Deloitte.

Guide to fiscal information

Key economies in Africa 2021

Introduction

Delia Ndlovu
Managing Director
Deloitte Africa Tax & Legal

Navigating a "New Normal" – turning change into opportunity

There are many profound shifts in the market fuelled by the COVID-19 pandemic. Many organisations are navigating the crisis by reconfiguring the way they work. There is a switch to remote working and supply chains are being reimagined.

Against this backdrop, the tax landscape continues to change rapidly and in an unprecedented manner. Many organisations are starting to focus on optimising their tax functions and are carefully considering either co-sourcing or outsourcing with their tax advisors. Most tax leaders are in need of assistance with streamlining their processes, automating recurring compliance work and capitalising on using technology to unlock efficiencies and to enhance agility. The future of work has become even more key. Organisations – from business to revenue authorities – have had to embrace new technologies such as data analytics, robotics, artificial intelligence and many other digitisation technology tools including cyber and cloud.

In addition to embracing digitisation and streamlining their tax functions, it has become an imperative for tax leaders to properly integrate tax risks into their organisation's broader enterprise risk management framework. Most tax leaders are starting to evolve towards positioning themselves as strategic business partners and enablers who help business stakeholders to understand the tax risks and their potential negative reputational and cash flow impacts.

Tax authorities globally continue to increase their vigilance and level of sophistication in terms of enforcing compliance, broadening the tax base and overhauling infrastructure in order to have a single view of the taxpayer. There is a concerted effort to move upstream and obtain information at source through real time reporting. African revenue authorities are also at various stages of leveraging technology to leapfrog into modern tax administrations that leverage new technologies and embrace digitisation. Revenue authorities are also focusing on possible new areas to tax (e.g. taxing digital services) and tax collection collection gaps, and are applying more scrutiny to cross-border transactions.

Furthermore, tax authorities powered by the Organisation for Economic Co-operation and Development (OECD) continue to implement a global tax reset underpinned by tax reforms. Consequently, business has to contend with an increased compliance burden with country-by-country reporting, and scrutiny of tax structures and aggressive tax planning is increasing. In addition, Boards in companies are placing corporate tax governance firmly in the spotlight and emphasising the need to govern tax risks effectively for the benefit of all stakeholders.

Deloitte is at the forefront of current and emerging tax trends across Africa and is well positioned to partner with our clients in countries where they operate. Our Global Compliance and Reporting (GCR) team based in South Africa, partners with our clients to coordinate the efforts of our tax experts across Africa who understand the nuances and complexities of their local markets, providing local insight and practical knowledge. Our tax experts in Africa collaborate with the relevant experts across Deloitte to provide the appropriate solutions for our clients.

This Guide to fiscal information is a story of collaboration between our Deloitte experts, providing you with meaningful information about tax and fiscal matters pertaining to key African economies.

I know you will find this booklet an insightful source of information as you navigate a "New Normal" and turn change into opportunity.

Contents

Preface

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

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 the relevant country's section and are also summarised on page 6, **Tax Leaders in Africa**. An introduction to the **Deloitte Global Tax Centre Africa** (including relevant contact details) is provided on page 4 and information on tax training workshops offered by the **Deloitte School of Tax** is set out on page 232.

This publication has been prepared by Deloitte Africa Tax & Legal. Its production was made possible by the efforts of:

- Moray Wilson, Sharon Tilley, Masego Mtsoane, Hannah Marais, Liesl Harmse and Susan Heiman – editorial management, content and design
- Deloitte colleagues (and Independent Correspondent Firm staff where necessary) in various cities/offices in Africa and elsewhere.

Unless otherwise indicated, the fiscal information is current as at February 2021. The economic statistics have been obtained from the best information available during April 2021.

Moray Wilson
Deloitte Africa Tax & Legal
morwilson@deloitte.co.za

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this publication. An electronic copy of this publication and other Deloitte tax guides from around the world can be accessed using the following link: https://www2.deloitte.com/global/en/services/tax/tools-and-publications.html

Deloitte Global Tax Centre – Africa
Transforming obligations into opportunities

Imagine if you could manage today's market forces – including regulatory changes, disruptive technologies, and a shortage of talent – while harnessing value to your organisation. Our Global Compliance and Reporting solutions allow you to do what's expected – and more.

How Can We Help?

Get it done.

Meeting your compliance obligations means filing accurately, on time, in every country, across every process with a backbone of accurate data, the right talent, and proven processes, connected seamlessly.

Gain control.

Maintaining visibility, transparency, and governance globally and control at a local level, with processes in place to identify potential risks before they happen.

Reap more from less.

Reducing the overall cost of delivery and the price of risk and maximising return on investment, in addition to delivering ongoing process efficiency to free up your people and your time.

Face the future.

Ensuring the organisation is prepared for tomorrow's challenges by being ready to tackle new technologies and regulatory changes.

Discover value.

Freeing up talent and exploring the undiscovered to find new opportunities for tax and the overall business and delivering greater commercial value from tax.

Deliver confidence.

Being a trusted advisor to the business by not only meeting expectations but bringing valuable insights to the table.

Our Services

Our leading processes, tools and technologies allow us to deliver swiftly and precisely across the entire record-to-report spectrum. We effectively work with your teams, including your tax department, finance groups, and shared service centre, to provide a consistent standard of quality services both locally and regionally.

Our Global Compliance and Report (GCR) service offering includes:

Direct taxes
- Annual and interim corporate income tax returns
- Calculation of advance payments
- Local business taxes

Statutory accounting
- Annual preparation of financial statements
- Conversion to local accounting standards

Indirect tax returns
- VAT
- Withholding
- Other local filings

Advisory services
- Tax planning
- Entity and corporation registrations

Tax provision
- Local statutory provision
- Global tax provision
- Return to provision reconciliation

Transfer pricing
- Documentation
- Country-by-country reporting

Powered by Technology

What if you could realise enhanced visibility, streamlined data retrieval, personalised interaction, and improved reaction and response times?

myInsight

Our secure, easy-to-use engagement management platform called myInsight provides those benefits by offering:

- Real-time access to deliverables, deadlines, filing status, and legislative updates
- Accelerated issue escalation
- Globally-standardised analytics in English via our proprietary tax memo
- Connection via a global platform for a unified vision
- Smart, customisable dashboards with analytics insights.

myInsight is the backbone of our global approach, processes, and engagement controls. It gives you visibility to trends, outliers, and your overall tax position globally.

Indirect Tax Compliance (ITC)

The Deloitte Indirect Tax Compliance is a technology that underpins Deloitte's indirect tax compliance services and allows you to implement a standardised and automated indirect tax compliance process: from data upload to the submission of indirect tax returns. The web-enabled application covers countries in Europe, Asia and America and Africa.

Key Features of ITC:

- Time savings and focus on value
- Quality and efficiency
- Continuous improvement
- Deloitte's commitment to insight
- Flexibility.

Continued Technology Development

Deloitte continues to invest in developing work-class technology solutions in response to these requirements incorporating robotic process automation (RPA), CIT automation, cognitive learning and other emerging technologies.

Our established network

Through the combination of a proven governance model, standardised processes, advanced technology and world-class teams (local, regional, and global level) our GCR practice delivers heightened visibility, control, and insights thus allowing for a sharp focus on providing geographic coordination and agility to your business at a competitive cost.

Global Tax Centres

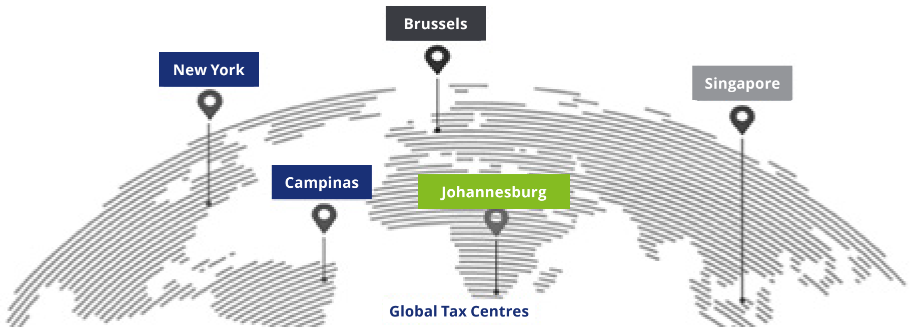
Global Tax Centre – Africa

Led from Johannesburg the Centre provides:

- Governance and coordination in over 50 countries spanning the African continent
- Leverages automation tools and adheres to global methodologies to deliver outsourced tax compliance and reporting services across Africa
- Implements technology solutions across Africa.

Market-recognised leaders

- **Africa**: International Tax Review by World Tax recognises 12 Female Tax Directors from Africa as leading Tax Practitioners in the World (2020)
- **Americas**: Tax Compliance and Reporting Firm of the Year
- **Asia and the Americas**: Tax Technology Firm of the Year
- **Europe**: Tax Compliance and Reporting Provider of the Year
- **South Africa**: Tax National and National Transfer Pricing Firm of the Year.



Contacts

Global Tax Centre Africa

Jacqui Wierzbowski
Lead Director
jwierzbowski@deloitte.co.za

Firdoze Abdool Sattar
Senior Manager
fabdoolsattar@deloitte.co.za

Jay Naidoo
Senior Manager
jaynaidoo@deloitte.co.za

Shalin Munien
Manager
smunien@deloitte.co.za

Regional

Lusophone Africa
Duarte Galhardas
dgalhardas@deloitte.pt

Francophone Africa
Yves Madre
ymadre@deloitte.fr

Middle East
Ramy George
rageorge@deloitte.com

Tax Leaders in Africa

Country	Name	Phone	Email
Algeria	Ali Benbouzid	+213 21 89 12 50	ABenbouzid@deloitte.dz
Angola	Renato Carreira	+244 945 970 860	recarreira@deloitte.co.ao
Benin	Badara Niang	+221 33 849 65 05	BNiang@deloitte.sn
Botswana	Terry Brick	+267 363 55 12	tbrick@deloitte.com
Burkina Faso	Badara Niang	+221 33 849 65 05	BNiang@deloitte.sn
Burundi	Norbert Kagoro	+256 417 701 303	nkagoro@deloitte.co.ug
Cameroon	Sandrine Soppo Priso	+237 233 42 55 59	ssoppopriso@deloitte.com
Chad	Jaouhar Ben Zid	+235 62 42 4873	jbenzid@deloitte.com
Congo (Brazzaville)	Jaouhar Ben Zid	+235 62 42 4873	jbenzid@deloitte.com
Côte d'Ivoire	Badara Niang	+221 33 849 65 05	BNiang@deloitte.sn
Democratic Republic of Congo	Bob Nzoimbengene	+243 85 999 8032	bnzoimbengene@deloitte.fr
Djibouti	Alex Law	+97 145 064 700	alexlaw@deloitte.com
Egypt	Kamel Saleh	+20 2 2417 2756	ksaleh@deloitte.com
Equatorial Guinea	Yves Nguema	+240 222 209 111	ynguema@deloitte.ga
Eswatini	Mark Freer	+27 31 560 7079	mfreer@deloitte.co.za
Ethiopia	Fredrick Omondi	+254 719 039 318	fomondi@deloitte.co.ke
Gabon	Angela Adibet	+241 01 72 32 31	aadibet@deloitte.ga
The Gambia	Aji Penda Sankareh	+220 446 5900	asankareh@dtassociatesgm.com
Ghana	George Ankomah	+233 501 320 895	gankomah@deloitte.com.gh
Guinea Conakry	Badara Niang	+221 33 849 65 05	BNiang@deloitte.sn
Kenya	Fredrick Omondi	+254 719 039 318	fomondi@deloitte.co.ke
Lesotho	Mark Freer	+27 31 560 7079	mfreer@deloitte.co.za
Libya	Alex Law	+97 145 064 700	alexlaw@deloitte.com
Madagascar	Sahondra Rasoarisoa	+261 20 22 278 31	srasoarisoa@deltaaudit.mg
Malawi	Nkondola Uka	+265 1 836 341	nuka@deloitte.co.mw
Mauritius	Roopesh Dabeesingh	+230 403 5819	rdabeesingh@deloitte.com
Mauritania	Badara Niang	+221 33 849 65 05	BNiang@deloitte.sn
Morocco	Grégoire Chaste	+212 661 299 918	gchaste@deloitte.com
Mozambique	Dércio Da Barca	+25 820 600 131	dbarca@deloitte.co.mz
Namibia	Gerda Brand	+264 61 285 5062	gbrand@deloitte.co.za
Nigeria	Yomi Olugbenro	+234 1 904 1724	yolugbenro@deloitte.com.ng

Country	Name	Phone	Email
Réunion	Jean Bernardini	+33 1 40 88 75 38	jbernardini@taj.fr
Rwanda	Norbert Kagoro	+256 417 701 303	nkagoro@deloitte.com
Senegal	Badara Niang	+221 33 849 65 05	BNiang@deloitte.sn
Seychelles	Roopesh Dabeesingh	+230 403 5819	rdabeesingh@deloitte.com
Sierra Leone	Please refer to Global Tax Centre contact details		
South Africa	Delia Ndlovu	+27 11 806 6185	delndlovu@deloitte.co.za
South Sudan	Fredrick Omondi	+254 20 423 0318	fomondi@deloitte.co.ke
Sudan (North)	Alex Law	+97 145 064 700	alexlaw@deloitte.com
Tanzania	Samwel Ndandala	+255 22 216 6006	sndandala@deloitte.co.tz
Togo	Patrice Kokou	+228 90 21 41 24	pkokou@deloitte.com
Tunisia	Sonia Louzir	+216 29 112 302	slouzir@deloitte.tn
Uganda	Patronella Namubiru	+256 417 701 000	pnamubiru@deloitte.co.ug
Zambia	Victor Muhundika	+260 21 1 232 314	vmuhundika@deloitte.co.zm
Zimbabwe	Graham Dombodzvuku	+263 867 700 0261	gdombodzvuku@deloitte.co.zw

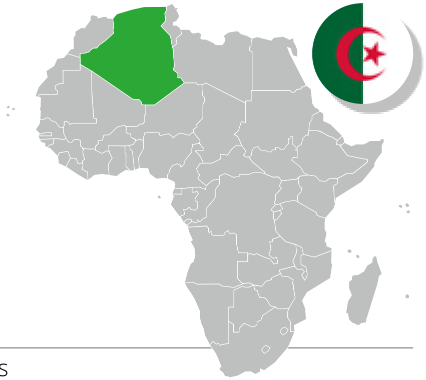
Regional contacts		
Anglophone Africa	Delia Ndlovu	delndlovu@deloitte.co.za
Francophone Africa	Yves Madre	ymadre@deloitte.fr
Lusophone Africa	Duarte Galhardas	dgalhardas@deloitte.pt
Middle East Africa	Ramy George	rageorge@deloitte.com

Country Chapters

Clickable Africa map

Click on the country to view fiscal information

- Deloitte Africa
- Deloitte presence
- Countries that can be serviced



Algeria

Contacts

Damien Jacquart
djacquart@deloitte.fr
+213 21 89 12 50

Ali Benbouzid
abenbouzid@deloitte.dz
+213 21 89 12 50

Sarah Soubra
ssoubra@deloitte.dz
+213 21 89 12 50

Income Tax – Individuals

Taxable income (DZD)	Rate
0 – 120,000	0%
120,001 – 360,000	20%
360,001 – 1,440,000	30%
Over 1,440,000	35%

Notes

1. Basis – Resident individuals are taxed on worldwide income, while non-resident individuals are taxed only on Algerian-source income.
2. Residence – An individual is considered resident if he/she has a dwelling in Algeria, has his/her centre of vital interests in Algeria, spends more than 183 days in Algeria in the year, or carries out a professional activity in the country.
3. Taxable income – Algerian income tax is levied on various categories of income derived by an individual, including the following:
   - Salary, wages, pensions, etc.
   - Variable remuneration
   - Fringe benefits (food, housing, cars, etc.) and cash benefits (reimbursement of taxes, education, etc.)
   - Certain capital gains
   - Income from the carrying on of a business
   - Agricultural income
   - Income from movable capital.
4. Exempt income – Income up to DZD120,000 is exempt, as are capital gains derived from the sale of a main residence. Expenses and reimbursements (including travel expenses/food) will not attract tax if they are actually used in accordance with their purpose and are not excessive. Certain income derived by individuals under the youth employment programme is exempt.

Algeria

5. Deductions and allowances – The employee portion of social security contributions is deductible by the individual.
6. Rates – Individual income tax is imposed at progressive rates up to 35%. A special 10% rate applies on bonuses, premiums, and allowances that are not paid on a monthly basis. A 15% withholding tax (WHT) is levied on dividends received by both resident and non-resident individuals. Capital gains derived by a resident individual from the sale of shares are taxed at 15% and 20% for a non-resident individual. Rental property rates are 7% and 10% for habitation purposes and 15% for commercial purposes. Consulting activities are subject to a 15% WHT for both resident and non-resident individuals. Individuals that carry on a business and whose annual revenue is less than DZD15 million are subject to special taxation. A lump-sum tax rate is applied at a rate of 5% for trade activities of goods only (via digital platform also) and 12% for other activities.
7. Alternative minimum tax – A minimum tax of DZD10,000 is imposed annually automatically to all individuals except in case of exemption. For salary income, income of up to DZD30,000 is fully exempt from the PIT (100% rebate). In addition, income above DZD30,000 and below DZD35,000 benefits from a second additional allowance.

Income Tax – Companies

Manufacturing	19%
Construction, public works, hydraulic activities, and tourism and spa activities (except travel agencies)	23%
Other activities	26%

Notes

1. Basis – Both resident and non-resident companies are subject to tax only on their Algerian-source income.
2. Residence – A corporation generally is considered resident if it is incorporated in Algeria. Branches of foreign corporations and permanent establishments (PEs) of foreign companies also are considered residents.
3. Taxable income – Corporate tax is calculated on net profits derived from Algerian sources. Capital gains generally are taxed as ordinary income (but see under "Exempt income"). Foreign-source income of resident companies is not subject to tax in Algeria.
4. Exempt income – Certain capital gains are tax exempt, i.e. (i) gains arising within a group of corporations as part of a group transfer; (ii) unrealised gains resulting from the reassessment or revaluation of fixed assets provided they have been booked in a special reserve since the 2019 Finance Act; and (iii) capital gains derived from mergers, divisions, or partial transfers of assets between group corporations in Algeria. Start-up companies are exempt from corporate income tax.
5. Deductions – Costs and expenses generally are deductible if they are:
   - Not specifically listed as non-deductible items
   - Registered in the accounts and supported by an invoice
   - Incurred in the interest of the company
   - Certain, liquid, and due during the financial year.

   Examples of deductible expenses include costs incurred for the operation of the business, depreciation, losses, certain finance charges, certain donations, etc.
6. Losses – Losses may be carried forward for four years. The carry back of losses is not permitted.
7. Foreign tax credit – As Algeria operates a territorial tax system, the domestic tax law does not provide for unilateral tax relief. However, bilateral relief may be available under an applicable tax treaty.
8. Rate – The corporate tax rate ranges from 19% to 26%. The 19% rate applies to manufacturing activities; the 23% rate applies for construction, public works, and hydraulic activities, as well as tourism and spa activities (except travel agencies); and the 26% rate applies to other activities (including trade and services). A company that conducts various activities and is subject to different tax rates must provide separate accounting records to determine the taxable base for each activity; otherwise, a 26% rate will be applied on the overall taxable profits.
9. Branch taxation – As of 2021, the creation of a branch has become possible (except for strategic sectors) and a 15% branch tax shall apply.

Withholding Tax (WHT)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty).

These tax rates are set out below:

Income	Residents	Non-residents
Dividends	15%	15%
Interest	10%	10%
Royalties	0%	30%
Technical service fees and service fees	0%	30%

Dividends paid to an Algerian or a foreign company are subject to a 15% WHT. In the latter case, the rate may be reduced by an applicable tax treaty.

Tax Treaties

Algeria has a small tax treaty network. The WHT rates on dividends, interest, and royalties under the treaties are as follows:

Country	Dividends	Interest	Royalties
Austria	5%/10%	0%/10%	10%
Bahrain	0%	0%	0%
Belgium	15%	0%/15%	5%/15%
Bosnia and Herzegovina	10%	10%	12%
Bulgaria	10%	10%	10%
Canada	15%	0%/15%	15%
China (mainland)	15%	7%	10%
Egypt	10%	5%	10%
France	5%/15%	12%	5%/12%
Germany	5%/15%	10%	10%
Indonesia	15%	15%	15%
Iran	5%	0%/5%	5%
Italy	15%	15%	5%/15%
Jordan	15%	0%/15%	15%
Korea (South)	5%/15%	10%	2%/10%
Kuwait	0%	0%	15%
Lebanon	15%	0%/10%	10%
Netherlands	5%/15%	8%	5%/15%
Oman	5%/10%	0%/5%	10%
Portugal	10%/15%	15%	10%
Romania	15%	15%	15%
Russian Federation	5%/15%	0%/15%	15%
Saudi Arabia	0%	----	7%
South Africa	10%/15%	10%	10%
Spain	5%/15%	5%	7%/14%
Switzerland	5%/15%	0%/10%	10%
Syria	15%	10%	18%
Turkey	12%	10%	10%
Ukraine	5%/15%	0%/10%	10%
United Arab Emirates	0%	0%	10%
United Kingdom	5%/15%	7%	10%
Yemen	10%	10%	10%
Non-treaty jurisdictions	15%	10%	24%

Anti-avoidance Rules

Transfer pricing

While Algeria does not have a specific transfer pricing regime, transactions between related parties must be on arm's length terms. Otherwise, the Algerian tax authorities can adjust profits that should have been derived in Algeria but that due to the conditions set by the parties were not subject to tax there. All entities must submit documentation to support their transfer pricing practices at the time the annual tax return is filed. A penalty of DZD2 million will be imposed for failure to comply with the documentation requirements.

Employment-related Taxes

Payroll tax

In principle, all Algerian personal income taxes are withheld at source, with the employer responsible for the withholding and payment of the taxes on behalf of its employees.

Social security

Contributions must be made for pensions and the healthcare system. The employer contributes 26% of the employee's gross salary and the employee pays 9% of his/her pre-tax salary.

Indirect Taxes

Value-added tax (VAT)

Standard rate	19%
Reduced rate	9%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services in Algeria. The scope of VAT includes all economic activities conducted in the country, especially industrial and handicraft activities and liberal or commercial professions. Equipment acquired by start-ups is exempted from VAT for four years. Natural persons who are subject to a lump-sum tax regime are exempted from VAT.
2. Rate – The standard VAT rate is 19%, with a reduced rate of 9% applying to various basic items and e-commerce. The export of some products like antiques, paintings, old books, etc. (listed in Article 13 of the VAT code) is not exempted from VAT. A zero rate is applied to all other exports.
3. Registration – A business must be registered within 30 days of becoming liable to VAT.

Customs and excise duties

The Algerian customs authorities enforce strict regulations/prohibitions on the import or export of items, such as firearms, ammunition, or other weapons; pornography or seditious literature; and habit-forming or hallucinatory drugs.

A temporary admission import regime applies to resident and foreign companies located in Algeria.

Algerian imports are subject to customs duties at the following rates: 0% (duty-free), 5%, 15%, or 30%. Certain imports intended for consumption may be subject to an additional customs duty of 30% and 200% on the previously applied customs duty rate. In addition to customs duty, a special contribution of 2% applies to imports of goods into Algeria.

A 2% WHT is levied at source on amounts received by foreign companies that do not have a permanent establishment in Algeria with respect to transactions involving the importation of goods and services for the establishment and operation of fixed, mobile, and satellite telecommunications networks.

Excise duties are levied on products, such as alcoholic beverages and tobacco.

Other Taxes

Real property tax

An annual property tax is imposed on real estate in Algeria, with the rate depending on the location of the property.

Tax on business activity

Tax is applicable at 2% on turnover. A reduced rate of 1% applies to production activities (without any rebate), whilst construction and hydraulic activities are subject to a 2% rate with a 25% rebate. The rate of 3% applies to the transportation of hydrocarbons by pipeline.

Stamp duty

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

Capital duty

A 0.5% registration fee applies on the initial capital upon the formation of a joint stock company and on capital increases. The fee is capped at DZD300,000.

Transfer tax

A transfer tax is applicable to land and buildings at a rate of 5% for registration fees, plus 1% of the value of the property as a tax for the publication of the transfer act.

Transfer tax on shares

2.5% for registration fees.

Inheritance/estate tax

Inheritance and gift tax is imposed on the recipient of property located in Algeria that is acquired by inheritance or gift. Donations between spouses and parents are exempt; otherwise, the rate is 5%. The inheritance or gifting of a main residence is exempt.

Tax on bank registration

For services, a 4% tax applies on every import at the time the payment for the services is made. For goods, the rates are 0.5% on the import of goods and 1% on the knocked down and semi-knocked down imported parts that are valued at not less than DZD20,000.

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 (apprenticeship). Such taxes are applicable only if the company fails to present a "certificate of effort" delivered by the directorate of vocational training of the Wilaya (district). These taxes are to be paid on a quarterly basis.

Net wealth/net worth tax

Wealth tax for residents is assessed on a worldwide basis and applies to property with a net taxable value exceeding DZD100 million on 1 January of the relevant tax year. Where an individual has paid a similar tax on non-Algerian assets, it may be deducted from the tax due in Algeria. Wealth tax needs be declared on a four-year basis.

Non-residents are subject to wealth tax with respect to property deemed to be located or actually located in Algeria.

Oil and gas sector

Special tax rules apply to the oil and gas sector.

Tax Administration and Compliance

Algeria's tax system is administered by the Ministry of Finance. The General Directorate of Taxes (Direction Générale des Impôts (DGI)) supervises the issuance of tax regulations, tax collection and audits, and relations with taxpayers.

Corporations

1. Tax year – The tax year is the calendar year ending on 31 December.
2. Consolidated returns – Algerian companies may elect group treatment where a parent company owns at least 90% of a subsidiary. Although optional, once an election is made, it is binding for at least four years. Group treatment allows the group to be taxed as a single entity; the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent. Under this system, the profits and losses of all controlled branches, subsidiaries, and partnerships in Algeria are consolidated. The consolidated group also may be entitled to other tax benefits.
3. Filing and payment – The annual tax return is due by 30 April in the year following the tax year. Companies must make three provisional tax payments by 20 March, 20 June, and 20 November, with each payment based on 30% of the previous year's tax liability. The balance of the corporate income tax is reported by the end of April in the annual tax return (G N°4). However, payment of tax is made in the monthly tax return of April (G N° 50) that must be submitted by 20 May.
4. Penalties – Penalties apply for late filing, failure to file, or filing an incorrect tax return.
5. Rulings – Algeria has a tax ruling regime for taxpayers that report to the Directorate of Large Companies (Direction des Grandes Entreprises (DGE)). The position taken by the authorities in a ruling applies only to the taxpayer's particular situation, i.e. it is not binding with respect to the circumstances of other taxpayers.

Individuals

1. Tax year – The tax year is the calendar year ending on 31 December.
2. Tax filing – Each taxpayer must file a return; spouses may not file a joint return.
3. Filing and payment – Individual returns are due by 30 April following the end of the tax year. A tax return is not required if the taxpayer's only source of income is employment income.
4. Penalties – Penalties apply for late filling, failure to file, or filing an incorrect tax return.

VAT

1. Filing and payment – The VAT return must be filed monthly, with tax due paid by the 20th day of the following month.
2. Penalties – Penalties apply for late filling, failure to file, or filing an incorrect tax return.

Investment Incentives

Pursuant to the Finance Act for 2020, foreign investors are no longer required to implement their investment through a local partnership, unless the investment is considered as a strategic investment for the Algerian economy (the strategic nature of the investment will be specified by regulation).

Pursuant to the Finance Act for 2021, companies performing purchase/resale activities, incorporated before 2010, must comply with the 49/51 ownership rule before 30 June 2021.

Tax incentives

Algerian tax legislation contains incentives to encourage investment and the creation of projects in certain sectors to accelerate growth and create jobs. Major incentives are available for investments made by companies located in areas in need of development.

There are three basic kinds of tax incentives:

1. Common incentives that apply to all investors
2. Supplementary incentives for priority activities or activities that create jobs
3. Exceptional incentives in cases of particular interest to the national economy.

Incentives usually include the following:

- For the implementation phase: An exemption from VAT and customs duties for three to five years
- For the operating phase: An exemption from corporate income tax and local business tax for three to 10 years.

The types of investment that are entitled to tax incentives are the following:

- The acquisition of assets directly used in creating a new business activity
- The extension of production facilities and their capacity and/or the restoration of facilities
- Participation in the share capital of an entity.

To benefit from tax incentives, the investor first must register the relevant investment at the National Agency for the Development of Investment.

Exchange Controls

Approval is required for all cross-border payments, including dividends. A specific procedure must be followed with the bank and the tax authorities. Payments, including cross-border payments, must be made from an Algerian bank account. Salaries, including the salaries of expatriates, must be paid into an Algerian bank account.

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. For expatriates who want to work in Algeria, the employer must request a "Principal Agreement" from the labour authorities and the individual must request a work visa, and then a work permit.

Key Economic Information

Currency (symbol/code)
Algerian Dinar (دج/DZD)

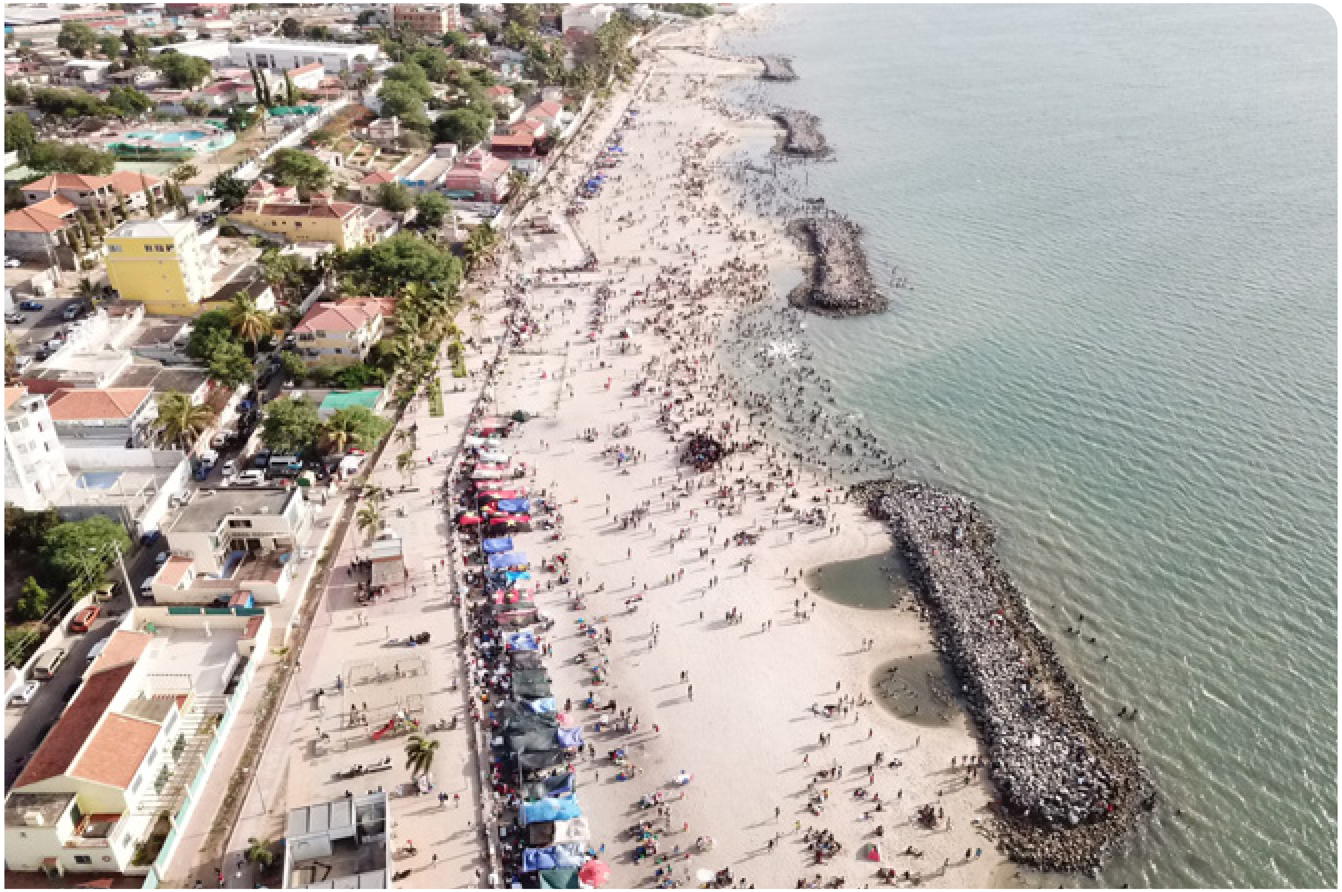
Exchange rate	
US$1	DZD132.76
EUR1	DZD160.59
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$514.75 billion	US$540.87 billion
Real GDP growth	
2.86%	2.75%
Average inflation	
4.94%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
2%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
US$380 million
Source: Capital IQ, 2021.

Angola



Contacts

Renato Carreira
recarreira@deloitte.co.ao
+244 945 970 860

Income Tax – Individuals

Monthly taxable income (AOA)	Tax payable
0 – 70,000	0
70,001 – 100,000	3,000 + 10% of amount exceeding 70,000
100,001 – 150,000	6,000 + 13% of amount exceeding 100,000
150,001 – 200,000	12,500 + 16% of amount exceeding 150,000
200,001 – 300,000	31,250 + 18% of amount exceeding 200,000
300,001 – 500,000	49,250 + 19% of amount exceeding 300,000
500,001 – 1 million	87,250 + 20% of amount exceeding 500,000
1,000,001 – 1,5 million	187,250 + 21% of amount exceeding 1 million
1,500,001 – 2 million	292,250 + 22% of amount exceeding 1,5 million
2,000,001 – 2,5 million	402,250 + 23% of amount exceeding 2 million
2,500,001 – 5 million	517,250 + 24% of amount exceeding 2,5 million
5,000,001 – 10 million	1,117,250 + 24.5% of amount exceeding 5 million
Over 10 million	2,342,250 + 25% or amount exceeding 10 million

Notes

1. Basis – Angola operates a source-based system of taxation. Resident and non-resident individuals are liable to personal income tax on Angolan-source income from employment, i.e. income paid for or borne by an Angolan employer and all local sources of income are subject to tax in Angola.
2. Residence – Angola's tax law does not define a resident. The general tax code provides specific tax residence criteria for individuals, but the personal income tax code does not use this concept for the taxation of income earned by individuals.
3. Taxable income – The concept of remuneration for personal income tax purposes is defined broadly and includes remuneration paid or payable in cash or in kind to an individual in the form of regular or incidental, fixed or variable compensation. Remuneration derived from employment or self-employment is divided into three groups:
   - Group A – Remuneration derived by employees (paid by an entity employer under an employment contract concluded in accordance with the labour law), public servants, as well as remuneration earned by members of the board of directors or other statutory bodies
   - Group B – Remuneration derived by independent freelancers who carry out activities on the list included as an appendix to the personal income tax code.
   - Group C – Remuneration derived from industrial or commercial activities, as provided in the table of minimum profits (attached to the personal income tax code). This table sets out the minimum deemed taxable income by profession based on the location of the individual.

   Specific rules apply for the computation of taxable income for each group. Capital gains and losses from the disposal of fixed assets or shares generally are taxed under the personal income tax code. If certain conditions are fulfilled, capital gains derived from the sale of shares are not subject to personal income tax, but are subject to investment income tax, which is levied on income derived from capital investments (including dividends, interest, and royalties) and normally is paid via withholding at source (see "Withholding Tax (WHT)," below).
4. Deductions and allowances – Certain compensation-related items are totally or partly exempt/not subject to personal income tax, such as allowances for travel and accommodation (applicable only to public servants); social allowances (e.g., family allowances, up to 5% of the employee's monthly basic salary; maternity, death, and labour accident allowances); and old-age, disability, and survivor's pension contributions, social security contributions and severance payments (up to maximum ceilings provided in the labour law). Meal and transportation allowances up to AOA30,000 per month (for each of the allowances) are not subject to personal income tax. There are no specific concessions for expatriates. Basic costs incurred in connection with self-employment activities may be considered deductible costs up to 30% of the relevant gross income, provided that the independent workers has organised/simplified accounting records.
5. Rates – As explained above, remuneration derived from employment or self-employment is divided into three groups. The following rates apply to taxable income:
   - Group A – The progressive personal income tax rates provided in the above table apply, with a maximum rate of 25%
   - Groups B and C – A flat 6.5% rate applies to income liable to WHT, whereas all other income (not subject to WHT) is liable to a 25% personal income tax rate.

   Income derived from capital investments is subject to investment income tax, which normally is paid via withholding at source.

Income Tax – Companies

The general corporate income tax rate is 25%, while for income arising from business activities in banking and insurance industries, telecommunication operators and national oil companies, an aggravated 35% rate applies.

Notes

1. Basis – Resident entities, including entities without legal personality whose income is not directly subject to the corporate income tax in the hands of individuals or collective entities, are taxed on worldwide income. Branches of non-resident companies and non-resident legal entities with a permanent establishment (PE) in Angola are subject to tax on the profits of the PE; profits attributable to Angola sales of goods and merchandise of the same or a similar kind as those sold through the PE; and profits attributable to other business activities carried on in Angola of the same or a similar kind as those effected through the PE. Non-resident legal entities without a PE in Angola are liable to corporate income tax at a flat rate, under the occasional services tax regime (see "Rate," below).
2. Residence – Companies with their head office or place of effective management in Angola are considered residents.
3. Taxable income – Business income is defined broadly and includes all earnings and gains from principal and secondary activities. Exemptions from tax may be granted under the private investment regime. Corporate income tax applies according to two taxation regimes, the General and the Simplified Regime.

   Under the General Regime, all taxpayers must have organized accounting, as per the applicable Angolan GAAP, and taxable profits resulting from the accounts are adjusted in accordance with the provisions of the corporate income tax code.

   The Simplified Regime applies to corporate taxpayers falling under the "VAT Exclusion Regime" below. For this purpose, the relevant annual turnover threshold (i.e., not exceeding the AOA equivalent of US$250,000) refers to the one assessed in the last accounting year-end. Upon activity beginning, the application of the Simplified Regime is made according to the projected annual turnover, as per the minimum profits table. The following entities are excluded from this regime: public entities/companies, financial institutions, companies liable to a special taxation regime, telecommunication operators and subsidiaries or registered branches of non-resident entities. The Simplified Regime may cease to apply based on the taxpayer's request (filed until February of the respective tax year), following the second year (either consecutive or not) in which the annual turnover threshold has been exceeded or unofficially determined by the Angolan Tax Administration whenever the applicable legal requirements are fulfilled.

The corporate income tax assessment rules for taxpayers with organised accounting are similar, with the necessary adjustments, to those applicable under the General Regime, while those having a simplified accounting model or a registration book of purchases, sales and services provided are entitled to deduct up to 30% of incurred costs. When these taxpayers do not have organised accounting records, no incurred costs may be deducted, and the taxable income is assessed from the revenues from sales of goods and/or services rendered. When it is not possible to obtain information about sales of goods and/or services rendered, taxable income is assessed through the volume of acquired goods or services hired. If it is not possible to obtain information about volume of acquired goods or services hired, taxable income is determined based on the table of minimum profits.

Capital gains and losses from the disposal of fixed assets or shares generally are taxed as business income under the corporate income tax code. If certain conditions are fulfilled, capital gains derived from the sale of shares are not liable to corporate income tax, but are subject to investment income tax, which is levied on income derived from capital investments (including dividends, interest, and royalties) and, according to the law, is paid through withholding at source (see "Withholding Tax," below).

4. Deductions – Properly documented business expenses generally are deductible for corporate income tax purposes, provided the expenses are considered relevant to the generation of profits. Besides being considered as non-deductible expenses, confidential expenses (for which there is no valid supporting documentation and the occurrence and nature of the expenses are not materially verifiable) are liable to "autonomous taxation" (i.e., an additional charge directly added to the assessed tax liability which may only be set off against available tax credits) at 30%, or a 50% rate where the expenses are incurred by a taxpayer exempt from, or not liable to, corporate income tax.
5. Losses – Losses may be carried forward for five years but cannot be carried back.
6. Foreign tax credit – No foreign tax credit provisions exist under domestic rules and only apply under terms and conditions of an applicable tax treaty.
7. Group relief – There is a provision allowing the transfer of tax losses between members of a group, which is applicable only to "large taxpayers" provided approval is obtained from the tax authorities. Large taxpayers are subject to special tax rules and dedicated supervision. (There is no specific criteria to consider a taxpayer as large and the tax authorities normally consider entities large due to the volume of their operations).
8. Rate – The general corporate income tax rate is 25%, while for income arising from business activities in banking and insurance industries, telecommunication operators and national oil companies, an aggravated 35% rate applies. A reduced 10% rate applies to income derived exclusively from agriculture, aquaculture, poultry, fishing and forestry, etc. Special tax regimes apply to the petroleum and mining sectors. Occasional services provided by non-resident entities are taxed at a 15% rate. Payments for services rendered also are subject to a 6.5% WHT (exemptions may be applicable to certain services). Income derived from capital investments is subject to investment income tax, which normally is paid via withholding at source.
9. Branch taxation – Branches of foreign companies are subject to the same corporate income tax rate as domestic companies. The remittance of profits abroad is subject to investment income tax at a 10% rate.

Withholding Tax (WHT)

Investment income tax is levied on income derived from capital investments (including dividends, interest, royalties, and certain capital gains). The tax normally is paid through withholding and income liable to investment income tax is not liable to corporate or personal income tax, subject to certain conditions. Additionally, certain services are subject to WHT.

The WHT rates on the most relevant types of payments are as follows:

Payment	Rate
Dividends or profit sharing	10%
Interest	5%/10%/15%
Royalties	10%
Capital gains on the disposal of shares or other securities that generate income subject to tax	10%
Other residual income arising from capital investment	15%
Payments for services	6.5%/15%

Notes

1. Dividends, interest, and royalties – The same rates apply to resident and non-resident corporations and individuals.
2. Dividends – There is an investment income tax exemption for profits or dividends distributed by an entity with a head office or effective management in Angola to a company or equivalent entity that has held at least 25% of its share capital for more than a year before the distribution of the profit.
3. Interest – Interest from loans, including current account loans, generally is liable to a 15% investment income tax. If the loans are granted by shareholders or the interest is derived from current or term deposits placed with financial institutions, the rate is 10%. Interest on treasury notes and bonds and on central bank securities also is subject to a 10% rate, or to a 5% rate if derived from instruments with a maturity of at least three years.
4. Services rendered by companies – Tax resident entities or entities operating in Angola through branches or PEs must withhold corporate income tax at a 6.5% rate on service payments made to resident entities, while at a 15% rate for cross-border payments (except, during 2021, if the underlying services have been rendered to oil operating entities that are resident or with a permanent establishment in Angola, in which case the 6.5% rate still applies); however, certain services are not liable to WHT. If the service provider is a resident, the taxes withheld on income earned can be set off against the corporate income tax payable, under certain conditions. If the service provider is a non-resident, the amount withheld in Angola is a final tax and cannot be recovered in Angola.
5. Services rendered by individuals – Tax resident entities or entities operating in Angola through branches or PEs must withhold personal income tax at a 6.5% rate on service payments made to individuals; however, certain services are not liable to WHT. If the service provider is a resident, the taxes withheld on income earned can be set off against the personal income tax payable, under certain conditions. If the service provider is a non-resident, the amount withheld in Angola is a final tax and cannot be recovered in Angola.

Tax Treaties

Angola's first tax treaty (with Portugal) applies as from 1 January 2020, whereas the second (with the United Arab Emirates) applies from 1 January 2021 onwards.

Anti-avoidance Rules

General

Under the general rule, acts which have been carried out, under any circumstances, for the purpose of obtaining a tax advantage by abusive use of legal forms are to be disregarded for tax purposes and their taxation made in accordance with the rules applicable to business or acts corresponding to the substance or economic reality (not producing the intended tax advantages). For this purpose, an abusive use of legal form occurs whenever an act is not conducted for valid economic reasons reflecting its true economic substance. Should a declared contractual price differ from the actual price of a legal business transaction, taxation shall apply to the latter (actual price).

A draft decision to apply the anti-abuse provision should be justified through notification issued by the local Tax Office, for the taxpayer's preliminary hearing right, with a description of the legal acts or business transactions carried out by the taxpayer that are deemed abusive and demonstration that they were aimed at obtaining a certain tax advantage, namely linked with the reduction, elimination or deferral of taxes that would be due in case a business or act with an identical economic purpose had been implemented.

The evidence deemed necessary to challenge the proposal to apply the anti-abuse provision must be presented within the 15 days of the taxpayer's right of prior hearing, otherwise additional defense against the application of the procedure may not be introduced at a subsequent stage. After the previous hearing, the local Tax Office prepares a duly reasoned opinion on the application of the procedure for decision of the Tax Administration's highest body.

In case the general anti-abuse provision applies, compensatory interest shall be due at an aggravated 2.5% rate.

Transfer pricing

The arm's length principle applies to related party transactions. The Angolan tax administration can make adjustments that are deemed necessary for determining the taxable amount when a "special relation" exists between entities, regardless of whether these entities are liable to corporate income tax if conditions have been established for transactions between the entities are different from those that normally would be agreed upon in relations between independent entities.

The transfer pricing rules generally cover commercial transactions including any transaction for goods, rights, or services, as well as financial transactions.

The following transfer pricing methods may be used: (i) comparable controlled method; (ii) resale minus method; and (iii) cost plus method.

A transfer pricing file must be prepared by all Angolan taxpayers that have recorded total revenue of more than AOA7,000 million. The transfer pricing file have to be prepared and delivered to the Tax Authorities and retained until six months after the closing of the exercise to which it relates.

Thin capitalisation rules

Angola does not have thin capitalisation rules. Interest expense incurred on shareholder loans are deductible for corporate income tax purposes up to the average annual interest rate set by the Angolan Central Bank.

Employment-related Taxes

Payroll tax

Personal income tax must be withheld by the employer and paid to the government by the end of the month following the month in which the income was paid.

Social security

Angolan citizens and foreigners with a residence permit must make Angolan social security contributions.

The total social security contribution is 11%, but the employer covers 8%. The employer is required to withhold the employee's contribution (3%) and pay both contributions by the 10^{th} day of the month following the month in which the income was paid.

Social security is levied on a contribution basis, and the assessment rules differ from the rules applicable for personal income tax purposes.

Unless it is demonstrated that an expatriate is covered by a foreign social security regime, all expatriate employees must register with the National Social Security Institute and make social security contributions in Angola.

Indirect Taxes

Value-added tax (VAT)

Standard rate	14%

Currently, there are three different VAT regimes applicable in Angola: General VAT Regime, Simplified Regime and Exclusion Regime.

The General VAT Regime applies to the following: i) large taxpayers (those registered at the large taxpayers' office), ii) taxpayers with an annual turnover higher than AOA350 million and iii) all entities in the manufacturing industry (regardless of their annual turnover).

The Simplified VAT Regime applies to taxpayers with an annual turnover between AOA10 million and AOA350 million.

The remaining taxpayers, with annual turnover below AOA10 million, are not subject to the VAT rules (falling under the VAT Exclusion Regime).

VAT is due on a monthly basis, both for the General and Simplified VAT Regimes, to be paid no later than the last working day of the month following the relevant operations.

Entities covered by the General VAT Regime have to charge 14%, 5% or 2% on supplies (whenever no VAT exclusion applies). In case these entities only perform VAT exempt operations (with no right to input VAT recovery), Stamp Tax at 7% is due on receivables (collection of the operations invoiced).

For entities covered by the Simplified Regime, VAT is due at a flat rate of 7% on the amount actually collected for the supply of goods/ services (not VAT exempted), and such VAT is not disclosed on invoices. Such VAT amount due is not paid by the customers and is a cost for the taxpayer. For the VAT exempt operations, Stamp Tax is due at a rate of 7%.

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services and on imports into Angola.
2. Rate – The standard VAT rate is 14%. A reduced rate of 5% applies to goods from the "basic basket" (e.g., unconcentrated milk, powdered milk, beans, rice, wheat flour, food oil/fat, sugar cane and soap) and also for some agricultural inputs. There is also a reduced rate of 2% for imports and local supplies of goods carried out in the Angolan Province of Cabinda. In addition, there are some goods where local supply in the Angolan territory is VAT-exempt (e.g., medicines for therapeutic or prophylactic purposes, oil and gas products, books, including those in digital format, immovable property leases, etc.). Some insurance and financial services also are VAT-exempt.
3. Refund/reimbursement – When the credit amount is higher than the amount due by the taxable operations in the corresponding period, the excess may be refunded if certain requirements are met. This VAT refund can be requested by taxpayers covered by the General and Simplified Regimes (in this last case, on an annual basis).
4. Taxable persons can deduct input VAT on purchases to carry out taxable transactions (or exempt with the right to deduct). There are some exclusions, namely expenses related to vehicles, accommodation, food, drinks, tobacco, etc.
5. Transactions paid through automatic payment terminals, related to supplies of goods/ services by banking Institutions, should retain 2.5% of the transaction amount, as VAT, to be transferred monthly to the Tax Authorities – the amount retained is recovered by taxpayers through their monthly VAT returns.

Customs and excise duties
The importation of products generally is liable to customs duties. Angolan customs duties are levied ad valorem and are applicable to imported products, regardless of their origin. The customs duty rates can vary depending on the classification of the goods (essential, necessary, useful, extra, and luxury).

Angola introduced a special consumption tax on 1 October 2019 that is aimed to reduce the consumption of certain products. The tax rate ranges from 0% to 25% and applies to harmful and/or luxury products, such as alcoholic beverages, tobacco, fireworks, art objects, ships, airplanes, motor vehicles, plastic bags, etc. The special consumption tax normally is due during the production process and the importation of goods.

Cross-border transactions involving goods may be liable to customs duties, VAT, the special consumption tax, and administrative fees. Angolan customs rates are based on the Harmonized Commodity Description and Coding System used in the EU.

Other Taxes
Inheritance/estate tax
A gift and inheritance tax system applies to gratuitous transfers of movable property located or existing in Angola or transferred from an Angolan resident. The transfer of assets with a value of AOA500 million or less to spouses, ascendants, or descendants is exempt.

The inheritance and gift tax rates are progressive. For calculation purposes, when the taxable base exceeds AOA3 billion, the value is divided into two parts and the marginal rate is applied above the AOA3 billion ceiling:
- Between spouses or to descendants or ascendants: A 10% rate applies up to AOA3 billion, and a 15% rate applies over AOA3 billion
- Between any other persons: A 20% rate applies up to AOA3 billion, and a 30% rate applies over AOA3 billion.

Property Tax (PT)
PT is levied on the tax property value for passively held/occupied immovable property, or on rental income for leased property, either urban or rural, that is located in Angola. PT is also levied on all immovable property transfers (either for free or for consideration).

For immovable property that is not rented, PT is levied on the rateable valuation and is paid by the owner, occupier or holder of the surface rights until the end of March of the following year (or, upon request, in six consecutive installments). For urban property (except building plots), the PT rate applies per brackets of rateable valuation as follows: a 0.1% rate applies to tax property values up to AOA5 million; a fixed AOA5,000 is due for tax property values between AOA5,000,0001 and AOA6 million; and a 0.5% rate applies on the portion of the tax property values exceeding AOA5 million, for those having a value above AOA6 million. Regarding land for construction, a 0.6% PT rate applies to its tax property value. For rural property, an amount equivalent to AOA10.397 is due per hectare.

An additional charge equivalent to 50% of the aforementioned PT due applies for vacant buildings (i.e. without evidence of having water, electricity or telecommunication contracts and respective monthly charges) for more than one year, as well as land for construction not complying with the useful and effective use criteria during three consecutive or six interpolated years.

For leased property, PT is levied at a 25% rate on collected rental income. The limit for deemed deductible expenses (i.e. charges for the maintenance and conservation of the immovable property) is 40% of the property's rent or lease value, leading to an effective 15% PT rate due on the gross rental income. If the property rents are paid by a taxpayer with accounting, a 15% PT WHT should be levied and paid to the treasury until the end of the following month, regardless of the lessor obligation to submit the annual return per leased building until the end of January of the following year. The PT payable on rental income may not be lower than the amount that would be due on the underlying tax value of the property that generates the income. Similarly, if the agreed rent amount is not collected in a certain period, the PT assessment should be made on the basis of the underlying tax property value, while giving rise to the landlord's right to deduct such PT paid when it actually collects the rent.

Rental income liable to PT is not subject to corporate income tax.

PT is also levied on the transfer of property located in the Angolan territory. The tax rate is 2% and is paid by the acquirer of the property on the higher of the sales price or the value of the property.

Among several other transactions deemed as immovable property transfers for PT purposes, the acquisition of at least 50% of the shares in limited liability companies or corporations that own immovable property can trigger a PT liability if the acquiring entity ends up holding more that 50% of the company's share capital.

Stamp tax
Stamp duty is levied on all acts, contracts, documents, transactions in securities, and other acts listed in the table annexed to the stamp duty code, or in special laws, that take place in the country. The following also are subject to stamp duty:
- Documents issued or acts or contracts concluded outside Angola on the same terms that would apply had they been issued or entered in Angola, and that are presented in the country for any legal purpose
- Loans and guarantees granted abroad to an entity with a head office, subsidiary, branch, or PE in Angola
- Interest, fees, and amounts charged by entities resident abroad to entities with a head office, subsidiary, branch, or PE in Angola

Insurance carried out abroad in relation to risks located in Angola.

The tax rates are set out in the table annexed to the stamp tax code in effect at the time the tax is due, with no duplication permitted regarding the same facts or transaction. If more than one rate applies to a transaction, the highest rate will prevail. Exemptions apply to certain transactions.

Tax Administration and Compliance
Tax is administered in Angola by the Administração Geral Tributária (AGT).

Companies
1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Large taxpayers may file consolidated corporate income tax returns if approved by the AGT; however, each company in the tax group must file a separate corporate income tax return.
3. Filing and payment – Corporate income tax must be paid annually by 31 May (with respect to the previous tax year for taxpayers under the General Regime) or by 30 April (with respect to the previous tax year for taxpayers following the Simplified Regime). Under the General Regime, provisional tax payments are required on sales at 2% of the taxpayer's sales turnover computed in the first six months of the accounting period. The provisional tax must be paid by 31 August.
4. Penalties – Penalties are imposed for the late payment of corporate income tax.
5. Rulings – Taxpayers may request a binding ruling from the tax authorities. A ruling is valid for at least one year, after which, the tax authorities can review the ruling and potentially change their position for subsequent years.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Employees are not required to submit tax returns if their only income is from employment. For other taxpayers, joint filing is not permitted; spouses must file separate tax returns.
3. Filing and payment –The employer must withhold tax on monthly employment income based on the applicable personal income tax rates and pay it to the government by the end of the month following the month in which the income was paid. Individuals engaged in business activities must file a tax return by 31 March of the year following the year to which the income relates.
4. Penalties – Most infringements of the personal income tax rules, including failure to file and errors and omissions in tax returns, are subject to the penalties set out in the general tax code.

VAT

1. The liability for the payment of VAT generally is on the supplier that carries out taxable transactions. However, if the purchaser is a taxable person, the tax is due by that purchaser under the reverse charge mechanism when the supplier of services is a non-resident taxable person and does not have a permanent establishment in Angola. Liability for the payment of the tax on the importation of goods falls on the importer.
2. A special VAT payment scheme (withheld tax) applies to oil investment companies, executing entities of the Angola LNG Project and the state, as well as any of its services and local authorities, except for public companies (100%). The Angolan Central Bank, commercial banks, insurance and reinsurance companies, and telecommunications operators also partially fall within the scope of this scheme (50%). When VAT is due on transactions carried out with these taxable persons, they must withhold (i.e. pay to the state) the VAT due (100% or 50%) when such VAT is not deductible.
3. Non-resident companies that make taxable supplies where the reverse charge rule is not applicable (i.e. including entities supplying electronic services to Angolan private consumers) must register in Angola and appoint a fiscal representative therein to ensure compliance with the non-resident supplier's taxable obligations, namely registration, filing of VAT returns, and paying VAT (although a Simplified VAT Regime exists, in practice the referred taxpayers must appoint a fiscal representative).
4. Taxable persons liable for the payment of the VAT must file a monthly VAT return and pay the amount of the tax due through the legally allowed payment methods by the last working day of the month following the month in which the relevant transactions were carried out.
5. Penalties – Failure to comply with the VAT rules will give rise to the same penalties set out in the general tax code.

SAF-T (AO)

Angolan taxpayers that fall within the scope of the General and Simplified VAT regimes must file on a monthly basis standardised files extracted from their invoicing software with information regarding supplies made during the period.

A similar obligation applies to purchases, where relevant information must be submitted to the AGT through a SAF-T (AO) file. This obligation does not apply where the taxpayer includes all acquisitions (with VAT or not) in the supplier's Annex to the monthly VAT return.

Accounting SAF-T (AO) file must be prepared monthly and made available annually upon request of the AGT.

Invoicing requirements

Invoices and other relevant fiscal documents have to be issued in accordance with the rules in place, for each supply of goods/service and advanced payments, otherwise penalties apply to the supplier.

All entities with an annual turnover equal or greater than AOA10 million must issue invoices or equivalent documents under an invoicing software certified by the AGT.

Taxpayers covered by the Exclusion Regime are allowed to issue invoices using pre-printed forms authorised by the AGT.

Investment Incentives

Private investment regime

Under the private investment regime, incentives and benefits may be granted to foreign investments.

Investment in the oil, mining, and banking industries are regulated by special investment regimes, which also may offer incentives.

The private investment law applies to private investments of any amount made by national or foreign investors. This regime does not apply to investments made by state-controlled legal persons (wholly or majority owned) or to sectors governed by special legislation.

Investment projects are subject to a prior declaration regime or a special regime. Private investors are free to choose the preferred investment regime. The prior declaration regime requires the submission of the investment proposal to the public entity responsible for registration of the investment and for granting benefits. According to this regime, companies must be incorporated, so it is not necessary to present a private investment registration certificate evidencing the act of incorporation. The special regime applies to investment projects carried out in priority activity sectors and in development areas specified in the law.

Tax benefits (notably, corporate income tax, SISA, UPT, investment income tax) are available under both regimes.

Free zone regime

With the expected creation of the first Free Zones under the Free Zones Regime, customs exemptions and tax benefits may be granted to private investments, as well as access to special migratory, labour, foreign exchange and financial regimes.

All types of private investment will be allowed, with a focus on agro-industrial development, labour-intensive industries and high-tech and high-value-added industries that use and transform national raw materials and are intended for export. The development of all classes of industrial, agro-industrial or technological, commercial and service activities will be allowed.

Investors interested in developing activity in these areas must submit the investment project to the public entity responsible for managing the Free Zone, and will be subject to the signing of an investment contract that regulates the terms and conditions for its execution.

Exchange Controls

Exchange controls generally are administered by the central bank and commercial banks. The import or export of funds is subject to the foreign exchange regulations.

Under the private investment regime, foreign investors can obtain a guarantee of the ability to repatriate profits and dividends arising in Angola if certain conditions are fulfilled.

Expatriates and Work Permits

All foreign employees performing duties in Angola must obtain visas after providing justification for their stay in the country.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)
- Organization of the Petroleum Exporting Countries (OPEC)
- African Growth and Opportunity Act (AGOA) beneficiary

Key Economic Information

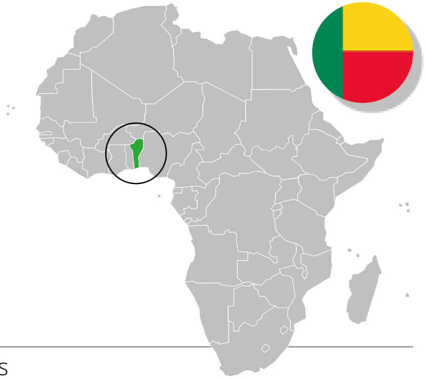
Currency (symbol/code)
Angolan kwanza (Kz/AOA)

Exchange rate	
US$1	AOA656.41
EUR1	AOA790.95
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$219.84 billion	US$230.17 billion
Real GDP growth	
0.37%	2.38%
Average inflation	
22.30%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
15.50%
Source: Bank of Angola, 2021.

Market capitalisation as at April 2021
BODIVA plans to launch the Angola Stock Exchange
Source: Capital IQ, 2021.



Benin

Contacts

Badara Niang
bniang@deloitte.sn
+221 33 849 65 05

Fabrice Comlan
fcomlan@deloitte.com
+229 21 31 17 51

Tania Gaye
tgaye@deloitte.com
+229 21 31 17 51

Yves Madre
ymadre@deloitte.fr
+243 859 998 044

Income Tax – Individuals

Taxable income (XOF)	Rate
0 – 10 million	30%
10,000,001 – 20 million	35%
Over 20 million	40%

Notes

1. Basis – Individuals, whether Beninese or foreign nationals, whose tax domicile is in Benin generally are subject to personal income tax on worldwide income. Individuals who are not domiciled in Benin are subject to tax only on Benin-source income.
2. Residence – Domicile is based on habitual residence, as evidenced by a permanent home, principal place of residence, or centre of economic interests in Benin.
3. Taxable income – Apart from where it is taxed at source, income for individuals is taxed in Benin under two schedules: industrial and commercial profits and non-commercial profits.
4. Exempt income – The following income is exempt from personal income tax: (i) interest on three-year treasury bills or those for which a tax exemption is granted by decree; (ii) redemption/repayment premiums attached to bonds and bonds issued under the authority of the Minister of Finance; (iii) amounts received from a lottery organised in Benin; and (iv) foreign-source income that already has been taxed, if so provided under an applicable tax treaty.
5. Deductions and allowances – For individual income tax purposes, there is no deduction based on the number of dependent children.
6. Rates – Personal income tax rates are progressive at rates ranging from 30% to 40%. Fees paid to a resident service provider are subject to a withholding tax (WHT) of 1%, 3%, or 5%, with the rate increasing to an effective 10% for payments to non-resident individuals and to an effective 12% for payments to non-resident legal entities (the withholding rate is set at 25% for natural persons and at 30% for legal persons after a reduction of 60% to the sums paid).

Income Tax – Companies

	Rate
Standard corporate tax rate	30%

Notes

1. Residence – Territoriality is defined in tax law. The companies taxable in Benin are companies registered in Benin and permanent establishments (PEs) and branches of non-resident corporations.
2. Taxable income – Capital gains derived from the disposal of fixed assets are included in ordinary income and taxed at the company rate; however, 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.
3. Deductions – Deductions normally are allowed for expenses incurred in generating income. Management fees may be deducted if they are reasonable for the services rendered. The deduction of some costs is limited.
4. Losses – Losses can now be carried forward for five years. The losses existing at 31 December 2019 are carried forward over three years.
5. Foreign tax credit – There is no unilateral relief granted on taxable income from a foreign-source except those for which a tax treaty grants an exemption.
6. Group relief – Benin does not have any provision allowing for group relief or the transfer of losses between members of a group.
7. Rate – The corporate income tax rate for non-industrial companies and partners that opt for corporate income taxation is 30%. Industrial companies are subject to a 25% rate. The rate is between 35% and 45% for oil companies carrying out research and the exploitation, production, and sale of natural hydrocarbons. Branches of foreign companies are subject to the same rate as domestic companies, but they also are subject to a 15% branch tax on 90% of profits remitted to the head office.
8. Alternative minimum tax – Industrial companies are subject to tax at a rate of at least 0.75%, and for other companies (non-industrial), a tax of 1% is levied on cash income but the amount may not be lower than XOF250,000. New businesses regularly constitute an income tax reduction of 25% for the first year, 25% for the second year and 50% for the third year of operations.
9. Additional professional taxes – Any Beninese or foreign person or legal entity which exercises in Benin a commercial, industrial activity and not included in the exemptions, is subject to an annual license requirement. The license is due for each establishment installed in the territory of Benin. New businesses regularly created are exempt from the license for the first 12 months of activity.
10. Companies with a turnover of less than XOF50 million are subject to the payment of the Synthetic Professional Tax by applying a rate of 2% to annual turnover regardless of the nature of their activities. However, the minimum tax is set at XOF10,000 for micro businesses and XOF150,000 for small businesses. Companies subject to the Synthetic Professional Tax regime whose amounts excluding VAT of purchases of goods and services, equipment, and private and public contracts signed exceed the threshold of XOF50 million are immediately reclassified to the VAT invoicing regime and payment of income tax.

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents):

	Residents	Non-residents
Dividends	0%-15%	0%-15%
Interest	15%	15%
Royalties	See note	10%-12%
Technical services fees	See note	10%-12%
Other	See note	See note

Notes

1. Dividends – The general WHT rate on dividends is 15%. The rate is reduced to 10% for regularly distributed amounts, and is reduced to 5% for regularly distributed amounts to non-residents (but is subject to reduction in terms of an applicable tax treaty) and for amounts distributed regularly by a company listed on a regional stock exchange. The rate of 7% applies on capital gains generated on the sale of shares and received by individuals.
2. Interest – Interest paid to a resident or non-resident generally is subject to a 15% WHT. A 6% rate applies to income arising from bonds, which may be reduced by the government in certain cases. The rate on bonds issued by WAEMU countries or by the local authorities is 3% if the term of the bonds five or 10 years, and 0% if the term of the bonds exceeds 10 years.
3. Royalties paid to a foreign individual are subject to a 10% WHT and royalties paid to a foreign company are subject to a 12% WHT. Royalties paid to a resident individual are considered non-commercial profits and are subject to personal income tax at progressive rates. Royalties paid to a resident company are subject to corporate income tax at the 30% rate.
4. Technical service fees – Technical service fees paid by a resident company to a non-resident company are subject to a 12% WHT (10% where paid to a non-resident individual). Technical service fees paid by a resident company to another resident company are subject to a 1%, 3% or 5% WHT.
5. Other – A 12% WHT is imposed on the gross amount of other payments made to non-residents.

Tax Treaties

Benin has concluded four tax treaties:

Treaties partner	Dividends	Interest	Royalties
France	15%	15%	0%
Norway	18%	25%	15%
WAEMU	10%	15%	15%

Anti-avoidance Rules

Transfer pricing

Pretax profits indirectly transferred abroad (by adjusting the sale or purchase price or by any other means) to a non-resident company that controls or is controlled by the Benin corporate taxpayer may be added back to taxable income if the transfer is not on arm's length terms. Companies are required to make transfer pricing documentation available to the tax authorities in certain cases.

Thin capitalisation rules

There are no specific thin capitalisation rules in Benin, but loan interest due to shareholders will be disallowed to the extent that it arises from interest rates that are more than three percentage points above the base rate of the West African States Central Bank, where the corporate capital of the borrowing company is not fully paid up, or to the extent that it exceeds 30% of pre-tax profits. In addition, if the loan must be repaid within five years, the company may not be liquidated during this period.

Employment-related Taxes

Payroll tax

A 4% rate applies on salary, wages, and a broadly defined concept of emoluments.

Pay-As-You-Earn (PAYE)

The employer must withhold tax on salaries, wages, and other remuneration, and pay the tax to the tax administration on a monthly basis by the 10th day of the month following the month the payment is made.

Social security

Both the employer and the employee must contribute to 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.

Employer wage payment/Versement patronal sur salaires (VPS)
VPS is a tax payable by the employer instead of the former payroll and apprenticeship taxes. Individuals and legal persons that pay salaries and wages are subject to the VPS at a rate of 4% (2% for private educational institutions). The VPS is payable monthly at the same time as the personal income tax/CIT and is reported on a separate return.

Indirect Taxes
Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – The supply of goods and services, even if the tax domicile of the taxpayer would be located outside the territorial limits, carried out (or used) in Benin and imports into Benin are subject to VAT.
2. Rates – The standard VAT rate is 18%. Exempt activities include imports of certain products, banking, and general insurance. Externally financed government contracts are exempt in certain circumstances. Exports of goods and services are zero-rated.
3. Registration – All individuals or legal entities that purchase goods for resale or carry on industrial, commercial, non-commercial, artisan, or professional activities and whose turnover exceeds XOF50 million per year are subject to VAT and must register with the tax authorities. Small companies with annual turnover exceeding XOF20 million may request VAT registration. Exceptionally, companies with an annual turnover of less than XOF50 million must invoice VAT when they carry out sales operations, services or works with the State, local authorities, companies, establishments and state offices.
4. Invoicing: All companies subject to VAT must issue invoices from an electronic system that will be granted or authorised by the tax administration, unless expressly waived by the Director General of Taxes.

Customs and excise duties
Customs duties are levied on the customs value of most imported goods. As a member of the WAEMU, Benin does not levy customs duties on imports from other WAEMU member countries.

Import duties
For imports into Benin, a WHT is levied on corporate income at a rate of 1% for low risk companies and 3% for other taxpayers. The tax is applied on the customs value, in addition to all duties and taxes, except VAT.

Other 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) at rates of 1% for short-term leases or hires, 5% for long-term leases or sales of moveable property, or 8% for sales of a business and at a fixed fee of XOF6,000 for shares or mergers, capital increases, and share transfers that do not involve the takeover of a company.

Registration of service contracts is subject to a duty of 1% of the price of the contract.

See also Inheritance/Estate tax below.

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

Transfer tax
A transfer tax of 8% is levied on the transfer of land and buildings. A transfer of shares that results in the takeover of a company is subject to an 8% tax.

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 is vacant. The tax is payable in advance, in equal instalments in January and March.

Inheritance/estate tax
There is no specific tax on inheritance, but stamp duty is levied on transfers from the estate of a deceased person.

Miscellaneous taxes on corporations
A monthly tax on financial activities is charged on banks and other financial institutions at a rate of 10% of the gross value of interest, commissions, and other financial income.

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

Companies that are subject to corporate tax in Benin must pay an annual radio tax of XOF1,000 and an annual television tax of XOF3,000.

Contracts for insurance of assets in Benin are subject to insurance tax at rates from 0.25% (export credit) to 20% (fire). Tax on company vehicles is XOF150,000 or XOF200,000 per year, depending on the size of the engine.

Withholding tax on sales of hydrocarbons
A levy equal to XOF0.3 per litre sold is payable by companies that are not resident in Benin but that sell directly to local and foreign approved importers with respect to hydrocarbons in containers built in Benin. The debtor of the amount and the non-resident importer are jointly and severally liable for the payment of the tax. Penalties for failure to comply are the same as for VAT.

Tourist tax
A tourist tax is levied on stays in hotels and similar establishments, as well as rentals in furnished residences, regardless of the duration of the stay. The tax is paid by the customer.

Electronic communications services
A contribution applies on the sale of electronic telecommunications services on networks open to the public. The rate is 5% of the price of the duty-free sale of the service, with the tax collected and paid by the supplier.

Tax for development of sport
A tax for the development of sports is levied on large companies, with the taxable base represented by turnover, excluding taxes, at a rate of 1/1000. The tax is deductible in computing income tax and is paid in the same manner as the income tax.

Tax Administration
Tax is administered in Benin by the General Tax Office.

Companies
1. Tax year – The tax year is the calendar year. A company cannot request a different 12-month period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Tax returns for business income must be filed by 30 April after the end of the fiscal year, with any balance of tax due paid at that time. Quarterly advance payments are due on 10 March, June, September, and December based on the previous year's tax liability. Tax also is collected when a company makes purchases or deals with service providers at rates of 1% (for registered enterprises), 5% (for unregistered enterprises), and 3% (for independent professions). The rate is 1% for enterprises (registered) when they import goods. Large companies may pay tax electronically or by bank transfer instead of certified checks.
4. Penalties – Penalties are assessed at rates ranging from 20% to 80% of the 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 after an injunction.
5. Rulings – While there is no statutory requirement to issue binding rulings, the tax authorities may provide an advance discussion on the interpretation of the tax legislation.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Joint returns of spouses are not permitted.
3. Filing and payment – The individual tax return must be filed by 30 April for business income, with any balance of tax due paid at that time Individual income tax is paid in quarterly advance instalments on 10 March, June, September, and December. A tax return is required even when all income is from employment and tax has been deducted at source. Taxes on salary must be paid monthly.
4. Penalties – Penalties are assessed at rates ranging from 20% to 80% of the 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 submitted only after an injunction.

VAT
1. Filing and payment – VAT returns must be submitted monthly, along with payment of VAT due by the 10th of the following month.
2. Penalties – A penalty equal to 20% of the tax liability is levied for late payment and 10% for late filing.
3. Billing must be chronological and on an ongoing basis.

Investment Incentives
General incentives
Incentives are granted under several laws, including the Investment Code, Mining Code, Petroleum Code, Environment Code, 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 will be exempt from tax on industrial and commercial profits for an approved period
- Enterprises investing at least XOF3 billion may obtain tax stability guarantees. Fifty percent 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, and a 50% reduction in the rate of VPS (employer payment) for five years, as well as other tax concessions
- Financial and banking institutions, holding companies in general, and insurance companies may obtain a license to operate in IFZs.

Export incentives
Companies that benefit from the free zone regime are entitled to export incentives, and exported products or services are exempt from VAT.

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 come to Benin with a long-term visa (i.e. valid for one year). The employment contract of the expatriate must be submitted to the Ministry of Labour for approval, and once a work permit is issued, it will be valid for one year, with the possibility for renewal. A resident permit issued by the Immigration Ministry also is required for all expatriates.

Trade Relations
Memberships
- World Trade Organization (WTO)
- West African Economic and Monetary Union (WAEMU)
- Economic Community of West African States (ECOWAS)

Key Economic Information

Currency (symbol/code)
West African CFA franc (CFA/XOF)

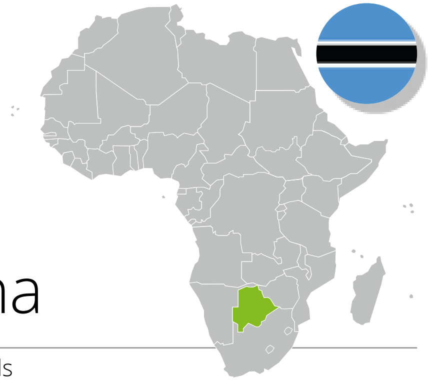
Exchange rate	
US$1	XOF545.50
EUR1	XOF655.96
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$44.62 billion	US$48.37 billion
Real GDP growth	
4.97%	6.01%
Average inflation	
2%	
Source: IMF WEO DATABASE, April 2021.	

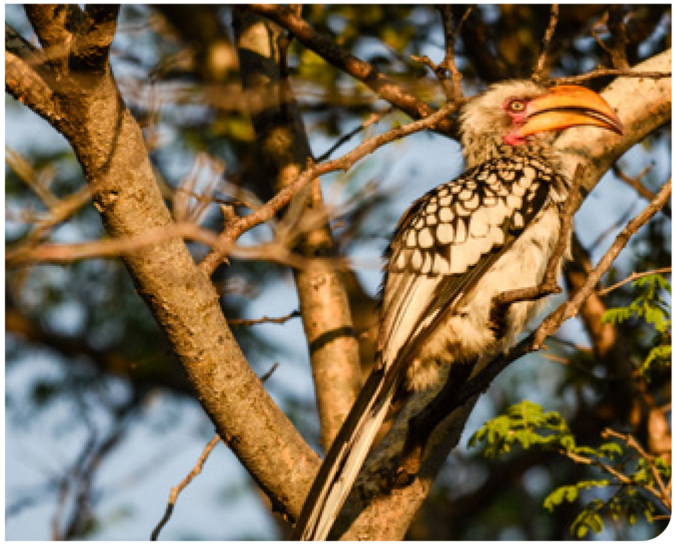
Central Bank Rate
4%
Source: Trading Economics, Central Bank of West African States, 2021.

Market capitalisation as at April 2021
US$149.20 million
Source: Capital IQ, 2021.

Benin



Botswana



Contacts

Terry Brick
tbrick@deloitte.com
+267 363 5512

Freddie Els
fcels@deloitte.com
+267 395 1611

Income Tax – Individuals

Taxable income (BWP)	Income tax payable
Up to 48,000	0%
48,001 – 84,000	5% of excess over BWP48,000
84,001 – 120,000	BWP1,800 + 12.5% of excess over BWP84 000
120,001 – 156,000	BWP6,300 + 18.75% of excess over BWP120 000
Over 156,000	BWP13,050 + 25% of excess over BWP156 000

Notes

1. Basis – Botswana operates a source-based system of taxation. Both resident and non-resident individuals are subject to income tax on Botswana-source income. Botswana citizens also are subject to tax on their income from foreign sources.
2. Residence – An individual is resident if his/her permanent place of abode is in Botswana; if he/she is physically present in Botswana for more than 183 days in a tax year; or he/she is physically present in Botswana for any time and that period is continuous with a period of physical presence in the immediately preceding or immediately succeeding tax year for which the individual is treated as a resident.
3. Taxable income – Taxable income comprises income from employment, business income, passive income (such as dividends and interest), and capital gains (although capital gains are assessed separately; see below under "Rates"). Individuals are taxed on the value of any benefit or advantage arising from employment, whether in cash or in kind. All amounts accrued to an individual are deemed to be from one source, except for income from mining and farming.
4. Exempt income – Certain types of income are exempt (e.g., pension fund contributions, medical expenses, passage, and local interest accrued from a bank or building society up to BWP7,800 per year). An employer's contributions to a medical benefit fund on behalf of an employee are not taxable in the hands of the employee.
5. Deductions and allowances – Few deductions are allowed, and no allowances are granted. Contributions to an approved pension or superannuation fund are deductible up to 15% of chargeable income, excluding investment income. Taxpayers with business income are entitled to the same deductions that are available to companies. See also below, under "Investment Incentives".
6. The tax tables above contains rates for tax years 2011/2012 to 2020/2021. Botswana Government has granted personal income tax relief through the increase in basic exemption threshold on personal tax from P36,000 to P48,000 as from 1 July 2021. No tax on any income below P48,000 effective from 1 July 2021. (Statutory instrument for updated tax deduction tables not yet published).
7. Rates – Income below BWP48,000 per year is exempt from tax effective from 1 July 2021; otherwise, rates are progressive up to 25%. Tax on employment annual gross income is withheld at source by the employer under a Pay-As-You-Earn (PAYE) salary deduction system. Capital gains derived by individuals are subject to tax at rates up to 25% but are assessed separately from other income. A resident individual who receives interest in excess of BWP1,950 per quarter will be subject to a 10% WHT (this is a final tax where the interest is paid by banks and building societies to individuals).

Non-residents (Individuals, trusts, and estates)

Taxable income (BWP)	Tax payable
Up to 84,000	5%
84,001 – 120,000	BWP4,200 + 12.5% of excess over BWP84 000
120,001 – 156,000	BWP8,700 + 18.75% of excess over BWP120 000
Over 156,000	BWP15,450 + 25% of excess over BWP156 000

Taxation of capital gains: Resident and Non-resident Individuals

Taxable income (BWP)	Tax payable
0 – 36,000	0
36 001 – 84,000	0 + 5% of excess over BWP36,000
84,001 – 120,000	BWP2,400 + 12.5% of excess over BWP84,000
120,001 – 156,000	BWP6,900 + 18.75% of excess over BWP120,000
Over 156,000	BWP13,950 + 25% of excess over BWP156,000

Corporate Income Tax – Companies

Company type	Tax rate
Resident company	22%
Resident companies – Approved manufacturing taxable income	15%
Non-resident company	30%
International Financial Services Company (IFSC) – Approved services income	15%
IFSC company – Other income	22%
Botswana Innovation Hub accredited company	15%
Unapproved pension and provident fund income	7.5%
Approved business operations (in the SPEDU region)	5% for first five years and 10% thereafter
Botswana Development Corporation Limited Group of Companies	22%/15%

Notes

1. Basis – Botswana operates a source-based system of taxation. Corporate tax is levied on the Botswana-source taxable income of all companies, other than tax-exempt bodies and small companies that elect to be treated as partnerships or sole proprietorships. Foreign-source dividends and interest are deemed to be from a Botswana source and taxed on an accrual basis, while foreign business profits are taxable only when remitted to Botswana.
2. Residence – A company is resident in Botswana if it is incorporated in Botswana or managed and controlled in Botswana. For income tax purposes, a company includes an association or society (whether or not incorporated or registered), but excludes a partnership.
3. Taxable income – Taxable income is gross income, including capital gains, less exempt income and allowable deductions. Dividends received from a Botswana-resident company are excluded from the definition of gross income and, therefore, constitute exempt income for corporate income tax purposes (although a WHT is levied). Where capital gains are derived from the sale of shares, only 75% of the net aggregate gain is taxable. Gains from shares that are listed on the Botswana stock exchange (BSE) are tax-exempt if the seller holds at least 49% of the shares for at least one year before the disposal. Gains from the disposal of IFSC shares are exempt from tax.
4. Deductions – All expenditure incurred wholly, exclusively, and necessarily in the production of assessable income will be allowed as a deduction from assessable income. No deduction will be allowed in respect of domestic or private expenses, capital withdrawn, expenditure or loss of a capital nature, tax imposed under the Income Tax Act, etc.
5. Losses – Losses may be carried forward for five years. Mining enterprises may carry forward their losses indefinitely. The carryback of losses is not permitted.

6. Foreign tax credit – Relief from double taxation is provided in the form of a credit against Botswana tax for foreign tax paid on the foreign income. The credit is granted under Botswana domestic law or may be available under an applicable tax treaty. In the former case, the credit is limited to the amount of Botswana tax applicable to the foreign income.
7. Group relief – Botswana tax law treats every company within a group as a separate and independent taxpayer. No provision is made for group companies to file a consolidated tax return, nor are there provisions for the transfer of losses between group companies, with the exception of the Botswana Development Corporation Limited Group of Companies.
8. Rates – The corporate tax rate for resident companies is 22%, and 15% for manufacturing and IFSC companies. Dividends received from sources outside Botswana are subject to a flat 15% tax. Non-resident companies are taxed at a flat rate of 30%.
9. Branches – Branches of foreign companies are taxed at a rate of 30%, rather than the normal 22% rate. No WHT is levied on remittances of branch profits to a head office or IFSC companies.
10. IFSCs – Approved financial operations that qualify as an IFSC include companies carrying on banking and financing operations, broking and trading of securities, investment advice, management and custodial functions in relation to collective investment schemes, insurance and related activities, registrars and transfer agency services, and accounting and financial administration.
11. Mining operations – For mining projects, the company is taxed on the basis of the tax agreement entered into with the Ministry of Finance and Development Planning, as per the provisions of the Income Tax Act. In the absence of such an agreement, the mining profits are taxed based on the following formula: Tax rate = 70 – 1500/x, where x is the ratio expressed as a percentage of taxable income to gross income, subject to a minimum tax rate of 22%. Mining companies are eligible for a mining capital allowance calculated at 100% of the mining capital expenditure incurred in the tax year.
12. Training levy – A training levy is payable based on a certain percentage of the taxable supplies and is administered by the income tax authorities on behalf of the Botswana Qualifications Authority.
13. Selebi Phikwe Economic Development Unit (SPEDU) – The Region Development Approval Order (DAO) aims at creating a favourable tax regime to encourage investment in the SPEDU region. Incentives include concessionary corporate tax rates for a new or an existing approved business in the agriculture, manufacturing, and tourism sectors.
14. To ease the burden of tax, Government has proposed a tax amnesty, providing all taxpayers with outstanding tax liabilities an opportunity to settle the principal amount owed in exchange for the write-off of interest and penalties charged during previous tax periods without fear of prosecution.

