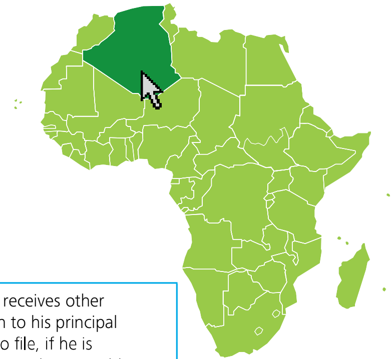
Algeria



Income Tax

Residents

The source basis of taxation is applied in Algeria. Payroll of expatriates is a complex area because of the impact of exchange control Algerian regulations. Thus, it is recommended that specific advice be sought in relation.

Income Tax Rates for Resident Individuals: 2013 (Annual)		
Taxable Income as exceeds	But does not exceed	Rate
DZD	DZD	%
0	120 000	0%
120 001	360 000	20%
360 001	1 440 000	30%
1 440 000 +		35%

Notes:

1. Personal income tax is a direct tax levied on the income of an individual. Taxpayers are classified into residents and non-residents.
2. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on Algerian-source income.
3. Residence – Individuals who either own a home in Algeria or have a rental agreement, of at least one whole year, for their current place of dwelling; individuals for who Algeria is either their principal place of residence or the centre of their economic interests; individuals with a professional activity in Algeria (salaried activity or not).
4. In principle, all Algerian income taxes are withheld at source. It is the company/ employer who is responsible for the withholding and payment of the taxes withheld on the employees' behalf.
5. An employee who receives other income, in addition to his principal salary, is required to file, if he is considered as a tax resident, in addition to the specific return for the additional revenue category, a global revenue return (series G n°1).
6. Rates – Individual income tax is imposed progressively up to 35% on amounts exceeding DZD120 000 per annum. A 10% or a 15% withholding tax (WHT) is a final tax applied for dividends received by individuals.
7. Capital gains – Capital gains on the disposal of a principal private residence and other personal effects, are exempt of taxation. For business assets, the same rules apply as for corporations.

Non-Residents

Non-residents are subject to tax only on Algerian-source income.

Employment Income

In principle, all Algerian income taxes are withheld at source. It is the company/ employer who is responsible for the withholding and payment of the taxes withheld on the employees' behalf.

Benefits in Kind

As fringe benefits are considered to be a part of the salary paid to an employee, they are subject to social security and income taxes. Fringe benefits taxable are generally evaluated on the basis of their fair market value.

Companies

Income Tax Rates for Companies	
	Rate of Tax
Companies – Non-tourism services sector	25%
Companies – Tourism and production sector	19%

Notes:

1. Residence – There is no definition of residence under the Algerian tax legislation. A corporation is generally considered resident if it is incorporated in Algeria. Branches of foreign corporations and Permanent Establishments (PEs) are also considered as residents.
2. Basis – Resident and non-resident companies are subject to tax on their Algerian-source income.
3. The Alternative Minimum Corporate Tax (AMT) is DZD5 000 per year.
4. Taxable income – Corporation tax is computed on net profits derived from Algerian sources.
5. Losses – Losses may be carried forward for four years. The carryback of losses is not permitted.
6. Dividends – In principle, dividends received between Algerian companies are not subject to WHT and are exempt from tax in the hands of the recipient. However, Algerian exchange control rules may apply.
7. Foreign tax credit – Algerian tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief. This is a complex area in Algeria and it is recommended to require specific advice.
8. Corporate groups – When an Algerian company holds 90% or more of the shares of one or more Algerian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Algeria, are consolidated. The consolidated group may also benefit from other tax advantages.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax.

WHT Rates			
	Note	Residents (%)	Non-Residents (%)
Dividend	1	0-10%	15%
Interest	2	10%	10%
Royalties	3	0%	24%
Technical service fees and services fees	4	0%	24%
Branch remittance tax	5	0%	15%

Notes:

1. Dividends – Dividends to non-resident shareholders are subjected to a WHT at the source of 15%.
2. Interest – It is not possible to contract an international loan.
3. Royalties – 24%. (Please note that it is a complex area. Expert advice would thus be necessary).
4. Technical service fees – 24%.
5. Branch remittance tax – 15%. (Note that since 2010, it is no longer possible to register a branch in Algeria. However, under certain conditions, a foreign company could operate in Algeria by registering its contract to local tax authorities. Under this scenario, a 15% tax rate applies on the distribution of profits).

Maximum WHT Rates once Double Tax Agreement* (DTA) is applied

WHT on payments to countries with which Algeria has a DTA are as follows:

Type of Income	Belgium	France	Germany	Italy	Netherlands	South Africa	UK	Switzerland
Dividends	15%	5%/15%	5%/15%	15%	n/a	10%/15%	n/a	5%/15%
Interest**	15%	12%	10%	15%	n/a	10%	n/a	10%
Royalties***	15%	5/12%	10%	5%/15%	n/a	10%	n/a	10%

* Because of the impact of exchange control regulations this is a complex area and it is recommended that specific advice be sought in relation to international taxation.

** International loans are forbidden since July 2009.

*** International transfers of royalties is a complex matter it is recommended that specific advice be sought in relation to international transfers.

Capital Gains Tax (CGT)

In general, capital gains are taxed as ordinary income. For certain assets, 35% relief is given where the assets have been held for up to three years, and 70% relief is given where the assets have been held longer.

The following capital gains are exempt from tax or receive special tax treatment:

- Capital gains realised within a group of corporations in the context of group transfers.
- Unrealised gains from the reassessment of fixed assets if they are booked in a special reserve.
- Capital gains resulting from mergers, divisions or partial transfers of assets between group corporations in Algeria.

Rollover relief is available where a company undertakes to acquire similar assets within three years.

Anti-avoidance

Transfer Pricing

An arm's length approach to transfer pricing applies. All entities registered with the tax department responsible for multinational companies (the "*Direction des Grandes Enterprises*"), must submit documentation to support their transfer pricing practices within 30 days after a request is made by the Algerian Tax Administration.

Thin Capitalisation

There are no thin capitalisation rules in Algeria.

Value Added Tax (VAT)

VAT	Rate
Standard rate	17%

Notes:

1. VAT is imposed on the supply of goods or services in Algeria. It includes all economic activities conducted in Algeria, especially industrial and handicraft activities, liberal or commercial professions.
2. A zero rate is also applied to all exports.
3. A standard VAT rate of 17% applies with a reduced rate of 7% applying to various basic items.
4. Businesses that have an annual turnover exceeding DZD100 000, are required to register for VAT purposes. A business must register within 30 days of becoming liable.
5. Monthly VAT returns and payments are due by the 20th of the following month.

Customs and Excise Duties

Customs authorities enforce strict regulations concerning temporary import or export of items such as: firearms, ammunition, or other weapons; pornography or seditious literature; and habit-forming or hallucinatory drugs.

Import Duties

Algerian imports are subject to payment of customs duties in the following increments: duty-free, 5%, 15% or 30%.

Miscellaneous Taxes

Tax on Bank Registration *("taxe de domiciliation bancaire")*

A 3% tax applies on every importation of service at the moment of the payment.

Vocational Training Tax

Corporations employing more than 20 employees are subject to a tax of 1% of annual payroll for vocational training, and an additional tax of 1% of annual payroll for learning.

Stamp Duty

Stamp duty is imposed at varying rates on transactions, including the execution of various documents and deeds.

Capital Duty

0.5% registration fees apply on the initial capital on the formation of a company and capital increase capped to DZD300 000.

Transfer Tax

A transfer tax is applicable to land and buildings at a rate of 5% for registration fees, plus 1% as a tax for land publicity.

Real Property Tax

An annual property tax is imposed on real estates in Algeria. Rates depend on the location of real estate.

Inheritance/Estate Tax

Inheritance and gift tax is imposed on the recipient with respect to property located in Algeria that is acquired by inheritance or gift. The rate is 3% for transfers between spouses, offspring or parents. Otherwise, the rate is 5%. Main residences are exempted.

Net Wealth/Net Worth Tax

Wealth tax for residents is assessed on a worldwide basis and applies to property with a net taxable value higher than DZD30 million on the 1st of January of the corresponding tax year. Wealth tax applies, for example, to peculiar real estates, motor vehicles, race horses, or arts. Where an individual has paid a similar tax on non-Algerian assets, it may be deducted from the tax due in Algeria. Non-residents are subject to wealth tax with respect to property deemed or actually located in Algeria.

Oil & gas Sector

Specific taxation applies in the oil & gas sector.

Social Security

There are contributions for both pensions and healthcare system. The employer must contribute 26% of the employee gross salary. The employee must pay 9% of pre-tax salary.

Tax Administration

Corporations

- Tax year – Calendar year (ends 31 December).
- Consolidated returns – Algerian companies may elect group treatment where a parent company owns at least 90% of a subsidiary. Although optional, once the election is made it is binding for at least four years.
- Filing requirements – Final tax payments are due by the 30th of April following the close of the tax year, along with the statutory return and the appropriate financial statements. Companies must pay provisional tax by 20 March, 20 June and 20 December based on 30% of the previous year's tax liability.
- Penalties – 10% penalties up to 25% apply for late filing, failure to file or filing an incorrect return.
- Rulings – Algeria has recently introduced a tax ruling regime (only taxpayers who report to the *"Direction des Grandes Entreprises, DGE"*). The position taken by the Administration in such a ruling, applies only to the particular situation of the relevant taxpayer i.e. it is not binding with respect to the circumstances of other taxpayers.

Individuals

- Tax year – Calendar year (ends 31 December).
- Filing and payment – Individual returns are due by the 30th of April following the end of the tax year. Tax returns are not required if the taxpayer's only source of income is employment income.
- Penalties – 10% penalties up to 25% apply for late filing, failure to file or filing an incorrect return.

General Investment Information

Investment Incentives

General Incentives

- The Algerian tax legislation has established a number of incentives to investment in and creation of projects in certain sectors that are aimed at accelerating growth rate and job creation within activities related to fields determined by the specific legislation. Major incentives are available for investments made by enterprises located in areas that need development.
- The most significant incentives are a 10-year corporate tax and property tax exemption under some conditions. There are also specific incentives, for example, investments by region, investments promoting environmental protection and the oil industry.

Tax Incentives

- Except those expressly excluded by regulation, all investments relating to production of goods or services (hence, excluding trading activities) are eligible for general regime tax incentives.
- General regime tax incentives are as follows for the setting-up phase:

  - Reduced registration duty of 0.2% for incorporation deeds and capital increases.
  - Exemption from customs duties on imported equipment and materials directly destined for the investment project (fixed assets).
  - Exemption from VAT on goods and services directly destined to investment projects, whether imported or locally acquired.
  - Exemption from registration fee on transfer of immovable properties specifically acquired in the framework of investment projects.
  - In the active business phase, and for the three years after starting up, qualifying investments are eligible for exemption from corporate tax (IBS) and professional tax (TAP).
- A special tax regime applies to investments that the Algerian economy benefits of, especially those using clean technologies. The criteria for defining said investments are set out by the National Council for Investment ("*Conseil National de l'Investissement, CNI*"). The following tax incentives may be granted under the special regime (after negotiation with the National Agency for Investment Development – the ANDI) for the setting-up phase:
  - Application of reduced registration duty of 0.2% for incorporation deeds and capital increases.
  - Exemption from taxes, duties, levies and imposts in relation to acquisition of goods or to services; designed for the investment project, whether imported or locally acquired.
  - Exemption from VAT on certain items.
  - Exemption from registration and legal publication fee on transfer of immovable property specifically acquired and assigned to production activities.
  - Exemption from tax applied on immovable property assigned to production activities.
  - In the active business phase, for up to 10 years following the start-up of the activity, incentives include exemption for the IBS and the TAP.

Other incentives may also be granted by the CNI. To obtaining an incentive granted under the specific regime, the corporation may have to conclude an agreement with the ANDI.

Exchange Controls

- The National Board of Investment must first approve any proposed foreign direct investment project.
- Foreign investors must partner with an Algerian-owned shareholder, limiting foreign ownership to a maximum of 49%. For importer companies (raw materials, products and goods purchased for resale), a minimum of 30% minimum local participation in the capital is required.
- Foreign companies have to register their contracts with a bank in Algeria and appoint a resident tax representative.
- Exchange control approval is required for all international payments including dividends.

Expatriates and Work Permits

There is no special expatriate tax regime in Algeria. Expatriates are subject to the same taxation system as other individuals. A work permit is required for expatriates to work in Algeria.

Trade Relations

- Memberships – United Nations (UN), OPEC, G-15, International Monetary Fund (IMF).
- Treaties – Algeria has concluded more than 20 tax treaties.

Interest and Currency Exchange Rate

Monetary Policy Rate:
Information not available.
Currency: Algerian Dinar (DZD) – The Dinar is loosely linked to the US dollar in a managed float. Algeria's main export, crude oil, is priced in dollars, while most of Algeria's imports are priced in euros. Therefore, the Government endeavours to manage fluctuations in the value of the Dinar.
EUR1 = 105.58 DZD (Average rate, August 2013) (source: Ministère des finances, Algérie)
US$1 = 79.47 DZD (Average rate, August 2013) (source: Ministère des finances, Algérie)
R1 = 8.189 45 DZD (November 2013) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$206.5 billion (2012) (source: IMF)
US$214.4 billion (2013 forecast) (source: IMF)
Market Capitalisation:
Information not available.

Notes:

1. Algeria is the second largest country in Africa. The hydrocarbons sector is the backbone of the Algerian economy. In 2010, the country was said to have the 9th largest natural gas reserves in the world and the fourth largest gas exporter despite some economic challenges.
2. The Algerian Stock Exchange was officially opened in 1999. To this day, the exchange is still in its infancy and plays a very minor role in the financing of the country's economy with only two companies being listed in the "*Bourse d'Algerie*". Conversely, the bond market has expanded in recent years. The total market capitalisation of the Algerian exchange was US$97 million at the end of 2007 (approx. 0.1% of the country's GDP).

Rate of Inflation:
3.91% (2010 average) (source: Office National des Statistiques, Algérie)
4.52% (2011 average) (source: Office National des Statistiques, Algérie)
8.89% (2012 average) (source: Office National des Statistiques, Algérie)
8.57% (2013 forecast) (source: IMF)

Note:

1. The increase in inflation has been driven by higher costs of foods.

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Angola

Income Tax

The source basis of taxation is applied in Angola, although resident companies are taxed on certain foreign income as well. The tax year is the calendar year ending on 31 December.

Individuals (Personal Income Tax)

All resident or non-resident individuals are liable to personal income tax (PIT) on Angolan-sourced income from employment, which is understood as income paid for or borne by an Angolan employer. The PIT Code does not establish any definition for resident or non-resident.

The concept of remuneration for PIT purposes is broadly defined and includes any remuneration paid or payable in cash or in kind to an individual, in the form of regular or incidental, fixed or variable.

Certain compensatory items are totally or partly exempt/not subject to PIT, such as allowances for travel and accommodation, holidays and Christmas allowances, housing allowances, social allowances (e.g. family, maternity, death and labour accidents) and old age, disability and survivor's pensions, retirement bonuses, social security contributions and severance pay.

The Angolan PIT has progressive rates and tax brackets depending on the monthly income. The employer has to withhold the tax according to the applicable rates and hand it over to the Angolan State until the end of the month following the one in which the income was paid. These rates vary, as provided alongside.

Monthly Income Tax Rates for Resident and Non-Resident Individuals: Income Tax Table

Taxable Income as exceeds	But does not exceed	Tax Payable
Kz	Kz	Kz
0	25 000	0
25 001	30 000	5% of amount exceeding 25 000
30 001	35 000	250 + 6% of amount exceeding 30 000
35 001	40 000	550 + 7% of amount exceeding 35 000
40 001	45 000	900 + 8% of amount exceeding 40 000
45 001	50 000	1 300 + 9%of amount exceeding 45 000
50 001	70 000	1 750 + 10% of amount exceeding 50 000
70 001	90 000	3 750 + 11% of amount exceeding 70 000
90 001	110 000	5 950 + 12% of amount exceeding 90 000
110 001	140 000	8 350 + 13% of amount exceeding 110 000
140 001	170 000	12 250 + 14% of amount exceeding 140 000
170 001	200 000	16 450 + 15% of amount exceeding 170 000
200 001	230 000	20 950 + 16% of amount exceeding 200 000
230 001 +		25 750 + 17% of amount exceeding 230 000

Notes:
1. Angola has a low PIT rate. The top PIT rate is currently 17%.
2. It is always the entity that pays the income (i.e. salary, wage or fee) that must deal with the Tax Administration (i.e. the paying entity must withhold the tax and subsequently remit it to the Tax Administration).
3. PIT must be deducted by the employer and paid by the end of the month following the month in which the personal income was paid.
4. Unless they can prove that they contribute to another social security scheme, all employees must register with the National Social Security Institute and contribute to it. The social security contribution is 11% of the monthly salaries, but the employer covers only 8%. The employer is required to withhold the employee's contribution and pay both contributions by the 20th day of the month following the month in which the personal income was paid. Employment income earned by an employee of a diplomatic mission or international organisation, is exempt from tax if the home country of the organisation or mission offers reciprocal treatment.
5. There are no specific concessions for expatriates.

Business Income/Independent (Self-employed) Professionals

70% of an individual's income from a business is taxable and, unlike employees, individuals engaged in business must file tax returns. Basic costs in connection with such self-employment are considered covered by the 30% income not taxed. Therefore, the taxable income is subject to a 10.5% effective rate.

Companies

A resident company is taxed on its worldwide income. A company is resident in Angola if it has its head office or is effectively managed and controlled in Angola. In the event that an employee of a foreign entity renders services in Angola for a period of time exceeding 90 days, this would create a Permanent Establishment (PE) of the foreign entity in Angola. As a result, the said foreign entity will be subject to all Angolan taxation. Non-residents that derive income from activities in Angola are subject to the same rules as residents on Angolan-source income.

Corporate Income Tax (CIT) must be paid annually by 31 May of each year for the previous tax year. However, a nominal provisional tax payment must be made at the beginning of each year. Penalties, (that may range from 50% to 25% of the tax due), are applicable for late payment of CIT. The generally applicable CIT rate has remained at 35%. However, a rate of 20% applies to agricultural, forestry and cattle breeding activities and a rate of 17.5% may be authorised by the Minister of Finance for companies that operate in economically deprived areas. Special tax regimes apply to the petroleum and mining sectors and, in order to stimulate investment in certain economic areas, exemptions can be granted.

Income Tax Rates for Resident and Non-Resident Companies: Years of Assessment Commencing On or After 1 January 2008

	Notes	Rate
Companies (other than those listed below)		35%
Agriculture and forestry activities		20%
Petroleum		
- Joint ventures	6	65.75%
- Production sharing agreements		50%
Mining companies	6, 7	40%
Urban property – rent		30%

Notes:
1. The tax year for companies is the calendar year.
2. Business income is broadly defined and includes all earnings and gains from principal and secondary activities.
3. Consolidated returns are not allowed. Each company must file its own return.
4. Companies that have signed a contract(s) or subcontract(s) with a resident company to provide services in Angola are liable to withholding tax (WHT) at a 3.5% rate in the case of construction services and 5.25% in respect of other services.
5. There is no branch remittance tax.
6. Losses may be carried forward for three years but may not be carried back.
7. Foreign exchange gains or losses are taxed or deducted as they are realised.
8. A non-resident with a PE in Angola is subject to CIT on the profits derived by that PE in Angola.
9. Special tax regimes for petroleum and mining sectors:

	Rate
• Joint venture in petroleum sector	
- Royalty (on concession rights and production)	20%
- Petroleum transaction tax	70%
• Mining	
- Royalty	2%-5%
- Surface tax (per 2 km^2)	US$2-40

Withholding Taxes (WHTs)

WHTs: Residents and Non-Residents, Corporate or Individual		
Income	**Notes**	**Rate**
Dividend	1, 2	10%
Interest	1	15%
Royalties	1	10%

Notes:
1. These are final taxes i.e. for residents, the tax withheld on payments received is considered as a payment on account of the tax due at year-end.
2. Capital income tax at a rate of 10% is withheld on dividends paid to both residents and non-residents. Exemptions apply in certain cases and the rate may be reduced under an incentive package.
3. Angola has not concluded any double taxation agreements (DTAs) with other countries.

Resident or Non-Resident Company WHTs: Service Contracts	
	Rate
Construction services	3.5%
Other services	5.25%

Notes:
1. The rates shown are effective rates, calculated by applying the corporate tax rate of 35% to 10% of the total value of the construction services contract, or 15% of other services contracts respectively.
2. If the service company is resident, it can deduct the WHT from its annual CIT.
3. If the service company is non-resident, the amount withheld by the resident company is the only tax due.
4. Angola applies the ordinary foreign tax credit as a unilateral method for the avoidance of double taxation for resident companies and Angolan PEs of non-resident companies. This does not cover income liable to Urban Property Tax (basically rental income).

Capital Gains Tax (CGT)

As a general rule, capital gains and losses from the disposal of fixed assets are taxed as business income. An inflationary adjustment is foreseen in the computation of the capital gains or losses, but in practice this is not applicable. Rollover relief is available if certain conditions are met. Capital gains deriving from the sale of shares are not subject to PIT or CIT but are subject to Capital Income Tax.

Capital Income Tax

Capital Income Tax is levied on income derived from the use of capital (i.e. interest, dividends and royalties). This tax is normally paid through the WHT mechanism, except those deriving from loans. The following rates are applicable to the most relevant types of income:

Resident or Non-Resident Company WHTs: Service Contracts	
Type of income	Rate
Loan interests	15%
Shareholders' loan interests	10%
Interest on current and term deposits placed with financial institutions	10%
Dividends or profit sharing	10%
Interest on treasury notes and bonds and on Central Bank securities	5%*/10%
Royalties	10%
Capital gains deriving from the disposal of shares or other securities that generate income subject to tax	10%
Other residual income arising from capital investment	15%

* In interest deriving from titles with maturity equal or superior to three years.

Capital Income Tax may be credited against the final CIT tax liability. Tax benefits include that a Capital Income Tax exemption, or reduced rate, can be granted under the Private Investment Law.

Transfer Pricing and Thin Capitalisation

The arm's length principle applies to related party transactions. Thin capitalisation rules do not apply in Angola.

There are new transfer pricing rules. In terms of the new legislation, the National Direction of Taxes can make necessary corrections for determining the taxable amount when "special relations" exist between entities and taxpayers, subject or not subject to Industrial Tax and have been established for its operations, different conditions from those which would normally be agreed in relations between independent entities.

Taxpayers will have to justify arm's length pricing in the cases of commercial transactions of the taxpayer with other "special relations" entities, whether or not these transactions are subject to Industrial Tax. The proposed rules generally cover commercial transactions including any transaction of goods, rights or services, and they also include financial transactions. The Transfer Pricing Dossier would have to be prepared by each company individually and sent to the Tax Administration within six months of the date of closing of the fiscal year.

Finally, the penalties and other consequences related to this regime will be determined in the new General Tax Code, which has not yet been enacted.

Foreign Tax Relief

Angola does not have any DTAs with any country. No foreign credit system exists as the Pay-As-You-Earn (PAYE) system is final.

Amendments to the Angolan Foreign Exchange Legislation – Invisible Current Transactions (Notice No. 13/13)

Through the Notice No.13/13 of 6 August, the National Bank of Angola (BNA) proceeded with the simplification of the procedures for the accomplishment of exchange operations; namely, the accomplishment of payments and transferences to foreign countries.

The referred Notice establishes new rules and procedures that must be observed in the accomplishment of transactions related with trips and transferences, as well as payments of services and incomes for foreign countries. Thus, the general limit for the transferences for the exterior of Angola was increased to Kz100 000 000 (about US$1 million) relative to the services dismissed of prior licensing by the BNA.

That is, the transactions resulting from contracts of amounts superior to Kz100 000 000, are subject to the prior authorisation of the BNA. In the cases where the beneficiary entity is providing services to the oil sector, duly registered and/or with programme contract celebrated with the Ministry of Petroleum, this limit is Kz300 000 000 (about US$3 million).

The presupposition remains that to the operations that have the same authorising officer, nature and end, and that in the period of one year they benefit the same entity, are considered parcels of one/same contract, being, therefore, subjects to a prior licensing of the BNA, when its summation exceeds the limits referred to above.

Obligatory Content of the Contract

With respect to the articulation of the exchange regimen with the Regulation on the Contract of Services of Foreign Technique Assistance or Management; namely, with

respect to the procedures for approval of contracts and its content, it is established that the contracts, that continue to have to be written in Portuguese language, shall not contain:

a) Vague, inexact and indeterminate objects.
b) Exorbitant, indeterminate, random or composite prices.
c) Clauses that reflect a huge disequilibrium between the responsibilities of the parts.
d) Restrictions to the free use, by the national part, of the technique information.
e) Clauses that establish the automatic extension of the contract.
f) Offensive clauses of the national sovereignty.
g) Injuring clauses of the internal public order.

Inheritances and Donations

A Gift and Inheritance Tax system exists. The Gift and Inheritance Tax applies to the transfers of property of any value, kind or nature, in whatever denomination or form.

The Gift and Inheritance Tax applies to gratuitous transfers of any movable or immovable property located or existing in Angola, or transferred from an Angolan resident. The transfer of assets with a value of Kz500 000 or less to ascendants, descendants or spouses, is exempt from Gift and Inheritance Tax.

The Gift and Inheritance Tax rates are as follows:

- Between spouses or to descendants and ascendants:
  - Up to Kz3 000 000 – 10%.
  - >Kz3 000 000 – 15%.
- Between any other persons:
  - Up to Kz3 000 000 – 20%.
  - >Kz3 000 000 – 30%.

The rates are progressive. For calculation purposes, when the taxable base is above Kz3 000 000, the value is divided into two parts and the marginal rate is applied above that ceiling.

Notes:
1. A tax reform is currently taking place in Angola. Therefore, new law changes are expected for 2014.

Other Transaction Taxes

Consumption Tax

There is no Value Added Tax (VAT) on commercial transactions in Angola. However, there is a Consumption Tax which is a combination of a single-stage sales tax and excise duty on the supply and import of certain goods and services in Angola.

The standard rate is 10%. A reduced rate of 2% applies to essential foods and medical supplies. Rates of 20% and 30% apply to certain luxury products.

The operations subject to Consumption Tax have recently been widened to cover several types of services rendered. Concerning certain types of services, the taxpayer is the provider of those services but the amount of tax due can be added to the value of the invoice or equivalent document for purposes of passing it on to the acquirer of the services. In what concerns production and import of goods, the taxpayer is the producer or the importer, respectively.

The monthly return and payment of Consumption Tax is due by the last business day of the following month.

New legislation reinforced that oil companies are subject to the general rules contained in the Consumption Tax Code relating to the payment of tax; namely, those regarding the applicable procedures and deadlines. When paying for the services provided, oil companies shall deliver the amount of consumption tax due, thus being responsible for paying it to the relevant tax office. The Consumption Tax rate in Angola, applicable to the provision of services, will depend on the type of service. The invoice issued for services provided to oil companies in Angola, must include the Consumption Tax due in accordance to the General Consumption Tax Regime.

Furthermore, this Regime does not apply to the supply of water, electricity or telecommunication services; neither to hotel and restaurant services.

Urban Property Tax (UPT)

UPT is levied on the income from properties (i.e. rental income for leased property) situated in Angola at an effective tax rate of 15% (tax payable may not be lower than 1% of the value of the property that generates the rent). The capping limit for these eligible expenses (i.e. charges with the maintenance and conservation of the immovable property), is 40% of the property rent or lease value. Income derived from rents subject to UPT,

and the correspondent charges related to maintenance and conservation of the immovable property, are not relevant for CIT purposes.

Property Transfer Tax (SISA)
SISA is levied on the transfer of property located in Angolan territory between Angolan citizens, between foreigners, or between foreigners and Angolan citizens. The tax rate is 2% and it is due by the acquirer of the property on the higher of the value of sale or the value of the property. If the property is transferred with the simple promise of property sale, SISA will be due. Long-term leases exceeding 20 years are also liable to this taxation.

The acquisition of at least 50% of shares in limited liability companies, or corporations that own immovable property, can trigger Property Transfer Tax, if the acquiring entity ends up holding more that 50% of the company and does not prove that the main purpose of the operation is not the acquisition of the immovable properties.

Tax benefits include that the SISA exemption, or reduced rates, can be granted under the Private Investment Law.

Stamp Tax
A stamp duty at nominal or ad valorem rates applies to acts, contracts, documents, titles, books, papers, operations and other events listed in the Stamp Tax Table annexed to the Stamp Tax Code, which includes, for example:

- Acquisition of ownership or other rights on real estate – 0.003% tax rate.
- Rental and sub-rental of real estate – 0.004% tax rate.
- Share capital contributions or increases, either in cash or in kind – 0.1% tax rate.
- Written contracts not specifically foreseen in the STT – Kz300 each.
- Guarantees according to the respective maturity – 0.1% up to 0.3% tax rate.
- Use of credit, according to its maturity and respective value – 0.001% up to 0.5%.
- Interest and commissions charged by financial institutions – 0.002% and 0.7% tax rate, respectively.
- Insurance brokerage commissions – 0.4% tax rate.
- Credit instruments – 0.1% tax rate.

Rates vary between 0.001% and 1%. It should be noted that there is a specific 1% Stamp Tax on monthly turnover. This tax should be handed over to the Angolan Tax Administration up to the end of the month following the one in which the turnover is accounted for/invoice is issued.

As a general rule, there will be no cumulative taxation on the taxable events subject to Stamp Tax. In cases where more than one Stamp Tax rate may apply, only the higher will apply.

General Investment Information

Investment Incentives
The Law on Private Investment replaced the old Foreign Investment legislation and simplifies the administrative procedure for investments. It makes no distinction between national and foreign investors, taking into account the origin of the capital invested and not the nationality or country of residence of the investor.

A Tax Incentive Law was also approved and the incentives are based on a matrix that combines geographic areas and priority sectors. The new Law on Fiscal Incentives consecrates a fiscal incentives policy which aims to attract private investment. For purposes of attribution of incentives to the investment, the country is divided into three areas, from the more developed (near the coast) to the more developing ones. The less developing areas are those where the greater fiscal incentives are attributed. Fiscal incentives range from exemption of payment of customs duties, industrial tax and CGT. The granting of tax incentives may last for a period of 10 years.

Further to the new law concerning Private Investment, it is necessary to consider specific legislation such as oil, mining and banking industries.

Exchange Controls

Exchange controls are administered by the Central Bank (the National Bank of Angola – BNA). Any import and export of funds is subject to the rules established by the Central Bank. The Law on Private Investment provides for varied procedures for the approval of foreign investment based on the value of the investment, whether the investment is of significance to Angola's economy.

Furthermore, in terms of Angola's Law on Private Investment, foreign investors can be guaranteed the repatriation of profits and dividends arising in Angola, after certain conditions have been complied with (e.g. deduction of any Angolan taxes due). This benefit is, however, only available in respect of foreign investments of at least US$1 million per investor.

Further to the above, repatriation of funds derived from commercial agreements must be authorised by BNA for those cases exceeding US$1 million (non-oil commercial agreements).

Companies operating in the petroleum and mining sectors are subject to more favourable treatment under the exchange control regulations.

Expatriates and Work Permits

All foreign workers performing duties in Angola must obtain visas after justification is made for their stay. If the workers are hired by an Angolan company or allocated to a PE of a foreign company, they should also obtain work permits.

Trade Relations

- Memberships – Cotonou Agreement, SADC, COMESA and OPEC.
- AGOA beneficiary country.

Interest and Currency Exchange Rates

Prime Lending Rate:
Not available.
Currency: Angolan New Kwanza (AOA)
R1 = Kz9.08775 (December 2013) (source: Oanda)
US$1 = Kz97.3680 (December 2013) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$123.996 billion (2013 forecast) (source: IMF)
US$115.209 billion (2012 estimate) (source: IMF)
Rate of Inflation:
8.924% (December 2013) (source: IMF)
10.285% (2012 average) (source: IMF)

Tax Law Changes

Please note that notwithstanding all the above, legislation changes are expected during 2014.

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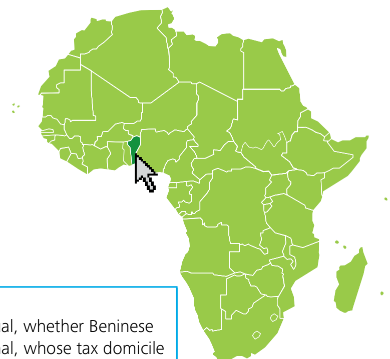
Benin



Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals:		
Taxable Income as exceeds	But does not exceed	Rate
XOF	XOF	%
0	300 000	0%
300 000	2 000 000	20%
2 000 000	3 500 000	30%
3 500 000	5 500 000	40%
5 500 000		45%

Notes:

1. Basis – An individual, whether Beninese or a foreign national, whose tax domicile is in Benin, is generally subject to personal income tax (PIT) on worldwide income. Foreign-source income that already has been taxed may be exempt if there is a tax treaty. Individuals not domiciled in Benin are subject to tax only on Benin-source income.
2. Residence – Domicile is based on habitual residence, evidenced by a permanent home, principal place of residence or centre of economic interests.
3. Rates – Progressive annual rates range from 20% (XOF300 000 – XOF2 million) to 45% (above XOF5.5 million). The tax on salaries is deducted at source at progressive annual rates from 10% (first XOF50 001 – XOF130 000) to 35% (above XOF530 000).
4. Taxable income – Income is taxed under five schedules: industrial and commercial profits; non-commercial profits; employment income; income from moveable capital (investments); and property income. Taxable income from employment is widely interpreted and includes benefits in kind, assessed at actual cost, except for accommodation at 15% of basic salary and for house staff at 15% of basic salary.
5. Deductions and allowances – The first XOF50 000 per month of employment income is exempt from tax. Income tax and tax on salaries are reduced according to the number of dependent children.
6. Filing status – Joint returns apply i.e. tax is assessed on the taxpayer's household (generally the husband's return). Children that have income separate and distinct from that of the parents are assessed separately.
7. Relief from double taxation is available through tax treaties to which Benin is signatory. Benin has four tax treaties; namely, with France, Norway, Kuwait and the WAEMU (covering eight other countries and addressing income taxes, Value Added Tax (VAT) and other duties).

Non-Residents
Individuals not domiciled in Benin are subject to tax on Benin-source income only.

Employment Income
Taxable employment income includes salaries and wages, bonuses, overtime, and all kinds of benefits and allowances.

Salaries, wages and remuneration accessories are taxable in Benin under some conditions:
- When the beneficiary is domiciled in Benin even though the gainful employment is exercised out of Benin and the employer is domiciled or established outside of Benin.
- When the beneficiary is domiciled outside of Benin to the condition that the gainful employment is exercised in Benin or that the employer is domiciled or established in Benin.

Benefits in Kind
Taxable income from employment is widely interpreted and includes benefits in kind, assessed at actual cost, except for accommodation at 15% of basic salary and for house staff at 15% of basic salary.

Pay-As-You-Earn (PAYE)
Tax is withheld on salaries, wages and remuneration accessories by employer and paid to the Tax Administration each month at the latest the 10th day of the following month of payment.

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate tax rate	30%

Notes:
1. Residence – Residence is not defined in the tax law, but includes companies registered in Benin and Permanent Establishments (PEs) and branches of non-resident corporations.
2. Basis – Resident corporations are taxable on Benin-source profits and foreign-source dividends, interest, royalties and capital gains, but not on foreign-source industrial and commercial profits. Non-resident corporations are subject to tax only on Benin-source income (and on the rental value of their property).
3. Rate – The Corporate Income Tax (CIT) rate for non-industrial companies and partners, who have made option of taxation at CIT, is 30%. Industrial companies are subject to a special rate of 25%. The rate is between 35% and 45% for oil companies carrying out research and the exploitation, production and sale of natural hydrocarbons.
4. Taxable income – Income is taxed under four schedules: industrial and commercial profits; non-commercial profits; income from moveable capital (investments); and rental income. Deductions incurred in generating income are normally allowable. Management fees may be deducted if reasonable for the services rendered.
5. Losses – Losses may be carried forward for three years. Losses arising as a result of excess capital allowances may be carried forward indefinitely. Losses may be carried back to the third year following the year in which the loss was incurred.
6. Dividends – Dividends received from domestic companies are not included in taxable income when determining CIT liability.
7. Foreign tax credit – There is no unilateral relief granted on taxable income from a foreign-source. Unilateral relief is available to individuals by way of an exemption from income on which tax has been paid.

8. Participation exemption – None.
9. Holding company regime – Holding companies have to provide the consolidated financial statements of all companies controlled by them.
10. Alternative Minimum Tax (AMT) – A minimum tax of 0.75% is levied on cash income where the CIT liability is less than XOF200 000.

Withholding Taxes (WHTs)

WHT of Payments to Resident Persons

WHT at the appropriate rate must be deducted from payments made to resident persons in respect of the following:

- Advance on CIT.
- Salaries.
- Dividends.
- Interest.
- Rental payments.

WHT on Payments to Non-Resident Persons

WHT must be deducted from payments made to non-resident persons in respect of the following:

- Salaries.
- Dividends.
- Interest.
- Rental payments.
- Services.
- Royalties.

Notes:

1. Dividends – Dividends paid to residents and non-residents are subject to a 15% WHT. This rate is reduced to:10% for income from shares regularly distributed; 7% for income from shares regularly distributed by companies listed on a stock exchange approved by the Regional Council for Public Savings and Financial Markets in the WAEMU; 7% for capital gains realised on the disposal of shares and received by individuals. The applicable rate is 6% for revenue bonds and lots and premiums reimbursement paid to creditors and bondholders. However, the Government is authorised to establish by a regulatory act one rate applicable less than 6% rate when the bonds have a duration greater than or equal to five (5) years and are issued to finance investments in priority areas of the development programme of Benin. Regarding income of bonds issued by WAEMU and those issued by public authorities and their branches states, the rate is reduced to: 3% when the term of the bonds is between five (5) and 10 years; 0 % when the term of the bonds is greater than 10 years. The applicable rate is 5% for capital gains realised on the disposal of bonds.
2. Interest – Interest paid to a resident or a non-resident generally is subject to a 15%.

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividend	1	15%-10%-7%-6%-5%-3%-0%	15% -10%-7%-6%-5%-3%-0%
Interest	2	15%	15%
Royalties	3	See below	10% -12%
Technical service fees	4	See below	10% -12%
Other	5	See below	See below

3. Royalties and technical service fees paid to a foreign individual are subject to 10% WHT and to foreign companies at 12% WHT. On the other hand, royalties paid to national individuals are considered as non-commercial profits and are subject to PIT at progressive rates. Royalties paid to national companies are considered as commercial profits and are subject to CIT.
4. Technical service fees – Technical service fees paid by resident companies to resident or non-resident companies, can be deductible if they are not excessive and do not have the character of an indirect transfer of profit in the extent of 20% of overheads.
5. Other – A 12% WHT on profits is imposed on payments made to non-residents companies and 10% for non-residents individuals. The tax is levied in respect of all activities carried out with a resident of Benin.
6. Branch remittance tax – Branches are subject to CIT, as well as a 15% WHT on payments of after-tax profits made by a Benin branch to its foreign head office, which may be reduced under a tax treaty. If there is no treaty between Benin and the state in which the head office is located, 90% of the after-tax profits are used as the base in applying the 15% WHT.

Maximum WHT Rates once Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Benin has a DTA are as follows:

Type of Income	Norway	France	Kuwait	UEMOA
Dividends	20%	-	-	10%
Interest	18%	-	-	15%
Royalties	-	-	20%	15%
Technical service fees	-	-	-	-
Other	-	-	-	-

Capital Gains Tax (CGT)

Companies

Capital gains derived from the disposal of business assets are included in ordinary income and taxed at the company rate. The taxation of certain capital gains may be deferred if the taxpayer reinvests the gains, subject to certain conditions before the expiration of a three-year period.

Individuals

Individuals are exempt from tax on capital gains derived from the disposal of shares. In other respects, the rules governing capital gains derived by companies apply.

Anti-avoidance

Transfer Pricing

Pre-tax profits indirectly transferred abroad (by adjusting the sale or purchase price, or by any other means) to a company outside Benin that controls or is controlled by the Benin corporate taxpayer, may be added back to taxable income.

Thin Capitalisation

There are no specific thin capitalisation rules but loan interest due to shareholders will be disallowed to the extent it arises from interest rates more than three (3) percentage points above the base rate of the West African States Central Bank.

Value Added Tax (VAT)

VAT	Rate
Standard rate	18%

Notes:
1. Transactions carried out in Benin and imports are subject to VAT. This extends to supplies of goods and services used, or made use of, in Benin.
2. The standard VAT rate is 18%. Exempt activities include imports of certain products, banking and general insurance. Externally financed government contracts are exempt under certain conditions. Exports of goods and services are zero-rated.
3. All individuals, or legal entities that purchase goods for resale or carry on industrial, commercial, non-commercial, artisan or professional activities, are subject to VAT and must register with the tax authorities.
4. Monthly VAT returns must be submitted, along with payment due, by the 10th of the following month.
5. Other – Although exempt from VAT, small enterprises must register with the tax authorities and are liable for a single "business tax" at a rate of 6% on the rental value of their premises.

Customs and Excise Duties

Since 1 January 2000, countries pay regardless of their point of entry into the WAEMU (West African Economic Monetary Union), taxes and duties as defined in the Common External Tariff ("TEC" in French).

Import Duties

For all imports, there is a WHT on corporate income at a 1% rate for the registered companies and 5% rate for unregistered companies. This WHT is applied on the customs value in addition to all duties and taxes except VAT. This WHT is an advance on CIT. There is also VAT at the rate of 18% on the customs value of the goods with duties and taxes of any kind.

Miscellaneous Taxes

Stamp Duty

There are fixed rate charges for the stamping of business contracts and other documents. Ad valorem charges are made as described in "Capital Duty" (below) and "Transfer Tax" (also below), and at rates of 1% (short-term lease or hire), XOF6 000 (shares), XOF6 000 (mergers), 5% (long-term lease or sale of moveable property) and 8% (sale of a business).

Capital Duty

No duty is levied on the formation of a company, but an increase in capital is subject to a fixed duty rate of XOF6 000.

Transfer Tax

A transfer tax of 8% is levied on the transfer of land and buildings. The transfer of shares is subject to a fixed rate stamp duty.

Real Property Tax

An annual real property tax is levied on the owner of property in "main" towns at a rate of 6% of the rental value for developed property and 5% for undeveloped property. The charge may be reduced where the property remains vacant. The tax is payable in advance, in equal instalments in January and March.

Inheritance/Estate Tax

See "Stamp Duty". The same rates apply for transfers from a deceased person's estate.

Net Wealth/Net Worth Tax

None.

Payroll Tax

A 4% rate applies, based on a widely defined concept of emoluments.

Other Taxes on Corporations

The business licence tax includes fixed and variable elements, taking into account the rental value of premises used and the nature of the activities.

An annual tax on financial activities is charged on banks and other financial institutions at 10% of the gross value of interest, commissions and other financial income. Contracts for insurance of assets in Benin are subject to insurance tax at rates from 0.25% (export credit) to 20% (fire).

Social Security

The employer's contribution is 15.4% of gross salary (6.4% pension and 9% family allowance), plus 1% to 4% as industrial injury insurance, depending on the degree of risk in the employment. The employee's contribution is 3.6% of gross salary.

Tax Administration

Corporations

- Tax year – The calendar year is used, although a company may adopt a different taxable period.
- Consolidated returns – Consolidated returns are not permitted. Each company in a group must file a separate tax return.
- Filing requirements – Tax returns must be filed four months after the accounting year-end, with any balance of tax due paid at that time. Equal quarterly advance payments are due on the 10th of March, June, September and December based on the previous year tax or, for new companies, a percentage of capital. Tax is also collected on account of the final liability when a company makes purchases, imports goods or deals with service providers, at rates of 1% (for registered enterprises) and 5% (for unregistered enterprises).
- Penalties – Penalties are assessed at rates from 20% to 80% of tax due, depending on whether the taxpayer's return was accidentally, mistakenly or fraudulently in error. The 80% rate also applies to estimated assessments in the absence of a return or a return submitted only after an injunction.

Individuals

- Tax year – Calendar year.
- Filing and payment – The individual tax return must be filed by the following 1st day of the month of May, or four months after the year-end for business income. Tax on business activities is paid in quarterly advance instalments on the 10th of March, June, September and December. No tax return is required when all income is from employment and tax has been deducted at source.
- Penalties – Penalties are assessed at rates ranging from 20% to 80% of tax due, depending on whether the taxpayer's return was accidentally, mistakenly or fraudulently in error. The 80% rate also applies to estimated assessments in the absence of a return or a return submitted only after an injunction.

General Investment Information

Investment Incentives

General Incentives

Various incentives are granted under several laws, including the Investment Code, Mining Code, Petroleum Code, Environment Code, and Free Zone Law etc.

Tax Incentives

- New or expanding enterprises that contribute to the Government's economic and social objectives, may be eligible for incentives during a "setting-up" period of up to 30 months, and five to nine years of business operations, depending on the location.
- Enterprises investing at least XOF500 million, and creating at least 20 new jobs for nationals of Benin, will be able to import production plant, machinery and spare parts, duty-free; export production, free from export duties; and are tax-exempt on industrial and commercial profits for an approved period.
- Enterprises investing at least XOF3 billion may obtain guarantees of a stable tax basis. One-half of profits re-invested in approved projects, may be deducted from taxable income. New industrial enterprises, or divisions of established corporations, may be granted a five-year income tax exemption.
- Enterprises licensed to operate in Industrial Free Zones (IFZs), may be granted a 10-year exemption from income tax on industrial and commercial profits, as well as other tax concessions.
- Financial and banking institutions, holding companies in general, and insurance companies, may obtain a licence to operate in IFZs.

Export Incentives

- Companies which benefit from Free Zone regime.
- Exemption from VAT is allowed on exported products or services.

Exchange Controls

The CFA Franc is linked to the euro (€) at a fixed exchange rate and unlimited convertibility to the euro is guaranteed. The CFA members (i.e. Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo) have agreed to apply exchange control regulations modelled on those of France. Transfers within the CFA Zone, are not restricted. Dividends paid out of revenue, and capital on disinvestment, may be remitted.

Expatriates and Work Permits

Work permits are required for expatriates who should come in Benin with a long-term visa (i.e. valid for one year). The employment contract of the expatriate is submitted to the Ministry of Labour for approval, and issue of the work permit valid for one year, renewable. A resident permit issued by Immigration Ministry is also required for all the expatriates.

Trade Relations

- Memberships – WTO, WAEMU, ECOWAS.
- Tax treaties – Benin has four treaties; namely, with France, Norway, Kuwait and the WAEMU (covering eight other countries and addressing income taxes, VAT and other duties).

Interest and Currency Exchange Rate

Monetary Policy Rate:
Monetary policy is determined by the objective to: • Increase the mobilisation of domestic resources. • Ensure the alignment of public expenditures with the strategy to reduce poverty. • Improve the business climate to foster private sector development. • Reduce the inflationary pressures due to rising fuel prices. • Ensure adequate liquidity to support the business. Interest rate is variable and determined by the TBB (base rate) decided by the Central Bank.
Currency: CFA Franc (XOF)
R1 = 47.9989 XOF (November 2013)
US$1 = 478.948 XOF (November 2013)
US$1 = 503.397 XOF (2013 average) (source: Oanda)

Key Economic Statistics

GDP (2013):
US$8.359 billion (2013) (source: IMF)
Market Capitalisation:
No statistic found – See Note 1 below.

Notes:

1. Benin has just a single company listed on the regional stock exchange in Abidjan, Ivory Coast. This is despite the existence of four brokerage firms dealing in securities in Cotonou, Benin's commercial hub. And the one company to have its shares traded on the market (Bank of Africa-Benin) is controlled by a Moroccan group, BMCE Bank. Benin's situation is similar to most African countries where the overwhelming majority of companies are slow to have anything to do with the stock exchange.

Rate of Inflation:
2.1% (2010 average) (source: World Bank/AFDB)
2.7% (2011 average) (source: World Bank/AFDB)
6.746% (2012 average) (source: World Bank/AFDB)
3.041% (November 2013) (source: World Bank/AFDB/IMF)
2.802% (Average 2013) (source: IMF)

Botswana

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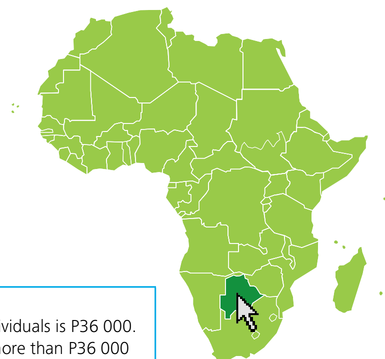
Botswana



The 2013/14 Budget was presented to National Assembly by the Honourable O.K. Matambo, Minister of Finance and Development Planning, on Monday 4 February 2013. The Honourable Minister informed the National Assembly and the general public that "it is very critical that Botswana positions itself to take advantage of opportunities presented by the changing global economic structure, both in terms of market access and foreign direct investment".

Income Tax

The source basis of taxation is applied in Botswana, although citizens and some companies may be subject to tax on their income from foreign-sources. Expatriates who are resident in Botswana are not taxed on investment income or business income arising from a source outside Botswana.

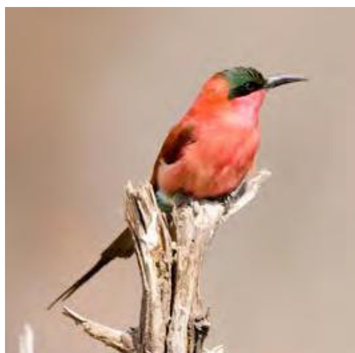
Residents

Income Tax Rates for Resident Individuals: Years of Assessment Commencing On or After 1 July 2011		
Taxable Income as exceeds	But does not exceed	Tax Payable
P	P	P
0	36 000	0
36 000	72 000	0 + 5%
72 000	108 000	1 800 + 12.5%
108 000	144 000	6 300 + 18.75%
144 000 +		13 050 + 25%

Notes:

1. The threshold for individuals is P36 000.
2. All persons earning more than P36 000 per annum are required to register with BURS and obtain a tax identification number (TIN) (with effect from 1 July 2011). Failure to do so will result in a penalty of P10 000. The current situation is that all persons earning more than P36 000 per annum are required to file annual tax returns.
3. Individuals, whether resident or non-resident, are liable for income tax on Botswana-source income. Residence status is important as non-residents are subject to tax at different rates.
4. Individuals are considered to be a resident for tax purposes if they are physically present in Botswana for more than 183 days in any tax year.
5. There are no rebates or abatements.
6. From 1 July 2011, all amounts accrued to any person are now deemed to be from one source with the exception of mining, farming and capital gains. (This was always the case with companies but is now extended to individuals).
7. Individuals are taxed on the value of any benefit or advantage arising from employment, whether in cash or otherwise.
8. 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. For retrenchment packages one-third or P36 000 (whichever is greater) is exempt. Contractual terminal gratuities payable to expatriate employees are exempt to the extent of one-third.
9. Each spouse is taxed separately on his/her income.

10. The previous interest exemption for individuals of P6 000 per annum has increased to P7 800 per annum. Interest income which has been subjected to the 10% withholding tax (WHT) does not have to be declared and the WHT suffered is considered a final charge to tax.
11. Where residents receive interest in excess of P1 500 per quarter, they will be subject to a 10% WHT.
12. Self-assessment tax applies to non-corporate taxpayers on an optional basis.
13. The income tax return must be filed within three months of the end of the tax year. Any balance of tax due is payable within 30 days of receipt of the assessment.
14. The tax year is the 12-month period from 1 July to 30 June. Corporate Income Tax (CIT) returns must normally be submitted for each tax year within four months from the end of that tax year or from the end of the company's financial accounting year, unless the Commissioner-General has granted an extension of time for submitting the return. 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.



Non-Residents

Income Tax Rates for Non-Resident Individuals, Trusts and Estates: Years of Assessment Commencing On or After 1 July 2011

Taxable Income as exceeds	But does not exceed	Tax Payable
P	P	P
0	72 000	5%
72 000	108 000	3 600 + 12.5%
108 000	144 000	8 100 + 18.75%
144 000 +		14 850 + 25%

Notes:
1. The non-resident tax rates have remained unchanged.
2. These rates are applicable to non-residents in respect of employment and business income earned in Botswana. In addition, certain payments made to non-residents at an address outside Botswana are subject to WHT.
3. The non-resident tax rates also apply to trusts and estates.

Individual's Vehicle Benefit

Vehicle Cost (P)	Employee's Taxable Benefit (P)	Fuel Cost Adjustment (P)
1 – 50 000	2 500	1 000
50 001 – 100 000	5 000	2 000
100 001 – 150 000	7 500	3 000
150 001 – 200 000	10 000	4 000
200 001 +	10 000 + 15% of excess	5 000

Notes:
1. Where the fuel cost is paid for by the employee, the fuel cost adjustment is deducted from the benefit, but where the fuel cost is borne by the employer the full benefit is taxable (with effect from 1 July 1997).

Medical Contributions

The employer's contributions to a Medical Benefit Fund on behalf of his employee, up to an amount equal to 100% of the required contributions, are not taxable in the hands of the employee.

Individual's Housing Benefit

- If rated – The lower of a) or b) pro-rated by occupation and reduced by any charge borne by the employee:
  a) 10% of property's rateable value; or
  b) 25% of taxable employment income before housing benefit.
- If not rated – The lower of a) or b) pro-rated by occupation and reduced by any charge borne by the employee:
  a) Gross floor area x P250 x 8%; or
  b) 25% of taxable employment income before housing benefit.

Individual's Furniture Benefit

10% of furniture cost in excess of P15 000 pro-rated by usage.

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2011

	Note	Rate
Resident companies	1, 4	22%
Non-resident companies	1, 4	30%
Capital Transfer Tax:		
Aggregated taxable value	7	12.5%
On application:		
Manufacturing companies and International Financial Services Centre companies		15%

Notes:
1. The two-tier system was abolished (from 1 July 2011) and the company rate of tax reduced from 25% to a flat 22%, and the WHT rate reduced from 15% to 7.5%. This equates to an effective tax rate of 27.85%. Manufacturing and IFSC rates remained at 15% and, in respect of a manufacturing company; the effective tax rate is 21.375%. The tax rate of a branch of a foreign company is 30%, which makes this the least tax-efficient vehicle through which to operate in Botswana.
2. A company for income tax purposes includes any association or society (whether or not incorporated or registered), but excludes a partnership.
3. A corporation is resident if it is incorporated in Botswana or managed in Botswana.
4. CIT is levied on the Botswana-source taxable income of all companies, other than tax-exempt bodies (such as pension funds and charities) and small companies that elect to be treated as partnerships or sole proprietorships.
5. Foreign-source dividends and interest are deemed to be from a Botswana-source and taxed on accrual, while business profits are taxable only when remitted to Botswana.
6. Capital gains derived by companies are taxed at the rate of 25%. Where the gain arises from the sale of shares, only 75% of the amount realised is taxable. Gains from shares which are listed on the Botswana Stock Exchange (BSE) is tax exempt if the seller holds at most 49% of the shares. Gains from the disposal of IFSCC shares are, however, exempt from tax. (The holding of 49%, to get a tax exemption from capital gains tax (CGT), only applies to the promoter/holding company. It does not apply to the "man-in-the-street").

7. Capital Transfer Tax has remained unchanged at 12.5%.
8. CGT at 22% has been proposed.
9. Local dividends are exempt. However, dividends from sources outside Botswana are subject to a flat rate of 15%.
10. Approved financial operations that qualify as an International Financial Services Centre (IFSC) company include: banking and financing operations, broking and trading of securities, investment advice, management and custodial functions in relation to collective investments, insurance and related activities, exploitation of intellectual property, and accounting and financial administration. In the past, IFSC companies were only allowed to do business with non-residents. The rule was relaxed in 2006/7 to allow such companies to transact with related companies which have existing operations in Botswana.
11. The effective rate for manufacturing and IFSC companies remains unchanged at 15%.
12. For mining projects commenced prior to 1 July 1998, a company has the option to be taxed either:
    - At a rate according to the mining tax formula (as set out below) and be allowed an immediate 100% write-off of exploration and development expenditure; or
    - At the normal corporate tax rates, and write-off the mining expenditure over the life of the mine or 10 years, whichever is the lesser period. Mining projects commenced after 1 July 1998 are taxed at a rate according to the formula with a 100% write – off of exploration and development expenditure.

      $$\text{Tax rate} = 70 - \frac{150}{x}$$

      where x is the ratio expressed as a percentage of taxable income to gross income, subject to a minimum tax rate of 25%.
13. Amounts contributed to an approved Mine Rehabilitation Fund are, from 1 July 2011, a deductible expense. The investment income of the fund is exempt from tax and a 10% WHT on the refund of excess contributions from the fund to the contributor, applies.
14. An assessed loss may be carried forward for five years. Mining and farming losses can be carried forward indefinitely. However, the amount of farming losses that can be claimed against non-farming income is limited to 50% of the non-farming income.
15. Relief from double taxation is provided in the form of a foreign tax credit. 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.
16. The exemption from income tax and CGT, of public benefit organisations (PBOS), is only available to those organisations which satisfy the Commissioner that such income is applied for public benefit purposes.
17. There are currently no anti-avoidance rules for transfer pricing, thin capitalisation, controlled foreign companies (CFCs) and disclosure requirements.
18. The payment of the training levy is officially a deductible expense (from 1 July 2011) and any refund received from BOTA is assessable income. The double deduction only applies to training costs to which there is no entitlement to a BOTA refund.
19. No payroll or social security tax is imposed on corporations.

Tax Administration and Compliance

- 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 losses to be transferred between group companies. However, relief is provided in respect of dividends paid out of dividends received.
- A Self-Assessment Tax (SAT) system applies. Under self-assessment, a company that has a liability of over P50 000 is required to pay the tax in four quarterly payments commencing the first quarter after its financial year-end. A final, or fifth instalment, can be made four months after its year-end at the same time that the company submits its return. A company with a liability of less than P50 000, is required to pay the full liability four months after its year-end at the same time that the company submits its return.
- Penalties may be imposed at P100 per day for late filing of corporate returns. Late payment interest on quarterly SAT payments and assessed tax is compounded at 1.5% per month from 1 July 2011. Late payment of Pay-As-You-Earn (PAYE) and WHT is also compounded at 1.5% per month.
- There is no formal advance ruling system in Botswana. However, a company may seek a non-binding interpretation of particular provisions of the law from the Revenue Service.
- The definition of "assessment" has been expanded to include a liability for WHT. This simplifies the objection and appeal procedures in cases of WHT disputes.
- All appeals against disallowed objections, which from 1 July 2011 includes WHT disputes, must first be heard by the Board of Adjudicators. Previously, taxpayers had the option of taking a dispute direct to the High Court, and this was the preferred route.
- General anti-avoidance measures are of application and thin capitalisation rules apply to mining companies and IFSC companies.

Withholding Taxes (WHTs)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT.

These tax rates are set out below:

WHT Rates

		Residents	Non-Residents
	Note	Rate	Rate
Contractors	4	3%	3%
Dividends	1,3,5	7.5%	7.5%
Entertainers/sportsmen	1,9		10%
Interest	1,5,10	10%	15%
Management, technical and consulting fees	1,5,6,7		15%
Royalties	1,5,8		15%
Rent	11	5%	5%
Commissions and brokerage	11	10%	10%
Surplus mine rehabilitation funds	13	10%	10%

Notes:

1. The WHT payable on dividends and on interest, royalties, entertainers/sportsmen fees, and management, technical and consulting fees paid to non-residents is a final tax.
2. No WHT is levied on branch profit remittances and IFSC companies.
3. With effect from 1 July 2011, the rate of WHT on dividends is 7.5% unless reduced further by treaty. There is no longer any set-off against ACT. ACT accumulated up to and including the 2011 tax year, can be utilised so long as the dividend is declared before 30 June 2011. There are no transitional arrangements after 30 June 2011. Companies with a 30 June 2011 year-end have to declare their dividends before the year-end and pay 15% WHT, and then set this off against current year ACT. Any accumulated ACT that remains unutilised after 30 June 2011 is lost.

4. The WHT does not apply to construction related services e.g. design, engineering and surveying.
5. Botswana has double tax agreements (DTAs) with Barbados, France, Lesotho, Mauritius, Namibia, Russia, the Seychelles, South Africa, Swaziland, Sweden, the United Kingdom (UK) and Zimbabwe. These WHT rates are reduced by the DTAs, other than in the case of the agreement with Sweden (see below). It is proposed the withholding rate on dividends will be the lower of 7.5% and treaty rate.
6. Management, technical and consulting fees include payments in consideration for any services of an administrative, technical, managerial or consulting nature. Virtually all service fees are caught irrespective of where services are rendered.
7. Payments for services made to South Africa after 20 May 2004 are subject to a WHT at 10% under the DTA. (This exemption has been removed in the case of the DTA with the UK with effect from 1 July 2006).
8. Payments by local telecommunication companies to foreign telecommunication companies, under international agreements for international telephone service fees, are exempt from the WHT requirements applicable to commercial royalties.
9. The definition of an "entertainment fee" specifically includes payments to associations and companies for the activities of non-resident entertainers. Therefore, all payments to non-resident entertainers, regardless of who actually receives the payments or how they are made, are subject to the 10% WHT applicable to entertainers. Previously, the definition could be interpreted to include only payments to an individual entertainer.
10. Botswana residents receiving interest in excess of P1 500 per quarter, payable by banks and financial institutions on deposits, bonds and securities, is subject to 10% WHT. This is not a final tax.
11. From 1 July 2011, tax must be withheld on payments of rent (5%) and commissions and brokerage (10%). There are exemptions if rent is paid to an exempt person, or if the rent is paid by an individual who is not going to claim the deduction.
12. Where payments of royalties, management or consultancy fees, interest and entertainment fees are made to non-residents, a deduction is (from 1 July 2011) only allowed for income tax if the WHT has been paid in that tax year. This is to address the issue of non-payment of such fees, and therefore no WHT, but taxpayers still claiming the deduction and has been a source of contention to BURS for many years.
13. A 10% WHT on the refund of excess contributions from the mining rehabilitation fund to the contributor applies from 1 July 2011.

Maximum WHT Once DTA is Applied

Recipient's Country of Residence	Note	Interest	Dividends	Royalties	Technical Fees
Barbados	1	10%	5%/12%	10%	10%
France	1	10%	5%/12%	10%	7.5%
India	1	10%	7.5%/10%	10%	10%
Lesotho	1	10%	10%/15%	10%	10%
Mauritius	1	12%	5%/10%	12.5%	15%
Namibia	1	10%	10%	10%	15%
Russia	1	10%	5%/10%	10%	10%
Seychelles	1	7.5%	5%/10%	10%	10%
South Africa	1	10%	10%/15%	10%	10%
Swaziland	1	10%	10%/15%	10%	10%
Sweden	1	15%	5%/10%	15%	15%
United Kingdom	1, 2	10%	5%/12%	10%	7.5%
Zimbabwe	1	10%	5%/10%	10%	10%

Notes:
1. The lower rate applies if the recipient is a company which owns at least 25% of the share capital of the company paying the dividend.
2. The DTA with Sweden does not provide for the reduction of WHT rates.

Capital Gains Tax (CGT)

In Botswana, CGT is charged on gains arising on the disposal of certain assets irrespective of whether the taxpayer is a resident or a non-resident. The assets must, broadly speaking, be located in Botswana, and must be one of the following:
- Any shares or debentures issued by a company.
- Residential property.
- Any property (movable or immovable) belonging to a business carried on in Botswana.

(This would include assets held by an investment company operating in Botswana).

A rollover relief is granted where any class of property is disposed of as a result of the restructuring or merger of two or more resident companies (including a subsidiary company of such companies), and the Commissioner-General is satisfied that the restructuring or merger is carried out in a manner which does not result in a change in the beneficial ownership of the shares of the companies involved and no shareholder benefits at the expense of another. The rollover relief will also apply where property is disposed of as a consequence of the reorganisation (including a restructuring or merger) of a resident company, and the Commissioner is satisfied that the sole object of the reorganisation is to enable the company to offer its shares for listing on the BSE. The application for listing of the shares must be made by the company to the BSE within one month following the completion of the reorganisation, restructuring or merger and the application must be granted before the expiration of 12 months from the date of application. Furthermore, where a company reinvests the whole of its original investment, together with all or part of the gain from the disposal of any immovable property of its business, in another immovable property for the business, the tax liability will be deferred until the time the property in which it was reinvested is disposed of.

Capital gains on shares of resident companies listed on the BSE are exempt in certain circumstances. Capital losses can be carried forward for a maximum of one year.

Notes:
- In order to obtain the exemption from CGT on the sale of shares listed on the BSE, from 1 July 2011 the taxpayer must have held the shares for at least one year.
- In order to qualify for the exemption from CGT on the sale of an individual's principal private residence, the house must have been owned for at least five years and in respect of any further sale of a principal private residence the house must have been owned by the individual for a further five years from the previous exemption. The condition that the proceeds of one principal private residence are reinvested in another principal private residence, has been removed.

CGT Rates		
Taxable Gains as exceed	**But do not exceed**	**Tax Payable**
P	P	P
Resident & Non-Resident Individuals		
0	18 000	0
18 000	72 000	0 + 5%
72 000	108 000	2 700 + 12.5%
108 000	144 000	7 200 + 18.75%
144 000 +		13 950 + 25%
Companies		
0 +		22%

Inheritances and Donations

Donations, other gratuitous disposals such as *inter vivos* gifts and estates of deceased individuals, are subject to Capital Transfer Tax.

Capital Transfer Tax Rates			
	Aggregate Taxable Value as exceeds	But does not exceed	Tax Payable
	P	P	P
Resident and non-resident individuals	0	100 000	0 + 2%
	100 000	300 000	2 000 + 3%
	300 000	500 000	8 000 + 4%
	500 000 +		16 000 + 5%
Companies	0 +		12.5%

Value Added Tax (VAT)

VAT	Rate
Basic rate on goods and services	12%

Notes:

1. VAT is payable every month or second month depending on the level of turnover.
2. With effect from 1 April 2010, the VAT rate increased from 10% to 12% and VAT registration threshold increased from P250 000 to P500 000.
3. Penalties and interest may be levied for late VAT returns and late VAT payments.
4. Exemptions include: educational institutions, financial services, housing rentals, passenger transportation, donations, grants and condoms. Amendments in 2011 included exemptions from VAT of farm implements such as ploughs, planters and harvesters.
5. Zero-rated supplies include: exports, fuel, maize meal, sorghum, grain, millet, flour, sugar, wheat, pesticides, fertilisers and farming tractors, as well as the international transportation of passengers or goods and the insurance or arrangement of those services and supplies to Head of State.

2013/14 Budget proposals include the amendment of the VAT Act to:

- Increase the maximum penalty chargeable for failure to file a "Nil" or "Refund" VAT return from zero to P5 000.
- Zero rate the first 5 000 litres per month of water supplied by the Water Utilities Corporation to a residential dwelling.
- Expand the definition of capital goods to include mining capital expenditure.
- Increase accompanied passenger's baggage threshold to UA1 200 from UA500.

Other Transaction Taxes

Transaction Taxes	
Transfer Duty	**Rate**
Citizens	
• Non-agricultural property – Value above P200 000	5%
• Agricultural property – Value above P200 000	5%
Foreigners	
Non-agricultural property	5%
Agricultural property	30%
No transfer duty is payable where the sale of property attracts VAT.	
There is no marketable securities tax/stamp duty on share transfers.	
Share Capital Duty is calculated as follows:	
• Where nominal capital is P1 – P3 000	P200
• Then for every P1 000 or part thereof	P8
Property Transfer Tax	
• 5% of the total consideration if VAT not paid.	

General Investment Information

Investment Incentives

General Incentives

There are two types of investment incentives:

1. Development Approval Order (DAO).
   - Companies which conduct an approved business of manufacturing qualify for a lower corporate tax rate of 15%. However, only certain types of manufacturing processes qualify.
   - Any project that will benefit the economic development of Botswana may qualify. This is particularly used in the mining industry but can apply to any project with the emphasis being on employment generation. The relief given can take any form and is totally negotiable.
2. The Citizen Entrepreneurial Development Agency (CEDA) provides low-interest loans to citizens.

Further investment incentives include the following:

3. Local Participation or Management Requirements.
   - There are no nationality or residence requirements for shareholders.
   - Companies may be 100% foreign owned. However, certain types of businesses are reserved for Botswana citizens or for companies that are majority owned by Botswana citizens.
   - There are no local management requirements, but there is an expectation that citizen employees will be trained so as to enable them to participate in management. At least one director must be resident in Botswana. However, that person does not have to be a Botswana citizen.
4. Moody's Investors Services changed Botswana's outlook rating from negative to stable.
5. Strategies for enhancing investment, competitiveness and economic

diversification to be devised following the World Bank's "Doing Business Report" which rated Botswana as the least corrupt country in Africa and highlighted challenges in areas of starting a business, dealing with construction permits and costs associated with international trade.

6. Tax and banking laws currently being reviewed in line with international standards on transparency and exchange of information for tax purposes.

Taxes

- All business taxes, such as municipal rates and VAT, are deductible with the exception of income taxes.
- The creation of reserves and provisions is generally not permitted. However, banks are allowed to make provision for bad or doubtful debts, which may not exceed 1.5% of the amount of their loans and advances as at the end of the tax year. Such provision is deductible only if it had been recorded in the accounts of the bank for the relevant tax year or accounting period.
- 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 either in terms of a DTA or unilaterally in terms of Botswana domestic tax law.
- A corporate tax rate of only 15% for manufacturing enterprises, the lowest in the region. Income tax training regulations have been gazetted.

Special Tax Allowances

- Training allowance – 200% of such expenditure.
- Construction of dwellings for employees of any business other than mining – P25 000 per house.
- Industrial buildings – 25% initial allowance and 2.5% annual allowance on the cost of construction or purchase of new buildings or on any improvements.
- Mining capital allowances – All diamond mining operations and other mining operations commencing before 1 July 1998 – allowance claimed over the lesser of the life of the mine or ten years. Non-diamond mining operations commencing after 1 July 1998 – immediate 100% write-off.

- Plant and machinery – Heavy civil engineering plant used directly in construction and self-propelled portable plant or machinery used directly in manufacture or production – 25% per annum – other industrial plant or machinery used directly in manufacture or production – 15% per annum – other plant and machinery – 10% per annum.
- Aircraft and motorised road vehicles – 25% per annum.
- Computers – 25% per annum.
- Farming – Companies engaged in farming operations are entitled to special deductions in relation to the following items of capital expenditure, in addition to the usual annual and depreciation allowances – a farm development expenditure, deductible in the tax year in which it is incurred, for costs incurred in developing farming land for the purpose of producing farming income.
  - Expenditure incurred on various activities, including the prevention of soil erosion, eradication of noxious plants, sinking of boreholes and wells, the construction of irrigation channels, fencing and the building of roads, bridges or airstrips used in connection with the farming operations.
  - The cost of the establishment of trees, plantations, orchards and vineyards.

- Expenditure incurred on the construction of buildings (other than dwelling houses).
- Ordinary farming losses may be carried forward indefinitely. They may also be carried back for the two years preceding the year in which the loss was incurred. Farming losses may be offset against only 50% of non-farming income. Losses incurred on exempt farming operations may not be set-off. Unutilised capital losses (excluding allowances granted in respect of development expenditure) in the year of disposal of the farm and the five preceding years are deductible in computing capital gains.

Non-cash Incentives

- Privatisation of Botswana Telecommunications Corporation by selling 49% of its shares to citizens through an IPO and establishment of non-banking financial sector activities.
- Foreign exchange reserves which equal 13 months of import cover.
- Profits, dividends and capital can be readily repatriated (no foreign exchange control in Botswana).
- Credibility and credit-worthiness.
- Political stability and social harmony.
- Inflation is in single figures.
- Low unemployment at 17.5%.
- Rated as one of the least corrupt country in Sub-Saharan Africa by Amnesty International.
- A Financial Intelligence Bill to deal with money laundering activities and the drafting of a National Security Bill.
- Of the highest per capita expenditure on education in the world.
- Educated and readily trainable English speaking labour force, reasonable wages and good industrial relations, with almost no worker unrest or strikes.
- Local Procurement Programme – A portion of Central Government's local supplies are channelled to qualifying local manufacturers.
- Major projects include the construction of the Kazungula Bridge, capitalisation of Air Botswana, East Africa Submarine project, Common Africa Agricultural Development Project and establishment of a Plant Protection Station.

Exchange Controls

There are no foreign exchange restrictions.

Expatriates and Work Permits

All foreign citizens working in the private sector are required to obtain work permits. Such permits are normally issued for a two or three year period. Self-employed investors will not generally encounter problems obtaining permits, but permits for employees will only be issued if it can be demonstrated that a citizen cannot do the job. Generally, qualified persons do not experience problems obtaining permits, but it becomes more difficult for unqualified persons. Two-thirds of end-of-contract gratuities earned by expatriates will be taxable.

Trade Relations

- Memberships – Cotonou Agreement, SACU, SADC.
- AGOA beneficiary country.

Interest and Currency Exchange Rates

Prime Overdraft Rate:
10.00% (November 2013)
(source: Bank of Botswana)

Bank Rate:
8.00% (November 2013)
(source: Bank of Botswana)

Currency: Pula (divided into 100 Thebe)
R1 = P0.8968 (November 2013)
US$1 = P8.547 (November 2013)
(source: Bank of Botswana)

Notes:

1. Botswana has a crawling band exchange rate system which was introduced in 2005. The trading band was set at +/- 0.5% around central parity, aimed at preventing large and unexpected adjustments in exchange rates.

Key Economic Statistics

GDP (approx.):
US$14.41 billion (2013)
US$16.04 billion (2012)
US$13.90 billion (2011)
(source: IMF)
Market Capitalisation:
US$48.752 million (31 October 2013)
(source: Botswana Stock Exchange)
Rate of Inflation:
6.100% (May 2013)
(source: Bank of Botswana)
6.127% (December 2013 forecast)
(source: IMF)
7.533% (2012 average)
(source: IMF)

Notes:

1. Botswana has sustained amongst the world's highest growth of the economy rates since independence in 1966. Through financial discipline and sound management, Botswana has transformed itself from amongst the poorest in per capita GDP terms countries (on a per capita GDP basis) internationally to a middle-income nation with a per capita GDP of nearly US$14 600 in 2013. To date, the BSE is one of Africa's best performing stock exchanges, averaging 24% aggregate return in the past decade. This has allowed the BSE to be the third largest stock exchange in terms of market capitalisation, in Southern Africa.
2. The annual inflation rate for 2013 fell within the inflation target range of 3% to 6% set out by the Bank of Botswana.

Burundi

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Burundi

Income Tax

Income tax is applicable to revenues generated through professional activities executed in Burundi even though the beneficiary is not resident in Burundi.

Income Tax Table for Individuals	
Taxable Income Scale Bracket (BIF)	Rate (%)
0 to 1 800 000	0%
1 800 001 to 3 600 000	20%
3 600 001 & above	30%

Notes:

1. Basis – Pay-As-You-Earn (PAYE) is based on a progressive salary scale but limited to 30% of taxable income.
2. The housing or the compensatory allowance is added to remunerations. The amount of this benefit is fixed contractually at 10% of all the total remunerations, excluding family allowances granted to the employees and paid to the extent that they do not exceed the amount fixed by their statute or the law.
3. In the same way, the rent or compensatory allowances paid to the employee or on its behalf, exceeding 60% of the basic salary, is also added to the taxable income.
4. The pension's funds up to 15% of the basic salary, and 25% of the housing allowance, are allowed to be deducted from the PAYE calculation.
5. The transport expenses not exceeding 15% of the basic salary, are also allowed as deductible expenses. This deduction is not allowed when the employee benefits from a company car.

Employment Income (PAYE)

- The tax law requires that when an employer makes available employment income to an employee, the employer must withhold, declare, and pay the PAYE tax to the Burundi Revenue Authority (OBR) within 15 days following the end of the month for which the tax was due.
- In the case of engaging a casual labourer, the employer shall withhold 30% of the taxable employment income of the casual labourer after deducting 20% as forfeiture expenditure. The first BIF40 000 of the income earned is taxed at 0%.
- The employer is personally responsible for the correct withholding, declaration and the timely payment to the OBR.
- The employer is personally responsible for keeping proper books of account to prove that the tax has been correctly withheld, paid, and accounted for.

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate tax rate	30%

Notes:

1. The corporation tax (CIT) is applicable on the company's revenues generated in Burundi independently of its residence.
2. The tax rate is 30% of the profit before tax.
3. The CIT is payable not later than 31 March of each year.
4. The revenue generated by a foreign company on its performances of service in Burundi is also subject to CIT. The rate is the CIT rate in force, i.e. 30%. The tax is withheld and paid by the company located in Burundi which pays the service or the royalty.

5. Losses may be carried forward for four tax periods. The carryback of losses is not permitted.
6. Dividends and interest are subject to a 15% withholding tax (WHT).
7. Foreign tax credit – Foreign tax paid may be credited against Burundi tax on the same income but the credit is limited to the amount of tax payable on the foreign income.
8. Corporation tax prepayments – It is based on the previous year's corporation tax and is equivalent to one-third of the previous year's tax payable. The first prepayment has to be paid before the 1st day of November of the given year, the second before 1st day of February of the following year. These two prepayments are deducted from the current year tax payable and the balance is paid at the date of submission of the annual CIT return. If the prepayments are higher than the tax payable, the taxpayer can request the refund. Such a request is to be carried out within two months from the submission of the return. The effective refund has to be done before the end of the fiscal year.

Withholding Taxes (WHTs)

The WHTs are set out below:

WHT Rates	
	Rate
Dividends	15%
Interest	15%
Revenues realised by foreign companies on services rendered in Burundi	30%
Royalties	30%
Technical service fees	30%

Capital Gains Tax (CGT)

Companies

Capital gains derived from the sale, or cession of commercial immovable property, are separately taxed at a rate of 15%.

Value Added Tax (VAT)

VAT	Rate
Standard rate	18%
Unprocessed agricultural products and agricultural inputs (fertilisers)	10%

Notes:

1. VAT is imposed on the sale of goods and the provision of services.
2. The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases.
3. The registration threshold for VAT purposes is BIF100 million of annual turnover. Voluntary registration is possible for taxpayers with turnover under the threshold.
4. VAT-filing and payment must be made on a monthly basis by the 15th of the following month.

Customs and Excise Duties

Excise Taxes

Consumption Tax (excise duty) is levied on the following locally manufactured products: beers, lemonades, cigarettes, wines, spirits and mineral water made in Burundi and telephone communication supplied by telephone communication providers operating in Burundi.

Consumption Tax shall be levied on the following products at the corresponding rates*:

Products	Tax Rate/Amount
Wine and spirits	70%
Cigarettes	200%
Sugar	BIF600/kg
Beers	BIF36 000/Hl
Mineral water and sparkling water	10%
Lemonade, soda and non-alcoholic drinks	BIF30 000/Hl
Telephone communication on GSM	10%
Imported used vehicles aged 10 years and above	BIF1 500 000/vehicle

* The new Budget Law will available in 2014 and may affect the rates above.

The taxable value on locally manufactured products is calculated according to selling price exclusive of taxes. The tax shall be payable when the taxable products are cleared out of the factory for consumer use in case of locally manufactured products, the cost of the communication for GSM telecommunications services and for imported goods for its CIF (Cost-Insurance-Freight) including customs duties.

Miscellaneous Taxes

Real Property Tax

Tax is paid to the municipal authorities and calculated according to the location and utilisation of the property.

Inheritance/Estate Tax

There is no inheritance/estate tax in Burundi.

Transfer Tax

Some administrative fees are applicable.

Net Wealth/Net Worth Tax

There is no net wealth/net worth tax in Burundi.

Social Security

The contribution to the Social Security Fund is 10% (6% by the employer and 4% by the employee) capped at BIF450 000 per month and 3% supported by the employer capped at BIF80 000.

Tax Administration

Corporations

- Tax year – The tax year is the calendar year, although the taxpayer may request a different 12-month period.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
- Filing requirements – A self-assessment regime applies. Advance corporate tax is payable in three instalments. The tax return must be filed within three months of the applicable year-end.
- Penalties – Interest is imposed for late payment of tax and fines and other penalties are imposed for late payment and tax understatements.

Individuals

- Tax year – Calendar year. A specific tax year of 12 months is available on request.
- Filing and payment – Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities.
- Penalties – Penalties, including fines and interest, apply for failure to comply.

General Investment Information

Investment Incentives

General Incentives

- Good reasons to invest in Burundi include, amongst others: access to markets, capital transfers, certain tax advantages, an Investment Promotion Agency (API) and a business environment in constant improvement.

Tax Incentives

- A tax credit of 37% of the amount invested in new or used assets is available to investors provided the amount invested is at least BIF100 million and the business assets are held for at least five tax periods. The investment allowance is 50% for investment in rural areas and specified activities as provided by the Investment Authority.
- Tax discount and exemption – A registered investment entity that operates in a Free Trade Zone (FTZ), and foreign companies that have theirs headquarters in Burundi, that fulfills the requirements stipulated in the Burundian law on Investment Promotion, is entitled to:
  - Exemption from CIT for its 10 years of business.
  - 15% CIT from year 11 and upwards.
  - 10% CIT if the investor employs more than 100 Burundians.
  - Exemption from 15% WHT on dividends.
  - Tax-free repatriation of profits.
- Free transfer on purchase or sale of buildings.

Exchange Controls

None, but some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency.

Trade Relations

- Memberships – COMESA, EAC (East African Community).
- AGOA beneficiary country.
- International Organisations – UN, IMF, World Bank, WTO.

Notes:

1. Along with Kenya, Uganda, Rwanda and Tanzania, Burundi is a member of the East Africa Community (EAC), which plans to form a monetary union that will introduce a single currency.
2. Burundi is eligible for preferential trade benefits under the African Growth and Opportunity Act (AGOA). The US has signed trade and investment framework agreements with the EAC and with the Common Market for Eastern and Southern Africa. Burundi is a member of both regional organisations. US exports to Burundi include iron and steel products, baking-related products, pharmaceutical products, wheat, and furniture and bedding. The primary import from Burundi to the US is coffee.

Interest and Currency Exchange Rates

Lending Rate:
16.52% (2013 last reported) (source: National Bank of Burundi)

Currency: Burundi Franc (BIF)
R1 = 156.2440 (November 2013)
US$1 = 1 240.3440 (November 2013)
US$1 = 1 295.0527 (2011 average) (source: National Bank of Burundi)

Notes:

1. The Burundi Franc is pegged to the value of a composite of currencies, consisting of Burundi's major trading partners. The Central Bank is committed to pursuing the liberalisation of the exchange system.

Key Economic Statistics

GDP (approx.):
US$2.676 billion (2013 forecast) (source: IMF)
US$2.472 billion (2012 estimate) (source: IMF)
Market Capitalisation:
Not applicable – There is no stock market in Burundi.

Notes:

1. The IMF predicted economic growth would reach only 4.5% in 2013, lower than 4.2% initially projected. An upturn in coffee production and construction should lead to a modest rise in growth in 2013/14. However, growth remains vulnerable in the context of volatile oil prices, an uncertain international trade situation and uncertain foreign aid.
2. There is no stock, corporate, or government bond market in Burundi. Capital is raised from commercial banks. In terms of government securities, 91-day treasury bills are issued.

Rate of Inflation:
9.959% (December 2013 forecast) (source: IMF)
11.756% (2012 average) (source: IMF)

Cameroon

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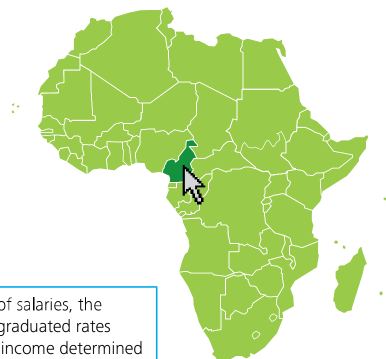
Cameroon



The Cameroonian concept of income taxation is the same as in industrialised countries. There are two main income taxation systems – one for individuals and the other for entities. Turnover is also subject to taxation. The turnover tax ("*Taxe sur la valeur ajoutée*") is borne by the final consumer.

Income Tax

Individuals

Residents

Individuals resident in Cameroon are taxable on their worldwide income.

Income Tax Rates for Individuals*		
Taxable Income as exceeds	But does not exceed	Rate
XAF	XAF	%
0	2 000 000	10%
2 000 000	3 000 000	15%
3 000 000	5 000 000	25%
5 000 000 +		35%

* Progressive rates are imposed from 10% to 35%. A surcharge of 10% of the principal tax is also levied on the rates (for additional council tax).

Notes:

1. An individual is considered as resident in Cameroon if he/she has his/her principal centre of interests or business, or place of abode, in Cameroon or if he/she is engaged in a salaried or non-salaried professional activity in Cameroon, or stays in Cameroon for more than 183 days in a tax year.
2. Personal income tax (PIT) applies to total income derived from various categories of revenues. Income categories include: salaries, wages, pensions and life annuities, income from stocks and shares, income from real estate, profits from handicraft, industrial and commercial activities, profits from agricultural activities and profits from non-commercial and related professions.
3. For the specific case of salaries, the tax will be based on graduated rates applicable to the net income determined after the application of allowable deductions which include: a lump sum of XAF500 000 for business expenses, 2.8% social security contributions and 30% professional expenses.
4. Capital gains derived from the sale of shares are subject to tax at a final rate of 16.5% (with the 2012 Finance Law this tax applies to companies also). Unrealised gains arising from company mergers are not subject to tax on income from securities if the company taking over or the new company has its registered office in Cameroon.
5. There is no special tax regime for expatriates.

Non-Residents

A non-resident is taxable only on Cameroon-source income.

Employment Income

- Employment income generally includes: salary, allowances, emoluments, wages, benefits in kind and pension income.
- Taxable income from employment is determined by taking into consideration the gross amount of wages, salaries, emoluments, allowances, pensions, as well as benefits in kind.
- Any amount reimbursed by the employer is not subject to PIT if considered to be a professional fee.
- In general, expenses directly connected to the nature of the employment and dealing with a specific assignment, would be considered professional (e.g. travel and hotel expenses).
- All cash payments *in lieu of* benefits in kind, and any expenses incurred by the employer on behalf of the employee, are included in the taxable base, unless expressly exempt by law.

Companies

Income Tax Rates for Companies	
	Rate of Tax
All companies	35%

Notes:

1. The corporate tax rate is 38.5% in total (35% of corporate tax + 10% surcharge tax).
2. The basic rate for corporate tax can be reduced to 30% for companies for the first three years of listing on the national stock exchange.
3. The corporate Income Tax (CIT) is payable (latest on 15th of every month following the month of realisation of the taxable operation) by monthly instalments of 1% of the turnover of the company, when the latter is assessed on the basis of its actual earning. However, as concerns tax payers under the simplified system, the rate shall be increased to 3% for non-importing traders; and 5% for producers, service providers and importing traders. A 10% local surcharge is also applicable, bringing the effective rate to 1.1% of turnover. At year-end, instead of the corporate tax at 38.5%, an Alternative Minimum Tax (AMT) is applicable where a company realises losses.
4. An entity is taxable in Cameroon if it has a Permanent Establishment (PE) in Cameroon or if it benefits from Cameroon-source incomes.
5. The taxable income only takes into account the revenue made within enterprises carrying out a business in Cameroon and the income whose taxation is attributed to Cameroon by an international tax treaty (i.e. DTA). Taxable profits are determined after deduction of allowable expenses. Expenses equal to or exceeding XAF1 million are not deductible if paid in cash.
6. Deductible expenses notably include: interest paid to partners in respect of the sums they leave with or place at the disposal of the company over and above their capital, irrespective of the type of company, shall be acceptable within the limits of those calculated at the rate of the Central Bank Discount Rate, raised by 2 points; foreign social security contributions are only deductible within the limit of 15% of the base salary of the expatriate when they are relating to a compulsory retirement plan; donations and liberalities are in principle not deductible, however, payments made to research and development (R&D) bodies and to collective philanthropic, educational, sports, scientific, social and family institutions and bodies, on condition that the latter are situated in Cameroon, shall be deductible as soon as there is proof of payment and as long as they do not exceed 0.5% of the turnover for the financial year; head office costs and foreign technical assistance costs (these expenses are subject to a 10% limitation of deductibility).

7. Losses may be carried forward for up to four years but may not be carried back.
8. Foreign tax credits are not provided for.
9. There is no holding company regime in Cameroon.
10. Taxation of dividends – Dividends received by a resident company from a resident or non-resident company, are subject to CIT. The recipient may offset any Cameroon tax withheld from the dividends against its CIT liability but foreign tax paid on dividends derived from a non-resident company is not creditable against Cameroon CIT, unless specifically provided for under a tax treaty.

Withholding Taxes (WHTs)

WHT at the appropriate rate must be deducted from payments made to resident persons in respect of the following:

- Dividends and similar income.
- Interest (other than interest paid to an approved financial institution).
- Annuities (excluding the capital element).

WHT must be deducted from payments made to non-resident persons in respect of the following:

- Management or professional fees, or training fees.
- Royalties.
- Rents.
- Leasing.
- Dividends.
- Interest (including deemed interest).
- Pensions.
- Payments to sportsmen or entertainers.

Notes:

1. A WHT of 15% plus 1.5% surcharge applies to dividends and interest payments to both resident and non-residents. The rate may be reduced under an applicable treaty.
2. Royalties paid to a non-resident are subject to a 15% WHT with no local surcharge applicable. Where royalty amounts are paid to a firm located outside the Central African Economic and Monetary Community (CEMAC) that participates in the management of a Cameroon firm in which it holds shares, the royalties will be considered as sums accruing from the distribution of profits and subject to the 16.5% WHT.

WHT Rates

	Note	Residents	Non-Residents
Dividends	1	16.5%	16.5%
Interest	1	16.5%	16.5%
Royalties			15%

Maximum WHT Rates once DTA is applied

WHT on payments to countries with which Cameroon has a DTA are as follows:

	Dividends		Interest	Royalties
	Individuals/ Companies	Qualifying Companies		
Domestic Rates				
Companies	16.5%	16.5%	16.5%	15%
Individuals	16.5%	n/a	16.5%	15%
Treaty Rates (Treaties With)				
Canada	15%	15%	16.5%	15%
Central African Republic	16.5%[1]	16.5%[1]	16.5%[2]	Exemption [3]
Chad	16.5%[1]	16.5%[1]	16.5%[2]	Exemption [3]
Congo (Rep.)	16.5%[1]	16.5%[1]	16.5%[2]	Exemption [3]
Equatorial Guinea	16.5%[1]	16.5%[1]	16.5%[2]	Exemption [3]
France	15%	15%	15.6%[4]	15%[4]
Gabon	16.5%[1]	[1]	16.5%/0%[2]	Exemption [3]
Tunisia	12%	12%	16.5%	15%

Notes:

1. If there is no limitation under the treaty, the domestic WHT rate is applicable.
2. The payments are subject to WHT under Cameroonian domestic law, if from a Cameroonian source.
3. No WHT is imposed if the income is subject to tax in the state of the recipient. In limited situations, interest and royalties may only be taxed in the country of domicile of the recipient.

Capital Gains Tax (CGT)

Capital gains are subject to security tax and taxed at 16.5%. The following capital shall be taxable:

- Proceeds from transfer of stocks.
- Proceeds from transfer of bonds.
- Profits from the transfer of other kinds of shares.

Anti-avoidance

The regulations on transfer pricing are improved each year with the aim to ensure that related party transactions are conducted on arm's length terms. Since January 2012, the Cameroonian Tax Administration has introduced the filing of the transfer pricing documentation prior to the execution of tax audits and has extended the duration of tax audit involving transfer pricing issues.

Thin capitalisation rules do not apply in Cameroon.

Inheritances and Donations

Inheritance/estate tax is charged at progressive rates up to 10% on estates valued in excess of XAF10 million. The first XAF500 000 is tax-free.

The fees on donations inter vivos shall be charged as follows: direct line of descent or ascent, or between spouses (5%), between brothers and sisters (10%), between relatives beyond the second degree, or between unrelated persons (20%).

There is no net wealth/net worth tax in Cameroon.

Value Added Tax (VAT)

VAT	Rate
Standard rate	19.25%

Notes:

1. The effective standard VAT rate is 19.25% (a 17.25% VAT and 10% surcharge).
2. Exports are zero-rated and certain essential goods are exempt.
3. All corporate businesses with taxable turnover are required to register. Non-resident VAT payers are required to appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of other VAT obligations.
4. VAT returns (and any tax payable) are due by the 15th of each month. Late payment incurs interest penalties at a rate of 1.5% per month up to a maximum of 50% of the principal liability. Fines are levied for various omissions in discharging VAT obligations.

Customs and Excise Duties

- CEMAC Customs Union (Cameroon, the Central African Republic, Chad, Congo Rep., Gabon and Equatorial Guinea) provides for the free movement of goods between member states.
- The importation of goods and merchandises from third states is subject to customs duties, except where exemptions or the suspensive customs regimes are applicable. Customs duties are levied on the customs value of most imported goods at rates ranging from 5% to 30%.
- Excise duty of 25% is applicable to cigarettes, drinks, cosmetics or luxury goods (jewels and precious stones). An abated rate shall apply to private passenger vehicles with engine capacities equal to or higher than 2 000 cm^3.

Miscellaneous Taxes

- There is a special tax on petroleum products which is payable by companies distributing taxable products.
- Refineries and oil storage companies using petroleum products for their own operations, or for other needs, are also liable to the special tax on petroleum products.
- The rates of the special tax on petroleum products are as follows:
  - Super gasoline – XAF120 per litre.
  - Petroleum diesel – XAF65 per litre.