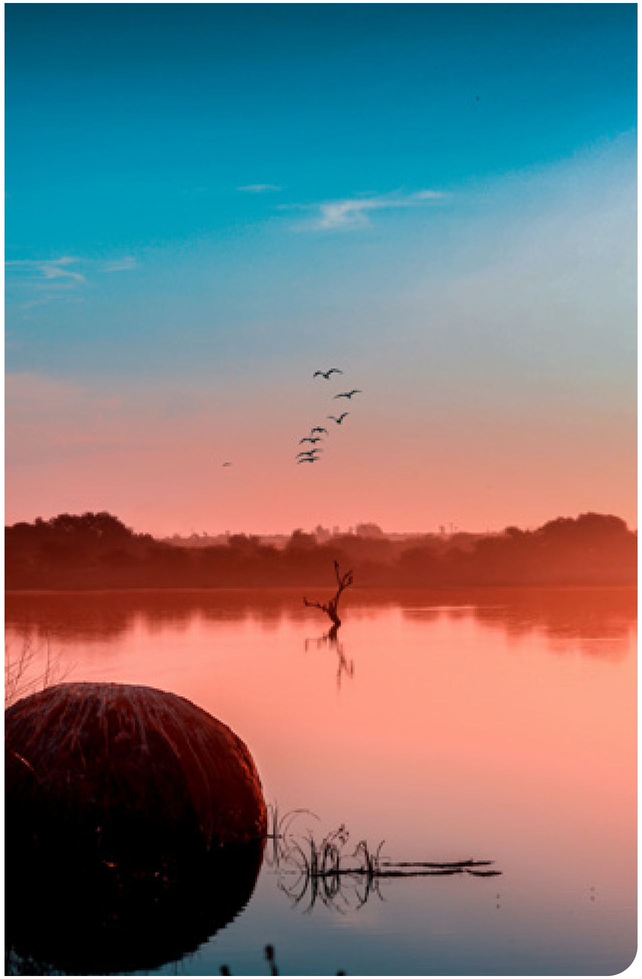
Withholding Tax (WHT)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT at the following rates:

Income	Residents	Non-residents
Dividends	10%	10%
Interest	10%	15%
Royalties	-	15%
Rent	5%	5%
Management, technical, and consulting fees	-	15%
Commission and brokerage fees	10%	10%
Entertainers/athletes	-	10%
Construction	3%	3%
Mine rehabilitation fund – surplus	10%	10%
Purchase of livestock for slaughter/feeding for slaughter	4%	-

Notes

1. The WHT on dividends, interest, royalties, management, technical and consulting fees, and fees paid to entertainers/athletes is a final tax for non-residents. The rates may be reduced under an applicable tax treaty.
2. Management, technical, and consulting fees include payments for services of an administrative, technical, managerial, or consulting nature. This includes virtually all service fees, irrespective of where the services are rendered.
3. The definition of an entertainment fee includes payments to associations and companies for the activities of non-resident entertainers. Therefore, all payments made to non-resident entertainers and athletes are subject to the 10% WHT applicable to entertainers, regardless of who actually receives the payments or how they are made.
4. No WHT is levied on services related to construction, e.g., design, engineering, and surveying.
5. Payments made by local telecommunications companies to foreign telecommunications companies under international agreements for international telephone service fees are excluded from the definition of commercial royalties and, hence, are exempt from the royalty WHT requirements.
6. Botswana residents that receive interest exceeding BWP1,950 per quarter from a bank or financial institution on deposits, bonds, and securities are subject to a 10% WHT. This is a final tax where the interest is paid by banks and building societies to individuals. In all other cases, the tax is credited against the final tax payable on assessment.
7. The withholding tax rate on dividends paid to residents and non-residents increases from 7.5% to 10% as from 1 July 2021. The rate on payments to non-residents may be reduced in accordance with an applicable tax treaty.



Tax Treaties

Botswana has concluded tax treaties with a number of countries. The maximum WHT rates (including lower alternative rates that apply in qualifying circumstances) are set out below:

Country	Dividends	Interest	Royalties	Management, Consultancy/ Technical fees
Barbados	5%/10%	10%	10%	10%
China	5%	7.5%	5%	5%
Czech Republic	5%	7.5%	7.5%	7.5%
France	5%/10%	0%/10%	10%	7.5%
India	7.5%/10%	10%	10%	10%
Ireland	5%	7.5%	5%/7.5%	7.5%
Lesotho	5%/10%	10%	10%	10%
Mauritius	5%/10%	12%	12.5%	15%
Mozambique	10%	10%	10%	10%
Namibia	10%	10%	10%	15%
Russia	5%/10%	10%	10%	10%
Seychelles	5%/10%	7.5%	10%	10%
South Africa	10%	10%	10%	10%
Swaziland	10%	10%	10%	10%
Sweden	5%	7.5%	10%	15%
United Arab Emirates	5%/7.5%	7.5%	7.5%	5%
United Kingdom	5%/10%	10%	10%	7.5%
Zambia	5%/7%	10%	10%	10%
Zimbabwe	5%/10%	10%	10%	10%

Notes

1. Where the domestic rate of WHT is lower than the treaty rate, the domestic rate is shown.
2. Where there are two withholding tax rates on dividends, the lower rate applies where the recipient is a company that holds at least 25% of the share capital of the payer company. Direct ownership is required under some treaties.
3. Several treaties provide for an exemption on interest (and occasionally dividends) paid to the government of one of the contracting states or to one of its political subdivisions, to the central bank, or to other legal entities wholly owned by the government or one of its political subdivisions. Because of the frequency of these types of exemptions, they are not reflected in the rate column, so the relevant treaty should be consulted to determine the extent of an exemption.
4. The 5% rate on royalties under the treaty with Ireland applies to royalties paid for the use of or the right to use industrial, commercial, or scientific equipment.
5. The 0% rate on interest under the treaty with France applies to interest paid in connection with the sale on credit of industrial, commercial, or scientific equipment, or of merchandise, or the furnishing of services by one enterprise to another enterprise.

Anti-avoidance Rules

Transfer pricing

Transfer pricing rules apply as from 1 July 2019. The transfer pricing legislation applies to taxpayers that transact directly or indirectly with connected persons within and outside Botswana. However, the rules generally do not apply to domestic transactions except when part XVI of the Botswana Income Tax Act applies, i.e. the taxation of IFSC companies.

If a transaction between connected persons is not consistent with the arm's length principle, the income that would have accrued in a comparable transaction that was consistent with the arm's length principle will be included in the taxable income of the recipient. There is no provision for a corresponding adjustment to the deduction available to the payer.

Where a Botswana resident taxpayer acquires a new or used asset from a non-resident connected person, and that person purchased the asset from an independent third party, the tax authorities will deem the purchase price of the asset to be nil, unless the taxpayer provides a tax invoice issued by the independent third party to the connected non-resident.

Affected taxpayers must prepare an annual transfer pricing local file and submit the local file to the Botswana tax authorities at the time the annual tax return is filed. The local file must contain information regarding the transfer pricing policies adopted for the determination of transfer of prices, specifically, the information detailed in the regulations. In addition, affected taxpayers with a transaction or transactions exceeding BWP5 million with a connected person within a multinational group are required to submit a transfer pricing master file upon the written request of the commissioner general.

Failure to submit the transfer pricing documentation when requested can result in the imposition of penalties of up to BWP500,000. Failure to comply with the transfer pricing legislation can result in the imposition of penalties equal to the greater of 200% of the tax that would have been payable had the transaction been conducted at arm's length or a fine of BWP10,000.

Thin capitalisation rules

Thin capitalisation rules also apply as from 1 July 2019. The rules restrict the amount of interest on debt that otherwise would reduce a company's profits and thereby reduce its tax payable.

A deduction will not be allowed for net interest exceeding 30% of EBITDA. The calculation of net interest includes certain imputed interest, the finance element of finance lease payments, certain exchange gains and losses, the cost of obtaining guarantees, and loan arrangement fees. An exemption from the thin capitalisation rules applies to a variable rate loan stock company, a micro-, small-, or medium-sized enterprise (as defined), and a company whose main business is banking and insurance.

Disallowed interest may be carried forward for deduction in the three following tax years (10 years for mining and prospecting companies).

Controlled foreign company rules

Botswana does not have CFC rules.

Employment-related Taxes

Social security contributions

Botswana does not require the employer or the employee to make social security contributions.

Indirect Taxes

Value-added tax (VAT)

Standard-rate	14%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and the provision of services by a VAT taxable person in the course of doing business, and on the importation of goods or services.
2. Rates – The standard VAT rate is 14% effective 1 April 2021. (effected via an official notice published in the Government Gazette on 5 February 2021). A number of goods and services are exempt from VAT, including education services, non fee-based financial services, residential accommodation, passenger transportation (excluding the transportation of tourist), donations, grants, prescription drugs, public medical services, and all farming equipment. Zero-rated supplies include exports, supplies of certain foodstuffs, fertilisers for farming purposes, and some pesticides.
3. Registration – Taxpayers with annual turnover of at least BWP1 million must register for VAT purposes.

Other Taxes

Share capital duty

Botswana does not levy tax upon the formation of a company or on capital increases. However, share capital duty is payable on the authorised share capital, based on a sliding scale as follows:

Nominal capital BWP1 – BWP3,000	BWP200
For every BWP1,000 or part thereof exceeding BWP3,000	BWP8

Transfer duty

Transfer duty is payable by the purchaser of property on the purchase price or value of immovable property. Transfer duty is waived where VAT is paid.

Citizens	Rate
Agricultural property – value above P200 000	5%
Non-agricultural property-value above P200 000	5%
Non-citizen	
Agricultural property	30%
Non-agricultural property	*30%

* The Transfer Duty (Amendment) Act 2019 was published on 28 August 2019. The Act came into operation on 1 March 2020.

The Transfer Duty Act is amended by inserting the following:

- Increasing the duty rate from 5% to 30% for non-citizens
- The imposition of transfer duty on the transfer of shares in a company owning immovable property
- Imposition of the duty on the transfer of tribal land
- The introduction of a mandatory valuation certificate, executed by a registered property valuer for all transfers
- Increase in the exemption applicable to citizens from P200 000 to P1 000 000
- Exemption from the duty for 1st time homeowners, where the buyer is a citizen of Botswana
- Exemption from duty where a transaction involves donations of immovable property to eligible beneficiaries as provided for under the Income Tax Act
- The introduction of a penalty of P20 000 (a maximum not exceeding transfer duty payable) plus interest of 1.5% of outstanding amount, compounded monthly for false declaration or fraudulent act by the person liable to pay the duty.

Capital transfer tax

Capital transfer tax is charged on the gratuitous disposal of property by the donor to the donee. The donee is liable for capital transfer tax. A 12.5% rate applies to transfers of both resident and non-resident companies. The rate for individuals (both resident and non-resident) is as follows:

Aggregate taxable value (BWP)	Rate
0 – 100,000	2%
100,001 – 300,000	BWP2,000 + 3%
300,001 – 500,000	BWP8,000 + 4%
Over 500,000	BWP16,000 + 5%

The Capital Transfer Tax (Amendment) Act 2019 was published on 28 August 2019. The Act came into operation on 1 March 2020.

The Amendment Act exempts the value of any property which is disposed of:

- by way of inheritance to a spouse on the death of the other spouse
- to or for the benefit of the donor's spouse during the lifetime of the spouse
- to a person on his marriage or in consideration of the performance of any customary rites
- to any person being a descendant of a deceased person and is an heir or a legatee and is entitled as an heir or legatee to a property consisting of households goods, chattels and personal belongings of a deceased person
- in consequence of the restructure or merger of two or more resident companies, where the beneficial ownership of the shares of the companies concerned in the restructure or merger remains unchanged and that no shareholder benefits at the expense of another
- any transaction involving transfer of immovable property which is exempted from payment of transfer duty under the Transfer Duty Act
- donation threshold – The Amendment Act increase the aggregate value of all gifts from P5000 to P25000. Anyone who receive a donation in excess of P25000 per annum is subject to donation Tax/Capital Transfer tax.

Stamp duty

There is no stamp duty in Botswana.

Tax Administration and Compliance

The tax system is administered by the Botswana Unified Revenue Service (BURS).

Companies

1. Tax year – The tax year is the fiscal year, which runs from 1 July to 30 June, although a company may choose any date as its fiscal year end.
2. Consolidated returns – Each company within a group is treated as a separate and independent taxpayer. It is not possible for group companies to file a consolidated tax return.
3. Filing and payment – A self-assessment tax (SAT) system applies. Under self-assessment, a company whose corporate tax liability is at least BWP50,000 is required to pay the tax in quarterly instalments commencing with the first quarter of its financial year end. A final, or fifth instalment, is payable within four months after its year end at the time the tax return is submitted. A company with a liability of less than BWP50,000 must pay the full tax liability at the time the return is filed, i.e. four months after its financial year end.
4. Penalties – Penalties may be imposed at BWP100 per day for the late filing of a corporate tax return. Late payment interest on quarterly SAT payments and assessed tax is compounded at 1.5% per month. Late payment of PAYE and WHT also is compounded at 1.5% per month.
5. Rulings – There is no formal advance tax ruling system in Botswana, although a company may seek a non-binding interpretation of particular provisions of the law from BURS.

Individuals

1. Tax year – The tax year is the 12-month period from 1 July to 30 June.
2. Filing status – Married couples are assessed separately. Joint returns are not permitted.
3. Filing and payment – Individuals earning more than BWP36,000 per year must register with BURS and obtain a tax identification number (TIN). Self-assessment tax applies to non-corporate taxpayers on an optional basis. Any balance of tax due is payable within 30 days of receipt of an assessment.
4. Penalties – Penalties apply for failure to obtain a TIN, but no penalties are imposed for the late filing of a tax return.

VAT

1. Filing and payment – VAT is payable monthly or bimonthly, depending on the level of turnover.
2. Penalties – Penalties and interest may be levied for the late filing of VAT returns and late payments. Penalties may be imposed at BWP50 per day for late filing or 10% of VAT payable per month or part of a month, whichever is greater. Late payment interest on unpaid VAT Is compounded at 2% per month.

Investment Incentives

General incentives

The following investment incentives are available:

- Development Approval Order (DAO) – Companies that carry out an approved manufacturing business and undertake certain types of manufacturing processes qualify for a lower corporate tax rate of 15%. Any project that will benefit the economic development of Botswana may qualify, particularly projects in the mining industry, but any project that will generate employment will be considered. The relief can take any form and is negotiable
- Citizen Entrepreneurial Development Agency (CEDA) – The CEDA provides low-interest loans to citizens.

Special Economic Zone (Proposed)

Enterprises located in special economic zones will be subject to corporate tax at a reduced rate of 15%. For investors who are looking for infrastructure and significant capital investments, an income tax exemption up to 15 years may be possible.

Special tax allowances

- Training allowance – 200% of expenditure that is not funded by the Botswana Qualification Authority
- Construction of dwellings for employees of any business other than mining – BWP25,000 per house
- Industrial buildings – 25% initial allowance and 2.5% annual allowance on the cost of construction or purchase of new buildings or on improvements
- Commercial buildings – 2.5% annual allowance on the cost of construction or purchase of new buildings or on improvements
- Mining capital allowances – 100% of mining capital expenditure allowed as a deduction in the year of expenditure
- Plant and machinery – Heavy civil engineering plants used directly in construction and self-propelled portable plants or machinery used directly for manufacturing or production, 25% per annum; other industrial plant or machinery used directly for manufacturing or production, 15% per annum; other plant and machinery, 10% per annum
- Aircraft and motorised road vehicles (luxury vehicles limit BWP175,000) – 25% per annum
- Computer hardware – 25% per annum
- Computer software – Developed, 10% per annum; off the shelf computer applications, 100% per annum
- Farming – Companies engaged in farming operations are entitled to special deductions in relation to the following items of capital expenditure:
  - A farm development expenditure, deductible in the tax year in which it is incurred, for costs incurred in developing farming land for producing farming income
  - Expenditure incurred on various activities, including the prevention of soil erosion, 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 establishing trees, plantations, orchards, and vineyards
  - expenditure incurred on the construction of buildings (other than dwelling houses)
  - Farming assessed losses may be carried forward for five years.

Exchange Controls

There are no foreign exchange restrictions in Botswana.

Expatriates and Work Permits

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

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Customs Union (SACU)
- Southern African Development Community (SADC)
- African Growth and Opportunity Act (AGOA) – beneficiary country
- Signatory to recently introduced African Continental Free Trade Area (AfCFTA)

Key Economic Information

Currency (symbol/code)
Botswana Pula (P/BWP)

Exchange rate	
US$1	BWP10.81
EUR1	BWP13.03
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$43.39 billion	US$46.77 billion
Real GDP growth	
7.51%	5.40%
Average inflation	
4.67%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
3.75%
Source: Bank of Botswana, 2021.

Market capitalisation as at April 2021
US$2,666.10 million
Source: Capital IQ, 2021.

Burkina Faso

Contacts

Marc Wabi
mwabi@deloitte.fr
+225 07 07 00 93 16

Yves Madre
ymadre@deloitte.fr
+243 85 999 8044

Micheline Koudou
mkoudou@deloitte.fr
+225 27 22 599 900

Johany Adiabouah
jadiabouah@deloitte.fr
+225 27 22 599 900

Income Tax – Individuals

Taxable income (XOF) (monthly basis)	Rate
0 – 30,000	0%
30,100 – 50,000	12.1%
50,100 – 80,000	13.9%
80,100 – 120,000	15.7%
120,100 – 170,000	18.4%
170,100 – 250,000	21.7%
Over 250,100	25%

Notes

1. Basis – Habitual residents are taxable on income earned on a worldwide basis. Non-residents are subject to tax on Burkina Faso-sourced employment income provided the activities are carried out in Burkina Faso and the employer is located in the country.
2. Residence – Habitual residents are individuals with a permanent home available for their use in Burkina Faso or who are employed by a resident corporation.
3. 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 that is called the "unique tax on salaries". The applicable rate is applied to the taxable income.
4. Deductions and allowances – Expenses deductible from general income include housing allowances, duty allowances, transport allowances, family allowances, civil and military pensions, and severance pay, subject to certain limits.
5. Rates – The unique tax on salaries is imposed at schedular rates ranging from 0% to 25%. Income other than employment income earned by an individual is subject to income tax at rates that range from 10% to 27.5%.

Income Tax – Companies

	Rate
Standard corporate tax rate	27.5%

Notes

1. 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. Non-residents are taxed only on Burkina Faso-source income.
2. Residence – An entity incorporated in Burkina Faso is resident for tax purposes.
3. Taxable income – Income is taxed under separate schedules for industrial and commercial profits, non-commercial profits, and income from movable capital, land, and agriculture. The non-commercial schedule is mainly used for professional income, royalties, and know-how, and for non-resident corporations. Fifty percent of capital gains derived from the disposal of fixed assets and shares normally are included in taxable income. Capital gains derived from the sale of mining licenses are taxed at a rate of 20%. Capital gains resulting from mergers for companies and asset contributions are exempt from corporate income tax.
4. Deductions – Business costs and expenses are deductible if they are strictly related to the business.
5. Losses – Losses may be carried forward until the fourth year following the year of the losses. Losses may not be carried back.
6. Foreign tax credit – Bilateral relief is available under Burkina Faso's tax treaties.
7. Rate – The corporate tax rate is 27.5%.
8. Branch taxation – Burkina Faso-source income of branches of foreign companies is subject to the tax on securities, as well as a branch withholding tax of 12.5%. Branches are only subject to the branch tax at a rate of 12.5%. The taxable base applies to 75% of the annual income of the branch.
9. Alternative minimum tax – In the case of losses, taxpayers must pay a minimum tax of 0.5% instead of corporate income tax (reduced for financial institutions and insurance and petroleum companies) on the annual turnover. The minimum tax must fall between XOF300,000 and XOF1 million. Companies are exempt from the alternative minimum tax for their first year of activity.
10. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.

Withholding Tax (WHT)

The rates of WHT on various types of payments are as follows (the tax is a final tax for non-residents and may be reduced):

Payment	Residents	Non-residents
Dividends	12.5%	12.5%
Interest	12.5%/25%	12.5%/25%
Royalties	-	20%
Management and professional fees*	0%/5%	20% (10% for mining companies)

* The 0% rate applies to companies covered by the Direction des grandes entreprises (DGE) and the 5% rate to other companies.

Notes

1. Interest paid to residents is taxed at 25%. This rate is reduced by half (12.5%) for income from deposit accounts and current accounts with a bank or financial broker. These rates are applicable for both residents and non-residents.
2. Dividends and interest paid to residents and stemming from bonds and other financial obligations issued in Burkina Faso are taxed at a rate of 6%.
3. Royalties paid to a resident are not subject to WHT. Instead, the income is subject to corporate income tax (or the unique tax on salaries for individuals).
4. A rate of 20% is applied on amounts paid to non-resident entities for the provision of services.
5. A reduced rate of 10% applies to management and professional fees paid to mining companies for their mining operations.

Tax Treaties

Burkina Faso has concluded tax treaties with the following countries. The WHT rates under the treaties are as follows:

Country	Dividend	Interest	Royalties	Management and professional fees
France	15%	12.5/25%	15%	0%
Tunisia	8%	5%	5%	0%
WAEMU*	10%	15%	15%	0%

* West African Economic and Monetary Union

Anti-avoidance Rules

Transfer pricing

Transfers of profits 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 rules

There are no specific thin capitalisation rules in Burkina Faso, but interest paid to shareholders on amounts loaned to, or put at the disposal of, a company may be deducted only if the interest rate charged does not exceed the reference rate of the Central Bank of the West African Countries.

Employment-related Taxes

Payroll taxes

Employers are subject to a 3% tax on employment and apprenticeship based on the gross amount of the salary paid to an employee, including benefits in kind and allowances.

Social security
Social security contributions are paid on the basis of the salary paid. The employer pays 16%, comprised of a 3.5% occupational accident contribution, a 7% family allowance, and a 5.5% old age pension.

Employees pay social security contributions for old age pensions at a rate of 5.5%. This contribution is withheld by the employer.

Indirect Taxes
Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on production activities, the distribution of goods, and the provision of services in Burkina Faso. VAT also is applied to imported goods and services.
2. Rates – The standard VAT rate is 18%.
3. Registration – Taxpayers must register for VAT with the local tax authorities. There is no registration threshold.

Financial activities tax

Standard rate	17%

Notes

1. Taxable transactions – Financial activities tax is imposed on operations related to banking, financial activities and, in general, to trade in securities and money, with the exception of leasing operations.
2. Rates – the standard rate of Financial activities tax is 17%.
3. Subject to tax – Banks and financial institutions licensed in Burkina Faso; entities or legal persons engaged in financial intermediation; foreign exchange operators; entities or legal persons carrying and out money transfer operations.

Customs and excise duties
The prices taxes for the import of goods consists of the following duties and taxes:
- Customs duty (0% to 35%)
- Statistical royalty (1%)
- Value-added tax (18%)
- Community solidarity tax (1%)
- CEDEAO community tax (0.5%).

The import of certain goods may be subject to an additional excise duty:
- Petroleum products (fixed duties that vary depending on the scale in the general tax code)
- Alcoholic and non-alcoholic products (10% to 35%)
- Coffee and tea (10%)
- Tobacco (45%)
- Kola nuts (10%)
- Livestock in transit in Burkina Faso (from XOF150 to XOF2,500 per animal)
- Fragrance and cosmetic products (10%)
- Passenger cars with 13 horsepower or more (5%).

Other Taxes
Registration duty
A lease or lease extension is subject to a registration duty of 5% for rentals of limited duration and 7% for rentals of unlimited duration. The duty must be paid during the month following the beginning of the new lease period.
The transfer of ownership of a residential building with a value below XOF10 million is subject to a fixed duty of XOF300,000 for undeveloped property and XOF500,000 for developed property.

Inheritance/estate tax
The estate tax rate ranges from 0% to 40%.

Stamp duty
Stamp duty applies for administrative acts. A fixed or variable rate is applicable, depending on the nature of the act. Several types of transactions are exempt.

Transfer tax
The transfer of shares is exempt from registration fees. A transfer tax of 8% applies to transfers of real property. Business transfers also are taxed at a rate of 10%.

Capital duty
The provisions relating to capital duty have been repealed.

Real property tax
Real property tax applies on built and unbuilt property in Burkina Faso. The tax is payable by the owner of the property, and the rate is fixed at 0.1% of the taxable amount.

Business license duty
A company or an individual carrying on a trade in Burkina Faso must pay a business license duty, subject to certain exemptions. There is a fixed rate and a proportional rate.

Tax Administration and Compliance
Tax is administered in Burkina Faso by the Direction Générale des Impôts.

Corporations
1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return.
3. Filing and payment – The tax return is due by 30 April following the tax year, together with the balance of tax for companies with annual turnover. Advance payments of tax are payable in three equal instalments by 15 January, 15 July, and 15 October, based on realised profits.
4. Penalties – Penalties are charged at a rate of 10%, increased by default interest of 1% for late tax returns, failure to pay tax due, and errors in a return.
5. Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Personal income tax returns are due by 30 April following the tax year. An individual whose only taxable income is employment income derived from one employer is not required to file a return unless he/she is eligible for a refund. There is no filing exemption for married couples. Payments of tax relating to a business are due as described above for companies. Tax normally is withheld at source for other sources of income.
3. Penalties – Penalties are charged at a rate of 10%, increased by default interest of 1%, for late tax returns, failure to pay tax due, and errors in the return.

VAT
1. Filing and payment – VAT returns and payments are due monthly by the 15th day of the following month.
2. Penalties – Late returns and payments are subject to a late penalty of 25%, plus 5% per additional month. The penalty can increase to 50%, plus 5% per additional month after a direct assessment procedure. Moreover, after a tax audit, a second penalty of 50% of the unpaid amount is due and this penalty can increase to 200% in cases of fraud.

Investment Incentives

General incentives

Various incentives are granted under several laws, including the investment code:

- The right to transfer capital and revenue secured by foreign persons and legal entities that invest in Burkina Faso in foreign currencies. Foreign investors have the right, subject to the foreign exchange regulations, to transfer dividends, any returns on the capital invested and the liquidation proceeds of assets in the same currency used in the initial investment
- Prohibition of discrimination against foreigners, e.g. foreign firms not registered in Burkina Faso can compete for contracts on projects in the country financed by international sources, such as the World Bank, United Nations, or the African Development Bank
- As a result of labour policy reforms, the labour market is more flexible, while ensuring employee rights, including safety and health.

Tax incentives

The investment code provides for investment schemes, with different incentives available during the investment period and the operating period. The incentives generally are the same for each regime, the main difference being the duration of the incentives:

- During the investment period, reduced customs duties are granted for all schemes at a rate of 5% on exploration equipment and the first batch of spare equipment. An exemption from VAT applies for new companies on exploration equipment and the first batch of spare equipment
- During the operating period, an exemption from corporate income tax, business license duties, and employment and apprenticeship tax is available for a period of between five and seven years, depending on the scheme (which depends on the amount of the investment).

Businesses that engage in the following activities fall outside the scope of the investment code:

- Exclusively commercial and trading activities
- Mining research or mining activities under the Mining Code
- Banking and financial services
- Telecommunications activities other than those of authorised telephone companies.

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, Guinea-Bissau, Ivory Coast, 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.

Trade Relations

Memberships

- West African Economic and Monetary Union (WAEMU)
- Economic Community of West African States (ECOWAS)
- World Trade Organization (WTO)
- Burkina Faso has ratified the African Continental Free Trade Area (AfCFTA) agreement

Expatriates and Work Permits

A visa is required to work in Burkina Faso, except for nationals of an Economic Community of West African States (ECOWAS) member state. An extension is required to stay beyond the visa period. To obtain a visa, a letter from the employing company (stating a specific mission for the employee) and a confirmation of the itinerary from a travel agent must be provided.

Key Economic Information

Currency (symbol/code)
West African CFA franc (CFA/XOF)

Exchange rate	
US$1	XOF545.50
EUR1	XOF655.96

Source: IRESS, 2021.

2021 forecast	2022 forecast
Nominal GDP	
US$50.23 billion	US$54.03 billion
Real GDP growth	
4.26%	5.20%
Average inflation	
2.70%	

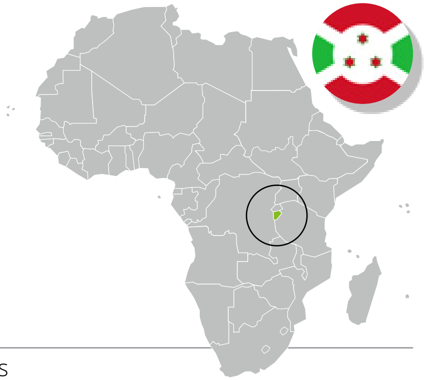
Source: IMF WEO DATABASE, April 2021.

Central Bank Rate
4%

Source: Trading Economics, Central Bank of West African States, 2021.

Market capitalisation as at April 2021
US$1,044.30 million

Source: Capital IQ, 2021.



Burundi

Contacts

Norbert Kagoro
nkagoro@deloitte.co.ug
+256 417 701 303

Patronella Namubiru
pnamubiru@deloitte.co.ug
+256 417 701 000

Income Tax – Individuals

Taxable income (BIF)	Rate
0 – 1.8 million	0%
1,800,001 – 3.6 million	20%
Over 3.6 million	30%

Notes

1. Basis – Residents are taxed on worldwide income; non-residents are taxed only on Burundi-source income, including income generated from professional activities carried out in Burundi.
2. Residence – An individual is deemed to be resident in Burundi if he/she is a Burundian national, has a permanent abode in Burundi, or has spent in the aggregate at least 183 days within the fiscal year in Burundi.
3. Taxable income – An individual is taxed on employment income, business/professional income, and investment income. Capital gains other than gains derived by a resident individual as part of business income are classified under a schedule where income is taxed at a rate of 15%. However, the only capital gains that are taxable for non-residents are those resulting from the sale of shares in a resident company or an interest in a building located in Burundi. In addition to employment income, business/professional income, and investment income, individuals in Burundi are now taxable on rental income from the rent of buildings and equipment rented out as well as profits derived from the total or partial subletting of the rented goods. The rental income is taxed at the individual income tax rates (see further details below under "Rental income tax" under "Other Taxes").
4. An exemption from capital gains tax applies in respect of capital gains resulting from corporate restructures, as well as on capital gains arising from the transfer of residential property, being a single building or single fraction of a building and the land adjoining. The residential building exemption can only be granted again after the expiration of a period of five years from the date of its last grant.
5. Deductions and allowances – A deduction from taxable income is allowed for the employee's contribution to the state pension (INSS). Contributions to a qualified pension fund or complementary social security contributions may be deducted from the Pay-As-You-Earn (PAYE) calculation, up to 20% of the employee's gross income. Fringe benefits relating to transportation expenses not exceeding 15% of the basic salary are exempt, unless the employee benefits from the use of a company car. Rental or compensatory allowances paid to an employee or on the employee's behalf may be exempt, but if these benefits exceed 60% of the basic salary, the excess is treated as taxable income. Interest on treasury bills and bonds is exempt from income tax.
6. Rates – Employment and business income is taxed at progressive rates up to 30%. PAYE is levied on employment income based on a progressive salary scale; the rate is limited to 30% of taxable income. Investment income and certain other payments to residents and non-residents generally are subject to withholding tax (WHT) or capital gains tax. Severance, loss of employment, end of career, retirement or contract termination indemnities are taxed in progressive income brackets as follows:

Taxable income (BIF)	Rate
0 – 10 million	5%
10,000,001 – 30 million	10%
Over 30 million	15%

Any natural person carrying out business activities in Burundi, whether Burundian or foreign, is subject to tax at the rate of 30% subject to a minimum tax of 1% when the net taxable income is less than the quotient obtained by dividing the turnover by 30.

Income Tax – Companies

Standard corporate tax rate	Higher of 1% of turnover or 30%

Notes

1. Basis – Corporation income tax applies on a company's income generated in Burundi, regardless of its residence. Resident companies are taxed on worldwide income; foreign companies are normally taxed only on Burundi-source income. Income earned by non-residents from any service provided physically or electronically to a person resident in Burundi or any audio visual sales (service is either initiated, consumed or provided in Burundi) is deemed to be income sourced in Burundi. A non-resident company carrying on an insurance activity, except in the case of reinsurance, is considered to have a permanent establishment in Burundi if it collects premiums or insures risks incurred there, through a person other than an agent of independent status.
2. Residence – A company is resident in Burundi if it is registered under the laws of Burundi or has its effective management exercised Burundi at any time during the year.
3. Taxable income – Tax is levied on profits derived by a company from the operation of a business. Capital gains/losses derived from the sale of an asset by a resident company are included in business/investment income and taxed at the rate applicable to corporations. For purposes of the valuation of gains from the disposal of non-depreciable buildings, the capital gain on the sale is equal to the sale price multiplied by the following coefficients:

Duration of retention	Coefficient
0 – 5 years	20%
5 – 10 years	15%
10 – 15 years	10%
15 – 30 years	5%
Over 30 years	2.5%

On rental income, see further details below under "Rental income tax" under "Other Taxes".

4. Deductions – Expenses incurred may be deducted provided the expense:
   - Relates to and is necessary for the operation of the taxpayer's business
   - Corresponds to actual expenditure and is substantiated by supporting documents
   - Reduces net assets
   - Relates to the fiscal year in question.
5. Losses – Losses may be carried forward for five tax periods, but may not be carried back. The absence of declaration for a given fiscal year excludes the right to carry forward the loss incurred during that fiscal year.
6. 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 Burundi tax payable on the foreign income.

7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The standard tax rate is 30%. Certain payments to residents and non-residents are subject to WHT (as described below).
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies; Burundi does not levy a branch profits tax.

Withholding Tax (WHT)

The WHT rates on various types of payments are set forth below.

Payment	Residents	Non-residents
Dividends	15%	15%
Interest	15%	15%
Royalties	15%	15%
Technical and management service fees	15%	15%
Payments made to an artist, musician, or sportsperson	15%	15%
Payments from public tender by public institutions	4%	15%
Proceeds from real property, a financial asset, or collection of personal property	N/A	5%

Notes

1. Dividends or profit-sharing paid by a resident company to another resident company, to shareholders or to employees is subject to WHT.
2. Interest payments of any kind are subject to WHT, with the exception of interest paid between banks, financial institutions and microfinances subject to income tax.
3. Royalties are subject to WHT, with the exception of those paid to the State.
4. The rental of vehicles and other equipment is also subject to WHT.
5. Gains coming from lotteries and other games of chance and gambling are no longer subject to 15% WHT but are instead taxable as follows:
   - When playing - stamp duty of 5% of turnover
   - Scratch cards - stamp duty of 2% of the amount played
   - PMU – stamp duty of 4%.
6. The requirement for resident persons who acquire immovable property or a right relating thereto, a financial asset or movable collector's property from a non-resident person to withhold 5% of the purchase price of the property, has now been extended to non-resident purchasers.

Tax Treaties

Burundi has not concluded any tax treaties with other countries.

Anti-avoidance Rules

Transfer pricing

The tax authorities may adjust taxable income to reflect the arm's length price if a related party transaction differs from what would have been agreed between unrelated parties, and thereby leads to a reduction in taxable income or the transfer of the income to a tax-exempt person.

A requirement has been introduced for legal persons established in Burundi to keep documentation to justify the pricing policy applied in the context of transactions of any kind carried out with associated companies established abroad. A ministerial order is to be published as to the nature of the documentation to be kept.

Thin capitalisation rules

Interest is not deductible to the extent that it exceeds 30% of the taxable profits before interest. However, where the debt-to-equity ratio during the year is less than 2:1, the interest is deductible.

Controlled foreign company rules

There are no CFC rules in Burundi.

General anti-avoidance rules

Burundi does have a GAAR. This is contained in the Tax Procedures Law and gives the Tax Administration the powers to requalify any transaction carried out by a taxpayer for the sole purpose of avoiding or reducing the tax otherwise due.

Employment-related Taxes

Payroll tax

Burundi operates a Pay-As-You-Earn system for employment income. When an employer makes employment income available to an employee, it must withhold, declare, and remit the PAYE tax to the Burundi Revenue Authority within 15 days following the end of the month for which the tax was due. Where the employer is not the principal employer, it must withhold tax at 30%. Where the employer engages a casual labourer, the employer must withhold 15% of the taxable employment income over BIF150,000.

The employer is personally liable for making the correct withholding, declaration, and timely payment of PAYE to the authorities, and for keeping proper books of account to prove that the tax has been correctly withheld, paid, and accounted for. Employers are required within thirty (30) days following the last day of the financial year to submit an annual and individual summary of the remuneration paid to staff, using a form indicated by the Commissioner General.

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 an additional 3% contribution by the employer, capped at BIF80,000 per month.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on the sale of goods and the provision of services, and on imports.
2. Rates – The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases. Telephone calls are no longer subject to VAT or consumption tax. A reduced rate of 10% applies to certain imports.
3. Registration – The registration threshold for VAT purposes is BIF 100 million of annual turnover. Voluntary registration is possible for taxpayers with turnover under the threshold.

Customs and excise duties

Consumption tax (excise duty) is levied on certain locally manufactured and imported products, with the tax rate/amount depending on the type of product. The taxable value of locally manufactured products is calculated based on the sales price exclusive of taxes, while the taxable value for imported goods is based on the CIF (cost, insurance, and freight charges), including customs duties.

The following other taxes also are imposed:

- A fixed levy (WHT) of 3% of the CIF, as a "down payment" for income tax, on imports into Burundi except on fuel and duty-free vehicles
- A safety tax of 1.15% on the value of imported goods
- A 20% tax on imported fabrics that have certain commercial and technical specifications
- An export tax of 80% of the value or US$0.52 per kg, whichever is greater, on raw hides and skins
- A lump sum payment of BIF10,000 on customs clearing agencies products and agricultural inputs (e.g. fertilisers)
- An anti-pollution tax of BIF2 million per vehicle on imported vehicles older than 10 years
- An ad valorem tax of 100% on the customs value of imported plastic bags or imported raw materials intended for the manufacture of sachets
- A 20% surcharge on corrugated sheets and nails that do not meet the criteria under the EAC and COMESA rules of origin.

Other Taxes

Inheritances and donations
There is no inheritance/estate tax in Burundi.

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

Stamp duty
There is no stamp duty regime in Burundi.

Real property tax
Tax on real property is paid to the municipal authorities and is calculated based on the location and utilisation of the property.

Transfer tax
Some administrative fees are applicable.

Tax on financial institutions
A special contribution of 5% of pre-tax profit applies to financial institutions to finance development projects in the country.

Rental income tax
- Applicable to both natural and legal persons
- Applicable to both resident and non-residents
- Applicable on income from the rent of buildings and profits from total or partial subletting of property but excluding hotel/motel accomodation, rental of land and payments for markets open to the public
- Determined on the basis of prior year income except in the event of alienation of all the property rights of a taxpayer, in which case the tax is calculated on the basis of the income acquired between 1 January and the date of alienation
- A tax allowance amounting to BIF4,800,000 per year is available for special categories, such as a minor or adult child below the age of 25 years who is still in schooling
- There is a requirement to prepare an annual tax declaration in the form specified by the Commissioner General and submit the same, as well as pay tax no later than 31 July of the following year
- Taxable income from rental and subletting is determined as follows:
  - For rental: gross rental less 40% of gross receipts for maintenance expenses, and interest on loans taken out for the acquisition, construction or renewal of buildings producing taxable income actually paid during the tax year;
  - For subletting: gross rental less rent paid for the rental of buildings and land leased.

Tax Administration and Compliance
Tax is administered by the Burundi Revenue Authority.

Corporations
1. Tax year – The tax year is the calendar year, although the taxpayer may request a different 12-month period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – A self-assessment regime applies. The tax return must be filed, and the corporate income tax must be paid no later than three months after the end of the applicable year end (i.e. by 31 March of each year for calendar-year taxpayers). Advance tax is payable in three instalments, each equal to 25% of the previous year's corporate income tax liability. The advance payments are due by 30 June, 30 September, and 31 December of the relevant year, with the balance of the corporate income tax for the year payable by the deadline for filing the annual corporate income tax return. If the advance payments exceed the tax liability, the taxpayer can request a refund within two months from the submission of the return. The refund, net of any other outstanding taxes due, must be granted within 90 calendar days from receipt of the application.
4. Penalties – Interest is imposed for late payment of tax, and fines and other penalties are imposed for late payment and tax understatements.
5. Rulings – There is no provision for tax rulings. However, a taxpayer can apply in writing to the tax authorities requesting clarification of a tax matter, although this is not binding on the authorities.
6. Other – A legal person must have a tax identification number (TIN) assigned by the Investment Promotion Agency. A requirement to use an electronic invoicing machine approved by the Burundi Tax Authority has been introduced for any natural or legal person obliged to keep simplified or completed accounts.

Individuals
1. Tax year – The tax year is the calendar year. A different tax year of 12 months is available upon request.
2. Tax filing – Joint filing for spouses is not permitted.
3. Filing and payment – There is no filing requirement if income has been subject to tax under the PAYE mechanism; instead, tax is withheld by the employer and remitted to the tax authorities within 15 days following the end of the month for which the tax was due. Income, other than employment income, which is under the second schedule (investment income, including capital gains) is taxed at the proportional tax rate of 15%. Rental income is taxed separately by rounding to the nearest thousand Burundian francs and is taxed in accordance with individual tax rates.
4. Penalties – Penalties, including fines and interest, apply for failure to comply. Before objecting to a notice of assessment, a taxpayer is required to pay 30% of the amount assessed or the undisputed amount of tax, whichever is higher.
5. Other – An individual must possess a tax identification number (TIN) assigned by the Investment Promotion Agency. A requirement to use an electronic invoicing machine approved by the Burundi Tax Authority has been introduced for any natural or legal person obliged to keep simplified or completed accounts.

VAT
1. Filing and payment – VAT filing and payment must be made on a monthly basis by the 15th day of the following month.
2. Penalties – A taxpayer that has not filed a periodic return by the deadline is liable to a penalty ranging from 10% to 30% for every 30 days that the payment is overdue. Failure to pay an amount due within 90 days incurs an increased penalty of 1% per month of delay. If the return contains errors or inaccuracies, the penalties range from 10% to 20% of the amount due on the return. The penalty is 100% of the amount due for fraudulent statements on the return. A merchant or service provider that supplies goods or services without issuing a proper tax invoice is liable for a fine of 20% of the value of the goods supplied.

Investment Incentives

General incentives

Incentives to invest in Burundi include access to markets, an exemption from transfer taxes on the acquisition of buildings and plots essential for the achievement of the investment, certain tax advantages, accessed through the Investment Promotion Agency (API), whose purpose is also to improve the business environment.

Tax incentives

Although certain tax credits and indirect tax exemptions have been eliminated, including a directive for the exclusion of any exemption clause relating to income tax in contracts and financing agreements, other tax incentives remain available. Registered investment entities that operate in a Free Trade Zone (FTZ) and foreign companies that have their headquarters.

in Burundi and that meet the requirements stipulated in the Law on Investment Promotion are entitled to:

- An exemption from corporate income tax for the first 10 years of business, and a 15% rate as from year 11
- A 10% corporate income tax if the investor employs more than 100 Burundians
- An exemption from the 15% WHT on dividends
- Tax-free repatriation of profits
- An exemption from transfer tax on the purchase or sale of buildings.

An individual or legal person applying for an exemption under the Investment Code must provide a pre-guarantee in the form of a bank guarantee of 30% of the total amount of the exemption. As from 1 July 2019, the pre-guarantee requirement does not apply to:

1. Equipment, spare parts, articles, and products intended for companies whose investment project was executed in accordance with the commitments and obligations made by the promoter during the approval of the investment project by the relevant departments.
2. Raw materials intended for the exclusive use of industries whose investment plan has been executed in accordance with the commitments and obligations made by the promoter.

Burundi is a signatory to the African Continental Free Trade Area Agreement (AfCFTA).

This is a free trade area created by the African Continental Free Trade Agreement among 54 of the 55 African Union nations. Its intention is to promote a single African market for goods and services as well as the movement of capital and people.

Exchange Controls

Some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency.

Companies must hold their foreign currency-denominated accounts with the Central Bank. When companies need to make payments in foreign currency, they must make this request through their local banks. The local banks then will generate a list of foreign currency payments that will be sent to the Central Bank. It is from this list that the Central Bank sends foreign currency to the banks to effect these payments on behalf of these companies.
All foreign currency derived from exports must be transferred to the local banks.

While it is possible for companies to operate foreign currency accounts in commercial banks, they cannot withdraw funds from these accounts. Only individual owners of the companies are allowed to withdraw foreign currency, and only when they can present legitimate documents indicating they will be travelling or leaving the country. Otherwise, these accounts are used to facilitate payments to suppliers by direct transfer by the banks from one account to another.

Expatriates and Work Permits

There is no special expatriate tax regime. Expatriates are taxed under the same rules as for individuals.

Any person who is not a Burundian national must obtain a residence permit and work visa to live and work in Burundi. The work permit must be sponsored by a company in Burundi. The process can be lengthy and should be initiated as soon as possible.

Trade Relations

Memberships

- United Nations
- International Monetary Fund
- World Bank
- World Trade Organization
- Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- African Growth and Opportunity Act (AGOA) beneficiary country

Key Economic Information

Currency (symbol/code)
Burundian franc (FBu/BIF)

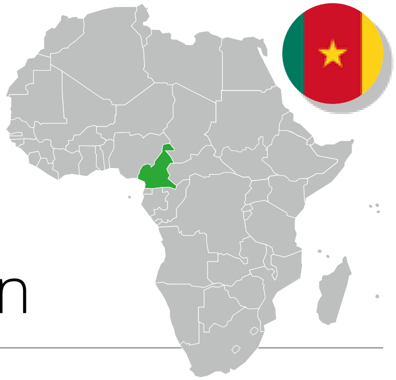
Exchange rate	
US$1	BIF1,968.00
EUR1	BIF2,349.86
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$9.45 billion	US$10.02 billion
Real GDP growth	
2.81%	3.71%
Average inflation	
4.08%	
Source: IMF WEO DATABASE, April 2021.	

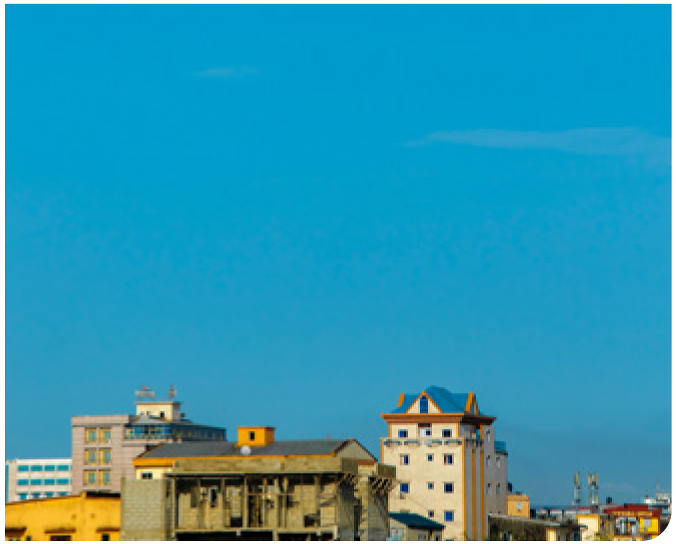
Central Bank Rate
6.60%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
There is no stock market in Burundi

Burundi



Cameroon



Contacts

Sandrine Soppo Priso
ssoppopriso@deloitte.com
+237 233 42 55 59

Paul Raoul Nhanag
pnhanag@deloitte.com
+237 233 42 55 59

Jacques Didier Makong
jmakong@deloitte.com
+237 233 42 55 59

Yves Madre
ymadre@deloitte.fr
+243 859 998 044

Income Tax – Individuals

Taxable income (XAF)	Rate
0 – 2 million	10%
2,000,001 – 3 million	15%
3,000,001 – 5 million	25%
Over 5 million	35%

Notes

1. Basis – Resident individuals are taxed on their worldwide income; non-resident individuals are taxed only on Cameroon-source income.
2. Residence – An individual is resident in Cameroon if he/she has his/her principal centre of interest, business, or place of abode in Cameroon, 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.
3. Taxable income – Personal income tax applies to total income derived from various sources, including salaries, wages, pensions, and life annuities; income from real estate; profits from handicraft, industrial, and commercial activities; profits from agricultural activities; and profits from non-commercial and related professions. All cash payments received in lieu of benefits in kind are included in the taxable base, unless expressly exempted by law. However, amounts reimbursed by the employer are not subject to personal income tax if they are considered professional expenses (e.g., mobility or basket premiums, representation costs, etc.).
4. Capital gains – Capital gains realised in Cameroon or abroad and derived from the direct or indirect disposal of shares of Cameroonian companies are subject to a final 16.5% tax. Gains arising from company mergers are not subject to tax on income from securities if the company taking over has its registered office in Cameroon or in a CEMAC country (i.e. the Central African Economic and Monetary Community, comprised of Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, and Congo (Brazzaville)). Tax is deducted at source for non-salaried workers and representatives (including those in the insurance sector) at a flat rate of 10% on the amount of the remuneration paid after the deduction of any business expenses.
5. Exempt income – Tax exemptions depend on the categories of income. Wages of less than CFA62,000, scholarships, interest on savings not exceeding CFA50 million, and income on cash vouchers issued by companies are exempt from personal income tax.
6. Deductions and allowances – A lump sum of XAF500,000 may be deducted from salary income, as may the 4.2% social security contribution and 30% of professional expenses.
7. Rates – The rates mentioned in the table above, plus a local surcharge of 10% apply only on salaries, pension, and annuity income. Therefore, employment, pension and annuity income is taxed at progressive rates up to 35%, plus 10%. For salaries, the rates apply to net income after allowable deductions. Industrial and commercial profits, some non-commercial profits (e.g. profits from share trading by individuals), royalties received by authors or composers or by their heirs or legatees, amounts paid to inventors for the right to use patents or the acquisition of trademarks or manufacturing formulae, agricultural profits, and earnings from real estate are taxed at a rate of 30%, plus the local 10% surcharge. The amount of the tax cannot be less than 5.5% or 2.2% of turnover for individuals assessed, respectively, under the simplified system and the actuals earnings taxation system. An 11% tax rate applies to certain income from non-commercial activities, including remuneration paid to certain officials of public companies and to athletes and artists. Income from stock and shares is taxed at a rate of 16.5%.

Income Tax – Companies

Type of company	Rate
Small and Medium companies	28%
Large companies	30%

Notes

1. Basis – Resident companies are taxed on their worldwide income; non-residents are taxed only on Cameroon-source income.
2. Residence – An entity is taxable in Cameroon if its place of effective management is in Cameroon or if it has a permanent establishment (PE) in Cameroon. The entity is deemed to have PE if its operations are carried out by a dependent representative or if these operations form a complete business cycle.
3. Taxable income – Taxable income comprises revenue generated by enterprises carrying out a business in Cameroon and income over which taxing rights are attributed to Cameroon under a tax treaty. Taxable profits are determined after deducting allowable expenses. Dividends received by a resident company from a resident or non-resident companies are subject to corporate income tax. A dividend recipient may offset any Cameroon tax withheld from the dividends against its corporate income tax liability, but foreign tax paid on dividends derived from a non-resident company is not creditable against Cameroon corporate income tax, unless specifically provided for under a tax treaty.
4. Capital gains – Capital gains on the sale of securities are subject to tax at a rate of 16.5%. Capital gains derived from transfer of stock, shares, and bonds, and gains from the transfer of other types of shares are taxable even if derived from indirect transfers.
5. Exempt income – The following income is exempt: income generated by agricultural and pastoral unions, income derived by supply and purchase co-operatives operating pursuant to the provisions governing them, income derived by regional and local authorities and their public utility services, societies, or bodies, responsible for rural development, and that are recognised as being public utility services, and gains from the disposal of securities where the assessable gains do not exceed XAF500,000.
6. Deductions – Expenses incurred in the generation of taxable income may be deducted. Deductible expenses include interest paid on shareholder loans at a maximum rate of two percentage points above the central bank discount rate (see "Thin capitalisation rules" below); net operating losses; social security contributions made to a foreign compulsory retirement plan paid on behalf of expatriate employees up to a maximum of 15% of the employee's base salary; payments made to research and development (R&D) organisations; payments made to collective philanthropic, educational, sports, scientific, social, and family institutions and organisations that are situated in Cameroon and the taxpayer can demonstrate that the payment has been made and that it does not exceed 0.5% of turnover for the financial year; and head office costs and foreign technical assistance expenses, up to 2.5% of taxable profits (1% of turnover for firms specialising in public works and 5% of turnover for design firms operating in accordance with the regulations relating to design firms and consulting engineers); and depreciation/amortisation of tangible and intangible assets at rates specified in the law. Expenses of XAF500,000 or more are not deductible if paid in cash. Corporate income tax calculated at the end of the year must be reduced by taxes withheld at source on capital gains on the sale of property at a rate of 5%. The 2020 Finance Law provides that depreciation regularly deferred during a loss-making period must be reported from the first profitable financial year, and the deduction may not be allowed beyond 10 years. The companies directly affected by the COVID-19 health crisis are allowed to defer their depreciation beyond a period of 11 years.
7. Losses – Losses may be carried forward for up to four years but may not be carried back. In accordance with the 2021 Financial law, Credit institutions and state portfolio companies undergoing restructuring can carry forward their losses for up to six years. Besides, companies directly affected by the COVID-19 health crisis can carry forward losses for up to five years. This is a special derogation for the companies listed above.

8. Foreign tax credit – No unilateral relief is available for foreign tax paid although relief may be available under an applicable tax treaty.
9. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
10. Rate – The corporate income tax rate in Cameroon is 30% for large companies and 28% for small and medium companies plus a local surcharge of 10%, bringing the effective rate to 30,8% for small and medium companies and 33% for large companies. Large companies are companies which realised a turnover of more than XAF3 billion and small and medium companies are companies which realised a turnover less than XAF3 billion.
11. Branch taxation – Cameroon-source profits of branches of foreign companies are taxed at the same rate as domestic companies (i.e., a 30% for large companies or 28% for small and medium company rate, increased by the 10% surcharge).
12. Surtax – As noted above, a 10% local surcharge applies in addition to the corporate income tax rate, resulting in an effective rate of 5.5%, or 2.2% of turnover, depending on the taxation system.
13. Simplified or actual tax regime – Companies subject to corporate income tax can fall under the simplified regime or the actual earnings tax regime depending on their annual turnover. Under the simplified tax regime, which applies to corporate entities with annual turnover of at least XAF10 million but less than XAF50 million, the tax payable cannot be less than 5% of turnover. Under the actual earnings tax regime, which applies to corporate entities with annual turnover of at least XAF50 million, the tax payable cannot be less than 2% of turnover.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	16.5%	16.5%
Interest	16.5%	16.5%
Royalties	-	15%

Notes

1. A 15% WHT (plus the 10% surcharge, giving rise to an effective rate of 16.5%) applies to dividend and interest payments made to residents and non-residents and to income similar to dividends paid to directors of public limited companies. Interest paid to a resident financial institution is exempt from WHT. The WHT rate on payments to non-residents may be reduced under an applicable tax treaty.
2. Royalties paid to a non-resident are subject to a 15% WHT (plus the 10% surtax), which may be reduced under an applicable tax treaty. Where royalty amounts are paid to a firm located outside the CEMAC that participates in the management of a Cameroon firm in which it holds shares, the royalties will be considered as amounts accruing from the distribution of profits and will be subject to a 16.5% WHT.
3. Subject to an applicable tax treaty, WHT at a rate ranging from 5% to 15% must be deducted from the following payments made to non-residents:
   - Management or professional fees or training fees
   - Sums paid to persons carrying out temporary assignments in Cameroon
   - Lease rentals
   - Payments made by local oil companies (including those in the R&D phase) to foreign suppliers
   - A supply made by the Cameroonian state or entities partially or totally owned by the state to foreign entities within the framework of public procurement.

Tax Treaties

Cameroon has concluded tax treaties with the following countries:

Country	Dividends	Interest	Royalties
Canada	15%	15%	15%
CEMAC countries	D[1]	D[1]	N/A[1]
France	15%	15%	7.5%[2]/15%
Tunisia	12%	15%	15%
United Arab Emirates[7]	10%	7%	10%
South Africa	15%	10%	10%

Notes

1. The rate cannot exceed 10% of the gross amount.
2. The 7.5% rate applies to technical assistance fees.

Anti-avoidance Rules

Transfer pricing

Cameroon has rules designed to prevent improper transfer pricing by increasing or decreasing purchase or sales prices or by any other means in related party transactions. According to the Finance Law 2020, this arm's length principle is also required within transactions with entities located in countries with a more favourable tax regime regardless of whether the parties are related or not. As from 1 January 2020, companies registered at the large taxpayer unit and that are controlled or dependent on another company(ies) and companies with annual turnover of at least CFA1 billion and that are dependent on or that control other companies are required to electronically submit a transfer pricing declaration by 15 March of each fiscal year. Complete transfer pricing documentation must be produced upon the opening of a tax audit.

Thin capitalisation rules

Interest paid on shareholder loans at a maximum rate of two points above the central bank lending rate is deductible from taxable income. Interest paid on loans granted by shareholders or affiliated companies that hold at least 25% of the share capital or voting rights of the debtor company is deductible in the event where the loan does not exceed 1.5 times the company's equity and the interest payable is less than 25% of the company's gross operating income.

Deductibility will only be possible if :
- The subscribed share capital has been fully paid up
- There is a written and duly registered loan agreement to govern the loan.

Controlled foreign company rules

Cameroon does not have specific rules applicable to foreign companies. However, there are various instruments on trade activity, foreign exchange, combatting corruption, fraud, and money laundering that are envisaged through the laws, regulations, and institutions to which both domestic and foreign companies are subject.

Employment-related Taxes

Social security

Employees (including civil servants and other government contract workers, trainees, and apprentices) must make social security contributions at a rate of 4.2% of their gross salary. The maximum monthly earnings for social security contribution and benefit purposes are capped at XAF750,000, resulting in an annual ceiling of XAF9 million.

Housing fund tax

Both the employer and the employee are required to pay the housing fund tax. The employer pays 1.5% of the employee's gross salary and the employee 1%.

Indirect Taxes

Value-added tax (VAT)

Standard rate	17.5%

Notes

1. Taxable transactions – VAT is levied on transactions carried out for consideration in Cameroon relating to the supply of goods or the provision of services, and on imports. For taxable transactions of XAF100,000 or more, the right to deduct the associated input VAT is allowed only where payment is made by check or bank transfer.
2. Rate – The standard VAT rate is 17.5%, plus a 10% surcharge, resulting in an effective rate of 19.25%. Exports of goods are zero rated and certain essential goods are exempt. The 2019 Finance Law made certain supplies that previously were exempt from VAT (e.g., contracts and commissions for life and health insurance, revenue from the sale of mining products, interest on external loans, and interest on deposits with credit and financial institutions by non-professionals in the financial sector) subject to VAT. Pursuant to the 2020 Finance Law, the supply of goods and services in Cameroon and performed through a foreign or local e-commerce platform are subject to VAT in Cameroon, as are any commissions received by e-commerce platform operators from such operations. The 2020 Finance Law also re-introduced a VAT exemption for contracts and commissions on life insurance products with a savings component. The Finance Law 2021 introduced a distinction between materially locatable services and immaterial services:
   - Materially locatable services are taxable under VAT of 19.25% regardless of the place of establishment of the customer (client);
   - Immaterial services are:
     - Excluded from the scope of VAT if the customer is located outside Cameroon and is subject to VAT in his country of residence.
     - Taxable under VAT of 19.25% if the customer is located outside Cameroon but is not subject to VAT in his country of residence.
     - Taxable under VAT of 19.25% if the customer is domiciled in Cameroon.
3. Registration – All corporate businesses with taxable turnover must register for VAT purposes. 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.

Customs and excise duties

The CEMAC Customs Union provides for the free movement of goods between member states. The import of goods and merchandise from third states are subject to customs duties, unless an exemption or a suspensive customs regime applies. Customs duties are levied on the customs value of most imported goods at rates ranging from 5% to 30%, although certain products may benefit from preferential rates. From 1 January 2021, the preferential tariff of the African continental free trade area comes into force in Cameroon.

Excise duty applies to cigarettes, alcoholic beverages, cosmetics, and luxury goods (jewels and precious stones) at rates ranging from 5% to 50%. A 12.5% duty applies to certain vehicles. Mobile phone calls and internet services are subject to excise duties at a rate of 2%. A specific excise duty applies on gambling and entertainment, and for games not subject to the gambling and entertainment levy, a 5% excise duty applies.

A special excise duty at a rate of 0.5% of the taxable base of all imported goods applies, except for the duty-free imports provided for in the CEMAC customs code.

Other Taxes

Stamp duty

Stamp duty is charged on official documents and documentary evidences used during legal proceedings. Amounts charged depend on the size of the documents.

Registration duty

Transfers of properties are subject to registration duties on rates ranged between 2% and 10% depending on the location of the property (i.e. whether it is located in an urban or a rural area) and whether the property is developed or not. Subject to some exclusions, a 2% registration duty applies to transfers of securities, shares, and bonds issued by local companies.

With effect from 1 January 2021, agreements allowing an entity to carry on a business carried on by a previous entity, even when no customer disposals are made, are assimilated to transfers of goodwill, and are subject to the high rate of 15%.

The companies directly affected by the COVID-19 health crisis carrying out restructuring operations during the fiscal year 2021 will benefit from the following tax measures: Registration at the fixed duty of FCFA20,000 of the transfer of shares.

Business license contribution

Companies incorporated in Cameroon are required to pay annually a business license contribution based on the amount of their turnover. Some exemptions apply.

Tax on petroleum products

There is a special tax on petroleum products that is payable by companies distributing taxable products. Refineries and oil storage companies using petroleum products for their own operations or for other needs also are subject to the special tax. The rate is XAF110 per litre on super gasoline and XAF65 per litre on petroleum diesel.

Inheritances, donations, and transfers

Registration duty is charged at 10% on the transfer of developed land in urban areas.

Fees on inter vivos donations are charged as follows: to direct ancestors or descendants or between spouses, 5%; between siblings, 10%; between relatives beyond the second degree and between unrelated persons, 20%.

Tax Administration and Compliance

Tax in Cameroon is administered by the Ministry in Charge of Finance and the General Directorate of Taxation, which is divided into several management units as follows:

- The Direction of Large Enterprises (DGE), which is responsible for managing taxpayers whose turnover is at least equal to CFA three billion
- The Medium Business Tax Centres (CIME), which is responsible for taxpayers with a turnover of between CFA50 million and less than CFA3 billion
- The Divisional Tax Centres (CDI), which manage taxpayers that generate a turnover of less than CFA50 million.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Advance payments of corporate income tax equal to 2.2% or 5.5% of turnover must be paid no later than the 15th of the following month. For companies operating in regulated profits margin sectors (i.e. those relating to the distribution of certain products, including petroleum products, domestic gases, milling products, pharmaceutical products, and press products), corporate income tax instalments are payable at a rate of 15.4% (14%, plus a 10% local surcharge) on the gross margin. Such companies may elect for the general corporate income tax instalment regime of 2.2% of turnover where this is more favourable. For taxpayers assessed under the simplified system, the corporate income tax instalment rate is 5.5% of turnover (i.e. 5%, plus a 10% local surcharge). The balance of tax due is payable at the time the annual tax return is filed, which is due by 15 March of the following year.

4. Penalties – Late payment of tax is subject to a penalty of 10% per month, up to a maximum of 30% of the principal amount due.

Individuals

1. Tax year – The tax year is the calendar year.
2. Filing and payment – The professional taxpayer, in particular individual operators, have an obligation to declare the results of the operation by 15 March of each year at the latest. Non-professional taxpayers (including employees) with income, even passive, must now submit an annual income statement by 30 June of each year at the tax office of their place of residence. However, for employees this obligation does not exempt employers from making monthly and annual wage tax returns and related payments.
3. Penalties – Late payment of tax is subject to a penalty of 10% per month, up to a maximum of 30% of the principal amount due.
4. Rulings – Taxpayers may ask the tax authorities their opinion on the tax consequences of a particular transaction before it is concluded. Such rulings generally are binding on the tax authorities.

VAT

1. Filing and payment – The VAT return (and any tax payable) is due by the 15th day of each month. For taxable transactions of at least XAF100,000, the right to deduct input VAT may be allowed only where payment is made by check or bank transfer.
2. Penalties – Tax paid late is subject to interest penalties of 1.5% per month, up to a maximum of 50% of the principal amount due. Fines are levied for various omissions in discharging VAT obligations.

Investment Incentives

Tax incentives

The Investment Incentives Law, as amended, sets out incentives for private investment in Cameroon where the investor meets the following requirements:

- Revenue from exports accounts for at least 10% to 25% of annual turnover
- Cameroon-source resources account for at least 10% of the value of inputs
- Value-added accounts for at least 10% of turnover
- The company complies with the foreign exchange and tax rules
- During the operational phase and based on the company's size and sector of activity, the company creates at least one job for every XAF5 million to XAF25million of planned investment.

The incentives vary depending on the phase in which the company is operating.

Incentives during the installation phase include:

- An exemption from registration duties on instruments for incorporation of the company, capital increases, essential instruments relating to investment programs, and concession contracts
- A VAT exemption on technical assistance relating to the project and on import of materials linked to the project
- An exemption from business license fees
- A deduction for technical assistance fees in proportion to the amount of the investment.

Incentives during the exploitation phase include an exemption from, or a reduction in, the following taxes:

- Registration duties on instruments relating to changes in the capital and transfers of activity
- Corporate income tax and minimum tax
- Tax on income from securities and dividends
- Special income tax on technical assistance.

Tax incentives are also provided for companies located in economically stricken areas, an area in which economic activity is structurally and durably affected by insecurity or disasters (e.g., floods, famine, drought etc.). The incentives vary depending on the phase in which the company is operating. Companies making new investments in an economically stricken area are exempt from the following taxes/duties:

- for the installation phase, which cannot exceed three years:
  - business license duty
  - VAT on the acquisition of goods and services
  - Registration fee on real estate transfers relating to the implementation of the project
  - Tax on land ownership on buildings allocated to the project.
- for the first seven years of operation:
  - business license duty
  - VAT on the acquisition of inputs intended for production
  - Tax and employer charges on salaries paid to staff.

The 2021 Finance law created an incentive framework for innovative start-ups in the field of information and communication technologies, in so far as they are grouped together within management structures set up as approved management centres dedicated to start-ups.

Exchange Controls

Application of new CEMAC foreign exchange regulations commenced on 1 September 2019, the main features of which are:

- A prior declaration must be made for inbound direct investment, regardless of the amount of the investment (previously, a declaration was required only when the investment exceeded XAF100 million). "Inbound direct investment" means a participation of 10% or more in the share capital of a company
- Outbound direct investments generally must be approved by the Bank of Central African States (BEAC). However, approval is not required for outbound portfolio investments, the amount of which is lower than the threshold to be defined by the BEAC and to outbound direct investment in the form of a capital increase resulting from the reinvestment of retained earnings
- Loans granted to non-residents by legal CEMAC-resident entities must be authorised by the BEAC (previously authorisation was required only when the loan amount exceeded XAF100 million). However, credit institutions are free to make payments on loans granted to non-residents subject to the provision of supporting documents to the BEAC
- Loans granted by a non-resident to a CEMAC resident entity is subject to declaration to the Ministry of Finance 30 days before the completion of the transaction
- BEAC authorisation is required for a legal entities to open a foreign currency account outside the CEMAC. The opening of a foreign currency account for an individual is subject to the declaration to the Central Bank
- Individual residents are prohibited from opening a foreign currency account in the CEMAC. For legal entities, the opening of a foreign currency account in the CEMAC is subject to the authorisation of the Central Bank
- Transfers outside the CEMAC zone must be declared in advance, except within the limit of XAF1 million per month and per economic agent. The transfer must be made through banks authorised by the BEAC to act as intermediaries
- The proceeds from the liquidation of foreign investments must be repatriated within 30 days of the liquidation through an authorised intermediary
- Penalties apply for failure to comply with the foreign exchange rules.

Expatriates and Work Permits

Expatriates on special assignment in Cameroon for less than six months that are rendering services to a company in Cameroon but are not employed by a Cameroonian company do not need a work permit. Income paid to such expatriates for services rendered is considered technical assistance and is subject to a 15% WHT (unless otherwise provided under an applicable tax treaty).

An expatriate employed directly by a Cameroonian company must have a work permit, which must be approved by the minister in charge of employment and vocational training before the work commences. Income paid to such expatriates is subject to personal income tax, payroll tax, and social security contributions.

Trade Relations

Memberships

- Central African Economic and Monetary Community (CEMAC)
- Banque des Etats l'Afrique Centrale (BEAC)
- L'Harmonisation en Afrique du Droit des Affaires (OHADA)
- International Monetary Fund (IMF)
- International Chamber of Commerce (ICC)
- World Trade Organization (WTO)
- African, Caribbean and Pacific Group of States (ACP)
- African Development Bank Group (AFDB)
- International Trade Union
- Organization for Economic Co-operation and Development (OECD)

Key Economic Information

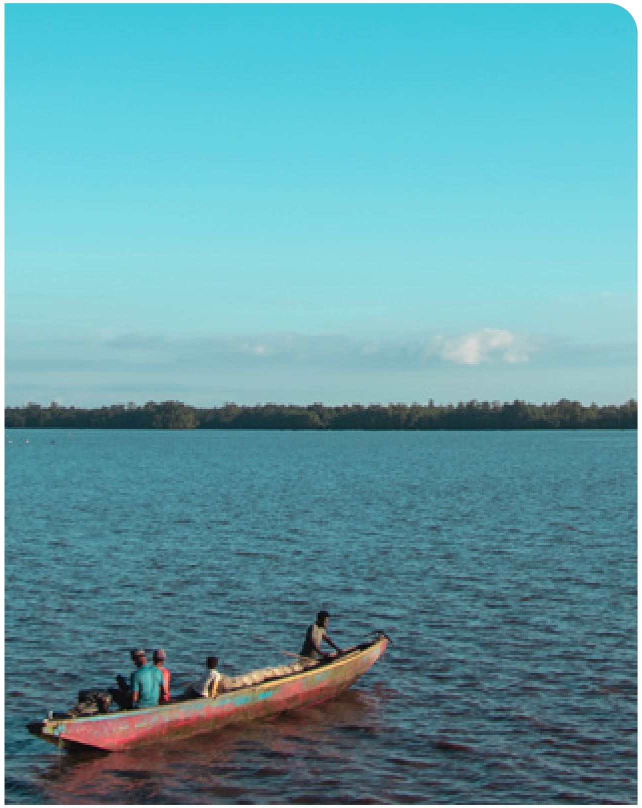
Currency (symbol/code)
Central African CFA franc (FCFA/XAF)

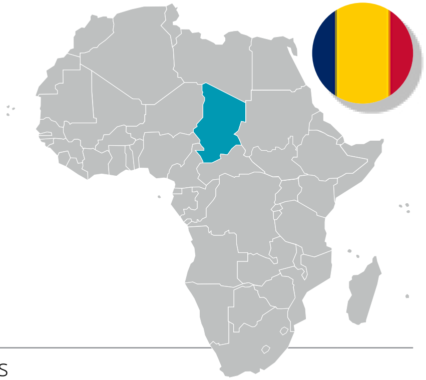
Exchange rate	
US$1	XAF544.16
EUR1	XAF655.96
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$101.95 billion	US$108.74 billion
Real GDP growth	
3.44%	4.30%
Average inflation	
2.25%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
3.25%
Source: Trading Economics, Bank of Central African States, 2021.

Market capitalisation as at April 2021
US$553.62 million
Source: Capital IQ, 2021.





Chad

Contacts

Youssouf Ndiadoukouo
yndiadoukouo@deloitte.com
+235 60 02 36 33

Jaouhar Ben Zid
jbenzid@deloitte.com
+235 62 42 4873

Yves Madre
ymadre@deloitte.fr
+243 859 998 044

Income Tax – Individuals

Taxable income (XAF)	Rate
0 – 800,000	0%
800,001 – 2,500,000	10%
2,500,001 – 7,500,000	20%
Over 7,500,000	30%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on Chad-source income.
2. Residence – An individual is resident in Chad if he/she has a main residence in Chad, is present in Chad for at least 183 days in the relevant calendar year or has his/her centre of vital interests in Chad.
3. Taxable income – Taxable income includes income from employment (and fringe benefits), income from the exercise of a business or profession, capital gains, certain investment income, etc. Employment income is taxable when the employee is tax resident in Chad even if the activities are performed outside Chad or the employer is not established in Chad. If the employee is not tax resident in Chad, the income is taxable if the activities are performed in Chad and the employer is established in Chad.
4. Exempt income – Salaries paid to young graduates, people with disabilities and workers less than 35 years old are exempted from income tax for three years from the date of their recruitment.
5. Deductions and allowances – Various deductions are available, such as allowances for housing, vehicle, food, and transportation.
6. Rates – Individual income tax is levied at progressive rates up to 30% on resident individuals. Non-residents are subject to withholding tax (WHT) on Chad-source income. WHT applies only to non-resident service providers at rates of 12.5% or 25%, depending on the economic sector to which the individual is providing services. A resident individual can be subject to WHT on services provided, but the rate is 20%.

Income Tax – Companies

	Rate
Standard corporate rate	35%
Public institutions and non-profit organisations	25%
Companies in hydrocarbons sector	40%-75%

Notes

1. Basis – Chad operates a territorial system under which all income derived in Chad is subject to tax.
2. Residence – Companies which have their headquarters or place of management in Chad are considered tax resident. Foreign companies with a permanent establishment in Chad are also recognised as resident in Chad and are therefore subject to income tax in respect of Chadian source revenue.
3. Taxable income – Taxable income is comprised of profits derived from the operation of a business in Chad, including capital gains (with certain exceptions). Dividends distributed by Chad companies are not subject to tax in Chad.
4. Deductions – All expenses generally are deductible except those not directly related to the company's activity (e.g. personal expenses) and specific categories of expenditure, such as intercompany interest exceeding a ceiling (see below under "Thin capitalisation").
5. Losses – Net operating losses may be carried forward up to three years and losses from depreciation may be carried forward indefinitely. The carryback of losses is not permitted.
6. Foreign tax credit – Chad does not offer a unilateral foreign tax credit.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 35%. A lower rate of 25% applies to public institutions and non-profit organisations. The rate for companies in the hydrocarbons sector ranges from 40% to 75%.
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies. Branch remittance tax is applicable at the rate of 20% of net profit realised by the branch of a foreign company.
10. Alternative minimum tax – An alternative minimum tax equal to 1.5% of gross turnover applies to most companies. The tax is paid monthly or quarterly, depending on the size of the company.
11. Apprenticeship tax – Companies are subject to an apprenticeship tax.

Withholding Taxes (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents):

Payments	Residents	CEMAC residents	Non-residents
Dividends	20%	5%	20%
Interest	20%	5%	25%
Royalties	20%	7,5%	25%
Rent	15%	20%	20%

Notes

1. Rents – Rent charged by a taxpayer that is taxable on an actual basis is subject to a WHT of 15% to 20%, depending on the residence of the owner.
2. Technical service fees – Certain technical service fees are subject to a lower WHT rate of 12.5%.

Tax Treaties

In addition to CEMAC multilateral tax treaty, Chad has signed bilateral tax treaties with Tunisia, UEA, Turkey and Libya.

Anti-avoidance Rules

Transfer pricing

There are no specific transfer pricing rules in Chad, but there is a provision designed to prevent the unlawful transfer of profits abroad for the benefit of parent companies, or companies or groups that are not tax resident in Chad. The tax authorities may adjust prices in these situations, by determining taxable profits based on a comparison with the profits of domestic companies carrying out similar activities. Documentation that justifies the pricing policy within a group is required, with penalties applying for the late filing of the documentation.

The failure or production of incomplete documentation is penalised by the rejection as deductible expenses, of the sums expensed in respect of operations carried out with associated companies.

The non-compliance with documentary obligations in terms of transfer pricing, exposes the company concerned to a penalty equal to 5% of the total amount of the company's intra-group exchanges with a minimum of XAF50 million per fiscal year

Thin capitalisation rules

There are no specific thin capitalisation rules in Chad, but interest on cash advances made by shareholders is deductible only if the total amount of the advances do not exceed 50% of the share capital.

Controlled foreign company rules
There are no CFC rules in Chad, but foreign companies are not allowed to set up a branch in Chad for more than four years. After that time, a local company or subsidiary must be established.

Employment-related Taxes
Payroll tax
Payroll tax in Chad is similar to income tax but is paid to the government by the employer under a Pay-As-You-Earn (PAYE) system. Social security contributions, public health insurance, and other deductions are included in the payment.

Employers are required to pay a lump sum tax on employment income equal to 7.5% of the gross income paid to an employee, including benefits in kind.

Social security
The employer must make social security contributions on behalf of the employee in an amount equal to 3.5% of the gross salary.

Indirect Taxes
Value-added tax (VAT)

Standard rate	18%

A reduced VAT rate of 9% applies for some essential products and a zero VAT rate applies for exports of goods.

Customs and excise duties
Chad is a member of the Central African Economic and Monetary Community (CEMAC) Customs Union (which includes Cameroon, Central African Republic, Congo (Republic), Gabon, and Equatorial Guinea), which provides for the free movement of goods within the union. Like other member states, Chad applies the CEMAC Customs Code on the import, export and re-export of goods.

The import of goods and merchandise from third states is subject to customs duties, unless an exemption or a bonded customs regime applies. Customs duties are levied on the customs value of most imported goods at rates ranging from 5% to 30%. In addition to the common external tariff, VAT is levied on imported goods at the standard rate.

Excise duties are levied on certain goods, notably cigarettes, drinks (i.e., water, beer, and wine), cosmetics, and luxury products. The applicable rate depends on the type of goods, and ranges from 5% to 30%. The taxable basis is as follows: for goods manufactured in the CEMAC zone, the taxable basis is the price of the goods delivered at the factory, and for other goods, it is the same valuation as is used for customs duty purposes.

Other Taxes
Inheritance/estate tax
Inheritance tax is levied in the form of a registration duty on the transfer of property for no consideration to resident individuals, and on the transfer of Chadian-situs property to non-residents.

Stamp duty
Stamp duty is levied on all paper used for official documents and judicial instruments, as well as documents to be used as evidence in judicial proceedings. Receipts are exempt from stamp duty. Stamp duty rates range from XAF200 to XAF50,000, depending on the type of document. Certificates of origin for Chad products intended for export are exempt from stamp duty.

Capital duty
Capital duty or registration duties are levied at various rates on documents issued in connection with capital contributions to a company (incorporation, share capital increase). Registration duties may consist of fixed duties or ad valorem duties, depending on the document.

Property tax
An annual real estate tax is levied at a rate of 2.5% and is paid by the property owner, regardless of whether the owner resides in Chad. The transfer of real property located in Chad is subject to a flat tax of 10% in the capital (N'Djamena) and 8% in the other main cities. The same rate applies to any form of transfer of real estate (10% or 8%) or a purchase, exchange, or in-kind contribution to a company.

Business license duty
Individuals carrying on a business and companies are subject to a business license duty, which is computed based on the company's turnover of the fiscal year at a rate of 0.35%.

Apprenticeship tax
Companies and individuals that are subject to tax under the categories of industrial and commercial, non-commercial, or agricultural activities are subject to apprenticeship tax. The tax is 1.2% of the gross salaries.

Tax Administration and Compliance
Tax is administered in Chad by the General Tax Authorities (GTA).

Companies
1. Tax year – The tax year is the calendar year. A company cannot use a different 12-month period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – The tax return must be filed before 30 April of the following year, although the GTA may grant a 15-day extension. Companies must make advance payments of tax before 15 May, 15 August and 15 November of each year, which may be credited against the final corporate tax liability for the year. Real estate taxes are paid based on estimates made by the tax administration.
4. Penalties – Late payment penalties are imposed at the following rates: 1.5% per month, or a fraction thereof, up to a maximum of 50% or 100% (if the late filing is deemed to be intentional). If no return is filed despite several reminders from the GTA, the authorities may assess the company's taxable income based on the elements that are made available.
5. Rulings – Advance tax rulings are permitted in practice.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Joint returns are permitted for spouses.
3. Filing and payment – Individuals carrying out a trade must file a return by 1 April, except for individuals carrying professional activities (i.e. industrial, commercial, agricultural activities), who have until 30 April.
4. Penalties – Late payment penalties are assessed at 1.5% per month, or fraction thereof, if the reassessment follows a tax investigation.

VAT
1. Filing and payment – The VAT return and payment are due monthly by the 10th day of the following month for companies with annual turnover exceeding XAF500 million, and by the 15th day of the following month for other taxpayers.
2. Penalties – Late payment of VAT is subject to a penalty of 5% per month, or a fraction thereof, up to a maximum of 50% or 100% (if the late payment is intentional). Default of VAT filing is sanctioned by a fine of XAF200,000, in addition to late payment penalty if any.

Investment Incentives

General incentives

Chad has enacted several laws to encourage foreign investment in the industrial, services, finance, and tourism sectors Incentives, which include exemptions, reduced rates, financial support, investment bonuses, and full tax allowances, are found in the Investment Incentives Code.

As from 1 January 2020, new companies under Chadian law that are engaged in the agriculture, livestock, renewable energy, and information and communication technologies sectors benefit from a reduction of 50% of the registration fee and the base subject to corporate tax for the first five years of operation, and are exempt from business license tax, fixed tax, apprenticeship tax, and minimum corporate tax for the same period.

Exchange Controls

Foreign-owned companies and branches of foreign companies may freely repatriate profits, provided the applicable taxes have been paid. Certain transfers, however, must be approved by the Central Bank.

Expatriates and Work Permits

There is no special regime for expatriates in Chad.

Persons who leave Chad before 31 December of a year, and who retain interests in the country, remain liable to tax if they have not given prior notice that they intend to leave permanently. An assignee leaving Chad must file a tax return reporting all income earned during the period between 1 January (or the date of arrival in Chad) and the date of departure.

To be in compliance with labour and immigration authority rules, all expatriates working in Chad must hold the following legal documents:

- Employment authorisation that cannot exceed one year
- Work permit
- Residence card
- Long-term visa and return visa
- A labour contract stamped by the National Office for the Employment Promotion (the employment contract cannot start before the permit is granted).

Trade Relations

Memberships

- World Trade Organization (WTO)
- Organization for Economic Cooperation and Development (OECD)

Key Economic Information

Currency (symbol/code)
Central African CFA franc (FCFA/XAF)

Exchange rate	
US$1	XAF544.16
EUR1	XAF655.96

Source: IRESS, 2021.

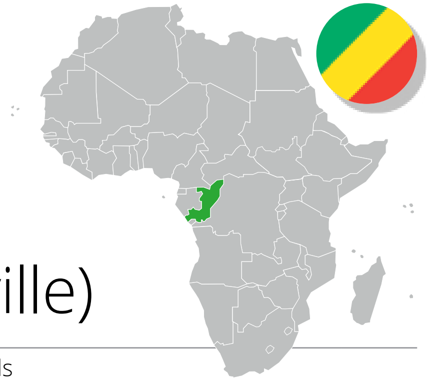
2021 forecast	2022 forecast
Nominal GDP	
US$27.42 billion	US$28.77 billion
Real GDP growth	
1.77%	2.60%
Average inflation	
3.01%	

Source: IMF WEO DATABASE, April 2021.

Central Bank Rate
3.25%

Source: Trading Economics, Bank of Central African States, 2021.

Market capitalisation as at April 2021
There is no stock market in Chad.



Congo (Brazzaville)

Contacts

Jaouhar Ben Zid
jbenzid@deloitte.com
+242 05 353 46 46

Yves Madre
ymadre@deloitte.fr
+243 8 59 99 80 44

Gautier Mboussi
GMboussi@deloitte.com
+242 05 308 08 87

Income Tax – Individuals

Taxable income (XAF)	Rate
0 – 464,000	1%
464,001 – 1 million	10%
1,000,001 – 3 million	25%
Over 3 million	40%

Notes

1. Basis – Resident individuals are subject to tax on their worldwide income. Non-resident individuals are subject to tax only on Republic of Congo (Congo)-source income.
2. Residence – Individuals employed in Congo who are present in the country for more than 14 days in a calendar year are considered resident from the first day of their employment, unless otherwise provided under an applicable tax treaty. The same rule applies to individuals present in Congo for purposes other than for employment, unless otherwise provided under a treaty, e.g. typically that residence begins only after an individual has been present for more than 183 days. As from 1 January 2020, an individual appointed as a local branch manager is treated as a tax resident in Congo from the first day of the appointment, even if the individual is not present in Congo.
3. Taxable income – Taxable income includes employment income, professional income, income from industrial and commercial activities, real estate income, and capital gains. Income from salaries, wages, pensions, annuities, and per diems for attending meetings of boards of directors is taxable. Benefits-in-kind also are taxable. The net income from industrial and commercial activities is calculated in the same manner as for companies. Real estate income includes income from leased land and developed property, including leased plant and equipment that is a permanent part of such property. Capital gains derived by resident individuals are added to other income and taxed at the applicable personal income tax rate, except for gains from the disposal of private buildings and land managed by family members.
4. Deductions and allowances – Expenses incurred in the performance of an employment or office are deductible to the extent they are properly applied and documented, not excessive, and not of a private nature. Allowances for professional expenses (i.e., transport, allowances for entertainment expenses, etc.) are not considered part of wages and are not taxable if they do not exceed 15% of taxable income and cannot be reimbursed. The family circumstances of the taxpayer are taken into account for determining the applicable allowance, using an income tax relief system based on the number of dependents.
5. Rates – The personal income tax rates for resident individuals apply to the aggregate income from all sources at rates ranging from 1% to 40% as described in the table above. Foreign nationals that are not domiciled in and are not tax resident in Congo are subject to a 20% withholding tax (WHT) on income earned in Congo (including capital gains) and/or arising from work or services of any nature carried out, provided, or used in Congo. No reliefs based on family circumstances are available in this case. The WHT applies only after the individual has been present in Congo for 14 days (if there is no double tax treaty in place) but with retroactive effect (i.e. after 15 days, tax applies from the first day of presence in the country).