Social Security

- Employees, including civil servants and other government contract workers, trainees and apprentices, must make social security contributions. The rate is 2.8% of their gross salary.
- The maximum monthly earnings for social security contribution and benefit purposes are XAF300 000, leading to an annual ceiling amount of XAF3.6 million.

Housing Fund Tax

- Employees are subject to the Housing Fund Tax ("*contribution au crédit foncier*") at the rate of 1% of their gross taxable salary.

Tax Administration

General

- The tax year is the calendar year.
- Advanced payments of company taxes are due before the 15th of each month. Any final balance of tax is payable on the submission of the annual tax return by the 15th of March of each year.

Penalties

- With respect to spontaneous payments of taxes, late declaration or payment is subject to a penalty of 10% per month, with a maximum of 30% of principal tax due.
- Penalties are assessed at 30% (good faith), 100% (bad faith) and 150% (fraud).
- Interest may be imposed at 1.5% of the tax due per month for late filing or payment up to a maximum of 50%.
- Where a taxpayer initiates the process to settle outstanding taxes, no penalties will be assessed.

General Investment Information

Investment Incentives

Tax Incentives

In order to benefit from the tax incentives provided by the law related to investment incentives of 2013, the companies must comply with the following conditions:

- During the installation phase:
  - Carry out an annual export activity for at least the turnover.
  - Using national resources of at least 10% of the value of inputs.
  - Contribute to the increase in the value added of at least 10% of turnover.
  - Compliance with the foreign exchange rules and the tax regulations.
- During the exploitation phase:
  - In addition to the requirements of the installation phase, the company shall create at least one job for every 5 to 25 million francs of investment.

There are different investment incentives depending on the phase in which the company is operating:

- During the installation phase:
  There is an exemption from:
  - Registration duties on instruments for incorporation of the company, as well as for capital increases.
  - Exemption of essential instruments relating to investment program; exemption of concession contracts.
  - VAT on technical assistance relating to the project, and on import and export of materials linked to the project.
  - Business licence fees.
  - Complete deduction of technical assistance fees proportionally to the amount of investment made.
- During the exploitation phase:
  There is an exemption or reduction of the followings taxes:
  - Registration duties of instruments relating to change in the capital; instruments relating to the transfer of activity.
  - CIT, tax on benefits, minimum tax.
  - Tax on income from securities on dividends.
  - Special income tax on technical assistance.
    (Note: Any existing company engaged in an investment program can benefit from the exemption above mentioned on some conditions).

Other Incentives

- Cameroon is politically stable. There is an atmosphere of peace which reigns in the country. This peace which is an element for good investment encourages many investors to come into the country and invest.
- Cameroon is a signatory to many international treaties and conventions, which are mutually beneficial. For example, the Extradition Treaty which deals with the extradition of citizens from Cameroon. Any investor investing in Cameroon is sure of not been extradited anyhow from Cameroon. His stay in the country is guaranteed. Cameroon is also a signatory to INTERPOL which is the international police force that seeks to curb down international crime. This therefore means that any investor investing in Cameroon is sure of making use of INTERPOL in order to track down any criminal wherever in the world that is a threat to his success. With these measures fruitful in Cameroon, investment is guaranteed.

Exchange Controls

All transfer of funds outside the CEMAC, including loans obtained by resident companies abroad and the solicitation of foreign securities in the CEMAC Zone, must be declared and are subject to special control measures for statistical purposes. Transfers of amounts in excess of XAF5 million must be lodged with an authorised intermediary (i.e. a bank authorised by the Central Bank). Documentation must be submitted to the authorities for currency transfers in settlement of imports in excess of XAF100 million.

Expatriate employees may apply for authorisation to repatriate their net earnings on a regular basis. Any savings accumulated by expatriates may be repatriated upon departure from Cameroon.

All foreign direct investment exceeding XAF100 million is subject to prior notification to the Ministry of Finance.

Expatriates and Work Permits

Expatriates on special assignments in Cameroon for a period of less than six months, who are rendering services to a company in Cameroon and who are not employed by a Cameroonian company, shall not require a work permits. Income paid to such expatriates for services rendered shall be subject to a WHT of 15%. However, when a Cameroonian company employs expatriates, they would require work permits, which must be endorsed by the minister in charge of labour before commencement of work. Income paid to such expatriates shall be liable to PIT.

Trade Relations

- Memberships – CEMAC, BEAC, OHADA.
- International organisations – IMF (International Monetary Fund), ICC (International Chamber of Commerce), WTO (World Trade Organisation), ACP (African, Caribbean and Pacific Group of States), AFDB (African Development Bank Group),International Trade Union Confederation (ITUC), ISO (International Organisation for Standardisation), IFC (International Finance Corporation), BDEAC (Development Bank for Central African States).

Interest and Currency Exchange Rates

Benchmark Interest Rate:
3.25% (2013 last reported) (source: Trading Economics)
Currency: CFA Franc BEAC (XAF)
R1 = XAF47.3062 (December 2013) (source: Oanda)
US$1 = XAF483.271 (December 2013) (source: Oanda)

Notes:

1. Cameroon's currency is the Central African CFA Franc (XAF).
2. The Benchmark Interest Rate in Cameroon was last recorded at 3.25%. From 2009 until 2013, Cameroon Interest Rate averaged 4.0% reaching an all-time high of 4.3% in June of 2010 and a record low of 3.3% in October of 2013. Cameroon is a member of the CEMAC. In CEMAC, interest rates decisions are taken by the Bank of Central African States' Monetary Policy Committee.

Key Economic Statistics

GDP (approx.):
US$27.883 billion (2013 forecast)
US$25.348 billion (2012 estimate) (source: IMF)
Rate of Inflation:
2.500% (December 2013) (source: IMF)
2.383% (2012 average) (source: IMF)

Republic of Congo (Brazzaville)

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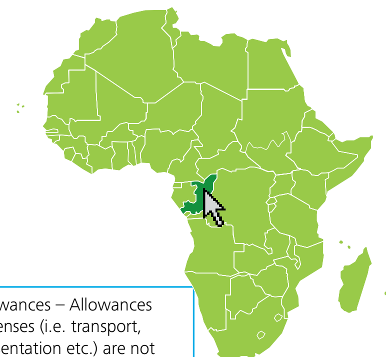
Republic of Congo (Brazzaville)



Income Tax

Residents

Resident individuals are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals:		
Taxable Income as exceeds	But does not exceed	Rate
XAF	XAF	%
0	200 000	1%
200 001	800 000	10%
800 001	2 500 000	25%
2 500 001	8 000 000	40%
8 000 000 +		45%

Notes:

1. Basis – Resident individuals are assessed on their worldwide income and non-residents on income derived from a source in Congo.
2. Residence – Residence begins from the first day of work performed in Congo and applies to individuals staying more than 14 days in a calendar year. For French or CEMAC (Central African Economic and Monetary Community) citizens, in terms of double tax treaties (DTAs), an individual becomes tax resident after 183 days of presence in Congo during a calendar year.
3. Rates – The personal income tax (IRPP) rates for resident individuals, set out in the table above, apply in aggregate to all income.
4. Taxable income – The remunerations received under conditions of Congolese law, are subject to IRPP as soon as they are regarded as wages.
5. Deductions and allowances – Allowances for professional expenses (i.e. transport, allowances of representation etc.) are not considered as being part of wages. These allowances are not taxable if:
   - They do not exceed 15% of the taxable income.
   - Such allowances cannot be reimbursed.

   The taxable income is then determined as follows:
   - By deducting from wages (to be considered as the gross sum to be paid), the withholdings made by the employer for the constitution of pensions or retirement benefits with capital alienated within the limit of 6% of the gross value of remunerations, as well as the withholdings made for social security.
   - By adding the benefits in kind.
6. Treatment of families – The head of a family is normally subject to IRPP on his/her income and on the income of his dependent children or spouse. However, an individual may elect to be assessed separately. A married woman can be assessed separately if she has employment income, or if her husband is not subject to tax in Congo, or if she is separated from her husband. The family circumstances of the taxpayer are taken into account using an income tax relief system based on number of dependents, as follows:

Income Tax Relief System	
Single, divorced or widowed without children	1
Married without children	2
Single or divorced with 1 child	2
Married or widowed with 1 child	2.5
Single or divorced with 2 children	2.5
Married or widowed with 2 children	3
Single or divorced with 3 children	3
Married or widowed with 3 children	3.5
Single or divorced with 4 children	3.5
+ 0.5 for supplementary child up to factor of 6.5	0.5

7. The yearly declaration of wages – Congo applies the Pay-As-You-Earn (PAYE) system. This means that IRPP is withheld each month by the company, and employees whose sole income consists of employment income, are not required to submit an income tax return. Nevertheless, the employer must file each year (in January) an annual declaration of salaries to reconcile the PAYE paid each month with the global amount reversed to employees during the tax year.
8. Non-residents – Individuals not domiciled in the Republic of Congo are subject to tax on Congo-source income only. (Note: According to Article 185ter of the Tax Code (for IRPP, as well as Corporate Income Tax (CIT)), persons or entities of foreign nationality not being domiciled, nor having a tax residence in Congo, are subject to a withholding tax (WHT) at 20% if they earned incomes in Congo and/or resulting from work or services of any nature carried out, provided or used in Congo. The wages paid to staff not domiciled in Congo, are not subject to the progressive scale with application of the family ratio, but instead to a 20% WHT following Article 185ter. This tax applies only after 14 days of presence in Congo. However this is retroactive i.e. after those first 15 days, the tax application starts from the first day of presence in Congo.

9. Oil & gas employees' income – It has been agreed between the tax authorities and the employer's federation (UNICONGO) on the principle of fixing an acceptable level of wages being used as taxable base of non-resident personnel of foreign companies. This scale is in theory applicable only to the oil subcontractors. To this effect, a scale defining the amount of monthly wages, has been put in place taking into account:
   - The level of the wages of the country of origin.
   - The country of origin and nationality of employee (rebate according to the countries of origin).
   - The professional classification of each employee per working station and function.

   (Note: The level of wages fixed by the scale is expressly regarded as including total wages of premiums, allowances and benefits of any nature, and this according to the number of days of presence in Congo).
10. Benefits in kind – Since the Finance Act 2011, each benefit in kind is retained for its actual amount when known i.e. billed and paid by the employer. If the amount is not known, the benefits in kind are valued as follows:
    - Housing: 20% of gross salary.
    - Domestic services, security: 5% of gross salary.
    - Water, lighting, gas: 5% of gross salary.
    - Phone: 2% of gross salary.
    - Car: 3% of gross salary.
    - Food: 20% of gross salary.
11. Personal assessments and payments – IRPP arising from employment is withheld at source under a PAYE system. Payments are due from the employer before the 15th of the following month, together with the statutory return.

Companies

Income Tax Rates for Resident Companies	
	Rate of Tax
Standard corporate tax rate	34%

Notes:

1. Residence – A commercial entity is resident in Congo if its registered office, or centre of activity, or management, is in Congo or it has resident employees in Congo that render services to its customers, except in cases where a Temporary Authorisation to Operate (ATE) has been granted. According to the Congolese commercial legislation, temporary commercial activities may be carried out in Congo under a Temporary Authorisation to Operate ("*Autorisation Temporaired' Exercice*") obtained from the Ministry of Commerce.
   The application for an ATE requires the following documents (certified translations in French language):
   - A copy of the contract signed with the Congolese company or the state.
   - A copy of the articles of association of the contracting foreign company.
   - A copy of the foreign company registration certified by the foreign company's home Chamber of Commerce and countersigned by an authority of the Congo Embassy or Consulate, if applicable.

   (Note: The ATE must be requested within 10 days after the contract signature, unless a specific date for commencement of work is provided in the contract. The ATE lasts for six months (initial fee, FCFA3 010 000), and may be renewed once in theory, but up to three times in practice, within the limit of a total duration of two years (renewal fee, FCFA2 010 000). The ATE is issued for one single contract. In case of multiple contracts executed simultaneously in Congo, one ATE per contract should be requested.)
2. Basis – Resident entities are assessed on their worldwide income, subject to the application of international tax treaties (DTAs). Non-residents are assessed on transactions carried out in Congo.
3. Rate – Company tax is currently levied at a 34% rate. The minimum company tax amounts to 1% of the turnover of the previous year with a minimum of FCFA1 million.
4. Foreign-source income – Income subject to CIT is determined on the basis of profits earned or transactions carried out in Congo, subject to international conventions.
5. Taxable income – The taxable profit is the actual profit assessed in respect of the total financial income statement of operations carried out by the company, including transfers of any assets during or at the end of the financial year.
   The taxable profit is established upon deduction of all operating fees i.e.:
   - Salaries to wage-earners and associates.
   - Representation fees.
   - General fees, technical assistance-related, financial and accounting consultancy related fees (this is limited to 20% of the taxable profit when the beneficiary is not a resident in of the CEMAC member states or France).
   - Renting expenses.
   - Royalties for the acquisition of patent and licences.
   - Tax and duties.
   - Financial charges (i.e. interest on the company's debts).
   - Losses.
   - Amortisations and depreciation allowance.
   - Deficit carried forward.
6. Deductions – Deductions are allowed for reasonable expenditure incurred in performing activities that produce assessable income. Expenditure considered either excessive or unnecessary for the reasonable needs of the business, will be disallowed and may be subject to a 50% or 100% tax penalty depending on the authority's perception of the motive.

7. Losses – Losses may be carried forward for up to three years but may not be carried back. (Note: Capital allowance claims can be deferred indefinitely. Losses of one entity may not be transferred to another entity either in a consolidated group, or in the case of a corporate merger or other reorganisation.).
8. Dividends – Dividends received by a resident company from a resident or non-resident company, are subject to income tax. However, the recipient company has the right to set-off any Congo tax withheld from the dividend against its company tax liability. Where the resident company owns at least 25% of the shares in the affiliate, and the shares remain registered in the name of the shareholder for at least two consecutive years, only 10% of the dividend is subject to tax.
9. Royalties – The costs of patents, trademarks, licences, drawings, manufacturing procedures, models and other similar rights, are deductible if they are not excessive, provided the rights are actually used in the business.
10. Interest – Interest on capital borrowed for business purposes is deductible with all necessary receipts if it is a real expense. Interest paid to the members of a company on funds provided by them to the company in excess of their share capital holding is deductible subject to a limitation on the interest rate applied. For tax deductibility purposes, this may not exceed two percentage points above the lending rate of the Central Bank at the time the interest payments were due.
11. Management fees – Head office expenses of the Congo branch are fully deductible if an actual service is provided. Costs of studies and fees for technical, financial, or accounting assistance are deductible, if the costs are within a limit of 20% of the taxable income before deduction of these costs, provided an actual service is provided. If a company has a tax loss, the limit is 20% of the taxable income made during the previous year, subject to a tax audit. Purchasing commissions are deductible if they are invoiced separately.
12. Remuneration – Payroll and benefits in kind are deductible in full, provided that they are reasonable and related to actual employment. Payments made to the members of the Board are deductible if such payments are reasonable and related to actual service, provided such payments have been properly authorised. Payments to a sole administrator of the Board are not deductible. Lump sum allowances paid to management and staff are not deductible where the actual expenditure incurred is reimbursed as well.
13. Rents – Real estate rental payments are deductible in full, provided that they are reasonable. However, any rent paid to a member of a company who owns at least 10% of the company's shares, will be disallowed. The total shares owned by the member's spouse, children and parents are also taken into account in calculating the 10% limit.
14. Depreciation – Tax depreciation is calculated using the straight-line method. Generally, all new or used tangible fixed assets owned by the company and used for business purposes, are depreciable for tax purposes, provided the asset value diminishes with time or through use. To be deductible, depreciation must be recorded in the accounting books. A company can indefinitely defer depreciation claims if it is in a loss position. The annual allowance rates are as follows:

Asset Type	Allowance Rates
Buildings	5% to 20%
Fixed plant and machinery	5% to 25%
Moveable plant and machinery	10% to 33.33%
Vehicles	5% to 33.33%
Furniture	10% to 33.33%

15. Bad and doubtful debts – Bad debts are deductible but only specific provisions for doubtful debts are deductible. If the debt provided for is subsequently recovered, the recovery is taxed in the year in which the recovery was made.

16. Provisions – Provisions made for clearly specified losses or costs which are likely to occur given present circumstances may be deducted, provided that the provisions have been booked for accounting purposes in that year, and that the corresponding cost is deductible. For example, provisions for inventory losses and current asset depreciation, treated as expenditure in the financial statements, are deductible for tax purposes.
17. Other expenses – All entertainment expenses related to fishing, yachting, tourist aeroplanes or recreational real estate, are not deductible. Leave passages for a salaried partner, his spouse and his minor children are deductible for one trip per year (only for expatriate employees who have signed an employment contract abroad). Insurance premiums are deductible if these premiums are ordinary expenses. Donations, gifts and subsidies are deductible if granted to support sport, scientific, educational, family and social activities in Congo, limited to 0.05% of turnover.
18. Exchange differences – Realised foreign exchange gains are taxable and realised foreign exchange losses are deductible. Unrealised exchange gains are not taxable and unrealised exchange losses are not deductible. The same treatment applies whether the exchange differences arise from trading or from foreign currency denominated assets and liabilities.
19. Taxation of non-resident entities – Unless otherwise provided by a DTA, companies that are not domiciled or taxes resident in Congo are subject to a 20% WHT on all income derived from Congo. Dividends payable to foreign shareholders are also subject to a WHT at a 20% rate.

Tax Treatment of Branches, Entities Working under ATE and Subsidiaries

In principle, branches are taxed in the same way as resident companies. However, in practice, the Tax Administration taxes non-CEMAC branches working in the oil & gas industry as if they were entities operating under ATEs and WHT acts as a final tax in Congo. The CEMAC branches are taxed in the same way as resident companies. Foreign companies temporarily providing services to locally incorporated oil companies in Congo, or in the Congolese territorial waters, are subjected to the following tax regime:

Taxable income is gross income less mobilisation, demobilisation or reimbursable costs. Sums received or due in respect of reimbursement of costs and expenses, or in respect of the movement of plant, equipment and personnel to or from Congo (mobilisation and demobilisation), are not included in this taxable income, provided such sums are reasonable and correctly classified. The foreign company is then subject to corporate tax at the standard rate of 34% (previously, 35%) on 22% of their taxable income, 22% being their deemed profit margin. The effective rate of tax (on taxable income) is therefore approximately, 7.48% (previously, 7.70%).

Notes:

1. The Budget Law for Fiscal Year 2012 extended the applicability of the taxation of transferable securities for entities falling under Article 126ter (of the Tax Code) in order to fight against distribution tax avoidance.
2. With regard to the above tax, there is a presumption of distribution of 70% of the net taxable profit of foreign branches, triggering 20% tax on that amount of dividends (i.e. effective rate of 2.002%).

Withholding Taxes (WHTs)

Individuals, or companies, not domiciled or having tax residence in Congo, are subject to a WHT of 20% on income arising from services, supplied, carried out, or used in Congo, or from dividends, except where relieved by a DTA.

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates

	Note	Residents	Non-Residents
Dividends	1	20%	20%
Interest	2	20%	20%
Royalties	3	20%	20%
Technical service fees	4	20%	20%
Other	5		

Notes:
1. Dividends – Dividends paid by a resident entity are subject to a 20% withholding, deductible from the tax payable by the recipient. There are some tax agreements to limit double taxation.
2. Royalties – Individuals, or companies, not domiciled or having tax residence in Congo,are subject to a WHT of 20% on income arising from services supplied, carried out, or used in Congo. This provision does not apply to interest on loans paid to banks and credit institutions which have no domicile or tax residence in the Congo by the debtor company located in the Congo. For countries having signed a tax agreement with the Congo (e.g. France), this tax withholding is collected at a reduced rate.

Maximum WHT Rates Once a DTA is Applied

WHT on payments to countries with which Republic of Congo has a DTA area as follows:

Type of Income	CEMAC	France	Other Countries
Dividends	0%	15%	20%
Interest	0%	0%	20%
Royalties	0%	15%	20%
Technical service fees	0%	0%	20%
Other	0%	0%	20%

Capital Gains Tax (CGT)

Companies

Capital gains are treated as ordinary business income and are taxed at the standard income tax rate (i.e. 34%). However, a capital gain realised on the disposal of a fixed asset, in the course of trading, is excluded from income for a period of three years if the taxpayer reinvests the gain in new fixed assets for the business.

A capital gain resulting from the gratuitous allocation of shares, founders' shares, or debentures on the merger of limited liability companies or limited partnerships with share capital, is also excluded provided that the company arising from the merger has its registered office in Congo.

On the assignment, transfer, or cessation of a company within five years following its incorporation or purchase, net capital gains will be assessed at only half their value. If such an event takes place more than five years after the company is formed or purchased, the net capital gains will be assessed at a third of their value.

Individuals

Capital gains of resident individuals are subject to IRPP. Taxable gains are added to other income and taxed accordingly, except for private building and lands in the scope of a private patrimonial management. Capital gains attributable to non-resident taxpayers are subject to a WHT of 20%.

Anti-avoidance

Transfer Pricing

The tax authorities may make adjustments to taxable income where related party transactions are not conducted at arm's length. The Tax Administration may request any information concerning the amount, date and form of payments to determine the taxable base. In absence of answer to the said request by the company, or in the absence of production (or partial production) of documentation, taxable bases are evaluated by the Administration based on the information available to it. If it is not possible for the Tax Administration to do so, profits to be taxed will be determined compared with those of similar companies typically operating in the Congo. (Note: in the Budget Law for Fiscal Year 2012, there were significant changes to transfer pricing regulations; namely, the requirement for any resident legal entity whose annual turnover equals or exceeds €152 449 to document the policy of transfer pricing and the introduction of rulings to validate such a policy in advance).

Thin Capitalisation

According to Article 112E (of the Tax Code), interest on capital borrowed for business purposes is deductible with all necessary receipts if it is a real expense. Interest paid to the members of a company on funds provided by them to the company in excess of their share capital holding, is deductible subject to a limitation on the interest rate applied. For tax deductibility purposes, this may not exceed two percentage points above the lending rate of the Central Bank at the time the interest payments were due. Moreover, as regards amounts paid by shareholders, the deduction shall be allowed only if such amounts do not exceed half of the capital.

Value Added Tax (VAT)

VAT	Rate
Standard rate	18.9%*

* To VAT is added cents which are collected to the additional advantage of local communities and whose rate is 5% of the VAT value.

Notes:

1. Exports and similar transactions are assessed at a 0% VAT rate. All other transactions are assessed at the standard VAT rate of 18% plus an additional tax of 5% of the tax, making an effective rate of 18.9%.
2. VAT on car purchases, spare parts and repairs, is not deductible as an input tax.
3. Registered VAT taxpayers are required to file monthly VAT returns within 15 days of the end of the month. The tax due has to be paid within 15 days following the filing of the return. Late payment of VAT attracts interest at the rate of 5% monthly up to a 50% penalty on the VAT liability (if good faith), or up to 100% in the case of wilful default.
4. Non-resident entities whose supplies are subject to VAT in Congo are required to appoint solvent resident representatives to be responsible jointly with them for the payment of VAT and the discharge of other VAT obligations.

Customs and Excise Duties

Customs duties are set by CEMAC to which the Republic of Congo belongs.

Trade between CEMAC countries are, in principle, exempt from customs duties. An Integration Community Tax of 1% is collected on imports from outside the CEMAC. An OHADA ("*Organisationpourl Harmonisation en Afrique du Droit des Affaires*") Community Tax of 0.5% is also collected on imports from outside the OHADA Zone.

Exports are exempt from exit duties and taxes, except for logs and manganese.

Miscellaneous Taxes

Business Tax

All entities not expressly exempted, and carrying on a trade or an industry in Congo (temporarily or permanently), are subject to a Business Licence Tax (or Professional Tax) levied according to the type and the size of the activity and made up of:

- A fixed annual duty for a certain number of professions.
- A variable duty, depending on several elements such as the number of employees, the power or/and capacity of the equipment used, applicable to specific businesses.
- Additional taxes, equal to a percentage of the global amount of said duties (called, *centimes additionels*) as follows:
  - "*Centimes*" to the benefit of the national investment fund: 20%.
  - "*Centimes*" to the benefit of the Chamber of commerce: 7% (maximum).
  - "*Centimes*" for the community: 20%.

Property Taxes

This tax applies to stores, shops, factories, warehouses, building sites and other buildings being used for the exercise of professions subject to the business licence, including all the installations of any nature liable to land tax on built properties, whether these buildings or installations are rented or otherwise. The tax calculated on the rental value of the building is payable at the beginning of each calendar year. The rate is fixed each year per deliberation of the Popular Community Council and cannot exceed 15% of the rental value of the taxable buildings. The current rate is 14%.

Land Tax on Built Property

- Taxable entities and properties – Liable to this tax on built properties, buildings, as well as materials installed to remain permanently. New constructions and reconstructions, and additional constructions, are tax-exempt over :
  - 10 years, if the construction is used as an estate.
  - Five years, if the construction is of a use other than an estate.

  The tax is to be paid by the owner of the building.
- Taxable basis and rate – For professional buildings, the taxation basis is constituted by the lease value of properties with a 25% rebate for refurbishments and repairs. As for buildings used as estate, the basis is the land registration value of the property along with a 25% tax rebate for refurbishment and repairs. The tax rate is set on an annual basis by a disclosure of the city council.

Registration Fees and Stamp Duty

Registration fees are payable on a variety of instruments or transactions such as:

- Creation or increase of capital (3% of the capital).
- Debt transfers (3%).
- Stock transfers of non-quoted companies (5%).
- Business disposals (10%).
- Property transfers (15%).

Stamp duty applies to legal documents, ranging from FCFA1 000 to FCFA1 500 per page or half page.

Tax on Funds Transfers

This tax on funds transfers is charged by the State at 1% of the gross value of the transfer abroad and the sale of currencies inside the country.

Social Security

Contributions Owed by the Employer

Article 29 of the Employment Code provides that the execution of an employment contract in Congo, whatever the place of residence of the parties is, is subject to the provisions of the Congolese Employment Code. However, an exception is made for employment contracts governed by different legislation and where the employees in question are temporarily seconded to Congo for a period which must not exceed three consecutive months in Congo. Therefore, social security contributions should not apply to rotators if they stay less than three months in Congo. The employer must pay social security contributions on the whole remunerations in cash and in kind to the National Social Security Office (CNSS). The rate of social security contribution is 20.29%. This rate includes:

- A pension contribution (*"cotisation sociale vieillesse"*): 8% of maximum gross salary; monthly limited to FCFA1.2 million.
- A family allowance contribution: 10.04% of maximum gross salary; monthly limited to FCFA600 000.
- An industrial accident contribution: 2.25% of maximum gross salary; monthly limited to FCFA600 000.

Contributions Owed by the Employee

For the employees, the rate of social security contribution is 0.04% of maximum gross salary, monthly capped to FCFA1.2 million. This contribution is withheld by the employer.

Single Tax on Salaries

In order to simplify the former tax regime on this issue, the new Budget Law for Fiscal Year 2012 has set up a Single Tax on Salaries at the rate of 7.5% calculated on uncapped salaries and benefits. This tax cancels the following taxes on employment:

- National Construction Fund Contribution (FNH).
- The lump sum tax owed by employers and payers of a life annuity.
- Tax on training.
- National construction fund contribution (*"Fond National pour l'Habitat"*).

Tax Administration

Corporations

- Tax year – The tax year is from 1 January to 31 December. A company's financial year must correspond to the tax year. Minimum company tax is payable annually before 15 March and is deductible from the final tax.
- Filing requirements – A company tax return for the fiscal year must be filed by the following 30 April. The balance of tax is payable in four instalments (before 15 February, 15 May, 15 August and 15 December.
- Penalties – 50%.

Individuals

- Tax year – A taxpayer's annual return of income for the calendar (tax) year is due by the following 1st day of April (i.e. 1 April).

General Investment Information

Investment Incentives

General Incentives

- Foreign Trade Zones/Free Trade Zones (FTZs) – As a member of the Central African Customs Union (UDEAC), the Republic of the Congo belongs to a FTZ which includes Cameroon, Central African Republic, Chad, Equatorial Guinea and Gabon. Within this zone, imports are subject to very low or no customs duties. The CEMAC Zone is also considered as a preferential trade area for Congo and other member countries. There are no foreign trade zones or free ports established in the country, however this project is currently under consideration by the Ministry of Commerce.
- Bilateral investment agreements – Commercial and bilateral agreements to safeguard investments exist with the United States (US), France and China several African nations, including South Africa and Namibia.
- Protection of property rights – As a member of CEMAC, Congo is automatically a member of the African Intellectual Property Organisation (AIPO). AIPO is charged with issuing a single copyright system which is enforceable in all CEMAC member states. As a member of the World Trade Organisation (WTO), Congo is conforming its legislation to trade-related aspects governing intellectual property.
- Right to private ownership and establishment – The Republic of the Congo guarantees the legal right and freedom of private business to:
  - Import or export raw materials or products, equipment and materials necessary for economic activity.
  - Define their own production, commercial and hiring policies.
  - Select suppliers and customers and set prices.

  Given these guarantees, the Republic of the Congo is one of the most progressive and open economies in the Central African region to encourage and promote foreign private business development.
- Dispute settlement – The Republic of the Congo is a member of the WTO and is party to other DTAs governing trade and commerce. Binding international arbitration of investment disputes is accepted.
- Conversion and transfer policies – Funds are freely transferred within the French Franc Zone and there are no restrictions on importing foreign capital into Republic of the Congo.
- Openness to foreign investment – The Investment Charter offers a range of advantages to foreign investors such as free enterprise, no discrimination or disqualification on types of investment, and equal justice under Congolese law. The judicial system upholds the sanctity of contracts; parties also may appeal to foreign or international justice courts for any necessary relief.

Tax Incentives

- The Investment Charter provides some tax reductions for companies exercising a new activity.
- The Tax Code provides tax reductions for farm businesses.
- Specific codes (i.e. Mining Code, Hydrocarbons Code, and Forestry Code) also provide various tax incentives (and exemptions).

Exchange Controls

- As a member of CEMAC, Congo has the same currency as other community members. Members are required by international agreement to apply exchange control regulations modelled on those of France.
- The CFA agreement guarantees the availability of foreign exchange and the unlimited convertibility of the CFA franc with the euro (€) at the fixed rate, which provides considerable monetary stability and simplifies multinational transactions. Transfers within the CEMAC Zone are not restricted.

- Inward direct investment requires prior declaration. The term inward direct investment means the purchase or acquisition of at least 10% of the shares in a resident entity or the purchase of shares costing FCFA100 million or more.
- Loans obtained by companies in Congo from foreign shareholders or from a foreign enterprise within the same group, also require prior authorisation. The reinvestment of undistributed profits does not require prior declaration.
- Transfers outside the CEMAC Zone require prior authorisation except those below FCFA1 million, although this is primarily for statistical purposes. Transfers in excess of FCFA5 million must be lodged with an authorised intermediary; namely, a bank authorised by the Central Bank to act as an intermediary.
- Expatriate employees may repatriate their earnings on a regular basis. All transfers to cover family and dependents' expenses outside the CEMAC Zone are authorised without limit.
- Transfers in settlement of imports in excess of FCFA100 million require the submission of certain documents to the department responsible for exchange controls (including, an import licence and the final invoices). The CEMAC exchange control regulations do not apply to companies located in the Franc Zone, i.e.:
  - France, including its departments and territories and the Principality of Monaco.
  - Members of the Bank of Central African States (BEAC).
  - Members of the Bank of West African States (BCDEAO).

Interest and Currency Exchange Rates

Lending Interest Rate:
28.45% (2012) (source: IMF)
Currency: CFA Central African Franc (XAF, or locally, FCFA)
R1 = 47.1712 XAF (November 2013)
€1 = 655.957 XAF (November 2013) (fixed)
US$1 = 488.378 XAF (November 2013)
£1 = 778.396 XAF (November 2013) (source: Oanda)

Notes:

1. As a member of CEMAC, which is a member of the African Financial Community ("*Communauté Financière Africaine*" – CFA), Congo has the same currency as other community Members. The CFA Franc (XAF, or locally, FCFA), is linked to the euro (€) at a fixed exchange rate (€1=655.957 XAF).

Key Economic Statistics

GDP (approx.):
US$14.253 billion (2013 forecast) (source: IMF)
US$13.692 billion (2012 estimate) (source: IMF)
Market Capitalisation:
Not applicable.
Rate of Inflation:
5.008% (2012 average) (source: IMF)
4.643% (December 2013 forecast) (source: IMF)

Notes:

1. The Republic of Congo does not have a stock exchange.

Democratic Republic of Congo (DRC)

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Democratic Republic of Congo (DRC)

Income Tax

Residents

Residents are subject to tax on their DRC-source income.

Income Tax Rates for Resident Individuals:		
Annual Taxable Income as exceeds	But does not exceed	Rate
CDF	CDF	%
0	524 160	0%
524 161	1 428 000	15%
1 428 001	2 700 000	20%
2 700 001	4 260 000	22.5%
4 620 001	7 260 000	25%
7 260 001	10 260 000	30%
10 260 001	13 908 000	32.5%
13 908 000	16 824 000	35%
16 824 000	22 956 000	37.5%
22 956 000 +		40%

Notes:

1. 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, as a consequence of a source-based tax system, are taxable on employment income derived from the DRC. However, 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 on income in the DRC.
2. Residence – An individual is resident for tax purposes if he/she spends more than six months in the country.
3. Rates – DRC income tax rates are progressive between 0% and 40%. The overall tax shall not exceed, in any case, 30% of the taxable income.
4. Taxable income – Subject to the provisions pertaining to international agreements (i.e. DTAs), the incomes generated by professional activities carried out in the DRC, even though the beneficiary's registered office, main administrative place of business, domicile, or permanent residency, is not located in the DRC, shall be subject to the professional tax. Employment income includes salaries and other remuneration received as compensation for activities carried out in the country.
5. The payroll taxes (IPR) are calculated based on employee remuneration (i.e. salaries, fees, allowances, which do not represent reimbursement of actual, professional expenditure, gratuities, bonuses or pensions of any kind). The IPR is an annual tax but payable as a monthly withholding tax (WHT). It is due upon payment of salaries to employees.
6. Deductions and allowances – All fringe benefits are taxable, except for housing allowances should not exceed 30% of basic salary, and non-taxable transport and family allowances may not exceed the legal limits.
7. Filing status – Although the tax law contains provisions applicable to individuals, personal taxes are collected through business entities.
8. Relief from double taxation is available through tax treaties to which the DRC is a signatory.
9. Exceptional Tax on Expatriates Salaries (IER) – This is an additional tax levied on the expatriates taxable salaries as an expense for the employer. The IER is not a WHT.

Non-Residents

Non-residents are subject to tax on DRC-source income only.

Benefits in Kind

Any fringe benefits or benefits in kind, consisting of provision of furniture, staff meals, telephone, and water and electricity or power supply, are taxable on income as per the DRC's tax requirements. In addition, any other benefits exceeding the legal limits, or deemed exaggerated as compared to normal standards, are added to taxable income.

Pay-As-You-Earn (PAYE)

The employer is required, as stated above, to submit monthly PAYE returns on behalf of their employees, except for assignees of international entities which are entitled to submit PAYE returns personally. These returns need to be submitted before the 10th of the month following the month the salaries have been paid.

Companies

Income Tax Rates for Companies	
	Rate of Tax
General rate – DRC-incorporated companies, subsidiaries or branch of foreign companies.	35%
Mining companies	30%

Notes:

1. Residence – A company is resident in the DRC if it is incorporated in the DRC or has its principal place of business there. A Permanent Establishment (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.
2. 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.
3. Rate – The general rate of 35% applies to a DRC-incorporated company, subsidiary or branch of a foreign company. Corporate Income Tax (CIT) on profit is payable by way of two instalments representing 40% of profit tax paid for the precedent year each. The balance is determined as a complement to the current year-end tax return. Mining companies are subject to a 30% tax rate.
4. Taxable income – Corporate tax is levied on a company's gross income minus allowable deductions. Expenses incurred to realise taxable income generally are deductible for tax purposes.
5. Losses – Losses may be carried forward for five years provided they are approved by the tax authorities. Losses may not be carried back.
6. Dividends – Dividends received are treated as taxable income.
7. 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, subject to the provisions pertaining to international agreements.
8. Holding company regime – None.

Withholding Taxes (WHTs)

Individuals, or companies, not domiciled or having tax residence in the DRC, are subject to a WHT of 20% on income arising from services, supplied, carried out, or used in the DRC, or from dividends, except where relieved by a DTA.

The WHTs are set out below. For non-residents the WHT is a final tax.

WHT Rates

	Note	Residents	Non-Residents
Dividends	1	20%	20%
Interest	2	20%	20%
Royalties	3	20%	20%
Technical service fees			20%
Provision services fees or remuneration	4		14%
Branch remittance tax	5	n/a	n/a

Notes:

1. Dividends – Dividends or other distributions made to a resident or non-resident are subject to a 20% WHT. The rate is 10% for mining companies.
2. Interest – Interest paid to a non-resident is subject to a 20% WHT. An exemption applies to interest paid to a mining company.
3. Royalties – Royalties paid to a resident or non-resident are subject to a 20% WHT on the net amount (royalty expenses may be deducted in an amount equal to 30% of the gross payment).
4. Payment for services provided by non-residents. Provision services fees or remuneration – 14% WHT on the amount paid by a resident to a non-resident individual, or entity, for any service performed and rendered in the DRC over a period not exceeding six months and without forming a PE.
5. Branch remittance tax – None.

Capital Gains Tax (CGT)

Companies

Capital gains are treated as taxable income and subject to the standard rate of CIT.

Individuals

Capital gains are taxable provided that they arise from a permanent and professional activity.

Anti-avoidance

Transfer Pricing

Although the DRC does not have a transfer pricing law as such, 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 licence must observe a ratio of less than 75/25 between borrowed funds and equity.

Mining Taxes in the DRC

Mining taxes in the DRC apply as follows:

Mining Royalty

A mining royalty is owed as from the date of commencement of effective exploitation. The mining royalty is calculated on the value of sales realised, less transport costs and less assay, insurance and marketing costs. The rate of the mining royalty is 0.5% for iron or ferrous metals, 2% for non-ferrous metals and 2.5% for precious metals.

Profit Based Tax/Professional Tax on Benefits

A Professional Tax on Benefits at the preferential mining code rate of 30% (instead of the 35% CIT rate) is levied on the net profits from exploitation determined in accordance with the accounting and tax legislation in force.

WHT on Interest and Dividends

The 20% standard rate of the WHT is not applied to interest paid on loans contracted abroad in foreign currency. In addition, loans from affiliates must be on interest rates and other conditions as favourable as, or better than, loans that would be obtained from third parties to benefit from this exemption. Dividends and other distributions are subject to the preferential mining code WHT at the rate of 10%.

WHT on Salaries

The holder is liable to pay the standard WHT on salaries payable to the employees.

Exceptional Tax on Expatriate Salaries

The holder is liable to pay the exceptional tax on expatriate salaries at the preferential mining code rate of 10%, instead of the 25% standard rate.

Annual Traffic Tax

The holder of a mining right is liable to pay the annual traffic tax pursuant to the general tax legislation, except for those vehicles used exclusively within the mining perimeter.

Value Added Tax (VAT)

VAT	Rate
Standard rate	16%

Notes:

1. VAT applies as from fiscal year 2012. VAT is levied on the supply of goods and services and the imports of goods and services into the DRC.
2. The standard rate is 16%. The standard rate is 0% for export of goods and similar or related transactions.
3. Registration is compulsory for all persons (business or individual) that meet the legal requirement to be liable to VAT (i.e. a turnover of CDF80 000 000). Registration must take place within 15 days following commencement of a business. Individual and legal entities whose annual turnover is less than CDF80 million may elect to be subject to VAT. An application for approval must be filed with the tax authorities.
4. Any transaction occurred between both VAT registered persons of an amount of at least CDF1 million should be paid only by way of a check or a bank deposit.
5. VAT returns and payments are due by the 15th day of the following month.

Customs and Excise Duties

Import duties are levied on the CIF (Cost-Insurance-Freight) value of goods imported, rates ranging from 0% to 20%. Export duties are levied on FOB (Free-on-Board) value of goods exported, at rates ranging from 1% to 10%.

Miscellaneous Taxes

Stamp Duty

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

Property Tax

Land rates are assessed by the provincial and tax authorities. Property tax rate in DRC is fixed depending on the nature of good and the rank of the locality. The villas are taxable per square metre area. Other buildings and grounds are taxable ordered.

Rental Income Tax ("*L'impôt sur le revenu locatifs*") (IRL)
Rental income tax concerns income from rental of buildings and lands located in the DRC. Rental income is taxed at the standard rate of 22%.

Payroll Tax
Employers are required to submit monthly PAYE returns on behalf of their employees before the 10th of the month following the month the salaries, or similar sums, have been paid or made available. Salaries tax rates are banded and range from 0% to 40%, with a maximum level of 30% of the taxable salary.

Social Security

An employee must contribute 3.5% of gross salary. The employer is required to contribute 9% of the salary paid. Since April 2013, a 0.5% ONEM (National Agency for Employment) tax has been implemented. The employer is also required to contribute 0.5% of the salary paid to ONEM.

Tax Administration

Corporations

- Tax year – Calendar year.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate tax 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 40% of the prior year's tax liability.
- Penalties – Failure to self-assess tax, understated tax returns or defaulted tax payments, are subject to a 20% penalty for a first offence and 40% for a second offence, plus 4% monthly interest on the amount due.

Individuals

- 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 – See penalties under "Corporations" (above).

Note:
1. The DRC Budget Speech was read on 1 February 2013.

General Investment Information

Investment Incentives

Tax Incentives

- Various incentives are available to qualifying companies, including mining companies. Incentives are generally in the form of reduced tax rates or an exemption.
- Investors wishing to take advantage of the customs and tax incentives of the "New Investment Code" would have to submit an application to the ANAPI (National Agency for Promotion of Investment in the DRC). The ANAPI will ensure that the application is sent to the Minister of Finances and Planning for consideration and approval. Incentives granted, or awarded, in terms of this New Investment Code, are not available to foreign companies (branches) or *inter alia* the following sectors: mining, oil, banking, insurances, commercial activities and armament industries. Any investor desirable can apply for possible incentives provided for in the New Investment Code provided that the following requirements are met and consistent with:
  - Be (or create) an entitled Congolese company.
  - Submit a licence applicable to ANAPI.
  - Pay the application fees due.
  - Investment funds should be at least US$200 000 for the company.
  - Commit to respect or comply with the regulation in respect of environmental protection.
  - Commit to train national personnel for specific technical functions, duties, skills, supervisions and responsibilities.
  - Guarantee or safeguard a growth rate of more than 35%.

  Furthermore, the New Investment Code grants exemption from taxes and duties for three years when the investments are made in Kinshasa; four years for investments in Bas-Congo, Lubumbashi, Likasi and Kolwezi; and five years in the others provinces. The Investment Code grants the following tax incentives and exemptions:
  - Full exemption from corporate tax.
  - Higher depreciation rates for investments in socio-economic infrastructures.
  - Exemption from the fixed and proportional duties for joint-stock company at the time of their constitution or of increase of their approved capital.
  - Exemption from the tax on the surface of land concessions and the built properties only related to the approved project of investment.
  - Exemption from the sales tax (replaced by VAT since January 2012) on domestic purchase of goods, industrial equipment and inputs manufactured in the DRC and on the services relating to construction works.

Export Incentives

- Any approved investment, which contemplates the exportation of all or part of their finished products, processed and semi-processed under conditions favourable for the balance of payment, shall benefit from exemption from fees and tax at exportation.

Exchange Controls

Banks are required to report significant foreign exchange transactions to the Central Bank. Carrying (or holding) foreign currency in the DRC is, however, not prohibited. Payments to or from a foreign country are subject to a 0.2% exchange control fee. Exporters are required to repatriate a portion of proceeds resulting from exports via commercial banks. Funds carried by travellers that exceed the equivalent of US$10 000 must be reported.

Expatriates and Work Permits

In the event of a short-term contract (i.e. less than six months), employees only need to apply for an ordinary three-month visa at the Congolese Embassy of country of origin. They will be required to complete a form provided by the Embassy with a formal invitation from a DRC resident (e.g. the client) together with a police records certificate not older than three months. However, if the expatriate should

provide services for a period exceeding six months, the employer is required to apply for a work permit and a resident visa. The work permit and resident visa will be valid for two years.

Work Permit

The following documents need to be submitted when applying for a working permit:

- Copy of passport with a valid visa (six months validity).
- Four passport photos (less than six months old).
- Copy of resume of the employee.
- Copy of degree or relevant diploma.
- Notarised work contract between the employer and employee.
- Medical or health certificate.
- Copies of evidence of affiliation with social administration (social security and training institutions in DRC).

There are also additional requirements as to when the applicant is a director (as opposed to a mere employee). In that case, the following documents are required:

- Copy of the articles of association of the company.
- Minutes of the general meeting of the shareholders.
- Organisation chart of the company.

Establishment Visa

The requirements are as follows when an employee is applying for an establishment (resident) visa:

- Copy of work permit.
- A copy of passport with valid visa (six months validity).
- Two passport photos (less than six months old).

(Note: When the expatriate employee has been hired abroad, there should be an amendment to the contract that is signed abroad i.e. a local employment contract needs to be entered into).

Trade Relations

- Memberships – South African Development Community (SADC), WTO, Economic Community of the Great Lakes Countries (ECGLC), Economic Community of Central African States (ECCAS), Common Market for Eastern and Southern Africa (COMESA) and Organisation for Harmonisation of Business Law in Africa (OHADA).
- Tax Treaties – The DRC has concluded two tax treaties; namely, with South Africa and Belgium.

Interest and Currency Exchange Rates

Interest Rates:
3.00% (Central bank interest rate) (October 2013) (source: National Central Bank of DRC)
Currency: Congolese Franc (CDF)
R1 = 89.0312 (November 2013)
US$1 = 909.0000 (November 2013)
US$1 = 905.5380 (2012 average) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$ 18.556 billion (2013 forecast) (source: IMF)
US$17.698 billion (2012 estimate) (source: IMF)
Market Capitalisation:
Not available.
Rate of Inflation:
7.500% (December 2013) (source : IMF)
6.286% (2012 average) (source: IMF)

Egypt

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Egypt

Note:
Egypt has issued a series of new laws with significant changes made to most types of Egyptian taxes.

Income Tax

Residents

Personal Income Tax (PIT) Rates for Individuals*

Taxable Income as exceeds	But does not exceed	Rate
EGP	EGP	%
0	5 000	0%
5 000	30 000	10%
30 000	45 000	15%
45 000	250 000	20%
250 000 +		25%

* PIT is payable on the net income on a graduated scale.

Notes:
1. Resident and non-resident individuals are taxed only on their Egyptian-source income.
2. An individual is regarded as resident in Egypt in an assessment year if he/she: (i) is present in Egypt for more than 183 days in a fiscal year or (ii) is deemed to have a permanent residence or a local commercial presence in Egypt under executive regulations or (iii) resides abroad but derives income from Egyptian sources.
3. Taxable income – This includes income from employment, commercial or industrial activities and non-commercial activities (i.e. the exercise of a profession). Mandatory profit sharing, pensions and end-of-service bonuses are not subject to salary tax.
4. Employers generally are responsible for withholding and remitting the salary tax due to the relevant tax authorities on a monthly basis. However, if the employee is paid from an offshore source, the individual is required to declare it to the relevant authorities before the end of January following the tax year.
5. Available tax deductions depend on the type of income. Various tax allowances are available for items such as social security contributions and health insurance premiums.

Non-Residents

Non-resident companies pay tax only on Egyptian-source profits generally via withholding at source. Non-residents become liable to tax from the day they begin to carry on a trade, business, profession or vocation in Egypt. Double taxation treaties (i.e. DTAs) have been concluded with a number of countries and double taxation relief applies to such income.

Companies

Income Tax Rates for Companies

	Rate of Tax
Income for all companies	25%
Oil & gas companies	40.55%

Notes:
1. Resident companies are taxed on their worldwide income. Non-resident companies are subject to tax only on Egyptian-source profits if a Permanent Establishment (PE) exists.
2. A company is resident if it is established according to Egyptian law, its main or actual headquarters is in Egypt or it is a company in which the state or a public juridical person owns more than 50% of the capital.
3. The standard rate of corporate tax in Egypt is 25% for most companies and 40.55% for companies engaged in the exploration and production of oil and gas. The Suez Canal Authority, the Egyptian Petroleum Authority and the Central Bank are taxed at 40%.

4. Regarding taxable income, corporate tax is imposed on the totality of a company's profit.
5. Dividends received from an Egyptian company are not taxable. Dividends received from abroad are included in taxable profits and subject to tax at a rate of 25%, with a deduction allowed for foreign taxes paid abroad up to the amount of tax payable in Egypt. Income from investments in non-resident companies is taxed on the basis of owner's equity.
6. Capital allowances – The Egyptian tax law does not have any specific capital allowances other than tax depreciation.
7. Interest – Interest expenses are considered tax deductible if the payer's average debt/equity ratio does not exceed 4:1. In addition, if the interest rate exceeds two times the credit and discount rates announced by the Central Bank of Egypt in the beginning of the calendar year, interest expense on the excess shall not tax deductible.
8. Normal business losses can be carried forward for five years. The carryback of losses is not permitted except for losses incurred by a construction company on long-term contracts.
9. Foreign tax paid overseas may be deducted from Egyptian income tax payable but the deduction may not exceed the total tax payable in Egypt.
10. There is no participation exemption and no holding company regime in Egypt.
11. There is no Alternative Minimum Tax (AMT) in Egypt.
12. There are no provisions for consolidation of accounts for group taxation in Egypt.

Withholding Taxes (WHTs)

Certain payments to domestic companies and individuals and non-resident companies/investors are subject to WHT at the following rates:

WHT Rates

	Note	Corporate Bodies	Individuals
Dividends	1	0%	0%
Royalties	3	20%	20%
Interest	2	20%	20%
Rent (including hire of equipment)	3	20%	20%
All aspect of building construction and related activities	5	20%	20%
All aspect of contract activities or agency arrangements including contract for supply	5	20% on service portion	20% on service portion
Management services	4	20%	20%
Consultancy and professional fees	5	20%	20%
Technical services	4	20%	20%

Notes:
1. No WHT is levied on dividends paid to residents or non-residents.
2. Interest paid to non-residents is subject to a 20% WHT, which may be reduced under a double taxation treaty (i.e. DTA). Interest paid under a long-term loan (i.e. exceeding three years) is not subject to WHT.
3. Royalty payments made to non-residents are subject to a 20% WHT unless the rate is reduced under a tax treaty.
4. The Egyptian tax law does not have any specific WHT rules governing technical service fees and management services, although the tax authorities may treat such payments as royalties for WHT purposes (and thus, subject to a 20% WHT). The ultimate tax treatment will depend on the scope of services provided and will be determined on a case-by-case basis.
5. Services are subject to 20% WHT under domestic law and may be reduced/made free of WHT if a DTA applies.

Capital Gains Tax (CGT)

Individuals

Individuals are subject to tax on capital gains investments and fixed assets if the assets are sole proprietorship assets (including real estate). Real estate is subject to separate duties of 2.5% on the gross proceeds.

Gains on sales of unlisted securities are taxable if deemed to be a recurring activity. Gains on listed securities are exempt from tax.

Companies

Gains of unlisted companies are treated as ordinary income taxed as part of the normal profit pool.

Anti-avoidance

Transfer Pricing

Taxpayers are required to comply with the arm's length standard in related party transactions. There are three methods to determine the transfer price: (1) the comparative free price method; (2) the total cost plus profit margin method; and (3) the resale price method. The comparative free price method has priority, but if the information needed to apply this method is unavailable, either of the two other methods may be used. If none of the methods are deemed suitable by the taxpayer, any method specified under the OECD Guidelines will be accepted.

Thin Capitalisation

A 4:1 debt/equity ratio applies. Any interest exceeding this ratio is non-deductible.

Controlled Foreign Companies (CFCs)

An Egyptian company will be required to pay corporate tax on its share of a CFC's income if the following conditions are satisfied:(1) the profits of the investee company are not subject to tax in its country of residence, are exempt or are subject to a tax rate of less than 15%; and (2) the ownership in the non-resident company exceeds 10%; and (3) more than 70% of the non-resident company's income is from dividends, interest, royalties or management fees or rental fees.

Inheritances and Donations

There is no donations tax and no inheritance/ estate tax in Egypt.

General Sales Tax (GST)

VAT	Rate
Standard rate	10%

Notes:

1. GST applies to the supply of most goods and the provision of services in Egypt.
2. The standard GST rate is 10%. GST rates changes between 0% and 20%.
3. Manufacturers and service providers with turnover in excess of EGP54 000 must register for GST purposes. Wholesalers and retailers are required to register where turnover exceeds EGP150 000.
4. All companies must prepare and file a monthly GST return with the relevant tax authority.

Customs and Excise Duties

Egypt has complex tariff and non-tariff barriers. Customs duties are levied on most goods.

Free imports include*:

- 200 cigarettes.
- 25 cigars.
- 200 grams tobacco.
- 2 litres of alcohol.
- Perfume for personal use.

* This applies with the US$200 limit per individual entering.

Prohibited imports include:
- Drugs, firearms and cotton.

Restricted imports include:
- Cash, cheques, credit cards and gold over the value of US$10 000 must be declared on arrival.

Vehicles:
- Customs duty varies between 40% and 135%.
- Tax varies between 10% and 45%.
- Full customs duty and tax is payable for all vehicles.
- For used cars, the shipper must prove that he/she is the first owner of the car.
- For new cars, the car must be imported within the same year of manufacturing.
- Cars are duty-free and tax-free entry only for diplomats.
- Cars with trip tickets issued by automobile clubs are allowed to enter duty-free and tax-free only on a tourist basis for three months, renewable for another three months. Cars must be exported out of Egypt at the end of the six months period. Licensing fees are only applicable on these cars.

Returning Egyptian diplomats:
- Particular duty-free and tax-free entry is granted for returning Egyptian diplomats provided the Egyptian Ministry of Foreign Affairs supplies the shipper with the necessary forms of the duty-free and tax-free entry.

Other Taxes

Real Property Tax
All real property in Egypt is subject to the real estate tax. The tax rate is 10% on the annual rental value after a 30% deduction on overall value, as well as an EGP24 000 exemption (for one unit for each owner only) for residential properties and a 32% deduction for non-residential property (with no exemption). Tax becomes due on 1 July 2013, which is due in two instalments. However, the new law is not yet clear on the new payment dates. The annual rental value of real estate is assessed every five years by the tax authorities.

Stamp Duties
A number of transactions attract stamp duties. These include 20% on commercial advertisements and 0.08% to 10% on insurance premiums.

Stamp Tax at a quarterly rate of 0.1% will be levied on loan balances. The tax will be applied to the highest debit balance reached in the course of the quarter. In addition, Stamp Tax of 0.1% will be levied on both the buyer and seller in transactions involving the sale of shares, whether listed or unlisted, and whether the parties are Egyptian or foreign.

Other
Statutory payments to employees under profit sharing regulations may not be deducted for Corporate Income Tax (CIT) purposes and are not subject to salary tax.

Social Security
The social security regime applies to local nationals.

Tax Administration

Individuals

- The tax year is the calendar year.
- Individuals must submit a declaration of income before 1 April following the end of the tax year and must pay tax based on the declaration. Salaries are taxed by withholding at source.
- A penalty equivalent to the unpaid tax and imprisonment for a period of not less than six months and not more than five years, or either of the two penalties, applies in cases of tax evasion.

Corporations

- The tax year for companies is the accounting year.
- Companies must file a tax return before 1 May or within four months following the end of the financial year. Tax is assessed on the basis of the information provided in the tax return.
- A penalty equivalent to the unpaid tax and imprisonment for a period of not less than six months and not more than five years, or either of the two penalties, applies in cases of tax evasion.

General Investment Information

Investment Incentives

Tax Incentives

- Law No.8 of 1997 grants certain benefits. However, the majority of this law has been cancelled.
- A customs tax at a unified rate of 5% of the value is levied on the value of all imports (machines, equipment and instruments) imported by such projects.
- Taxes on profits resulting from the merger, division or the change of the legal entity of a project may be postponed under certain circumstances; specifically, none of the entities involved in the transaction may be foreign entities and there may be no trade in the shares of the resulting entity for a period of three years after the change in legal form. Such projects shall enjoy the exemptions prescribed before the merger, division or change of legal entity, until the relevant exemption period expires. The merger, division or change of the project's legal entity shall not result in any new fiscal exemptions.
- The result of assessing the in kind portions forming the foundation of JSCs, shall be exempted from the CIT, given that the assets are not sold within five years of the transaction.

Free Trade Zones (FTZs)

- Projects set up in one of the active free zones enjoy certain benefits that may be of interest to foreign investors. Such projects are not subject to any customs duties on imported goods or equipment. In addition, they are not liable to tax as long as their activities are within the scope of their free zone licence. These projects, however, are subject to a 1% levy on the value of goods entering their warehouse(s). Companies involved in assembly or manufacturing activities are subject to a 1% levy on the value of goods exiting their warehouse(s). Companies with no warehousing activities are subject to a 1% levy on their total revenue.
- Licences to operate in free zones may be granted for a range of activities based on the internal regulations of each specialised free zone and the agreement of the General Authority for FTZs and Investment.

Other Incentives

- The country is in a geographically strategic location.
- Moreover, it offers a cheap and relatively qualified labour force.
- Its growing population constitutes a non-negligible market in the region.
- Its energy resources are attractive.
- In addition, the country has in recent years launched a public works policy (construction of the third metro-line, expansion of the port of Sokhna and improvement and renovation of the rail network), which offers many investment opportunities to foreign companies. Finally, the government policy for large-scale liberalisation and improving the appeal to foreign investors are encouraging signs for foreign investment.

Exchange Controls

No restrictions are imposed on the import or export of capital or on the repatriation of funds which can be made in any currency.

Expatriates and Work Permits

Employment in Egypt is not possible without a working visa, and a working visa can only be obtained with a formal job offer and contract from a company or sponsor. The required paperwork submitted for an entry visa changes often and is best handled by an agency or through the hiring company. The length and cost of obtaining an entry visa changes depending on the applicant's nationality and type of entry visa.

Trade Relations

- Memberships – African Union (AU) (suspended).
- International organisations – AU (suspended), Arab League, Group of 77, United Nations (UN).
- Tax treaties – Egypt has concluded over 52 tax treaties with various countries.

Interest and Currency Exchange Rates

Prime Bank Overdraft Rate (approx.):
2.5% (October 2013) (source: Central Bank of Egypt)
Currency: Egypt's currency is the Egyptian Pound (EGP).
US$1= 6.9778 EGP (December 2013) (source: Central Bank of Egypt)
R1 = 0.65145 EGP (December 2013) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$233.9 billion (2013 forecast) (source: IMF)
US$257.3 billion (2012 estimate) (source: IMF)
Market Capitalisation – Stock Exchange (approx.):
EGP402.3 trillion (October 2013) (source: Egyptian Exchange)
Rate of Inflation:
10.15% (October 2013) (source: Central Bank of Egypt)

Equatorial Guinea

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Equatorial Guinea

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals:		
Taxable Income as exceeds	But does not exceed	Rate
XAF	XAF	%
0	1 000 000	0%
1 000 001	3 000 000	10%
3 000 001	5 000 000	15%
5 000 001	10 000 000	20%
10 000 001	15 000 000	25%
15 000 001	20 000 000	30%
20 000 000 +		35%

Notes:

1. Basis – Resident individuals are assessed on their worldwide income and non-residents on transactions carried out in Equatorial Guinea (EG), from the first day of work performed in the country.
2. Residence – Any person operating in EG and staying more than three months in a one calendar year, or six months in two years, is considered resident. In the oil & gas sector, individuals operating in EG, and staying more than three months in a one calendar year, are considered resident. Absences of less than 30 days are not taken into account in computing the period of residence.
3. Rates – Rates are progressive to 35%. Additionally, benefits in kind and cash allowances are taxable at the following rates on gross salary: housing, 15%; water, electricity, housekeeping and company car, 5%; food, 20% (imposed on gross salary up to a maximum XAF150 000).
4. Taxable income – Income from salaries, wages, pensions, annuities, and per diems for attending meetings of boards of directors, is taxable, excluding special allowances to cover expenses relating to the position to the extent the expenses are effectively used for their objective and not excessive. Benefits in kind and cash allowances are taxable at specific rates.
5. Deductions and allowances – The extent to which a deduction from income will be allowed depends on the category of income. Allowable deductions include business expenses, contributions to pension funds (under specific conditions), interest on loans taken out to build or repair the taxpayer's first house in EG, alimony and payments made to the welfare fund on behalf of domestic employees. For salaries, wages, pensions and annuities, allowable deductions for business expenses amount to 20% of income but cannot exceed XAF1 million.
6. Filing status – The head of a family is subject to personal income tax (PIT) both on his/her own income and on the income of his/her dependent children and spouse, subject to the individual's right to elect to be assessed separately. A married woman is assessed separately if she is separated from her husband or if her husband is not subject to tax in EG.

Non-Residents

Non-resident individuals pay taxes on their employment income at a rate of 10%.

Employment Income

Income from salaries, wages, pensions annuities and per diems for attending meetings of boards of directors is taxable. Special allowances to cover expenses inherent in the responsibility or representation, are not taxed, provided that they are effectively used for the business purpose intended and are neither excessive nor used for expenses of a personal nature.

Benefits in Kind

Benefits in kind and cash allowances are assessed at the following rates:

- Housing: 15% of gross salary.
- Water and electricity: 5% of gross salary.
- Housekeeping: 5% of gross salary.
- Service or office car: 5% of gross salary.
- Food: 20% of gross salary (maximum XAF150 000).

Pay-As-You-Earn (PAYE)

The PAYE contributions are withholdings from salaries of employees in order to satisfy their income tax responsibilities. The PAYE is computed with the PIT rates.

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate tax rate	35%

Notes:

1. Residence – A commercial entity operating in EG for more than three months in a one calendar year, or for six months within a two-year period, is considered resident. Companies operating in the oil & gas sector in EG for more than three months in a one calendar year, are considered resident.
2. Basis – Resident entities are assessed on their worldwide income. Non-resident entities are subject to a 10% withholding tax (WHT) on gross income derived from sources in EG.
3. Rate – The corporate tax rate is 35%.
4. Taxable income – Taxable income is a company's gross income, less allowable deductions and losses. Income of a capital nature is not included in taxable income.
5. Losses – Losses may be carried forward for up to three years (five years for companies in the oil & gas industry) but may not be carried back. Losses of one entity may not be transferred to another entity in the case of a corporate reorganisation. After three consecutive years of losses, companies will be deregistered from the Tax Registry (except new companies).
6. Dividends – All dividends received by a resident company are subject to Corporate Income Tax (CIT). However, a recipient company may offset any domestic tax withheld from dividends against its company tax liability. A participation exemption applies so that only 10% of net dividends received by a corporate shareholder is subject to tax, provided the shareholder holds at least 25% of the shares in the payer and the shares remain registered in the name of the shareholder for at least two consecutive years. Dividends received by foreign shareholders are subject to a 25% tax.
7. Foreign tax credit – None.
8. Participation exemption – A partial tax exemption on dividends applies to CEMAC groups. See also under "Taxation of Dividends".
9. Holding company regime – None.
10. Controlled foreign companies (CFCs) – CFC provisions apply where at least 35% of the share capital is held by nationals.
11. Alternative Minimum Tax (AMT) – The minimum company tax is 1% of the previous year's turnover. The AMT is payable when the operations of the company result in a taxable loss or when the minimum tax is more than 35% of the taxable profits.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	-	25%
Interest	2	-	25%
Royalties	3	-	10%
Technical service fees	4	-	10%
Other	5	-	10%

Notes:

1. Dividends – Dividends paid to a non-resident entity are subject to 25% WHT.
2. Interest – Interest paid to a non-resident entity is subject to a 25% WHT on the gross amount as they are assimilated to incomes from investments.
3. Royalties – Royalties paid to a non-resident entity are subject to a 10% WHT on the gross amount. See "Other" (below) for oil & gas companies.
4. Technical service fees –Technical service fees are subject to a 10% WHT on the gross amount.
5. Other – Other services paid to a non-resident entity are subject to 10% WHT.

Double Taxation Agreements (DTAs)

EG has signed a treaty with the other member states of the Central African Economic and Monetary Union ("*Communauté Economique et Monétaire d'Afrique Centrale*" or "CEMAC"), to improve tax co-operation between CEMAC administrations and to limit double taxation. Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon are member states of CEMAC.

Capital Gains Tax (CGT)

Companies

Capital gains are treated as ordinary business income and taxed at the standard CIT rate. However, capital gains realised on the disposal of fixed assets in the course of trading are excluded from income for a three-year period if the taxpayer reinvests the gain in new fixed assets for the business. Capital gains arising from a gratuitous allocation of shares, founders' shares or debentures on the merger of limited liability companies or limited partnerships with share capital are also excluded, provided that the company resulting from the merger has its registered office in EG. Net capital gains arising on the assignment, transfer or cessation of a company within five years following its creation or purchase, will be assessed at only half their value. If such an event takes place more than five years after the company is formed or purchased, net capital gains will be assessed at one-third of their value.

Individuals

Capital gains include proceeds from the sale of stock and options, income from securities, bonds, loans, deposits or from the sale of real estate assets. Capital gains accruing to individuals as a result of company mergers are not subject to PIT if the new company has its registered office in EG or another CEMAC state. The standard tax rate on such income is the same as for the other categories. Capital gains are subject to the general tax rate, except for non-residents who are subject to a 25% WHT.

Anti-avoidance

Transfer Pricing

EG law and CEMAC regulations only provide for a general rule on the prohibition of a direct or indirect transfer of income to an affiliated company by way of a diminution or increase in sale or purchase prices or interest on loans. The tax authorities can assess such indirect transfers by comparing them with transactions of similar companies operating normally in EG.

Thin Capitalisation

There are no thin capitalisation rules in EG.

Value Added Tax (VAT)

VAT	Rate
Standard rate	15%

Notes:

1. VAT is imposed on the supply of goods or services.
2. The standard rate is 15%. A zero rate applies to exports and similar transactions. Some products are subject to a reduced rate of 6%, others are exempt and others are assessed a special duty tax at a rate of 30%.
3. Resident VAT payers must be registered. Non-resident VAT payers must appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of other VAT obligations.
4. Registered VAT vendors are required to file monthly VAT returns within 15 days of the end of the month. The tax due must be paid within 15 days following the filing of the VAT return.

Customs and Import Duties

Customs duties are set by the CEMAC to which EG belongs. The rates set are as follows:

Product	Rate
Basic necessities	5%
Raw materials and capital goods	10%
Intermediate and other goods	20%
General consumer goods	30%

Trade between CEMAC countries are, in principle, exempt from customs duties. An Integration Community Tax of 1% is collected on imports from outside the CEMAC. An OHADA Community Tax of 0.5% is also collected on imports from outside the OHADA Zone.

Miscellaneous Taxes

Stamp Duty

Stamp duty is levied on the execution of various documents at rates ranging from 1% to 10%.

Capital Duty

There is no capital duty in EG.

Transfer Tax

Rates are 3% for the transfer of goods and chattels for valuable consideration(between residents and non-residents and between non-residents); 5% on transfers of real estate for valuable consideration between residents and 25% between residents and non-residents; and 5% on transfers for valuable consideration of goods and chattels and livestock, credits and rights not expressly specified.

Real Property Tax

Rural Property Tax of XAF100 is levied for each hectare or fraction thereof of the surface area of the property. An Urban Property Tax is imposed equal to 1% of 40% of the sum of the value of the land and the buildings constructed on it.

Inheritance/Estate Tax
A tax on "mortis causa" applies for all kinds of hereditary successions (10%), donations (5%) and life insurance (10%).

Net Wealth/Net Worth Tax
None.

Payroll Tax
There is no payroll tax. Salaries are only subject to the Work Protection Fund and INSESO contribution. (See under "Social Security" below).

Other
All payments made by companies in the oil & gas sector are subject to WHT at the following rates: 10% on EG gross income of non-residents obtained from commercial or industrial activities or services (6.25% for EG residents); and 5% on mobilisation, demobilisation and transportation services in EG.

Other potential taxes include property taxes; the tax on vehicle and boat ownership and use; and the tax on the screening and distribution of image and audio recordings.

Social Security

Employees contribute monthly to the National Social Security Fund (INSESO) and the Work Protection Fund. Employee contributions are 0.5% of net salary to the Work Protection Fund and 4.5% of gross salary to INSESO. The employer contributions are 1% of the gross salary to the Work Protection Fund and 21.5% to INSESO.

Tax Administration

Corporations
- Tax year – Calendar year. A company's financial year must correspond to the tax year.
- Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
- Filing requirements – A return showing the company's results for the fiscal year must be filed by the 30th of April following the end of the tax year. A minimum company tax equal to 1% of the previous year's turnover is payable annually before the 31st of March. The final instalment is paid on the 30th of April.
- Penalties – A fine of XAF200 000 per month is levied, capped at 75% of the tax due. The penalty for an understatement of tax liability ranges from 50% (when the amount is 10% higher than the taxpayer's profits) to 100% (bad faith). The authorities also may impose a "best judgment" assessment from 50% to 100% (bad faith). A 50% penalty is imposed for failure to pay the minimum income.

Individuals
- Tax year – Calendar year.
- Filing and payment – Tax payments on income from salaries and wages are withheld by companies or other entities at source before the 15th of the month following payment.
- Penalties –The same penalties apply as for CIT. Additionally, failing to withhold is subject to a 25% penalty and a failure/ delay in paying PIT withheld is subject to a 25% plus 10% interest per month penalty, capped at 100% of the total tax withheld.

General Investment Information

Investment Incentives

General Incentives

The Investment Code is intended to encourage and stimulate productive investment in EG. It provides certain general guarantees, such as no expropriation or nationalisation without a just and equitable prior compensation. There are specific customs and tax incentives for some activities such as the oil industry. Special incentives are also offered under tax regulations for companies located in non-coastal areas, including Annobón.

Exchange Controls

Transfers within the CEMAC Zone are not restricted. Prior declaration is required for inward direct investments, which are capital investments in an entity to acquire control (excluding the purchase of less than 10% (or XAF100 million) of the share capital of an unquoted company). Loans obtained by EG companies from foreign shareholders, or from a foreign enterprise within the same group, also require prior authorisation. The reinvestment of undistributed profits is not subject to prior declaration, but transfers of at least XAF1 million outside the CEMAC Zone do require authorisation. Expatriate employees may repatriate part of their earnings on a regular basis and transfers to cover family and dependent expenses outside the CEMAC Zone, may be made without limit.

Expatriates and Work Permits

Expatriates need a work permit. Foreign employees cannot exceed 10% of the staff (30% in the oil & gas sector). At least a third of the members of the board of directors must be EG nationals, and nationals must also be involved with the management of the company.

Trade Relations

Memberships – OHADA, CEMAC, WTO (observer status; not a full member).

Interest and Currency Exchange Rates

Lending Interest Rate:
15.000% (October 2013) (source: Economic Intelligence Unit)

Currency: Franc de la Communuté Financiére d'Afrique (XAF)
R1 = 48.8711 XAF (November 2013)
US$1 = 479.672 XAF (November 2013)
US$1 = 505.180 XAF (2012 average) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$17.694 billion (2012 estimate) (source: IMF)
US$17.080 billion (2013 forecast) (source: IMF)
Market Capitalisation:
Not applicable – EG has no stock exchange or securities market. Capital transfers within the CEMAC region are unrestricted, but there are restrictions on capital accounts transactions with other countries.
Rate of Inflation:
4.799% (2011 average) (source: World Bank)
3.407% (2012 average) (source: IMF)
5.217% (December 2013) (source: IMF)

Ethiopia

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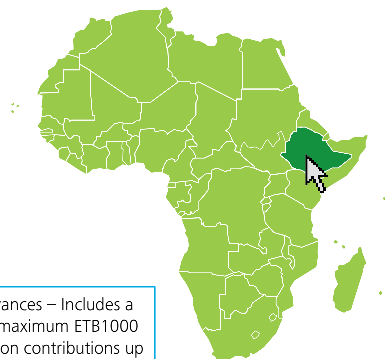
Ethiopia



The Minister for Finance and Economic Development, H.E. Sofian Ahmed, delivered the National Budget for the year 2013/14 in June 2013, with the theme for the Budget being, "Enhancing the Implementation of the Growth and Transformation Plan".

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals:		
Taxable Income as exceeds	But does not exceed	Rate
Birr/ETB	Birr/ETB	%
0	1 800	0%
1 800	7 800	10%
7 800	16 800	15%
16 800	28 200	20%
28 200	42 600	25%
42 600	60 000	30%
60 000 +		35%

Notes:

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on all Ethiopian-source income.
2. Residence – Any individual, who lives in Ethiopia for more than 183 days during a 12-month period, whether continuously or intermittently, will be regarded as a resident for the entire tax period.
3. Rates – Personal Income Tax (PIT) is progressive and ranges from 10% to 35%. These rates apply to part-time employees equally.
4. Taxable income – Any income generated is taxable unless specifically exempt.
5. Deductions and allowances – Includes a transport allowance (maximum ETB1000 per month) and pension contributions up to 15% of the basic salary.
6. Filing status – Monthly to be filed by the employer for Pay-As-You-Earn (PAYE).
7. Relief from double taxation is available through double taxation treaties (DTAs) to which Ethiopia is signatory. Ethiopia has entered into DTAs with several Arab countries, European Union (EU) countries and African countries.

Non-Residents

Non-residents are subject to tax only on all Ethiopian-source income. The above income tax rates are also applicable to non-residents in respect of employment. In addition, certain payments made to non-residents, at an address outside Ethiopia, are subject to a 10% withholding tax (WHT).

Employment Income

The following categories of income are exempt from payment of PIT:

- Income from employment received by casual employees who are not regularly employed provided that they do not work for more than one month for the same employer in any 12 months.
- Pension contributions, provident fund and all forms of retirement benefits, contributed by employers in an amount that does not exceed 15% of the monthly salary of the employee.
- Subject to reciprocity, income from employment received for services rendered in the exercise of their duties by diplomatic and consular representatives, and other persons employed in any embassy and who are nationals of that state, and bearers of diplomatic passports.
- Payments made to a person as compensation or gratitude in relation to personal injuries suffered by that person or death of another person.
- Amounts paid by employers to cover the actual cost of medical treatment of employees.

- Allowances *in lieu of* means of transportation granted to employees under contract of employment limits.
- Hardship allowances for approved locations within the country.
- Amounts paid to employees in reimbursement of travelling expenses incurred on duty.
- Amounts of travelling expense paid to employees recruited from elsewhere than the place of employment, joining and completion of employment, or in case of foreigners, travelling expenses from or to their country, provided that such payments are made pursuant to specific provisions of the contract.
- Allowance paid to members and secretaries of board of public enterprises and public bodies, as well as to members and secretaries of study groups set up by the federal or regional Government.
- Income of persons employed for domestic duties.

Benefits in Kind

Individuals are taxed on the value of any benefit or advantage arising from employment.

Business Profit Tax

This is the tax imposed on the taxable business income net profit realised from entrepreneurial activity. Taxable business income would be determined per tax period on the basis of the profit and loss account or income statement, which shall be drawn in compliance with the Generally Accepted Accounting Standards.

Corporate businesses are required to pay a 30% flat rate of business income tax. For unincorporated or individual businesses, the business income tax ranges from 10% to 35%. Unincorporated or individual businesses are taxed in accordance with the table/ schedule of rates for individuals, above.

Companies

The principal taxes imposed on companies, currently in place, include profit tax, Turnover Tax (TOT), Value Added Tax (VAT), excise tax, customs duty and income tax from employment. VAT has replaced sales tax. Other taxes include corporate tax, dividend income tax, royalties and stamp duties.

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate tax rate	30%

Notes:

1. Residence – A company is resident when it is registered according to the countries law for commercial registration.
2. Basis – The accounting basis used to determine is accrual accounting principles where income is recognised as earned and expenses are recognised when incurred.
3. Rate –The Corporate Income Tax (CIT) in Ethiopia is 30%.
4. Losses – Losses can be carried for two years.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	10%	10%
Interest	2	5%	5%
Royalties	3	5%	5%
Technical service fees	4	2%	10%
Other	5		

Notes:

1. Dividends – Every person deriving income from dividends from a share company, or withdrawals of profits from a private limited company, shall be subject to tax at the rate of 10%. The withholding agent shall withhold or collect the tax and account to the Tax Authority.
2. Interest – Every person deriving income from interest on deposits shall pay tax at the rate of 5%. The payers are required to withhold the tax and account to the Tax Authority.
3. Royalties – Royalty income shall be liable to tax at a flat rate of 5%. The withholding agent who effects payment shall withhold the foregoing tax and account to the Tax Authority. Where the payer resides abroad and the recipient is a resident, the recipient shall pay tax on the royalty income within the time limit set out.
4. Technical service fees – All payments made in consideration of any kind of technical services rendered outside Ethiopia to resident persons in any form, shall be liable to tax at a flat rate of 10%, which shall be withheld and paid to the Tax Authority by the payer. The term “technical service” means, “any kind of expert advice or technological service rendered”.
5. Other – WHT is payable on import of goods, and is set at 3% of the same cost, insurance and freight (CIF). In case of organisations having legal personality, government agencies, private non-profit institutions, and non-governmental organisations (NGOs), the amount withheld is 2% of the gross amount of payment.

Capital Gains Tax (CGT)

The current CGT system in Ethiopia applies on sales of building at 15%, and transfer of shares at 30%.

Anti-avoidance

Transfer pricing

Transfer pricing legislation regulates international goods or services transactions between connected persons. The rules allow Revenue and Customs Authority to disallow certain expenditure or adjust income if the contract price is less or more than what the price would have been between parties dealing at arm’s length.

Thin capitalisation

Thin capitalisation rules, which regulate the financial assistance granted by non-residents connected to Ethiopians, enable Revenue and Customs Authority to determine whether a local company is thinly capitalised and to disallow interest charged on excessive debt.

Value Added Tax (VAT)

VAT	Rate
Standard rate	15%

Notes:

1. VAT is levied at the rate of 15% of the value of:
   - Every taxable transaction by a registered person.
   - Every import of goods, other than an exempt import.
   - Import of services.
2. A person who carries on taxable activity and is not registered is required to file an application for VAT registration with the Tax Authority if:
   - At the end of any period of 12 calendar months the person made, during that period, taxable transactions the total value of which exceeded ETB500 000; or
   - At the beginning of any period of 12 calendar months, there are reasonable grounds to expect that the total value of taxable transactions to be made by the person during that period will exceed ETB500 000.
3. NGOs are exempt from charging VAT on services. However, they are not exempt from paying VAT on services or goods purchased. This creates a higher tax burden on NGOs than on tax-paying companies as there is no method of recouping amount spent.

Turnover Tax (TOT)

TOT is an indirect tax. The rate for TOT is 2% on goods sold locally; for services, 2% on contractor, grain mills, tractors and combine harvesters, and 10% on others.

Customs and Import Duties

Ethiopia, being a member of the Customs Co-operation Council, ratified the harmonised Commodity Description and Coding System in August 1993.

Duties are levied on CIF value. Excise tax varies widely for different goods.

Ethiopia has significantly reduced customs duties on a wide range of imports. Duty-free items are allowed to visitors. However, the amount allowed is limited. Professional articles and samples, including those imported by businesspersons and commercial travellers, such as cameras and radio equipment, and items imported by visitors, requires special permits which must be obtained from the Ministry of Information and Culture and Environmental and the Wildlife Protection Authority.

Import Duties

All importers and exporters must be registered with the Ministry of Trade and obtain a trading licence. The Ministry regulates imports. Foreign exchange permits are required for all importers. Highly protective tariffs are applied on certain items such as textile products, leather goods etc., to protect local industries.

Customs Rules	
Import regulations	The following restrictions apply: - 100 cigarettes or 50 cigars or 1/2 lb. of tobacco (adults only). - 1 litre of alcoholic beverages. - 2 bottles or 1/2 litre of perfumes. - Gifts up to a value of ETB10.
Export regulations	Free export of goods obtained in Ethiopia, up to a value of ETB500 – For the export of skins and hides and any kind of antique articles (e.g. swords, bibles, etc.) export certificates are required.
Pets	Cats and dogs must be accompanied by veterinarian good health certificate issued at point of origin.
Crew members customs regulations	Same regulations as for passengers apply.
Baggage clearance regulations	Baggage is cleared at first international point of entry (Bole International Airport (ADD)).
Exempt	Baggage of transit passengers with a destination outside of Ethiopia when the onward flight is within 24 hours.

Miscellaneous Taxes

Stamp Duty

The following instruments are chargeable with stamp duty:

- Memorandum and articles of association of any business organisation, cooperative or any other form of association.
- Awards, bonds and warehouse bonds.
- Contract and agreements and memoranda.
- Security deeds.
- Collective agreement.
- Contract of employment.
- Lease, including sub-lease and transfer of similar rights.
- Notarial acts.
- Power of attorney.
- Documents of title to property.

Tax on Gains of Transfer of Certain Investment Property

This is the tax payable on gains obtained from the transfer (i.e. sale or gift) of a building held for business, factory, office, and shares of companies. Such income is taxable at the following rates:

- Building held for business, factory, and office at the rate of 15%.
- Shares of companies at the rate of 30%.

Gains obtained from the transfer of a building held for residence shall be exempted from tax provided that such building is fully used for dwelling for two years prior to the date of transfer. Any person authorised by law to accept, register or in any way approve the transfer of capital assets, shall not accept, register or approve the transfer before ascertaining that the payment of the tax has been duly effected.

Tax on Income from Rental of Buildings

This is the tax imposed on the income from rental of buildings. If the taxpayer leased furnished quarters, the amounts received attributable to the lease of furniture and equipment would be included in the income and taxed. The tax payable on rented houses would be charged at the following rates:

- On income of bodies, 30% of taxable income.
- On income of persons, according to the rates for personal income tax rates.

Other

- Tax on Income from Games of Chance – Every person deriving income from winning of "games of chance" (e.g. lotteries, tombolas, and other similar activities) shall be subject to tax at the rate of 15%, except for winning of less than ETB100. The payer shall withhold or collect the tax and account to the Tax Authority.
- Land Use Tax – Presently regional states have their own land use rent systems and the rate differs from region to region.

Social Security

Old Age, Disability, and Survivors

- Insured person – 7% (public sector) or 5% (private sector, gradually rising to 7% by 2013) of basic salary. The insured's contributions also finance work injury benefits.
- Self-employed person – Voluntary contributions.
- Employer – 11% (public sector), 7% (private sector, gradually rising to 11% by 2015), or 24% (military) of payroll. The employer's contributions also finance work injury benefits.

Sickness and Maternity

No statutory benefits are provided.

Work Injury

- Temporary disability benefits – A lump sum of 47% of the insured's monthly basic salary, multiplied by five years, multiplied by the assessed degree of disability, is paid.

- Permanent disability pension – 47% to 70% of the insured's monthly basic salary is paid according to the assessed degree of disability. If the value of the disability pension is less than or equal to the insured's entitlement to the old-age pension, the old-age pension is paid, up to 70% of the insured's monthly basic salary.
- Survivor benefits – Survivor pension is 50% of the deceased's pension paid to the widow(er). The pension ceases on remarriage if the widow is younger than age 45 (age 50 for a widower, no limit if disabled).

Tax Administration

Corporations

- Tax year – Accounting period.
- Filing requirements – Balance sheet and income statement.
- Penalties – Non-filing, late filing, understatement of income and interest.

Individuals

- Tax year – Calendar year.
- Filing and payment – Monthly.
- Penalties – If the amount of tax shown on a declaration understates the amount of tax required to be shown, the taxpayer is liable for a penalty in the amount of 10% of the understatement, or 50% if the understatement is considered substantial. The understatement is considered substantial if it exceeds 25% of the tax required to be shown on the return or ETB20 000. A taxpayer, who fails to pay tax liability on the due date, is subject to a penalty of 5% of the amount of unpaid tax on the first day after the due date has passed; and an additional 2% of the amount of tax that remains unpaid on the first day of each month thereafter.

General Investment Information

Investment Incentives

General Incentives

- Ethiopia's Investment Code provides incentives for development related investments, reduces capital entry requirements for joint ventures, permits the duty-free entry of capital goods (except computers and vehicles), opens the real estate sector to expatriate investors, extends the losses carried forward provision, and gives priority to investors in obtaining land for lease.
- Ethiopia reserves many businesses in the service and trade sectors for domestic investors. These areas include: broadcasting, retail and wholesale trade (except in petroleum and locally produced goods), import trade, export trade of local agricultural products, small and medium-scale construction, bars and nightclubs, small hotels and restaurants, travel agencies, car and taxi services, bakery products, grinding mills, barber shops and beauty salons, goldsmith shops, tailoring services, building and vehicle maintenance services, saw-milling, customs clearance, museums and theatres, and printing.

- The Government reviews investment proposals in a non-discriminatory manner; the screening process is not regarded as an impediment to investment, a limit to competition, or a means of protecting domestic interests.
- There is no discriminatory or excessively onerous visa, residence, or work permit requirements against foreign investors. Foreign investors do not face unfavourable tax treatment, denial of licence, discriminatory import or export policies, tariff or non-tariff barriers, etc.

Tax Incentives

To encourage private investment and promote the inflow of foreign capital and technology into Ethiopia, the following incentives are granted to both domestic and foreign investors engaged in areas eligible for investment incentives:

- Customs Import Duty.
- Income Tax Holiday.
- Duty Draw-Back Scheme.
- Voucher Scheme.
- Bonded Manufacturing Warehouse Scheme.

Export Incentives

A number of export incentives are available including facilitation of access to working capital finance.

Other Incentives

- Privatisation programme – The Government has embarked upon an extensive program of divestiture of state enterprises with a view to curtailing the Government's role in the production of goods and services.
- Mining – Ethiopia offers very good prospects for mineral prospecting and development.
- Agriculture – Agriculture is the backbone of the economy, providing employment to 85% of the population. The sector contributes about half of the Gross Domestic Product (GDP) and three-fourths of total exports, with coffee alone accounting for up to 65% of total exports. Furthermore, agriculture plays a crucial role in providing raw material inputs for industry.
- Agricultural services – Considerable scope exists for investment in the provision of agricultural support services such as pest and disease control, technical consultancy, agricultural machinery, cold storage, transport and marketing services.
- Horticulture – Ethiopia is endowed with agro-climatic conditions that are suitable for the production of a broad range of fruits and vegetables, including temperate, tropical and sub-tropical crops.

Exchange Controls

All foreigners are required to open Birr accounts with one of the commercial banks in Ethiopia. Credits to these accounts can only be made with foreign exchange receipts from abroad or checks from other similar accounts. Credits between two locally based accounts are not allowed. Cheques from Ethiopian nationals, Birr cash and funds from a locally paid working spouse, may not be deposited without approval from National Bank. International personnel can pay by cheque, or in cash, for expenses such as rent, air tickets, school fees and purchases from Victory and duty-free shops.

Foreigners may remit limited funds abroad from their earnings deposited into local accounts. Such cases are considered individually and after the deduction of what is considered a reasonable amount for local living expenses. Foreign currency may be drawn on presentation of a confirmed air ticket for international travel. On final departure from the country, the balance in the account may be converted into foreign currency upon presentation of evidence to the National Bank as to how the remaining funds were acquired.

Currency Import Regulations
Local currency (ETB): Up to ETB100 per person; foreign currencies: unlimited, provided declaration is made to Customs on arrival. Exchange of foreign currency only via authorised banks.

Currency Export Regulations
Local currency (ETB) provided the passenger holds a re-entry permit: ETB100 per person; foreign currencies: up to the amounts imported and declared.

Expatriates and Work Permits

Visas may be secured upon application to an Ethiopian diplomatic or consular mission abroad.

The basic eligibility criteria for getting work permits are as per the procedural requirements provided by the Ministry of Labour and Social Affairs. The requirements may differ depending on the type of organisation that is going to hire the expatriate worker i.e. it may be a NGO, government or a private organisation. Moreover, the requirements may also differ in the kind of permit the applicant seeks to obtain i.e. a new work permit, to renew an existing permit or to wants obtain clearance for the permit. So obtaining a work permit involves a strict requirement of providing the work permit of the hiring organisation, a recommendation letter from the concerned governmental bodies and other pertinent government organs, based on the kind of work for which the work permit is requested, providing an appropriate educational and experience documents.

A resident permit will be issued to a foreign investor upon submission of an investment permit issued by the Ethiopian Investment Authority and work permit to the Security Immigration and Refugee Affairs Authority.

Trade Relations

Treaties – A number of collaborative treaties are signed with a number of countries to enhance economic co-operation and trade facilitation.

Notes:

1. A first-time comprehensive Double Taxation Convention between the United Kingdom and the Federal Democratic Republic of Ethiopia was signed in London on 9 June 2011. The Convention generally follows the OECD Model Double Taxation Convention. Important features include low withholding rates for dividends, interest and royalties, a "matching credit" provision for tax given up under Ethiopia's Investment Incentive Legislation, and the latest OECD Model provision on Exchange of Information.

Interest and Currency Exchange Rates

Benchmark Interest Rate:
5.00% (last reported 2013) (source: IMF)

Currency: Ethiopian Birr (ETB)
R1 = 1.82381 ETB (November 2013)
US$1 = 18.7717 ETB (November 2013) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$47.335 billion (2013 forecast) (source: IMF)
Market Capitalisation:
Not applicable – Ethiopia does not have a stock exchange. The Government issues treasury bills for its money market operations.
Rate of Inflation:
24.12% (2012 average) (source: IMF)
10.30% (February 2013) (source: African Economic Outlook)
8.125% (December 2013) (source: IMF)

Notes:

1. The benchmark interest rate in Ethiopia was last recorded at 5.00%. From 1995 until 2013, Ethiopia interest rate averaged 5.10% reaching an all-time high of 11% in May of 1996 and a record low of 3% in April of 2002. In Ethiopia, interest rate decisions are taken by Monetary Committee of the National Bank of Ethiopia. The official rate is the bank's savings rate.
2. In an effort to combat inflation, the Government implemented a tight monetary policy stance. This measure, aided by slowdown in global food and fuel price inflation, saw consumer price inflation decelerate to 10.3% in February 2013 from 39.2% in November 2011. The Government's determination to hold down prices was further reflected in its prudent fiscal policy focusing on strengthening domestic resources and reducing domestic borrowing.

Gabon

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Gabon

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals:		
Taxable Income as exceeds	But does not exceed	Rate
XAF	XAF	%
0	1 500 000	0%
1 500 001	1 920 000	5%
1 920 001	2 700 000	10%
2 700 001	3 600 000	15%
3 600 001	5 160 000	20%
5 160 000	7 500 000	25%
7 500 001	11 000 000	30%
11 000 001 +		35%

Notes:

1. Basis – Residents are taxed on global net income. Non-residents are taxed only on Gabon-source income.
2. Residence – Individuals located in Gabon are considered resident. Normally, an individual is considered located in Gabon if his/her principal residence, main business or professional activity, or centre of financial interests is located in Gabon.
3. Taxable income – Taxable income includes employment income, investment income, capital gains, income from real estate and business income.
4. Deductions and allowances – Deductions and allowances are available mainly based on family situations.
5. Rates – The tax rates on ordinary income are progressive, ranging from 0% to 35%.
6. Filing status – Married persons may file an individual or joint tax return.

Non-Residents

Non-residents are taxed only on Gabonese-source income.

Employment Income

The individual, or company, who pays taxable incomes, must withhold Personal Income Tax (PIT).

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate rate (oil and mining sectors)	35%
Lower rate – companies operating in other sectors	30%
Lower rate – public businesses, associations, non-profit making communities, certain real estate companies, authorised companies in the tourism sector, companies holding intellectual property titles and the Gabonese Bank of Development	25%

Notes:

1. Residence – A corporation is resident if it is registered as a Gabonese company and it is incorporated in Gabon. Corporation tax is assessed on income earned by companies operating in Gabon, or from transactions carried out in Gabon, subject to double tax treaties (DTAs).
2. Basis – A territorial tax system applies, under which tax is imposed only on profits derived by a resident or non-resident entity from operations in Gabon.
3. Alternative Minimum Tax (AMT) – Companies subject to corporate tax or to revenue personal tax are subject to minimum tax based on the global gross turnover. The minimum corporation tax is equal to 1% of the reference basis and cannot be less than XAF1 million.

4. Chargeable income – The "taxable income" of both resident and non-resident companies is defined as "net income" determined by the overall results of operations during the taxable period, including without limitation transfers of any part of the assets. The "net income" represents the difference between the value of "net assets" at the opening and the close of the period, less additional contributions and increased with the levy realised during this period by the shareholders."Net assets" is the excess of asset values on the total after taking into account liability claims by third parties, depreciation and justified provisions/reserves.
5. Dividends – Dividends received by a resident company from a resident or non-resident company, are subject to a 15% withholding tax (WHT) (final tax). Where dividends are received by a corporate shareholder that holds at least 25% of shares of the payer company, the head offices of the shareholder and its affiliates are located in Gabon or another Central African Economic and Monetary Union (CEMAC) state, and the shares remain registered in the name of the shareholder for at least two consecutive years, the rate of the WHT on dividends is reduced to 10% (final tax). In the case of dividends received from a non-resident company, foreign tax paid on the dividends is not creditable against Gabon company tax unless a tax treaty provides for such a credit.
6. Losses – Tax losses may be carried forward for up to three years but may not be carried back.
7. Foreign tax credit – A foreign tax credit may be obtained only for tax paid to jurisdictions with which Gabon has concluded a tax treaty.
8. Holding company regime – Holding tax regime does not allow to file a consolidated tax return or to transfer losses between group members. Only Gabon resident companies are qualified to be group holding companies. However, resident and non-resident legal entities may qualify for the status of a subsidiary company in a group. The minimum (direct or indirect) participation between the companies is 50% of the share capital, and shall allow one or several of these companies, jointly, to control the others. Such control is deemed to be when the company detains directly or indirectly the majority of the voting rights or when the company appoints, during two consecutive years, the majority of the members of the board of another company. The group holding company must supply certain services to its subsidiaries which include, among other things, financial, technical, accounting, legal, management, information technology (IT), human resources, marketing and research and development (R&D). A holding company, whose sole purpose is to hold shares in its subsidiaries, is not qualified to participate in the group special tax regime. The following specific rules apply under the group tax regime:
   - Capital gains on the transfer of assets between group member companies which are liable to Corporate Income Tax (CIT) are subject to a final 20% tax rate.
   - Head office expenses and technical assistance lump sum fees between group companies are deductible subject to an advance pricing agreement.
   - Interests on current accounts are fully deductible. However, the interest rate must not exceed the Central Bank Rate increased by two percentage points.
   - Rental payments for hiring movable assets between group members are deductible.
   - An exemption is granted from the 10% WHT on payments for fees, royalties, services provided or interest paid to non-resident group member companies.