Income Tax – Companies

	Rate
Standard corporate rate, including mining companies	28%
Local companies and branches that derive more than 70% of their annual turnover from petroleum companies and petroleum service companies	35% applies on 22% of taxable turnover (i.e. an effective tax rate of 7.7% of taxable turnover)

Notes

1. Basis – Resident entities are taxed on their worldwide income and non-residents are taxed only on profits earned or transactions carried out in Congo, subject to the application of an applicable tax treaty.
2. Residence – A commercial entity is resident in Congo if it is incorporated in Congo.
3. Taxable income – Taxable profit is the actual profit determined in respect of the total financial income statement for operations carried out by the company, including transfers of assets during or at the end of the financial year. Taxable profit is established after the deduction of all operating expenses. Special rules apply to certain types of income, including the following:
   - Dividends received by a resident company from a resident or non-resident company are subject to income tax, but the recipient company may set off any Congo tax withheld from the dividends against its corporate tax liability. Where a resident holding company owns at least 25% of the shares in an affiliated company that pays dividends and the shares remain registered in the name of the shareholder for at least two consecutive years, only 10% of the dividends are subject to tax
   - Capital gains are treated as ordinary business income and are generally taxed at the standard corporate income tax rate unless capital gains are realised by a non-resident company. However, the taxation of capital gains realised on the disposal of a fixed asset in the course of trading is deferred for three years if the taxpayer reinvests the gain in new fixed assets for the business. Capital gains resulting from the gratuitous allocation of shares, founders' shares, or debentures on a merger of limited liability companies or limited partnerships with share capital are excluded from taxable income in the year when the capital gains result provided the company resulting from the merger has its registered office in Congo. The capital gains are then included in the taxable income proportionally within the following five years. Capital gains arising from the direct or indirect assignment or transfer of a company's shares, including on the dissolution of a company, within five years from the date the company was formed or the shares acquired, leading to a change of control are assessed at only 50% of their value (one-third of their value if the event takes place more than five years after the company is formed or the shares are acquired). If there is no change of control, all capital gains shall be taxable. Special rules apply for the taxation of capital gains derived by a Congolese holding company
   - Foreign exchange gains (losses) are taxable (deductible) only when realised. The same treatment applies to exchange differences from trading or on foreign currency-denominated assets and liabilities.
4. Deductions – Deductions are allowed for reasonable expenditure incurred in carrying out activities that generate assessable income. Expenditure that is considered 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 tax authorities' perception of the taxpayer's motive. Special rules apply to certain types of deductions, including the following:
   - Remuneration – Payroll costs and benefits-in-kind are deductible in full, provided they are reasonable and related to actual employment. Payments made to members of the board of directors are deductible if the payments are reasonable, related to actual service, and 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 if the actual expenditure incurred is reimbursed
   - Management and other fees – Head office expenses of a Congo branch may be deducted in full if an actual service is provided. Costs of studies and fees for technical, financial, or accounting assistance performed by companies outside of Congo are deductible if an actual service is supplied and the costs are within a limit of 20% of the taxable income before deduction of

these costs (an exception to the limit may apply if the beneficiary is resident in a Central African Economic and Monetary Community (CEMAC) member state or in a country that has concluded a tax treaty with Congo). If a company incurs a tax loss, the limit is 20% of the taxable income derived during the previous year. Purchasing commissions are deductible up to 5% of the amount purchased if they are invoiced separately

- Interest – See under "Thin capitalisation rules"
- Rents – Real estate rental payments are deductible in full, provided they are reasonable. However, any rent paid to a member of a company that owns at least 10% of the company's shares will be disallowed. Shares owned by the member's spouse, children, and parents also are in calculating the 10% limit
- 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. The annual allowance rates range from 5% to 33.33%, depending on the type of asset
- Bad and doubtful debts – Bad debts are deductible, but only specific provisions for doubtful debts are deductible. A debt that subsequently is recovered is taxed in the year in which the recovery was made
- Provisions – Provisions made for clearly specified losses or costs that are likely to occur are deductible, if certain conditions are satisfied
- Other expenses – All entertainment expenses related to fishing, yachting, tourist airplanes, or recreational real estate are non-deductible. Home leave costs for a salaried partner, his/her spouse, and his/her minor children are deductible for one trip per year and 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 sporting, scientific, educational, family, and social activities in Congo, up to 0.05% of turnover.

5. Losses – Losses may be carried forward for up to three years but may not be carried back.
6. Foreign tax credit – Relief for foreign taxes paid is available only if a credit is provided under an applicable tax treaty.
7. Group relief – 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. Rate – Corporate tax is levied at a standard rate of 28% for resident companies, including mining companies. The effective rate for companies performing most of their services to petroleum companies is 7.7% of turnover. In other cases, unless otherwise provided by an applicable tax treaty, non-resident companies and non-resident companies operating under an ATE in Congo are subject to a 20% WHT on all income derived from Congo. Capital gains realised by non-resident companies from the sale of all or part of the shares in the capital of Congolese companies are taxable at a rate of 20%. The tax is payable upon registration of the transfer of shares, and the assignor and the Congolese company whose shares were sold are jointly and severally responsible for the payment of the tax.
9. Branches of foreign companies – In principle, local branches and local companies that receive more than 70% of their annual turnover from petroleum companies and petroleum service companies are taxed in the same way as resident companies. However, the branch is subject to a remittance tax, regardless of whether there is an actual transfer of profits. Seventy percent of the branch profits is treated as though it had been remitted as a dividend and is taxed at a rate of 15% (i.e. a 1.5477% rate effectively applies to the branch's turnover). Foreign companies providing services to locally incorporated oil companies in Congo or in Congo territorial waters through a branch or a local company are subject to a tax regime under which taxable income is gross income less mobilisation, demobilisation or reimbursable costs. Amounts received or due in respect of the 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 taxable income, provided such amounts are reasonable and correctly classified. It is required to pay corporate tax at a rate of 35% on 22% of its taxable deemed profit margin. The effective rate of tax on turnover therefore is 7.7%. Also, there will be a remittance tax regardless of whether there is an actual transfer of profits.
10. Alternative minimum tax – The minimum company tax is 1% of the turnover of the previous year, with a minimum of XAF500,000 where the turnover was less than XAF10 million and a minimum of XAF1 million in other cases.

Withholding Tax (WHT)

The WHT rates on various types of payment are set out below. The tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty.

Payment	Residents	Non-residents
Dividends	15%	15%
Interest	-	0%/20%
Royalties	-	10%/20%
Technical service fees	-	5.75%/20%

Notes

1. Dividends – Dividends paid by a resident entity are subject to a 15% WHT, which is deductible from the income tax payable by a resident recipient.
2. Interest – Interest on loans paid by a debtor company located in Congo to banks and credit institutions that are not domiciled or tax resident in Congo is exempt; otherwise, the rate is 20%.
3. Royalties – Amounts remitted to non-resident inventors or under a copyright, as well as all amounts derived from industrial or commercial property rights or assimilated products, are subject to a 20% WHT. Royalties for the use of the television, radio programmes, and access to audio-visual services with digital content are subject to a 10% WHT.
4. Technical service fees – Individuals or companies that are not domiciled or tax resident in Congo are subject to a 20% WHT on the gross amount of technical service fees and ancillary costs paid. The rate is reduced to 5.75% for Congolese or foreign individuals or legal entities with income derived from contracts related to the "Zone of Unitisation," and on remuneration paid by Congolese maritime and air transport companies.

Tax Treaties

The Republic of Congo has concluded tax treaties with the following countries/organisations:

Country	Dividends	Interest	Royalties
CEMAC*	15%**	0%	0%
France	15%**	0%	15%
Italy	8%/15%	0%	10%
Mauritius	0%/5%	5%	0%

* CEMAC consists of Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, and Republic of Congo.

** The domestic rate is shown where this is lower than the treaty rate.

Anti-avoidance Rules

Transfer pricing

The tax authorities may adjust taxable income where related party transactions are not conducted on arm's length terms. The tax administration may request information concerning the amount, date, and form of payments to determine the taxable base. If the company does not respond or does not produce complete documentation, the taxable base will be examined by the tax administration based on the available information. If this is not possible, the profits to be taxed will be determined by comparison with those of similar companies typically operating in Congo.

Resident legal entities whose annual turnover is EUR762,000 or more must document their transfer pricing policy. They also must submit simplified documentation on the transfer prices to the tax administration annually, within six months following the deadline for filing the financial statements for the financial year. Failure to produce the simplified documentation may result in fines.

In addition, one-third of the sums invoiced by the foreign company that are presumed not to reflect the arm's length conditions are reinstated in the taxable profits of the Congolese company for the relevant financial year.

Thin capitalisation rules
Interest on capital borrowed for business purposes is deductible provided all necessary documentation is available and it represents a genuine expense. If interest is paid to a foreign third party, then deduction will be allowed only if the costs are within a limit of 20% of the taxable income before deduction of these costs.

In addition, if interest is paid on shareholder loans, it is deductible subject to a limitation on the interest rate applied, which may not exceed two percentage points above the lending rate of the Central Bank at the time the interest payments were due. Also, a deduction will be allowed only if the amount of shareholder loans does not exceed one-half of the company's capital.

Controlled foreign company rules
The Congo does not have CFC rules.

Employment-related Taxes

Payroll tax
The single tax on salaries is levied on employers at a rate of 7.5%, calculated on the employees' uncapped salaries and benefits. For contractors engaged in the petroleum industry, the single tax on salaries is reduced to 6%. For oil operating companies, the single tax on salaries is reduced to 2.5%.

Congo applies a Pay-As-You-Earn (PAYE) system, under which personal income tax due on employment income is withheld at source each month by the employer and remitted to the government. Payment must be made by the employer no later than the 20th day of the following month, with the submission of the statutory return. In February each year, the employer must file a declaration of salaries reconciling the salaries, taxes, and contributions paid monthly, along with the annual amounts.

Social security
Employers generally are not required to make social security contributions for employees temporarily seconded to Congo that stay in the country for less than three months. Otherwise, the employer must pay social security contributions on employees' total remuneration in cash and in kind to the National Social Security Office (CNSS). The rate of social security contributions is 20.28%, which includes a pension contribution of 8% of maximum gross salary, with a monthly limit of XAF1.2 million; a family allowance contribution of 10.03% of maximum gross salary, with a monthly limit of XAF600,000; and an industrial accident contribution of 2.25% of maximum gross salary, with a monthly limit of XAF600,000.

Employee social security contributions are payable at 0.04% of maximum gross salary, with a monthly cap of XAF1.2 million and are withheld by the employer.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is levied on the supply (or deemed supply) of goods or services in Congo, and on imports.
2. Rates – The standard VAT rate is 18%. A reduced rate of 5% applies to some consumer goods listed in the VAT legislation, and a zero rate applies to exports and local sales of timber. Other transactions generally are assessed at the standard rate, plus an additional surcharge of 5% of the VAT, resulting in an effective rate of 18.9%. Certain goods are exempt from VAT (e.g., some basic necessities, petroleum and mining activities, etc.).
3. Deduction – VAT paid by a Congolese entity on behalf of non-resident service providers is not deductible, since the related revenue is not subject to income tax in Congo.
4. Registration – Non-resident entities whose supplies are subject to VAT in Congo are required to appoint a solvent resident representative to be jointly responsible for the payment of VAT, the discharge of other VAT obligations. However, in practice a resident representative is automatically responsible to calculate and pay VAT on behalf of a foreign entity.

Customs and excise duties
Customs duties are set by CEMAC regulations. Trade between CEMAC countries is, in principle, exempt from customs duties. An integration community tax of 1% is collected on imports from outside the CEMAC. An OHADA (Organisation pour l' Harmonisation en Afrique du Droit des Affaires) community tax of 0.05% also is collected on imports from outside the OHADA zone.

African integration tax
A new community tax, known as the "African integration tax," is applicable to eligible goods imported into the Congo from non-member states of the African Union, at a rate of 0.2%.

Exports are exempt from exit duties and taxes, except for timber and manganese. The import of large industrial equipment is subject to a special procedure permitting the declaration under a single tariff for all component elements.

Other Taxes

Inheritance/estate tax
An inheritance statement must be filed within six months of a death in Congo and within 12 months in case of a death abroad. Inheritance rights are paid by the heirs or the notary. The surviving spouse or direct descendants/ascendants are exempt from tax on an inheritance. For other relatives, tax is payable at 10%-18% depending on the relationship of the heir to the deceased person.

Penalties of between 50% to 200% of the tax unpaid are imposed for the underpayment of tax or failure to pay the tax due.

Stamp duty and registration fees
Stamp duty applies to legal documents, at rates ranging from XAF1,000 to XAF1 500 per page or half page.

Registration fees are payable at various rates on a variety of instruments or transactions, such as the increase of capital (3% of the amount of the increase); stock transfers of unquoted companies (5%); business disposals (10%); and property transfers (4%). Debt transfers are free from registration fees.

Business license tax
All entities that are not specifically exempt and that are carrying out trade or industrial activities in Congo, temporarily or permanently, are subject to a business license tax (or professional tax) levied according to the turnover of the entity. A flat rate of XAF10,000 applies for entities with turnover up to XAF1 million; other rates vary from 0.75% to 0.045%, depending on turnover. Companies are exempt from business license tax in their first year of activity.

Business license tax also is payable by dormant entities that used to incur operating expenses in the Congo. In this case, the tax is calculated as 25% of the amount of the last business tax payment made.

Land tax on built property
Land tax applies on constructed property and buildings, as well as on other permanent installations. Newly constructed, reconstructed, and extended buildings may be tax-exempt for 10 years if the building is used for residential purposes, or five years in other cases. For commercial buildings, the tax base is the lease value of the property, with a 25% rebate for refurbishments and repairs. For residential buildings, the base is the land registration value of the property, with a 25% tax rebate for refurbishments and repairs. The tax rate is set on an annual basis.

Tax on funds transfers
Tax is charged at 1.5% of the gross value of funds transferred abroad outside the CEMAC states, and on the sale of currency within the Congo. This tax also applies on export earnings not repatriated to Congo within 30 days from the invoice payment date, including export earnings that are exempt under an investment agreement signed with Congolese government.

Tax Administration and Compliance
Tax is administered in Congo by the Directorate General of Taxes and Domains of the Ministry of Finance of the Budget and Public Portfolio.

Companies
1. Tax year – The corporate tax year is the calendar year and a company's financial year must correspond to the tax year. The business license tax year also is the calendar year.
2. Consolidated returns – A company is treated as an independent entity for tax purposes. However, a parent company and its 95% subsidiaries subject to corporate income tax may elect to be treated as a group of companies for five years, during which time the parent company is responsible for payment of the corporate income tax payable by all companies in the group.
3. Filing and payment – Minimum company tax is payable annually before 15 March and is deductible from the final tax. Tax is otherwise payable in four instalments (before 20 February, 20 May, 20 August, and 20 November). An annual corporate income tax return must be filed with the balance of corporate income tax payment no later than 20 May of the year following the tax year. Different rules apply to contractors engaged in petroleum industries.
4. Penalties – For corporate income tax purposes, expenditure considered 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 relevant authority's perception of the taxpayer's motive. A penalty of 100% of the tax due may be imposed for late payment of corporate income tax. Foreign companies with an ATE must pay business license tax on their deemed revenue within 15 days of the commencement of activities in Congo; otherwise, a penalty of 100% applies.
5. Rulings – Three categories of tax rulings are available:
   1) Tax rulings relating to the former oil concession contracts that allowed oil operators to benefit from specific schemes. These rulings have not been issued since production sharing contracts replaced concession contracts
   2) Rulings arising from the CEMAC charter of investments, enabling companies to benefit from tax and customs benefits within the framework of agreements with the Congolese state, known as the "Convention d'établissement"
   3) Specific rulings on transfer pricing policy in accordance with the Congolese tax code, which provides for advance pricing agreements (APAs) between taxpayers and the tax authorities.

   All of these agreements may be bilateral or unilateral. Bilateral agreements are concluded between the competent authorities of the relevant states that are party to a tax treaty. A unilateral agreement takes the form of an agreement between the Congolese tax administration and the relevant company.
   APAs are concluded for a maximum period of three years and may be renewed under conditions determined by the tax authorities. A fee set by the tax authorities is payable.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – The head of a family normally is subject to personal income tax on his/her income and the income of any dependent children or a spouse. However, an individual may elect to be assessed separately. A married woman can be assessed separately if she has employment income, if her husband is not subject to tax in Congo, or if she is separated from her husband.
3. Filing and payment – Congo applies a PAYE system, under which personal income tax is withheld each month by the employer. A personal tax return must be submitted by 20 March following the end of the tax year. Different rules apply to entrepreneurs.
4. Penalties – Penalties of up to 100% of the tax due may be imposed in cases of wilful default.

VAT
1. Filing and payment – Registered VAT taxpayers are required to file monthly VAT returns and pay any tax due within 20 days following the end of the month.
2. Penalties – Late payment of VAT attracts interest at a rate of 5% per business day, up to a maximum of 50% of the VAT liability (if the taxpayer acted in good faith), or up to 100% in the case of wilful default.

Investment Incentives
General incentives
The Investment Charter offers a range of benefits to foreign investors, such as free enterprise, no discrimination or restrictions on the types of investment, and equal justice under Congolese law.

Tax incentives
The Investment Charter provides some tax reductions for companies exercising a new activity. Additionally, the Congolese tax code provides tax reductions for agricultural businesses, and specific codes (i.e. the Mining Code, Hydrocarbons Code, and Forestry Code) grant tax incentives and exemptions for the relevant sectors.

The government intends to review all investment agreements in force to ensure that tax exemptions granted under investment agreements comply Congo's investment charter law.

Exchange Controls
As a member of CEMAC, Congo has the same currency as other community members, the Central African Franc (XAF). CEMAC members are required by international agreement to apply exchange control regulations modelled on those of France. The XAF agreement guarantees the availability of foreign exchange and the unlimited convertibility of XAF with the euro at a fixed rate. Transfers within the CEMAC zone are unrestricted.

Inbound direct investment resulting in the purchase or acquisition of the shares in a resident entity requires a prior declaration. Prior authorisation also is required for loans obtained by companies in Congo from foreign shareholders, or from foreign enterprises within the same group.

Transfers outside the CEMAC zone require prior authorisation, except those below XAF1 million, although this is primarily for statistical purposes. Transfers of more than XAF5 million must be carried out via a bank authorised by the Central Bank to act as an intermediary.

Expatriate employees may repatriate their earnings on a regular basis. Unlimited transfers may be made to cover family and dependents' expenses outside the CEMAC zone.

Transfers in settlement of imports more than XAF100 million require the submission of certain documents to the department responsible for exchange controls, including an import license and the final invoices.

Expatriates and Work Permits

Visas

Foreign nationals must obtain a visa from the Congolese embassy in their home country before entering Congo. This requires a letter of invitation (LOI) from the immigration administration in Congo. A request for an LOI must include:

- A copy of the individual's passport
- Confirmation of the date of departure from Congo
- Details of the individual's occupation and the purpose of his/her visit
- A certificate of accommodation obtained from a town hall (at a cost of XAF25,000)
- A cash amount of XAF20,000 at immigration services.

A LOI can be obtained within approximately seven calendar days, i.e. five business days.

The immigration law is strictly interpreted; the border police require a passport with a valid visa (business visa for job or business purposes) and a work permit for persons coming to work in the country. In practice, the most commonly requested visa is a three-month visa. A long-stay visa (i.e. a visa that is valid for at least one year) is required for legal representatives of branches or subsidiaries registered in the Congo. An application for such visas may be made at the immigration office in the Congo. A long-stay visa can usually be granted only when an individual is already in Congo.

Work permits

A distinction is made for work permit purposes between expatriate employees employed in Congo for up to six months under a contract of employment concluded outside Congo and those employed for longer than six months.

The Temporary Employment Authorization (AET) for foreign workers is valid for a maximum of six months but AET may be renewed once for a six-month period.

For contracts of employment in Congo that exceed six months, applications must be made for:

1. Authorisation of employment for foreign employees:
   - The employer must request from the Minister for Labour an authorisation of employment on behalf of the employee before the employee arrives in Congo. This authorisation is valid for two years from the date the employment commences and is renewable. The issuance or renewal of the authorisation of employment costs XAF100 000, which is payable to the ACPE.
   - A work card, valid for one year but renewable, is given to the expatriate employee. The fee to obtain or renew a work card is XAF10 000, payable to ACPE.
2. Provisional Authorisation of Employment: In urgent situations (e.g. where the authorisation of employment cannot be obtained in time), a provisional authorisation of employment (APE) for a foreign employee can be granted by the General Manager of ACPE, following the submission of an application with the competent agency. The APE is valid for three months and may be renewed once, and results in an additional cost of XAF110 000. Within the framework of the APE, a provisional work card is given to the employee that is valid for three months and can be renewed for XAF10 000. An employer who recruits a foreign employee without having obtained the appropriate authorisation is liable to a fine of between XAF100 000 and XAF1 million.

Trade Relations

Memberships

- The Central African Economic and Monetary Community (CEMAC)
- Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA)
- Organisation of the Petroleum Exporting Countries (OPEC)
- Bank of Central African States (BEAC)
- Bank of West African States (BCDEAO)

Key Economic Information

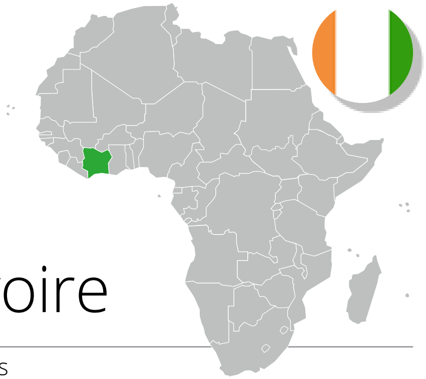
Currency (symbol/code)
Central African CFA franc (FCFA/XAF)

Exchange rate	
US$1	XAF544.16
EUR1	XAF655.96
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$20.01 billion	US$20.66 billion
Real GDP growth	
0.22%	1%
Average inflation	
2.64%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
3.25%
Source: Trading Economics, Bank of Central African States, 2021.

Market capitalisation as at April 2021
US$0.00 million
Source: Capital IQ, 2021.



Côte d’Ivoire

Contacts

Marc Vincens Wabi
mwabi@deloitte.fr
+242 053 534 646

Micheline Koudou
mkoudou@deloitte.fr
+242 056 131 764

Yves Madre
ymadre@deloitte.fr
+243 859 998 044

Income Tax – Individuals

Income (XOF)	Rate
1,000 to 2,200,000	2%
2,200,001 to 3,600,000	10%
3,600,001 to 5,200,000	15%
5,200,001 to 7,200,000	20%
7,200,001 to 9,600,000	24%
9,600,001 to 12,600,000	26%
12,600,001 to 20 million	29%
20,000,001 to 30 million	32%
30,000,001 to 40 million	34%
40,000,001 to 50 million	35%
Over 50 million	36%

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 Ivory Coast, who consider Ivory Coast as their main place of residence, who are employed by a resident corporation, or who generate income in Ivory Coast.
3. 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. Capital gains from the disposal of shares normally are taxable but may be exempt in certain cases.
4. Deductions and allowances – Expenses that are deductible from general income include life insurance premiums (subject to certain limits and conditions), interest on loans after having been subject to interest tax, subsistence allowances paid to dependent parents or a spouse, and general income tax paid.
5. Rates – The general income tax is imposed at progressive rates ranging from 2% to 36% on different types (schedules) of income. Employment income is subject to a dual tax regime. Salaries are taxed at rates from 0% to 60% and an additional tax of 1.5% applies to 80% of gross employment income (including fringe benefits). A national contribution of up to 10% also is charged at effective rates ranging from 0% (for monthly taxable income up to XOF50,000) to 10% (for monthly taxable income exceeding XOF200,000). The non-salaried general income tax has been suspended until further notice. A self-employed individual may elect to be taxed at a flat rate of 20% instead of being subject to the general income tax. Non-commercial profits (fees) generally are subject to withholding tax (WHT) at a fixed rate of 7.5% in accordance with the General Tax Code. Withholding tax applies to Ivory Coast-source investment income at the rates described below (see "Withholding Taxes"). The rates apply to both residents and non-residents.

Income Tax – Companies

	Rate
Standard corporate tax rate	25%
Telecom companies tax rate	30%

Notes

1. 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. Non-residents are taxed only on Ivory Coast-source income.
2. Residence – An entity incorporated in Ivory Coast is considered resident for tax purposes.
3. Taxable income – Income is taxed under separate schedules for industrial and commercial profits; non-commercial profits; and income from movable capital, land, and agriculture. The non-commercial schedule mainly is used for professional income, royalties, and know-how, and for non-resident corporations. Dividends received are subject to the 25% corporate income tax rate, but on only 50% of the total amount received if tax previously has been withheld on the dividends. However, subject to certain conditions, dividends received by a parent company are 95% exempt. Capital gains arising from the disposal of fixed assets and shares normally are included in taxable income. Rollover relief for gains is granted where the taxpayer invests an amount 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.
4. Deductions – Business costs and expenses are deductible if they are strictly related to the business. Management fees, royalties, and similar payments to parent companies are deductible if they are reasonable and, in total, do not exceed 5% of turnover or 20% of general expenses. Only 50% of such payments to a parent company that is resident in a tax haven is deductible.
5. Losses – Losses generally may be carried forward for five years. However, losses may be carried forward indefinitely to the extent they arise from capital allowances. The carryback of losses is not permitted.
6. Foreign tax credit – No foreign tax credit is available, unless an applicable tax treaty provides otherwise.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 25%. A 30% rate applies to telecom companies.
9. Branch taxation – Branches of foreign companies are subject to the same rate of tax as domestic companies. Additionally, a branch of a foreign company is subject to a remittance tax, regardless of whether there is an actual transfer of funds, under which 50% of the branch profits are treated as though they have been remitted as a dividend and taxed at a rate of 15%, resulting in an effective tax rate of 7.5%.
10. Alternative minimum tax – The alternative minimum tax is no longer suspended and shall be paid in 2021 if 2020 was a deficit year. Taxpayers that have losses must pay a minimum tax of 1% of turnover, instead of the corporate income tax. The minimum tax must be at least XOF5 million and cannot exceed XOF50 million.

Withholding Tax (WHT)

The WHT rates on various types of payment are as follows (the tax is a final tax for non-residents):

Payment	Residents	Non-residents
Dividends	10%/15%	10%/15%
Interest	5%/10%/18%	5%/10%/18%
Royalties	-	20%
Management/professional fees	-	20%
Leases of equipment from non-residents	-	20%
Non-commercial profits (fees)	7.5%	20%

Notes

1. Dividends – Dividends paid by listed companies to residents and non-residents are taxed at a rate of 10% (15% if the distribution is exempt from the tax on industrial and commercial profits). A 15% rate also applies to all other dividends.
2. Interest – Interest on long-term government bonds paid to residents and non-residents is taxed at 5%; the rate is 10% for short-term government bonds. An 18% rate generally applies to other interest and similar payments.
3. Royalties – Royalties paid to a non-resident entity are subject to a 25% WHT on 80% of the gross income, resulting in an effective tax rate of 20%. Royalties paid to a resident are not subject to WHT; instead, the revenue from royalties is subject to corporate income tax (for companies) or general income tax (for individuals).

4. Management and professional fees – Management and professional fees paid to a non-resident entity are subject to a 25% WHT on 80% of the gross income, resulting in an effective tax rate of 20%.
5. Leases of equipment from non-residents – Payments to a non-resident under an equipment lease are subject to a 25% WHT on 80% of the gross income, resulting in an effective tax rate of 20%.
6. Non-commercial profits (fees) – Such payments generally are subject to withholding tax at a fixed rate of 7.5%. The fixed rate is determined by the General Tax Code.
7. Lower WHT rates may apply on all types of payment in accordance with the provisions of an applicable tax treaty.

Tax Treaties

Ivory Coast has concluded tax treaties with the following jurisdictions and organisations:

Country	Dividends	Interest	Royalties
Belgium	15%/18%(1)	16%	10%
Canada	15%/18%(1)	0%(2)/15%	10%
France	15%/18%(1)	0%(3)/15%	10%/D(4)
Germany	15%	0%(5)/15%	10%
Italy	15%/18%(1)	0%(2)/15%	10%
Morocco	10%	0%(5)/10%	10%
Norway	15%	16%	10%/D(4)
Portugal	10%	0%(6)/10%	5%
Switzerland	15%/18%(1)	0%(7)/15%	10%
Tunisia	10%	0%(5)/10%	10%
United Kingdom	15%/18%(1)	0%(2)/15%	10%
West African Economic and Monetary Union (WAEMU)	10%	15%	15%

(1) The 18% rate applies to dividends paid by a company that is a resident of Ivory Coast and that is exempt from tax on profits or that does not pay that tax at the rate provided under the general law.
(2) The 0% rate applies to interest paid to the government of the other contracting state and various other local governmental entities and authorities.
(3) The 0% rate applies to interest paid to or by a contracting state, a local authority or statutory body thereof or interest paid in connection with the sale on credit of industrial, commercial or scientific equipment, or in connection with the sale on credit of merchandise or the furnishing of services between enterprises.
(4) The domestic rate (D) applies to royalties paid for the use of immovable property or for the working of mines, oil, or gas wells, quarries or other natural resources situated in Ivory Coast.
(5) The 0% rate applies to interest paid to the government and certain state-owned banks.
(6) The 0% rate applies to interest paid to or by a contracting state, a local authority, or statutory body thereof or interest paid to the central bank.
(7) The 0% rate applies to interest paid in connection with the sale on credit of goods or industrial, commercial, or scientific equipment.

Anti-avoidance Rules

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. Transfer pricing documentation, as well as a statement of intragroup transactions, is required from local companies that are part of a multinational group. The information that must be reported in respect of transactions carried out between Ivorian companies with foreign related entities includes:

- Name and country of residence of the group entities with whom the transactions were carried out, with a breakdown of the nature of transactions and the amounts
- Description of the transfer pricing methods applied to intragroup transactions (income, expenses, and acquisitions) carried out throughout the year.

A taxpayer that fails to submit the form or files an incomplete form may not deduct the amounts paid in respect of transactions with foreign related entities. The penalty for failure to adhere has been increased to a fine of XOF3 million plus XOF100,000 for each additional month or fraction of a month of delay.

The deduction for amounts paid by an Ivorian company to related party entities established in non-cooperative countries or included on the OECD list of low tax jurisdictions is capped at 50% of the gross amount, and may not exceed both 5% of annual turnover and 20% of overhead expenses.

A country-by-country (CbC) report must be submitted by domestic companies that meet the following requirements:

- Aggregate turnover (excluding taxes) exceeding XOF491,967,750,000 (approximately EUR750 million)
- Required to submit consolidated financial statements in accordance with the provisions of Uniform Act article 74 and subject to the provisions of the Uniform Act governing the organisation and harmonisation of accounting systems
- Controls companies or entities located abroad
- Not controlled by an Ivorian company already subject to the CbC reporting obligation, or under the control of a foreign company established in a country that has concluded a tax information exchange agreement with Ivory Coast that contains a similar reporting obligation.

Thin capitalisation rules

Cumulative thin capitalisation rules apply to shareholder loans as follows:

- The total amount loaned may not exceed the share capital of the borrowing company. This rule does not apply to amounts borrowed from shareholders of holding companies subject to the special tax regime for Ivorian holding companies
- The total amount paid may not exceed 30% of the year end profit before the deduction of corporate income tax, interest charges, amortisation, and depreciation for the year (EBITDA)
- The interest rate applicable to the loan must not exceed the current central bank interest rate plus two percentage points
- The loan must be repaid within five years from the date on which the funds are made available, and the borrowing company must not be subject to any liquidation procedure throughout this period
- Related party interest paid is deductible for tax purposes if the share capital of the borrowing company is fully paid-up.

Employment-related Taxes

Payroll tax

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

Social security

Employers are required to make social security contributions based on an employee's gross wages for pension benefits (7.7%), a family allowance (5.75%), and work injuries (2% to 5%), depending on the company's sector of operations.

Employee contributions are payable at a rate of 6.3% of gross salary and are withheld by the employer.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on production activities, the distribution of goods, and the rendering of services in Ivory Coast. VAT also is applied to imported goods and services.
2. Rate – The standard rate is 18%, with a 10% rate for fees and commissions charged by financial institutions (interest is exempt).
3. Registration – There is no special VAT registration procedure in Ivory Coast, but taxpayers must register with the local tax authorities before commencing activities.

Customs and excise duties

Imported goods are subject to the following duties and taxes:

- Customs duty (0% to 35%)
- Statistical royalty (1%)
- VAT (18%)
- Community solidarity tax (1%)
- Economic Community of West African States (ECOWAS/ CEDEAO) community tax (0.5%).

An additional excise duty applies to imports of:

- Petroleum products (fixed duties that vary depending on the scale prescribed in the general tax code)
- Alcoholic and non-alcoholic beverages (20% to 45%)
- Tobacco products (38%).

Other Taxes

Inheritance/estate tax

Estate tax is payable at rates that range from 4% to 45%, depending on the value of the inheritance. A special rate of 2% may apply to assets transferred to public interest associations.

Stamp duty

Stamp duty is charged at 2.5% of the secured amount (i.e. the value of the asset or the amount of the debt provided by the lender). There also is a fixed XOF500 stamp duty per page of security documents.

Capital duty

Capital contributions are subject to duty at 0.3% (0.1% on amounts exceeding XOF5 billion), or 6% where derived from the capitalisation of a reserve. Capital gains arising from the direct sale of shares or corporate units without an intermediary are now subject to dividend tax of 15% (Article 180-4 nouveau).

Transfer tax

Stamp duty of XOF18,000 is charged on the transfer of shares. A transfer tax of 6% applies to real property. Business transfers are charged at 10%. Registration fees may apply. Capital gains arising from the direct sale of shares or corporate units without an intermediary are now subject to dividends tax at a rate of 15%.

Real property tax

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

Business license duty

A company or an individual carrying on a trade in Ivory Coast must pay a business license 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 business premises, depending on the location.

Insurance premium tax

Insurance premiums are subject to a levy at rates from 0.1% (export credit) to 25% (fire).

Tax Administration and Compliance

Tax is administered in the Ivory Coast by the Direction Générale des Impôts, Ministère du Budget et du Portefeuille de L'Etat.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return.
3. Filing and payment – The tax return is due by 30 June following the tax year, together with the balance of tax for companies required to have a public accountant. The due date for other companies is 30 May following the tax year. Advance payments of tax are payable in three equal instalments in April, June, and September during the tax year, based on profits of the prior tax year.
4. Penalties – Penalties are charged at varying rates for late tax returns, failure to pay tax due, and for errors and mistakes.
5. Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.

Individuals

1. Tax year – The tax year is the calendar year.
2. Filing status – Spouses generally are taxed separately. Children usually are taxed with one of their parents, but may be taxed separately if they have employment income.
3. Filing and payment – Personal income tax returns are due by 30 April following the tax year. 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 described above for companies. Tax normally is withheld at source on other sources of income.
4. Penalties – Penalties are charged at varying rates for late tax returns, failure to pay tax due, and for errors and mistakes.

VAT

1. Filing and payment – VAT returns and payments are due monthly, by the 10th, 15th, or 20th day of the following month depending on the type of the company (oil or industrial companies, commercial companies, and service provider companies).
2. Penalties – A penalty of 10% of the tax payable, plus an additional 1% per further month's delay is imposed for the failure to file or late filing of a return and payment of the VAT due. After an audit, the tax authorities also may impose an additional penalty of 15% to 150% of the VAT due.

Investment Incentives

Tax incentives

In December 2020, reforms to the tax rules applicable to small and medium-sized enterprises (SMEs) were introduced:

- The institution of two new regimes, namely the entrepreneur's regime in place of the flat-rate tax for small traders and craftsmen and the synthetic tax, and the microenterprise regime
- The adjustment of the simplified real profit regime and the normal real profit regime, by raising the minimum turnover thresholds required to be covered by these regimes.

Certain tax incentives are available to qualifying enterprises in Ivory Coast:

- Enterprises investing at least XOF10 million in Ivory Coast for a period not exceeding three years may apply for a reduction in the tax on industrial and commercial profits
- Capital allowances at up to twice the normal rates may be granted in respect of 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
- Tax incentives are granted under the Petroleum Code for enterprises involved in petroleum activities. These codes provide exemptions from VAT and additional tax on imports and purchases for companies involved in the exploration or production of oil or gas and to their subcontractors providing petroleum-specific services. Following amendments introduced in 2018, companies holding a mining permit no longer benefit from an exemption from corporate income tax.
- Other incentives include a five- to 15-year exemption from the tax on industrial or commercial profits, business duty, property tax, and import tax, depending on the location of the investment. A new tax credit system was introduced in 2018
- The country also is a participant in the recently introduced Africa Continental Free Trade Area.

Exchange Controls
The XOF is linked to the euro at a fixed exchange rate and unlimited convertibility to the euro is guaranteed. The African Financial Community (CFA) members (i.e. Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, 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
A visa is required to work in the Ivory Coast. A visa is valid for a maximum of three months but may be extended. To obtain a visa, a letter from the employer stating the specific nature of the employee's work in Ivory Coast and a confirmation of itinerary from a travel agent must be provided. Individuals from an Economic Community of West African States (ECOWAS) member states do not need a visa to work in Ivory Coast.

Trade Relations
Memberships
- West African Economic and Monetary Union
- Economic Community of West African States

Key Economic Information

Currency (symbol/code)
West African CFA franc (CFA/XOF)

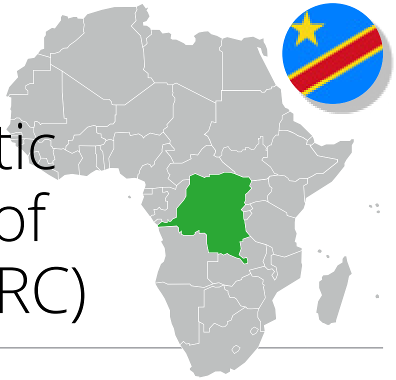
Exchange rate	
US$1	XOF545.50
EUR1	XOF655.96
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$156.04 billion	US$169.90 billion
Real GDP growth	
5.96%	6.47%
Average inflation	
2%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
4%
Source: Trading Economics, Bank of Central African States, 2021.

Market capitalisation as at April 2021
US$3,246.20 million
Source: Capital IQ, 2021.

Democratic Republic of Congo (DRC)



Income Tax – Individuals

Taxable income (CDF)	Rate
0 – 1,944,000	3%
1,944,001 – 21,600,000	15%
21,600,001 – 43,200,000	30%
Over 43,200,000	40%

Notes

1. Basis – There is no personal taxation per se in the DRC. Tax due by individuals on employment income is withheld by the employer and remitted to the tax authorities. Tax due on other types of income (e.g. investment income) generally is subject to withholding tax (WHT). Individuals engaged in a business are taxed under the rules applicable to companies, i.e. all income accruing in or derived from a business activity in the DRC is subject to corporate income tax. As a result of the territorial tax system in the DRC, both residents and non-residents are taxable on employment income realised in the DRC. Non-residents are subject to tax only on DRC-source income.
2. Residence – An individual is considered resident in the DRC if his/her real, effective, and permanent home is in the DRC (regardless of citizenship); or his/her domicile, family, centre of activities, or occupation/business is in the DRC.
3. Taxable income – All income accruing or derived from the DRC is taxable. Employment income includes salaries and other remuneration received as compensation for activities carried out in the DRC. Fringe benefits or benefits in kind (e.g., staff meals; telephone, water, electricity, or power-supply services) constitute taxable income. Capital gains derived by individuals are taxed only if they arise in the course of a permanent and professional activity – in such cases, the gains are subject to corporate income tax. Rental income is subject to rental income tax, as described below.
4. Deductions and allowances – The following allowances and fringe benefits are not taxable: housing that does not exceed 30% of basic salary and certain transportation. The law on social security provides that family allowances are paid by the Social Security Fund and any family allowances paid by employers are taxable.
5. Rates – Individual income tax is levied on the DRC income of residents and non-residents at progressive rates ranging from 3% to 40%. Individuals carrying on a business activity are subject to the corporate income tax rate of 30%. In all cases, tax payable is limited to 30% of taxable income.
6. Minimum tax – The individual payroll tax calculated may not be less than CDF2,000 per month after the deduction of applicable family expenses.

Contacts

Bob Nzombenene
bnzoimbengene@deloitte.fr
+243 85 999 8032

Jerry Tshinanga
jtshinanga@deloitte.fr
+243 85 999 8015

Yves Madre
ymadre@deloitte.fr
+243 859 998 044

Income Tax – Companies

Standard corporate income tax rate	30%
Mining companies	30%

Notes

1. Basis – The DRC operates a source-based tax system, under which resident and non-resident corporate entities are subject to tax on income derived from activities carried out in the DRC.
2. Residence – A company is resident in the DRC if it is incorporated in the DRC or if it has its principal place of business there. A permanent establishment (PE) will be deemed to exist if an entity maintains a physical installation in the DRC, regardless of the form (i.e. shop, warehouse, branch, factory, leased building, office, etc.) or if the entity carries out business activities in its own name in the DRC for more than six months within any 12-month period.
3. Taxable income – Corporate income tax is levied on a company's taxable profits. Subject to the provisions of a relevant tax treaty, income generated by professional activities carried out in the DRC is subject to tax even if the beneficiary's registered office, place of effective management, or permanent residence is not located in the DRC. Dividends received are treated as taxable income unless they are subject to the 20% WHT at source. Capital gains are treated as taxable income and are subject to the standard corporate income tax rate. Rental income is subject to rental income tax, described below.
4. Deductions – Expenses incurred by a company to generate taxable income generally are deductible.
5. Losses – Business losses may be carried forward for an unlimited period, but may be offset only up to 60% of the pre-tax profit tax in any year. The carryback of losses is not permitted.
6. Foreign tax credit – The DRC does not provide for a unilateral foreign tax credit, and foreign taxes paid may not be deducted in the computation of taxable income. However, relief may be available under an applicable tax treaty.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The general corporate income tax rate of 30% applies to DRC-incorporated companies, as well as to subsidiaries or branches of a foreign company established in the DRC. Mining companies also are subject to a 30% tax rate.
9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary. There is no branch remittance tax.

Mining taxation

Mining companies in the DRC are subject to various taxes, some of which apply only to mining companies, while others are applicable to all companies but apply to mining companies at preferential rates.

- Mining royalty: A mining royalty, calculated on the gross commercial value of mining products, is payable at the time the mining products exit the extraction site or processing facilities for shipment. A 0% rate applies for commonly used building materials; 1% for industrial minerals, solid hydrocarbons, and other substances and iron and ferrous metals; 3.5% for non-ferrous and/or base metals and precious metals; 6% for precious and coloured stones; and 10% for strategic substances
- Profit-based tax/professional tax on benefits: A professional tax on benefits at the mining code rate of 30% is levied on the net profits from the exploitation of natural resources, determined in accordance with accounting and tax legislation. Interest payable by mining companies is deductible provided it is in accordance with the mining code provisions
- WHT on dividends and interest: Dividends and other distributions are subject to WHT at the preferential mining code rate of 10%. The 20% standard WHT rate on interest does not apply to interest paid on overseas foreign currency loans. However, to benefit from the exemption, the interest rate and other conditions applicable to loans from related companies must be at least as favourable as those that would apply to third-party loans
- Value-added tax (VAT): The VAT payable by mining companies on the importation of goods is established and liquidated by means of a declaration of the goods at Customs. Such VAT is declared to the competent service of the Tax Authority managing the mining company. This procedure does not apply to petroleum products.
- Professional tax on remuneration: The holder of a mining title (ownership) must withhold PAYE at the standard rate on salaries payable to its employees. These provisions apply only to companies that are subject to the common law regime
- Exceptional tax on expatriate salaries: The holder of a mining title is required to pay the exceptional tax on expatriate salaries at a preferential mining code rate of 12.5% for the first 10 years of the project, after which it increases to align with the standard tax system at a rate of 25%.
- Super profit tax: The holder of a mining title is required to pay the super profit tax at a rate of 50% on profits realised when the prices of materials or commodities are experiencing an average exceptional increase of 25% and above as compared to prices disclosed in the Bankable Feasibility Studies of the company
- Annual traffic tax: The holder of a mining right must pay an annual traffic tax in accordance with the general tax legislation, other than in respect of vehicles used exclusively within the area of the mining operations.

Withholding Tax (WHT)

The WHT rates are set out below. For non-residents, the WHT is a final tax and the rate may be reduced under an applicable tax treaty.

Payment	Residents	Non-residents
Dividends	20%	20%
Interest	20%	20%
Royalties	20%	20%
Provision of services fees/ remuneration	-	14%

Notes

1. Dividends – Dividends or other distributions paid to a resident or non-resident generally are subject to a 20% WHT. The rate is 10% for mining companies (see below under "Mining taxation").
2. Interest – Interest paid to a non-resident generally is subject to a 20% WHT. An exemption applies to interest paid to a mining company if certain conditions are fulfilled (see below under "Mining Taxes"). Interest paid outside the DRC to a person directly or indirectly related to the company is deductible only if the principal amount is repaid in full within five years of the date the loan is made and the interest rate does not exceed the annual average effective rates applied by the credit institutions of the country where the lending company is established. Interest paid to a resident is not subject to the 20% WHT.
3. Royalties – Royalties paid to a resident or non-resident are subject to a 20% WHT on the net amount (expenses equivalent to 30% of the gross payment may be deductible).
4. Services – Subject to the provisions of a relevant tax treaty, payments for services supplied in the DRC by non-resident individuals or companies not domiciled or not having tax residence in the DRC are subject to a 14% WHT. Services provided by a resident company to another resident company are subject to corporate income tax.

Tax Treaties
Relief from double taxation is available under the DRC's two tax treaties.

Country	Dividends	Interest	Royalties
Belgium	10%/15%	0%/10%	10%
South Africa	5%/15%	0%/10%	10%

Anti-avoidance Rules
Transfer pricing
The arm's length principle applies to related party transactions. All resident entities that are part of a multinational enterprise group must maintain documentation to justify their transfer pricing practices and must make this information available to the tax authorities and for "spot verification" from the date of the relevant transaction. Companies also must submit, either in hard copy or electronically, simplified transfer pricing documentation in a format prescribed by the tax administration within two months following the deadline for filing the corporate income tax return.

Excessive payments, or any benefit resulting from an act considered as uncommercial, made by a local company to a related or group company will give rise to a taxable profit for the local company.

Companies subject to transfer pricing reporting may request in writing that the tax authorities conclude an advance agreement on the pricing method for intracompany transactions for a period not exceeding four fiscal years.

Thin capitalisation rules
Thin capitalisation rules apply to mining companies, which must observe a debt-to-equity ratio of less than 3:1.

Controlled foreign company rules
The DRC does not have CFC rules

General anti-avoidance rule
The DRC does not have a GAAR.

Employment-related Taxes
Payroll tax
Payroll tax is calculated based on employee remuneration (i.e. salaries, fees, and allowances that do not represent the reimbursement of actual professional expenditure, gratuities, bonuses, and pensions of any kind). The payroll tax is an annual tax but is payable as a monthly WHT and is due at the time the salary is paid.

The employer is required to submit monthly Pay-As-You-Earn (PAYE) returns on behalf of its employees, except for assignees of diplomatic bodies, who must submit their own individual PAYE returns. The returns must be submitted before the 15th day of the month following the month in which the salaries are paid.

An "exceptional tax" is an additional tax levied on the gross compensation paid to expatriates. The tax is paid by the employer. Filing and payment of the exceptional tax is the same as for the normal income tax, i.e. the employer must file a return for payroll taxes on the 15th day of the month following the payment of the salaries. The exceptional tax is not a WHT.

Social security
The employer contributes 13% of an employee's gross salary to the national social security administration; the employee contributes 5% of his/her gross salary.

In addition, the employer is required to contribute between 1% and 3% of an employee's gross salary to the Institute for Professional Preparation, with the rate depending on the size of the company:
- Companies with one to 50 employees, and public institutions: 3%
- Companies with 51 to 300 employees: 2%
- Companies with more than 300 employees: 1%.

The employer also must contribute 0.2% of an employee's gross salary to the National Agency for Employment.

Indirect Taxes
Value-added tax (VAT)

Standard rate	16%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services, and on the import of goods and services into the DRC.
2. Rates – The standard rate is 16%. The export of goods and related transactions is zero-rated.
3. Registration – Registration is mandatory for all persons (business or individuals) with annual turnover of at least CDF80 million. Registration must take place within 15 days following the commencement of a business. Individuals and legal entities whose annual turnover is less than CDF80 million may elect to be subject to VAT provided approval is obtained from the DRC tax authorities.
4. Representative – A non-resident without a PE in the DRC must designate a VAT representative in the country who will be jointly liable for payment of VAT. Where a foreign entity fails to appoint a VAT representative, the VAT due and any associated penalties are payable by the customer in the DRC.

Customs and excise duties
Import duties are levied on the CIF (cost insurance freight) value of goods imported, at rates ranging from 5% to 20%. Export duties are levied on the free-on-board value of goods exported, at rates ranging from 1.5% to 10%.

Excise duties apply to items such as luxury goods and alcohol, as well to the following services at a rate of 10%: internet access, data, messaging, voice, allocation of a specialised link for data transmission even if there is no effective data transfer, value-added services for expensive or non-expensive.

Other Taxes
Inheritance/estate tax
There is no inheritance, estate, or gift tax in the DRC.

Stamp duty
A 3% stamp duty applies to the transfer of land and buildings. Stamp duty also applies to the transfer of shares in mining companies.

Property tax
Property tax is an annual tax levied by the provincial tax authorities on developed and undeveloped property, the amount of which varies according to the nature of the buildings and the "rank" of the property location. For property located in the first, second, third, and fourth ranked locations, property tax is imposed per square meter. Certain types of property are exempt.

Rental income tax
Rental income tax applies to income derived from the rental of buildings and land located in the DRC. Rental income generally is taxed at a rate of 22%, with 20% withheld and paid by the tenant, and the remaining 2% paid by the landlord. The tenant's portion must be paid within 10 days following the month of the rent payment. The landlord's portion must be paid by 1 February of the year following the year in which the income was realised.

Tax Administration and Compliance

Tax is administered by the Tax Administration as follows:

1. The Tax Administration (DGI), which is responsible for tax revenues
2. The General Directorate of Administration and Domanial Revenue (DGRAD), which is responsible for non-tax revenues, and
3. The Customs Administration (DGDA), which is responsible for customs revenues.

Certain other taxes are levied by local services.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return.
3. Filing and payment – A self-assessment and a related tax return must be filed before 30 April of the year following the end of the company's accounting period. Four advance payments of corporate income tax are due before 1 June, 1 August, 1 October, and 1 December, with each instalment equal to 20% of the previous year's liabilities. Any balance is payable at the time the annual return is filed.
4. Penalties – A penalty of 25% of the tax payable applies for the late filing of a tax return or the submission of an inaccurate, incomplete, or false return. Where a tax adjustment is made following a tax audit, a failure to self-assess tax, an understatement of tax liability or a late tax payment, the penalty is 20% of the additional tax payable (40% for a second or subsequent offense), plus 2% monthly interest on the amount due. In all cases of arbitrary taxation, the penalty is 50% of the tax due, increased to 100% for a second and subsequent failure. Interest is charged at a rate of 2% per month of delay for the late payment of all or part of a tax liability.
5. Rulings – The tax authorities will issue rulings but they are not final and may be challenged in court.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Although the tax law contains provisions applicable to individuals, personal taxes are collected via business entities.
3. Filing and payment – Any balance of tax payable is due on or before 15 January of the year following the tax year and is the liability of the employer. An individual's personal tax liability is fully settled through the PAYE system.
4. Penalties – See penalties under "Companies" above.

VAT

1. Filing and payment – VAT returns and payments are due by the 15th day of the following month. Any transaction of at least CDF 1 million between two VAT-registered parties must be settled by cheque or bank transfer.
2. Penalties – Penalties are imposed for assessment and recovery of tax, and there are administrative fines. The amounts depend on the nature of the infringement.

Investment Incentives

Tax incentives

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

Investors wishing to take advantage of customs and tax incentives under the Investment Code must 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 Ministers of Finance and Planning for consideration and approval. Incentives granted under the code are not available to foreign companies (branches) or, inter alia, in the following sectors: mining, oil, banking, insurance, commercial activities, and armament industries. Any other investor can apply for incentives provided in the Investment Code if they satisfy the following criteria:

- Be (or establish) a qualifying Congolese company
- Submit a license application to the ANAPI
- Pay the appropriate application fee
- Invest at least US$1 million in the company
- Commit to comply with the environmental protection regulations
- Commit to train DRC personnel so they have specialised technical skills and can assume supervisory functions and responsibilities
- Guarantee that the activities will create an added value of at least 35% each year.

The Investment Code grants tax exemptions for three years when qualifying investments are made in Kinshasa; four years for investments in Bas-Congo, Lubumbashi, Likasi, and Kolwezi; and five years in other provinces.

The following tax incentives and exemptions are available:

- Full exemption from corporate income tax
- Higher depreciation rates for investments in socio-economic infrastructure
- Exemption from the fixed and proportional duties for a joint-stock company at the time of establishment or upon an increase in approved capital
- Exemption from the tax on land and buildings related to the approved investment project.

Export incentives

An approved investment that relates to the exportation of all or part of finished products that are processed or partially processed under conditions favourable for the balance of payments may benefit from an exemption from fees and taxes on exportation.

Special Economic Zone (SEZ)

The creation of SEZs aims to promote investments by granting tax and customs advantages to developers and to companies operating there. These advantages are not cumulative with those provided for in the Investment Code and vice versa.

A promoter who requests the designation of a SEZ must meet several economic and financial criteria provided for by law.

Incentives under a SEZ comprise the following:

A. Tax incentives

Either total or partial exemption from various taxes in the DRC may apply. These exemptions are, in some cases, granted for limited periods of time and, in others, during the entire period when the investors enjoy the status of developer, manager and SEZ company.

B. Customs incentives

A total exemption from import duties and taxes covers:

- New or second-hand machines, tools and equipment and initial spare parts not exceeding 10% of the CIF value of said equipment
- Equipment goods, construction materials, office equipment and supplies and consumer goods, intermediate goods, raw materials and inputs that enter the production chain, provided that said inputs are not produced in the DRC.

C. Incentives for other taxes (duties, taxes and charges)

The promoter and SEZ companies benefit from the following advantages:

- The developer and SEZ companies benefit from a reduction of 50% on other taxes (duties, taxes and fiscal charges) due to central authorities and local authorities, as well as on levies made by public bodies.

Note that some activities are excluded from the scope of these rules (mines, banks and insurance companies, telecommunications, etc.).

Exchange Controls
Commercial banks are required to report significant foreign exchange transactions to the Central Bank. However, carrying (or holding) foreign currency is not prohibited in the DRC. Payments to or from a foreign country are subject to a 0.2% exchange control fee and, in some cases, the advance submission of a return to an approved bank in the DRC is required. 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
For short-term contracts (i.e. a contract of less than six months), employees only have to request an ordinary three-month visa at the Congolese embassy in their country of origin. They will be required to complete a form provided by the embassy and include a formal invitation of employment from a DRC resident, together with a police record certificate that is not more than three months old. Where the contract is for six months or longer, the employer must request a work permit and a resident visa for the individual, which are valid for up to two years.

When an expatriate employee is hired abroad for a contract that will be executed in the DRC, the employee must comply with the provisions of the DRC Labour Code.

Work permits
The following documents must be submitted when applying for a work permit:
- Transmission letter accompanying the application form
- Copy of passport with a valid visa (with six months' validity)
- Four recent passport photos (i.e. less than six months old)
- Copy of the employee's resume
- Copy of the employee's degree or relevant diploma
- Notarised employment contract between the employer and employee
- Medical or health certificate
- Copies of evidence of affiliation with the social administration (social security and training institutions in the DRC).

Additional documents must be submitted when the individual is a director.

Resident visa
An employee applying for an establishment (resident) visa must provide the following:
- Copy of work permit
- Copy of passport with a valid visa (with six months' validity)
- Two recent passport photos (i.e. less than six months old).

Trade Relations
Memberships
- South African Development Community (SADC)
- World Trade Organisation (WTO)
- Economic Community of the Great Lakes Countries (ECGLC)
- Economic Community of Central African States (ECCAS)
- Common Market for Eastern and Southern Africa (COMESA)
- Organisation for Harmonisation of Business Law in Africa (OHADA)

Participation in the Continental Free Trade Area
The DRC has committed to participate in the continental free trade zone set up by the African states. The bill authorising ratification by the DRC of the Agreement establishing the African Continental Free Trade Area (ACFTA) was adopted in November 2019.

The DRC authorities intend to abolish 90% of customs duties on the import of goods and services in the following priority sectors: finance, communication, insurance, tourism, transport, and business services. Details on the implementation of the elimination of customs duties will be provided in the law ratifying the Agreement.

Key Economic Information

Currency (symbol/code)
Congolese franc (FC/CDF)

Exchange rate	
US$1	CDF1,997.00
EUR1	CDF2,415.30

Source: IRESS, 2021.

2021 forecast	2022 forecast
Nominal GDP	
US$106.14 billion	US$113.82 billion
Real GDP growth	
3.77%	4.87%
Average inflation	
10.89%	

Source: IMF WEO DATABASE, April 2021.

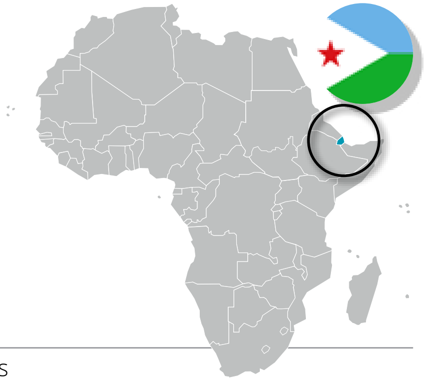
Central Bank Rate
10.50%

Source: Trading Economics, 2021.

Market capitalisation as at April 2021
No stock exchange value.

Source: Capital IQ, 2021.

DRC



Djibouti

Contacts

Alex Law
alexlaw@deloitte.com
+971 4506 4891

Khadija Idboujnane
khidboujnane@deloitte.com
+971 4506 4700

Lauranne Radenac
lradenac@deloitte.com
+971 4506 4797

Income Tax – Individuals

Taxable income (DJF)	Rate
Up to 30,000	2%
30,001 – 50,000	15%
50,001 – 150,000	18%
150,001 – 600,000	20%
Over 600,000	30%

Notes

1. Basis – Djibouti operates a territorial tax system. Both Djiboutian nationals and non-Djiboutian nationals with Djiboutian-source income are subject to tax in the country. Non-Djiboutian nationals also are subject to tax on salary paid outside of Djibouti for work performed in Djibouti.
2. Residence – There is no definition of residence for personal income tax purposes.
3. Taxable income – Individuals are subject to two main taxes on income: the tax on salaries, wages, pensions, and ancillary income, and the tax on professional income and business profits (the latter is the same tax applicable to companies).
4. Exempt income – Employment income under DJF50,000 is exempt from tax.
5. Deductions and allowances – The Tax Code lists deduction rates for expenses and allowances that range from 20% to 40% based on the function or employment in various professions.
6. Rates – Personal tax rates are progressive from 2% up to 30% for employment income. Individuals who derive business and professional income other than from employment are taxable at the standard corporate income tax rate of 25%.

Income Tax – Companies

	Rate
Standard corporate tax rate	25%

Notes

1. Basis – Djibouti operates a territorial tax system. Both resident and non-resident entities are subject to corporate tax only on income generated from activities carried on in Djibouti. However, entities involved in the following activities are exempt from corporate income tax: agricultural cooperatives and associations of agricultural cooperatives; investment companies whose sole purpose is the purchase and sale of securities; and companies that are eligible for tax incentives under the Investment Code.
2. Residence – Djibouti tax law does not define the concept of residence. However, companies and legal persons operating a business in Djibouti are subject to tax in Djibouti.
3. Taxable income – An entity generally is taxed on its net profits, which include total income less allowable deductions, but excluding exempt income and income from immovable property that has been subject to property tax. Capital gains are treated as taxable income.
4. Exempt income – Dividends and royalties are exempt from corporate income tax.
5. Deductions – Expenses incurred in the operation of a business generally are deductible, unless otherwise provided in the tax law. Depreciation expenses may be deductible in line with industry norms based on the taxpayer's industry or activity. Reserves and provisions normally are deductible for tax purposes provided they cover specified tax-deductible expenses that are likely to arise in the taxpayer's business and are recorded in the financial statements, as well as in a specific statement in the tax return. Non-deductible expenses include dividends, penalties, fines, and extra payments charged to companies for infringements of the law, and certain payments made to shareholders, partners, and directors.
6. Losses – Losses arising from normal business activities during a fiscal year are deductible for corporate income tax purposes. Tax losses may be carried forward for three years from the end of the loss-making accounting period. The carryback of losses is not permitted.
7. Foreign tax credit – Djibouti tax law does not provide for a foreign tax credit.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rate – The standard corporate tax rate is 25%.
10. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies. Djibouti does not levy a branch remittance tax.
11. Minimum tax – The minimum lump sum tax rate is 1% of turnover, exclusive of VAT, with a minimum payment of DJF120,000. In terms of Finance Law 2021, the rate has been reduced to 0.5% for travel agencies, tourism operators and hotels which have been negatively impacted by COVID-19.
12. Simplified tax regime – A special tax regime applies to small companies, i.e. companies whose annual turnover is less than DJF20 million. Such companies compute their tax liability on a different basis and file a simplified return.

Withholding Tax (WHT)

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

Income	Residents	Non-residents
Dividends[1]	0%	0%
Interest	0%	0%[2]/15%
Royalties	25%	0%[3]/15%[4]
Fees (technical)	10%	0%/15%
Fees (management)	25%	0%/15%

Notes

1. Djibouti does not levy withholding tax on dividends.
2. Interest payments generally are subject to a 15% WHT. However, an exemption applies to the following payments: interest paid with respect to financial or insurance operations to specialised financial institutions; interest paid by companies benefiting from the provisions of the Investment Code; and interest paid by a joint stock company (i.e. an SA "Société Anonyme") established in the free zone area.
3. The 0% rate applies where payments to non-residents are made by entities established in a Djibouti free zone or that are eligible for an exemption under the Investment Code.
4. The following royalty payments are exempt from WHT: remuneration for professional training; royalty payments by companies licensed under the free zone and the Investment Code; and fees for financial and insurance operations paid by resident companies specialising in financial and insurance activities. Otherwise, the rate applicable for payments made to non-residents is 15%.

Tax Treaties

Djibouti has not concluded any tax treaties.

Anti-avoidance Rules

Transfer pricing

Djibouti does not have specific transfer pricing rules, but the tax authorities can adjust the pricing of transactions between related parties.

Thin capitalisation rules

There are no formal thin capitalisation rules in Djibouti. However, interest paid by a company to its shareholders is deductible up to an amount computed on the basis of the average annual central bank interest rate, increased by one percentage point. Interest paid to a majority shareholder of an SA or a limited liability company is deductible only if the loan does not exceed the capital of the company.

Controlled foreign company rules
Djibouti does not have CFC rules.

General Anti-avoidance Rules
Djibouti does not have a GAAR

Employment-related Taxes

Payroll tax
Djibouti does not have a payroll tax.

Social security
The employer is required to pay social security contributions in respect of an employee's total salary at a rate of 15.7%, including contributions for the family allowance (5.5%), health and professional injuries (6.2%), retirement pension (4%), and mandatory health insurance (2%). The contributions for social security are calculated on the total salary, including fringe benefits, and is capped at DJF400,000 per month. The employee also must contribute 4%.

Indirect Taxes

Value-added tax (VAT)

Standard rate	10%

Notes

1. Taxable transactions – VAT is levied on the provision of goods and services and on imports.
2. Rates – The standard VAT rate is 10%, which applies to all transactions, except for export and international transport transactions, which are zero-rated.
3. Registration – Entities with turnover that exceeds DJF50 million are required to register for VAT purposes. Persons with turnover below this threshold may elect to be subject to VAT if certain conditions are fulfilled.

Customs and excise duties
Djibouti is a member state of the Common Market for Eastern and Southern Africa (COMESA), which maintains a common external tariff for non-COMESA imports, ranging from 0% to 25%. Apart from the COMESA common external tariff, specific rates are provided for the import of certain goods.

Excise duties are payable on certain types of goods, such as alcoholic and non-alcoholic beverages, tobacco, and fuel.

General solidarity tax (IGS)
The IGS applies on the import of goods by persons without an import patent at a rate of 10% on the value of the goods. The import of goods also is subject to excise and customs duties, and to other taxes and levies that usually are paid on the import of goods.

Domestic consumption tax
The consumption tax (TBS) is imposed on goods and services as follows:

- Transactions involving the supply of goods or the provision of services in Djibouti by an entity not subject to VAT and not covered by the simplified corporate income tax regime (goods and services that are exempt from VAT are excluded from the scope of the TBS)
- Individuals and legal persons that engage in any of the above activities and have annual turnover below DJF20 million or DJF10 million, respectively.

The standard rate of TBS is 7%, with a 5% rate applying to the supply of fruits and vegetables, catering, and the sale of meat and fish.

TBS taxpayers must file a monthly return and pay tax due no later than the 15th day of the following month. TBS taxpayers also are required to email the tax authorities within 48 hours of the tax return deadline with information such as the invoice date, customer name, tax identification number, amount excluding VAT, and the TBS invoiced or received.

Other Taxes

Inheritance/gift tax
Inheritance tax is levied by way of a registration duty at a rate of 2% and is payable by the heirs and legatees of the deceased's estate, regardless of whether they are resident in Djibouti.

Real property tax
Real property tax is levied on developed and undeveloped land in Djibouti.

Tax on developed land: All buildings, including houses, factories, shops, and warehouses, are subject to the property tax on developed land, as is land used for industrial or commercial purposes, the storage of goods, and all other types of commercial installations. Exemptions are available for buildings belonging to the state, religious entities, and, subject to reciprocity, international entities, foreign embassies, or consulates. New buildings are subject to the tax as from 1 January of the sixth year after construction if there has been no change of ownership during this period. This period may be extended to 10 years for property covered by the Investment Code. The tax rates range from 10% to 25%, depending on the taxable base.

Tax on undeveloped land: A 25% property tax applies to undeveloped plots of land, irrespective of the type of title held on the property. The tax also applies where buildings are constructed on the land but the property is exempt from the tax on developed land (either temporarily or indefinitely). Permanent exemptions from the tax on undeveloped land are granted for land belonging to the state or used for public services; land used for educational services; and land belonging to international entities, foreign embassies, or consulates, subject to reciprocity.

Stamp duties
Stamp duties are payable on documents subject to registration duty. Except for a few specific deeds, stamp duty generally is paid at a rate of DJF1,000 per page.

Registration duty
The transfer of immovable property is subject to a registration duty of 7% or 10%, depending on the nature of the deed.

Business license tax
The business license tax is a local tax applicable to all individuals and companies that engage in a trade, business, or professional activities in Djibouti. The tax applies depending on the classes in which the activities are categorised. Tax on activities under classes 1 to 6 includes a fixed portion specified by the tax authorities and a variable portion levied at 20% based on the rental value. The tax on other classes includes only the fixed portion.

Tax Administration and Compliance

The Tax Management Office administers and collects tax in Djibouti.

Companies

1. Tax year – The calendar year usually is the fiscal year, although a different period may be accepted by the tax authorities.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Companies must file a tax return no later than 1 March following the end of the calendar year. Three advance payments must be made during the fiscal year (before 15 April, 15 August, and 15 November), with each payment equal to 25% of the corporate income tax due for the previous year. Any balance due must be paid before the due date for filing the annual return.
4. Tax identification number – Taxpayers must apply for the renewal of their tax identification number no later than 31 March of each year.
5. Penalties – The penalty for late filing is 0.5% of the tax amount due for each month the filing is late, and is increased to 10% where the return is filed within 20 days of a formal notice, and 40% where the return is filed more than 20 days from the formal notice or not filed at all.
6. Rulings – Rulings are not granted in Djibouti.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Married couples are assessed separately, i.e. every individual taxpayer is taxed individually regardless of marital status.
3. Tax return – Individuals who derive professional income must file a tax return no later than 1 March of the year following the fiscal year.
4. Filing and payment – The personal income tax payable by employees must be withheld at source each month by the employer and remitted to the Treasury no later than 15 days following the salary payment. If the amount of the monthly withholding tax is less than DJF50,000, the payment may be made within the following three-month period. An individual who derives income from business or professional independent activities must pay the tax due by March of the following fiscal year.
5. Tax identification number – Taxpayers must apply for the renewal of their tax identification number no later than 31 March of each year.
6. Penalties – The penalty for late filing is 0.5% of the tax amount due for each month the filing is late, and is increased to 10% where the return is filed within 20 days of a formal notice, and 40% where the return is filed more than 20 days from the formal notice or not filed at all.

VAT

1. Filing and payment – Companies are required to file VAT returns and pay VAT on a monthly basis by the 20th day of the following month.
2. Penalties – No penalties are listed in the tax law.

Investment Incentives

Tax incentives

A number of tax incentives are available under the Investment Code and the Free Zone Code, which apply to all economic sectors.
The Investment Code contains three preferential regimes:

- **Regime A**: Taxpayers benefiting from Regime A for investment and tax purposes are exempt from the domestic TBS on imports of materials and equipment that are necessary for investment operations. The following activities benefit from this regime: use and processing of vegetables, animal or sea products; mining; research, exploitation and storage of energy; tourism and handicraft-making activities; creation and development of electricity, electronic, chemical and shipping industries; transport by land, sea or air; service activities provided in harbours or at airports; construction, repair and maintenance of ships; processing of goods for consumption; financial activities other than those specifically covered by the regime for financial investments; and communication services
- **Regime B:** Investors are exempt from the following taxes and levies for a non-renewable seven-year period: corporate income tax, property tax, and TBS. In addition, an exemption from registration duty is granted on the deed of incorporation if the company's share capital exceeds DJF30 million. An increase in share capital is exempt from registration duty if the increase in value is over DJF10 million and the investment is made within five years of the incorporation date or of a previous capital increase. The following activities benefit from this regime: construction of buildings to be used for industrial, commercial, or tourism purposes; construction of buildings to be used for social purposes; and construction, creation and exploitation of teaching and training institutions
- **Regime for financial investments**: The regime for financial investments applies to profits reinvested in the acquisition of securities of a company already authorised under the Investment Code. Such reinvestments are exempt from corporate income tax, subject to certain additional conditions regarding the amount of investment and the level of participation in the share capital of securities of a company already authorised under the Investment Code.

The Free Zone Code grants qualifying companies an exemption from taxes, duties, and levies, with the exception of VAT, for a renewable period of up to 50 years. Up to 70% of the company's employees may be foreign for the first five years; after that, the quota will be reversed, i.e. the staff must be at least 70% Djiboutian. If the company fails to comply, the free zone authority will not issue a new license. Foreign staff are not required to pay social security contributions, and the company does not have to pay social security contributions for such employees.

Exchange Controls

There are no foreign exchange control regulations applicable in Djibouti.

Expatriates and Work Permits

Foreign individuals working in Djibouti must obtain a work permit and a residence permit (identity card) by providing proof of the offer of employment. Sponsorship from a local employer is required to obtain a work permit.

Trade Relations

Memberships and international organisations

- World Trade Organization (WTO)
- African Union (AU)
- Arab League
- La Francophonie
- Group of 77
- United Nations

Key Economic Information

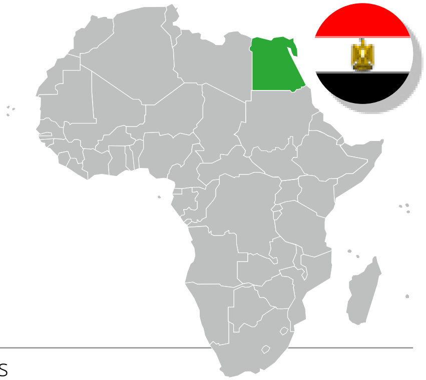
Currency (symbol/code)
Djiboutian franc (Fdj/DJF)

Exchange rate	
US$1	DJF177.72
EUR1	DJF214.65
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$6.04 billion	US$6.51 billion
Real GDP growth	
5%	5.45%
Average inflation	
2.35%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
11.20%
Source: Trading Economics and World Bank, 2021.

Market capitalisation as at April 2021
There is no stock market in Djibouti.



Egypt

Contacts

Kamel Saleh
ksaleh@deloitte.com
+20 2 2417 2756

Giuseppe Campolo
gcampolo@deloitte.com
+20 2 2461 9909

Income Tax – Individuals

	Tax rate						
Net income (annual)	0%	2.5%	10%	15%	20%	22.5%	25%
Not Exceeding EGP600,000	Up to EGP15,000	EGP15,001 to EGP30,000	EGP30,001 to EGP45,000	EGP45,001 to EGP60,000	EGP60,001 to EGP200,000	EGP200,001 to EGP400,000	> EGP400,000
Exceeding EGP600,000 but not exceeding EGP700,000	-	Up to EGP30,000	EGP30,001 to EGP45,000	EGP45,001 to EGP60,000	EGP60,001 to EGP200,000	EGP200,001 to EGP400,000	> EGP400,000
Exceeding EGP700,000 but not exceeding EGP800,000	-	-	Up to EGP45,000	EGP45,001 to EGP60,000	EGP60,001 to EGP200,000	EGP200,001 to EGP400,000	> EGP400,000
Exceeding EGP800,000 but not exceeding EGP900,000	-	-	-	Up to EGP60,000	EGP60,001 to EGP200,000	EGP200,001 to EGP400,000	> EGP400,000
Exceeding EGP900,000 but not exceeding EGP1,000,000	-	-	-	-	Up to EGP200,000	EGP200,001 to EGP400,000	> EGP400,000
More than EGP1,000,000	-	-	-	-	-	Up to EGP400,000	> EGP400,000

Notes

1. Basis – A resident individual is taxable on his/her worldwide income if Egypt is the centre of the individual's commercial interests. A non-resident individual is taxed only on his/her Egyptian-source income.
2. Residence – An individual is regarded as a resident if he/she is present in Egypt for more than 183 days in a fiscal year, has a permanent abode in Egypt, or is an Egyptian national residing abroad but derives income from Egyptian sources.
3. Taxable income – Taxable income includes income from employment, as well as income from commercial, industrial, and professional activities. Capital gains realised by non-resident individuals from the sale of shares listed on the Egyptian Stock Exchange or from the disposal of treasury bills, should not be subject to tax. Capital gains derived by resident individuals from the sale of shares listed on the Egyptian Stock Exchange are subject to a reduced 10% tax rate in a separate income tax pool. However, this tax has been "suspended" temporarily (i.e. an exemption is granted) until the end of 2021; this suspension does not entail the gains realised by the resident individuals from the sale of the government bonds. Capital gains realised on the sale of unlisted shares of Egyptian companies by resident or non-resident individuals are subject to progressive tax rates up to 25%.
4. Exempt income – Certain types of income are exempt, such as severance payments, profit sharing distributions, etc. Both residents and non-residents are entitled to an annual personal exemption of EGP9,000.
5. Allowances – Tax allowances are available for items such as social security contributions and health insurance premiums.
6. Rates – Individual income tax is levied at progressive rates from 0% up to 25% for both residents and non-residents for work performed in Egypt. Resident employees who derive income from a second employer are subject to tax on that income at a flat rate of 10%.

Income Tax – Companies

	Rate
Standard rate	22.5%
Oil and gas companies	40.55%

Notes

1. Basis – Resident companies are taxed on their worldwide income. Non-resident companies are subject to tax on a "net basis" on Egyptian-source profits of a permanent establishment (PE) in Egypt; non-resident companies also may be subject to withholding tax (WHT) on other types of Egyptian-source income (see under "Withholding Taxes," below). Non-residents become liable to tax in Egypt from the day they begin to carry on a trade, business, or profession in the country. Egypt has concluded a number of tax treaties that provide double taxation relief for specific types of income.
2. Residence – A company is resident if it is established according to Egyptian law, if its main or actual centre of management is in Egypt, or if it is a company in which the government or a public juridical person owns more than 50% of the capital.
3. Taxable income – Corporate tax is imposed on the total profits of a company after deducting the necessary and relevant expenses incurred in deriving the profits (i.e. the "tax pool"). Capital gains derived by a company (resident or non-resident) from the disposal of unlisted shares in Egyptian companies are included taxable income and taxed at the standard corporate tax rate. Gains derived by a company from the sale of shares listed on the Egyptian stock exchange are subject to a 10% corporate income tax rate in a separate income tax pool. However, this tax has been "suspended" temporarily (i.e. an exemption is granted) until the end of 2021; the 10% tax will apply on resident sellers after that date. This suspension period does not entail the realised gains from the sale of government bonds. Capital gains realised by non-resident company from the sale of shares listed on the Egyptian Stock Exchange or from the disposal of treasury bills, should not be subject to tax.
4. Exempt income – A "dividend exemption" (DIVEX) mechanism exists under Egyptian tax law, under which 90% of the dividends received by a resident parent company from resident and non-resident entities are exempt from corporate tax. The mechanism applies where the Egyptian resident parent holds at least 25% of the shares of the subsidiary for at least two years before the distribution or, if the holding period is not met at the time of the distribution, the parent commits to hold the shares of the subsidiary for two years to complete the minimum holding period. For resident parent companies receiving dividends from resident subsidiaries that qualify for the DIVEX mechanism, the effective tax on dividends is 22.5% on 10% of the dividends, in addition to the 10%/5% withheld at source by the subsidiary if it is unlisted or listed respectively (effective rate of 12.25% in case of unlisted and 7.25% in case of listed). In case the dividends are received by a resident subsidiary in Egypt from another resident subsidiary in Egypt, the dividends are excluded from the tax pool together with related costs by using a special formula described in the legislation.

5. Deductions – Normal business expenses are deductible in calculating taxable income, but the expenses must be supported by documentation, be business-related, and necessary for the company's activities. Interest expense is tax deductible if the payer's average debt-to-equity ratio does not exceed 4:1. In addition, if the interest rate exceeds twice the credit and discount rates announced by the Central Bank at the beginning of the calendar year, the excess interest expense will not be tax deductible. Egyptian tax legislation does not provide for any specific capital allowances other than tax depreciation and the optional application of accelerated depreciation provisions.
6. Losses – Normal business losses may be carried forward for five years (three years for losses derived from trading in shares). The carryback of losses is not permitted, except for losses incurred by a construction company on long-term contracts.
7. Foreign tax credit – Foreign tax paid overseas may be deducted from Egyptian income tax payable, but the deduction may not exceed the total tax payable on the income in Egypt.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rate – The standard rate of corporate tax in Egypt is 22.5%, and 40.55% for companies engaged in the exploration and production of oil and gas. The Suez Canal Authority, the Egyptian General Petroleum Authority, and the Central Bank of Egypt are taxed at 40%.
10. Branch remittance tax – Branches of foreign companies are taxed at the same corporate rate as domestic companies. Profits realised by a branch or PE of a foreign company are deemed to be distributed to the head office within 60 days after the year end and are subject to the 10% dividend WHT unless the rate is reduced under an applicable tax treaty.

Withholding Tax (WHT)

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

Type of income	Residents	Non-residents
Dividends	5%/10%	5%/10%
Interest	0%/20%	0%/20%
Royalties	3%	20%
Technical service fees	3%	20%

Notes

1. Dividends paid to a resident or a non-resident entity are subject to a 10% WHT. The rate is reduced to 5%, if the dividends are distributed by companies listed on the Stock Exchange. In cross-border situations, the rate may be further reduced under a relevant tax treaty (see also the comments under "Tax Treaties").
2. Interest paid to a non-resident is subject to a 20% WHT, unless the rate is reduced under an applicable tax treaty. Interest (like royalties) is limited by law (i.e. "cash-flow" issue) with respect to the direct application of a tax treaty benefit so that the 20% domestic WHT will apply first and then the foreign beneficiary must submit a refund request in Egypt to obtain the difference between the Egyptian rate and the treaty rate (unless a special ruling has been obtained from the Egyptian tax authorities (ETA) that allows the direct application of the treaty. Interest paid to a non-resident on a long-term loan (i.e. a loan with a term of at least three years) is not subject to WHT. Interest paid to a resident is not subject to WHT except for treasury bonds and bills which are subject to a 20% rate.
3. Royalty payments made to a non-resident are subject to a 20% WHT, unless the rate is reduced under an applicable tax treaty. Royalties are subject to the same restrictions as discussed under interest.
4. In principle, outbound payments for "services" trigger a 20% WHT, unless otherwise provided under a tax treaty. The ETA often reclassifies service payments that are suspected to include a right to use "experience" as royalties, and thus apply the same WHT treatment and limitations applicable to royalties.

Tax Treaties

Egypt has a broad tax treaty network. The following table shows the WHT rates on dividends, interest, and royalties under Egypt's treaties.

Country	Dividends	Interest	Royalties
Albania	10%	10%	10%
Algeria	10%	5%	10%
Austria	15%	15%	0%/D%
Bahrain	5%/10%	10%	10%
Belarus	15%	10%	15%
Belgium	15%/20%	15%	25%/15%
Bulgaria	10%	12.5%	12.5%
Canada	15%/20%	15%	15%
China	8%	10%	8%
Cyprus	15%	15%	10%
Czech Republic	15%/5%	15%	15%
Denmark	15%/20%	15%	20%
Ethiopia	5%/10%	10%	10%
Finland	20%/D	15%	25
France	0%	15%/D	15%
Georgia	10%	10%	10%
Germany	15%/20%	15%	15%/25%
Greece	10%	15%	15%
Hungary	15%/20%	15%	15%
India	D	D	D
Indonesia	15%	15%	15%
Iraq	D	D	Half of the applicable domestic tax rate
Ireland	5%/10%	10%	10%
Italy	20%/D	25%	15%
Japan	20%/D	D	15%
Jordan	15%	15%	20%
Korea (ROK)	10%/15%	10%/15%	15%
Kuwait	5%/10%	10%	10%
Lebanon	10%	10%	5%
Libya	D	D	D
Malaysia	D	15%	15%
Malta	10%	10%	12%
Mauritius	5/10%	10%	12%
Montenegro	5%/15%	15%	15%
Morocco	10/12.5%	10%	10%
Netherlands	0%/15%	12%	12%
Norway	5%/10%/15%	0%/15%	15%
Pakistan	15%/30%	15%	15%
Palestinian Territories	15%	15%	15%
Poland	12%	12%	12%
Romania	10%/D	15%	15%
Russia	10%	15%	15%
Saudi Arabia	5%/10%	10%	0%/10%
Serbia	5%/15%	15%	15%
Singapore	15%	15%	15%
South Africa	15%	12%	15%
Spain	9%/12%	10%	12%
Sudan	15%/D	D	3%/10%

Egypt

Country	Dividends	Interest	Royalties
Sweden	5%/15%/D	15%	14%
Switzerland	0%	0%/15%	12.5%
Syria	15%	15%	20%
Tunisia	10%	10%	15%
Turkey	5%/15%	10%	10%
Ukraine	12%	12%	12%
United Arab Emirates	0%	10%	10%
United Kingdom	20%/D	15%	15%
United States	20%/D	15%	15%
Uzbekistan	5%/10%	10%	12%
Yemen	D	10%	10%

Notes

1. The lower rate on dividends applies when the dividends are distributed by a company listed on the Stock Exchange or as specified in the relevant treaty.
2. Tax on interest and royalties is withheld at the domestic rate and the recipient must apply for a refund to benefit from a reduced WHT rate under an applicable tax treaty unless an advance ruling is obtained.
3. Under the treaty with Korea (ROK), the 10% interest rate applies to a loan for a period exceeding three years. if the term of the loan exceeds three years, it should be exempt from WHT according to domestic law.

Anti-avoidance Rules

Transfer pricing

Egypt's transfer pricing rules are aligned with, and specifically refer to, the OECD guidelines. As a result, transactions between related parties must be on arm's length terms and the ETA can adjust a company's income where the company's taxable income is reduced due to transactions with related parties and those transactions would not have been agreed to by unrelated parties dealing on arm's length terms.

Transfer pricing documentation requirements apply. Egypt requires multinational enterprises (MNEs) operating in the country to prepare three-tiered transfer pricing documentation, i.e. a master file, a local file, and a country-by-country (CbC)report. The master file is the responsibility of the ultimate parent company of the group and must be submitted to the tax authorities in line with the parent company's tax return filing/master file submission date. The local file must be submitted to the ETA within two months of filing the corporate income tax return, and must be prepared on an entity-by-entity basis.

The CbC reporting requirement applies to Egyptian-parented groups with at least one foreign subsidiary and an annual consolidated group revenue of at least EGP3 billion (approximately US$167 million) in the preceding year. For Egyptian subsidiary entities of foreign-parented multinational groups, the OECD consolidated group revenue threshold of EUR750 million applies, and a CbC reporting notification must be submitted to the ETA no later than 31 December of the same year covered by the CbC report.

In October 2020, the Unified Tax Procedures Law (hereinafter referred to as the 'Law'), was introduced, which was further amended in December 2020. Article 12 of the Law addresses certain aspects pertaining to Transfer Pricing compliance requirements and introduces a materiality threshold (EGP8 million, approx. EUR450,000) below which a taxpayer is not required to prepare and submit a Master file and Local file.

Article (13) of the Law introduced transfer pricing specific penalties as follows:

- Failure to complete/declare all related party transactions within the taxpayer's Corporate Income Tax return, results in a penalty of 1% of the total value of the undeclared related party transactions in which the taxpayer has engaged during the respective taxable year
- Failure to submit the Master file results in a penalty of 3% of the total value of related party transactions entered into by the taxpayer during the respective taxable year
- Failure to submit the Local file results in a penalty of 3% of the total value of related party transactions entered into by the taxpayer during the respective taxable year
- Failure to submit the CbC Report (in case the Egyptian resident taxpayer is the Ultimate Parent Entity of a MNEs) or corresponding CbC Reporting notification forms (in case the Egyptian resident taxpayer is a subsidiary of a foreign parented MNE) on the basis of the pre-determined thresholds, results in a penalty of 2% of the total value of related party transactions entered into by the taxpayer during the respective taxable year.

The penalties applicable, on an overall basis, should not exceed 3% of the total value of the related party transactions entered into by the taxpayer during a respective taxable year, in case of multiple breaches, i.e. if the taxpayer failed to submit more than one of the above-mentioned transfer pricing compliance documents.

It is possible to obtain a unilateral advance pricing agreement (APA) in Egypt. A taxpayer wishing to conclude an APA with the ETA is required to file a formal request with the authorities no later than six months before the first year expected to be covered by the APA. There are no specific transfer pricing penalties in the Egyptian Income Tax Law, although where there has been transfer pricing adjustments during an audit, general tax penalties are applicable.

Thin capitalisation rules

A 4:1 debt-to-equity ratio applies. Interest on debt exceeding this ratio may not be deducted. In addition, a deduction is not allowed for interest expense that exceeds twice the credit and discount rate announced by the Central Bank at the beginning of each calendar year. The interest rate on loans between related parties must be on arm's length terms and must be supported by proper transfer pricing documentation.

Controlled foreign companies

Income from investments in non-resident companies is recognised under the equity method of revenue recognition, and is taxed in Egypt where the following three conditions are satisfied simultaneously:

1. The Egyptian entity owns more than 10% of the non-resident entity
2. More than 70% of the non-resident entity's income is derived from dividends, interest, royalties, management fees, or rental fees (i.e. "passive income")
3. The profits of the non-resident entity are not subject to tax in its country of residence, are exempt from tax, or are subject to a tax rate of less than 75% of the corporate tax rate applicable in Egypt.

Employment-related Taxes

Payroll tax

Employees working in Egypt or working abroad but paid by an Egyptian employer are subject to payroll taxes on all their earnings, based on the salary tax bands (see "Income Tax– Individuals," above), except for mandatory profit sharing, pensions and certain end-of-service bonuses (provided certain conditions are satisfied).

Social security

The social security regime applies only to Egyptian nationals, unless a social security agreement with another country applies. According to the new unified social insurance and pension law, the applicable contribution rate is 29.75%, with 11% as the employee share and 18.75% as the employer share. The minimum and maximum monthly salary caps are EGP1,200 and EGP8,100 respectively starting January 2021. Certain allowances, including those payable for transportation, travel, meals, and accommodation, may be excluded from the salary cap, provided the total allowances do not exceed 25% of the contribution salary.

Solidarity contribution

Under the health insurance law, economic authorities, sole proprietorship, and companies are required to pay a solidarity contribution of 0.25% of annual revenue when filing the corporate income tax return. The contribution is not a deductible cost when calculating taxable profits for corporate income tax purposes.

Indirect Taxes

Value-added tax (VAT)

Standard rate	14%
Exports of services/goods	0%

Notes

1. Taxable transactions – VAT generally applies to the supply of all goods and services. Services are broadly defined as anything that is not classified as a "good," including, but not limited to, intellectual property rights, consultancy services, management services, etc. Input VAT may be offset against output VAT on items other than those subject to tax at a "Schedule rate". Schedule rates are typically lower than the standard rate but the VAT paid is non-creditable and non-refundable.
2. Rates – The standard rate is 14%. Lower Schedule rates can apply on goods or services that are specifically listed in the table attached to the VAT Law, such as construction services and professional services, among others. Exports of goods or services, and goods or services provided to companies located in the free zones, are zero-rated.
   Certain goods and services are specified as "tabled items" that are subject to a special rate, and their providers are not allowed to offset input VAT against output VAT. These items include professional services, petroleum products, media productions, etc. Construction contracts also are included in the table, but input VAT paid to subcontractors may be offset against output VAT on the same projects. Other goods and services are denoted as "double taxed" items and are subject to the general rate as well as the "table rate"; these include cars, home appliances, air conditioning equipment, and mobile telecommunication services.
3. Exempt items – The VAT law contains a list of exemptions that consists of 57 categories of goods and services, including: basic food products; provision of natural gas; transmission and distribution of electricity; banking services and other regulated non-banking financial services and insurance services; rental of residential or non-residential properties; and health and education services. In addition, certain Egyptian state bodies and entities are exempted from VAT, as well as entities exempted by virtue of an international agreement or special law.
4. Registration – Resident providers of goods or services must register for VAT purposes only if their annual revenue is at least EGP500,000. Voluntary registration is possible below this limit. No minimum registration threshold exists for providers of tabled or double taxed items. Importers of taxable goods or services for trading purposes, exporters, distribution agents of taxable goods or services, as well as manufacturers or importers of goods and services subject to the schedule tax, are required to register for VAT irrespective of the level of their turnover.

Customs and excise duties

Egypt has complex tariff and non-tariff barriers. Customs duties are levied on most goods according to the Customs Tariff No. 419 of 2018. Trade and/or customs treaties may grant an exemption from duty where certain conditions are fulfilled.

Other Taxes

Inheritances and donations

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

Real property tax

Most real property in Egypt is subject to a real estate tax. A 10% rate applies on the annual rental value after allowing a 32% deduction to cover related costs for non-residential property (30% for residential property). Exemptions are provided for non-residential property that is used for commercial, industrial, and administrative purposes with an annual rental value of less than EGP1,200, and for residential

units with an annual rental value of less than EGP24,000. The user of the property pays the tax, which is due in two instalments. The annual rental value of real estate is assessed every five years.

Stamp tax

Stamp tax is charged at variable and fixed rates: 0.1% per quarter for banking transactions; 20% on commercial advertising; and rates ranging from 1.08% to 10.08% on insurance premiums.

Stamp tax is imposed on both the buyer and the seller on the total value of trading in securities other than public treasury bills and bonds (Egyptian or foreign securities, listed or unlisted), without any deduction allowed for expenses.

The rates may vary as follows:
- Tax rate of 0.125% should apply on both non-resident seller and non-resident buyer.
- Tax rate of 0.05% should apply on both resident seller and resident buyer.

However, a 0.3% rate applies to both the buyer and the seller, without any deduction allowed for expenses, in the case of a sale or acquisition of at least 33% of the: (1) shares or voting rights (in terms of number or value) of a resident company or (2) assets or liabilities of a resident company by another resident company, in exchange for shares in the acquiring company. If multiple transactions conducted by one legal person related to a company result in exceeding the 33% limit during the two years following the first transaction, the seller and buyer are subject to a 0.3% rate on the total amount of the transactions, with the right to offset any stamp tax already paid on such transactions.

Stamp tax shall not be applied on transactions related to sale or purchase of securities, which takes place on the same day.

After the suspension period (i.e. the end of 2021), the resident should not be subject to the above-mentioned stamp tax rates on the sale of securities.

Tax Administration and Compliance

The tax authorities are the Egyptian Tax Authority (ETA), which is part of the Ministry of Finance.

Corporations

1. Tax year – The tax year for companies is the accounting year.
2. Consolidated returns – There are no provisions for consolidation of accounts for group taxation in Egypt; each company must file a separate return.
3. Filing and payment – Companies must file a tax return within four months following the end of the financial year. Tax is assessed on the basis of the information provided in the tax return.
4. Penalties – Various penalties apply for failure to comply with the withholding, collection, and remittance rules; failure to file a return; and other offenses. Interest is calculated at 2% above the annual credit and discount rate announced by the Central Bank. If the amounts included in the tax return are less than the final assessed tax amount, an additional penalty may be imposed based on the difference between the amounts included in the return and those in the assessment. The rate is 20% if the difference is less than 50%; 40% if the difference is 50% or more; and 40% of the final assessment tax due if the tax return was not submitted. In case the taxpayers have not submitted their tax returns for a period less than 60 days following the due date, a penalty that ranges from EGP3,000 to EGP50,000 should be applied. In case the taxpayers have not submitted their tax returns for a period exceeding 60 days following the due date, a penalty that ranges from EGP50,000 to EGP2,000,000 should be applied. A penalty of EGP20,000 up to EGP100,000 should be applied on the taxpayer in some non-compliance cases other than filing the tax returns. A penalty, which does not exceed EGP50,000, should be applied on taxpayers who do not keep their books and records whether paper sheets or electronic during the legal period. In the case of tax evasion, the minister has the right to raise the issue in the courts and the person seeking reconciliation must pay before a criminal case 100% of the tax liabilities,150% of the tax liabilities in case the criminal case was brought to the competent court but the final judgment was not rendered, or 175% of the tax liabilities in the final judgement was rendered.
5. Statute of limitations – The statute of limitations for the assessment of tax normally is five years but may be extended to six years in the case of tax evasion. There is no statute of limitations for the collection of tax.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Spouses are not permitted to file a joint return.
3. Filing and payment – Individuals must submit a personal income declaration by 31 March following the end of the tax year and pay tax based on the declaration. The employer is responsible for withholding and paying salary tax to the tax authorities on a monthly basis. However, if the employee is paid from an offshore source, the employee must declare his/her income and benefits for the entire year and pay the applicable tax to the tax authorities with the annual income tax return before 31 January of the following year.
4. Penalties – See "Tax Administration and Compliance, Corporations," above.

VAT

1. Filing and payment – All companies must prepare and file a monthly VAT return with the tax authorities. The deadline for submitting the monthly VAT return, including for periods of non-taxable activity, has been amended to be the month following the end of the tax period. The VAT return submission may differ from the general due date of submission of monthly VAT returns – for importers and exporters, or those providing one-time transaction of supply of service per year; such difference should be by submitting of one VAT return per year for such one-time transaction and this cycle should be approved by the Head of the ETA or his delegates.
2. Penalties – Failure to pay tax at the correct time triggers delay fines ("additional tax") at a rate of 1.5% per month on any portion of the tax unpaid. Penalties should not be less than EGP3,000 and not more than EGP50,000 plus the due tax and other payments i.e. additional taxes in case of late filing and late payment within 60 days after the official deadline of VAT return submission date; in addition, penalties should also apply when providing incorrect information within the return. For not filing/submitting the return within 60 days after the deadline of submission the VAT return, penalties should be not less than EGP5,000 and not more than EGP200,000 and the penalty should be doubled in case of repetition within three years.

Investment Incentives

Tax incentives

Investment Law No. 72 of 2017 provides several general incentives for newly formed companies, including:

- A five-year exemption from stamp duty tax and notarisation and registration fees for the deeds of association of companies and establishments, credit facilities, and mortgage contracts connected with the company's activities. This exemption applies from the date of recording the items in the commercial register
- An exemption from stamp duty tax and the notarisation and registration fee for the registration contracts of land necessary for the establishment of companies and establishments
- A reduced flat-rate 2% customs duty on all imported machinery, equipment, and apparatuses required for the establishment of the project or company
- An exemption from customs duty on temporary imports (i.e. items that will be reshipped out of Egypt) of moulds and similar equipment.

Investment projects established after 1 June 2017 are granted an investment incentive in the form of a deduction equivalent to 50% of the "investment costs" granted for investments made in geographic locations most urgently in need of development (designated as Sector A); a deduction of 30% of the investment costs granted for projects established in Sector B (all other areas). The deduction may be utilised over a maximum period of seven years from the date activity commences and is capped at 80% of the paid-up capital as at that date. This incentive should be granted after satisfying some conditions.

Free trade zones

A free zone is an area where projects may be established that benefit from the provisions of the investment law. There are two types of free zone: a public zone and a private zone. Public free zones are pieces of land allocated by the government in the following specified areas: Alexandria, Nasr City, Port Said, Damietta, Ismailia, Qeft, Media City, Shebin El-Koom, and Suez. The zones in these areas are equipped with all the necessary facilities and essential infrastructural services to set up and operate investment projects. Private free zones are areas outside of the public free zones and may be established owing to a lack of available space in the public free zones or for economic reasons. Private free zones must be approved by a Cabinet decree.

New projects can operate in free zones, provided they are licensed. However, licenses may not be issued to conduct projects in the zones in the areas of oil processing; fertiliser industries; iron and steel; natural gas processing, liquidation and transport; the "energy heavy" industries (as defined by a decision of the Supreme Council of Energy); alcoholic beverage industries; firearms and explosives industries; and other industries associated with national security.

Benefits of operating in the zones include the following:

- Goods exported from free zones or imported to carry out activities in Egypt are not subject to import and export regulations, or to customs procedures for exports and imports. They also are not subject to customs duties or other types of tax, such as VAT
- Equipment, machinery, and transport vehicles (except cars) necessary for production activities within free zones are exempt from customs duties, VAT, and other types of tax and fees. However, customs duties apply to goods transferred from the free zone to the local market as if they were imported from abroad. Where products containing local and foreign components are imported from free zone projects, the customs tax basis will be the value of the foreign components at the prevailing prices at the time of their entry from the free zone into the local market, provided the customs tax payable on the foreign components would not exceed the tax due on the final product imported from abroad
- All projects established in a free zone pay an annual service charge of 0.001% of their capital (subject to a maximum of EGP100,000)
- Enterprises are not subject to Egyptian tax and duty laws but are subject to the treatment described below, depending on whether they are located in a public or private free zone.

Projects in public free zones are subject to the following fees:

- 2% of the value of commodities upon entry (cost, insurance, and freight) for warehousing projects
- 1% of the value of commodities upon exit (free on board) for manufacturing and assembly projects
- 1% of the total revenue realised for projects where the main activity does not require the entry or exit of commodities into or out of the zone; the fee is assessed based on the financial statements approved by a chartered accountant.

Projects in private free zones are subject to the following fees:

- 1% on total revenue realised for manufacturing and assembly projects upon exporting the commodities abroad, and 2% of total revenue of these projects upon the entry of commodities into the local market
- 2% on total revenue realised for other projects.

An exemption from the fees is available for trade of transit goods with a fixed destination.

Exchange Controls

There are no restrictions on the export of capital and the repatriation of funds.

Expatriates and Work Permits

A work visa is required before an individual takes up employment in Egypt. To obtain a visa, the individual must have a formal job offer and a contract of employment, a sponsor, or a certificate of experience providing evidence that the individual has at least three years' experience in the same position that the individual will hold with the Egyptian employer. The necessary paperwork to apply for or amend an entry visa is handled by an agency or the employer. The time and cost of obtaining an entry visa depends on the nationality of the applicant and the type of visa.

Trade Relations

Memberships

- African Union (AU)
- Arab League
- Group of 77
- United Nations (UN)
- World Trade Organization

Agreements

- African Continental Free Trade Area (AfCFTA)
- General Agreement on Tariffs and Trade (GATT)
- General Agreement on Trade in Services (GATS)
- European Union-Egypt Free Trade Agreement (Association Agreement)
- Free Trade Agreement with EFTA States
- Turkey-Egypt Free Trade Agreement
- Greater Arab Free Trade Area Agreement (GAFTA)
- Agadir Free Trade Agreement among Egypt, Morocco, Tunisia and Jordan
- Egyptian-European Mediterranean Partnership Agreement
- Common Market for Eastern and Southern Africa (COMESA)
- Pan Arab Free Trade Area (PAFTA)
- MERCOSUR free trade agreement

Key Economic Information

Currency (symbol/code)
Egyptian pound (E£ or ج.م/EGP)

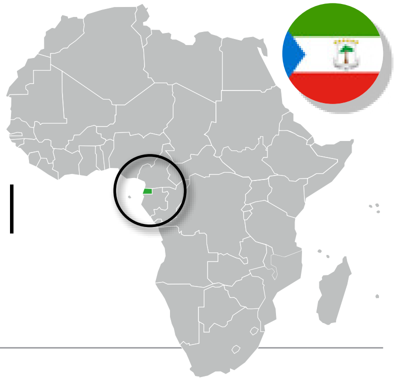
Exchange rate	
US$1	EGP15.71
EUR1	EGP18.99
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$1,346.225 billion	US$1,454.649 billion
Real GDP growth	
2.47%	5.66%
Average inflation	
4.79%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
8.75%
Source: Central Bank of Egypt, 2021.

Market capitalisation as at April 2021
US$42,150.30 million
Source: Capital IQ, 2021.

Egypt



Equatorial Guinea

Contacts

Yves Nguema
ynguema@deloitte.ga
+240 222 209 111

Mathurin Zoo Mbega
mzoombega@deloitte.com
+240 222 705 594

Rosa-Manuela Ondo
rondo@deloitte.com
+240 222 721 664

Yves Madre
ymadre@deloitte.fr
+243 859 998 044

Income Tax – Individuals

Taxable income (XAF)	Rate
0 – 1 million	0%
1,000,001 – 3 million	10%
3,000,001 – 5 million	15%
5,000,001 – 10 million	20%
10,000,001 – 15 million	25%
15,000,001 – 20 million	30%
Over 20 million	35%

Notes

1. Basis – Resident individuals are subject to tax on their worldwide income. Non-residents are taxed only on their Equatorial Guinea-source income, including transactions and services carried out in Equatorial Guinea (EG).
2. Residence – An individual deriving employment income in EG is considered to be resident there if (i) the individual is present in EG for more than three months in one calendar year; or (ii) the individual is present in EG for more than six months over a consecutive two-year period. An individual working in the EG oil and gas sector is considered resident only where he/she is present in EG for more than three months in a calendar year. Absences of less than 30 days are not taken into account in computing the period of residence.
3. Taxable income – Taxable income encompasses income from the following categories of income: salaries and wages (including benefits-in-kind and cash allowances), pensions, annuities, dividends, interest, royalties, income from self-employment, capital gains, etc. and per diems for attending directors' board meetings. Specific allowances to cover expenses relating to the position are not taxable to the extent the expenses are effectively used for their objective and are not excessive. Capital gains accruing to individuals from company mergers are not subject to tax if the new company has its registered office in EG or another member state of the Communauté Economique Monétaire d'Afrique Centrale (CEMAC, comprising Cameroon, Central African Republic, Chad, Congo, and Gabon).
4. 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 obtained to build or repair the taxpayer's main residence in EG, alimony, and payments made to the welfare fund on behalf of domestic employees. For salaries, wages, pensions, and annuities, a lump-sum deduction for business expenses of 20% of income is available, subject to a maximum deduction of XAF1 million. EG does not grant any personal allowances.
5. Rates – Income tax rates for resident individuals are progressive up to 35%. Benefits-in-kind and cash allowances are taxable at the following rates: housing – 15%; water, electricity, housekeeping, and company cars – 5%; and food – 20% (imposed on gross salary up to a maximum of XAF150,000 for food). Non-resident individuals are subject to a final withholding tax (WHT) on their gross income from EG sources, generally at a rate of 20% (see "Withholding Tax (WHT)," below). Capital gains are subject to the income tax rate applicable to the individual.

Income Tax – Companies

	Rate
Basic rate	35%

Notes

1. Basis – Resident entities are subject to tax on their worldwide income. Non-resident entities are subject to tax on gross income derived from sources in EG.
2. Residence – A commercial entity operating in EG for more than three months in a calendar year or for more than six months over a two-year period is considered a resident. Companies operating in the oil and gas sector are considered resident in EG only where they operate in EG for more than three months in a calendar year.
3. Taxable income – Taxable income is a company's gross income, less allowable deductions and losses. Dividend income is subject to tax, although a participation exemption applies so that only 10% of net dividends received by a corporate shareholder is subject to tax where the shareholder holds at least 25% of the shares in the payer and the shares are registered in the name of the shareholder for at least two consecutive years. Capital gains are treated as ordinary business income, but the taxation of capital gains realised on the disposal of business fixed assets may be deferred for three years if the taxpayer reinvests the gains in new business fixed assets. Capital gains arising from the gratuitous allocation of certain shares or debentures on the merger of limited liability companies or limited partnerships with share capital are not taxed, provided the company arising from the merger has its registered office in EG. Capital gains resulting from the assignment or transfer of a company's shares, including on the dissolution of a company, within five years of the date the company was formed or the shares were acquired, will be assessed at only 50% of their value (one-third of their value if such an event takes place more than five years after the company is formed or the shares are acquired).
4. Deductions – Expenses that are necessary for carrying out a company's taxable activity in EG are deductible. To be deductible, depreciation must be recorded in the accounting books. A company can defer depreciation claims indefinitely if it is in a loss position.
5. Losses – Losses may be carried forward for up to three years (five years for companies in the oil and gas industry), but may not be carried back. After three consecutive years of losses, companies (except new companies) will be deregistered from the tax registry.
6. Foreign tax credit – EG does not have any provisions allowing unilateral relief from double taxation.
7. Group relief – There is no provision for group relief or the transfer of losses between members of a group.
8. Rate – The corporate income tax rate is 35%.
9. Branch taxation – Branches of foreign companies are subject to tax at the same corporate tax rate as domestic companies. EG does not levy a branch profits tax.
10. Surtax – A 13% surcharge in the form of an excise tax applies to oil and gas operations. The rate is 10% for production sharing contracts (PSC) entered into before 2016 in accordance with the 1981 Hydrocarbon Law.
11. Minimum tax – Companies are subject to a minimum income tax of 1.5% of the previous year's turnover. The tax cannot be less than XAF800,000 and 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. Non-resident individuals and legal companies will pay tax equivalent to 15% of gross income obtained in EG.
12. Oil and gas companies – Special regimes apply to oil and gas operations and the assignment of petroleum license interests. Companies engaged in upstream petroleum operations are subject to corporate income tax on taxable income in accordance with the provisions of the 1994 Hydrocarbons Code. Royalties are deductible if they are not excessive and if the rights are actually used. Rents are deductible in full. The following are not deductible by oil and gas companies; signature, discovery, and production bonuses; annual surface rentals; and interest on loans obtained by the contractor from affiliated companies. Research and exploitation activities are subject to an annual surface rental duty of 13% rate although different rates may apply to PSCs concluded before 2006. Payments to resident and non-resident contractors may be subject to WHT. Certain customs duty and import duty exemptions apply.

Withholding Tax (WHT)

The following table sets out the applicable WHT rates on dividends, interest, and royalty payments made to residents and non-residents (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Resident	Non-resident
Dividends	10%	25%
Interest	-	25%
Royalties	10%	15%
Technical service fees	-	15%
Capital gains	35%	35%
Oil and gas services	6.25%	20%
Mobilisation, demobilisation, and transportation services related to oil and gas	-	5%

Notes

1. A company operating in the oil and gas sector as a contractor or subcontractor must withhold a 15% tax from the wages and income paid to non-resident contractors and subcontractors; the rate is 6.25% on payments to residents. Other disbursements and payments for the purchase of equipment (goods) necessary to oil and gas operations generally are not subject to WHT based on the "London Agreement". (A 2017 agreement between the EG government and oil and gas companies that sets out the types of transactions that would or would not be subject to WHT.).
2. Payments related to mobilisation, demobilisation, and transportation services related to oil and gas operations on the EG continental shelf are subject to a reduced 5% WHT for non-resident contractors and subcontractors. Payments related to mobilisation, demobilisation, and transportation services outside the EG continental shelf are not subject to EG tax.

Tax Treaties

EG only has one tax treaty, that with the CEMAC member states to improve tax cooperation between CEMAC administrations and to limit double taxation.

Anti-avoidance Rules

Transfer pricing

EG does not have specific transfer pricing rules. EG law and CEMAC regulations provide for a general rule on the prohibition of a direct or an indirect transfer of income to an affiliated company by way of adjustments to the sale or purchase price or interest on loans. However, the tax authorities can assess such indirect transfers by comparing them with transactions of similar companies operating on arm's length terms in EG.

Thin capitalisation

There are no thin capitalisation rules in EG.

Controlled foreign companies

There are no CFC rules in EG.

General anti-avoidance rule (GAAR)

EG does not have a GAAR.

Employment-related Taxes

Payroll tax

An employer is responsible for withholding personal income tax on the salary and other employment income earned by an employee. The tax is withheld at the applicable progressive rates and remitted to the tax authorities within the first 15 days of the month following the date the salary was paid. The employer is responsible for filing a monthly personal income tax return on behalf of the employee and paying the relevant tax.

Social security

Employers and employees must contribute monthly to the National Social Security Fund (INSESO) and the Work Protection Fund. Employer contributions are 1% of the gross salary to the Work Protection Fund and 21.5% to INSESO. The rates for employees are 0.5% of net salary (i.e. after the deduction of tax and INESO contributions) to the Work Protection Fund and 4.5% of gross salary to INSESO. The net salary is based on the administrative practice to calculate and pay both contributions based on the gross salaries.

Indirect Taxes

Value-added tax (VAT)

Standard rate	15%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods or services and on imports. Companies engaged in business in the oil and gas sector are not subject to VAT in EG.
2. Rates – The standard VAT rate is 15%. Exports and similar transactions are zero-rated. Some products are subject to a reduced rate of 6%, others are exempt, and others are assessed a special duty tax (see below) at a rate of 30%. Where special duty tax applies, the transaction will be assessed at 30% rather than the standard 15% VAT.
3. Registration – 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.

Special duty tax

A standard special duty tax of 30% applies to an exhaustive list of products (mainly luxury goods) in the Tax Code. However, both the Tax Code and CEMAC provisions list special rates for products such as:

- Sparkling wine and champagne – 20% (special duty) and 15% (CEMAC duty)
- Cigars, cigarettes, and tobacco – 50% (special duty) and 25% (CEMAC duty)
- Photographic devices with automatic flashes – 25% (special duty).

Customs and excise duties
As EG is a member of CEMAC, merchandise entering EG or any other CEMAC territory is subject to import duties under the customs tariff laws. A standard regime, as well as exemption, temporary admission, and reduced tax regimes, apply.

Merchandise entering EG also is subject to the community tax of integration (CCI) regime at a rate of 0.4% and to the OHADA withholding duty at a rate of 0.05% of the customs value of the imported merchandise. In addition, a 0.2% African Union Tax is levied on goods imported into EG from outside the union, computed on the same basis.

Excise duties mainly apply to luxury goods and alcoholic beverages.

An oil and gas contractor may import all goods (e.g., materials, machinery, equipment, and consumer goods) necessary to properly carry out petroleum operations in EG free of import duties. The goods must be destined for re-export at the end of their use.

A 13% surcharge in the form of an excise tax applies to oil and gas operations, but the 10% rate under the 1981 Hydrocarbon Law applies to PSCs concluded before 2016.

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

Stamp duty
Stamp duty at various rates ranging from 1% to 10% is imposed on certain instruments, such as corporation charters, minutes of corporate meetings, and the transfer of shares and deeds. The amount of stamp duty usually is not significant.

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% on such transfers between residents and non-residents; and 5% on all transfers for valuable consideration of goods and chattels and livestock, credits, and other 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 property. An urban property tax is levied at 1% on 40% of the sum of the value of the land and the buildings constructed on the land.

Tourist accommodation tax
A tourist accommodation tax of XAF1,000 is levied on a hotel stay per day and per resort star (e.g. a five-star hotel = XAF5,000 per day/per tourist).

Registration of public contracts
A registration fee is levied on all public contracts (of the state and of the autonomous entities and public enterprises), which is assessed at 0.5% of the value of the contract.

Other
Tax is levied on the use and ownership of vehicles and boats, and there is a tax on the screening and distribution of image and audio recordings.

Tax Administration and Compliance
Responsibility for administering taxes in EG rests with the General Department of Taxation of the Ministry of Finance and Budget.

Companies
1. Tax year – The tax year is the calendar year, but the year may be shorter or longer in certain cases.
2. Consolidated returns – There is no system of group taxation in EG leading to consolidation; each company must file a separate return.
3. Filing and payment – Corporate tax returns normally are due by 30 April following the end of the tax year. The minimum income tax is payable annually before 31 March, which is the first instalment. The final instalment of the minimum tax and the corporate tax must be made on 30 April.
4. Penalties – A fine of XAF200,000 per month is levied for late filing, 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% (for deliberate understatement). If an understatement of profits is due to a miscalculation, the administration will deem it a mistake that can be rectified; however, penalties will be imposed if the authorities can demonstrate that the miscalculation was made in bad faith. A 50% penalty is imposed for failure to pay the minimum income tax.
5. Rulings – Rulings are not available in EG.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Married persons file a joint tax return, although separate returns are possible in specific cases.
3. Filing and payment – Tax on employment income withheld by the employer from the employee's salary during a month is remitted to the tax administration by the 15th of the following month. Individuals are not required to file their own returns; the employer is responsible.
4. Penalties – The same penalties apply as for companies. Additionally, failing to withhold is subject to a 25% penalty and a failure/delay in paying personal income tax withheld is subject to a monthly penalty of 25% of the amount withheld, plus 10% interest, capped at 100% of the total tax withheld.

VAT
1. Filing and payment – 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.
2. Penalties – Late VAT payments are subject to interest at 10% and a fine of 50% of the tax liability (100% in some cases). Delays in the submission of the VAT monthly return is subject to interest of 10% on the tax due. The reassessment of VAT is fined at a 50% rate (100% if the taxpayer is dishonest).

General
- EG's legal system prohibits discrimination against enterprises owned by foreigners in favour of those owned by nationals, and the expropriation or nationalisation of assets without just and equitable compensation
- Specific incentives are available for activities in the oil industry. In this industry at least 35% of the shareholders must be EG nationals. As a result, subsidiaries of foreign oil and gas companies must include EG nationals as shareholders, but the rule does not apply to companies of other sectors of activity and branches of foreign companies.

Investment Incentives
General incentives
- The Investment Code aims to encourage and stimulate productive investment in EG. It provides certain general guarantees, such as no expropriation or nationalisation without just and equitable advance compensation
- Specific customs and tax incentives are available for certain sectors, such as the oil and gas industry
- Special incentives are offered to companies located in non-coastal areas, including Annobón.

Exchange Controls

A new CEMAC foreign exchange regulation became effective on 1 March 2019, with a six-month transition period to become compliant, so that actual application of the regulation commenced on 1 September 2019 (companies in the mining and oil and gas sectors have until 31 December 2020 to comply):

- A prior declaration must be made for inbound direct investment, regardless of the amount of the investment (previously, a declaration was required only when the investment exceeded XAF100 million). "Inbound direct investment" means a participation of 10% or more in the share capital of a company
- Outbound direct investments generally must be approved by the Bank of Central African States (BEAC). However, approval is not required for outbound portfolio investments, the amount of which is lower than the threshold to be defined by the BEAC and to outbound direct investment in the form of a capital increase resulting from the reinvestment of retained earnings
- Loans granted to non-residents by legal CEMAC-resident entities must be authorised by the BEAC (previously authorisation was required only when the loan amount exceeded XAF100 million). Credit institutions are free to make payments on loans granted to non-residents provided that supporting documents are submitted to the BEAC. CEMAC residents are free to obtain loans from non-residents. Such loans must be reported to the Ministry in charge of money and credits and to the BEAC
- Resident legal entities are prohibited from opening foreign currency accounts outside the CEMAC zone unless they receive authorisation from the BEAC. The conditions under which the authorisation is granted will be specified through additional regulations which have not yet been issued. As for resident individuals, accounts outside the CEMAC zone must be reported to the BEAC
- In principle, resident legal entities and individuals are prohibited from opening foreign currency accounts within the CEMAC zone, except for legal entities that have received authorisation from the BEAC. The conditions under which the authorisation is granted will be specified through additional regulations which have not yet been issued
- Transfers outside the CEMAC zone must be reported in advance, except within the limit of XAF1 million per month and per economic agent. The transfer must be made through banks authorised by the BEAC to act as intermediaries
- The proceeds from the liquidation of foreign investments must be repatriated within 30 days of the liquidation through an authorised intermediary
- Penalties apply for failure to comply with the foreign exchange rules.

Expatriates and Work Permits

Expatriates must have a work permit. The number of foreign employees cannot exceed 10% of an employer's total workforce (30% in the oil and gas sector). At least one-third of the board of directors of an EG company must be EG nationals, and EG nationals must be involved in the management of the company.

Trade Relations

Memberships

- Economic and Monetary Community of Central Africa (CEMAC)
- L'Union Africaine (UA)
- Union Douanière et Économique de l'Afrique Centrale (UDEAC)
- Union Monétaire de l'Afrique Centrale (UMAC)
- Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA)
- World Trade Organization (WTO) (Observer status)
- EG is a participant in the African Continental Free Trade Area (AfCFTA)

Key Economic Information

Currency (symbol/code)
Central African CFA franc (FCFA/XAF)

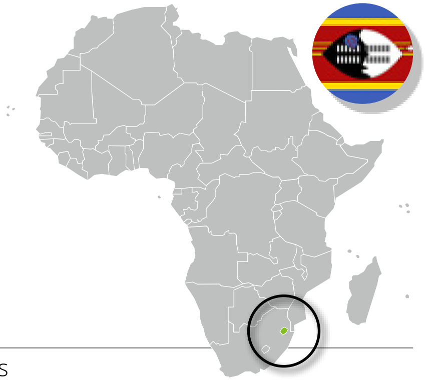
Exchange rate	
US$1	XAF544.16
EUR1	XAF655.96
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$26.49 billion	US$25.48 billion
Real GDP growth	
3.98%	-5.93%
Average inflation	
1.50%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
3.25%
Source: Trading Economics, Bank of Central African States, 2021.

Market capitalisation as at April 2021
There is no stock market in Equatorial Guinea.

Equatorial Guinea



Eswatini

Contacts

Luvuyo Tsamane
ltsamane@deloitte.co.za
+27 31 560 7288

Mark Freer
mfreer@deloitte.co.za
+27 31 560 7079

Income Tax – Individuals

Taxable income (SZL)	Tax payable
0 – 100,000	20%
100,001 – 150,000	SZL20,000 + 25% on amount exceeding SZL100,000
150,001 – 200,000	SZL32,500 + 30% on amount exceeding SZL150,000
Over 200,000	SZL47,500 + 33% on amount exceeding SZL200,000
Different rates and thresholds apply to lump sums received by redundant or retired individuals as follows:	
0 – 200,000	25%
200,001 – 300,000	SZL50,000 + 30% on amount exceeding SZL200,000
Over 300,000	SZL80,500 + 33% on amount exceeding SZL300,000

Notes

1. Basis – Income tax is imposed on all Eswatini-source income. Foreign-source income is exempt from income tax.
2. Residence – Eswatini does not have any residence requirements for income tax purposes.
3. Taxable income – Taxable income includes income from employment (and associated benefits), income derived from a business or profession, and certain investment income that arises in, or is deemed to arise in, Eswatini.
4. Exempt income – This includes war pensions and gratuities; part of any payment from a pension, provident, or benefit fund payable on termination of employment (subject to certain limits); severance allowances or notice pay; certain redundancy payments; scholarships and bursaries; and certain interest received.
5. Deductions and allowances – Various rebates, allowances, and deductions are available. All individuals are entitled to a tax-free allowance of SZL41,000 (SZL54,500 for retired individuals over the age of 60), with any tax payable on that amount being reduced via a tax rebate amount not to exceed SZL8,200 per tax year (SZL10,900 for retired individuals over the age of 60).
6. Rates – Individual income tax is levied at progressive rates up to 33%. Trust income is taxed at 33%.

Income Tax – Companies

	Rate
All companies	27.5%

Notes

1. Basis – Income tax is imposed on all Eswatini-source income. Foreign– source income is exempt from income tax.
2. Residence – Eswatini does not have a residence requirement for income tax purposes.
3. Taxable income – Taxable income is comprised of profits derived from the operation of a business in Eswatini (with certain exceptions). Dividends distributed by an Eswatini company to another Eswatini company are not subject to tax.
4. Deductions – In computing taxable income, expenses (excluding those of a capital nature) incurred in Eswatini in the production of income are deductible by the taxpayer. These include depreciation, expenditure on the repair of machinery, proven bad debts, allowances for doubtful debts, and interest payable. Certain capital allowances also are available (see below under "Tax Incentives").
5. Losses – Losses may be carried forward indefinitely. The carryback of losses is not permitted.
6. Foreign tax credit – Eswatini does not offer a unilateral foreign tax credit.
7. Group relief – There are no provisions for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 27.5%. Special rates may be available under an incentive regime.
9. Branches – Branches of foreign companies are subject to the same rate as domestic companies; however, a branch profits tax also is levied. The rate is 12.5% for branch profits repatriated to Botswana, Mozambique, Namibia, Lesotho, or South Africa and 15% in all other cases.

Withholding Tax (WHT)

The WHT rates on various types of payment are as follows (the tax is a final tax for non-residents):

Payment	Residents	Non-residents
Dividends	10%	12.5%[1]/15%
Interest	10%	10%
Royalties	N/A	15%
Management fees, Construction contractors, sportsmen and entertainers, and Eswatini-source services contracts (excluding employment contracts)	N/A	15%
Rental payments (individuals)	10%	-
Trust payments to beneficiaries	33%	33%

Notes

1. Dividends paid to companies that are incorporated in Botswana, Namibia, Lesotho, or South Africa are subject to the 12.5% rate. The 15% rate applies in all other cases.

Tax Treaties

Eswatini has seven tax treaties that provide for reduced WHT rates as shown below. The domestic rate applies where this is lower than the treaty rate.

Country	Dividends	Interest	Royalties
Mauritius	7.5%	5%	7.5%
Seychelles	7.5%/10%[1]	7.5%	10%
South Africa	10%/15%[2]	10%	10%
Taiwan	10%	10%	10%
United Kingdom	15%[4]	10%[5]	0%[6]
Botswana	10%/15%[2]	10%	10%
Lesotho	10%/12.5%[3]	10%	10%

Notes

1. The 7.5% rate applies where the beneficial owner is a company that holds at least 25% of the capital of the payer company; otherwise, the rate is 10%.
2. The 10% rate applies where the beneficial owner is a company that holds at least 25% of the capital of the payer company; otherwise, the rate is 15%.
3. The 10% rate applies where the beneficial owner is a company that holds at least 25% of the capital of the payer company; otherwise, the rate is 12.5%.
4. The treaty rate will not apply where the beneficial owner owns at least 10% of the class of shares in respect of which the dividend is paid to the extent that the dividend could have been paid only out of profits the payer company earned or other income it received in a period ending 12 months or more before the 10% shareholding was acquired, subject to certain conditions.
5. The treaty does not provide for a reduced WHT rate, so the domestic rate of 10% applies.
6. Royalties are taxable only in the country of residence of the recipient.

Anti-avoidance Rules

Transfer pricing

There is currently no specific transfer pricing legislation in Eswatini, however the SRA has expressed an intention to introduce comprehensive transfer pricing rules.

Thin capitalisation rules
Eswatini does not have thin capitalisation rules.

Controlled foreign company rules
Eswatini does not have CFC rules.

General anti-avoidance rule
Eswatini has general anti-avoidance legislation which can be applied to set aside or adjust transactions where the sole or main purpose is considered to be tax avoidance.

Employment-related Taxes

Payroll tax
Eswatini has a Pay-As-You-Earn (PAYE) system under which personal income tax is levied on taxable income received by or accrued to an individual, which is sourced or deemed to be from a source within Eswatini. The income is subject to tax at progressive rates as set out in the table above.

Social security
All employees are required to contribute to the National Provident Fund, with the employer being liable for 50% of the contribution. The amount of the contribution varies depending on an employee's earnings.

Indirect Taxes

Value-added tax (VAT)

Standard rate	15%

Notes

1. Taxable transactions – VAT is levied on the supply of goods or services in Eswatini and also is payable by a person on the import of goods or services into Eswatini. A reverse charge system applies for the importation of taxable services from foreign suppliers. This does not apply to registered businesses with a full right of recovery to an input tax deduction.
2. Rates – The standard VAT rate is 15%. Certain goods and services are zero-rated, including basic foodstuffs and direct exports. VAT is charged at 0% on these goods and services and input tax credits can be claimed on purchases used to make zero-rated supplies. Certain other supplies, including financial services, insurance services, medical, dental and nursing services, educational services and passenger transport, are exempt from VAT. A provider of exempt supplies can neither charge VAT nor reclaim input tax incurred.
3. Registration – Businesses with annual taxable supplies exceeding SZL500,000 are required to register for VAT. Registration below this threshold is voluntary and at the discretion of the Commissioner.

Customs and excise duties
South African Customs Union (SACU) member states (Botswana, Lesotho, Namibia, South Africa, and Eswatini) are required to apply similar customs and excise duties. Various excise duties are levied on imported and local goods, such as tobacco, vinegar, alcohol, and petroleum products. The rates are specific and generally are assessed on a per litre or per kilogram basis.

Eswatini is a participant in the recently introduced African Continental Free Trade Area. The African Continental Free Trade Agreement came into effect as of 1 January 2021. The aim of the Agreement is to reduce trade associated costs and enable Africa to integrate into global supply chains, and as such the regulations of the Agreement have to be adhered to when trading.

Other Taxes

Capital duty
There are no taxes on capital in Eswatini.

Stamp duty
Stamp duty is payable on various documents.

Transfer tax
The transfer of immovable property is subject to transfer tax ranging from 2% to 6%.

Tax Administration and Compliance

The Eswatini Revenue Authority (SRA) administers tax.

Companies

1. Tax year – The year of assessment is the 12-month period ending on 30 June, although permission may be obtained to have a different year end.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Companies are required to file an income tax return no later than 31 October annually. Tax returns for companies that have an approved financial year end other than 30 June are due 120 days after the relevant year end.
4. Penalties – Late filing or failure to file a tax return will attract a penalty of 20% of the tax payable or SZL20 per day in the case of a loss.
5. Rulings – The Commissioner may issue a ruling upon application by a taxpayer to confirm a tax position taken.

Individuals

1. Tax year – The year of assessment is the 12-month period ending on 30 June.
2. Tax filing – Each taxpayer must file a return. Spouses are not permitted to file joint returns.
3. Filing and payment – Individuals must submit their annual income tax returns by 31 October. An extension may be granted upon application to the SRA. The employer withholds tax on salaried income under the PAYE system.
4. Penalties – Late filing or failure to file a tax return will attract a penalty of 20% of the tax payable or SZL20 per day in the case of a loss.

VAT

1. Filing and payment – The VAT return and payment for each VAT period must be submitted and made within 20 days of the end of the VAT period.
2. For e-tax registered taxpayers, the VAT return and payment is due within 27 days after the end of the tax period.
3. Reverse charge – The VAT system provides for a reverse charge mechanism for services imported from foreign suppliers. Under the reverse charge, the Eswatini purchaser must calculate the VAT and remit the tax to the SRA within 30 days of the invoice date.
4. Penalties – Failure to submit a VAT payment is an offence and additional tax at 2% per month will be payable. In some cases, the taxpayer may be liable to fines or imprisonment, or both.

Investment Incentives

The Eswatini Investment Promotion Authority (EIPA) is responsible for attracting and promoting foreign direct investment. EIPA's services include identifying and disseminating investment and trade opportunities, providing investor facilitation and aftercare services, undertaking research and policy analysis, providing a one-stop-information and support facility for business, and promoting local trade and exports.

Tax incentives
The following capital allowances are available:

- Plant and machinery used in a manufacturing process or a hotel business: A 50% initial allowance in the first year of use
- Buildings constructed to house manufacturing plant may qualify for a 50% allowance in the first year
- Hotel construction and improvement allowance: 50% of the cost of construction of a new hotel or enhancements to an existing hotel is deductible in the year the costs are incurred, and a 4% annual allowance is available
- Transmission equipment, lines, and pipes used for infrastructural services: A 50% initial allowance in the first year of use.

Export promotion expenditure is deductible as follows:
- 133% deduction of 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 of approved export promotion expenditure incurred during the year preceding the year of assessment by an approved trading house.

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 from farming operations. Any remaining amount may be carried forward.

Special Economic Zones (SEZ)
Eswatini has established two SEZs under the Special Economic Zones Act, 2018, i.e., the Royal Science and Technology Park (RSTP) and King Mswati III International Airport. An approved investor is entitled to the following SEZ incentives:
- Exemption from corporate income tax for an initial period of 20 years, with a reduced rate of 5% thereafter
- Remission of customs duty and VAT payable on goods purchased for use as raw materials, equipment, and machinery (including all goods and services related to manufacturing in the SEZ).

Exchange Controls
Eswatini is a member of the Common Monetary Area (CMA) with Lesotho, Namibia, and South Africa. In broad terms, the CMA constitutes a single exchange control area. As a member of the CMA, monetary developments in Eswatini reflect the monetary policy pursued and implemented by the South African Reserve Bank. There are no restrictions on inbound investment by foreigners and profits may be fully repatriated. There are certain restrictions on outbound investment by residents.

The Central Bank of Eswatini administers the exchange control regulations in cooperation with authorised dealers. Generally, prior approval is required for all foreign loans and shareholdings.

Expatriates and Work Permits
Subject to meeting certain criteria, work permits may be granted to investors and skilled personnel.

Trade Relations
Memberships
- South African Customs Union (SACU)
- South African Development Community (SADC)
- World Trade Organization (WTO)
- World Customs Organization (WCO)
- Common Market for Eastern and Southern Africa
- African, Caribbean and Pacific Group of States (ACP)
- African Continental Free Trade Area (AfCFTA)

Eswatini has bilateral investment protection agreements with Egypt, Germany, Taiwan, Mauritius and the UK.

Key Economic Information

Currency (symbol/code)
Swazi lilangeni (E or L/SZL)

Exchange rate	
US$1	SZL14.30
EUR1	SZL17.21

Source: IRESS, 2021.

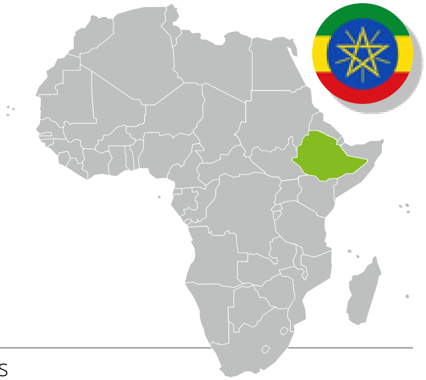
2021 forecast	2022 forecast
Nominal GDP	
US$10.42 billion	US$10.75 billion
Real GDP growth	
1.42%	0.89%
Average inflation	
4.55%	

Source: IMF WEO DATABASE, April 2021.

Central Bank Rate
3.75%

Source: Central Bank of Eswatini, 2021.

Market capitalisation as at April 2021
No stock exchange value.



Ethiopia

Contacts

Fredrick Omondi
fomondi@deloitte.co.ke
+254 719 039 318

Tewodros Sisay
tsisay@deloitte.co.ke
+254 719 039 357

Maurice Lugongo
mlugongo@deloitte.co.ke
+254 719 039 464

Income Tax – Individuals

Ethiopian income tax is divided into five schedules.

Schedule A – Employment income

Taxable income (ETB)	Rate	Deduction (ETB)
0 – 600	0%	0
601 – 1,650	10%	60
1,651 – 3,200	15%	142.50
3,201 – 5,250	20%	302.50
5,251 – 7,800	25%	565
7,801 – 10,900	30%	955
Over 10,900	35%	1,500

Notes

1. Basis – Income tax in Ethiopia is based on source and residence. Ethiopian residents are subject to tax on worldwide income. Non-residents are subject to tax only on Ethiopian-source income.
2. Residence – An individual who lives in Ethiopia for more than 183 days during a 12-month period, whether continuously or intermittently, is considered resident for the entire tax period.
3. Taxable income – Any income generated is taxable unless it is specifically exempt. Employment income (including fringe benefits) is taxable, as is income earned from a business and investments.
4. Exempt employment income (Schedule E see below) – The following income is exempt:
   - Employment income up to ETB600
   - Pension contributions to the extent exempt from tax under the Public Servants Pension Proclamation or the Private Organization Employees' Pension Proclamation
   - Employer contributions to retirement benefits up to a maximum of 15% of an individual's monthly salary
   - Amounts paid by employers to cover the actual costs of medical treatment, hardship and other allowances
   - Transport allowances of up to the lower of ETB2,200 or 25% of the basic salary per month
   - Local per diem (daily subsistence allowance) for field work up to ETB500 or 4% of the basic salary per day, whichever is higher.

Schedule B – Rental income

Rental income derived from the leasing of buildings by Ethiopian residents is taxed at rates up to 35%. Amounts attributable to furniture and equipment where premises are let furnished fall within the scope of the tax. For individuals, the rates are progressive up to a maximum of 35%, while a flat rate of 30% applies for companies.

Schedule C – Business income

Unincorporated businesses and sole traders are taxed as follows:

Taxable business income (ETB)	Rate	Deduction (ETB)
0 – 7,200	0%	0
7,201 – 19,800	10%	720
19,801 – 38,400	15%	1,710
38,401 – 63,000	20%	3,625
63,001 – 93,600	25%	6,780
93,601 – 130,800	30%	11,460
Over 130,800	35%	18,000

Notes

1. Basis – Resident businesses and sole traders are taxed on worldwide income; non-residents are taxed only on Ethiopia-source income.
2. Residence – A sole trader is considered resident in Ethiopia under the same rules that apply to individuals.
3. Taxable income – Tax under Schedule C is imposed on the net profits from entrepreneurial activities. Rental income is assessed under Schedule B.
4. Deductions – Various deductions may be taken in determining taxable income, including:
   - Expenditure necessarily incurred by the taxpayer during the year in deriving, securing and maintaining amounts included in business income
   - Cost of trading stock disposed of by the taxpayer during the year
   - Total amount by which depreciable assets and business intangibles of the taxpayer have declined in value during the year from use in deriving business income, using the method specified in the annual "income tax proclamation"
   - Losses incurred on the disposal of business assets (other than trading stock) disposed of by the taxpayer during the year
   - Any other deductible amounts as specified in the annual income tax proclamation.
5. Losses – Losses incurred during a tax year may be carried forward to the following year and deducted in computing taxable income for that year. If the taxpayer is unable to fully deduct a loss in the following year, the taxpayer must carry the amount not deducted forward to the next year and apply the amount as specified above until the loss is fully deducted. However, losses may not be carried forward for more than five tax years after the end of year in which the loss was incurred. If a loss has been incurred for two years and each loss has been carried forward to the following year and a deduction allowed, the taxpayer may not carry forward any further losses. Losses may be carried back only by taxpayers engaged in long-term contracts that incur a loss in the final year of a contract that they otherwise could carry forward but are unable to do so as they are ceasing to carry on business in Ethiopia at the end of the contract. In such circumstances, the taxpayer may carry the loss back to offset profits of the preceding tax year. If the loss cannot be fully offset in the prior year, the unrelieved amount may be carried back to the next preceding tax year. There is no provision for loss carryback for other businesses.
6. Foreign tax credit – If a resident taxpayer has foreign taxable income in respect of which the resident has paid foreign income tax, the taxpayer will be entitled to a tax credit equal to the lesser of the foreign income tax paid or the tax payable in Ethiopia on the foreign income.
7. Rate – The business income tax rate ranges from 10% to 35% for unincorporated businesses and sole traders. Capital gains on immovable property are subject to tax at 15% and 30% for gains from the sale of shares and bonds.

Schedule D – Other income – Income of non-residents

Notes

1. A non-resident that derives Ethiopian-source dividends, interest, royalties, management fees, or insurance premiums is liable for non-resident tax at the following rates:
   - 5% of the gross amount of a royalty or an insurance premium
   - 10% of the gross amount of dividends or interest
   - 15% of the gross amount of management or technical fees.
2. However, if the above income is attributable to a business carried on by the non-resident through a permanent establishment in Ethiopia, the amount will be taxable under Schedule C or D, as applicable.

Schedule E – Exempt income

Exempt income refers to income earned or received that is exempt from income tax and includes the following:

- Subject to the limits set forth in a directive to be issued by the Minister of Finance with respect to the following benefits provided to an employee:
  - Amounts paid by an employer to cover the actual cost of medical treatment of an employee
  - Allowances in lieu of a means of transportation granted under an employment contract
  - Hardship allowance in areas qualifying for such payments
  - Transport expenses and per diem payments to an employee travelling on a tour of duty
  - Certain travel expenses paid to an employee
  - Food and beverages provided free of charge to an employee by an employer in the mining, manufacturing or agricultural sector
- Allowances paid by the government to employees engaged in public service in a foreign country
- Allowances paid to members and secretaries of boards of public enterprises, public bodies, or study groups established by the federal or state government or city administration
- Contributions by an employer to a pension, provident, or other retirement fund for the benefit of an employee provided the monthly total of contributions does not exceed 15% of the employee's monthly employment income
- A pension to the extent exempt from tax under the public servants' pension proclamation or the Private Organization Employees' Pension Proclamation
- Amounts derived by the federal, state, or local government or the national bank of Ethiopia from activities that are incidental to official operations
- Amounts exempt from tax under an international agreement
- Amounts exempt from tax under a provision (referred to as an "exemption provision") in an agreement entered into by the government when certain conditions are satisfied
- Compensation for personal injury or death of another person
- Certain scholarships
- Maintenance or child support payments
- Income of non-profit organisation other than business income that is not directly related to the core function of the organisation
- Payments made by contractors engaged in petroleum operations to their subcontractors.

Income Tax – Companies

Companies	Rate
Standard corporate tax rate (Non-mining companies)	30%
Large scale mining companies tax rate	25%

Notes

1. Basis – Resident companies are taxed on worldwide income; non-residents are taxed only on Ethiopia-source income.
2. Residence – A company is resident if it is registered according to Ethiopia's law on commercial registration and its effective management is in Ethiopia.
3. Taxable income – Tax under Schedule C is imposed on the net profits from entrepreneurial activities. Taxable business income is determined per tax period based on the profit and loss account or income statement, which must be drawn up in compliance with International Financial Reporting Standards (IFRS) or IFRS for small and medium-sized entities, as applicable. Rental income is assessed under Schedule B. Capital gains from the alienation of business capital assets are taxed at the normal corporate tax rate. However, gains derived from the transfer (i.e., sale or gift) of a building held for commercial purposes are taxable at a rate of 15%. Gains arising from the transfer of shares are taxed at 30%.
4. Deductions – Various deductions may be taken in determining taxable income, including:
   - Expenditure necessarily incurred by the taxpayer during the year in deriving, securing and maintaining amounts included in business income
   - Cost of trading stock disposed of by the taxpayer during the year
   - Total amount by which depreciable assets and business intangibles of the taxpayer have declined in value during the year from use in deriving business income using the method specified in the annual income tax proclamation
   - Losses incurred on the disposal of business assets (other than trading stock) disposed of by the taxpayer during the year
   - Any other allowable deductible expenditure.
5. Losses – Losses may be carried for two years but a loss may not be carried forward for more than five tax years after the end of the year in which ordinary business losses have incurred. Capital losses may be carried forward indefinitely and offset against capital gains of the same class. Losses may be carried back only by taxpayers engaged in long-term contracts who incur a loss in the final year of a contract that they otherwise could carry forward but are unable to do so as they are ceasing to carry on business in Ethiopia at the end of the contract. In such circumstances, the taxpayer may carry the loss back to offset profits of the preceding tax year. If the loss cannot be fully offset in the prior year, the unrelieved amount may be carried back to the next preceding tax year. There is no provision for loss carryback for other businesses.
6. Foreign tax credit – If a resident taxpayer has foreign taxable income, in respect of which the resident has paid foreign income tax, the taxpayer will be entitled to a tax credit equal to the lesser of the foreign income tax paid or the tax payable in Ethiopia in respect of the foreign income.
7. Group relief – There are no provisions allowing for group relief or the transfer of losses between members of a group.
8. Rate – The corporate income tax rate is 30% for non-mining companies and 25% for mining companies. Capital gains on immovable property are subject to tax at 15%; the rate is 30% for gains from the sale of shares and bonds. A 30% rate applies to rental income assessed under Schedule B.

Withholding Tax (WHT)

The WHT rates on various types of payment are as follows:

Payment	Residents	Non-residents
Dividends	10%	10%
Interest on deposits	5%	10%
Royalties	5%	5%
Technical or management service fees	2%	15%/10% for Mining

Notes

1. Dividends – The WHT is a final tax for residents. For dividends paid to non-residents, the tax may be reduced or eliminated by a relevant tax treaty.
2. Royalties – The WHT is a final tax for residents. For royalties paid to non-residents, the tax may be reduced or eliminated under a relevant tax treaty.
3. Technical service fees are fees for "any kind of expert advice or technological service rendered". The tax withheld is treated as a payment of advance profit tax for residents. For non-residents, the tax may be reduced or eliminated by a relevant tax treaty.

Tax Treaties

WHT rates may be reduced under the following tax treaties that have been concluded by Ethiopia:

Country	Dividends	Interest	Royalties
China (PRC)	5%	7%	5%
Cyprus	5%	5%	5%
Czech Republic	10%	10%	10%
Egypt	5%/10%[1]	10%	10%
France	10%	5%	7.5%
India	7.5%	10%	10%
Ireland	5%	5%	5%
Israel	5%/10%	5%/10%[2]	5%
Italy	10%	10%	20%
Kuwait	5%	5%	30%
Morocco	5%/10%	10%	10%
Mozambique	10%	10%	10%
Netherlands	5%/10%[3]	5%	5%
Poland	10%	10%	10%
Portugal	5%/10%	10%	5%
Romania	10%	15%	15%
Saudi Arabia	5%	5%	7.5%
Seychelles	5%	5%	5%
Singapore	5%	5%	5%
Slovakia	5%/10%[3]	5%	5%
South Africa	10%	8%	20%
South Korea	5%/8%[1]	7.5%	5%
Tunisia	5%	10%	5%
Turkey	10%	10%	10%
United Kingdom	10%	5%	7.5%

Notes

1. The lower rate applies where shareholding is at least 25%.
2. The 5% rate applies to interest on bank loans; otherwise, the rate is 10%.
3. The lower rate applies where shareholding is at least 10%.

Anti-avoidance Rules

Transfer pricing

Transfer pricing legislation regulates cross-border transactions involving goods or services between related parties. The rules allow the Ministry of Revenue to disallow certain expenditure or adjust income if the contract price is less or more than the arm's length price.

Thin capitalisation

If a foreign-controlled resident company, other than a financial institution, has an average debt to average equity ratio in excess of 2:1 for a tax year, no deduction is allowed for interest paid by the company during that year on the portion of the loan that exceeds the threshold.

Controlled foreign resident company (CFRC)

A CFRC is a resident company in which more than 50% of the membership interests in the company are held by a non-resident either or together with a related person or persons. The effect of being a CFRC is on the applicability of tax treaty rates.

Employment-related Taxes

Social security

The employer must contribute to the social security scheme on behalf of the employee at a rate of 11% of basic salary. The employee's contribution is 7%.

Indirect Taxes

Value-added tax (VAT)

Standard rate	15%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services in Ethiopia, and on imports. Non-business organisations are exempt from charging VAT on services but are not exempt from paying VAT on services or goods purchased unless exempted by a relevant bilateral agreement.
2. Rates – The standard VAT rate is 15%. Exports of goods and services are zero-rated.
3. Registration – A person that carries on taxable activity and is not registered for VAT is required to apply to the tax authorities for VAT registration if: at the end of any period of 12 calendar months the person made, during that period, taxable transactions with an aggregate value exceeding ETB1 million, 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 ETB1 million.

Turnover tax

Turnover tax is levied at a rate of 2% on goods sold locally and contractor services, and 10% in all other cases.

Customs and import duties

Ethiopia is a member of the Customs Cooperation Council.

Ethiopia has reduced customs duties on a wide range of imports and duties are levied at rates ranging from 0% to 35%. Rates on "category one goods" (e.g., raw materials, semi-finished goods, producers' goods, and items imported for public use such as minibuses, buses, etc.) range from 0% to 10%. The rates are 20% to 35% for "category two" goods (consumer or finished goods imported for personal use or for a non-productive purpose). Visitors may import items up to a specified value duty-free. Excise tax applies on a variety of goods.

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

Other Taxes

Stamp duty

The following instruments are subject to stamp duty:

- Memoranda and articles of association of a business organisation, cooperative or any other form of association
- Awards, bonds, and warehouse bonds
- Contracts, agreements, and memoranda
- Security deeds
- Collective agreements
- Contracts of employment
- Leases, including sub-leases and transfers of similar rights
- Notarial acts
- Powers of attorney
- Documents of title to property.

Land use tax

The regional states have their own land use rent systems, with rates depending on the region.

Tax Administration and Compliance

Tax is administered in Ethiopia by the Ministry of Revenue.

Corporations

1. Tax year – The taxable period is the accounting period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – The tax return must be filed within four months after the end of the accounting period.
4. Penalties – Penalties are imposed for late filing, failure to file, or understating income. Penalties range from administration penalties, such as financial fines to criminal penalties, such as imprisonment. Administrative penalties include the sale or seizure of a taxpayer's property. Criminal penalties include imprisonment and fines.
5. Rulings – There is no provision for advance rulings under Ethiopian tax legislation.

Individuals

1. Tax year – The tax year runs from 8 July to 7 July of the following year.
2. Tax filing – Each taxpayer must file a return. Spouses are not permitted to file joint returns.
3. Filing and payment – A Pay-As-You-Earn (PAYE) system is used for employment income, under which the employer withholds tax on the individual's wages. An individual is required to file within the month following the transaction, if he/she derives any other income from employment.
4. Penalties – Penalties are imposed for late filing, failure to file, or understating income. Penalties for failure to pay tax may take the form of administrative penalties, including the sale or seizure of the taxpayer's property to pay the tax due or criminal penalties, including imprisonment and a fine.

VAT

1. Filing and payment – VAT returns must be filed and tax due paid monthly for businesses having annual revenue of ETB70 million and above, for others the filing is made on a quarterly basis.
2. Penalties – Penalties are imposed for failure to register for VAT, issuance of tax invoices when not registered, issuance of incorrect tax invoices, and failure to issue an invoice. Penalties range from administration penalties, such as financial fines to criminal penalties, such as imprisonment.

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 import of capital goods (except computers and vehicles), opens the real estate sector to foreign investors, extends the relief for losses carried forward, and gives priority to investors for the leasing of land.

Certain sectors are reserved for domestic investors (e.g. media service,retail and wholesale trade (except electronic commerce), 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, and there are no discriminatory or onerous visa, residence, or work permit requirements applicable to foreign investors.

Tax incentives

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

- Exemption from customs duties for certain eligible investors
- Income tax holidays
- Duty draw-back schemes
- Voucher schemes
- Bonded manufacturing warehouse schemes.

Export incentives
Export incentives are available, including facilitation of access to working capital finance.

Exchange Controls

Foreigners are required to open accounts denominated in Ethiopian Birr (ETB) with one of the commercial banks or authorised dealers or with special permission from the National Bank of Ethiopia. Credits to the accounts can be made only with foreign exchange receipts from abroad or checks from other similar accounts. Credits between two locally based accounts are not permitted. Checks from Ethiopian nationals, ETBcash, and funds from a locally paid working spouse may not be deposited without approval from the National Bank. International personnel may make payments for rent, air tickets, school fees, and purchases from duty-free shops using a cheque or cash.

Foreigners may remit limited funds abroad from their earnings deposited in local accounts after the deduction of what is considered a reasonable amount for local living expenses. Such situations are considered on a case-by-case basis. Foreign currency may be drawn upon presentation of a confirmed air ticket for international travel. Upon final departure from Ethiopia, the balance in the account may be converted into foreign currency if the individual can present evidence to the National Bank as to how the remaining funds were acquired.

Currency import and export regulations
Foreign currency exceeding the equivalent of US$3,000 must be declared to customs upon arrival in Ethiopia. The exchange of foreign currency is permitted only via authorised banks.

Expatriates and Work Permits

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

The eligibility criteria for obtaining a work permit are set by the Ministry of Labour and Social Affairs. The requirements may differ depending on the type of organisation that intends to hire the expatriate employee or depending on the type of permit sought (i.e. a new work permit, renewal of an existing permit or clearance for a permit). The hiring organisation must comply with all requirements, a recommendation letter must be obtained from all relevant government departments based on the type of work for which the work permit is requested and documentary evidence of educational qualifications and work experience must be submitted.

The Ministry of Labour and Social Affairs may issue a work permit for expatriates working for a foreign investor upon submission of an investment permit.

Trade Relations

Memberships
- African Development Bank Group (AfDB)
- African Union
- Common Market for Eastern and Southern Africa (COMESA)
- Group of 24 (G24)
- Group of 77 (G77)
- African, Caribbean and Pacific Group of States (ACP)
- World Trade Organization (WTO) (observer)
- International Monetary Fund (IMF)
- United Nations (UN) various memberships
- World Federation of Trade Unions (WFTU)
- World Customs Organization (WCO)

Ethiopia has signed several bilateral and multilateral treaties to enhance economic cooperation and facilitate trade.

Key Economic Information

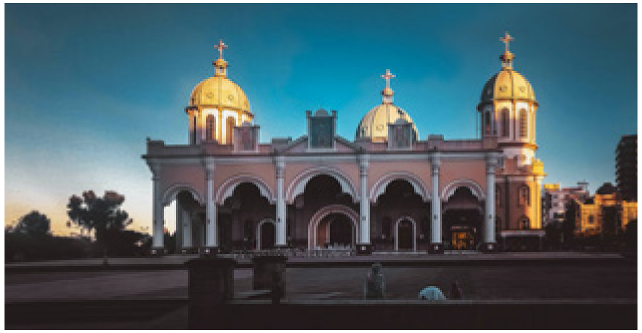
Currency (symbol/code)
Ethiopian birr (Br or ብር/ETB)

Exchange rate	
US$1	ETB41.80
EUR1	ETB50.69
Source: IRESS, 2021.	

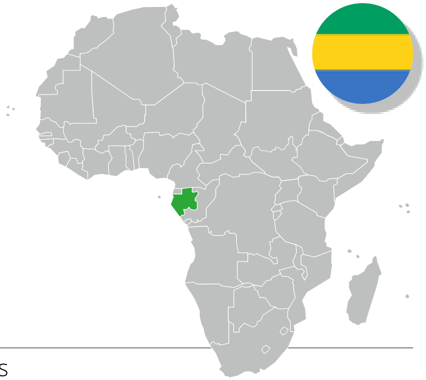
2021 forecast	2022 forecast
Nominal GDP	
US$293.49 billion	US$326.16 billion
Real GDP growth	
1.99%	8.68%
Average inflation	
13.13%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
8%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
Ethiopia does not have a stock exchange.



Ethiopia



Gabon

Income Tax – Individuals

Taxable income (XAF)	Rate
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%
5,160,001 – 7,500,000	25%
7,500,001 – 11,000,000	30%
Over 11,000,000	35%

Notes

1. Basis – Residents are taxed on worldwide net income. Non-residents are taxed only on Gabon-source income.
2. Residence – Individuals having their usual abode or spending at least six months in Gabon are considered resident. An individual normally is considered to have his/her usual abode 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. Exempt income – Capital gains realised on sales of certain real estate properties (including the main residence of the taxpayer) are no longer exempt. Capital gains on share disposals can be exempt, subject to conditions.
5. Deductions and allowances – Deductions and allowances are available mainly based on family situations and include alimony, pension contributions (subject to limits), etc.
6. Rates – The individual tax rates on ordinary income are progressive and range from 0% to 35% for both residents and non-residents. Taxable capital gains derived from the sale of securities are taxed at 20%.
7. Complementary tax on salaries (TCS) – see below under "Payroll tax".
8. The amending finance bill for 2020 introduced a dedicated regime for stock option allocation plans (whether granted for free or at a discount).

Contacts

Angela Adibet
aadibet@deloitte.ga
+241 01 72 32 31

Nicolas Balesme
nbalesme@deloitte.ga
+241 01 72 32 31

Income Tax – Companies

	Rate
Standard corporate rate	30%
Companies in oil and mining sectors	35%
Public businesses, associations, non-profit organisations, certain real estate companies, authorised companies in the tourism sector, companies holding intellectual property, and the Gabonese Bank of Development	25%

Notes

1. Basis – Gabon operates 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.
2. Residence – A corporation is resident if it is registered as a Gabonese company and is incorporated in Gabon or if its place of effective management is located in Gabon.
3. Taxable income – Corporation tax is assessed on income earned by businesses on operations or activities carried out in Gabon, subject to the application of an applicable tax treaty. The taxable income of both resident and non-resident companies is the net income earned during the taxable period, including capital gains from the disposal of assets. Taxable income also includes capital gains derived from the disposal of shares in companies whose assets mostly consist of shares held directly or indirectly in a company incorporated in Gabon, the latter being responsible for the collection and payment of the corresponding taxes within one month from the share disposal (capital gains and 3% registration duty). However, capital gains on the disposal of a fixed asset in the course of trading are excluded from income for three years if the taxpayer records the gains in a special account and reinvests them in new fixed assets during this period. Capital gains resulting from mergers, split-offs, or partial transfers of assets also are excluded, subject to certain conditions. A corporate income tax regime dedicated to private equity firms was introduced in 2021 (limited to certain income and gains, or of general application but temporary in the case of investment in specific sectors). Dividends are subject to tax under the rules for withholding tax (WHT), see below.
4. Deductions – Expenses are deductible unless specifically prohibited under the General Tax Code, e.g., due to lack of documentation, the nature of the expenses, or where a specific threshold is exceeded. In particular, the deduction of rental expenses in relation to movable assets owned by a stakeholder holding directly or indirectly at least 10% of the shares of the tenant is disallowed for tax purposes, as well as expenses related to technical assistance and IP royalties exceeding 5% of the taxable result (before those expenses are taken into account). Additionally, various tax provisions have been introduced in order to align the tax practice with the revised SYSCOHADA GAAP.
5. Losses – Tax losses may be carried forward for up to five years but may not be carried back.
6. Foreign tax credit – A foreign tax credit may be obtained only for tax paid to jurisdictions that have concluded a tax treaty with Gabon (except where the special group tax regime applies) and, in the case of foreign tax withheld from dividends received from a non-resident, only if the relevant treaty provides for such a credit.
7. Group relief – A special group tax regime applies to Gabon residents holding companies that own directly or indirectly participations of at least 50% of the share capital of other resident or non-resident companies. The ownership requirement is deemed to be met where the company holds directly or indirectly the majority of the voting rights or 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 financial, technical, accounting, legal, management, information technology, human resources, marketing, research and development, and other services. A holding company whose sole purpose is to hold shares in its subsidiaries is not qualified to participate in the special group tax regime. The following benefits apply under the regime:
   - Head office expenses and technical assistance fees paid between group companies are deductible, subject to a prior agreement with the tax authorities
   - Interest on loans with group members is deductible, but the interest rate may not exceed the Central Bank (BEAC) rate increased by two percentage points
   - Rental payments between group members for movable assets are deductible
   - Capital gains on the transfer of assets between group member companies are subject to a final 20% tax
   - An exemption from the 20% WHT is granted on interest, royalties, fees, and payments for services made to non-resident group member companies
   - A tax sparing credit is granted on income from movable capital (e.g. dividends) received from foreign sources that has been subject to similar taxation in the source country, even in the absence of a relevant tax treaty. The credit may be carried forward for two years
   - A 5% WHT applies on dividends paid by a Gabonese member company to another group member company, and a 10% WHT applies on dividend payments made by the holding company to its shareholders.
8. Rate – The standard corporate tax rate is 30%. A 35% rate applies to oil and mining companies and a 25% rate applies to public businesses, associations, non-profit organisations, certain real estate companies, authorised companies in the tourism sector, companies holding intellectual property and the Gabonese Bank of Development. Capital gains are taxed as ordinary business income.
9. Branch taxation – Branches of foreign companies are subject to a 20% tax on earnings (10% if the foreign company is located in a country that has concluded a tax treaty with Gabon), in addition to the corporate income tax, unless otherwise provided under an applicable tax treaty.
10. Alternative minimum tax – Companies are subject to a minimum tax of 1% of adjusted global gross turnover or corporate income tax of not less than XAF1 million, whichever is higher. Newly incorporated companies usually are exempt from the minimum 1% tax and the minimum corporate income tax during their first two financial years, irrespective of their sector of activities.

Withholding Tax (WHT)

The rates of WHT on various types of payments are as follows: (the tax is a final tax except for the WHT on technical service fees provided by resident and the rate may be reduced under an applicable tax treaty):

Payments	Residents	Non-residents
Dividends	10%/20%	10%/20%
Interest	20%	20%
Royalties	-	20%
Technical service fees	9.5%	20%

Notes

1. Dividends – A 20% rate applies to dividends paid to shareholders. However, under the "parent-subsidiary regime," a 10% rate applies to dividends paid to corporate shareholders that are resident in Gabon or another Central African Economic and Monetary Community (CEMAC) state (i.e., the Central African Economic and Monetary Community, comprised of Cameroon, the Central African Republic, Chad, Congo (Brazzaville), Equatorial Guinea, and Gabon) where:
   - The shareholder holds at least 25% of the shares of the payer
   - The head offices of the shareholder and the payer are in Gabon or another CEMAC state and
   - The shares remain registered in the name of the shareholder for at least two consecutive years.
2. Interest – Interest paid by a Gabonese company to a non-resident entity is subject to a 20% WHT 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 20% WHT.

Gabon

4. Technical service fees – Technical service fees paid by a Gabonese company to a resident entity that is subject to corporate income tax but not to value-added tax (VAT) are subject to a 9.5% WHT. Technical service fees paid by a Gabonese company to a non-resident entity are subject to a 20% WHT. If the technical services performed by a resident or non-resident entity are used in Gabon, the fees also are subject to an 18% VAT.

Tax Treaties

Gabon has four bilateral tax treaties in force:

Country	Dividends	Interest	Royalties/Technical service fees
Belgium	18%	15%	10%
Canada	15%	10%	10%
France	15%	10%	10%
Morocco	15%	10%	10%

Anti-avoidance Rules

Transfer pricing

Transactions with non-resident related parties or with related or unrelated parties established in a low-tax or a non-cooperative jurisdiction that are not on arm's length terms are considered "abnormal acts of management" and are subject to adjustment by the tax authorities. Abnormal acts of management include payments of expenses and any other form of advantage granted without equivalent compensation. Transfer pricing documentation requirements apply that include the preparation of a "local file" and a "master file," which must be submitted to the tax authorities on or before the deadline for filing the corporate income tax return for the reporting year (i.e. by 30 April of the year following the reporting year).

Penalties apply for failure to comply with the documentation requirements and include an amount equal to 5% of the company's total intragroup transactions, with a minimum fine of XAF65 million per fiscal year.

Thin capitalisation rules

Under Gabon's thin capitalisation rules, interest expense paid to a related party that exceeds the highest of the following amounts will be non-deductible:

- The interest expense calculated on the average amount of related party debt for the period, limited to 1.5 times the company's equity (at the opening or closing of the fiscal year)
- The amount of interest income from related parties and
- 25% of the company's adjusted recurring income before taxes.

Disallowed interest may be deducted in subsequent years, subject to conditions, but the disallowed amount is reduced by 10% each year.

Interest relating to a debt guaranteed by a related party is considered related party interest. Interest paid to a related party located in a low-tax or a non-cooperative jurisdiction is non-deductible.

Other restrictions to the tax deductibility of interest may also apply and have been strengthened in 2020 (especially interest due directly or indirectly to stakeholders).

Employment-related Taxes

Payroll tax

Personal income tax due by an employee on salary and other employment income must be withheld by the employer at the applicable progressive rates and remitted to the tax authorities within the first 15 days of the month following the date the salary was paid. The employer also must withhold an additional tax, the complementary tax on salaries, at a rate of 5% (on monthly salary income exceeding XAF150,000) and remit this amount by the same deadline.

Social security

Social security contributions are payable by both the employer and the employee (with the employee's contribution withheld from salary payments by the employer). The contribution amounts are as follows:

- Contributions to the National Fund for Social Security (CNSS) are payable at a rate of 2.5% for the employee and 16% for the employer, with an annual upper limit of XAF18 million, including benefits in kind and excluding reimbursements of expenses and allowances
- Contributions to the National Fund for Health (CNAMGS) are payable at a rate of 2% for the employee and 4.1% for the employer, with a monthly upper limit of XAF2.5 million.

The amending finance bill for 2020 introduced a lump sum payment (up to XAF2 million) for expatriates as a prerequisite for residence permit requests.

Professional training tax (PTT)

PTT is imposed on the gross monthly remuneration of each employee, subject to certain limits, at a rate of 0.5%. The PTT is levied monthly by the employer and paid to the Gabonese budget by the 15th day of the month following the salary payment.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods and services in Gabon and on the import of goods or services.
2. Rates – 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 5% rate applies to cement, and a 0% rate applies to qualifying exports that have been properly declared to customs and international carriages.
3. Registration – Taxpayers with annual revenue below XAF60 million fall outside the scope of VAT and cannot register.

Solidarity special contribution (SSC)

Rate	1%

Notes

1. Taxable transactions – SSC is levied on the supply of goods and services used in Gabon and on the import of goods.
2. Rates – The rate is 1%.
3. Registration – Taxpayers with annual revenue under XAF30 million are not subject to the SSC. A foreign service provider without a permanent establishment in Gabon must designate a solvent accredited representative resident in Gabon who will be jointly and severally liable for the SSC payment.

Customs and excise duties

As a member of CEMAC, merchandise entering Gabon and any other CEMAC territory is subject to import duties under the customs tariff laws. A standard regime, as well as exemption, temporary admission, and reduced tax regimes, apply.

Merchandise entering Gabon also is subject to the community tax of integration (CCI) regime at a rate of 0.4% and to the OHADA withholding duty at a rate of 0.05% of the customs value of the imported merchandise. In addition, a 0.2% African Union Tax is levied on goods imported into Gabon from outside the union, computed on the same basis.

Excise duty mainly applies to luxury goods, alcohol, and telecommunications.

Other Taxes

AGEOS royalty

All beneficiaries of wood, mining, agricultural, or hydrocarbon exploitation rights are required to provide the Geo-space Agency with details about their permits and pay an annual royalty ranging from XAF50 to XAF300 per hectare, depending on the nature of the permit.

Inheritance/estate tax

Inheritance tax is imposed at rates that vary according to the heir's family relationship and the net amount of the inheritance (i.e. an exemption or rates ranging from 1% to 35%).

Stamp duty

Stamp duty at various rates is imposed on certain instruments, such as corporation charters, minutes of corporate meetings, and the transfer of shares and deeds. The amount of stamp duty usually is not significant.

Capital duty

A fixed or proportional duty applies to transactions that impact a company's share capital; for example, an increase of share capital by a cash contribution is subject to a fixed duty of XAF50,000, and an increase by capitalising reserves is subject to a proportional duty of 1%.

Sales of cars and other land vehicles are subject to a 2% registration duty, which should be paid before delivery of the car registration document.

Rental tax

Owners of real estate are subject to a 15% tax on rental income. An advance 5% tax must be withheld from rent paid by a Gabonese resident to a Gabonese individual, which may be offset against the personal income tax due by the individual for the same period. The tax withheld must be paid to the tax authorities by the 15th day of the month following the rental payment. The amount generally is withheld by the tenant, individual, or company, unless the tenant is an individual or if a real estate agency, real estate manager, or an "SCI" (real estate company) is involved in the payment.

Transfer tax

Transfers of shares are subject to a transfer tax equal to 3% of the sales price. A transfer of a going-concern or customers and real estate sales are subject to a 6% transfer tax (an additional 2% is payable on transfers of such assets located in Libreville, Akanda, Owendo or Port-gentil).

Miscellaneous

Various new taxes were introduced by the amending finance bill for 2020 (on cash withdrawals from banking institutions, on forestry permits subject to exploitation tenancy or being disposed of).

Tax Administration and Compliance

Tax is administered by the Direction Générale des Impôts.

Companies

1. Tax year – The tax year is the calendar year but can be shorter or longer in limited cases.
2. Consolidated returns – There is no system of group taxation in Gabon leading to consolidation. Taxable companies are taxed separately.
3. Filing and payment – Corporate tax returns normally are due by 30 April of the year following the tax year, except when the company is covered by teleprocedures. Advance payments of corporate income tax are due by 30 November of the tax year and the following 30 January.
4. Penalties – Taxpayers that file their returns late are subject to a 5% penalty and to a 10% penalty failing to file within seven days following the receipt of a notice to file from the tax authorities. Those that fail to file their tax returns within seven days following the notice are subject to automatic (estimated) taxation and a 100% penalty (150% for second and future offenses). Late payments are subject to a 10% penalty for the first month and a 3% penalty and 3% for subsequent months.
5. Rulings – Rulings are not a regular practice but may be obtained from the tax authorities in certain cases.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Married persons file a joint tax return, although a separate return may be filed in specific cases.
3. Filing and payment – The income tax return generally must be filed before 1 March of the year following the tax year. Tax on employment income withheld by the employer from the employee's salary during a month must be remitted to the tax administration by the 15th day of the following month. The tax authorities will issue a tax notice for any remaining tax to be paid within two months.
4. Penalties – Taxpayers who 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.

VAT/SSC

1. Filing and payment – VAT returns (including nil returns) and payments are due monthly by the 20th day of the following month. SSC returns must be filed monthly by the 20th day of the following month.
2. Penalties – Taxpayers that file their returns late are subject to a 5% penalty and to a 10% penalty for failure to file within seven days following receipt of a notice to file from the tax authorities. Those that fail to file their tax returns within seven days following the notice are subject to automatic (estimated) taxation and a 100% penalty (150% for second and future offenses). Late filing of a VAT return giving rise to estimated taxation results in the loss of the right to offset input VAT and carry forward VAT credits. If the declaration does not show any VAT due, the penalty is XAF100,000, and is increased to XAF200,000 per month of delay as from the issuance of a notice by the tax authorities, capped at XAF2 million. Late payments are subject to a 10% penalty for the first month and a 3% penalty every subsequent month.

Investment Incentives

General incentives

- Gabon's legal system prohibits discrimination against enterprises owned by foreigners in favour of those owned by nationals, and the expropriation or nationalisation of assets without just and equitable compensation
- Specific incentives are available for activities in some industries, such as oil, timber, cement, hardware, airport infrastructure development, regulatory "agency of posts" and telecommunications, mines and tourism, and for new businesses
- Specific tax, social, and customs regimes for economic zones (e.g., Mandji Island and Nkok) are available to promote new investment in industry, commerce and services through the establishment of new enterprises. The most significant investment incentives are a corporate tax exemption for 10 years for new companies, and VAT, WHT, property tax and import duty exemptions for 25 years
- Social incentives are offered for the recruitment of employees in certain special economic zones.

Tax incentives

- Companies in the cement production sector are eligible for a seven-year period corporate income tax exemption; a reduction of the WHT rate from the standard 20% to 10% on the distribution of dividends and interest payments; a full deduction of interest incurred for business purposes; a seven-year VAT exemption 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 corporate income tax and minimum tax exemption; a five-year WHT exemption on the distribution of dividends and interest payments; application of the declining balance depreciation method for certain equipment; and the creation of a special renewal reserve for certain equipment
- A reduced 5% customs duty rate applies on imports of personal computers, and a registration duty of 1% applies on contributions in kind upon a company's formation or an increase of share capital
- Oil subcontractors are allowed to maintain their local accounts based on the OHADA Simplified Accounting Standards

- Enterprises operating a hotel business in the tourism sector that make a new minimum investment of at least XAF300 million (taxes excluded) are exempt from corporate income tax during their first three years of business activity
- For businesses in the tourism sector in Gabon that make investments below XAF300 million (authorised by the ministries in charge of tourism and finance), corporate income tax is reduced by a tax credit equal to 50% of the amount of the investment (taxes excluded) during a five-year period
- Enterprises operating in the tourism sector are exempt from income tax during their first five years of business activity following the end of the construction period of the project. After the five-year exemption period, only 50% of the taxable profit is subject to income tax for the following five years
- Newly incorporated companies are exempt from the minimum corporate tax during their first two tax years, irrespective of their sector of activity
- Oil subcontractors are eligible for a simplified income tax regime. Companies benefiting from the simplified tax regime must operate exclusively within the framework of petroleum operations. The option for the simplified tax regime is not revocable during a two-year period, which is renewable once up to a total period of four years.

Exchange Controls

A new CEMAC foreign exchange regulation became effective on 1 March 2019, although affected parties had a six-month transition period to become compliant with the rules, so that actual application of the rules commenced on 1 September 2019 (companies operating in the mining and oil and gas sectors have until 31 December 2020 to comply with the new exchange controls regulation).

The following is a summary of the main features of the new rules:

- A prior declaration must be made for inbound direct investment, regardless of the amount of the investment (previously, a declaration was required only when the investment exceeded XAF100 million). "Inbound direct investment" means a participation of 10% or more in the share capital of a company
- Outbound direct investments generally must be approved by the Bank of Central African States (BEAC). However, approval is not required for outbound portfolio investments, the amount of which is lower than the threshold to be defined by the BEAC and to outbound direct investment in the form of a capital increase resulting from the reinvestment of retained earnings
- Loans granted to non-residents by legal CEMAC-resident entities must be authorised by the BEAC (previously authorisation was required only when the loan amount exceeded XAF100 million). However, credit institutions are free to make payments on loans granted to non-residents subject to the provision of supporting documents to the BEAC. CEMAC residents are free to contract loans from non-residents. The loan must be declared to the Ministry in charge of money and credits and to the BEAC
- Resident legal entities are prohibited from opening foreign currency accounts outside the CEMAC zone unless they receive authorisation from the BEAC. The conditions under which the authorisation is granted will be specified through an additional regulation, which has not yet been issued. Accounts held by resident individuals outside the CEMAC zone must be declared to the BEAC
- Resident legal entities and individuals are prohibited from opening foreign currency accounts within the CEMAC zone, except in case of legal entities that have received authorisation from the BEAC to do so. The conditions under which the authorisation is granted will be specified through an additional regulation which has not yet been issued
- Transfers outside the CEMAC zone must be declared in advance, except within the limit of XAF1 million per month and per economic agent. The transfer must be made through banks authorised by the BEAC to act as intermediaries
- The proceeds from the liquidation of foreign investments must be repatriated within 30 days of the liquidation through an authorised intermediary
- Penalties apply for failure to comply with the foreign exchange rules.