- A tax-sparing credit is granted on incomes from moveable capital received from foreign sources which have been subject to a similar taxation in the source country, even in the absence of a tax treaty between Gabon and the source country. The tax credit may be carried forward for two years. Under the group tax regime, an exemption is granted from the WHT on dividends paid by a member company to another group member company. However, a 10% WHT is due on dividend payments made by the holding company to its shareholders.

Withholding Taxes (WHTs)

The WHT rates are set out below:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	20%	20%
Interest	2	10%	10%
Royalties	3	10%	10%
Technical service fees	4	10%	10%
Branch remittance tax	5	10%	10%

Notes:

1. Dividends – Dividends paid by a Gabonese company to a resident or non-resident individual shareholder are subject to a 20% WHT, unless a tax treaty provides for a lower rate. Dividends paid by a Gabonese company to a corporate shareholder are subject to a 15% WHT. In the case of a dividend received from a non-resident company, foreign tax paid on the dividend is not creditable against Gabon company tax unless a double tax treaty (DTA) provides for such a credit. The treatment of dividends received by corporate shareholders differs when cumulatively: (i) the shareholder owns at least 25% of the shares in the affiliate; (ii) the head offices of the shareholder and its affiliate are located in Gabon or another CEMAC state; and (iii) the shares remain registered in the name of the shareholder for at least two consecutive years. In this situation, dividends are subject to a 10% WHT.
2. Interest – Interests paid by a Gabonese company to a non-resident entity are subject to a 10% WHT calculated on the gross amount paid (excluding tax on turnover).
3. Royalties – Royalties paid by a Gabonese company to a non-resident entity, as well as commissions, consultancy fees and fees for services performed in Gabon, are subject to a WHT of 10%.
4. Technical service fees – Technical service fees paid by Gabonese entities to resident entities liable to CIT but not subject to Value Added Tax (VAT) are subject to a WHT of 9.5%. Technical service fees paid by Gabonese entities to non-resident entities are subject to a WHT of 10%, subject to a DTA. If the technical service performed by resident or non-resident entity is provided in Gabon, technical service fees are also subject to VAT at 18%.
5. Branch remittance tax – After taxation to corporate tax, net profits realised by one or several Permanent Establishments (PEs) in Gabon belonging to a public limited liability company, or to a private limited liability company, having its head office outside Gabon, are subject to a WHT of 10%.

Maximum WHT Rates once a DTA is applied

WHT on payments to countries with which Gabon has a DTA					
	Belgium	France	Canada	OCAM	CEMAC
Dividends	18%	15%	15%	-	-
Interest	15%	10%	10%	-	-
Royalties	10%	10%	10%	-	-
Technical service fees	10%	10%	10%	-	-
Branch remittance tax	10%	10%	10%	-	-

Capital Gains Tax (CGT)

Individuals

Capital gains derived from the sale of securities are taxed at 20%. Capital gains from the sale of real property are exempt from PIT in certain cases.

Companies

Capital gains are treated as ordinary business income and are taxed at the normal CIT rate. However, capital gains realised on the disposal of a fixed asset, in the course of trading, are excluded from income for a period of three years if the taxpayer records the capital gain in a special account and reinvests the gains in new fixed assets for business within this period. Capital gains resulting from the free allocation of shares, founder's shares or debentures on the merger of limited liability companies, or limited partnerships with share capital, are also excluded if the surviving or new company has its registered office in Gabon. The same exemption is available in case of split or partial transfer of assets operated by a limited liability company or limited partnership, when the companies benefiting from the transfer have their seat in Gabon and the transfer occurs at the same date for all the beneficiary companies and results in the immediate winding up of the transferring company.

Anti-avoidance

Transfer Pricing

Non-arm's length expenses and payments between companies that are under the control of, or that are controlling a company located outside the CEMAC Zone, are considered abnormal management acts and income may be adjusted by the tax authorities.

Thin Capitalisation

There are no thin capitalisation rules in Gabon.

Value Added Tax (VAT)

VAT	
Standard rate	18%

Notes:

1. VAT is imposed on the supply of goods or services in Gabon and on the import of goods or services.
2. The standard rate is 18%. A reduced rate of 10% applies to some goods, including mineral water produced in Gabon, imported meat and chickens, sugar, laptops and desktops, canned vegetables and fruits and replacement parts for cars, etc. A rate of 5% applies to cement. A rate of 0% applies to qualifying exports that have been properly declared to customs and international carriages.
3. Registration – For the provision of services, operators fall outside the scope of VAT and are not required to register where annual revenue is below XAF60 million. VAT returns must be filed monthly by the 20th of the following month.

Miscellaneous Taxes

Stamp Duty

Stamp duty is imposed on various instruments, such as corporation charters, corporation minutes and the transfer of shares and deeds.

Capital Duty

A fixed or proportional duty applies to transactions that impact a company's share capital (e.g. increase of share capital by cash contribution is subject to a fixed duty of XAF20 000 and increase by capitalising reserves is subject to a proportional duty of 1%).

Real Property Tax

Owners are liable for a tax based on the rental of the property at a rate of 15% on developed property and 25% on undeveloped property.

Transfer Tax

Transfers of shares are subject, in particular, to a Transfer Tax equal to 3% of the sales price. Transfer of a business or customers is subject to a Transfer Tax equal to 6%, with additional tax equal to 2% when the goods are located in Libreville or Port-Gentil.

Inheritance/Estate Tax

Tax rates vary according to the family tie and the net amount of the inheritance. Exemption or from 3% to 35%.

Payroll Tax

Payroll tax on salaries and premiums must be withheld at a rate of 5% by the employer and remitted to the tax authorities within the first 15 days of the month following the salary paid.

Other

As an advance payment of income tax, a 9.5% WHT applies to all payments made by a Gabonese resident subject to CIT to a Gabonese residential provider of services subject to corporate or PIT but not subject to VAT. The basis of the tax is the amount corresponding to the service provided, VAT excluded. Sums paid to casual or interim workers are subject to the 9.5% WHT.

A WHT of 10% applies to certain payments made by a resident to a foreign services provider that is subject to corporate or, in some cases PIT, and that does not have a professional PE in Gabon.

Social Security

Social security contributions are levied at source by the employer from salary payments (annual upper limit of XAF18 million including benefits in kind and excluding reimbursement of expenses and allowances) at a rate of 2.5% for the employee, and 20.1% for the employer. The total rate of the social security contributions is 22.6%.

Tax Administration

Corporations

- Tax year – Calendar year but can be shorter or longer in certain cases.
- Consolidated returns – There is no system of group taxation in Gabon. Taxable companies are taxed separately.
- Filing requirements – Corporate tax returns are normally due by 30 April of the year following the tax year.
- Penalties – Taxpayers that file their returns late are subject to a 5% penalty before notice and to a 10% penalty within seven days following the notice. Those who fail to file their tax returns within seven days following the notice are subject to an automatic (estimated) taxation and a 100% penalty (150% in case of second offence). Late payments are subject to a 10% penalty

for the first month and a 3% penalty for the following months.
- Rulings – Rulings are not a regular practice but may be obtained from tax authorities.

Individuals
- Tax year – Calendar year.
- Filing and payment – The income tax return generally must be filed before the 1st day of March of the following tax year. Tax on employment income is withheld by the employer from employee's salary and remitted to the tax administration by the 15th of the following month.
- Penalties – Taxpayers that file their tax returns late are subject to a 5% penalty. Those who fail to file their returns are subject to a 100% penalty. Special penalties may apply in the case of bad faith or abuse of law.

General Investment Information

Investment Incentives

General Incentives
- Gabon provides certain legal guarantees, such as non-discrimination between enterprises owned by nationals and those owned by foreigners and no expropriation or nationalisation without just and equitable prior compensation as determined by an independent third party.
- There are specific incentives for some activities, such as the oil, timber and cement industries, hardware, airport infrastructure development, regulatory "agency of posts" and telecommunications, mines and tourism, as well as for new businesses.
- Specific tax, social and custom regimes for economic zones (such as Mandji Island and Nkok) have been introduced to promote new investment in industry, commerce and services through the establishment of new enterprises. The most significant investment incentives are corporate tax exemption for 10 years for new companies, VAT exemption for 25 years, WHT exemption for 25 years, property tax exemption for 25 years and import duty exemption for 25 years.
- Other social incentives include the recruitment of employees in an economic zone with a special regime done by an employment contract freely negotiated.

Tax Incentives
On 2 January 2012, the President of Gabon promulgated Decree No.0001 on the Finance Law for 2012, that provides the following tax incentives:
- Companies in the cement production sector will enjoy a seven-year period of exemption from CIT; reduction of the WHT rate from the standard 15% rate to 10% on distribution of dividends and interest payments; full deduction of interest incurred for business purposes; a seven-year

period of exemption from VAT on certain operating expenses; and possible refunds of input VAT on equipment used for business purposes.
- Benefits for companies engaged in the wood industry include a five-year period of exemption from CIT and from the minimum lump sum tax; a five-year period of exemption from WHT on distribution of dividends and interest payments; application of the declining balance depreciation method for certain equipment; and creation of a special renewal reserve for certain equipment.
- In addition, the Law applies a reduced 5% customs duty rate on imports of personal computers, and a registration duty of 1% on the contribution in kind upon a company's formation or increase of share capital.
- The Law also requires that oil subcontractors keep their local accounts under the OHADA Simplified Accounting Standards.

The Finance Law for 2013 provides the following incentives:
- Enterprises operating in a hotel business in the tourism sector that realise a new minimum investment of XAF300 million (taxes excluded) are exempted from CIT during the first three years of activity.
- Concerning the investments in the tourism sector below XAF300 million (authorised by the ministries in charge of tourism and finance), the CIT is reduced within the limit of this tax, by the tax credit corresponding to 50% of the amount of the investment (taxes excluded), during a five-year period.
- Enterprises operating in the tourism sector as defined under the Order No.02/2002 dated 12 February 2002, are exempted from the CIT/PIT during the first five years of activity following the end of the construction period of the project. After the period of total exemption, the only half of the taxable profit is subject to CIT/PIT.
- Companies newly incorporated are exempted from the minimum corporate tax during the first two tax years, irrespective of their sector of activity.
- The Law requires that oil subcontractors benefiting from the simplified tax regime, exclusively operate within the framework of petroleum operations. The option for the simplified tax regime is not revocable during a two-year period renewable once, without exceeding a total period of four years.

Exchange Controls

Inward direct investment requires prior declaration when the investment exceeds XAF100 million. "Inward direct investment" means the creation, purchase or extension of any business entity but does not include the purchase of less than 10% of the share capital of a company the shares of which are not quoted. Loans obtained by Gabon companies from foreign shareholders, or from a foreign enterprise within the same group, also require prior authorisation when the amount exceeds XAF100 million. The reinvestment of undistributed profits is not subject to prior declaration. Transfers outside the CEMAC Zone require prior declaration except those below XAF1 million.

The transfers must be made through banks authorised by the Central Bank to act as intermediaries. An import licence permitting the importation of merchandise also constitutes an authorisation to pay the relevant invoice.

Expatriates and Work Permits

Both a visa and a work permit are required by anyone entering Gabon with the intention to work.

Business Visa

If entering Gabon to work for a period of less than 90 days, it is possible to enter the country on a simple business visa, which is available from the nearest Gabonese Embassy in the applicant's country of residence. This process takes approximately five working days, costing US$110.

Work/Resident Permit

There are three stages to the work/resident permit application:

Work Authorisation Application

An application for "work authorisation" must be sent to the Gabonese Ministry of Labour and Employment before entering the country. This process takes approximately one month, costing US$895.

Entry Authorisation Application

Once "work authorisation"is received, the applicant must apply to the "*Direction Générale à la Documentation et l'Immigration*" (DGDI) in order to obtain "entry authorisation". This process takes approximately 10 working days, costing US$495.

Residence Permit Application

If the applicant is planning on staying in Gabon for a period in excess of 90 days, a residence permit is also required. Applications must be sent to the DGDI. This process takes two days, costing US$695.

Expatriate employees staying in Gabon for more than three months, and their Gabonese employer, have to contribute to the national social security and health insurance.

Trade Relations

- Memberships – UA, OHADA, CEMAC, UDEAC, UMAC, OCAM.
- Tax treaties – CEMAC, OCAM, Belgium, France and Canada.

Interest and Currency Exchange Rates

Lending Interest Rate:
18.08% (10-year average) (source: The Global Economy)
Currency: CFA Franc (XAF) which is linked to the euro (€) at a fixed exchange rate.
R1 = 46.1908 XAF (December 2013)
US$1 = 480.620 XAF (December 2013)
US$1 = 495.884 XAF (2012 average) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$18.397 billion (2012 estimate) (source: IMF)
US$19.965 billion (2013 forecast) (source: IMF)
Market Capitalisation:
Not available.
Rate of Inflation:
2.683% (2012 average) (source: IMF)
-2.234% (December 2013) (source: IMF)

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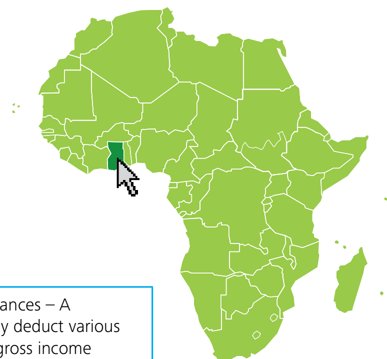
Ghana



The Minister for Finance and Economic Planning, Mr. Seth E. Terkper, presented the Budget Statement and Economic Policy for the year 2014 in November 2013.

Income Tax

Residents

The source basis of taxation is applied in Ghana. Foreign-source income is taxable when received or brought into Ghana.

Income Tax Rates for Resident Individuals: 2014 (Annual)		
Taxable Income as exceeds	But does not exceed	Rate
GH¢	GH¢	%
First	1 584	0%
Next	792	5%
Next	1 104	10%
Next	28 200	17.5%
Exceeding	31 680	25%

Notes:

1. Basis – 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.
2. 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.
3. Deductions and allowances – A resident individual may deduct various personal reliefs from gross income in arriving at his/her annual taxable income. These reliefs include a basic allowance of: GH¢200 for a married taxpayer supporting a spouse or an unmarried taxpayer supporting at least two children; an employed, or self-employed taxpayer over the age of 60; child education relief of GH¢200 for the education of a child (maximum three children); and additional relief of GH¢100 for taxpayers supporting an elderly relative (a maximum of two relatives). Professional, vocational or technical skill training relief is GH¢400. Social security contributions and life insurance premiums also are deductible within certain limits.
4. Rates – Resident individuals are taxed at progressive rates with the top marginal rate at 25%.
5. Personal Income Tax (PIT) – Self-employed persons are required to pay income tax at progressive rates in four equal instalments. The current PIT rates took effect from 23 May 2013.

Non-Residents

Non-resident individuals pay taxes on their employment income at a rate of 15%.

Employment Income

Taxable employment income includes: salaries and wages, bonuses, overtime, and all kinds of benefits and allowances. Remuneration earned by resident individuals for work performed abroad is normally taxable when brought into Ghana. Similarly, income attributable to employment in Ghana is taxable in Ghana, wherever and however paid.

Pay-As-You-Earn (PAYE)

The PAYE contributions are withholdings from salaries of employees in order to satisfy their income tax responsibilities. The PAYE is computed with the PIT rates.

Companies

Income Tax Rates for Companies

	Rate of Tax
All companies*	25%
Hotels	20%
Mining companies	35%

* Except companies engaged in mining and hotels.

Notes:

1. 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.
2. 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.
3. Non-resident companies are taxed only on Ghana-source income.
4. Chargeable income – Chargeable 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.
5. 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 (ICT) (that develop software locally) and manufacturing companies that manufacture mainly for export. All others are not allowed to carry forward losses.
6. Dividends paid to resident and non-resident shareholders are taxed at a rate of 8% on the gross dividend paid.
7. 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.

Withholding Taxes (WHTs)

WHT of Payments to Resident Persons

WHT at the appropriate rate must be deducted from payments made to resident persons in respect of the following:

- Dividends.
- Interest.
- Rental payments.

WHT on Payments to Non-Resident Persons

WHT must be deducted from payments made to non-resident persons in respect of the following:

- Management or professional fees.
- Royalties.
- Rental payments.
- Dividends.
- Interest, including deemed interest.
- Business/trade.

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	8%	8%
Interest	2	8%	8%
Royalties	3	5%	10%
Management/professional fees	5	5%	15%
Rental payments	5	8%	10%
Business/trade	5		15%

Notes:

1. Dividends – Dividends paid to a resident or non-resident are subject to a WHT of 8%.
2. Interest – Interest paid to a resident or non-resident is subject to an 8% WHT. WHT is not levied on interest paid to resident financial institutions.
3. Royalties – A final WHT of 10% is levied on the payment of royalties to non-residents.
4. Branch remittance tax – A 10% tax is imposed on the repatriated profits of branches of non-resident persons operating in Ghana.
5. Other – Management and technical service fees paid to a non-resident are subject to a 15% WHT, with a 10% rate applying to rental payments. Payments for goods and services to a resident in excess of GH¢500 generally attract a 5% WHT.

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Ghana has a DTA are as follows: The domestic WHT on dividend and interest are generally 8%. Therefore, the 15% for dividends and the 10% for interest is reduced to 8%.

Type of Income	Belgium	France	Germany	Italy	Netherlands	South Africa	United Kingdom	Switzerland
Dividends (where recipient holds at least 10% shares)	5%	7.5%	5%	5%	5%	5%	7.5%	7.5%
Dividends (in any other case)	15%	15%	15%	15%	10%	15%	15%	15%
Interest	10%	10%	10%	10%	8%	10%	12.5%	10%
Royalties	10%	10%	8%	10%	8%	10%	12.5%	10%
Management or technical service fees	10%	10%	8%	10%	8%	10%	10%	10%

Transfer Pricing Regulation (TPR)

Ghana introduced transfer pricing regulations in September 2012. Ghana's TPR is generally consistent with the OECD Guidelines on transfer pricing. Taxpayers are required to demonstrate that related entity transactions are at arm's length by maintaining contemporaneous documentation of such transactions for each tax year.

Entities with related party transactions in a year of assessment are to file transfer pricing returns together with their annual income tax returns.

Capital Gains Tax (CGT)

This is a tax paid on the gains made from the realisation or sale of a chargeable asset where the gain exceeds GH¢50. Capital gains are taxed separately from business income at a rate of 15%. Assets on which the tax is imposed include: land, buildings, business assets (including goodwill) and shares of a resident company.

Gains arising from trading on the Ghana Stock Exchange (GSE) are exempt from CGT up to 2015.

Anti-avoidance

Thin Capitalisation

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

Other

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

Value Added Tax (VAT)

VAT	Rate
VAT	12.5%
NHIL	2.5%
Total VAT/NHIL*	15%

* A new law has been passed to bring the total VAT and NHIL to 17.5%.

Notes:

1. VAT is imposed on the supply of goods or services in Ghana and on the import of goods or services.
2. 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.
3. 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%.
4. The VAT Flat Rate Scheme (VFRS) is a special method for collecting and accounting for VAT/NHIL. It is designed for traders operating in the retail sector. Under the VFRS, registered retailers of taxable goods shall charge VAT/NHIL at a marginal rate of 3% on the value of each taxable item sold.
5. Traders under the VFRS are not permitted to claim input VAT.
6. A business making taxable supplies of goods in excess of GH¢90 000 over a 12-month period is required to register for VAT purposes. There is no registration threshold for the supply of taxable services.
7. A VAT return must be submitted by the last working day of the month immediately following the accounting period to which the return relates.
8. A zero rate is also applied to all exports.

Customs and Excise Duties

- Customs duty is levied on goods imported into Ghana at varying rates up to 20%. Special concessionary rates are available to members of the Economic Community of West African States (ECOWAS).
- Excise duty based on the ex-factory price is levied on tobacco products, beer, mineral water, malt drinks and spirits. The rates are as follows:

Product	Rate
Beer, other than indigenous beer	47.5%
Tobacco products	150%
Soft drinks, including mineral waters	17.5%
Malt drinks	17.5%
Spirits	25%

Import Duties

The Export Development and Investment Fund Levy Act, 2000, imposes an import levy of 0.5% on the dutiable value of any non-petroleum product imported in commercial quantities.

Miscellaneous Taxes

Stamp Duty

Stamp duty is administered under the Stamp Duty Act, 2005 (Act 689). Stamp duty is charged on conveyance or sale of immovable property at an applicable rate ranging from 0.25% to 1%. These rates also apply to the sale of shares, bonds and other securities (except listed securities). For stamp duty on leases, the rates range from 0.5% to 1% of the consideration, but are also dependent on the lease period.

Gift Tax

This is a tax payable by a recipient on the total value of taxable gifts received in a year of assessment. The total value of taxable gifts must exceed GH¢50 in the year of assessment. Assets on which tax is imposed include: land, buildings, money (including foreign currency), shares, bonds and securities, business and business assets. The rate of tax is 15%.

Real Property Levy

The municipal authorities levy "rates" on the occupation of real property.

Environmental Tax

As part of Government's measures to protect the environment, an environmental tax of 10% is charged on plastic and packaging materials and products, with the exemption of pharmaceutical and agricultural sectors.

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 5.5% of his/her basic salary to the scheme.

Tax Administration

Corporations

- 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 tax and impeding tax administration. Penalties range from fines to imprisonment, or both.

Individuals

- 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 the 31st of 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 the 30th of 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.

General Investment Information

Investment Incentives

Tax Incentives

- A reduced tax rate of 8% for companies engaged in non-traditional export, and 20% for financial institutions on income from loans granted to farming enterprises and leasing 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 companies located outside Accra and Tema. In regional capitals (other than Accra and Tema), the rebate is 25% of the standard tax rate of 25%, and in other places it is 50% of the standard tax rate.
- Agricultural enterprises, agro-processing and waste processing companies, and venture capital financing companies are exempt from corporate tax for periods ranging from five 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.

Other Incentives

- Imports into free zones are exempt from customs duty.

Exchange Controls

Exchange controls exist for imports/exports and also apply 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.

Expatriates and Work Permits

There is no special expatriate tax regime in Ghana. Expatriates are subject to the same taxation system as other individuals. Emigration generally has no tax consequences, except that a tax clearance certificate is required.

Trade Relations

- Memberships – World Trade Organisation (WTO), Organisation for Economic Co-operation and Development (OECD), ECOWAS.

Interest and Currency Exchange Rates

Monetary Policy Rate:
16% (November 2013) (source: Bank of Ghana)
Currency: Ghanaian New Cedi (Code: GHS, sign: GH¢)* * Ghanaian Cedi is obsolete and no longer legal tender. The Ghanaian Cedi has been replaced with the Ghanaian New Cedi.
R1 = GH¢0.2207 (December 2013)
US$1 = GH¢2.2893 (December 2013)
US$1 = GH¢1.8518 (2012 average) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$40,436 million (2012) (source: GSS)
US$44,154 million (2013 provisional) (source: GSS)
Market Capitalisation:
GH¢58,263.45 million (last reported 2013) (source: GSE)

Notes:

1. The GSE is the principal stock exchange of Ghana. The exchange was incorporated in July 1989 with trading commencing in 1990. It currently has around 34 listed companies. All types of securities can be listed. Criteria for listing include: capital adequacy, profitability, spread of shares, years of existence and management efficiency. The GSE is located in Accra.

Rate of Inflation:
9.817% (2012 average) (source: MOFEP)
13.2% (November 2013) (source: GSS)

Ivory Coast

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Ivory Coast

Income Tax

Residents

Residents are subject to tax on worldwide income.

National Contribution Rates for Resident Individuals (monthly basis):		
Taxable Income as exceeds	But does not exceed	Rate
XOF	XOF	%
0	50 000	0%
50 000	130 000	1.5%
130 000	200 000	5%
200 000 +	0	10%

Notes:

1. Basis – Habitual residents are taxable on worldwide income. Non-residents are subject to tax only on Ivory Coast-source income.
2. Residence – Habitual residents are individuals with a permanent home available for their use in the Ivory Coast or who are employed by a resident corporation.
3. Rates – Non-commercial profits (fees) are generally subject to withholding tax (WHT); an effective rate of 7.5%. WHT is applied to Ivory Coast-source investment income at the rates described below (under "Withholding Taxes"). Additionally, 80% of employment income, including fringe benefits, is taxed at 1.5%. A national contribution is also charged at effective rates up to 10%. The general income tax is imposed at scheduler rates ranging from 2% to 36%. An individual in business may opt to be taxed at a flat rate of 20% and become exempt from the general income tax.
4. Taxable income – Individuals are taxable on the same schedules of income as companies, and on employment income. All income is pooled and subject to a general income tax.
5. Deductions and allowances – Expenses deductible from general income include life assurance premiums (subject to certain limits and conditions), loan interest, and subsistence allowances paid to dependent parents or a spouse, and the general income tax itself.
6. Filing status – Spouses are generally taxed separately. Children are usually taxed with one of their parents but may be taxed separately if they have employment income.
7. Relief from double taxation is available through tax treaties (DTAs) to which Ivory Coast is a signatory.

Non-Residents

Non-residents are subject to tax on Ivory Coast-source income only.

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate tax rate	25%

Notes:
1. Residence – An entity incorporated in the Ivory Coast is resident for tax purposes.
2. Basis – A resident corporation is subject to tax on income from movable capital on a worldwide basis. Other types of taxable income are taxed at source.
3. Rate – The corporate tax rate is 25%. However, in the case of losses, taxpayers must pay a minimum tax of 0.5% in instead of Corporate Income Tax (CIT) (reduced for financial institutions, insurance and petroleum companies) of the year's turnover. The minimum tax must fall between XOF3 million and XOF35 million.
4. Taxable income – Income is taxed under separate schedules for industrial and commercial profits, non-commercial profits and income from movable capital, land and agriculture. A non-commercial schedule is mainly used for professional income, royalties and know-how and for non-resident corporations. Business costs and expenses are deductible if they are strictly related to the business. Management fees, royalties and similar payments to parents companies, are deductible if they are reasonable and in total do not exceed 5% of turnover, or 20% of general expenses.
5. Losses – Losses generally may be carried forward five years. Losses may be carried forward indefinitely to the extent they arise from capital allowances. The carryback of losses is not permitted.
6. Dividends – Dividends received are subject to the 25% CIT rate, but only on 50% of the total amount received if tax has been previously withheld on the dividends. However, subject to certain conditions, dividends received by a parent company are taxed at a rate of 5%.
7. Foreign tax credit – None, unless a tax treaty provides otherwise.
8. Holding company regime – Subject to certain conditions, dividends received by a parent company are taxed at a rate of 5% and reduced rates apply to capital gains derived from the disposal of shares and for WHT on interest.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	12%	12%
Interest	2	18%	18%
Royalties	3	n/a	20%
Management/professional fees	4	n/a	20%
Leasing equipment from non-residents	5	n/a	20%
Branch remittance tax	6	n/a	6%

Notes:
1. Dividends – Dividends paid to residents and non-residents are taxed at a rate of 10% for distributions paid by listed companies and 18% on distributions that are exempt from the tax on industrial and commercial profits; otherwise, the rate is 12%.
2. Interest – Interest paid to residents and non-residents is taxed at 25% on bearer bonds, 6% on long-term government bonds and 15% on other bonds. The rate applicable to other interest and similar payments is normally 18%.
3. Royalties – Royalties paid to a non-resident are subject to a 20% WHT based on a 25% tax on 80% of the gross income. Royalties paid to a resident are not subject to a WHT. The revenue concerned must be taxed to CIT (for companies) or general income tax (for individuals).
4. Management and professional fees – Royalties paid to a non-resident are subject to a 20% WHT based on a 25% tax on 80% of the gross income
5. Leasing equipment from non-residents – Royalties paid to a non-resident are subject to a 20% WHT based on a 25% tax on 80% of the gross income.
6. Branch remittance tax – A branch of a foreign company is subject to a remittance tax regardless of actual amounts transferred. 50% of the branch's profits are treated as though they have been remitted as a dividend (subject to a 6% rate).

Maximum WHT Rates once DTA is applied

WHT on payments to countries with which Ivory Coast has a DTA are as follows:

Type of Income	France	Italy	Switzerland	UK	Germany	Belgium	Canada	Norway	OCAM	WAEMU
Dividends	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Interest	15%	15%	15%	15%	15%	16%	15%	16%	18%	15%
Royalties	10%	10%	10%	10%	10%	10%	10%	10%	0%	15%
Management and professional fees	0%	0%	0%	10%	0%	0%	0%	0%	0%	0%
Leasing equipment from non-residents	10%	10%	10%	10%	10%	10%	10%	10%	0%	15%

Capital Gains Tax (CGT)

Companies

Capital gains arising from the disposal of fixed assets and shares are normally included in taxable income. Rollover relief for gains is granted where the taxpayer invests a sum equal to the amount of the gain in the acquisition of a similar asset within three years of the sale. For shares, the relief applies only to significant long-term holdings. Subject to certain conditions, capital gains arising from a merger, or partial business transfer, are exempt.

Individuals

Capital gains from the disposal of assets are exempt from tax. Capital gains from the disposal of shares are taxable only where the individual had a long-term significant shareholding and was employed in the business.

Anti-avoidance

Transfer Pricing

Profit transfers included in payments between resident corporations and non-resident affiliates may be adjusted so that arm's length conditions apply for tax purposes.

Thin Capitalisation

Interest may be disallowed where it arises on shareholder loans having a duration of more than five years or in excess of the Central Bank Interest Rate plus 3 points.

Value Added Tax (VAT)

VAT	Rate
Standard rate	18%

Notes:

1. VAT is imposed on production activities, the distribution of goods and the rendering of services in the Ivory Coast. VAT is also applied to imported goods and services.
2. The standard rate is 18% and there is a 10% for fees and commissions charged by financial institutions (interest is exempt).
3. Taxpayers must register with local tax authorities.
4. VAT returns and payments are due monthly by the 10th of the following month.

Miscellaneous Taxes

Stamp Duty

Stamp duty is 2.5% of the secured amount (i.e. the value of the asset or the amount of the debt provided by the lenders) without a cap. There is also a fixed XOF500 stamp per page of the security documents.

Transfer Tax

A stamp duty of XOF18 000 is charged on the transfer of shares. A transfer tax of 7% is applicable to real property. Business transfers are also charged at 7%. Registration fees may apply.

Capital Duty

Capital contributions are subject to duty at 0.3% (0.1% on amounts over XOF5 billion), or 6% where derived from the capitalisation of a reserve.

Real Property Tax

Property taxes are charged on the actual or potential rental income of landlords (4%) and their ownership interests (11%). Property owned and used by the same legal entity, pay an ownership charge based on 15% of the market rental value. The charge is reduced for unoccupied or undeveloped property.

Payroll Tax

Employers must pay 12% of expatriate staff gross payroll and 2.8% of local staff payroll.

Other

A company or individual carrying on a trade in the Ivory Coast must also pay a business licence duty, subject to certain exemptions. The duty is based on 0.5% to 0.7% of turnover, plus 16% to 18.5% of the rental value of the professional premises, depending on the location. Insurance premiums are subject to a levy at rates from 0.1% (export credit) to 25% (fire).

Social Security

Employers are required to make social security contributions based on an employee's gross wages (pension benefits (7.7%); family allowance (5.75%); and work injuries (2%-5%)). Contributions payable by an employee are withheld by the employer at a rate of 6.3% of gross salary.

Tax Administration

Corporations

- Tax year – Calendar year.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate tax return.
- Filing requirements – The tax return is due by the 20th of April, together with the balance of tax. The tax is payable after the end of the year in three equal parts on the 20th of April, 20th of June and 20th of September, based on the realised profits.
- Penalties – Penalties are charged at varying rates for late tax returns, failure to pay tax due and for errors and mistakes.
- Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.

Individuals

- Tax year – Calendar year.
- Filing and payment – Personal income tax returns are due by the 30th of April. An individual receiving employment income from only one employer is not required to file a return, unless he/she is eligible for a refund. Payments of tax relating to a business are due as describe above for companies. Tax is normally withheld at source for other sources of income.
- Penalties – Penalties are charged at varying rates for late tax returns, failure to pay tax due and for errors and mistakes.

General Investment Information

Investment Incentives

General Incentives

- Regional incentives – There are no specific regional incentives. However, the new Investment Code (dated 7 June 2012) provides a longer exemption period (15 years) when the investment site is located outside the region of the economic capital, Abidjan.

Tax Incentives

- Certain tax incentives are available to all qualifying enterprises in the Ivory Coast. Enterprises may apply for a reduction in the tax on industrial and commercial profits. For the reduction to be granted, the amount invested in the Ivory Coast should be at least XOF10 million for an investment period not exceeding three years. Ivory Coast also offers a favourable accelerated depreciation regime.
- Plant, machinery and equipment that are used exclusively in manufacturing, agriculture, transportation or storage and that have an expected life of more than five years, may be granted capital allowances at up to twice the normal rates. Enterprises investing at least XOF10 million may apply for a reduction in the tax on industrial and commercial profits.
- Tax incentives are granted under the Mining Code and the Petroleum Code for enterprises involved in mining and petroleum activities. These Codes provide exemption from VAT and additional tax on imports and purchases to companies involved in exploration or production of oil, gas or minerals. The tax exemption applies to transactions or purchases directly and exclusively assigned to petroleum or mining activities. The Code also provides specific rules concerning calculation of corporate income for tax purposes. Exemption of VAT and additional tax on imports and purchases accorded to oil & gas companies are extended to their subcontractors providing petroleum-specific services. They are also granted a five-year exemption from CIT. The starting year of this exemption is the fiscal year of the effective start of production. A new Mining Code is being prepared in the Ivory Coast.
- Other incentives include a five to 8-year exemption from the tax on industrial or commercial profits, business licence duty, property tax and import tax, depending on the location of the investment. Special tax incentives may be granted to enterprises involved in mining (a five-year tax exemption) petroleum and certain construction activities.

Export Incentives

- Export incentives and Free Trade Zones (FTZs) – Exemption from VAT is allowed on exported products or services.

Exchange Controls

The XOF is linked to the euro (€) at a fixed exchange rate and unlimited convertibility to the euro is guaranteed. CFA members have agreed to apply exchange control regulations modelled on those of France. Transfers within the CFA Zone are not restricted. Dividends out of revenue and capital on disinvestment may be remitted.

Expatriates and Work Permits

A visa is required to work in the Ivory Coast and is valid for a maximum of three months. An extension is required to stay longer. To get a visa, a company letter (stating a specific mission), and a confirmation of itinerary from a travel agent, must be provided. Natives from an ECOWAS member state do not need a visa to work in the country.

Trade Relations

- Memberships – "*Union Economique et Monetaire Ouest Africaine*" (West African Economic and Monetary Union).
- Treaties – The Ivory Coast has ratified bilateral DTAs with France, Germany, Belgium, Norway, Canada, Great Britain, Italy and Switzerland. Ivory Coast has also signed multilateral DTAs; namely, Convention of the African and Mauritian Common Organisation (OCAM) signed 29th of January 1971 in N'Djamena (Chad) and Convention of the West Africa Economic and Monetary Union (WAEMU) signed on 26th of September 2008.

Interest and Currency Exchange Rates

Monetary Policy Rate:
10.75% (last reported 2012) (source: African Economic Outlook)
Currency: Communauté Financière Africaine Franc (XOF)* * Currently used in eight West African States (CFA), including the Ivory Coast.
R1 = 47.8321 XOF (November 2013)
US$1 = 485.520 XOF (November 2013)
US$1 = 496.771 XOF (2012 average) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$24.706 billion (2012 estimate) (source: IMF)
US$28.284 billion (2013 forecast) (source: IMF)
Market Capitalisation:
Not available.

Notes:
1. The Ivory Coast is the biggest economy in the eight-member West African Economic and Monetary Union and the world's largest producer of cocoa.

Rate of Inflation:
1.310% (2012 average) (source: IMF)
1.954% (2013 year-end) (source: Bloomberg)

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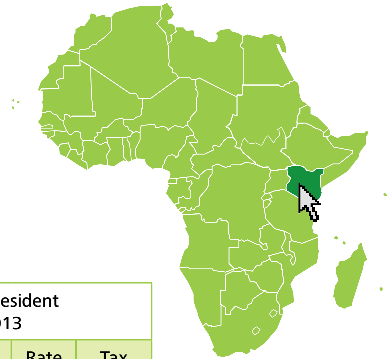
Kenya



The Cabinet Secretary for Finance, Mr Henry Rotich, delivered the National Budget for the year 2013/14 on 18 June 2013.

The tax measures, and various other miscellaneous amendments proposed, are broadly categorised into five priority areas which complement the expenditure policies; namely, improving productivity, competitiveness, business climate and encouraging investments and trade aimed at accelerating growth; supporting small and medium enterprises through capacity building, market access and financial support; efficient public service delivery through the devolved Kenya Government structure; maintaining a stable macroeconomic environment; and extension of the tax base and increased focus on efficiency in public expenditure.

Note:
This edition, covering fiscal information on Kenya, incorporates changes in legislation introduced by the Finance Bill 2013, the Budget Speech, and other subsidiary legislation. It also includes references to changes in the practice of the East African Revenue Authorities (where they are significant). Some additional changes may arise when the Finance Act 2013, is published.

Income Tax

Residents

Kenya applies both the source and residence basis of taxation. Income accrued in, or derived from, Kenya is taxable in Kenya. Conversely, foreign-source income is exempt from Kenya tax.

Income Tax Rates for Resident Individuals: 2005 to 2013

Taxable Income as exceeds	But does not exceed	Rate	Tax Payable
KShs	KShs	%	KShs
0	121 968	10%	12 196
121 968	236 880	15%	29 432
236 880	351 792	20%	52 414
351 792	466 704	25%	81 142
466 704 +		30%	

Notes:
1. The Kenya Income Tax Act (Capt. 470) was enacted in 1973, and its date of commencement was 1 January 1974. It replaced the East Africa Income Tax Management Act, which had served the countries of the East African Community (EAC), and which became outdated following the break-up of the Community.
2. Income tax is charged for each year of income on all the income of a person, whether resident or non-resident, which accrues in, or is derived from Kenya.
3. Kenyan residents are taxed on their worldwide employment income while non-residents are taxed on income from employment with a Kenyan resident employer, or a non-resident employer with a Permanent Establishment (PE) in Kenya.

4. An individual is resident in Kenya if he/she has a permanent home in Kenya and was present in Kenya for any period in a particular year of income under consideration; or has no permanent home in Kenya but was present in Kenya for a period or periods amounting in the aggregate to 183 days or more in that year of income, or was present in Kenya in that year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income.
5. In general, payment of the following by a resident person or a person having a PE in Kenya, is deemed to constitute income accrued in or derived from Kenya:
   - Management, professional or training fee.
   - Royalties.
   - Interest.
   - Rents (including leasing of equipment).
   - Payments to sportsmen or entertainers.
6. The personal relief for 2005 to 2013 is KShs13 944 per annum. Relief is apportioned in the case of death, or in the case of an individual who arrives in Kenya, or leaves Kenya permanently.
7. Subject to recent amendments, employees will be eligible for personal relief from only one employer in cases where they have more than one employer.
8. The following may be deducted from taxable income: up to KShs150 000 annually in mortgage interest for owner-occupied property, contributions to a registered pension or provident fund up to KShs240 000 annually (the deduction may not exceed 30% of employment income), and 15% of health or life insurance premium payments (up to KShs60 000 annually). Any daily subsistence allowance of up to KShs2 000 paid when working away from the normal place of duty is not taxable.
9. Premiums paid for either health or life insurance can be deducted from tax payable. The deduction amounts to 15% of the premiums with a maximum of KShs60 000 per annum, effective 1 January 2007 (KShs36 000 per annum prior to 1 January 2007). However, where a policy is surrendered before its maturity, all the relief granted to the policy holder is repayable to Kenya Revenue Authority (KRA).
10. Medical services, or medical insurance paid by an employer on behalf of full-time employee's beneficiaries, is now clarified as a non-taxable benefit.
11. A pension received by a resident individual from a pension fund established outside Kenya will be deemed to have been derived from Kenya to the extent to which it relates to employment or services rendered in Kenya.
12. Where a business is carried on by a resident person partly within and partly outside Kenya, the whole of the profit from that business is deemed to have accrued in or derived from Kenya.
13. The income of a wife is not aggregated with her husband's income in determining the appropriate rate of tax where she opts to file a separate tax return (effective 1 January 2006).
14. Prior to the Finance Act 2011, personal tax returns were due by 30 June following the end of the tax year. Any balance of tax payable was due by 30 April in the following calendar year. A personal tax return was required even where an individual's personal tax had been fully settled through the Pay-As-You-Earn (PAYE) system. The Finance Act 2011, did away with the requirement for individuals, whose only source of income is income from employment with one employer, to file the annual tax. The Finance Act 2012, however, reversed the position and return is required to be filed by individuals even if the only source of income is employment income.
15. The Commissioner has been granted express powers to register taxpayers who do not to apply for a Personal Identification Number (PIN).

Non-Residents

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.

Employment Income

- Taxable income from employment is widely defined and includes: wages, salary, commission, bonuses and allowances. Travelling, entertainment and other similar allowances, are taxable unless they are purely a reimbursement of expenses incurred in the production of income. The first KShs2 000 per day received by an employee as reimbursement of subsistence, travelling, entertainment or other allowances whilst on official duties outside the usual place of work, is not taxable as a benefit of employment.
- Benefits in kind from employment income are taxable where their aggregate value exceeds KShs36 000 per annum or KShs3 000 per month.
- Benefits in kind are taxed at the higher of the cost to the employer, their market value or prescribed values. The provision of housing by an employer for an employee is taxed on the employee as follows:
  - Directors – the higher of:
    - 15% of employment income, excluding the value of the premises.
    - The market value.
    - The rent paid by the employer.
  - Whole-time service directors* – the higher of:
    - 15% of employment income, excluding the value of the premises.
    - Greater of fair market value or rent paid if lease agreement is not at arm's length.
    - Fair market value if company owned.
  - Agricultural employee – 10% of employment income.
  - Other employees – 15% of employment income or rent paid or payable by the employer, whichever is higher.

  * A whole-time service director is a director who spends substantially all of his time on company business and who does not own or control more than 5% of the company's share capital or voting power.
- A company car provided for an employee's private use is taxed on the higher of the values prescribed by the Commissioner or 2% per month of the initial capital cost of the car incurred by the employer. Where such a vehicle is hired or leased from a third party, the employee shall be deemed to have received a benefit in that year of income equal to the cost of hiring or leasing. From 1 January 2008, where the employee has restricted use of the car, a lower rate of benefit would apply subject to provision of proof of this to the Commissioner.
- Benefits in kind consisting of the provision of furniture, staff meals, telephone (landline and mobile) and communal water and electricity (for agricultural employees) are, by concession, taxed at values prescribed by the Commissioner. Effective 13 June 2008,

meals served in canteens operated or established by an employer within his premises for the benefit of low-income employees, would not be a taxable benefit.

- An employee participating in a registered employee share ownership plan will be taxed at vesting on the difference between the offer price and the market value at the grant date as a benefit of employment.
- Insurance premiums paid by an employer on the life of, and for the benefit of, an employee or his dependents are taxable on the employee, except where paid to a pension or provident fund or scheme or individual retirement fund. Premiums paid by employers in respect of group life policy and personal accident policy that does not confer a benefit to the employee or the employee's dependant will, however, not be deemed to be a taxable benefit.
- The following are not taxable on an employee:
  - Passages between Kenya, and any place outside Kenya paid for by the employer provided the employee is not a Kenyan citizen, was recruited outside Kenya, and is in Kenya solely for the purposes of his employment.
  - Medical services, or medical insurance cover provided by an employer for a full-time employee or his beneficiaries, provided that for non-whole-time service directors the value of non-taxable benefit is up to KShs1 million.
  - From 1 January 2010, medical expenses, or medical insurance cover paid by a partnership on behalf of a partner, will be an allowable deduction when computing taxable income of a partnership subject to a limit of KShs1 million.
  - Employer's contribution to a pension or provident fund or individual retirement fund. However, with effect from 1 July 2004, employees of organisations not chargeable to tax will be liable to tax on contributions the employer makes to an unregistered fund or on the excess contribution to a registered fund.
  - Payment by an employer of education fees of an employee's dependants, or relatives, if taxed on the employer.
  - From 1 January 2011, payment by an employer not exceeding KShs240 000 per annum of gratuity or similar payment which is paid into a registered pension scheme shall not be taxable on the employee.
- A low-income employee is an employee whose taxable income is not subject to tax at the rate of more than 20%.
- A deduction of one-third of employment income may be claimed by a non-citizen resident employee of a non-resident company, who is absent from Kenya for an aggregate of 120 days or more in a year of income and whose employment income is not deductible in ascertaining the employer's income chargeable to Kenya tax.
- From 13 June 2008, Kenyan citizens are entitled to offset tax on foreign employment income against tax charged in Kenya on the same income to the extent of tax due in Kenya.

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2008	
	Rate of Tax
All companies	30%

Notes:

1. Tax on the total income of a person (other than an individual) is charged at the corporate tax rate. Since 2000, the corporate tax has been 30% for residents (and 37.5% for non-residents i.e. branches of non-resident companies). 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%).
2. Resident and non-resident corporate entities are subject to tax on all income accruing in or derived from Kenya. 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 Kenyan Gazette.
3. Generally, expenses are allowed only if incurred wholly and exclusively in the production of income. Expenses specifically allowed include, amongst others: bad debts written-off; legal expenses and stamp duties in connection with the acquisition of a lease not exceeding 99 years; expenses incurred prior to commencement of business where these would have been deductible if incurred after the date of commencement; capital expenditure incurred in the prevention of soil erosion by a farmer; costs of structural alterations to maintain rents; loss in value of tools and utensils; agricultural land development; scientific research; club subscriptions paid by an employer on behalf of an employee, with effect from 1 January 2006; cash donations to charitable organisations subject to the income tax (charitable donations) Regulations 2007,and expenditure on the construction of a public school, hospital, road or any similar kind of social infrastructure, upon approval of the Minister etc.
4. Disallowable expenses include: capital costs and losses; personal expenses (including personal entertainment expenses, hotel and restaurant expenses except for specified exclusions, vacation expenses except for airfares on home leave for expatriates, employee's dependants or relatives educational fees etc.), income tax or tax of a similar nature paid on income, expenses of non-resident persons relating to certainty types of income (management fees, royalties, etc.), and interest payments by a non-resident controlled company to the extent that loans made to that company exceed the greater of three times the sum of paid up capital and revenue reserves or the sum of all loans acquired prior to 16 June 1988 and still outstanding. From 11 June 2010, "deemed interest," calculated on basis of 91-days treasury bills, will also be disallowed on interest-free loans received from a related non-resident person.
5. From 1 January 2010, tax losses for a year can only be carried forward for four years. If not utilised the losses will be lost unless an application for extension is made based on provision of evidence of inability to extinguish the deficit and approval received from the Minister. Previously, there was no time limit on the carry forward of tax losses. No allowance is made for a terminal loss but certain expenditure incurred after the cessation of a business may be regarded as incurred in the year in which the business ceased. Losses that arose before 1 January 2010, are redeemed to have arisen on that date.
6. From 1 January 1987, interest paid on money borrowed to finance investment is restricted for tax purposes to the amount of investment income (excluding income from most dividends) in the same year, any excess being carried forward.

7. The tax year is the calendar year although a company (other than a financial institution) may adopt any year-end. Consolidated returns are not permitted. The self-assessment and compensating returns must be filed within six months of the end of the 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 (WHT) 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.
8. A turnover tax has been introduced (with effect from 1 January 2007) for businesses with a turnover of less than KShs5 million per annum. The applicable rate is 3% of the gross receipts of the business.
9. Turnover tax shall not apply to rental income and management or professional or training fees; the income of incorporated companies; and any income which is subject to a final WHT under this Act.
10. The Income Tax Act has been amended to exempt REITs from corporate tax, in addition to exempting investors who receive dividends from REITs from payment of WHT.

11. With effect from 1989, realised foreign exchange gains or losses resulting from a Kenyan business will be treated as trading receipts or deductible expenses. Such gains or losses will be calculated by reference to the exchange rate ruling at 30 December 1988, or date on which the foreign asset or liability is established, whichever is the later. A foreign exchange loss will be deferred for tax purposes if realised in respect of a loan from a person who, alone or with up to four other persons, controls the indebted company and where the aggregate of all loans made to that company exceeds three times the sum of paid up capital and revenue reserves. (With effect from 13 June 2008, the aggregate "revenue reserves" includes accumulated losses).

Dividend Income

- Dividends received by a resident company from another resident company, of which it controls 12.5% or more of the voting power, are not subject to tax.
- Dividends received by specified financial institutions are subject to tax (from 13 June 2008).
- Taxation on the dividend income of Kenya residents is limited to the WHT deducted from payments of such dividends.
- Dividends received from sources outside Kenya are not chargeable to tax in Kenya.
- Dividends declared by Kenyan resident companies are deemed to be income of the year in which they are payable.
- Dividends include any distribution by a company to its shareholders, including in a winding-up, except for reimbursement of sums paid in as share capital.
- Where the Commissioner considers that a company has not distributed as much of its after tax income to shareholders as in his view could be so distributed without prejudice to the company's business, he may deem the company to have paid such a dividend 12 months after its accounting date. As a "rule of thumb", the Commissioner allows trading companies to retain 60% of their after-tax profit, although investment income is expected to be distributed in full.

Withholding Taxes (WHTs)

WHT on Payments to Resident Persons

WHT at the appropriate rate must be deducted from payments made to resident persons in respect of the following:

- Dividends.
- Interest (other than interest paid to an approved financial institution).
- Annuities (excluding the capital element).
- Commissions paid by insurance companies.
- Payments by authorised agents in respect of specified agricultural produce.
- Pensions or lump sum withdrawals from pension or provident funds in excess of the tax exempt limits.
- Surplus funds withdrawn from or paid out of registered pension or provident funds.
- Management or professional fees; the aggregate of which is KShs24 000 or more in a month.
- Royalties.
- Prior to 11 June 2010, lease rentals for equipment under finance lease. However, effective 11 June 2011, WHT is not applicable on lease rentals.
- Winnings from betting or gaming (effective 1 January 2014). The WHT deducted will be final tax.
- Sale of property or shares in respect of oil companies, mining companies or mineral prospecting companies. The WHT is final tax except for in the case of sale of an oil company's property where the WHT deducted will be claimable as a credit against final tax.

WHT on Payments to Non-Resident Persons

WHT must be deducted from payments made to non-resident persons in respect of the following:

- Management or professional fees, or training fees.
- Royalties.
- Rents.
- Leasing.
- Dividends.
- Interest (including deemed interest).
- Pensions.
- Payments to sportsmen or entertainers.
- Winnings from betting or gaming (effective 1 January 2014).
- Sale of property of shares in respect of oil companies, mining companies or mineral prospecting companies. The WHT deducted on payments to non-resident persons is a final tax.

Notes:

1. Agents' commission paid in respect of flowers, fruits or vegetables exported from Kenya and auctioned in any market outside Kenya, and audit fees for analysis of maximum residue limits paid to a non-resident laboratory or auditor, are not subject to WHT. From 12 June 2009, commissions paid by a resident air transport operator to a non-resident agent in order to secure tickets for international travel, are not subject to WHT.
2. WHT deductible is payable by the 20th day of the month following that in which the payments were made.
3. From 1 July 2003, hire or similar consideration for use of an aircraft is not subject to WHT. Effective 11 June 2010, hire or similar payments for aircraft engine will not be subject to WHT, while effective 9 June 2012, hire or similar payments for locomotives or rolling stock will also not be subject to WHT.

The WHT rates are set out below:

WHT Rates	Note	Residents	Non-Residents
Dividends	5	5%*	5%/10%
Interest			
- Financial institutions and government bearer bonds of more than two year duration		15%	15%
- Bearer certificates		25%	25%
- Bearer bonds with maturity of 10 years and more		10%	n/a
- Housing bonds		10%	15%
Royalties		5%	20%
Management/professional fees	1	5%	20%
Entertainment and sporting fees		n/a	20%
Rental payments		n/a	30%
Consultancy/agency fee	2	5%	20%
Contractual	2	3%	20%
Business/trade		n/a	n/a
Employment/services rendered	8	n/a	n/a
Presumptive Income Tax	3	2%	2%
Insurance commissions	4	5%/10%	20%
Equipment hire		n/a	15%
Telecommunication		5%	
Retirement annuities		n/a	5%
Pension – Payment/withdrawal	6, 7		5%
Winnings and betting		20%	20%
Sale of property in or shares of oil companies, mining companies or mineral prospecting companies.		10%	20%
*on qualifying dividends			

Notes:

1. WHT on management, professional or training fee was increased to 10% from 5%, effective 9 June 2011. However, from 2 May 2012, this was revised back to 5%.
2. From 1 July 2004, WHT deducted from consultancy and contractual fee for East African citizens is 15% of the gross sum payable.
3. The rate for Presumptive Income Tax (PIT) has not been removed from the legislation, although Section 17A dealing with PIT, was repealed on 15 June 2000.
4. From 1 January 1994, WHT is deducted from insurance commission paid at the rate of 5% from amounts paid to broker and 10% from amounts paid to any other person (agents).
5. From 15 June 2007, WHT on dividends from shares listed in the Nairobi Stock Exchange held by citizens of EAC states will be deducted at the resident rate of 5% (rather than the 10% non-resident rate applicable before).
6. On pensions, the first KShs300 000 per annum received by a resident individual from a registered fund shall not be subject to WHT. Amounts above that shall be subjected to WHT, but such WHT shall be a final tax.
7. If no tax has been deducted under PAYE, then it should be withheld according to the following scale rates:
   - Payments after 15 years of pensionable service or attainment of 55 years or early retirement due to ill-health:
     - 10% on the first KShs400 000
     - 15% on the next KShs400 000
     - 20% on the next KShs400 000
     - 25% on the next KShs400 000
     - 30% on any amounts over KShs1.6 million of the amounts in excess of the tax-free amount
   - Withdrawals before 15 years of service and attainment of 55 years:
     - 10% on the first KShs121 968
     - 15% on the next KShs114 912
     - 20% on the next KShs114 912
     - 25% on the next KShs114 912
     - 30% on any amounts over KShs466 704 of the amount in excess of the tax-free amount

8. Effective 1 January 2014, winnings from betting and gaming activities will attract a 20% WHT which is a final tax. In addition, the Commissioner will prescribe how to calculate deemed interest and this deemed interest will be subject to WHT. Also, leasing of locomotives, or rolling stock from non-residents, will now be exempt from WHT.
9. PAYE deductions are made on payments for employment.

Maximum WHT Rates once a DTA is applied

WHT on Payments to Countries with which Kenya has a DTA					
	United Kingdom	Germany and Canada	Denmark, Norway, Sweden & Zambia	India	France
Management and professional fees	12.5%	15%	20%	17.5%	20%
Royalties	15%	15%	20%	20%	10%
Rent	30%	30%	30%	30%	30%
- Immovable property	15%	15%	15%	15%	15%
Dividends	10%	10%	10%	10%	10%
Interest	15%	15%	15%	15%	12%
Pension and retirement annuities	5%	5%	5%	5%	5%
Entertainment and sporting events	20%	20%	20%	20%	20%
Promoting entertainment or sporting events	20%	20%	20%	20%	20%

Capital Gains Tax (CGT)

Capital gains are not taxable in Kenya. While there is CGT legislation, it has been suspended since 1985. The Cabinet Secretary for Finance, however, indicated in the 2013 Budget speech that a review of the CGT provisions has been initiated with a view of re-introducing it in the near future.

Anti-avoidance

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.

Regarding thin capitalisation rules, interest expenses are proportionately restricted for foreign controlled companies (other than licenced 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%. (Note: In terms of 2011/12 amendments, Kenya Government allows organisations to enter into Tax Information Exchange Agreements with other countries for transfer pricing and other purposes).

Inheritances and Donations

There is no inheritance tax/estate duty or donations tax in Kenya.

Value Added Tax (VAT)

VAT	
Standard rate	16%

Notes:
1. 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.
2. Zero-rated supplies include: the export of goods and taxable services and the supply or import of specified goods.
3. Exempt supplies include: financial services provided by banks and most agricultural produce in its unprocessed or preserved state.
4. Registration is compulsory where the turnover of taxable supplies is, or is expected to be, KShs5 million or more in a 12-month period.
5. VAT returns and any related payments are due by the 20th day of the following month.

New VAT Act in Kenya

A new VAT Act came into force on 2 September 2013. Some of the key changes include the following:

- VAT status of supplies
  - Many zero-rated supplies have now been reclassified as exempt supplies, whereas others have been deleted from the schedule of exempt and zero-rated supplies, meaning they will now be standard-rated (16%).
  - Previously, exempt supplies that have now become standard-rated include: the sale of commercial buildings, the management of unit trusts, credit rating bureau services, tour operator and travel agency services.
  - Certain categories of oil and fuels will continue to be exempt for three years after which they will become zero-rated (unless the exemption is revoked earlier).
  - Previously, zero-rated supplies that have become exempt include: milk specially prepared for infants, medicines, certain fertilisers, sanitary towels, maize and wheat flour and bread.
  - Zero-rated supplies that became standard-rated include: the first 200KWH of supply of domestic electricity, services in respect of goods in transit, books and similar printed material, mosquito nets, motor cycles, medical equipment and animal feed.
  - Certain previously standard-rated plant and machinery have become exempt.
  - Under the repealed Act, major projects that were deemed to be in the public interest, were granted remission from VAT at the discretion of the Minister for Finance. While existing remissions will remain in place for a period of five years from enactment of the new law, no new remissions will be granted as the law has been repealed. This trend is being seen in other countries in the region where remissions have been thought to significantly erode the tax base.
- Place of supply
  - The VAT Act did not previously include place of supply rules. These have now been introduced in respect of services, and provide that a supply of services is made in Kenya where the supplier's place of business from which the services are supplied is in Kenya, or where the supplier is non-resident, the recipient is non-registered and the services are:
    - Physically performed in Kenya by a person who is in Kenya at the time of the supply;

- Directly related to immovable property;
- Radio or television broadcasting received at an address in Kenya;
- Electronic services (as defined) delivered to a person in Kenya at the time of supply; or
- The transfer or assignment of, or grant of a right to use, a copyright, patent, trademark or similar right in Kenya.

- Tax representatives
  - A non-resident person who is required to register for VAT must appoint a tax representative. If non-residents fail to appoint a representative, one will be appointed for them.
  - A tax representative must be resident in Kenya, be responsible for all the VAT obligations of the non-resident, and be jointly and severally liable with the non-resident for taxes, penalties and interest imposed under the VAT Act.
- Reverse charge on imported services
  - Reverse charge VAT will no longer apply to the extent that a taxable person is able to claim VAT input tax recovery on the reverse charge. Where a taxpayer is 100% taxable, no reverse charge is payable. Where a taxpayer is partially exempt, the reverse charge must only be paid on the amount of non-recoverable VAT. Fully exempt persons must account for the reverse charge in full.
- Input tax
  - Input tax must now be claimed within a six month period (previously 12 months) from the time of supply. Given the increased risk of being unable to claim VAT input tax, especially where VAT invoices are not received in a timely fashion or there is a dispute relating to the supply, effective systems will be required to ensure input VAT is claimed within the six month period.
- Other changes
  - Reduced rate abolished – The reduced rate of 12% for electricity and industrial oils has been removed.
  - Going concerns – The transfer of a business as a going concern is now a zero-rated supply, without requiring the approval of the tax authorities, as was previously the case.
  - Partial exemption – Only one formula is provided for calculating deductible input tax by partially exempt persons, there have been changes to the *de minimis* limit for claiming input VAT (the amount of exempt supplies that can be made before the deduction of input tax is limited) and the requirement for an annual adjustment has been abolished.
  - Assessments – The tax authorities can only issue an amended assessment within five years of the submission of the initial return (except in the case of fraud); previously, there was no time limitation.
  - Rulings – The tax authorities can now make binding public rulings and taxpayers can apply for binding private rulings.
  - Tax avoidance schemes – Provisions have been in relation to tax avoidance schemes, in line with income tax legislation.
  - Transitional provisions – There are a number of transitional rules to manage the transition to the new Act.

Customs and Excise Duties

EAC member states are required to apply similar customs duties (member states have their own excise duty rates). However, some changes to the EAC Customs Management Act and the Common External Tariff (CET) are made to address specific country requirements on request by the member states. The customs duties for goods imported into Kenya for the 2013/14 year, include the following:

- Increase of import duty on welding electrons from 0% to 10%.
- Increase of import duty on millstones and grindstones from 0% to 25%.
- Increase of Import duty on plastic tubes for packing of toothpaste, cosmetics and similar products from 10% to 25%.
- Stay application of the CET rate on rice of HS Code 1006.10.00, 1006.20.00, 1006.30.00 and 1006.40.00 from 75% or $200/MT, whichever is higher, to 35% or $100/MT, whichever is higher.
- Stay application of the CET rate of 25% and import welding electrodes of HS Code 8311.10.00 at 10% for one year.
- Stay application of the CET rate for towers and lattice masts of HS Code 7308.20.00 from 0% to 10% for one year.
- Stay application of the CET rate of 25% and import paper and paperboard products at 10% for one year.
- Stay application of the CET rate of 25% and import plastic tubes for packing toothpaste, cosmetics and similar products of HS Code 3923.90.20, at 10% for one year.
- Stay application of the CET rate of 35% for other Portland cement and import at 25% for one year.
- Exemption of import duty on plastic bag biogas digesters.
- Exemption of import duty on goods imported for use in railway operations.
- Exemption of import duty on water treatment effluent plants.
- Remission of import duty to 10% for wheat grain of HS Code 1001.99.10 and 1001.99.90 imported by gazetted millers for one year.
- Remission of import duty to 0% for glucose and glucose syrup of HS Code 1702.30.00 imported by gazetted manufacturers for one year.
- Introduction of a Railway Development Levy of 1.5% of the customs value of goods entered for home use.

Changes to excise duties are as follows:

- Excise duty remission on containerised beer (keg) reduced from 100% to 50%.
- Introduction of 50% remission of excise duty on beer made from millet, sorghum and cassava.
- Introduction of an excise goods management system.
- Financial institutions and "other fees" have been defined under the Fifth Schedule of the Customs and Excise Act as follows:-
  (i) Financial institution means a person licensed under the Banking Act, the Insurance Act, the Central Bank of Kenya Act, the Micro Finance Act 2006; a Sacco Society registered under the Sacco Societies Act, 2008 and the Kenya Post Office Savings Bank established under the Kenya Post Office Savings Bank Act.
  (ii) "Other fees" includes any fees, charges or commissions charged by financial institutions but do not include interest.

Advance Tax

An Advance Tax is payable annually in respect of all commercial vehicles at the following rates:

- For vans, pick-ups, trucks, lorries and (with effect from 11 June 2010), prime movers and trailers but excluding tractors and trailers used for agricultural purposes; KShs1 500 per ton of load capacity per annum or KShs2 400 per annum, whichever is higher.
- For saloons, station-wagons, mini-buses, buses and coaches; KShs60 per passenger capacity per month, or KShs2 400 per annum, whichever is higher. (Note: Prior to 11 June 2010, Advance Tax was applicable on all public service vehicles).

Miscellaneous Taxes

- Stamp duty is payable on a variety of instruments or transactions: on the creation or increase of capital; on stock transfers of non-quoted companies; on leases; on debentures; and on property transfers i.e. stamp duty of 1% is payable upon the creation and increase of authorised share capital; and stamp duty of 4% is payable on immovable property (2% if levied outside municipalities). Stamp duty of 1% is payable on the transfer of shares and other securities. An exemption applies if the shares/securities are listed on the Nairobi Stock Exchange.
- Other taxes include: a single business permit obtainable from the relevant local authority, property rates, customs and excise duties, export duties, an export duty on coffee and tea, a refinery throughout tax, and an air passenger service tax.

Social Security

Employee contributions to the National Social Security Fund (NSSF) of 5% of gross salary, up to a maximum of KShs200 per month, are mandatory. Such contributions are matched by an equal employer contribution. An exemption to such contributions is available for expatriates who continue to contribute to a social security scheme overseas and will not be present in Kenya in excess of three years.

In addition, mandatory contributions are made to the National Hospital Insurance Fund (NHIF) of approximately 1% of gross monthly income to a maximum of KShs320 per month.

There are currently no NHIF employer contributions. Both NSSF and NHIF rates of contribution are being reviewed although it is not clear when proposed changes will be enacted.

Tax Administration

Penalties

Penalties imposed in Kenya (under the Income Tax Act) are as follows:

- Failure to keep adequate books of accounts – KShs20 000.
- Failure to submit a final return with self-assessment – 5% of the normal tax (after reducing amounts already paid and WHT credits).
- Failure to submit a compensating tax return – 5% of compensating tax which should have been shown for each month or part of the month.
- Omission, claim or statement due to fraud or gross negligence – Additional tax not exceeding twice the tax concealed.
- Knowingly omitting income from a return or improperly claiming relief or making incorrect statements including compensating tax – Additional tax of an amount twice the tax concealed, plus a maximum KShs200 000 fine and/or up to two years imprisonment for those concerned.
- Negligence or disregard of the law by an authorised tax agent in submission of a return – One half of additional tax payable, minimum KShs1 000, maximum KShs50 000 for each return. A penalty for wilful or gross neglect, on part of the agent, is a maximum of KShs25 0000 with respect to each return, statement or other document.
- Interest on underestimated instalment tax – A penalty is payable of 20% of the difference between: (a) instalment tax payable, and (b) instalment tax paid times a factor of 1.1.

- Penalty and interest on unpaid tax -
  - Prior to 11 June 2010, 20% of the tax remaining unpaid after due date plus late payment interest of 2% per month (on tax unpaid plus penalty). This applies to instalment tax only where instalment tax remains unpaid at the date of self-assessment. With effect from 13 June 2008, the 2% interest shall not exceed 100% of the principal tax.
  - From 11 June 2010, the 20% penalty will not be applicable on late payment of WHT and PAYE tax. In addition, the 2% interest per month will not be applicable on the 20% penalty where imposed.
  - The penalty for late payment of WHT is 10% while that for PAYE tax is 25%.
- Minimum additional tax, or penalties to be levied (excluding interest), will be KShs1 000 for individuals and KShs10 000 for companies.
- General penalty – Offences under the Act, for which no other penalty is specified, are subject to a maximum fine of KShs100 000 and/or imprisonment not exceeding six months.
- The Commissioner has the discretionary right to remit penalty up to KShs1.5 million (KShs500 000 before 13 June 2008) without prior approval of the Minister of Finance, with the exception of penalties imposed under Section 72(2) and Section 72A.
- From 11 June 2010, the Commissioner shall refrain from assessing or recovering taxes, penalties or interest in respect of income earned by a Kenyan citizen living abroad for any year of income ending on or before 31 December 2010, provided the Kenyan citizen declares his/her income for the year 2010 and submits a return by 30 June 2011. This provision, however, only applies where the Kenyan citizen has not already been assessed for tax or is under an audit or investigation.

Other Matters

- In the context of corporate taxation; returns, records or documents required for tax purposes, shall be prepared in Kenya Shilling and maintained in English or Kiswahili.
- The Act permits incorporated businesses to alter the date to which accounts are made provided six months' notice is given to the Commissioner, and subject to written approval. Financial institutions and unincorporated businesses (partnerships and sole proprietors) are required to have accounting periods ending on 31 December each year.
- The Commissioner will be given express powers to register and recruit taxpayers refusing to register Personal Identification Numbers (PINs).
- Given past challenges facing the administration of VAT, especially the complexities in its administration and the ever-increasing VAT refund backlog, the VAT Act has been reviewed and a draft VAT legislation bill released for public comment.
- The law will be amended to allow the Government to enter into Tax Information Exchange Agreements with other tax jurisdictions in order to facilitate exchange of information that will assist in taming tax evasion and ensuring all potential taxpayers pay their due taxes.
- The 2013 Finance Bill proposes to amend the tax legislation to empower the Court to order recovery of unpaid tax from directors,

or other corporate officers of corporate bodies, where the corporate entity has committed an offence under the Income Tax Act for which the directors or corporate officers are presumed guilty unless they prove otherwise.

General Investment Information

Investment Incentives

Tax Incentives

Capital Allowances

- Farmworks allowance – For any year commencing on or after 1 January 2011, the allowance in respect of expenditure on farmworks, is 100% of the expenditure incurred. Previously, the allowance was calculated on a straight-line basis over a two-year period. Farmworks are structures necessary for the proper operation of a farm and include fences, dips, drains, water and electricity works (other than machinery), windbreaks etc., as well as farm buildings. Only one-third of the cost of a farmhouse may be claimed.
- Mining allowance – Annual allowances are given on capital expenditure incurred in the mining of specific minerals as follows:
  - First year: two-fifths of the expenditure.
  - Each of the next six years: one-tenth of the expenditure.
    - * No balancing allowance or charges arise on sale, as is the case with industrial buildings.
- Industrial building allowance – This is an annual allowance computed on the straight-line method at 10% per annum on cost from 1 January 2010. Previously, the rate was 2.5% of cost per annum. The rate for hotels is 10% (prior to 1 January 2007, the rate was 4%). From 1 January 2010, the rate for a commercial building will be 25%. To qualify for the commercial building allowance, the person must have provided roads, power, water and other social infrastructure. A commercial building has been defined to include an office, shop and showroom. Where an industrial building is eligible for investment deduction allowance, the annual allowance is computed on cost net of the investment deduction allowance. Industrial buildings are defined at length in the Act; but in general, consist of buildings in use for purposes of a factory, mill or manufacturing business. A hotel, together with its kitchens, quarters and sports facilities, is included, as are (from 1 January 1995) specified civil works. Certain types of buildings (such as offices, retail shops and dwelling houses) are specifically excluded. Prescribed dwelling houses (i.e. quarters for employees) and staff welfare buildings, are eligible for the allowance. Where less than 10% of the cost of a building does not qualify, the disqualification is ignored. Cost of land is excluded from any allowance. From 1 January 1995, substantial renovation or rehabilitation costs are eligible for the allowance. No balancing allowances or charges arise on the sale of an industrial building. The purchaser takes over the vendor's unexpired residue of cost and annual allowance, irrespective of the transfer price. A 50% industrial building allowance can be claimed on a hostel or educational building from 1 January 2010. This allowance also applies to buildings used for training. From 1 January 2008, a 5% industrial building allowance can be claimed on residential buildings built for rental purposes to low-income earners in an approved planned development area.
- Wear-and-tear allowances on plant and machinery – Plant and machinery includes furniture and fittings, office equipment, vehicles, aircraft and ships. Assets in this category are divided into four separate classes or pools each with its own annual allowance rate as follows:
  - 37.5% – tractors, combine harvesters, lorries over three tonnes, and similar heavy self-propelled vehicles.
  - 30% – computer hardware, calculators, copiers and duplicating machines.
  - 25% – other vehicles and aircraft.
  - 20% – from 1 January 2010, telecommunication equipment purchased and used by a telecommunication operator.

- 20% – from 1 January 2010, software purchased.
- 12.5% – all other machinery, including ships.

* The Commissioner can allow accelerated rates of allowance where he considers this appropriate, but his discretion in this respect is sparingly used. The cost of additions, net of any investment deduction allowance claimed, is added to the relevant pool. The cost of non-commercial vehicles is restricted to KShs2 million (KShs1 million per vehicle for 2005). The sale proceeds of disposals are deducted from the relevant pool. The sale proceeds of a non-commercial vehicle are reduced in proportion to the abatement of the original cost.

- Investment deduction allowance – This is intended as an incentive to investment in the manufacturing sector and consists of a "once-and-for-all" claim based on the cost of buildings and machinery installed therein. Claims can only be made by manufacturing concerns and hotels on expenditure of eligible assets as follows: where the year of first use is any year of income or accounting year, commencing on or after:
  - 1 July 2000 – 100%
  - 1 January 2002 – 85%
  - 1 January 2003 – 70%
  - 1 January 2004 – 100%
  - 1 January 2005 – 100%
  - 1 January 2006 – 100%
  - 1 January 2007 – 100%
  - 1 January 2008 – 100%

  However, where capital expenditure is incurred on the construction of a building or purchase and installation of machinery outside the city of Nairobi, or the municipalities of Mombasa or Kisumu whereof the value of the investment is not less than two hundred million shillings, investment deduction shall be claimed at the rate of 150%.

  * For assets used for purposes of manufacture under bond or situated in EPZs, the rate is 100%.

  ** Manufacture under bond must continue for three years to retain eligibility for the 100% allowance.

  *** Claims made by hotels will relate to the building cost only. No claim may be made for furniture or fittings installed in the hotel.

  **** Design, storage, transport or administration units do not qualify for the allowance, unless in total their cost does not exceed one tenth of the cost of the whole building.

- Shipping investment deduction – A shipping investment deduction equal to 40% is claimable in the year of first use on capital expenditure incurred on the purchase or on purchase and refitting of a power-driven ship of more than 495 tons. Not more than one investment deduction is claimable for the same ship and use of a ship must continue for no less than five years for the deduction to be retained.

Taxation of Petroleum Companies and their Subcontractors

- The Ninth Schedule of the Act (effective from 28 December 1984) makes provision for the taxation of companies involved in petroleum exploration and production in Kenya. The provisions include favourable rates of tax on management or professional fees and interest paid to non-residents by such companies, and generous terms

in regard to allowable deductions for tax purposes. Non-resident subcontractors will be deemed to have made a taxable profit of 15% of the sums paid to them by a petroleum company (exclusive of certain defined expenses) and the tax on this is deducted at the non-resident rate when payment is made. The tax so deducted is (with effect from 11 June 2010) payable by the petroleum company to the Commissioner by the 20th day of the month following the month the deduction was made in. Previously, it was due by the 13th day of the following month.

Duty Remissions

- Materials imported for use in the manufacture of exports, for the production of raw materials for use in export manufacture, or for the production of duty-free items for domestic sale, are eligible for duty remission.

Export Processing Zones (EPZs)

- For the first 10 years from the date of commencement of business by an EPZ:
  - Payments to the EPZ will be subject to WHT at non-resident rates.
  - Payments by the EPZ to non-resident persons will be exempt from tax.
  - The EPZ will be exempted from corporation tax provided it does not carry out any commercial activity (15 June 2007).

* Commercial activities include: trading in, breaking bulk, grinding, repacking or relabeling goods and industrial raw material. Thus, if any commercial activity is carried out by the EPZ enterprise, the exception would not apply.

** For a period of 10 years commencing immediately after its initial 10 year period,the EPZ will be subject to corporation tax at the rate of 25%.

*** Notwithstanding the above, an EPZ must submit annual tax returns and accounts. Employees and directors of EPZs, if resident, are liable to tax and deduction of PAYE in the normal way.

Exchange Controls

Foreign exchange controls do not apply in Kenya. In other words, commercial banks may process remittances with respect to *bona fide* business transactions without approval from the Central Bank of Kenya. However, commercial banks are required to inform the Central Bank of any daily remittances from the country in excess of US$10 000.

The Exchange Control Act was repealed in late 1995.

Following recent volatility in the exchange rate, certain importers are required to purchase their foreign currency directly from the Central Bank. Primarily, this relates to oil importers and marketers.

Expatriates and Work Permits

An individual is liable to Kenyan income tax on their worldwide employment income if he/she is resident in Kenya as follows:

- Where the cost of remuneration paid to the expatriate is incurred by the home country and not remitted to the Kenya entity, the tax due should be paid via quarterly instalments within the tax year. The quarterly instalment payments are due on the 20th of the fourth, sixth, ninth and 12th month of the tax year. The amount of each instalment tax to be paid for the year is the lower of:
  - 25% of 110% of prior year assessed tax.
  - 25% of an estimate of tax due for the current year.
- Where the local entity bears some (or all) of the costs of the remuneration paid, the local entity would be obliged to withhold tax from the expatriate on a monthly basis via the PAYE regime.
- Where the expatriate is provided with a net employment remuneration package, the employer would bear the burden of the employee's tax. The company should in this case gross up the employee's tax-free remuneration and compute the PAYE liability on the grossed up value. The tax so paid by the company would become a benefit chargeable to tax in the hands of the employee.

Notes:

1. As far as immigration is concerned, every non-citizen is required to have a work permit from the Kenyan Immigration Department before he/she is allowed to work in Kenya. For employees, work permit applications are made by the employer. In addition, an individual must apply for a PIN. This serves as the individual's tax file reference. The Customs and Excise Department require the individual's PIN when importing any personal effects from home country or any other importation.

Trade Relations

- Memberships – Over-and-above the domestic demand, Kenya's membership of several regional bodies provides an expanded market. Membership of the EAC and COMESA guarantees a market of approximately 300 million people, and provides free movement of goods and services. Exports from Kenya also enjoy preferential access to the European Union under the ACP-EU Framework. In addition, Kenya is one of the initial beneficiaries of the African Growth and Opportunity (AGOA) Act, which provides for preferential market access in textiles to the Unites States.
- International organisations – Kenya's most significant international affiliations are with the EAC, the Organisation of African Unity and the Commonwealth of Nations. In addition to this, her trading partners are the United Kingdom, Japan, Germany, Iran, the Unites States, Tanzania, Zambia, the Netherlands and Saudi Arabia. Consequently, Kenya also has affiliations with organisations based in these countries. More particularly; these are DFID, the World Bank, USAID, and UNDP among many other such international organisations.

Interest and Currency Exchange Rates

Bank Overdraft Rate:
19.80% (2012 average)
17.38% (January – August 2013) (source: Central Bank of Kenya)
16.89% (August 2013) (source: Central Bank of Kenya)
Currency: Kenyan Shilling (KShs)
R1 = KShs8.77 (September 2013)
US$1 = KShs87.41 (September 2013)
US$1 = KShs84.66 (2012 average) US$1 = KShs86.22 (January – August 2013 average) (source: Oanda, Central Bank of Kenya)

Key Economic Statistics

GDP (approx.):
US$45.31 billion (2013 forecast) (source: IMF)
US$40.70 billion (2012) (source: IMF)
Market Capitalisation – Stock Exchange (approx.):
KShs1 272 billion (December 2012) KShs1 791 billion (September 2013) (source: Nairobi Stock Exchange)
Rate of Inflation:
8.29% (September 2013)
5.15% (January – August 2013 average
9.64% (2012 average) (source: Kenya National Bureau of Statistics)

Lesotho

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Lesotho

The Honourable Dr Leketekete V Ketso, Minister of Finance , presented the Budget for the 2013/14 fiscal year on 22 February 2013, with the theme being, "Promoting Growth for Economic and Social Development", tabling the projected revenue collection and planned priorities for expenditure for the fiscal year beginning in April 2013.

Income Tax

Income tax is a tax payable on a person's taxable income and is classified as a direct tax. It is assessed annually and all rate changes also fixed annually by Parliament's motion through the Minister of Finance's recommendation through his Budget speech, and is regulated by the provisions of the Income Tax Act of 1993, and its regulations thereof.

Taxes levied under the Income Tax Act include:

- Corporation Tax.
- Advance Corporation Tax (ACT).
- Pay-As-You-Earn (PAYE).
- Withholding Tax (WHT).
- Fringe Benefit Tax (FBT).

The source basis of taxation is applied in Lesotho, although residents are also subject to tax on their income from foreign-sources.

Residents

Income Tax Rates for Resident Individuals: Years of Assessment Commencing On or After 1 April 2013		
Taxable Income as exceeds	But does not exceed	Tax Rate
M	M	
0	51 670	22%
51 670		35%

Notes:

1. Income tax is imposed on every resident individual, trustee and non-resident individual, with chargeable income.
2. Individuals will be considered resident for tax purposes if they are present in Lesotho for more than 182 days in any consecutive 12-month period, or have a normal place of abode in Lesotho and are present in Lesotho for any part of the year of assessment.
3. Taxable income is computed as gross income (excluding exempt income) less any allowable deductions.
4. PAYE is a tax charged by an employer from an employee's earnings, then remitted to Lesotho Revenue Authority (LRA).
5. A resident individual (other than a resident minor) is allowed a non-refundable personal credit of M6 100 against the individual's liability for income tax. As a general rule, the personal credit is only available to residents of Lesotho. However, it will also be available to non-residents who live permanently outside Lesotho but who are employed full-time or engaged full-time in a business in Lesotho.
6. Where both spouses of a married couple are earning, each will be separately assessed, each being entitled to the single person's abatement.
7. A flat rate of 35% is levied on trustees, fringe benefits and electing non-residents.
8. Exemptions applicable to individuals include, *inter alia*, income of resident individuals from subsistence farming, dividends received from a resident company and the first M500 of interest derived from one savings account by a resident individual.
9. Employment income does not include a benefit subject to the FBT.
10. Pension income is taxable as any other income. An employee may deduct contributions to an approved resident superannuation fund up to 20% of the employment income. For the purpose of this deduction, the employee's contribution will be taken into account first.

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 April 2006		
Nature of Income	Note	Rate
Manufacturing income derived from the exportation of manufactured goods outside the Customs Union	1	0%
Manufacturing income derived from a manufacturing activity or enterprise which promotes industrial, scientific, educational or other development within Lesotho		10%
Income from farming operations (subsistence not commercial)		10%
Other income		25%

Notes:

1. Corporate tax paid ahead of the financial year-end, usually/preferably in four (quarterly) instalments. This helps ease the burden of paying the taxes due as a lump sum at the end of the financial year, with the taxpayer adding a little more to his payment if he had been under assessed and where the taxpayer had been over-assessed, a refund will be made.
2. A preferential zero rate will be applied to income from exporting manufactured goods outside the Customs Union, subject to a tax clearance certificate from the LRA and up-to-date tax payments.
3. The corporate tax rate applies to all income of a Lesotho branch of a non-resident company.
4. A branch profits tax of 25% is levied on branch profits remitted to a non-resident head office.

Withholding Taxes (WHTs)

Certain payments made to non-residents, whether corporate or individual, are subject to WHT. These rates are set out below:

WHT Rates: Non-Residents		
	Note	Rate
Dividends, interest, royalties	1, 2, 4	25%
Natural resource payments, trustee's fees	4	25%
Management charges	4	10%
Other fees	3, 4	10%

Notes:

1. No tax is withheld on dividends paid out of manufacturing income.
2. Royalties payable are considered part of taxable income and are taxed on the same basis as other income. The rate for royalties in respect of manufacturing income is 15%.
3. Applies to payments under a Lesotho-source services contract (other than an employment contract).
4. All non-resident WHT is a final tax, unless the non-resident files a return of income, in which case he may elect to be assessed at the normal tax rates.
5. The above rates are reduced by the double taxation agreements (DTAs) Lesotho has in place with Mauritius, South Africa and the United Kingdom (UK).

Maximum WHT Rates Once DTA is Applied

Recipient's Country of Residence	Dividends	Interest	Royalties	Management Charges
Mauritius	10%	10%	10%	Note 1
South Africa	15%	10%	10%	10%
United Kingdom	10%	10%	10%	10%

Notes:

1. Management charges are not dealt with in the DTA.

Capital Gains Tax (CGT)

Residents and non-residents are liable for CGT on disposals of all business assets. In the case of resident taxpayers, CGT is charged regardless of where the assets are located. Non-resident taxpayers are taxed only on Lesotho-sourced capital gains. Capital gains are treated as ordinary income and are subject to income tax at the standard progressive rates of 22% or 35% in the case of individuals, and the flat rate of 25% in the case of companies. There are no primary exemptions, but an inflation adjustment is allowed in respect of immovable property.

Inheritances and Donations

The value of a deceased estate is subject to estate duty at progressive rates of duty of up to 33.5%. There is a M600 abatement on the dutiable value of an estate. Donations are taxed as ordinary income in the recipient's hands.

Notes:

1. Donations are generally not tax allowable expenses. However, following an amendment to the Income Tax Act in 2007, an exception applies to sports donations subject to a taxpayer having made a charitable donation of M1 000 or more, in cash or in goods and services, to:
   (a) Support sport and recreation development through the provision of sports equipment and facilities; and
   (b) Provide sponsorship of different sports codes and sport competitions and tournaments at different levels of the sports development continuum.
2. The taxpayer shall be entitled to a deduction in income tax equal to the value of the donation. This is subject to such charitable donation referred to being paid to the Lesotho Sports and Recreation Commission established under Section 5 of the Lesotho Sports and Recreation Act, 2002, for distribution to the beneficiary sporting association, body, community, team or individual athlete as may be stipulated by the donor in a letter of donation.
3. Note further, that the Commissioner-General may disallow or reverse such deduction claimed where the donation was indirectly meant to benefit the taxpayer, the taxpayer's employees, and members of their families or the taxpayer's associates. Regulations made under the Lesotho Sport and Recreation Act, 2002, with regard to sporting sponsorships and other sporting financial assistance, apply.

Value Added Tax (VAT)

VAT	Rate
Basic rate	14%
Telecoms, water and electricity supplies	5%
Liquor	15%
Exports and zero-rated items	0%

Notes:
1. VAT is a form of an indirect tax levied on goods and services supplied in and outside Lesotho. It was introduced in July 2003 to replace an old system of indirect taxation called General Sales Tax (GST). It is applicable on all transactions where value is added.
2. As an administrative requirement, registered businesses (vendors) are required to file a return every month and make payment when it is due.
3. Limitations apply in respect of input tax deductions.
4. Banking services, except for the leasing of bank safes, and insurance services are exempt from VAT.
5. Zero-rated supplies include: maize meal, maize grain, beans, peas, lentils, milk, bread, agricultural inputs (fertilisers, seeds and pesticides), paraffin, livestock and poultry feed.
6. If goods are exported to Lesotho from South Africa, and are zero-rated in terms of the South African VAT Act, and the invoice is not marked Cost, Insurance and Freight (CIF), then the LRA will levy 14% VAT on 5% of the value of the invoice.

Other Transaction Taxes

Taxes		
	Note	Rate
Transfer duty – Immovable property	1	3% – 4%
Marketable securities tax – Share transfers		2%

Notes:
1. There is no freehold property in Lesotho. Property rights are based on a leasehold system. Duties are assessed by the Registrar of Companies. The average rates payable being 3% to 4%.

General Investment Information

Investment Incentives

General Incentives

- Lesotho is a signatory to the convention on the settlement of investment disputes between states and is a member of the Multilateral, Investment Guarantee Agency. Furthermore, as a member of the International Monetary Fund, Lesotho has accepted the obligations of the Articles of Agreement, thereby giving confidence to the international community of its pursuance of sound economic policies, contributing to a multilateral payments system free of restrictions.
- A comprehensive export finance facility to support exporters with working capital on concessionary terms and unimpeded access to foreign exchange.
- Financial incentives to manufacturing companies establishing in Lesotho e.g. unimpeded access to foreign exchange, long-term loans and an import VAT credit facility providing input tax credit upon importation and local purchasing of raw materials and capital goods.
- A member of the Multilateral Investment Guarantee Agency (MIGA) which promotes flow of direct investments to developing countries by providing investment guarantees to investors to mitigate against non-commercial risks (e.g. expropriation, transfer restrictions and breach of contract).

- An abundant labour force that is predominantly English speaking, literate and well-motivated, with high productivity and competitive wage rates.
- A non-repayable skills training grant that covers up to 50% of the wage bill during the initial training period for newly established manufacturing company.
- Availability of serviced industrial sites and purpose-built factory shells for rental at competitive rates.
- Lower water and electricity tariffs as a direct spin-off from the Lesotho Highlands Water Project.
- Reduced municipality rates applicable to industrialists.
- Government efforts towards improvement of public service delivery (e.g. implementation of the new Integrated Financial Management Information System etc).

Tax Incentives

- Preferential tax treatment for manufacturing, including zero percent tax on income tax generated from exporting manufactured goods outside of Southern African Customs Union (SACU), a permanent maximum manufacturing tax rate of 10% on profits, no WHT on dividends distributed by manufacturing companies to local or foreign shareholders, and free repatriation of profits derived from manufacturing companies.
- Investment in pioneer industries is encouraged under the Pioneer Industries Encouragement Act, 1969, as amended. Such industries include: approved manufacturers, hotel business and construction companies. Tax incentives available include exemptions from tax and additional allowances for capital and other expenditure in respect of new buildings, machinery and plant, electric power, transportation and water.
- Deduction of start-up costs – A four-year write-off period is provided for expenditure incurred in starting up a business to produce income subject to corporate income tax. Such expenditure may be of two broad categories. It may be incurred in acquiring intangible assets essential to the carrying on of a business (such as goodwill, intellectual or industrial property rights, or contractual rights) or it may involve an intangible advantage which does not manifest itself in any particular asset (such as the cost of feasibility studies, large-scale advertising, and initial transactional expenses, such as stamp duties, or professional fees). The second category is intended to cover expenditure which is not deductible under general principles because it is incurred preliminary to the derivation of income from the business.
- Capital allowances:
  - New machinery and equipment allowances for manufacturers – 20% to 25%.
  - Special allowances on certain expense items.
- Textile companies receive tax relief through use benefits under the Duty Credit Certificate Export Incentive Scheme.
- An extension of the VAT Refund Scheme to all exporters.
- Role of the LRA – The administration and implementation of tax policy, and various tax laws, is under the care and management of the LRA. Apart from general administration of taxes (assessment and collection of taxes), including accounting for the taxes collected, the LRA is responsible for advising Government on

tax treaty negotiation issues. In addition, the LRA ensures that in carrying out its tax assessments and collection role, every claim, objection, appeal, representation or the like made by any taxpayer are sufficiently considered by it. This will ensure that taxpayers have confidence in the administration of the tax system in the country. The LRA is also expected to provide guidance to the taxable public, as well as general public.

Other Incentives

- A Partial Credit Guarantee Fund (a joint initiative with commercial banks) to assist young graduates, women and other self-employed entrepreneurs.
- Ongoing plans to strengthen the financial sector by strengthening its supervision and regulation by the Central Bank, especially control of pyramid schemes, money lenders, and insurance brokers. It will also bring legislation to modernise and update life and insurance legislation in order to protect consumers. Legislation to establish a credit bureau and to protect the confidentiality of personal information supplied as part of credit application is far advanced.
- Government, together with the Central Bank, still plans to consolidate the issuing of government bonds and to establish a market for their sale and purchases. This bond market is to be followed by a stock exchange.
- Government places top priority on making Lesotho competitive with other SACU members in terms of the time it takes to register company, obtain licences, work permits, credit, and asset financing or leasing. Rankings provided by the International Finance Corporation on "doing business" will continue to be used to set specific targets to be achieved. This, coupled with the Minimum Infrastructure Programme for attracting investment, should help to address the problems of SMMEs where most jobs can be created.
- Entrepreneurship Initiative aimed at young graduates, women and other self-employed entrepreneurs. This is the establishment of a Partial Credit Guarantee Fund which will be a joint initiative with commercial banks.

- Government, in line with all African states, will change from analogue to digital in broadcasting and video in the coming years. Lesotho is also part of the Fibre Optic project that provides undersea cable from the Horn of Africa round the Cape. This should give businesses and people high speed connectivity. It should facilitate the transformation of the communication sector as we embrace and build broadband technologies.

Investment Assistance

The Lesotho National Development Corporation provides certain incentives for investors including, *inter alia*, training grants, loans and sites for industrial buildings and project services. In addition, tax concessions may also be negotiated with the Corporation.

The investment incentive regime is to be reviewed and improved with a view to enhancing Lesotho's attractiveness to investors. Measures will include accelerated depreciation, allowances on manufacturing plant and machinery, the extension of the 15% corporate tax rate to attract private sector investment in industrial infrastructure development, and the possible reduction of municipal rates.

The Government has also embarked on a joint program with the World Bank and the International Finance Corporation to improve Lesotho's investment climate for "doing business". The World Bank will, in addition, finance a programme for worldwide tourism promotion by providing an online reservation platform.

Investment Opportunities

Investors with financial strength, managerial and technical skills, and marketing capabilities are required to form joint ventures with local investors. Investment opportunities exist in the following strategic areas:

- Clothing and blanket manufacture.
- Furniture.
- Footwear production.
- Agro-industries, especially in processing of locally produced wool and mohair, establishment of mineral water bottling operations.
- Electrical or electronic consumer products. (Strategic partners to produce television sets, video cassette recorders, electronic stoves, microwave ovens, refrigerators, washing machines and dryers, telecommunications equipment).
- A wide range of potential projects in the manufacturing, construction and services sectors connected to the Lesotho Highlands Water Project.
- Consulting engineering services for rehabilitation of rural hospitals.
- Hotels, lodges and other facilities catering for tourists.
- Road rehabilitation and maintenance.
- Health care equipment.
- Production of high quality rock-wool for insulation.
- Use of local clays for production of ceramic products such as sanitary ware, stoneware utensils, glazed advertising slabs.

Exchange Controls

Lesotho is part of the Common Monetary Area (CMA) (other countries in the CMA are Namibia, South Africa and Swaziland). In broad terms, there are no restrictions on inward investment by foreigners and profits may be fully repatriated. There are restrictions on outward investment by local residents. The Central Bank of Lesotho, in co-operation with Authorised Dealers, administers exchange control regulations for transactions outside the CMA.