Expatriates and Work Permits

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

Business visa

If an individual enters Gabon to work for a period of less than 90 days, a simple business visa is sufficient. This visa is available from the nearest Gabonese Embassy in the applicant's country of residence. The process takes about five business days, and costs vary depending on the country of residence.

Work/residence permit

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

- Work authorisation application – An application for "work authorisation" must be sent to the Gabonese Ministry of Labour and Employment before the individual enters the country. This process is at the discretion of the ministry
- Entry authorisation application – Once a work authorisation is received, the applicant must apply to the department of immigration (Générale à la Documentation et l'Immigration (DGDI)) to obtain an "entry authorisation". This process takes about one month
- Residence permit application – If the applicant intends to stay in Gabon for a period that exceeds 90 days, a residence permit also is required. Applications must be sent to the DGDI. This process takes two weeks and the cost depends on the nationality of the individual.

Expatriate employees staying in Gabon for more than three months and their Gabonese employer must contribute to the CNSS and CNAMGS (see "Social security," above). The issuance of residence permits is now subject to payment of a lump sum (see above).

Trade Relations

Memberships

- Economic and Monetary Community of Central Africa (CEMAC)
- L'Union Africaine (UA)
- L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA)
- Union Douanière et Économique de l'Afrique Centrale (UDEAC)
- Union Monétaire de l'Afrique Centrale (UMAC)
- Organisation Commune Africaine et Malgache (OCAM)

Key Economic Information

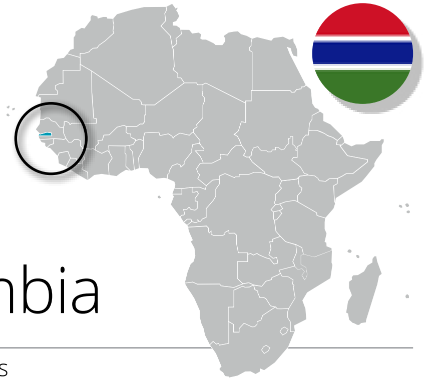
Currency (symbol/code)
Central African CFA franc (FCFA/XAF)

Exchange rate	
US$1	XAF544.16
EUR1	XAF655.96
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$34.68 billion	US$36.43 billion
Real GDP growth	
1.17%	2.72%
Average inflation	
2%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
3.25%
Source: Trading Economics, Bank of Central African States, 2021.

Market capitalisation as at April 2021
US$676.69 million
Source: Capital IQ, 2021.



The Gambia

Contacts

Aji Penda Sankareh
asankareh@dtassociatesgm.com
+220 446 5900

Janko Bass
jbass@dtassociatesgm.com
+220 446 5800

Abdoulie Gaye
agaye@dtassociatesgm.com
+220 446 5800

Yves Madre
ymadre@deloitte.fr
+243 85 999 8044

Income Tax – Individuals

Personal income tax is calculated according to a schedule provided in the General Tax Code. The Gambia has a progressive rates system and, for each bracket, the rate is applied to the corresponding part of the annual taxable income as follows:

First schedules rates on annual employment income

Bands	Income brackets (GMD)		Income in bracket (GMD)	Rates
1	0	24,000	24,000	0%
2	24,001	34,000	10,000	5%
3	34,001	44,000	10,000	10%
4	44,001	54,000	10,000	15%
5	54,001	64,000	10,000	20%
6	64,000 +			25%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax on most Gambian-source income unless otherwise provided by an applicable tax treaty.
2. Residence – An individual is resident in The Gambia if he/she has a main residence in the country or is present in The Gambia for at least 183 days in the relevant calendar year.
3. Taxable income – Employment Income, including most employment benefits, are taxed under the Pay-As-You-Earn (PAYE) system. Profits derived by an individual from carrying on a trade or profession generally also are taxed under the PAYE system.
4. Deductions and allowances – Retirement benefit contributions to approved pension funds may be deducted up to the lesser of 25% of employment income, reduced by the employer's contributions, or GMD24,000 in a tax year.
5. Rates – Individual income tax on both resident and non-residents is levied at progressive rates up to 25%. Income from immovable property generally is subject to tax at the standard tax rates. However, income from the rental of residential and commercial property is subject to tax at rates of 8% and 10%, respectively, which are final taxes. Capital gains are subject to capital gains tax (CGT, described below).
6. Foreign tax relief – Foreign-source employment income received by a resident individual is exempt from income tax if the individual has paid foreign tax on the income. However, where the foreign-source income is included in the resident individual's gross income for tax purposes, relief is granted equal to the lesser of the foreign income tax paid and The Gambia income tax payable in respect of the net foreign-source income received. If a resident has a foreign business loss for a tax year, the amount of the loss may be carried forward to the following tax year and deducted from the individual's foreign-source income. The loss may be carried forward for six years on a first-in-first-out (FIFO) basis.

Income Tax – Companies

Corporate entities in The Gambia are subject to corporate income tax. Corporate income tax is levied in two ways: advance tax paid quarterly based on revenue/turnover for the period and annual corporate income tax based on taxable profit or revenue/turnover for the tax year. Advance tax is not a final tax and is credited against the total tax liability assessed for the year.

Tax rates for resident companies

	Rate
Normal corporate income tax rate	27%
Alternative Minimum Tax	1% and 2% of gross revenue for audited and unaudited accounts, respectively

Notes

1. Basis – Resident companies are taxed on their worldwide income; non-resident companies are taxed only on their Gambian-source income.
2. Residence status – A company is resident in The Gambia in a tax year if it was incorporated or formed under the laws of The Gambia, or if management and control of the company's business are exercised in the country at any time in the tax year.
3. Taxable income – Taxable income is arrived at by adjusting the accounting profits to a taxable profit, taking into account allowable and disallowed expenses for tax purposes.
4. Deductions – Normal business expenses generally are deductible in computing taxable profit. A deduction is allowed for interest incurred in a tax year if the company used the proceeds or benefit of the debt on which the interest is payable in deriving gross income. Interest not deducted can be carried forward for six years on a FIFO basis.
5. Losses – If a company incurs a business loss in a year, the amount of the loss may be carried forward to the following year and deducted in computing the chargeable income for that year. Losses may be carried forward for six years after the tax year in which the loss is incurred.
6. Foreign tax credit – Foreign tax paid may be set off against a Gambian tax liability on the same income, but the credit is limited to the amount of Gambian tax payable on the foreign income.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The standard corporate income tax rate is 27%. Capital gains are subject to CGT (described below). Dividends and certain payments are subject to withholding tax (WHT). Commercial rental income is earned from property used for commercial use, with tax imposed on the gross amount of rent at a rate of 10%.
9. Branch taxation – Branch profits are subject to the same corporate income tax rules as apply to profits of resident companies in The Gambia. There is no branch remittance tax.
10. Alternative Minimum Income Tax – An alternative minimum income tax equal to 1% or 2% of gross revenue for audited and unaudited accounts, respectively, is payable at the end of every quarter in the calendar year or in a relevant quarter for entities with a special tax year. Alternative minimum income tax is payable by completing a prescribed form and submitting to the Gambia Revenue Authority (GRA) together with the payment on or before the 15th day following the end of a quarter (March, June, September, and December).

Withholding Tax (WHT)

An individual or entity making certain payments as listed below is required to withhold tax and remit the amount withheld to the GRA. WHT is a final tax for non-residents.

Payments	Residents	Non-residents
Dividends	0%/15%	15%
Interest	0%/15%	15%
Royalties	0%/15%	15%
Payments to contractors and subcontractors	10%	15%
Certain other payments	15%	15%

Notes

1. Dividends – Dividends paid by a company in possession of a Special Investment Certificate are exempt from WHT. Additionally, dividends distributed by a company operating within a priority sector, as provided under The Gambia Investment and Export Promotion Agency (GIEPA) Act of 2015, are exempt for five years from the date of first declaration. WHT on dividend received is a final tax for both resident and non-resident individuals.

2. Interest – Interest paid to financial institutions is exempt. This WHT is a final tax for resident individuals. However, interest earned on savings at The Gambia Postal Services Corporation is exempt from tax.
3. Royalties – Royalties paid to resident and non-resident companies and individuals are subject to WHT at a rate of 15% of the gross amount. Royalties paid to resident individuals are taxable at the standard personal tax rates—no WHT applies and revenue expenses incurred in deriving royalties are deductible.
4. Certain other payments – Management, consultancy, technical services, and public entertainment fees paid to resident and non-resident companies are subject to a final WHT at a rate of 15% on the gross amount.

Tax Treaties

The Gambia has concluded tax treaties with the following countries mainly to avoid double taxation of entities operating in the contracting states:

- China
- Norway
- Qatar
- Sweden
- Taiwan
- United Kingdom

Anti-avoidance Rules

Transfer pricing

There is no transfer pricing legislation in The Gambia, but non-arm's length transfers between associated companies may be adjusted by the Commissioner-General. In making such an adjustment, the Commissioner may take into account the geographic source and nature of the income, losses, etc.

Thin capitalisation rules

There is no thin capitalisation legislation in The Gambia.

Employment-related Taxes

Payroll tax

Salaries are subject to a wages tax under a Pay-As-You-Earn (PAYE) system. Payroll tax is imposed on employers that employ non-Gambian nationals. The annual payroll tax payable is GMD 40,000 for each non-Economic Community of West African States (ECOWAS) national and GMD10,000 for ECOWAS nationals. The tax generally is due and payable in January (but may be payable at another time, depending on when the expatriate started work in The Gambia). The tax paid is not deductible and cannot be set off against any other taxes in The Gambia.

Directors fees

Director's fees and other sitting allowances are taxed in accordance with the First Schedule of the Income and Value-added Tax Act 2012.

Social security

Employers that are members of the National Provident Fund scheme are required to make social security contributions equal to 10% of an employee's basic salary to the Social Security and Housing Finance Corporation (SSHFC, the only approved national retirement fund administrator in The Gambia). The employee must contribute 5% of his/her basic salary in addition to the contribution made by the employer.

Industrial Injuries Compensation Fund (IICF) – The employer is required to pay 1% of the employee's gross monthly earnings up to a maximum contribution of GMD15 per employee per month to the SSHFC.

Employer contributions to an approved retirement fund in respect of a resident employee are deductible for corporate income tax purposes up to a maximum of 25% of an employee's annual employment income paid by the employer.

Fringe benefits tax

Fringe benefits are taxable at a rate of 27% to the employer and not to the employee. A "fringe benefit" is defined as the provision of housing, a motor vehicle, household personal fringe benefit, loan, debt waiver, property, medical or life insurance benefits, entertainment, etc.

The following benefits are exempt: (a) a benefit provided to an employee in respect of employment if the employment income arising from the employment is exempt from income tax; (b) a benefit provided by the government to an employee; or (c) a pension contribution that is exempt from income tax.

Indirect Taxes

Value-added tax (VAT)

VAT was introduced in The Gambia in 2013.

Standard rate	15%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods or services in The Gambia, and on the import of goods or services.
2. Rates – The standard rate of VAT is 15%. Exemptions are provided for basic foods, financial services, educational services, and certain imports, etc., and a zero rate may apply to certain supplies.
3. Registration – Persons required to register for VAT purposes are those who, at the end of a 12-month period (or a shorter period), have made taxable supplies of a total value that equals or exceeds GMD2 million, or at the beginning of a 12-month period, have reasonable grounds to expect that, in that period, they will make taxable supplies of a total value that will equal or exceed GMD2 million. The GMD2 million threshold is measured by reference to annual turnover, subject to certain exclusions, e.g. turnover from the sale of capital assets or from exempt supplies. Persons whose turnover exceeds GMD1 million may register on a voluntary basis.

Customs and excise duties

Customs and excise duties apply on the import or export of certain goods.

Other Taxes

Capital Gains Tax (CGT)

Capital gains are taxable in The Gambia. CGT is levied on the disposal of capital assets by individuals or entities. However, disposal of private residences or agricultural land is exempt from CGT if certain conditions are fulfilled.

Companies

CGT is payable by a resident company on gains derived from the disposal of a capital asset at a rate of 25% of the gain or 10% of the consideration, whichever is greater. No CGT is payable if the gain is equal to or less GMD24,000. A capital asset includes land, buildings, or other structural improvements to land; plant, machinery, fixtures, or equipment; shares, securities, or other financial assets; interests in a partnership; or a right, title, or interest in any of the above assets.

Individuals

Capital gains derived from the disposal of a capital asset are subject to CGT at a rate of 15% of the gain or 5% of the consideration, whichever is greater. Capital assets include shares held in a company. The CGT rules for companies generally also apply to capital gains derived by a resident individual.

Inheritances/estate tax

There are no inheritance and gift taxes in The Gambia.

Stamp duty

Stamp duty is levied on juristic acts resulting in a flow of wealth between the parties to a legal transaction. Thus, stamp duty tax is applicable, inter alia, to acts through which transactions on real estate or financial obligations are documented. Rates vary depending on the type of transaction.

Net worth tax
There is no net worth tax in The Gambia.

Real estate tax
There is no specific tax regime on real estate businesses in The Gambia. Income from such a business is taxed in the same way as a corporate entity.

Residential rent tax
Tax is imposed on a person that has taxable rental income in a tax year, at a rate of 8% or 10%, depending on whether the income is derived from the renting of residential or commercial property.

Environmental tax
Environmental tax has been eliminated effective 1 January 2021.

National educational levy
A National Education Levy is charged at a rate of 0.75% of annual gross revenue up to a maximum of GMD100,000.

Business registration renewal payment
An annual business renewal payment of GMD500 for individual sole traders and GMD1,000 for partnership/ companies must be made by all businesses at the start of each calendar year.

Currency translation
Amounts taken into account under the Income and Value-added Tax Act 2012 must be expressed in Gambian Dalasis (GMD). If an amount is in another currency, that amount must be translated at the prevailing Central Bank of The Gambia mid-rate on the date the amount is taken into account for tax purposes.

Tax Administration and Compliance
Tax is administered by the Gambia Revenue Authority (GRA).

Companies
1. Tax year – The tax year is the calendar year, although a company can request a different 12-month period as a tax year.
2. Consolidated returns – Group consolidated return filing is not permitted for tax purposes; each company must file a separate return.
3. Filing and payment – The corporate income tax return is mandatory for all companies and must be submitted by 31 March or last day of the third month following the end of a relevant tax year. Income tax is payable in quarterly instalments, i.e., for the three-month periods ending on the last day of the third, sixth, ninth, and 12th months of the taxpayer's tax year. The instalments are based on 1% of total turnover for a company with audited accounts, or 2% for a company without audited accounts, and both the payment and return are due by the 15th day following the end of a quarter or a fixed penalty of GMD5,000 can be applied. The advance payments during the fiscal year are creditable against the income tax assessed on the annual corporate income tax return.
4. Penalties – Late payment penalties are imposed at a rate of 5% per month, or fraction thereof, up to a maximum of 25% of the unpaid tax. The penalty for failure to withhold or report tax is equal to 5% of the unpaid tax, up to a maximum of 25% of the unpaid tax.
5. Rulings – The Commissioner-General of the GRA may issue public rulings setting out its interpretation of the application of the tax law. A public ruling is binding on the Commissioner-General until it is revoked, but the ruling is not binding on taxpayers.

Individuals
1. Tax year – The taxable period for individuals is the calendar year.
2. Filing status – Joint returns are not permitted; each taxpayer must file his/her own return.
3. Filing and payment – Rules regarding tax returns and assessments are the same as those for corporate entities. However, an individual whose income consists entirely of employment income is not required to submit an income tax return. Similarly, the tax payment obligations of individuals carrying on a business activity are the same as those for companies. Employed individuals are subject to a PAYE system, under which the employer withholds the tax on the employment income and remits the tax to the GRA along with a monthly return.
4. Penalties – A person who fails to submit a tax return may be subject to a penalty of GMD5,000. A taxpayer who fails to pay by the due date is liable for a penalty equal to 5% of the tax unpaid for the month (or part of a month); the penalty can increase up to 25% of the unpaid tax for continued failure to pay.
5. Other – The public ruling system that applies to corporate entities also applies to individuals.

VAT
1. Filing and payment – The VAT tax period is a calendar month. A taxable person must file a tax return with the Commissioner-General within 15 days from the end of each tax period. The return must show, among other details, the amount of tax payable for the period and the amount of input tax credit claimed.
2. Penalties – A fine of up to GMD20,000 and/or imprisonment for a term not exceeding one year may be imposed for failure to issue VAT invoices and/or for issuing incorrect credit/debit notes that cover post-sale adjustments.

Investment Incentives
General incentives
The Investment and Export Promotion Agency Act, 2015 is the main law governing investment in The Gambia. The act provides guidance on investing in the country and indicates priority sectors, guarantees to investors, eligibility criteria for investment incentives, relevant procedures, institutional framework, and answers to questions that investors generally consider in making an investment decision.

The process of registering a business in The Gambia has been simplified.

Tax incentives
- Expenditure on certain pre-commencement expenditure qualifies for accelerated deductions. A deduction is allowed in the tax year in which the expenditure is incurred and in the following three years at a rate of 25% each year.
- Certain incentives are available in relation to Free Trade Zones (FTZ):
  - An exemption from all taxes and customs duties payable on imports, provided the imports are used, or are to be used, exclusively within the FTZ, and subject to any other specified limitations (however, where import duty or VAT has been paid by an FTZ investor in respect of any goods upon importation into the customs territory, no refund will be allowed merely because the goods subsequently are to be transferred into an FTZ)
  - An exemption from customs duty, excise duty, and VAT on goods produced within, or imported into, any of the FTZ, unless the goods are entered for consumption into the national customs territory
  - An exemption from import duty on capital equipment.

Exchange Controls
There currently are no exchange controls in effect in The Gambia.

Expatriates and Work Permits
To reside in The Gambia for work purposes, expatriates require an employment/residential permit for themselves and an alien's identity card (ID) for themselves and each of their dependents who is 18 years of age or older. The residential/ employment permit and alien's ID card must be renewed annually.

Trade Relations

Memberships

- World Trade Organisation (WTO)
- Organisation for Economic Cooperation and Development (OECD)

Key Economic Information

Currency (symbol/code)
Gambian dalasi (D/GMD)

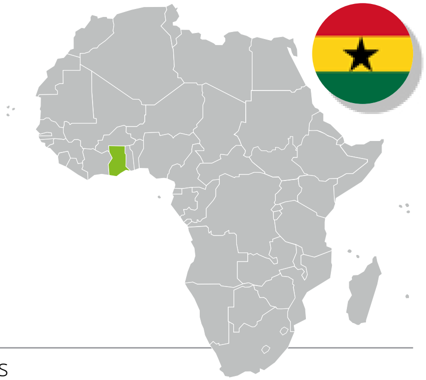
Exchange rate	
US$1	GMD51.11
EUR1	GMD61.63
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$5.94 billion	US$6.47 billion
Real GDP growth	
6%	6.50%
Average inflation	
5.95%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
10%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
There is no stock market in Gambia.

Gambia



Ghana

Contacts

George Ankomah
gankomah@deloitte.com.gh
+233 501 320 895

Income Tax – Individuals

Taxable income of residents (GHS) (Annual chargeable income)	Rate
First 3,828	0%
Next 1,200	5%
Next 1,440	10%
Next 36,000	17.5%
Next 197,532	25%
Exceeding 240,000	30%

Notes

1. Basis – Resident individuals are taxed on their worldwide income, i.e. all income regardless of source and regardless of whether foreign income derived is brought into Ghana. Non-residents are taxed only on Ghana-source income.
2. Residence – An individual is resident in Ghana for tax purposes if he/she (i) is a citizen of Ghana, other than a citizen who has a permanent home outside Ghana during the calendar year; (ii) is present in Ghana for 183 days in a 12-month period; or (iii) is a citizen who is temporarily absent from Ghana for a period not exceeding 365 continuous days and has a permanent home in Ghana. All other individuals are considered non-residents. All other individuals are considered non-residents.
3. Taxable income – The chargeable income from each source of income is determined separately. The total chargeable income of a person for a year of assessment is the total assessable income from employment, business, and investment, less the total amount of allowable deductions. Taxable employment income includes salaries and wages, bonuses, overtime payments, and other kinds of benefits and allowances (however, pension income is exempt). Remuneration earned by resident individuals for work performed abroad is taxable in Ghana when earned, rather than when brought into Ghana. Similarly, income attributable to employment in Ghana is taxable in Ghana, regardless of where or how it is paid.
4. 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 GHS1,200 for a married taxpayer supporting a spouse or an unmarried taxpayer supporting at least two children; an allowance of GHS1,500 for an employed or self-employed taxpayer over age 60; child relief of GHS600 per child for the education of a child (up to three children); and additional relief of GHS1,000 per aged dependent for taxpayers supporting an elderly relative (up to two relatives). Professional, vocational, or technical skill-training relief is GHS2,000. An individual also may deduct mortgage interest on one residential property during the individual's lifetime. Social security contributions and life insurance premiums are deductible within certain limits.
5. Rates – Resident individuals are taxed at the progressive rates shown in the table above, with the top marginal rate at 30%. Non-resident individuals pay taxes on their Ghana-source income at a rate of 25%.

Income Tax – Companies

	Rate
Standard corporate rate	25%
Hotels	22%
Mining/petroleum companies	35%

Notes

1. Basis – Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on Ghana-source income.
2. Residence – A company is resident in Ghana if it is incorporated under the laws of Ghana or if its management and control are exercised in Ghana at any time during a year of assessment.
3. Taxable 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 for any differences between accounting requirements and the tax law. Such differences normally include disallowed expenses, exempt income, and special reliefs allowed under the tax law. There is no separate capital gains tax – capital gains derived by a company from the realisation of assets are added to other business or investment income and taxed at the company's corporate tax rate.
4. Deductions – General deductibility principles apply, and there are specific deduction rules relating to certain expenses. For example, for repairs and improvements of depreciable assets used in the production of income, the deduction may not exceed 5% of the written-down value of the relevant pool at the end of the year.
5. Losses – Businesses in priority sectors may carry forward losses for five years. Other businesses may carry forward losses for three years. Priority sector areas include businesses undertaking mining, petroleum, power generation, manufacturing, farming, agro-processing, tourism, and software development. Entities engaged in long-term contracts may carry back losses for up to three years.
6. Foreign tax credit – Companies can claim a foreign tax credit for taxes imposed on their foreign-source income. A foreign tax credit also may be available under Ghana's tax treaties.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 25%. Various concessionary rates/tax holidays are available to companies operating in specific sectors or engaged in activities, such as agro-processing, waste processing, and the export of non-traditional products (see "Tax incentives"). A 22% rate applies to hotels and a 35% rate to mining/petroleum companies.
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies. In addition, an 8% tax is imposed on profits earned by the branch and treated as profits repatriated to the foreign head office.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

	Residents	Non-residents
Dividends	8%	8%
Interest	0%/8%	8%
Royalties	15%	15%
Management/professional fees	7.5%	20%
Rental payments	8%/15%	15%

Notes

1. Interest – WHT is not levied on interest paid to resident financial institutions.
2. Rental payments – An 8% WHT applies if the rent is paid to a resident for residential accommodation and a 15% WHT if it is for commercial purposes.

Tax Treaties

Ghana has concluded tax treaties with the following countries:

Country	Dividends	Interest	Royalties
Belgium	5%/15%	0%/10%	10%
Czech Republic	6%	8%	8%
Denmark	5%/15%	0%/8%	8%
France	5%/15%	0%/12.5%	10%/12.5%
Germany	5%/15%	0%/10%	8%
Italy	5%/15%	10%	10%
Mauritius	7%	7%	8%
Netherlands	5%/10%	8%	8%

Singapore	7%	7%	7%
South Africa	5%/15%	5%/10%	10%
Switzerland	5%/15%	0%/10%	8%
United Kingdom	7.5%/15%	12.5%	12.5%

Notes

1. Dividends – The lower rates for dividends apply where the recipient holds at least 10% of the shares of the payer company.
2. Dividends and interest – The rate under domestic law may apply where this is lower than the treaty rate.
3. Ghana's tax treaties with Mauritius and Singapore became effective on 1 January 2020.
4. Ghana's tax treaty with the Czech Republic became effective on 1 January 2021.

Anti-avoidance Rules

Transfer pricing

Ghana has transfer pricing regulations that require taxpayers to demonstrate that related party transactions are on arm's length terms by maintaining contemporaneous documentation of such transactions for each tax year. Ghana's regulations generally are consistent with the OECD transfer pricing guidelines.

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

Ghana's Transfer Pricing Regulations, 2020 (L.I. 2412) provide:

- An exemption from the contemporaneous documentation requirement for low value-added intragroup services
- Master file and local file requirements as part of the contemporaneous documentation
- Country-by-country reporting requirements for multinationals.

Thin capitalisation rules

A resident person, other than a financial institution, is deemed to be thinly capitalised if the ratio of interest-bearing or foreign currency-denominated debt (to a non-resident parent) to equity exceeds 3:1. Interest deductions or exchange losses arising on debt in excess of the 3:1 ratio are disallowed.

Other

Ghana's Income Tax Act contains anti-avoidance provisions that prohibit income splitting, i.e. the transfer of income and/or property to associates with a view to reducing tax liability.

Employment-related Taxes

Payroll tax

Pay-As-You-Earn (PAYE) taxes are withheld from the salaries of employees to satisfy their income tax responsibilities. The PAYE is computed at the applicable personal income tax rates.

Social security

Employers must contribute 13% of an employee's basic salary as a pension contribution, with the employee contributing 5.5% of his/her basic salary. Expatriates working in Ghana are required to contribute to pensions in Ghana, unless they expect to be present in the country for no more than 36 months and can show proof that they are participating in a pension scheme outside Ghana.

Indirect Taxes

Value-added tax (VAT)

	Rate
Standard rate	12.5%
Ghana Education Trust Fund Levy (GetFund)	2.5%
National Health Insurance Levy (NHIL)	2.5%
COVID-19 Health Recovery Levy	1%
VAT Flat Rate Scheme (VFRS)	3%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods or services in Ghana, and on the import of goods or services. The tax base generally is the amount paid for the goods or service. For imports, the tax base is the customs value, plus any import duties and taxes, except for VAT.
2. Rates – The standard VAT rate is 12.5%, which is applied on the total amount of taxable supplies, inclusive of the NHIL, GetFund levy and COVID-19 Health Recovery and Communication Service Tax (if applicable). Exports are zero-rated.
3. VFRS – VFRS covers the wholesaling and retailing of goods. Under the VFRS, VAT-registered retailers and wholesalers of goods account for VAT/NHIL/GetFund levy at a flat rate of 3% alongside the COVID-19 Health Recovery Levy at 1%. Such suppliers do not qualify for input VAT claims, so they must remit the VAT collected in full.
4. Withholding VAT on taxable supplies – A 7% withholding of VAT is applied by designated VAT-registered entities and certain government agencies on payments for taxable supplies.
5. Registration – A business making taxable supplies exceeding GHS200,000 over a 12-month period must register for VAT purposes. A foreign supplier of electronically supplied services must register for VAT if it makes taxable supplies exceeding the threshold of GHS200,000 during the period of 12 months or less.

Customs and excise duties

Customs duty is levied on goods imported into Ghana at rates up to 35%. 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 certain products. The rates are as follows:

Product	Rate
Beer, other than domestic beer and "cider beer"*	10%-47.5%
Tobacco products (cigarettes and cigars)	150%
Water, including mineral water and	17.5% distilled water
Malt drinks*	7.5%-17.5%
Spirits (other than for use solely in laboratories	10%-25% or in the compounding of drugs)
Plastic and plastic products	10%
Cider beer	17.5%

*Excise duty may be reduced with an increased use of local raw materials.

Producers and distributors of locally manufactured and imported excisable products are required to affix excise tax stamps on all qualifying products.

Other Taxes

Special Import Levy (SIL)

The SIL is imposed at a rate of 2% on goods imported into Ghana other than petroleum and fertiliser, "knocked down" components for the manufacture of automobiles, and certain equipment. The tax is computed on the cost, insurance, and freight value of imported goods and currently is applicable until the end of 2024.

National Fiscal Stabilisation Levy (NFSL)

The NFSL is a 5% levy on the profit before tax of specified businesses. Businesses subject to the levy are banks and non-bank financial institutions, insurance companies, telecommunication companies, breweries, inspection and valuation companies, mining support service providers, shipping lines, and maritime and airport terminals. The NFSL currently is applicable until the end of 2024.

Inheritance/estate tax

Ghana does not impose inheritance or estate tax.

Stamp duty
Stamp duty is charged on the conveyance or sale of immovable property at rates ranging from 0.25% to 1%. The stamp duty rates on leases range from 0.5% to 1% of the consideration, but also depends on the lease period.

Property tax
Local government authorities levy "rates" on the occupation of real property. The property rate payable for the year is based on the applicable rateable value of the property and the rate per Ghana cedi determined by the relevant local authority.

Environmental tax
An environmental tax of 10% is charged on plastic and packaging materials and products, with an exemption for the pharmaceutical and agricultural sectors.

Vehicle income tax
The vehicle income tax is collected from commercial vehicle operators on a quarterly basis. A flat amount that ranges from GHS10 to GHS200 per quarter is charged based on the type of vehicle.

The vehicle income tax on "Trotros" and taxis for the second, third and fourth quarters of 2021 has been suspended for persons who meet the following conditions:
- The person should be registered with the GRA
- The person should have made an installment payment for the first quarter of 2021
- The person continues to discharge any other obligation required under any enactment administered by the Commissioner-General of the GRA.

Communication Service Tax (CST)
The CST is payable at a rate of 5% on charges for electronic communication services other private electronic communication services.

Sanitation and pollution levy (SPL)
SPL is levied at GHS0.10 per litre on petrol and diesel. The stated purpose of the SPL is to fund government's waste management activities.

Energy Sector Recovery Levy
Energy sector recovery levy is chargeable at a rate of GHS0.20 per litre on petrol and diesel and GHS0.18 per kilogram of LPG. The ESRL is to support government's funding for energy sector bills, capacity charges and feedstock.

Financial sector clean-up levy
Financial sector recovery levy (FSRL) is levied on banks at 5% on the accounting profit before tax from 2021 to 2024. The FSRL applies to all banks other than rural and community banks and is not allowed as a deduction in determining the taxable income of the banks.

The levy is payable quarterly on a self-assessment basis at the following specified dates: 31 March; 30 June; 30 September; and 31 December. With respect to the 2021 fiscal year, the FSRL instalments are payable on the following dates: 30 June; 30 September; and 31 December.

Tax Administration and Compliance

Tax is administered by the Ghana Revenue Authority (GRA). Domestic taxes are administered by GRA's Domestic Tax Revenue Division (which is the result of the merger of the operational units of the former Value-added Tax Service and the Internal Revenue Service). Customs and import duties are administered by the Customs Division of the GRA.

Companies
1. Tax year – The government's fiscal year is the calendar year, although companies are allowed to choose their own accounting year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Taxpayers must submit an annual return and pay the tax due within four months after the end of the tax year.
4. Penalties/interest – Offenses liable to penalties/interest include underestimating of income tax payable, failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold tax, failure to file a return, and impeding tax administration. The penalties range from monetary penalties and interest to imprisonment, or both.
5. Rulings – A taxpayer may apply to the tax authorities for a private ruling regarding a specific transaction or arrangement. The ruling is binding on the tax authorities, but not on the taxpayer, for the period specified in the ruling if the transaction is carried out in all material aspects as described in the application.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Individuals who earn income during a year of assessment are required to file an annual personal income tax return by 30 April following the end of the tax year. Couples are not allowed to file a joint personal income tax return.
3. Tax payment – The employer is required to withhold and remit taxes from an employee's monthly wages and file monthly tax returns in respect of the taxes withheld by the 15th day of the following month. An employer also is required to file an Employer's Annual Tax Deduction Schedule in respect of each employee by 30 April following the end of the calendar year. Self-employed persons are required to make advance payments of personal income tax at progressive rates in four equal instalments.
4. Penalties – Offenses that can result in penalties include failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to file a return, and impeding tax administration. The penalties range from monetary penalties and interest to imprisonment, or both.

VAT
1. Filing and payment – A VAT return must be submitted by the last business day of the month immediately following the accounting period (month) to which the return relates.
2. Penalties – Penalties are imposed for failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold tax, failure to file a return, and impeding tax administration. The penalties range from monetary penalties and interest to imprisonment, or both.

Investment Incentives

Tax incentives
- A reduced corporate tax rate of 8% is available for companies engaged in "non-traditional exports," and a 20% rate applies for financial institutions on income from loans granted to farming enterprises and leasing companies
- Free Trade Zone (FTZ) companies are exempt from corporate income tax for 10 years, after which they pay corporate tax at 15% on export sales and 25% on domestic sales
- A rebate is granted to manufacturing companies located outside Accra and Tema. In regional capitals (other than Accra and Tema), the rebate is 75% of the standard corporate tax rate of 25%, and in all other places, it is 50% of the standard tax rate
- Tax holidays are granted from the time operations commence for companies in the following sectors:
  - Agricultural enterprises, agro-processing and waste processing companies, rural banks, and venture capital financing companies pay a 1% corporate tax for a period ranging from five to 10 years
  - Real estate companies pay a 1% corporate tax for five years on income from certified low-cost housing, with some limitations.

- Entrepreneurs aged 35 years and under are granted a five-year corporate tax holiday if they are engaged in specific businesses. Businesses that qualify for the exemption include manufacturing, information, and communications technology, agro-processing, energy production, waste processing, tourism and creative arts, horticulture, and medicinal plants. Such entrepreneurs also enjoy a rebate on corporate tax rates ranging from 5% to 15% for five years after the tax holiday
- Privately-owned universities are exempt from corporate tax if they reinvest 100% of their profits in the operation of the university
- Employers receive an additional tax deduction for employing new graduates as part of their workforce, which ranges from 10% to 50% of the salaries or wages of such employees
- Manufacturers and assemblers of vehicles in Ghana are entitled to a three-year exemption from income tax in respect of the manufacturing or assembling of semi-knocked down vehicles, or five years in respect of the manufacturing or assembling of completely knocked down vehicles
- Gains made by investors from the sale of securities listed on the Ghana Stock Exchange is exempted from tax up to 31 December 2021. Government has proposed to make the exemption permanent.

Other incentives
Imports into FTZs are exempt from customs duty.

Exchange Controls
Exchange controls exist for imports/exports and also apply to outbound transfers of capital, profits, royalties, interest, fees, and income of expatriate personnel. Investors under the Ghana Investment Promotion Centre Act, 2013 are guaranteed the right to transfer profits, interest, fees, charges, loan repayments, and liquidation proceeds, while expatriate personnel are allowed to transfer their annual earnings abroad, provided the applicable taxes have been paid. In principle, non-resident companies are free to transfer abroad their net after-tax profits, provided the transfer is carried out through banks approved by the Bank of Ghana and supported with relevant documents evidencing the foreign payment obligation.

Expatriates and Work Permits
There is no special expatriate tax regime in Ghana; expatriates are subject to the same tax system as other individuals. Emigration generally has no tax consequences, except that a tax clearance certificate of the host company is required to obtain work and residence permits.

Trade Relations
Memberships
- World Trade Organization (WTO)
- Economic Community of West African States (ECOWAS)
- African Continental Free Trade Area (AfCFTA)

Key Economic Information

Currency (symbol/code)
Ghanaian cedi (GH₵/GHS)

Exchange rate	
US$1	GHS5.78
EUR1	GHS6.97
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$186.68 billion	US$202.56 billion
Real GDP growth	
4.64%	6.10%
Average inflation	
8.97%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
14.50%
Source: Bank of Ghana, 2021.

Market capitalisation as at April 2021
US$3 613.50 million
Source: Capital IQ, 2021.

Guinea Conakry

Contacts

Marc Wabi
mwabi@deloitte.fr
+225 07 07 009 316

Noel Faustin Kouamé
nokouame@deloitte.fr
+225 05 54 494 748

Micheline Koudou
mkoudou@deloitte.fr
+225 27 22 599 900

Income Tax – Individuals

Taxable income (GNF)	Rate
0 – 1 million	0%
1,000,001 – 5 million	5%
5,000,001 – 10 million	10%
Over 10 million	40%

Notes

1. Basis – Habitual residents are taxable on worldwide income. Non-residents are subject to tax only on Guinea-source income.
2. Residence – Habitual residents are individuals with a permanent home available for their use in the Guinea Coast or those employed by a resident corporation.
3. Taxable income – Individuals are taxable on the same types of income as companies, and on employment income. Capital gains from the disposal of shares are taxable only if the individual had a long-term significant shareholding and was employed in the business. Capital gains from the disposal of assets are exempt from tax.
4. Deductions and allowances – Deductible expenses include social security contributions (subject to limits and conditions), loan interest, and subsistence allowances paid to dependent parents or a spouse.
5. Rates – The general income tax is imposed at progressive rates ranging from 0% to 40%. Non-commercial profits (fees) generally are subject to an effective 25% withholding tax (WHT). The WHT applies to individuals that are active by providing services in Guinea and have no professional establishment in Guinea. Non-residents are subject to the same WHT rate.

Income Tax – Companies

	Rate
Standard corporate tax rate	35%

Notes

1. Basis – Resident companies are subject to corporate income tax on worldwide income. Non-resident companies are subject to corporate income tax on profits derived from activities carried out in Guinea.
2. Residence – An entity incorporated in Guinea is resident for tax purposes.
3. 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 mainly is used for royalties and know-how and for non-resident corporations. Dividends received are taxable, but only on 50% of the total amount received if Guinea tax previously has been withheld on the dividends. Capital gains from the disposal of fixed assets and shares normally are included in taxable income. Rollover relief for gains is available where the taxpayer invests an amount equal to the amount of the gain in the acquisition of a similar asset within three years of the sale. For gains on shares, the capital gains relief applies only to significant long-term holdings. Subject to certain conditions, capital gains arising from a merger or partial business transfer are exempt from tax.
4. Deductions – Business costs and expenses are deductible if they are strictly related to the business. Management fees, royalties, and similar payments made to a parent company are deductible only if made at arm's length and other requirements are met. In addition, royalties paid to a related party pursuant to an agreement may not be excessive in nature and must be subject to WHT at a rate of 15%.
5. Losses – Losses generally may be carried forward for three years. Losses arising from capital allowances may be carried forward indefinitely. The carryback of losses is not permitted.
6. Foreign tax credit – No foreign tax credit is available, unless allowed under an applicable tax treaty.
7. 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.
8. Rate – The corporate tax rate is 35%.
9. Branch taxation – Branches of foreign companies are subject to the 35% corporate income tax, as well as an additional tax of 10% on branch profits.
10. Minimum tax – In the case of losses, taxpayers must pay a minimum tax of 3%. The minimum tax may not be lower than GNF4.5 million or more than GNF15 million for large corporations and for medium-sized companies, the minimum tax may not be lower than GNF15 million or higher than GNF60 million.

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

	Residents	Non-residents
Dividends	10%	10%
Interest	10%	10%
Royalties	-	15%

Tax Treaties

Guinea has concluded three tax treaties. The rate under domestic law may apply where this is lower than the treaty rate.

Country	Dividends	Interest	Royalties
France	15%	10%	10%
Morocco	5%/10%	10%	10%
UAE	10%	10%	15%

Anti-avoidance Rules

Transfer pricing

Profit transfers included in payments between resident corporations and non-resident affiliates may be adjusted to reflect arm's length conditions for tax purposes. Transfer pricing documentation requirements apply.

Thin capitalisation

Thin capitalisation rules apply to under-capitalised companies. A company is considered to be under-capitalised where the company has advances from related companies that exceed, at any time during the year, 1.5 times the amount of their equity valued at the end of that year. Interest paid by an under-capitalised company that exceeds the sum of: (i) the amount of the interest received from related companies; and (ii) 25% of the company's taxable income (before deductions of interest paid to related companies) is non-deductible.

Employment-related Taxes

Payroll tax

Payroll tax is equal to 6% of the aggregate amount of salaries (i.e. salary plus benefits in kind) paid to employees. The tax is paid by the employer.

Social security

Employers are required to make social security contributions based on an employee's gross wages, as follows: family allowances (6%), work injuries (4%), medical expenses (4%), and benefits (4%). Contributions payable by an employee are withheld by the employer at a rate of 5% of gross salary.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on production activities, the supply of goods, and the provision of services in Guinea, and on imports. Mining public companies, mixed ownership companies, oil companies, and telephone companies use a VAT withholding system, under which an amount equal to 50% of the VAT invoiced by the supplier is deducted at source.
2. Rates – The standard VAT rate is 18%. Exports and the supply of international carriage are zero-rated.
3. Registration – All taxpayers must register for VAT purposes.

Other Taxes

Inheritances and donations

A duty of GNF50,000 applies on inheritances.

Stamp duty

Stamp duty applies to certain administrative acts. The amount of stamp duty depends on the nature of the act, and a fixed rate or a prorated fee may apply.

Transfer tax

Transfer tax does not apply in Guinea; instead, a 10% registration duty is due on the sale of shares, tradeable obligations, and profit shares.

Capital duty

Capital contributions, capital increased by acquisitions, incorporation of profits or reserves, and mergers are subject to registration fees as follows:

- GNF1 to GNF100 million: 1%
- GNF100,000 001 to GNF500 million: 0.5%
- Over GNF500 million: 0.25%.

Real property tax

Real property tax is due by the owner of land on or before 30 June of each year. The rates are as follows:

- 10% of the annual rental value for residential or professional buildings used by the owner
- 15% of the annual rental value for rented buildings.

Tax on financial activities
Banks and financial institutions are subject to a tax on financial activities. The tax is applied on financial activities carried out by these companies, at a rate of 5% for credit operations exceeding one year and 13% for other operations.

Other
A company or an individual carrying on a trade in Guinea must pay a business license duty, subject to certain exemptions. The duty is set at a fixed amount depending on annual turnover; a proportional duty is levied on the rental value of professional premises.

Tax Administration and Compliance
Tax is administered in Guinea by the National Directorate of Taxes.

Companies
1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return.
3. Filing and payment – Corporate income taxes are payable in two equal parts by 15 June and 15 September of the tax year, based on the realised profits to date. The tax return is due by 30 April of the year following the tax year, together with the balance of tax for companies with an annual turnover.
4. Penalties – Penalties are imposed at a rate of 10% of the amount due for late tax returns, failure to pay tax due, and errors and mistakes, and 50% (with a minimum of GNF100,000) where the taxpayer does not respond to a request from the tax authorities.
5. Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Spouses generally are taxed separately. Children usually are taxed with one of their parents but may be taxed separately if they have employment income.
3. Filing and payment – Personal income tax returns are due by 30 April of the year following the tax year. 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 described above for companies. Tax normally is withheld at source for other sources of income.
4. Penalties – Penalties are charged at a rate of 10% of the amount due (with a minimum of GNF10,000) for late tax returns, failure to pay tax due and errors and mistakes, and 50% (with a minimum of GNF100,000) where the taxpayer does not respond to a request from the tax authorities.

VAT
1. Filing and payment – VAT returns and payments are due monthly by the 15th day of the following month.
2. Penalties – A penalty of 2% per month is imposed for filing a late VAT return. An additional penalty of 10% of the amount of the tax also is due, increased by 50% after the 10th day following a formal notice.

Investment Incentives
General incentives
- Incentives are available in specific sectors (e.g., mining and oil), and there is an Investment Code
- Guinea applies a reciprocity rule so that all foreigners from countries that allow Guineans to carry on business activities may undertake business activities in Guinea
- The Guinea OPIP (Office de Promotion des Investissements Privés) promotes private investment and the CFE (Centre de Formation des Enterprises) assists investors with incorporation formalities
- Guinea has signed the OHADA treaty with 17 West and Central African countries to harmonise business laws and is a member state of the African Intellectual Property Organization (OAPI), the central intellectual property registration system for 16 African countries.

Tax incentives
- A person starting a new business or expanding an existing business in Guinea can benefit from tax advantages under certain privileged regimes, provided the business activity or expansion contributes to the achievement of one or more of the priority economic development objectives. To benefit from one or more of the privileged regimes, at least 20% of the total costs for small and medium-sized enterprises, and 33% for other companies, must be financed by a capital investment
- Tax incentives include a five-to-eight-year exemption from the tax on industrial or commercial profits, business license duty, property tax, and import tax (depending on the location of the investment).

Expatriates and Work Permits
An employment contract with a foreign employee must be in writing and approved by the National Office of Employment and Labour. The employer must request a visa for a foreign employee. A foreign individual may not work in Guinea without a visa (except for individuals from an ECOWAS (Economic Community of West African States) member state.

Trade Relations
Memberships
- United Nations (UN)
- World Trade Organisation (WTO)
- Economic Community of West African States (ECOWAS)
- West African Economic and Monetary Union (WAEMU)
- International Monetary Fund (IMF)
- World Bank
- African Union and the Mano River Union (MRU) with Liberia and Sierra Leone

Key Economic Information

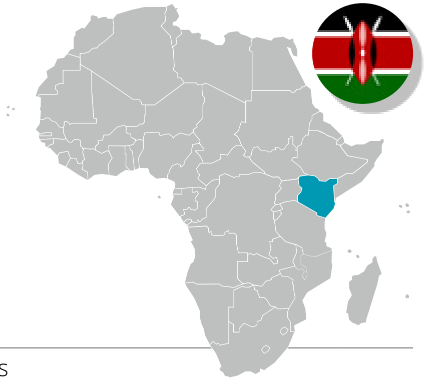
Currency (symbol/code)
Guinean franc (FG/GNF)

Exchange rate	
US$1	GNF9,930.00
EUR1	GNF11,954.90
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$39.09 billion	US$42.08 billion
Real GDP growth	
5.56%	5.25%
Average inflation	
8%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
11.50%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
There is no stock market in Guinea.



Kenya

Contacts

Fredrick Omondi
fomondi@deloitte.co.ke
+254 719 039 318

Walter Mutwiri
wmutwiri@deloitte.co.ke
+254 719 039 253

Lillian Kubebea
lkubebea@deloitte.co.ke
+254 719 039 113

Maurice Lugongo
mlugongo@deloitte.co.ke
+254 719 039 464

Income Tax – Individuals

Taxable income (KES)	Rate
0 – 288,800	10%
288,801 – 388,800	25%
Over 388,800	30%

Notes

1. Basis – Kenya operates a source and residence-based system of taxation, under which income that is accrued in, or derived from, Kenya is taxable in Kenya. Foreign-source employment income earned by a Kenyan national is subject to Kenya tax. A non-resident is taxable only on Kenyan-source employment income.
2. Residence – An individual is resident in Kenya if he/she has a permanent home in Kenya or is present in the country for a period or periods amounting in the aggregate to 183 days or more in the relevant 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.
3. Taxable income – Taxable income includes income from employment (and fringe benefits), income from the exercise of a business or profession, capital gains (with some exceptions), certain investment income, etc. Income from employment is defined broadly and includes wages, salary, commissions, bonuses, and allowances. Travelling, entertainment, and similar allowances are taxable unless they are a reimbursement of expenses incurred in the production of income. Benefits in kind from employment are taxable if their aggregate value exceeds KES36,000 per year or KES3,000 per month. A pension received by a resident individual from a pension fund established outside Kenya is deemed to be derived from Kenya to the extent that it relates to employment or services rendered in Kenya. Where a business is carried on by a resident person partly within and partly outside Kenya, the entire profit from the business is deemed to have accrued in or be derived from Kenya.
4. Capital gains – A taxable capital gain would arise where the transfer value exceeds the adjusted cost. Transfer value comprises of the consideration for transfer or abandonment less incidental costs on such transfer while adjusted cost is the sum of the cost of acquisition plus expenditure for enhancement, preservation or costs incurred in defending the title. There are certain transfers made by an individual that are exempt from capital gains tax. We highlight some of these below:
   - Transfer of securities traded on a securities exchange licensed by the Capital Markets Authority
   - Transfer of a private residence by an individual who had occupied the residence continuously for the three-year period immediately prior to the transfer
   - Transfer of land whose value is not more than KES3m
   - Transfer of agricultural property having an area of less than 50 acres where that property is situated outside a municipality, gazetted township or an area that is declared by the Minister in a Gazette Notice, to be an urban area
   - Transfer of property which is transferred or sold for the purpose of administering the estate of a deceased person where the transfer or sale is completed within two years of the death of the deceased or within such extended time as the Commissioner may allow in writing. Where there is a court case regarding such estate, the period of the transfer or sale shall be two years from the date of finalisation of such court case.
5. Exempt income – The following income is exempt from tax:
   - Medical services or medical insurance paid by an employer on behalf of a full-time employee
   - A group life insurance premium paid by an employer, unless the insurance cover confers a benefit to the employee or any of the employee's dependents
   - The first KES2,000 per day received by an employee as reimbursement of subsistence, travel, entertainment, or other allowances while on official duties outside the usual place of work
6. Deductions and allowances – The following may be deducted in calculating taxable income: up to KES300,000 annually in mortgage interest for owner-occupied property and contributions to a registered pension or provident fund up to KES240,000 annually (the deduction may not exceed 30% of employment income). Premiums paid for health, life or education insurance entitles one to an insurance relief, which is computed at 15% of the premiums paid (but subject to a maximum of KES60,000 annually). The relief, which takes the form of a tax rebate, is creditable against tax payable. An annual personal relief (tax rebate) of KES28,800 is granted.
7. Rates – Individual income tax is levied at progressive rates up to 30% and applies to both residents and non-residents. Capital gains are taxable at 5%.

Income Tax – Companies

	Rate
All companies	30%

Notes

1. Basis – Resident and non-resident corporate entities are subject to tax on all income accruing in or derived from Kenya.
2. Residence – A company or similar corporate entity is tax resident if it is incorporated under Kenyan law if management and control of its affairs are exercised in Kenya or if the Cabinet Secretary responsible for the National Treasury declares the entity to be tax resident in a notice published in the Kenyan gazette. Taxable income – Taxable income includes income from the operation of a business, certain dividends, and capital gains. Gains or profits from one of seven specified sources of income are computed separately from gains or profits derived from the other sources of income. The specified sources are rental income; income from agricultural or horticulture; surplus from registered pension or provident funds; interest income; and income derived by petroleum contractors.
3. Capital gains – A taxable capital gain would arise where the transfer value exceeds the adjusted cost. There are certain transfers by a company that are exempt from capital gains tax. Some of the transactions that are exempt from capital gains tax include:
   - Transfer of securities traded on a securities exchange licensed by the Capital Markets Authority; and
   - transfer of property that is necessitated by a transaction involving the incorporation, recapitalisation, acquisition, amalgamation, separation, dissolution or similar restructuring of a corporate entity, where such transfer is:
     - a legal or regulatory requirement;
     - as a result of a directive or compulsory acquisition by the government;
     - an internal restructuring within a group which does not involve transfer of property to a third party; or
     - in the public interest and approved by the Cabinet Secretary.
4. Exempt income – Dividends received by a resident company from another resident company in which it holds 12.5% or more of the voting power are not subject to tax. Dividends received from a non-resident company also are treated as exempt. Real estate investment trusts (REITs) and investee companies of REITs are exempt from corporate income tax (and investors that receive dividends from REITS are exempt from withholding tax (WHT)). As noted above, capital gains tax is not levied on gains arising from the transfer of shares traded on a securities exchange licensed by the Capital Markets Authority.
5. Deductions and allowances – Expenses generally may be deducted if they are incurred wholly and exclusively in the production of income. Certain expenses may not be deducted, including capital costs and losses; income tax or tax of a similar nature paid on income; expenses of non-resident persons relating to certain types of income (management fees, royalties, etc.); and certain interest payments by a non-resident controlled company. Capital allowances are deductible in determining chargeable income on qualifying assets (buildings, software, and plant and machinery).

6. Losses – Tax losses for a year may be carried forward for nine years. If not utilised within this period, the losses will be forfeited unless an extension is approved by the Cabinet Secretary of Finance. The carryback of losses is not permitted.
7. Foreign tax credit – A foreign tax credit is granted only if so provided under an applicable tax treaty. Where no treaty exists, foreign tax is allowable as an expense in Kenya.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rate – The standard corporate tax rate is 30%. The tax rate for local assemblers of motor vehicles and a company operating a plastics recycling plant for the first five years of operation is 15%. The corporate tax rate for companies engaged in business under a special operating framework arrangement with the government is the rate provided for under the arrangement. Upon expiry of the arrangements, the normal rates will apply. Capital gains are subject to a 5% tax on the net gains.
10. Branches – The rate for branches of foreign companies is 37.5%.
11. Extractive industry – A special regime applies to companies operating in the extractive industry and the petroleum sector.

Withholding Tax (WHT)

WHT at the appropriate rate must be deducted from payments made to resident and non-resident persons.

Payment	Residents	Non-residents
Dividends	5%	15%
Interest	10%/15%25%	15%/20%/25%
Royalties	5%	20%
Immovable property rent	0%/10%	30%
Movable property rent	0%	15%
Management & professional fees	5%	20%
Insurance and re-insurance premiums	0%	5%

Notes

1. Dividends payable to resident companies that hold 12.5% or more of the shares of the paying company are exempt from tax; hence, should not attract any WHT.
2. Interest – There are different categories for WHT on interest paid to residents and non-residents. Interest received from financial institutions is subject to a 15% rate, while WHT on interest on bearer certificates is 25%, and that on interest from bearer bonds is 10%.
3. Royalties – Royalties (and natural resource income) paid to a resident are subject to a 5% WHT, increasing to 20% if paid to a non-resident.
4. Rent – Rent payments on immovable property by agents appointed by the government are subject to a 10% WHT.
5. Insurance and reinsurance premiums paid to a non-resident for insurance of aircrafts is exempt from WHT.

Tax Treaties

Kenya has a small tax treaty network. Kenya tax law contains a provision under which the benefit of lower tax rates or exemptions granted under an applicable tax treaty will not apply where 50% or more of the underlying ownership of the resident of the other contracting state is held by individuals who are not resident in that contracting state. However, this provision does not apply if the company in a contracting state is listed on a stock exchange. Underlying ownership for these purposes includes both direct and indirect ownership.

The WHT rates on dividends, interest and royalties under Kenya's tax treaties are as follows:

Country	Dividends	Interest	Royalties
Canada[1]	15%/25%	15%	15%
Denmark[2]	15%/20%25%	20%	20%
France	10%	12%	10%
Germany	15%	15%	15%
India[8]	10%	10%	10%
Iran	5%	10%	10%
Norway	15%/25%[3]	20%	20%
Qatar	5%/10%[9]	10%	10%
South Africa	10%	10%	10%
South Korea	8%/10%[10]	12%	10%
Sweden	15%/25%[4]	15%	20%
United Arab Emirates	5%	10%	10%
United Kingdom	0%/15%[5]	0%/15%[6]	15%
Zambia	D[7]	D	D

Notes

1. Dividends are taxable in accordance with the law where the payer company is resident (i.e. 15% in Kenya), but may not exceed 15% or 25%. The 15% rate applies where dividends are paid to a company that holds at least 10% of the voting shares of the payer company during the six-month period immediately before the date the dividends are paid; otherwise, the rate is 25%.
2. Dividends are taxable in accordance with the law where the payer company is resident (i.e. 15% in Kenya), but may not exceed 20% or 30%. The 20% rate applies where dividends are paid to a company that owns at least 25% of the voting shares of the payer company for a six-month period immediately preceding the date the dividends are paid; otherwise, the rate is 30%.
3. Dividends are taxable in accordance with the law where the payer company is resident (i.e. 15% in Kenya), but may not exceed 15% or 25%. The 15% rate applies where dividends are paid to a company that owns at least 25% of the voting shares of the payer company during the six-month period immediately before the date the dividends are paid; otherwise, the rate is 25%.
4. Dividends are taxable in accordance with the law where the payer company is resident (i.e. 15% in Kenya), but may not exceed 15% or 25%. The 15% rate applies where dividends are paid to a company that owns at least 25% of the voting shares of the payer company for a six-month period immediately preceding the date the dividends are paid; otherwise, the rate is 25%.
5. Dividends are taxable in accordance with the law where the payer company is resident (i.e. 15% in Kenya). The maximum rate per the treaty is 15%. The 0% rate applies where the recipient of the dividends owns at least 10% of the class of shares in respect of which the dividends are paid and to the extent the dividends are paid out of profits that the payer company earned or other income it received in a period ending 12 months or more before the date on which the recipient of the dividends became the owner of 10% or more of the class of shares in question; otherwise, the rate is 15%, provided the recipient of the dividends is subject to tax on the dividends in the UK.
6. The 0% rate may be applied at the discretion of the competent authority in Kenya.
7. The treaty does not specify a WHT rate, so the domestic rate will apply.
8. The treaty between Kenya and India was renegotiated. The renegotiated treaty became applicable in Kenya on 1 January 2018.
9. The 5% rate applies where dividends are paid to a company that owns at least 10% of the voting shares of the payer company; otherwise, the rate is 10%.
10. The 8% rate applies where dividends are paid to a company that owns at least 25% of the voting shares of the payer company; otherwise, the rate is 10%.

Anti-avoidance Rules

Transfer pricing

Kenyan law requires arm's length pricing on transactions involving a resident person or a Kenyan permanent establishment of a non-resident and related non-residents. With effect from 3 April 2017, the requirement to transact at arm's length was also extended to transactions involving a resident entity operating in a preferential tax regime and a related resident operating outside a preferential tax regime. In cases where a transaction is not at arm's length, the tax authorities can adjust profits accruing to a Kenyan resident.

A company engaging in transactions that require arm's length pricing with associated parties must have a fully documented transfer pricing policy in place to demonstrate the arm's length pricing of such transactions.

Thin capitalisation rules

Kenya's thin capitalisation rules restrict the deduction of interest expense for foreign controlled companies (other than licensed financial institutions) when the ratio of all interest-bearing liabilities exceeds three times sum of the payer's issued and paid-up capital and revenue reserves/ accumulated losses (two times the payer's issued and paid up share capital for the extractive industry). "Control" for these purposes includes a participation of at least 25%.

General anti-avoidance rule

A general anti-avoidance rule allows the tax authorities to disregard the tax effects of schemes or transactions where one of the main purposes is the avoidance of tax or the reduction of tax liability. A penalty of double the tax avoided is imposed on such anti-avoidance schemes.

Employment-related Taxes

Social security

Employers must contribute to the National Social Security Fund (NSSF) on behalf of their employees. The contribution is 6% of the employee's monthly salary up to KES2,160 per month for employees earning more than KES18,000 per month. However, due to an injunction that is in place pending the outcome of a case before the High Court challenging changes to the NSSF, the old rate continues to apply, i.e. 5% of gross salary, up to a maximum of KES200 per month.

An exemption from the NSSF contribution is available for expatriates who continue to contribute to a social security scheme overseas and who will not be present in Kenya for more than three years.

Contributions also must be made to the National Hospital Insurance Fund (NHIF). An employee is required to contribute to the NHIF on a graduated scale at KES150 on KES5,999 salary per month up to a maximum of KES1,700 for salaries of KES100,000 and above. There currently are no NHIF employer contributions.

Employers in Kenya also are required to pay an annual levy of KES600 per employee or a prorated amount depending on the period worked to the National Industrial Training Authority (NITA). NITA levies are payable by the last day of a calendar year (31 December).

Indirect Taxes

Value-added tax (VAT)

Standard rate	16%

Notes

1. Taxable transactions – VAT is levied on the supply of goods or services in Kenya, and on the import of goods or services.
2. Rates – The standard VAT rate is 16%. Zero-rated supplies include the export of goods and taxable services, and the supply or import of specified goods. Exempt supplies include financial services provided by banks and most agricultural produce in their processed or preserved state. Petroleum products are subject to VAT at a rate of 8%.
3. Registration – VAT registration is mandatory where the turnover of taxable supplies is, or is expected to be, KES5 million or more in a 12-month period. A non-resident person that is required to register for VAT must appoint a tax representative, and if it fails to do so, a representative will be appointed. The 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.

Customs and excise duties

EAC member states (i.e. Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda) are required to apply similar customs duties (member states have their own excise duty rates). South Sudan became a full member of the EAC on 15 August 2016 but has not yet started to apply the EAC rates.

The import of goods and merchandise from third states is subject to customs duties at rates ranging from 0% to 25%. Higher rates can apply for certain goods considered to be of importance to the economy.

Excise duty is imposed mainly on luxury and/or harmful items listed in the First Schedule of the Excise Duty Act. However, the government has started charging excise duty on other items such as financial services, mobile phone airtime, and internet services.

Other Taxes

Digital Services Tax (DST)

DST was introduced in Kenya with effect from 1 January 2021 and applies to both residents and non-residents who fall into either of the categories below:

- Digital marketplace providers – A person who provides a platform that enables the direct interaction between buyers and sellers of goods and services through electronic means
- Digital service providers – A person who provides digital services through a digital marketplace. The services include: downloadable digital content, streaming of digital content, any form of monetizing data about Kenyan users, subscription-based media, data management using electronic means, online sale of tickets, search engine related services, e-learning among other services.

The following services are specifically excluded from the DST scope:

(a) online services, which facilitate payments, lending or trading of financial instruments, commodities or foreign exchange carried out by:
  - a financial institution specified under the Fourth Schedule to the Income Tax Act; or
  - a financial service provider authorised or approved by the Central Bank of Kenya; and

(b) online services provided by Government institutions.

In addition, income derived from a digital marketplace is exempt from DST if it is taxed under section 9(2) or section 35 of the Income Tax Act. Section 9(2) brings to charge the income of a non-resident person who carries on the business of transmitting messages by cable or radio communication, optical fibre, television broadcasting, Very Small Aperture Terminal (VSAT), internet or any other similar communication while section 35 lists the incomes that are liable to withholding tax in Kenya.

DST should apply on the gross transaction value (excluding the VAT charged, if any). The gross transaction value is:

- In the case of the provision of digital services, the payment received as consideration for the services; and
- In the case of a digital marketplace, the commission or fee paid to the digital marketplace provider for the use of the platform.

Stamp duty
Stamp duty is payable on a variety of instruments or transactions, including the increase of share capital; stock transfers of unlisted companies; leases; debentures; and property transfers. Stamp duty is not levied on the initial nominal capital of a newly incorporated company, but a 1% duty is payable on an increase of share capital and on the transfer of shares. A 4% duty is payable on immovable property (2% outside municipalities). An exemption applies if the shares/securities are listed on the stock exchange.

Real property tax
Property rates are levied by the local county governments and are calculated based on the location and use of the property.

Turnover tax
Turnover tax applies at 1% on the monthly business gross receipts of a resident person with an annual turnover of between KES1 million and KES50 million.

The turnover tax regime was amended in 2020. Previously, the tax was applicable at 3% of gross receipts and would only apply to individuals earning income of up to KES5 million in a year. However, with effect from 25 April 2020, the turnover tax regime was expanded to incorporated entities as well. The rate of the tax was reduced to 1% and an income threshold of between KES1 million and KES50 million in a given year introduced.

The tax does not apply to rental income and management or professional or training fees and any income that is subject to a final WHT.

Tax Administration and Compliance

Tax is administered by the Kenya Revenue Authority (KRA).

Companies
1. Tax year – The tax year is the calendar year, although a company (other than a financial institution) may adopt a different year end.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – The self-assessment and compensating returns must be filed within six months of the end of the company's accounting period. Taxes are payable in Kenya through a quarterly instalment tax system, with the taxes falling due on the 20th of the fourth, sixth, ninth and twelfth months. Agricultural companies are allowed to pay their taxes in two instalments: with the first instalment tax, which accounts for three-quarters of the total instalment tax payable, falling due on the 20th day of the ninth month. The instalment tax payable is based on the relevant proportion of the estimated current tax or 110% of the prior year's tax, less any income tax paid or payable in advance during the year. With the introduction of minimum tax effective 1 January 2021, a person is required to pay at least a minimum tax equivalent to 1% of the taxable turnover earned in a given quarter. Where the quarterly instalment tax payable is lower than the quarterly minimum tax payable, the person should pay minimum tax and not instalment tax. Instalment tax should only be paid where the quarterly minimum tax payable is lower. The balance of tax for companies, if any, is payable within four months after year end. The tax return filing is due two months later. The additional two months essentially allows companies, especially multinationals, to have the accounts approved by the board of directors and signed by directors who may be overseas.
4. Penalties – Penalties apply for late filing, failure to submit a return, submitting an inaccurate return, or filing a fraudulent return. Offenses committed by tax agents, such as participating in the creation of tax avoidance or evasion schemes or acting as a tax agent illegally, will be subject to a fine equal to 200% of the amount of tax evaded or a fine of KES5 million, whichever is higher or imprisonment for a term not exceeding five years, or both. Where a tax avoidance provision has been applied, a penalty is payable equal to double the amount of tax that would have been avoided but for the application of the tax avoidance provision.
5. Rulings – A private ruling can be obtained from the KRA on how the tax legislation applies to a specific transaction.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – A wife's income is not aggregated with that of her husband in determining the appropriate tax rate where she opts to file a separate tax return.
3. Filing and payment – Personal tax returns are due by 30 June following the end of the tax year. Any balance of tax payable is due by 30 April in the following calendar year, even though the tax return can be filed six months after the year.
4. The employer withholds tax on employment income under the Pay-As-You-Earn (PAYE) system. A personal tax return is required even where an individual's personal tax had been fully settled through the PAYE system.
5. Penalties – See above under "Companies".
6. Other – The Commissioner of the KRA has authority to register taxpayers who do not apply for a personal identification number (PIN).

VAT
1. Filing and payment – The VAT return and related payment are due by the 20th day of the following month. Agents appointed by the KRA are required to deduct withholding VAT equivalent to 2% of the taxable value and remit the withheld VAT by the 20th day of the following month.
2. Penalties – Late payment of VAT accrues interest of 1% monthly calculated on a simple interest basis and a penalty of 5% of the tax due. Failure to submit VAT returns results in a penalty of 5% of the tax due on the due date of filing the return (subject to a minimum penalty of KES10,000), while failure to apply for VAT registration results in a fine of KES100,000.

Investment Incentives

Tax incentives
- Investment allowance on farm works – The allowance for expenditure on farm works is 50% of the expenditure incurred in the first year of use and 25% p.a. thereafter on a reducing balance basis. Farm works are structures necessary for the proper operation of a farm and include fences, dips, drains, water, and electricity (other than machinery), windbreaks, etc., as well as farm buildings
- Investment allowance on buildings – For hotels, buildings used for manufacture, hospital buildings and petroleum or gas storage facilities, the rate is 50% in the first year of use and 25% p.a. thereafter on a reducing balance basis. Commercial buildings and educational buildings (including student hostels) qualify for investment allowances at 10% p.a. on a reducing balance basis.
- Investment allowance on machinery – Machinery used for manufacture, hospital equipment, ships, aircrafts, and machinery used for undertaking operations under a prospecting or mining right qualify for investment allowances at 50% in the first year of use and 25% p.a. thereafter on a reducing balance. The rate applicable to heavy earthmoving equipment, motor-vehicles, software, filming equipment by a licensed local film producer, computer and peripheral computer hardware, calculators, copiers and duplicating machines is 25% on a reducing balance basis. Telecommunication equipment, furniture and fittings and other machinery qualify for investment allowances at 10% p.a. on a reducing balance basis
- Investment allowance on bulk storage facilities – A person who incurs capital expenditure of at least KES5 billion on the construction of bulk storage and handling facilities for supporting the Standard Gauge Railway (SGR) operations is entitled to investment deduction at 150% of the capital expenditure. The facilities must have a minimum storage capacity of 100,000 metric tonnes of supplies. This allowance will cease to apply after 31 December 2021.

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

Export Processing Zones (EPZs)
The following benefits apply for the first 10 years from the date of commencement of business by an EPZ:
- Payments by residents to the EPZ are subject to WHT at non-resident rates
- Payments by the EPZ to non-resident persons are exempt from tax
- The EPZ is exempt from corporation tax provided it does not carry out any commercial activities. A corporate tax rate of 25% will apply for 10 years after the initial 10-year exemption period.

Special Economic Zone (SEZ)
SEZ enterprises are subject to corporate tax at a reduced rate of 10% for the first 10 years and 15% for the next 10 years. The reduced tax rates apply regardless of whether the SEZ enterprise sells its products to markets within Kenya or internationally.

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. However, commercial banks must inform the Central Bank of any daily remittances from the country in excess of US$10,000.

Expatriates and Work Permits

An individual is liable to Kenyan income tax on his/her 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 must be paid via quarterly instalments during the tax year. The quarterly payments are due on the 20th of the fourth, sixth, ninth, and 12th months of the tax year. The amount of each installment is the lower of 25% of 110% of the prior year assessed tax or 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 is required 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 must bear the burden of the employee's tax. The company must gross up the employee's tax-free remuneration and compute the PAYE liability on the grossed-up value. The tax paid by the company becomes a benefit chargeable to tax in the hands of the employee.

Every non-citizen must 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. The individual must apply for a PIN, which serves as his/her tax file reference. The Customs and Excise Department require the PIN when an individual imports personal effects from his/her home country or for any other importation.

Trade Relations

Kenya's membership in several regional bodies provides an expanded market. Membership of the EAC and Common Market for Eastern and Southern Africa (COMESA) guarantees a market of approximately 300 million people and provides for the free movement of goods and services. Exports from Kenya also enjoy preferential access to the EU under the African, Caribbean and Pacific (ACP), and the EU (ACP-EU) Framework. In addition, Kenya is one of the initial beneficiaries of the African Growth and Opportunity Act (AGOA), which provides preferential market access in textiles to the US.

Kenya's most international affiliations are with the EAC, the Organization of African Unity and the Commonwealth of Nations.

Kenya is a signatory to recently introduced African Continental Free Trade Area (AfCFTA).

Key Economic Information

Currency (symbol/code)
Kenyan shilling (KSh/KES)

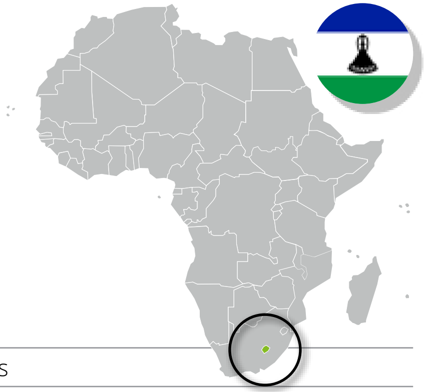
Exchange rate	
US$1	KES108.50
EUR1	KES130.88
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$262.67 billion	US$284.01 billion
Real GDP growth	
7.56%	5.73%
Average inflation	
5%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
7%
Source: Bank of Kenya, 2021.

Market capitalisation as at April 2021
US$22,915.90 million
Source: Capital IQ, 2021.

Kenya



Lesotho

Contacts

Mark Freer
mfreer@deloitte.co.za
+27 31 560 7079

Angela Lagoa
alagoa@deloitte.co.za
+27 31 560 7020

Income Tax – Individuals

Taxable income (LSL)	Rate
0 – 64,200	20%
Over 64,200	30%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on Lesotho-source income.
2. Residence – Individuals are 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, or they have been present in Lesotho for a period or periods in total of seven years or more.
3. Taxable income – Taxable income is computed as gross income (excluding exempt income), less any allowable deductions. Employment income does not include benefits subject to the fringe benefits tax. Pension income is taxable in the same way as other income. Residents and non-residents are liable for tax on capital gains arising from the disposals of all business or investment assets. In the case of resident taxpayers, this applies regardless of where the assets are located; non-resident taxpayers are taxed only on Lesotho-source capital gains. Capital gains are treated as ordinary income and are subject to income tax at a flat rate of 25%. An exemption applies to disposals between spouses and an inflation index adjustment is allowed in respect of immovable property held for more than 12 months.
4. Exempt income – Exempt income for resident individuals includes income derived from subsistence farming, dividends received from a resident company, and the first LSL500 of interest derived from one savings account.
5. Deductions and allowances – A resident individual (other than a resident minor) is granted a non-refundable personal credit of LSL10,080 against his/her income tax liability. The personal credit generally is available only to residents, although it also is available to non-residents who live permanently outside Lesotho but who are employed full-time in Lesotho or are engaged full-time in a business in Lesotho. Employer or employee may deduct contributions to an approved resident superannuation fund are deductible limited in aggregate up to 20% of employment income. For the purpose of this deduction, the employee's contribution will be taken into account before calculating the employment income. Charitable donations generally are not tax-deductible expenses, except for sports-related donations of LSL1,000 or more if certain conditions are fulfilled.

6. Farming losses incurred by an individual are ring-fenced against any other income.
7. Rates – Individual income tax generally is levied at progressive rates of 20% or 30%. A flat rate of 40% is levied on trustees, non-exempt fringe benefits that are not taxed at the employer level, and non-residents who elect to be taxed by assessment on income that otherwise would be subject to withholding tax (WHT). A non-resident individual taxpayer who lives permanently outside Lesotho, but who is employed full-time in Lesotho or who is engaged full-time in a trade or business in Lesotho, is subject to tax on his/her chargeable employment income and chargeable business income at the standard progressive rates of 20% or 30%.

Income Tax – Companies

	Rate
Standard corporate rate (including branches of non-resident companies)	25%
Manufacturing income	10%
Income from farming operations (excluding subsistence farming, which is exempt)	10%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on Lesotho-source income.
2. Residence – A company is resident in Lesotho if it is incorporated under the laws of Lesotho, has its management and control in Lesotho, or undertakes the majority of its operations in the country.
3. Taxable income – Taxable income is computed as gross income (excluding exempt income) less allowable deductions. Gains from the disposal of business or investment assets are included in ordinary income and taxed accordingly. Non-resident taxpayers are taxed only on Lesotho-source capital gains. An exemption applies to involuntary conversions of assets where the proceeds are reinvested in similar assets and inflation adjustments are allowed for immovable property. Losses arising from the disposal of business assets are allowed as a deduction.
4. Deductions – A deduction is allowed for any expense or loss incurred by the taxpayer during the year of assessment in the production of income.
5. Special deductions:
   - Interest incurred by a taxpayer on borrowings used by the taxpayer in the production of income subject to tax is an allowable deduction. Thin capitalisation provisions limit the deduction of interest where the debt to equity ratio exceeds 3:1
   - Research and experimental expenditure if incurred in the production of income subject to tax
   - Depreciation on depreciable assets at rates ranging from 5% to 25% depending on the nature of the asset
   - Amortisation of the cost of intangible assets
   - Amortisation of business start-up costs
   - Only 50% of entertainment expenses or meals are deductible, unless such entertainment or meal is subject to fringe benefits tax.
   - 125% of approved training expenditure may be deducted
   - Charitable donations generally are not tax-deductible expenses, except for sports-related donations of LSL1,000 or more, which may be deductible if certain conditions are fulfilled
6. Losses – Losses may be carried forward indefinitely but may not be carried back. Losses arising on manufacturing or property income are ring-fenced from other income.
7. Foreign tax credit – A resident taxpayer is entitled to a foreign tax credit for foreign income tax borne directly or indirectly on foreign-source income subject to tax in Lesotho. The tax credit may not exceed the Lesotho tax payable on the foreign-source income.
8. Group relief – Where a resident company or group of resident companies is restructured without any significant change in underlying ownership or control, this does not trigger gains on the disposal of assets and the adjusted base cost of the assets is transferred to the acquiror. A resident person may also transfer assets to a resident company in exchange for shares without triggering a gain, as long as the resident person holds at least 50% of the shares in the company after the exchange.
9. Rate – The standard corporate tax rate is 25%. Manufacturing and farming income are taxed at 10%.
10. Advance Corporation Tax (ACT) – ACT is payable by a resident company on dividends paid. The ACT liability may be reduced by quarterly tax payments made which have not yet been set off against the income tax liability for that tax year. The rate of ACT is based on a formula.
11. Branch taxation – Taxable income of a Lesotho branch of a non-resident company is taxed at 25%. A branch does not qualify for the reduced manufacturing rate. A branch profits tax of 25% also is levied on branch profits remitted to a non-resident head office.
12. Small business taxation – Lesotho plans to introduce and expedite the implementation of a small business taxation regime to simplify and improve tax compliance for small businesses.
13. The Lesotho Revenue Authority (LRA) allows a 100% accelerated depreciation for mining. The minister in his 2019 budget speech announced that the regulation regarding the 100% accelerated depreciation for mining will be repealed. No timelines were provided in the budget in this respect.

Withholding Tax (WHT)

The WHT rates on various types of payment are set out below (the tax is a final tax for non-residents, unless the non-resident files an income tax return, in which case the non-resident may elect to be assessed at the applicable income tax rate). The below rates for non-residents apply to payments to both corporations and individuals, and may be reduced under an applicable tax treaty.

	Residents	Non-residents
Dividends	-	0%/25%[1]
Interest	10%[2]	15%/25%[3]
Royalties	-	15%/25%[3]
Management fees	-	15%/25%[3]
Natural resource payments	-	25%
Lesotho-source services contract		10%[4]
Payments to resident contractors	5%[5]	-

Notes

1. Dividends – No tax is withheld on dividends paid out of manufacturing income.
2. Interest – Interest paid to a resident is taxed only if paid by another Lesotho resident.
3. Interest, royalties, and management fees – The WHT rate for non-residents is reduced to 15% for interest, royalties, and management fees paid in respect of manufacturing income.
4. Lesotho-source services contracts – The 10% rate applies to payments to non-residents under a Lesotho-source services contract (other than an employment contract). Examples include artistes, entertainers, sportspersons, auditing, accounting, economic, financial, legal, engineering, architectural services.
5. Payments to resident contractors – Examples of payments to resident contractors include payments for vehicle leases, plant equipment, construction services, painting or decorating, installation services, plumbing and drainage, water supply, irrigation, roofing, tilling, earthmoving, excavation, landscaping, demolition, restoration work, etc. The WHT does not apply to payments of less than LSL3,000 or where the contractor is in possession of an exemption certificate issued by the LRA.

Tax Treaties

Lesotho has concluded five tax treaties:

Country	Dividends	Interest	Royalties
Botswana	10%/15%	10%	10%
Eswatini	10%/12.5%	10%	10%
Mauritius	10%	10%	10%
South Africa	10%/15%	10%	10%
United Kingdom	5%/10%/15%	10%	7.5%

Anti-avoidance Rules

The Commissioner General may re-characterise any element of a transaction that was entered into as part of a tax avoidance scheme; may disregard a transaction that does not have substantial economic effect; or re-characterise a transaction the form of which does not reflect the substance.

Transfer pricing

The Commissioner may distribute, apportion, or allocate gross income, deductions, or credits between associated taxpayers to prevent tax evasion or to clearly reflect the income of such taxpayers. (An associate is a person that acts or is likely to act in accordance with the directions, requests, suggestions, or wishes of a person, regardless of whether these are communicated to the other person).

The Commissioner also may adjust the income arising in respect of a transfer or license of intangible property between associates so that it is commensurate with the income attributable to the intangible. Further specific transfer pricing rules are planned but have not yet been legislated.

Thin capitalisation rules

Where a resident company not principally engaged in a money-lending business has a debt-to-equity ratio in excess of 3:1, the Commissioner may disallow a deduction for the interest paid on the part of the debt that exceeds the 3:1 ratio.

Controlled foreign company rules

Lesotho does not have CFC rules.

Employment-related Taxes

Payroll tax

Under the Pay-As-You-Earn (PAYE) system, the employer withholds individual income tax from an employee's earnings and remits the tax to the LRA.

Social security

Lesotho does not have a social security system for employed persons.

Fringe benefits tax

Fringe benefits generally are taxable on the employer, not the employee. Fringe benefits tax is levied at 40%.

Indirect Taxes

Value-added tax (VAT)

	Rate
Basic rate	15%
Telecommunications	15%
Electricity supplies	10%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services within and outside Lesotho by taxable persons in Lesotho, and on imports. VAT is applicable on all transactions where value is added. Limitations apply in respect of input tax deductions.
2. A reverse charge mechanism to tax imported services will be introduced in FY 2020.
3. Rates – The standard VAT rate is 15%. The VAT rate for electricity is 10% and telecommunications is 15%. Banking services, except for the leasing of bank deposit boxes and insurance services, are exempt from VAT. Zero-rated supplies include maize meal, maize grain, beans, peas, lentils, milk, bread, agricultural inputs (fertilisers, seeds, and pesticides), paraffin, livestock, and poultry feed. Exports also are zero-rated.
4. Registration – A person making taxable supplies exceeding LSL850,000 is required to register for VAT.

Customs and excise duties

Lesotho forms part of the Southern African Customs Union with Botswana, Eswatini, Namibia, and South Africa. These countries apply similar customs and excise duties on imported and locally produced goods.

Other Taxes

Inheritance/estate tax

The value of a deceased's estate is subject to estate duty at progressive rates of up to 33.5%. There is an LSL600 abatement on the dutiable value of an estate.

Stamp duty

Stamp duty is payable on bills of exchange, contracts, bonds, leases, and insurance contracts. See also "Marketable securities tax," below.

Transfer duty

There is no freehold property in Lesotho – property rights are based on a leasehold system. Transfer duties on immovable property are assessed by the Registrar of Companies, with the average rates payable being 3% to 4%.

Marketable securities tax

Share transfers are subject to a 2% marketable securities tax.

Tax Administration and Compliance

The LRA administers tax in Lesotho.

A Tax Administration Bill is being developed to modernize, streamline, and harmonise tax procedures, including the regulation of tax agents.

Companies

1. Tax year – The year of assessment is the 12-month period ending on 31 March.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Corporate tax generally is paid through four quarterly advance payments, with any remaining balance of tax due payable at the time the annual tax return is filed. Advance corporate tax (ACT) paid can be set off against the liability for such quarterly payments. Every taxpayer and every nominated officer of a partnership or trust must file a return of income for each year of assessment not later than the last day of the third month following the end of that year.
4. Penalties – Additional tax at a rate of 22% per annum is payable in respect of the failure to file a return, failure to pay tax when due, underestimation of tax payable, and failure to withhold tax or remit tax withheld.
5. Rulings – There is no formal rulings system but the LRA may provide rulings upon the application by a taxpayer.
6. A voluntary disclosure programme has been available since 2018.

Individuals

1. Tax year – The assessment year in Lesotho is the 12-month period from 1 April to 31 March.
2. Tax filing – Where both spouses of a married couple earn income, each is separately assessed and each is entitled to the single person's abatement.
3. Filing and payment – Taxpayers generally must submit an annual tax return no later than the last day of the third month following the end of the assessment year (except for tax on employment income that is withheld by the employer).
4. Penalties – Additional tax at a rate of 22% per annum is payable for the failure to file a return, failure to pay tax when due, underestimation of tax payable, and failure to withhold tax or remit tax withheld.

VAT

1. Filing and payment – Registered businesses (vendors) are required to file a monthly return and make payments when VAT is due. A vendor must file a VAT return with the Commissioner for each tax period within 20 days after the end of the period.
2. Penalties – Additional tax at a rate of 22% per annum is payable for failure to file a return, failure to pay tax when due, and underestimation of tax payable.

Investment Incentives

General incentives

- The Lesotho National Development Corporation provides certain incentives for investors, including training grants, loans, and services to facilitate the acquisition of sites for industrial buildings and project services. In addition, tax concessions may be negotiated. The investment incentive regime is to be reviewed and improved to enhance Lesotho's attractiveness to investors. Measures will include accelerated depreciation, allowances on manufacturing plant and machinery, and the possible reduction of municipal rates
- Lesotho offers a comprehensive export finance facility to support exporters with working capital on concessionary terms and provide free access to foreign exchange
- Financial incentives are available to manufacturing companies establishing in Lesotho, e.g., free access to foreign exchange, long-term loans, and an import VAT credit facility under which an input tax credit is available at the time of importation
- A non-repayable skills training grant is available that covers up to 50% of the wage bill during the initial training period for a newly established manufacturing company
- A partial credit guarantee fund (a joint initiative with commercial banks) is available to assist young graduates, women, and other self-employed entrepreneurs and a Lesotho Youth Enterprise Grant is pending.

Tax incentives

- Preferential tax treatment is available for manufacturing activities, including a maximum corporate income tax rate of 10% for manufacturing 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. Such industries include approved manufacturers, hotel businesses, and construction companies. Tax incentives available include tax exemptions and additional allowances for capital and other expenditure in respect of new buildings, machinery and plant, electric power, transportation, and water
- 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 fall into two broad categories: (i) expenditure incurred in acquiring intangible assets essential to the carrying on of a business (e.g., goodwill, intellectual, or industrial property rights or contractual rights) or expenses for an intangible advantage that does not manifest itself in any particular asset (e.g., the cost of feasibility studies, large-scale advertising, and initial transactional expenses, such as stamp duties and professional fees); and (ii) expenditure that is not deductible under the general tax principles because it is incurred before the business starts to generate income
- Capital allowances are available, including new machinery and equipment allowances of 20% to 25% for manufacturers and special allowances on certain expense items
- In partnership with the private sector and the Lesotho National Development Corporation (LNDC), there are studies in the development and operation of the first Special Economic Zone (SEZ) anchored primarily on agro-processing.