Expatriates and Work Permits

If any non-resident enters Lesotho for any reason other than tourism, they must have obtained a work permit prior to entering the country. The Lesotho Police and Labour Department carry out random inspections in this regard. Because work permits can take a long time to be issued, directors can request for a few days to stay in the country at the port of entry.

Trade Relations

Lesotho's network of trade preferences has played a crucial role in providing favourable access to world markets. Ideally located for export-orientated manufacturing industries, foreign companies are able to serve world markets. (There is access to 28 million consumers in SACU and 360 million consumers in the European Union). The highly concessionary Generalised System of Preferences (GSPs) gives access to North American, Japanese, Nordic and other developed markets, with preferential access to 18 markets in the Preferential Trade Area in Eastern and Southern Africa. Other preferential trade agreements have been entered into with the Southern Africa Development Community (SADC), and countries of the Western African Preferential Trade Area. Bilateral trade agreements have been concluded with a number of countries. National efforts to attract more inward investment include DTAs with other countries.

- Memberships – Cotonou Agreement, SACU.
- AGOA beneficiary country.
- The Agreement on Textiles and Clothing.

Notes:

1. Despite Lesotho's market-based economy being heavily tied to its neighbour, South Africa, the Unites States is an important trade partner because of the export sector's heavy dependence on apparel exports.
2. China is a partner in solving the many problems facing the struggling textile industry. China has also increased its overall commitment to Lesotho by funding secondary schools and granting soft loan for telecommunications upgrading and expansion.
3. The EU, Canada, China and Japan have all granted Lesotho duty-free and quota-free access to their markets for almost all products except arms. The European Commission, furthermore, recognises Lesotho's good governance and therefore agreed to increase its "Indicative Aid" allocation under the European Development Fund (EDF).
4. Imports from outside the SACU are usually licensed in conformity with South Africa's import regulations. A wide range of imports from outside the SACU are subject to surcharges ranging from 0% to 60%.
5. There are no known specific government regulations or requirements governing counter trade.
6. Samples of no commercial value are received free of charge.
7. There are no foreign trade zones in Lesotho.
8. Lesotho is driving a process of scaling up regional economic integration. This includes launching a Free Trade Area (FTA) within which member states trade with each other duty-free and quota-free.
9. Lesotho has a DTA with Mauritius, South Africa and the United Kingdom. Agreements with Botswana and Swaziland are under discussion.

Interest and Currency Exchange Rates

Prime Lending Rate:
9.92% (October 2013) (source: Central Bank of Lesotho)
Currency: Lesotho Loti (LSL) (divided into 100 Lisente) – Plural being Maloti
R1 = 0.99882 Lesotho Loti (October 2013)
US$1 = 9.7700 Lesotho Loti (October 2013)
US$1 = 8.0927 Lesotho Loti (2012 average) (source: Oanda)

Key Economic Statistics

GDP (US$, current prices):
US$2.450 billion (2013 estimate) (source: IMF)
Rate of Inflation:
5.229% (December 2013)
6.1% (average 2012)
5.0% (average 2011) (source: IMF)

Notes:

1. There is no stock exchange in Lesotho.
2. Diamond mining is the highest contributor to GDP.
3. The rate of inflation has again increased this year. Categories that continue to reflect inflationary pressures are food and non-alcoholic beverages and housing, electricity, gas and other fuels. The rise in the general price level was mainly attributable to exogenous factors, particularly the surge in international food and fuel prices. The weakening of the Rand against major currencies was transmitted to Lesotho because of Lesotho's heavy reliance on imports of goods and services from South Africa.

Libya

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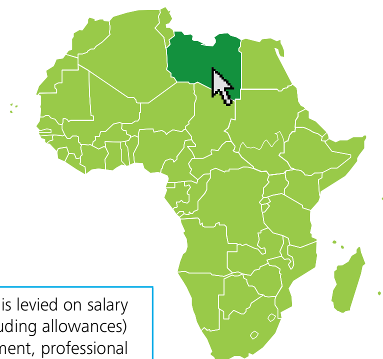
Libya



Income Tax

Individuals

Residents

Income tax applies to Libyan-source income of individuals performing activities or working in Libya, irrespective of their residency status.

Tax applies on employment income at the following rates:

Employment Income		
Taxable Income as exceeds	But does not exceed	Rate
LYD	LYD	%
0	12 000	5%
12 000 +		10%

Different tax rates apply to certain categories of income provided under the income tax law as follows:

Other Categories of Income	
	Rate of Tax
Income of private businesses practiced independently	15%
Commercial income	15%
Income from industry and craft activities	10%
Partnership income	10%

Notes:

1. Basis – Individuals are taxed on Libya-sourced income. Both Libyan nationals and non-Libyan nationals should be subject to tax on wages, salaries and/or all benefits received (in cash or in kind) in respect to employment, whether permanent or temporary, based on their contract with the Libyan entity/employer/sponsor.
2. Residence – The liability to taxation is typically premised on the source of income (particularly for non-Libyan nationals), so residence is not generally a key factor in determining tax liability in Libya.
3. Taxable income – Tax is levied on salary or wage income (including allowances) derived from employment, professional income and in certain circumstances, investment income.
4. Capital gains – Capital gains generally are treated as ordinary income and taxed at the standard rate applicable to the taxpayer.
5. Deductions and allowances – Limited personal allowances and deductions are granted in calculating taxable income.
6. Rates – The payroll tax rates are as follows: annual taxable income of less than LYD12 000 is subject to a 5% tax rate. Annual taxable income above LYD12 000 is subject to a 10% rate. An exemption for income below LYD1 800 (for a single individual) or LYD2 400 (for a married who has no dependent children) generally applies. In addition, the latter shall have an exemption of LYD300 for every minor child.
7. Capital duty – None.
8. Stamp duty – Stamp duty is levied at varying rates.
9. Capital acquisitions tax – None.
10. Inheritance/estate tax – None.
11. Net wealth/net worth tax – None.

Companies

Libya introduced a new income tax law (Law No. 7 of 2010) that became enforceable as from 28 April 2010. According to the new law, Corporate Income Tax (CIT) is levied on the net income of an entity, irrespective of the nationality of its shareholders (Libyan nationals or foreigners), at a rate of 20%.

Corporate Income Tax	
	Rate of Tax
Standard rate	20%

Notes:

1. Residence – An entity established in Libya is considered tax resident in Libya.
2. Basis – Any income generated in Libya from assets held in Libya, or work performed therein, should be subject to income tax In Libya.
3. Taxable income – Tax is imposed annually on net income accrued during the tax year. Taxable income includes income from business operations, less allowable expenses. Libyan companies and branches of foreign companies should be taxed on the basis of their submitted tax declaration, duly supported by audited financial statements, including statements of depreciation and general and administrative expenses. However, "deemed profit" based taxation may apply when a foreign entity is not registered at the time of contracting, the entity does not hold statutory books in Libya or the books are not maintained in accordance with the local regulations. Additionally, the authorities can assess tax on a deemed profit basis if they consider figures, margins, etc. inaccurate or out of line with industry norms (e.g. potential concealment, high quantum of intercompany transactions, etc.). Whilst in theory tax should be levied on accounting profit, in practice, the Libyan tax authorities tend to raise assessments based on deemed profit, therefore tax may be payable even when losses are incurred.
4. Losses – Net operating losses may be carried forward for five years. Losses incurred by upstream oil & gas companies may be carried forward for 10 years. The carryback of losses is not permitted.
5. Surtax – A 4% defence contribution applies in addition to CIT. A stamp duty of 0.5% is also levied on the total CIT liability.

Withholding Taxes (WHTs)

	Note	WHT Rate
Dividends		0%
Interest	1	5%
Royalties	2	0%
Technical service fees	3	0%
Branch remittance tax		0%

Notes:

1. Interest paid on bank deposits is subject to a 5% tax.
2. Royalties (except those derived from the oil & gas sector) generally, are taxed as ordinary income on the basis that the asset is held/used In Libya.
3. Technical service fees – Work performed In Libya is considered Libyan-source income and is subject to tax accordingly.

WHT Rates for Treaty Countries			
	Dividends	Interest	Royalties
Egypt*	Domestic	Domestic	Domestic
France	5%/10%	0%	10%
India*	Domestic	Domestic	Domestic
Malta	0%/5%/15%**	5%	5%
Pakistan	0%	0%	0%
Singapore	5%/10%	5%	5%
Slovakia	0%	10%	5%
United Kingdom	0%/15%***	0%	0%

* The income is taxable only in the source state, and the domestic rate applies.

** Libya applies a 5% rate when the beneficial owner is a company that directly holds at least 10% of the capital of the payer company, and it applies a 10% rate in other cases. The Malta WHT may not exceed the tax chargeable on the profits out of which the dividends are paid.

*** The 15% rate applies to qualifying dividends paid by a property investment company; the 0% rate applies in other cases.

Notes:
1. In terms of other treaty arrangements with countries, Libya has also entered into a "Treaty of Friendship and Co-operation" with Italy.

Capital Gains Tax (CGT)

Capital gains are treated as income and taxed at the standard rate.

Anti-avoidance

Transfer Pricing

Although Libya does not have formal transfer pricing rules, the tax department has authority to assess tax on a deemed profit basis under the general anti-avoidance provisions.

Thin Capitalisation

Thin capitalisation does not apply in Libya.

Controlled Foreign Companies (CFCs)

There are no CFC taxation rules in Libya.

Disclosure Requirements

None.

Value Added Tax (VAT)

Libya does not levy a VAT or sales tax.

Customs and Excise Duties

The National Transitional Council in Libya has issued Decision No. 48 for the year 2011 in relation to the customs tariff. The general duty rate on imported goods should be 5%, except for the following goods which are charged a higher duty rate:

- Vehicles, trucks and trailers of all types – 10%.
- Motorcycles – 30%.
- Perfumery and cosmetics – 15%.
- Tobacco and cigarettes – 25%.

Exemption applies to certain goods, such as raw materials and production supplies, medicines, agricultural and livestock production supplies, etc.

Production and consumption taxes on locally manufactured and imported goods are reduced to 0%. Fees imposed on supply services shall be cancelled.

Excise Duty

Libya does not levy an excise duty.

Solidarity Fund

Solidarity Fund contributions are payable by deduction from the employees' salary at the rate of 1% of gross salary.

Other Taxes

Stamp Duty

Stamp duty is levied at varying rates.

Social Security

Social security contributions must be made by both the employer and the employee as follows:

	Foreign Companies	Companies with Libyan Participation
Employee contribution	3.75%	3.75%
Employer contribution	11.25%	10.50%
Government contribution	-	0.75%
Total	**15.00%**	**15.00%**

Tax Administration

- Tax year – The tax year is the calendar year, although a different year may be used subject to approval.
- Consolidate returns – Consolidated returns generally are not permitted. Each entity must file a separate return.
- Filling requirements – The annual return must be supported by audited financial statements (a balance sheet, profit and loss statement and a statement of operations). The financial statements must be audited by a Libyan licensed accounting firm. The tax return must be filed within four months of the end of the tax year. If the tax due is less than LYD100, then the amount shall be paid instantly to the tax authorities. If the amount exceeds LYD100, then the tax would be collected in four instalments and would become payable as of the 10th day up to the 25th day of the months of March, June, September and December.
- Penalties – Penalties apply for failure to file, late filing or other forms of non-compliance.

General Investment Information

Investment Incentives

Tax Incentives

- Law No. 9 of 2010 (Promotion of Investment) is designed to encourage the investment of national and foreign capital in Libya. The law provides tax benefits to companies that can contribute to diversification of the local economy, the development of rural areas, the increase of employment, etc.
- The tax exemptions applicable to companies registered/governed by Law No. 9, include: an exemption from customs duties on machinery and equipment, a five-year exemption from income tax, an exemption from tax on dividend distribution and profit generated as a result of merging, selling, dividing or changing the legal form of the enterprise, an exemption for profits generated from the activity of the enterprise if they are reinvested and an exemption from stamp duty.
- A free zone has been established in Misurata (Qasr Hamad port area).

Exchange Controls

Libyan joint stock companies with a foreign shareholding may be paid in foreign currency. However, the payments should be made into accounts held at Libyan banks.

Expatriates and Work Permits

Visas

The employee will initially enter Libya under a business visa for a period of three months which could be extended for one more month (a visa for a six months period is usually granted to directors or applicants in similar positions) after which he/she would be required to obtain a work permit which is granted for a period of one year.

Trade Relations

- Memberships – Economic Community of West African States (ECOWAS), African Union (AU), G20, Organisation of Petroleum Exporting Countries (OPEC) and New Partnership for Africa's Development (NEPAD).
- International organisations – AU, Arab League, Group of 77 and United Nations (UN).

Interest and Currency Exchange Rates

Prime Bank Overdraft Rate:
6% (December 2012 average) (source: World Bank)
6% (November 2013 average) (source: World Bank)
Currency: The currency is the Libyan Dinar (LYD)
US$1 = 1.21718 LYD (December 2013) (source: Oanda)
R1 = 0.11708 LYD (December 2013) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$70.924 billion (2013 forecast) (source: IMF)
US$81.915 billion (2012 estimate) (source: IMF)
Market Capitalisation – Stock Exchange (approx.):
US$3.3 billion (November 2013) (source: Libya Stock Market)
Rate of Inflation:
5.1% (November 2013 estimate) (source: OECD)
6.1% (2012 average) (source: World Bank, IMF)

Madagascar

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Madagascar

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals (Monthly):		
Taxable Income as exceeds	But does not exceed	Rate
MGA	MGA	%
0	250 000	0%
250 000 +		20%

Notes:

1. Basis – Resident and non-resident individuals are subject to tax on their Malagasy-source income, including employment income.
2. Residence – Resident individuals are individuals who are present in Madagascar for at least 183 days in a tax year (calendar year). An individual is deemed to be resident if he/she has a permanent visa and a long-stay card or if he/she owns or uses a residential house.
3. Rates – The first MGA250 000 of monthly income is not taxable. Monthly income exceeding MGA250 000 is subject to tax at a rate of 20%. There is no ceiling.
4. Deductions and allowances – Certain expenses are deductible, including: payments to the "*Caisse Nationale de Prévoyance Sociale*" (CNAPS), the Government Fund for Social Security, and for government or private medical insurance and compulsory alimony payment.
5. Relief from double taxation is available through tax treaties (DTAs) to which Madagascar is signatory.

Non-Residents

Non-resident individuals are taxed on Malagasy-source income only (including employment income). Non-resident individuals are also subject to tax on certain specified types of income, such as income allocated to Madagascar by a multilateral or bilateral tax treaty.

Employment Income

Employers must withhold tax from their employees' wages. Certain types of income are exempt from income tax, including family allowances, military and civil disability pensions and military retirement pensions.

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate rate	20%

Notes:

1. Residence – An entity is generally deemed to be a resident of Madagascar if its registered office, Permanent Establishment (PE) or centre of activity is located in Madagascar.
2. Basis – A resident corporation is subject to tax on its worldwide income, while a non-resident is taxed on Madagascar-source income only.
3. Rates – The standard Corporate Income Tax (CIT) rate is 20%. In general, the minimum tax is MGA100 000 plus 0.5% of annual turnover (including capital gains) for companies carrying out the following activities: agricultural, craft, mining, industrial, tourism and transport. This minimum tax equals 0.1% of annual turnover for fuel station filling companies. For companies engaged in other activities, the minimum tax is MGA320 000 plus 0.5% of annual turnover. The minimum tax applies if the company incurs a loss or if the corporate income tax calculated using the 20% rate is less than the minimum tax to be paid as stated above.

4. Free Trade Zone (FTZ) companies – Exempt from CIT for the first five years of their activities and are subject to CIT at a rate of 10% for subsequent years.
5. Large mining investments – Mining companies making investments over US$25 million can benefit from legal and tax incentives if they are eligible under a special law called "*Loi sur les Grands Investissments Miniers*" (LGIM). They are exempt from minimum tax for five years from the beginning of exploitation. The CIT rates are 10% for owners of mining permits and 25% for the transformation entities.
6. Chargeable income – Taxable income is based on financial statements prepared according to the Chart of Account or the "*Plan Comptable Géneral*" (PCG 2005), which conforms to the International Financial Reporting Standards (IFRS 2003 version) and International Accounting Standards (IAS). Business operating expenses are generally deductible unless specifically excluded by law.
7. The following expenses are not deductible: interest paid on shareholder loans in excess of the interest rate determined for the interest applicant by the Central Bank plus two percentage points on an amount not exceeding two times the authorised capital. None of the interest on shareholder loans is deductible if the capital is not fully paid up; certain specified charges and subsidies; and taxes, penalties and most liberalities (payments that do not produce a compensatory benefit to the company).
8. Inventory – Inventory is normally valued at the lower of cost or market value. For goods that are not identifiable, cost must be determined through the use of the weighted-average cost-price method or the first-in first-out (FIFO) method.
9. Provisions – Provisions are generally deductible for tax purposes if they are established for clearly specified losses or expenses that are probably going to occur and if they appear in the financial statements and in a specific statement in the tax return.
10. Depreciation – Land is not depreciable for tax purposes. Other fixed assets may be depreciated using the straight-line method at rates generally used in the industry. The following are some of the applicable straight-line rates:*

Asset (%)	Rate
Commercial and industrial buildings	5%
Office equipment	10%
Motor vehicles	15%
Plant and machinery	10%

* In certain circumstances, plant and machinery, and other assets, may be depreciated using the declining balance method or an accelerated method.

11. Losses – Losses may be carried forward for five years. Losses attributable to depreciation may be carried forward indefinitely. Losses may not be carried back.
12. Dividends – Dividends received by companies are subject to normal CIT.
13. Foreign tax credit – Madagascar tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.
14. Participation exemption – None.
15. Holding company regime – None.
16. Controlled foreign companies (CFCs) – There are no specific CFC rules but measures exist to prevent international tax evasion.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
		Residents	Non-Residents
	Note	Rate	Rate
Dividends	1	0%	0%
Interest	2	20%	20%
Royalties	3	n/a	10%

Notes:
1. Dividends – The WHT on dividends was repealed in 2008. So far, dividends are exempt from tax without exception.
2. Interest – This WHT applies to resident and non-resident companies and individuals.
3. Royalties – This WHT applies to non-resident companies.

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Madagascar has a DTA are as follows:

	Dividends	Interest	Royalties
	%	%	%
France	0	15%	10%
Mauritius	0	10%	5%
Non-treaty countries	0	20%	10%*

* This WHT applies to non-resident companies.

Capital Gains Tax (CGT)

Companies

Capital gains are included in taxable income and subject to the CIT rate of 20%.

Value Added Tax (VAT)

VAT	Rate
Basic rate	20%

Notes:
1. VAT applies on goods sold and services rendered in Madagascar.
2. Entities that have annual turnover of less than MGA200 million (approximately, US$100 000) are not liable to VAT unless they voluntarily apply for the VAT regime.
3. Under the 2011 Finance Act, materials and equipment for the production of renewable energy are exempt from VAT.
4. Cash payments made between entities liable to VAT are forbidden; only payments by bank cheque, wire transfer, credit card and non-endorsed bills of exchange are allowed.
5. All economic activities are within the scope of VAT, including activities of independent professionals.
6. The main exemptions relate to: healthcare, education, banking, insurance and reinsurance, farming and transportation. Banking transactions are subject to the tax on banking operations.

Miscellaneous Taxes

Capital Duty

None.

Urban Tax

Annual tax on the rental value of property that is part of business assets.

Registration Duties

Registration duties apply on transfers of real property or businesses. (The occupying or use of movable or immovable property must be supported by a lease agreement. This implies that registration fees at a rate of 2% are imposed on the total amount of rent during the lease agreement period).

Inheritance/Estate Tax

A lump sum tax ranging from MGA10 000 to MGA40 000 is imposed on inheritances.

Net Wealth/Net Worth Tax

None.

Social Security

Employers and employees must make contributions to the CNAPS, which uses the contributions to make payments for various items including pensions and compensation for industrial accidents and occupational diseases. The contribution rates are 13% for employers and 1% for employees. The rates are applied to the gross monthly remuneration of each employee up to MGA864 152 (capped deductible amount of CNAPS revised upward by Government). Employers must withhold the employees' contributions from the employees' wages.

Employers and employees must also make monthly contributions to either an "*Organisation Socio-sanitaire Inter Entreprise*" (OSIE) or to AMIE. These entities provide medical insurance. The contribution rates are 5% for employers and 1% for employees. The rates are applied to the gross monthly remuneration (no remuneration limit is imposed). Employers may purchase medical insurance from private companies instead of OSIE or AMIE but these private companies must have special authorisation from the Malagasy Administration. Employers may also purchase supplemental medical insurance from private companies in addition to insurance from OSIE and AMIE.

Tax Administration

Corporations

- Tax year – The tax year is the calendar year. However, companies may select a tax year running from 1 July to 30 June or another tax year.
- Filing requirements – Companies using the standard tax year must file financial statements and the CIT return with the Malagasy Tax Authorities by 15 May of the year following the tax year. For companies choosing a tax year-end other than the standard tax year-end, the filing must be made within four months after the year-end. Companies must make six instalments of CIT for each tax year. Each payment must equal one-sixth of the preceding year's tax amount. The instalments are payable by 15 February, 15 April, 15 June, 15 August, 15 October and 15 December.

- Registration – Before engaging in activities in Madagascar, an entity must apply for tax registration by completing a specified form during the company creation procedure. The tax registration for wholesalers requires a special authorisation from the head of the Tax Authority (Finance Minister or Tax Managing Director). A Tax Identification Card (TIC) is issued to a new taxpayer on the completion of registration. The TIC must be renewed every year at the time of submission of the CIT return.
- Consolidated returns – Malagasy law does not provide for consolidated tax filings.
- Other – Taxpayers that compute taxable income under the actual or simplified actual regime must open a bank account in their name. Financial statements provided to private or public entities require the visa or certification of the Tax Authority.

Individuals

- Filing and payment – Employers must remit WHT on wages monthly between the 1st and 15th days of the month following the month in which the wages were paid.

General Investment Information

Investment Incentives

General Incentives

- Abundant natural resources (i.e. gemstones, industrial and decorative stones, oil, and rare metals for mining activities; 5000 km of beaches and exceptionally unique fauna and flora for tourism business; big and fertile land with favourable climate for any agriculture and farming activities; various agricultural and farming products as raw materials for transformative industries and rivers, wind and sun for renewable energy production).
- Low cost of local inputs and labour – Labour intensive industries, such as textile manufacturing, have thrived in Madagascar with the Law on Export Processing Zone (EPZ) and the American AGOA* provisions. The labour force is young, skilled and fast-learning.
- Access to markets and strategically located – With trade agreements and preferential treatment granted to some developing countries, Madagascar has advantageous access (quota-free; duty-free) to the American and European markets, as well as to other developed countries.
- In addition, as a member of the following regional economic communities, Madagascar offers the advantage of being a good location for the ease of exporting goods and services to these markets: SADC **(Southern African Development Community), COMESA (Common Market for Eastern and Southern Africa), the Indian Ocean Rim, COI ("*Communauté de l'Océan Indien*"). Finally, strategically located between Asia and Africa and on major maritime routes, Madagascar gives an advantage to international businesses. And with the current extension of the port of Toamasina in the East, and the construction of the Ehoala port in the South, Madagascar provides world-class facilities for transportation of goods.
- Attractive business environment – The regulatory reforms and public investments in infrastructure since 2002, have led to improvement of the country's business environment. Significant public and private investments in infrastructure (such as road, ports, airports, telecommunication, and energy) reduce the costs of doing business. No restrictions on capital flow in and out of the country, either for debt service or dividend payment. No requirement that nationals own shares of foreign companies. Rules of law are enforced without discrimination. Intellectual property protection is granted by laws. No government-imposed conditions on permission to invest, including location in a specific geographical area, specific percentage of local content, substitution for imports, export requirements or targets, employment of host country nationals, or technology transfer. Property rights are protected by laws (guarantee against nationalisation and expropriation).
- Quick and easy procedure for company creation.
- .Peaceful and stable country – Malagasy people are peaceful by nature. Disputes and conflicts are resolved through amiable settlements and by rules of laws.

* Madagascar has been suspended from AGOA due to the current political issue.

** Madagascar has been suspended from SADC due to the current political issue.

Tax Incentives

- A few exceptional company tax exemptions implemented.
- Abolition of VAT collection for exporting and EPZ firms up to the amount of their VAT credit.
- Abolition of deposit payment and facilitation of income payment.
- Regime of the Common Rights which applies to all activities operating on the local market. For example, a tax cut of about 50% is granted for each investment carried out by a company; exemption of income tax (IBS) for the first working year run; the tax credits IBS obtained can be deferred until exhaustion; facilities are applied for the operations of imports such as the temporary admission or draw back.
- Preferential regime of FTZ, exclusively for activities directed towards export. This includes: an exemption for five to 10 years of the income tax following the activity, and the payment of the income tax at 10% thereafter; an exemption of the professional tax; and exemption of the customs duties, import tax and the VAT. In addition, exceptional reduction of the taxation of companies by the abolition of VAT collection for exporting and EPZ firms up to the amount of their VAT credit; abolition of deposit payment and facilitation of income payment; abolition of import tax on some goods such as cement, yarns and fabric, iron, steel, and other items for construction, agricultural material and equipment; and abolition of VAT on the purchase of equipment good.

Exchange Controls

Exchange control regulations exist in Madagascar. For foreign exchange control purposes, the two kinds of operations are current operations and capital operations. Current operations include: transfers abroad of profits after payments of taxes, dividends, earned income, expatriate allowances and savings. Current operations require only a transfer declaration to a local bank. Capital operations include: operations relating to stock transfers, shares of liquidation bonuses, sales of businesses or assets and compensation for expropriations. Capital operations involving transfers abroad require an authorisation from the Ministry of Finance.

Expatriates and Work Permits

Entry Visas

If a foreigner wants to enter Madagascar, he/she must obtain a tourism or business visa for a stay of up to three months. This visa can be obtained at a Malagasy Embassy or Consulate in the foreigner's home country or at the airport on arrival in Madagascar.

Work Permits

To work in Madagascar, foreign nationals must satisfy the following requirements:

- They must obtain a work permit.
- They must provide a Certificate of Incorporation and a Board of Directors' Resolution for the Malagasy company for which they intend to work.

Residence Permits

A foreigner that wants to stay in Madagascar for a period of more than three months, must obtain a Stay Card (*"Carte de Séjour"*), also known as a residence permit, from the Ministry of the Interior (Home Office). To obtain a Stay Card, the foreigner must submit the following documents:

- A work permit delivered in Madagascar by the Department of Labour.
- An employment certificate from the employer in Madagascar.
- A Tax Identification Number Card (*"Carte de Numéro d'Identification Fiscale"*, or CNIF) of the employer.
- A copy of their National Identity Card or Foreigner Identity Card (CIE) (for renewal of Stay Cards).
- A Tax Payment Certificate of the employer (for renewal of Stay Cards).

Trade Relations

- Memberships – SADC and the Common Market for Eastern and Southern Africa (COMESA).
- Treaties – Madagascar has entered into tax treaties with France and Mauritius.

Interest and Currency Exchange Rates

Monetary Policy Rate:
9.50% (last reported 2013) (source: Trading Economics)
Currency: The currency in Madagascar is the ariary (MGA).
US$1 = 2 227.60 MGA (December 2013)
R1 = 218.647 MGA (December 2013)

Notes:

1. The Benchmark Interest Rate in Madagascar was last recorded at 9.50%. Interest rates in Madagascar are reported by the Central Bank of Madagascar. From 1994 until 2013, Madagascar Interest Rate averaged 13.7% reaching an all-time high of 33.0% in January of 1996 and a record low of 7.0% in January of 2002.

Key Economic Statistics

GDP (approx.):
US$10.117 billion (2012 estimate) (source: IMF)
US$10.528 billion (2013 forecast) (source: IMF)
Market Capitalisation:
Not applicable – Madagascar does not have a stock exchange.
Rate of Inflation:
5.810% (2012 average) (source: African Economic Outlook, IMF)
6.860% (2013 average) (source: IMF)
8.925% (2013 year-end forecast) (source: IMF)

Malawi

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Malawi

The former Minister of Finance, Honourable Dr Ken Lipenga, delivered the 2013/14 Budget Statement on 24 May 2013, at the New Parliament Building in Lilongwe. He announced that the key national objective of the Budget 2013/14 is to restore macro-economic balance and a market-based economy to consolidate the bold economic reforms embarked on in 2012, with revenue policy measures geared towards supporting sectors identified as priority areas under the country's economic recovery blueprint.

Notes:

1. This guide has been prepared based on information contained in the written text of the Budget Statement, as well as the Bills that were presented and passed by Parliament. Taxpayers are advised to seek professional advice on the precise nature and impact of changes indicated in this guide.
2. The policy measures under Customs and Excise Tax were effective from midnight 24 May 2013, whereas the Value Added Tax (VAT), and all other taxation measures, became effective on 1 July 2013.

Income Tax

General Note

The tax measures referred to under "Income Tax" include those pertaining to Pay-As-You-Earn (PAYE).

Residents

Malawi taxation is based on source of income. Certain payments to residents are subject to withholding taxes (WHTs) (see Withholding Taxes below).

Income Tax Rates for Individuals: Years of Assessment Commencing On or After 1 July 2013

Annual Taxable Income	Rate of Tax
First MWK240 000	0%
Next MWK60 000	15%
Excess over MWK300 000	30%

Notes:

1. Self-assessment – Taxpayers are encouraged to self-assess their tax liabilities. In this regard, a tax return which is prepared and delivered to the Commissioner-General constitutes a self-assessment and may be accepted as such by the Commissioner-General. The Taxation Act gives a legal basis to the self-assessment process.
2. The tax-free threshold for individuals has increased to MWK240 000 per annum (MWK20 000 per month) (previously, MWK180 000 per annum (MWK15 000 per month)). Those whose income is estimated not to exceed the threshold of MWK240 000 per annum, are not required to pay provisional tax.
3. Employers are taxed on the value of any benefit or advantage availed to employees in respect of their employment. The employer makes a quarterly return of the taxable values of fringe benefits on which tax is paid at a rate of 30%. The taxable values are normally the cash values, except for vehicles (15% of the cost of the vehicle per annum), school fees paid directly to institutions (50% of cost) and company-owned housing (50% of the taxable value).
4. Individuals are not liable for tax on bank interest up to MWK10 000 per year.
5. There are no personal abatements or rebates.
6. Individuals will be considered resident for tax purposes if they are resident in Malawi for an aggregate of 183 days or more in any 12-month period beginning or ending in the year of assessment involved.

Non-Residents

Non-resident individuals working in Malawi are subject to a final 15% WHT on gross income. A non-resident, who stays for over an aggregate of 183 days within any 12-month period, is subject to tax at the normal rates.

Business Income – Turnover Tax

A Turnover Tax at a rate of 2% applies. This tax is payable by any person on business income where the annual turnover exceeds MWK2 million but does not exceed MWK6 million.

Any person who is liable to pay Turnover Tax may elect, by writing to the Commissioner not to be subject to Turnover Tax, in which case the other provisions of the Taxation Act would apply. Turnover Tax is paid/collected on a monthly basis in order to afford the taxpayer the opportunity to pay the tax when cash is available and has not accumulated into a significant amount.

Turnover Tax does not apply in respect of rental income, management fees, training fees, income of incorporated companies, and any income which is subject to a final WHT. Where the aggregate business turnover does not exceed MWK2 million, such person is deemed to be under the taxable threshold and as a result no tax is payable.

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2013

	Rate of Tax
Normal company tax	30%
Mobile telecommunication companies	33%
Branches of foreign companies	35%
Life assurance companies	21%
Pension funds – Investment income	15%

Notes:

1. The following income tax changes(effective 1 July 2013) were announced in the 2013/14 Budget:
   - Extension of a tax holiday to the agro-processing and commercial electricity generation and distribution industries as new designated priority industries. The Minister is yet to gazette an order detailing the operation of this new measure. Under the Taxation Act, companies operating in designated priority industries are currently subject to income tax rates between 0%, for periods of up to 10 years, or 15% indefinitely.
   - Extension of the loss carry forward limitation of six years to all industries. Previously, companies in the manufacturing, agriculture and mining industries were allowed to carry forward losses indefinitely.
   - Introduction of a 3% WHT on all commercial imports. Exemptions will apply to registered taxpayers with valid WHT exemption certificates, government ministries and departments, tax-exempt persons and importations done under customs procedure codes and other special transactions accorded duty-free status. This WHT will be duly allowed as a credit against income tax charged upon final assessment.
   - Removal of the insignificant principal amount of MWK22 as a basis for determining the interest charged on unpaid tax, and MWK5.50 as the minimum threshold for interest charges. Interest on any outstanding tax arrears will now be charged at 0.75% per month for the first month or part thereof and 0.25% per month for each additional month or part thereof that the tax remains unpaid. On good cause shown, the Commissioner may waive the interest chargeable.
   - Amendment of transfer pricing regulations which previously considered transfer pricing as applying to entire business arrangements. The legal provision has been changed in 2013 to narrow its applicability to particular transactions.

2. Tax losses may be carried forward until utilised by the same taxpayer, subject to certain restrictions in the event of changes in shareholdings which capitalise on tax losses. Assessed losses may only be carried forward for up to six years.
3. Rollover relief applies to encourage increased investment from the private sector. Under this relief, a business does not have to pay tax on the capital gain from selling an asset, provided that the gain has been used to acquire a qualifying replacement asset similar to or related in service or use to the asset so disposed. A qualifying replacement asset must be acquired within 18 months from the date of voluntary disposal.
4. A modern mining tax regime includes a rate of Mining Income Tax in line with the general rate of 30% or 35%, as the case may be, mining allowances in the first year of assessment of equal to 100% of mining expenditure incurred, a new Resource Rent Tax on returns generated by high commodity prices at 10% of after-tax profits, and special exemptions from import customs duties and VAT.
5. Pension fund contributions of employers are tax deductible up to 15% of the employees' annual salary, whilst the contributions of employees are net of PAYE. Pension benefits that accrue to a pensioner are exempt from tax.
6. The international transport allowance on exports is at 25%.The actual expenditure on international transport remains an allowable deduction.

Withholding Taxes (WHTs)

Certain payments made to non-residents at an address outside Malawi, whether corporate or individual, are subject to WHT (non-residents tax). In addition, certain payments to residents are also subject to WHT. These rates are set out below:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1, 5, 6	10%	10%
Interest	2	20%	15%
Services		20%	15%
Casual labour		20%	15%
Royalties		20%	15%
Fees		10%	15%
Rents		15%	15%
Contractors	9	4%	15%
Other receipts	4, 10, 12	3%	15%

Notes:

1. Both residents and non-residents are subject to a final WHT on dividends, unless specifically excluded by a tax treaty.
2. The first MWK10 000 of bank interest payment to resident individuals is exempt from income tax.
3. Any WHT in respect of non-residents is a final tax in Malawi.
4. WHT rates of 3% apply on the payment for any supplies including foodstuff, tobacco and other products.
5. Malawi has double taxation agreements (DTAs) with France, the Netherlands, South Africa, The United Kingdom, Switzerland, Norway and Sweden. Where income is specifically exempt from tax in a DTA, and is taxable in the other country, WHT is normally not applied.
6. Group relief is available on the dividend WHT. Dividends originating from dividend income (which are distributed by a subsidiary company to a holding company or related company) are exempted from the 10% WHT, provided that the dividend income was subject to WHT in the first instance. The Taxation Act does not provide a definition of a related company. The Malawi Revenue Authority (MRA) has indicated that the main criterion is the holding of shares in another company, but that the test is not based on the degree of control/ influence exercised or even the size of the shareholding. It would seem that any shareholding by a company in another company will qualify.
7. Based on the "Dividend Article" in some DTAs, such as the one with the UK, a dividend paid by a company resident in Malawi to a resident in the other country is exempt from Malawi tax. The MRA believes that these agreements might be renegotiated in order to prevent discrimination against resident shareholders who will be taxed at 10%.
8. In the DTA with South Africa, no "Dividend Article" is available. Therefore, the 10% WHT will be deducted at source and a foreign tax credit would be claimed against South African tax.
9. The WHT on contractors applies to contractors and sub-contractors in the building and construction industries. A building site will often constitute a deemed Permanent Establishment (PE) so that the WHT rate applicable to residents would apply to major building contracts.
10. WHT exemption certificates are granted by the MRA to holders of securities papers in secondary markets, with a proven track record of tax compliance. Suppliers of foodstuffs and other goods can also be granted exemption certificates.
11. Any payment for supplies to traders and institutions was previously subject to WHT, only if the supplies were made under tender or under an arrangement similar to a tender. With effect from 1 July 2007, the reference to tender or any similar arrangement was removed. The only payments exempted from WHT are what are termed as "cash" and "over-the-counter" purchases bought from open stock.
12. In order to achieve equity between farmers, there is no tax exemption for farmer clubs. As a result, all tobacco sold through the auction floors, or directly to tobacco buyers, is subject to WHT of 3% of gross sales.
13. The issuance of WHT exemption certificates to compliant taxpayers in order to facilitate their business transactions, will depend on the following requirements:
    - The applicant has filed all income returns for all the years since commencement of the business and timely filed an income tax return which is due.
    - The applicant has paid all outstanding taxes due including VAT and customs duties.
    - The taxpayer has been audited for tax purposes.
    - The applicant has complied with any special or general directions, or has fulfilled any special conditions which the Commissioner-General considers necessary.

Capital Gains Tax (CGT)

Capital gains are treated as ordinary income and are subject to income tax at the personal or company income tax rates. Subject to any DTA, where non-residents sell shares in Malawian companies, WHT at 15% is deducted from any gain before remittance of the proceeds.

Capital gains and losses are calculated in one of two ways according to whether the capital asset has been subject to a capital allowance claim or not. There is no change in the determination of a capital gain/loss where capital allowances were claimed on the asset, the disposal of which gives rise to a capital gain or loss. The gain or loss is the difference between the proceeds from the disposal of the asset and the tax written-down value of the asset. Such capital losses are deductible from other taxable income without restriction.

However, in determining the adjusted basis of an asset on which capital allowances have not been claimed, the Consumer Price Index (CPI) published by the National Statistical Office (NSO) will be used. The CPI to be used is that applicable to the year in which the purchase or construction of the asset was affected.

Tax on capital gains can be deferred in the case of "involuntary conversion", which is strictly defined, or in the case of a "qualifying reorganisation", which includes most forms of corporate restructuring, provided the substance of the transaction is not a sale. Where an asset has been voluntarily converted, no capital gain will be recognised if the capital gain has been used to acquire a qualifying replacement asset similar to or related in service or use to the asset disposed, provided that the new asset must be of equal or greater value. The replacement must take place within 18 months from the date of voluntary disposal.

No capital gain is recognised on the disposal of an individual taxpayer's principal residence, transfers between spouses, or transfers from a deceased spouse to a spouse, or deceases parent to a child. The tax exemption available on the disposal of shares held in a company listed on the Malawi Stock Exchange (MSE) for more than one year, was re-introduced in 2012. When the exemption was abolished from 1 July 2011, the MRA directed that the shares listed on the MSE will assume the tax base of their market value as on 30 June 2011. This implied that there was no meaningful difference between the deemed tax base and the revalued amount to the time the law was reversed. However, assuming that there was a significant movement which resulted in deferred tax provisions, then such provisions would have to be reversed since any gain/loss on disposal of such shares, listed on MSE, would have been tax-exempt.

Any capital gain realised by an individual on the disposal of a personal and domestic asset, not used in connection with any trade, is exempt from tax. Rollover relief is available on the disposal of business assets where these are replaced by similar assets. The gain has to be reinvested in the replacement assets within a period of two years.

A proposed CGT Act, to regulate CGT as a separate tax, is yet to be developed.

Transfer Pricing

Tax law on transfer pricing provides a mechanism for dealing with the shifting of business profits from one taxing jurisdiction

to another, or from one taxing jurisdiction to nowhere; a practice sometimes common between related parties. The tax authority is accordingly able to deem profits to have accrued in cases where transfer pricing is believed to exist. Transfer pricing rules are provided to guide companies on their transactions.

Malawi has transfer pricing laws and regulations which are modeled on the OECD Guidelines.

Inheritances and Donations

The value of a deceased estate is subject to estate duty at progressive rates of duty of 5% to 11%. No tax is levied if the estate is valued at MWK30 000 or less.

Donations are not taxable in the hands of the recipient. Donations made to approved charities are deductible subject to restrictions.

Value Added Tax (VAT)

VAT	Rate
Basic rate	16.5%

Notes:

1. The following VAT measures were introduced during the 2013/14 Budget (effective 1 July 2013):
   - Increase in the registration threshold for VAT from annual taxable revenues of MWK6 million to MWK10 million.
   - Re-introduction of VAT on internet services at the standard rate of 16.5%. These were previously exempt from VAT.
   - Exemption from VAT of lifting, handling, loading or unloading machinery used in the construction and transport industries. This covers lifts, escalators, conveyors and teleferics.
   - Exemption from VAT of specified construction machinery, including self-propelled bulldozers, angle dozers, graders, levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.
   - Reduction of VAT from 16.5% to 0% on special purpose motor vehicles, including mobile drilling derricks, crane lorries and concrete mixers.
2. Taxable persons, including all businesses currently earning over MWK10 million in annual turnover in Malawi, but excluding certain exempt and zero-rated categories, charge VAT on outputs and can recover VAT incurred on business inputs, other than certain non-allowable inputs such as on entertainment and private cars. It is necessary to determine the proportion of standard plus zero-rated VAT sales over total sales and where the proportion is less than 5% then no input VAT incurred is claimable. Where such a proportion is above 5%, but less than 95%, input VAT should be claimable on the same proportionate basis. However, where the proportion of the standard plus zero-rated VAT sales over total sales is above 95%, then all input VAT incurred, relating to sales, is claimable.

3. Credit claims of inputs in a tax period are limited to the cost of goods or services procured in a month.
4. The remittance of VAT payable, and submission of the related return, is due within 25 days of the end of the month to which the return relates.
5. Bad debt relief is available.
6. The Commissioner-General cannot raise a VAT assessment after a period of six years after the VAT became due and payable, unless fraud is a material element of the assessment.
7. Any person who has committed an offence under the VAT Act, which is compounded by the Commissioner-General, is required to pay a sum of money equal to three times the amount of VAT involved in the offence or MWK100 000, whichever is greater.
8. Interest on unpaid VAT is calculated as an additional amount payable at 15% of the amount of VAT which remains unpaid for a month or part thereof and a further 5% per month or part thereof, for the period during which the tax remains unpaid. The Commissioner has discretion to reduce the amount of the additional sums where a satisfactory explanation is made.
9. The Commissioner is able to recover VAT via third parties without the need to obtain a court order.

Other Transaction Taxes

Stamp Duty	Rate
Stamp duty – Share transfers	-
Stamp duty – Transfer of immovable property	1.5%

Note:
1. The rate of stamp duty is now at 1.5% from the previous 3%.
2. The Technical, Entrepreneurial and Vocational Education and Training (TEVET) Act imposes a tax-deductible levy of 1% of the value of the basic payroll of non-governmental employers.

Tourism Levy

A Tourism Levy of 1% on all bills from registered tourism units is charged.

Customs and Excise Duties

The following customs and excise measures became effective from midnight 24 May 2013:

- Amendment of the definition of duty to include a newly introduced 3% WHT on all imports.
- Introduction of duty-free status on specialised television and radio broadcasting equipment.
- Introduction of a new tariff sub-heading for motor vehicles of seating capacity between 32 and 44. Applicable customs duty is 15% while excise varies from 0% to 30% depending on year of make but regardless of engine capacity.
- Re-introduction of import VAT on raw materials imported under the Customs Industrial Rebate Scheme.

- Re-introduction of duty-free status for the mining and exploration industry.
- Removal of import duty on non-motorised bicycles.
- Removal of import duties on specialised vehicles (safaris) used in the tourism industry.
- Removal of duties on passenger carrying motor vehicles (shuttle buses) used in the tourism industry and increase in the number of such duty-free imports from one to two every five years.
- Removal of customs duty on crane lorries, concrete mixer lorries and track laying tractors used in the construction industry.
- Removal of customs duty on pure bred live bovine animals, live swine, sheep and goats meant for breeding.
- Extension of duty-free status to all companies in commercial electricity generation and distribution.
- Increase in personal travellers rebate from MWK150 000 to MWK300 000.
- Reduction of import duty from 25% to 15% on motorcycles of engine capacity not exceeding 250cc.
- Removal of import duty on inverters.
- Reduction of import duty from 25% to 15% on motor vehicles of a seating capacity between 11 and 31 passengers.
- Reduction of excise duty from 50% to 0% on matches.
- Reduction of excise duty from 25% to 0% on ballpoint pens.
- Reduction of excise duty from 5% to 0% on motorcycles of engine capacity not exceeding 250cc.
- Reduction of excise duty from 20% to 10% on waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured such as soft drinks and squashes, but excluding fruit and vegetable juices.
- Re-classification of the following items with no change in applicable customs duties:
  - Food supplements.
  - Articles of iron or steel, to include burial caskets.
  - Articles of aluminium, to include burial caskets.
  - Articles of wood.
  - Change in the definition of “furnishings” for hotels, inns and lodges, to include only curtains, carpets and rugs permanently or indelibly marked.

Tax Administration

Penalties

The basic penalty is as follows:
- MWK50 000 for individuals.
- MWK200 000 for companies.

This penalty is for the following commissions and omissions:
- Failure to furnish or make default in furnishing a return of income to the Commissioner in respect of any year of assessment.
- Omission from a return of income in respect of any year of assessment, any amount which should have been included therein.
- Deduction or setting off of any amount in the return of income in respect of any year of assessment, the deduction or setting off of which is not allowed under the Taxation Act.
- Claiming any allowance in respect of any year of assessment which the taxpayer is not entitled to claim under the Taxation Act.

Record Keeping

The validity period for keeping records is six years in all Malawi tax legislation.

Notes:

1. Other penalties on offences include: those for non-payment, late payment, underpayments, late submission of returns, non-submission of returns, and submission of incorrect returns, refer-to-drawer cheques, and refusal or resistance to register, are also applicable under the Domestic Excise Tax, the Taxation Act and the VAT Act.
2. The MRA plans to leverage the use of ICT to enhance its operations by implementing the use of electronic fiscal devices in collection of VAT, automated self-assessment system for management of tax returns, web ASYCUDA system and the Customs Data Processing Centre.

Tax Clearance

The list of transactions in respect of which a tax clearance certificate is required, now includes:

- Transfer of land and buildings.
- Renewal of certificates of fitness for commercial vehicles.
- Renewal of business residence permits.
- Renewal of temporary employment permits.
- Renewal, extension or transfer of mining licences or transfer of mineral rights by Ministry of Energy and Natural Resources.
- Renewal of tourism licences by Ministry of Tourism.
- Renewal of energy licences by the Malawi Energy Regulatory Authority (MERA).
- Renewal of telecommunication licences by the Malawi Communications Regulatory Authority (MACRA).
- Transfer of a business as a going concern.
- Renewal of the registration of public transport conveyances at the Road Traffic Directorate.
- Renewal of any other business licences issued by government ministries and departments (including other statutory regulatory bodies).
- Externalisation of funds to non-resident service providers whose source is deemed to be in Malawi.
- Renewal of a certificate of registration under the National Construction Industry Act.
- Renewal of professional business licence and permits of:
  - Medical practitioners or dentists.
  - Legal practitioners (lawyers).
  - Engineers and architects who are engaged in private practice on their own behalf as a private practice, or in partnership with other private practitioners.

Tax Legislation

- All measures granting income tax incentives will be enacted in the Taxation Act; similarly, measures granting customs and VAT incentives, will be enacted in Customs and Excise Act and VAT Act, respectively.

General Investment Information

Investment Incentives

Tax Incentives

- Capital allowances – Investment allowance. This allowance is claimable by a taxpayer who is also a manufacturer or a farmer in the first year of use of a qualifying asset. The balance of the expenditure, if any, is deducted as an annual allowance at the rate of 5% for industrial buildings or 10% to 33% for plant on the cost of the asset in the first year, and on the tax written-down value of the asset in subsequent years. The investment allowance which is claimable by taxpayers in the manufacturing, agricultural and tourism sectors, is as follows:

	Previous Rate	New Rate
New and unused qualifying assets	40%	100%
Used qualifying assets	20%	40%

- Incentives in respect of Petroleum Storage Facilities.

Notes:
1. A 100% first year allowance limited to two years only was proposed in 1 July 2008, most likely in the form of an investment allowance, in respect of investment in the construction of Petroleum Storage Facilities.

- Capital allowances – Initial and annual allowances are available as follows:

Class of Allowance	Industrial Buildings (for Manufacturers)	Plant and Machinery (including Equipment) used in Process of Manufacture	Newly Constructed Commercial Buildings (of over K100mn)	Furniture and Fittings	Office and Other Equipment	Computers	Motor Vehicles
Initial allowance	10%*	20%	0%	20%	20%	20%	20%
Annual allowance	5%	10%-25%	2.5%	10%	10%	40%	20%-25%

* This is not available where an investment allowance has been claimed.

** An allowance exists for manufacturing companies to deduct all operating expenses incurred up to 24 months prior to the start of operations.

Export Incentives

- 25% of the taxable income from export sales may be deducted from taxable income as an export allowance.
- A special additional allowance of 25% of international transport costs (related to exports), may also be deducted from taxable income. (The above incentives do not apply to traditional exports i.e. tea, coffee, unmanufactured tobacco and tobacco refuse or cane sugar).
- 100% duty-free importation of equipment and raw materials for those exclusively engaged in horticultural production for export.
- Exporters in Export Processing Zones (EPZs) benefit from an exemption from excise duties and customs duty on certain purchases. Further incentives for establishing operations in an EPZ include: no WHT on dividends, no duty or capital requirement on capital equipment and raw materials, and no VAT. Some of these benefits are available to other exporters.
- The Malawi Investment and Trade Centre (MITC), formed from the merger of the former Malawi Export Promotion Council (MEPC) and the Malawi Investment Promotion Agency (MIPA), exists as a designated "one-stop" agency to assist investors with establishing a business in Malawi and in obtaining an "investor's licence", although this is not mandatory.

Notes:

1. All companies under EPZs are subject to the standard corporate tax at 30% as provided in the Taxation Act.
2. The additional 15% investment allowance given to companies operating under EPZs, is no longer applicable.
3. All other incentives provided to EPZs under the Customs and Excise Act, remain applicable.

Other Incentives

- Malawi is a uranium producer and home to one of the world's largest reserves of rare-earth metals.
- Low wage rates and a stable social and political environment.
- Fiscal policy supports structural reform in the economy.
- The Kwacha (Malawi currency), was floated in during 2012. Capital controls still remain in place.
- Malawi forms part of the Southern African Development Community (SADC) Free Trade Area (FTA) aimed at furthering economic integration and industrialisation and eliminating tariffs and trade barriers among member countries.

Exchange Controls

There are no restrictions on equity ownership by foreigners. Inward investment must be registered with the exchange control authorities if repatriation of profits, dividends or capital is contemplated. Once registered, profit or dividend remittance approval may be obtained from a commercial bank subject to the production of the required documentation. The commercial banks will refer capital transactions, and those relating to royalties and technical or management fee agreements, to the Reserve Bank of Malawi. Foreign-owned companies may borrow from abroad with exchange control approval. Loans must bear interest at the prevailing rate for the currency in which the loan is denominated. No exchange control approval is necessary for local currency borrowings.

Expatriates and Work Permits

Temporary employment permits (TEPs) are normally available where a specific case can be made through the Department of Immigration for the employment of an expatriate. Investors, or established international organisations, may be granted a number of renewable permits for "key posts". All applications are subject to individual scrutiny and for "time posts", TEPs are normally granted for a specific person and employer for two years at a time, with an expectation that the individual should not remain in the same post beyond six years.

Expatriate individuals may, once authorisation is obtained, repatriate up to two-thirds of their after-tax remuneration and bonuses, as well as end-of-contract gratuities and leave pay.

Trade Relations

- Memberships – Cotonou Agreement, SADC, the Common Market for Eastern and Southern Africa (COMESA).
- AGOA beneficiary country.

Notes:

1. Malawi has a bilateral trade agreement with South Africa. As a result of this trade agreement, a number of export products may enter the South African market at reduced rates of import duty.
2. Malawi signed a preferential trade agreement with the Government of Mozambique with the intention that Malawi export products to the neighbouring country are duty-free. The agreement was signed on 28 December 2005, and came into force on 20 September 2006. The agreement replaces the 1959 trade agreement with Mozambique. Certain products are excluded from the agreement and these include: beer, certain soft drinks, dressed chickens, explosives, firearms and ammunition, manufactured tobacco, petroleum products, refined edible oil, stationery excluding exercise books, sugar, table eggs, and unmanufactured tobacco. Duties (import duty, excise duty and VAT) are payable on these products.

3. Malawi continues its commitment towards aligning the national tariff to the COMESA Common External Tariff (COMESA CET) and the COMESA Common Tariff Nomenclature (COMESA CTN). In order to conform to the regional agreement under the COMESA Simplified Trade Regime (STR) programme, aimed at promoting small cross-border trade among member countries, the country has aligned the processing fee for customs documents under the STR to the Kwacha equivalent of US$1.
4. The country is also committed to fast-tracking the process of phasing down tariffs under the SADC-FTA in order to reap the economic benefits of deeper integration and regional trade. In an effort to do so, the country continues to adhere to commitments made under the SADC Trade Protocol by adopting instruments that will facilitate implementation of this deeper regional integration. In the fiscal year 2012/13, Malawi was able to reduce and align its tariffs in line with the SADC Tariff Phase-down after a long period of stagnation.

Interest and Currency Exchange Rates

Prime Lending Rate:
25.0% (November 2013) (source: National Bank of Malawi)
Bank Rate:
35.0% (November 2013) (source: National Bank of Malawi)
Currency: Kwacha (divided into 100 Tambala)
R1 = MWK40.785 (December 2013)
US$1 = MWK420.600 (December 2013) (source: Oanda)

Notes:

1. The Reserve Bank of Malawi intervenes in the foreign exchange market – a *de facto* conventional peg – to ensure Kwacha stability.

Key Economic Statistics

GDP (approx.):
US$6.021 billion (2013 forecast) (source: IMF)
US$5.727 billion (2012 estimate) (source: IMF)
Market Capitalisation – Stock Exchange:
US$14.680.7658 million (September 2013) (source: Malawi Stock Exchange)
Rate of Inflation:
26.0% (October 2013) (source: IMF)
8.4% (2014 forecast) (source: IMF)

Notes:

1. The economy has been growing at an average rate of 7.6% since 2005. In 2012, the economy grew by 6.7%. However, the economy saw an improvement in foreign currency supply from the shortages experienced in recent years.
2. In 2012, real GDP growth rate was expected to be 6.9% but due to some challenges, both macroeconomic and structural in nature, the GDP growth rate was revised to 4.3%. The GDP growth forecast for 2013 is 5%.
3. Tobacco currently accounts for more than 60% of Malawi's exports and 15% of GDP.
4. Mining currently contributes 10% to GDP and is expected to grow to 20% of GDP within 10 years.
5. The average inflation rate for the 2013 year is projected at 25% with inflation expected to be around 14.2% by December 2013, as the economic recovery continues.

Mauritania

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Mauritania

Income Tax

Individuals

Residents

Personal Income Tax (PIT) Rates for Individuals*		
Taxable Income as exceeds	But does not exceed	Rate
MRO	MRO	%
0	90 000	15%
90 000	210 000	25%
210 000 +		40%

* PIT is payable on the net income on a progressive scale.

Notes:

1. Basis – PIT is applicable for both Mauritanian nationals and non-Mauritanian nationals who have Mauritanian-source income. Non-Mauritanian nationals are also subject to tax on the salary paid outside of Mauritania in respect of work performed in Mauritania.
2. Residence – There is no specific definition of residence for PIT purposes.
3. Rates – Rates are progressive up to 40%.
4. Taxable Income – PIT is levied on salaries and related benefits and allowances paid by public and private entities, to the extent the work is carried out in Mauritania, irrespective of whether the employer or beneficiary is resident in Mauritania.
5. Deductions – Various deductions are allowed including mandatory social security, pensions and contributions.
6. Losses – Tax losses can be carried forward and offset against taxable profits for up to five consecutive years. Losses cannot be carried back.
7. Unilateral double taxation relief applies – Mauritania has concluded a few double taxation treaties with countries (namely, with France and Senegal). A multilateral treaty has been concluded with the Maghreb Union countries.

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard rate	25%

Notes:

1. Basis – Mauritania operates a territorial tax system. Entities (both resident and non-resident) generally are subject to corporate tax only on income generated from activities carried on in Mauritania.
2. Residence – There is no definition of residence in the Mauritanian tax law. Mauritanian entities are taxed based on the territoriality principle.
3. Rates – The standard corporate tax rate is 25%. As from 1 January 2013, a non-resident entity that does not have a Permanent Establishment (PE) in Mauritania, but that sells goods or provides services in Mauritania can elect to be subject to simplified taxation by way of withholding. The applicable rates are 7.5% and 15% of the contract value for the sale of goods and the provision of services, respectively.
4. Taxable income – An entity is taxed on the difference between its trading income and expenditure.
5. Deductions – Expenses incurred in the operation of a business generally are deductible, unless specifically excluded in the tax law. Expenses that may not be deducted include, *inter alia*, penalties, fines and depreciation in excess of the rates provided in the Mauritanian tax law.
6. Dividends – Dividends received by a Mauritanian corporate shareholder are excluded from the taxable base provided the dividends are/were subject to withholding tax (WHT).
7. Capital allowances – Land and intangible assets (such as goodwill) are not depreciable for tax purposes. Other fixed assets may be depreciated using the straight-line method at maximum rates specified by the Mauritanian tax law. Certain industrial assets may be depreciated using the declining-balance method.

8. Provisions – Provisions are normally deductible for tax purposes if they provide for clearly specified losses or expenses that are probably going to occur and if they appear in the financial statements and in a specific statement in the tax return.
9. Losses – Tax losses may be carried forward for five years from the end of the loss-making accounting period. The carryback of losses is not permitted.
10. Foreign tax relief – Foreign tax credits are generally not available.
11. Participation relief – Not applicable.
12. Group treatment – Not applicable.

Withholding Taxes (WHTs)

Certain payments to domestic companies and individuals and non-resident companies/ investors are subject to WHT at the following rates:

WHT Rates	Note	Residents	Non-residents
Dividends		10%	10%
Royalties		0%	3%
Interest	1	10%	10%
Director fees		-	10%
Technical services fees		3%	3%
Branch remittance tax		10%	10%

Mauritania has concluded tax treaty (DTA) arrangements with the following countries:
• France
• Senegal
• Arab Maghreb Union

Notes:

1. Interest on savings accounts held with "*la Caisse d'Epargne*" is exempt from tax.
2. Mauritania has only concluded two DTAs (namely, with France and Senegal). In addition, Mauritania has a signed a multilateral treaty with countries of the Arab Maghreb Union (i.e. Morocco, Algeria, Tunisia and Libya).

Capital Gains Tax (CGT)

Capital gains are taxable as an ordinary income i.e. capital gains are included in the taxable base and subject to a 25% corporate tax rate. However, if the entity commits to reinvest the capital gain amounts within three years as from the end of the financial year when they incurred, the capital gain would be tax exempt.

Anti-avoidance

Transfer Pricing

There are no formal transfer pricing regulations in Mauritania. However, transactions between related parties should be made at arm's length.

Thin Capitalisation

Not applicable, but if the interest rate applied by the company exceeds the official rate of the Central Bank, the additional interest is disallowed for corporate tax purposes.

Value Added Tax (VAT)

	Rate
Standard rate	14%

Notes:
1. VAT is levied on the supply of goods and services and on the import transactions.
2. Rates – The standard rate of VAT is 14%. A higher rate of 18% applies to petroleum products and telecommunications services.
3. Registration – Entities are required to register for VAT purposes within 10 days of the date of incorporation or the date activities commence.
4. Filing and payment – Companies are required to file VAT returns and pay VAT on a monthly basis by the end of the following month.

Customs and Excise Duties

The import duties in Mauritania include a general rate and a minimum rate of 20% and 5% respectively.

Certain goods can be subject to an intermediary rate that fluctuates between the minimum rate and the general rate. The rates are fixed in accordance to the goods classification and origin.

Privileged rates apply in line with the international treaties or conventions as agreed by the Government of Mauritania.

The import of samples for commercial purposes is exempt from taxes. These goods will enter under an ATA Carnet that can be obtained from the Council of the International Chamber of Commerce.

In addition to the customs duties, most imported products are subject to a Statistical Tax of 3%.

Other Taxes

Inheritances/Gift Tax

The Mauritanian tax law does not contain an Inheritance Tax. However, donations and inter vivos gifts are subject to registration fees at various rates that vary according to the type of assets transferred.

Net Wealth Tax

None.

Stamp Duties

Stamp duties are applicable to certain transactions at various rates.

Business Activity Tax (“*patente*”)

This tax (at various rates) is a calculated based on the turnover of the business.

Registration Duties

Registration duties apply on transfers of real property or businesses. The rates vary between 0.25% and 15%.

Social Security

An employer is required to remit social security contributions in respect of an employee's gross salary at a rate of 15% (capped at a monthly base of MRO70 000).

Tax Administration

Individuals

- Tax year – The tax year is based on the calendar year.
- Filing and payment – The employer is required to make monthly and annual tax filings In respect of its employees. One monthly wage WHT return is filed by the employer to report the total income, total tax withheld and total number of employees for the given month and an annual tax deduction schedule should be filed for the year before 15 February of the following year. Generally, no separate personal/individual tax filing is required.
- Penalties – Penalties are imposed on late filing and payment at 10% of the amount payable when the delay is less than two months and 25% of the amount payable when the delay is more than two months.

Companies

- Tax year – The calendar year is typically the fiscal year.
- Filing and payment – During the course of the fiscal year, two instalments should be made. The tax return must be filed by 31 March of the year following the fiscal year, with any balance of tax paid by 30 April.
- Penalties – Penalties are imposed on late filing and payment at 10% of the amount payable when the delay is less than two months and 25% of the amount payable when the delay is more than two months.
- Rulings – Not applicable.

General Investment Information

Investment Incentives

Tax Incentives

There are a number of tax incentives available under the Investment Code which apply to all economic sectors except for banking, insurance (including reinsurance) activities and mining and hydrocarbon activities.

Two types of incentives are provided for in the Investment Code; namely, the capital gains exemption and the export-oriented companies' regime:

- Exemption of capital gains – Capital gains derived from the disposal of shares in the capital of enterprises operating under the Investment Code are exempt from tax in Mauritania if the transfer was made to a Mauritanian national.
- Export-oriented companies – A number of advantages are granted to companies whose business relates solely to export, whether directly or indirectly. An enterprise whose businesses relate indirectly to exports, is an enterprise that carries out transactions only with other export-oriented companies. Export-oriented companies, which are subject to the control of the customs authorities, are eligible for the

following incentives: exemption from all duties and taxes due on exports; exemption from customs duties and similar taxes on the import of equipment, machinery, material, engines etc., as well as on the import of raw materials, semi-finished goods etc., required for the purposes of setting up or running the business; exemption from registration and stamp duties of the transfers and similar deeds required for the setting up and the organisation of the business; exemption from the business licence duty and any similar taxes, as well as any tax on real property; application of a reduced flat rate minimum tax of 2%; and the possibility to recruit up to four foreign employees in executive positions without prior agreement. The tax liability of these employees may not exceed 20% of their total payroll. (Note: The exemptions mentioned above are applicable not only in respect of the setting up of (approved) projects, but also in respect of any extension and modernisation etc. made thereto.)

Tax Regime for Public Procurements Contracts Funded by Means of Foreign Resources

A special regime for public procurements funded by foreign resources is available under Law 97/8 of 21 January 1997. Such procurements include the supply of works, products and services, funded by means of grants, non-reimbursable subsidies and foreign loans contracted by the State, collective authorities and public establishments. The main features of this regime include:

- Taxes on transactions relating to public procurements funded by means of foreign resources are borne by the Mauritanian State. These include customs duties, VAT, Statistics Tax and excise duties except for duties and taxes levied on hydrocarbons and lubricants.
- Equipment imported to perform such projects is entitled to the following regime:
  - Equipment which is the property of the state or of local authorities – the tax is borne by the State of Mauritania.
  - Equipment the ownership of which is to be transferred to the state at the end of the project – the temporary admission regime applies to suspend the collection of taxes and duties on such equipment. When transferred to the State of Mauritania at the end of the project, tax is to be paid by the State.
  - Equipment imported by foreign or Mauritanian companies to be used for studies, control and supervisory activities – the temporary admission regime applies. Taxes and duties are payable by these companies in proportion to the period of use in Mauritania.
- Foreign individuals in charge of studies, control and technical assistance within the framework of these projects may also import one personal vehicle under the temporary exemption regime, subject to the condition that they are paid exclusively and directly by the foreign state or institution funding the project during the period of their stay.
- In addition, procurement contracts funded by foreign resources are exempt from registration duties. Such contracts are, however, still subject to registration formalities.

Exchange Controls

Exchange control regulations exist in Mauritania for foreign financial transactions.

Expatriates and Work Permits

Typically, foreign individuals working in Mauritania should obtain a work permit and a residency card. Getting a work permit requires sponsorship from a local employer.

The residency card is mandatory for all foreigners in Mauritania as from May 2012.

Trade Relations

- Memberships – African Union (AU) and New Partnership for Africa's Development (NEPAD).
- International organisations – AU, Arab League, Group of 77, United Nations (UN).
- Tax treaties – Mauritania has entered into DTAs with France, Senegal and states of the Arab Maghreb Union (Algeria, Libya, Morocco and Tunisia).

Notes:

1. The treaties generally provide the following relief: commercial profits are taxable in the treaty country where a foreign firm performs its activities through a PE; interest is taxable in the state of residence of the beneficiary, but the state of source may withhold tax at source if allowed by the domestic law of such state; and employment income is taxed in the treaty country where the activity is performed, except in the case of a short assignment.
2. The treaties with France and Senegal provide that royalties and remuneration paid to a non-resident for services rendered in Mauritania are taxable in the state of residence of the beneficiary, but the state of source may withhold tax at source if allowed by the domestic law of such state.

Currency Exchange Rates

Currency: The Mauritanian currency is the ouguiya (MRO).
US$1= 298.25 MRO (December 2013) (source: Oanda)
R1 = 287.627 MRO (December 2013) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$4.199 billion (2013 forecast)
US$3.939 billion (2012 estimate) (source: IMF)
Market Capitalisation – Stock Exchange:
Not applicable.
Rate of Inflation:
5.101% (December 2013) (source: IMF)
4.903% (average 2012) (source: IMF)

Mauritius

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Mauritius

Introduction

The Honourable Minister of Finance and Economic Development, Mr Charles Gaetan Xavier-Luc Duval G.C.S.K, presented the 2014 Budget for Mauritius on 8 November 2013.

Income Tax

Residents

Residents are taxed on their worldwide income. However, any earned income derived from outside Mauritius is taxed in Mauritius only if it is actually received there. Individuals are assessed and pay tax annually in arrears i.e. income earned in the year ended 31 December 2012 (year of income) is taxed by 31 March 2013 in the year ended December 2013 (year of assessment), except for salaried employees who pay tax on current earnings through a monthly deduction by their employer under the Pay-As-You-Earn (PAYE) system and self-employed individuals who make an interim tax payment on current business and professional income every quarter under the Current Payment System (CPS).

All dividends paid by companies resident in Mauritius are tax-free in the hands of individual or corporate shareholders. Dividends paid by non-resident companies to residents are taxable in Mauritius.

Income Tax Rates for Resident Individuals: Year to December 2014

	Note	Rate
Flat rate of income tax	1	15%

Notes:

1. The individual income tax rate has not changed and remained at a flat rate of 15%.
2. Relief is afforded to retired people, under Categories E and F (see 3 below).
3. A single allowance (called the income exemption threshold) is deductible from a resident individual's income to arrive at taxable income. It is divided into six categories as follows:
   - Category A – No dependant Rs275 000.
   - Category B – One dependant Rs385 000.
   - Category C – Two dependants Rs445 000.
   - Category D – Three dependants Rs485 000.
   - Category E – No dependant Rs325 000 (retired persons).
   - Category F – One dependant Rs435 000 (retired persons).
4. Individuals are also taxed on the value of any benefit or advantage arising from employment.
5. Individuals will be considered resident for tax purposes if:
   - They are domiciled in Mauritius, unless their permanent place of abode is outside Mauritius.
   - They have been present in Mauritius for 183 days or more in that income year.
   - They have been present in Mauritius for 270 days or more in aggregate in that income year and the two preceding income years.
6. Severance allowance – As for the tax exemption on retirement allowance, there is a similar increase in the amount of exempt severance allowance from Rs1 million to Rs1.5 million.
7. Deduction for children at university – A deduction for children at university applies whereby a parent, with an annual income below Rs2 million, will be entitled to a deduction in respect of a child following a non-scholarship full-time course at a university in Mauritius, or abroad, amounting to Rs80 000 and Rs125 000 respectively. The relief is available for a three-year period and cannot be claimed for more than three children.

8. First-time buyer of a house or residential land – Provided he/she has an annual income below Rs2 million, a first-time buyer of a house, or bare residential land, is entitled to an exemption of registration duty on the first Rs4 million and Rs1 million on the acquisition of a house, or bare residential land, respectively. In the case of bare land, construction must start within one year and be completed within three years of purchase. The same first-time home owner can also claim a deduction for interest on a new mortgage loan or an existing loan contracted since 1 July 2006. The interest relief, applicable as from the income year 2011, is limited to Rs120 000 annually for a five-year period only.
9. A cap of Rs3 million is set for the cost of a motor car qualifying for an annual allowance.
10. Sugar cane planters – A planter exclusively engaged in a sugar cane plantation on less than 15 hectares of land is entitled to an exemption for the first 60 tons of sugar income. This planter is also entitled to a duty-free double cab vehicle.
11. Interest received by an individual in respect of debentures quoted on the stock exchange, will be exempted from income tax.

Relief for Medical/Health Insurance Premium

Every person will be allowed to deduct from his net income, as from 1 January 2013, premiums paid in respect of a medical or health insurance policy contracted for himself and his dependents (see table alongside).

Income Tax Rates for Resident Individuals: Year to December 2014

Category	Applicable To	Proposed (Rs)
A	Individual with no dependent	12 000
B	Individual with one dependent	24 000
C	Individual with two dependents	30 000
D	Individual with three dependents	36 000
E	Retired Individual with no dependent	12 000
F	Retired Individual with one dependent	24 000

Non-Residents

Non-residents are only subject to tax in Mauritius on income derived from a source in Mauritius. Non-resident individuals are subject to tax using the same tax rates applicable to residents (see previous page). In addition, certain payments made to non-residents, at an address outside Mauritius, are subject to the deduction of tax at source (see below).

Fringe Benefits

Taxation of fringe benefits applies as follows for the 2014 income tax year:

	Monthly Taxable Amount	
	From	To
(i) Car Benefit		
A. Car is used for official or business and private purposes Up to 1600cc 1601 to 2000cc Above 2000cc	 Rs9 000 Rs10 125 Rs11 250	 Rs9 500 Rs10 750 Rs12 000
B. Car is used exclusively for private purposes Up to 1600cc 1601 to 2000cc Above 2000cc	 Rs12 000 Rs13 500 Rs15 000	 Subsumed in Category A above
(ii) Accommodation Benefit (provided by hotels)		
A. Full Board and lodging Single Married	 Rs11 000 Rs15 000	 Rs11 500 Rs15 700
B. Accommodation for Managing and supervisory staff Other staff	 Rs4 200 Rs2 100	 Rs4 400 Rs2 200
(iii) Housing Benefit (where property is rented by the employer)		
A. Furnished	20% of employee's total emoluments or actual rent paid, whichever is the lower	Actual rent paid
B. Unfurnished	15% of employee's total emoluments or actual rent paid, whichever is the lower	Actual rent paid

Self-employed Persons – Current Payment System (CPS)

Self-employed taxpayers having a turnover, or deriving income from a profession, vocation or occupation, not exceeding a threshold of Rs4 million per annum, will no longer be required to file CPS returns and pay tax on a quarterly basis. They will pay tax annually at time of filing of their income tax return. This facility will apply equally to rental income not exceeding the annual threshold of Rs4 million.

Companies

Companies are assessed and pay tax annually in arrears i.e. income earned in the year of income is used to determine the taxable income, and hence, the tax liability for the year of assessment. Companies are taxed at a flat rate of 15% and an Alternative Minimum Tax (AMT).

AMT is payable where a company pays dividends and its tax payable is less than 7.5% of its book profit. The AMT payable is the lower of 7.5% of book profit and 10% of the dividends paid. Companies that are exempt from income tax are not liable for AMT. Companies are required to make quarterly tax payments under the Advanced Payment System (APS). Advance quarterly payments are required from companies whose annual turnover are above Rs4 million. AMT will be suspended for manufacturing and hotel companies during fiscal years 2013 and 2014. Losses can be carried forward for a maximum period of five years.

There is no group relief provision except that losses can be transferred on the takeover or merger involving manufacturing companies.

Income Tax Rates for Companies: Year of Assessment – 2013

	Note	Rate of Tax
Basic flat rate – All companies except for those listed below		15%*
Global Business Licence Companies – Category 2 (previously, international companies without tax resident status)		Exempt
Companies holding Freeport licence	1	Exempt
Companies engaged in spinning, weaving and dyeing	2	Exempt

*The effective rate after granting a tax credit is 3% for Global Business Licence companies, Category 1 (previously, offshore companies) and qualifying trusts (previously, called offshore trusts).

Notes:

1. The income tax exemption/tax holiday which applies to Freeport Operators (set to end in 2013) will be granted indefinitely.
2. Exemption applies until the income year ending 30 June 2016.
3. The following tax deductions are not allowed:
   - Any investment, expenditure or loss to the extent to which it is capital or of a capital nature.
   - Any expenditure or loss to the extent to which it is incurred in the production of income which is exempt income.
   - Any reserve or provision of any kind.
   - Any expenditure or loss recoverable under a contract of insurance or of indemnity.
   - Any expenditure incurred in providing business entertainment or any gift.
   - Any tax payable under the Land (Duties and Taxes) Act, 1984.
   - Income tax or foreign tax.
   - Any expenditure or loss to the extent to which it is of a private or domestic nature.
4. Unrelieved business losses may be carried forward for set-off against future income (other than emoluments). For companies, losses are not available for carry forward when there is more than 50% change in shareholding. The time limit to carry forward any unrelieved loss, applicable both to individuals and companies, is five years. However, the time limit of five years does not apply for the carry forward of any amount of loss which is attributable to the annual allowance.

5. Prior to the announcement of the 2009/10 Transitional Budget, banks were taxable at the rate of 5% on their net income from transactions with non-residents and Global Business Licence Companies. A special levy of 0.5% of turnover, and 1.7% of accounting profit, was imposed on profitable banks. The special levy of 3.4% of profit, and 1% of turnover payable by profitable banks, was planned to be cut by half as from the income year 2011. Instead, these two rates will be maintained for the next two years.
6. As regards telephone operators, the solidarity levy of 5% of book profit, and 1.5% of turnover, will be extended to income year 2013.
7. Profitable companies are required to allocate 2% of their chargeable income to Government-backed activities under the Corporate Social Responsibility Schemes, or as contributions to the Government in its fight against poverty.
8. In 2011, the restriction imposed on Global Business Companies, to conduct business within Mauritius, was lifted in order to provide a much-needed boost to the Global Business Sector and to enhance substance.

Tax Deduction at Source

Under the system of Tax Deduction at Source (TDS), tax must be deducted at the time certain types of payments are made. The payments covered and the rates of tax are:

Tax Deduction at Source Rates	
Nature of Payment	**Rate**
Interest payable to a non-resident	15%
Royalties - *A resident* - *Non-resident*	 10% 15%
Rent	5%
Payments to providers of specified services	3%
Payments to contractors and sub-contractors in construction industry	0.75%

The following persons are required to deduct TDS:

- From interest – Any bank, including the Bank of Mauritius; any non-bank deposit-taking institution; any person (other than an individual) issuing debentures, and any other loan instrument.
- From royalties – Any company, or "*société*", other than companies holding a Category 1 Global Business Licence.
- From rent – Any person (excluding individuals).
- From fees to providers of specified services – Any person (excluding individuals).
- From payments to contractors and sub-contractors – Any person (excluding individuals).

Note:
The payer is required to issue a Statement of Income Tax Deduction to the payee by 31 July every year showing the total payments made to the payee, and the total amount of TDS. Where a payer fails to remit to the MRA by the due date, the tax required to be deducted at source, he/she is liable to a penalty of 5% of the tax due, and to interest at the rate of 1% per month, or part of the month during which the tax remains unpaid. The basis of income taxation of companies engaged in long-term insurance business, will be reviewed and will take effect on the 1 January 2014.

Ministries, departments, local authorities, the Rodrigues Regional Assembly and parastatals will, apart from the normal TDS, also be required to effect deduction at source in respect of high-value contracts relating to implementation of projects and procurement of goods and services.

The scope of TDS is extended to cover:

- Certain consultancy and management services.
- Interest payments made by financial institutions and other companies to an individual where such interest is taxable.

Mauritius has Double Taxation Agreements (DTAs) with the countries (listed below). These treaties may reduce the tax rates imposed under TDS:

DTA – Summary Table					
Maximum Tax Rates Applicable to Certain Revenue Taxable at Source					
	Interest		Interest		
Country	Banks	Note	Other	Note	Royalties
Barbados	Nil	1	5%		5%
Belgium	Nil		10%		Nil
Botswana	12%		12%		12.5%
China	10%		10%		10%
Croatia	Nil		Nil		Nil
Cyprus	Nil		Nil		Nil
France	Nil	1	Nil	1	15%
Germany	Nil	1	Nil	1	15%
India	Nil	1	Nil	1	15%
Italy	Nil	1	Nil	1	15%
Kuwait	Nil	2	Nil	2	10%
Lesotho	10%		10%		10%
Luxembourg	Nil		Nil		Nil
Madagascar	10%		10%		5%
Malaysia	15%		15%		15%
Mozambique	Nil		8%		5%
Namibia	Nil		10%		5%
Nepal	Nil		10%/15%	4	15%
Oman	Nil		Nil		Nil
Pakistan	10%		10%		12.5%
Rwanda	Nil		Nil		Nil
Senegal	Nil		Nil		Nil
Seychelles	Nil		Nil		Nil
Singapore	Nil		Nil		Nil
South Africa	Nil		Nil		Nil
Sri Lanka	Nil		10%		10%
Swaziland	5%		5%		7.5%
Sweden	Nil		15%		15%
Thailand	10%		15%	3	5%/15%
Uganda	10%		10%		10%
United Kingdom	Nil	1	Nil	1	15%
Zimbabwe	Nil		10%		15%

Treaties awaiting ratification: Malawi, Nigeria, Russia, Tunisia, United Arab Emirates, Vietnam and Zambia. Treaties under negotiation: Canada, the Czech Republic, Egypt, Greece, Iran and Portugal.

Government intends widening the network of DTAs and Investment Promotion and Protection Agreements with African states starting with Algeria, Angola, Burkina Faso, Tanzania and South Sudan.

Notes:

1. Where interest is paid by banks it is exempt. Interest payable, other than by banks, is taxed in the source country according to the taxation laws of that state.
2. Interest is only taxable in the source country where the beneficial owner of the interest carries on business through a Permanent Establishment (PE), or performs independent personal services from a fixed base, and the debt claim is effectively connected with the PE or fixed base. The maximum tax rate is 5%.
3. The rate of 5% is only applicable if the royalties relate to any copyright of literary, artistic or scientific work, excluding cinematograph films and films, tapes or discs for radio or television broadcasting.
4. The rate of 10% is applicable if the beneficial owner is a financial institution, an insurance company or an investment company receiving income from financial institutions.

Inheritances and Donations

There is no estate duty in Mauritius. Donations tax is payable at the rate of 5% (previously, 10%). The rate of donations duty has been aligned with that of registration duty on any gratuitous transfers of property during the donor's lifetime but only in relation to property which requires registration. This tax is payable by the done. Donations between ascendants and a descendant, a descendant's spouse or surviving spouse, are exempt from donations tax.

Value Added Tax (VAT)

VAT	Rate
Basic rate	15%

Notes:

1. The registration threshold is Rs4 million per annum. Certain businesses or professions are required to register, irrespective of their turnover.
2. Zero-rated supplies include amongst others: goods exported under customs control, the supply of services to non-residents, the supply of aeronautical services, pharmaceutical products, kerosene (including jet type fuel), books, goods sold by a duty-free shop at a port or airport and the international transport of passengers and goods. In addition, sugar and fruits produced in Mauritius are also zero-rated supplies.
3. Exempt supplies include: supplies of certain foodstuffs (rice, wheat flour and bran, butter, margarine, sterilised liquid milk, curdled milk and cream and yoghurt fish, meat and vegetables etc.), medical services, public transport, residential accommodation, banking services and, most recently (for 2012), life jackets, anti-smoking gum, cosmetic surgery and construction of social housing by Housing Development Trusts. The following goods and services will become VAT exempt with immediate effect:
    - Infant cereals not containing milk.
    - Colostomy bags and urine bags.
    - Entrance fees to cinemas, concerts and shows.
    - Royalties on importation of film.

4. The VAT exemption on cosmetic surgery was restored with effect from 1 January 2012.
5. VAT on soluble chemicals such as potassium nitrate, mono potassium phosphate and magnesium sulphate, has been removed.
6. VAT exemption on cosmetic surgery has been reintroduced.
7. No input tax can be claimed in respect of goods or services used to make an exempt supply, motor car expenses, accommodation, catering services, receptions and entertainment.
8. A VAT Refund Scheme has been introduced for the agro-industrial and fisheries sector, whereby VAT paid on equipment purchased in 2012, will be refunded by Mauritius Revenue Authority (MRA). For small planters and breeders, equipment refers to agricultural machinery, equipment and tools and for registered fisherman in the fisheries sector, equipment includes fishing gear, outboard and inboard engines of up to 25hp, VHS radios and semi-industrial fishing vessels used by fishermen grouped in co-operatives.
9. Returns must be submitted on a monthly basis if annual turnover of taxable supplies exceeds Rs10 million. Otherwise, quarterly returns are required.
10. Severe penalties are prescribed in case of late submission of returns and late payment of VAT.

Additional VAT incentives for 2014 include:

- Removal of VAT on the importation and acquisition of new semi-low floor buses or chassis used for public transport.
- Extension of VAT exemption of services provided by banks in respect of credit cards or debit cards to a company engaged wholly and exclusively in the provision of e-commerce to a person residing outside Mauritius.
- `Claw-back of VAT on building sold before the twentieth year will be reviewed for the transfer between VAT- registered persons.
- Proposal for the collection of VAT in respect of mineral waters, aerated waters, soft drinks and alcoholic drinks at the wholesale stage as the case for petroleum products.

- Proposal for VAT exemption for the supply of photovoltaic panels.
- Removal of VAT on medical, surgical or laboratory steriliser, x-ray film and photographic plates for medical purposes, bio-pesticides and growing medium for plants.
- Change in VAT classification from exempt to zero-rated for fresh or frozen meat (pork, beef, mutton, etc), canned or preserved meat and fish, sausages, milk, buttermilk, curdled milk, butter, cheese and curd, honey, soya bean, tea, spices and rice.
- VAT refund scheme for small planters, fishermen, breeders, apiculturists and bakers will now become permanent in the VAT legislation.
- Refund up to Rs300 000 on VAT charged by a VAT-registered building contractor on the construction of new residential unit costing less than Rs2.5 million for household with monthly income of less than Rs50 000. The scheme is also applicable for purchase of an apartment.

Customs and Excise Duties

Tariff Policy

Where significant local production exists, and to give greater certainty to businessmen and investors, changes in customs duty rates on products will be announced with a notice of at least six months.

Interim Economic Partnership Agreement (EPA) with the European Union

First year of tariff liberalisation process involving:

- Raw materials and capital goods: Immediate liberalisation.
- Intermediate goods: phased reduction from 2013 to 2017 (five years).
- Finished goods: phased reduction from 2013 to 2022 (10 years).

Notes:

1. As from 1 January 2014, excise duty on sugar content of soft drinks is 3 cents for each gram (previously, 2 cents for each gram). This covers any "aerated beverage" (such as colas), any "syrup", any fruit squash, cordial or drink, whether imported or produced locally.
2. As from 1 January 2014, excise duty of 25% on energy inefficient products is extended to household room air conditioners, tumble dryers and electric lamps; an excise duty of 30% applies to firecrackers and fireworks; excise duty of 45% on motor cycles of cylinder capacity ranging from 201 to 250 c.c has been removed; excise duty on alcoholic products will increase by 5%; and customs duty on a list of sensitive goods (i.e. black tea, spices, flour, salt, edible oil, margarine, doors, windows, furniture, etc) originating from SADC countries will be removed.
3. As from 2013, modulated excise duty was introduced on electrical appliances on the basis of their energy consumption in order to promote the use of more energy efficient types of energy.
4. As from 1 January 2014, excise duty on tobacco products increases as follows:

Tobacco Products	From	To
Cigars (Rs per Kg)	12 236	12 845
Cigarillos (Rs)	12 236 per kilo	7 500 per thousand
Cigarette (Rs per thousand)	3 540	3 717

Other Transaction Taxes

Transaction Taxes	Note	Rate
Registration duty – Immovable property	1	5%/US$70 000
Land Transfer Tax	2, 3	5%/10%
Tax on transfer of leasehold rights in state land	4	20%
Municipal Tenant's Tax – Commercial properties	5	10% to 20% of rent payable
Environment Protection Fee (EPF)	6	
Levy on messaging services	7	10c per SMS/MMS/ZMS
Advertising Structure (billboard) Fee	8	

Notes:

1. Registration duty on acquisition of Integrated Resort Scheme (IRS) residence, is payable at the rate of 5% on the value of the property or US$70 000, whichever is higher. Agricultural land sold by sugar companies to metayers is not subject to registration duty. The transfer of immovable property, within a family, may be exempt from duty in certain circumstances. This duty does not apply where the transfer has been subject to donations tax. Registration duty on the acquisition of immovable property by a manufacturing company, is exempt. The Transition Budget introduced the following changes:
   - Investors acquiring a non-IRS villa for leaseback, to pay a fixed registration fee of: US$70 000 (provided that it is leased back to a hotel operator).
   - Micro-enterprises moving to corporate status exempted from registration duty of 5% on immovable properties transferred as equity into a new company.
   - 50% reduction on registration duty for electric cars.

   Further changes introduced for the 2012 year include the following:
   - Reduction of registration duty on registered loans – Registration duty ranging from Rs1 000 to Rs10 000 is being removed on registration of secured loans where the amount borrowed does not exceed Rs1 million.
   - Abolition of inscription fee – The inscription fee of Rs200, payable on registration of secured loans, is being removed. Therefore, only stamp duty of Rs1 000 will be payable as user fee on registration of a secured loan not exceeding Rs1 million.
   - Renewal of inscription – The "*Code Civil Mauricien*" will be amended to extend the time limit for renewal of inscription in respect of a fixed and floating charge in connection with a secured loan from 10 years to 40 years, thereby reducing further the cost of borrowing.
2. Payable on transfer of shares in companies with immovable property. The tax rate is 10% for transfers effected within five years of acquisition. Otherwise the rate is 5%.
3. To provide cash relief to IRS/RES promoters, developers will pay 25% of the Land Transfer Tax at the time of signature provided a bank-guarantee for the remaining balance is furnished to the Registrar-General. The remaining balance is payable in three equal instalments over a period of 18 months. From 1 January 2012, financial institutions will be exempted from payment of Land Transfer Tax on the sale immovable property in connection with debt realisation provided that the property is being sold within a period of 12 months from its acquisition date.
4. This tax is to be paid in equal proportions by the transferor and transferee.
5. Effective 1 January 2012, Municipal Tenant's Tax was abolished. Government will compensate municipalities for revenue foregone.
6. For the 2012 year, EPF was to be payable only by profitable hotels, guest houses or tourist residences. In addition, EPF will only be payable within four months after the end of its accounting period, instead of monthly as in the past.
7. A levy of 10 cents on each SMS, MMS and ZMS applies as from 1 January 2012.
8. The Advertising Structure Fee will be collected by the MRA instead of local authorities and a "vignette" will be affixed to each billboard to ensure compliance control. The new fee amounts were effective as from 1 January 2012.

Tax Administration

- Individuals are required to submit returns of income and pay tax, if any, by 31 March. Companies with an accounting year ending on 30 June are required to submit their returns and pay tax, if any, by 31 December. Other companies are required to submit their returns and pay tax, if any, within six months after the end of their accounting year. "*Sociétés*" and "*Successions*" are required to submit their returns by 31 March.
- Tax claimed in a notice of assessment should be paid within 28 days of the date of the notice of assessment, unless the taxpayer objects to the assessment. There is a time limit of four years to raise an assessment, except where the taxpayer has failed to submit a return or in case of fraud or willful neglect.
- In case of dissatisfaction with a notice of assessment, the taxpayer may object to the tax claimed within a delay of 28 days specifying, in the letter of objection, the grounds of the objection and at the same time pay 30% of the amount of income tax claimed. If the taxpayer objects exclusively to income assessed as emoluments, or to the amount of income exemption threshold, the payment of the 30% mentioned above does not apply.
- For tax treaty purposes, the Income Tax Act will be amended to permit the exchange of information on non-tax resident persons.
- The MRA will be bound under a "memorandum of understanding" to be signed with the Financial Services Commission to respond swiftly to demands from foreign tax authorities for information on Global Business Companies.
- A board member of the MRA will be required to be present on interview panels only for filling of posts of section head and above. Other staff will be interviewed by a panel of three MRA directors.
- Excess corporate tax paid will be allowed to be set-off against future tax liability under the APS.
- Executive directors in a private company will become accountable and liable for non-payment of VAT to MRA as in the case of income tax.

- To extend the power of MRA for temporary closure of a business in case of non-payment of VAT/income tax to cases where claims have remained unpaid.
- Companies submitting electronic VAT returns will be required to submit particulars of sales to traders.

Budget 2014 proposals include:

- Implementation of a simplified income tax return for small and medium businesses with a turnover up to Rs10 million.
- Extension of filing deadline for companies with an accounting year ending 30 June and no tax payable to 15 January.
- Synchronisation of the payment dates of various taxes and other remittances payable to the MRA for facilitating online block payment.
- Introduction of a Tax Administration Bill to consolidate administrative processes with a common platform for various areas of tax through common and streamlined provisions in light of best international practice to facilitate better compliance by tax payers. Tax representatives and tax agents will also be regulated.

Tax Amnesty and Collection of Tax Arrears

- The amnesty schemes introduced in 2012, are being reconducted and will operate for nine months from January to September 2013. A special scheme will also be introduced for dealing with long outstanding tax arrears.

General Investment Information

Investment Incentives

Tax Incentives

Capital Allowances	Annual Allowance
Industrial and commercial premises	5%
Hotels	30%
Assets costing Rs30 000 or less	100%
Assets costing more than Rs30 000	
• Electronic and computer equipment	50%
• Other machinery and plant	35%
• Motor vehicles	25%
• Furniture and fittings	20%
• Golf courses	15%

- To give a boost to manufacturing, and in line with the MID agenda, the Schedule of Annual Allowances in the Income Tax Act, will provide for accelerated depreciation in respect of investments made during 2013 and 2014 in manufacturing and in "green" technology equipment, as follows:

Capital Expenditure Incurred On	From	To
Industrial premises dedicated to manufacturing	5% (straight-line)	30% (reducing balance)
Plant or machinery fully expensed (100% allowance)	< Rs30 000	<Rs50 000
Electronic and high-precision machinery (incl. computer hardware and software)	50% (reducing balance)	50% (straight-line)
Plant and machinery by a manufacturing company	35% (reducing balance)	50% (straight-line)
"Green" technology equipment	35% (reducing balance)	50% (straight-line)
Scientific research	25% (reducing balance)	50% (straight-line)
Renovation works incurred by hotels, restaurants and retail outlets	20% (reducing balance)	33% (straight-line)

- List of qualifying "green equipment" eligible for 50% annual allowance on a straight-line basis:
  - Renewable energy including solar-electric (photovaltics) and solar thermal, wind and biomass, except for companies whose main business is the production of electricity.
  - Energy-efficient equipment or noise control device.
  - Water-efficient plant and machinery and rainwater harvesting equipment and system.
  - Pollution control equipment or device, including wastewater recycling equipment.
  - Effective chemical hazard control device.
  - Desalination plant.
  - Composting equipment.
  - Equipment for shredding, sorting and compacting plastic and paper for recycling.
  - Landscaping and other earthworks for embellishment purposes undertaken in 2013 and 2014 (currently no allowance is given for such expenditure).
- Any unused annual allowance in a year (including, the new provisions) may be carried forward indefinitely. Expenditure on passenger car will not be eligible to the accelerated annual allowance provision.
- The annual allowance is calculated on a straight-line basis except for industrial premises dedicated to manufacturing.

VAT Refund Schemes

- A VAT refund scheme applies for small planters and small breeders on equipment and machinery purchased in 2012. The scheme has been extended to cover 2013.
- A VAT refund scheme applies for registered fishermen on fishing gear, outboard and inboard engines of up to 25hp, as well as VHF radios and on semi-industrial fishing vessels used by fishermen grouped in co-operatives.
- The list of covered items is being extended to cover:
  - Spare parts of agricultural machinery and equipment.

- Weed mats.
- Plastic mulch.
- Post-harvest equipment.
- Dryers for agricultural products.
- Weight scales.
- Refractometer.
- Industrial type chill room/cold room.
- Straw and fodder bailers.
- Honey extractor.
- Tyres used for tractors.

Tax Amnesties Schemes

New schemes were introduced as from 1 January 2013, and will be effective for a specific period. All amnesty schemes has been terminated as at end of September 2013. It is not expected that the MRA will be implementing new schemes over the next few years.

Exchange Controls

The Exchange Control Act was suspended in 1994. As a result, there are currently no restrictions on the repatriation of capital, profits or dividends in Mauritius.

Expatriates and Work Permits

Work permits are required for expatriates seeking employment in Mauritius. In general, work permits will be granted provided that a contract of employment is in place and local citizens do not possess the necessary expertise. Under the Business Facilitation Act, an occupation permit giving right to a three-year residence period can be granted to:

- An investor setting up a business with an annual turnover exceeding Rs3 million.
- A professional offered employment with a monthly salary exceeding Rs30 000.
- A self-employed professional with an annual income exceeding Rs600 000.

On expiry of the occupation permit, the investor, or self-employed professional, can apply for permanent residence subject to certain conditions.

Trade Relations

- Memberships – Cotonou Agreement, SADC, COMESA, IOL and IOR – ARC.
- AGOA beneficiary country.

Interest and Currency Exchange Rates

Bank Rate:
3.56% (December 2013)
Repo Rate:
4.65% (September 2013)
PLIBOR*:
2.77% (December 2013) (source: Bank of Mauritius)
* Port Louis Interbank Offered Rate

Currency: Rupee (divided into 100 cents)
R1 = Rs2.834 (November 2013)
US$1 = Rs29.4820 (November 2013) (source: Oanda)

Notes:

1. The Bank of Mauritius uses the Repo Rate, instead of the Lombard Rate, as the key policy rate to signal changes in its monetary policy stance.

Key Economic Statistics

GDP (approx.):
US$9,135.644 billion (2013 forecast)
US$8,850.168 billion (2012 estimate) (source: IMF)
Market Capitalisation (approx.):
US$6.3 billion (August 2013) (source: Stock Exchange Mauritius)
Rate of Inflation:
5.500% (December 2013)
4.742% (2013 average)
3.853% (2012 average) (source: IMF)

Morocco

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Morocco

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals:		
Taxable Income as exceeds	But does not exceed	Rate
MAD	MAD	%
0	30 000	0%
30 001	50 000	10%
50 001	60 000	20%
60 001	80 000	30%
80 001	180 000	34%
180 000 +		38%

Notes:

1. Basis – Habitual residents are taxable on worldwide income. Non-residents are subject to tax on Morocco-source income only.
2. Residence – Habitual residents are individuals with a permanent home available for their use in the Morocco, or who are employed by a resident corporation.
3. Withholding tax (WHT) is applied to Morocco-source investment income at the rates described below (under "Withholding Taxes").
4. Taxable income – Individuals are taxable on the same schedules of income as companies, and on employment income. All income is pooled and subject to a general income tax.
5. Deductions and allowances – Expenses deductible from general income include: life assurance premiums (subject to certain limits and conditions), loan interest, and subsistence allowances paid to dependent parents or a spouse, and the general income tax itself.
6. Filing status – Spouses are generally taxed separately. Children are usually taxed with one of their parents but may be taxed separately if they have employment income.
7. Relief from double taxation is available through tax treaties (DTAs) to which Morocco is a signatory.

Non-Residents

Non-residents are subject to tax on Morocco-source income only.

Employment Income

The individual, or company, who pays taxable income(s), must withhold Personal Income Tax (PIT).

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate rate	30%

Notes:

1. Residence – A company is resident if it is incorporated in Morocco or its place of activities is in Morocco.
2. Basis – Morocco operates a territorial tax system. Companies (both resident and non-resident) are generally subject to corporate tax on income generated from activities carried on in Morocco. A foreign corporation is subject to tax on income arising in Morocco if it has, or is deemed to have, a Permanent Establishment (PE) in Morocco.
3. Rate – The normal corporate rate is 30%, with a 37% rate applying to leasing companies and credit institutions. A foreign contractor carrying out engineering, construction or assembly projects, or projects relating to industrial or technical installations, may opt to be taxed at a rate of 8%, calculated on the total contract price, net of Value Added Tax (VAT) and similar taxes. There is no Alternative Minimum Tax (AMT) but the tax payable by a company must be at a rate of at least 0.5%, regardless of the amount of taxable profits, calculated on turnover and other profits.

4. Taxable income – A company is taxed on the difference between its trading income and expenditure. Expenses incurred in the operation of the business are generally deductible, unless specifically excluded. Expenses that are not permitted include: penalties, fines, interest on shareholder loans where the stock is not fully paid up, and interest on shareholder loans in excess of the official annual interest rate.
5. Losses – Tax losses may be carried forward for a period of four years from the end of the loss-making accounting period. However, the portion of a loss that relates to depreciation may be carried forward indefinitely. Losses may not be carried back.
6. Dividends – Dividends received by corporate shareholders from taxable Moroccan-resident entities, must be included in business profits of the recipient company but the dividends are 100% deductible in the computation of taxable income. As of January 2008, the participation exemption in Morocco is also applicable to dividends derived from foreign subsidiaries. The original participation exemption regime granted a 100% allowance to a Moroccan recipient company of Moroccan-source dividends.
7. Foreign tax credit – A foreign tax credit is only available to the extent provided in an applicable tax treaty.
8. Interest – Interest paid on loans and other debts, is deductible to the extent it relates to borrowings made for income producing purposes. Thin capitalisation rules apply to reduce the deduction available where the taxpayer is a foreign entity operating in Morocco, a foreign-controlled Moroccan entity, or a Moroccan resident with foreign business investments. In each of these cases, the tax deduction for interest may be reduced if the taxpayer's debt exceeds the levels permitted under the thin capitalisation provisions.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	n/a	15%
Interest	2	n/a	15%
Royalties	3	n/a	15%
Management and professional fees	4	n/a	15%
Leasing equipment from non-residents	5	n/a	15%
Branch remittance tax	6	n/a	15%

Notes:

1. Dividends – Dividends paid to a non-resident are subject to a 15% WHT unless the rate is reduced under an applicable tax treaty, generally 10%.
2. Interest – Interest on loans obtained from a non-resident is subject to a 15% WHT.
3. Royalties – Royalties paid to non-residents are subject to a 15% WHT unless the rate is reduced under an applicable tax treaty.
4. Management and professional fees – Subject to a 15% WHT according to the Moroccan Tax Code.
5. Leasing equipment from non-residents – Subject to a 15% WHT according to the Moroccan Tax Code.
6. Branch remittance tax – A 15% branch remittance tax is imposed on profits remitted to the head office of a non-resident, generally 10%.

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Morocco has a DTA are as follows:

Jurisdictions	Dividends	Royalties	Interest
Austria	5%/10%	10%	10%
Bahrain	5%/10%	10%	10%
Belgium	6.5%/10%	10%	10%
Bulgaria	7%/10%	10%	10%
Canada	15%	5%/10%	15%
China (P.R.C.)	10%	10%	10%
Czech Republic	10%	10%	10%
Denmark	10%/25%	10%	10%
Egypt	10%/12.5%	10%	20%
Finland	15%	10%	10%
France	15%	5%/10%	10%/15%
Germany	5%/15%	10%	10%
Hungary	12%	10%	10%
India	10%	10%	10%
Italy	10%/15%	5%/10%	10%
Jordan	10%	10%	10%
Korea (R.O.K.)	5%/10%	5%/10%	10%
Latvia	6%/10%	10%	10%
Luxembourg	10%/15%	10%	10%
Malaysia	10%	10%	10%
Malta	6.5%/10%	10%	10%
Netherlands	10%/25%	10%	10%/25%
Norway	15%	10%	10%
Pakistan	10%	10%	10%
Poland	7%/15%	10%	10%
Portugal	10%/15%	10%	12%
Romania	15%	10%	10%
Spain	10%/15%	5%/10%	10%
Switzerland	7%/15%	10%	10%
Turkey	7%/10%	10%	10%
Ukraine	10%	10%	10%
United Arab Emirates (UAE)	5%/10%	10%	10%
United Kingdom (UK)	10%/25%	10%	10%
United States (US)	10%/15%	10%	15%

Capital Gains Tax (CGT)

Companies

Capital gains are treated as ordinary income and taxed at the corporate tax rate.

Individuals

Individuals earning capital gains from selling property are subject to tax on property profits. Profits on the sale of property are taxable at 20% of any profit but with a minimum tax of 3% of the sale price. The tax is 30% when it is related to plots of land acquired of more than six years. The taxable gain is computed by deducting the following from the selling price:

- Acquisition price and incidental costs.
- Transfer costs.
- Investment expenses.
- Interest payments.

Capital gains from the sale of a property, which has been the primary residence of the taxpayer, are not subject to tax under certain qualifications; namely:

- The property has been the seller's primary residence for at least six years.
- The property has been the seller's primary residence for at least four years on the day of the sale, and the property area does not exceed 100 square meters and the profit does not exceed MAD250 000.
- The profit made on one or more transfers by individuals within a calendar year, whose total value does not exceed MAD60 000.

Anti-avoidance

Transfer Pricing

There is no formal transfer pricing legislation in Morocco, but transactions between related parties should be at an arm's length. Two methodologies are used by the tax authorities: the comparable uncontrolled price method and direct assessment based on available information.

Thin Capitalisation

There are no thin capitalisation rules in Morocco but the deduction of interest on shareholder loans is limited to the rate provided by *Bank Al Maghreb* (the Central Bank), with the difference disallowed as a deduction for corporate tax purposes.

Value Added Tax (VAT)

VAT	
Standard rate	20%

Notes:

1. VAT is levied on all industrial, commercial and craft activities, on services rendered in Morocco and on import transactions.
2. The standard rate is 20% with reduced rates of 7%, 10% and 14% applying for certain transactions.
3. All persons subject to VAT should register for VAT purposes within 30 days as of the start of their operations.
4. VAT returns and payments are generally due on a monthly basis.

Customs and Excise Duties

Equipment, goods, materials, tools, spare parts and accessories, which are considered necessary to promote and develop investment, are subject to import duty at between 2.5% and 10% ad valorem if no other stipulation of a trade treaty with the country of origin. Morocco has signed several agreements aiming to reduce these rates; namely, with the US, European Union, United Arab Emirates and other Arab countries.

Miscellaneous Taxes

Stamp Duty

Legal documents are subject to stamp duty at a rate up to MAD1 000.

Transfer Tax

A 6% registration duty, and a 1% real estate tax, are levied at the time real property is acquired.

Property Tax

Properties occupied as a main or second residence, are taxed at progressive rates as follows:

Tax Base (MAD)	Tax Rate (%)
Up to 5 000	0%
5 000 – 20 000	10%
20 000 – 40 000	20%
40 000 +	30%

If the property is used as a primary residence, only 25% of the assessed rental property value is subject to tax.

Municipal Tax

Municipal tax is assessed on the rental value of the property. The general property tax rate is 10.5% of the assessed rental value as determined by the local tax authorities for the property tax.

Business Tax

A business tax (or "*Taxe Professionnelle*") is levied on individuals and enterprises that habitually carry out business in Morocco. The tax consists of a tax on the rental value of business premises (rented or owned) and a fixed amount depending on the size and nature of the business. The tax rates range from 10% to 30% with exemption for the first five years of activity.

Payroll Tax

Payroll tax is imposed on the gross monthly remuneration of employees at a rate of 1.6%.

Social Security

An employer is required to register its employees with the Social Fund and pay Social Security Tax on the basis of the employee's gross salary.

Tax Administration

Corporations

- Tax year – Calendar year.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate tax return.

General Investment Information

Investment Incentives

Tax Incentives

- Exemption from Business Tax – New enterprises which set up operations in certain demarcated zones of Morocco and new, small and medium-sized industries set-up anywhere in Morocco, will be exempt from this duty for the first five consecutive years of operation.
- In the case of companies exporting goods and services, an exemption is granted from corporate tax for the first five consecutive years of operation. The normal corporate tax rate is 30%, except banks, insurances, and other finance institutions, are subject

to a rate of 37%. Thereafter, a reduction of the corporate tax to 17.5% is granted on that portion of export sales. For exports services, this exemption is applied only for the sales turnover generated in a foreign currency.
- An exemption from VAT on the cost of materials, tools and equipment, imported or acquired locally, which are depreciable assets registered in a fixed asset account for the couple of years following the start of activity.
- An exemption from VAT on goods, merchandise and services financed or delivered as a gift by the European Union.
- An exemption from the minimum contribution in respect of corporate tax during the first 36 months of operation.

Exchange Controls
Foreign exchange is not restrictive in Morocco. Exchange control rules should, however be observed to grant transferability of transactions in foreign currency.

Expatriates and Work Permits
Foreign citizens can work in Morocco for resident employers if they obtain a visa to the employment agreement.

Trade Relations
- Memberships – United Nations, World Trade Organisation.
- Tax treaties – Morocco has concluded 34 tax treaties.

Interest and Currency Exchange Rates

Monetary Policy Rate:
3.000% (November 2013) (source: Central Bank)
Currency: Moroccan Dirham (MAD)
R1 = 0.83237 MAD (November 2013)
€1 = 11.1984 MAD (November 2013)
US$1 = 8.1697 MAD (November 2013)
US$1 = 8.9532 MAD (2012 average) (source: Oanda)

Key Economic Statistics

GDP (2013 forecast):
US$107.111billion (December 2013) (source: Ministry of Finance)
Market Capitalisation:
U$48.3 billion (October 2013) (source: Ministry of Finance)
Rate of Inflation:
0.900% (2010 average) (source: Ministry of Finance)
0.900% (2011 average) (source: Ministry of Finance)
1.296% (2012 average) (source: Ministry of Finance)
2.530% (December 2013) (source: Ministry of Finance)

Mozambique

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Mozambique

Introduction

On 1 January 2014, alterations to the Corporate Income Tax (CIT) Code and Individual Income Tax (IIT) Code came into force.

At 31 December 2013, the Assembly of the Republic of Mozambique was in the process of finalising new draft legislation that brings significant modifications to both the current taxation regimes for mining and petroleum activities. The main proposed modifications have been summarised and included in this edition of the Guide but please note that the draft legislations had not yet entered into force at the date of publication of this Guide, and may therefore be subject to changes.

Note further, that a technology project for the administration of domestic taxes has been set in course which aims to use the facilities offered by information and communication technologies to improve the quality of services to citizens (namely; allow submitting the tax returns electronically). Under this project taxpayers are now required to update their tax number and fiscal information.

Income Tax

The residence basis of taxation is applied in Mozambique and non-residents are taxed on income from a Mozambican source. Income from employment is, from 1 January 2014, subject to final monthly withholding tax (WHT). Therefore, that income should no longer be included in the annual tax return. Filing of the annual tax return will only be required if an individual received income other than employment income. The tax year is the calendar year from 1 January to 31 December and unilateral relief is available for any foreign tax paid by a resident.

Residents (WHT Rates)

Ranges for Limits on Gross Monthly Salary	Value of Personal Income Tax to Withhold for the Lower Limit of the Gross Salary, by Number of Dependents (Meticais)					Applicable Coefficient for Each Additional Unit of the Lower Limit of the Gross Salary
	0	1	2	3	4+	
Up to 20 249.99	-	-	-	-	-	-
From 20 250.00 to 20 749.99	0.00	-	-	-	-	0.10
From 20 750.00 to 20 999.99	50.00	0.00	-	-	-	0.10
From 21 000.00 to 21 249.99	75.00	25.00	0.00	-	-	0.10
From 21 250.00 to 21 749.99	100.00	50.00	25.00	0.00	-	0.10
From 21 750.00 to 22 249.99	150.00	100.00	75.00	50.00	0.00	0.10
From 22 250.00 to 32 749.99	200.00	150.00	125.00	100.00	50.00	0.15
From 32 750.00 to 60 749.99	1 775.00	1 725.00	1 700.00	1 675.00	1 625.00	0.20
From 60 750.00 to 144 749.99	7 375.00	7 325.00	7 300.00	7 275.00	7 225.00	0.25
From 144 750 onward	28 375.00	28 325.00	28 300.00	27 275.00	28 225.00	0.32

Note: "-" signifies that there is no WHT, nor is the coefficient applied. (0.00) signifies that only the coefficient applies.

Notes:
1. Regarding description of a taxable person, the tax is now payable individually by each person who is part of the household and receives income.
2. There are some personal abatements or rebates for individuals and families (but not material).
3. Exempt income is taken into account in determining the applicable rate of tax.
4. Losses may generally be carried forward subject to a limitation of five years in respect of income from a business or profession, investments or capital gains.
5. Losses relating to agriculture, forestry and livestock activities may not be set-off against other business-related income, unless that income results from an activity of the same nature e.g. a loss from a livestock trade may not be set-off against income from forestry, whereas if the taxpayer carries on two forestry businesses, then the loss from the one forestry business may be set-off against income of the other forestry business.
6. For agricultural or livestock industry, the income tax rate applicable is 10% from January 2012 until 31 December of 2015.
7. Individuals will be considered residents for tax purposes if they reside in Mozambique for more than 180 days in a tax year, or if resident for a shorter period and on 31 December (being the last day of the tax year) they occupy a residence under circumstances indicating an intention to continue occupancy on a permanent basis. Persons who form part of a household are deemed to be resident, provided that the person in charge of managing the household is resident in Mozambique.
8. Mozambique does not have a specific Capital Gains Tax (CGT). Capital gains or losses are included in ordinary income and taxed accordingly.

Non-Residents

Non-residents are subject to WHT on income from a Mozambican source (see Withholding Taxes). The transfer of income abroad to non-residents is not allowed unless the tax due has been paid or guaranteed.

Companies

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

Corporate Income Tax (IRPC) is levied on profits obtained by taxpayers during the taxation period, namely commercial or civil companies, cooperatives, public companies and other corporate entities both public and private including entities with no legal personality, whose income is not subject to taxation under the Individual Income Tax (IRPS).

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 January 2012

	Note	Rate
Agriculture and livestock	3, 4	10%
All other industries	4	32%

Notes:
1. The Mozambique tax year is the calendar year, although a company may adopt a different tax period when there is over 50% participation from entities that adopt a different tax period. Consolidated tax returns are not required. Each company in a group must file a separate tax return.
2. All income and gains are included in taxable income. Expenses considered indispensable in the generation of income or gains subject to tax are deductible.

3. The reduced rate of 10% applies until 31 December 2015.
4. The same tax rates apply to branches or companies. Additionally, non-documented charges and illicit expenses (e.g. a bribe revealed as a result of an audit) are taxed at a rate of 35%.
5. 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.
6. Companies must make additionally three special provisional tax payments in June, August and October when the result of the following formula is positive: 0.5% of the turnover of the previous tax year with a minimum limit of 30 000MT and maximum limit of 100 000MT minus the provisional tax payments done made in the previous year.
7. There are penalties for late filing, non-payment of tax and failure to disclose records. Penalties range from approximately US$100 to US$33 000. Interest is charged on late payments. Prison terms for tax fraud may be up to eight years, or up to two years for negligence.
8. Some amendments were introduced to the existing Corporate Tax Code to accommodate IFRS legislation introduced in the Mozambican jurisdiction. For example, gains or losses resulting from the effects of deferment of IRPC are not qualified for the computation of the taxable profit. Only realised exchange differences are considered as gains or losses for tax purposes.
9. Tax losses can be carried forward for five years. No carryback is allowed.
10. Alternative Minimum Tax (AMT) applies to very small entities (turnover less than US$85 000).
11. Mozambique does not have a specific CGT. The profits derived from capital applications are taxed at the corporate tax rate of 32%. There is no surtax in Mozambique.
12. A Permanent Establishment (PE) of a non-resident is subject to corporate income tax. Non-residents without a PE in Mozambique but who/which derive income from a source within Mozambique, are subject to WHT (see Withholding Taxes below), and are obliged to appoint a resident representative in Mozambique when income is not taxable under WHT (e.g. capital gains) or the tax is not a final tax (e.g. income from real estate).
13. The transfer of income abroad to non-residents is not permitted unless the tax due has been paid or guaranteed.
14. A tax credit is available for foreign taxes paid. 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 PE of non-resident companies. Unused credits may be carried forward for up to five years.
15. Participation exemption – No WHT 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.
16. 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.

Withholding Taxes (WHTs)

Certain payments made to residents and non-residents are subject to WHT. The rates are set out below:

WHT Rates		
	Note	Rate
Resident Individuals		
Income from employment		[0 – 32%] marginal rate
Income from self-employment		20%
Income from intellectual or industrial property		20%
Income from the use of agricultural or industrial equipment		20%
Income from real estate	1	20%
Income from agency commissions		20%
Interest on term deposits	2	10%
Income from bonds rated on the Mozambique Stock Exchange		10%
Other income from capital (e.g. dividends)		20%
Professional performers and sportspersons	3	10%
Non-Resident Individuals		
Other income not expressed above	4	20%
Resident Companies		
Income from intellectual or industrial property		20%
Other income from capital (e.g. dividends)		20%
Income from real estate		20%
Income from bonds issued on the Mozambique Stock Exchange		10%
Non-Resident Companies without a PE		
Telecommunications, international transport services, as well as assembly and installation of telecommunication equipments		10%
Income from construction and rehabilitation of productive infrastructures, transport and distribution of electricity in rural areas, under the scope of public projects of rural electrification		10%
Income from charter of marine vessels to conduct fishing and cabotage activities		10%
Other income not expressed above	4, 5	20%

Notes:
1. The 20% is applied to 70% of the invoiced amount.
2. Other interest paid to residents and non-residents is subject to a 20% WHT unless the rate is reduced under a tax treaty. A zero tax rate applies to interest paid to a registered Mozambique financial institution.
3. This rate is only applicable where the taxpayer does not earn his or her income on a regular basis working for an employer.
4. The rates applicable to non-residents are the same for residents. For other income not specifically expressed for residents (except capital gains which is not taxed through WHT), the rate will be 20%. These taxes are final taxes in respect to non-residents (except when the income obtained is derived from real estate) and may be reduced by an applicable DTA. Mozambique has DTAs with the countries listed below (after notes).
5. There is no branch remittance tax.
6. Gains resulting from the direct or indirect transmission of shares, participating interests or rights between non-resident entities involving assets situated in Mozambique, are considered obtained in Mozambican territory irrespective of the location where the alienation occurs.
7. Capital gains derived from the sale of a resident company's shares to a non-resident company without a PE, will be taxed at the full 32%, irrespective of the holding period of the shares.

Maximum WHT Rates Once DTA is Applied			
Recipient's Country of Residence	Dividends	Interest	Royalties
Portugal	10%	10%	10%
Mauritius	8%/10% (a)	8%	5%
Italy	15%	10%	10%
United Arab Emirates	(b)	(b)	5% (d)
Macau	10%	10%	10%
South Africa	8%/15% (c)	8%	5%
Botswana	0%/12% (c)	10%	10%
India	7.5%	10%	10%
Vietnam	10%	10%	10%

(a) These rates apply if the beneficial owner of the dividend is a company. Otherwise the rate is 15%. The lower rate will be applicable where a shareholding of at least 25% exists.
(b) Incomes are taxable only in the residence country of the beneficial owner.
(c) The lower rate is applicable where the beneficial owner is a company holding at least 25% of the capital of the paying company.
(d) Depending on the nature of the royalty, the income may be only taxable on the residence country of the beneficial owner.

Transfer Pricing and Thin Capitalisation

The arm's length principle applies to dealings between related parties in Mozambique. In other words, the tax authorities are allowed to adjust the taxable income declared where a special relationship exists between the taxpayer and other entities, if any dealings between these parties are not on an arm's length basis. Regulation on this matter is under preparation. For payments to companies in low tax jurisdictions, the authorities will need to be satisfied that the payment was genuine and reasonable.

Companies are subject to thin capitalisation rules. Where the indebtedness of a taxpayer to a non-resident entity is twice the value of the shareholding in equity, and a special relationship exists between these two parties, then any excessive interest paid is not deductible for the purpose of determining taxable income. A special relationship between a resident and a non-resident entity exists according to thin capitalisation rules when:

- The non-resident entity holds, directly or indirectly, at least 25% of the share capital of the resident entity.
- The non-resident entity, holding less than 25%, exercises a significant *de facto* influence on the management of the resident entity.
- The non-resident and the resident entity are controlled by the same entity by virtue of a direct or indirect holding by that entity.

In accordance with the amendments of the CIT Code, interests and other forms of loan payment conceded by the partners to a corporation, when they exceed the value corresponding to the referenced rate, increased by two percentage points, are not tax deductible.

Inheritances and Donations

Estate duty and donations tax is paid by the beneficiary or recipient. The rate varies from 2% to 10% and is dependent upon the amount and the relationship between the donor and the recipient.

Value Added Tax (VAT)

There is a 17% VAT rate levied on the supply and importation of goods and services. The monthly VAT return must be filed and the VAT paid by the last day of the following month.

The supply by any local supplier of goods and services to a special free zone is classified as an export and is exempt from VAT. Any operator licensed within a special free zone does not pay VAT on the import of construction materials, equipment and spare parts. VAT is, however, levied on the import of goods or services for consumption.

Supplies are completely exempt (i.e. zero-rated), thereby resulting in a VAT refund, and include the following:

- All exports, related operations and international transport.
- The cost of services which are included in the taxable base of the imported goods, such as packaging, transport and insurance incurred up to the first place of destination of the goods in the national territory.
- Supplies of certain food products (maize meal, rice, bread, iodised salt, powdered milk for babies up to one year's old, wheat, wheat flour, fresh and refrigerated tomatoes, potatoes, onions and frozen mackerel).
- Supplies of paraffin (for lamps), jet fuel, communal bicycles and condoms.
- Supply of goods and services (under customs control) destined for special economic zones, free zones, free warehousing or shop arrangements. This applies as long as they are not consumed in these zones and the goods remain under such regimes. Also included are goods in transit, drawback or goods subject to temporary importation arrangements.
- Acquisition of goods to offer to national institutions of public interest and relevant social aims or to lessen the effect of natural disasters.
- Supplies of goods resulting from the activity to produce food to feed animals destined for human consumption.
- Supply of goods (by the respective factories) of raw materials for the edible oil and the soap industry (temporary exemption up to 31 December 2015).

- Supply of goods and services in the industrial production of sugar cane (temporary exemption up to 31 December 2015).
- The acquisition of services related to drilling, research and construction of infrastructures under the scope of mining and oil activity, are zero-rated on the exploration phase.

The VAT on construction services is only payable at the time of receipt of the invoiced value when the client is the state. This also applies to sub-contracted construction companies. Services in public works (roads, bridges and infrastructure linked with the supply of water) and rural electrification services are covered under a specific taxation regime, which only considers as a taxable base 40% of the counter-instalment obtained or to be obtained by the purchaser. The taxable base is 62% of the counter-instalment for sale of energy, whose price is fixed by the Public Authority, and 85% of the counter-instalment for services rendered whose price is fixed by aeronautical rates.

The VAT contained in invoices or equivalent documents shall be deducted on the VAT return from the period corresponding to the date of the invoice or equivalent document. Not being able to deduct the VAT in the terms above mentioned, the taxpayer may exercise the right to deduct on the following 90 days, counted from the time that the tax became payable.

The taxpayer has to keep in his secondary establishments the records containing adequate information to the assessment of the VAT and pay VAT in the respective tax department of the secondary establishment. Note, it has not yet regulated and therefore not been applicable.

Simplified Tax for Small Taxpayers

A Simplified Tax for Small Taxpayers (ISPC) was introduced in 2009, and has been in force since 14 April 2009. ISPC only applies at the election of the taxpayer, and once elected it replaces VAT, CIT and individual income tax. The tax introduces simplification for micro-enterprises and small individual taxpayers, who have an agricultural, industrial or commercial activity, including services, when the turnover does not exceed 2 500 000MT. The annual tax could be either paid as a fixed amount of 75 000MT or by applying an annual tax rate of 3% to the turnover.

Other Transaction Taxes

Transaction Tax Rates		
	Note	Rate
Property tax	1	0.4/0.7%
Transfer tax (SISA)	2	2%/10%
Specific consumption tax (ICE)	3	15% – 75%
Marketable securities tax – Share transfers	4	0.4%
Social security fee	5	7%

Notes:
1. Urban properties are subject to an annual tax (which is 0.4% of the property value where the building is for housing purposes and 0.7% for the other cases).
2. All land is owned by the state. The Property Transfer Tax is therefore based on the property value excluding the value of the land. In cases where the buyer resides in a country where the fiscal regime is more favourable than in Mozambique, the rate is 10%.
3. The Specific Consumption Tax (ICE) is taxable, in a selective manner, on the consumption of certain goods, produced or imported. ICE is levied on luxury products such as alcohol, tobacco, perfumes, cosmetics, jewellery, gold and passenger vehicles.
4. The stamp duty on marketable securities is at a fixed rate of 0.4%. Stamp tax on share capital no longer applies.
5. The registration of workers and their respective employers with the National Social Security System is mandatory. The tribute for social security is 7%, being 4% paid by the employer (with no upper limit) and 3% by the employee.
6. There is no capital duty and no payroll tax in Mozambique.

The taxation system is completed by other taxes; namely, the Special Tax on Gambling, National Reconstruction Tax, Vehicle Tax and other legally established taxes and specific charges. 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.

Customs Duties

Customs duties are taxable on imported and exported goods in the customs territory, whose values vary in the following manner: 2.5% for raw materials; 5%for capital goods (Class K); 7.5% for intermediary goods; 20% for consumption goods. In the framework of the materialisation of the SADC Trade Protocol, various products from the SADC region countries will benefit from exemptions from payment of customs duties from 2008.

Mining Activities

Mining activities are currently subject to specific taxes under the Law No.11/2007. However, the Assembly of the Republic currently has a draft legislation which plans to revoke Law No.11/2007 which is expected to be in force in 2014:

- Production Tax ("*imposto sobre a produção*") is levied on the value of the quantity of mineral products extracted within Mozambican territory, regardless of the sale, export or other disposition of such mineral products. The value of the product is based on:
  - Sales price (regarding the month of the tax assessment or the month in which occurred the last sale).
  - Market price where there have been no sales.

  The applicable rates are:

Product	Current Rates	Proposed Rates
Diamonds	10%	8%
Precious metals (gold, silver and platinum) and precious stones	10%	6%
Semi-precious stones	6%	
Base minerals	5%	
Coal and other mineral products	3%	5%

- Surface Tax ("*imposto sobre a superficie*") is an annual tax levied in respect of a reconnaissance licence, an exploration licence, a mining concession or mining certificate. This tax is payable by the holders of such mining titles. Surface tax is calculated on the basis of the number of hectares or squares kilometres of the area under licence.
- The companies, holders of mineral rights, granted under the law of mines, must assess the taxable income and organise its accounting records autonomously, which means each mining title must have a specific/individual tax registration number.
- The tax and accounting returns from the companies (above mentioned); namely,

annual income returns, tax and accounting information return, registration, amendment or cancellation of taxpayer registry, must be completed separately, for each mining title, not being allowed to compensate losses assessed in a particular mine or area of concession agreement by the gains assessed in another.
- Specific taxes of the mining activities are not accepted as costs for tax purposes.

The current and expected rates for mining titles are as follows:

Type of Mining Title	Mineral Resource	Current Rate (per km)	Proposed Legislation Rate (per hectares)
Reconnaissance licence	Diamonds	10MT/km^2	
	Other minerals	25MT/km^2	
Exploration licence	All minerals	1st and 2nd year: 250MT/km^2	25.00 MT/ha
		3rd year: 625MT/km^2	62.50 MT/ha
		4th and 5th year: 1 300MT/km^2	130.00 MT/ha
		6th year: 1 500MT/km^2	150.00 MT/ha
		7th year: 2 000MT/km^2	200.00 MT/ha
		8th year: 2 500MT/km^2	250.00 MT/ha
		9th and 10th year: 3 000MT/km^2	300.00 MT/ha
Mining concession	All mineral products excluding mineral water	1st up to 5th year: 2 500MT/km^2	For mineral water: 85 000 MT/Title
		6th year and onwards: 5 000MT/km^2	For all other minerals - From the 1st to the 5th year: 30 MT/ha - From the 6th year and beyond: 60MT/ha
Mining certificate	All minerals	20-100ha: 10 000MT	100 000 MT
		100-200ha: 20 000MT	200 000 MT
		200-300ha: 30 000MT	300 000 MT
		300-400ha: 40 000MT	400 000 MT
		400-500ha: 50 000MT	500 000 MT

Note, under the draft legislation regarding the tax regime applicable to the mining activities, introduction of the following is foreseen:

- In mining concessions signature bonus payments are to made upon signature of the contract. The value will not be less than 0.5% nor superior 5% of the fair value of assets transferred contractually by the state.
- Payment of the concession or assignment of operation fee, monthly, quarterly, semi-annually or annually, as agreed between the contracting parties. When the signature bonus is paid, the concession or assignment of operation fee is not applicable.
- Thin capitalisation rules (debt equity 2:1) applies no matter If there are or not special relations between the entities and if the owner of the debt is resident or not.
- A new tax designated as Mineral Resource Rent Tax ("*Imposto sobre a Renda de Recurso Mineiro*" - *IRRM*) is being introduced which is a direct tax on the net cash flow of a mining project, from the moment in which these developments exceed a rate of return of 18%, before taxes. The tax is due by mineral title holders and is applicable to mining projects that have accrued net revenues (cash gains) during a fiscal year.
- The following are deemed as profits or gains derived from mining activity:
  - The compensation received for any loss or destruction of mineral products or ores and resulting from an insurance or from other source.
  - Amounts received from the sale of information relating to mining activity or mining assets.
  - Capital gains arising from direct or indirect sale of assets in the area of the mining licence, which are located in Mozambican territory, and in relation to which the activity is conducted.
  - Not using a provision concerning mine decommissioning costs.
  - Withdrawals of the financial guarantee to cover the decommissioning costs.
- The Title Miner must amortise all tangible and intangible depreciable elements that are susceptible to losing value as a result of common wear-and-tear, from the exploration, passage of time or obsolescence, whether it be taxpayer's property or finance lease by the taxpayer lessee. The rates of depreciation of assets used in the mining industry, under a Title Miner are:

Type of Asset	Rate
Acquisition of mining rights	10%
Exploration expenses	100%
Development expenses	25%
Mining production assets	20%
Other assets	10%

Notes:

1. Mining activities are also subject to the other general taxes (i.e. corporate tax, VAT etc.).

Oil Activities

Oil exploration activities are currently subject to a Production Tax (under the Law No.12/2007).However, the Assembly of the Republic currently has a draft legislation which plans to revoke Law 12/2007 that establishes the tax regime applicable to oil & gas activities. Production Tax ("*imposto sobre a produção*") is levied on the value of the quantity of oil products extracted within Mozambican territory. The value of oil produced is based on the balanced average prices as sold by the producer and its contractors in the month in which the tax settlement takes place. The rates are:

- Crude oil: 10%.
- Natural gas: 6%.

The companies, holders of oil rights, granted under the law of oil, must assess the taxable income and organise its accounting records autonomously (which means each concession agreements must have a specific/individual tax registration number).

The tax and accounting returns from the companies above mentioned; namely, annual income returns, tax and accounting information return, registration, amendment or cancellation of taxpayer registry must be completed separately, for each concession agreement, not being allowed to compensate losses assessed in a particular mine or area of concession agreement by the gains assessed in another.

Specific taxes of the mining and oil activities are not accepted as costs for tax purposes.

Under the proposed law, the holder of the concession shall reintegrate and amortise all of the depreciable elements of tangible and intangible assets according to the rates set out below (unless the period of its useful life in a petroleum operation approved in a development plan is lower, in which case the rate is 1 divided by the number of years of expected petroleum operations):

Type of Asset	Rate
Search and evaluation expenses	100%
Development expenses	25%
Petroleum production activities	25%
Petroleum production assets	20%
Premiums paid for acquisition of participation in a CCPPP	10%
Other assets	10%

Oil exploration activities are also subject to the other general taxes (i.e. corporate tax, VAT etc.).

Capital gains arising from direct or indirect sale of oil & gas rights are taxable for corporate income tax purposes. When the beneficiary of the income is non-resident, the acquirer is jointly liable for the CGT.

Forms of Business Organisation

In Mozambique, individuals or companies can carry out business activities. Persons who wish to set up a company can choose between the two most common types of commercial companies:

- "*Sociedades por Quotas de Responsabilidade Limitada*" – The private limited liability company (LDA).
- "*Sociedades Anónimas de Responsabilidade Limitada*" – The public or joint stock company with limited liability (S.A.).

Branches – The granting of licences is governed by the Ministry of Trade and Industry and regulated by Decree 34/20132 nd of August. Under this new regulation the period of issuance of the branch licence has increased from three to five years.

We would like to underline that under Article 85 of the Commercial Code, foreign companies that operate or have any commercial activity within the national territory for more than a year, should set up a branch and comply with the national legislation, as well as appoint a resident representative.

General Investment Information

Investment Incentives

Tax Incentives

Tax 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), may also benefit from incentives that vary by location, the number of employees and whether the products are exported.

General Benefits and Exemptions

- Tax Credit for Investment (TCI) – Investments in most new tangible fixed assets used in operations carried out in the City of Maputo under the Investment Law, qualify for a tax credit (TCI) equal to 5% of the total investment for a period of five tax years. This TCI is deductible from the amount of the CIT up to the total amount of the tax assessment. Any portion of the tax credit not used in any tax year may be deducted in the following years provided that the tax credit must be used within five tax years from the date of the commencement of the investment in ongoing projects and from the date of commencement of operations for new projects. The TCI is 10% of qualifying expenditure the investment project takes place in others cities. The TCI does not apply when the investment is in respect of certain listed tangible fixed assets.
- Accelerated depreciation – This relates to new immovable assets used in the furtherance of undertakings authorised under the Tax Incentives Code. Accelerated depreciation is depreciation increased at 50% of the normal rate set by law. Accelerated depreciation also applies to refurbished immovable assets, machinery and equipment used in industrial and agro-industrial activities.
- Modernisation and introduction of new technology – The amount invested in specialised equipment for development activities authorised under the Investment Law, qualifies for an income tax deduction up to a maximum amount of 10% of taxable income during the first five years.
- Professional training – Expenditure in respect of professional training is deductible from taxable income during the first five years from the date of commencement of trading up to a maximum of 5% of the taxable income. When the professional training is for the use of technologically advanced equipment, the allowable income tax deduction is a maximum of 10% of taxable income.
- Tax deductible expenditure – During a period of five years, in respect of companies eligible for tax benefits, the following may be treated as deductible expenditure for income tax purposes:
  - 110% or 120%, depending on the province, of the value of expenditure in the construction and rehabilitation of roads, railways, airports, mail delivery, telecommunications, water supply, electricity, schools, hospitals and other works that are considered to be of public utility, subject to prior authorisation.
  - In the case of expenditure for the acquisition for personal ownership of works of art and other objects that are representative of Mozambican culture, as well as activities that contribute to the development of such works – 50%.

- The following special incentives apply to the following sectors/projects:
  - Agriculture and fishing:
    - Exemption of custom duties and VAT on importation of equipment classified on Class K – Capital Goods.
    - Reduction of CIT in a sliding scale over a number of years.
    - Other general benefits.
  - Hotel and tourism:
    - Exemption of custom duties and VAT on importation of equipment classified on Class K – Capital Goods and others considered necessary for the activity.
    - Other general benefits (including tax credit of 5% or 10% depending of the locality of the investment).
  - Large-scale projects (investments exceeding US$347 million):
    - Exemption of custom duties and VAT on importation of construction materials, equipment, spare parts and others for developing the activity.
    - Other general benefits.
  - Rapid Development Zones (RDZs):
    - Exemption of custom duties and VAT on importation of equipment classified on Class K – Capital goods.
    - Tax Credit for Investment equal to 20% of the total investment for a period of five tax years.
    - Other general benefits.
  - Industrial Free Zones (IFZs):
    - Exemption of custom duties and VAT on importation of construction materials, equipment, spare parts and others for the development of the activity in IFZs.
    - Exemption and reduction of CIT on a sliding scale over a number of years.
  - Special Economic Zones (SEZs):
    - Exemption of custom duties and VAT on importation of construction materials, equipment, spare parts and others for the development of the activity in SEZs.
    - Exemption or reduction of CIT on a sliding scale over a number of years.
  - Construction of basic infrastructure:
    - Exemption of custom duties and VAT on importation of equipment classified on Class K – Capital goods.
    - Reduction of CIT on a sliding scale over a number of years.
  - Commercial and industrial projects in rural areas:
    - Exemption of custom duties and VAT on importation of equipment classified as Class K – Capital Goods and others considered necessary for the activity.
  - Manufacturing and assembly plants:
    - Exemption of custom duties on importation of raw materials to be used in the production process.
  - Science and technology parks:
    - Exemption of custom duties and VAT on importation of material and scientific equipment, educational and laboratory, including software, and construction materials, machines, equipment.
    - Exemption and reduction of CIT on a sliding scale over a number of years.
- Investments under the Mining and Petroleum Law – Companies that carry out mining operations in Mozambique may apply to get the following benefits:
  - A five-year exemption of custom duties on the importation of equipment, apparatus, materials and spare parts for prospecting and exploration, mineral production and exportation of mineral resources (Class K/ Capital Goods and comparable to Class K items).

- A five-year exemption from VAT and excise duties on the same items imported.

- Processing industry – The fiscal incentives in this area of activity are ruled by a specific custom regulation that sets out the procedure for the concession of additional fiscal benefits applied to the importation of materials destined for industrial production. The fiscal benefit consists of the exemption of import duties of the materials for the industrial activity, and may be granted to companies that assure an annual revenue equal or above, approximately MZN6 million and whose added value of the final product corresponds to a minimum of 20%. The following types of industry may apply for the concession of the fiscal benefit:
  - Agricultural industry.
  - Food industry.
  - Textile, confection and shoe industry.
  - Mechanical industry.
  - Graphic industry.
  - Chemical, plastic and rubber industry. Note, the authorisation of the fiscal benefit shall be granted to persons (individual or corporate) who:
    - Are duly incorporated in Mozambique.
    - Do not have any pending payments to the tax authorities.
    - Have proper premises where the materials will be stored in good physical and security conditions.
    - Have the capability of supplying accommodation, telephone, and faxes to the official fiscal agents.
    - Maintain and control records of the stock available, stock movements, proper accounting records, periodic inventories and reconciliation of the records.

Notes:

1. These benefits shall not apply if the beneficiaries are in any of the following situations:
   - Insolvent or bankrupt.
   - Convicted of smuggling, duty frauds, or of any crime which has a penalty of eight to 24 years imprisonment under the Mozambican Criminal Law.
   - Convicted for crimes of theft, fraud, falsification or use of documents, and acceptance of stolen objects.

Capital Allowances*, **

Fixed maximum rates of depreciation are deductible on a straight-line basis at the following rates:

Commercial buildings	2%
Industrial buildings	4%
Office equipment	14.25% (electrical equipment)
	10% (other office equipment)
Motor vehicles	20% (vehicles used in a tourism business)
	25% (heavy duty vehicles)
Plant and machinery	10% /16.66%

* Capital allowances are specific to certain industries.

** The tax legislations which establishes the capital allowances are under revision.

Exchange Controls

The new regulation of the Foreign Exchange Law came into force on 11 July 2011. The aim of the new Foreign Exchange Law (approved in March 2009), and the respective regulation, is to liberalise controls in the banking sector and to move the Reserve Bank into a role of regulation and control. The main changes of this new legislation are:

- Liberalisation of some transactions of goods, services and other transfers. Capital operations still require pre-authorisation of the Central Bank (such as foreign direct investment, loans, credit arrangements contracts outside Mozambique, opening and movement of bank accounts outside Mozambique when undertaken by resident entities).
- Mandatory use of the national banking system for any foreign exchange operation (payments and income received).
- Mandatory declaration of foreign exchange assets.
- Mandatory remittance to the country of income received from exports of goods and services.
- Conditions imposed to open new bank accounts in foreign currency for residents and on the bank movements of accounts in foreign currency.

Expatriates and Work Permits

Under the Labour Act, 2007, foreign employees are automatically approved to be contracted by Mozambican companies under the following circumstances:

- The company has an Investment Authorisation which pre-establishes the number of foreign employees that it is going to need.
- Where the company employs at least 100 Mozambican workers, it can contract up to 5% of its work force as foreigners.
- Where the company employs between 10 and 100 Mozambican workers, it can contract up to 8% of its work force as foreigners.
- Where the company employs up to 10 Mozambican workers, it can contract up to 10% of its work force as foreigners.

However, the company has to inform the Ministry of Labour of the admission and submit to the Ministry of Labour the following:

- Three copies of the labour contract for a maximum period of two years, with the remuneration and the work contracted for.

Specific form:

- A Certificate of Payment of Social Security and Taxes for the month prior to the admission, with the respective file of inscribed workers.

In the case of an investment project, the requirement is to submit information to the Ministry of Labour which contains:

- An authenticated copy of the Investment Authorisation.
- Three copies of the labour contract for a maximum period of two years, with the remuneration and the work contracted for.
- A certificate of payment of Social Security and Taxes for the month prior to the admission, with the respective file of inscribed workers.

For all other cases, an application must be submitted together with documentary evidence of the company's articles of association, proof of registration, trading licence ("*Alvará*") issued by the competent authority (operating licence), tax registration. In relation to the employee, it is necessary to submit:

- His/her identification document.
- Three copies of the labour contract for a maximum period of two years, with the remuneration and the work contracted for.
- Certificates of studies and or capabilities recognised by the Ministry of Education of Mozambique.
- An opinion from the trade union.
- A Certificate of Payment of Social Security and Taxes for the month prior to the admission, with the respective file of inscribed workers.

Note, under recent amendments to expats legislation, it is now possible to contract expats on totational work of up to six months without having a work authorisation and residence documents in the mining and oil & gas areas. Failure to comply with the legal provisions relating to the employment of foreigners will result in the payment of a fine and the suspension and expulsion of the employee.

Trade Relations

- Memberships – Cotonou Agreement, SADC.
- AGOA beneficiary country.

Interest and Currency Exchange Rates

Benchmark Interest Rate:
8.25% (November 2013) (source: Trading Economics)
Currency: Mozambique New Metical – MZN (divided into 100 centavos)*
R1 = MZN2.92 (November 2013) (source: Oanda)
US$1 = MZN29.75 (November 2013) (source: Oanda)

* The symbol for MZN can be written as MT.

Notes:

1. The benchmark interest rate in Mozambique was last reported at 8.25% in November 2013. Historically, from 2009 until 2013, Mozambique Interest Rate averaged 12.7% reaching an all-time high of 16.5% in July of 2011, and a record low of 8.3% in October of 2013. In Mozambique, interest rates decisions are taken by the Monetary Policy Committee of the Central Bank of Mozambique ("*Banco de Moçambique*"). The official interest rate is the Standing Lending Facility Rate ("*taxa de juro da facilidade permanente de cedência*").

Key Economic Statistics

GDP (approx.):
US$14.669 billion (2013 forecast) (source: IMF)
US$14.244 billion (2012 estimate) (source: IMF)
Market Capitalisation – Stock Exchange:
US$1,075.33 million (November 2013) (source: Bolsa de Valores de Moçambique)

Notes:

1. Mozambique continues to experience a strong growth on a yearly basis being 7% in 2013 and projected to be 8.3% in 2014, with an increasing attraction of investment in areas like energy, infrastructures, transports, mining and oil & gas.
2. The Mozambican Stock Exchange came into operation in September 1999. Mainly treasury bonds are traded.

Rate of Inflation:
4.42% (October 2013)
7.27% (2009 - 2013 average) (source: Trading Economics)

Namibia

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Namibia

Income Tax

The source basis of taxation is applied in Namibia.

Residents (Individuals/Trusts)

Income Tax Rates for Individuals: Years of Assessment Commencing on or after 1 March 2013			
Taxable Amounts		Tax on Lower Amount	Percentage Tax on Excess over Lower Amount
N$		N$	%
0	50 000		0
50 001	100 000		18%
100 001	300 000	9 000	25%
300 001	500 000	59 000	28%
500 001	800 000	115 000	30%
800 001	1 500 000	205 000	32%
1 500 001 +		429 000	37%

Notes:

1. There are no abatements or rebates.
2. Individuals are taxed on the value of any benefit or advantage arising from employment.
3. Part-time employees are taxed at 18%.
4. The annual aggregate allowable deductions in respect of contributions to pension funds, provident funds, retirement annuity funds and premiums payable to educational policies, are N$40 000.
5. The exempt threshold for lump sum pension fund payouts is N$50 000. If the pay-out is in excess of N$50 000, one-third will be paid as a tax-free lump sum and the remaining portion as an annuity. Similar provisions apply for pay-outs in terms of preservation and retirement annuity funds.
6. An exemption limited to N$300 000 is allowed for gratuity payments made to an employee at retirement, who is 55 years of age or older, or whose employment is terminated due to ill-health or retrenchment due to his/her position becoming redundant.
7. Contributions made to retirement annuity funds and donations to welfare and educational institutions, recovered or recouped during a particular tax year, are excluded from taxable income.
8. The interest portion of unit trust income will no longer be regarded as dividends and become taxable with effect from 1 March 2008. From 1 March 2009, such interest is subject to withholding tax (WHT) of 10% except if payable to Namibian companies and entities normally exempt from tax (e.g. pension funds). The dividend portion is still exempt from tax.
9. The definition of "person" includes a trust.

Non-Residents (Individuals/ Trusts)

The above income tax rates are also applicable to non-residents in respect of employment and business income earned in Namibia.
In addition, certain payments made to non-residents, at an address outside Namibia, are subject to WHT. (See Withholding Taxes below).

Ringfencing

Where an individual's taxable income exceeds N$200 000 in a particular tax year and if the individual is carrying on a "suspect trade" * (see definition below), the individual may have to ring-fence such losses from other taxable income. The application of this provision is limited depending on the number of years the taxpayer made losses and whether or not there is a prospect of deriving taxable income within a reasonable period.

*" Suspect Trade":

- Any sport practiced by the taxpayer.
- Dealing in collectible items.
- Rental of residential accommodation unless at least 80% of the accommodation is used by non-relatives for at least half of the year.
- Rental of vehicles, aircraft or boats unless 80% are used by non-relatives for at least half of the year.
- Animal showing.
- Farming or animal breeding unless carried on a full-time basis ("full-time basis" – any trade carried on most or all of the taxpayer's normal working hours).
- Any performing or creative arts practiced by the taxpayer.
- Any form of gambling or betting practiced by the taxpayer.

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 January 2013		
Nature of Income	Note	Rate
Non-mining		33%
Manufacturing	2	18%
Diamond mining	1 , 3	55%
Petroleum mining (oil & gas companies)	1	35%
Other mining	1 , 3	37.5%
Mining service	1 , 3	55%/37.5%
Insurance	4	33%
Branches of foreign companies	5	33%
Retirement funds		Exempt

Notes:

1. In past years, taxpayers conducting mining operations were allowed a deduction for rehabilitation expenditure actually incurred, or any rehabilitation provision approved by Inland Revenue. Effective for tax years commencing on or after 1 January 2010, this specific tax deduction will no longer be allowed.
2. The rate for registered manufacturing companies is 18% for the first 10 years after manufacturing status was granted. For companies that have been granted manufacturing status, more than 10 years ago, the tax rate will be 33%.
3. Mining service companies will be taxed at 37.5% (non-diamond mining) and 55% (diamond mining). It would mean, for example, that a company subcontracted by a non-diamond mining company to conduct mining on its behalf, would be taxed at 37.5% as opposed to 33%.
4. Insurance companies are taxed at the same rate as other companies, but there are special rules dealing with the computation of taxable income for long-term and short-term insurance companies.
5. Unless the branch is a mining, manufacturing or mining service company, in which case the applicable manufacturing or mining tax rate will apply.

Withholding Taxes (WHTs)

Dividends, royalties and certain service payments to non-residents, whether corporate or individual, are subject to WHTs as shown below:

WHT Rates: Non-Residents		
	Note	Rate
Dividends	1, 5	10%/25%
Interest	2	10%
Royalties	3, 5	9.9%
Directors fees	4	25%
Services	4	25%

Notes:

1. The WHT on dividends is a final tax. WHT on dividends for non-Namibian shareholders with shareholding of less than 25% is 20%, while the rate for shareholding in excess of 25% is 10%.
2. Namibian registered banks and Namibian registered unit trust management companies must withhold a final tax at a flat rate of 10% from interest accruing to an individual, trust, the estate of a deceased person and non-Namibian companies. There is currently no WHT on inter-company loans. A WHT may be imposed in future in respect of cross-border inter-company loans.
3. The WHT on royalties may be credited against the final assessed income tax liability.

4. From 30 December 2011, a final WHT of 25% is applicable in respect of a non-resident entertainers involved in cabaret, motion picture, radio, television or theatre, any payments made to a non-resident person for any administrative, managerial, technical, consulting services or any similar services, whether such services are of a professional nature or not and any director's fee to a non-resident person.
5. These rates may be reduced by double taxation agreements (DTAs). Namibia has agreements with the countries listed in the table below. Treaties with the following countries are at various stages of negotiation or ratification: South Africa (re-negotiated), Tunisia, Zimbabwe, Spain, Canada and Zambia.

Maximum WHT Rates Once DTA is Applied						
Recipient's Country of Residence	**Dividends**	**Royalties**	**Entertainment**	**Directors Fees**	**Services**	**Interest**
Botswana	10%	10%	25%	25%	15%/0%[5]	10%
France	5%/10%[1]	10%	25%	25%	0%[2]	10%
Germany	10%	10%	25%	25%	0%[2]	0%
India	10%	10%	25%	25%	10%/0%[3]	10%
Malaysia	5%/10%	5%	25%	25%	5%/0%[3]	10%
Mauritius	5%/10%[1]	5%	25%	25%	0%[2]	10%
Romania	10%	5%	25%	25%	0%[2]	10%
Russia	5%/10%[1]	5%	25%	25%	0%[2]	10%
South Africa	5%/10%[1]	10%	25%	25%	0%[2]	10%
Sweden	5%/10%[1]	10.2%/5%	25%	25%	15%/0%[5]	10%
United Kingdom	5%/10%[1]	5%/50% of local tax	25%	25%/0%[6]	0%[2]	10%

Notes:
1. The lower rate will be applicable when the recipient of the dividend holds a minimum level of shareholding.
2. Only if the non-resident does not have a Permanent Establishment (PE) in Namibia (as defined in the particular DTA).
3. The higher rate will be applicable in respect of technical, managerial or consultancy services.
4. The lower rate will apply to royalties with respect to patent, secret formula, process or for information concerning industrial or scientific experience.
5. The higher rate will be applicable in respect of administrative, technical, managerial or consultancy services.
6. The higher rate will apply if the non-resident person has a fixed base in Namibia.

Transfer Pricing and Thin Capitalisation

Transfer Pricing

Transfer pricing legislation regulates international goods or services transactions between connected persons. The rules allow Inland Revenue to disallow certain expenditure or adjust income if the contract price is less or more than what the price would have been between parties dealing at arm's length.

Thin Capitalisation

Thin capitalisation rules, which regulate the financial assistance granted by non-residents connected to Namibians, enable Inland Revenue to determine whether a local company is thinly capitalised and to disallow interest charged on excessive debt.

Capital Gains Tax (CGT)

There is currently no CGT system in Namibia. Certain capital gains are, however, specifically included in income and subject to income tax.

For tax years commencing on or after 1 January 2012, any income received or accrued from the sale, donation, expropriation, cession, grant, transfer or other alienation of a licence or a right to mine minerals in Namibia, irrespective of where the transaction will be concluded, the place where payment for the transaction will be made or the place where the funds from which payment is made are held, will become taxable in Namibia. Similarly, the sale of shares in a company that holds a licence, or has a right to mine minerals in Namibia, will become taxable. This provision does not apply to mineral rights/ licences issued in respect of petroleum and gas exploration and/or mining.

Inheritances and Donations

There is currently no estate duty or donations tax in Namibia. In the 2003/4 Budget, it was announced that the recommendations of the Namibian Tax Consortium, which reviewed the tax structure of Namibia, were approved by Cabinet. One of the recommendations of the Consortium was the introduction of estate duty and donations tax. No mention was made of this in subsequent budgets and it is still unclear whether these taxes will be introduced.

Value Added Tax (VAT)

	Note	Rate
Standard rate	1, 2	15%

Notes:

1. Certain supplies are subject to a rate of 0%. The principal zero-rated supplies are the direct export of goods, international transport services, the sale of a business as a going concern, certain services rendered to non-resident persons, residential municipal services, petrol and diesel, postage, supplies by charitable or similar institutions, residential telephone services, the erection and extension of a building used for residential purposes, and the sale of residential land and buildings. The improvements to buildings used for residential purposes, are subject to the standard rate of VAT. The following foodstuff items are zero-rated: fresh and dried beans (excluding canned and frozen), sunflower cooking oil, fried out and processed animal fat, bread, sifted and unsifted bread flour, sifted and unsifted cake flour (excluding when furnished or served as a meal or as cooked or prepared food), fresh milk, dry white sugar, wet brown sugar, dry brown sugar, and funeral undertaking services.
2. Exempt supplies include: medical, dental and hospital services, educational services, public transportation services, financial services, rental of residential accommodation and fringe benefits, etc.

Other Transaction Taxes

Stamp Duties

Stamp duty is payable at 0.2% on the issue or transfer of shares. Shares listed on the Namibian Stock Exchange (NSE) are exempt from this duty.

Stamp duty is also imposed on the acquisition of immovable property and a range of other instruments.

The rates on the acquisition of immovable property from 1 June 2013 by an individual are:

- N$0 – N$600 000: 0%
- Over N$600 001: N$10 for every N$1000

Stamp duty is payable at N$12 for every N$1000 or part therefore of the value of the immovable property where purchased by a juristic person or a trust.

Transfer Duties

Transfer duty is levied on the value of any property acquired. The rates below are effective from 1 June 2013:

Any property acquired by natural persons including mineral rights (except the category immediately below): value rates of duty

- N$0 – N$600 000: 0%
- N$600 001 – N$1 million: N$ nil + 1%
- N$1 million – N$2 million: N$4 000 + 5%
- Over N$2 million: N$54 000 + 8%

Agricultural land acquired by natural persons and financed by Agricultural Bank of Namibia: value rates of duty

- N$0 – N$1.5 million: 0%
- N$1.5 million – N$2.5 million: N$ nil + 1%
- Over N$2.5 million: N$10 000 + 3%

Any property, including mineral rights, acquired by persons other than natural persons, including trusts

- 12% of the value of the property

In determining the value for transfer duty purposes, VAT and stamp duties where applicable, are excluded. The sale of shares/ membership interest in property owning companies/ close corporations are currently not subject to transfer duties, but an amendment in this regard is expected during the course of the 2013/14 calendar year.

Export Levies

Export levies on the export of fish, meat and minerals will be introduced in due course. The applicable rates are expected to be between 0% and 2%. The legislation and rates per category of product have not been finalised yet.

Environmental Tax

Draft legislation has been prepared for the introduction of an environmental levy that was initially announced in the 2005/6 Budget. The levy will be applicable on *inter alia* carbon emissions of vehicles and plastic bags. The legislation has not been gazetted yet.

Land Tax

Land Tax (on agricultural land only) is payable for every 12-month period ending 28 February at the following rates (applied to the unimproved site value):

- Namibian resident owner: 0.75%.
- Non-resident owner: 1.75%.

On each additional farm property, the rate increases by 0.25%.

Tax Administration

- A change in the method of calculating provisional tax was introduced for tax years commencing on or after 1 January 2012. Provisional tax payments must, be based on estimates of taxable income for the year as opposed to last year assessed.
- Interest at 20% per annum is imposed on the late/ non-payment of all income tax, Pay-As-You-Earn (PAYE), provisional tax, VAT and import VAT. The interest amount may not exceed the original tax amount. Various penalties may also be imposed on the late/ non-submission of returns and late/ non-payment of taxes. The penalty amount may not exceed the original tax amount.
- The Ministry of Finance may make arrangements with any person to collect outstanding tax, penalties and interest on its behalf.
- In 2005, the Ministry of Finance instituted several measures aimed at strengthening tax compliance and administration. Included in those measures were a number of forensic audits and the amendment of the Income Tax Act to allow for the publishing of the names of tax offenders. Ongoing efforts to clamp down on tax evaders have continued, with forensic audits widespread. The Minister announced a continuation of the strengthening of collection through capacity building, compliance enforcement and general revenue administration. The Government will also continue with optimising its "Public-Private-Partnerships" with regard to revenue collection.
- The Minister of Finance has also embarked on an integrated tax management system development and implementation that is expected to be finalised in 2015. The system and new processes are expected to simplify tax administration process, improve services to taxpayers and compliance and collections. Comprehensive tax policy reviews will also be undertaken with the aim of finding alternative sources of revenue.

General Investment Information

Investment Incentives

Tax Incentives Applicable to Registered Manufacturing Enterprises

In order to qualify for the incentives listed below, companies must register as carrying on a manufacturing activity in terms of specified criteria. These incentives may not increase or create an assessed loss. The incentives include:

- An additional income tax deduction of 25% of employment and approved training costs in respect of employees directly involved in a manufacturing process.
- An additional income tax deduction of 25% for specified export marketing expenditure.
- An additional income tax deduction of 25% for certain land-based transportation costs for the first 10 years of registration.
- Exporters of goods manufactured in Namibia qualify for an allowance equal to 80% of taxable income derived from the export of manufactured goods (excluding fish or meat products).
- 8% annual allowance on qualifying buildings.
- Exemption from import duties on the importation or acquisition of manufacturing machinery and equipment, subject to ministerial approval.

Export Processing Zones (EPZs)

EPZ enterprises qualify for total relief from income tax, VAT, customs and excise duties, stamp duty and transfer duty (but not employees' tax and WHT). Essential requirements for EPZ status include, conducting a manufacturing activity and exporting at least 70% of the manufactured goods outside the Southern African Customs Union (SACU).

Capital Allowances

- Buildings used for the purposes of trade:
  - 20% of the cost of erection in the first year of use and 4% over a 20-year period (the 4% allowance is increased to 8% for certain manufacturing buildings and the period of the claim reduced to 10 years).
- Except for the items listed below, a general three-year write-off period for all fixed assets, other than buildings (e.g. plant, machinery, equipment, aircraft and ships). This allowance is not pro-rated in the first year.
- Mining operations
  - Exploration expenditure – 100% deduction in the year the production commences.
  - Development expenditure – three-year write-off.
- Farming operations
  - All capital expenditure except the cost of land, dwellings, machinery, implements, utensils and vehicles – 100%. This is deductible from farming income only. These expenses may not create a farming loss and the excess may be carried forward to following year of assessment.
  - Housing for employees – N$50 000 per employee. This is deductible from farming income only. These expenses may not create a farming loss and the excess may be carried forward to the following year of assessment.

- Erection of power lines and cost of carrying electric power from the main transmission lines to the farm apparatus. These expenses may not create a farming loss and the excess may be carried forward to the following year of assessment.
- Ringfencing of farming tax losses may be required depending on certain criteria where the taxpayer is not a full-time farmer.

Financial Sector Reforms

- The Banking Institutions Act of 1998 will be amended in order to align it with developments in the markets, including addressing the issue of limited competition in the banking sector.
- The Namfisa Amendment Bill seeks to improve the supervision of the non-banking financial sector and enhance consumer protection.
- Draft regulations that will complement the provisions of the Financial Intelligence Act have been finalised.
- Support for development and diversification of the capital market through fiscal policy.

Notes:
1. Incentives apply equally to domestic and foreign investors.
2. The major goals of incentives are: employment creation, industrial and economic development, exports and to uplift previously disadvantaged people.

Exchange Controls

Namibia is part of the Common Monetary Area (CMA) (with Lesotho, South Africa and Swaziland). In broad terms, there are few restrictions on inward investment by foreigners and profits may be fully repatriated. Currently, the debt-to-equity ratio may not exceed 3:1 without permission from the Bank of Namibia. There are restrictions on outward investment by local residents. An EPZ entity may acquire and use foreign currency without restriction. The administration of exchange control regulations is undertaken by the Bank of Namibia in co-operation with Authorised Dealers.

Resident individuals are allowed to operate foreign currency accounts with local Authorised Dealers, or invest abroad up to a maximum of N$2 million. Long-term insurers, pension funds and unit trusts (through unit trust management companies) are allowed to invest offshore up to a maximum of 20% of their total assets. The foreign capital allowance is N$4 million per emigrating family unit.

Non-residents can invest in equity, operational financing requirements, or in capital equipment and assets, through normal banking channels without reference to exchange controls. Dividends can be freely transferred to non-resident shareholders, except where local borrowings restrictions have been exceeded.

Namibia imposes a WHT (non-resident shareholders tax) payable on the repatriation of dividends from Namibia to the foreign shareholders (see rates elsewhere).The rates of these taxes are limited through certain DTAs.

Namibia continues to gradually relax its exchange controls in line with other CMA countries. The following exchange control relaxations were introduced in 2011/12:

- Mandatory repatriation of export proceeds to Namibia, increased from three to six months from the date of shipment.
- The retention period of foreign currency by foreign currency account holders, increased from 90 days to 180 days.
- Offshore investment limits for foreign portfolio investments by Namibian

institutional investors, increased from 30% to 35%.
- Cash limits for Namibian residents travelling overland to and from Namibia through Botswana, increased from N$5 000 to N$10 000.

Further exchange control features include:
- A special exemption for oil & gas companies from the requirements of operating Customer Foreign Currency (CFC) accounts.
- Companies involved in international trade may now operate a single CFC account as opposed to the past requirement of multi-CFC accounts.
- For local importers, the threshold for "cash-with-order" payments has been increased from N$250 000 to N$500 000.
- The required shareholding in foreign entities by Namibian corporate investors investing outside the CMA, has been reduced from a majority holding (more than 50%) to 25%.

Expatriates and Work Permits

Work permits for skilled expatriates are obtainable but often with substantial administrative delays.

Anti-Corruption Commission

An Anti-Corruption Commission (ACC) has been established.

Namibian Competition Commission (NCC)

The Namibian Competition Commission (NCC) was formally launched on 9 December 2009 and is entrusted to promote and safeguard competition in Namibia. Parties involved in a merger must notify the NCC of the proposed transaction, whereupon the NCC must either approve or decline the implementation of the transaction. The Competition Act also contains provisions around restrictive business practices, including restrictive agreements and dominant positions. The NCC may also, either on its own initiative or on receipt of information or a compliant, investigate restrictive agreements and/or dominant positions.

Trade Relations

- Memberships – Cotonou Agreement, SACU, SADC, WTO, CMU.
- AGOA beneficiary country.
- Namibian products qualify for preferential market access to 34 countries under the Generalised System of Preferences (GSPs).
- Namibia/Zimbabwe Preferential Trade Agreement.

Notes:
1. The creation of a SADC Customs Union, and free trade arrangements with other economic blocs (such as the European Partnership Agreement between SADC and the EU), pose serious risks to tax revenue. To compensate for anticipated revenue losses, the domestic tax base is intended to be broadened and tax administration improved.
2. The Minister announced that a preferential trade agreement is being negotiated by SACU with India.

Interest and Currency Exchange Rates

Prime Overdraft Rate:
9.250% (October 2013) (source: Bank of Namibia)
9.250% (November 2012) (source: Bank of Namibia)
Currency: Namibian Dollar (divided into 100 cents)
R1 = N$1.000 (October 2013)
US$1= N$9.8710 (October 2013) (source: Bank of Namibia)

Key Economic Statistics

GDP (approx.):
US$13.672 billion (2012)
US$12.296 billion (2013 forecast) (source: IMF)
Market Capitalisation – Stock Exchange:
US$1.7 billion (July 2013) (source: Government of Namibia)
Official Rate of Inflation:
6.400% (December 2013) (source: Bank of Namibia)
6.544 % (2012 average)
5.750% (2011 average) (source: IMF)

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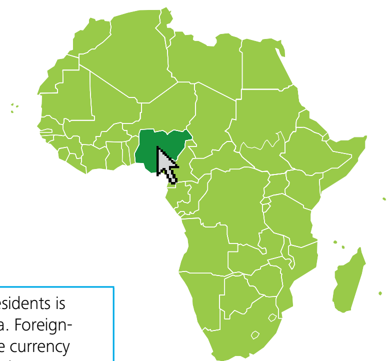
Nigeria



Income Tax

Individuals

Residents

Personal Income Tax Rates for Individuals*		
Taxable Income as exceeds	But does not exceed	Rate
NGN	NGN	%
0	300 000	7%
300 000	600 000	11%
600 000	1 100 000	15%
1 100 000	1 600 000	19%
1 600 000	3 200 000	21%
3 200 000 +		24%

* Personal income tax is payable on the net income on a graduated scale.

Notes:

1. Nigerian residents are taxed on their worldwide income.
2. An individual would be deemed as resident in Nigeria in an assessment year if he/she performs duties wholly or partly in Nigeria unless all the following conditions apply: (i) the employee is not in Nigeria for an aggregate period of 183 days (including annual leave and temporary absence) in any 12-month calendar period (ii) employment is with a company in a country other than Nigeria (iii) the remuneration of the employee is liable to tax in that country with whom Nigeria has a treaty and (iv) the employer is in Nigeria or has a fixed base in Nigeria.
3. 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 earned from abroad, is exempt if brought into Nigeria and paid into a domiciliary account in a bank approved by the Government. Income brought into Nigeria through domiciliary accounts via an authorised bank by athletes, playwrights, authors, musicians and artists (who are professionals), is also exempt.
4. The profit of a trade, profession or vocation is liable to tax in Nigeria regardless of the period such a trade, profession or vocation has been carried on. Income from employment, however is liable to tax when a person becomes resident.
5. Additionally, a certain proportion of earned income is tax-free based on certain allowances given.
6. Capital gains are generally taxed at 10%. Gains from disposal of shares are not, however subject to Capital Gains Tax (CGT).
7. Each individual must file a return. Joint filling is not permitted.

Non-Residents

Non-residents are taxed on Nigerian-source income generally via withholding at source. Non-residents become liable to tax from the day they begin to carry on a trade, business, profession or vocation in Nigeria. Double taxation treaties (i.e. DTAs) have been concluded with a number of countries and double taxation relief applies to such income.

Employment Income

The Pay-As-You-Earn (PAYE) system of collection is in operation.

Notes:

1. There is a consolidated relief allowance of the higher of NGN200 000 or 1% of gross income, plus 20% of gross income.
2. A minimum tax of 1% of gross income is applicable where computed tax amount is less than 1% of gross income.
3. The following deductions are tax-exempt when computing taxable income:
   - National Housing Fund Contribution.
   - National Health Insurance Scheme.
   - Life Assurance Premium.
   - National Pension Scheme.
   - Gratuities.

Companies

Income Tax Rates for Companies	
	Rate of Tax
All companies	30%
Small companies – Turnover does not exceed NGN1 million (US$6 450)	20%

Notes:

1. The corporate tax rate is 30% for all companies except oil & gas companies in the upstream sector. However, a lower rate of 20% is applicable to manufacturing or agricultural production companies and companies engaged wholly in exports within the first five years of operation and where the turnover does not exceed NGN1 million (US$6 450).
2. The companies' income tax applies the concept of a fixed base rather than residence. Any company doing business in Nigeria, and 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 tax treaties), will also 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.
3. 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.
4. Taxable income is a company's income less allowable deductions and losses. Income of a capital nature is not included in taxable income.
5. Interest paid on loans used for business operations are allowable for tax purposes. For new businesses, such interest is capitalised prior to starting commercial production. Interest income received by lending institutions on loans to export-oriented companies and agricultural businesses, are granted tax exemptions depending on tenor and moratorium of the loans.

6. Dividends received by a Nigerian company from other domestic companies, are excluded in the determination of taxable income to the extent that such distribution has suffered withholding tax (WHT) in the hands of the recipient. Dividends paid to non-resident companies and investors attract WHT of 10%, unless reduced by a tax treaty, which is the final tax while dividend distributed by unit trusts and pioneer companies during the pioneer period are tax-exempt in the hands of recipients and WHT are not deductible for such dividend.
7. Capital allowances are granted to companies against taxable income *in lieu of* the wear-and-tear of business assets. Rates of capital allowances are highest (95%) for expenditure on replacement plant and machinery for mining, agricultural production, industrial plant and machinery and motor vehicles used for public transportation.
8. In addition, investment allowances of 10% are available to companies in their first year of acquisition of plant and machinery.
9. Certain business assets (such as factory buildings, furniture and fittings) enjoy capital allowances at lower rates of 25% initial and 20% annual, but generally at 50% initial and 25% annual in other cases.
10. Normal business losses can be carried forward indefinitely except for insurance companies which can only carry forward losses for a maximum of four years.
11. Closing stocks have to be appropriately valued at the lower of cost or net realisable value. Accepted valuation methods are first-in-first-out (FIFO) and weighted average but last-in-first-out (LIFO) valuation is not acceptable. The valuation method once adopted, must be consistently followed.
12. A unilateral foreign tax credit is not available to corporate taxpayers. However, income tax paid in non-treaty countries is deductible if Nigeria also taxes the income.
13. There is no participation exemption and no holding company regime in Nigeria.
14. An Alternative Minimum Tax (AMT) is levied to ensure that unless exempt, every company pays a certain amount of Corporate Income Tax (CIT). 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 NGN500 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 NGN500 000, an additional tax is payable, calculated at the rate of 0.125% of the turnover exceeding NGN500 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.
15. There are no provisions for consolidation of accounts for group taxation in Nigeria.

Withholding Taxes (WHTs)

Certain payments to domestic companies and individuals and non-resident companies/investors are subject to WHT at the following rates:

WHT Rates			
	Note	Corporate Bodies	Individual
Dividends	2	10%	10%
Royalties		10%	5%
Interest	3	10%	10%
Director fees		n/a	10%
Rent (including hire of equipment)	5	10%	10%
All aspect of building construction and related activities		5%	5%
All aspect of contract activities or agency arrangements including contract for supply		5%	5%
Management services	4	10%	5%
Consultancy and professional fee	4	10%	5%
Technical services	4	10%	5%
Commission	4	10%	5%

WHT Rates for Treaty and Non-treaty Countries*			
	Dividends	Interest	Royalties
Treaty countries	7.5%	7.5%	7.5%
Non-treaty countries	10%	10%	10%

Nigeria has concluded treaty arrangements with the following countries:
1. Belgium
2. Canada
3. China
4. Czech and Slovakia Republic
5. France
6. Netherlands
7. Pakistan
8. Romania
9. United Kingdom
10. South Africa

* As a result of a Nigerian Government Directive the WHT rate for all treaty countries, so far as payments out of Nigeria are concerned, for dividends, interest and royalties, is 7.5%.

Notes:
1. WHT paid by resident person and companies in Nigeria is payment on account of tax. WHT credit notes can be used to offset personal and companies' income tax liabilities, except in the case of dividend and interest where tax withheld is a final tax. WHT paid by non-resident individuals and companies is a final tax.
2. Dividends are subject to 10% WHT whether paid to a resident or non-resident, unless the rate is reduced under a tax treaty.
3. Interest payment is subject to 10% WHT whether paid to a resident or non-resident, unless the interest is exempt. Exempt interest includes interest payable on a foreign loan; percentage of interest amount exempted ranges from zero to 100%, and is based on the loan repayment period and grace period.
4. Payments such as management consulting fees and fees for technical services and commissions are subject to WHT at a rate of 10% for corporate recipients and 5% for individuals.
5. A 10% WHT applies to all rental payments and director's fees. These WHTs are final for non-resident recipients but may not be final for residents.
6. Branch remittance tax does not apply.

Capital Gains Tax (CGT)

Capital gains and losses are treated differently from regular business transactions of individuals, partnerships and companies in Nigeria. Gains arising from the disposal of assets are taxed at the rate of 10%. Taxable assets include land and building situated in Nigeria, as well as plant and machinery. With effect from 1 January 1998, corporate securities are exempted from CGT.

Inflation is rarely taken into account in determining capital gains. Payment of CGT can be postponed if the proceeds on disposal of an asset are reinvested in acquiring similar assets. Nigeria tax law does not provide for capital loss relief.

Anti-avoidance

In Nigeria, the Companies Income Tax Law contains general provisions on related party transactions. It requires that transactions by related parties are conducted at arm's length; if otherwise, the price will be restated. Further guidelines are provided within the Income Tax (Transfer Pricing) Regulations No. 1/2012; highlighting applicable transactions, acceptable transfer pricing methods, documentation requirements, advance pricing agreements and offences, penalties and dispute resolutions.

There are no thin capitalisation rules.

Inheritances and Donations

There is no donations tax and no inheritance/estate tax in Nigeria.

Value Added Tax (VAT)

	Rate
Standard rate	5%

Notes:

1. VAT was introduced in the country on 1 December 1993 to replace sales tax.
2. VAT is imposed on non-exempt supplies of goods and services within Nigeria, as well as on goods imported. Export goods are non-taxable.
3. Exempted goods include:
   - All medical and pharmaceuticals products.
   - Oil exports.
   - Plant, machinery and equipment purchased for utilisation of gas in downstream.
   - Basic food items.
   - Books and educational materials.
   - Baby products.
   - Plant, machinery and goods imported for use in the export processing zone or Free Trade Zones (FTZs).
   - Tractors, ploughs and agricultural implements purchased for agricultural purposes.
4. Exempt services include:
   - Medical services.
   - Services rendered by community banks and mortgage institutions.
   - Plays and performances by educational institutions as part of learning.
   - All exported services.
5. Zero-rated goods and services include:
   - Non-oil exports.
   - Goods and services purchased by diplomats.
   - Goods and services purchased for use in humanitarian donor funded projects.

Customs and Excise Duties

Customs duties are levied on goods coming into the country at varying rates with the lowest rate at 5% and a maximum rate of 35% of import value at each port of entry. There is a list of excisable items (i.e. wines and spirits, tobacco and cigarettes, alcoholic beverages etc.) and factories which can be obtained from the Nigeria Customs Service.

Other Taxes

Petroleum Profit Tax (PPT)

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 nature of the contract entered into by persons in the oil & gas industry determines the person’s tax regime. The income derived by companies engaged in petroleum operations is assessable to tax at the rate of 85% with some variations for companies within the first five years of operation and those involved in a production sharing contract. Any activity that does not qualify as petroleum activity is subject to tax at the rate of 30%.

Social Security

The employer is required to make a compulsory pension contribution at a minimum of 7.5% of employees’ 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 Duties

A number of transactions attract stamp duties. These include: incorporation of companies, increase in companies authorised share capital, mortgage bonds, debenture and dealing in securities, settlement of estates and conveyance of property.

Tertiary Education Trust Fund Act

Tertiary Education Tax at a rate of 2% is payable by all resident companies on the adjusted/assessable profits for corporate income tax or PPT purposes before the deduction of capital allowances. The Revenue is required to issue assessments for the tax which is payable within 60 days of service of the assessment notice on the company. However, in practice, the tax is self-assessed and paid six months after the accounting year-end.

Information Technology (IT) Tax

IT Tax at the rate of 1% of profit before tax is payable by telecommunication, cyber, insurance companies and banks with turnover of N100 million (US$645 161) and above. The tax is treated as a deductible expense when paid. The tax is payable within 60 days of service of the assessment.

Industrial Training Fund

All employers having either a minimum of five employees or having less than five employees but with annual turnover of NGN50 million are expected to contribute an amount equal to 1% of its annual payroll cost to the Fund. The Fund is utilised in the provision and promotion of skills acquisition in the industry. This is payable not later than 1 April of the following year. The employer could get up to 50% refund of contributions made if suitable training courses are provided to the employees.

Employees Compensation Act (ECA) 2011

ECA repealed the Workmen's Compensation Act. The Act is meant to provide safer working conditions for all the employees. The provisions of the Act are applicable to employees in the public and private sectors of the economy except the armed forces. The rate of contribution is 1% of total payroll cost consisting of total emolument. This includes any share award or benefit. The Act provides for risk assessment after two years, relating contributions to the level of risk to which workers are exposed.

Nigeria Oil & Gas Content Development Fund

The sum of 1% of every contract awarded to any operator, contractor, subcontractor, alliance partner, or any other entity involved in any project, operation, activity or transaction in the upstream sector of the Nigerian oil & gas industry, shall be deducted at source and paid into the Fund.

Local Taxes

States in Federation (currently, 36 states) have a variety of local taxes in their areas of jurisdiction. Local taxes include: motor vehicles' licence/registration, consent fees for transfer of property in real estate, property tax, gaming/casino tax, water rates etc. Local councils impose tenement rates and several other fees.

General Investment Information

Investment Incentives

Tax Incentives

- Pioneer status – There is a 100% tax-free period for a period of three to five years for pioneer industries that produce products declared as "pioneer products" under the Industrial Development (Income Tax Relief) Act.
- Infrastructure – Investment tax relief is available for each year of expenditure at the following rates to companies who provide basic infrastructures: tarred roads (15%), water (30%), electricity (50%) and 100% for companies who provide all such basic facilities where they do not exist.
- Research and Development (R&D) – Expenses for qualified R&D are tax deductible to a company but the amount deducted must not exceed 10% of the company's total profit for that year of assessment. In addition, companies and organisations engaged in R&D activities for commercialisation shall be allowed 20% investment tax credit on their qualifying expenditure.
- Companies engaged in export trade – With effect from 1 January 1996:
  (i) Profits of any Nigerian company in respect of goods exported from Nigeria provided that the proceeds from such exports are repatriated to Nigeria and are used exclusively for the purchase of raw materials, plant and equipment and spare parts, are exempted from tax.
  (ii)The profits of companies whose products are used exclusively as inputs for the manufacturing of products for exports are tax exempt. For this purpose the exporter must give a certificate of purchase of the input of exportable goods to the seller before the profit can be eligible for tax exemption.
- Tax relief to export-oriented enterprises
  - The profit or gains of 100% of export-oriented undertakings, established outside an EFZ, shall be fully exempted from income tax for three consecutive assessment years, provided that:
    (i) The undertaking is 100% oriented.
    (Ii) The undertaking is not formed by splitting up or the reconstruction of a business already in existence.
    (iii) It manufactures, produces and exports during the relevant year, and the proceeds or goods exported during the year are not less than 75% of its turnover for the year.
    (iv)The undertaking is not formed by transfer of machinery or plant previously used for any purpose to the new undertaking or, where it does, the written-down value does not exceed 25% of the total value of the plant and machinery.
    (v) That the undertaking repatriates at least 75% of the export earnings to Nigeria and places this in the domiciliary account with a bank in Nigeria.
- Solid minerals – Companies engaged in the mining of solid minerals enjoy tax-free holiday for the first three years of operation.
- Replacement of industrial plants and machineries – Plant and machinery purchased to replace old ones are to enjoy a once and for all 95% capital allowances in the first year and the remaining 5% is to be approximately, as the book value until the final disposal of the asset (approximately, section was repealed in 2007 CIT amendment).
- Tax incentives for hoteliers and tourism services – 25% of income approximately, from tourism by hotels in convertible currencies will be exempted from tax with effect from 1996, provided such incomes are set aside and put in reserve fund to be utilised within five years in expansion or the construction of new hotels, conference centres and new facilities useful for tourism development.

- Employment tax relief – Companies with minimum net employment of ten employees, 60% being employees with no prior work experience within three years of graduating from school or any vocation, are entitled to a relief of 5% of total assessable profits.
- Work Experience Acquisition Programme relief – Companies with a minimum net employment of five new employees and retains these employees for a minimum of two years from the year of assessment in which they were first employed also enjoy a tax relief of 5% of its assessable profits
- Infrastructure tax relief – A company that incurs expenditure on infrastructure or facilities of a public nature, shall be entitled to a tax exemption of an additional 30% of the cost of the provision of the infrastructure or facilities. These are power (electricity); roads and bridges; water; health, educational and sporting facilities.
- Additional incomes exempted from CIT – Short-term securities such as treasury bills and promissory notes; bonds; and interests earned by holders of the bonds and short-term securities are exempt from CIT for 10 years, effective 2 January 2012.

Other Incentives

- New incentives to boost cement production – Nigeria's Federal Government has approved a number of new incentives to boost local cement production.
- FTZs offer numerous incentives to businesses – Locating in any FTZ in Nigeria automatically confers on the investor certain locational advantages, as well as very generous incentives.
- Various incentives on offer to stimulate biofuel industry – The objective of Nigeria's Biofuel Production Programme is to establish a thriving fuel ethanol industry by utilising agricultural products.
- Investment Promotion and Protection Agreement (IPPA) – As part of an additional effort to foster foreign investors' confidence in Nigeria, the Federal Government continues to enter into IPPAs with countries that do business with Nigeria.
- Small and Medium Enterprises Equity Investment Scheme – The Small and Medium Enterprises Equity Investment Scheme (SMEEIS) requires all banks in Nigeria to set aside 10% of their profit after tax (PAT) for equity investment and promotion of small and medium enterprises.
- Tax incentives to the gas industry – In view of the enormous potentials in this sector, Government has approved various fiscal incentives. Effective from 31 January 2012, equipment and machinery in the power sector will attract zero duty.
- Incentives for investors in the agriculture sector – Nigeria's agriculture in now in the limelight as the Federal Government moves to reduce the amounts of foreign exchange it spends on imported food. Numerous incentives are available to stimulate investment in agricultural activities. Import levies have been increased on certain agricultural products such as wheat flour, wheat grain, and brown rice.
- Incentives to the tourism sector – Incentives have been put in place to encourage domestic and foreign investor participation in the tourism industry of Nigeria.

Exchange Controls

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 is permitted, provided the royalty contracts and technical fees have been approved by the National Office for Technology, Acquisition and Promotion.

Authorised Dealers of foreign currencies need to notify the Central Bank of Nigeria of any cash transfer to or from a foreign country of any sum in excess of US$10 000. A tax clearance certificate must, however be obtained by anyone wishing to remit dividend and interest funds outside the country.

Expatriates and Work Permits

All non-residents/citizens must obtain visas before entry into Nigeria, except citizens of ECOWAS (Economic Community of West African States) who only need to process ECOWAS cards on arrival. There are four categories of visas – tourist, business, temporary work permits (TWP) and the subject to regularisation (STR) visas. Employers obtain expatriate quotas for their employees and these are usually valid for at least two years. Expatriate quotas are approved based on the need for the skill to be imported into Nigeria. Employers of expatriates are required file monthly immigration returns stating the utilisation of expatriate quota.

Trade Relations

- Memberships – ECOWAS, African Union (AU), G20, Organisation of Petroleum Exporting Countries (OPEC) and New Partnership for Africa's Development (NEPAD).
- International organisations – International Chamber of Commerce (ICC), African Development Bank Group (AfDB), World Federation of Trade Unions (WFTU), World Trade Organisation (WTO),United Nations (UN), Commonwealth, ECOWAS, the Organisation of African Unity (OAU) and Non-Aligned Movement (NAM).

Interest and Currency Exchange Rates

Benchmark Interest Rate*:
12.00% (last reported 2013) (source: Central Bank of Nigeria)
Currency: Naira (NGN)
R1 = 15.1222 NGN (December 2013)
US$ = 157.297 NGN (December 2013) (source: Standard Bank, Oanda)

Notes:
1. Nigeria's currency is the Nigerian Naira (NGN).
2. The 2012 exchange rate was pegged at NGN155 to the US$.

* The Benchmark Interest Rate in Nigeria is reported by the Central Bank of Nigeria. Interest rates in Nigeria averaged 9.31% from 2007 until 2013, reaching an all-time high of 12.00% in November of 2013 and a record low of 6.00% in July of 2009. In Nigeria, interest rate decisions are taken by the Central Bank of Nigeria. The official interest rate is the Monetary Policy Rate (MPR).

Key Economic Statistics

GDP (approx.):
US$292.028 billion (2013 forecast) (source: IMF)
Market Capitalisation – Stock Exchange (approx.):
NGN9.264 trillion (January 2013) (source: allAfrica.com)
Rate of Inflation:
9.711% (December 2013) (source: IMF)
12.217% (2012 average) (source: IMF)

Rwanda

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Rwanda

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals (Annual):		
Taxable Income as exceeds	But does not exceed	Rate
RWF	RWF	%
0	360 000	0%
360 000	1 200 000	20%
1 200 000 +		30%

Notes:

1. Basis – A resident is taxed on worldwide income, while a non-resident is taxed only on Rwanda-source income. Foreign-source income derived by a resident is subject to personal income tax (PIT) in the same way as Rwanda-source income.
2. Residence – An individual is resident in Rwanda if he/she has a permanent residence or habitual domicile in Rwanda; if he/she stays in Rwanda for more than 183 days in a 12-month period, or if he/she is a Rwandan representing Rwanda abroad.
3. Rates – Rates are progressive to 30%.
4. Taxable income – Employment income, including most employment benefits, is taxable.
5. Deductions and allowances – Deductions are available for items such as retirement contributions made by the employer to the Rwanda Social Security Board and pension payments made under the State Social Security System.
6. Filing status – No requirement if income has been subjected to tax under Pay-As-You-Earn (PAYE) mechanism.
7. Small entities pay income tax under a lump sum system and medium entities pay with turnover.

Non-Residents

Non-residents are taxed on Rwanda-source income only.

Employment Income (PAYE)

- The tax law requires that when an employer makes available employment income to an employee the employer must withhold, declare, and pay the PAYE tax to the Rwanda Revenue Authority (RRA) within 15 days following the end of the month for which the tax was due. An option for a quarterly declaration and payment is available for employers with an annual turnover not exceeding RWF200 million.
- In the case of engaging a casual labourer for less than 30 days during a particular tax year, the employer shall withhold 15% of the taxable employment income of the casual labourer.
- The first RWF30 000 of the income earned is taxed at 0%.
- Beginning January 2006, employers/employees shall calculate the tax on employees' taxable income based on the tax bands and/or using the formulae provided. Employers/individuals that declare their own PAYE can build these formulae into their systems in order to compute the tax due.
- The employer is personally responsible for the correct withholding, declaration and the timely payment to the RRA.
- The employer is personally responsible for keeping proper books of account to prove that the tax has been correctly withheld, paid, and accounted for. Under those circumstances where the employer is not required to withhold and pay the tax, the employee is responsible for registering, declaring, accounting, and paying the tax.

- An employer, who is not the first employer of an employee, must withhold PAYE at the marginal top tax rate of 30%. An individual who receives employment income from more than one employer, or who receives incidental employment income such as end of year bonus, may file an annual declaration if he wants to claim a tax refund. Only amounts in excess of RWF5 000 are refunded. An employee who works for more than one employer is obliged to inform his/her employers specifying which one is his/her first employer. The employer is obliged to ask the employee and confirm that he/she is the first employer.

Companies

Income Tax Rates for Companies	
	Rate of Tax
Standard corporate tax rate	30%

Notes:

1. Residence – A company is resident if it is established according to Rwandan law or if its headquarters are in Rwanda.
2. Basis – Residents are taxed on worldwide income; non-residents are taxed on Rwandan-source income. Foreign-source income derived by residents is subject to corporation tax in the same way as Rwanda-source income.
3. Rate – The corporate tax rate is 30%, with some discounts for registered investors based on the number of employees, and the amount of income derived from the export of goods and services. Furthermore, specific tax rates with a minimum of 20% are provided for new listed companies on the capital market depending on the percentage of their shares sold to the public.
4. Chargeable income – Corporation tax is imposed on a company's total income after deduction of normal business expenses.
5. Losses – Losses may be carried forward for five tax periods unless there is a 25% or more change in ownership (direct or indirect). The carryback of losses is not permitted.
6. Dividends – Dividends received by a Rwandan resident company from another Rwandan company, are exempt from corporation tax. Other dividends are subject to a 15% withholding tax (WHT).
7. Foreign tax credit – Foreign tax paid may be credited against Rwandan tax on the same income but the credit is limited to the amount of Rwandan tax payable on the foreign income.
8. Corporate groups – See "Participation exemption" below.
9. Participation exemption – A company that transfers its assets to another company is exonerated from tax in respect of capital gains and losses realised on the participation. A "participation" for these purposes means: a merger of two or more resident companies; the purchase or takeover of at least 50% of the shares in a resident company; the purchase of 50% or more of the assets and liabilities by a resident from another resident company; or the splitting of a resident company into two or more resident companies.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	15%/exempt	15%
Interest	2	15% (non-registered resident)	15%
Royalties	3	15% (non-registered resident)	15%
Technical service fees	4	15% (non-registered resident)	15%

Notes:

1. Dividends – Dividends paid to another Rwandan company are exempt. Dividends paid to a non-resident or an individual are subject to a 15% WHT unless the rate is reduced under a tax treaty (DTA).
2. Interest – Interest paid to a non-resident or to a non-registered resident is subject to a 15% WHT unless the rate is reduced under a tax treaty.
3. Royalties – Royalties paid to a non-resident, or to a non-registered resident, are subject to a 15% WHT unless the rate is reduced under a tax treaty.
4. Technical service fees – Technical fees paid to a non-resident, or to a non-registered resident, are subject to a 15% WHT unless the rate is reduced under a tax treaty.

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Rwanda has a DTA are as follows:

Type of Income	Belgium*	Mauritius**	South Africa
Dividends	15%	10%	10%
Interest	10%	10%	10%
Royalties	10%	10%	10%
Technical service fees	10%	12%	10%
Other	10%	10%	10%

* Belgium DTA has favourable rates up to 0% for dividends and interest.

** Mauritius DTA was re-negotiated but is yet to be ratified by Rwanda. Once ratified, it will have retrospective application from 1 January 2013.

Capital Gains Tax (CGT)

Companies

Capital gains are taxable as ordinary income at the standard rate of corporation tax. However, capital gains derived from the sale or cession of commercial immovable property, are separately taxed at a rate of 30%, while capital gains on secondary market transactions, on listed securities, are exempted.

Individuals

Capital gains are taxable as ordinary income at the normal PIT rates. However, capital gains derived from the sale or cession of commercial immovable property is separately taxed at a rate of 30%, and capital gains on secondary market transactions, on listed securities, are exempt.