Exchange Controls

Lesotho is part of the Common Monetary Area (CMA) with 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 cooperation with authorised dealers, administers exchange control regulations for transactions outside the CMA.

Expatriates and Work Permits

If a non-resident enters Lesotho for any reason other than tourism, he/she must have obtained a work permit before entering the country. The Lesotho police and the labour department carry out random inspections in this regard.

Trade Relations

Memberships

- Cotonou Agreement, Southern African Customs Union (SACU)
- African Growth and Opportunity Act (AGOA) beneficiary country
- Generalized System of Preferences gives access to North American, Japanese, Nordic and other developed markets, with preferential access to 18 markets in the Preferential Trade Area for 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 and bilateral trade agreements have been concluded with a number of countries.

Key Economic Information

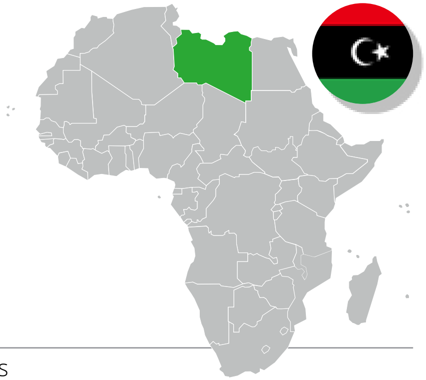
Currency (symbol/code)
Lesotho loti (L/LSL)

Exchange rate	
US$1	LSL14.30
EUR1	LSL17.21
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$5.90 billion	US$6.30 billion
Real GDP growth	
3.46%	4.26%
Average inflation	
4.65%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
3.50%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
There is no stock exchange in Lesotho.



Libya

Contacts

Alex Law
alexlaw@deloitte.com
+971 4506 4891

Khadija Idboujnane
khidboujnane@deloitte.com
+971 4506 4700

Lauranne Radenac
lradenac@deloitte.com
+971 4506 4797

Income Tax – Individuals

Taxable income (LYD)	Rate
0 – 12,000	5%
Over 12,000	10%

Notes

1. Basis – Individuals (both resident and non-resident) are taxed on Libya-source income.
2. Residence – Liability to taxation typically is based on the source of income (particularly for non-Libyan nationals); therefore, residence generally is not a key factor in determining tax liability in Libya.
3. Taxable income – Both Libyan nationals and non-Libyan nationals are subject to tax on wages, salaries, and all benefits received (in cash or in kind) in respect of employment, whether permanent or temporary, based on their contract with the Libyan entity/employer/sponsor. Tax also is levied on professional income and in certain circumstances, investment income. Capital gains generally are treated as ordinary income.
4. Exempt income – Annual income below LYD1,800 (for a single individual) or LYD2,400 (for a married person with no dependent children) generally is exempt. Married couples have an annual exemption of LYD300 for each minor child.
5. Deductions and allowances – Limited personal allowances and deductions are granted in calculating taxable income.
6. Rate – Annual taxable income of less than LYD12,000 is subject to a 5% tax rate, and income above that amount is subject to a 10% rate. The employer is responsible for withholding and remitting payroll tax. Income earned from a commercial enterprise is subject to a 15% tax rate, and income earned from a partnership or handicrafts is subject to a 10% rate.

Income Tax – Companies

	Rate
Standard rate	20%

Notes

1. Basis – Income generated in Libya from assets held in Libya or work performed therein is subject to income tax in Libya.
2. Residence – An entity established in Libya is considered a tax resident.
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 are taxed on the basis of their tax declarations, duly supported by audited financial statements, including statements of depreciation and general and administrative expenses. However, a “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. The tax authorities also can assess tax on a deemed profit basis if they consider amounts, margins, etc. inaccurate or out of line with industry norms (e.g., cases involving potential concealment, many intercompany transactions, etc.). Although, in theory, tax is levied on accounting profit, in practice, the Libyan tax authorities tend to issue 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 (10 years for losses incurred by upstream oil and gas companies). The carryback of losses is not permitted.
5. Foreign tax credit – A foreign tax credit generally is not available, unless it is provided for in an applicable tax treaty, i.e. Libyan tax legislation does not provide any definition/details regarding a foreign tax credit.
6. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group. Each entity is treated as a standalone entity from a tax perspective, irrespective of any group to which it belongs.
7. Rate – The standard corporate tax rate is 20%. Capital gains are treated as income and are subject to the standard corporate tax rate. Other taxes apply on top of the 20% rate, such as the defence contribution (see under “Surtax,” below).
8. Branches – Branches of foreign companies also are taxed at the 20% rate. Libya does not levy a branch remittance tax.
9. Surtax – A 4% defence contribution applies in addition to the corporate income tax and a 0.5% stamp duty is levied on the total corporate income tax liability.

Withholding Tax (WHT)

WHT at the appropriate rate must be deducted from payments made to non-residents. The WHT rates are as follows (the tax is a final tax and the rate may be reduced under an applicable tax treaty):

Payment	Rate
Dividends	0%
Interest	0%/5%
Royalties	0%
Technical service fees	0%

Notes

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

Tax Treaties

Libya has a small tax treaty network. The WHT rates on dividends, interest, and royalties under Libya’s tax treaties are as follows (however, the rate under domestic law may apply where this is lower than the treaty rate):

Country	Dividends	Interest	Royalties
Algeria	D	D	D
Egypt	D	D	D
France	5%/10%	0%	0%[1]
India	D	D	D
Malta	5%/15%	5%	5%
Mauritania	D	D	D
Morocco	D	D	D
Pakistan	D	D	D
Serbia	5%/10%	10%	10%
Singapore	5%/10%	5%	5%
Slovakia	D	10%	5%
Syria	5%/10%	10%	12%
Tunisia	D	D	D
United Kingdom	0%/15%/6%	0%	0%
Ukraine	5%/15%	10%	10%

Notes

1. The general rate on royalties under the treaty with France is 10%; however, the rate is reduced to 0% by virtue of a most favoured nation clause.

Anti-avoidance Rules

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 rules

Libya does not have thin capitalisation rules.

Controlled foreign company rules

Libya does not have CFC rules.

General anti-avoidance rule
Libya has general Anti-avoidance Rules which allow the tax department to re-allocate (or disregard) revenue and expenses in transactions between related parties, to reflect the returns that would have realised if the parties were independent and unrelated. In practice, deemed profit basis assessment is commonly used by the tax department.

Employment-related Taxes

Payroll tax
Employers are required to withhold and remit personal income tax on behalf of its employees. Refer to the section "Income Tax – Individuals" for details of rates.

Social security
Social security contributions must be made by the employer at a rate of 11.25% for foreign companies and at a rate of 10.5% for companies with a Libyan participation, calculated on the gross wages/salary. The employee contributes 3.75%.

Indirect Taxes

Value-added tax (VAT)
Libya does not levy a VAT or sales tax.

Customs and excise duties
The general duty rate on imported goods is 5%, with higher rates up to 30% in some cases. An exemption applies to certain goods, such as raw materials and production supplies, medicines, agricultural and livestock production supplies, etc.

Libya does not levy excise duties.

Other Taxes

Solidarity fund contributions
Solidarity fund contributions are payable through deductions from the employees' salary at a rate of 1% of gross salary.

Stamp duty
Stamp duty is levied at varying rates (although there also are certain fixed duties), typically between 1% and 3%, on the execution of documents. Stamp duty of 0.5% is levied on payments made to the tax authorities.

Tax Administration and Compliance

Tax is administered by the Tax Department of the Secretariat (Ministry) of Finance.

Companies
1. Tax year – The tax year is the calendar year, although a different year may be used, subject to approval.
2. Consolidated returns – Consolidated returns generally are not permitted; each entity must file a separate return.
3. Filing and payment – The annual return must be supported by audited financial statements (a balance sheet, a 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, the amount must be paid immediately; if the tax due exceeds LYD100, tax is collected in four instalments, payable from the 10th to the 25th day in March, June, September, and December.
4. Penalties – Penalties apply for failure to file, late filing, and other types of non-compliance.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must submit a tax return; spouses may not file a joint return.
3. Filing and payment – Tax on employment income is withheld and remitted by the employer at the employee's applicable rate.
4. Penalties – Penalties apply for failure to file, late filing, and other types of non-compliance.

Investment Incentives

Tax incentives
- Law No. 9 of 2010 (Promotion of Investment), which is designed to encourage the investment of national and foreign capital in Libya, provides tax benefits to companies that can contribute to the diversification of the local economy, the development of rural areas, and increasing employment
- The tax exemptions applicable to companies registered/governed by Law No. 9 include a five-year exemption from income tax; an exemption from tax on dividend distributions and profits 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 the profits are reinvested; an exemption from customs duties on machinery and equipment; 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 receive payments in foreign currency. However, the payments must be made into accounts held at Libyan banks.

Expatriates and Work Permits

Visas
A foreign employee initially will enter Libya under a business visa for a period of three months, which may be extended for one month (a six-month visa usually is granted to directors or applicants in similar positions), after which the individual must obtain a work permit, which is granted for a period of one year.

Trade Relations

Memberships
- Arab Maghreb Union (AMU)
- Economic Community of West African States (ECOWAS)
- Organization of Petroleum Exporting Countries (OPEC)
- New Partnership for Africa's Development (NEPAD)
- African Union (AU)
- Arab League
- Group of 77
- United Nations (UN)

Key Economic Information

Currency (symbol/code)
Libyan dinar (LD or ل.د/LYD)

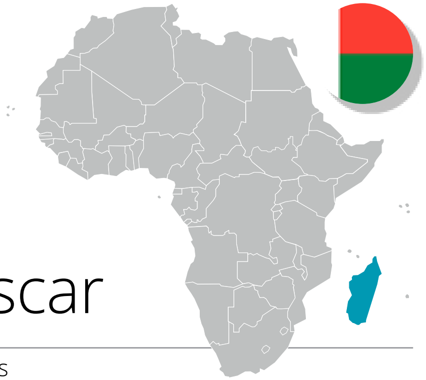
Exchange rate	
US$1	LYD4.48
EUR1	LYD5.40
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$92.08 billion	US$99.29 billion
Real GDP growth	
130.98%	18.24%
Average inflation	
22.26%	
Source: IMF WEO DATABASE, April 2021.	

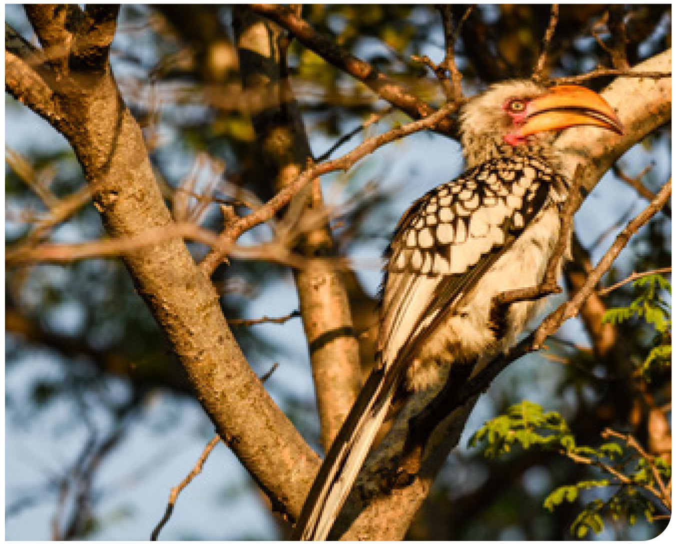
Central Bank Rate
3%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
No stock exchange.
Source: Capital IQ, 2021.

Libya



Madagascar



Contacts

Sahondra Rasoarisoa
srasoarisoa@deltaaudit.mg
+261 20 22 278 31

Jean Marcel Razafimahenina
jrazafimahenina@deltaaudit.mg
+261 20 22 278 31

Heriniaina Razafindrabe
hrazafindrabe@deltaaudit.mg
+261 20 22 278 31

Income Tax – Individuals

Resident individuals

Monthly income (MGA)	Amount/Rate
Salary up to 350,000	0%, with a minimum tax payment of MGA2,000
350,001 to 400,000	5%
401,000 to 500,000	10%
501,000 to 600,000	15%
Over 600,000	20%

Notes

1. Basis – Resident individuals are taxed on their worldwide income. Non-resident individuals are taxed only on Madagascar-source income.
2. Residence – An individual is considered a resident if he/she is present in Madagascar for at least 181 days in a tax year (calendar year), has a permanent visa and a long-stay card, or if he/she owns or uses a residence in Madagascar.
3. Taxable income – Taxable income is comprised of employment income, income derived from the carrying on of a business, and investment income.
4. Exempt income – Certain types of income are exempt from income tax, such as family allowances, military and civil disability pensions, and military retirement pensions.
5. Deductions and allowances – Certain expenses are deductible, including payments to the Caisse Nationale de Prévoyance Sociale (CNAPS), the government fund for social security, payments for government or private medical insurance, and compulsory alimony payments.
6. Rates – See above. Employers must withhold tax on the salary income of their employees. Non-residents are subject to a 20% rate on Malagasy-sourced employment income.

Income Tax – Companies

	Rate
Standard corporate rate	20%

Notes

1. Basis – A resident corporation is subject to tax on its worldwide income. A non-resident is taxed only on Madagascar-source income.
2. Residence – An entity generally is deemed to be a resident of Madagascar if its registered office or centre of activities is in Madagascar, or if it has a permanent establishment in Madagascar.
3. Taxable 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 International Financial Reporting Standards (IFRS 2003 version) and International Accounting Standards (IAS). Taxable income is comprised of net profits from all activities of the company derived during the accounting year declared in the final accounts and reported on a tax return. Dividends received from another company and capital gains are included in taxable income.
4. Deductions – Expenses generally are deductible if they are necessary for the generation of business income. The following expenses are not deductible: (i) interest paid on shareholder loans in excess of the interest rate determined the Central Bank, plus two percentage points on an amount not exceeding two times the authorised capital; and (ii) certain charges and subsidies, taxes, penalties, etc. Other fixed assets may be depreciated using the straight-line method at rates generally used in the relevant industry. In certain circumstances, plant and machinery and other assets may be depreciated using the declining balance method or an accelerated method. Land is not depreciable for tax purposes.
5. Losses – Losses may be carried forward for five years. The carryback of losses is not permitted.
6. Foreign tax credit – Madagascar tax law does not provide for unilateral tax relief, but bilateral relief may be provided under a tax treaty.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The standard corporate income tax rate is 20% for companies whose annual turnover exceeds MGA200 million.
9. A minimum tax applies if the tax calculation exceeds the 20% corporate income tax rate or if the company incurs a loss. The minimum tax is MGA100,000, increased by 0.5% of annual turnover (excluding VAT) for companies carrying on industrial, agricultural, artisanal, tourism, or transport activities. The minimum tax is 0.1% of total turnover (excluding VAT) for fuel retailers, and MGA320,000, increased by 0.5% of total turnover (excluding VAT) for other companies.
10. Branch taxation – Branches of foreign companies in Madagascar are taxed in the same manner as domestic companies; there is no branch tax.
11. Free Trade Zone (FTZ) companies – FTZ companies are exempt from corporate income tax for the first five years of operations and are subject to a 10% tax rate thereafter. FTZ companies must export all of their products.
12. Mining activities – Large mining companies that make investments exceeding US$25 million can benefit from legal and tax incentives if they are eligible under a special law (Loi sur les Grands Investissments Miniers (LGIM)). Such companies are exempt from the minimum tax for five years from the beginning of exploitation. The corporate income tax rates are 10% for owners of mining permits and 25% for transformation entities.

Withholding Tax (WHT)

The table below sets out the applicable withholding tax rates on dividends, interest, and royalties (the tax is a final tax for non-residents):

	Residents	Non-residents
Dividends[1]	0%	0%
Interest	20%	20%
Royalties	N/A	10%

Notes

1. Madagascar does not levy withholding tax on dividends.

Tax Treaties

Madagascar has concluded two tax treaties:

Country	Dividends	Interest	Royalties
France	0%	15%	10%/15%
Mauritius	0%	10%	5%

Anti-avoidance Rules

Transfer pricing

Madagascar does not have specific transfer pricing rules, but broad Anti-avoidance Rules apply to prevent related parties from pricing transactions in a manner that could result in the manipulation of profits.

Thin capitalisation rules

There are no thin capitalisation rules in Madagascar.

Employment-related Taxes

Payroll tax

Madagascar does not impose a payroll tax.

Social security

Employers and employees must make contributions to the CNAPS, which uses the contributions to make payments for various purposes, including pensions and compensation for industrial accidents and occupational diseases. The contribution rates are 13% for the employer and 1% for the employee. The rates are applied to the gross monthly remuneration of each employee up to MGA1,600,000. The employer withholds the employee contributions from wages.

Employers and employees also must make monthly contributions to entities that provide medical insurance (i.e. Organisation Socio-sanitaire Inter Entreprise (OSIE) or an Association Médicale Inter-Entreprise (AMIE). The contribution rates are 5% for the employer and 1% for the employee, applied to the gross monthly remuneration. The employer may purchase medical insurance from a private company in addition to the OSIE or AMIE, but these private companies must have special authorisation from the Malagasy administration. Employers also may purchase supplemental medical insurance from private companies in addition to insurance from the OSIE and AMIE.

Indirect Taxes

Value-added tax (VAT)

Standard rate	20%

Notes
1. Taxable transactions – VAT applies on goods sold and services rendered in Madagascar. All economic activities are within the scope of VAT, including activities of independent professionals. 2. Rate – The standard VAT rate is 20%. Materials and equipment used for the production of renewable energy are exempt from VAT, as are healthcare, education, banking (except for banking transactions), insurance and reinsurance, farming, and transportation. 3. Registration – Entities that have annual turnover of less than MGA200 million (approximately US$70,000) are not liable to VAT unless they voluntarily apply for the VAT regime. There are no VAT registration requirements in Madagascar.

Customs and excise duties

The Malagasy customs nomenclature is established according to the Harmonized System with its general rules of interpretation. Duties range from 20% to 180%.

Other Taxes

Inheritance/estate tax

A lump sum tax ranging from MGA10,000 to MGA40,000 is imposed on inheritances.

Intermittent income tax

An intermittent income tax at a rate of 5%, withheld at source, is levied on local suppliers (goods and services) that are not registered with the tax authorities in Madagascar, and a 10% rate is withheld at source for foreign suppliers. The tax is paid monthly.

Urban tax

Urban tax is an annual tax levied on the rental value of property that is part of business assets.

Registration duties

Registration duties apply to transfers of real property or businesses. The occupation or use of movable or immovable property must be supported by a lease agreement, which implies that registration fees at a rate of 2% are imposed on the total amount of rent during the lease agreement period.

Tax Administration and Compliance

Tax is administered by the Madagascar Revenue Authority (MRA).

Corporations

1. Tax year – The tax year is the calendar year, although companies may select a tax year from 1 July to 30 June or another tax year.
2. Consolidated returns – Malagasy law does not provide for consolidated tax filing; each company must file a separate return.
3. Filing requirements – Companies using the standard tax year must file financial statements and the corporate income tax return by 15 May of the year following the tax year. For companies choosing a tax year other than the calendar year, the filing must be made within four months after the year end. Companies must make six instalments of corporate income tax, with each payment equal to one-sixth of the preceding year's tax amount. The instalments are due by 15 February, 15 April, 15 June, 15 August, 15 October, and 15 December.
4. Registration – Before engaging in activities in Madagascar, an entity must apply for tax registration at the time the company is set up. The tax registration for wholesalers requires a special authorisation from the head of the MRA. A tax identification card (TIC) is issued to a new taxpayer once registration is completed. The card must be renewed annually at the time the tax return is submitted.
5. Penalties – Failure to file a return is subject to a penalty of MGA100,000. The penalty rate varies from 40% to 80% of the tax otherwise due in addition to the MGA100,000.
6. Other – Taxpayers that compute taxable income under the actual regime must open a bank account in their own name. Financial statements provided to private or public entities require the stamp or certification of the tax authorities.

Individuals

1. Tax year – The tax year generally is the calendar year.
2. Filing status – Joint filing is not permitted. Each spouse must file a return.
3. Filing and payment – The employer must remit withholding tax on wages on a monthly basis between the first and 15th days of the month following the month in which the wages were paid. An individual earning employment income must file a return before the 15th day of the month after the salary is paid.
4. Penalties – Failure to file a personal income tax return gives rise to a non-filing penalty of MGA100,000. The penalty rate is 1% per month of the total amount of tax due.

VAT

1. Filing – The VAT return must be filed monthly, with tax due paid at that time.
2. Penalties – Failure to file a VAT return gives rise to a non-filing penalty of MGA100,000 and failure to pay VAT due gives rise to a penalty of 1% per month of the total amount of tax due.

Investment Incentives

General background

- Madagascar has abundant natural resources (i.e. gemstones, industrial and decorative stones, oil, and rare metals) for mining activities; over 5,000 km of beaches and unique fauna and flora for the tourism business; vast fertile land with a favorable climate for agriculture and farming activities; and raw materials for transformative industries; and rivers, wind, and sun for the production of renewable energy
- Labour-intensive industries, such as textile manufacturing, have thrived in Madagascar as a result of Free Zones and Enterprises (EPZ) and the American African Growth and Opportunity Act (AGOA). The labour force is young, skilled, and fast-learning
- Madagascar offers access to foreign markets and has a strategic location
- With trade agreements and preferential treatment granted to some developing countries, Madagascar has advantageous access (quota-free, duty-free) to European countries, the US, and other developed countries
- As a member of the following regional economic communities, Madagascar can export goods and services to these markets: SADC (Southern African Development Community), COMESA (Common Market for Eastern and Southern Africa) and the Indian Ocean Rim, COI (Communauté de l'OcéanIndien). Strategically located between Asia and Africa and on major maritime routes, Madagascar offers advantages to international businesses. 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 the transportation of goods
- Regulatory reforms and public investments in infrastructure have led to improvements in the country's business environment. Significant public and private

investments in infrastructure (e.g., roads, ports, airports, telecommunications, and energy) have reduced the cost of doing business
- There are no restrictions on the flow of capital in and out of Madagascar (for debt service or dividend payments), nor are there any requirements for nationals who own shares of foreign companies. The rule of law is enforced without discrimination. There are no government-imposed conditions relating to investment, such as location in specific geographical areas, local content requirements, substitution for imports, export requirements or targets, employment of host country nationals, or the transfer of technology. Property rights, including protection of intellectual property, are protected by law (guarantee against nationalisation and expropriation)
- The procedure for setting up a company in Madagascar is quick and easy.

Tax incentives
There are a few exemptions from corporate income tax (e.g. for companies operating in FTZs).

A "common rights" regime applies to all activities in the local market. For example, a tax reduction of about 50% is granted for each investment carried out by a company; an exemption from income tax is available for the first operating year; and beneficial facilities are available for imports, such as temporary admission or duty drawback.

Companies operating in FTZs and carrying out export activities are entitled to a five to 10-year income tax exemption, followed by taxation at a lower rate of 10%; and an exemption from VAT, import tax, and customs duties.

Exchange Controls
Madagascar has exchange control regulations. For foreign exchange control purposes, operations are either current or capital. Current operations include transfers abroad of profits after payments of taxes, dividends, earned income, expatriate allowances, and savings. Such operations require only a transfer declaration to a local bank. Capital operations include those 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
A foreigner who wishes to enter Madagascar 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 upon arrival in Madagascar.

Work permits
To work in Madagascar, a foreign national must obtain a work permit and provide a certificate of incorporation and a board of directors' resolution for the Malagasy company for which the individual intends to work.

Residence permits
A foreigner that wishes to stay in Madagascar for more than three months must obtain a "Stay Card," also known as a residence permit, from the Ministry of the Interior. The following documents must be submitted to obtain a Stay Card:
- Work permit granted in Madagascar by the Department of Labour
- Employment certificate from the employer in Madagascar
- Copy of the employer's TIC
- Copy of the individual's national identity card or foreigner identity card (for the renewal of a Stay Card)
- Tax payment certificate of the employer (for the renewal of a Stay Card).

Trade Relations
Memberships
- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)

Key Economic Information

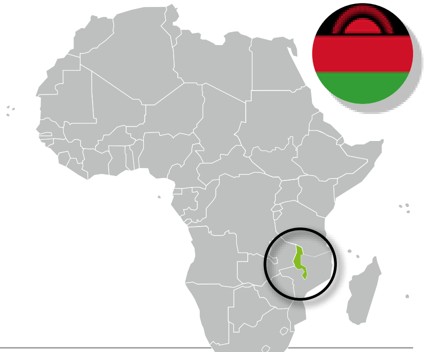
Currency (symbol/code)
Malagasy ariary (Ar/MGA)

Exchange rate	
US$1	MGA3,765.00
EUR1	MGA4,550.70
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$46.35 billion	US$49.78 billion
Real GDP growth	
3.22%	5.02%
Average inflation	
5.40%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
9.50%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
No stock exchange value.
Source: Capital IQ, 2021.



Malawi

Contacts

Nkondola Uka
nuka@deloitte.co.mw
+265 1 836 341

Sarah Chikadya
sachikadya@deloitte.co.mw
+265 1 822 277

Cidreck Matewere
cmatewere@deloitte.co.mw
+265 1820 506

Income Tax – Individuals

Annual taxable income (MWK)	Rate
0 – 1,200,000	0%
1,200,001 – 34,800,000	30%
Over 34,800,000	35%

Notes

1. Basis – Individuals, whether resident or non-resident, are subject to tax on Malawi-source income. Income from carrying on a trade in Malawi is deemed to be from a Malawi source.
2. Residence – An individual is considered resident for tax purposes if he/she is present in Malawi for an aggregate of 183 days or more in any 12-month period beginning or ending in the year of assessment.
3. Taxable income – Taxable income includes income from employment (including benefits in kind and fringe benefits), business income, and investment income, i.e. dividends, interest, and property income. Capital gains are taxed as ordinary income at the rate applicable to the taxpayer. However, no capital gains are recognised on the disposal of a personal-use domestic asset (including an individual taxpayer's principal residence), transfers between spouses, transfers from a deceased spouse to a spouse or deceased parent to a child, the disposal of shares held in a company listed on the Malawi stock exchange for more than one year, and transfers from an individual to a trust.
4. Exempt income – Income including pension benefits, interest income from certain government loans, bonds, etc., and amounts paid under an insurance contract are exempt from personal income tax.
5. Deductions – Donations made by individuals to approved charities and non-profit organisations, up to a maximum of MWK5 million for charities and MWK5 million for non-profit organisations, are deductible, subject to certain conditions. There are no deductions for non-business expenses and Malawi does not grant any personal allowances. Penalties and fines levied under the law of any country may not be deducted for tax purposes. Individuals may deduct losses and other expenditure that is not of a capital nature and that are wholly, exclusively, and necessarily incurred for the purpose of the taxpayer's trade or the production of income.
6. Rates – Resident individuals are taxed at progressive rates. A maximum rate of 35% applies to employment income over MWK36 million per year (MWK3 million per month) and a maximum rate of 30% applies to income other than employment income exceeding MWK600,000. Certain income is subject to withholding tax ((WHT) see "Withholding tax," below). Non-residents are subject to a final 15% WHT on gross income derived from Malawi.

Income Tax – Companies

	Rate
Basic rate	30%
Branches of foreign companies	35%
Pension funds – investment income	15%
Designated priority industries	0%-15%

Notes

1. Basis – Companies (including Malawi branches of foreign companies) are subject to tax on Malawi-source income.
2. Residence – A company incorporated in Malawi and a partnership, trust or estate established or otherwise organised under Malawi law is considered resident in Malawi.
3. Taxable income – Taxable income includes business income, dividends, interest income, royalty income, and gains from the sale of property. Dividends received from a subsidiary and paid from the subsidiary's dividend income are not taxable, provided the dividend income was subject to tax in the first instance. Capital gains are taxed as ordinary income, with the tax basis of the disposed property adjusted for inflation in certain cases. Tax on capital gains may be deferred in the case of involuntary conversions or qualifying reorganisations. No capital gains are recognised if a qualifying replacement asset is acquired within 18 months from the date of a voluntary disposal.
4. Deductions – Expenses incurred in the generation of assessable income may be deducted, including interest on debts, bad debts, capital allowances, certain donations, contributions to pension and provident funds, etc. Deductions also are allowed for certain costs of research relating to a trade, training allowances, and transport allowances, as are certain expenses relating to assessable income from farming and timber processes.
5. Losses – Assessed losses may be carried forward for up to six years for all companies. Capital losses are deductible from other taxable income without restriction. The carryback of losses is not permitted.
6. Foreign tax credit – If certain requirements are met, a foreign tax credit is allowed against income taxed both in Malawi and in a foreign country, even in the absence of a tax treaty. The credit may not exceed the Malawi tax on the income determined at the average effective rate for the taxpayer's total taxable income.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard rate of tax is 30%, with a lower rate of 15% applying to pension funds. Designated priority industries are subject to other reduced rates (see "Tax incentives," below). Certain payments are subject to WHT (see "Withholding taxes," below).
9. Branch taxation – Branches of foreign companies are subject to a 35% tax rate.
10. Turnover tax – A 2% turnover tax is payable on a monthly basis on the business income of taxpayers with annual turnover not exceeding MWK6 million. No turnover tax is due where the aggregate business turnover does not exceed MWK2 million. A taxpayer may elect, by writing to the Commissioner General, to be subject to income tax instead of turnover tax. Turnover tax does not apply to rental income, management fees, training fees, income of incorporated companies, or income that is subject to a final WHT under the Income Taxation Act.
11. Mining tax regime – A special regime applies for determining the taxable income and for the administration of royalties for mining companies. Such companies are subject to a minimum resource rent tax of 15% and a preferential WHT rate of 10% on payments of interest, royalties, and management fees to non-residents.

Withholding Tax (WHT)

The WHT is a final tax for non-residents (and for residents, in the case of dividends), and the rate may be reduced under an applicable tax treaty. The rate of WHT on various types of payments is as follows:

Payments	Residents	Non-residents
Dividends	0%/10%	0%/10%
Bank interest	20%	15%
Royalties	20%	15%
Services	20%	15%
Casual labour	20%	15%
Fees	20%	15%
Rents	20%	15%
Commissions	20%	15%
Carriage and haulage	10%	15%
Contractors	4%	15%
Other payments	3%	15%
Imports	3%	N/A
Betting and lottery winnings	20%	15%

Notes

1. Dividends paid from dividend income and distributed by a subsidiary company to a resident or non-resident holding company or related company are exempt from the 10% WHT, provided the dividend income was subject to WHT in the first instance.
2. A 10% rate applies to payments of interest, royalties, and management fees to non-residents where the payment is related to mining operations.

3. The WHT on contractors applies to contractors and subcontractors in the building and construction industries.
4. A 3% WHT applies to payments for any supplies, including foodstuffs, tobacco, and other products (the rate is 15% on payments to non-residents). Suppliers of foodstuffs and other goods can be granted exemption certificates. The first 1,200 kg or 10 bales of tobacco sold at auction floors and the sale of tobacco through farmers clubs at auction floors attracts WHT at 0%.
5. Payments for supplies to traders and institutions generally are subject to WHT as specified in the 14th Schedule of the Taxation Act. The only payments that are exempt from WHT are those made in cash, for over-the-counter purchases from open stock, utility and fuel bills, telephone bills, land/city rates, medical and insurance subscriptions, and premiums.
6. Non-residents are subject to a 15% WHT on the sale of shares of Malawian companies unless a reduced rate applies under an applicable tax treaty.
7. A 3% WHT applies on all commercial imports. Exemptions apply to registered taxpayers with valid WHT exemption certificates, government ministries and departments, tax-exempt persons, importations under customs procedure codes and other special transactions accorded duty-free status. The WHT is allowed as a credit against income tax charged upon final assessment.
8. The responsibility of withholding tax on payments to non-residents applies to persons involved in receiving, handling, or processing the payment of such amounts.
9. The threshold for casual labour has been increased to MWK35,000.

Tax Treaties

Malawi has concluded tax treaties with the following countries:

Country	Dividends	Interest	Royalties
France	0%	0%	0%
Norway	0%/5%	0%	0%
South Africa	D*	D*	D*
Sweden	0%	0%	0%
Switzerland	0%/D*	0%	0%
United Kingdom	0%	0%/D*	0%/D*

* The domestic rate applies where the treaty does not specify a rate.

Notes

1. Malawi's tax treaties have been inherited from the United Kingdom. The treaty with Norway has been renegotiated but the new treaty is not yet in force.
2. Under the treaty with Norway, dividends paid by a Malawian company to a resident of Norway are exempt from tax, but dividends paid by a Norwegian company to a Malawian resident are subject to tax in Norway at a rate not exceeding 5%. Interest and royalties are exempt from tax.
3. Under the treaty with Switzerland, the 0% rate applies to dividends paid to certain corporate shareholders; otherwise, the domestic rate applies.
4. Under the treaty with the United Kingdom, the domestic rate applies to interest and royalty payments to a company that controls, directly or indirectly, more than 50% of the voting power in the payer company.

Anti-avoidance Rules

Transfer pricing

Malawi has transfer pricing rules that are modeled on the OCED guidelines. The rules apply to transactions between related parties, as well as to transactions with a person located in a country that has a beneficial tax regime. The following transfer pricing methods may be used: (i) comparable uncontrolled price method; (ii) resale price method; (iii) cost-plus method; (iv) transactional net margin method; (v) transactional profit-split method; and (vi) any other method if the taxpayer can show that none of the above methods may be reasonably applied to the transaction. Contemporaneous documentation requirements apply.

Thin capitalisation

A 3:1 debt-to-equity ratio applies for loans with associated enterprises. Interest arising from debt in excess of the prescribed ratio is taxable. Where an associated enterprise provides an explicit or implicit guarantee or deposits a corresponding and matching amount of funds with the lender, the debt will be treated as being provided by an associated enterprise.

Controlled foreign company rules

Malawi does not have CFC rules.

Employment-related Taxes

Payroll tax

The employer deducts tax from an employee's salary/wages on a monthly basis under a pay-as-you-earn (PAYE) system and is responsible for remitting the tax within 14 days of the end of each month.

TEVET levy

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.

Social security

Employers are required to make contributions to the national pension fund. An employer is allowed to deduct its contribution to an approved pension fund (the maximum contribution is 15% of the employee's salary). The employee also must make a contribution of at least 5% of his/her gross salary/wages.

Indirect Taxes

Value-added tax (VAT)

Standard rate	16.5%

Notes

1. Taxable transactions – VAT is charged on taxable supplies of goods and services in Malawi, and on the import of goods.
2. Rates – The standard rate of VAT is 16.5%. Certain supplies are exempt or zero-rated. Exports are zero rated.
3. Registration – Taxpayers with annual taxable supplies (or imports of services) of at least MWK10 million must register for VAT purposes. Mining operators are allowed to register at the exploration stage to enable them to claim input VAT on expenses incurred during that stage.
4. Withholding agent – The law authorises the Commissioner General to appoint VAT withholding tax agents that are required to withhold VAT from suppliers and remit the VAT to the Malawi Revenue Authority.

Customs and excise duties

Customs and excise duties are prescribed in the Customs and Excise Tariff Order for goods imported into Malawi. The usual basis of calculating duty is cost, insurance, and freight (CIF); therefore, customs duty rates vary depending on the product. A surcharge also is applied to imported goods where a local substitute is available (e.g., for goods including sugar, cement, and vegetables).

The Common Market for Eastern and Southern Africa (COMESA) Simplified Trade Regime (STR) is a trade arrangement that allows cross-border traders in the COMESA region to enjoy duty-free status when they import goods originating from member states. The list of eligible products includes some agricultural products, live animals, food products, furniture, stationery, and other assorted items. Traders enjoy duty-free status on such goods originating from any of the 21 COMESA member states.

Malawi has bilateral trade agreements with Mozambique, South Africa, and Zimbabwe, which allow duty-free entrance of Malawian products.

Other Taxes

Inheritances and donations

The value of an estate is subject to estate duty at progressive rates ranging from 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.

Stamp duty

Stamp duty is imposed at 1.5% on transfers of immovable property. Share transfers are not subject to stamp duty.

Tourism levy

A tourism levy of 1% is charged on all bills from registered tourism units.

Tax Administration and Compliance

The Malawi Revenue Authority administers and collects tax.

Companies

1. Tax year – From 2022, the tax year will run from 1 April to 31 March, but a Malawi company may adopt any date as its accounting year end. All taxable income is taxed in the fiscal year in which the accounting year ends.
2. Consolidated returns – Consolidated returns are not permitted; each company within a group must file its own tax return.
3. Filing and payment – An annual return must be filed within 180 days of the end of the year of assessment. Companies must withhold and remit PAYE, WHT, excise duty and turnover tax monthly. The employer is required to file a quarterly return to report the taxable values of fringe benefits on which tax is paid at a rate of 30%. Taxpayers are permitted to pay tax only via electronic transfers or bank-certified cheques.
4. Penalties – The basic penalty is MWK300,000 and a further MWK50,000 per month thereafter for failure to submit a tax return in a timely manner, or for the omission of any amount from a return. Payment of insufficient provisional tax attracts penalties of 25% or 30%, respectively, where the unpaid tax (as a percentage of total tax liability) exceeds 10% but does not exceed 50%, or exceeds 50%. A penalty is charged at 20% of the amount outstanding for the first month or part thereof, and further interest on any outstanding overdue tax is charged at the bank lending rate plus 5% per annum. The bank lending rate is defined as the rate that the Reserve Bank of Malawi (RBM) charges on its lending to commercial banks.
5. Rulings – There is no provision in the Taxation Act for advance rulings on positions.
6. Tax clearance certificate – A tax clearance certificate is required for many purposes. The certificate shows that the taxpayer's tax affairs are in order at the date of issue of the certificate and that no tax is due. Transactions requiring a tax clearance certificate include transfers of land and buildings, renewals of certificates of fitness for commercial vehicles, renewals of business residence permits, changes of ownership of a company, renewals of temporary employment permits, and renewals of telecommunications licenses.

Individuals

1. Tax year – From 2022, the tax year will run from 1 April to 31 March.
2. Tax filing – A married couple may elect to file a joint return. Where such an election is made, tax on the wife's earned income is computed as though it were the sole income of the couple and is added to the tax on the husband's income.
3. Filing and payment – Taxpayers are required 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. The due date for payment of provisional tax is the 25th day after the end of each quarter. At least 90% of the actual tax liability for the year must be paid with the fourth quarter provisional tax payment. Taxpayers are permitted to pay tax only via electronic transfers or bank-certified cheques.
4. Penalties – The basic penalty is MWK75,000 and an additional MWK10,000 each month thereafter for failure to submit a tax return for any year in a timely manner or for the omission of any amount from a return. Other penalties may apply (see "Companies," above).
5. Tax clearance certificate – A tax clearance certificate is required for certain purposes (see "Companies," above).

VAT

1. Filing and payment – VAT is payable monthly. 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. Taxpayers are permitted to pay tax only via electronic transfers or bank-certified cheques.
2. Penalties – Interest on unpaid VAT is calculated at the bank lending rate, plus 5% per annum for each month the amount or part thereof remains unpaid. The Commissioner General has discretion to reduce or waive the amount of interest for good cause. The Commissioner cannot raise a VAT assessment after a period of six years from when the VAT became due and payable, unless fraud is a material element of the assessment. The Commissioner is empowered to recover VAT via third parties without the need to obtain a court order.
3. Electronic Fiscal Devices (EFD) – EFD have been introduced for the collection of VAT, and input VAT claims are valid only if accompanied by the EDF receipt.

Investment Incentives

Tax incentives

- Taxpayers in the manufacturing, agricultural, and tourism sectors may claim an investment allowance of 100% of the cost of new qualifying assets and 40% for used assets. The balance of the expenditure, if any, is deducted as an annual allowance at rates ranging from 5%-33%, depending on the asset class and use
- Manufacturing companies are allowed to deduct all operating expenses incurred up to 18 months before the start of operations
- Incentives apply in respect of petroleum storage facilities
- The agro-processing and commercial electricity generation and distribution industries are designated priority industries
- Under the Taxation Act, companies operating in designated priority industries are subject to income tax rates of 0% (for periods of up to 10 years) and 15% (indefinitely)
- The mining tax regime includes a rate of mining income tax in line with the general rate of 30% (or 35% for branches of foreign companies) and mining allowances in the first year of assessment equal to 100% of mining expenditure incurred.

Export incentives

- 30% of the taxable income in respect of exports of processed non-traditional goods and 10% of taxable income in respect of exports of unprocessed non-traditional goods may be deducted from assessable income as an export allowance
- A special additional allowance of 25% of international transport costs related to exports also may be deducted from assessable income (neither this incentive nor the incentive in the preceding point apply to traditional exports, i.e. tea, coffee, unmanufactured tobacco and tobacco refuse, or cane sugar)
- The import of equipment and raw materials for persons exclusively engaged in horticultural production for export is 100% duty-free
- Exporters in export process zones (EPZs) benefit from an exemption from custom and excise duties on certain purchases. Other incentives for establishing operations in an EPZ include exemptions from WHT on dividends, exemptions from duty or capital requirements on capital equipment and raw materials, and exemptions from VAT. Some of these benefits are available to other exporters
- The Malawi Investment and Trade Centre (MITC) exists as a designated "one-stop" agency to assist investors with establishing a business in Malawi and in obtaining an "investor's license," although this is not mandatory.

Exchange Controls

There are no restrictions on equity ownership by foreigners. Foreign investment must be registered with the exchange control authorities if repatriation of profits, dividends or capital is contemplated. Once registered, approval to remit profits or dividends may be obtained from a commercial bank, subject to the production of the required documentation.

Commercial banks will refer capital transactions and those relating to royalties and technical or management fee agreements to the RBM.

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. Exchange control approval is not necessary for local currency borrowings.

Expatriates and Work Permits

Temporary employment permits normally are available where a case can be made to the Minister of Home Affairs (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”. Temporary employment permits normally are granted to a specific person and employer for two-year periods, with an expectation that the individual will not remain in the same post beyond six years.

Once authorisation is obtained, expatriate individuals may 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
- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)
- African Growth and Opportunity Act beneficiary country.

Malawi has signed a bilateral trade agreement with South Africa, under which a number of export products may enter the South African market at reduced import duty rates. Malawi has signed a preferential trade agreement with Mozambique, with the intention that Malawi export products to Mozambique are duty-free. Malawi has also signed a bilateral trade agreement with Zimbabwe, which allows duty-free entrance of Malawian products.

Key Economic Information

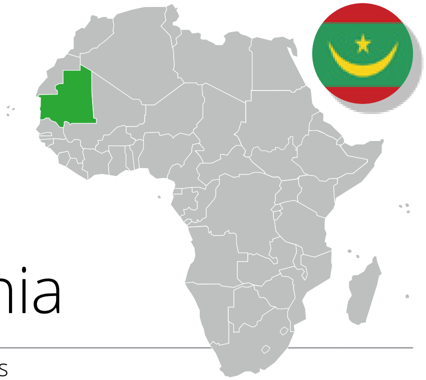
Currency (symbol/code)
Malawian kwacha (MK/MWK)

Exchange rate	
US$1	MWK795.00
EUR1	MWK951.86
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$21.58 billion	US$23.50 billion
Real GDP growth	
2.20%	6.50%
Average inflation	
9.47%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
12%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
US$2,159.4 million
Source: Capital IQ, 2021.



Mauritania

Contacts

Badara Niang
bniang@deloitte.sn
+221 33 849 65 05

Income Tax – Individuals

Taxable income (MRU)	Rate
0 – 9,000	15%
9,001 – 21,000	25%
Over 21,000	40%

Notes

1. Amended tax code – The general tax code has been amended, with new rules applying as from 1 January 2020. Individuals who carry out business activities are subject to a single income tax, called the "Impot sur les bénéfices d'affaires des personnes physiques" (i.e. the business individual income tax) that applies to commercial, industrial, and non-commercial income. This tax is comprised of three schemes: two schemes based on actual income (the normal regime and the intermediary regime) and a lump-sum tax scheme. The actual income regimes apply to taxpayers who realise annual turnover exceeding MRU5 million and those whose annual turnover is between MRU3 million up to MRU5 million. The lump sum regime applies to taxpayers whose annual turnover is below MRU3 million.
2. Individuals who are subject to the intermediary tax regime may elect to be subject to the normal tax regime before 1 February of each year. If elected, taxation under the normal regime will apply as from 1 January of the year in which the election is made and must be applied for at least two fiscal years. An individual subject to the normal tax regime cannot elect to be taxed under the intermediary tax regime or the lump-sum tax regime. When an individual who is subject to the lump-sum tax regime carries out more than one activity in a single location or carries out multiple activities in different locations, each business is considered a different activity taxable on a separate basis assuming that the total turnover is less than MRU3 million annually.
3. Basis – Mauritania operates a territorial tax system. Both Mauritanian nationals and non-Mauritanian individuals are subject to personal income tax on Mauritanian-source income. Non-Mauritanian individuals also are subject to tax on salary paid outside of Mauritania for work performed in Mauritania.
4. Residence – Mauritanian and foreign individuals are considered to be residents for tax purposes if they maintain a permanent home in Mauritania or if their centre of vital interests is in Mauritania.
5. Taxable income – Resident individuals are subject to income tax on the following categories of income:
   - Employment income and pensions
   - Commercial income, industrial income, and non-commercial income
   - Investment income
   - Rental income
   - Capital gains

   Only 40% of benefits in kind are included in the taxable base of the tax on salary. Individuals who carry out industrial, commercial, non-commercial, agricultural activities, or any activity generating profits are subject to tax on net business profits, with the taxable base generally determined in the same way as for companies.
6. Exempt income – exempted from tax on salaries: allowance for government expenses or for local politician status, allowances other than those relating to transport, accommodation, liability and status, capped to an aggregating amount of MRU1,000, an amount of MRU6,000 of the remuneration per month. Are also exempted from tax on salaries, war invalidity pensions, pensions paid to war victims and their dependents, life annuities allocated to victims of work accidents and the combatant's retirement.
7. Deductions – Individuals that carry out industrial, commercial and non-commercial activities may deduct expenses incurred in generating taxable profits. The following expenses, however, may not be deducted: (i) exchange gains and losses; (ii) donations and subsidies; (iii) deemed deferred depreciation; and (iv) provisions; in addition, it is not possible for such individuals to take accelerated depreciation.
8. Rates – The tax rates on employment income are progressive up to 40% for both residents and non-residents. The tax rate applicable to taxpayers falling within the scope of the actual income regimes is the higher of 30% of the taxable base or 2.5% on taxable revenue. The tax rate under the lump-sum regime is 3% of annual turnover.
9. Alternative minimum tax – An alternative minimum tax of MRU125,000 or MRU75,000 applies to individuals depending on the tax regime applicable to them.

Income Tax – Companies

	Rate
Standard rate	25%

Notes

1. Amended tax code – See above under "Individuals".
2. Basis – Mauritania operates a territorial tax system. Resident entities and non-resident entities that have a permanent establishment (PE) in Mauritania are subject to corporate tax only on income generated from activities carried out in Mauritania. Foreign-source income of Mauritanian companies is not subject to taxation in Mauritania.
3. Residence – A company is deemed to be resident for tax purposes if its head office or place of effective management is in Mauritania or if it has a PE in Mauritania. Under Mauritanian law, a PE is a fixed place of business through which the business of an enterprise is wholly or partly carried on and includes a place of management, a branch, an office, a factory, a workshop, a mine, an oil or gas well, a quarry, or any other place of extraction of natural resources. The concept of a PE also encompasses a building site or construction or installation project that lasts more than 12 months for oil and gas subcontractors or operators and six months for other operators. The provision of services (including consulting services) by an enterprise through employees or other personnel engaged by the enterprise for such purpose will give rise to a PE if the activities continue (for the same or a connected project) in Mauritania for a period exceeding 12 months for oil and gas subcontractors or operators and six months for other operators.
4. Taxable income – Under the revised tax code, the tax on commercial and industrial income and non-commercial income is replaced by a corporate income tax, which includes two regimes based on a company's annual turnover: the actual taxation regime applies when annual turnover exceeds MRU5 million and the intermediate taxation regime applies when annual turnover is less than or equal to MRU5 million. An entity is taxed on the difference between its trading income and expenditure. Dividends received by a company subject to corporate income tax are included in the taxable base, but a tax credit that corresponds to the withholding tax (WHT) on the dividends is available. Capital gains derived by resident companies on the disposal of business assets are considered ordinary income and are subject to the tax on industrial, commercial, and non-commercial profits at the applicable rate. However, capital gains from the transfer of mining concessions are taxed at 10% when they are not included in business revenues.

5. Deductions – Expenses incurred in the operation of a business generally are deductible, unless specifically excluded in the tax law. Expenses that cannot be deducted include penalties, fines, and depreciation exceeding the rates provided in the tax law. Land is not depreciable for tax purposes, but other fixed assets may be depreciated using the straight-line method at specified rates. Certain industrial assets may be depreciated using the declining-balance method, subject to specific conditions. Provisions created for specified losses or expenses that are likely to arise normally are deductible for tax purposes if they appear in the financial statements and in a specific statement in the tax return excluding certain provisions notably those relating to annual vacations etc.
6. 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.
7. Foreign tax credit – Foreign tax credits generally are not available in Mauritania.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rates – The tax rate for entities subject to the actual taxation regime is 25% on net taxable profits or 2% on taxable revenue, whichever is higher. Entities that are subject to the intermediate taxation regime pay tax at the standard corporate tax rate of 25% on net taxable profits or 2.5% on taxable revenue, whichever is higher. A non-resident entity that does not have a PE in Mauritania but that provides services in Mauritania is subject to a 15% WHT of the contract value. A 4% rate applies to subcontractors of petroleum companies (i.e. 25% on 16% of the gross income).
10. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies (i.e., 25% on taxable income or 2% or 2.5% on the taxable products). Remittances by a branch to its head office are subject to a 10% WHT.
11. Minimum tax – A minimum tax amounting to MRU100,000 is required for companies subject to the actual taxation regime (there is no minimum tax for companies that are subject to the intermediate regime).

Withholding Tax (WHT)

Certain payments to domestic companies and individuals and non-resident companies/investors are subject to WHT at the following rates (the tax is a final tax for non-residents (corporates and individuals) and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	10%	10%
Interest	10%	10%
Royalties/services	0%	15%
Director fees	10%	10%
Liberal professions	2.5%	0%
Rental fees	18%	0%

Notes

1. Dividends – Dividends normally are subject to a 10% WHT, although a participation exemption applies for dividends paid by a subsidiary to its parent company (whether inbound or outbound).
2. Interest – Interest on savings accounts held with savings books is exempt from tax.
3. Royalties – Royalties paid to foreign entities are subject to a 15% WHT.
4. A 15% WHT is applicable on payments made to non-residents for any type of service.

Tax Treaties

WHT rates are reduced under the following tax treaties concluded by Mauritania:

Country	Dividends	Interest	Royalties
France	10%	10%	0%
Senegal	10%	10%	0%

Notes

1. Dividends paid by a company that is a resident of a contracting state to a resident of the other contracting state may be taxed in the state in which the profits distributed are derived and according to the laws of the recipient state.
2. Interest arising in a contracting state and paid to a resident of the other contracting state may be taxed in the state in which the interest is paid.
3. Royalties (as defined under the treaty) arising in a contracting state and paid to a resident of the other contracting state are taxable only in the first mentioned state.
4. Article 18 of the tax treaty between Senegal and Mauritania provides for a sharing of taxing rights between the country of source and the country of residency of the recipient of interest. The same Article refers to internal rules of each Contracting State. As a result, from a Senegalese perspective, a 16% WHT rate would apply; while a 10% rate should apply if interest comes from Mauritania and is paid to a Senegal based creditor.

Anti-avoidance Rules

Transfer pricing

Mauritania's transfer pricing rules require that transactions between related parties be carried out on arm's length terms.

Two companies are considered related if:

- One company has a direct or an indirect participation of at least 50% in the capital of the other company or exercises de facto control over the other company; or
- A third party has a direct or an indirect minimum participation of at least 50% in the capital of both companies or exercises de facto control over both companies.

Notably, the related company requirement does not apply where the transaction involves companies incorporated in a low tax jurisdiction or a non-cooperative state or territory. Payments to non-residents may not be deducted for income tax purposes where the recipient is subject to a privileged tax regime or is based in a non-cooperative country.

Transfer pricing documentation requirements apply to Mauritanian resident companies if one of the following requirements is met:

1. The company has annual turnover, excluding taxes, of at least MUR30 million
2. The company holds directly or indirectly more than 50% of the capital or voting rights of a company that meets the criterion in 1
3. The company's capital is more than 50% owned directly or indirectly by a legal entity that meets the criterion in 1.

Companies that fall within the scope of the transfer pricing rules must provide general and specific information about the group of related companies and the reporting company, respectively. In addition, certain companies must submit a declaration containing a country-by-country breakdown of group profits and consolidated economic, accounting, and tax information, along with details of the location and activities of the constituent entities; this must be submitted electronically within 12 months of the end of the fiscal year.

Thin capitalisation rules

An interest expense may be deducted only to the extent that the company produces a tax receipt issued by the tax authorities proving that the interest paid has been subject to the WHT on interest and a copy of the loan agreement registered by an agreed notary.

The new General Tax Code provides for a general limitation on the total amount of net annual deductible interest. Such interest may not exceed 25% of all debts incurred by the company, increased by interest, depreciation, and provisions taken into account for the determination of those profits. The percentage is reduced to 15% if the company is a member of a group whose consolidated annual turnover exceeds or is equal to MRU10 billion during the three years preceding the year the interest is paid. Non-deductible interest may be carried forward for offset in the following three years.

Notes

1. The interest carry forward is not allowed for companies that are established in a country with a privileged tax system.
2. Interest paid by Mauritanian branches to their foreign head office as consideration for loans or similar transactions granted through equity, are not allowed for deduction.

Controlled foreign companies
There are no CFC rules in Mauritania.

General anti-avoidance rule (GAAR)
Mauritania does not have a GAAR.

Employment-related Taxes

Payroll tax
Payroll tax is levied on salaries and related benefits and allowances paid by public and private entities to the extent work is carried out in Mauritania, irrespective of whether the employer or beneficiary is resident in Mauritania. The employer is required to withhold payroll tax from employees' salary.

Social security
The employer must remit 15% of an employee's monthly salary as a social security contribution. The employee's contribution is 1% of his/her monthly salary for old age, disability, and survival and 5% for illness. The monthly salary for purposes of both the employer's and the employee's contributions is capped at MRU7,000.

Mandatory contributions to the National Social Security Fund are deductible for corporate income tax purposes. Mandatory employer contributions for the constitution of an expatriate's pension are deductible up to a maximum of 20% of the salary.

Indirect Taxes

Value-added tax (VAT)

	Rate
Standard rate	16%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services and on imports.
2. Rates – The standard rate of VAT is 16%. A higher rate of 18% applies to telecommunications services and 20% to petroleum products. Exports of goods and services are zero-rated.
3. Registration – Entities are required to register for VAT purposes within 10 days of the date of incorporation or the date activities commence in Mauritania.

Customs and excise duties
Import duties in Mauritania include a 20% general rate and a 5% minimum rate. Certain goods are subject to an intermediary rate that ranges between the minimum and the general rates. The rates are fixed in accordance with the classification and origin of the goods.

Preferential rates may apply in line with bilateral or multilateral treaties or conventions, as agreed by the government of Mauritania. The Maghreb Arab Union rates are not yet operational.

Excise duties apply to limited products, including tobacco.

The import of samples for commercial purposes is exempt from tax. These goods enter under an "ATA Carnet" that can be obtained from the Council of the International Chamber of Commerce.

In addition to customs duties, most imported products are subject to a statistical tax of 1%.

Other Taxes

Inheritance/gift tax
Mauritania does not levy inheritance tax. However, donations and inter vivos gifts are subject to registration fees at rates that vary depending on the type of assets transferred.

Stamp duty
Stamp duties are applicable to certain transactions at various rates.

Business activity tax (patente)
Business activity tax is levied at various rates based on the turnover of the business.

The tax is due annually by individuals or legal entities (whether or not resident) that carry out professional or business activities or that have a permanent establishment in Mauritania.

Registration duties
Registration duties apply to the transfer of real property or a business at rates that range between 0.25% and 15%.

Property tax
The property tax is levied on land and buildings constructed on land. The tax rate – which generally is around 10% – is set by the municipality where the property is located. The taxable amount is the rental value after an abatement of 20% for land and buildings. The rental value of equipment tools and installations is 14% of their acquisition price.

Tax Administration and Compliance

Tax is administered and collected in Mauritania by the Directorate of Tax, which is part of the Ministry of Finance.

Companies

1. Tax year – The tax year is the calendar year. Companies may not elect a different fiscal year.
2. Consolidated returns – Consolidated returns are not permitted; each entity must file a separate tax return.
3. Filing and payment – Three advance instalments of corporate income tax are due as follows: 40% of tax due must be made by 31 March, 30% by 30 June, and the balance by 30 September. The annual tax return must be filed by 31 March of the year following the tax year.
4. Penalties – Penalties are imposed for late filing and late payment of tax at a rate of 10% of the amount payable if the delay is less than two months, and 25% of the amount payable if the delay exceeds two months.
5. Rulings – Rulings are not available in Mauritania.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Each individual must file his/her own tax return; joint tax filing is not allowed.
3. Filing and payment – The employer makes 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 month, and an annual tax deduction schedule must be filed for the year before 15 February of the following year. Separate personal/individual tax filing generally is not required for employment income, except in the case of employees whose employer is resident or established outside Mauritania – such individuals are required to declare and pay the tax on their taxable income no later than the 15th day of the following month.
4. Individuals carrying out a business or profession are required to declare all amounts received as fees, commissions, brokerage, rebates, vacations, gratuities, and other remuneration in January of each year to the Director General Taxes.
5. Penalties – Penalties are imposed for late filing and late payment at 10% of the amount payable if the delay is less than two months, and 25% of the amount payable if the delay exceeds two months.

VAT

1. Filing and payment – Companies are required to file VAT returns and pay VAT on a monthly basis by the end of the following month.
2. Penalties – Penalties are imposed for late filing and late payment at 10% of the amount payable if the delay is less than two months, and 25% of the amount payable if the delay exceeds two months.

Investment Incentives

Tax Incentives

Various tax incentives are available under the Investment Code that apply to all economic sectors, except for banking, insurance (including reinsurance), mining, and hydrocarbon activities. These include a capital gains exemption and the export-oriented company regime:

- Capital gains exemption – Capital gains derived from the disposal of shares in enterprises operating under the Investment Code are exempt from tax in Mauritania if the transfer was made to a Mauritanian national
- Export-oriented company regime – Benefits are granted to companies whose business relates directly or indirectly to exports. (An enterprise whose business relates indirectly to exports is an enterprise that carries out transactions only with other export-oriented companies.) Export-oriented companies that are subject to the control of the customs authorities are eligible for the following benefits:
  - Exemption from all duties and taxes due on exports and customs duties and similar taxes on the import of equipment, machinery, material, engines etc., and on the import of raw materials, semi-finished goods etc., required for setting up or operating the business;
  - Exemption from registration and stamp duties on transfer and similar deeds required for setting up and organisation of the business;
  - Exemption from the business license duty and similar taxes, and any tax on real property; and
  - The possibility to recruit foreign employees up to 10% of the management staff.

There also is a special tax regime for public procurement contracts funded by foreign resources ("establishment agreement"). Such procurements include the supply of work, products, and services funded by grants, non-reimbursable subsidies, and foreign loans contracted by the government, collective authorities. and public establishments. The tax and custom regime is defined by the agreement concluded with the Mauritanian government.

Exchange Controls

Exchange control regulations exist in Mauritania for foreign financial transactions.

Expatriates and Work Permits

Foreign individuals working in Mauritania generally must obtain both a work permit and a residence card. Local employer sponsorship is required to obtain a work permit. The residence card is mandatory for all foreigners, regardless of whether they are employed. There is no special tax regime or benefits for expatriates.

Key Economic Information

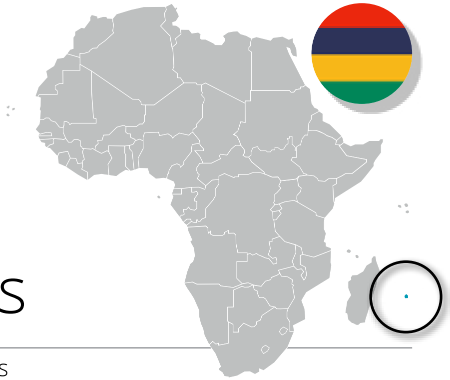
Currency (symbol/code)
Mauritanian Ouguiya (UM/MRO)

Exchange rate	
US$1	MRO366.59
EUR1	MRO413.10
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$25.41 billion	US$27.43 billion
Real GDP growth	
3.14%	5.56%
Average inflation	
2.41%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
5%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
Mauritania does not have a stock exchange.



Mauritius

Contacts

Twaleb Butonkee
tbutonkee@deloitte.com
+230 403 5870

Roopesh Dabeesingh
rdabeesingh@deloitte.com
+230 403 5819

Income Tax – Individuals

Income	Rate
Up to MUR650,000	10%
Over MUR650,000	15%

Notes

1. Basis – Mauritius operates a worldwide system of taxation. Residents are taxed on worldwide income, while non-residents are taxed only on Mauritius-source income.
2. Residence – An individual is considered resident of Mauritius if he/she (i) is domiciled in Mauritius (unless the individual's permanent abode is outside Mauritius; (ii) is present in Mauritius for 183 days or more in the income year; or (iii) has been present in Mauritius for 270 days or more in the aggregate in the relevant income year and the prior two years.
3. Taxable income – An individual is taxed on employment income, fringe benefits arising from employment, and business income. Investment income derived from outside Mauritius is taxable if it is received in Mauritius. Dividends received by a resident individual from a Mauritius resident company are exempt from tax in the hands of the recipient, but dividends received from a non-resident company are taxable in Mauritius.
4. Deductions and allowances – An allowance is deductible from a resident individual's income to arrive at taxable income. The allowance is divided into six categories and the income exemption threshold for the income year ending 30 June 2021 is as follows:
   a. Category A – No dependent: MUR325,000
   b. Category B – One dependent: MUR435,000
   c. Category C – Two dependents: MUR515,000
   d. Category D – Three dependents: MUR600,000
   e. Category E – Four or more dependents: MUR680,000

   A retired person or a person with a physical disability is entitled to an additional deduction of MUR50,000.

   A taxpayer whose annual income is below MUR4 million is entitled to an additional deduction for a dependent child attending university on a full-time basis. The deduction is MUR135,000 or the actual amount paid up to maximum of MUR175, 000 where the child is studying at a recognised institution in Mauritius. The deduction is MUR200,000 where the child is studying at a recognised institution outside Mauritius. The additional deduction is available for up to six years in respect of the same dependent.

   All individuals are permitted to deduct from taxable income premiums paid for medical or health insurance policies for the individual and his/her dependents, with the amount depending on the status of the individual and the number of dependents, subject to a cap.
5. Rates – The standard tax rate is 15%, but a reduced rate of 10% applies to individuals whose annual net income does not exceed MUR650,000.
6. Solidarity levy – A solidarity levy of 25% is applicable on annual taxable income exceeding MUR3 million.

Income Tax – Companies

Standard rate	15%

Notes

1. Basis – Mauritius operates a worldwide system of taxation. Residents are taxed on worldwide income, while non-residents are taxed only on Mauritius-source income.
2. Residence – A company is resident if it is incorporated in Mauritius or its central management and control is in Mauritius. However, a company incorporated in Mauritius will be treated as non-resident if it is centrally managed and controlled from outside Mauritius.
3. Taxable income – Income tax is imposed on a company's profits, which consist of business/trading profits and passive income. Normal business expenses are deductible in determining the taxable income of a company.
4. Exempt income – A partial exemption of 80% applies to the following:
   - Foreign-source dividends derived by company provided these are not deductible in the source country and certain substance requirements are met
   - Interest income derived by company other than a bank, provided certain substance requirements are met
   - Profits attributable to foreign permanent establishment
   - Income derived by a collective investment scheme (CIS), closed-end fund, CIS manager, CIS administrator, investment adviser or asset manager, licensed or approved by the FSC provided the company meets certain substance requirements
   - Income of companies from ship and aircraft leasing, provided certain substance requirements are met.
5. Deductions – Normal business expenses generally are deductible in computing taxable income. However, the following expenses, among others, are non-deductible:
   - Expenditure of a capital nature
   - Reserves and provisions of any kind
   - Expenditure that is recoverable under an insurance contract or indemnity
   - Expenditure incurred for the provision of business entertainment or gifts
   - Income tax, foreign tax, and the special levy on banks
   - Expenditure of a private nature.
6. Losses – Losses may be carried forward for five years, except for losses arising from annual allowances on capital expenditure incurred after 1 July 2006, which may be carried forward indefinitely. The carryback of losses is not permitted.
7. Foreign tax credit – Foreign tax paid on foreign-source income may be claimed as a credit against Mauritius tax arising on the same income. No foreign tax credit claim is allowed in respect of a foreign-source income where the partial exemption has been claimed on such income. A company holding a Category 1 Global Business License (GBL 1 company) is entitled to claim a credit for the greater of the actual foreign tax incurred or a deemed foreign tax credit equal to 80% of the Mauritius tax payable on its foreign-source income, giving rise to a maximum effective tax rate of 3%. The deemed foreign tax credit will be applicable through 30 June 2021 for companies holding a GBL1 issued on or before 16 October 2017; companies with a GBL1 issued after that date are not permitted to claim the deemed credit after 1 January 2019.
8. Group relief – There are no group relief provisions, except that losses can be transferred on a takeover or merger involving manufacturing companies.
9. Rates – The standard corporate tax rate on resident companies is 15%. However, companies engaged in the export of goods are subject to a 3% tax on chargeable income attributable to exports. Companies holding a freeport license issued on or before 14 June 2018 and not operating outside the freeport zone in Mauritius are exempt from corporate income tax up to 30 June 2021. A freeport operator or private freeport developer engaged in the manufacturing of goods for local consumption are subject to tax at a 3% rate on chargeable income, provided certain substance requirements are met.
10. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic company. Mauritius does not levy a branch tax.
11. Alternative minimum tax – The alternative minimum tax was repealed in 2015.
12. Special levy – Up to year of assessment (YOA) 2018/19, a special levy was payable by profitable banks, as follows: (i) 3.4% of book profits and 1% of operating income payable on income derived from banking transactions with non-residents and corporations holding a GBL under the Financial Services Act; and (ii) 10% on chargeable income from all other sources. As from YOA 2019/20, the special levy is imposed under the VAT Act and will apply on net interest income and other income from banking transactions with residents as follows: (i) 5.5% on amounts up to MUR1.2 billion; and (ii) 4.5% on amounts exceeding MUR1.2 billion.
13. Other – In respect of corporate social responsibility, profitable companies are required to allocate 2% of their previous year chargeable income to be disbursed and paid as prescribed by the tax authorities.

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents for certain types of income and the rate may be reduced under an applicable tax treaty):

Payment	Rate
Dividends	0%
Interest	15%
Royalties	10%/15%
Rent	5%/10%
Commissions	3%
Payments to providers of specific services (including accountants/accounting firms and tax advisors and their representatives)	3%
Payments to contractors/subcontractors in the construction industry	0.75%
Payments made to non-residents for services rendered in Mauritius	10%

Tax Treaties

Mauritius has a broad tax treaty network. The following table shows the treaty WHT rates on dividends, interest, and royalties:

Country	Dividends	Interest	Royalties
Australia (partial)*		-	-
Bangladesh	10%	D	D
Barbados	5%	5%	5%
Belgium	5%/10%	10%	0%
Botswana	5%/10%	12%	12.5%
Cabo Verde	5%	10%	7.5%
China	5%	10%	10%
Congo (Rep.)	0%/5%	5%	0%
Croatia	0%	0%	0%
Cyprus	0%	0%	0%
Egypt	5%/10%	10%	12%
France	5%/15%	D	15%
Germany	5%/15%	0%	10%
Guernsey	0%	0%	0%
Ghana	7%	7%	8%
India	5%/15%	7.5%	15%
Italy	5%/15%	D	15%
Jersey	0%	0%	0%
Kuwait	0%	0%	10%
Lesotho	10%	10%	10%

Mauritius

Country	Dividends	Interest	Royalties
Luxembourg	5%/10%	0%	0%
Madagascar	5%/10%	10%	5%
Malaysia	5%/15%	15%	15%
Malta	0%	0%	0%
Monaco	0%	0%	0%
Mozambique	8%/10%/15%	8%	5%
Namibia	5%/10%	10%	5%
Nepal	5%/10%/15%	10%/15%	15%
Oman	0%	0%	0%
Pakistan	10%	10%	12.5%
Qatar	0%	0%	5%
Rwanda	10%	10%	10%
Seychelles	0%	0%	0%
Singapore	0%	0%	0%
South Africa	5%/10%	10%	5%
Sri Lanka	10%/15%	10%	10%
Swaziland	7.5%	5%	7.5%
Sweden	0%/15%	0%	0%
Thailand	10%	10%/15%	5%/15%
Tunisia	0%	2.5%	2.5%
Uganda	10%	10%	10%
UAE	0%	0%	0%
United Kingdom	10%/15%	D	15%
Zambia	5%/15%	10%	5%
Zimbabwe	10%/20%	10%	15%

Anti-avoidance Rules

Mauritius has general and specific Anti-avoidance Rules designed to target transactions structured to confer tax benefits on taxpayers.

Controlled foreign company rules were introduced in 2019 and will apply as from the YOA commencing on 1 July 2020. Mauritius does not have transfer pricing or thin capitalisation rules.

Employment-related Taxes

Pay-As-You-Earn (PAYE)

Tax on employment income is withheld monthly by the employer under the PAYE system and remitted directly to the tax authorities. Income not subject to PAYE is self-assessed, and individuals earning more than MUR4 million annually must make quarterly advance payments.
The employer must submit an annual return of employees with the Mauritius Revenue Authority by 15 August following the end of the tax year showing the details of the employees and the amount of tax remitted for each employee.

Social security contributions

The contribution to the National Pension Fund (NPF) has been abolished and replaced by the Contribution Sociale Généralisée (CSG) as from 1 September 2020. The employer must make pay-related social security contributions equal to 2.5% (for the National Solidarity Fund (NSF)) and 1.5% (for the Human Resource Development Council (HRDC) levy) of the monthly basic salary (the monthly salary is capped for NSF contributions). HRDC levy contributions to be made by employers on behalf of their employees for the period 1 July 2020 to 30 June 2021 will be 1% of monthly basic salary. CSG contributions payable by the employer are based on specific remuneration brackets and are not capped.

The employee must make pay-related social security contributions equal to 1% (in respect of the NSF) of the monthly basic salary, subject to a cap. CSG contributions payable by the employee are based on specific remuneration brackets and are not capped.

Indirect Taxes

Value-added tax (VAT)

Standard rate	15%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and the provision of services in Mauritius, and on the import of goods or services.
2. Rates – The standard VAT rate is 15%. Certain supplies are zero-rated (e.g., goods exported under customs control, the supply of services to non-residents, the supply of aeronautical services, pharmaceutical products, foodstuffs, etc.). Exempt supplies include medical services, public transport, residential accommodation, banking services, and the construction of social housing by housing development trusts. Input tax may not be claimed on exempt supplies.
3. Registration – The registration threshold for VAT purposes is MUR6 million in turnover per year, although certain businesses or professions are required to register, irrespective of turnover.

Customs and excise duties

Customs and excise duties are levied on the importation of a range of products as prescribed under the Customs and Tariffs Act. The applicable rate is listed in the Integrated Customs Tariffs Schedule.

Where significant local production exists, and to provide greater certainty to businesses and investors, changes to the customs duty rates on products generally are announced at least six months in advance.

Other Taxes

Inheritances and donations

There is no inheritance tax in Mauritius. The transfer of property during a donor's lifetime is subject to registration duty and transfer taxes in certain cases, although the transfer of property is exempt from tax where the transfer is made by an ascendant to a descendant (or his/her spouse or surviving spouse) and between descendants of a deceased person.

Stamp duty

There is no stamp duty in Mauritius.

Land transfer tax

The seller or transferor of immovable property must pay a 5% land transfer tax.

Registration duty

Registration duty of 5% is paid by the purchaser of immovable property.

Tax Administration and Compliance

Tax is administered by the Mauritius Revenue Authority.

Companies

1. Tax year – The tax year is the fiscal year, which runs from 1 July to 30 June, although companies can opt for a financial year end other than 30 June.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Companies with annual turnover exceeding MUR10 million and having a chargeable income are required to make quarterly tax payments under the advance payment system. Companies with an accounting year ending on 30 June are required to submit their returns and pay tax, if any, two days (excluding weekend days and public holidays) before 31 December. Where the accounting year ends on 31 December, the deadline for submission of the return and settlement of tax due is two days (excluding weekend days and public holidays) before 30 June. Other companies must submit their returns and pay tax, if any, within six months after the end of their accounting year. Sociétés and Successions must submit their returns by 30 September.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.
5. Rulings – Taxpayers may request a ruling on the tax consequences of transactions.

Individuals
1. Tax year – The tax year is the fiscal year, which runs from 1 July to 30 June.
2. Tax filing – Married couples are assessed separately.
3. Filing and payment – Individuals are required to submit income tax returns and pay tax, if any, by 30 September following the end of the fiscal year. Self-employed individuals whose prior year's annual turnover or income derived from the exercise of a profession, vocation, or occupation exceeded MUR4 million must file Current Payment System (CPS) returns and pay tax on a quarterly basis. Any additional tax must be paid at the time the annual income tax return is due in September.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.
5. Taxpayers may request a ruling from tax authorities to obtain clarity on tax treatment.

VAT
1. Filing and payment – Filing and payment is made on a monthly or quarterly basis.
2. Penalties and interest – Late payment of VAT is subject to a penalty of 10% and interest of 1% per month or part of a month on the amount of VAT payable.

Investment Incentives
Mauritius commenced trade under the African Continental Free Trade Area (AfCFTA) following the official launch of trade by the AfCFTA Secretariat on 1 January 2021. The government introduced changes to the domestic legislation in order to implement the AfCFTA including rates of customs duty applicable to goods imported under AfCFTA.

Exchange Controls
There are 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. A work permit generally will be granted if a contract of employment is in place. Under the Immigration Act, an occupation permit giving a foreign national the right to work and reside in Mauritius for a specified period can be granted to the following individuals:
- An investor, as defined under the Immigration Act, with an initial transfer of US$50,000 in the bank account of the company. For renewal of the permit, the company should generate a minimum gross income of MUR4 million per year as from the third year of registration
- A professional, as defined under the Immigration Act, who is offered employment with a monthly basic salary of at least MUR60,000 or MUR30,000 if the professional is in the sector of information and communication technologies (ICT), business process outsourcing (BPO), pharmaceutical manufacturing or food processing
- A self-employed non-citizen engaged in a professional activity in the services sector only and registered with the Registrar of Businesses under the Business Registration Act making an initial transfer of US$35,000 to his/her local bank account in Mauritius. For renewal, the business activity should generate a business income of MUR800,000 per year as from the third year of registration.

When an occupation permit expires, the investor, professional, or self-employed professional can apply for permanent residence, subject to certain conditions.

Trade Relations
Memberships
- Cotonou Agreement
- Southern African Development Community (SADC)
- Common Market Eastern and Southern Africa (COMESA)
- IOL and Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)
- African Growth and Opportunity Act (AGOA) beneficiary country
- Interim Economic Partnership Agreement (EPA) with EU
- African Continental Free Trade Area Agreement
- Comprehensive Economic Cooperation and Partnership Agreement (CECPA).

Key Economic Information

Currency (symbol/code)
Mauritian rupee (Rs/MUR)

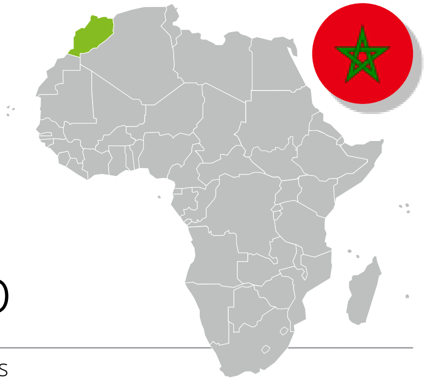
Exchange rate	
US$1	MUR40.40
EUR1	MUR48.87
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$27.91 billion	US$30.03 billion
Real GDP growth	
6.60%	5.20%
Average inflation	
2.58%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
1.85%
Source: Bank of Mauritius, 2021.

Market capitalisation as at April 2021
US$7,246.50 million
Source: Capital IQ, 2021.

Mauritius



Morocco

Contacts

Grégoire Chaste
gchaste@deloitte.com
+212 661 299 918

Marie Petit
mapetit@deloitte.com
+212 678 716 036

Jalal Benhayoun
jbenhayoun@deloitte.com
+212 661 434 814

Yves Madre
ymadre@deloitte.fr
+243 85 999 804

Income Tax – Individuals

Taxable income (MAD)	Rate
0 – 30,000	0%
30,001 – 50,000	10%
50,001 – 60,000	20%
60,001 – 80,000	30%
80,001 – 180,000	34%
Over 180,000	38%

Notes

1. Basis – Resident individuals are taxed on their worldwide income; non-residents are taxed only on Moroccan-source income.
2. Residence – The following individuals are resident in Morocco for tax purposes:
   - Individuals who are habitually resident in Morocco
   - Individuals who are present in Morocco for at least 183 days in a given year, whether or not continuously
   - Individuals whose professional activities or centre of economic interests are located in Morocco.
3. Taxable income – All compensation received by an individual is taxable, including: salaries and wages, allowances, pensions, annuities, and all other employment benefits; investment income; property income; and income derived from the carrying on of a business or profession. Capital gains are treated as ordinary income and taxed at the personal tax rates.
4. Deductions and allowances – Various deductions and personal allowances are available in computing taxable income.
5. Rates – Rates are progressive from 0% to 38% for both resident and non-resident individuals. Individuals deriving capital gains from the sale of property are subject to tax on the gain at a rate of 20%, but with a minimum tax of 3% of the sales price. The tax is 20% if the gain relates to a plot of undeveloped land. Capital gains from the sale of a primary residence are exempt from tax if the property has been held for more than six years.

Income Tax – Companies

Taxable income (MAD)	Rate
0 – 300,000	10%
300,001 – 1 million	20%
Over 1 million	31%

Notes

1. Basis – Morocco operates a territorial tax system. Companies (both resident and non-resident) generally are subject to corporate tax only on income earned from activities carried on in Morocco. Foreign corporations are subject to tax on income arising in Morocco if they have, or are deemed to have, a permanent establishment in Morocco.
2. Residence – A company is resident in Morocco if it is incorporated in Morocco or if its place of effective management is in Morocco.
3. Taxable income – A company is taxed on the difference between its trading income and expenditure. Dividends received by corporate shareholders from a taxable Moroccan-resident entity must be included in business profits of the recipient company, but the dividends are fully deductible in the computation of taxable income unless they are derived from real estate collective investment vehicles (OPCIs), in which case the deduction is reduced to 60%. Capital gains are treated as ordinary income and taxed at the corporate tax rates.
4. Deductions – Expenses incurred in the operation of the business generally are deductible, unless specifically excluded. Expenses that are not permitted include: penalties, fines, interest on shareholder current account 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 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. Foreign tax credit – A foreign tax credit is available where so provided in an applicable tax treaty and/or local legislation.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – Rates are progressive from 10% to 31%. The 31% rate is reduced to 28% for industrial companies with a net profit of less than MAD100 million. A 37% rate applies 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.
9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary, as well as a 15% branch profits tax, which may be reduced under a tax treaty.
10. Alternative minimum tax (AMT) – There is no AMT, but the tax payable by a company must be at a rate of at least 0.5%, regardless of the amount of taxable profit calculated on turnover, financial, and non-current income. The rate is increased to 0.6% when, beyond the exemption period of 3 years from the start of the activity, the company declares its current result, excluding depreciation, negative for two consecutive financial years.

Companies subject to corporate income tax (excluding (i) permanently exempt companies, (ii) service companies with CFC status and (iii) companies operating in an industrial acceleration zone) are liable in 2021 to Social Solidarity Tax (SST). SST is calculated on the basis of the net taxable profit used to calculate corporate income tax, by applying the following proportional rates:

Taxable income (MAD)	Rate
1 miilion – 5 million	1.5%
5 million – 40 million	2.5%
Over 40 million	3.5%

Withholding Tax (WHT)

The WHT rates on various types of payments made to non-residents are as follows (the tax is a final tax and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	15% for individuals and exempted for companies	15%
Interest	N/A	10%*
Royalties	N/A	10%
Management and professional fees	N/A	10%

* Interest paid to non-residents on loans exceeding 10 years is exempt from WHT.

Tax Treaties

Morocco has a broad tax treaty network. The following table shows the WHT rates on dividends, interest, and royalties under Morocco's treaties:

Country	Dividends	Interest	Royalties
Austria	5%/10%	10%	10%
Bahrain	5%/10%	10%	10%
Belgium	6.5%/10%	10%	10%
Bulgaria	7%/10%	10%	10%
Canada	15%	15%	5%/10%
China	10%	10%	10%
Czech Republic	10%	10%	10%
Denmark	10%/25%	10%	10%
Egypt	10%/12.5%	20%	10%
Finland	7%/10%	10%	10%
France	0%/15%	10%/15%	5%/10%
Gabon	15%	10%	10%
Germany	5%/15%	10%	10%
Greece	5%/10%	10%	10%
Guinea	5%/10%	10%	10%
Hungary	12%	10%	10%
India	10%	10%	10%
Indonesia	10%	10%	10%
Ireland (R.O.I.)	6%/10%	10%	10%
Italy	10%/15%	10%	5%/10%
Ivory Coast(R.O.IC)	10%	10%	10%
Jordan	10%	10%	10%
Korea (ROK)	5%/10%	10%	5%/10%
Kuwait	5%/10%	10%	10%
Latvia	6%/10%	10%	10%
Lebanon	5%/10%	10%	5%/10%
Luxembourg	10%/15%	10%	10%
Macedonia	10%	10%	10%
Malaysia	5%/10%	10%	10%
Mali	5%/10%	10%	10%
Malta	6.5%/10%	10%	10%
Netherlands	10%/25%	10%/25%	10%
Norway	15%	10%	10%
Pakistan	10%	10%	10%
Poland	7%/15%	10%	10%
Portugal	10%/15%	12%	10%

Country	Dividends	Interest	Royalties
Qatar	5%/10%	10%	10%
Romania	15%	10%	10%
Russia	5%/10%	0%/10%	10%
Senegal	10%	10%	10%
Singapore	8%/10%	10%	10%
Spain	10%/15%	10%	5%/10%
Switzerland	7%/15%	10%	10%
Syria	7%/15%	10%	10%/14%
Turkey	7%/10%	10%	10%
Ukraine	10%	10%	10%
United Arab	5%/10%	10%	10%
United Kingdom	10%/25%	10%	10%
United Mughreb	0%	10%	10%
United Arab Emirates (UAE)	5%/10%	10%	10%
United States	10%/15%	15%	10%
Vietnam	10%	15%	10%

Anti-avoidance Rules

Transfer pricing

Transactions between related parties must be on arm's length terms. Two transfer pricing methodologies are used by the tax authorities: the comparable uncontrolled price method and direct assessment based on available information. Taxpayers may request an advance pricing agreement.

Morocco has transfer pricing documentation requirements. The Finance Law 2021 specifies that transfer pricing documentation requirements apply to companies that have carried out transactions with companies located outside Morocco and with which they are directly or indirectly connected, provided that:

- Their turnover is greater than or equal to MAD50 million, or
- Their gross assets on the balance sheet at the end of the fiscal year concerned are greater than or equal to MAD50 million.

The mandatory transfer pricing documentation is as follows:

- A master file containing information relating to all the activities of the affiliated companies, the global transfer pricing policy applied and the distribution of profits and activities on a worldwide scale
- A local file containing information specific to the transactions that the audited company carries out with such companies.

The Finance Law 2021 introduced a fine applicable to taxpayers who do not comply with the obligation to provide the tax authorities with the above-mentioned mandatory documents. The fine is 0.5% of the amount of the related transactions, but not less than MAD200,000 per year.

Thin capitalisation

There are no formal thin capitalisation rules in Morocco, but the deduction of interest on shareholder current accounts loans is subject to conditions and limitations. Interest is deductible if the shareholder's stock is fully paid up, the interest rate does not exceed the official annual rate, and the debt-to-equity ratio does not exceed 1:1.

General anti-avoidance rule (GAAR)

A GAAR has been introduced based on the "abuse of law" concept. The tax authorities may invoke the GAAR to recharacterise transactions whose main purpose is to avoid or evade tax.

Employment-related Taxes

Payroll tax

Payroll tax (called the "professional training tax") is imposed on the gross monthly remuneration of employees subject to social security contributions at a rate of 1.6%.

Social security

An employer is required to register its employees with the Social Fund and pay social security contributions based on the employee's gross salary. Both the employer and employee are required to contribute, with the employee's contribution withheld by the employer.