Anti-avoidance

Transfer Pricing

When independent parties deal with one another, the terms of trade are determined by market forces and may be presumed to be at arm's length. However, for related party transactions, determination of the arm's length price requires a comparison of the conditions in a "controlled transaction" against the conditions in an unrelated party or uncontrolled transaction.

Thin Capitalisation

Interest on a loan from a related party, that exceeds four times the amount of equity, may not be deducted from taxable income unless the taxpayer is an individual. This provision does not apply to commercial banks or insurance companies.

Value Added Tax (VAT)

VAT	Rate
Standard rate	18%

Notes:

1. VAT is imposed on the sale of goods and the provision of services.
2. The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases.
3. The registration threshold for VAT purposes is RWF20 million of annual turnover. Voluntary registration is possible for taxpayers with turnover under the threshold.
4. VAT-filing and payment must be made on a monthly basis, although quarterly filing/payment is available as an option for taxpayers with annual turnover not exceeding RWF200 million.
5. Reverse charge VAT at 18% is payable on imported services and is not allowed as input VAT credit unless it relates to services not available in Rwanda.

Customs and Excise Duties

Excise Taxes

Consumption tax (excise duty) is levied on the following locally manufactured products: beers, lemonades, cigarettes, wines, spirits and mineral water made in Rwanda and telephone communication supplied by telephone communication providers operating in Rwanda.

The corresponding consumption tax rates are as follows:

Product	Tax Rate
Juice from fruits	5%
Other juices, soda and lemonade	39%
Mineral water	10%
Beer	60%
Wine	70%
Brandies, liquors and whisky	70%
Cigarettes	150%
Telephone communication	8%
Fuel (excluding benzene)	RWF183 per litre
Diesel and gas oil	RWF150 per litre
Lubricants	37%
Powdered milk	10%
Vehicles with an engine capacity of above 2500cc	15%
Vehicles with an engine capacity of between 1500 and 2500cc	10%
Vehicles with an engine capacity of less than 1500cc	5%

Notes:

1. The taxable value on locally manufactured products is calculated according to selling price exclusive of taxes. The tax shall be payable when the taxable products are cleared out of the factory for consumer use in case of locally manufactured products and when the taxable service provided is telecommunication services.

Miscellaneous Taxes

Real Property Tax

Tax is paid to the municipal authorities and calculated according to the location and utilisation of the property.

Inheritance/Estate Tax

There is no inheritance/estate tax in Rwanda.

Transfer Tax

Some administrative fees are applicable.

Net Wealth/Net Worth Tax

There is no net wealth/net worth tax in Rwanda.

Other

A Presumptive Tax of 3% of annual turnover is applicable to taxpayers with annual turnover less than RWF50 million that opt for the regime. Other lump sums from RWF60 000 to RWF300 000 (depending on the turnover) are payable by taxpayers with a turnover less than RWF20 million.

Social Security

The total contribution to the Social Security Fund is 8% (5% by the employer and 3% by the employee).

Tax Administration

Corporations

- Tax year – The tax year is the calendar year, although the taxpayer may request a different 12-month period.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
- Filing requirements – A self-assessment regime applies. Advance corporate tax is payable in three instalments. The tax return must be filed within three months of the applicable year-end.
- Penalties – Interest is imposed for late payment of tax and fines and other penalties are imposed for late payment and tax understatements.

Individuals

- Tax year – Calendar year. A specific tax year of 12 months is available upon on request.
- Filing and payment – Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities.
- Penalties – Penalties, including fines and interest, apply for failure to comply.

General Investment Information

Investment Incentives

General Incentives

- Peace and stability and predictability of political leadership.
- Firm commitment to democracy.
- Good governance.
- The principles of free market economy are fully embraced.
- In keeping with its regional integration commitments, Rwanda has reduced its tariff rates and eliminated all export taxes and other non-tariff barriers.
- As a developing country, Rwanda has duty and quota-free access into the United States (US) and European (EU) markets in line with provisions of AGOA and the Cotonou arrangement.
- Rwanda offers opportunities in many fields, many focused on the local market and some on markets abroad.
- Rwanda's strategic location provides access to the East African Community (EAC) region and COMESA.

Tax Incentives

- Investment allowance – An investment allowance of 40% of the amount invested in new, or used assets, is available provided the amount invested is at least RWF30 million and the business assets are held for at least three tax periods. The investment allowance is 50% for investment in rural areas, and specified activities, as provided by the Investment Authority.

- Training and research expenses – All training and research expenses incurred and declared as agreed by a taxpayer, and which promote activities during a tax period, are considered as deductible from taxable profits in accordance with provisions of Article 21 of this law. Expenses on training, research and on promotion of activities as applied in this Article, do not concern the purchase of land, of houses, of buildings and other immovable properties including refining, rehabilitation and reconstruction, as well as exploration expenses and other assets.
- Losses carried forward – If the determination of business profit results in a loss in a tax period, the loss may be deducted from the business profit in the next five tax periods; earlier losses being deducted before later losses. However, foreign-source losses can neither reduce domestic sourced business profits nor can they reduce future domestic sourced business profits. A loss sustained by a taxpayer, whose share are not traded in the stock market, is not allowed to be carried forward when changes of ownership occur by more than 25%. This applies to losses incurred in the tax period the change of ownership happened and the previous tax period.

- Tax discount and exemption – A registered investment entity that operates in a Free Trade Zone (FTZ), and foreign companies that have theirs headquarters in Rwanda, that fulfils the requirements stipulated in the Rwandan law on Investment Promotion, is entitled to:
  - Pay Corporate Income Tax (CIT) at the rate of 0%.
  - Exemption from 15% WHT (mentioned in Article 51 of the Law No.16/2005 of 18/08/2005 on direct income).
  - Tax-free repatriation of profits.
- Profit Tax Discount (PTD) – A registered investor shall be entitled to a PTD of:
  - 2%, if the investor employs between 100 and 200 Rwandans.
  - 5%, if the investor employs between 201 and 400 Rwandans.
  - 6%, if the investor employs between 401 and 900 Rwandans.
  - 7%, if the investor employs more than 900 Rwandans.

The tax discount is granted to the investor only if he/she maintains the employees for a period of at least six months during a tax period, and are not in the category of employees who pay at the rate of 0% (as stipulated in Article 50 of the Law No.16/2005 of 18/08/2005). If a taxpayer exports commodities or services that bring to the country between US$3 million and US$5 million in a tax period, he/she is entitled to a tax discount of 3%. If he/she exports commodities or services that bring to the country more than US$5 million in a tax period, he/she is entitled to a tax discount of 5%. Companies that carry out micro-finance activities, approved by competent authorities, pay CIT at the rate of 0% for a period of five years from the time of the approval of the activity. However, this period may be renewed by the order of the Minister.

Other Incentives

- Free initial one-year work permits for foreign workers and the acquisition of permanent residency (granted to an investor if he deposits an amount of at least US$500 000 on an account in a Rwandan commercial bank for a period no less than six months).

Exchange Controls

None, but some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency.

Expatriates and Work Permits

Work permits are in two categories: category "A" for a foreigner whose monthly gross remuneration is at least RWF500 000, and category "B" for those whose monthly gross remuneration is below RWF500 000.

With effect from 9 March 2009, the following regulations applied:

- Citizens from East African partner states are exonerated from resident visa or work permit fees upon application.
- For all other nationalities, resident visa fees dropped from RWF200 000 to RWF50 000 per year.
- Annual work permit fees changed from RWF200 000 to RWF50 000 for category "A" and RWF10 000 for category "B".
- A foreigner who shall have paid for work permit is exempted from resident visa fees.
- Foreigners coming to work, or reside in Rwanda, are no longer be required to pay any deposit fee.

Trade Relations

- Memberships – COMESA, EAC and Commonwealth.
- Tax Treaties – Rwanda has tax treaties with Belgium (ratified) and Mauritius (re-negotiated but not yet ratified) and has signed a treaty with South Africa.

Interest and Currency Exchange Rates

Monetary Policy Rate:
6.697% and 17.82% (Interbank Rate and Lending Rate respectively) (October 2013) (source: National Bank of Rwanda)
Currency: Rwandan Franc (RWF)
R1 = RWF63.7422 (November 2013)
US$1 = RWF663.027 (November 2013)
US$1 = RWF614.1908 (2012 average) (source: National Bank of Rwanda, Oanda)

Key Economic Statistics

GDP (approx.):
US$7.103 billion (2013 estimate) (source: World Bank)
Market Capitalisation:
Not available.
Rate of Inflation:
5.40% (2012 average) (source: IMF)
5.692% (2013 average) (source: IMF)
5.10% (October 2013) (source: National Institute of Statistics Rwanda)

Senegal

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Senegal

Note

Senegal has a new “General Tax Code” which was published on January 2013.

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals:		
Taxable Income as exceeds	But does not exceed	Rate
XOF	XOF	%
0	630 000	0%
630 000	1 500 000	20%
1 500 000	4 000 000	30%
4 000 00	8 000 000	35%
8 000 000	13 500 000	37%
+13 500 000		40%

Notes:

1. Basis – A resident is taxed on worldwide income, while a non-resident is taxed on Senegal-source income only.
2. Residence – An individual is considered resident in Senegal for tax purposes if his/her permanent place of dwelling, centre of interests, or centre of business, is located in Senegal, or if he/she stays in Senegal for more than 183 days in any 365-day period.
3. Rates – The annual tax liability is computed by applying the progressive income tax rates on the aggregation of net taxable income from various categories of income. A 30% lump sum deduction is available when determining the taxable base for employment income tax purposes. The deduction is capped at XOF900 000. Tax deduction applies on the total amount of tax due as follows:

Number of shares	Rate (%)	Minimum (XOF)	Maximum (XOF)
1.0	0%	0	0
1.5	10%	100 000	300 000
2.0	15%	200 000	650 000
2.5	20%	300 000	1 100 000
3.0	25%	400 000	1 650 000
3.5	30%	500 000	2 030 000
4.0	35%	600 000	2 490 000
4.5	40%	700 000	2 755 000
5.0	45%	800 000	3 180 000

4. The overall individual income tax burden may not exceed 40% of the taxable income.
5. Taxable income – Taxable income is defined as income from all sources (i.e. wages and salaries; proceeds from agricultural, commercial or non-commercial activities; income from real property etc.). Taxpayers with income other than salaries are required to declare the total amount of their incomes once a year.
6. Deductions and allowances – Different abatements and allowable deductions apply to each category of income.
7. Filing status – Joint-filing is not permitted. Spouses are required to file separate tax returns.
8. Relief from double taxation is available through tax treaties (DTAs) to which Senegal is signatory.

Non-Residents

A non-resident is taxed on Senegal-source income only. Non-residents become liable to tax from the day they begin carrying on a trade, business, profession or vocation in Senegal. DTAs have been concluded with a number of countries and double taxation relief applies to such income.

Employment Income

*Benefits in Kind**

Benefits in kind are taxable according to the following scales published by the Tax Administration:

* CFA Franc (XOF).

- Accommodation (per month):

Per room in Dakar area	33 500
Other major city	20 000
Rest of the country	13 500

- Domestic servants (per month):

Watchman, gardener	61 700
Cooker	92 500
Others	35 600

- Water: 10 500 per month.
- Electricity: 30 200 per month.
- Food: real value.
- Company car: 26 000 or 77 500, depending on horsepower.
- Telephone: 67 000 per month.
- Others benefits in kind are taken into account at their real value.

Pay-As-You-Earn (PAYE)

Since Senegal uses a "Pay-As-You-Earn" system, whereby Personal Income Tax (PIT) is withheld by the employer on the wages of their employees, it is the employer's liability to file monthly PIT returns and to pay the corresponding tax.

Companies

Income Tax Rates for Companies	
Rate of Tax	
Standard corporate rate	30%

Notes:

1. Residence – An entity is generally deemed to be a resident of Senegal if its registered office, Permanent Establishment (PE) or centre of activity is located in Senegal.
2. Basis – A resident corporation is subject to tax on its worldwide income, while a non-resident is taxed on Senegal-source income only.
3. Rates – The standard corporate tax rate is 30%, with a 15% rate applying to companies with "Free Exporting Enterprise" status.
4. Chargeable income – Corporate Income Tax (CIT) is imposed on net profits. Taxable profits are determined after deduction of allowable expenses and charges.
5. Losses – Tax losses may be carried forward for three years. The carryback of losses is not permitted.
6. Dividends – Dividends received from a company, other than a subsidiary, are taxed as income after a 60% tax abatement on the gross amount of the dividends.
7. Foreign tax credit – Senegal tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.
8. Participation exemption – An amount equal to 5% of dividends received by a resident parent company from its subsidiary, is included in the taxable base (considered expenses incurred), and unless the actual expenses incurred by the parent company are less than 5% of dividends received. In that case, only the actual amount is included in the taxable base.
9. Holding company regime – A holding company may, subject to certain conditions, benefit from an exemption for dividends received.
10. Controlled foreign companies (CFCs) – There are no specific CFC rules, but measures exist to prevent international tax evasion.
11. Senegal also has an Alternative Minimum Tax (AMT). The annual AMT is levied at a fixed rate of 0.5% on the annual turnover (excluding taxes) realised during the previous tax year. The minimum tax amount ranges between XOF500 000 and XOF5 000 000. This applies to all companies (resident and non-resident).

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	10%	10%
Interest	2	16%	16%
Royalties	3	20%	20%
Technical service fees	4	20%	20%
Other (Value Added Tax (VAT))	5	18%	18%

Notes:

1. Dividends – Dividends paid to a non-resident company are subject to a 10% WHT, unless the rate is reduced under a tax treaty.
2. Interest – Interest paid to a company, or individual, is subject to a 16% WHT, unless the rate is reduced under a tax treaty. The rate is 8% for interest on a bank or stockbroker account, and 20% on interest on cash vouchers.
3. Royalties – Royalties paid to a foreign entity are subject to a 20% WHT, unless the rate is reduced under a tax treaty.
4. Technical service fees – Technical service fees paid to a foreign entity are subject to a 20% WHT, unless the rate is reduced under a tax treaty.
5. Other – In certain cases, VAT (at 18%) can be applied on branch remittances.

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Senegal has a DTA are as follows:

Type of Income	France	Canada	Belgium	Italy	Norway	Morocco	Tunisia	Mauritania	UEMOA	China/Taiwan	Egypt	Indonesia	Kuwait	Libya	Mauritius	Qatar	India
Dividends	15%	16%	15%	15%	16%	10%	10%	10%/16%	10%	10%	10% (Senegal) 15% (Egypt)	10%	0%	10%	0%	0%	10%
Interest	15%	16%	15%	15%	16%	10%	16%	16%	15%	15%	15%	15%	0%	10%	0%	0%	10%
Royalties	15%	15%	10%	15%	16%	10%	0%	20%	15%	12.5%	15%	15%	20%	10%	0%	0%	10%
Technical service fees	0%	15%	10%	15%	16%	10%	0%	20%	15%	12.5%	15%	15%	20%	10%	0%	0%	10%

Capital Gains Tax (CGT)

Companies

Capital gains are treated as operating profits and included in the CIT base.

Individuals

Capital gains are taxable either at source by a notary in the case of a real estate transaction, or based on the taxpayer's declaration.

Anti-avoidance

Transfer Pricing

In terms of the new Tax Code a regulation regarding transfer pricing applies whereby tax authorities are entitled to reintegrate to the taxable profits of Senegal resident companies, or branches of foreign companies, the profits indirectly transferred to non-resident related companies. Two companies are considered related if: one of them has a direct or indirect minimum holding of 50% in the capital of the other or exercises *de facto* control over the other company; or a third party has a direct or indirect minimum holding of 50% in the capital of both companies or exercises *de facto* control over both companies. However, the related company requirement does not apply where the transaction involves companies incorporated in a low tax jurisdiction or in non-co-operative states or territories.

The documentation requirements apply to Senegal resident companies that fulfil one of the following criteria: an annual turnover, excluding taxes, equal to or exceeding XOF5 billion; direct or indirect holding of more than 50% of the capital or voting rights of a company that meets the first criterion; or companies in which more than 50% of the capital is owned, directly or indirectly, by a legal entity that meets the first criterion.

The documentation requirements consist of two main categories of information: general information on related companies; and specific information on the audited company itself.

Specific payments to non-resident persons will not be allowed as deductible expenses for income tax purposes when the recipient is subject to a privileged tax regime or based in a non-co-operative country.

Thin Capitalisation

While Senegal does not have specific thin capitalisation rules, limits are imposed on interest paid to partners on funds provided by them to a company. The maximum interest rate is the lending rate of West African States Bank (BCEAO), plus three points at the time the interest payment is due. Further, the loan may not exceed the amount of the share capital and the capital must be paid in full.

Value Added Tax (VAT)

VAT	
Standard rate	18%

Notes:
1. All economic activities are within the scope of VAT, including activities of independent professionals. The main exemptions relate to health care, education, banking, insurance and reinsurance, farming and transportation. Banking transactions are subject to the tax on financial transactions (“*Taxe sur les operations fiancières*”). The standard single rate in Senegal is 18%. Banking transactions are subject to 17% tax.
2. All corporate businesses are required to register. Non-resident VAT payers are required to appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of other VAT related obligations.
3. VAT returns and payments are due on the 15th of the month following the date of the relevant transactions.

Customs and Excise Duties

Senegal Customs operates under the authority of the Ministry of Finance. Payment of taxes and duties are performed through a customs and excise bond. The customs and excise bond is handled by the Treasury.

Import Duties

- In January 2000, Senegal put into effect a new tariff scheme that conforms to the Common External Tariff (CET) scheme agreed on by member nations of the West African Economic and Monetary Union (WAEMU). Under this tariff structure, Senegal has four simple tariff rate categories: 0% on cultural and scientific goods, agricultural inputs, and capital goods and computer equipment not available from local production; 5% on raw materials, crude oil, and cereals for industry; 10% on semi-finished products, intermediate goods, diesel and fuel oil; and 20% on consumer goods, capital goods and computer equipment available from local production, and vehicles. There also exists an array of other import tariffs, with a maximum combined rate of 52%. VAT at 18% applies to all imports.
- In 1982, Senegal abolished its import licensing system, opening the market to all countries on an equal basis. Previously, only products from the Franc Zone and the European Union (EU) could be imported without a licence. Certain import restrictions exist on agricultural and industrial products that support the Senegalese economy.

Miscellaneous Taxes

Stamp Duty

Stamp tax is levied on cash transactions based on the amount of the transaction.

Capital Duty

The initial capital duty is 1% of capital if the amount of capital is higher than XOF100 million, and XOF25 000 in all other cases. The tax on a capital increase is 1% of the amount of the increase, with 3% surtax in the case of contributions of real property.

Real Property Tax

Tax is charged at 5% of the value of real property other than factories and industrial premises, and 7.5% of the value of factories and industrial premises.

Transfer Tax

The tax rate depends on the nature of the transfer. For example, the rate on transfers of real property and goodwill is 10%, and the rate on transfers of shares is 1%.

Inheritance/Estate Tax

Deeds of pure and simple acceptance of succession or legacy are imposed on the fixed amount of XOF25 000. Inheritance tax is imposed at a 3% or 10% rate, depending on the degree of relationship.

Real Estate Tax

Property tax is due at a 5% or 7.5% rate.

Net Wealth/Net Worth Tax

None.

Payroll Tax

The payroll tax is 3% of taxable gross salary.

Other Taxes

- A Business Licence Tax is comprised of a fixed annual payment and a proportional duty, with the amounts and rates fixed according to the nature and size of the business activity.
- Specific taxes are levied on the sale of petroleum products, alcohol and tobacco as follows:

Nature of Tax	Rates
Cosmetic products (including perfumes) and tourism vehicles with an engine capacity equal to or higher than 13 horsepower	10%
Tea and coffee	5%
Low-price cigarettes	40%
Tax on petroleum products	XOF21 665 per hectolitre for super fuel; XOF19 847 per hectolitre for ordinary fuel; XOF3 856 per hectolitre for fuel used on canoes; and XOF10 395 per hectolitre for gasoil.

Social Security

Social security is supported by the employer, with an annual ceiling for contributions of XOF756 000. The rate for family benefits is 7% and that for industrial accidents ranges from 1% to 5%, depending on the line of business. National retirement fund contributions are paid by both the employer (60%) and the employee (40%). The rate of contributions for the general scheme is 14%, with an annual ceiling of XOF3.072 million. The contribution rate for the executives' scheme is 6%, with an annual ceiling of XOF9.216 million. Executive personnel must contribute to both schemes.

Tax Administration

Corporations

- Tax year – The tax year is the calendar year that ends on 31 December.
- Consolidated returns – Consolidation is necessary when a company established in Senegal controls other companies or exerts a notable influence on such companies.
- Filing requirements – A tax return must be filed by 30 April of the following year.
- Penalties – Penalties apply for late filing, late payment, failure to file and filing an incorrect return. The amount of the penalty depends on the nature of the tax and/or violation.

Individuals

- Tax year – Calendar year that ends on 31 December.
- Filing and payment – A taxpayer whose only source of income is salary, with tax withheld and paid by the employer, is exempt from the obligation to file a tax return. All other tax residents must file their own returns. Returns must be filed by 31 January or before 1 May of the following year, depending on the type of income. Payment of tax must be made upon receipt of a tax notice.
- Penalties – Penalties apply for late filing, late payment, failure to file and filing incorrect returns, with the amount depending on the nature of the tax and/or violation.

General Investment Information

Investment Incentives

General Incentives

- Incentives are granted under several laws, including the General Tax Code, the Investment Code, Mining Code, Petroleum Code, Environment Code, Free Zone Law, Free Exporting Companies Law, etc. Investments valued higher than XOF250 billion are entitled to particular advantages negotiated directly between the investor and the ministry in charge, subject to non-objection from the Prime Minister.

Tax Incentives

- Tax incentives are automatically granted to investment projects meeting fulfilling criteria defined by the Law.
- The Investment Code also provides exemptions from income tax, other taxes, and duties, which are to be phased out progressively over the next few years.
- Other tax incentives include the right to remit income and capital, and the opportunity to participate in government contracts.

The General Tax Code

- New tax deductions from the taxable profits are granted to enterprises which invest more than XOF100 million in the creation or the extension of a business in specific sectors. The deduction rates are set as follows: 40% of the investment's value for the creation of a new business; and 30% of the investment's value for the extension of an existing business. (Note: The deduction is capped at 50% of the taxable profits for enterprises created in Dakar and at 70% for enterprises created in other regions).
- A 50% tax deduction from the taxable profits is granted to enterprises which export more than 80% of their production or services. Mining and oil companies are excluded from this measure.

Other Incentives

- Stock exchange – The "*Bourse Regionale des Valeurs Mobilieres*" (BRVM) was opened in September 1998 to serve as a regional financial market for the member states of the West African Economic and Monetary Union (UMOEA), which includes: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. By the end of the 1990's, the BRVM had 35 listed companies. Listing requirements include: a share capital of XOF200 million – XOF500 million; 15% – 20% public ownership; five annual reports; and a balance sheet. The BRVM has computerised trading with satellite links.
- Openness to foreign investment – The Government welcomes foreign investment. There is no discrimination against businesses conducted or owned by foreign investors. In fact, there are no barriers regarding 100% ownership of businesses by foreign investors in most sectors. The Government has stopped participating in foreign investment projects.
- Senegal encourages investment from abroad, especially from developed countries. The main investment incentives are provided by the Investment Code, which was adopted in 1987 and amended in 2004. The following sectors may benefit from the Code:
  - Agriculture, livestock, fisheries, and activities related to manufacturing, storage, and packaging of vegetable, aquatic or animal product.
  - Manufacturing production or transformation activities.
  - Mineral substance extraction or processing activities.
  - Tourism and related activities.
  - Cultural activities.
  - Services provided in the field of health, education, tele-service, air and maritime transport, port, airport and railway infrastructure works.
  - Realisation of commercial centre, industrial park, touristic zone, cyber village and artisan centres.

  To be eligible to the Investment Code, the investor should project either to invest an amount up to at least XOF100 million for extension of business, or to create a new activity. Specific conditions of eligibility exist for small and medium-sized companies. A formal application must be submitted near to the National Agency of Investment (APIX). The approval is issued within 10 days. During the investment period, a qualifying enterprise enjoys, amongst others, exemption from import duties and suspension of import VAT.

New companies may benefit from exemption from the payroll costs, deduction by the company of 40% of the amount invested, assuming that this deduction is limited to 50% of the taxable profits of the year.

Any company operating in the agriculture, industrial or on-line services field may benefit from Free Export Company (FEC) Regime, provided it exports at least 80% of its turnover out of the UEMOA Zone. The privileges granted under the FEC regime remain valid for a period of 25 years.

FECs may benefit exemption from WHT payable upon distribution of dividends, exemption from payroll taxes payable by employer, exemption from all registration taxes, exemption from business tax, land tax on development or underdeveloped property and licence tax, corporate tax reduced to 15% preferential rate.

- Private ownership rights – In addition to the traditional guarantees offered to investors (e.g. free transfer of capital and income and equal treatment (foreign and domestic private entities are permitted to establish and own business and to engage in most forms of remunerative activity)), other advantages granted cover both a firm's investment and operation.
- Protection of property rights – The Senegalese legal system enforces private property rights. Senegal is a member of the African Organisation of Intellectual Property (OAPI), a grouping of 13 Francophone African countries, which has established among its member states a common system for obtaining and maintaining protection for patents, trademarks and industrial designs. Senegal has been a member of the World Intellectual Property Organisation since its inception and is a member of the Bern Copyright Convention. Local statutes recognise reciprocal protection for authors or artists who are nationals of countries adhering to the 1991 Paris Convention on Intellectual Property Rights.
- Transparency of regulatory system – The Government favours the principles of free competition. Senegal is reforming and developing its regulatory framework as a part of its effort to attract private sector investment.
- Relations between employees and employers are governed by the Labour Code, collective bargaining agreements, company regulations and individual employment contracts. There are two powerful industry associations that represent management's interests: the National Council of Employers (CNP), and the National Employers' Association (CNES). The principal labour unions are the National Confederation of Senegalese Workers (CNTS), affiliated with the former ruling Socialist Party, and the National Association of Senegalese Union Workers (UNSAS), a federation of independent labour unions.

Exchange Controls

There is no limit on the repatriation of profits derived by a company in Senegal. Supporting documentation must be provided for all outbound transfers of currency. Residents are required to transfer any income in foreign currency to an approved intermediary.

Expatriates and Work Permits

Anyone living and working in Senegal must pay PIT. UMOA (West African Monetary Union) and ECOWAS (Economic Community of West African States) member citizens do not require a resident card. Senegal has introduced a visa system. Except for some countries, a visa is required to enter in Senegal. Generally, a mission statement from the employer, identity proofs, employer contacts in home country, and return tickets and a valid travel insurance proof, are required. To stay any longer (up to three months), a resident card is required.

Trade Relations

- CFA Franc Zone – Senegal is a member of the "Franc Zone", a territory of defined credit, exchange and monetary relations between France, its former colonies in Africa and Equatorial Guinea. There is no limit to the repatriation of profits generated by a company in Senegal. Residents who must recover their foreign

credits, or transfer their income in foreign currencies, can only do so via an approved intermediary (licensed bank).

- ECOWAS – Senegal is a member of ECOWAS, which promotes economic development. ECOWAS is a market of 200 million consumers in 15 member states: Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal, Togo, Cape Verde, Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone. The principal goals of the organisation are a customs union and eventually, a full common market to promote free movement of people and goods within West Africa.
- Others treaties – Senegal is signatory to the Lome Convention, a trade and aid agreement between the EU and 46 African, Caribbean and Pacific States (ACP). The Convention guarantees duty-free entry to the UE for some commodities produced by ACP States.
- Senegal is also a member of the West Africa Economic and Monetary Union (WAEMU) which includes other countries (Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Togo) and a member of the treaty for the harmonisation of business law in francophone Africa, also known as the OHADA treaty.
- Treaties – 11 tax treaties are currently in force.

Interest and Currency Exchange Rates

Monetary Policy Rate:
3.500% (last reported 2013) (source: Central Bank)
Currency: CFA Franc (XOF), the common currency of the zone of the African Financial Community (West African Franc).
US$1 = 489.760 XOF (November 2013)
R1 = 47.0846 XOF (November 2013) (source: Oanda)

Notes:

1. R1 = interest rate variable and determined by the TBB (base rate) decided by the Central Bank.
2. The CFA Franc was devalued in January 1994, but remains pegged to the French Franc and the euro (€) at the rate of 100 CFA equals one FF and 0.152 euros.

Key Economic Statistics

GDP (approx.):
US$14.082 billion (2012 estimate) (source: IMF)
US$15.355 billion (2013 forecast) (source: IMF)
Market Capitalisation:
Not available.
Rate of Inflation:
1.438% (2012 average) (source: IMF)
1.183% (2013 average) (source: IMF)
1.604% (December 2013 forecast) (source: IMF)

Notes:

1. The "*Bourse Regionale des Valeurs Mobilieres*" was opened in September 1998 to serve as a regional financial market for the member states of the Wet African Economic and Monetary Union (UMOEA), which includes Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

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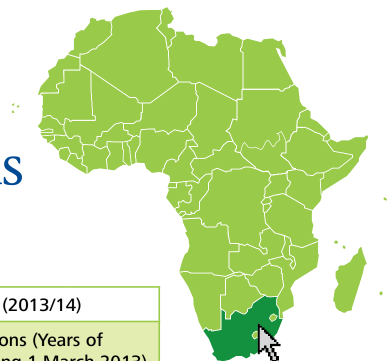
South Africa
Income Tax – Individuals



Income Tax

South African residents are taxed on worldwide income. Non-residents are taxed on their South African-source income, and on capital gains from the disposal of immovable property and assets of a Permanent Establishment (PE) in South Africa. At present, interests from a South African source paid to a non-resident 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.

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 the current and each of the preceding five tax years, and is physically present in South Africa for a period exceeding 915 days in the aggregate in the preceding five tax years.

Tax Rates and Rebates

Tax Rates and Rebates (2013/14)		
Individuals, Estates, Special Trusts (Years of Assessment Commencing 1 March 2013)		
Taxable Income as exceeds	But does not exceed	Tax Payable
R	R	R
0	165 600	18%
165 601	258 750	29 808+ 25%
258 751	358 110	53 096+ 30%
358 111	500 940	82 904+ 35%
500 941	638 600	132 894+ 38%
638 601 +		185 205 + 40%
Other trusts:		40%

Tax Rates and Rebates (2013/14)	
Rebates – Natural Persons (Years of Assessment Commencing 1 March 2013)	
Primary rebate – All individuals	R12 080
Age rebate*	
Secondary rebate (65 years and older)	R6 750
Third rebate (75 years and older)	R2 250
*additional to primary rebate	

Notes:

1. Rates are progressive to a maximum rate of 40%.
2. The tax year for individuals runs to the end of February.
3. Tax returns must be filed by a date published annually by SARS.
4. All taxpayers who earn income exceeding R60 000 per annum are required to be registered as taxpayers with the South African Revenue Service (SARS). This process does not happen automatically on entering the country. Individuals who earn in excess of R10 000 in investment income are required to register as provisional taxpayers. In addition to these stipulated instances, SARS reserves the right to classify any taxpayer as a provisional taxpayer. The tax threshold is R67 111 for individuals below 65 years of age, and R104 611 for individuals aged between 65 years and 75 years of age, and R117 111 for individuals aged 75 years and older.
5. Rebates are a credit against tax payable. Rebates are available only to natural persons and not to companies and trusts and must be apportioned where a taxpayer is assessed for a period of less than a year.
6. Taxpayers may be entitled to a foreign tax credit (rebate) for foreign tax paid where income from foreign-sources was subject to tax in a foreign country and in South Africa.

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.

Deductions and Allowances

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

Exemptions

Interest and Foreign Dividends

Interest and foreign dividends earned by individuals who are under 65 years of age, are exempt from income tax up to a maximum of R23 800 per annum. The exemption for individuals 65 years and older is R34 500 per annum. Interest earned by non-residents from South African investments is generally exempt from income tax in South Africa. In addition, there is no withholding tax (WHT) in respect of interest paid to non-residents. With effect from 1 January 2015, interest paid to non-residents may be subject to WHT as a rate of 15%.

Notes:

1. This exemption will not apply with regards to dividend tax as from 1 April 2012. Also, generally foreign dividends received by individuals from foreign companies (where the shareholding is less than 10% in the foreign company) are as from 1 April 2012, taxable at a maximum effective rate of 15%. No deductions are allowed for expenses incurred to produce the foreign dividends.

Interest is exempt where earned by a non-resident who is physically absent from South Africa for 183 days or more per annum, and that person is not carrying on business in South Africa. For years of assessment commencing on or after 1 January 2010, amounts received by or accrued to a portfolio of a collective investment scheme, or distributed from amounts received or accrued by a collective investment scheme, will be included and will retain its character in the hands of the unit holder.

Dividends

- Residents – Dividends other than foreign dividends are exempt from income tax in the hands of South African residents.
- Non-residents – Dividends are exempt from income tax and not subject to any WHT.

Notes:

1. A dividend WHT replaced Secondary Tax on Companies (STC) on 1 April 2012. Under the new dividend tax regime resident individuals will be taxed at 15% on dividends declared by domestic companies. Dividend payments to the Government, provincial administrators or municipalities, domestic retirement funds, a rehabilitation company or trust, Public Benefit Organisations (PBOs), various exempt bodies and domestic companies are exempt. The tax has a mechanism under which the paying company (or intermediary) withholds the tax and provides for transitional STC credits.
2. Non-resident persons are eligible for tax treaty benefits.

Retirement Savings

Certain retirement lump sum savings payments made to employees or holders of an office are taxed in terms of a special formula and may qualify for a R315 000 exemption. The special dispensation applies mainly where such lump sum payments are made upon death or retirement. Given circumstances where lump sums are paid out after retirement (e.g. the conversion of a post-retirement annuity into a lump sum), such lump sum payouts are now subject to the same treatment. In addition, where retirement savings from a deceased are converted from an annuity to a lump sum after death for the benefit of another party, the special tax treatment will apply to such secondary succession of retirement lump sums.

Retrenchment Packages

The past R30 000 exemption was repealed from 1 March 2011. It is proposed that retrenchment lump sum payments be treated in the same manner as retirement payments, but the legislation giving effect to this proposal has not yet been passed.

Foreign Social Security and Pension Payments

Social security payments received by South African residents from another country are exempt from tax in South Africa. There is also currently an exemption for pensions received from a source outside South Africa in respect of past employment outside South Africa.

Remuneration for Services Rendered Outside South Africa

South African residents working abroad for more than 183 days over a 12-month period, and for a continuous period of more than 60 days during that period, are exempt from income tax on remuneration for services rendered while abroad.

Other Exemptions

Further exemptions include disability pensions, compensation for occupational injuries and diseases, Unemployment Insurance Fund (UIF) payments, alimony, government grants and scrapping payments etc (subject to certain conditions being met).

Deductions

The Income Tax Act permits the deduction of certain expenses incurred in the carrying on of an individual's trade. "Trade" includes a profession, trade, business, employment, calling, occupation or venture, including the letting of property. Certain activities may not be regarded as "carrying on of trade" (the most common being investments in dividend and interest-bearing stocks and income from pensions and annuities). In order for an expense incurred in the carrying on of trade to be tax-deductible either:

- The expense must comply with the requirements of the general deduction formula (a general deduction); or
- The expense must specifically be allowed as a deduction under a section of the Act (a specific deduction).

General Deductions

General deductions are permitted under what is called the "general deduction formula". The general rule is that if an expense does not comply with the requirements of the formula, it will not be deductible, unless specifically allowed by another section of the Act. Where an expense qualifies for a deduction under both the general formula and a specific section, it may only be deducted once.

In terms of the general deduction formula, the following requirements must be fulfilled before an expense can be deducted:

- The amount must have been actually incurred or there must be an actual loss.
- The taxpayer must be legally liable to pay the amount.
- The expense, or loss, must have been incurred during the year of assessment in respect of which it is claimed.
- The expenditure must be incurred in the production of income.
- The expenditure must be of a revenue and not a capital nature.
- The expense must be expended for the purposes of trade.

Specific Deductions

Those expenses which qualify for a deduction under a specific section of the Act need only meet the requirements of the specific section and do not have to meet the requirements of the general deduction formula. Specific deductions include the following:

Medical Expenses

The Act converts expenditures associated with medical aid contributions into tax credits. The proposed credit is R242 per member and R242 per the first dependant and R162 for each additional dependant thereafter. For individuals aged over 65 years, or under 65 years of age where the taxpayer, spouse or child is physically or mentally handicapped; all expenses are deductible.

Notes:

1. Previously, for individuals aged under 65 years, medical expenses (including medical aid contributions which exceed the capped amounts detailed below) were deductible to the extent that they exceed 7.5% of taxable income (before the medical deduction). In addition, a capped tax deduction for medical aid contributions was allowed on a monthly basis.
2. Medical contributions – All employer contributions are treated as a fringe benefit with the employee being eligible for deductions to the extent of their medical scheme contributions up to the capped amounts.
3. From 1 March 2014, additional medical deductions will be converted into tax credits at a rate of 25% for taxpayers aged below 65 years. Employer contributions to medical schemes on behalf of ex-employees will be deemed a taxable fringe benefit. Taxpayers 65 years and older, and those with qualifying disabilities or disabled dependents, will be able to convert all medical scheme contributions in excess of three times total allowable tax credits plus additional expenses into a tax credit of 33%.
4. National Health Insurance is to be phased in over a period of 14 years. Funding options to be considered include a payroll tax (payable by employers), an increase in the Value Added Tax (VAT) rate and a surcharge on individuals' taxable income.

Donations to Public Benefit Organisations (PBOs)

Donations to certain approved PBOs qualify for a tax deduction. These organisations include those involved in specified welfare, humanitarian, health care, education and development, conservation, environment and animal welfare, and certain low-income housing and land reform activities. The tax deduction is limited to 10% of taxable income (before the deduction of donations and medical expenses).

Pension Fund Contributions

- Current: Maximum deduction is the greater of:
  - R1 750; or
  - 7.5% of remuneration from "retirement-funding employment".
- Arrear: Maximum R1 800 (excluding former members of a non-statutory force or service)

Notes:
1. Provident fund contributions made by an individual are not deductible for tax purposes.

Retirement Annuity Fund Contributions

- Current: Maximum deduction is the greatest of:
  - 15% of net income, excluding income from "retirement-funding employment"; or
  - R3 500, less deductible current pension contributions; or
  - R1 750.
- Reinstatement: R1 800

Notes:
1. Proposed changes to the taxation of retirement fund contributions (to take effect from 1 March 2015) include the following:
   - A taxable fringe benefit will now arise in the hands of the employee in relation to an employer's contribution to a retirement fund. Currently, this contribution on behalf of an employee is made without tax consequences to the employee.
   - Individuals will then be able to claim a deduction of up to 27.5% of their taxable income for contributions to pension, provident and retirement annuity funds (currently more limited deductions are allowed, only in relation to the employee's contribution to a pension fund or retirement annuity fund).
   - A maximum annual deduction threshold will be capped at R350 000.

Income Continuation Premiums

Premiums on income protection insurance policies are deductible. A pro-rata deduction (in relation to the extent that the amounts payable constitute income) may be claimed for any portion of a single insurance premium that relates to income protection.

Limitation of Employee Deductions

Only the following expenses may be deducted by individuals, except where the employee's remuneration is wholly or mainly derived in the form of commissions based on sales or turnover:

- Business travel deduction against travel allowance.
- Certain medical expenses.
- Contributions to a pension and/or retirement annuity fund.
- Donations to certain PBOs.
- Specific expenditure against allowances of holders of public office.
- Home office expenses under certain circumstances.
- Loss of income caused by illness, injury, disability or unemployment.
- Premium paid of an insurance policy which covers against.
- Wear-and-tear allowances on equipment.

Other Tax Features

Retirement Fund Lumpsum Benefits

The tax scale brackets applicable to retirement fund lump sum benefits derived on retirement, death or retrenchment (and now also to severance benefits from the employer), have been improved from 1 March 2011, with the maximum nil tax rate moving from R300 000 to R315 000. (Note: On the commencement of years of assessment commencing on or after 1 January 2012, tax-free transfers of retrenchment benefits to preservation funds are allowed. Retirement and pre-retirement lump sums is taxed on a cumulative basis).

Long-Term Insurance

From 1 March 2012, employer-paid premiums in respect of employer group income protection policies are deemed to be a payment made by the employee to the extent that the premium is taxed as a fringe benefit in the hands of the employee. This will ensure that the employee can claim a monthly deduction for Pay-As-You-Earn (PAYE).

Severance Benefits

Severance benefits (i.e. retrenchment benefits paid by an employer) must (with effect from 1 March 2011) be aggregated with lump sum benefits from retirement funds and be taxed according to the appropriate scale.

Ringfencing of Losses from Certain Trades

Losses from certain trades conducted by individual taxpayers who are subject to the maximum marginal tax rate (i.e. annual taxable income exceeding R638 600, excluding any loss from trade) are ringfenced in certain circumstances and such losses may only be offset against income from that trade. A trade subject to the ringfencing means:

- A trade which has generated losses for at least three tax years out of the previous five years (only losses incurred from 1 March 2004 onwards will be taken into account); or
- Any one of the specifically listed trades; namely: sporting activities, dealing in collectibles, the rental of residential accommodation, vehicles, aircraft or boats (as defined in the Eighth Schedule of the Income tax Act) unless at least 80% of the accommodation or asset is used for at least half of the tax year by persons who are not relatives of the taxpayer, farming or animal-breeding on a part-time basis, any form of performing or creative arts, gambling or betting, and the showing of animals in competitions.

Note: Even if the above requirements are met, the ringfencing will not apply if the taxpayer can show that the business has a reasonable prospect of generating taxable income (other than a taxable capital gain) within a reasonable period. This exemption will, however, not apply if the taxpayer has incurred an assessed loss from that trade (other than farming) during at least six out of the prior 10 years, including the current tax year (only losses incurred from 1 March 2004 onwards will be taken into account).

Married Persons

Married individuals are generally taxed as a separate taxpayer, except for:

- Where income is received by or accrued to a spouse in consequence of a donation, settlement, or disposition by the other spouse which will be deemed to be income of the spouse who made the donation, settlement, or disposition where done for

purpose of avoiding tax.

- Where income is derived by one spouse from the other spouse, a partnership, private company where the other spouse is a connected person, or derived from a trade that is connected to the trade carried on by the other spouse, will be taxed in the hands of the other spouse to the extent of the amount of income is excessive.
- Where the persons is married in community of property, the net rental income from property, or interest income by both persons is deemed to accrue in equal portions to each spouse. Any other income that does not fall within the joint estate is taxed in the hands of the spouse entitled thereto.

Employees' Tax

South African employment taxes comprise employees' tax (PAYE), Skills Development Levies (SDL) and Unemployment Insurance Fund (UIF) contributions.

Employees' tax is payable to SARS monthly at prescribed tax rates in respect of any remuneration payable by an employer to an employee. SDL are also payable to SARS monthly and are calculated at 1% of the remuneration payable to the employee. SDL does not, however, apply to employers with an annual payroll of less than R500 000. UIF contributions are payable to SARS monthly and are calculated at 2% of the remuneration payable to the employees, subject to a maximum limit.

As a general rule, if an employer is required to withhold employees' tax in respect of an amount paid to a person, that employer would, subject to certain limited exceptions, also be required to withhold SDL and UIF in respect of that amount.

The employment tax rules essentially provide that, unless the person to whom the payment is made qualifies for specific tax relief, an "employer" is obliged to withhold employees' tax in respect of "remuneration" paid/payable to an "employee" if that employer is:

- A resident of South Africa; or
- A non-South African resident, but has a "representative employer" in South Africa.

Entities listed below would be regarded as an "employer" for South African employment tax purposes:

- A foreign holding company and/or any branch/PE it may establish in South Africa.
- Any SA subsidiary company of the above foreign holding company and/or any branch/PE it may establish in South Africa.
- Any SA resident sub-contractor.
- Any non-SA resident sub-contractor who has established a PE in South Africa.
- Any non-SA resident sub-contractor who has not established a PE in South Africa, but has an office or carries on a business in South Africa.

The above parties/employers would therefore be obliged to withhold employees' tax from the amounts paid to the persons who render services to them, unless the person to whom the payment is made qualifies for specific tax relief. Each employer should, on an individual basis, determine whether the person to whom the payment is made, qualifies for tax relief. This assessment depends on a number of factors, including whether the person is a SA resident or non-SA resident and an individual or a corporate entity. If the person qualifies for tax relief, no employees' tax needs to be withheld from payments made to that specific person. If, however, no tax relief applies, the employer will be obliged to withhold employees' tax from the amount paid to that person.

Notes:

1. The employers listed above will be required to register for employees' tax, SDL, and UIF, and submit monthly employment tax returns and payments to SARS.
2. All persons (individuals and corporate entities, SA residents and non-SA residents) who are liable for income tax in South Africa, would also be required to register as taxpayers and must, where required, submit annual income tax returns. As a general rule, all the individuals rendering services on projects in South Africa for more than 183 days, would be required to register for income tax.
3. Various fringe benefits and allowances may be provided to the employees as part of their remuneration packages on a tax-efficient basis if certain conditions are met.
4. Temporary employees ("non-standard employees") are not taxed based on standard tax rates for employees' tax purposes. Employers must deduct employees' tax at a rate of 25% from the taxable remuneration paid to temporary employees. No tax is deducted if the temporary employee works at least five hours on a specific day and the daily rate of pay is less than the equivalent of the annual tax threshold.
5. Failure by an employer to comply with its employment tax obligations may result in significant penalties and interest being imposed by SARS.

Pay–As–You–Earn (PAYE)

PAYE ensures that an employee's income tax liability is settled in a continuing fashion at the same time that the income is earned. The advantage of this is that the tax liability for the year is settled over the course of the whole year of assessment.

Unemployment Insurance Fund (UIF)

Every employer will be liable to pay a monthly contribution to UIF, which is based on a monthly gross remuneration paid to employees up to a limit of R12 478. The employer will contribute 1%, and the employee will (by means of a deduction from salary) contribute 1% of remuneration up to the limit. Remuneration for purposes of calculating UIF excludes the following:

- Non-employment related payments (such as annuity or pension payments).
- Payments made to labour brokers that hold a valid exemption certificate.
- Retrenchment payments.
- Lump sums paid from pension, provident, or retirement annuities.
- Restraint of trade payments.
- Commission.
- Payments made to juristic persons (such as companies).
- Payments to independent contractors.

Employees that are excluded from contributing toward UIF, but must still be reported in the return, are:

- Temporary workers (working less than 24 hours per month).
- Employees in the national or provincial sphere of Government.
- Foreign employees that will be repatriated at the end of the service/employment contract term.
- Employees with no taxable income, or commission only.
- Learners under contract (in terms of Skills Development Act).

Skills Development Levy (SDL)
Employers are liable to pay a monthly 1% levy against the total amount of remuneration paid by that employee, where the employer's annual payroll exceeds R500 000. Generally, the total value of remuneration paid is used to calculate the levy, but excludes the following:
- Amounts paid to independent contractors.
- Reimbursement payments to employees.
- Pensions paid.
- Remuneration of learners under contract.

Tax Registration

Where individuals fall into any of the following categories (below), for the 2013 tax season submission of a personal income tax (PIT) return (ITR12) will be required:
- If you are under 65 years of age and received an income of more than R63 556 (this amount will increase to R67 111 during the year of assessment 1 March 2013 to 28 February 2014 i.e. for the 2014 tax season) from one or more sources or received more than R250 000 from a single source of employment, during the year of assessment 1 March 2012 to 28 February 2013.
- If you are between 65 and 75 years of age and received an income of more than R99 056 (R104 611 for the 2014 tax season) from one or more sources or received more than R250 000 from a single source of employment, during the year of assessment 1 March 2012 to 28 February 2013.
- If you are over 75 years of age and received more than R110 889 (R117 111 for the 2014 tax season) from one or more sources or received more than R250 000 from a single source of employment, during the year of assessment 1 March 2012 to 28 February 2013.
- If you conducted any trade in South Africa.
- Received an allowance such as a travel, subsistence or Office Bearer Allowance (check Section 8(1)(a) of the Income Tax Act if unsure).
- Received interest in excess of R23 800 under age 65 (and in excess of R34 500 over age 65).
- Have a local capital gain/loss exceeding R30 000.
- Received any income or capital gain in a foreign currency.
- Held any rights in a CFC.
- Received an income tax return or you were requested to submit a return for the year in question.

Notes:
1. The term "trade" includes every profession, trade, business, calling, occupation or venture, including the letting of any property, but excluding any employment income.

There are various ways in which PIT taxpayers can complete and submit their returns; namely:
- eFiling which is the most convenient and quickest way.
- Filing electronically at a branch where SARS staff will help.
- Completing the return(s) in writing and posting it to us or dropping it off in a SARS drop box.

For further information regarding how to submit a PIT return, refer to the SARS website: www.sars.gov.za/Tools/Documents/DocumentDownload.asp?FileID. http://www.sars.gov.za/TaxTypes/PIT/Pages/default.asp.

A more comprehensive guide on how to complete and submit an ITR12 return is available on the SARS website at: www.sars.gov.za.

The tax deadlines for individuals for the 2013 tax season are as follows:

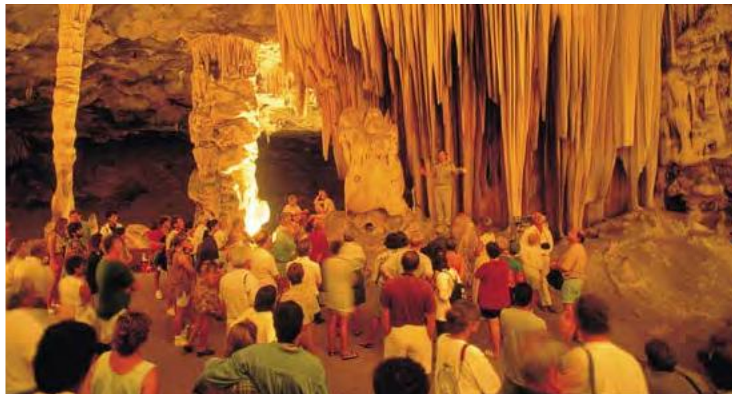
- The deadline for all taxpayers who submit their tax return manually, by posting it or dropping it off in a SARS drop box, is 27 September 2013.
- The deadline for all taxpayers who submit their returns electronically at a SARS branch is 22 November 2013.
- Non-provisional taxpayers who submit their returns via eFiling have until 22 November 2013.
- Provisional taxpayers who submit their returns via eFiling have until 31 January 2014.

Notes:

1. The deadlines for the 2014 tax season (i.e. 1 March 2013 to 28 February 2014) have not yet been published.

Capital Gains Tax (CGT)

- Tax residents are subject to CGT in South Africa on the disposal of their worldwide assets. Non-residents are subject to CGT in South Africa only on the disposal of fixed property, held directly or indirectly, located in South Africa. On breaking tax residence, CGT will be payable on the deemed disposal of a tax resident's worldwide assets (excluding South African fixed property) i.e. the growth in value from the date of establishing tax residence to the date of breaking tax residence will be regarded as a capital gain and CGT will be payable.
- 33.3% (25% prior to 1 March 2012) of the gain is included in the individual's taxable income and taxed at the applicable marginal tax rate. The general annual capital gains exclusion for individuals and special trusts is R30 000 (was R20 000 prior to 1 March 2012). The exclusion on death is R300 000 (was R200 000 prior to 1 March 2012) and disposal of primary residence exclusion is R2 million of gain or loss on disposal (R1.5 million of gain; or R2 million of proceeds prior to 1 March 2012). The exclusion amount on disposal of small business when person is over 55 and the market value of assets does not exceed R10 million) is R1.8 million (R1.5 million prior to 1 March 2013) .



Income Tax – Companies

Income Tax

The principal source of direct tax revenue in South Africa is income tax.

South Africa has a residence-based system of taxation:

- South African residents are therefore taxed on their worldwide income, subject to a number of exceptions.
- Non-residents are taxed on income earned from a South African source.
- The question of residency needs to be addressed in the light of any DTA.
- Any company, which is either incorporated in, or effectively managed from South Africa, is deemed to be a South African resident for tax purposes, but excluding any company which is deemed to be exclusively a resident of another country for DTA purposes.
- Domestic companies are taxed at a flat rate of 28%. From years of assessment commencing on or after 1 April 2012, branches of foreign companies which have their effective management outside South Africa will also be taxed at a rate of 28% (prior to this date they were subject to taxation on South African-sourced profits at a rate of 33%.) Trusts (other than special trusts) are taxed at a rate of 40%.

Capital Gains Tax (CGT)

Residents of South Africa are liable for CGT on capital gains made on the disposal of their worldwide capital assets:

- The inclusion rate for capital gains is 33.3% (25% prior to 1 March 2012,) in respect of individuals and special trusts, and 66.6% (50% prior to 1 March 2012) in respect of companies and other trusts. The maximum effective tax rate is therefore 13.2% (previously, 10%) for individuals, 18.5% (previously, 14%) for companies and 26.4% for trusts.
- Exposure to CGT for non-residents is largely limited to disposals of South African real estate or assets of a branch business.
- Where a change of residence status is brought about, that person/company will need to establish the market value of their assets at the date they are deemed to become South African residents for tax purposes. This market value becomes the base cost which is used to calculate the capital gains upon disposal of capital assets in future. The subsequent cessation as a South African tax resident, may result in a deemed disposal for CGT.

Exempt entities and PBOs

Receipts and accruals of PBOs are exempt from income tax to the extent that the receipts and accruals are not from business or trading activities, or, are from central integral, occasional or approved business or trading activities:

- Certain trading activities are totally tax-free. Certain trading activities are partially taxable.
- The PBO can deduct the greater of R200 000 and 5% of its total receipts and accruals for the year.
- PBOs may register as a vendor for VAT purposes in order to claim VAT inputs on supplies made to it.
- Donations to PBOs are exempt from donations tax and bequests to PBOs are exempt from estate duty. Donations or bequests to PBOs are further not viewed as disposals for CGT purposes. Similar provisions exist for other exempt entities such as government departments, municipalities and the like.

Secondary Tax on Companies (STC)

- Prior to 1 April 2012, in addition to the normal Corporate Income Tax (CIT) at a rate of 28% (as from 1 April 2008) (previously 29%), STC applied.
- However, STC was abolished on 1 April 2012 and replaced with a shareholder's dividend tax of 15%.
- This brings the taxation of dividends in line with international practice.
- Historically STC was calculated on the net amount of dividends declared at a rate of 10% (as from 1 October 2007).

Dividend Tax (DT)

- The new dividend WHT (which came into effect on 1 April 2012 and replaced STC) will be levied at a rate of 15% (initially proposed at a rate of 10%) on dividends declared by domestic companies and shares of non-resident companies that are listed on the Johannesburg Stock Exchange (JSE).
- The 15% rate may be reduced under an appropriate DTA.
- Dividend payments to the Government, provincial administrators or municipalities, domestic retirement funds, a rehabilitation company or trust, PBOs, various exempt bodies and domestic companies will be exempt, and foreign persons will be eligible for tax treaty relief. Exempt shareholders will have to certify their exemption status.
- In respect of in-specie dividends, the distributing company (not the shareholder) will bear the liability, although it will be subject to similar exemptions and treaty relief as cash dividends. The major implication is likely to be an administrative issue for companies whose dividends normally flow through "regulated intermediaries" (i.e. in the case of in-specie dividends) as the administrative burden will be upon the company itself.
- The proposed Value Extraction Tax (VET) which would have been a 15% charge on deemed dividends (or "value extractions"); *in lieu of* DT has been withdrawn. Instead, the "dividend" definition has been broadened, which essentially means that value-transfers (understood as "deemed dividends") may still be taxed. The big difference will be that value-transfers will be subject to the normal withholding rules (as opposed to creating a tax cost for the company).
- A dividend will be deemed to be paid on the earlier of the date on which the dividend is paid or becomes payable by the company that declared the dividend.

Foreign Dividends

- Foreign dividends are subject to income tax in the hands of South African residents.
- A foreign dividend means any dividend received or accrued from any company which is a "foreign company" (i.e. a company which is not a resident of South Africa). A resident means any company which is incorporated, established or formed, or has its place of effective management in South Africa, but excluding any company which is deemed to be exclusively a resident of another country for DTA purposes.
- In certain cases, a foreign dividend is exempt from income tax in the hands of a South African resident. The exemptions currently included are, *inter alia*:
  - (a) Where the resident recipient (in the case of a company, together with any other company in the same group of companies) holds at least 10%(20% prior to 1 April 2012) of the total equity share capital and voting rights of the foreign company.
  - (b) If the person is a foreign company and the foreign dividend is paid or declared by another foreign company that is resident in the same country as that person.
  - (c) Foreign dividends distributed out of profits which have been or will be taxed

in South Africa (unless the profits are exempt or taxed at a reduced rate as a result of the application of a double tax treaty) or out of profits which arose directly or indirectly from any dividends declared by a resident company (local dividends, foreign dividends) paid out of income which has been included in the income of the resident recipient as a result of the application of the CFC provisions.
  - (d) Foreign dividends received by or accrued to a person on or after 1 April 2012 that are in respect of shares that are listed and does not consist of a distribution of an asset in-specie.
  - (e) It is proposed that any foreign dividend received by or accrued to a company on or after 1 January 2013 that is resident in respect of a listed share and consists of the distribution of an asset in-specie.
  - (f) It is further proposed that paragraphs (a) and (b) must not apply to any foreign dividends received by or accrued to a person on or after 1 January 2014 if the foreign dividend is received or accrues in respect of a share other than an equity share.
- With effect from 1 April 2012, foreign dividends paid by any company other than a headquarter company become subject to the same 15% level of tax.
- A general blanket exemption of 25/40 for natural persons, 13/28 for companies and trusts and 15/30 for individual policy holder funds for all otherwise taxable dividends and foreign dividends received by or accrued on or after 1 March 2012 to any person that is a natural person, deceased estate, insolvent estate or trust and on or after 1 April 2012 to any person other than a natural person, deceased estate, insolvent estate or trust .The result is that the maximum effective tax rate is essentially limited to 15%. However, it is important to note that there are substantial restrictions and prohibitions that apply to corporate shareholders in respect of shares not actually owned, or certain categories of trading stock, borrowed shares, etc.
- Dividends retained by collective investment schemes (i.e. not distributed to unit holders within a period of 12 months) will be taxed as ordinary revenue, and will thus not be subject to DT.

Tax Losses

- A tax loss incurred by a company in any business activity may, generally, be carried forward and set-off against future profits until exhausted, provided that the company continues to trade during each year of assessment.
- However, the losses earned by a foreign branch of a South African resident company cannot be set-off against income from a South African source (ringfencing applies).

Withholding Taxes (WHTs)

- Profits remitted by or branch of a foreign company are not subject to WHT.
- A new WHT on interest and services fees paid to non-residents is to be introduced with effect from 1 January 2015.
- The new WHT will be levied at a rate of 15% and will be payable by the last day of the month following the month during which the interest and service fees are paid. Currently, the Income Tax Act provides for a near blanket exemption where non-residents earn South African interest.
- In respect of the WHT on interest, certain exemptions will apply, including government bonds, listed debt, debt owed by a local bank, local dealer and brokerage accounts and local collective investment schemes. Interest paid by headquarter companies will also be exempt. The WHT will not apply to non-residents who are currently not eligible for the interest exemption (i.e. individuals spending in excess of 183 days per year in South Africa and non-residents carrying on business through a South African PE).
- In respect of the WHT on service fees, certain exemptions will apply. The WHT will not apply if that foreign payee is a natural person who was physically present in South Africa for a period exceeding 183 days

during the 12-month period to preceding the date on which the fees are paid; if the service fees are effectively connected to a South African PE or if the service fees are paid in respect of services rendered by any person in his or her capacity as an employee.

- A 15% WHT applies in respect of gross payments made to non-resident entertainers and sportspersons performing in South Africa.
- A WHT is imposed on the proceeds of the sale of fixed property by non-residents where the proceeds exceed R2 million. The amounts to be withheld by the purchaser from payments made to the non-resident seller are:
  - Where the seller is a natural person - 5% of the amount payable.
  - Where the seller is a company – 7.5% of the amount payable.
  - Where the seller is a trust - 10% of the amount payable.
- A WHT of 12% applies to royalties. The WHT does not apply to amounts derived by non-resident companies from a branch or agency in South Africa, or to amounts relating to the use of certain copyrights in printed publications, or royalties paid to any controlled foreign company. This rate of 12% may be reduced in terms of the relevant double tax treaties as set out on the next page. It is proposed that the rate of 12% will increase to 15% and will apply to all royalties paid after 1 January 2015.

Recipient's Country of Residence	Reduced Rate
Algeria	10%
Australia	10%
Austria	0%
Belarus	5%[1]/10%
Belgium	0%
Botswana	10%
Brazil	10%[2]
Bulgaria	5%[8]/10%
Canada	6%/10%[3]
China	7%/10%[7]
Croatia	5%
Cyprus	0%
Czech Republic	10%
Democratic Republic of Congo	10%
Denmark	0%
Finland	0%
France	0%[4]
Germany	0%[4]
Ghana	10%
Greece	5%/7%[5]
Hungary	0%
India	10%
Indonesia	10%
Iran	10%
Ireland	0%
Israel	0%[4]/4.2%[6]
Italy	6%
Japan	10%
Korea	10%
Kuwait	10%
Lesotho	10%
Luxembourg	10%

Recipient's Country of Residence	Reduced Rate
Malaysia	5%
Malta	10%
Mauritius	0%
Mexico	5%/10%
Mozambique	8%/15%
Namibia	10%
Netherlands	0%
New Zealand	10%
Nigeria	7.5%
Norway	0%
Oman	8%
Pakistan	10%
Poland	10%
Portugal	10%/15%
Romania	15%
Rwanda	10%/15%
Russian Federation	0%
Seychelles	0%
Singapore	5%
Slovak Republic	10%
Spain	5%
Swaziland	10%
Sweden	0%[4]
Switzerland	0%
Taiwan	10%
Tanzania	10%
Tunisia	10%
Turkey	10%
Uganda	10%
Ukraine	10%
United Kingdom	0%
United States of America	0%

Notes:
1. The 5% rate applies to royalties paid for the use of industrial, commercial or scientific equipment or transport vehicles.
2. The reduced 10% rate only applies in relation to royalties arising other than from the use of, or the right to use trademarks.
3. The rate is reduced to 6% in respect of copyright royalties and other like payments in respect of any literary, dramatic, musical or other artistic work (but excluding royalties in respect of films or videos or other means of reproduction for use in television broadcasting), or royalties for the use of computer software, or for the use of any patent or any industrial, commercial or scientific information (excluding information in connection with rental/ franchise agreements). In any other case, the rate is reduced to 10%.
4. Reduced rate only applies if the royalty is taxed in the recipient's country of residence.
5. The maximum rate is 5% on copyright royalties including films and TV or radio media, and 7% for any patent, trademark, design, model, plan, secret formula or process, and industrial, commercial or scientific equipment or information.
6. The rate is 4.2% (15% of the corporate tax rate) for royalties on cinematographic or television films.
7. The rate is reduced to 7% in respect of royalties for the use or right of use of any industrial, commercial or scientific equipment.
8. The 5% rate applies to copyrights for cultural, dramatic, musical and other artistic work (other than for use with television) and industrial, commercial or scientific equipment.
9. Generally, the above reduced rates do not apply where the recipient of the royalty trades through a PE in South Africa with which the right or property giving rise to the royalties is effectively connected.

Tax Deductions and Allowances

In addition to the general tax deduction that is permitted in terms of section 11(a) of the Income Tax Act for business expenditure that is not of a capital nature, and that is incurred in the production of income, specific tax deductions and allowances may be allowed. In the context of a business, these include:

Expenditure and Losses Incurred before Commencement of Trade

Taxpayers are entitled to a deduction for pre-trade costs incurred before the commencement of trade. "Pre-trade costs" are not defined but they would include costs such as advertising and marketing promotion, insurance, accounting and legal fees, rent, telephone, licences and permits, market research and feasibility studies, but exclude costs such as the purchase of buildings and motor vehicles, and pre-trade research and development expenses. Pre-trade costs incurred before the commencement of trade can only be set-off against income from that trade.

Allowance in Respect of Future Expenditure on Contracts

Section 24C of the Income Tax Act permits the matching of receipts with corresponding future expenditure where such receipts arise in advance of the expenditure concerned. This is found in the practice of construction contracts. The section 24C allowance is typically calculated by taking the gross profit percentage applied to the receipts to date on the contract, less the costs allowed on the contract to date. The allowance should not exceed the receipts, and should not create an overall loss. The allowance deducted in the current year shall be deemed to have accrued or been received in the following year of assessment, and as a result shall be included in taxable income in the following year.

Plant and Machinery

New, or unused, plant and machinery acquired and used in a process of manufacture, can be depreciated for tax at the rate of 40% in the first year and 20% in the following three years. With regard to other capital assets, a wear-and-tear allowance may be claimed on fixed assets which are not structures or works of a permanent nature and do not qualify for other capital allowances. Write-off periods acceptable to SARS are detailed in terms of published Interpretation Notes (INs).

Transmission of Electricity

An allowance equal to 5% (20-year straight-line basis) is permitted on the cost incurred by a taxpayer in respect of any assets for the transmission of electricity. The assets must be owned by the taxpayer and brought into use for the first time by the taxpayer and used directly by the taxpayer for the transmission of electricity.

Industrial Buildings

Wear-and-tear is normally not allowed on buildings or other structures of a permanent nature. However, an allowance equal to 5% (20-year straight-line basis) of the cost to the taxpayer of industrial buildings, or of improvements to existing industrial buildings used in a process of manufacture (other than mining or farming), is granted.

Urban Development Zone Allowance

An allowance equal to 5% of the cost to the taxpayer of refurbishing an existing building in an Urban Development Zone, once it is brought into use, is granted. An allowance equal to 20% in the first year and 8% in the subsequent years of the cost to the taxpayer of constructing new buildings and extending existing buildings in an Urban Development Zone, once it is brought into use, is granted. Different rules apply in circumstances where a person has acquired a building or part of a building from a developer.

Commercial Buildings

An allowance equal to 5% (20-year straight-line basis) is permitted of the cost to the taxpayer of new and unused buildings or improvements to buildings (other than the provision of residential accommodation). For the purposes of the 5% allowance, to the extent a taxpayer acquires part of a building without erecting or constructing that part, the following percentages below will be deemed to be the cost incurred:

- 55% of the acquisition price, in the case of part of a building being acquired.
- 30% of the acquisition price, in the case of an improvement being acquired.

Environmental Expenditure Allowance

New or unused environmental treatment and recycling assets, can be depreciated for tax at the rate of 40% in the first year and 20% in the following three years. New or unused environmental waste disposal assets can be depreciated for tax at the rate of 5% per annum.

Rolling Stock

An allowance equal to 5% is permitted on the cost incurred by a taxpayer in respect of the acquisition or improvement of any rolling stock.

Research and Development (R&D)

In terms of the Draft Taxation Amendment Bill, 2013, a deduction of R&D expenditure will be allowed at a rate of 150% of expenditure incurred on activities undertaken in South Africa directly for purposes of:

- Developing or creating any patent, design or computer programme; or
- Discovering applied scientific knowledge that is innovative in nature and mainly intended for the purpose of the sale to and for use by the general public; or
- Making a discovery that leads to the advancement of purely theoretical scientific knowledge or making a significant and innovative improvement to any invention, design, computer programme or knowledge.

A deduction in respect of any new and unused building, machinery, plant, implement, utensils or article or improvements thereto brought into use for the first time by the taxpayer for R&D purposes, will be allowed at the rate of:

- 50% of the cost of the asset in the first year of assessment it is brought into use.
- 30% of the cost in the first succeeding year.
- 20% of the cost in the second succeeding year of assessment.

Notes:

1. Section 11D of the Income Tax Act (for R&D expenditure) has been rewritten with the major change being the requirement that R&D projects be pre-approved in order to qualify for the additional allowances.

Learnership Allowance

- An allowance of R30 000 per annum is available as a deduction by employers for each registered learnership agreement.
- A completion allowance of a further R30 000 is available on completion.
- Where the learnership is two years or longer, the completion allowance will be the number of years times R30 000.
- Learners with a disability qualify for an additional R20 000 allowance.

Notes:
1. The learnership tax incentive is scheduled to expire in September 2016.

Transfer Pricing and Thin Capitalisation

Transfer pricing issues in South Africa are regulated by Section 31 of the Income Tax Act supported by SARS Practice Note No. 7 (PN 7).

South Africa follows the OECD (Organisation for Economic Co-operation and Development) Guidelines on transfer pricing and uses the "arm's length" standard/principle to test transactions between connected persons.

In determining an "arm's length" price/consideration, the five transfer pricing methods recommended by OECD are used. These include:

- Comparable uncontrolled price (CUP) method.
- Resale price (RP) method.
- Cost plus (CP) method.
- Profit split (PS) method.
- Transactional net margin method (TNMM).

Although there is no legislative requirement for organisations to prepare transfer pricing policies and documentation for South Africa, the risk of an adverse transfer pricing audit from SARS is increased in the absence of such documentation. In view of the above, it is critical that any transactions between a foreign entity and any related South African entity be considered from a transfer pricing perspective.

The entire transfer pricing provisions have been replaced. Although the revised provisions were to come into effect on 1 October 2011, the implementation has been delayed and slightly revised provisions came into effect on 1 April 2012, effecting years of assessment commencing on or after 1 April 2012.

The amendments have been made to align the provisions more closely with OECD Guidelines. A draft IN provides taxpayers with guidance on the application of the arm's length basis in the context of determining whether a taxpayer is thinly capitalised under section 31 and, if so, calculating taxable income without claiming a deduction for the expenditure incurred on the excessive portion of finance.

Furthermore, the new section 31 no longer deals separately with the thin capitalisation rules. Instead thin capitalisation rules have been merged into the general transfer pricing rules.

This means that the thin capitalisation rules will also apply to local branches of foreign companies.

Annual disclosure and adjustments for arm's length prices will shift from SARS to the taxpayer.

Management Fees

Authorised Dealers may effect payments in terms of agreements where the parties to the agreement are unrelated i.e. none of the parties have any direct/indirect interest or shareholding in each other. Where payments for management services are to be effected in terms of an agreement, and the agreement is between two related parties, an application will have to be submitted to the Financial Surveillance Department of the Reserve Bank for approval.

If the fee is calculated as a percentage of turnover, profits, sales, expenses etc, it requires exchange control approval and whilst it will not normally be permitted, consideration will be given to it and approval may be forthcoming provided the application is supported by documentation stating that the payments will be in compliance with South African transfer pricing rules. In the case of minimum payments or upfront payments, it may be more difficult to obtain approval.

Only in the case where an agreement relates to the local manufacture under licence, will it be necessary to refer such a matter to the Department of Trade and Industry (**the dti**) who will then consider it in terms of their policy.

Corporate Rules

The corporate rules provide relief for transactions between group companies or between shareholders and their company.

In this regard a "group of companies" is defined as two or more companies in which one company (the controlling group company) directly or indirectly holds shares in at least one other company (the controlled group company) to the extent that:

- At least 70% of the equity shares of each controlled group company are directly held by the controlling group company or one or more controlled group companies or any combination thereof; and
- The controlling group company holds at least 70% of the equity shares in at least one controlled group company.

Notes:

1. For purposes of the corporate rules the definition of "group of companies" excludes any company that does not have its place of effective management in South Africa.

The rules cover the following transactions:

- Asset-for-share transactions.
- Amalgamation transactions.
- Intra-group transactions.
- Unbundling transactions.
- Liquidation, winding-up and deregistration.

Each of the rules has qualifying criteria and anti-avoidance provisions. The rules provide for relief from income tax, CGT, transfer duty and Securities Transfer Tax (STT) in certain circumstances. VAT relief may also be obtained if certain conditions apply.

Because of concerns that the tax base is being eroded through the use of the corporate rules, provisions have been introduced that may deny the deduction of interest incurred on borrowings arising from a transaction in terms of the corporate rules in certain circumstances unless a directive has been obtained from SARS that the provisions will not apply. It is proposed that directives will no longer be issued to transactions entered into after 30 June 2013.

A transfer, or and transferee, may enter into a written agreement that the relevant provisions do not apply in the case of asset-for-share transactions, intra-group transactions and liquidation transactions. With regard to amalgamation and unbundling transactions, the corporate rules will apply unless the parties form part of the same group of companies and jointly elect for the rules not to apply. Full particulars of any transaction falling within these provisions must be disclosed in the taxpayer's tax return for the tax year in which the transaction takes place.

Special rules apply for determining contributed tax capital where shares are issued in terms of the rules.

Controlled Foreign Companies (CFCs)

Also included in the income of a South African resident, is a proportional amount of the net income (including capital gains) earned by a CFC. A CFC is any foreign company where South African residents directly or indirectly, hold more than 50% of the total participation rights or more than 50% of the voting rights in that company. The proportionate income of the CFC, to the participation rights held by the resident, will be included in the income of the resident where the resident has participation or voting rights of 10% or more. The income is grossed up and the tax paid in the foreign country may be offset against the South African tax payable. The income of the CFC is to be determined as if the South African Income Tax Act applied to such entity. There are rules in respect of interest, royalties and rental paid to other CFCs of the resident. These exclusions are as follows:

- Where the net income of the CFC is attributable to a business establishment in a foreign country provided that the business establishment effectively operates at arm's length (subject to certain restrictions).
- Where the net income of the CFC is included in its SA taxable income.
- Foreign dividends declared to a CFC by another CFC.
- Interest, royalties or rental income payable to a CFC by another CFC and exchange differences between such parties, where the entities are part of the same group of companies.
- Capital gains to the extent that the asset disposed of (subject to exclusions) is attributable to any business establishment of a CFC that forms part of the same group of companies as the CFC.

South African shareholders in relation to CFCs may make the following elections:

- South African shareholders who, together with any connected persons, hold an interest of at least 10% but not 20% or more in a CFC may elect (on a year-by-year basis) to have their pro rata share of the CFCs income taxed, even though this income may be otherwise excluded. Foreign tax credits for underlying taxes paid may be claimed against this income but no excess credits may be generated.
- South African shareholders with an interest of at least 10% but not 20% or more in a foreign company which is not a CFC may elect (on a year-by-year basis) to treat their interest as a CFC interest. The South African shareholder will be taxed on the foreign income and will be entitled to claim foreign tax credits. Any subsequent distribution of profits will not be taxed.

In 2011, there were substantial revisions to the taxable versus tax-free nature of the activities associated with a CFC. The revised rules eliminate the current transfer pricing penalty but more explicitly require an arm's length analysis when determining whether income is attributable to exempt active business activities. The anti-avoidance rules have also been revised to better target the tainted activities of concern and eliminate the use of discretionary trusts (and other forms of *de facto* ownership) employed to undermine the CFC regime.

In recent years, it was announced that cell companies would be the target of anti-avoidance legislation. The Income Tax Act has been amended to achieve this result by treating each cell of an offshore cell company as a separate company for purposes of the CFC regime. The net result of this segregated treatment is to ensure that CFC status is measured on a cell-by-cell basis, thereby triggering a greater likelihood of CFC treatment.

Hybrid Equity Instruments, Hybrid Debt Instruments an Third Party Backed Shares

Public debate on Section 45 of the Act, and private equity acquisitions, has highlighted the need to improve the classification of corporate financing. The main problem is the erroneous classification of certain instruments as "debt" to generate interest deductions for the debtor, when such instruments more accurately represent equity financing.

Similarly, in some private equity transactions, where creditors receive exempt interest income, the deductibility of interest payments deprives the fiscus of revenue.

Excessive debt can also give rise to excessively risky transactions that may represent "credit risk" for the domestic market. To address these concerns, Government will enact a revised set of reclassification rules deeming certain debt to be equivalent to shares.

The Draft Taxation Amendment Bill, 2013, set out various proposals to the sections dealing with hybrid debt instruments, hybrid equity instruments and third party backed shares.

These sections are anti-avoidance sections and are consistently being amended to ensure that the instruments are correctly classified as debt or equity, that South African companies remain internationally competitive in terms of funding and that these anti-avoidance sections do not impact negatively on commercial transactions.

Draft Legislation to Limit Excessive Interest Deductions

Under draft proposals, new provisions will be inserted into the Income Tax Act which limits the deductibility of interest in respect of acquisition and reorganisation indebtedness, connected person debt and interest in respect of a debt owed to a person that is not subject to tax in South Africa. Under the draft proposals, it is proposed that this legislation will come into effect on 1 July 2013.

Headquarter Company Regime

The headquarter company regime is a significant development directed at establishing South Africa as a jurisdiction of choice for investments into Africa. Essentially, the regime provides for a relaxation for headquarter companies of the controlled foreign company and arm's length rules, and for dividends declared by these companies to benefit from the same exemptions available to foreign dividends. For this purpose, the following areas of tax relief will be granted to entities qualifying as headquarter companies (or their shareholders where applicable):

- Foreign subsidiaries of headquarter companies will not be treated as CFCs under the normal rules and, therefore, no "net income" of any CFC can be imputed to a headquarter company.

- Dividends declared by the headquarter company will be exempt dividends tax i.e. dividends received from a headquarter company will be taxable or exempt in the same way as foreign dividends.
- Headquarter companies engaged in financial assistance, will enjoy relief from the transfer pricing provisions to a certain extent (however, note that a new section is introduced, dealing with the ringfencing of interest incurred by headquarter companies for the purposes of claiming a tax deduction).
- Interest paid or owed by a headquarter company to a foreign person, to the extent that it relates to back-to-back lending arrangements, will be exempt from the WHT on interest.
- A headquarter company will be treated as a foreign company for the purposes of the CGT participation exemption for the benefit of qualifying shareholders disposing of their interest in such headquarter company.
- A resident company will qualify as a headquarter company if the following criteria are met:
  - If, during the relevant year and all prior years, each shareholder (together with related group companies) held 10% or more of the equity shares and voting rights in that company;
  - If, at the end of the relevant year and all prior years, 80% or more of the cost of the total assets of the company was attributable to equity shares in, loans to, or intellectual property licensed to any foreign company in which the company (together with related group companies) held at least 10%; provided that in determining the total assets of the company, there must not be taken into account any amount in cash or in the form of a bank deposit payable on demand; and
  - Where the gross income of the company exceeds R5 million, if 50% or more of the gross income of the company consisted of dividends, interest, royalties or fees from any foreign company contemplated above, or of proceeds from the disposal of shares in such foreign company, or the above intellectual property.

Notes:
1. A headquarter company must submit to the Minister an annual report providing the Minister with the information that the Minister may prescribe within such time and containing such information as the Minister may prescribe.

Other

Cross-Border Withholding Tax Interest

A WHT on interest paid to a foreign person that is not a CFC will be introduced with effect from 1 January 2015 at a rate of 15 % (initially proposed at a rate of 10%). Certain exemptions will apply (e.g. to interest received or accrued from headquarter companies and any interest received or accrued to a non-resident from another non-resident subject to certain requirements etc).

Cross-Border Withholding Tax Service Fees

A WHT on services fees paid to a foreign person that will be introduced with effect from 1 January 2016 at a rate of 15%. Certain exemptions will apply (e.g. to service fees paid to a natural person who is physically present in the Republic for more than 183 days and in cases where the service fees paid are effectively connected to a permanent establishment of that foreign person).

Regional Gateway Initiatives

The Income Tax Act removes the potential for double taxation by South African multinationals operating abroad through a variety of legislative measures, such as the use of a revised source system and through the addition of special tax credits in the case of foreign WHTs imposed on South African-sourced management fees.

Functional Currency Rules

With effect from years of assessment commencing on or after 1 January 2011, certain entities, including branches, CFCs and headquarter companies (where South African Rand is not their functional currency), will be allowed to rely on their "functional currency" (i.e. the currency of the "primary economic environment in which the business operations are conducted") for tax purposes.

Partnerships

Partnerships are not treated as separate taxable entities. Each partner is taxed only on his or her share of the partnership's taxable income.

Mining, Insurance and Farming

Special rules apply to mining and insurance companies and to farming activities.

Incentives

Government has revised a number of pre-existing tax incentives: Firstly, the requirements associated with venture capital company incentive will be greatly eased to encourage pooling of investments for junior mining and small business. Secondly, the industrial policy incentive will be enhanced for projects located within IDZs to support the objectives of the industrial policy action plan and the New Growth Path. Thirdly, the R&D incentive now requires a pre-approval system to curtail avoidance while providing enhanced certainty for legitimate projects. Lastly, the film allowance for film owners has been converted into an exemption so as to encourage film profit (as opposed to the current emphasis on costs).

Calculating Taxable Income

Gross income	• Receipts/accruals of a South African resident.
	• Receipts/accruals sourced or deemed to be sourced in South Africa accruing to a non-resident.
Less: Exempt income	• E.g. Dividends**.
Less: Allowable deductions	• All non-capital expenses incurred in South Africa in the production of income.
Less: Other tax allowances	• Refer to summary of tax incentives.
	• Other capital allowances on:
	- Plant and machinery. - Buildings and improvements to buildings etc.
Plus: Taxable capital gain*	
Equals: Taxable income	

* Capital gains are taxed with effect from 1 October 2001.

** "Foreign" dividends (those derived from profits generated from non-South African sources) accruing or paid after 23 February 2000 are, subject to certain exceptions, no longer exempt from South African tax. "Local" dividends will continue to be exempt from tax.

Current Rates of Taxation

Current Central Taxes	Government	Rates
• Company tax (non-mining)		28%
• Dividends Tax		15%
• Micro-businesses rate for entities with an annual turnover of </= R1 million (elective provision and conditions apply	R0 – R150 000	0%
	R150 001 – R300 000	1% of each R1 above R150 000
	R300 001 – R500 000	R1 500 + 2% of amount > R300 000
	R500 001 – R750 000	R5 500 + 4% of amount > R500 000
	R750 001 and above	R15 500 + 6% of amount > R750 000
• Small business corporation rate for entities with an annual turnover of </= R14 million	R0 – R67 111	0%
	R67 112 – R365 000	7%
	R365 001 - R550 000	21%
	R550 001+	28%
• Branch profit tax 28%	As from 1 April 2012	(Previously 33%)
• Maximum individual tax rate for taxable income above R638 600: R185 205 + 40% of the amount above R638 600		

<table>
<tr><th>Current Central Taxes</th><th>Government</th><th>Rates</th></tr>
<tr><td>VAT</td><td>On goods and services (exemptions apply)</td><td>14%</td></tr>
<tr><td>Other taxes</td><td colspan="2">• Capital Gains Tax (from 1 October 2001)
• Customs and excise
• Donations tax (20%)
• Estate duty/tax (20%)
• Transfer duty on real estate transactions not subject to VAT:
- The transfer duty exemption threshold is to be increased from R500 000 to R600 000.
- For properties acquired under purchase agreements (concluded on or after 23 February 2011), the transfer duty rates applicable will be as follows:
- First R600 000 consideration: 0%
- R600 001 to R1 000 000: 3%
- R1 000 000 to R1 500 000: 5%
- Excess over R1 500 000: 8%
These rates will be applicable to both natural and legal persons (close corporations, companies and trusts).
• Fuel levies
• Motor vehicle licence
• Electricity levies
• Plastic bag levies
• Incandescent light bulb levies
• Municipal taxes on owners of real estate
• Skills development levy (SDL)
• Airport taxes
• Environmental levy
• Road accident fund levy</td></tr>
</table>

Provisional Tax

A first provisional tax payment is calculated using the basic amount, which is the taxable income per the last year of assessment in relation to which a notice of assessment was issued. With effect from the year of assessment ending on or after 1 March 2009, if the abovementioned assessment is in respect of a period that ends more than one year after the latest year of assessment in relation to such estimate, the basic amount determined shall be increased by an amount equal to 8% per annum of that amount, from the end of such year to the end of the year of assessment in respect of which the estimate is made.

With effect from the years of assessment ending on or after 1 March 2009:

- In the event that a provisional taxpayer's taxable income is more than R1 million, a 20% penalty will be levied where a

provisional taxpayer's second provisional tax payments based on a taxable income that is less than 80% of the taxpayer's actual taxable income for that year.
- In the event that a provisional taxpayer's taxable income is equal to or less than R1 million, a 20% penalty will be levied where a provisional taxpayer's second provisional tax payment is based on a taxable income that is less than 90% of the taxpayer's actual taxable income for that year.

Notes:
1. Where the amount of any estimate is not within the abovementioned 80% or 90% of the taxpayer's actual taxable income for that year, and the Commissioner is satisfied that the amount of any estimate was seriously calculated with due regard to the factors having a bearing thereon, and was not deliberately or negligently understated, or if the Commissioner is partly so satisfied, the Commissioner may in his or her discretion remit the additional tax or part thereof.

Tax Administration

Notes:
1. The Tax Administration Act, 28 of 2011, (TAA) was promulgated on 4 July 2012 and became effective on 1 October 2012.

Tax Year

The tax year is the same as the corporation's accounting year.

Tax Registration

Any company or any close corporation (CC) which becomes liable for any normal tax, or becomes liable to submit any return of income in terms of section 66 of the Act, is required to register as a taxpayer in terms of section 67 of the Act read with Chapter 3 of the TAA. Any such person must register as a taxpayer at SARS within 60 days after so becoming a taxpayer by completing an IT77(C) form. A registered taxpayer is required to complete and submit the annual returns of income in a prescribed form within the stipulated period.

The following entities are required to register as taxpayers for CIT purposes:
- Listed public companies.
- Unlisted public companies.
- Private company.
- Close corporations.
- Co-operatives.
- Other - Small business corporations (an entity with an annual turnover of less than R14 million).

Companies, including CCs, co-operatives and body corporates, are taxed at a rate as announced in the budget speech in February of each year and are required to submit a Return of Income: Companies and Close Corporations (ITR14) within 12 months from the date on which their financial year-end.

Small business corporations benefit from a staggered tax rate, and can write-off the cost of certain manufacturing assets in the year in which it is brought into use for the first time, or alternatively can register for turnover tax for micro- businesses.

For the current tax rates for companies, CCs and small business corporations, refer to the tax tables above. For guidelines on how to complete your company tax return (ITR14), a quick guide on completing a company tax return can be accessed on SARS website at: www.sars.go.za./home.asp?pid=4150&tid=658.s=pubs.

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 (provisional tax) must be made twice a year, based on estimates of the final tax amount, the first payment 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.

Voluntary Disclosure

A recently introduced interim Voluntary Disclosure Programme (VDP) provided taxpayers with an opportunity to identify any existing tax exposures and to regularise their tax affairs without fear of interest and penalties. The interim VDP programme ran from 1 November 2010 to 31 October 2011 and was aimed at all taxes administered by SARS. A permanent legislative framework for voluntary disclosure (that applies to all tax types) is included in the TAA. The main purpose of such a framework is to enhance voluntary compliance in the interest of the good management of the tax system, and the best use of SARS's resources. It seeks to encourage taxpayers to come forward and avoid the future imposition of understatement penalties, other administrative penalties and interest.

Double Taxation Agreements (DTAs)

Existing Comprehensive Agreements		
Algeria	Indonesia	Poland
Australia	Iran	Portugal
Australia Protocol (2008)	Ireland	Romania
Austria Protocol (March 2012)	Ireland Protocol (February 2012)	Seychelles Protocol (May 2012)
Austria	Israel	Russian Federation
Belarus	Italy	Rwanda
Belgium	Japan	Saudi Arabia
Botswana	Korea	Seychelles
Brazil	Kuwait	Singapore
Bulgaria	Lesotho	Slovak Republic
Canada	Luxembourg	Spain
China (People's Republic of)	Malawi	Swaziland
Croatia	Malaysia	Sweden
DRC (July 2012)	Malaysia Protocol (March 2012)	Sweden Protocol (March 2012)
Cyprus	Malta	Switzerland (new treaty – entry into force 27 January 2009)
Czech Republic	Mauritius	Taiwan
Denmark	Mexico	Tanzania
Egypt	Mozambique	Thailand
Ethiopia	Namibia	Tunisia
Finland	Netherlands	Turkey
France	Netherlands Protocol (2008)	Uganda
Germany	New Zealand	Ukraine
Ghana	Nigeria	United Kingdom*
		United Kingdom Protocol (October 2011)
Greece	Norway	United States of America
Hungary	Oman	Zambia
India	Pakistan	Zimbabwe

* The UK treaty was extended to Grenada and Sierra Leone. UK agreement includes Granada and Sierra Leone at a rate of 12% WHT for royalties. For non-treaty countries the WHT rate in respect of royalties and know-how payments are is currently 12%. This will increase to 15% with effect from 1 January 2015.

Ratified by South Africa but not by Treaty Partner
Gabon, Germany (renegotiated), Kenya and Sudan.

Treaties Signed but not Ratified
Botswana (Protocol), Chile, India (Protocol), Oman (Protocol),Malta (Protocol), Mauritius (renegotiated) and Norway (Protocol).

Customs Agreements on Mutual Administrative Assistance in Force
Algeria, Canada, China (People's Republic of), France, India, Mozambique, Netherlands, UK and USA.

VAT Agreements on Mutual Administrative Assistance in the Process of Negotiation, or Finalised but Not Yet Signed
Botswana, Lesotho,Malawi, Namibia, Swaziland, Zambia, and Zimbabwe.

Tax Information Exchange Agreements in Process of Negotiation, or Finalised but Not Yet Signed
Argentina, Barbados, British Virgin Island, Brunei Darussalam, Costa Rica, Dominica, Georgia, Gibraltar, Jamaica, Lichtenstein, Multilateral Southern African Development Community Agreement on Assistance in Tax Matters, Liberia, Liechtenstein, Monaco, Netherlands Antilles, Saint Kitts and Nevis, Turks and Caicos Islands.

Notes:
1. In addition to the above agreements in force, is IBSA (India/Brazil/South Africa) Tax Co-operation Agreement (date of entry into force is October 2007).
2. The rates provided are merely a guide, and some DTA's provide for alternative rates to be applied in specific circumstances.
3. With effect from 1 January 2013, Government proposes to coordinate and streamline the procedures, rates, and times for all WHTs, including the adoption of a uniform rate of 15%.

Treaties in the Process of Negotiation or Finalised but not Signed		
Austria**	Lithuania	Senegal
Bangladesh	Luxembourg**	
Belgium**	Malawi*	Serbia
Botswana**	Malaysia**	Singapore*
Brazil**	Madagascar	Sri Lanka
Cameroon	Malawi*	Swaziland**
Chile	Malta**	Switzerland**
Cuba	Mauritius*	Syria
Cyprus**	Morocco	Turkey**
Czech Republic*	Netherlands	Angola
Estonia	Mozambique**	United Arab Emirates
Germany**	Namibia*	Vietnam
India**	Hong Kong	
Indonesia**	Isle of Man	
Kuwait**	Norway**	Zambia*
Latvia	Oman**	Zimbabwe*
Lesotho*	Qatar	

* Indicates that a treaty is already in existence which is currently under negotiation to be renewed or updated. The existing agreements remain effective until the new agreements enter into force.

** Protocol still to be finalised.

Transaction Taxes

Value Added Tax (VAT)

The principal source of indirect taxation revenue in South Africa is VAT.

The standard rate of VAT is 14%. Exports, certain foodstuffs and other supplies are zero-rated, and certain supplies are exempt (mainly certain financial services, residential accommodation and public transport).

Any person that carries on an "enterprise" in South Africa for VAT purposes, and that makes taxable supplies above a certain threshold, is obliged to register as a VAT vendor. Investment in South Africa, both by a branch or through a subsidiary, will constitute an "enterprise" and will therefore require VAT registration.

VAT (output tax) is levied at 14% on the value of any supplies made by a vendor, unless such supplies qualify for a zero-rating (for example, supplies physically rendered outside of South Africa are subject to VAT at the zero rate) or are exempt from VAT.

Any SA VAT charged to the vendor by suppliers, as well as VAT levied on the importation of goods, will generally be deductible as an input tax credit by the vendor.

VAT returns are generally submitted every two months, but businesses with an annual turnover in excess of R30 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.

Transfer Duty

For properties acquired under purchase agreements concluded on or after 23 February 2011, the transfer duty rates applicable will be as follows:

Rates of Duty*	Duty Payable
Acquisition of property by all persons:	
• First R600 000 of consideration	0%
• R600 001 to R1 000 000	3%
• R1 000 000 to R1 500 000	R12 500 + 5%
• R1 500 001 and over	R37 000 + 8%

* These rates apply to both natural and legal persons (companies and trusts).

Notes:

1. Where the sale of fixed property attracts VAT, no transfer duty is payable. Where the transfer of fixed property is not subject to VAT (at either the standard or zero rate), transfer duty is payable. The indirect acquisition of residential property by way of the acquisition of shares or a contingent right in a discretionary trust is subject to transfer duty. Companies (and trusts) are now subject to the same progressive rate of transfer duty as natural persons. As part of this change, taxpayers engaged in asset-for-share rollovers (e.g. upon formation of a company) additionally obtain relief from transfer duty. Where a company or trust owns residential property and the shares, beneficiaries are changed or sold, it will be deemed that a sale of immovable property has occurred and transfer duty will apply.

Securities Transfer Tax (STT)

STT is levied at a rate of 0.25% on every transfer of securities issued by a company incorporated, established or formed in South Africa and foreign incorporated companies listed on a licensed exchange.

Transfers include the transfer, assignment or cession, or disposal in any other manner of a security but exclude any event which does not result in the change in beneficial ownership; the issue of a security; and cancellation, or redemption where the corporate existence is being terminated.

Notes:

1. The "broker-member exemption" was temporarily expanded to provide relief for all broker-members acting in their capacity as principal. This amendment applied from 1 January 2011 until the close of 31 December 2012.

Estate Duty

Estate duty is payable on the dutiable amount of a deceased estate. In general, the estate of a person who was ordinarily resident in South Africa at the date of his death includes all his assets irrespective of where they are situated. In addition, an asset which is located in South Africa may be subject to estate duty even though the owner was not ordinarily resident in South Africa at the date of his death.

An estate consists of all the property of a person at the date of his death, including limited rights in property (such as a usufruct) and deemed property. Deemed property includes the following, whether or not the proceeds accrue for the benefit of the deceased's estate:

- Domestic policies of insurance on the life of the deceased.
- Lump sum payments received on death from pension, provident or retirement annuity funds (annuities payable from pension and retirement annuity funds are not dutiable).
- Accruals under the Matrimonial Property Act.

The deductions allowed in terms of section 4 of the Estate Duty Act in calculating the dutiable amount of an estate include:

- Liabilities of the estate, including funeral and administration expenses.
- Certain foreign assets held by the deceased.
- Charitable and certain other bequests.
- Property which is inherited by the surviving spouse (a spouse includes heterosexual or same sex life partners and spouses married under any recognised system of religious law).
- Any CGT payable by the estate (death triggers a disposal for CGT purposes).

A R3.5 million abatement (R7 million for a married couple) is deducted from all estates, regardless of personal circumstances. Estate duty is payable on the resultant dutiable amount of the estate of a person at the rate of 20%.

Donations Tax

Donations tax is payable where a donor donates property valued in excess of R100 000 per annum (R10 000 in the case of donors other than natural persons). The tax is levied at a rate of 20% on such excess and is payable by the donor. Where spouses are married in community of property, a donation made by one spouse out of the joint estate

will be deemed to be made in equal shares by each spouse. Donations tax is only payable where the donor is an individual resident in South Africa or is a "private company" (for tax purposes) which is either incorporated in, or managed and controlled in South Africa. Public companies are exempt from donations tax.

A "donation" includes any gratuitous disposal of property or waiver of a right. Certain donations are exempt from tax. They include:

- Donations between spouses.
- Donations cancelled within six months from the date they took effect.
- Donations made by public companies.
- Donations to approved public benefit organisations and recreational clubs.
- Donations by, to or for any traditional council, traditional community or tribe.
- Donations between group companies where the recipient is a resident of South Africa.
- Donations of property situated outside the Republic provided certain conditions are present.

A "deemed donation" is any disposal of property for a consideration which in the opinion of SARS is not an adequate consideration. In the case of a deemed donation, the value of the property for donations tax purposes is reduced by any consideration given by the donee.

Other Taxes

Taxes on Fuel*

	Fuel Levy	Excise Duty	Total
Petrol	212.50c per litre	4c per litre	216.50c per litre
Diesel	197.50c per litre	4c per litre	201.50c per litre

* With effect from 2 April 2013.

The Road Accident Fund Levy increased by 8c per litre from 88.0c to 96.0c per litre on petrol and diesel (effective 3 April 2013). A diesel refund system provides for a refund of fuel and road accident fund levies paid on diesel used in certain qualifying industries. The qualifying industries are coastal shipping (conveyance of goods by ship between the coastal ports of South Africa or the common customs area), commercial fishing, farming, forestry, and mining, the National Sea Rescue Institute, offshore mining and rail. The diesel refund system is also available to offshore vessels conducting research in support of the marine industry, coastal patrol vessels and vessels employed to service fibre-optic telecommunication cables along the coastline of Southern Africa. Bioethanol remains outside the fuel tax net but is still subject to VAT at the standard rate.

Electricity Levy
An electricity levy has been increased to a rate of 3.5c/kWh on the sale of electricity generated from non-renewable sources. The levy is collected at source by the producers or generators of electricity. The current electricity levy will be phased out when the carbon tax becomes effective.

Carbon Emissions Tax (CET)
The tax (effective 1 September 2010) is levied at a rate of R90 for each gram per kilometre of carbon dioxide produced over and above a set amount of 120g/km. The tax is paid only once, on the date of acquisition of a vehicle, and is also only payable in respect of new vehicles. From 1 March 2011, the tax was extended to cover new motor vehicles for the transport of goods with carbon emissions in excess of 175g/km. Following public consultation, Government has revised its concept design for CET and an updated draft policy paper on carbon tax was published in March 2013. Proposed design features included: percentage-based rather than absolute emissions thresholds below which the tax will not be payable, a higher tax-free threshold for process emission, additional relief for trade-exposed sectors, the use of offsets by companies to reduce their carbon tax liability and phased implementation.

Energy Efficiency Incentive
The incentive allows taxpayers to claim an allowance for energy saving achieved in production of income. An energy savings certificate from SANEDI is required to claim the allowance and calculated based on a basic formula, as follows:

Savings in kwh x applied rate /2 (or a denominator determined by the Minister).

The rules for savings are set by the Department of Energy Regulation and the applied rate represents the lowest feed-in-tariff set by National Energy Regulator Guidelines. Savings is largely measured by comparing baselines from the start versus end of the year. The allowance will come into effect on a date announced by the Minister.

Gambling Taxes
The 2011 Budget proposed a "gambling tax" (to be introduced with effect from 1 April 2012), whereby gambling winnings which exceed R25 000 will be subject to a 15% final WHT. However, following broad consultation, this proposed WHT (now effective from 1 April 2013) based on gross gambling revenue will take the form of an additional 1% national levy on a uniform provincial gambling tax base. It is proposed that this legislation will be implemented by close of 2013. A similar tax base will be used to tax the National Lottery.

General Investment Information

A number of incentives are available. These take the form of cash grants, refund of costs or availability of finance. The more important programmes are listed below. (For further information contact our Government Growth Initiatives at 011 806 5300).

Incentives for Innovation (Research and Development)

- Support Programme for Industrial Innovation (SPII).
- Innovation Fund (IF).
- Technology and Human Resources for Industry Programme (THRIP).
- Product Process Development Scheme.
- Research and Development (R&D) – Tax Incentive (Section 11D of the Income Tax Act).

Incentives for Enterprise Development

- Critical Infrastructure Programme (CIP).
- Municipal Infrastructure Grant (MIG).
- Neighbourhood Development Partnership Grant (NDPG).
- Developmental Electricity Pricing Programme (DEPP).
- Public Transport Infrastructure and Systems Grant (PTIF).
- National Electrification Programme (Municipal).
- Location Film &Television Production Rebate.
- South African Film and Television Production and Co-Production Scheme.
- DANIDA Business to Business Programme.
- DEG Public Private Partnership (PPP).
- Business Process Outsourcing and Off-shoring Investment Incentive (BPO & O).
- BPO & O Training and Skills Support Grant.
- Foreign Investment Grant (FIG).
- Skills Support Programme (SSP).
- The Tourism Enterprise Support Programme (TEP).
- PSOM Business Incentive: Dutch Programme for co-operation with emerging markets.
- Local Economic Development (LED) Programmes.
- Black Business Supplier Development Programme (BBSDP).
- Manufacturing Incentives Programme (MIP).
- Industrial Policy Projects (section 121 of the Income Tax Act).
- Staple Food Fortification Incentive Scheme (SFFP).
- The Co-operative Incentive Scheme (CIS).
- National Industrial Participation Programme (NIP).
- Defence Industrial Participation Programme (DIP).
- Systematic Competitiveness Support Facility ("The Thematic Fund").

Incentives for Export Promotion and Development

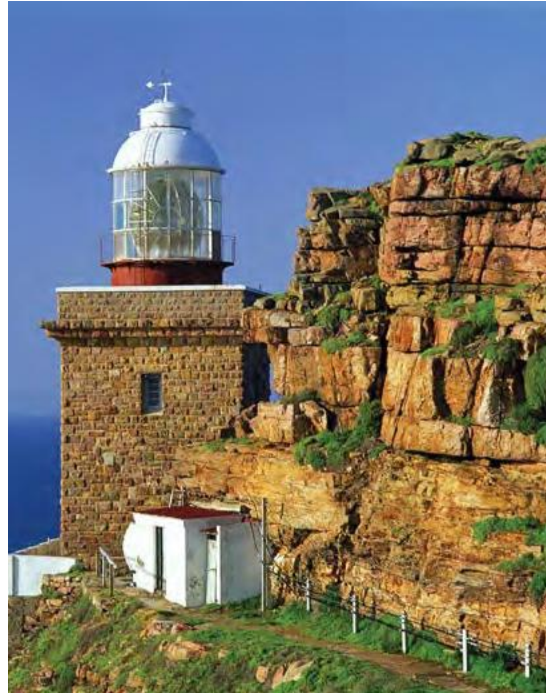
- Export Marketing and Investment Assistance (EMIA).
- Sector Specific Assistance Scheme.
- Steel Rebate.
- Customs Rebate and Drawback Provisions.
- Industrial Development Zones (IDZs).
- Motor Industry Development Programme (MIDP).
- MIDP – Productive Asset Allowance (PAA).

Selected Financial Incentives

- Financial Incentives and Assistance Offered by the IDC.
- Venture Capital Company (VCC) Incentive introduced in 2008 to encourage retail investment in VCCs that provide risk capital to small business and junior mining companies.

Industrial Incentives

- Incentives for large investment projects (specifically, R200 million in the case of "Greenfield" (new) projects and R30 million in the case of "Brownfield" (expansion) projects).
- Proposed projects that achieve "qualifying status" able to deduct from taxable income 35% of the costs of investment in manufacturing assets, up to a maximum of R550 million. "Preferred status" projects will be able deduct 55% of the cost of investment in manufacturing assets (up to a maximum of R900 million).
- An additional training allowance of R36 000 per employee deductible from taxable income, up to a maximum of R20 million for "qualifying" projects and R30 million for "preferred" projects.
- Industrial Development Zones (IDZs) – To support the objectives of the industrial policy action plan and the New Growth Path, businesses making Greenfield and/or Brownfield investments qualify for tax relief. Greenfield investments in IDZs qualify for relief of 100% for Greenfield projects and 75% for Brownfield projects.



Exchange Controls

Basic Position

Exchange control is administered by the South African Reserve Bank (SARB) which has delegated powers to Authorised Dealers (banks licensed to deal in foreign exchange). The Exchange Control Department has been renamed the Financial Surveillance Department.

South Africa does not impose exchange controls on non-residents, but exercises exchange controls over residents and transactions entered into between residents and non-residents i.e. non-residents may freely invest in, or disinvest from, South Africa and may remit all income from their South African investments. However, there are controls on outward investment by South African residents. For exchange control purposes, a resident is a person (natural person or legal entity) whether of South African or any other nationality, who has taken up residence, is domiciled or registered in South Africa.

Certain exchange control restrictions on foreign investors include:

- Local borrowing restrictions on entities in which 75% or more of the shares, voting or control, rights to capital or income are held by non-residents. South African branches of foreign companies or foreign-owned South African companies may borrow locally up to 300% of the total shareholders' investments. Borrowing for investment in residential property and financial instruments is limited to 100%.
- Where unlisted shares, fixed property, a business or other major assets are transferred between a resident and a non-resident, the value of the assets transferred must be verified.
- Restrictions on the remittance of certain income. For example, exchange control approval is required for royalties, certain dividend remittances, and payments for services that are calculated based on a percentage of turnover, income, sales or purchases.

There are no thin capitalisation rules imposed in terms of exchange controls but the rate of interest payable on foreign loans will be limited by the SARB, although, after approval has been granted, interest is freely transferable from South Africa. Foreign nationals temporarily resident in South Africa may, subject to completing formalities through an Authorised Dealer, conduct their affairs on a resident basis whilst resident in South Africa and may repatriate accumulated earnings or capital introduced.

Institutional Foreign Investment

Institutions are able to invest in foreign portfolio investments using cash transfers regulated by prudential regulation. There has been a shift from a pre-application process for foreign investment to a system of regular reporting and monitoring. Limits on foreign asset holdings of institutional investors (e.g. life offices, unit trusts and pension funds), are detailed below:

- The foreign exposure limit for pension funds and the underwritten policies of long-term insurers is 25% of total retail assets.
- The foreign exposure limit on collective investment schemes, investment managers and the investment linked business of long-term insurers is 35% of total retail assets.

- An additional allowance for portfolio investment in Africa, equal to 5% of total retail assets, for all institutional investors.
- Authorised Dealers are able to acquire direct and indirect foreign exposure up to 25% of total liabilities, excluding shareholder's equity.
- Appropriately mandated private equity funds meeting certain criteria will be able to obtain upfront approval for investments in Africa.

Furthermore, South African companies, trusts, partnerships and banks are permitted to participate without restriction in the Rand futures market on the JSE Securities Exchange.

Immigrants

On arrival, immigrants must notify their local bank that they own foreign assets and undertake not to put the assets at the disposal of South African residents. If an immigrant departs of immigration, he/she may freely transfer out of South Africa all assets brought into South Africa, as well as any remaining South African assets. After expiration of the five-year period, if he immigrated after 13 March 1995, he/she may transfer out of South Africa all assets brought into South Africa, as well as the prescribed limits for normal emigrants. Concessions are available to all immigrants to remit amounts in respect of pension fund contributions, life insurance premiums, loan repayments and foreign tax commitments from South Africa within five years.

South African Resident Corporations

Applications by corporate entities to invest abroad are considered on their merits and in the light of national interest. Applications for investments under R500 million per year are adjudicated by Authorised Dealers. There are no limits on amounts that may be remitted abroad for investment. Dividends declared and repatriated to South Africa (between 18 February 2004 and 26 October 2006) qualify for an exchange control credit and may, subject to approval, be retransferred abroad to refinance or for approved new investments. Dividends declared and paid after 26 October 2006, may be utilised for any purpose at any stage, except for loans or investment into the CMA. Headquarter companies that are approved by the Financial Surveillance Department may invest offshore without restriction.

South African Resident Individuals

Exchange Control Allowances

• Individual Foreign Capital/Investment Allowance (per adult)[1]	R4 000 000 p.a.
• Single Discretionary Allowance	
- Adult (over the age of 18 years)[1]	R1 000 000 p.a.
This allowance is at the discretion of the individual to cover the following allowances, subject to conditions:	
o Travel (both holiday and business travel) allowance	
o Maintenance transfers	
o Monetary gifts and loans to non-residents	
o Donations to missionaries	
o Study allowances	
• Travel allowance (18 years and under)	R200 000 p.a.
• Study	
- Tuition fees	Full amount
• Student living and travel allowance	
- Student – As per single discretionary and travel allowances above	
- Student and spouse – As per single discretionary and travel allowances above	
• Credit Cards	
- Foreign purchases using approved credit cards up to R20 000 per permissible transaction may be made	
• Upon emigration by South African resident	
- Foreign capital allowance	
o Family unit/Married couple	R8 000 000
o Single person	R4 000 000
The foreign capital allowance is reduced by the amount of any foreign capital/investment allowance previously utilised	
- Emigrants' travel allowances – As per single discretionary and travel allowances above	
- Household and personal effects, motor vehicles, stamps and coins (excluding SA legal tender) (Insured value)	R2 000 000

Notes:
1. These allowances are to be consolidated into one R5 million investment allowance per year.

2013/14 Developments

Following two years in which very little was said in the Budget Speech about the relaxation of exchange controls, the Minister of Finance made some significant announcements on these issues in his 2013/14 Speech. Some of the key exchange control issues mentioned in the 2013/14 Budget Speech were as follows:

- The Minister announced that a number of measures are proposed to relax cross-border regulations on companies, banks and other financial institutions to invest and operate in other countries. This all forms part of the "Gateway to Africa" reforms and the main proposals are:
  - A special type of South African holding company which JSE-listed entities will be able to establish for holding African and offshore operations without it being subject to exchange control restrictions. Each JSE-listed entity will be entitled to establish one such subsidiary.
  - The aforementioned entity will also be able to operate as a cash management centre for the South African multinational; and cash pooling will be allowed without restrictions.
  - Such holding companies will also be able to raise and deploy capital offshore provided it is without South African guarantees.
  - Transfers from the parent company to the holding company will be allowed within a R750 million per annum limit.
  - Income generated from cash management will be freely transferable.
  - Holding companies may choose their functional currency or currencies and operate both foreign currency and Rand-denominated accounts for operational purposes.
- Further refinements to the International Headquarter Company rules have also been announced.
- Banks will be permitted an additional five percentage points on their macro-prudential limits for further expansion into Africa.
- The requirement that collateral for securities lending transactions are by way of cash cover in Rand or the pledge of unencumbered non-resident owned local assets, have been lifted and Authorised Dealers will now be able to accept non-Rand based collateral.
- Debt and equity instruments issued by entities in the CMA will be classified as domestic assets.
- The JSE will be permitted to offer African agricultural commodity derivative contracts in foreign currency, subject to certain requirements.
- The ability to operate gold and other commodity exchange traded funds will be opened to a wider range of financial institutions and these funds will be classified as domestic assets for prudential purposes.
- A review will be undertaken of the current stance that intellectual property is deemed to be capital for exchange control purposes.

Expatriates and Work Permits

Emigrants

After utilising the foreign capital allowance/settling-in allowance, emigrants with blocked funds (new and past emigrants) wishing to exit more than R4 000 000 (single person) and R8 000 000 (family units) respectively, must obtain approval from the Reserve Bank. Any such approval is conditional and subject to the payment of a Blocked Rand Levy of 10% of the blocked funds released, leaving 90% of the blocked funds released available for remittance abroad.

Common Monetary Area (CMA)

Southern African Customs Union (SACU) members (with the exception of Botswana) are all members of the CMA. There are no restrictions on the movement of funds within the CMA.

Persons not having permanent residence status in South Africa are required to obtain work permits before arriving in the country. These permits are granted or refused depending upon whether the individual has skills in scarce supply.

Notes:

1. South Africa's immigration system is regulated by the Immigration Act. This Act sets out the categories of permits available. There are three basic components to the South African system: visas, temporary residence permits and permanent residence permits. An Amendment Bill has been presented to amend the classes of work permits and a number of other administrative measures.

- Visas – Some countries are exempt from obtaining visas before coming to South Africa; others not. Nationals from countries that are exempt from visas can enter South Africa and obtain a visitor's temporary residence permit at the port of entry (up to the limit of their visa exemption for visits that justify this form of entry, such as business meetings and holidays). Nationals that are not exempt from visas are required to obtain a visa at the South African Embassy before they depart for South Africa. As the list for visa exemptions can change without notice, it is advised that the applicants confirm their visa exemption status on the official website of the Department of Home Affairs at: www.dha.gov.za/Non-Exempt%20Countries.html. Alternatively, contact the nearest South African Embassy. A list for embassies is available at: www.dfa.gov.za/consular/index.html.
- Temporary residence permits – There are various categories of temporary residence permits, ranging from visitor's permits for tourism to work permits. These permits are valid for periods of between three months and 24 or 36 months. Generally, the principle is to apply for the permit that most closely applies to the circumstances before coming to South Africa, at the relevant South African Embassy. The Immigration Act specifically provides for foreigners intending to establish or invest in, or who have established or invested in, a business in South Africa. Foreigners can obtain the appropriate permits for the members of such foreigner's family.
- Work permits – For individuals who wish to apply for a work permit, four options are available. An employer can apply for an **intra-company temporary residence work permit** if the employee is only required to work in South Africa for less than 24 months and is being transferred to

a branch, subsidiary or affiliate abroad. It is important to note that this permit cannot be renewed. However, the Department of Home Affairs is currently looking at extending this two-year period to four years. Another option is the **general temporary residence work permit** if the employer has advertised the position in the format prescribed by law. Alternatively, the **quota temporary residence work permit** can be applied for if the post was not advertised but an individual falls within one of the categories of permits as determined by the critical skills list. The final permit for employment is the **exceptional skills permit** for those individuals whose qualifications or experience can be termed exceptional. Whether or not an individual is exceptionally skilled, is determined on a case-by-case basis. (It is important to note that as the work permit applications can take time, the necessary planning must be done up front in order to avoid complications and delays when mobilising staff to South Africa).

- Permanent residence permits – The permanent residence permits are, as the name implies, permanent in nature. A worker can thus apply for a **temporary residence permit** or a **permanent residence permit**, if they qualify for the requirements set out in each class of application. A permanent residence application takes between one to two years to process. (An important point to note is that it is advisable to seek advice before applying for permanent residence as there could be tax and Reserve Bank implications.)The categories of permanent residence applications can be divided into those for workers and those who are not workers. It is important to ensure that the individual qualifies for a permanent residence permit before applying. (The requirements for the different classes of permanent residence can be viewed at: www.dha.gov.za/Permanent%20Residence%20Permits.html).

Trade Relations

The Government, through the Department of Trade and Industry (**the dti**), seeks to support the objectives of industrial development and upgrading, employment growth and increased value added exports by negotiating trade agreements with other countries. The International Trade and Economic Development Division (ITED), within the dti, is the body responsible for such trade negotiations.

The ITED's purpose is to develop trade and investment links with key economies globally, and promote economic development, through negotiating preferential trade agreements, supporting a strong, equitable multilateral trading system and fostering economic integration with the continent within the NEPAD framework.

These agreements take different forms. Below is a summary of the various trade agreements that South Africa is party to:

- Preferential Market Access Agreements:
  - Southern African Customs Union (SACU).
  - Southern African Development Community (SADC) FTA.
  - European Union/South Africa Trade, Development and Co-operation Agreement (EU/ SA TDCA).
  - SACU-European Free Trade Association (EFTA) FTA.
  - SACU-Southern Common Market (Mercosur) PTA.
  - Bilateral agreements with Mozambique and Zimbabwe (limited scope).
- Current Trade Negotiations:
  - WTO's Doha Development Agenda.
  - SACU-India PTA.
  - SADC-EAC-COMESA Tripartite FTA.
- Non-reciprocal Agreements:
  - Africa Growth and Opportunity Act (AGOA).
  - South African products qualify for preferential market access (i.e. no or substantially reduced customs duty) under the Generalised System of Preferences (GSPs).
- Other – Memberships:
  - NEPAD*.
  - BRICS** – Brazil, Russia, India, China and South Africa.
  - United Nations.

* The primary objective of NEPAD is to eradicate poverty, halt the marginalisation of Africa in the globalisation process, to promote the empowerment and economic integration of women and to achieve the Millennium Development Goals (MDGs).

** BRICS refers to the economic alliance that includes Brazil, Russia, India, China and South Africa. It is believed South Africa's ascendance to the BRICS group of major emerging economies on 13 April 2011 is a boost to the country's brand as a serious economic player and puts South Africa on the centre stage of global change.

Interest and Currency Exchange Rates

Prime Overdraft Rate:
8.50% (November 2013)
Repo Rate:
5.00% (November 2013)
Currency: Rand (divided into 100 cents)
US$1 = R10.2627 (November 2013)
£1 = R16.4949 (November 2013)
€1 = R13.8256 (November 2013) (source: Reserve Bank, Oanda)

Key Economic Statistics

GDP (approx.):
US$384. 31 billion (August 2013) (source: IMF)
Market Capitalisation – Stock Exchange:
R8.568 billion (June 2013)
Rate of Inflation:
5.700% (CP1, December 2013)
5.654% (2012 average) (source: IMF, JSE, Reserve Bank)

South Sudan

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South Sudan

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Individuals:	
Amount of Taxable Income (Monthly Average)	Rate
SSP	%
300	0%
301 – 5 000	10%
5 001 +	15%

Notes:

1. Basis – South Sudanese nationals are subject to tax on worldwide income (including, e.g. income from entrepreneurial activities, estate lease income and personal income).
2. Residence – An individual who is domicile in South Sudan or physically present in South Sudan for 183 days or more in any tax period.
3. Rates – Progressive rates from 10% to 15% apply to personal income. The tax rates shall be as follows: the first monthly average of SSP300 is 0%, from SSP301 – SSP5 000 is 10% and from SSP5 001 and above is 15%.
4. Taxable income – Employment income is generally taxable unless otherwise exempt. Income from entrepreneurial activity, estate lease income, dividend, interest, capital gains and other investment income also are taxable.
5. Deductions and allowances – Personal relief of SSP3 600 per annum is available on employment income. In addition, there shall be allowed as a deduction from gross income, a contribution in an amount up to 8% of gross wages paid by employees to funded pension schemes approved by the Government of South Sudan.
6. Filing status – Generally, employers are responsible for withholding and paying the tax due to the relevant tax authority on a monthly basis. For income, other than employment income, submission of tax returns shall be on or before the 1st of April of the year following the tax period. Further, a resident individual engaged in any entrepreneurial activity or receiving estate lease income shall remit an advance payment of income tax on a quarterly basis.
7. South Sudan has no tax treaties (i.e. DTAs) with other foreign countries.

Non-Residents

Non-residents are subject to tax based on South Sudan-source income only.

Employment Income

Employment income includes, but is not limited to:

- Salaries paid by or on behalf of an employer.
- Bonuses, commissions, allowances, and other forms of compensation in cash or in kind that an employer pays to employees in addition to salary.
- Income earned under contracts for temporary work.
- Pension income.
- Insurance premiums and any other in kind benefit that an employer pays for or to an employee that exceeds a *de minimis* amount as provided in the regulations.
- Forgiveness of an employee's debt or obligation to the employer.
- Payment of an employee's personal expenses.

Companies

Income Tax Rates for Companies	
Rate of Tax	
Small businesses (if the revenue is up to SSP1 million)	30%
Medium businesses (if the revenue is up to SSP75 million)	10%
Large businesses (if the revenue is more than SSP75 million)	20%

Notes:

1. Residence – A company, partnership or other entity which is established in South Sudan, or has its place of effective management in South Sudan.
2. Basis – Resident companies are liable to tax on their worldwide income, while non-resident companies only pay tax on profits derived from South Sudan-source income.
3. Taxable income – Taxable income generally consists of all worldwide income for resident companies (for non-resident companies, business profits derived from South Sudan) less any expenditure wholly and exclusively incurred in the production of the income for the year as may be permitted by the tax legislation.
4. Deductible expenses – The general rule is that, for the purpose of computing taxable income, any expenditure which is incurred wholly and exclusively in the production of taxable income during the tax year, is deductible.
5. Non-deductible expenses – In general, any expenditure which is not wholly and exclusively incurred in the production of income, is not deductible. Any expenditure or loss of a capital nature is not deductible.
6. Depreciation – Depreciation of fixed assets is allowed. The assets are to be depreciated according to the rates specified in the South Sudan Taxation Act, 2009. Amortisation of intangible assets; such as goodwill, patents and trademarks, copyrights, and any similar asset, is allowed.
7. Tax losses – Losses shall be carried forward and set-off against taxable income for not more than five years after the end of the tax year in which the loss was incurred. Losses cannot be carried back.
8. Capital gains – Capital gains are considered as South Sudan-source income which shall be included in the taxable income subject to corporate tax.
9. Dividends – Dividends received from resident companies are considered as South Sudan-source income and are included in business profits. However, dividends are exempted from tax if tax has already been withheld.
10. Foreign tax credit – A foreign tax credit shall be allowed to a resident taxpayer who derives profit from business activities outside South Sudan through a Permanent Establishment (PE) outside South Sudan and who pays tax on that profit to any other country. The foreign tax credit is the foreign tax or the South Sudan tax applied to that part of the foreign-source income liable to tax in South Sudan, whichever is less.
11. Participation exemption – None.
12. Holding company regime – None.
13. South Sudan has no tax treaties (i.e. DTAs) with other foreign countries.

Withholding Taxes (WHTs)

The WHTs are set out below.

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	10%	10%
Interest	1	10%	10%
Royalties	1	10%	10%
Rent	2	10%	10%

Notes:

1. A final WHT at a rate of 10% on dividends, interest and royalties at the time of payment shall be imposed, regardless of whether the beneficiary is a resident or not.
2. Rental payments to individuals and legal entities, whether paid to a resident/domestic or not, beginning May 2013, shall be subject to a 10% WHT.
3. Other – There is no specific provision on the taxation of other income payments made by a resident to non-resident companies.
4. No branch profits tax is levied in South Sudan.
5. South Sudan has no tax treaties (i.e. DTAs) with other foreign countries.

Capital Gains Tax (CGT)

There is no CGT in South Sudan.

Anti-avoidance

Transfer Pricing

The difference between the arm's length price and the transfer price shall be included in the taxable profit.

The price used in conjunction with asset transactions or contract obligations between related persons shall be the transfer price. On the other hand, the arm's length price shall be determined under the comparable uncontrolled price method and when this is not possible, the resale price method or the cost plus method shall be used.

Thin Capitalisation

There are no provisions in the Act regarding thin capitalisation.

Value Added Tax (VAT)

There is no VAT legislation in South Sudan.

Sales Tax

Effective May 2013, Sales Tax applies to manufacturers, importers and service providers in South Sudan. The tax rate on hotel, restaurant and bar services is 5%, regardless of the type of business.

Sales Tax Rates for Importers and Producers of Goods	
	Rate of Tax
Small businesses (if the revenue is up to SSP1 million)	0%
Medium businesses (if the revenue is up to SSP75 million)	5%
Large businesses (if the revenue is more than SSP75 million)	5%

Import Duties

All goods brought in, or entered into South Sudan, shall be subjected to an advance payment of business profit. Under the Taxation Act of 2009 (as amended), all goods entered into South Sudan shall be subject to tax at a fixed rate of 4%.

Excise Duties

The tax shall apply to the production of excisable goods in South Sudan, the importation of excisable goods into South Sudan and the provision of excisable services in South Sudan. Rates vary from 5% to 20% depending on the excisable goods.

Other Taxes

Capital Duty

None.

Stamp Duty

There is currently no stamp duty legislation in South Sudan. However, in practice, stamp duties are imposed by the state authorities, which varies depending on the states.

Transfer Tax

There is no transfer tax on immovable property. There is no transfer tax on shares, bonds and other securities.

Net Worth Tax

There is no net worth tax in South Sudan.

Real Estate Tax

There is no legislation yet.

Inheritance/Estate Tax

None.

Net Wealth Tax

None.

Payroll Tax

An employer shall withhold tax from an employee's wages, including bonuses and allowances, for the appropriate payroll period.

Social Security

There is no legislation yet. However, in practice, employers must contribute an amount equal to 17% of the monthly salaries of their Sudanese and expatriate employees for social security.

Tax Administration

Corporations

- Tax year – Calendar year unless a different tax year is approved by the tax authorities.
- Filing requirements – A corporate taxpayer must file an annual return based on its income for the tax year. The return is due on or before the 1st April of the year following the tax period. The taxpayer's audited financial statements, together with any final tax due, must accompany the tax return. In addition, taxpayers shall remit an advance payment of income tax on a quarterly basis.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
- Penalties – A penalty of 5% each month shall accrue on any amount of tax unpaid by the due date. An interest on such unpaid tax shall accrue at the rate of 120% of the commercial rate from the last due date to the date of payment. In cases of failure to file the return, an additional charge of 5% of reported tax liability, to a maximum of 25%, shall be levied on the taxpayer.
- Rulings – Binding rulings are applicable in South Sudan provided that the taxpayer has made a full and true disclosure of the nature of all aspects of the transaction relevant to the ruling.

Individuals

- Tax year – Calendar year.
- Filing and payment – Submission of tax returns shall be on or before the 1st of April of the year following the tax period. A resident individual engaged in any entrepreneurial activity, or receiving estate lease income, shall remit an advance payment of income tax on a quarterly basis.
- Penalties – See rules under "Corporations".

General Investment Information

Investment Incentives

Various investment incentives are available to foreign investors on a case-by-case basis, including concessions in machinery and equipment for qualified investment priority areas, capital allowances, deductible annual allowances, other annual depreciation allowances and access to land for investment under the Investment Promotion Act.

Exchange Controls

There are no foreign exchange controls as such in South Sudan. Foreign investors can freely repatriate profits, net of all taxes and other statutory obligations, to its holding company or head office abroad, in accordance with the Investment Promotion Act 2009. However, it should be noted that due to a shortage of foreign currency, it may be difficult to transfer foreign currency outside South Sudan.

Expatriates and Work Permits

A visa and work permit is required for foreigners who intend to work in South Sudan.

Trade Relations

- International Organisations – United Nations (UN) and African Union (AU).
- Treaties – None.

Interest and Currency Exchange Rates

Lending Interest Rate:
11.80% (last recorded 2013) (source: Trading Economics)
15%-18% (2009) (source: Trading Economics)
Currency: South Sudanese pound (SSP)
US$1 = 5.66543 SSP (December 2013) (source: Oanda)
R1 = 0.54900 SSP (December 2013) (source: Oanda)
US$1 = 2.6800 SSP (July 2012) (source: South Sudan Housing Finance Report)

Notes:

1. The South Sudanese pound is the official currency of the Republic of South Sudan. It is subdivided into 100 piasters. It was approved by the Southern Sudan Legislative Assembly prior to secession on 9 July 2011 from Sudan. It was introduced on 18 July 2011, and replaced the Sudanese pound at par.

Key Economic Statistics

GDP (approx.):
US$10.220 billion (2012 estimate) (source: IMF)
US$11.772 billion (2013 forecast) (source: IMF)
Market Capitalisation:
Not available.
Rate of Inflation:
10.364% (December 2013) (source: IMF)
45.078% (2012 average) (source: IMF)

Swaziland

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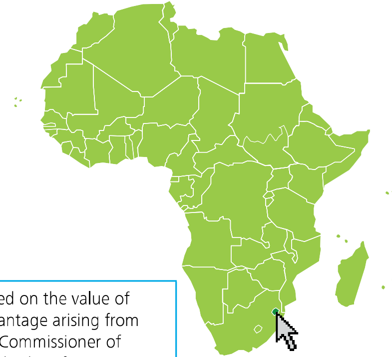
Swaziland



The Minister of Finance, Honourable Majozi Sithole, delivered the National Budget for the year 2013/14 on 22 February 2013 with the theme being, "Jump-starting economic growth: bring prosperity to the people" and contained the following key strategies:

- Create jobs.
- Improve the value for money of public spending.
- Strengthen social sector spending.

Income Tax

Residents

The source basis of taxation is applied in Swaziland. Foreign-source income is exempt from Swaziland tax.

Income Tax Rates for Resident Individuals: Years of Assessment Commencing On or After 1 July 2013

Taxable Income as exceeds	But does not exceed	Tax Payable
E	E	E
0	100 000	0 + 20%
100 000	150 000	20 000 + 25%
150 000	200 000	32 500 + 30%
200 000		47 500 + 33%

Notes:

1. A primary rebate of E8 200 applies.
2. A secondary rebate of E2 700 is applied for persons over the age of 60.
3. Income tax returns for individuals (IT12) required to submit returns, must be downloaded from the Swaziland Revenue Authority (SRA) website or collected from an SRA tax office/service centre and be completed and submitted by 31 October each year. Extensions may be granted on application to the SRA.
4. Individuals are taxed on the value of any benefit or advantage arising from employment. The Commissioner of Tax has determined values for various benefits in kind on which the recipient is taxed. Such valuations cover free and/or subsidised housing, private usage of a company vehicle on company business, provision of domestic services and staff, education, free or subsidised fuel and other benefits. Fringe benefits are taxed in full.
5. Amounts derived by an employee under an employee share acquisition scheme, including any gain derived by an employee on disposal of a right or option to acquire shares under such a scheme, are taxable and subject to the deduction of employees' tax.
6. The penalty for contravening the provisions of the "order" governing the Pay-As-You-Earn (PAYE) system is a fine, on conviction, of up to E10 000 or imprisonment for up to one year, or both. And in serious cases, a fine on conviction of up to E50 000, or imprisonment for up to five years, or both. This penalty will apply to any person who fails to deduct employees' tax from remuneration paid by him; who fails to pay employees' tax deductions to the Commissioner; or who uses the money for any purpose other than paying it to the Commissioner.

7. If an employer fails to pay the full amount he deducted, or should have deducted, from his employees by the following month, he will be liable to a penalty of 20% of the amount outstanding, in addition to the interest charge of 18%. Where the employer has failed to deduct the employees' tax and the Commissioner is satisfied that this was not done with an intent to postpone payment or to avoid the employer's responsibilities, the Commissioner may, if he is satisfied that there is a reasonable prospect of recovery from the employee, absolve the employer. Employers not so absolved, will have the right of recovery of the tax against employees and may deduct the money which they have had to pay to the Commissioner on behalf of employees, from future payments of remuneration in accordance with the Commissioner's directions.
8. Dividends are taxed at a flat rate of 10%.
9. There is a 10% withholding tax (WHT) on interest on investments paid to Swaziland residents.

Non-Residents

Salaries paid to non-resident individuals working in Swaziland, are subject to a minimum tax rate of 15%. The income tax rates for resident individuals are also applicable to non-residents in respect of other (non-salary) income earned in Swaziland (subject to a minimum tax rate of 10%). In addition, certain payments made to non-residents are subject to WHTs (see Withholding Taxes below).

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2013

	Rate of Tax
All companies	27.5%

Notes:

1. Corporate Income Tax (CIT) is levied at a flat rate of 27.5%. There is, however, a variable rate for mining companies. For companies whose principal business is that of mining, the following tax rates are applied: 27% on the first E20 000 of taxable income, and 30% on the balance of taxable income.
2. IT13 tax returns are completed by companies. IT14 tax returns are completed by farmers. They are for farming income, rent receivable and other income which has been accrued to a farmer during the year.
3. Dividends received by, or accruing to a company, are exempt from normal tax.
4. Branches of foreign companies are subject to tax on Swaziland profits as if they were domestic companies. In addition, a branch profits tax of 15% is charged on the deemed repatriated income (12.5% if repatriated to Botswana, Lesotho, Mozambique, Namibia or South Africa).
5. There is no group relief.
6. There is no specific provision for relief from foreign taxes except under double taxation agreements (DTAs).
7. Developmental Approval Order (DAO) is available subject to the approval of the Minister of Finance for new businesses engaged in the manufacturing, mining, agribusiness, tourism and international financial services industries. The DAO includes generous tax incentives including a 10-year exemption from WHTs, and a CIT rate of 10%, as well as the duty-free import of capital goods for investment projects. New investors also enjoy duty-free import of raw materials to manufacture products to be exported outside the Southern African Customs Union (SACU).

Withholding Taxes (WHTs)

Certain payments made to non-residents, whether corporate or individual, are subject to WHTs. In addition, certain payments to residents are also subject to WHTs. These rates are set out below:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	10%	15%
Interest		10%	10%
Royalties			15%
Management fees, construction fees, entertainers and sportsmen, and services contracts (excluding employment contracts)			15%
Rental payments (individuals)	3	10%	10%

Notes:
1. If the dividends are paid to companies which are incorporated in Botswana, Namibia, Lesotho or South Africa, and which are not subsidiaries or branches of companies registered elsewhere, the rate is 12.5%.
2. These WHTs are all final taxes, but may be reduced by applicable DTAs. Swaziland has agreements with Botswana, Mauritius, South Africa, the United Kingdom (UK) and Taiwan.
3. WHTs apply on rental payments for the use or occupation, or the right of use or occupation of land or buildings, or collection of such rent for or on behalf of any person.

Maximum WHT Rates Once DTA is Applied			
Recipient's Country of Residence	Dividends	Interest	Royalty
Mauritius	7.5%	5%	7.5%
South Africa	10%/12.5%[1]	10%	10%
Taiwan	10%	10%	10%
UK	-	-	0%

Notes:
1. The 10% rate applies if the beneficial owner is a company which holds at least 25% of the capital of the company paying the dividends. In order to claim the 10% the receiving company must make application to the Swaziland authorities for a directive, without which the local company is obligated to withhold 12.5%.
2. DTAs have been negotiated with Seychelles and Lesotho and are currently signed but not ratified
3. A DTA between Swaziland and Botswana is still being negotiated.

Capital Gains Tax (CGT)

There is no CGT in Swaziland.

Inheritances and Donations

There is no estate duty or donations tax in Swaziland.

Value Added Tax (VAT)

VAT	Rate
Standard rate	14%

Notes:
1. VAT was introduced in Swaziland on 1 April 2012 and is levied at the standard rate of 14%.
2. Certain goods and services are free of VAT (i.e. they are zero-rated) and these include certain basic foodstuffs and direct exports. VAT is charged at 0% and input tax credits on purchases can be claimed.
3. A supply of goods and services can also be exempt (i.e. fall outside the scope of VAT). A supplier of exempt supplies cannot charge VAT nor claim input tax. Exempt supplies include: financial services, educational services and passenger transport.
4. Businesses with taxable supplies exceeding E500 000 are required to register for VAT. Registration below this threshold is voluntary and at the discretion of the Commissioner-General.
5. VAT returns and payments are generally required to be submitted every month within 20 days of the end of the VAT period.
6. The VAT system provides for a reverse charge mechanism for services imported from foreign suppliers. The obligation to calculate VAT and pay it to the SRA is that of the Swaziland purchaser and is not a WHT. Applicable WHTs remain payable.

Customs and Excise Duties

SACU member states are required to apply similar customs and excise duties. Various excise duties are levied on both imported and local goods, such as tobacco, vinegar, alcohol and petroleum products. The rates are specific and are generally assessed on a per litre or per kilogram (kg) basis. Examples of the rates of excise duties are as follows:

- Tobacco (unmanufactured): 213c per kg.
- Alcohol (pure): SZL 857.70 per 100 litres.
- Petrol: 10.25c per litre.

Other Transaction Taxes

Transaction Tax		Rate
Transfer duty – Immovable property	first E40 000	2%
	E40 001 to E60 000	4%
	E60 001 +	6%
Stamp duty – Share transfers		1%
Casino levy and lotteries and gaming tax		15%

Notes:
1. Stamp duties are payable on various documents. Purchasers of marketable securities are liable for stamp duty of 1.5%.
2. The casino levy and lotteries and gaming tax is withheld at source and is a final tax.

General Investment Information

Investment Incentives

Swaziland has established the Swaziland Investment Promotion Authority (SIPA) to attract foreign investment. Applications for business licences, work permits and foreign exchange approvals are processed by SIPA.

Tax Incentives

- Capital allowances:
  - Plant and machinery used in a process of manufacture – 50% initial allowance in the first year of use and a 10% annual allowance on the reducing balance method over the lifetime of the asset.
  - Hotel construction and improvement allowance – 50% of the cost is deductible in the year in which it is incurred on the construction of a new hotel or beneficial improvements to an existing hotel. In addition, an annual allowance of 4% of such expenditure is allowed.
  - Buildings (and improvements thereto) used to house manufacturing plant and machinery (industrial buildings) – 50% initial allowance in the first year of use and an additional 4% annual allowance. The initial allowance is deductible at the taxpayer's discretion. The allowance is a one-time deduction in the year in which the building is first brought into use or the improvements are completed and it is subject to the condition that the building must be used to house machinery or plant which at the time of installation is new or unused or, if the machinery or plant is not new, has not previously been used in Swaziland and which does not replace other machinery or plant. This initial allowance is also available to taxpayers who lease an industrial building to a lessee who uses it in his business.
- Employee housing allowance – For the erection of dwellings for employees, an allowance of 20% may be claimed for the first year and 10% for each of the succeeding eight years. The same concessions are given to farmers in respect of any erections of any buildings used for the domestic purposes of any of his employees.
- Export promotion expenditure:
  - 133% deduction on approved export promotion expenditure incurred during the year preceding the year of assessment by an approved company in the handicraft and cottage industry sector.
  - 150% deduction on approved export promotion expenditure incurred during the year preceding the year of assessment by an approved trading house. (The allowance is subject to the approval of the Commissioner of Taxes and the Ministry of Enterprise and Labour).

- Farming – Certain capital expenditure is tax-deductible, but the total deduction in any year of assessment is limited to 30% of the gross income derived by the farmer from farming operations. Any amount disallowed is carried forward and added to expenditure in the succeeding year.
- Certain tax incentives are available to investors qualifying as a "development enterprise" in terms of issued guidelines. These incentives include a 10% CIT rate for 10 years and an exemption from WHTs on dividends for the same period.
- Losses – Where income is exceeded by allowable deductions, an assessed loss is created. Such loss may be carried forward indefinitely for set-off against taxable income in future years of assessment. The proviso exists that the taxpayer must continue to operate and derive income.
- Foreign-source income – Only income which has a source or deemed source in Swaziland will be subject to tax in the Kingdom. Foreign-source income is exempt from Swaziland tax.
- Exemption from non-resident shareholders tax and non-resident tax on interest – There is provision in the Order to exempt a non-resident person from non-resident's shareholders tax and from non-resident tax on interest in respect of dividend income and interest income he receives from Swaziland in cases where the Government has given an undertaking to grant such exemptions.

Exchange Controls

Swaziland is a member of the Common Monetary Area (CMA) with South Africa, Lesotho and Namibia. In broad terms, it constitutes a single exchange control area. There are no restrictions on inward investment by foreigners and profits may be fully repatriated. There are restrictions on outward investment by local residents.

The administration of the exchange control regulations is undertaken by the Central Bank of Swaziland in co-operation with Authorised Dealers. Generally, all loans and shareholdings abroad are subject to prior approval.

Expatriates and Work Permits

Subject to meeting certain criteria, these may be granted to investors and skilled personnel.

Trade Relations

- Memberships – SACU, South African Development Community (SADC), Common Market for Eastern and Southern Africa, European Free Trade Area, ACP.
- AGOA beneficiary country.
- Swaziland has bilateral investment protection agreements with Egypt, Germany, Taiwan, Mauritius and the UK.

Notes:
1. As a member of the CMA, monetary developments in Swaziland reflect the monetary policy pursued and implemented by the South African Reserve Bank. Swaziland has signed an interim Economic Partnership Agreement (EPA), which will cover trade in services and investments between the SADC-EPA states and the European Union (EU).
2. Swaziland continues to support all efforts towards concluding the current Doha Round of negotiations at the World Trade Organisation (WTO). A satisfactory outcome for Swaziland and all developing countries will be a Round that places development at the core of the negotiations. This will assist the nation to achieve development policy objectives and aspirations and draw closer to meeting the Millennium Development Goals (MDGs).

Interest and Currency Exchange Rates

Lending Interest Rate:
8.800% (2012 last reported) (source: World Bank)
Currency: Lilangeni (divided into 100 cents)
R1 = E0.99617 (November 2013)
US$1 = E10.3090 (November 2013)
US$1 = E8.4289 (2012 average) (source: Oanda)

Notes:
1. South African bank notes, but not coins, are legal tender in Swaziland. The monetary arrangement between South Africa and Swaziland, which dates back to when both countries used British Sterling as their currency, was formalised in December 1974 with the signing of the Rand Monetary Area (RMA) Agreement which became the CMA in 1986.
2. Swaziland's currency is pegged to the South African Rand, subsuming Swaziland's monetary policy to South Africa.

Key Economic Statistics

GDP (approx.):
US$3.747 billion (2012) (source: The World Bank)
US$3.807 billion (2013 forecast) (source: IMF)
Market Capitalisation – Stock Exchange (approx.):
E2.036 billion (November 2013) (source: Swaziland Stock Exchange)
Rate of Inflation:
5.900% (August 2013) (source: SIPA)
8.940% (2012 average) (source: IMF)

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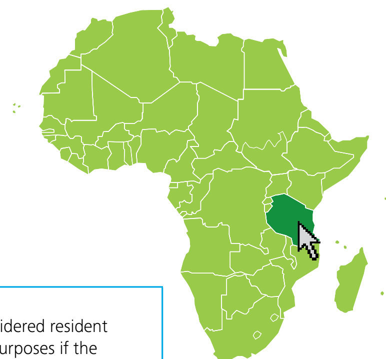
Tanzania



Introduction

The Minister for Finance and Economic Affairs, Honourable Dr. William Augustao Mgimwa (MP), presented the Budget Speech and Economic Status comprising the estimates of the Government revenue and expenditure for financial year 2013/14, to the National Assembly on 13 June 2013, in Dodoma. Agriculture remains a top priority for the Government and employs over 85% of the population. The Budget was supported by a Finance Bill for 2013. This Bill has since been enacted into the Finance Act, 2013.

The 2013/14 revenue measures were effective from 1 July 2013.

Income Tax

Residents

Residents are taxed on worldwide income.

Income Tax Rates for Resident Individuals: From 1 July 2013		
Monthly Taxable Income as exceeds	But does not exceed	Tax Payable
Tshs	Tshs	Tshs
0	170 000	0%
170 000	360 000	0 + 13%
360 000	540 000	24 700 + 20%
540 000	720 000	60 700 + 25%
720 000		105 700 + 30%

Notes:

1. An individual is considered resident in Tanzania for tax purposes if the individual:
   - Has a permanent home in Tanzania and was present in Tanzania at any time in the tax year; or
   - Is present in Tanzania for 183 days or more in the tax year; or
   - Was present in Tanzania in that tax year and in each of the two preceding tax years, for periods averaging more than 122 days per year; or
   - Is an employee or an official of the Government of Tanzania posted abroad during the tax year.
2. Individuals are also taxed on the value of any benefit or advantage arising from employment.
3. The tax-free amount for purposes of Pay-As-You-Earn (PAYE) continues to be to Tshs170 000 following the increase in the minimum threshold in 2012.
4. The 2013 Finance Act provided for a 1% reduction on the lower band PAYE rate payable by resident individuals. The minimum tax rate chargeable for the year of income has been reduced from 14% to 13%.
5. In addition, the Finance Act provided for a reduction of the rate of Skills and Development Levy (SDL) payable by the employer from 6% to 5%.
6. It also provided exemption from SDL to government departments or public institutions wholly funded by the Government.

Non-Residents

Non-resident individuals are subject to a fixed tax rate of 20% on total income from a source in Tanzania. However, non-residents are taxed on their income from employment income with a source in Tanzania at 15%, which is a final tax. In addition, certain payments made to non-residents are subject to withholding taxes (WHTs). (See Withholding Taxes below).

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 January 2005	
	Rate
Companies	30%
Alternative Minimum Tax (AMT)	0.3%

Notes:
1. The corporate tax rates have remained unchanged since 1 January 2005.
2. Where the underlying ownership of a company changes by more than 50%, as compared with the ownership at any time during the previous three years, the company is treated as having realised its assets and liabilities held immediately before such change in control at their market value.
3. Shareholders disposing shares in Tanzanian companies are required to pay a single instalment tax (10% for residents and 20% for non-residents) before the title in the shares can be transferred.
4. A 4% royalty is charged on gold and other metallic mineral, 5% on diamonds, uranium and gemstones, 1% on gemstones (cut and polished), 3% for other minerals (e.g. coal) and 12.5% for petroleum and gas produced onshore and in shallow water. The royalty rate for deep sea hydrocarbon production is 7.5%. A 15% levy is charged on exports of raw hides and skins.
5. The Finance Act has introduced a change to the AMT provision. Companies making five consecutive years of losses will be taxed at 0.3% on their turnover on the fifth year.

Income Tax Rates for Non-Corporate Businesses			
Yearly Turnover as exceeds	But does not exceed	Tax Payable (where complete records are kept)	Tax Payable (where records are incomplete)
Tshs	Tshs	Tshs	Tshs
0	4 000 000	Nil	Nil
4 000 000	7 500 000	0 + 2%	100 000
7 500 000	11 500 000	70 000 + 2.5%	212 000
11 500 000	16 000 000	170 000 + 3.0%	364 000
16 000 000	20 000 000	325 000 + 3.5%	575 000

Notes:
1. This table is applicable to self-employed individuals whose businesses have an annual turnover of less than Tshs20 million and applies to individual's income that consists of exclusively of income from business with a source in Tanzania. A standard assessment is made (i.e. the graduated tax rates for individuals are not applied) and no tax returns need to be submitted.

Mining

The Income Tax Act (ITA) has been amended to allow the mining companies to claim full deduction on equipment used for prospecting and exploration for minerals during their first year of use.

Oil & gas

The ITA was amended to introduce a ringfencing provision in petroleum operations effective 1 July 2013. Previously, ringfencing was only applicable to mining companies. This has a potentially significant impact on companies in the oil & gas sector. The implication of ringfencing provision is that deductions in oil & gas operations will be limited to a specific contract area or block. Companies involved in petroleum operations will no longer be able to use the losses arising from one Production Sharing Agreement (PSA) to shelter profits of another area from income tax. The Finance Act also introduced changes to the third schedule of the ITA under which equipment used for prospecting and exploration of petroleum would now qualify for 100% deduction.

Gaming Tax

Operators of casinos, private lotteries and slot machines are subject to "gaming tax", which is a flat amount per table or slot machine in the case of casinos and 10% of gross sales in the case of private lotteries.

Following the 2013/14 Budget, the "gaming tax" for casino operations is now paid at the rate of 15% of the weekly gross gaming revenue. Formerly the tax was charged on the monthly gross gaming revenue.

Withholding Taxes (WHTs)

Certain payments are subject to WHT. These rates are set out below:

WHT Rates			
	Note	Residents	Non-Residents
Dividends			
- Paid by listed company		5%	5%
- Paid by unlisted company		10%	10%
- To company controlling 25% of shares or more		5%	10%
Insurance premiums		0%	5%
Interest		10%	10%
Pensions			
- Lump sums commuted		10%	15%
- Annuities		15%	15%
Royalties		15%	15%
Mining			
- Management and technical services		5%	15%
Rents			
- If in excess of Tshs500 000 per annum	11	10%	10%
- Aircraft	5	10%	0%
Service fees	3, 4	5%	15%
Government payments			
- Suppliers of goods to the government	10	2%	0%
- Money transfer commission	12	10%	

Notes:

1. All supplies of goods to a resident corporation, whose budget is wholly or substantially financed by the Government, by a resident corporation irrespective of whether or not they hold TIN are subject to WHT of 2% with effect from 1 July 2013.
2. The non-resident WHTs specified above and WHT on technical services to mining companies are final taxes. The resident WHT rates for dividends, interest on deposits from a financial institution to an individual, and rent to an individual, are final taxes.
3. The 2013 Finance Act imposed WHT of 5% on service fee paid by a resident person or a Permanent Establishment (PE) of a non-resident person to resident person or a PE or a non-resident person. The tax is a non-final tax that can be offset against corporate tax liability for the year.
4. A 15% WHT is applicable where service fee is paid to a non-resident person with a source in Tanzania. Income is sourced in Tanzania where services are rendered in Tanzania, though the TRA is attempting to tax payments where the service is consumed in Tanzania, regardless of the location of performance.
5. A 10% WHT applies on aircraft lease payments made to resident persons engaged in air transport business.
6. The repatriated income of a local PE of a non-resident person is subject to a WHT of 10%.
7. Tax withheld must be paid to the Commissioner within seven days after the end of the month in which the amount is withheld.
8. The requirement to withhold tax does not apply to individuals unless the payment is made in conducting a business.
9. The WHT rates may, in respect of payments to non-residents, be reduced by an applicable Double Tax Agreement (DTA). Tanzania's DTAs, and the WHT rates in terms of these agreements, are set out below.
10. The 2013/14 Budget introduced a 2% WHT on payments made by entities whose budgets are substantially or wholly financed by the governments to resident persons for the supply of goods irrespective of whether they have Tax Identification Numbers (TINs) or not.
11. WHT on lease payments for land/buildings to non-resident withholdee reduced to 10% instead of 15% as previously.
12. The Finance Act 2013 introduced a 10% WHT on the commission on money transfers by the money transfer agent.

Maximum WHT Rates Once a DTA is Applied

Recipient's Country of Residence	Dividends	Interest	Royalties
Canada	10%[1]	10%	15%
Denmark	10%	10%	15%
Finland	10%	10%	15%
India	10%[1]	10%	15%
Italy	10%	10%	15%
Norway	10%	10%	15%
Sweden	10%[1]	10%	15%
Zambia	0%[2]	10%	15%
South Africa	20%[3]	10%	10%

Notes:

1. The WHT rate may be reduced if certain levels of shareholdings are held.
2. The reduced rate only applies if the dividend payment is taxed in the recipient's country of residence.
3. A preferential rate of 10% applies where the beneficial owner holds at least 15% of the capital of the company paying the dividends.
4. All of these tax treaties (except the treaty with Italy) provide that no WHT can be levied on branch profits.

Controlled Foreign Corporations (CFCs) and Trusts

Residents are taxed on the undistributed income of controlled foreign corporations and controlled foreign trusts. A "controlled foreign trust" or "controlled foreign corporation" means a non-resident trust or corporation in which a resident person has an interest, whether directly or indirectly through one or more interposed non-resident entities, and where the person is "associated" (i.e. connected) with the trust or corporation.

A controlled foreign corporation/controlled foreign trust is treated as having distributed its unallocated income at the end of each tax year and the shareholders or beneficiaries are treated as having received such income. The unallocated income of the corporation or trust is determined as if it were a resident of Tanzania, less any distributions made.

Thin Capitalisation, Transfer Pricing and Income Splitting

The 2013/14 Budget has recognised the need to build capacity for Tanzania Revenue Authority (TRA) officials in respect of several tax matters including transfer pricing.
The TRA has always taken intercompany transactions very seriously and an increasing number of transfer pricing related inquiries are made during TRA audits, despite the lack of technical capacity in transfer pricing. Tanzania's detailed transfer pricing guidelines are yet to be published.

Notes:

1. The Income Tax Act provides that where transactions between associated persons are not at arm's length, the Commissioner has the discretion to make adjustments to the taxable income. Similar rules apply when there is an attempt to split income and thereby reduce the tax payable, whether dealing with associated companies or not. In terms of the thin capitalisation rules, the Finance Act amended the existing rule. Interest deductions will now be limited to the extent of a debt to equity ratio of 70:30. This interest is disallowed permanently in the year incurred.

Capital Gains

Residents and non-residents could be liable for income tax on capital gains. This applies to land, buildings and shares or securities held as securities. The rate is 30%, with an instalment tax due at the time of transfer of land or buildings, being 10% for resident persons and 20% for non-resident persons. The 2012 Finance Act imposed a single instalment on sale of shares in a resident corporation by a foreign/non-resident shareholder. The instalment is payable before the title to an investment asset is transferred. Moreover, the transfer shall only be registered upon certification by the Commissioner that the instalment has been paid or that no instalment is payable. This aims at controlling tax avoidance. Gains realised by a person carrying on a business are generally taxed as business income.

Inheritances and Donations

There is no donations tax or estate duty in Tanzania.

Value Added Tax (VAT)

Tanzania's Ministry of Finance issued a draft of a new VAT Act on 18 October 2013. At the time of writing it was not clear when it will come into force.

With effect from 1 July 2009, VAT on the supply and importation of goods and services, was reduced from 20% to 18%.

Currently, exports, agricultural and fishing inputs, veterinary drugs and mosquito nets, are zero-rated. The supply of basic foodstuffs, agricultural and livestock raw products, newspapers and books, pesticides, health services, educational services, mobile health clinics, railway locomotives and rolling stock, and veterinary services, are exempt supplies. Certain other goods and services are also exempt from VAT, including ground transport services run by tour operators, aviation fuel for domestic air operators, games of chance, and goods such as computer equipment, hospital equipment, capital goods for investment in education projects and tea and milk packaging materials.

The third schedule provides VAT relief on importation by or supply to a registered and licenced oil & gas/mining explorer or prospector of goods or services used in exploration or prospecting activities.

The 2013/14 Budget has provided for special relief on the importation by, or supply to, a local textile manufacturer of goods or services which are exclusively used in the manufacturing of textile by using locally grown cotton.

Other Transaction Taxes

Transaction Tax		
	Note	Tax Payable
Stamp duty on transfer of		
- Agricultural land		Tshs500 per acre
- Immovable property		Maximum 1.5%
Stamp duty		
- Share transfers		1%
Air travel tax		
- Domestic travel		Tshs5 000
- International travel		US$30
Road fuel levy	1	Tshs263 per litre

Business Licensing

- City, town and municipal councils – Licence fee of Tshs50 000 per annum for each type of business eligible for a business licence (other than bars).
- District councils – Licence fee of Tshs30 000 per annum.
- Village councils – Licence fee of Tshs10 000 per annum.

Notes:

1. The road fuel levy has increased to Tshs263, being an increase in Tshs63 per litre from prior year.
2. The 2011/12 Budget introduced an exemption from stamp duty on transfer of ownership of assets to Special Purpose Vehicles (SPVs) for the purpose of issuing asset-backed securities.
3. Government has introduced a petroleum levy of Tshs50 per litre. The move is intended to support the Rural Energy Authority in the rural electrification project.

Motor Vehicle Licence Fees

The rates for motor vehicle licence fees are as follows:

Motor Vehicle Licence Fees		
Motor Vehicle Engine Capacity as exceeds	But does not exceed	Licence Fee p.a. (Tshs)
0	500cc	0
500	1 500cc	150 000
1 500cc	2 500cc	200 000
2 500c +		250 000

Notes:
1. Excise duty on importation of non-utility vehicles aged more than ten years now set at 25% being a 5% increase from prior year.
2. Importation of utility vehicles aged, more than 10 years from the year of manufacture under HS Code 87.01, 87.02 and 87.04 are now subjected to a 5% excise duty.

City Service Levy (CSL)

The Local Government Finance Act, 1982, empowers municipal councils to administer and collect city service levy to companies operating in their municipalities. CSL is chargeable to a maximum of 0.3% on turnover. The levy is negotiable but capped at 0.3%.

Import Tariffs

- In order to enhance revenue collections, the Government is intending to improve the valuation system for imported goods to address the problem of under declaration which leads to revenue leakages. To facilitate this, several measures are be taken to improve the Import Export Commodity Data Base (IECDB).
- The 2013/14 Budget proposed the following changes in respect to import duties:
  - Extending stay of application of CET rate of 35% on wheat grain under HS Codes 1001.90.20 and 1001.90.90 and applying the CET rate of 10% for a period of one year.
  - Increase import duty rate for millstones and grindstones for milling, grinding or pulping (HS Code 6804.10.00) from 0% to 25%.
  - Split the tariff line under HS Code 8421.29.00 in order to grant exemption of import duty to water treatment effluent plant.
  - Introducing a 25% duty rate temporarily on rice and sugar when imported to cover the gap in the local market. Formerly the duty rate was set at 75% for rice and 100% for sugar.
  - Continuing to grant duty remission to soap manufacturers using palm stearin, RBD under HS Code 1511.90.40.
  - Granting exemption of import duty on:
    - Machinery and spare parts imported by Tanzania Railways Limited (TRL) for use in railway operations.
    - Goods imported by the National Intelligence Services.
    - Plastic bag biogas digesters under HS Code 3926.90.90.
    - Armed Forces Canteen Organisation for the period of one year.
  - Abolish procedures used in inspection of goods imported by traders under the “Compliant Trader Scheme”.

Customs and Excise

Notes:

1. The changes to the EAC Customs Management Act and Common External Tariff are usually adopted by all East African Community (EAC) members; namely, Kenya, Uganda, Rwanda, Tanzania and Burundi. There are, nevertheless, occasions where each country may not adopt the provisions under a special concession granted by the other member states. At the time of writing this publication, it was not clear whether there were any such instances. What follows therefore is a combination of announcements by each of the countries. Once the EAC Gazette Notice is published, it will be possible to clarify this matter. The changes agreed to under the EAC Management Act generally take effect from 1 July, unless specified otherwise in EAC Gazette Notice.

The 2013/14 Budget further introduced the following changes:

- Introduction of excise duty of 20% on aircraft and helicopters (excluding commercial aircrafts) of an unladen weight exceeding 15 000 kg and 2 000 kg respectively, as well as yachts, sailboats and other vessels for pleasure or sports.
- Increasing the rate of excise duty from 12% to 14.5% and extending this to electronic communication services rather than only airtime as it was previously.
- Increasing the excise duty on petrol by Tshs61 per litre from Tshs339 per litre to Tshs400 per litre.
- Increasing the excise duty on diesel by about Tshs2 per litre from Tshs215 per litre to Tshs217 per litre.
- Increasing the excise duty on non-utility vehicles aged more than 10 years from 20% to 25%.
- Excise duty of Tshs110 per litre on imported fruit juices and Tshs9 per litre on locally produced fruit juices.
- Amending excise duty on cigarettes as follows:
  - Cigarettes without filter tip and containing domestic tobacco more than 75% from Tshs8 210 to Tshs9 031 per thousand cigarettes.
  - Cigarettes with filter tip and containing domestic tobacco more than 75% from Tshs8 210 to Tshs9 031 per thousand cigarettes.
  - Other cigarettes not mentioned above from Tshs35 117 to Tshs38 628 per thousand cigarettes.
  - Cut rag or cut filler from Tshs17 736 per kg to Tshs19 510 per kg.
  - Excise duty rate on cigars remains at 30%.
- Excise duty on natural gas for industrial use at the rate of Tsh0.39 per cubic feet.
- Increasing the rate of excise duty from 12% to 14.5% and extending this to all electronic communication services and not only airtime (as prior).
- Adjusting the specific duty structure on soft drinks, beers, spirits, cigarettes and wine as follows:
  - Carbonated soft drinks from Tshs83 per litre to Tshs91 per litre.
  - Wine with domestic grapes content exceeding 75%, from Tshs145 per litre to Tshs160 per litre.
  - Wine produced with more than 25% imported grapes from Tshs1 614 per litre to Tshs1 775 per litre.

- Spirits, whiskies, rums, gins and others from Tshs2 392 per litre to Tshs2 631 per litre.
- Beer made from local un-malted cereals from Tshs310 per litre to Tshs341 per litre.
- Other (including energy drinks and non-alcoholic beverages) from Tshs525 per litre to Tshs578 per litre.

Notes:

1. Excise duty on importation of non-utility vehicles aged more than ten years now set at 25%, being a 5% increase from prior year.
2. Importation of utility vehicles aged more than 10 years from the year of manufacture under HS Code 87.01, 87.02 and 87.04 are now subjected to a 5% excise duty.
3. The Finance Act 2013 introduced excise duty on money transfer through a bank, a financial institution or a telecommunication company at the rate of 0.15% where the transfer value exceeds Tshs30 000. This is yet to come into force as of October 2013 due to a court order obtained by the Bankers Association.

Investment Incentives

Tax Incentives

Wear-and-tear Rates

- Initial allowance (in first year of use) – 50% allowance in respect of plant and machinery used for manufacturing processes or fish farming, and hotel equipment.
- Annual allowance – The wear-and-tear rates apply as set out below (straight-line method unless otherwise stated):
  - Computer equipment and construction and earth-moving equipment – 37.5% (reducing balance method).
  - Vehicles – 37.5% or 25% depending on the type of vehicle and seating capacity (reducing balance method).
  - Trains, boats, aircraft, plant and machinery used in manufacturing or mining operations – 25% (reducing balance method).
  - Office furniture, fixtures and equipment – 12.5% (reducing balance method).
  - Mining assets – 20%.
  - Buildings and other permanent structures used in agriculture, livestock farming or fish farming – 20%.
  - Plant and machinery used in agriculture, electronic fiscal device purchased by a non-VAT registered trader and equipment used for prospecting and exploration of minerals or petroleum – 100%.
  - Other buildings – 5%.
  - Other intangible assets – Written off over the useful life of the asset.
  - Other assets – 12.5% (reducing balance method).
- A full deduction is granted in respect of the following:
  - Agricultural improvement expenditure in clearing land, excavating irrigation channels or planting perennial crops or trees bearing crops.
  - Environmental expenditure for the prevention of soil erosion or remedying damage caused by natural resource extraction.
  - Research and development (R&D) expenditure.
  - Various fees charged by the Ministry of Natural Resources and Tourism will be reviewed.
  - Various concessions apply to Export Processing Zones, Special Economic Zones and non-government organisations on land.

Tanzania Investment Centre (TIC)
TIC was established to act as a "go to" centre for investors. It is responsible to coordinate, encourage, promote and facilitate FDIs in Tanzania. TIC is also tasked among other things with the following:

(a) Initiate and support measures that enhance the investment climate in the country.
(b) Collect, collate and analyse and disseminate information about investment opportunities and sources of investment capital, and advise investors upon request on the availability, choice or suitability of partners in joint-venture projects.
(c) In consultation with government institutions and agencies, identify investment sites, estates, or land together with associated facilities of any sites, estates or land for the purposes of investors and investments in general.
(d) Assist all investors to obtain all necessary permits, licences approvals consents, authorisations, registrations and other matters required by law for a person to set up and operate an investment; and to enable certificates issued by the Centre to have full effect.
(e) To provide, develop, construct, alter, adapt, maintain and administer investment sites, estates or land together with associated facilities and subject to relevant law, the creation and management of an Export Processing Zone (EPZ).
(f) Provide and disseminate up to date information on benefits or incentives available to investors.

One of the eligibility criteria under the centre, is a minimum capital threshold of $100 000 and $300 000 for local and foreigners respectively. Upon successful application and acceptance, the TIC will issue a company a certificate of incentives. Incentives as per the Act is used to mean tax reliefs and concessional tax rates which may be accessed by an investor under the ITA, ECCMA, Customs Tariff Act, VAT and any other laws for the time being in force.

Strategic Investor
The Tanzania Investment Act provides that a relevant minister can identify a certain investment as a strategic or major investment. In doing so, the minister in consultation with the Finance Minister can issue a Gazette Notice setting out specific incentives to be granted to the strategic investor.

Economic Processing Zones
On 26 March 2006, presidential assent was given to the Export Processing Zones (Amendments) Act, 2006. The primary purpose of this Act is to overhaul the administration of EPZs. This is being done through the establishment of the Export Processing Zones Authority. Roles of the EPZ Authority include setting up EPZ sites and promotion of EPZs. The EPZ Authority is to be comprised of various government ministers, the Attorney General, Governor of the BOT, as well as the heads of three industry groups. The other function of the Amendments Act was to restate the benefits under an EPZ. Importantly, EPZ operators can now sell up to 20% of their goods within the customs territory, provided the necessary customs permits and applicable import duties, levies and other charges are cleared. An EPZ investor's entitlements include the following:

(a) Access to the export credit guarantee scheme.
(b) Exemption from payments of corporate tax for an initial period of 10 years.
(c) Exemption from payment of WHT on rent, dividends and interest for the first 10 years.
(d) Remission of customs duty, VAT and any other tax payable on raw materials and goods of a capital nature.
(e) Exemption from payment of all taxes and levies imposed by local government authorities for goods and services produced or purchased in the EPZ for a period of 10 years.
(f) Exemption from pre-shipment or destination inspection requirements.
(g) On-site customs inspection of goods.
(h) Provision of business visas at the point of entry to key technical, management, and training staff for a maximum period of two months; thereafter the requirements to obtain a residence permit applies.
(i) Entitlement to automatic immigration quota of five persons.
(j) Treatment of goods destined for the EPZ as transit cargo.
(k) Exemption form VAT on utility and wharfage charges.
(l) Guarantees on foreign exchange transferability.

Special Economic Zones (SEZs)
In another move to promote manufacturing, the Special Economic Zones Act, 2006, was also given presidential assent on 26 March 2006. The SEZs regime in Tanzania is now operational. This scheme applies to investments that produce goods and services for the local market. An investment falling short of qualifying for the EPZ scheme will most likely be eligible for this. The EPZ now operates under the umbrella of the SEZ but with slight different conditions to the SEZs especially in terms of local supply limitation. The SEZ Act has widened the coverage of incentives to more than just producers for export market. Each one would be under a specific licensing authority but all under the one umbrella, the SEZA.

Notes:
1. Category "A" investors get similar benefits to items (b), (c), (f), (g), (i), (j) and (k) listed for EPZs in the paragraph pertaining to EPZs. In addition, they are entitled to exemption from taxes and duties on any capital goods and materials used for purposes of development of SEZs, exemptions from stamp duty and a 10-year property tax exemption. This category is for the zone developer.
2. Category "B" investors get similar benefits to items (d), (f), (g), (h), (i), and (l), listed previously for EPZs. There is also an exemption available from WHT on interest on foreign-source loans. Category "C" consists of suppliers producing and selling into the SEZs.
3. Category "C" investor entitlements mirror that of EPZ investors.

General Incentives
- Government is set to continue implementing the Five Year Development Plan which directs investment of national resources in few priority areas with a view to accelerate economic growth and reduction of poverty. The Government also aims at continuing to encourage the private sector to invest in priority areas. In addition, every citizen is called upon to participate effectively in the utilisation of available opportunities by providing services and engaging in productive activities in order to increase income.
- Continue with capacity building to government officials including TRA officials in order to enhance their knowledge and skills with a view to curb tax evasion and avoidance particularly on tricks often used by big companies especially in communication, minerals and gas sectors, including transfer pricing.
- In addition, the 2013/14 Budget aims at continuing to improve business environment and investment climate to attract private sector participation in economic activities.
- Considering the priorities identified under the First Five Year Development Plan, particularly the priority sectors under the

"Big Results Now", as well as MKUKUTA II, which have proved to be effective in economic growth.
- The Public Private Partnership (PPP) Act No. 18 of 2010, was passed in 2012 so as to provide room for the private sector to invest in public infrastructures and operate them with a view to provide public services at reasonable cost, at the same time addressing peoples' economic and social needs. The 2013/14 Budget proposed for further amendments to The Public Procurement Act (PPA) No. 7 of 2011, in order to accommodate procurement for the newly introduced Public-Private Partnerships (PPPs).

Exchange Controls

Tanzania does not have exchange controls in respect of capital inflow and overseas remittances. A maximum of US$10 000 travel allowance, for each trip out of Tanzania, is granted to an individual. Transactions between residents of Tanzania and non-residents require the approval of the Bank of Tanzania. However, transfers of shares between residents and non-residents do not require approval. Resident corporations may remit capital and income to non-resident corporations through commercial banks operating in Tanzania.

Expatriates and Work Permits

All foreign nationals taking up employment in Tanzania must obtain a work permit. The applicant must demonstrate that a Tanzanian national is not able to fill the position.

Trade Relations

- Memberships – SADC, East African Customs Union.
- AGOA beneficiary country.

Interest and Currency Exchange Rates

91-Day Treasury Bill Rate:
11.95% (May 2013) (source: Bank of Tanzania)
Currency: Tanzanian Shilling (divided into 100 cents):
R1 = Tshs167 (September 2013)
US$1 =Tshs1 610 (September 2013)
US$1 = Tshs1 572 (2012 average) (source: Bank of Tanzania)

Key Economic Statistics

GDP (approx):
US$30 661 billion (2013 estimate)
US$27 978 billion (2012 estimate) (source: IMF)
Market Capitalisation:
US$8,892.57 million (September 2013) (source: Dar es Salaam Stock Exchange)
Rate of Inflation:
8.3% (May 2013)
18.2% (May 2012) (source: Ministry of Finance)

Notes:

1. The Government's perseverance in curbing inflation has enabled the decline of inflation rate from 18.2% in May 2012 to 8.3% in May 2013. This was made possible through ensuring availability and good supply of food that matches the country's demand; expanding food crop production and increase the availability of agricultural inputs including fertilisers, improved seeds and pesticides; strengthening the transportation infrastructure; raising the interest rate which the Central Bank imposes on loans issued to local financial institutions from 7.58% to 12.58%; and improving availability of electricity.

Tunisia

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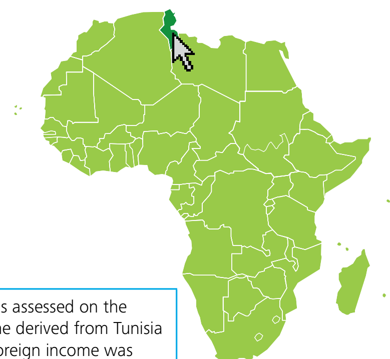
Tunisia



The Minister of Finance and Economic Planning delivered the National Budget for the year 2013 on 29 December 2012, with the theme for the Budget being, "Financial Law".

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals:

Taxable Income as exceeds	But does not exceed	Rate
TND	TND	%
0	1 500	0%
1 500	5 000	15%
5 000	10 000	20%
10 000	20 000	25%
20 000	50 000	30%
50 000 +		35%

Notes:

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax on most Tunisian–source income only under reserve of double taxation treaties (DTAs).
2. Residence – An individual is resident in Tunisia if he/she has a main residence in Tunisia or is present in Tunisia for at least 183 days in the relevant calendar year.
3. Rates – Individual income tax is levied at progressive rates up to 35%. However, foreign national workers in certain sectors (e.g. export enterprises, offshore banks and hydrocarbon exploitation), can opt to pay a lump sum tax of 20% of gross salary.
4. Royalty on personal income – The payment of a royalty on personal income equals 1% of the net income, for the benefit of the General Compensation Fund. The royalty is due on all personal income (even the exempt income) which exceeds TND20 000.
5. Taxable income – Is assessed on the total annual income derived from Tunisia or abroad, if the foreign income was not taxed in the source country for the individual.
6. Deductions and allowances – Various deductions are available, such as interest incurred on certain loans, life insurance payments and grants to the National Employment Fund. Family allowances also are available.
7. Filing status – Joint returns are not permitted. Each taxpayer must file his/her own return separately.
8. Relief from double taxation is available through tax treaties to which Tunisia is signatory. Tunisia has entered into tax treaties with most Arab countries, European Union (EU) countries, the United States of America (USA), Canada etc.

Non-Residents

Non-resident companies are taxed on Tunisia-source income only. In other words, a non-resident is subject to the Tunisian income tax at the normal graduated rates on income received in consequence of employment by a local employer (whether a resident employer or a Tunisian Permanent Establishment (PE) of a non-resident employer), as well as to the various flat rate withholding taxes (WHTs).

Employment Income

The taxable revenues are comprised of salaries, and other complementary remunerations, as well as any other "in kind benefits". The revenues of foreign-source paid in Tunisia, is subject to income tax in Tunisia, or in the countries of origin, according to the salaried employee tax residence status, and subject to DTAs.

Benefits in Kind

The benefits in kind paid by an employer to his/her employee are taken into account in the determination of the WHT based on their real value. This rule is applied to all benefits including lodging, a company car, or goods and services consumption (e.g. telephone, restaurant etc.).

Companies

Income Tax Rates for Companies	
	Rate of Tax
Agricultural, health, handicraft companies and education activities	10%
Companies which are newly listed in the Tunisian Stock Exchange (TSE)	20%
Companies governed by the Mining Code	25%
Standard corporate tax rate	30%
Banking and financial institutions; investment companies; insurance and reinsurance companies; factoring companies; and telecommunications companies	35%
Companies operating in hydrocarbons sector	50%

Notes:

1. Residence – Tunisia does not have a definition of residence.
2. Basis – Tunisia operates under a territorial system under which all income derived in Tunisia is subject to tax.
3. Rate – The normal tax rate is 30%. A minimum Corporate Income Tax (CIT) (Alternative Minimum Tax (AMT)) equal to 0.1% of gross turnover (other than turnover from exports) applies to most companies with a cap floor of TND200 for companies subject to a tax rate of 10% and TND350 for companies subject to a tax rate of 30% and more.
4. Chargeable income – Comprises profits derived from the operation of a business in Tunisia.
5. Losses – Net operating losses may be carried forward up to four years. Losses from depreciation may be carried forward indefinitely. The carryback of losses is not permitted.
6. Dividends – Dividends distributed by Tunisian companies are not subject to tax in Tunisia.
7. Foreign tax credit – None.
8. Corporate groups – When a Tunisian company holds 75% or more of the shares of one or more Tunisian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company. To benefit from this regime the following requirements must be met:
   (a) The parent company is listed on the TSE;
   (b) The financial statements of the companies in the group are certified by an external legal auditor;
   (c) The group companies all have the same fiscal year and accounting period; and
   (d) All companies in the group are subject to CIT.
9. Holding company regime – None.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	0%	0%
Interest	2	20%	20%
Royalties	3	15%	15%
Technical service fees	4	15%	15%
Payment more than 2.000 dinars (or 1.000 dinars if made by state or local authorities)	5	1.5%	n/a
Other	6	5%	15%

Notes:

1. Dividends – Tunisia does not impose WHT on dividends distributed by Tunisian companies.
2. Interest – Interest payments made to non-residents are subject to a 20% WHT (5% if paid to a bank) unless the rate is reduced under a tax treaty.
3. Royalties – Royalty payments to non-residents generally are subject to a 15% WHT unless the rate is reduced under a tax treaty.
4. Technical service fees – Technical service fees paid to non-residents generally are subject to a 15% WHT unless the rate is reduced under a tax treaty or by the Tunisian law for some specific activities.
5. Not applicable for non-residents not established in Tunisia.
6. Other – Unless exempt under a tax treaty, gains derived by a non-resident from the sale of shares is subject to a 5% WHT of the sale price of these shares. The taxpayer can opt to have the gain taxed at a rate of 30% of the gain, in which case the 5% WHT will be deductible.

Maximum WHT Rates once DTA is applied*

WHT* on payments to countries with which Tunisia has a DTA are as follows:

Type of Income	Belgium	France	Germany	Italy	Netherlands	South Africa	UK	Switzerland
Dividends	0%	0%	0%	0%	0%	0%	0%	0%
Interest	15%	12%	10%	12%	10%	12%	12%	10%
Royalties	15%	20%	10%	16%	11%	10%	15%	10%
Technical service fees	15%	15%	15%	12%	15%	15%	15%	10%
Other	15%	15%	15%	15%	15%	15%	15%	15%

* Note that the applicable rate is the minimum between the Tunisian law and the DTA. Maximum rates were sited but in accordance with the DTA, many rates can be applied depending on the nature of the operations.

Capital Gains Tax (CGT)

Companies

Capital gains are taxed as ordinary income and subject to the CIT rate applicable to the company.

Individuals

Capital gains are taxed as ordinary income. The rate is 10% if the seller holds the property for less than 10 years, and 5% if the property is held longer than 10 years.

Unless exempt under a tax treaty, gains derived by a non-resident from the sale of shares is subject to a 2.5% WHT applied to the sale price. The taxpayer can opt to have the gain taxed at the rate of 10% of the gain, in which case the 2.5% WHT will be deductible.

Anti-avoidance

Transfer Pricing

If the price in a related party transaction does not correspond to a market price, the price will be adjusted. There is no benchmarking basis to fix the market price or the market margin, which is why the transfer pricing manual must be well documented in order to be well protected and to have a comfortable position in a case of a tax audit.

Value Added Tax (VAT)

VAT Category	Rate of VAT
Standard rate	18%
Products and operations listed in Table B bis (annexed to the VAT Code)	12%
Products and operations listed in Table B (annexed to the VAT Code)	6%
Products and operations listed in Table A (annexed to the VAT Code)	0%

Notes:
1. VAT is imposed on the supply of goods or services in Tunisia, and on the import of goods or services. VAT is applied to all industrial, handicraft and services businesses except for agriculture.
2. The standard rate is 18% with reduced rates of 6% and 12%. Exports are VAT exempt.
3. VAT registration is required upon the establishment of a company in Tunisia.
4. VAT returns and payments are due monthly by the 28th of the following month for companies and by the 15th of the following month for individuals.

Customs and Excise Duties

Excise tax is a federal tax on specific goods and services either imported or manufactured in Tunisia. It is levied on a variety of items such as cigarettes, tobacco, and alcoholic beverages, cosmetics, perfume and private cars. Excise tax is levied on sale price or customs value for imported goods. According to the Tunisian Excise Tax Code, several rates apply to different goods. A joint list is available on the Code, fixing different rates.

Import Duties

VAT rates apply as follows:
- 18% which is the standard rate.
- 12% on the importation of certain goods listed in the Table B bis (annexed to the VAT Code).
- 6% on the importation of certain goods listed in the Table B (annexed to the VAT Code).
- 0% on the importation of certain goods listed in the Table A (annexed to the VAT Code).

Excise duty applies at rates and sums resumed in the table of "Consumption Duties" (annexed to the VAT Code). Customs at rates and pricing apply as detailed in the Customs Code.

Miscellaneous Taxes

Stamp Duty

Stamp duty is levied on majority of contracts, agreements and documents that are subject to registration, as well as on administrative private documents relating to a business. The rates for stamp duty vary depending on the nature of the transaction.

Capital Duty

A TND150 registration duty is levied on each contribution of capital or increase in capital.

Real Property Tax
The transfer of real property located in Tunisia, is subject to various registration fees, such as a 5% transfer tax, a 3% tax for unregistered property and a 1% tax for the Land Conservation Authority.

Inheritance/Estate Tax
Inheritance and gift tax is calculated a rates ranging from 2.5% to 35%, depending on the degree of succession.

Wealth Tax
This tax is not applied in Tunisia.

Payroll Tax
An employer is required to pay a professional training tax at a rate of 1% of gross salary in the manufacturing industry, and 2% for other activities. In addition, a contribution must be made to the Social Housing Fund at a rate of 1% of gross salary. Both taxes are due before the 28th of the month.

Other
A tax on industrial, commercial or professional establishment is due at a rate of 0.2% of the local turnover, all taxes included with a minimum.

Social Security
The employer must withhold and pay social security contributions on behalf of the employee at a rate of 9.18% of the total monthly gross remuneration. The employer social security part is at 16.67%.

A workplace accident contribution is due at rates ranging from 0.4% to 4%.

Contribution to the retirement fund is not compulsory and is fixed at 9% on the difference between the gross wages and six times the minimum guaranteed wage, of which two-thirds is paid by the employer and one-third by the employee.

Tax Administration
Corporations
- Tax year – Calendar year although a company can request another 12-month period.
- Consolidated returns – A group of companies may file a consolidated tax return provided approval is obtained from the Ministry of Finance and the following requirements are met: (1) the parent company is quoted on the TSE; (2) the parent company holds directly or indirectly at least 75% of the share capital of each subsidiary in the group; (3) the financial statements of the companies in the group are certified by an external auditor; (4) the group companies all have the same tax year and accounting period; and (5) all companies in the group are subject to CIT.
- Filing requirements – The tax return must be filed before 25 March or before the 25th day of the third month following the closing date if that is different from 31 December. Companies must make advance payments of tax before the 28th day of the sixth, ninth and 12th month following the end of the year, with each payment equivalent to 30% of the CIT of the previous year after adjustment. Advance tax paid may be credited against final corporate tax liability for the year.

- Penalties – Late payment penalties are imposed at the following rates: 0.5% per month, or fraction thereof, if the tax due is paid voluntarily (i.e. without intervention of the authorities), and 1.25% per month, or fraction thereof, if the tax authorities have to intervene. For WHTs, the penalty for failure to withhold, or report, is equal to the amount of non-withheld. The amount can double for a subsequent offence.

Individuals

- Tax year – Calendar year.
- Filing and payment – Individuals carrying out a trade must file by the 25th of April, and service providers and those carrying on an industrial activity or a non-commercial profession, by the 25th of May. Salaried employees and pensioners must file by the 5th of December. Individuals deriving income from movable capital, land and foreign-sources, must file an annual return by the 25th of February.
- Penalties – Late payment penalties are assessed at the following rates: 0.5% per month, or fraction thereof, if the tax due is paid voluntarily (i.e. without intervention of the authorities), and 1.25% per month, or fraction thereof, if the tax authorities have to intervene. For WHTs, the penalty for failure to withhold, or report, is equal to the amount of non-withheld tax. The amount can double for a subsequent offence.

General Investment Information

Investment Incentives*

General Incentives

Tunisia has enacted several laws to encourage foreign investment in the industrial, services, finance and tourism sectors. Various incentives (i.e. exemptions, reduced rates, financial support, investment bonuses, a full tax allowance etc.) are provided for by the Investment Incentives Code. That is why foreign investments are increasing in Tunisia.

* Regime application until 31/12/2013.

Tax Incentives

- Companies incorporated in regional development areas benefit from:
  - Full tax exemption on profits for 10 years and a 50% tax base reduction for a new period of 10 years.
  - Full tax exemption on reinvested profits.
  - Full assumption by the state of the employer's contribution to the legal regime of social security, during the first five years in regional development areas, and partially (from 80% to 20%) during the following five years.
  - Possibility that the state contributes to infrastructure expenses.
  - 15% to 25% investment bonus based on the investment value (with limitations).
  - The High Commission for Investments is authorised to grant further incentives to investments projects deemed to be of special or significant importance.
- Companies established in free zones are only subject to the following taxes, duties, rights and fees:
  - Duties and taxes related to passenger cars.
  - Single countervailing duty on land transport.
  - Contributions and shares for the social security legal scheme.
  - Corporate tax from the 11th year of operation to date from the first effective export sale after a 50% deduction for export derived profits.
- Export incentives as follows:
  - Fully exporting companies are taxable at the rate of 10% (effective 1 January 2014).
  - Fully exporting companies established before this date, benefit from whole exemption of their profits during the first 10 years. Thereafter, the rate of 10% applies.
- Various dividends distributed by Tunisian companies are not taxable in Tunisia. They are freely transferable as long as they come from businesses provided by the Investment Incentives Code.
- Expatriate concessions as follows:
  - Diplomatic and consular agents of foreign nationalities, subject to reciprocity

are exempted from income tax.

- The fully exporting companies may recruit management and official staff members of foreign nationality up to the limit of four for each company after advising the Labour Ministry. The foreign staff member, recruited by a fully exporting company, benefits from the payment of a lump sum tax of 20% levied on gross remuneration.

Exchange Controls

Foreign-owned companies, and branches of foreign companies, may freely repatriate profits provided applicable taxes have been paid. Certain transfers, however, must be approved by the Central Bank.

Expatriates and Work Permits

Pre-arrival Procedures

Any foreigner, except Union du Maghreb Arabe (UMA) nationals, who desires to exercise salaried work in Tunisia, should have a working contract and a residence card bearing authorisation to exercise salaried work in Tunisia. The working contract is concluded for a period not exceeding one year, renewable only once. However, the working contract may be renewable more than once if it deals with foreigners working in their companies that operate in Tunisia within the framework of the Realisation of Development Projects, approved by the relevant authorities.
The recruitment of foreigners can only be realised when there are no Tunisian skills within the specialities concerned by the recruitment.

Employment Visas

Entry visas are not required for almost all European countries. However, for workers who benefit from a working contract, they should apply for residence cards from the relevant regional police offices. This procedure is not required for UMA nationals.

Trade Relations

- Memberships – World Trade Organisation (WTO), Organisation for Economic Co-operation and Development (OECD).

Interest and Currency Exchange Rates

Monetary Policy Rate:
4.00% (May 2013) (source: Central Bank of Tunisia)
Currency: Tunisian Dinar (TND)
£1 = 2.70432 TND (November 2013) (source: Oanda)
US$1 = 1.66988 TND (November 2013) (source: Oanda)
US$1 = 1.16561 TND (November 2013) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$48.379 billion (2013 forecast) (source: IMF)
US$45.407 billion (2012 estimate) (source: IMF)
Market Capitalisation:
TND15.8 billion (last reported 2012) (source: African Manager)
Rate of Inflation:
5.582% (2012 average) (source: Central Bank of Tunisia, IMF)
5.300% (2013 average forecast) (source: IMF)

Uganda

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Uganda

The Minister of Finance, Mrs Maria Kiwanuka, stood firm and with confidence delivered the 2013/14 Budget despite general public sentiment during the build-up to the Budget that this year's pronouncements would be a rehash of the previous year given that Government for the most part had not delivered as promised. The theme of this year's Budget was, "The Journey Continues: Towards Socio-Economic Transformation for Uganda".

Income Tax

- The number of designated Withholding Tax (WHT) agents has been widened so as to capture non-compliant persons.

Value Added Tax (VAT)

- VAT, which was initially removed from supply of piped water for domestic use, has been reinstated at 18%.
- VAT at 18% is to be collected on supply of wheat and flour. These have been zero-rated supplies.
- Hotel accommodation will now be standard rated at 18%.

Customs Duties

- 0% import duty rate on raw materials and industrial inputs which had been granted for five years has been terminated and replaced by the reduced rates.
- Details of the reduced rates are to be issued in the East African Community (EAC) Gazette.

Excise Duties

- Petrol and diesel increased by Ushs50 to Ushs900 and Ushs580 per litre.
- Excise reinstated on kerosene now Ushs200 per litre.
- Increase of excise duty on un-denatured spirits from 70% to 140%.
- Cigarettes, soft cup (whose local content is more than 70% of its constituents) from Ushs22 000 to Ushs32 000.
- Cigarettes, other soft cup, from Ushs25 000 to Ushs35 000.
- Cigarettes, hinge lid, from Ushs55 000 to Ushs69 000.
- Duty has been introduced at 20% on promotion activities akin to gambling (not yet defined).
- Imposition of 10% excise on mobile money transfer fees.

Expansion of Non-Tax Revenue (NTR)

- Introduction of an International Calls Levy on incoming international calls.
- Revision of other NTR rates yet to be announced.
- Public to be allowed to pay NTR using mobile phones and internet.
- URA to collect fees under the Energy & Mineral Development, Immigration and Uganda Registration Services Bureau (URSB).

Increase in Registration Fees

- Cars – by Ushs200 000.
- Motorcycle – by Ushs120 000.

Administration

Uganda Revenue Authority (URA) will work more closely with Kampala City Council Authority (KCCA), URSB and local governments, in a bid to obtain as much information as possible about taxpayers or unregistered taxable persons.

Income Tax

Residents

Income Tax Rates for Resident Individuals: Years of Assessment Commencing On or After 1 July 2012			
Taxable Income as exceeds	But does not exceed	Rate	Tax Payable
Ushs	Ushs	%	Ushs
0	2 820 000	0%	0
2 820 000	4 020 000	10%	120 000
4 020 000	4 920 000	20%	300 000
4 920 000	120 000 000	30%	
120 000 000 +		40%	

Notes:

1. 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.
2. Tax is imposed at graduated rates from 0% to 30%. Annual income in excess of Ushs4.92 million is taxed at 30%.
3. A sole proprietor is taxed in the same way as an individual.
4. The tax year of assessment for individuals and partnerships is 1 July to 30 June.
5. 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. In addition, an individual is resident for tax purposes if that individual is an employee or official of the Government posted abroad during the year.
6. The foreign employment income of a resident is exempt from tax in Uganda if tax has been deducted and remitted on it to the Revenue authorities in the country of employment.
7. Income includes: any profits, gains, dividends, interest, and non-monetary benefits, advantages or facilities obtained through gainful means. The WHT on dividends (15% or 10% on dividends from companies listed on the Uganda Stock Exchange) is treated as a final tax for individuals. The WHT (15%) on interest from a financial institution (20% on Treasury Bills) is a final tax for individuals.
8. Rental income for individuals is taxed separately at 20% on 80% of the gross income over Ushs1.56 million.
9. Life insurance premiums, contributions to retirement funds and medical expenses paid for by an employer (other than a tax exempt employer) are not taxable employee benefits.
10. Fringe benefits are taxable to the employee at scale rates or the actual cost to the company, subject to a market value test.
11. National Social Security Fund (NSSF) is charged at the rate of 15% of monthly salary, wages or cash allowances. Both employers and employees contribute 10% and 5% respectively. The 10% contribution by the employer is now an allowable deduction from the gross income of the employer with effect from 1 July 2004.