Indirect Taxes

Value-added tax (VAT)

Standard rate	20%

Notes

1. Taxable transactions – VAT is levied on the supply of goods, the provision of services, the transfer of rights in Morocco, and the import of goods and services.
2. Rates – The standard VAT rate is 20%. There are reduced rates of 7%, 10% and 14%. Certain supplies are zero-rated or exempt.
3. Registration – All persons subject to VAT must register within 30 days of commencing operations.

Customs and excise duties

Equipment, goods, materials, tools, spare parts, and accessories that are considered necessary to promote and develop investment are subject to an ad valorem import duty between 2.5% and 10%, unless an applicable trade treaty with the country of origin provides otherwise. Morocco has signed several agreements aiming to reduce duty rates.

Other Taxes

Stamp duty

Legal documents are subject to stamp duty at a rate of up to MAD1,000.

Transfer tax

A 4% to 6% registration duty and a 1.5% real estate tax are levied at the time real property is acquired.

Property tax

Property occupied as a main or secondary residence is taxed at progressive rates ranging from 0% to 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 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 if the property is situated in an urban district. For property in a peripheral zone of an urban district, the property tax rate is 6.5% of the assessed rental value.

Business tax

A business tax, which is levied by the local authorities, is imposed 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 an exemption for the first five years of activity.

Inheritances and donations

There is no inheritance tax, but a gift tax is levied at a flat rate of 20%.

Tax Administration and Compliance

Tax is administered by the General Tax Administration (GTA). The GTA mainly manages four state taxes (corporate tax, income tax, VAT, and registration and stamp duties). It also is responsible for managing three local taxes on behalf of the local authorities (business tax, property tax, and municipal tax).

Companies
1. Tax year – The calendar year normally is the fiscal year, although a company may opt for a different fiscal year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – The tax return must be filed within three months of the close of the fiscal year. Corporate tax is payable in four equal instalments, based on the prior year's assessment. The actual amount payable is adjusted in the three months following the end of the accounting period.
4. Penalties – Interest and penalties are imposed for the late submission of a tax return and the late payment of tax, the failure to file a tax return, and the filing of an incorrect tax return.
5. Rulings – Tax rulings may be requested from the tax administration. The procedure for issuing a ruling may take more than six months. The administration's positions in rulings, in general, are in line with the tax law and circular notes.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax status – Married couples are assessed separately.
3. Filing and payment – The income tax return, when due, must be filed before 1 March of the following year on the tax administration website.
4. Penalties – Interest and penalties are imposed for the late submission of a tax return and the late payment of tax, the failure to file a tax return and the filing of an incorrect tax return.

VAT
1. Filing and payment – VAT returns and payment must be filed/paid on a monthly basis.
2. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.

Investment Incentives

Tax incentives
- New enterprises that set up operations in certain areas and new, small, and medium-sized businesses set up anywhere in Morocco will be exempt from the business tax for the first five years of operations
- Companies exporting goods and services are entitled to a reduced corporate tax rate of 20% instead of 31%; the reduced rate applies to export sales with respect to sales turnover generated in a foreign currency
- A VAT exemption is granted on the cost of materials, tools, and equipment imported or acquired locally that are depreciable assets registered in a fixed asset account for 36 months following the commencement of activities
- An exemption is granted from the minimum contribution in respect of corporate tax during the first 36 months of operations
- Neutralisation of corporate income tax is available on the transfer of investment goods among member companies of a restructuring group. All taxpayers may benefit from such incentives.

Mergers and divisions
Favourable tax treatment for mergers and divisions is provided, such as the following:
- A capital gains tax exemption for gains derived by the acquiring company on the disposal of shares in the target company
- Deferral of tax on gains derived by shareholders of the target company when exchanging their shares for shares of the acquiring company, until disposition of the shares
- Deferral of taxation on the assets of the target company at the level of the acquiring company:
  - In a case where the target company has no depreciable assets (only land, goodwill, etc.), deferral lasts until the assets are subsequently sold
  - In a case where the target company has depreciable assets, deferral lasts until the depreciation/amortisation period ends or the assets otherwise are disposed or withdrawn from use, as reflected in the company's accounting books.

Exchange Controls
Foreign exchange is not restrictive in Morocco, but rules must be observed when transferring funds abroad.

Expatriates and Work Permits
Foreign citizens can work in Morocco for resident employers if they obtain a visa relating to the employment agreement.

Trade Relations
Memberships
- United Nations
- World Trade Organization

Key Economic Information

Currency (symbol/code)
Moroccan dirham (DH/MAD)

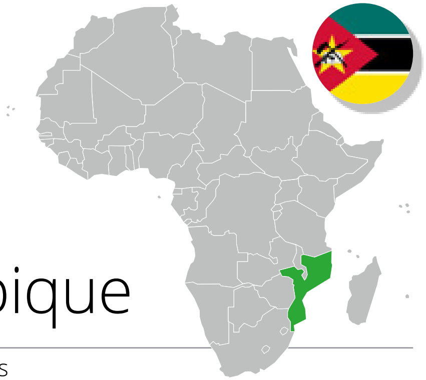
Exchange rate	
US$1	MAD8.90
EUR1	MAD10.74
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$291.50 billion	US$309.72 billion
Real GDP growth	
4.50%	3.90%
Average inflation	
0.80%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
1.50%
Source: Bank Al-Maghrib, 2021.

Market capitalisation as at April 2021
US$66,501.30 million
Source: Capital IQ, 2021.

Morocco



Mozambique

Contacts

Dércio Da Barca
dbarca@deloitte.co.mz
+258 213033290

Eugénia Santos
eusantos@deloitte.co.mz
+258 213033290

Income Tax – Individuals

Annual income (MZN)	Rate	Deductible amount (MZN)
0 – 42,000	10%	-
42,001 – 168,000	15%	2,100
168,001 – 504,000	20%	10,500
504,001 – 1,512,000	25%	35,700
Over 1,512,000	32%	141,540

Notes

1. Basis – Resident individuals are subject to tax on worldwide income. Non-resident individuals are taxable only on Mozambique sourced income.
2. Residence – An individual is considered resident for tax purposes if he/she resides in Mozambique for more than 180 days in a tax year, or if resident for a shorter period and on 31 December, the individual occupies a residence under circumstances indicating an intention to continue occupancy on a permanent basis.
3. Taxable income – The income of an individual is taxed under separate schedules for employment, trade and business, capital gains, real estate, and other income. Employment income is defined broadly and includes benefits-in-kind.
4. Exempt income – pensions and death grants are dependent work income considered exempt from Individuals Income Tax.
5. Deductions and allowances – Personal and dependent allowances are available. Dependent allowances are available for one responsible person per dependent.
6. Rates – Employment income obtained by residents is taxed under the Pay-As-You-Earn (PAYE) system. The monthly withholding tax (WHT) is a final tax and the highest marginal rate is 32%, which applies to monthly income exceeding MZN144,750. Non-residents are taxed at a flat rate of 20%.
7. Simplified tax for small taxpayers (ISPC) – Taxpayers can elect for the ISPC regime in place of individual income tax (or corporate income tax) and VAT. The ISPC regime applies to micro-enterprises and small individual taxpayers that carry on an agricultural, industrial, or commercial activity, including services, and whose annual turnover does not exceed MZN2.5 million. The tax payable under the ISPC regime is either MZN75,000 or 3% of annual turnover (to be elected by the taxpayer), in the first year the tax rate may be reduced to 1.5%.

Income Tax – Companies

	Rate
Standard corporate rate	32%

Notes

1. Basis – Resident companies are taxed on their worldwide income. Non-resident companies are subject to tax only on their Mozambique-source income.
2. Residence – A company is resident if its head office or place of effective management or control is in Mozambique, or if the business is registered in Mozambique.
3. Taxable income – All income and gains are included in taxable income. Dividends are included in taxable income unless they qualify for the participation exemption. Capital gains also are considered taxable income. However, gains from the direct or indirect transfer between non-residents of shares or other interests and participatory rights involving assets located in Mozambique are deemed to be Mozambique sourced income, regardless of where the sale takes place and regardless of whether the transfer is for consideration. See below under “Mining taxation” for the tax treatment of mining and oil and gas companies and holders of mineral and oil rights granted under the law of mines and oil.
4. Deductions – Expenses that are necessary for the generation of income are deductible and various capital allowances are available. Interest payments and other forms of remuneration on loans (in MZN) granted by shareholders to the company are not deductible tax costs to the extent they exceed the 12-month Maputo Interbank Offered Rate (MAIBOR), plus 2%.
5. Losses – Tax losses may be carried forward for five years. The carryback of losses is not permitted. See under “Mining taxation” for the treatment of losses incurred by a mining or oil company.
6. Foreign tax credit – A unilateral tax credit is available for foreign taxes paid to prevent the double taxation of income obtained abroad by resident companies and permanent establishments of non-resident companies. The tax credit is the lower of the tax paid abroad on corporate income and the part of the income tax computed before the deductions are given as attributed to the income that may be taxed in Mozambique. Unused credits may be carried forward for up to five years.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. 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.
9. Rate – The standard corporate tax rate is 32%, although a penalty rate of 35% may be charged on unsubstantiated payments (i.e. undocumented or confidential expenses) or illicit expenses.
10. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies. Mozambique does not levy a branch profits tax.
11. ISPC regime – See above under “Income tax – Individuals”.

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents except for tax on rental income):

Payment	Residents	Non-residents
Dividends	0%/10%/20%	10%/20%
Interest	0%/20%	20%
Royalties	20%	20%
Technical services fees	0%	20%
Rent	20%	20%

Notes

1. Dividends – Dividends paid to both residents and non-residents are subject to a 20% WHT (10% for shares listed on the Mozambique stock exchange), unless (for non-residents) the rate is reduced under a tax treaty. No WHT is levied on dividends qualifying for the participation exemption, i.e. dividends paid to a Mozambique company that has held at least 20% of the shares in an associated company in Mozambique for at least two years.
2. Interest – Interest paid to residents and non-residents is subject to a 20% WHT, unless (for non-residents) the rate is reduced under a tax treaty. The 20% rate also applies to interest on treasury bonds and debt securities listed on the stock exchange and interest on liquidity swaps between banks, with or without collateral. A 0% rate applies to interest paid to a registered Mozambique financial institution.
3. Royalties – Royalties paid to residents and non-residents are subject to a 20% WHT, unless (for non-residents) the rate is reduced under a tax treaty.
4. Technical services fees – Technical service fees paid to a non-resident are subject to a 20% WHT, unless the rate is reduced under a tax treaty.
5. Other – A 10% WHT applies to payments made to non-residents for the following services:
   - Telecommunications services, international transport services, and the assembly and installation of telecommunications equipment
   - Services related to construction and rehabilitation of productive infrastructure, transport, and the distribution of electricity in rural areas, within the scope of public projects of rural electrification
   - Services from charters of marine vessels to conduct fishing and cabotage activities
   - Services relating to the maintenance of freight aircraft.

Tax Treaties

Mozambique has tax treaties with the following countries:

Country	Dividends	Interest	Royalties
Botswana	0%/12%	10%	10%
India	7.5%	10%	10%
Italy	15%	10%	10%
Macau	10%	10%	10%
Mauritius	8%/10%/15%	8%	5%
Portugal	10%	10%	10%
South Africa	8%/15%	8%	5%
United Arab Emirates	0%	0%	5%
Vietnam	10%	10%	10%

Notes

1. Dividends – The lower (lowest) rate is applicable where the beneficial owner is a company that holds at least 25% of the capital of the payer company.
2. United Arab Emirates – Dividends and interest are taxable only in the state of residence of the beneficial owner.

Anti-avoidance Rules

Transfer pricing

The arm's length principle applies to transactions between related parties in Mozambique. For income derived in 2018 and thereafter, the tax authorities may adjust the taxable income declared where a special relationship exists between the taxpayer and other entities if any transactions between these parties are not on an arm's length basis.

Transfer pricing documentation must be prepared to support transactions between related parties where the value of the transactions is at least MZN2.5 million.

A transfer pricing return should be submitted along with Statutory Accounts disclosing amongst other items any transfer pricing adjustments and the pricing model applied.

For payments to companies in low tax jurisdictions, the authorities will need to be satisfied that the payment was genuine and reasonable.

Thin capitalisation rules

Companies are subject to thin capitalisation rules. Where the indebtedness of a Mozambique taxpayer to a non-resident entity is twice the value of the equity shareholding, and a special relationship exists between the two parties, interest paid on debt exceeding a 2:1 debt-to-equity ratio is not deductible in calculating taxable income. A special relationship between a resident and a non-resident entity exists for these purposes if the following requirements are met:

- The non-resident entity holds, directly or indirectly, at least 25% of the share capital of the resident entity
- The non-resident entity holds less than 25% of the resident entity but exercises a significant de facto influence on the management of the resident entity
- The non-resident and the resident entity are both controlled directly or indirectly by a third entity.

Controlled foreign company rules

Mozambique does not have CFC rules.

Employment-related Taxes

PAYE

Employment income is taxed under a PAYE system. Employers must withhold tax on the monthly remuneration paid to resident employees at rates up to 32%.

Social security

Employers and employees must register with the National Social Security System. The total contribution for social security is 7%, with 4% payable by the employer (with no upper limit) and 3% by the employee. Salaries are not capped for the purposes of employee contributions.

Indirect Taxes

Value-added tax (VAT)

Standard rate	17%

Notes

1. General – The definition of "territory" for VAT purposes includes areas where Mozambique has sovereign rights to the prospecting, exploration, and production of natural resources.
2. Taxable transactions – VAT is levied on the supply of goods or services in Mozambique, and on the import of goods or services. Services related to drilling, research, and construction of infrastructure in the context of mining and oil activities during the exploration phase also are subject to VAT.
3. Rates – The standard VAT rate is 17%. Banking, financial and certain health, education, and philanthropic services are exempt. The export of goods and services are exempt from VAT (with few exceptions in the case of services). The supply by a 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. However, VAT is due on the import of goods or services for consumption.
4. Registration – A unique tax number must be obtained, and a declaration filed 15 days before the time VAT taxable activities commence.

Customs duties

Customs duties are levied on imported goods at rates ranging from 2.5% to 20%.

A usage levy is due on temporarily imported goods; the levy is based on the depreciated value of the goods.

No customs duties are imposed on exports of goods, but a surtax applies on certain goods, such as unprocessed timber and cashew nuts.

Specific consumption tax (ICE) excise duty

ICE applies on the consumption of certain goods, produced or imported. ICE is levied on luxury items, such as alcohol, tobacco, perfumes, cosmetics, jewellery, gold, and passenger vehicles. The ad valorem rates range from 3% to 75%.

Other Taxes

Inheritance/estate tax

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

Stamp duty

Stamp duty applies on marketable securities at a fixed rate of 0.4%. A 0.2% rate applies to transfers of buildings.

Property tax

Urban property is subject to an annual tax of 0.4% of the property value (excluding land) where the building is used for residential purposes and 0.7% in all other cases. All land is owned by the state and a property transfer tax applies based on the property value, excluding the value of the land. The transfer tax rate is 2%.

Mining taxation

Mining activities are subject to specific rules and taxes.

Production tax is levied on the value of the quantity of mineral products extracted, concentrates, and mineral water derived from a mining activity within the territory of Mozambique, irrespective of whether the products are sold, exported, or otherwise disposed of. The value of the product is based on the last sales price or the reference price of an international market where there have been no sales. The applicable tax rates are as follows:

Product	Rate
Diamonds	8%
Precious metals (gold, silver, and platinum) and precious stones	6%
Semi-precious stones and heavy sands	6%
Base minerals, coal, ornamental rocks, and other mineral products	3%
Sand and stone	1.5%

Mining products may be exported only after the production tax has been paid.

Surface tax (ISS) is an annual tax levied on the area of mining activity and in the case of mineral water, the mining title. This tax is payable by persons conducting mining activities in Mozambique. ISS is calculated on the number of hectares of the area under a license or mining title in the case of mineral water. Taxpayers subject to ISS are exempt from the annual rate of tax for the use and exploitation of the land for areas pertaining to the mining title. The ISS rates are as follows:
- Mining concessions: MZN85,000 per mining title
- Mining certificates: MZN30 per hectare for the first to fifth years and MZN50 per hectare from the sixth year.

The taxable base for gains derived by non-residents from the sale of shares in entities holding mining rights or other immovable property is 100%. In addition, the gains are subject to tax separately for both residents and non-residents, meaning that resident taxpayers may not include the gains in the annual tax return with other income and offset tax losses from other sources.

Rent tax (IRRM) is a direct tax on the net cash flow of a mining project. The tax is payable by mining titleholders and applies to mining projects that have accrued net revenue (cash gains) during a fiscal year. The IRRM rate is 20%, applied to the closing balance of accumulated net cash gains when positive. The taxpayer must submit the annual IRRM statement on the same date as the annual corporate tax return.

The holders of mineral rights granted under the law of mines must assess taxable income and maintain accounting records for each mining title separately. Each mining title and concession agreement must have a specific individual tax registration number and tax and accounting returns must be completed separately for each mining title. Losses arising from a particular mine or area of concession agreement cannot be offset against gains derived from another.

Oil activities
Petroleum production tax is levied on the value of the quantity of oil products extracted in Mozambique. 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 10% for crude oil and 6% for natural gas.

Taxable gains realised by non-residents on the sale of shares in entities holding oil rights or other immovable property are taxable in full. In addition, the gains are subject to separate taxation for both residents and non-residents meaning that resident taxpayers can not include the gains in the annual tax return with other income and offset tax losses. The normal corporate income tax rate of 32% will apply to the difference between the realisation value and the acquisition value of the shares, movable or immovable property, regardless of whether the transferrer is resident in Mozambique.

Where the transaction is not at arm's length, the realisation value will be taken as market value.

Mozambique-source income of foreign legal entities that do not have a branch in the country is taxable via a withholding mechanism at a rate of 10% if the beneficiary of the services is a resident entity or has a permanent establishment in Mozambique and carries out petroleum activities.

Petroleum production tax is not a deductible cost in computing taxable income. The company and all holders of oil rights must calculate taxable income and prepare accounting records separately. Each concession agreement must have a specific individual tax registration number.

Tax Administration and Compliance
Tax is administered by the Mozambique Tax Authority (Autoridade Tributária de Moçambique).

Companies
1. Tax year – The tax year is the calendar year. A tax period other than the calendar year will be allowed only when an entity is more than 50% owned by an entity that has adopted a different tax period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return. The tax and accounting returns of companies that are holders of mineral and oil rights granted under the law of mines and oil (namely, annual income returns, the tax and accounting information return, registration and amendment or cancellation of taxpayer registration) must be completed separately for each mining title or concession agreement.
3. Filing and payment – Companies must make three provisional payments of corporate tax by the end of the 5th, 7th and 9th month after the tax year end, with each payment equal to 80% of the tax assessed, less the amount of tax withheld by third parties in the previous year. Other special provisional corporate tax payments may be due by the end of the 6th, 8th and 10th month after the tax year end, if 0.5% of turnover (subject to a minimum turnover limit of MZN30,000 and a maximum of MZN100,000) exceeds the provisional payment made in the previous year.
4. The annual tax return and the balance of tax due must be submitted by the end of the fifth month following the end of the tax year, with financial statements submitted by the end of the sixth month following the end of the tax year.
5. Penalties – Penalties are imposed for late filing, non-payment of tax, and failure to disclose records. Penalties range from approximately MZN6,000 to MZN2 million. Interest is charged on late payments. Prison sentences of up to eight years for tax fraud and up to two years for negligence also may be imposed.
6. Rulings – General rulings on the interpretation of the tax law or advance rulings on the tax treatment of specific transactions may be obtained from the tax authorities. The rulings are binding on the authorities with respect to the disclosed facts relating to the transaction.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax status – Each taxpayer must file a return (if so required). Spouses may not file a joint return.
   Tax filing – Taxpayers whose only income is from employment and/or other income subject to final WHT tax are not required to submit a return.
   The tax return is due by 30 April for taxpayers who receive income other than employment income that not subject to final tax. Tax must be paid by 30 June for income from entrepreneurial activities and by 31 May for other income.
3. Penalties – Penalties are imposed for late filing, non-payment of tax, and failure to disclose records. Penalties range from approximately MZN6,000 to MZN2 million. Interest is charged on late payments. Prison sentences may be imposed for up to eight years for tax fraud and up to two years for negligence.

VAT

1. Filing and payment – The monthly VAT return must be filed, and VAT paid by the last day of the following month or by the 15th day of the following month when the company is in a credit position.
2. Penalties for late submission range from MZN6,000 to MZN130,000. Penalties for the underpayment of tax vary from the amount of tax due up to twice the amount payable. Interest on unpaid tax is charged from the due date for payment to the date of payment at the 12-month MAIBOR rate, plus 2%.

Investment Incentives

General 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) also may benefit from incentives that vary by location, the number of employees, and whether the products are exported.

Exchange Controls

The Foreign Exchange Law, as amended by a 2017 decree, sets out the rules and procedures governing foreign exchange transactions. The decree provides that the mandatory registration to which all transactions are subject must be carried out by credit institutions and financial corporations, unless provided otherwise. The competent entities are required to deliver the registration to the Mozambique Central Bank within five to 90 days. Registration must be carried out electronically. The repatriation of profits and funds from the export of goods and services and foreign direct investment is permitted, and such amounts may be in foreign currency provided the registration requirements are met. Interest-free loans with a maturity of at least three years are automatically approved, as are loans with an interest rate lower than rates offered by the commercial banks with a maturity for over three years for amounts up to US$5 million. The requirement to have a performance guarantee in place for advance payments above US$250,000 for the import of goods or services has been revoked.

Expatriates and Work Permits

The legislation regarding the hiring of foreign nationals specifies a quota for foreign workers, sets out regulations for employment agencies hiring foreign workers, and specifies the process for transferring employees to a new location. Key measures include:

- Employment agencies may only hire foreign employees to work at their own premises and cannot assign foreign employees to a third-party employer
- Employers may apply for a short-term work permit for a maximum of 90 days a year (180 days for the mining and oil and gas sectors)
- Work permits under the quota regime require the foreign national's academic or professional qualifications diploma/certificate, accompanied by an equivalent certificate issued by the relevant Mozambican authority (Ministry of Education and Human Development) or proof of professional experience
- The definitive transfer of foreign employees to another workplace is possible only where there is an available quota in the location of the employment.

Penalties are imposed on companies that attempt to circumvent the rules.

Automatic approval will be given to Mozambican companies to employ foreign employees provided the company has an investment authorisation that sets out the number of foreign employees the company will need. Where a company employs more than 100 Mozambican workers, up to 5% of the total workforce can be foreign employees; where there are between 11 and 100 Mozambican workers, up to 8% of the total workforce can be foreign employees; and if a company employs no more than 10 Mozambican workers, up to 10% of the total workforce can be foreign employees.

The company must provide the Ministry of Labour with the following documents:

- Three copies of the labour contract that will apply for a maximum period of two years, along with the remuneration to be paid and a description of the work to be performed
- A certificate of payment of social security and taxes for the month before the hiring
- Certificates of studies and or qualifications stamped by the relevant authority in the country of origin, as well as by the Foreign Affairs Ministry and the Mozambique consulate, and an equivalent certificate issued by the Mozambique Ministry of Education and Human Development
- A trading license issued by the competent authority.

In the case of an investment project, the documentation must be submitted to the Ministry of Labour, together with an authenticated copy of the investment authorisation.

Special rules apply to the oil and gas and mining sectors, which allow more expatriates to be hired.

Although visas issued by Mozambique consulates abroad may be valid for more than one year, in practice, due to the internal procedures of the Mozambique immigration department, visas issued by consulates are valid for only 30 to 60 days. In accordance with internal procedures, once expatriates enter Mozambique with a work visa, they will no longer be entitled to a residence document. However, the work visa can be renewed annually.

During the state of public calamity as a result of the pandemic situation, visa suppression agreements between Mozambique and other states shall remain valid.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Development Community (SADC)
- African Growth and Opportunity Act beneficiary country

Key Economic Information

Currency (symbol/code)
Mozambican metical (MT/MZN)

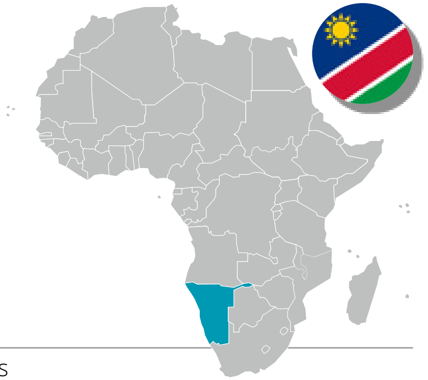
Exchange rate	
US$1	MZN55.60
EUR1	MZN67.24
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$42.46 billion	US$45.46 billion
Real GDP growth	
2.10%	4.70%
Average inflation	
5.29%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
13.25%
Source: Banco de Moçambique, 2021.

Market capitalisation as at April 2021
No stock exchange value.
Source: Capital IQ, 2021.

Mozambique



Namibia

Contacts

Gerda Brand
gbrand@deloitte.co.za
+264 61 285 5062

Income Tax – Individuals

Taxable income (NAD)	Rate
0 – 50,000	0%
50,001 – 100,000	18% of amount over 50,000
100,001 – 300,000	9,000 + 25% of amount over 100,000
300,001 – 500,000	59,000 + 28% of amount over 300,000
500,001 – 800,000	115,000 + 30% of amount over 500,000
800,001 – 1.5 million	205,000 + 32% of amount over 800,000
Over 1.5 million	429,000 + 37% of amount over 1.5 million

Notes

1. Basis – Resident and non-resident individuals are taxable on all income received or accrued from a Namibian source or a deemed Namibian source. The Minister of Finance has proposed an expansion of the tax system, which could mean that Namibia's tax base would change to a residence-based or a hybrid tax system. Details are under discussion and no effective date has been made available.
2. Residence – Namibian tax law currently does not define a "resident".
3. Taxable income – Individuals in Namibia are taxed on the value of any benefit or advantage arising from employment, as well as on business income and investment income. There currently is no separate capital gains tax system in Namibia, but income from certain capital transactions is included in gross income and subject to income tax.
4. Exempt income – An exemption (limited to NAD300,000) is allowed for gratuity payments made to an employee upon 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. Lump-sum pension fund payouts are exempt up to NAD50,000; if the payout exceeds NAD50,000, one-third is paid as a tax-free lump sum and the remaining portion as an annuity. Similar provisions apply for payouts in terms of "preservation" and retirement annuity funds. Contributions to retirement annuity funds and donations to welfare and educational institutions that are recovered or recouped during a tax year are excluded from taxable income.
5. Deductions and allowances – The annual aggregate allowable deductions for contributions to Namibian-registered pension funds, provident funds, and retirement annuity funds and premiums payable with respect to educational policies are limited to NAD40,000. As per the 2021/2022 Budget Speech, the tax deduction will increase to a maximum of NAD150,000 per annum. No further details were provided and no amendment has been made yet. There are no tax abatements or rebates in Namibia.
6. Rates – Individual income tax generally is levied at progressive rates up to 37%; however, part-time employees are taxed at a flat rate of 18%. The same tax rates apply 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 withholding tax (WHT, see "Withholding Tax," below). The tax rates for individuals generally also apply to trusts; however, the interest portion of a unit trust's income is subject to a 10% WHT unless the income is payable to Namibian companies and entities normally exempt from tax (e.g. pension funds), in which case it is exempt. The dividend portion of a unit trust's income is exempt from tax. Proposed changes to the taxation of trusts and dividend distributions to residents were announced previously, but details are still under discussion and no effective date has been made available.
7. Other – Where an individual's taxable income exceeds NAD200,000 in a tax year and the individual is carrying on a "suspect trade" (defined below), the individual may have to "ring-fence" any losses from that trade from other taxable income. The application of this provision is limited, depending on the number of years the taxpayer has incurred losses and whether there is a prospect of deriving taxable income within a reasonable period. Suspect trades include the following:
   - A sport carried out by the taxpayer
   - Dealing in collectible items
   - Rental of residential accommodations, 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 at least 80% of the relevant item is used by non-relatives for at least half of the year
   - Animal showing
   - Farming or animal breeding, unless carried out on a full-time basis (i.e. for most or all of the taxpayer's normal working hours)
   - Any performing or creative arts carried out by the taxpayer
   - Any form of gambling or betting carried out by the taxpayer.
8. Domestic dividends – The Minister of Finance confirmed the introduction of a 10% domestic withholding tax on dividends in March 2021. Details are being finalised and no effective date has been communicated.

Income Tax – Companies

	Rate
Standard corporate rate	32%
Manufacturing companies	18%/32%
Diamond mining companies	55%
Petroleum mining companies (oil and gas companies)	35%
Other mining companies	37.5%
Mining service companies	37.5%/55%
Insurance companies	32%
Retirement funds	Exempt

Notes

1. Basis – Resident and non-resident entities are subject to Namibian income tax only on taxable income arising from, or deemed to arise from, a source within Namibia. The Minister of Finance has proposed changes to the tax system, which could mean that Namibia's tax base would change to a residence-based or a hybrid tax system. Details are under discussion and no effective date has been made available.
2. Residence – Namibia's tax laws do not define a resident corporation, but it is understood to be a corporation incorporated in Namibia.
3. Taxable income – Taxable income is calculated as gross income less exempt income and deductions. Gross income is the total amount, in cash or otherwise, received or accrued during the tax year from a source within (or deemed to be within) Namibia, excluding receipts or accruals of a capital nature. Although there currently is no capital gains tax system in Namibia, income from certain capital transactions is included in gross income and subject to income tax in Namibia, regardless of its capital nature, including the following:
   - Income received or accrued from the sale, donation, expropriation, cession, grant, transfer, or other alienation of a license or a right to mine minerals in Namibia, irrespective of where the transaction is concluded, the place where payment for the transaction is made, or the place where the funds from which payment is made are held
   - The direct or indirect sale of shares in a company that holds a license or has a right to mine minerals in Namibia
   - The sale or other disposal of petroleum rights/licenses, or the direct or indirect sale of shares in a company that holds such rights/licenses.
4. Deductions – Some deductions are available, inter alia, in respect of capital expenditure, certain donations, bad debts, and certain prepayments.

Namibia

5. Losses – Tax losses may be carried forward indefinitely for set off against future taxable income, provided the entity does not cease to trade. Losses may not be carried back.
6. Foreign tax credit – A foreign tax credit is available only for tax paid to jurisdictions with which Namibia has concluded a tax treaty.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 32%. Different rates apply to companies engaged in certain activities, as shown in the table above. The rate for registered manufacturing companies is 18% for the first 10 years after manufacturing company status is granted. For companies granted manufacturing status more than 10 years ago, the tax rate is 32%. The 2020 Income Tax Amendment Bill abolishes the 18% tax rate for tax years commencing after the amendment is effective – the Amendment Bill has not yet been enacted (see also under "Investment incentives," below). Mining service companies (i.e. companies that subcontract with mining companies to carry out mining activities on their behalf) are taxed at a rate of 37.5% (non-diamond mining) or 55% (diamond mining). Insurance companies are taxed at the same rate as other companies, but special rules apply for the computation of taxable income for companies providing long- and short-term insurance.
9. Branch taxation – A rate of 32% applies to branches of foreign companies unless the branch is a mining or manufacturing company or a mining service company, in which case the applicable manufacturing or mining tax rate will apply. There is no branch profits tax, but non-resident shareholders' tax is payable when branch profits that have been repatriated to the non-resident head office are distributed to non-resident shareholders.
10. Domestic dividends – A domestic dividend withholding tax of 10% will be introduced but etails are being finalised and no effective date has been communicated.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the same rates apply to payments to non-resident companies and non-resident individuals, and may be reduced under an applicable tax treaty):

Payment	Rate
Dividends	10%/20%
Interest	10%
Royalties	10%
Directors' fees	25%
Service fees	10%

Notes

1. Dividends – The WHT on dividends is a final tax. The rate on dividends paid to non-Namibian shareholders is 20% where the shareholder is an individual or a company that holds less than 25%. The rate is 10% in all other cases.
2. Interest – 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, a trust, the estate of a deceased person, or a non-Namibian company. Interest payable by resident individuals and companies to non-residents also is subject to a 10% WHT, except for interest paid by a Namibian bank to a non-resident bank.
3. Royalties – The WHT on royalties paid to non-residents may be credited against the final assessed income tax liability. The scope of royalty WHT has been extended to include all rentals of commercial, scientific, and industrial equipment.
4. Directors' fees – A final WHT of 25% applies to payments made to non-resident directors.
5. Service fees – A 10% WHT applies to payments made to non-resident entertainers and payments made to non-residents for administrative, managerial, technical, or consulting services, or any similar services, regardless of whether the services are of a professional nature.

Tax Treaties

Namibia has concluded tax treaties with a number of countries. The following table shows the WHT rates on various types of income under the treaties.

Country	Dividends	Interest	Royalties
Botswana	10%	10%	10%
France	5%/15%	0%/10%	0%/10%
Germany	10%/15%	0%	10%
India	10%	10%	10%
Malaysia	5%/10%	0%/10%	0%/5%
Mauritius	5%/10%	0%/10%	5%
Romania	5%/10%	0%/10%	5%
Russia	5%/10%	0%/10%	5%
South Africa	5%/15%	0%/10%	0%/10%
Sweden	5%/15%	0%/10%	0%/15%
United Kingdom	5%/15%	10%	5%/50% of domestic rate

Anti-avoidance Rules

Transfer pricing

Transfer pricing legislation regulates cross-border transactions involving goods or services between connected persons. The rules allow the tax authorities to disallow a deduction for certain expenditure or adjust income if the contract price is higher or lower than what the price would have been between parties dealing at arm's length price.

Thin capitalisation rules

Thin capitalisation rules that regulate the financial assistance granted by non-residents connected to Namibians enable the tax authorities to determine whether a domestic company is thinly capitalised and to disallow interest charged on excessive debt.

Employment-related Taxes

Payroll tax

Tax on employment income is withheld by the employer under the pay-as-you earn (PAYE) system and remitted on a monthly basis to the Namibian tax authorities. PAYE is deducted based on the individual tax rates set out above.

Social security

All employers are required to register with the Social Security Commissioner and to register every employee (younger than 65 years of age).

Social security contributions are calculated at 1.8% of the employee's basic salary, shared equally between the employer (0.9%) and the employee (0.9%). The current maximum contribution is NAD162 (NAD81 per employee and NAD81 per employer) for employees whose monthly earnings are above NAD9,000. For employees earning below NAD9,000 per month, the monthly employer and employee contributions is calculated at 0.9% of the monthly basic wage.

Indirect Taxes

Value-added tax (VAT)

Standard rate	15%

Notes

1. Taxable transactions – VAT is imposed on the supply and import of most goods, and on the provision of services.
2. Rates – The standard rate is 15%. Certain supplies are subject to a 0% rate, including the direct export of goods, international transport services, the sale of a business as a going concern, certain services rendered to non-resident persons, the construction and extension of a building used for residential purposes, and the sale of residential land and buildings. Improvements to buildings used for residential purposes are subject to the standard rate. Certain foodstuffs are zero-rated. Exempt supplies include medical, dental and hospital services; educational services; public transportation services; financial services; the rental of residential accommodations; and fringe benefits, etc.
3. Registration – The registration threshold for VAT purposes is NAD500,000 of annual turnover.

Customs and excise duties
Customs duties are payable on the importation of goods into Namibia from non-Southern African Customs Union (SACU) countries. Rates depend on the tariff heading of the goods and ranges from 0% to 30%. Excise duties are payable by manufacturers and exporters on certain items like alcoholic beverages.

Export levies
Levies on the export of certain wood types, certain fish, and minerals apply at rates ranging from 0% to 1.5%.

Other Taxes
Inheritances and donations
There is no estate duty or donations tax in Namibia.

Stamp duty
Stamp duty is payable at 0.2% on the issue or transfer of shares. Shares listed on the Namibian stock exchange (NSX) are exempt from the duty.

Stamp duty also is imposed on the acquisition of immovable property, and a range of other instruments. The rate on the acquisition of immovable property by an individual is NAD10 for every NAD1,000 (or part thereof) of the value of the property, with the first NAD600,000 exempt. The rate on acquisitions by legal entities, including trusts, is NAD12 for every NAD1,000 (or part thereof) of the value of the immovable property.

Transfer duty
Transfer duty is levied on the value of any property acquired (excluding the VAT and stamp duty where applicable). The rates for acquisitions by individuals vary depending on the value and type of the property, and are progressive from 0% to 8%. The rate for acquisitions by legal entities, including trusts, is 12% of the value of the property. The sale of shares/membership interests in property-owning companies/close corporations is not subject to transfer duty.

Land tax
Land tax on agricultural land is payable for every 12-month period ending 28 February, at a rate of 0.75% for a Namibian resident owner and a rate of 1.75% for a non-resident owner (applied to the unimproved value of the site). For each additional farm property, the rate increases by 0.25%.

Environmental tax
Environmental levies apply on the importation of vehicles, tires, certain light bulbs, plastic bags, and certain lubricants.

Tax Administration and Compliance
Tax currently is administered in Namibia by the Inland Revenue, but administration will move to the Namibian Revenue Agency (NAMRA) during the course of 2020.

Namibia implemented an e-filing system in January 2019 that can be used by all taxpayers for registration, change of information, and all submissions.

Companies
1. Tax year – The tax year is the corporation's financial year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Provisional tax payments, payable six months after the beginning of the taxpayer's financial year and at year end, must be based on estimates of taxable income for the year, as opposed to income from the last year assessed. Final tax returns, together with a computation of taxable income and the payment of any remaining corporation tax owed for the relevant tax year, are due within seven months after the taxpayer's year end. Reasonable extensions may be granted to submit tax returns.
4. Penalties – Interest at 20% per annum is imposed on the late payment or failure to pay income tax, PAYE, provisional tax, VAT, and import VAT. The interest amount may not exceed the original tax amount. Various penalties also may be imposed for the late submission or failure to submit returns, and late payment or failure to pay taxes. The penalty may not exceed the original tax amount.
5. Rulings – Rulings may be obtained from the tax authorities.

Individuals
1. Tax year – The tax year for individuals is from 1 March to 28 February.
2. Tax filing – Spouses are taxed separately on their income.
3. Filing and payment – Returns are due by 30 June for salaried individuals, and by 30 September for non-salaried individuals.
4. Penalties – Interest at 20% per annum is imposed on the late payment or failure to pay income tax. The interest amount may not exceed the original tax amount. Various penalties also may be imposed for the late submission or failure to submit provisional tax returns, and late payment or failure to pay taxes. The penalty amount may not exceed the original tax amount.

VAT
1. Filing and payment – VAT returns are due bimonthly on the 25th day of the month. VAT-registered persons are registered in either Category A or Category B, which indicates the calendar month in which the VAT period ends.
2. Penalties – See the rules for companies, above.

Investment Incentives
The 2020 Income Tax Amendment bill has repealed the investment incentives set out below. The repeal is applicable one tax year after 31 December 2020 (for all incentives except the export allowance) and five years after 31 December 2020 (for the export allowance). Registered manufacturers can therefore still claim the incentives (except for the export allowance) for one tax year after 31 December 2020. The export allowance may still be claimed five tax years after 31 December 2020.

The current incentives, which are available to both domestic and foreign investors, include the following:
- Registered manufacturing enterprises that meet certain criteria may qualify for the following incentives (which may not increase or create an assessed loss):
  - An additional income tax deduction of 25% of employment costs 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
  - For exporters of goods manufactured in Namibia, an allowance equal to 80% of taxable income derived from the export of manufactured goods (excluding fish or meat products)
  - An 8% annual capital allowance on qualifying buildings
  - An 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 employment-related taxes and WHT). Requirements for EPZ status include conducting a manufacturing activity and exporting at least 70% of the manufactured goods outside the SACU.

In respect of buildings held by registered manufacturers, 20% of the cost of construction of buildings used for the purposes of a trade may be written off in the first year of use, and 4% may be written off annually over a 20-year period (the 4% allowance is increased to 8% for certain manufacturing buildings, and the write-off period is reduced to 10 years). A general three-year write-off period applies for fixed assets other than buildings (e.g., plant, machinery, equipment, aircraft, and ships), with an accelerated write-off period for certain expenditure relating to mining operations and farming operations.

Exchange Controls

Namibia is part of the Common Monetary Area (CMA) (with Lesotho, South Africa, and Swaziland), and Namibia continues to gradually relax its exchange controls in line with other CMA countries. In broad terms, there are few restrictions on inward investment by foreigners, and profits may be fully repatriated.

There are restrictions on outward investment by local residents. An EPZ entity may acquire and use foreign currency without restriction – this also may change in line with the proposed abolition of the EPZ regime (see above). The administration of exchange control regulations is undertaken by the Bank of Namibia, in cooperation with authorised dealers. Dividends can be freely transferred to non-resident shareholders, except where local borrowing restrictions have been exceeded.

Expatriates and Work Permits

Work permits for skilled expatriates may be obtained, but substantial administrative delays are possible.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Customs Union
- Southern African Development Community
- World Trade Organisation
- African Growth Opportunity Act beneficiary country
- Preferential market access to 34 countries for Namibian products, under the Generalized System of Preferences
- Preferential trade agreement with Zimbabwe
- Economic partnership agreement signed with the EU in June 2016
- Namibia is a participant in the recently introduced African Continental Free Trade Area (AfCFTA)

Key Economic Information

Currency (symbol/code)
Namibian dollar (N$/NAD)

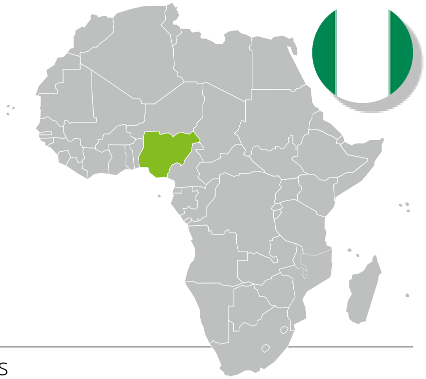
Exchange rate	
US$1	NAD14.30
EUR1	NAD17.21
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$24.84 billion	US$26.25 billion
Real GDP growth	
2.62%	3.34%
Average inflation	
3.44%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
3.75%
Source: Bank of Namibia, 2021.

Market capitalisation as at April 2021
US$2,030.20 million
Source: Capital IQ, 2021.

Namibia



Nigeria

Contacts

Yomi Olugbenro
+234 1 904 1724
yolugbenro@deloitte.com.ng

Oluseye Arowolo
oarowolo@deloitte.com.ng
+234 1 904 1723

Patrick Nzeh
pnzeh@deloitte.com.ng
+234 1 904 1714

Taiwo Okunade
tokunade@deloitte.com.ng
+234 1 904 2134

Olukunle Ogunbamowo
oogunbamowo@deloitte.com.ng
+234 1 904 2133

Funke Oladoke
foladoke@deloitte.com.ng
+234 1 904 1703

Olumide Esan
oesan@deloitte.com.ng
+234 1904 1736

Income Tax – Individuals

Taxable Income (NGN)	Rate
0 – 300,000	7%
300,001 – 600,000	11%
600,001 – 1.1 million	15%
1,100,001 – 1.6 million	19%
1,600,001 – 3.2 million	21%
Over 3.2 million	24%

Notes

1. Basis – Nigerian residents are taxed on worldwide income (subject to some exceptions); non-residents are taxed on Nigerian-source income or based on creating a "significant economic presence" (SEP) in Nigeria. The Finance Minister determines what constitutes a SEP.
2. Residence – Personal income tax applies to any person that has income liable to tax in Nigeria. The concept of residence refers to a place available for an individual's use in Nigeria.
3. Taxable income – Employment income (of both temporary and permanent employees) for services performed wholly or partly in Nigeria is taxable, as are business profits earned by individuals and unincorporated bodies from a trade or profession, and investment income derived by individuals.
4. Exempt income – Exempt income includes foreign-source income of residents from dividends, interest, rents, royalties, fees, or commissions brought into Nigeria through an authorised bank and compensation for loss of employment. Individuals earning National Minimum Wage, currently NGN360,000 annually, are exempted from payment of personal income tax.
5. Deductions and allowances – A consolidated relief allowance of 20% of gross income is available, plus the higher of NGN200,000 or 1% of gross income. Gross income means all income less: non-taxable income, franked investment income, tax-exempt income, allowable business expenses, capital allowances and tax-exempt deductions. The following deductions are tax-exempt when computing taxable income:
   - National Housing Fund contribution
   - National Health Insurance Scheme contribution
   - Life assurance premium
   - Pension scheme contribution.
6. Rates – Individuals in Nigeria are taxed at progressive rates ranging from 7% to 24%. Capital gains generally are taxed at a 10% rate, although gains from the disposal of shares are exempt. Non-residents are largely taxed via deduction at source. Employment income is taxed under a Pay-As-You-Earn (PAYE) system.
7. Minimum tax – A minimum tax of 1% of gross income is applicable where computed tax amount is less than 1% of gross income.

Income Tax – Companies

	Rate
Large companies (i.e. turnover of ≥ NGN100 million)	30%
Medium-size companies (i.e. turnover of > NGN25 million but < NGN100 million)	20%
Small companies (i.e. turnover of ≤ NGN25 million)	0%

Notes

1. Basis – Nigerian resident companies are taxed on worldwide income, while companies registered in a foreign jurisdiction are taxed on income accruing in, derived from, brought into, or received in Nigeria or on the basis of creating a "significant economic presence" (SEP) in Nigeria. The Finance Minister determines what constitutes an SEP.
2. Residence – A company is resident in Nigeria if it is incorporated in Nigeria.
3. Taxable income – Taxable income is a company's gross income less allowable deductions, exempt income, and losses. Income and expenses of a capital nature are not included in the computation of taxable income. Dividends received by a Nigerian company from another domestic company are excluded in the determination of taxable income to the extent the distribution suffered withholding tax (WHT) in the hands of the initial recipient (distributing company).
4. Deductions – Expenses that are incurred wholly and exclusively for the business generally may be deducted. Capital allowances are granted to companies in lieu of the wear-and-tear of business assets. The rate and method of a capital allowance (tax depreciation) depends on the class of asset; the rates 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. An investment allowance of 10% is available to companies in the first year plant and machinery are acquired. Qualifying R&D expenses are tax deductible, but the amount deducted may not exceed 10% of the company's total profits for the relevant year of assessment.
5. Losses – Losses may not be carried back but may be carried forward indefinitely (except losses incurred by other (non-upstream oil and gas) companies during the early years of operation, which may not be carried forward beyond the fourth year).
6. Foreign tax credit – A unilateral credit is available to corporate taxpayers in commonwealth countries (subject to evidence of reciprocity to Nigerian businesses). A tax credit is granted for tax paid in countries with which Nigeria has concluded a tax treaty, but to claim the tax credit, a company must formally apply to the tax authorities (Nigeria's revenue authority has provided guidance on the process for obtaining benefits under Nigeria's tax treaties).
7. Group relief – There is no provision allowing for group tax relief or the transfer of losses between members of a group of companies.
8. Rate – The corporate tax rate for large, non-oil, and gas companies (i.e. companies with turnover exceeding NGN100 million) is 30%. A 20% rate applies to medium-sized companies (i.e. those with turnover exceeding NGN25 million but under NGN100 million), and a 0% rate applies to small companies (i.e. those with turnover up to NGN25 million). The tax rate for petroleum companies normally is 85%, although a reduced rate of 65.75% applies to companies operating for less than five years and a 50% rate applies for production sharing contracts. Capital gains generally are taxed at a rate of 10% but gains from the disposal of shares are exempt. Non-residents are subject to the same tax rate as resident companies.
9. Branch taxation – Nigeria does not levy a branch profits tax.
10. Minimum tax – A minimum tax is levied to ensure that, unless exempt, every company must pay a certain amount of corporate income tax. The minimum tax is payable by a company where, in any year of assessment, the total assessable profits from all sources results in a loss or no tax being payable or tax payable that is less than the minimum tax. The minimum tax to be levied is 0.5% of turnover less franked investment income. As a form of COVID-19 relief, a rate of 0.25% is applicable on tax returns due and filed between 1 January 2020 and 31 December 2021. Small companies, agricultural companies, and companies in the first four years of business are exempt from the minimum tax.
11. Petroleum Profits Tax (PPT) – PPT is imposed on the profits of petroleum companies; income for PPT purposes refers to the value of oil and related substances extracted, except gas, plus any other income of the company. Various deductions are allowed. The PPT tax rates vary as follows:
    - 50% for petroleum operations under production sharing contracts (PSC) with the Nigerian National Petroleum Corporation (NNPC)
    - 65.75% for non-PSC operations, including joint ventures (JVs), in the first five years where a company has not fully amortised all pre-production capitalised expenditure
    - 85% for non-PSC operations after the first five years.

Withholding Tax (WHT)

Certain payments to domestic companies and non-resident companies/investors are subject to WHT at the following rates (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	10%	7.5%10%
Interest	10%	7.5%/10%
Royalties	10%	7.5%/10%
Directors' fees	10%	10%
Rent (including the hire of equipment)	10%	10%
Construction and related activities	2.5%	2.5%
Agency arrangements, including contracts for supply	5%	5%
Management, consultancy, professional fees, and technical service fees	10%	10%

Please note however, that the WHT rate for individuals on construction related activities, agency arrangements and management and consultancy related activities is 5%.

Notes

1. WHT deducted from the income derived by resident individuals and companies is a payment on account of tax. WHT credit notes may be used to offset personal and corporate income tax liabilities, except where the tax withheld is a final tax (e.g. WHT on dividends). As noted above, where the recipient of dividends, interest, or royalties is a non-resident, the WHT is a final tax.
2. Certain interest payments are exempt from WHT.
3. The WHT rate on dividends, interest, and royalties paid to non-residents is reduced to 7.5% where the recipient is resident in a country that has concluded a tax treaty with Nigeria provided the non-resident applies for, and obtains, approval for the treaty benefit. The WHT rate for non-treaty countries is 10%.

Tax Treaties

Nigeria has concluded tax treaties with the following countries:

Country**	Dividends*	Interest*	Royalties*
Belgium	7.5%	7.5%	7.5%
Canada	7.5%	7.5%	7.5%
China	7.5%	7.5%	7.5%
Czech Republic	7.5%	7.5%	7.5%
France	7.5%	7.5%	7.5%
Netherlands	7.5%	7.5%	7.5%
Pakistan	7.5%	7.5%	7.5%
Philippines	7.5%	7.5%	7.5%
Romania	7.5%	7.5%	7.5%
Singapore***	7.5%	7.5%	7.5%
Slovakia	7.5%	7.5%	7.5%
South Africa	7.5%	7.5%	7.5%
Spain	7.5%	7.5%	7.5%
United Kingdom	7.5%	7.5%	7.5%

* Based on a directive issued by the Nigerian government, the WHT rate on dividends, interest, and royalties paid to a resident of a treaty partner country is 7.5%.

** Nigeria has a treaty with Italy but the treaty only covers air and shipping income.

*** There is no public notice that the National Assembly has ratified this tax treaty, however the President ratified the treaty in 2018. Also, the revenue service in its website and circulars indicates that this treaty has been duly ratified

Anti-avoidance Rules

Transfer pricing

Nigerian tax legislation contains general provisions on Anti-avoidance Rules that require transactions between related parties to comply with the arm's length principle. Additional guidelines covering applicable transactions, transfer pricing methodologies, documentation, advance pricing agreements, and offenses, penalties, and dispute resolution are contained in Nigeria's transfer pricing legislation.

Thin capitalisation

Nigerian tax law disallows "excess interest" on related-party lending (i.e., loans involving a foreign lender, except banks and insurance companies). Excess interest is any amount paid or payable as interest on a loan, which exceeds 30% of earnings before interest tax depreciation and amortisation (EBITDA).

Controlled foreign companies

Nigeria does not have CFC rules.

Other anti-avoidance rules

Various pieces of tax legislation contain general anti-avoidance provisions.

Employment-related Taxes

Payroll tax

Nigeria operates a Pay-As-You-Earn system under which the employer deducts personal income tax due on employment income from an employee's salary and wages and remits the amount deducted to the Nigerian revenue authorities by the 10th day of the month following the month of the deduction.

Industrial Training Fund (ITF)

The ITF is used to provide and promote skills acquisition in the industry. All employers with five or more employees or fewer than five employees, but with a minimum annual turnover of NGN50 million, must contribute an amount equal to 1% of annual payroll costs to the ITF. The amount is payable not later than 1 April of the year following the tax year. The employer may obtain a refund of up to 50% of training costs incurred if its training programme is in accordance with ITF's reimbursement schemes.

Employee Compensation Act (ECA) 2011

The ECA aims to provide safer working conditions for employees in both the public and private sectors. The contribution is 1% of total payroll costs, including share awards or benefits.

Social security

Nigeria operates a contributory pension scheme, under which the employer is required to make pension contributions at a minimum of 10% of the employee's monthly emoluments. An employee also contributes a minimum of 8% of his/her monthly emoluments. While there is no limit to the amount that may be contributed by an employer, the minimum total contribution is 20% where the employer chooses to be responsible for the employee's portion of the contribution.

Indirect Taxes

Value-added tax (VAT)

Standard Rate	7.5%

Notes

1. Taxable transactions – VAT is charged on the supply of taxable goods and services in Nigeria, and on the import of goods. The Nigerian customer is required to self-account for VAT where the foreigner does not include VAT. Also, where a taxable person supplies taxable goods and services without reaching the NGN25 million registration threshold, the customer is still required to self-account for the VAT.
2. Rates – The standard VAT rate is 7.5%. Non-oil exports and goods purchased for use in humanitarian donor funded projects are zero-rated and certain transactions are

exempt. Input tax paid on purchases to produce exempt supplies is not recoverable.

3. Registration – There is NGN25 million revenue threshold per year for taxable persons required to register for VAT and file returns. Only taxable persons that make taxable supplies of goods and services of up to NGN25 million per annum are required to register for VAT purposes.
4. Non-resident company (NRC) – An NRC with a permanent establishment (PE) in Nigeria is required to comply with registration, charging, filing, payment and other requirements expected from a Nigerian company. Even where the NRC has a PE, the recipient of the service in Nigeria is required to self-account and remit the applicable VAT.

Customs and excise duties

Customs duties are levied on goods imported into Nigeria at rates ranging from 0% to 35% of the import value at the port of entry. Import adjustment taxes (also known as levies) are applicable as prescribed by annual fiscal policy measures.

A list of excisable items (i.e., tobacco and alcoholic beverages) and factories can be obtained from the Nigeria Customs Service. Excise duties are charged on both goods imported and those manufactured in Nigeria.

Other Taxes

Inheritances and donations

There is no donations tax and no inheritance/estate tax in Nigeria. Donations, however, can give rise to capital gains tax in some instances.

Stamp duties

The Stamp Duties Act sets out the details of dutiable transactions and applicable duties. Stamp duties are charged on various commercial and legal documents, such as transfers of deeds, insurance policies, bills of exchange, and electronic transactions.

Tertiary Education Tax (TET)

TET 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 tax is administered in the same way as corporate income tax and PPT.

Information technology (IT) levy

The IT levy at a rate of 1% of pre-tax profit is payable by telecommunications, cyber companies, insurance companies, banks, and other financial institutions whose turnover is NGN100 million or more. The tax is self-assessed and must be paid within six months after the accounting year end. IT levy paid is a deductible expense.

Police trust fund levy

Companies in Nigeria must pay 0.005% of net profits into the police trust fund. The fund which was set up to address funding challenges in the police force, applies for six years as from 2019.

Oil and gas content development fund

One percent of every contract awarded to an operator, contractor, subcontractor, alliance partner, or other entity involved in a project, operation, activity, or transaction in the upstream sector of the Nigerian oil and gas industry must be deducted at source and paid to the oil and gas content development fund.

Cabotage fund levy

A surcharge of 2% of the contract amount for a vessel engaged in coastal trade must be paid to the Cabotage Vessel Financing Fund. The surcharge is based on gross earnings on contracts performed by the vessel and is deducted at source by the employer or charterer of the relevant vessel, based on the charter or freight invoice. The levy must be remitted to the Nigerian Maritime Administration and Safety Agency.

Local taxes

States within the federation of Nigeria (currently 36 states and the Federal Capital Territory) impose a variety of local taxes in their areas of jurisdiction. Local taxes include motor vehicles license/registration, consent fees for the transfer of real estate, property tax, gaming/casino tax, water rates, etc. Local councils impose tenement rates and other levies. The Taxes and Levies (Approved List for Collection) Act provides guidance on what is collectable by the different levels of government.

Tax Administration and Compliance

Taxation in Nigeria is administered by agencies of the three major tiers of government:

- The Federal Inland Revenue Service (FIRS) administers revenue laws that deal with taxes paid by corporate bodies (limited liability companies)
- The Federal Capital Territory Internal Revenue Service and State Internal Revenue Services primarily administer the Personal Income Tax Act
- The Local Government Revenue Committee is responsible for the assessment and collection of all taxes, fines, and rates under its jurisdiction and accounts for all revenue collected to the chairman of the local government.

Companies

1. Tax year – The tax year is 12 months on a preceding year basis.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – A corporate taxpayer must file an annual return based on its income for the accounting year. The return is due within six months after the end

of the accounting year. The taxpayer's audited financial statements must accompany the return.
4. Tax Identification Number (TIN) – Obtaining a TIN is a prerequisite for having a business bank account in Nigeria.
5. Penalties – A taxpayer that fails to file a return will be assessed by the tax authorities to the best of their judgment. Penalties may apply for late filing and dishonest tax returns.
6. Rulings – A private ruling can be obtained from the FIRS on the tax consequences of a transaction.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Joint returns of spouses are not permitted.
3. Filing and payment – Employment is taxed under the PAYE system, under which the employer withholds personal income tax from the employee's salary or wages and pays it to the tax authorities. A resident individual is required to file a tax return if his/her employment income exceeds NGN30,000 per year. Other individuals pay tax by self-assessment or direct assessment.
4. Penalties – Penalties and interest are levied for late payments or failure to file returns.

VAT
1. Tax period – The tax period is a calendar month.
2. Filing and payment – VAT returns and payment of tax are due no later than the 21st day after the month of the transaction.
3. Registration – All taxable persons that make a taxable supply of goods and services that reaches the NGN25 million revenue threshold are required to register for VAT within six months of the commencement of business.
4. Penalties – Fines and penalties, plus interest, are levied for violations, such as furnishing false documents, failing to register for VAT, failing to collect VAT, collecting the VAT but failing to remit it, and failing to file a VAT return.

Investment Incentives
Tax incentives
- Pioneer status – Pioneer industries that produce "pioneer products" under the Industrial Development (Income Tax Relief) Act may be granted a three to five-year tax holiday
- Infrastructure – Investment tax relief is available for each year of expenditure at the following rates to companies that provide basic infrastructure: paved roads (15%), water (30%), electricity (50%), and 100% for companies that provide all such basic facilities where they do not exist
- Research and development (R&D) – Qualifying R&D expenses are tax deductible by a company but the amount deducted may not exceed 10% of the company's total profits for the relevant year of assessment. In addition, companies and organisations engaged in R&D activities for commercialisation are granted a 20% investment tax credit on qualifying expenditure
- Companies engaged in export trade are entitled to the following incentives, amongst others:
  - Profits of a Nigerian company relating to goods exported from Nigeria (provided the proceeds from the exports are repatriated to Nigeria and used exclusively for the purchase of raw materials, plant and equipment, and spare parts) are exempt from tax
  - Profits of companies whose products are used exclusively as inputs for the manufacturing of products for exports are tax-exempt
  - An export expansion grant is available, which is settled by issuing an export credit certificate to the beneficiaries. The certificate can be used to settle federal government taxes, among other benefits.

Other incentives
- Road infrastructure tax credit (RITC) – The RITC is available to private companies that construct or refurbish eligible roads with their funds. In return, such companies are able to recover the amounts incurred in the construction/refurbishment as tax credits to be claimed against income tax payable. The RITC scheme will apply for a 10-year period as from 1 January 2019
- Investors in the agriculture sector – Various 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 to encourage local production. Incentives include an enhanced capital allowance regime; an agricultural credit guarantee scheme fund with a loan guarantee of up to 75%; an exemption from the minimum corporate income tax; and a 0% import duty on agricultural equipment and machinery
- Incentives for the tourism sector – Incentives have been put in place to encourage domestic and foreign investor participation in the tourism industry, e.g. a tax exemption for 25% of income in convertible currencies derived from tourists by a hotel, provided the income is put in a reserve fund to be utilised within five years for the expansion/construction of new hotels
- Investment in bonds and treasury bills – Interest income earned as a result of investment in treasury bills and bonds are exempt from income tax. This exemption will expire at the end of 2021, except for bonds issued by the federal government
- Free Trade Zones (FTZs) – FTZs offer numerous incentives to businesses, such as locational advantages and an exemption from tax and levies on business transactions concluded within the zones. However, FTZ entities are required to file income tax returns with the revenue service
- Investment Promotion and Protection Agreement (IPPA)
  - As part of an effort to foster foreign investor confidence in Nigeria, the federal government has continued to conclude IPPAs with countries that do business with Nigeria (e.g., China, South Africa, UK, etc.)
- Small and Medium-sized Enterprise Equity Investment Scheme (SMEEIS) – The SMEEIS requires all banks in Nigeria to set aside 10% of their profits after-tax for equity investment and the promotion of small and medium-sized enterprises
- Gas industry – The government has approved various fiscal incentives, including an accelerated capital allowance and a deduction for interest expense incurred on loans by companies involved in the utilisation of gas.

Exchange Controls
Equity and/or loan capital must be brought into Nigeria through authorised dealers (i.e. banks).

The remittance of dividends and interest is permitted, provided the equity and/or loan was imported and is evidenced by an appropriate certificate of capital importation. There are no restrictions on the percentage of profits that may be distributed as dividends subject to the dividend tax rule (where the dividend declared is higher than taxable profit, such dividend shall be charged with tax at 30% as if the dividend is the taxable profit of the company for the year. The exception to this rule is where such dividend has been subject to company income tax in the past, it is exempt from tax or is regarded as franked investment income). The remittance of royalty and service fees is permitted, provided the underlying license and service agreements have been approved by the National Office for Technology, Acquisition and Promotion.

A tax clearance certificate, or other evidence of payment of the appropriate tax must be obtained by a person wishing to remit dividends, interest, royalties, or service fees outside Nigeria.

Authorised dealers of foreign currencies must 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 (or the equivalent thereof).

Expatriates and Work Permits
All non-residents/citizens must obtain visas before entering Nigeria, except citizens of ECOWAS (Economic Community of West African States), who only need ECOWAS cards upon arrival. There are four categories of visas: tourist, business, temporary work permits (TWP), and subject-to-regularisation visas.

Employers obtain expatriate quotas to enable them to bring in foreign employees, and these usually are 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 to file monthly immigration returns stating the utilisation of expatriate quotas.

Trade Relations
Memberships
- Economic Community of West African States
- African Union
- Organization of Petroleum Exporting Countries
- New Partnership for Africa's Development
- African Continental Free Trade Area (AfCFTA)

Nigeria is now a signatory to the AfCFTA, a legal instrument that fosters economic integration by creating a single market for goods and services through the gradual elimination of tariff and non-tariff barriers. The trade negotiations on key provisions of the agreement are still ongoing.

International organisations
- International Chamber of Commerce,
- African Development Bank Group
- World Federation of Trade Unions
- World Trade Organization
- World Customs Organization

Key Economic Information

Currency (symbol/code)
Nigerian naira (₦/NGN)

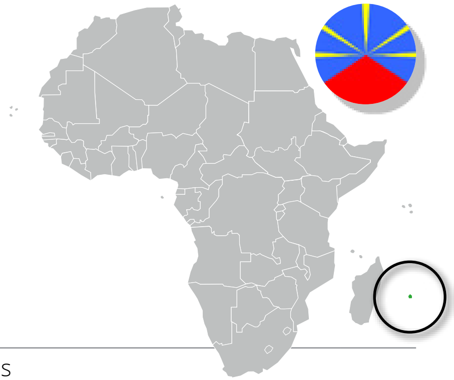
Exchange rate	
US$1	NGN381.00
EUR1	NGN492.84
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$1,116.25 billion	US$1,167.85 billion
Real GDP growth	
2.53%	2.31%
Average inflation	
15.97%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
11.50%
Source: Central Bank of Nigeria, 2021.

Market capitalisation April 2021
US$43,903.60 million
Source: Capital IQ, 2021.

Nigeria



Réunion

Contacts

Jean Bernardini
jbernardini@taj.fr
+33 1 40 88 75 38

Sabrina Rousseau
sarousseau@taj.fr
+33 1 40 88 22 50

Income Tax – Individuals

For the 2021 assessment year (i.e. income earned in 2020), the progressive income tax rates are as follows:

Taxable income (EUR)	Rate
Up to 10,084	0%
10,084 – 25,710	11%
25,710 – 73,516	30%
74,516 – 158,122	41%
Over 158,122	45%

* The gross tax is subject to a reduction of 30%, capped at EUR 2,450 for taxpayers domiciled in Réunion.

Notes

1. Basis – Réunion is a French overseas department in the Indian Ocean and has the same political status as the departments of metropolitan France located in Europe. Réunion is considered a part of France for tax purposes, and the French tax system generally applies, with some modifications and exceptions. Residents are taxed on worldwide income. Non-residents are subject to tax only on Réunion-source income.
2. Residence – An individual is considered a resident if he/she is domiciled in Réunion. An individual normally is considered domiciled if his/her principal residence is in Réunion, or if he/she has a main place of business or professional activity or centre of financial interests located in Réunion. A resident of Réunion is considered a French tax resident.
3. Taxable income – There is no definition of taxable income. The most important categories of income are:
   - Employment income (including income from prior employment)
   - Business income
   - Agricultural income
   - Professional income (income from "non-commercial" activities, e.g. from the legal and medical professions, and income from activities not classified into any other category)
   - Income from activities performed by certain managers controlling family companies or limited partnerships
   - Income from immovable property
   - Investment income (income from movable property)
   - Capital gains.
4. Capital gains – Capital gains from the disposal of movable assets are subject to a flat tax of 30% (see "Rates" below) unless the taxpayer elects to apply the progressive tax rates. If the taxpayer makes an election, the gains are taxed as ordinary income at progressive rates ranging from 0% to 45%. In addition, special social security surcharges apply to capital gains derived by French residents, amounting to approximately 17.2% for 2021. Capital gains from the disposal of immovable property are taxed at a special flat rate of 19%, plus special social security surcharges. An annual reduction applies to the taxable basis of capital gains from the disposal of real estate: the gains are exempt from the flat-rate tax if the real estate has been owned for at least 22 years and are exempt from social surcharges after 30 years of ownership.
5. Exempt income – An "inward expatriate" regime applies, under which foreign individuals who become tax residents of France for work purposes are exempt from income tax until 31 December of the eighth year of residence on the following:
   - Additional remuneration components linked to their assignment in a French department (capped at 30% of the total remuneration), and a portion of the remuneration related to work carried out abroad; however, the benefits arising from both exemptions cannot lead to a tax basis reduction higher than 50% of the total compensation, and the portion of the remuneration related to work carried out abroad cannot exceed 20% of the remuneration related to the work performed in a French department
   - 50% of certain foreign-source passive income, such as dividends, interest, and capital gains on the disposal of foreign shares.
6. Deductions and allowances – Various deductions and allowances are available based on family circumstances and related to certain types of investments and expenses incurred during the year.
7. Rates – The rates on ordinary income for resident individuals are progressive from 0% to 45%. A flat withholding tax (WHT) on investment income (dividends, interest, capital gains from the sale of securities, etc.) of resident individuals applies at an overall rate of 30% (12.8% income tax and a 17.2% social security contribution). However, taxpayers have the option of electing out of the flat rate regime on a global basis and having all investment income they receive taxed at the progressive rates, which may be more favourable in certain cases. Non-residents are subject to a WHT of 8% or 14.4% on wages, salaries, remuneration, and emoluments received from an activity carried on in Réunion when the amount exceeds EUR15,018 (the 8% rate applies from EUR15,018 to EUR43,563 and the 14.4% rate applies over that amount). See under "Withholding tax," below, for the rates on other Réunion-source income of non-residents.
8. "Income tax withdrawal" – Income tax withdrawal is the standard system for the payment of income tax and enables personal income tax to be paid on a monthly basis. The system does not affect the basis or the methods of calculating income tax.

Income Tax – Companies

Fiscal year opening from	Taxable profit (€)	Turnover	Standard rate	Maximum effective rate
1 January 2021	Entire profit	< €250m	26.5%	27.37%
		> €250m	27.5%	28.40%
1 January 2022	Entire profit	No limit	25%	25.83%

* The 3.3% social surcharge that applies in certain circumstances will continue to apply to the corporate income tax, bringing the 25% standard rate in 2022 to an effective rate of 25.83%.

Notes

1. Basis – Réunion is a French overseas department that is considered a part of France for tax purposes, and the French tax system generally applies, with some modifications and exceptions. There is a territorial tax system: both residents and non-residents are taxable on profits allocable to a business carried out in Réunion and on Réunion-source income. Foreign-source income of residents generally is not subject to tax.
2. Residence – A company is resident for tax purposes if it is incorporated in Réunion or has its place of effective management in Réunion.
3. Taxable income – Taxable income is equal to book income, plus or minus certain tax adjustments. Corporation tax is payable annually on all profits generated by companies and other legal entities in Réunion. Dividends are included in taxable income, although distributions from qualifying subsidiaries benefit from a participation exemption, under which 95% of the dividends are exempt from tax. The participation exemption applies where the recipient owns at least 5% of the shares of the distributing entity for at least 24 months.
4. Capital gains are subject to corporate tax at the standard rate. A participation exemption applies to capital gains arising from the sale of shares that form part of a substantial investment if the shares have been held for at least 24 months. The gain is 88% exempt, resulting in a maximum effective rate of 3.3% (12% X 27.4% (including surcharge)) with the standard rate of 26.5% or 3.4% with a standard rate of 27.5% (12% X 28.4% (including social surcharge)) that applies to companies whose turnover is higher than EUR250 million.
5. Deductions and allowances – Expenses are deductible if they are necessary for the generation of business income. Allowable expenses generally are those incurred for business purposes and that can be verified. Foreign-source losses are not deductible. Small and medium-sized

enterprises (SMEs) that carry out specific activities in Réunion may benefit from a 50% allowance on taxable income, capped at EUR150,000 (or an 80% allowance capped at EUR300,000 in specific areas).

6. Losses – Losses may be carried forward indefinitely but may be offset against taxable profit of a given year only up to EUR1 million, plus 50% of the taxable profit exceeding this amount for the fiscal year. Losses may be carried back for one year. Additional limitations apply to the deduction of capital losses on the sale of shares between related parties.
7. Foreign tax credit – Domestic law generally does not provide for a credit for foreign taxes. A tax treaty, however, may provide for a tax credit mechanism, which generally corresponds to the WHT paid in the source country, but is capped at the French tax actually due on the net income.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rates – The standard corporate income tax rate is 26.5% if the turnover is lower than EUR250 million or 27.5% if the turnover is higher. It will be reduced to 25% in 2022. Small or new businesses may benefit from lower rates. A 3.3% social surcharge applies to the portion of a standard corporate income tax liability exceeding EUR763 000. SMEs benefit from specific exemptions, provided certain conditions are satisfied.
10. Branch taxation – Branches of foreign companies are subject to the same tax rate as domestic companies, as well as to a branch remittance tax (see under WHT).

Withholding Tax (WHT)

The following table sets out the applicable WHT rates on dividends, interest, and royalty payments made to non-residents (the tax is a final tax and the rate may be reduced under an applicable tax treaty):

Income	Rate
Dividends	0%/26.5%
Interest	0%
Royalties	26.5%

Notes

1. Dividends – Dividends paid by a resident corporation to a non-resident shareholder are subject to a 26.5% WHT, unless a tax treaty provides for a lower rate or the EU parent-subsidiary directive applies. Under the directive, dividends paid by a corporation in Réunion to a qualifying EU parent company are exempt from WHT.
2. Interest – Interest paid by a company in Réunion to a non-resident lender generally is not subject to WHT (unless the lender is located in a non-cooperative country or territory).
3. Royalties – Royalties paid to a non-resident entity are subject to a 26.5% WHT (reducing to 25% in 2022). The rate may be reduced or eliminated under a tax treaty or where the royalties qualify for the benefit of the EU interest and royalties directive.
4. Technical service fees – Fees paid for commissions, consultancy and services performed or used in French departments are subject to a 26.5% WHT. The rate may be reduced or eliminated under a tax treaty.
5. Branch remittance tax – The after-tax income of a Réunion branch of a foreign company (not located in France) is deemed to be distributed to the non-resident and is subject to a 26.5% branch tax. However, the tax may be eliminated or reduced under a tax treaty, and is not due if the foreign head office is in the EU/European Economic Area and is subject to income tax with no possibility of opting out or of being exempt, and the income is taxable in the foreign country.

Tax Treaties

Réunion is a French department, so France's tax treaties are applicable. The following table shows the WHT rates on dividends, interest, and royalties under France's treaties.

Country	Dividends	Interest	Royalties
Albania	5%/15%	10%	5%
Algeria	5%/15%	0%/10%	5%/10%
Andorra	5%/15%	0%/5%	0%/5%
Argentina	15%	20%	18%
Armenia	5%/15%	0%/10%	5%/10%
Australia	0%/5%/15%	0%/10%	5%
Austria	0%/15%	0%	0%
Azerbaijan	10%	0%/10%	5%/10%
Bahrain	0%	0%	0%
Bangladesh	10%/15%	10%	10%
Belarus	15%	0%/10%	0%
Belgium	10%/15%	15%	0%
Benin	D	D	0%/D
Bolivia[1]	10%/15%	15%	15%
Bosnia and Herzegovina	5%/15%	0%	0%
Botswana	5%/12%	0%/10%	10%
Brazil	15%	10%/15%	10%/15%/25%
Bulgaria	5%/15%	0%	5%
Burkina Faso	D	D	0%/D
Cameroon	15%	0%/15%	0%/7.5%/15%
Canada	5%/15%	0%/10%	0%/10%
Central African Republic	D	D	0%/D
Chile[1]	15%	5%/10%	5%/10%
China	5%/10%/D	10%	10%
Congo (Republic of the)	15%/20%	0%	15%
Croatia	0%/15%	0%	0%
Cyprus	10%/15%	0%/10%	0%/5%
Czech Republic	0%/10%	0%	0%/5%/10%
Ecuador	15%	10%/15%	15%
Egypt[1]	0%	15%/D	15%
Estonia	5%/15%	0%/10%	0%/5%/10%
Ethiopia[1]	5%/10%	5%	5%/7.5%
Finland	0%	0%/10%/12%	0%
French Polynesia	D	D	D
Gabon	15%	0%/10%	0%/10%
Georgia	0%/5%/10%	0%	0%
Germany	0%/15%/D	0%	0%
Ghana	5%/15%	0%/10%	10%
Greece	D	0%/12%	5%
Guinea	15%	0%/10%	0%/10%
Hong Kong	10%	10%	10%
Hungary	5%/15%	0%	0%
Iceland	5%/15%	0%	0%
India[1]	10%/15%	10%/15%	10%/20%
Indonesia	10%/15%	10%/15%	10%
Iran	15%/20%	15%	0%/10%
Ireland	10%/15%	0%	0%
Israel	5%/15%	5%/10%	0%/10%
Italy	5%/15%	0%/10%	0%/5%
Ivory Coast	15%	0%/15%	10%/D
Jamaica	10%/15%	10%	10%
Japan	0%/5%/10%	0%/10%	0%
Jordan	5%/15%	0%/15%	5%/15%/25%
Kazakhstan[1]	5%/10%/15%	10%	10%
Kenya	10%	12%	10%
Korea (ROK)	10%/15%	0%/10%	10%
Kosovo	5%/15%	0%	0%

Country	Dividends	Interest	Royalties
Kuwait	0%	0%	0%
Kyrgyzstan[2]	15%	10%	0%
Latvia[1]	5%/15%	0%/5%/10%	0%/5%/10%
Lebanon	0%	0%	D
Libya[1]	5%/10%	0%	0%/10%
Lithuania[1]	5%/15%	0%/10%	5%/10%
Luxembourg	0%/15%	0%	5%/D
Macedonia	0%/15%	0%	0%
Madagascar	15%/25%	15%	10%/15%
Malawi	D	D	0%
Malaysia	5%/15%	15%	10%/D
Mali	D	D	0%/D
Malta	0%/15%	0%/5%	0%/10%
Mauritania	D	D	0%/D
Mauritius	5%/15%	D	0%/15%
Mexico	0%/5%/15%	0%/5%/10%	0%/10%
Moldova[2]	15%	0%/10%	0%
Monaco	D	D	D
Mongolia	5%/15%	0%/10%	0%/5%
Montenegro	5%/15%	0%	0%
Morocco	0%/15%	10%/15%	D/5%/10%
Namibia	5%/15%	0%/10%	0%/10%
Netherlands	5%/15%	0%/10%/12%	0%
New Caledonia	5%/15%	0%	0%/10%
New Zealand	15%	10%	10%
Niger	D	D	0%/D
Nigeria	12.5%/15%	12.5%	12.5%
Norway	0%/15%	0%	0%
Oman	0%	0%	7%
Pakistan	10%/15%	10%	10%
Panama	5%/15%	0%/5%	5%
Philippines	10%/15%	0%/15%	15%
Poland	5%/15%	0%	0%/10%
Portugal	15%	10%/12%	5%
Qatar	0%	0%	0%
Romania	10%	10%	10%
Russia	5%/10%/15%	0%	0%
Saint Martin (French Division)	0%/15%	0%/10%	0%
Saint Pierre and Miquelon	5%/15%	0%	0%/10%
Saudi Arabia	0%	0%	0%
Senegal	15%	0%/15%	0%/15%/D
Serbia	5%/15%	0%	0%
Singapore	5%/15%/D	0%/10%	0%/D
Slovakia	10%	0%	0%/5%
Slovenia	0%/15%	0%/5%	0%/5%
South Africa	5%/15%	0%	0%
Spain	0%/15%	0%/10%	0%/5%
Sri Lanka	D	0%/10%/D	0%/10%
Sweden	0%/15%	0%	0%
Switzerland	0%/15%	0%	5%
Syria	0%/15%	0%/10%	15%
Taiwan	10%	0%/10%	10%
Thailand	15%/20%/D	0%/3%/10%/D	0%/5%/15%
Togo	D	D	0%/D
Trinidad and Tobago	10%/15%	10%	0%/10%
Tunisia	D	12%	D/0%/5%/15%/20%
Turkey	15%/20%	15%	10%
Turkmenistan[2]	15%	0%/10%	0%
Ukraine	0%/5%/15%	0%/2%/10%	0%/10%
United Arab Emirates	0%	0%	0%
United Kingdom	0%/15%	0%	0%
United States of America	0%/5%/15%	0%	0%
Uzbekistan[1]	5%/8%/10%	0%/5%	0%
Venezuela	0%/5%	5%	5%
Vietnam[1]	5%/15%	D	5%/10%
Zambia	D/10%	D	0%
Zimbabwe	10%/15%	10%	10%
Non-treaty countries	0%/15%/30%/75%	0%/75%	0%/31%/75%

1. Most favoured nation clause. 2. The USSR treaty continues to apply.

Notes

1. Where more than one rate is listed for a type of income, the lower rate applies in qualifying circumstances as defined in the relevant treaty. In some circumstances that are defined in the treaty, or where no rate is specified, the applicable rate is the domestic rate in Réunion. The rate under domestic law also may apply where this is lower than the treaty rate. A WHT exemption may be available if the conditions for the application of the EU parent-subsidiary directive or interest and royalties directive are satisfied.

Anti-avoidance Rules

Transfer pricing

Réunion entities controlled by entities established outside France are taxable on profits transferred directly or indirectly to an entity located abroad through an increase or decrease in purchase or sales prices, or by any other means. Companies exceeding certain thresholds must maintain contemporaneous transfer pricing documentation.

Rates on interest paid by corporate taxpayers to related parties are deemed to be at arm's length if they do not exceed an index corresponding to the average annual floating rate applied by banks to two-year loans granted to businesses. If the interest rate exceeds that index, the taxpayer will have to demonstrate that it would have paid a similar or higher rate to a bank in a comparable situation.

Country-by-country reporting is required for certain companies with annual consolidated group revenue equal to or exceeding EUR750 million.

Thin capitalisation

Net financial charges are deductible only up to the greater of 30% of the taxpayer's taxable EBITDA or EUR3 million. However, if the company is thinly capitalised, net financial charges will be deductible only up to the greater of 10% of the taxpayer's taxable EBITDA or EUR1 million.

A safeguard provision applies for companies that are members of a consolidated group for financial accounting purposes.

For tax-consolidated groups, the thin cap tests, the tax EBITDA test, and the group safeguard clause are applied at the level of the group.

Controlled foreign companies
The CFC rules apply to more than 50%-owned or controlled foreign subsidiaries or permanent establishments of a company when the local taxation is less than 40% of the French rate, i.e. the actual tax paid compared to the tax that would be due on the income calculated under French GAAP.

Anti-hybrid rules
The 2020 Finance bill implemented the EUATAD 2 (Anti-Tax avoidance Directive) into domestic law. This rule aims to prevent multinational companies in EU member states from using "hybrid" arrangements to limit the taxation of their profits, and also applies to hybrid mismatches with non-EU countries, thereby extending the scope of the anti-hybrid provision of the ATAD 1. The rule addresses several types of arrangements, such as situations that give rise to a deduction without inclusion of a payment under a financial instrument or a payment to/by a hybrid entity. ATAD 2 only applies to hybrid mismatches that arise between the taxpayer and its associated enterprises or between associated enterprises.

Hybrid mismatches result from the difference in the treatment of financial instruments, entities, or payment attribution rules between two countries. Such differences may result in either a deduction in one country without corresponding taxation in the other, a deduction in both countries, or no taxation in either country.

General anti-abuse rule
Under anti-abuse rules that apply for financial years beginning on or after 1 January 2019, an arrangement or series of arrangements will be disregarded if: (i) the arrangement is set up with the main objective or one of the main objectives of obtaining a tax advantage that defeats the purpose of the applicable tax law; and (ii) the transaction is not genuine (i.e. it was not set up for valid commercial reasons reflecting economic reality).

Employment-related Taxes

Social security
Social security contributions and surcharges are deducted at source from salary payments, with contributions of approximately 20% for the employee. Special social security surcharges apply for residents, amounting to approximately 17.2%.

Indirect Taxes

Value-added tax (VAT)
Réunion operates a VAT system that is similar to the EU system, but with certain adaptations. Metropolitan France, the other overseas departments, and EU member states are deemed to be export territories with regard to Réunion, in the same way as third countries.

The following rates are applicable:

VAT	Rate
Standard rate	8.5%
Reduced rate	2.1%

Notes

1. Taxable transactions – VAT applies on the supply of goods and services in Réunion. All economic activities are within the scope of VAT, including activities of independent professionals.
2. Rate – The standard VAT rate is 8.5%. The 2.1% reduced rate applies, notably, to most food products for human consumption and to certain supplies. The main exemptions relate to healthcare, education, banking, insurance and reinsurance, and transportation.

Customs and excise duties
Réunion is part of the EU single trading area with a unified customs law where all goods (subject to narrow exceptions, such as certain limited health and safety exceptions and exceptions for military items) circulate freely, whether made in the exception of Réunion's dock dues (see "Consumption tax (dock dues)" below), internal customs duties, fees, and barriers are removed within the EU, although member state customs authorities retain the right to check goods at the border. There is a common external customs tariff for products imported from outside the EU. The EU has adopted the Union Customs Code (UCC), which sets out the general rules and the customs procedures applicable to goods traded between the EU and non-EU countries, including rules in respect of import relief in the form of dumping and countervailing duties and quotas.

The UCC and the EU customs regulations are directly applicable in Réunion and are administered and enforced by the French customs authorities. The national customs authority in France (Réunion) is the General Directorate for Customs and Excise Duties (DGDDI). Relevant legislation is found in the French Customs Code, which is applicable in Réunion.

In some cases, imports may require a national or EU license. These can include an EU member state or imported from outside the EU. With common agricultural policy licenses for certain foodstuffs, and licenses for the importation of livestock, plant life, and other items subject to health and safety controls. Exports may be subject to controls under French and/or EU rules.

Taxes on the import of goods in Réunion are based on the origin, nature, and value of the goods. The event triggering these taxes is the import into Réunion; in other words, even transactions carried out gratuitously (gifts, donations) or without a transfer of ownership (rental, leasing) give rise to taxation.

Only goods imported from third countries are subject to customs duties, but all goods imported to Réunion (from Metropolitan France, the EU, or a third country) are subject to VAT at the time of their entry, as well as to dock dues.

Consumption tax (dock dues)
An additional tax on consumption known as "dock dues," applies mainly to products from outside Réunion but also can be applied to locally manufactured products. Dock dues are an old form of tax originally levied on products arriving in Réunion by sea. The rate of the dock dues varies according to the nature of the products and the place of production of the goods (internal/external) between 0% and 61.5%.

Other Taxes

Capital duty
Transactions that impact a company's share capital are free from capital duties. Upon dissolution, a company pays droit de partage equal to 2.5% of its net worth if the net worth is distributed pro rata to the shareholders.

Payroll tax
Payroll tax is levied on entities that collect revenue not subject to VAT, mainly banks and financial institutions. The applicable payroll tax rate is 2.95%.