Non-Residents

Income Tax Rates for Non-Resident Individuals, Trusts and Estates: Years of Assessment Commencing On or After 1 July 2012

Taxable Income as exceeds	But does not exceed	Rate	Tax Payable
Ushs	Ushs	%	Ushs
0	4 020 000	10%	402 000
4 020 000	4 920 000	20%	582 000
4 920 000	120 000 000	30%	
120 000 000 +		40%	

Notes:

1. A non-resident individual is liable to tax on only income derived from sources in Uganda or which accrues to him from an employment exercised or services rendered in Uganda.

Pay-As-You-Earn (PAYE)

PAYE and taxation of employment benefits is not a separate tax. It is an instalment income tax system under which employers are required to deduct tax instalments from their employees' salary or other employment income.

Notes:

1. The instalments deducted are remitted to the URA, and based on the PAYE tax return lodged by the employer. The employee offsets the total amount deducted from the individual employee against the employees' tax liability upon submission of the annual tax return at the end of the tax year. Every employer must therefore register for PAYE, as well as be familiar with the rules relating to the filing of PAYE returns and how PAYE is calculated.
2. No return of income is necessary for an individual whose gross income consists exclusively of employment income derived exclusively from a single employer from which tax has been withheld and paid.
3. Penalties apply where the employer fails to deduct or remit PAYE, or deducts and remits incorrect amounts. For example, the URA can require the employer to pay any PAYE shortfalls.
4. Where the employee has been in employment for 10 or more years, the assessable amount is calculated using the formula: A x 75%, where A is the total amount of payment.

Taxable Benefits in Kind

Motor Vehicles

A car provided wholly or partly for an employee's private use is a taxable benefit, calculated according to the formula:

(20% x A x B/C) – D

Where:

A = The market value of the car at the time it was first provided for private use.

B = The number of days the car is available for private use in the year of income.

C = The number of days in the year of income.

D = Any payment made by the employee for the benefit.

Provision of Domestic Services and Utilities

The cost to the employer of providing the services of a housekeeper, chauffeur, gardener, and utilities is assessable income reduced by any payments made by the employee as contribution towards cost.

Provision of Meals, Refreshments or Entertainment

The cost to the employer of providing such benefits is assessed on the employee. However, where the meals are provided by an employer on a non-discriminatory basis to all employees in premises operated by or on behalf of the employer, then no taxable benefit arises.

Beneficial Loans

Where an employer grants a loan exceeding UShs1 million whose repayment is over three months at a rate of interest below the statutory rate (Bank of Uganda discount rate at the start of the year), the value of the benefit is the amount outstanding at the beginning of the month multiplied into the difference between the statutory rate and the rate offered by the employer.

Waiver of Loans

The amount of any loans waived by the employer is assessed on the employee.

Transfer of Use of Property or Provision of Services

Where a benefit provided by an employer consists of transfer or use of property or the provision of services, the market value of the property or services is the value of the benefit to be included in assessable income reduced by any payment made by the employee for the benefit.

Provision of Accommodation or Housing

The value of the benefit is the lesser of:

- The market rent of the accommodation/ housing less the employee's contribution.
- 15% of employment income including market rent.
- Housing provided to domestic workers within the same compound as the person they work for is not a taxable benefit.

Rental Income

Rental Tax is a separate income tax charged on the rental income of individuals. Rent is defined as any payment, including a premium or like amount, made as consideration for the use or occupation of, or the right to use or occupy, land or buildings. In effect, payment made on a lease of immovable property would be considered to be rent.

Notes:

1. An individual's rental income should be segregated from other income and charged to tax as though it were a sole source of income for the taxpayer.
2. The taxation of rental income is as follows:
   - 20% of the gross rental income is allowed as a deduction. (No other expenditure and loss is allowed against the gross rental income).
   - From the remaining 80% of the gross rental income, the first Ushs1 560 000 per annum is not taxable.
   - The balance is taxed at the rate of 20%.
3. In the case of resident companies, the rent is aggregated with other income and taxed at a corporation tax rate of 30%.
4. Subject to the provisions of a double taxation agreement (DTA) entered into between Uganda and another country, non-residents are taxed on rental income derived from Ugandan sources by way of a WHT of 15%.

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2012		
	Note	Rate
Resident companies		30%
Non-resident companies		30%
Trusts, trustees and retirement funds		30%

Notes:

1. The income of all companies accruing or derived from Uganda is taxable.
2. The income tax rate applicable to resident companies, Permanent Establishments (PEs) of non-resident companies and trusts and retirement funds is 30%.
3. The sources of income of a company, on which the tax can be levied include: profits and gains from any business carried on for whatever period of time. Other sources include: dividends from shares in other companies and interest from use of the company's property.
4. Any income arising out of any trade, profession, vocation or venture in the nature of trade is taxable under special rules applicable to business entities.
5. Taxable dividends include: dividends paid to a financial institution on its ownership of redeemable shares in the company paying the dividend, or dividends paid by a resident company as part of a dividend stripping arrangement. 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 WHT deducted is allowed as a credit against the company's tax for the year. Foreign-source dividends are taxable.
6. There is no holding company regime. No participation exemption applies.
7. A company is liable to pay tax separate from its shareholders.
8. Trading losses, inclusive of capital losses, may be carried forward indefinitely and offset against future trading income. Losses arising from the completion of a long-term contract may be carried back.
9. A foreign tax credit is available where the foreign income is also taxable in Uganda. The credit can only be used in the year in which it arises to offset Ugandan tax payable on such income. Otherwise, the taxpayer loses this credit.
10. A company is resident in Uganda for tax purposes if that company:
    - Is incorporated or formed under the laws of Uganda; or
    - Has its management and control exercised in Uganda at any time during the year of income; or
    - Undertakes the majority of its operations in Uganda during the year of income.
11. The income tax rate applicable to trusts is 30% of the chargeable trust income for the year of income. A trust is exempt from income tax where income of the trust is paid directly to the beneficiary without passing through the hands of the trustee, or where a trustee relies on the ground that part of the income to be assessed accrues or arises for the benefit of the beneficiary.
12. Income tax assessments for a partnership can be made either in respect to individual partners or in the partnership's name. The profits of a partnership, including a firm carrying on a trade or profession, are taxable.
13. Losses may be disallowed where:
    (i) There is a change in corporate ownership exceeding 50% during a 12-month period.
    (ii) For two years immediately after such ownership change, the company engages in new business or investment designed to reduce its tax liability.
14. Where dividend stripping reduces the value of shares, the dividend must be included in the company's income to the extent deemed necessary by the authorities.
15. Branch profits are taxed an additional 15% of the after-tax profits repatriated.

16. Where total deductions exceed total income, the assessed loss may be carried forward indefinitely and set-off against future trading income. Assessed farming losses cannot be deducted from any other income in the year the loss is incurred. They may only be offset against future farming income. If a final loss is determined in the year a long-term contract is completed, the Commissioner may allow the loss to be carried back and offset against the income earned in the previous years, starting with the year immediately preceding the year in which the contract was completed.
17. Mining companies – The tax rate applicable to mining companies is calculated according to the following formula:
    70 – 1500/x
    x = The number of percentage points represented by the ratio of the chargeable income of the mining company for the year to the gross revenue of the company for that year.
    - If the tax rate calculated from the above is less than 25%, the rate applicable is 25%.
    - If the tax rate calculated is more than 45%, the rate applicable is 45%.
    - When the x factor is between 0 – 33, the tax rate will be 25%.
    - When the x factor is 60 or more, then the tax rate is 45%.
18. Small business tax rates – Businesses with gross turnover not exceeding Ushs50 million will apply the small business taxpayer rates (shown below), unless the election is made.

Taxation of Petroleum Operations

- Income earned by a contractor from activities other than petroleum operations, shall be taxed in accordance with the Income Tax Act.
- A contractor is only allowed to deduct amounts relating to petroleum operations against cost oil derived in a contract area in the same year of income in which the amounts are incurred and income is derived.
- Where total deductions exceed the cost of oil arising from operations, the excess is carried forward to the next year and becomes deductible against the cost of oil arising in that year until fully utilised or operations in that area cease.
- All transactions shall be accounted for at arm's length prices and a contractor shall disclose all non-arm's length transactions in a return for a specified period (if required to do so by the Commissioner).
- A contractor is required to file a return as per the Income Tax Act subject to modifications. A contractor shall furnish a return for the year of income not later than 90 days after the end of the year.
- In addition to the annual return, a contractor is required to file a return of estimates for each calendar not less than 30 days before the commencement of the year and thereafter an updated return within seven days after the end of each of the first three calendar quarters.

- For each year of income, commencing with the year of income in which commercial production commences from the contract area, allowable contract expenditure shall be deductible from cost of oil.
- Decommissioning amounts carried in a contractor's decommissioning costs reserve for a year of income, are allowed as a deduction in that year. Where at the end of decommissioning the deductible decommissioning amount exceeds the actual decommissioning expenditure, the excess is included in the contractor's production share in the year the decommissioning ends.

Tax Administration and Compliance

Corporate Taxation

- A company may adopt a year of income different from the normal fiscal year (July to June) with the consent of the Commissioner.
- A provisional return must be filed within six months of the commencement of the company's accounting year and if necessary file a revised estimate before the end of the 12th month of the particular year of income. The estimated tax for the year is payable in two instalments 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.
- Consolidated returns are not permitted. Each company in a group must file its own return.
- 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 or Ushs200 000 per month, whichever is greater for the year when a return is filed late. Other civil and criminal penalties may arise 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 on the URA provided the taxpayer makes a full disclosure and completes the transaction as described.

Personal Taxation

- The normal tax year runs from 1 July to 30 June. Except for rental income, it is possible to have a year of income different from July to June with the approval of the tax authorities.
- Married couples are required to file separate returns.
- Quarterly provisional returns must be filed by individuals receiving income not subject to PAYE or other WHT. 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. However, 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 arise in specific circumstances.

Withholding Taxes (WHTs)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT. These tax rates are set out below:

WHT Rates			
	Note	Residents	Non-Residents
		Rate	Rate
Professional fees		6%	15%
Management fees		6%	15%
Imported goods		6%	
Goods and services to government bodies and other designated persons		6%	n/a
Royalties		n/a	15%
Rents or premiums		n/a	15%
Dividends	1	15%/10%	15%
Interest		15%	15%
Natural resource payment		n/a	15%
Uganda-source service contract		n/a	15%
Shipping, air transport, cargo road transport		n/a	2%
Transmitting messages by cable, radio, optical fibre or satellite communication		n/a	5%
Entertainers, sports persons		n/a	15%

Notes:

1. Payments of dividends and interest are subject to a WHT of 15% both for residents and non-residents. In the case of non-residents, the rate may be reduced under an applicable tax treaty. The rate of WHT for dividends paid to resident individuals from listed companies is 10%.
2. In addition, non-residents are subject to 15% WHT for royalties, management fees, entertainers and sports personnel income, natural resource payments and equipment leases, on income earned from Uganda.
3. Interest paid to a resident person is subject to WHT at the rate of 15%. This is not, however applicable in the case of:
   - Interest paid by a natural person.
   - Interest paid to a financial institution.
   - Interest paid by a company to an associated company.
   - Interest paid which is exempt in the hands of the recipient.

   Treasury bills now carry a 20% WHT.
4. Any payment to a person in Uganda from the Government, a government institution, a local authority, any company controlled by the Government, or any person designated in a notice issued by the Finance Minister of an amount exceeding UShs1 million for the supply of goods or materials of any kinds or any service, is subject to a 6% WHT.
5. The Commissioner can exempt resident taxpayers who are regularly compliant from the payment of the 6% WHT on goods and services.

Double Taxation Agreements (DTAs)

Uganda has DTAs with a number of countries including: South Africa, United Kingdom (UK), Mauritius, Zambia, Italy, Norway, Denmark, India and Mauritius. The East African Treaty has also been signed but is yet to be ratified.

The Income Tax Act provides that an international agreement entered into between the Uganda Government and the government of a foreign country, shall have effect as if the agreement was contained in the Act. Where the terms of such an agreement are inconsistent with the provisions of the Income Tax Act, apart from issues of tax avoidance, the terms of the international agreement prevail over the provisions of the Income Tax Act.

Capital Gains Tax (CGT)

Taxable capital gains arise on the disposal of qualifying assets held by a company. The gain is the excess of proceeds over the cost of the assets and related expenses. The taxpayer can elect to claim inflation relief for assets acquired prior to 31 March 1998. The gain is taxed at the company rate as part of business income. For an involuntary disposal, there is no gain or loss where the proceeds are re-invested in similar assets within one year. An asset is treated as disposed of, if it is sold, exchanged, redeemed or distributed by the taxpayer, gifted, destroyed or lost.

Non-business assets are not subject to CGT except gains derived from the sale of shares in a private limited liability company. Only gains on disposal of business assets are liable to capital gains.

No gain or loss arises on a transfer between spouses, transfers which form part of a divorce settlement, disposals where the proceeds are reinvested in a similar asset within one year of the disposal, and transfer of asset to a trustee or a beneficiary on death of the taxpayer.

Transfer Pricing

In the past there have been no specific transfer pricing rules in Uganda. However, the Income Tax Act gives the Commissioner powers to re-characterise income or transactions between related parties using the anti-avoidance provisions, where the Commissioner is of the opinion that the transactions do not reflect on arm's length relationship. Transfer pricing regulations have now been gazetted and became effective from 1 July 2011. Further guidelines covering documentation requirements were issued in early 2012.

Thin Capitalisation

The recommended interest-bearing debt to equity ratio by a foreign controlled resident company, which is not a financial institution, at any time during the year is 2:1. A foreign controlled resident company is considered to be thinly capitalised if the ratio of its interest bearing debt to its equity contribution exceeds 2:1. Where a company is thinly capitalised, any interest charges arising on the debt in excess of the 2:1 ratio, is not tax deductible. Equity includes unrealised revaluation reserves.

Inheritances, Donations and Estate Duty Tax

There is no inheritance and estate duty tax in Uganda.

Value Added Tax (VAT)

VAT	Rate
Basic rate on goods and services	18%

Notes:

1. VAT was introduced in Uganda on 1 July 1996.
2. 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.
3. A standard rate of 17% applied on most goods and services until 1 July 2005, when it was increased to 18%.
4. A reduced rate of 5% was introduced on 1 July 2007. This rate applied to taxable supplies of a commercial venture of taxable persons who built residential property for rent or sale. This special rate was revoked on 1 July 2009.
5. 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.
6. Exempt supplies include, amongst others: unprocessed foodstuffs, agricultural produce in an unprocessed state, livestock, financial and insurances services, computer hardware and software, the supply of postage stamps, the supply of unimproved land, the supply of social welfare services, the supply of burial and cremation services, the supply of passenger transportation (other than tour and travel operators), the supply of betting, lotteries, and games of chance, the supply of goods as part of the transfer of a business as a going concern by one taxable person to another taxable person, the supply of precious metals and other valuables to the Bank of Uganda for the State Treasury, the supply of milk, including milk treated in any way to preserve it, the supply of dental, medical and veterinary equipment, supply of new computers, desktop printers and computer parts and accessories, the supply of computer software and software licences, the supply of life jackets, life-saving gear, headgear and speed governors, the supply of mosquito nets, insecticides and acaricides, the supply of specialised vehicles, plant and machinery, feasibility studies, engineering designs, consultancy services and civil works related to hydro-electric power, roads and bridges construction, agriculture, education and health sectors, the supply of contraceptive sheaths and examination gloves, the supply of liquefied petroleum gas, the supply of any goods and services to the contractor of Bujagaali hydro-electric power project, contractor and subcontractor of hydro-electric power projects, the supply of diapers, the supply of salt, the supply of packing materials exclusively used by the milling industry for packing milled products, the supply of packing materials exclusively used by the dairy industry for packing milk and the supply of biodegradable packaging materials etc.

7. Compulsory registration applies to a person making, or expecting to make, taxable supplies of Ushs12.5 million or more in a three-month period. A business must have an office or registered office in Uganda before it can be registered for VAT. Though there is no legal requirement to appoint a fiscal representative, the only practical way of complying with VAT obligations without setting up a representative office in Uganda could be by way of doing business through an agent. In general, the agent steps into the foreign business shoes and assumes its VAT responsibilities and obligations.
8. VAT returns must be filed by the 15th day of the following month, together with any outstanding amount.
9. Taxable persons are ordinarily expected to issue original tax invoices for their supplies. Taxpayers whose turnover is less than Ushs100 million may issue simplified tax invoices for taxable supplies made provided the value of any individual item does not exceed Ushs50 000 and the total invoice does not exceed Ushs100 000. Where the person supplied, loses the original tax invoice, the supplier may provide a duplicate copy clearly marked "COPY". A supplied person who has not been provided with an invoice may request the taxable person to provide a tax invoice in respect of the supply. A taxable person who receives a request for provision of an invoice should comply with the request within 14 days of receipt.
10. Non-VAT registered entities ordinarily cannot recover VAT incurred on their business activities. There is an exception, however, applicable to diplomats, consular missions and public international organisations mentioned in the 1st Schedule to the VAT Act. These organisations and individuals may recover any VAT expenses in the conclusion of activities for their official purposes.
11. Credit from self-assessed Reverse Charge VAT on imported services is no longer available for offset.

Customs and Excise

Notes:
1. The details of the 2013/14 Budget amendments are contained in the Excise Tariff (Amendment) Bill, 2013.

Other Transaction Taxes

Transfer Tax	Rate
Basic rate	1%

Notes:
1. 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).

Real Property Tax
Property rates are levied by the local authorities.

Stamp Duty
Stamp duty is an indirect tax levied on a number of legal documents and certain agreements (i.e. financial instruments and transactions) and charged at nominal or ad valorem rates. In the case of corporations, it may be possible to obtain a waiver from this duty in some cases if the Minister of Finance consents. The Stamps (Amendment of Schedule) Instrument, 2013 changed the duty on Policy of Insurance, Life Insurance and Insurance Performance Bond to Ushs35 000, nil/zero (0) and Ushs50 000 respectively.

General Investment Information

Investment Incentives

Tax Incentives

Special Tax Allowances

- Mining operations are allowed a 100% first year deduction for capital expenditure incurred in searching for, discovering, 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.
- The cost of acquiring an intangible asset having an ascertainable useful life is allowed a deduction on a straight-line basis over the useful life of the asset.
- On disposal of the asset, the cost base of the asset is reduced by the deductions granted above.
- Wear-and-tear allowances apply to assets in the following classes:

	Class	Rate
1	Computers and data handling equipment	40%
2	Automobiles, buses and minibuses with a seating capacity of less than 30 passengers; goods vehicles with a load capacity of less than seven tons; construction and earth-moving equipment	35%
3	Buses with a seating capacity of 30 or more passengers; goods carrying vehicles of more than seven tons, tractors, trailers, plant and machinery for farming mining or manufacturing operations	30%
4	Railroad cars, locomotives, vessels, barges, aircraft, specialised public utility plant, office furniture, fixtures and equipment and any depreciable asset not included in another class	20%

Non-Cash Incentives

Export Incentives

- Foreign exchange liberalisation – The foreign exchange regime is fully liberalised and exporters are entitled to retain 100% of their foreign exchange earnings accruing from their export transactions.
- Duty and VAT exemptions – There are no taxes charged on exports (zero-rated). This is meant to reduce costs for the exporters and to make exports from Uganda more competitive.
- Market access – The Government strongly supports global economic integration as it increases volume of trade, as well as offers other economic opportunities. Because of membership, Uganda's exports qualify for preferential tariff rates in COMESA, EAC. In addition, Ugandan products enter the EU and US markets duty and quota-free under the Cotonou Agreement (ACP – EU) and the African Growth and Opportunity Act (AGOA) initiatives respectively.
- VAT on exports – All exports of goods and services are zero-rated for VAT. However, exporters are required to be VAT registered. This enables them to reclaim VAT expended on all inputs used in the process of producing and processing exports.
- Duty drawback – The rationale for duty drawback is to enable manufacturers, and other exporters, to compete in foreign markets without the handicap of including

costs of imported inputs in the final export price (the duty paid on imported inputs). This allows exports to drawback up to 100% duties paid on materials inputs imported to produce for export.

- Manufacturing under bond – This scheme allows manufacturers to seek customs licence to hold and use imported raw materials intended for manufacture for export in secured places without payment of taxes. It makes available working capital, which would have been tied up through paying duties immediately after importation.
- Others – Other incentives are available under the Investment Code as administered under the Income Tax Act 1997, by URA for export-oriented investment projects.

Exchange Controls

Although foreign exchange repatriations from Uganda are not restricted, any person seeking to repatriate funds in excess of Ushs50 million should obtain a tax clearance certificate from the URA.

Trade Relations

- East African Community (EAC).
- Conotou.

Notes:

1. The Cotonou Agreement provides the framework for the EU's Development Funding to Uganda. Uganda signed the Agreement in 2013.

Interest and Currency Exchange Rates

Prime Overdraft Rate / Lending Rate:
23.10% (August 2013)
25.66% (November 2012) (source: Bank of Uganda)
Commercial Bank Rate:
12.00% (October 2013)
91-day Treasury Bill Rate:
10.15% (September 2013) (source: Bank of Uganda)

Currency: Ugandan Shilling (Ushs/UGX)
R1 = Ushs239.002 (November 2013)
US$1 = Ushs2 486.03 (November 2013) (source: Oanda)

Key Economic Statistics

GDP (approx.):
US$22.239 billion (2013 forecast) (source: IMF)
US$20.590 billion (2012 estimate) (source: IMF)
Market Capitalisation:
US$7.727 billion (last reported 2011) (source: Economy Watch, Trading Economics))
Rate of Inflation:
4.644% (December 2013)
14.009% (average 2012) (source: IMF)

Notes:

1. The economy is expected to accelerate its recovery to an estimated growth rate of 6% per annum in the Fiscal Year 2013/14. This continued recovery in growth is premised on maintaining macroeconomic stability, and improving resource mobilisation and utilisation. Also, investment in priority sectors including the commencement of major infrastructure projects, will spur economic growth.
2. Inflation is projected to average about 6% per annum in the Fiscal Year 2013/14 and around 5% over the medium term.
3. The exchange rate, which is a key determinant of economic competitiveness and has a major effect on the resource envelope, is expected to remain stable owing to the improvement in the trade balance.

Zambia

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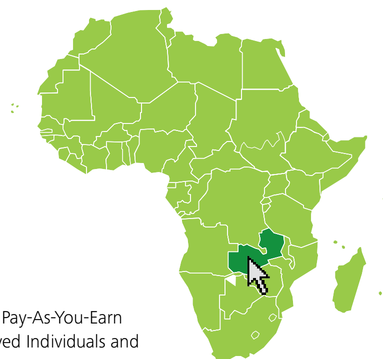
Zambia



This information is based on existing tax legislation and the 2014 Budget Address delivered by the Minister of Finance, Honourable Alexander Bwalya Chikwanda, MP, to National Assembly on 11 October 2013.

Notes:

1. The amendments to legislation proposed in the Budget Address must be approved by Parliament and changes may occur to the proposals before they are enacted. Therefore, until legislation has been enacted, these proposals are provisional in nature. The changes in tax legislation and other relevant information, as announced in the 2014 Budget Address, apply for the fiscal year 1 January 2014 to 31 December 2014, unless indicated otherwise.

Introduction

Zambia operates a source-based system of taxation. Every person receiving income from a source within, or deemed to be within Zambia, will be liable to income tax in Zambia on that income. The concept of residence is of secondary importance in that it only extends the tax net to cover interest and dividend income received from a foreign source by Zambian residents.

The tax system is administered by the Zambian Revenue Authority (ZRA), an agency established in 1994. Where disputes arise between taxpayers and the ZRA under the Income Tax Act, Value Added Tax (VAT) Act and the Customs and Excise Act, the aggrieved party has a right of appeal to the Revenue Appeals Tribunal (RAT), a statutory body that hears and determines the settlement of tax cases. A party dissatisfied with the decision of the RAT, can appeal to the High Court of Zambia.

The tax year for both individuals and companies currently runs from 1 January to 31 December.

Income Tax

Income tax is divided into Pay-As-You-Earn (PAYE), Tax on Self-employed Individuals and Company Tax.

Pay-As-You-Earn (PAYE)

PAYE is collected at source from individuals in gainful employment. The employer deducts the tax from the employee's salary or wages and is required to remit it to the ZRA by the 14th day of the month following the month of deduction. The Government has again maintained the graduated four-band system for taxing income from employment but the PAYE exempt threshold has been increased from K2.2 million per month to K3 million per month.

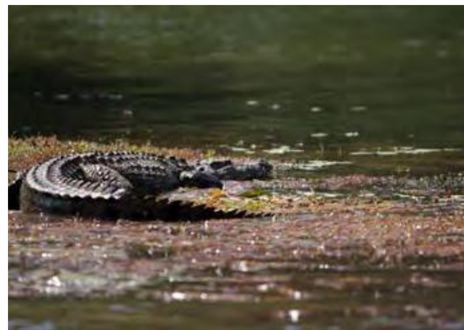
The proposed PAYE regime is as follows:

PAYE Rates for Individuals: From 1 January 2013*		
Annual Taxable Income as exceeds	But does not exceed	Rate
K	K	%
0	3 000	0%
3 000	3 800	25%
3 800	5 900	30%
5 900 +		35%

Notes:
1. An individual is resident for tax purposes if he/she is physically present in Zambia for at least 183 days in any tax year, or has entered the country with a view to establishing residence. The definition of a Permanent Establishment (PE) has been incorporated in the Income Tax Act. Although this definition is in line with the definition provided in the OECD Guidelines on international taxation, it is only applicable to transactions involving the deduction of withholding tax (WHT) from payments to non-resident contractors in the construction and haulage industries.
2. There are no rebates. However, an annual tax credit is available for persons with a disability. This tax credit for "differently-abled persons" is K3 000 per annum.
3. A company employing persons with disabilities is entitled to an annual deduction of K1 000 per annum for each such person employed.
4. The annual deductible limit for contributions to approved pension funds for an employee is the lower of 15% of income and K3 060. An employee who contributes to an approved pension scheme is allowed a refund of both his contribution and that of the employer's share upon loss of employment. The employer is allowed a deduction of up to 20% of the employee's gross emoluments.
5. In principle, individuals are liable for tax on all benefits arising from employment. However, in the case of non-cash fringe benefits, the employer is denied a tax deduction for the cost of the benefit. The provision of company cars and residential accommodation is subject to special rules.
6. On retirement, the Income Tax Act provides for exemption from tax of the first K35 000 on termination benefits paid to retirees. The balance of such payments is subject to tax at 10%.
7. The exemption for lump sum termination benefits on retrenchment or redundancy is also K35 000. Any excess is taxed at 10%. Lump sum benefits on the loss of employment on medical grounds are exempt.
8. Local authorities are permitted to add a 2% levy on income of resident individuals, up to K15 000 annually.
9. Gratuity income equivalent to the annual exempt income under PAYE is exempt from taxation and the balance is taxed at a flat rate of 25%.
10. Dividend income earned by individuals on shares listed on the Lusaka Stock Exchange (LUSE) is exempt from tax.
11. Social security – Employers must match employees' contributions to the National Pensions Scheme Authority (NAPSA). Employee contributions to NAPSA are capped at the lower of 5% of annual basic salary and K8 035.80 per annum.

Non-Residents
The above rates are also applicable to non-residents in respect of employment and business income earned in Zambia. In addition, certain payments made to non-residents are subject to WHT (see Withholding Taxes).

Tax on Self-employed Individuals
This tax is levied on business profits of individuals running business ventures as sole proprietors, or partners in a partnership, at the graduated PAYE rates. For individuals earning both business income and emoluments, business income that has been taxed under turnover tax is (as from 1 April 2007) no longer added to emoluments that are subject to PAYE but remains under the turnover tax system. The tax treatment for income that exceeds the annual threshold is not clear.



Company Tax

This is levied on business profits of incorporated companies and branches of foreign companies. Taxpayers are required to compute taxable income on an actual basis by reference to the charge year.

A company that has an accounting year-end other than 31 December can apply to the ZRA to base its tax return on the accounting year-end. The final tax returns are due by 30 June following the end of the respective charge year.

Income Tax Rates for Companies: January 2013 to December 2013*

	Note	Rate of Tax
Basic rate		35%
Companies listed on the LUSE – Years of listing	6	2% less than the sector rate
Banks	5	35%
Mobile telecommunications operators – First K250 million profit		35%
– Balance of profit	4	40%
Charitable organisations – Income from commercial activities	1	15%
Farmers, exporters of non-traditional products, producers of chemical fertilisers	2	10%
Manufacturers and others		35%
Rural enterprises		30%
Businesses with turnover up to K200 million, excluding consultancy ("Presumptive Tax")	3	3%

* The tax year currently runs from 1 January to 31 December.

Notes:

1. Profits from commercial transactions carried on by charities are taxable at 15%. Donations and membership subscriptions are not taxable.
2. The company income tax rate for agricultural activities is 10%.
3. There is a "Presumptive Tax" for persons carrying on the business of operating public passenger service vehicles. The tax is a standard annual assessment based on the seating capacity of the passenger service vehicle.
4. There is a 5% surtax on profits above K250 million earned by operators in the mobile telecommunications sector.
5. The tax rate that applies to profits made by banks is 35%.
6. The due date for the submission of annual income tax returns is 30 June following the end of the charge year. The due dates for provisional tax payments have been adjusted as follows:

Instalment	Jan 2013 – Dec 2013
1st	31 March
2nd	30 June
3rd	30 September
4th	31 December

7. New listings on the LUSE attract a 2% discount on the above income tax rate applicable and a further 5% discount where Zambians hold at least 33% of the shares.
8. Micro and small enterprises, under the Zambia Development Agency Act, are exempt from income tax for the first three and five years of operations for enterprises operating in urban and rural areas respectively.
9. The allowable low-cost housing capital expenditure is K20 000. This measure encourages employers to build decent housing units for their employees, particularly in the agriculture sector.
10. Where companies are engaged in the assembly of motor vehicles and bicycles, dividends are exempt for a period of five years from the date of first declaration.

11. **Where companies operate in the priority sectors under the Zambia Development Agency Act, they are allowed the following:
    - Exemption from income tax for five years from the date of commencement of operations, 50% in years six to eight and then 25% in years nine to 10.
    - Dividends will be exempt from tax for a period of five years from date of commencement of operations.
    - Capital expenditure on the improvement or upgrading of infrastructure will qualify for an improvement allowance of 100% of such expenditure.
12. Debt-equity ratio for thin capitalisation purposes – The debt-equity ratio in the mining sector is 3:1.
13. 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.
14. Exchange gains/losses – Exchange gains and losses of a revenue nature are only allowed as a deduction when realised. Exchange gains and losses of a capital nature are neither taxable nor allowable as a deduction. However, exchange losses of a capital nature incurred on borrowings used to finance the building and construction of an industrial or commercial building, are deductible.
15. Details of the capital allowances are set out under "Tax Incentives".
16. An advance income tax of 6% on commercial imports by non-registered traders, is payable at the port of entry based on the value for duty purposes. A tax credit against income tax is given on submission of respective receipts and annual tax return. The Commissioner has discretionary powers as to where and when the 6% tax will not apply.
17. Carry forward of losses – Other than for companies holding large-scale mining licences and mining base metals, carry forward of company losses are restricted to five years. The period for carry forward of losses for mining companies and those operating in the energy sector (i.e. hydro and thermal power (except wood) is 10 years for income tax purposes. Holders of large-scale mining licences and carrying out the mining of base metals are allowed to index the losses and unutilised capital allowances to be carried forward for income tax purposes.
18. 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.
19. All hedging activities are treated as separate business activities for income tax purposes.
20. Provisional tax – Companies are required to pay provisional tax in quarterly instalments during the charge year based on estimated income for that year. Any balance of tax due for the year is payable in the year following the end of the charge year. A provisional tax return showing an estimate of income for the charge year must be filed and a revised return should be submitted if the estimate of taxable income changes substantially.
21. Penalties – A penalty equal to 25% of the tax liability underpaid is imposed if less than two-thirds 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. Penalties for the late filing of returns are at K180 per month for individuals and K360 per month for Companies. The penalties for negligence, wilful default and fraud for businesses under the turnover tax system, are 1.5%, 3% and 4.5% respectively.
22. Concessions for companies with large-scale mining licences for base metals and those operating under the Zambian Development Agency are detailed under "Tax Incentives" below.

Mining Tax Regime

The regime for the taxation of mining companies is as follows:

- A basic rate of 30% (other companies remain at 35%).
- Variable profit tax of up to 15% on taxable income that is above 8% of gross income.
- A mineral royalty rate on base metals at 6% on gross value.
- WHT on dividends at 0%.
- Capital expenditure deductions for mining equipment, plant, machinery and other capital expenditure, are claimed at the rate of 25% per annum, from the year that the asset is brought-into-use.
- A reference price is applied for the purposes of assessing mineral royalties and any transaction for the sale of base metals, gemstones or precious metals between related or associated parties. The reference price is based on the London Metal Exchange or other commodity exchange prices.
- Cash accounting basis for VAT.

Withholding Taxes (WHTs)

Certain payments to residents and non-residents, whether individual or corporate, are subject to WHT:

WHT Rates

	Notes	Residents	Non-residents
Branch profits remittance		-	15%
Commission	2, 3	20%	20%
Dividends	1	15%	15%
Royalties		20%	20%
Rental of real property	1	10%	10%
Management or consultant fees	6	-	20%
Public entertainment fees		-	20%
Interest	4, 5, 6, 7, 8, 9	15%	15%
Non-resident contractors		-	20%

Notes:

1. WHT is a final tax in respect of payments to non-residents.
2. Other than commissions paid to employees or holders of an office.
3. Commission payments made to non-residents are deemed to have arisen from a source within Zambia and therefore taxable in Zambia irrespective of the place where the service was physically rendered. Accordingly, commission for services that are physically rendered outside Zambia would suffer WHT on payment from Zambia.
4. WHT on interest earned by individuals on savings and deposit accounts is deducted at 0%.
5. The WHT of 15% on interest paid to resident companies is not a final tax. Interest income in the case of companies is subject to further assessment regardless of the source of the interest. WHT already withheld will be treated as a credit against the income tax assessed.
6. The WHT rate has been increased to 20% on payments made to foreign contractors, public entertainers and payment of commissions.
7. Dividends paid by mining companies carrying on the mining of base metals are subject to WHT at the rate 0%.
8. These rates may be reduced by an applicable double taxation agreement (DTA). Zambia has DTAs with the countries listed below.

Maximum WHT Rates Once a DTA is Applied			
Recipient's Country of Residence	Dividends	Interest	Royalties
Canada	15%	15%	15%
Denmark	15%	10%	15%
Finland	5%/15%*	15%	15%
France	15%	15%	15%
Germany	5%/15%*	10%	10%
India	5%/15%*	10%	10%
Ireland	–	–	–
Italy	5%/15%*	10%	10%
Japan	–	10%	10%
Kenya	–	15%	15%
Mauritius	5%/15%*	10%	5%
Netherlands	5%/15%*	10%	10%
Norway	15%	10%	15%
Romania	10%	10%	15%
South Africa	15%	15%	15%
Sweden	5%/15%*	10%	10%
Switzerland	15%	–	–
Tanzania	–	15%	15%
Uganda	15%	15%	15%
United Kingdom	5%/15%*	10%	10%

* The lower rate will be applicable where a minimum level of shareholding exists.

Capital Gains Tax (CGT)

There is no CGT in Zambia. However, where an asset is sold in respect of which capital allowances have been or could have been claimed, the excess of the proceeds from the asset over the tax written-down value is treated as a balancing charge which is combined with the entity's taxable income. In each instance, the balancing charge is restricted to the allowances previously claimed.

Inheritances and Donations

There is no estate duty or donations tax in Zambia.

Value Added Tax (VAT)

The VAT registration threshold is K800 000 per annum, effective 1 January 2013. Companies and individuals dealing in taxable supplies, and with a turnover exceeding K800 000 per annum, are required to register for VAT. Registered suppliers should submit returns to the ZRA for each calendar month within 21 days of the end of the month and account for the excess of output over input VAT.

Other aspects of VAT are as follows:

- The standard rate for VAT is 16%.
- VAT registration is voluntary for businesses with an annual taxable turnover below K800 000.
- All VAT registered suppliers are required to submit input tax and output tax schedules electronically and in the approved manner.
- Supplies of goods and services are taxable at the standard rate, zero-rate or exempt. Input tax paid on purchases to produce exempt supplies is not recoverable.
- VAT exemptions include: infant formula, health, education, domestic house rentals, water, transport, financial and insurance services, conveyancing services, funeral services, statutory fees and insurance brokering.
- Taxable goods and services become zero-rated when exported. In addition, certain tourist activities which were previously zero-rated are now standard rated; namely, boat-cruising, micro-lighting, helicopter

tours and walking safaris. Books are also zero-rated. Other zero-rated supplies include: mosquito nets, raw materials and medical supplies. The list of standard rated supplies in the tourism industry now includes activities such as elephant-back safaris, steam train excursions, walking (with lions) safaris, clay pigeon shooting, fixed wing flights over the Falls, gorge swing/flying fox, paint ball shooting and quad biking safaris.

- The period for pre-production input credit for mineral prospecting companies is five years.
- The VAT Act provides for the application of VAT to a sole proprietorship.
- The VAT Act excludes from taxation, services that constitute local supplies in other VAT jurisdictions.
- The VAT Act provides for the taxation of a service consisting of a lease, hire or loan of goods that involves the removal of goods from Zambia.
- VAT at the standard rate is also levied on services provided by foreign suppliers to clients in Zambia by means of a reverse charge for such services. The corresponding input VAT is not reclaimable. This means that the Zambian client is effectively bearing the foreign company's VAT. The reverse charge only applies in cases where the non-resident supplier has not appointed a local tax agent to act on its behalf. Input VAT relating to the commission charged by the reverse VAT agents, is non-deductible by the principal.
- The cash accounting basis of accounting for VAT also applies to mining companies.
- Late payments of VAT attract additional tax of 0.5% of the amount due per day. Additional tax equal to K180 or 0.5% of the tax payable, whichever is greater, is charged per day for failure to file a VAT return.

Mineral Royalty Tax

Mineral Royalty Tax Rates		
Type of Licence	**Note**	**Rate**
Base metals	1	6%
Industrial and energy minerals	1	6%
Precious metals and gemstones		6%

Notes:

1. The mineral royalty rate for base metals, industrial and energy minerals is 6%.
2. Mineral royalty returns and payments are due by the 14th of the month following the month of sale.

Presumptive Tax

Presumptive Tax is levied at 3% on businesses with turnover of up to K800 000 per annum and on operators of buses, mini buses and taxis but excluding consultancy businesses. The taxes payable for transport operators are as follows:

Presumptive Tax on Transport Operators	
Seating Capacity of Vehicle	**Tax per Vehicle per Annum (K)**
Below 12 (including taxis)	600
12-17	1 200
18-21	2 400
22-35	3 600
36-49	4 800
50-63	7 200

Property Transfer Tax (PTT)

PTT is charged at 10% on the realised value of the property being transferred. It is payable by the transferor.

Property includes land (including any buildings, structures, or other improvements thereon), shares issued by a company in Zambia that is not listed on the LUSE and mining rights. The realised value is the price at which the shares or land could, at the time of transfer, reasonably have been sold on the open market. There is a discretionary exemption for transfers of property within the same group of companies, provided the transferee is a company resident in Zambia and the transfer is for the purposes of effecting internal group reorganisations.

Customs and Excise

The importation of goods into Zambia is subject to import or customs duty. All goods are categorised as to whether they are raw materials, intermediate or finished goods, and taxed at rates in the range 0% to 25% on cost, insurance and freight value (or value for duty purposes).

Excise duties are levied on specific classes of goods manufactured in, or imported into, the country by reference to value using pre-determined rates contained in the Harmonised Commodity Description and Coding System plus the customs duty payable on those goods.

Proposed changes to take effect from 1 January 2014 include:

- Increase in excise duty on airtime from 10% to 15% as a revenue measure.
- Reintroduce the 60% excise duty on clear bear which was suspended in 2010.
- Remove customs duty on crude oil currently at 5%.
- Introduce 15% customs duty on copper blister, copper powder and flakes and lamellar structures and flakes.
- Introduce 10% export duty on base metals and semi-processed metals.

Temporary Imports

Goods may be temporarily imported into Zambia tax-free under a temporary import permit. In practice, permits are granted up to a maximum of 12 months. Upon importation, the importer must give security for the goods imported on temporary permits. This is refundable upon exporting the goods within the period of the permit.

Carbon Tax on Motor Vehicles

An annual carbon tax on motor vehicles is charged at the following rates:

Motor Vehicle Licence Fees		
Motor Vehicle Engine Capacity as exceeds	But does not exceed	Licence Fee per annum (Kwacha)
0	1 500cc	50
1 500cc	2 000cc	100
2 000cc	3 000cc	150
3 000cc +		200

General Investment Information

Investment Incentives

Tax Incentives

- Capital allowances:
  - Capital expenditure deductions for mining equipment, plant, machinery and other capital expenditure will be claimed at the rate of 25% per annum. The deductions will only be available from the year that the asset is brought-into-use.
  - Farmworks and improvements allowance (100%) – clearing, prevention of soil erosion, farm dwellings with an original cost of no more than K10 million and other permanent works.
  - Improvement allowance under ZDA Act – 100%.
  - Accelerated capital allowances – 50% per annum on machinery, plant and equipment used exclusively for farming, manufacturing, and tourism or leasing.
  - Plant, machinery and commercial vehicles – 25% per annum based on the original cost.
  - Leased plant, machinery and implements – 50%.
  - Non-commercial vehicles – 20% per annum.
  - Initial development allowance (10%) – growers of tea, coffee and banana plants, citrus fruit trees, rose bushes and other similar plants or trees.
  - Investment allowance – 10% for capital expenditure on industrial buildings used for manufacture.
  - Industrial building allowance (10% initial for first year and 5% annual allowance). Applies to hotels and buildings used for manufacturing purposes.
  - Commercial buildings – 2% annual allowance based on the original cost.
- There is an exemption from customs duties for mining machinery imported by the holder of a mining right. This is only available on application to the Minister of Mines and Minerals. Moreover, customs duty is suspended on machinery and equipment used for the manufacture of trailers.
- Carry forward of losses for tax purposes – holders of large-scale mining licences are allowed to index their Kwacha-denominated losses and capital allowances with a factor based on the movements in exchange rates.

Agriculture

- Income taxed at a reduced rate of 10% (except for cotton lint).
- Dividends paid out of farming activities exempt from tax for the first five years from commencement of business.
- VAT deferment on importation of some agricultural equipment and machinery.
- No import duty on irrigation equipment and reduced duty rates on imports of other farming equipment.
- Reduced customs duty at 5% on premixes, being vitamin additives for animal feed.

Manufacturing

- Refund of Zambian VAT on export of Zambian products by non-resident businesses under the Commercial Exporters Scheme.
- Guaranteed input tax claim for two years prior to commencement of production.
- Income from chemical manufacturing of fertilisers is taxed at a reduced rate of 15%.
- Suspension of import duty on machinery, equipment and capital goods for assembling of motor vehicles, trailers, motorcycles and bicycles.

Tourism

- Refund of VAT for non-resident tourists and visitors on selected goods.
- No import VAT on all goods temporarily imported into the country by foreign tourists.

General Incentives

- Import VAT relief for VAT registered businesses on imports of eligible capital goods (i.e. VAT deferment).
- Zero rate of VAT on export of taxable products.
- Guarantee of VAT refund within 30 days of lodgement of adequately supported claims within 30 days of submission of the claim.
- Relief of VAT on transfer of a business as a going concern.
- Equal treatment of services for VAT irrespective of domicile of the supplier (i.e. reverse VAT).
- Cash accounting for VAT for members of the Association of Building and Civil Engineering Contractors.
- Guaranteed VAT input tax claim for three months prior to VAT registration for businesses that have already commenced trading.
- Reintroduction of voluntary registration for compliant businesses whose turnover is below K800 per annum subject to conditions stated above.
- Registered businesses allowed to reclaim 20% of input VAT paid on petrol.
- Exemption of interest component of finance leases from VAT.
- VAT relief on input tax paid for purchases made by registered suppliers.
- Income from non-traditional exports is taxed at a reduced rate of 15%.

Concessions for Companies Operating under the Zambian Development Agency (ZDA) Act

- Profits made in designated zones 100% exempt from income tax for five years from the date when the approved investment commences operations, 50% in years six to eight, 25% in years nine to 10 and then 0% thereafter.
- 0% tax on dividends for five years from the date when the approved investment commences operations.
- 0% import duty rate on raw materials, capital goods and machinery (including trucks and specialised motor vehicles) for five years.

- Deferment of VAT on machinery and equipment (including trucks and specialised motor vehicles).

Further concessions for developers and investors in the MFEZ and Industrial Parks (introduced last year) include:

- Removal of WHT on management fees, consultancy fees, and interest repayments to foreign contractors.
- Zero-rating of supplies to developers of MFEZ and Industrial Parks.
- Foreign suppliers to MFEZ and Industrial Parks exempt from reverse VAT charge.
- Exemption from customs duty of equipment and machinery imported for the development of MFEZ and Industrial Parks.
- 0% import duty rate on raw materials, capital goods and machinery (including trucks and specialised motor vehicles) for five years.
- Deferment of VAT on machinery and equipment (including trucks and specialised motor vehicles).

Notes:

1. Developers of Industrial Parks will only qualify for these incentives if the layout of the development plan is approved by the relevant planning authority, the park to be developed is at least 15 acres in size, the Park will have paved roads and water and electricity supply within the Park is provided.

Exchange Controls

There are no foreign exchange controls in Zambia.

Expatriates and Work Permits

A holder of an investment licence who invests at least US$250 000, and employs at least 10 local people, will be entitled to a self-employment or a residence permit and to assistance in obtaining work permits for up to five expatriate employees.

Trade Relations

- Memberships – Cotonou Agreement, SADC, COMESA.
- AGOA beneficiary country.
- The China Special Preferential Agreement.

Notes:

1. In order to strengthen and develop the existing China-Africa friendly relations and co-operation, the Chinese Government has extended a special preferential trade arrangement to developing countries. In respect of this arrangement (which took effect on 1 January 2005), certain African countries (including Zambia) benefit from tariff preferences on selected goods exported to China.

Interest and Currency Exchange Rates

Overnight Lending Facility Rate:
12.250% (December 2013)
91-day Treasury Bill Rate:
7.8435% (December 2013) (source: Bank of Zambia)
Currency: Zambian Kwacha (divided into 100 ngwee)
ZAR1 = K0.5357 (December 2013)
US$1 = K5.5082 (December 2013)

Key Economic Statistics

GDP (approx.):
K120.952 million (2013 projection)
K105.983 million (2012 actual) (source: IMF)
Market Capitalisation (approx.):
K52.899 million (December 2013) (source: LSE)
Rate of Inflation:
7.500% (2013 average projected) (source: IMF)
7.300% (2012 average) (source: Bank of Zambia)

Zimbabwe

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Zimbabwe

> *Notes:*
> 1. Except where otherwise stated, references to 1 January 2014, in the context of Income Tax and Capital Gains Tax (CGT), are to the year of assessment commencing on that date. References to "Zimra" are to the Zimbabwe Revenue Authority and the currency specified is United States Dollar (US$).
> 2. The new Income Tax Bill which was gazetted in late 2012, has been referred back by the President to the Finance and Budget with some reservations. It is uncertain at this stage whether or not it will be made law. There are fundamental changes to the tax system proposed in this Bill including, amongst others, a move from a source-based tax system to a residence-based tax system.

Income Tax

The source basis of taxation is applied in Zimbabwe.

Individuals

Pay-As-You-Earn (PAYE)

Any employer of an employee, whose annual remuneration exceeds the zero-rate band of taxable income from employment, is required to register for PAYE purposes with Zimra. A similar obligation extends to others (e.g. administrators of pension funds and foreign employers).

Employers and other parties are required to withhold tax from remuneration in accordance with tables published by Zimra and to pay the PAYE by the 10th day of the following month.

The "Final Deduction System", which operates through the PAYE stage of collections, minimises Zimra's assessment work in respect of employee taxpayers. Employers are authorised to refund excess PAYE or to collect additional PAYE from employees in appropriate circumstances. A substantial proportion of taxable employees are thus not required to render returns.

No changes to the rates of tax except that high income earners (i.e. persons earning in excess of $240,000 per annum) will be taxed at 50% on the excess amount. The rates for the period 1 January 2014 to 31 December 2014 (as provided below) are as follows:

Taxable Income Bands (US$)			Rates	
0	to	3 000	multiply by	0%
3 001	to	12 000	multiply by	20%
12 001	to	24 000	multiply by	25%
24 001	to	60 000	multiply by	30%
60 001	to	90 000	multiply by	35%
90 001	to	120 000	multiply by	40%
120 001	to	240 000	multiply by	45%
240 0 01	and	above	multiply by	50%

> *Notes:*
> 1. The portion of income that falls into each band is taxed at each applicable rate.
> 2. The highest marginal tax rate was reviewed upwards from 45% to 50% with effect from 1 January 2014.
> 3. The above rates do not include the AIDS levy of 3% on the tax payable. For example, for the year 2013, the maximum US$ rate of tax is effectively 50%.
> 4. The above rates are applicable to residents and non-residents in respect of employment income earned in Zimbabwe.
> 5. The monthly tax-free threshold has been adjusted from US$225 to US$250 per month from 1 January 2012.
> 6. Note that certain employment-related benefits attract special treatment.
> 7. Note that income from employment may not be set-off against losses incurred in business activities.

Personal Tax Credits

- The monthly personal tax credits for the elderly (from the year of 55th birthday), blind and disabled persons are US$75 per month.
- A medical aid expense credit of 50% of invalid appliances, and treatment and 50% of medical aid contributions is allowed.
- Tax credit in respect of disabled persons, and medical concessions pertaining to disabled persons, are not available if the person is not ordinarily resident in Zimbabwe.
- The credit for the elderly is reduced proportionately for the year of assessment in which the person turns 55 years old. In the case of the blind person's and disabled person's credits, where the income tax payable by the entitled spouse is insufficient to absorb the amount of the credit, the excess may be carried over and set-off against the income tax payable by the other spouse (spouses are assessed separately in Zimbabwe).
- Personal credits of specified amounts are deducted from income tax with which a taxpayer is chargeable.
- Taxable income accruing to an individual from any trade or investment is taxed at a flat rate of 25% (plus AIDS levy at 3%), as opposed to the sliding scale applicable to taxable income from employment. The tax may, however, be reduced by personal tax credits (to the extent that they have not been credited against the tax on any employment earnings).

Benefits from Employment

Unless otherwise exempted, benefits arising from employment are taxable. Certain benefits have deemed values as follows:

- Motor vehicles – The annual deemed benefits from private use of an employer's motor vehicle are revised as follows:

Engine Capacity	US$
Up to 1 500cc	3 600
1 501cc to 2 000cc	4 800
2 001cc to 3 000cc	7 200
Over 3 000cc	9 600

- Benefits on disposal of company vehicles to employees – With effect from the 1 January 2009, and any subsequent year of assessment, the deemed benefit in the case of a sale or disposal of a motor vehicle to an employee whether during or on termination of employment, is determined by taking into account the cost at which the employer acquired the vehicle, the market value of the vehicle and the consideration given by the employee.

  In the event that the motor vehicle was acquired before 1 January 2009, the cost of the vehicle is the value of the vehicle as shown in the final balances determined and carried forward by the employer in their financial statements as at 1 January 2009.

  In determining the market value of a motor vehicle, the Commissioner may have regard to the valuation of a member of such institution or association of motor dealers or values as prescribed by notice in the Gazette. No benefit accrues to an employee who on the date of sale or disposal of the motor vehicle is over the age of 55.

- "Soft loans" – A benefit arises on the provision of a loan to an employee where the interest rate on the loan is less than LIBOR rate plus 5%. No benefit would arise if the charge is above the LIBOR rate plus

5%. If the charge is less than that rate, the benefit is determined by the difference between the LIBOR rate plus 5% and the interest rate charged. The benefit is taxable at normal rates.

Taxable Income from Employment: Other Aspects

- Bonus tax-exempt threshold – The bonus exempt tax threshold has been increased from US$700 to US$1 000 with effect from 1 November 2012.
- Share option schemes – The amount received or accrued as a result of the sale of shares offered to an employee, pursuant to any share option scheme, is brought into gross income. Where the share options were granted prior to, but exercised on or after 1 February 2009, a final tax of 5% of the gross amount realised arises. Disposal of shares granted after that date will be taxable based on the existing formula. The resultant gross income is adjusted for the inflation content. Such adjustment is calculated by applying a formula recognising the difference in the "all-items" Consumer Price Index (CPI) at the date of sale and at the date of the offer under the scheme.
- Retrenchment exemption – Revised as follows: 1 January 2014, the exemption is the greater of US$10 000 or one-third of the retrenchment package provided that the exemption shall apply only in respect of the first US$60 000 of the package in any year of assessment.
- Elderly taxpayer's exemptions (i.e. aged 55 years or more) – An amount of US$250 per month remains exempt on each of the following accruals:
  - Rentals.
  - Interest on any deposit with a financial institution.
  - Interest on bankers' acceptances and other discounted instruments traded by financial institutions.

Other

- An allowable deduction of arrear pension contributions together with current contributions of US$1 800 per annum.
- An over-deduction of PAYE shall not be refunded where the amount is below US$0.05.
- The Commissioner will write-off any shortfall on PAYE of US$0.05 and below.
- Where a taxpayer is over 55 years of age, the Commissioner shall authorise a refund of tax withheld on dividends and interest paid as follows:

Amount US$	%
Up to 600	100%
601 to 720	75%
721 to 840	50%
841 to 960	25%

- Where the taxpayer is below 55 years of age, the Commissioner shall authorise a refund of tax withheld on dividends and interest paid as follows:

Amount US$	%
Up to 480	100%
481 to 600	75%
601 to 720	50%
721 to 840	25%

Companies, Trusts and Individuals in Respect of Trade or Investment Income

Non-PAYE income includes any Zimbabwe interest that is not liable to withholding tax (WHT), foreign interest and dividends where the Zimbabwe tax exceeds the foreign tax paid, rentals and trade income.

Quarterly Payment Dates (QPDs)

QPD payments are paid in respect of estimated tax in the year of assessment. The instalments of percentages of the tax fall due, are as follows during the year:

25 March	10%
25 June	25%
25 September	30%
20 December	35%

Taxpayers are required, during each QPD period, to submit estimates of the taxable income for the year of assessment.

From 1 January 2010, the following tax rates apply:

Income Tax: Companies and Trusts	Rate
Basic rate	25%
AIDS levy – Based on tax payable	3%
Effective rate	25.75%
Special Income Tax Rates:	
Foreign dividends	20%
Pension funds	15%
Mining operations – Companies and mining trusts	25%
Mining operations – Individuals	25%
Special mining lease operations	15%
Income Tax Holiday Rates:	
BOOT/BOT arrangement operations:	
First five years	0%
Second five years	15%
Manufacturing company which exports 50% of its output	20%

Notes:

1. The tax year is the calendar year from 1 January to 31 December. An accounting year may be used instead if so approved by the tax authorities.
2. Foreign-source income – Income such as rentals and business profits are not taxable. Residents are, however, taxed on foreign-source dividends and interest. Dividends are taxed separately at the rate of 20%. Where foreign-source income is taxable in the source country, a credit for the foreign tax up to the amount of the applicable Zimbabwean income tax will be allowed.
3. Deceased and insolvent estates are generally taxable at the rates applicable to individual's trade or investment income.
4. Income from employment may not be set-off against losses incurred in business activities.
5. With effect from 1 January 2010, the allowance for doubtful debts is repealed.

Employers' Pension Fund Contributions

The maximum allowable contribution to an approved pension fund, and retirement annuity fund, is US$5 400 per annum, and the maximum allowable contribution to a retirement annuity fund only, is US$2 700 per annum. Where the person is a member of more than one retirement annuity fund the maximum allowable is US$2 700.

Social Development Expenditure and Funding

From 1 January 2009, the limit for a claim for payments made to, or for, expenditure incurred in each of the following is US$100 000:

- Payments to the state for hospital and health supplies funding.
- Payments to the state for school and educational supplies funding.
- Payments to specified research and development institutions.

Attendance at a Trade Mission or Convention

From I January 2009, the limit on a claim for deduction of expenditure incurred is US$2 500 per trade mission or convention.

Contributions to Scientific, Educational Institutions or Like Body of a Public Character

With effect from 1 January 2010, the deduction allowable to contributions made by the taxpayer to scientific, educational or like body of a public character approved by the Commissioner solely for the purpose of industrial research or scientific, experimental work connected with his trade, is now restricted to the amount contributed by the taxpayer during the year.

Repeal of Deductibility of Mining Royalties

Royalties payable to the Government under the Mines and Minerals Act are presently tax deductible. It is proposed to repeal this deduction with effect from 1 January 2014.

New Specific Allowable Deductions in Respect of Indigenisation Transactions

It is proposed to allow a deduction of the following in respect of activities pursuant to compliance with the Indigenisation and Economic Empowerment Act:

- The amount of any contribution or donation paid in the year of assessment to a community share ownership trust or scheme.
- The value of the shares of a corporate taxpayer that are lent in the year of assessment to an indigenisation partner of the taxpayer pursuant to a corporate vendor-financed loan. A corporate vendor financed loan means a loan of shares in a corporate taxpayer to an aspirant shareholder of that taxpayer which are purchased by the aspirant shareholder by means of dividends forgone on those shares in favour of the taxpayer.
- Interest payable by an indigenisation partner in the year of assessment on any loan advanced to him or her to purchase shares in the company of which he or she is an indigenous partner. (The measure takes effect from 1 January 2014).

Mining Claims

To discourage holders of mining claims from retaining unworked ground for speculative purposes, a proposed fee of US$100/hectare per annum will be introduced on unworked mining claims.

Capital Allowances

- Special Initial Allowance and wear-and-tear – A Special Initial Allowance (SIA) is currently provided on specified assets, such as plant and machinery and industrial buildings, at a rate of 25% of the cost of the asset in the year of assessment in which such an asset is first used. During the subsequent three years, the asset is then entitled to an accelerated wear-and-tear allowance of 25% each year. The effect is to defer taxation of business profits since the deduction is not spread over the economic use of the asset.
- Capital redemption allowance – Mining

companies can access a "Capital Redemption Allowance" of 100% of the amount incurred on capital expenditure in the year of assessment.
- SME's – Qualifying SME's can access a capital allowance structure of 50% SIA, and 25% accelerated wear-and-tear in the next two years of assessment.
- Limited deductions:
  - An annuity, allowance or pension paid to a former employee who has retired due to ill-health infirmity or old age, is US$500 per annum.
  - An amount paid to a former partner who has retired from the partnership due to ill-health, infirmity or old age, is US$200 per annum.
  - An amount paid to any person who is dependent for his maintenance on the former employee or former partner or where the former employee or partner is deceased, is US$200 per annum.
  - An amount paid to the public private partnership fund is US$50 000 per annum.
  - An amount paid to the Destitute Homeless Person Rehabilitation Fund is US$50 000 per annum.
  - The allocation of general administration and management charges between group companies is restricted to 1% of other deductible expenditure.
  - On assessment, no tax is payable where the amount payable is less than US$0.50.

Income Tax Exemptions

Interest Earned on Mortgage Finance

Presently building societies are exempted from income tax. In light of the fact that other financial institutions grant mortgage finance the exemption from income tax relating to building societies has been repealed and replaced with "building societies, and financial institutions providing mortgage finance, but only to the extent that the receipts and accruals of such financial institutions are attributable to the provision of mortgage finance by them". The measure takes effect from 1 January 2014.

Interest Earned on Loans Made to Small-Scale Gold Producers

Interest on loans made to small-scale gold miners for mining operations, prospecting or exploratory works in Zimbabwe, will be exempt from income tax with effect 1 January 2014.

Withholding Taxes (WHTs)

Certain amounts are subject to WHTs. From 30 January 2009, the threshold for the levying of 10% tax on contracts denominated in foreign currency is US$250 per contract. WHT on contracts has been revised to include a new WHT of 15% on any contracts involving a non-resident artists or entertainers that is contracted to perform in Zimbabwe. The amounts withheld, in both instances, are payable on or before the 10th day of the month following payment.

The existing and new provisions both make the payer/contractor liable for the taxes not withheld but the new provisions remove the power of discretion granted to the Commissioner to waive such liability in certain circumstances.

The measure takes effect from 1 January 2014 and the tax is also payable on, or before, the 10th day of the month following that in which the payment was made.

With effect from 1 January 2013, resident tax on interest is reduced to 5% on fixed-term deposits with tenure of at least 90 days. The ordinary rate of 15% still applies on other financial institutions. The following are the WHT rates:

WHT Rates		
	Note	**Rate**
Resident and Non-resident Shareholders' Taxes	1, 2, 3	
On dividends distributed by:		
• A company listed on the Zimbabwe Stock Exchange (ZSE)		10%
• Any other company	4	15%
On fees and royalties	4	15%
Tax on non-executive directors' fees	5	20%
WHT on group allocable expenditure remittances	6	15%
Residents' Tax on Interest		
From deposits with financial institutions		15%
Bankers' acceptances and other discountable:		
• Instruments		15%
• Treasury bills		150%
• Fixed-term deposits		15%
Tax on contracts of sale/service		10%
Tax on freelance property and insurance agents' commission		20%

Notes:

1. No tax arises on dividends distributed by one Zimbabwe resident company to another.
2. Shareholders who are individuals, and whose aggregate income (i.e. taxable income plus local dividends) does not exceed specified amounts, may be entitled to a refund of the tax.
3. Dividends from companies (other than building societies) ordinarily resident in Zimbabwe, while not subject to Zimbabwe income tax in the hands of non-residents, suffer non-resident shareholders' tax, which is withheld by the dividend-paying companies and paid to Zimra.
4. Reduced rates may apply to non-residents where a double taxation agreement (DTA) exists (see DTA table alongside).
5. From 1 January 2007, WHT of 20% is introduced on fees payable to non-executive directors. Such tax is payable within 15 days of the date of payment of such fees and is later credited against any income tax payable by the recipient.
6. Subject to certain exemptions, a non-resident individual, partnership or company, which remits an amount from Zimbabwe to another country for expenditure incurred outside Zimbabwe in connection with or allocable to its carrying on of any trade within Zimbabwe, is required to pay the tax within 10 days from the date of payment of the remittance. This would relate to mainly foreign head office expenses.
7. From 1 January 2012, WHT on fees, royalties, dividends payable to various residents and non-executive director`s fees, remains payable within 10 days (previously 15 days) from date of payment or deemed payment of the aforementioned payments.
8. With effect from the same date, WHTs for resident`s tax on interest, automated financial transactions, intermediate money transfers and property or insurance commissions, remain payable by the 10th day of the month following the month of payment of the relevant expense.

9. Failure to pay, or late payment of the correct taxes, may result in the imposition of penalties of up to 100%. With effect from 1 January 2010, interest on unpaid tax is levied on late remittances at a rate of 10% per annum. In determining the period within which payment should be made, care must be taken regarding the date of entitlement.

Double Taxation Agreements (DTAs)

Maximum WHT Rates a Once DTA is Applied				
	Notes	Dividends	Royalties	Technical Fees
Bulgaria	1	10%	10%	10%
Botswana	1	5-10%	10%	10%
Canada	1	10%	10%	10%
France	1	10%	10%	10%
Germany	1	10%	7.5%	7.5%
Malaysia	1	10%	10%	10%
Mauritius	1, 2	10%	15%	0/15%
Netherlands	1	10%	10%	10%
Norway	1	15%	10%	10%
Poland	1	10%	10%	15%
South Africa	1	15%	15%	15%
Sweden	1	15%	10%	10%
United Kingdom	1	5-15%	10%	10%
Countries without a DTA	1	10/15%	15%	15%

Notes:

1. This lower rate applies only on dividends declared to companies with a 25% shareholding or voting power, otherwise the rates remain as 10% (listed) or 15% (unlisted).
2. If the technical fee is taxed in Mauritius, no WHT is levied in Zimbabwe. If, however, the technical fee is not taxed in Mauritius, there is a WHT in Zimbabwe at the normal rate of 15%.
3. Non-residents' tax on remittances remains at 15% in all cases.
4. Agreements with the following countries are pending: China, Indonesia, Namibia, Singapore, Seychelles, Switzerland, Tanzania, Thailand, Tunisia, Yugoslavia, Zambia, Democratic Republic of Congo and (re-negotiation) South Africa.
5. Non-Resident Tax on Interest (NRTI) was repealed with effect from 1 August 2009.

Intermediated Money Transfer Tax

Mobile Banking Services

The 30th Schedule, which imposes a tax on money transfers, has been extended to include such a tax on any mobile banking service. The Intermediated Money Transfer Tax is presently calculated at the rate of US$0.05 for each transaction on which the tax is payable. The effective date for this measure is 1 January 2014.

Automated Financial Transactions Tax

Mobile Banking Services

The Minister stated in his Budget Speech that the Automated Financial Transaction Tax applies on transfer of funds from a financial institution to a mobile platform. There is no proposed amendment in this regard under the Bill. The Automated Financial Transactions Tax is presently calculated at the rate of US$0.05 for each transaction on which the tax is payable. The effective date for this measure is 1 January 2014.

Presumptive Taxes

Presumptive taxes are levied on certain informal traders, small-scale miners, transport operators, hair salons and operators of water-borne vehicles, amongst others, as follows:

Vehicle Usage	Sub-Class	Rate per Quarter US$
Driving school training	class 4	500
	class 1 and 2	600
Goods: carrying capacity	+10 to less than 20 tonnes	1 000
Goods: carrying capacity	other	2 500
	20 tonnes+	2 500
Commuter omnibus: passengers	8 – 14	150
	15 – 24	175
	25 – 36	300
	37 +	450
Taxicabs: passengers	maximum 7	100
Other		
Hairdressing salon		1 500
Cross-border traders		10% of the VDP
Restaurant operators or bottle stores		300
Cottage industry operators		300
Informal traders		10% of rent
Small-scale miners		2% of value of minerals/stones sold

Notes:

1. With effect from 1 January 2010, presumptive taxes payable by small-scale miners is due by the 10th of the following month (previously, the 20th day).

With effect from 1 January 2012, there will be presumptive tax on water-borne vessels, as follows:

Type of Operator	Size per Vessel (number of passengers)	Rate per Quarter (US$)
Fishing rigs		350
Commercial water-borne vessel	1-5	250
	6-15	500
	16-25	1 000
	26-49	1 500
	50 and above	2 000

Notes:
1. The tax is payable by the 10th day following the applicable quarter and interest is chargeable on unpaid tax.
2. This type of presumptive tax will only not apply unless an operator of commercial water-borne vessel has been issued a tax clearance certificate confirming they have submitted an income tax return for the previous year, or has proof that he/she is registered for Value Added Tax (VAT).
3. A commercial water-borne vessel includes any ship, cruiser, houseboat, canoe or any other water-borne vessel of whatever description that is employed for the carriage of passengers for profit on inland waters, or fishing rigs.

Thin Capitalisation

The thin capitalisation rules limit the deduction of interest payments by a company to a debt-equity ratio of 3:1. The disallowed interest is deemed to be a dividend for WHT purposes.

Transfer Pricing

The Bill seeks to incorporate the transfer pricing provisions as outlined below:

Whilst the proposed Act does not introduce a specific transfer pricing framework (e.g. as per the OECD Guidelines), the following are the broad measures introduced dealing with transactions between associates and other related parties including employee and employer relationships:-

The Commissioner will be empowered to:
- Distribute, apportion or allocate income deductions or tax credit to reflect an arm's length transaction.
- Adjust income accruing from any transfer of any income or intangible property involving associates or employer and employee relationship. The adjustment to be commensurate with the income attributable to the property.
- Where an individual attempts to split income with an associate, the Commissioner may adjust the taxable income of the taxpayer and the associate to prevent any reduction in tax payable as a result of the splitting.

In making any of the above adjustments, the Commissioner has the power to recharacterise the income and the nature of any payment or loss capital or otherwise.

"Associate" has been clearly defined and in summary this includes:
- Where a person, other than an employee, acts in accordance with the directions, requests, suggestions or wishes of another person, whether or not the persons are in a business relationship and whether or not those directions, requests, suggestions or wishes are communicated to the first mentioned person, both persons shall be treated as associates of each other for the purposes of this Act.

More specifically, an associate includes (subject to certain exceptions based on the Commissioners discretion):

- A near relative of the person.
- A partner of the person.
- A partnership in which the person is a partner, if the person, either alone or together with one or more associates, controls 50 % or more of the rights to the partnership's income or capital.
- The trustee of a trust under which the person, or an associate of the person, benefits or may benefit.
- A company which is controlled by the person, either alone or together with one or more associates.
- Where the person is a company, a person who, either alone or together with one or more associates, controls the company; or another company which is controlled by that person either alone or together with one or more associates.

Capital Gains Tax (CGT)

Subject to certain exemptions, CGT is payable on any gain from a source within Zimbabwe, arising from the sale or deemed sale of specified assets; namely, immovable property and marketable securities. Deemed sales include the donation or exchange of assets. Amounts received on the maturity or redemption of assets is also taxable. The tax applies equally to companies and individuals.

With effect from 1 January 2014, amounts received by or accruing to a person from the sale or disposal of his or her shares to an indigenisation partner (including employees) or community share ownership trust or scheme, will be exempt from CGT.

Currently, the transfer of qualifying assets by way of a cession does not require the obtaining of a CGT clearance certificate to legally effect transfer. It is proposed to extend this requirement to cession arrangements.

With effect from 1 February 2009, the capital gain from a sale or disposal of a marketable security and immovable property acquired before 1 February 2009, is the amount realised from the sale or disposal of the asset. The rate of CGT on such disposal is 5%.

Any sale of a marketable security (except a listed security), which is subject to a CGT WHT which is final, and immovable property acquired after this date, is taxed at 20% after allowing the following deductions:

- Selling expenses.
- Cost price.
- Bad debts.
- Special Court, High Court or Supreme Court appeal cost.
- 2.5% allowance of the purchase price from date of acquisition.
- 2.5% allowance on the cost of additions or improvements.

CGT is payable within 30 days of the earliest of:

- The signing of the agreement.
- Transfer of the property.
- Receipt of payment of the selling price of the specified asset.

Notes:

1. The CGT exemption on the sale of a principal private residence by an individual applies to sellers aged 55 years and older.
2. Roll-over provisions with respect to the disposal of a principal private residence have also been extended to the disposal of a vacant residential stand.

Capital Gains Withholding Tax

The rate of WHT is as follows:

- With effect from 1 February 2009, on immovable property 15% of the sale proceeds.
- With effect from 1 August 2009, on marketable securities that are listed securities 1% of the sale proceeds (this is a final tax).

No part of capital gains WHT, that was withheld and paid over to the Commissioner, is refundable on the basis that there was an overpayment.

Notes:

1. From 1 January 2009, the depositories, agent or payee, must remit the capital gains WHT no later than the third working day of the following month.
2. The responsibility for withholding CGT, and paying such taxes, rests with a "depository", such as a conveyancer or a stockbroker, who holds part or all of the sale proceeds. Such depositories must be registered with Zimra. Should the depository fail to withhold the amount, responsibility passes to the seller. In certain circumstances, taxpayers may apply for capital gains WHT clearance (e.g. where there is no CGT liability).
3. The tax withheld is allowed as a credit against CGT ultimately found to be payable.
4. Registration of change of ownership may necessitate an assessment before permission to transfer is granted.

Value Added Tax (VAT)

VAT is payable in respect of a broad range of goods and services supplied by a registered operator or which are imported.

A registered operator is a person carrying on a trade continuously. The VAT registration threshold is US$60 000 per annum. The effect of registration is that a recipient trader is entitled to claim input (with certain exceptions) equal to the VAT paid by him to his supplier if such supplies are for the purpose of his trade. This input VAT is set-off against output VAT payable in respect of the tax period. Any excess input tax is refundable by Zimra.

The rates of VAT applied, are:

- The standard rate of 15%.
- A zero rate (0%).

With regards to a zero percent VAT rate, the effect of the zero rate is that, although the supplier of the designated goods and services charges no VAT and therefore has no output tax in that respect, he/she remains entitled to claim input tax on any supplies to him as have been subject to VAT. Zero-rating applies to: basic foodstuffs (including bread, margarine, milk, sugar, fresh/chilled/frozen meat and vegetables, fresh/dried fruits, eggs and salt), supplies of certain agricultural, horticultural and forestry equipment, various goods for use by disabled persons, medicines, exported goods and international transport of goods and passengers. With effect from 1 December 2010, the procurement of fiscalised electronic tax registers and memory devices is zero-rated.

Exemptions from VAT include: operations under a temporary casino licence, certain educational services, medical services, road and rail fare-paying passenger services, pipeline transportation, services provided by a fund administrator to or on behalf of a pension fund registered under the Pension and Provident Funds Act, domestic accommodation, water and electricity supplies, imports of certain agricultural equipment and imports of certain petroleum products.

Notes:
1. The option to apply for VAT registration for separate trade, branches and divisions, was repealed with effect from 1 January 2010.
2. VAT at 20% is payable by the supplier on exportation of unbeneficiated chrome (chrome-ore and fines).
3. On importation of goods into Zimbabwe, VAT is payable on the value for duty purposes plus any duty, excluding surtax.
4. The period within which the Commissioner should respond to an objection is three months.
5. With effect from 1 January 2010, every supply made by auction of any goods and services on behalf of a principal, is treated as a supply made by the auctioneer.

The following changes were effected from the 1 January 2012:
- VAT payable and returns are due by the 25th day after the tax period.
- Implementation of VAT fiscalised recording of transactions will start on 1 January 2012.
- Non-compliance with fiscalisation by registered operators would attract a maximum penalty of a US$25 per point of sale for each day the taxpayer remains in default.

The VAT Act allows for the deferment of VAT payable on certain imported capital goods for a period of up to 90 days and, where the goods are converted to/or disposed of without having used them in the manner that qualified them for the deferment, additional tax equal to the tax, is chargeable. With effect from 1 January 2013, the additional tax is extended to persons who do not settle the deferred VAT when it becomes due. The amounts are also subject to interest.

Export of Unbeneficiated Products

Presently, the only export attracting VAT is on the export of unbeneficiated chrome. The minister indicated that the ban on exportation of chrome would be maintained. The following further changes are proposed on certain exports:

Exportation of Unbeneficiated Hides

The exportation of unbeneficiated hides will give rise to VAT at a rate of 75 cents per kilogram on the supplier of such hides for export. Unbeneficiated hides include:
- Raw or untanned animal hides; or
- Unbeneficiated leather.

The Bill prescribes the valuation method for purposes of VAT as the highest price in the market of export in the prior six months or the value on the Bill of Entry under the Customs Act (whichever is higher). The rate of VAT has not been specified. The measure takes effect from 1 January 2014.

Exportation of Unbeneficiated Platinum

The Bill has provided VAT at a rate to be advised on the value of unbeneficiated platinum.

Unbeneficiated platinum means platinum which has not been subjected to:
- Crushing, milling and washing to remove waste material; and
- The smelting of the resulting platinum concentrate into pellet or ingot form.

The value placed on the exported unbeneficiated platinum shall be:
- The market value on the date of exportation as determined by reference to a reputable metals exchange; or
- The value as reflected on the Bill of Entry

or other document as required under the Customs and Excise Act, whichever in higher.

The Minister also indicated in his Speech that unbeneficiated platinum exports would be banned with effect from 1 January 2015.

Exportation of Rough Diamonds
The exportation of rough diamonds shall attract VAT at a rate to be advised on the value of the exported rough diamonds. Rough diamonds have been defined as any diamond after it has been extracted by a diamond producer but before it is cut or polished. The value placed on the exportation of rough diamonds shall be:

- The market value on the date of exportation as determined by reference to a reputable diamond exchange; or
- The value as reflected on the Bill of Entry or other document as required under the Customs and Excise Act, whichever is higher.

The effective date for this measure is 1 January 2014.

Input VAT

Prohibited Input Tax Deductions
The Bill further proposes to prohibit the deduction as input tax of the VAT paid on the exportation of unbeneficiated chrome, unbeneficiated hides, and unbeneficiated platinum or raw diamonds. The effective date for this measure is 1 January 2014.

VAT Rates

Zero-Rating Locally Sold Rough Diamonds
The Minister proposed in his Speech (but not in the draft Bill) the zero-rating of rough diamonds sold on the domestic market. The measure takes effect from 1 January 2014.

Zero-Rating White Sugar
To avail a relief to manufacturers and retailers on accumulating outstanding VAT on white sugar, it is proposed that white sugar is zero-rated with retrospective effect. The measure takes effect from 1 February 2009.

Zero-Rating Soya Bean Crude Oil
It is proposed to zero-rate soya bean crude oil and also remove duty on its import. The measure takes effect from 1 January 2014.

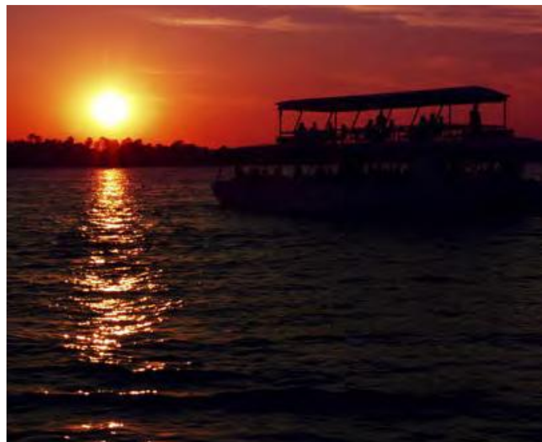
Exemption – Imported Electricity
The Minister is proposing to back date to February 2009, the exemption of VAT on imported electricity. It appears that this would relate to electricity imported by ZETDC and on sold to local consumers. The effective date for this measure is 1 January 2009.

Customs and Excise Duty

Customs duty is levied on the importation of certain goods on the value for duty purposes (VDP). The VDP is essentially the landed value of the goods plus VAT where applicable.

The standard tariff can be varied by virtue of special rates applicable to an agreement or trade block membership. Presently, Zimbabwe is a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

A wide range of rebates exist mainly in respect of certain raw materials, strategic entities and/or sectors and certain types or classes of capital equipment.



Regular changes are made to customs tariffs and/or rebates depending on emerging circumstances. Accordingly, it is outside of the scope of this document to include all such rebates or tariffs. A tariff search is available on the Zimra website at: www.zimra.co.zw.

Other Transaction Taxes

Tobacco Levy

In relation to tobacco sold at any auction floor, auctioneers are required to recover from the buyer 1.5% of the price payable by him. For income tax purposes, the amounts are deductible in the determination of the taxable income of the buyer of the tobacco.

Demutualisation Levy

Any issue of shares under a scheme whereby, for example, a mutual society is converted into an insurance company, is subject to a demutualisation levy of 2.5% of the value of the shares, payable by the company concerned.

Banking Institution Levy

With effect from 1 January 2010, the banking institution levy was repealed.

NOCZIM Debt Redemption Levy

In September 2011, it was proposed to split the NOCZIM Debt Redemption Levy into two separately administered levies i.e. the NOCZIM Redemption Levy and the Strategic Reserve Levy.

The NOCZIM Debt Redemption Levy is proposed to be as follows:

- Diesel at US$1.3c per litre.
- Petrol at US$6.7c per litre.

Notes:

1. This Levy will lapse on the date when the debts for which the NOCZIM Debt Redemption Sinking Fund was established, have been paid in full. The Levy was previously US$3c per litre.
2. The Strategic Reserve Levy is now US$1.5c for both diesel and petrol. This Levy does not have an expiry date or trigger for expiry as is the case with the NOCZIM Debt Redemption Levy.
3. Both Levies apply to purchases or importations by an oil company from NOCZIM (or its subsidiaries or successors) or by any person licensed to import bulk fuel.

Carbon Tax

Carbon tax rates for visitors entering Zimbabwe with foreign-registered vehicles, in accordance with the engine capacity of the vehicle, are as follows:

Engine Capacity	US$
Up to 1 500cc	72
1 501cc to 2 000cc	132
2 001cc to 3 000cc	180
Over 3 000cc	360

Notes:
1. It is understood that the above figures are annual and that visitors should pay 1/12 of the above amounts per 30-day period or part thereof.

Export Tax
An export tax of 20% on the gross value of export proceeds of chrome-ore and fines has been introduced from 1 January 2010. The exports of such fines are presently banned.

Royalties

Precious Stones	10%	
Gold*	7% or 3%	(to 31 December 2011)
Platinum	10%	(was 5% to 31 December 2011)
Other precious metals	4%	
Base metals	2%	
Industrial metals	2%	
Coal-bed methane	2%	
Coal	1%	

It is proposed to split out the royalty arising on gold as follows:
- Gold produced by small-scale gold miners – 3%.
- Gold produced by other miners- 7% (as per the existing).

A small-scale gold miner has been defined with reference to those classifiable as a micro-enterprise under the Small and Medium Enterprises Act. The measure takes effect from 1 January 2014.

Special Dividends

Minerals Marketing Corporation of Zimbabwe (MMCZ)
Whenever the MMCZ sells diamonds, whether on its own account or on behalf of anybody that it partners with for diamond exploration, extraction, exploitation, beneficiation or sale, then the MMCZ should pay to the Consolidated Revenue Fund a special dividend of 10% of the gross value of the proceeds for the sale of the diamonds within 24 hours of the acquitance of the export documents relating to the sale of any batch of diamonds (effective 1 January 2014).

Zimbabwe Mining and Development Corporation (ZMDC)
A similar provision as regard the MMCZ special dividend also applies to the ZMDC in respect of diamond sales (effective 1 January 2014).

Depletion Fees

Minerals Marketing Corporation of Zimbabwe (MMCZ)
With effect from 1 January 2014, depletion fees payable to the MMCZ are now payable to the Consolidated Revenue Fund.

Mining Rights

Protection and/or Forfeiture of Claims
Certain amendments have been made to the rules regarding preservation of mining rights. The revisions require the obtaining of an inspection certificate for the renewal of mining blocks or mining leases accompanied by a prescribed fee and details of work carried out at the location including the declaration of the extent of quittance work, provision made for the meeting of quittance work or any other work required to protect or restore the environment. Failure to obtain an inspection certificate can on notification result in forfeiture of the lease. In certain circumstances the holder of a block or the lessee of a mining lease can on payment of a prescribed fee acquire a retention licence. This measure takes effect from 1 January 2014.

Stamp Duty

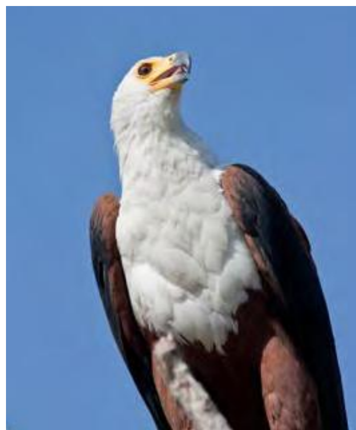
Stamp duty, payable on registration in a deeds registry of the acquisition of immovable property that was acquired in foreign currency, is payable in the same or another specified foreign currency as follows:

Property Value (US$)	Stamp Duty ($)
Up to 5000 for every 100 or part of the value	1
More than 5 000 to 20 000 for every 100 or part of the value	2
More 20 000 to 100 000 for every 100 or part of the value	3
Above 100 000 for every 100 or part of the value	4

Notes:
1. A transfer duty of 1% arises on the transfer of mining claims.

Estate Duty

Estate duty of 5% is levied on the value of worldwide assets of a deceased individual who was ordinarily resident in Zimbabwe. If the deceased was not ordinarily resident, estate duty is levied only on property within Zimbabwe. The blanket exclusion from dutiable amount in an estate is US$50 000.



Tax Administration

- In line with international best practice, Zimra has set up a Large Taxpayer Office (LTO) that became operational on 1 April 2010.
- Zimra has embarked on the process of electronic filing of returns which is ongoing.

The following have been proposed in the Minister's Speech but have not been included the draft Bill:

- Extend the provision to expeditiously recover any outstanding tax or duty, including any interest and penalty thereon to include the Customs and Excise Act. (It appears that they intend to introduce powers to garnishee/appoint agents which are not presently under the Customs and Excise Act).
- Amend the third schedule of the VAT regulations in order to replace VAT Forms 1 (application for registration), 2 (details of spouse of a sole trader) and 3, with REV 1, which captures details contained in Forms 1, 2 and 3.
- Replace Zimbabwe dollar fine for failure to register for VAT with a fine not exceeding US$30 for every day the taxpayer remains unregistered.
- Limit the time period within which a Bill of Entry can be used to claim input tax to 12 months (presently it does not expire).
- Provide penalty for failure by suppliers to issue VAT invoices without prescribed features.
- Amend the VAT Act in order to allow clients to lodge objections against the assessment or decisions made in respect of fiscal regulations.
- Replace the Zimbabwe dollar clearance fees with a fee of US$10 for every Bill of Entry submitted.
- Provide for a cancellation fee of US$10 on each Bill of Entry cancelled, in order to discourage lodging of multiple entries.
- Provide for a fine for contravening any other provisions of the Customs and Excise Act.
- Introduce legislation to facilitate the conduct of Post Clearance Audits.

- Review the prescribed amount on duty remitted on any single consignment of goods from US$20 to US$50 on the Free-On-Board (FOB) value, in order to ease the administrative burden of collecting small amounts of duty.
- Compel taxpayers to register with Zimra from the date of trading. (Presently, compels registration of companies within thirty days of incorporation).
- Introduce legislation to curb abuse of tax treaties through treaty shopping and paper companies.

Other

Powers of the Commissioner and Duty to Keep Records

The Commissioner has been given the power to attach and auction property in cases of non-payment of duty or taxes. The powers also cover areas such as failure to furnish any return or information in connection with a tax liability within the time allowed, and where the Commissioner is not satisfied with the return or information supplied. In addition, all persons whose gross income does not consist solely of wages or salaries, shall be required to keep proper books of accounts relating to any trade carried out by him for a period of six years and the books should be kept in English language. Any person who fails to maintain such a record shall be guilty of an offence.

The In Duplum Rule (Prescribed Rate of Interest Act)

To encourage prompt compliance with court orders requiring the payment of sums of money, the debtor's protection under the "in duplum rule" (in brief, that the interest levied cannot exceed the capital sum) is to be excluded in the case of judgment debts.

Transitional Matters

With regard to items that have an impact on the 2009 taxable income, such as assessed losses, income tax values, closing stock and recoupment, it was proposed that taxpayers express their revalued Zimbabwean dollar final balances in US$ by applying a conversion rate which is subject to the Commissioner's approval. Taxpayers should declare the exchange rate applied and justify application of such an exchange rate, where it is necessary. The actual invoices and proof of payment in Zimbabwean dollars may be called for.

Tax Losses

Tax losses can be carried forward for a period of six years after which they expire on a first-in-first-out basis. Tax losses of mining companies do not expire.

General Investment Information

Investment Incentives

Notes:

1. Incentives apply equally to domestic and foreign investors. The major goals of incentives include employment creation, small business development, industrial development, export promotion, spatial development and the upliftment of the economically disadvantaged. Presently, very limited incentives apply. Tariffs protect local industry but the move towards harmonisation of trade within the region has led to the reduction of tariff for COMESA and SADC countries.

General Incentives

- Rebate provisions – These are available to all manufacturing industries. Provision exists for rebate or drawback of certain duties applicable to imported goods, raw materials and components used in manufacturing, processing or for export.
- Incentives for the small business sector – The Zimbabwe Government is well aware of the important role that small, medium and micro-enterprises play in job creation and innovative new production methods. SME's presently access a more favourable capital allowance regime.

Capital Allowances

- Refer to the section on capital allowances above.

Free Trade Zones (FTZs)

- The export processing zones status is no longer available. The Minister indicated in his 2011/12 Budget presentation to parliament, that the Zimbabwe Government was looking to establish certain economic hubs throughout the country.

Other Investment Incentives

- Business environment – The Government is committed to creating a conducive investment environment by guaranteeing security of investment and crafting of investor-friendly policies. The intention is to increase investment from the current level of 4% to at least 25% of Gross Domestic Product (GDP). It is intended to introduce amendments in the last session of parliament (2013) to the Zimbabwe Investment Authority Act to create a more conducive investment climate.

Indigenisation

The Government has introduced legislation and regulations aimed at seeking to ensure that indigenous Zimbabweans participate in all sectors of the economy.

Exchange Controls

Limited exchange controls are in place with the majority of restrictions on exchange being removed in 2009. Most controls relate to monitoring activities, which have largely been passed on to the banking sector, with minimal Central Bank intervention. Individuals and companies are permitted to make payments for goods and services offshore, as well as servicing external debts. External loans of up to US$5 million, for both domestic and foreign investors, can be processed at banks without prior approval from Treasury and the Reserve Bank External Loans Coordinating Committee (ELCC).

Expatriates, Entrance Permits, and Work Permits

Work permits for expatriates are generally available in cases where the expertise is not available locally or if the employment of an expatriate is called for in setting up a new project. A business visa can be obtained for business visitors coming for consultancy work, installation and back-up service for machinery purchased outside Zimbabwe by local companies, those attending board meetings and assessing investment opportunities. Investors, who invest not less than US$1 million in a project approved by Zimbabwe Investment Authority (ZIA), qualify for permanent residence on application. Investors who invest at least US$300 000 in a sole business venture, in a project approved by ZIA, will qualify for a residence permit for three years at the end of which permanent residence may be granted, whereas investors who invest US$100 000 in a joint venture approved by ZIA, with a bona fide Zimbabwean, will qualify for a three-year residence permit at the end of which permanent residence may be granted.

Trade Relations

- Memberships – SADC and COMESA.
- Zimbabwe has a bilateral trade agreement with South Africa. As a result of this trade agreement, a number of export products may enter the South African market at reduced rates of import duty and vice versa.

Interest and Currency Exchange Rates

Due to liquidity constraints, lending rates on the US$ remain high except in the case of certain special facilities. These rates vary from approximately 7% to over 20% in certain instances.

With effect from 1 February 2009, the following currencies became legal tender in Zimbabwe:

- British Pound Sterling (£).
- Euro (€).
- United States Dollar (US$).
- South African Rand (R).
- Botswana Pula (P).

Notes:

1. The US$ is primarily in use and international cross-rates of exchange are applied when transacting with other currencies.

Key Economic Statistics

GDP (approx.):
US$10.80 billion (2012 actual) (source: Ministry of Finance)
US$13.00 billion (2013 estimate) (source: Ministry of Finance)
US$14.00 billion (2014 forecast) (source: Ministry of Finance)
Market Capitalisation – Stock Exchange (approx.):
US$5.148 billion (December 2013) (source: Zimbabwe Stock Exchange)
Rate of Inflation:
2% (2012 average) (source: IMF)
1.5% (2013 year-end) (source: IMF)
1.8% (2014 projected) (source: IMF)

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"If you give me today $5 billion I will not invest any abroad. I will invest everything here in Nigeria. Let us put heads together and work." - Aliko Dangote, Founder and CEO Dangote Cement.

"The 22nd Century will be the African century - if I'm wrong we can come back and discuss it" - Tidjane Thiam, Group Chief Executive Officer of Prudential

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- Political environment
- Funding
- The regulatory environment and Labour Laws
- Shortage of skills
- Compliance

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- Market sizing
- Competitor analysis
- Market Gap
- Demand forecasting
- Supply Chain analysis
- Identification of local partners

Define the investment

- Capital raising
- Determining tax optimal legal entity
- Merger and acquisition
- Due diligence
- Valuations

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Are you asking the right questions?

Determine the right location

- Country risk analysis
- Site selection
- R&D and Government incentives
- Provincial/State/Local incentives

Secure and manage talent

- Recruiting local talent
- Determine need for expatriate model

Set up enabling areas and optimise the investment

- Meeting statutory and other requirements
- Secretarial and legal services
- Compliance with regulatory environment eg. Tax return submissions
- Compliance with local labour laws and local hires

Establishing a compliance platform

- Payroll
- Accounting
- Information technology
- Direct and indirect tax reporting

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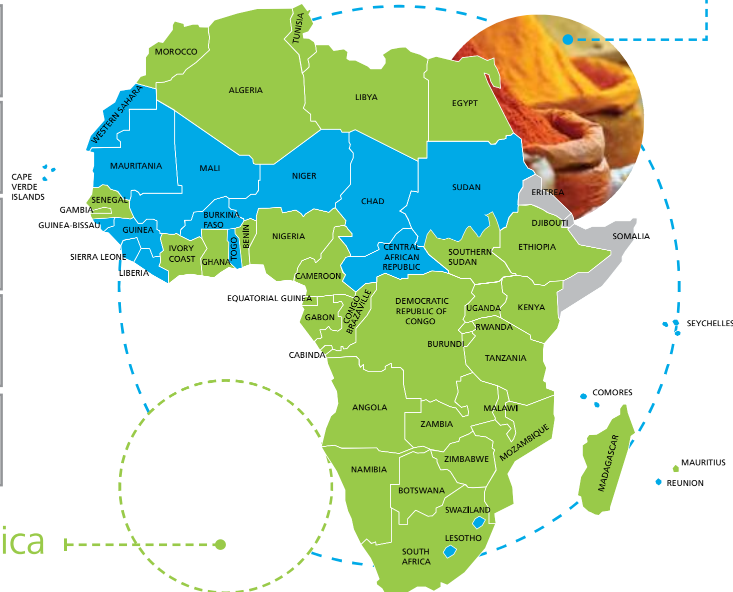

Deloitte in Africa

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