Real property tax
Several real property taxes apply to entities, including the "CET," the taxe foncière and the "3% tax". See under "Local business tax" and "Transfer tax".

Digital services tax
A 3% digital services tax applies to amounts received in return for the provision in France of the following services (taxable services):

- Intermediation services such as marketplaces and dating sites
- Advertising targeting services marketed to advertisers. This includes the sale of Internet user data collected online for targeting purposes, user data management services, as well as the purchase, storage and delivery of advertising messages, advertising monitoring and performance measurement services.

The tax is only levied on digital companies, whether established in France or not, that receive at least EUR750 million for taxable services provided worldwide and EUR250 million for taxable services provided in France during a calendar year.

Local business tax
Resident and non-resident companies operating a business in Réunion must pay a territorial economic tax (Contribution Economique Territoriale – CET). The CET has two components: the immovable property contribution (CFE) and the added value contribution (CVAE). SMEs that carry out specific activities in Réunion may benefit from an 80% allowance on the net taxable basis subject to the CFE and the added value subject to the CVAE (up to EUR150,000 for the CFE allowance and EUR2 million for the CVAE allowance) if they commit to contribute to professional training.

Social security
Contributions payable by the employer vary depending on the size and type of the business and its location, but in certain cases can exceed 50% of gross pay.

Stamp duty
Stamp duties apply, but they are nominal.

Transfer tax
The sale of real property is subject to a transfer tax at a maximum rate of 5.8%. The sale of shares of a limited liability company (SARL) or commercial partnership (SNC) is subject to a transfer tax equal to 3% of the sales price, minus a sum equal to the number of units sold x EUR23,000/total number of the company units. A flat rate of 0.1% applies for the sale of shares of a joint stock company (SA/SAS) or SCA. The rate is increased to 5% if the company whose shares are transferred is a real estate company.

Financial transaction tax
A financial transaction tax of 0.3% applies to transactions involving shares of publicly traded companies established in France, the capital of which exceeds EUR1 billion. The tax is calculated based on the value of the shares.

Inheritance/estate tax
Transfers between close relatives are subject to tax at rates ranging from 5% to 45%, after a rebate (e.g. up to EUR100,000 per child).

Wealth tax
Households are liable to wealth tax (on real estate assets) if the value of their immovable assets exceeds EUR1.3 million. The net wealth tax is due on the portion of the asset's value exceeding EUR800 000. Residents are liable on their worldwide immovable assets, whereas non-residents are liable only on their immovable assets located in Réunion or France. Rates are progressive, ranging from 0.5% to 1.5%.

Tax Administration and Compliance
The French tax authorities administer tax in Réunion.

Corporations
1. Tax year – The tax year generally is the calendar year. However, companies may select a different tax year end date. The tax year is 12 months but can be shorter or longer in certain cases.
2. Consolidated returns – Under the fiscal integration regime, a group of companies may opt to consolidate profits and losses so that tax is assessed at the level of the parent company but is based on the group profit or loss. To qualify for consolidation, the parent must, inter alia, be subject to French tax and cannot be 95% or more owned directly by French corporate taxpayers.
3. Filing requirements – A self-assessment regime applies. Corporate tax returns normally are due by 30 April of the year following the calendar year, or within three months of the year end for a non-calendar financial year. Companies are required to make quarterly advance payments of their annual corporate taxes by 15 March, 15 June, 15 September, and 15 December.
4. Penalties – Late payments and late filing are subject to a 10% penalty. If additional tax is payable as a result of a reassessment of tax, interest is charged at 0.2% per month (2.4% per year). Special penalties may apply in the event of bad faith or abuse of law.
5. Rulings – Rulings are becoming a regular practice. A special ruling procedure exists to confirm whether a foreign entity has a permanent establishment in a French department.

Individuals
1. Tax year – The tax year is the calendar year.
2. Filing status – Married persons file a joint tax return, with no option to file separately after the year of marriage or before the year of divorce.
3. Filing and payment – Income tax returns must be filed in May after the end of the tax year.
4. Penalties – Late payments and late filings are subject to a 10% penalty. Interest is charged at 0.2% per month (2.4%) if additional tax is payable as a result of a reassessment of tax. Special penalties may apply in the case of bad faith or abuse of law.

VAT
1. Filing and payment – The VAT return can be filed monthly, quarterly, or annually, depending on the type of activities and other factors. Companies within the same group of companies may consolidate the payment of VAT in certain cases (but not VAT returns). VAT grouping is not possible.
2. Entities subject to VAT must register with the tax authorities.
3. Penalties – Late payments and late filings are subject to a 10% penalty. Interest is charged at 0.2% per month (2.4%) if additional tax is payable due to a reassessment of tax. Special penalties may apply in the case of bad faith or abuse of law.

Investment Incentives
General incentives
The key sectors for economic development are tourism, information and communication technology (ICT), agri-food, renewable energy, and the environment. Tourism offers the most incentives for both the economy and job creation. This is due to the island's unique "Pitons, Cirques and Remparts" site that was granted the status of a world heritage site by UNESCO in 2010, thus becoming France's 35th site to obtain this classification. The tourism sector has a strong impact on the creation of wealth and jobs, and source of diversification for the island's economy.

Tax incentives
Corporations in Réunion that incur research and development (R&D) expenses during the year may benefit from a tax credit against income tax that corresponds to 50% of actual R&D expenditure for expenses up to EUR100 million, and 5% for expenses exceeding EUR100 million. The tax credit is deductible from the corporate income tax for the current year and the following three years.

Tax reductions are available for companies and individuals investing in Réunion, provided the beneficiaries are tax-resident in France:

- Individuals investing in the housing sector may benefit from a tax reduction that may range from 18% to 38% of the costs of the investment. Individuals may deduct a portion of the tax reduction over five years for investments in rental properties. Individuals also may benefit from a specific tax reduction when investing in rented social housing
- Companies subject to corporate tax or income tax (for a transparent company) may benefit from a tax reduction if they invest in new productive tangible assets in industry, business or the agricultural or artisanal sectors (however, some activities are excluded from the scope of the reduction). The tax reduction is 38.25% of the investment (45.9% if the investment is in the renewable energy production sector). This can include property. Companies also may benefit from a specific tax reduction when investing in rented social housing.

Exchange Controls

There are no foreign exchange controls in Réunion.

Expatriates and Work Permits

Entry visas and work permits

Réunion is a French department and has the same entry requirements as France (but it is not part of the Schengen treaty).

Individuals wishing to enter or reside in Réunion must have a visa unless special dispensation is granted. The category of visa primarily is determined by the duration and reason for residence. The main visa categories for international mobility are the short-stay visa (up to 90 days) and the long-stay visa (more than 90 days).

A foreign person must have a work permit to work in Réunion. Work permits may be difficult to obtain because an offer of employment by a Réunion employer is a prerequisite, and few employers will hire a foreign national if they do not already have a work permit.

Foreign nationals who wish to remain in Réunion longer than 90 days for professional reasons (e.g. to set up a company or engage in paid employment, etc.) must apply to the French consular authorities in their country of residence for a long-stay visa.

In principle, a long-stay visa is valid for a three-month period, during which the visa holder must go to the Préfecture to complete the administrative formalities to obtain a residence permit corresponding to the reason for the stay: "Expatriate Employee", "Research Scientist", "Skills and Expertise", etc.

Some categories of foreign nationals are issued a long-stay visa equivalent to a residence permit, which is valid for four to 12 months and does not require the holder to apply at the Préfecture for a residence permit for the first year.

Residence permits and immigration

Immigration procedures depend on the type of activity being conducted by the foreign national. A distinction is made between salaried employees and company directors; each must follow a different procedure to obtain specific residence permits. The exception to the rule is that some residence permits allow any type of employment to be undertaken on French soil (salaried or commercial employment) without specific formalities (i.e. "Private and Family Life" temporary residence permit and the standard residence permit).

Trade Relations

Memberships

- Outermost region of the European Union
- Indian Ocean Commission (IOC)

Key Economic Information

Currency (symbol/code)
Euro

Exchange rate	
USD1	EUR 0.8269
EUR1	EUR1

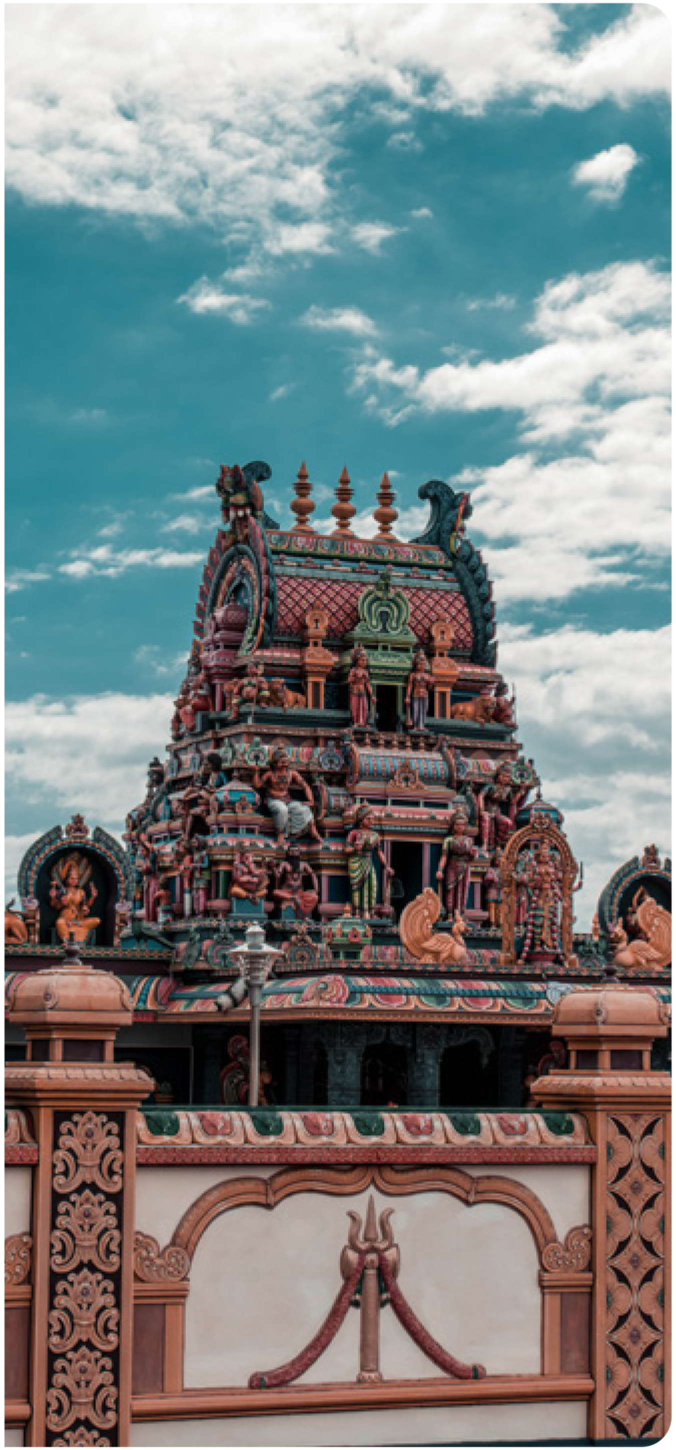
Source: IRESS, 2021.

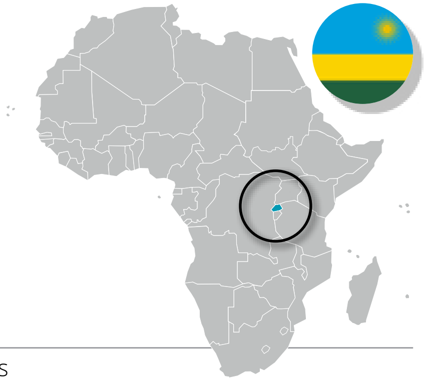
2021 forecast	2022 forecast
Nominal GDP	
No current information available.	
Real GDP growth	
No current information available.	
Average inflation	
No current information available.	

Central Bank Rate
No current information available.

Market capitalisation – USD (million) as at April 2021
No stock exchange value.

Source: Capital IQ, 2021.





Rwanda

Contacts

Norbert Kagoro
nkagoro@deloitte.com
+256 417 701 303

Patronella Namubiru
pnamubiru@deloitte.co.ug
+256 417 701 000

David Waweru
dwaweru@deloitte.com

Lotty Njuguna
lnjuguna@deloitte.com

Income Tax – Individuals

Taxable income (RWF)	Rate
0 – 360,000	0%
360,001 – 1,200,000	20%
Over 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 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. Taxable income – Employment income, including most employment benefits, is taxable. Capital gains on the sale of business assets are taxable as ordinary income at the normal personal income tax rates. However, capital gains derived from the sale or transfer of shares is taxed at 5% on the difference between the acquisition value of the shares and the sale/transfer price. The 5% capital gains tax is a withholding tax (WHT) and is withheld and remitted by the entity within which the transaction is occurring. Capital gains derived from secondary market transactions in listed securities and collective investment schemes are exempt from tax.
4. Exempt income – Employment income is exempt from tax in Rwanda if it is:
   - Received by a non-citizen of Rwanda from a foreign government or a non-government organisation under an agreement signed by the government of Rwanda and the income is received for the performance of aid services in Rwanda, or
   - Received from a foreign employer by a non-resident individual for the performance of services in Rwanda, unless such services are related to a permanent establishment of the employer in Rwanda.
5. Deductions and allowances – Deductions are available for items such as retirement contributions made to the Rwanda Social Security Board (RSSB).
6. Rates – Personal income tax rates are progressive up to 30%.

Income Tax – Companies

	Rate
Standard corporate rate	30%

Notes

1. Basis – Residents are taxed on worldwide income, with foreign-source income subject to corporate income tax in the same way as Rwanda-source income. Non-residents are taxed only on Rwandan-source income. Micro enterprises (i.e. those with turnover under FRW12 million) pay a flat rate of tax based on turnover. Small entities (i.e. those with annual turnover between FRW12,000,001 and FRW20 million) pay income tax under a lump-sum regime (see under "Turnover tax, below"), although such entities can opt to pay under the regular regime based on taxable profit. Businesses operating in road transport are taxed at flat rates depending on the purpose, type and capacity of the vehicle.
2. Residence – A company is resident if it is established according to Rwandan law, has a place of effective management in Rwanda at any time during the tax period, or is a Rwanda government company.
3. Taxable income – Corporate income tax is imposed on a company's total income after the deduction of normal business expenses. Dividends received by a Rwandan resident company from another Rwandan company generally are exempt from income tax provided tax has been withheld by the payer company; other dividends are subject to withholding tax (WHT, see "Withholding taxes," below). Capital gains generally are taxable as ordinary income at the standard corporation tax rate, including gains arising on the sale or cession of commercial immovable property. However, capital gains derived from the sale or transfer of shares are taxed at a rate of 5% on the difference between the acquisition value of the shares and the sale/transfer price, with the relevant amount withheld and remitted by the seller. Capital gains on secondary market transactions in listed securities and collective investment schemes are exempt from taxation.
4. Deductions – The following deductions are available in calculating taxable income:
   - Expenses for activities related to the tax period and that are documented
   - Training and research expenses that are directly attributed to the business and are declared in the taxpayer's activity plan for the tax period
   - Depreciation and amortisation
   - Bad debts if there is evidence that the income had been declared previously, the debt is written off, and steps have been taken to recover the debt
   - Bad debt provisions for financial institutions, up to a statutory limit provided by the National Bank of Rwanda (BNR)
   - Management fees, technical service fees, and royalty fees paid to non-resident related parties provided the total recharges do not exceed 2% of the payer's turnover
   - Expenses relating to sporting activities for employees
   - Donations made to non-profit organisations provided the value of the donations do not exceed 1% of turnover.
5. Losses – Losses may be carried forward for five tax periods, unless there is a change of 25% or more in the direct or indirect ownership. A taxpayer may request an extension of the tax loss carryforward period in certain circumstances provided specific conditions are satisfied. The carryback of losses is not permitted unless the losses arise upon the completion of a long-term contract. Limits apply to the use of foreign-source losses.
6. 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.
7. Rate – The corporate income tax rate is 30%, with some registered investment companies subject to a preferential rate of 15% or a tax holiday of five or seven years where certain requirements are met. Specific tax rates, with a minimum of 20%, are provided for newly listed companies on the capital market, depending on the percentage of their shares sold to the public.
8. Branch taxation – Branches of foreign companies in Rwanda are taxed in the same way as domestic companies. There is no branch profits tax.
9. Alternative minimum tax – There is no alternative minimum tax in Rwanda. However, a flat amount of tax is payable by micro enterprises based on their turnover, and for small enterprises, turnover tax may apply (see "Turnover tax," below).

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	0%/5%/15%	5%/15%
Interest	15%	15%
Royalties	15%	15%
Management/technical service fees	15%	15%
Payments to artists, musicians, athletes	15%	15%
Lottery and gambling proceeds	15%	15%
Payments to resident taxpayers that do not hold a recent income tax declaration	15%	15%
Payments made by public institutions	0%/3%	15%
Tax on importation of goods for commercial use	0%/5%	5%

Notes

1. Dividends – Dividends paid by a listed Rwandan company to a Rwandan or East African Community (EAC) resident are subject to a 5% WHT. Otherwise, a 15% rate applies to dividends paid to residents and non-resident individuals. The 15% rate is the default WHT rate for dividends and applies, for example, to dividends paid to non-EAC resident companies. EAC residents receiving dividends from securities listed on the stock exchange benefit from a reduced WHT of 5%.
2. Interest, royalties, and other payments – Payments for interest and royalties, and payments to artists, musicians, and athletes are subject to a 15% WHT, as are management fees. However, the 15% WHT on a payment for services made to a resident apply only if the resident is not registered for tax purposes in Rwanda. Where a resident company is registered for tax and furnishes the payer with a recent income tax declaration, no tax is withheld.
3. Payments by public institutions – Payments made by public institutions for supplies are subject to a 3% WHT if made to a resident, unless the resident holds a tax clearance certificate issued by the Rwanda Revenue Authority, in which case the payments are exempt from WHT. Such payments made to a non-resident are subject to a 15% tax.
4. Importation of goods – Payments made upon importation of goods are subject to a 5% WHT if made to a resident, unless the resident is in possession of a tax clearance certificate in which case the payments are exempt. Being in possession of a tax clearance certificate means WHT on imported foods will not apply.

Tax Treaties

Rwanda has concluded tax treaties with several countries. The following table shows the WHT rates on dividends, interest, royalties, and technical service fees under Rwanda's tax treaties.

Country	Dividends	Interest	Royalties	Service fees
Barbados	7.5%	10%	10%	15%
Belgium	0%/15%	0%/10%	10%	10%
Jersey	10%	10%	10%	12%
Mauritius	10%	10%	10%	12%
Morocco	8%	10%	10%	10%
Singapore	10%	10%	10%	12%
South Africa	10% or 20%	10%	10%	10%
Turkey	10%	10%	10%	10%
UAE	7.5%	10%	10%	10%

Notes

1. The treaty with Belgium provides for a 0% rate for dividends and interest under certain conditions. For example, the 0% rate applies to dividends in where the recipient company owns 25% or more of the capital of the payer company for an uninterrupted 12-month period and the payer company does not benefit from special economic incentives.
2. For South Africa, the 10% rate applies to dividends where the recipient company owns 25% or more of the capital of the payer company; otherwise, the WHT rate is for dividend payments is 20%.
3. For the above reduced rates to apply, a residency certificate must be accepted by the tax authority in Rwanda.
4. The multilateral treaty with the EAC is not effective in Rwanda.

Anti-avoidance Rules

Transfer pricing

Rwanda transfer pricing rules require controlled transactions between related parties to be on arm's length terms and documentation is required.

Thin capitalisation rules

Interest on related-party loans exceeding four times the amount of equity may not be deducted from taxable income unless the taxpayer is an individual. The thin capitalisation rule does not apply to commercial banks or insurance companies.

Employment-related Taxes

Payroll tax

A "Pay-As-You-Earn" (PAYE) system applies in Rwanda, with the employer required to withhold, declare, and pay the tax due to the Rwanda Revenue Authority within 15 days following the end of the month for which the tax was due. An option to make a quarterly declaration and payment is available for employers with annual turnover not exceeding RWF200 million. An employer that is not the first employer of an employee must withhold PAYE at the top marginal tax rate of 30%. In the case of casual labourers hired for less than 30 days during a tax year, the employer must withhold 15% of the taxable employment income.

Community-based health insurance benefit subsidies

Employers are required to remit 0.5% of the employees' net salary to employees to the Rwanda Social Security Board. The remittance of the contribution must be made on a monthly basis, no later than the 15th day of the month following the month to which the contribution relates.

Social security

The total contribution to the social security fund is 8%, with 5% paid by the employer and 3% by the employee. The employer contribution also includes worker's compensation of 2%. The declaration and remittance of the contribution must be made on a monthly basis, by the 15th day of the month following the month to which the contribution relates. In addition to the 8% contribution to the social security fund, a contribution of 0.6% of gross income is due.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods and the provision of services.
2. Rates – The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases.
3. Registration – The registration threshold for VAT purposes is RWF20 million of annual turnover, or RWF5 million for the previous quarter. Voluntary registration is possible for taxpayers with turnover under the threshold.
4. Reverse-charge mechanism – Reverse-charge VAT at 18% is payable on imported services and is not allowed as an input VAT credit unless it relates to services not available in Rwanda.
5. VAT refunds – An input VAT refund may be claimed only in the month the invoice was issued, and not for a different period.

Customs and excise duties

As a member of the East African Community (EAC), custom duties in Rwanda are governed by the East Africa Community Customs Management Act. The Act also sets tariffs for goods that originate from a country outside the EAC.

Consumption tax (excise duty) is levied on certain locally manufactured products. The taxable value is calculated according to the selling price (exclusive of taxes) and the tax is payable at the time the taxable products are removed from the factory for consumer use or when taxable services are provided. The rate ranges from 5% to 100%.

Other Taxes

Turnover tax

A presumptive tax of 3% of annual turnover is applicable to small enterprises (i.e. taxpayers with annual turnover less than RWF20 million) that opt for the regime. Micro enterprises (i.e. taxpayer with Other lump sums from RWF60,000 to RWF300,000 (depending on turnover) are payable by taxpayers with turnover less than RWF20 million.

Inheritance/estate tax

There is no inheritance/estate tax in Rwanda.

Net wealth/net worth tax

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

Stamp duty

There is no stamp duty in Rwanda.

Capital duty

There is no provision for capital duty.

Property tax

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

Transfer tax

Administrative fees apply to certain transactions.

Tax Administration and Compliance

Tax is administered in Rwanda by the Rwanda Revenue Authority.

Companies

1. Tax year – The tax year is the calendar year, although the taxpayer may request a different 12-month period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – A self-assessment regime applies. Advance corporate tax is payable in three instalments by the end of the sixth, ninth, and 12th months in the year, with each instalment calculated as 25% of the prior year's tax. The annual tax return must be filed within three months of the applicable year end.
4. Penalties – Interest is imposed for late payment of tax, and fines and other penalties are imposed for late filings and tax understatements.
5. Rulings – There is no provision for private rulings in the tax law. However, a taxpayer may request clarification on a tax matter from the tax authorities and rely on the written confirmation provided.

Individuals

1. Tax year – The tax year is the calendar year. A specific tax year of 12 months is available upon request.
2. Tax filing – The tax return is due by 31 March of the year following the calendar year. There is no provision for joint filing.
3. Filing and payment – Individuals are not required to file a return if all income has been subject to tax under the PAYE regime or has been subject to withholding at source that is a final tax (as is the case for dividends and interest). An individual who receives employment income from more than one employer, or who receives incidental employment income, such as an end-of-year bonus, may file an annual declaration if he/she wishes to claim a tax refund. Only amounts in excess of RWF5,000 are refunded. Rental income is accounted for separately by filing a rental income tax return. The tax returns mentioned above must be filed and payment of the tax declared is due by 31 March of the year following the calendar year.
4. Penalties – Penalties, including fines and simple interest at 1.5% per month, apply for non-compliance.

VAT

1. Filing and payment – 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.
2. Penalties – Penalties, including fines and simple interest at 1.5% per month, apply for non-compliance.

Investment Incentives

General incentives

- In keeping with its regional integration commitments, Rwanda has reduced 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 EU and US markets in line with the provisions of the African Growth and Opportunity Act (AGOA) and the Cotonou arrangement
- Rwanda's strategic location provides access to the EAC region and the Common Market for Eastern and Southern Africa (COMESA).

Tax incentives

- An investment allowance of 50% of the amount invested in new or used assets is available, provided the amount invested in each asset is at least US$50,000 and the business assets are held for at least three tax periods
- Certain training and research expenses incurred and declared, as agreed by the tax authorities and that promote certain activities during a tax period, are deductible from taxable profits
- Depending on various conditions, registered investment entities that operate in a Free Trade Zone (FTZ), that are in one of the identified priority economic sectors, and foreign companies that have their headquarters in Rwanda that meet the requirements stipulated in the Rwandan Law on Investment Promotion are entitled to the following incentives:
    1. A preferential corporate income tax rate of zero per cent (0%) is applicable to an international company with its regional office or headquarters in Rwanda subject to specific requirements or an entity that is registered in Rwanda by a philanthropic investor, subject to approval by the Private Investment Committee
    2. Subject to the fulfillment of specific requirements, a preferential CIT rate of 3% is applicable to a registered investor who is licensed to operate a pure holding company, a special purpose vehicle registered for investment purpose, or a Collective Investment Scheme
    3. A preferential CIT rate of 3% on foreign-sourced income is granted to a registered investor operating a global trading or paper trading enterprise
    4. A preferential corporate income tax rate of three per cent (3%) on foreign-sourced royalties is granted to a registered investor operating as an intellectual property company, subject to certain requirements
    5. A preferential corporate income tax rate of fifteen per cent (15%) is granted to the following registered investors: (i) exporters, where 50% of the turnover comprises exported goods and services; (ii) energy generation, transmission and distribution with the exception of an investor having an engineering procurement contract executed on behalf of the Government of Rwanda, (iii) transport of goods and related activities whose business is operating a fleet of at least five (5) trucks registered in the investor's name (iv) mass transportation of passengers and goods, (v) manufacturing within the sub-sectors of textiles and apparels, electronics information, and communication technology equipment, large scale agricultural operations, processing in wood, glass and ceramics, value addition and professional operations in mining and agricultural equipment (vi) the information and communication technology (ICT) sector, where the investment involves manufacturing or assembly or ICT and knowledge-based services; (vii) innovation research and development facilities and an innovation specialised institution of higher learning, business incubation centres and related activities in the area of ICT and innovation sector; (viii) fund management entities, collective investment schemes, wealth management services, financial advisory commercial entity, family office services, fund administrators, financial technology commercial entities, Captive Insurance Schemes, private banks, mortgage finance institutions, finance lease commercial entities, Asset Backed Securities, reinsurance companies, trusts and corporate service providers; (ix) construction of affordable houses; (x) investment involved in electric mobility; (xi) adventure tourism and agriculture tourism; and; (xii) other priority sectors as determined by the Minister for Finance and Economic Planning
    6. A preferential CIT rate of 25% applies for registered investors whose turnover comprises 30-50% of exports of goods and services
    7. A one hundred and fifty percent (150%) tax deduction applies for all qualifying expenditure relating to internationalisation, for registered small and medium or emerging investors with an investment project involved in export.

8. A CIT holiday of seven (7) years applies for investors investing an equivalent of at least fifty million United States Dollars (US$ 50,000,000) and contributing at least thirty per cent (30%) of this investment amount in the form of equity in specific sectors such as manufacturing, energy projects, tourism, health etc.
9. A CIT holiday of five (5) years applies for developers of specialised innovation parks and microfinance institutions.
10. Zero percent (0%) withholding tax rate applies on dividends, interest and royalties paid by investors benefiting from the preferential corporate income tax of fifteen per cent (15%) and three per cent (3%).
11. A preferential withholding tax of five per cent (5%) applies on dividends and interest income paid to an investor investing in a company listed on the Rwanda Stock Exchange.
12. A preferential withholding tax of ten per cent (10%) applies on interest on foreign loans, dividends, royalties, and service fees, including management and technical service fees paid by a specialised innovation park developers or specialised industrial park developers.
13. For start-ups: exemption from capital gains tax on the sale of shares initially purchased as primary issuance by the start-up; and exemption from withholding tax on five (5) dividend issuances by start-ups.
14. An allowance to carry forwarded tax losses for ten (10) years applies for investors in the mining sector subject to certain conditions.
15. An exemption from capital gains tax applies for all registered investors except for gains derived from the sale of commercial immovable property.
16. An investment allowance of 50% of the amount invested in new or used assets is available, provided the amount invested in each asset is at least US$50,000 and the business assets are held for at least three tax periods.
17. A registered investor investing in products used in Export Processing Zones is exempt from customs taxes and duties, according to the provisions of the customs rules and the regulations of the EAC.

Exchange Controls

Rwanda does not have exchange controls per se, but some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency, but domestic transactions may not be carried out in a foreign currency.

Expatriates and Work Permits

Persons coming to work in Rwanda must apply for temporary permits, which fall into 19 categories. Persons coming to work for a specific employer in Rwanda must apply for a “category H” work permit (i.e. ranging from category H1 (persons on the On-Demand List of prescribed professions) to H5 for “other employees”). A special pass is required for persons with a contract of three months or less, or those coming to set up companies as entrepreneurs or investors.

A foreign investor and his/her dependents are entitled to temporary residence permits in accordance with the relevant laws.

A registered investor of an investment enterprise is entitled to recruit up to three expatriates without having to prove that they have sufficient knowledge or skills, i.e. the “labour market test” is not required.

Trade Relations

Memberships

- The Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- The Commonwealth
- World Trade Organisation (WTO)

Key Economic Information

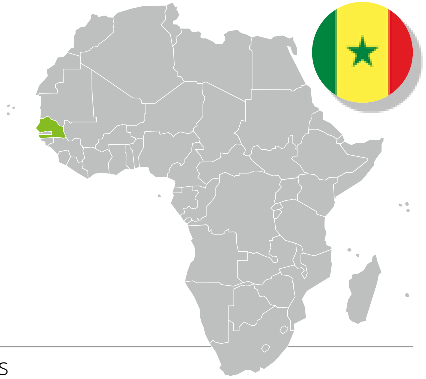
Currency (symbol/code)
Rwandan franc (R₣/RWF)

Exchange rate	
US$1	RWF985.00
EUR1	RWF1,206.41
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$31.85 billion	US$34.80billion
Real GDP growth	
5.69%	6.84%
Average inflation	
2.50%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
4.50%
Source: National Bank of Rwanda, 2021.

Market capitalisation as at April 2021
US$208.20 million
Source: Capital IQ, 2021.



Senegal

Contacts

Badara Niang
bniang@deloitte.sn
+221 33 849 65 05

Marc Alexandrenne
malexandrenne@deloitte.sn
+221 33 849 65 05

Yves Madre
ymadre@deloitte.fr
+243 859 998 044

Income Tax – Individuals

Taxable income (XOF)	Rate
Up to 630,000	0%
630,001 – 1.5 million	20%
1,500,001 – 4 million	30%
4,000,001 – 8 million	35%
8,000,001 – 13.5 million	37%
Over 13.5 million	40%

Notes

1. Basis – Residents are taxed on worldwide income; non-residents are taxed only on Senegal-source income. Non-residents become liable to Senegal tax from the day they begin carrying on a trade, business, profession, or vocation in Senegal or from the day they commence employment.
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.
3. 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. Capital gains are taxable either at source by a notary in the case of real estate or at progressive rates based on the taxpayer's declaration, except for capital gains from the sale of shares, which are taxed at a 25% rate in certain cases. Benefits-in-kind are taxable according to scales published by the tax administration or on their fair market value.
4. Exempt income – The first XOF630,000 of net taxable income is exempt from personal income tax. Diplomats and foreign consular agents are exempt from tax in Senegal on income earned from the exercise of their diplomatic or consular functions, provided that the countries they represent offer similar beneficial treatment for Senegalese diplomatic and consular staff.
5. Deductions and allowances – Different abatements and allowable deductions apply to each category of income. A lump-sum deduction of 30% of earnings is available when determining the taxable base for employment income tax purposes, capped at XOF900,000.
6. Rates – Progressive income tax rates ranging from 0% to 40% apply to both resident and non-resident individuals.

Income Tax – Companies

	Rate
Basic rate	30%

Notes

1. Basis – A resident corporation is subject to tax on its worldwide income; a non-resident corporation is taxed only on Senegal-source income.
2. Residence – An entity generally is deemed to be a resident of Senegal if its registered office, permanent establishment (PE), or centre of activity is located in Senegal.
3. Taxable income – Corporate income tax is imposed on net profits, determined after the deduction of allowable expenses and charges. 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. Capital gains generally are treated as operating profits and included in the tax base and taxed at the normal corporate income tax rate, although a taxpayer may benefit from deferred taxation or lower taxation if certain conditions are met.
4. Deductions – Expenses incurred for the purpose of generating taxable income generally are deductible, although certain items (e.g., taxes and fines, dividends paid) are non-deductible.
5. Losses – Tax losses may be carried forward for three years. The carryback of losses is not permitted.
6. Foreign tax credit – Senegal tax law does not provide for unilateral tax relief. However, bilateral relief may be available under an applicable tax treaty.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The standard corporate tax rate is 30%, with a 15% rate applying to free export companies (see "Tax incentives," below).
9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary. Under certain circumstances, VAT at 18% may be imposed on branch remittances.
10. Alternative minimum tax – An annual minimum tax is levied of 0.5% of prior year turnover (excluding taxes). The minimum tax amount cannot exceed XOF5 million.

Withholding Taxes (WHT)

The WHT rates on various types of payment are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

	Residents	Non-residents
Dividends	10%	10%
Interest[1]	16%	16%
Royalties	20%	20%
Technical service fees	20%	20%

Notes

1. An 8% rate applies to bank or stockbroker account interest, and a 20% rate to interest on cash vouchers.

Tax Treaties

Senegal has concluded tax treaties with the following countries:

Country	Dividends[1]	Interest	Royalties
Belgium	10%	16%	10%
Canada	10%	16%	15%
France	10%	15%	15%
Italy	10%	15%	15%
Lebanon	10%	10%	10%
Luxembourg	5%/10%	10%	6%/10%
Malaysia	5%/10%	10%	10%
Mauritania	10%	16%	0%
Morocco	10%	10%	10%
Norway	10%	16%	16%
Portugal	5%/10%	10%	10%
Qatar	D	D	D
Spain	10%	10%	10%
Taiwan	10%	15%	12.5%
Tunisia	10%	16%	D
United Arab Emirates	5%	5%	5%
United Kingdom	5%/8%/10%	10%	6%/10%
West African Economic and Monetary Union (UEMOA)[2]	10%	15%	15%

Notes

1. The domestic WHT rate on dividends is shown where this is lower than the treaty rate.
2. UEMOA members are Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

Anti-avoidance Rules

Transfer pricing

The Senegal tax authorities have the power to adjust the taxable profits of Senegal resident companies or branches of foreign companies in respect of transactions with non-resident related companies. Two companies are considered related if:

- One company has a direct or indirect minimum participation of at least 50% in the capital of the other company or exercises de facto control over the other company, or
- A third party has a direct or indirect minimum participation of at least 50% in the capital of both companies or exercises de facto control over both companies.

The related company requirement does not apply where the transaction involves companies incorporated in a low tax jurisdiction or a non-cooperative state or territory. Specific payments to non-residents are not regarded as deductible expenses for income tax purposes where the recipient is subject to a privileged tax regime or is based in a non-cooperative country.

Transfer pricing documentation requirements apply to Senegal resident companies:

1. Whose annual turnover, excluding taxes, of at least XOF5 billion
2. That hold, directly or indirectly, more than 50% of the capital or voting rights of a company that meets the criterion in 1, or
3. Whose capital is more than 50% owned, directly or indirectly, by a legal entity that meets the criterion in 1.

Companies that fall within the scope of the transfer pricing requirements must file together with the financial statements:

- General information about the group of related companies, including:
- A general description of the business activities, including any changes that occurred during the fiscal year
- A list of the main intangible assets held by related companies and used by the reporting company, indicating the jurisdiction(s) where the companies owning the assets are located
- A general description of the group's transfer pricing policy and any changes during the fiscal year.

Specific information about the reporting company:

- A description of the business activities, including any changes that occurred during the fiscal year
- A summary of transactions with related companies
- Information on loans and borrowings with affiliated companies

Senegal

- Information on transactions with related companies that are the subject of advance pricing agreements or tax rulings concluded with another jurisdiction.

A declaration containing a country-by-country breakdown of group profits and consolidated economic, accounting, and tax information, together with details of the location and activities of the constituent entities, submitted electronically within 12 months of the end of the fiscal year by legal entities established in Senegal that meet the following criteria:
- Prepare consolidated accounts
- Hold or control, directly or indirectly, one or more legal entities established outside Senegal or have foreign branches
- Have consolidated annual turnover, excluding taxes, in the previous fiscal year of at least XOF491 billion.

The local companies may be required to make country-by-country reporting if they are held or controlled directly or indirectly by a foreign company incorporated in a low tax jurisdiction or a non-cooperative state or territory.

The following Senegal legal entities must make available to the tax administration during an audit, documentation justifying the pricing policy adopted for all transactions carried out with foreign related companies. This obligation applies where the legal entity:
- Has annual turnover, excluding taxes or gross assets, of at least XOF5 billion
- At the end of the financial year, holds, directly or indirectly, more than 50% of the capital or voting rights of a Senegalese or foreign company with annual turnover, excluding taxes or gross assets, of at least XOF5 billion
- At the end of the financial year, has more than 50% of its capital or voting rights held, directly or indirectly, by a company with annual turnover, excluding taxes or gross assets, of at least XOF5 billion.

Thin capitalisation
Senegal has thin capitalisation rules that impose restrictions on the deduction of interest paid to foreign related parties on loans granted to local companies:
1. The rate of interest paid to shareholders, partners, or other related parties on loans advanced directly or indirectly to a local company may not exceed the Central Bank rate, increased by three percentage points;
2. The interest referred to in (1) is deductible only if the company's share capital has been fully paid up;
3. The deduction of debt interest paid to an individual is limited to the interest attributable to loans not exceeding the amount of the company's share capital;
4. Interest referred to in (1) is not deductible to the extent it is paid on loans that exceed one and a half times the share capital and simultaneously exceed 15% of profits from ordinary activities, increased by depreciation and any provisions taken into account in determining those profits.

This limitation does not apply to interest paid by companies that are not subject to corporation income tax to their partners if the latter are subject to income tax in Senegal on their interests. The total amount of deductible annual interest in respect of all debts incurred by members of a group of companies cannot exceed 15% of the profits from ordinary activities, increased by such interest, depreciation, and any provisions taken into account in determining such profits.

Employment-related Taxes
Payroll tax
A payroll tax of 3% of taxable gross salary is payable by the employer. Senegal operates a Pay-As-You-Earn (PAYE) system, under which personal income tax is withheld by the employer from the employee's wages. The employer is responsible for filing monthly personal income tax returns and remitting the corresponding tax to the tax administration.

Social security
Social security contributions are paid by the employer, up to an annual ceiling of XOF756,000, i.e. annual salary on which contributions are payable. The rate for family benefits is 7% and that for industrial accidents ranges from 1% to 5%, depending on the type of business.

National retirement fund contributions are shared between the employer (60%) and the employee (40%). The rate of contributions for the general scheme is 14%, with an annual ceiling of XOF4,320 million. The contribution rate for the executives' scheme is 6%, with an annual ceiling of XOF12,960 million. Executives must contribute to both schemes.

Indirect Taxes
Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – 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, transportation, and employment activities.
2. Rates – The standard VAT rate in Senegal is 18%. A reduced rate of 10% applies to services provided by agreed tourist accommodation establishments.
3. Registration – All corporate businesses are required to register for VAT. 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-related obligations. If no tax representative is appointed by the foreign company, the beneficiary of the transaction is liable for the payment of VAT.

Customs and excise duties
Senegal customs operates under the authority of the Ministry of Finance. Payment of taxes and duties is made through a customs and excise bond, handled by the Treasury.

Senegal imposes a tariff scheme that conforms with the common external tariff scheme agreed by UEMOA member states. Under this tariff structure, Senegal has four simple tariff rate categories:
1. 0% on essential social goods (drugs, medicines, etc.) and on cultural and scientific goods (books)
2. 5% on basic necessities, raw materials, capital goods, etc.
3. 10% on semi-finished products, intermediate goods, diesel and fuel oil, and
4. 20% on final consumer goods, capital goods, and computer equipment and vehicles.

Other import tariffs also exist, with a maximum combined rate of 52%. VAT at 18% applies to all imports. Certain import restrictions apply to agricultural and industrial products that support the Senegalese economy.

Other Taxes
Inheritance/estate tax
Deeds of pure and simple acceptance of succession or legacy are taxed at a fixed amount of XOF25, 000.

Stamp duty
Stamp tax is levied on cash transactions based on the amount of the transaction, at a 1% rate up to XOF100,000.

Capital duty
Capital duty is payable on initial share capital at 1% if the amount of capital exceeds XOF100 million; otherwise, a fixed duty of XOF5,000 applies. Increases in capital are subject to a 2% duty if a contribution of real property is involved.

Real property tax
A transfer of real property is subject to a 5% duty levied on the value of the property.

Transfer tax
Transfer tax applies at various rates, depending on the nature of the transfer.

Tax on financial transactions
Banking transactions are subject to a 17% tax on financial transactions, instead of VAT. The rate is reduced to 7% for interest, commissions, and fees related to the financing of export sales transactions.

Local economic contribution
A local economic contribution is payable by any person who carries on a business, an industry, or a profession in Senegal and is subject to tax on the revenues. Certain exemptions apply. The contribution has two components: one based on the rental value of the premises used for pursuing the taxable business or profession and one based on the added value generated in the prior year. The revenue collected from the tax is used for the benefit of the local authorities.

The rental value component is based on the rent paid by the company if it leases the professional premises and 7% of the purchase price if the company owns the property. The applicable tax rate is 15% for rented premises or premises occupied free of charge. However, the rate is 20% for premises, land, and property recorded as assets in the taxpayer's balance sheet. The declaration must be made by 31 January of the tax year.

The value-added component of the contribution is due by companies, that on 1 January of the tax year, are carrying out an activity subject to the local economic contribution. The contribution is due at a rate of 1% on the value-add generated in the previous financial year (with the taxable base capped at 70% of turnover).

The value-added contribution may not be less than a minimum amount corresponding to 0.15% of turnover (or 0.075% of turnover for companies in low-margin sectors or those whose prices are regulated) of the previous tax year. The declaration for the contribution on value-added must be filed by 30 April of the tax year and is due no later than 30 July.

Other taxes
Specific taxes are levied on the sale of petroleum products (capped at XOF21,665 per hectolitre, depending on the type of fuel), alcohol and tobacco, tea and coffee, cosmetic products (including perfume), and certain tourism vehicles.

Tax Administration and Compliance
Tax is administered by the Directorate General of Taxes and Domains (DGID), which is a department of the Ministry of the Economy, Finance and Planning.

Companies
1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are required when a company established in Senegal controls other companies or exerts a notable influence over such companies.
3. Filing and payment – The tax return must be filed by 30 April of the year following the tax year. Tax must be paid in two instalments by 15 February and 30 April, and any outstanding balance of tax due must be paid by 15 June.
4. 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
1. Tax year – The tax year is the calendar year.
2. Tax filing – Each individual must file his/her own return. Joint returns are not permitted.
3. Filing and payment – A taxpayer whose only source of income is salary on which tax is withheld and remitted by the employer is not required to file a tax return. Taxpayers with income other than salary income are required to declare the total amount of their income once a year. The tax return must be filed by 31 January or 30 April of the year following the tax year, depending on the type of income. Payment of tax must be made upon receipt of a tax notice.
4. 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.

VAT
1. Filing and payment – VAT returns and payments are due on the 15th of the month following the month of the relevant transactions.
2. Penalties – Simple interest at 5% is charged on the amount of tax due for late filing. Each month or fraction of a month of further delay incurs an additional 0.5% interest. A penalty of 25% of underpaid tax is imposed for filing an inaccurate return and failure to file a return incurs a penalty of 50% of the tax underpaid, increased in both cases to 100% for repeated failures.

Investment Incentives
Incentives are granted under several laws, including the General Tax Code, the Investment Code, Mining Code, Petroleum Code, Environment Code, Free Zone Law, and the Free Export Companies Law. Senegal encourages investment from abroad, especially from developed countries. Tax incentives automatically are granted to investments projects meeting criteria defined by the law. The Investment Code also provides exemptions from income tax, other taxes, and duties, but these are to be phased out progressively over the next few years.

Tax incentives
- Tax deductions are granted to enterprises that invest more than XOF100 million in the creation or expansion of a business in specific sectors. The deduction is 40% of the value of the investment for new investments and 30% for investment in an existing business. The annual deduction is capped at 50% of the taxable profits for enterprises established in Dakar and at 70% for enterprises established in other regions. Exemptions from import duties and payroll costs and a suspension of import VAT also may apply. Specific conditions of eligibility exist for small and medium-sized companies
- A 50% tax deduction from taxable income is granted to enterprises that export more than 80% of their production or services, resulting in an effective preferential corporate income tax rate of 15%. Mining and oil companies are excluded from this measure
- A free export company (FEC) regime is available for a company operating in the agriculture, industrial, or online sector that exports at least 80% of its turnover outside the UEMOA zone. The privileges granted under the FEC regime are valid for 25 years. FECs may benefit from a preferential 15% corporate income tax rate and an exemption from WHT on dividend distributions, payroll taxes, registration taxes, the annual local economic contribution, land tax, and license tax
- Investments exceeding XOF250 billion are entitled to particular advantages negotiated directly between the investor and the relevant government ministry
- Companies that manufacture locally and exclusively goods for the production of renewable energies may deduct 30% of their taxable profit in calculating their corporate income tax liability. To benefit from the reduction, the company must demonstrate that all of its turnover comes from the production and sale of goods destined for the production of renewable energies or the production of renewable energies.

Other incentives

- It should be noted that a temporary preferential regime for the benefit of real estate developers has been put in place. This regime, valid for a period of five years, grants real estate developers engaged in a construction program of buildings for housing use approved by the State, a reduction of 50% of the corporate tax, a suspension of VAT on equipment and construction materials, topographic studies, studies and works of roads and various networks (Vrd), urban planning studies, architecture and studies and works relating to socio-collective facilities (schools, health centers etc.). This scheme also grants them a reduction on the cost of the work to be carried out by the developer and/or his subcontractors. In addition, the regime grants them a 50% reduction in registration fees on the acquisition of land by real estate developers, temporary admission for machinery not permanently fixed such as bulldozers, elevators, cranes and trucks and an exemption from customs duties on materials imported for the implementation of the program.
  However, excluded from the benefit of the advantages mentioned above are imports of equipment and materials that can be product locally
- The right to remit income and capital, and the opportunity to participate in government contracts
- The Bourse Regionale des Valeurs Mobilieres (BRVM) is a regional financial market for UMOEA member states. Listing requirements include a share capital of XOF200 million to XOF500 million, public ownership of between 15% and 20%, five annual reports, and a balance sheet. The BRVM has computerised trading with satellite links
- The government welcomes foreign investment and does not discriminate against businesses conducted or owned by foreign investors. In most sectors, 100% foreign ownership is permitted. However, from the introduction of the law n°2019-04 dated on 24 January 2019 relating to local content of the hydrocarbons sector, the share capital of the oils and gas companies should be opened to Senegalese investors
- The Senegalese legal system enforces private property rights. Senegal is a member of the African Organisation of Intellectual Property, a grouping of 13 Francophone African countries, which has established 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
- The government promotes the principles of free competition. Senegal is reforming and developing its regulatory framework as a part of its effort to attract private sector investment.

Special economic zone

Special economic zone (SEZ) status can be granted by decree to any investor that wishes to establish a SEZ following a written application to the Minister responsible for investment promotion.

Special tax status

Special tax status is granted to tourism businesses located in the tourist centre of Casamance for a period of 10 years from the date approval is issued.

Exchange Controls

There are no restrictions on the repatriation of profits derived by a company in Senegal, but supporting documentation must be provided for all outbound transfers of currency. Residents who must recover their foreign credits or transfer their income in foreign currencies must do so via an approved intermediary (licensed bank).

Expatriates and Work Permits

An expatriate living in Senegal for more than three months must obtain a resident card.

Trade Relations

Memberships

- Communauté Financière Africaine (African Financial Community Franc Zone)
- Economic Community of West African States (ECOWAS)
- West Africa Economic and Monetary Union (UEMOA)
- African Organisation of Intellectual Property (OAPI)
- World Intellectual Property Organisation (WIPO)
- Lome Convention
- Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA) treaty
- Bern Copyright Convention

Key Economic Information

Currency (symbol/code)
West African CFA franc (CFA/XOF)

Exchange rate	
US$1	XOF545.50
EUR1	XOF655.96

Source: IRESS, 2021.

2021 forecast	2022 forecast
Nominal GDP	
US$62.41 billion	US$67.68 billion
Real GDP growth	
5.20%	6.03%
Average inflation	
2.03%	

Source: IMF WEO DATABASE, April 2021.

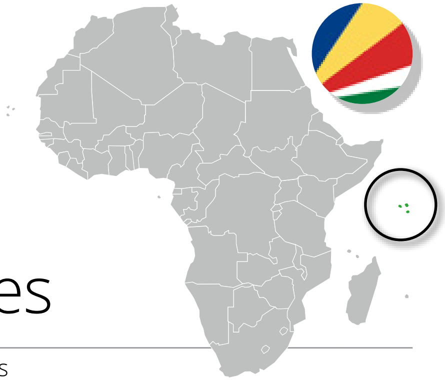
Central Bank Rate
4%

Source: Trading Economics, Central Bank of West African States, 2021.

Market capitalisation as at April 2021
US$2,682.30 million

Source: Capital IQ, 2021.

Senegal



Seychelles

Contacts

Twaleb Butonkee
tbutonkee@deloitte.com
+230 403 5870

Roopesh Dabeesingh
rdabeesingh@deloitte.com
+230 403 5819

Income Tax – Individuals

Taxable income (SCR) Citizens	Rate	Taxable income (SCR) Non-citizens	Rate
0 – 8,555.50	0%	0 – 10,000	15%
8,555.51 – 10,000	15%	10,000.01 – 83,000	20%
10,000.01 to 83,000	20%	Over 83,000	30%
Over 83,000	30%	Non-monetary benefits	20%
Non-monetary benefits	20%		

Notes

1. Basis – Resident individuals are subject to tax on their worldwide income. Non-residents in Seychelles are subject to personal income tax on their gross income derived from Seychelles.
2. Residence – An individual is resident in Seychelles if he/she has a main residence in Seychelles, is domiciled in Seychelles (unless he/she has a permanent place of abode outside Seychelles), or is present in Seychelles for at least 183 days in any 12-month period that commences or ends during a tax year.
3. Taxable income – Taxable income includes income from employment (and fringe benefits), gains on the disposal of business assets, income from the exercise of a business or profession, and investment income (dividends, interest, royalties, fees, rental income, etc.). Benefits in kind are subject to the non-monetary benefits tax on the value as prescribed in the law; the taxable amount depends on the type of benefits.
4. Deductions and allowances – Expenses may be deducted only if they are incurred by an individual in gaining assessable business income. No deduction is allowed for losses or costs (including commuting costs) incurred by an employee in deriving emoluments.
5. Rates – Individual income tax is levied on employment income at progressive rates up to 30%. Tax also is levied on non-monetary benefits paid to the employee at a rate of 20%, which is paid by the employer under the monthly payroll tax filing. The non-monetary benefits tax is payable by the employer, along with the monthly remittance of income tax withheld. Individuals carrying on business activities are subject to business tax under the Business Tax Act.

Income Tax – Companies

SCR	Rate
0 – 1 million	25%
Over 1 million	30%

Notes

1. Basis – Taxation is source-based in Seychelles. Income earned or deemed to be earned in Seychelles is subject to business tax.
2. Residence – A company is considered resident in Seychelles if it is incorporated, formed, organised in, or otherwise established in Seychelles, or its central management and control are exercised in Seychelles. International Business Companies (IBCs) are not regarded as tax resident in Seychelles and are not permitted to carry out business in Seychelles.
3. Taxable income – Under the Business Tax Act, all income derived or deemed to be derived from a source in Seychelles by a corporate entity, which is not exempt income, is subject to business tax. This includes gross receipts from the use of the capital of the business, including dividends, interest, royalties, rent, and natural resource amounts; the amount of any subsidy received in relation to the business; and premiums received on the grant, surrender, or assignment of a lease of property. Capital gains are not subject to tax in Seychelles, although the net gain on the disposal of business assets of a revenue nature used, available for use or held in carrying on a business are included in assessable income and subject to business tax.
4. Exemptions – Certain public corporations are exempt from tax, as are trade unions and cooperatives. Dividends received by a resident entity from another resident corporation are exempt from tax.
5. Deductions – Normal business expenses that are incurred in generating assessable income are deductible. However, expenses that are capital or private are not deductible.
6. Losses – Net operating losses may be carried forward up to five years. The carryback of losses is not permitted.
7. Foreign tax credit – Seychelles does not offer a unilateral foreign tax credit.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rate – Companies, government bodies, and trusts are subject to a 25% tax on the first SCR1 million and 30% on income exceeding that amount. Small businesses (i.e., those with turnover under SCR1 million) pay a presumptive rate of tax of 1.5% on annual turnover instead of a tax on annual income, unless they opt to be taxed under the normal regime.
10. Special rates are also applicable to certain specified business activities.
11. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies. Seychelles does not levy a branch profits tax.

Withholding Tax (WHT)

The domestic WHT on various types of payments are as follows (the tax is a final tax for non-residents, but the rate may be reduced under an applicable tax treaty):

Country	Dividends	Interest	Royalties
Bahrain	0%	-	5%
Barbados	5%	5%	5%
Belgium	0%/5%/15%	5%/10%	5%
Bermuda	0%	0%/5%	5%
Botswana	5%/10%	7.5%	10%
China	5%	10%	10%
Cyprus	0%	0%	5%
Ethiopia	5%	5%	5%
Guernsey	0%	0%	5%
Indonesia	10%	10%	10%
Isle of Man	0%	0%	5%
Jersey	0%	0%	0%
Kenya	5%	10%	10%
Luxembourg	0%/10%	5%	5%
Malaysia	10%	10%	10%
Mauritius	0%	0%	0%
Monaco	7.5%	5%	10%
Oman	5%	5%	10%
Qatar	0%	0%	5%
San Marino	0%/5%	0%/5%	0%
Singapore	0%	12%	8%
South Africa	5%/10%	0%	0%
Sri Lanka	7.5%/10%	10%	10%
Swaziland	7.5%/10%	7.5%	10%
Thailand	10%	10%/15%	15%
UAE	0%	0%	5%
Vietnam	10%	10%	10%
Zambia	5%/10%	5%	10%

Anti-avoidance Rules

Transfer pricing

Transfer pricing adjustments may be made by the Seychelles Revenue Commission (SRC) where transactions are deemed not to be carried out on arm's length terms. The Commissioner is empowered to adjust the liability of a taxpayer where he considers that a transaction has not been entered into or carried out by persons dealing at arm's length.

Thin capitalisation rules

There are no thin capitalisation rules in Seychelles.

General anti-avoidance rule

A general anti-avoidance rule is available for the SRC to disregard the tax effects of schemes entered into where one of the main purposes is the avoidance or reduction of tax liability.

Specific Anti-avoidance Rules target income splitting arrangements.

Employment-related Taxes

Payroll tax

A payroll tax withholding system (Pay-As-You-Earn) applies under which the income tax is withheld from an employee's gross remuneration by the employer and remitted to the tax authorities. The employer also must pay a 20% tax on non-monetary benefits.

The employer must submit a payroll withholding statement to the SRC within 21 days after the end of the preceding calendar month. Employers also are required to file an annual employee status report by 21 January.

Indirect Taxes

Value-added tax (VAT)

Standard rate	15%

Notes

1. Taxable transactions – VAT is levied on the supply of goods or services in Seychelles, and on the import of goods or services.
2. Rates – The standard VAT rate is 15%. A 0% rate applies to certain supplies.
3. Registration – VAT registration is required for businesses with annual turnover exceeding SCR2 million; voluntary registration is available for companies with turnover under that amount.
4. Non-resident entrepreneurs – Non-resident entrepreneurs that make taxable transactions in Seychelles are subject to VAT and must appoint a VAT representative in Seychelles if they do not carry on an enterprise through a fixed place of business. The SRC may require security to be provided.

Customs and excise duties

Customs duty exists in the form of trade tax, a tax generally levied on goods imported into Seychelles at rates ranging from 0% to 200%. Concessions are available for imports intended for certain industries such as the tourism, construction, and car hire businesses. Concessions on trade tax are approved by the Policy and Strategy Division of the Ministry of Finance.

Excise duty is levied on petroleum products, motor vehicles, and alcohol and tobacco products imported or produced in Seychelles. The applicable rate depends on the type of product.

Other Taxes

Inheritance/estate tax

There is no inheritance or estate tax in Seychelles.

Stamp duty

Stamp duty is chargeable on the registration and transfer of instruments at a rate prescribed in the Stamp Duty Act. Transfers of immovable property and transfers of shares are subject to stamp duty at a rate of 5% of the sales price.

Transfer tax

A transfer tax is levied on the transfer of immovable property at a rate of 5% of the sales price for residents. For non-residents that plan to acquire property in Seychelles, the transfer tax rate may not exceed 30% of the value of the property or stated consideration for the purchase of the property, with the tax paid by the buyer. A notary fee of 1% to 2% of the transfer value is also applicable.

In addition, non-citizens owning immovable property for residential purposes in Seychelles are subject to an annual immovable property tax of 0.25%.

Capital duty

Seychelles does not levy capital duty.

Corporate Social Responsibility Tax (CSRT)

A company must pay CSRT in a year if its annual turnover in the previous year was at least SCR1 million. CSRT is chargeable at a rate of 0.5% on the taxpayer's monthly turnover (excluding VAT).

Tourism marketing tax

Businesses with an annual turnover exceeding SCR1 million and engaged in specific activities must pay the tourism marketing tax at a rate 0.5% of their monthly turnover.

Tax Administration and Compliance

Tax is administered by the Seychelles Revenue Commissioner (SRC).

Companies

1. General – Seychelles uses a self-assessment system, under which all businesses must complete a self-assessed business tax return.
2. Tax year – The tax year in Seychelles is the calendar year. However, with prior permission of the SRC, a taxpayer may adopt an alternate accounting period of 12 months, but that period must be applied consistently.
3. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
4. Filing and payment – Tax returns must be filed on a monthly basis for most taxes using a Business Activity Statement (BAS). Business tax is levied by a provisional assessment under which an estimate is made by the tax office of the business's final taxable income for the year, and 1/12th of this estimate is included on the BAS each month (to be lodged by the 21st of following month). The monthly payments for a year start on 21 February and end on 21 January of the following year. Most businesses have a 31 December year end. A final return must be filed by 31 March, with any remaining tax due paid at that time.
5. Penalties – Additional tax is imposed as a late payment penalty at a rate of 20% per annum. A late filing penalty is imposed at the higher of the tax assessable or SCR2,000. An omitted income penalty will be imposed if changes are made during an assessment; this penalty may not exceed double the amount of tax that would have been avoided had the return been accepted as correct.
6. Rulings – An advance tax ruling system is available, which comprises public rulings, private rulings, and written guidance to enable taxpayers to understand and meet their obligations and be aware of their rights and entitlements.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – There is no joint taxation of spouses in Seychelles. Spouses are taxed separately on their individual emoluments and non-monetary benefits to the extent the collection of tax is made through withholding at source.
3. Filing and payment – An annual business tax return must be submitted by individuals engaged in business activities by 31 March following the end of the tax year. Income tax withheld on the emoluments of employees must be remitted to the SRC on a monthly basis, using the BAS. Business tax may be remitted/paid in different ways as described in the above section.

4. Penalties – Individuals engaged in business activities and required to file a business tax return are subject to additional tax imposed as late payment penalty at the rate of 20% per annum. Additionally, a late filing penalty will be imposed at the higher of the tax assessable or SCR2,000. An omitted income penalty will be imposed if changes are made during an assessment; this penalty may not exceed double the amount of tax that would have been avoided had the return been accepted as correct.

VAT

1. Filing and payment – A compulsory VAT-registered business must report and pay monthly. The due date for filing the VAT return and BAS form and paying any amount owed is 21 days after the end of each month. A voluntary VAT-registered business must report and pay on a quarterly basis. The due dates for lodging a VAT return and BAS form and paying any amount owed (including quarterly instalment amounts) are 21 April, 21 July, 21 October, and 21 January.
2. Penalties – Late payment of VAT will incur interest that will be calculated as a percentage of the unpaid VAT, based on the quarterly average prime lending rate applicable on the payment due date increased by three percentage points and an additional tax equal to 10% of the amount of unpaid tax. Late filing penalties apply as follows:
   - Small business: SCR500, plus SCR50 for each week or part of a week that the return is not filed
   - Medium business: SCR1,000, plus SCR100 for each week or part of a week that the return is not filed
   - Large business: SCR5,000, plus SCR500 for each week or part of a week that the return is not filed and
   - Other cases: SCR500, plus SCR50 for each week or part of a week the return is not filed.

Investment Incentives

There may be concessions on business tax, depending on the industry. Concessions may apply if the investor holds one of the following:

- Tourism Incentive Act (TIA) Certificate
- Investment Promotion Act (IPA) Certificate
- Agricultural and Fisheries Act Certificate
- License as an importer/retailer operating an Exclusive Shop Outlet authorised by the government
- License as an importer/retailer operating as a duty-free shop authorised by the government
- Registration under the International Corporate Service Providers Act 2003
- License under the International Business Companies Act
- Special license under the Companies Special Licenses Act 2003.

Exchange Controls

There is a limited form of exchange control in Seychelles.

Expatriates and Work Permits

Irrespective of the nationality of a visitor and his/her family members, there are no visa requirements to enter Seychelles.

Foreigners working in Seychelles must be in possession of a Gainful Occupation Permit issued by the Immigration Division, Department of Internal Affairs. The permit allows the holder to reside and work in Seychelles either as an employee or as a self-employed person.

Trade Relations

Memberships

- South African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)
- United Nations (UN)
- World Trade Organization (WTO)

Key Economic Information

Currency (symbol/code)
Seychellois rupee (SR/SCR)

Exchange rate	
US$1	SCR13.92
EUR1	SCR16.84

Source: IRESS, 2021.

2021 forecast	2022 forecast
Nominal GDP	
US$2.56 billion	US$2.73 billion
Real GDP growth	
1.80%	4.25%
Average inflation	
3.73%	

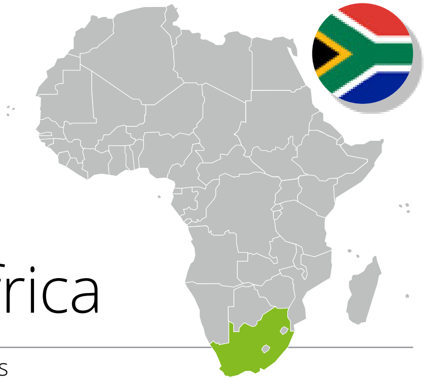
Source: IMF WEO DATABASE, April 2021.

Central Bank Rate
3%

Source: Central Bank of Seychelles, 2021.

Market capitalisation as at April 2021
No stock exchange value.

Source: Capital IQ, 2021.



South Africa

Contacts

Delia Ndlovu
delndlovu@deloitte.co.za
+27 11 806 6185

Suren Dharamlall
sdharamlall@deloitte.co.za
+27 11 209 8569

Anthea Scholtz
ascholtz@deloitte.co.za
+27 21 427 5504

Mark Freer
mfreer@deloitte.co.za
+27 31 560 7079

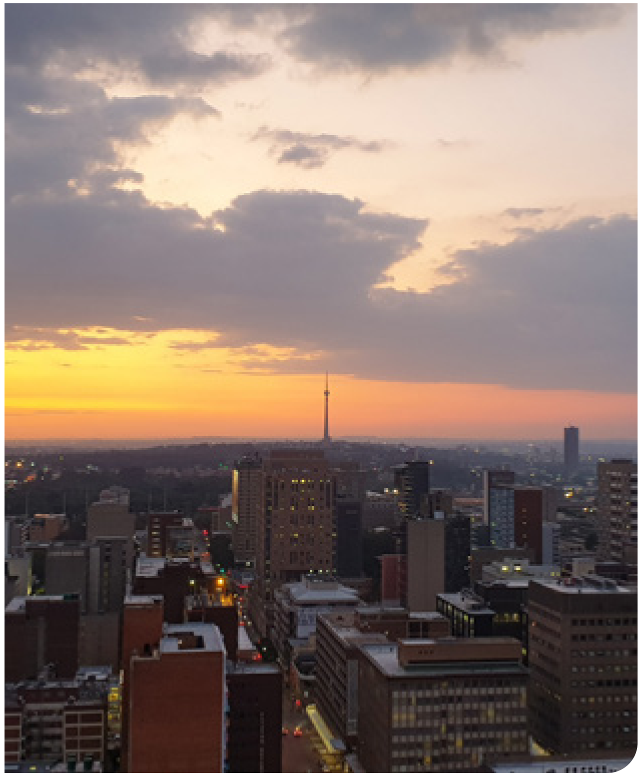
Income Tax – Individuals

For the year of assessment ending 28 February 2022, the rates are as follows:

Taxable income (ZAR)	Tax payable
0 – 216,200	18% of taxable income
216,201 – 337,800	ZAR38,916 + 26% of taxable income above ZAR216,200
337,801 – 467,500	ZAR70,532 + 31% of taxable income above ZAR337,800
467,501 – 613,600	ZAR110,739 + 36% of taxable income above ZAR467,500
613,601 – 782,200	ZAR163,335 + 39% of taxable income above ZAR613,600
782,201 – 1,656,600	ZAR229,089 + 41% of taxable income above ZAR782,200
1,656,601 and above	ZAR587,593 + 45% of taxable income above ZAR1,656,600

Notes

1. The tax rates reflected above were announced on 24 February 2021 and will apply (once officially enacted) in respect of a year of assessment commencing on or after 1 March 2021.
2. Basis – Subject to exceptions, South African residents are taxed on worldwide income, including capital gains. Non-residents are taxed on their South African-source income, and on capital gains from the disposal of immovable property and assets effectively connected with a permanent establishment (PE) in South Africa.
3. Residence – An individual is a tax resident if he/she is "ordinarily resident" in South Africa (i.e. he/she regards South Africa as his/her "true home".) Alternatively, an individual is resident if he/she 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. These rules do not apply to a person who is deemed exclusively to be a resident of another country for purposes of an applicable tax treaty.
4. Taxable income – Taxable income comprises gross income, less exempt income and allowable deductions, plus taxable capital gains (see below under "Capital gains tax"). Gross income from employment includes all remuneration in cash or in kind (based on prescribed conditions and valuation rules). Taxpayers may be entitled to a foreign tax credit (or deduction) for foreign tax paid where income has been subject to tax in a foreign country and is taxable in South Africa.
5. Exempt income – Remuneration for services rendered by individuals outside South Africa is exempt to the extent the remuneration does not exceed ZAR1.25 million and certain other requirements are met. Subject to certain exceptions, domestic dividends are fully exempt from income tax. Foreign dividends are subject to income tax at a maximum effective rate of 20%, but exemptions apply, such as where the shareholder holds at least 10% of the total equity shares and voting rights in the foreign company declaring the dividend. Interest received by individuals from South African sources is exempt from income tax up to certain levels. Interest received by or accrued to a non-resident is not taxable, unless the individual is in South Africa for a period exceeding 183 days in aggregate during the 12-month period preceding the date on which the interest was received or accrued or the debt from which the interest arises is effectively connected to a PE in South Africa. Other exemptions include (subject to certain conditions being met) disability pensions, compensation for occupational injuries and diseases, unemployment insurance fund (social security) income, alimony, government grants, income from certain investment funds, etc. Social security payments received by South African residents from another country, as well as lump sums, pensions, or annuities received from a source outside South Africa from foreign retirement funds in respect of past employment outside South Africa are exempt from tax in South Africa.
6. Deductions and allowances – General deductions are permitted under what is called the "general deduction formula," subject to certain requirements. Donations to certain approved public benefit organisations (PBOs) are tax deductible, generally up to 10% of taxable income and subject to carry forward provisions. Amounts contributed to pension, provident, and retirement annuity funds during a year of assessment are deductible, subject to a limitation of 27.5% of the greater of remuneration or taxable income, with a maximum annual deduction threshold of ZAR350,000. Excess contributions may be carried forward to the subsequent year. Specific limitations apply in respect of expenses relating to employment. Tax credits apply for medical expenses, based on a taxpayer's situation and age.
7. Losses – Losses from certain trades that have generated losses for at least three out of the previous five tax years and that are carried out by individual taxpayers who are subject to the maximum marginal tax rate are "ring-fenced" in certain circumstances, and such losses may be offset only against income from that trade.
8. Rebates – The following tax rebates may be deducted from the tax calculated according to the tax tables: primary rebate (all individuals) ZAR15,714; additional secondary rebate (age 65 and older) ZAR8,613; additional tertiary rebate (age 75 and older) ZAR2,871. The rebates must be apportioned where a taxpayer is assessed for a period of less than a year.
9. Rates – Tax rates (see table above) are progressive, with a maximum rate of 45% for the tax year ending 28 February 2022. Trusts generally are taxed at a flat rate of 45%.
10. Capital gains tax – Capital gains tax is not a separate tax, but forms part of income tax; 40% of an individual's net capital gains for the year is included in his/her taxable income to be taxed at the applicable marginal tax rate. The general annual capital gains tax exclusion for individuals and special trusts currently is ZAR40,000, and the annual exclusion on death is ZAR300,000. Where an individual ceases to be tax resident in South Africa, capital gains tax will be payable on the deemed disposal of the individual's worldwide assets (excluding South African immovable property). Various other exclusions and rollover reliefs from capital gains tax apply, including an exclusion in respect of the disposal of personal-use assets, an exclusion of up to ZAR2 million on the disposal of a primary residence, and an exclusion of up to ZAR1.8 million on the disposal of a small business (when the owner is over 55 years of age and the market value of assets does not exceed ZAR10 million). Rollover relief applies to the transfer of assets between spouses.



Income Tax – Companies

Companies	Rate
Standard corporate tax rate	28%
Qualifying companies in a special economic zone (SEZ)	15%
Qualifying micro businesses (turnover tax)	0% – 3%
Qualifying small business corporations	0% – 28%
Gold mining companies	Varied
Long-term insurers	0%/28%/30%

Notes

1. Basis – Subject to exceptions, South African residents are taxed on worldwide income, including capital gains. Non-residents are taxed on their South African-source income and on capital gains from the disposal of immovable property and assets effectively connected with a PE in South Africa.
2. Residence – A company is a resident of South Africa for tax purposes if it is incorporated in or effectively managed from South Africa.
3. Taxable income – Taxable income consists of business/trading income, passive income, and capital gains (80% of a company's net capital gains for the year are included in taxable income). Dividends received from domestic companies are exempt. Dividends received from foreign companies are, in principle, subject to tax at a maximum effective rate of 20%, although various exemptions exist (e.g. where the recipient holds at least 10% of the total equity shares and voting rights of the company declaring the dividend). Capital gains tax exclusions and rollover reliefs apply in certain circumstances, including a participation exemption applicable to the disposal of shares in a foreign company in which at least 10% of the equity shares and voting rights are held, and rollover relief applicable to involuntary disposals. Special rules apply to shipping companies, mining and insurance companies, oil and gas companies, farming activities, and public-private partnerships.
4. Deductions – Expenses incurred in the production of income that are not of a capital nature generally may be deducted in computing taxable income. The law provides for additional deductions, subject to certain rules, including, e.g., capital allowances on plant and machinery and buildings and improvements; wear-and-tear allowances on, and full expensing of, certain movable capital assets; depreciation of certain environmental-related assets; deduction of "pre-trade costs" incurred before the commencement of trade once trade commences (but only against income from that trade); and deduction of certain research and development (R&D) costs and intellectual property acquisition costs.
5. Losses – Tax losses incurred by a company in a business activity generally may be carried forward without restriction and set off against future profits until exhausted, provided the company continues to trade during the year of assessment. An amendment to the law has been proposed (currently proposed to come into effect for years of assessment commencing on or after 1 April 2022) to limit the offset of assessed losses carried forward to 80% of taxable income. Losses incurred by a foreign branch of a South African resident company cannot be offset against South African source income (i.e. ring-fencing applies). The carryback of losses is not permitted.
6. Foreign tax credit – Foreign tax paid on foreign-source income may be credited against South African tax on the same profits, but the credit is limited to the amount of South African tax payable on the foreign income. Other limitations also apply. Any surplus foreign tax credit may be carried forward for up to seven years. Alternatively, in qualifying circumstances, the foreign tax may be deducted from income in determining taxable income.
7. Group relief – There is no group taxation regime in South Africa; companies are taxed separately. However, the Income Tax Act provides tax relief for transfers between 70%-related group companies (as defined) and between 70% shareholders and the company in which they hold shares in certain circumstances. For purposes of these rules, the definition of a group company excludes any company that does not have its place of effective management in South Africa. Anti-avoidance provisions apply.
8. Rates – The standard corporate tax rate is 28%. This rate will be lowered to 27% for years of assessment commencing on or after 1 April 2022. Special rates apply to qualifying companies in a special economic zone and small business corporations (annual turnover of ZAR20 million or less), gold mining companies, and insurers. Turnover tax applies to certain micro businesses (see below).
9. Branch taxation – Branches of foreign companies are subject to the same tax rates as resident companies. There is no branch remittance tax.
10. Alternative minimum tax – There is no alternative minimum tax.
11. Turnover tax – The turnover tax system replaces income tax, VAT, provisional tax, capital gains tax, and dividends tax for micro businesses with qualifying annual turnover not exceeding ZAR1 million. The rates are progressive up to 3% of taxable turnover. A micro business that is registered for turnover tax can elect to remain in the VAT system.
12. Headquarter company (HQC) regime – South Africa's HQC regime provides for a relaxation of the controlled foreign company rules, an exemption from dividends tax, certain relief from transfer pricing provisions, and an exemption from interest withholding tax (WHT) on certain "back-to-back" lending arrangements. An HQC will be treated as a foreign company for the purposes of the capital gains tax participation exemption for the benefit of qualifying shareholders disposing of their interest in the HQC. A resident company may elect to be an HQC for a year of assessment if certain criteria are met.
13. Trusts – The tax rate applicable to trusts is 45% (other than for special trusts, where the tax rates applicable to individuals apply). For capital gains tax purposes, 80% of a trust's net capital gains for the year are included in taxable income.

Withholding Tax (WHT)

The WHT rates on various types of payments are as set out below. With the exception of WHT on sales of immovable property, the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty.

Payment	Residents	Non-residents
Dividends	20%	20%
Interest	0%	15%
Royalties	0%	15%
Amounts paid to entertainers and sportspersons	0%	15%
Proceeds from sale of immovable property	0%	7.5%/10%/15%
Management or consulting fees	0%	0%

Notes

1. Dividends – Dividends tax is levied on dividends declared by domestic companies and in respect of shares of non-resident companies that are listed on a South African exchange. Dividends tax does not apply to dividends paid by an HQC. Dividend payments to domestic companies, the government, provincial administrators or municipalities, domestic retirement funds, rehabilitation companies or trusts, public benefit organisations, and various exempt bodies are exempt from dividends tax. Exempt shareholders must certify their exemption status. In respect of in specie dividends (i.e. dividends in kind), the distributing company (not the shareholder) will bear the liability and the administrative burden. These dividends are subject to similar exemptions and treaty relief as cash dividends. Value transfers (deemed dividends) may be taxed under the normal WHT rules.
2. Interest – Certain exemptions from WHT apply for interest, including interest on government bonds, listed debt, and debt owed by a local bank. Interest paid by an HQC is exempt from WHT in certain circumstances. An exemption

applies to interest paid to non-resident individuals who are present more than 183 days in aggregate in South Africa in the 12-month period preceding the date on which the interest is paid and interest paid on a debt effectively connected with a PE in South Africa where the foreign person is registered as a taxpayer in South Africa.

3. Royalties – WHT does not apply in respect of royalties paid to a foreign person if i) that foreign person is an individual who was physically present in South Africa for a period in excess of 183 days in aggregate in the 12-month period preceding the date on which the royalty was paid, or ii) if the property in respect of which the royalty is paid is effectively connected to a PE of that foreign person in South Africa and the foreign person is registered as a taxpayer in South Africa. No WHT is levied on royalties paid by an HQC in certain circumstances.
4. Payments to entertainers and sportspersons – A final 15% WHT applies in respect of payments made to non-resident entertainers and sportspersons performing in South Africa. Failure to deduct or withhold tax or pay it to the South African Revenue Service (SARS) will render the resident taxpayer making the payment personally liable for the tax.
5. Proceeds from the sale of immovable property – WHT is imposed on the proceeds from the sale of immovable property in South Africa by non-residents where the proceeds exceed ZAR2 million. WHT applies at a rate of 7.5% where the seller is an individual, 10% where the seller is a company, and 15% where the seller is a trust. The tax represents an advance payment on account of the seller's income tax liability.

Tax Treaties

South Africa has a broad tax treaty network. The maximum WHT rates on dividends, interest and royalties under the relevant treaties (including lower alternative rates that apply in qualifying circumstances) are set out below:

Country	Dividends	Interest	Royalties
Algeria	10%/15%	10%	10%
Australia	5%/15%	0%/10%	5%
Austria	5%/15%	0%	0%
Belarus	5%/15%	5%/10%	5%/10%
Belgium	5%/15%	0%/10%	0%
Botswana	10%/15%	10%	10%
Bulgaria	5%/15%	5%	5%/10%
Cameroon	10%/15%	0%/10%	10%
Canada	5%/15%	0%/10%	6%/10%
Chile	5%/15%	5%/15%	5%/10%
China	5%	10%	7%/10%
Croatia	5%/10%	0%	5%
Cyprus	5%/10%	0%	0%
Czech Republic	5%/15%	0%	10%
Democratic Republic of Congo	5%/15%	10%	10%
Denmark	5%/15%	0%	0%
Egypt	15%	12%	15%
Ethiopia	10%	0%/8%	20%
Finland	5%/15%	0%	0%
France	5%/15%	0%	0%
Greece	5%/15%	8%	5%/7%
Ghana	5%/15%	5%/10%	10%
Germany	7.5%/15%	10%	0%
Grenada	0%	D*	D*
Hong Kong	5%/10%	10%	5%
Hungary	5%/15%	0%	0%
India	10%	10%	10%
Indonesia	10%/15%	10%	10%
Iran	10%	5%	10%
Ireland	5%/10%	0%	0%
Israel	25%	25%	0%/15%
Italy	5%/15%	10%	6%
Japan	5%/15%	10%	10%
Kenya	10%	10%	10%
Korea (ROK)	5%/15%	0%/10%	10%
Kuwait	0%	0%	10%
Lesotho	10%/15%	10%	10%
Luxembourg	5%/15%	0%	0%
Malawi	D*	D*	D*
Malaysia	5%/10%	10%	5%
Malta	5%/10%	0%/10%	10%
Mauritius	5%/10%	0%/10%	5%
Mexico	5%/10%	10%	10%
Mozambique	8%/15%	0%/8%	5%
Namibia	5%/15%	10%	10%
Netherlands	5%/10%	0%	0%
New Zealand	5%/15%	10%	10%
Nigeria	7.5%/10%	7.5%	7.5%
Norway	5%/15%	0%	0%
Oman	5%/10%	0%	8%
Pakistan	10%/15%	10%	10%
Poland	5%/15%	10%	10%
Portugal	10%/15%	10%	10%
Qatar	5%/10%	0%/10%	5%
Romania	15%	15%	15%
Russia	10%/15%	10%	0%
Rwanda	10%/20%	10%	10%
Saudi Arabia	5%/10%	5%	10%
Seychelles	5%/10%	0%	0%
Sierra Leone	0%	D*	D*
Singapore	0%/5%/10%	0%/7.5%	5%
Slovak Republic	5%/15%	0%	10%
Spain	5%/15%	0%/5%	5%
Swaziland	10%/15%	10%	10%
Sweden	5%/15%	0%	0%
Switzerland	5%/15%	5%	0%
Taiwan	5%/15%	10%	10%
Tanzania	10%/20%	10%	10%
Thailand	10%/15%	10%/15%	15%
Tunisia	10%	5%/12%	10%
Turkey	10%/15%	0%/10%	10%
Uganda	10%/15%	10%	10%
Ukraine	5%/15%	10%	10%
United Arab Emirates	5%/10%	10%	10%
United Kingdom	5%/10%/15%	0%	0%
United States	5%/15%	0%	0%
Zambia	D*	D*	D*
Zimbabwe	5%/10%	0%/5%	10%

* No rate is specified in the treaty, so South Africa's domestic rate applies

Anti-avoidance Rules

Transfer pricing

South Africa follows the OECD guidelines on transfer pricing and uses the arm's length standard/principle to test transactions between connected persons in an international (cross-border) transaction. Allowable transfer methods include the following:

- Comparable uncontrolled price method
- Resale price method
- Cost plus method
- Profit split method
- Transactional net margin method.

Where a transaction between a resident and a non-resident (or a non-resident and a PE of another non-resident in South Africa, or a resident and a PE of a resident outside South Africa) is not carried out on an arm's length basis and results in a tax benefit, and the parties are connected persons (or, with effect from years of assessment commencing on or after 1 January 2022, associated enterprises) in relation to one another, the taxable income of the person receiving the tax benefit must be calculated as if the transaction had been entered into on arm's length terms. If a resident received the tax benefit, an amount equal to the adjustment is deemed to be an in specie dividend paid by the resident (if a company), or a donation paid by the resident (if a person other than a company).

Mandatory transfer pricing documentation and reporting rules apply. Certain taxpayers must prepare transfer pricing policies and documentation. Qualifying taxpayers must file country-by-country (CbC) reports, a master file, and a local file with SARS.

Specific exemptions to the transfer pricing rules may apply to qualifying loans to or by an HQC, to financial assistance, and IP transactions with qualifying controlled foreign companies and to quasi-equity loans by residents to qualifying foreign companies.

Thin capitalisation

Thin capitalisation provisions within the general transfer pricing rules limit the deduction of interest payable by South African companies on debt provided by certain non-resident connected persons. South Africa's thin capitalisation rules also apply to local branches of foreign companies. (See also "Interest deduction limitation provisions" below.)

Controlled foreign companies

A proportional amount of the net income (including capital gains) earned by a CFC is included in the income of a South African resident shareholder. A CFC is a 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 the company, or a foreign company whose financial results are reflected in the consolidated financial statements (as contemplated in IFRS 10) of any company that is a resident. The proportionate income of the CFC will be included in the income of the South African resident where the resident has participation or voting rights of 10% or more. The income of the CFC is to be determined as if the South African Income Tax Act applied to the entity.

Exclusions from the attribution of income under the CFC rules apply under certain specified conditions, including where the foreign taxes paid by the CFC amount to at least 75% of the South African tax that would be payable if the CFC were South African residents.

Hybrid equity instruments, hybrid debt instruments and third-party backed shares

The Income Tax Act contains sections dealing with hybrid debt instruments, hybrid equity instruments, and third-party-backed shares. These sections are anti-avoidance sections and are aimed at ensuring instruments are correctly classified as debt or equity for tax purposes.

Interest deduction limitation provisions

Provisions in the Income Tax Act restrict the deductibility of interest on loans obtained in connection with acquisitions and reorganisations. In addition, there currently are provisions regulating the deductibility of interest in respect of a debt owed to a person that is not subject to tax in South Africa, where the funds are obtained directly or indirectly from a person who is in a controlling relationship (holding at least 50% of equity shares or voting rights) in relation to the debtor. It has been announced that new rules are being considered (to apply for years of assessment commencing on or after 1 April 2022) that will restrict net interest expense deductions for companies to certain levels in defined circumstances.

General anti-avoidance rule (GAAR)

The Income Tax Act contains a general anti-avoidance rule that sets out the circumstances under which an arrangement constitutes an "impermissible avoidance arrangement" for tax purposes, and the consequences that flow from this.

Employment-related Taxes

Payroll tax

A pay-as-you-earn (PAYE) system applies in South Africa, at the prescribed tax rates for individuals. A 25% rate applies for temporary employees in "non-standard employment".

Employers whose annual payroll exceeds ZAR500,000 are liable to pay a monthly 1% "skills development levy" (SDL) on the total remuneration paid. Payments to reimburse employees, pension payments, and payments to independent contractors and learners under contract are not subject to the SDL.

Social security

Both employers and employees are required to pay a monthly 1% contribution to South Africa's unemployment insurance fund (UIF). The contribution is based on a maximum (i.e. capped) monthly gross remuneration per employee (currently, ZAR17,712). The employee's 1% contribution is withheld from the employee's salary by the employer. Certain remuneration and certain employees are excluded from the UIF contribution requirements.

Indirect Taxes

Value-added tax (VAT)

Standard rate	15%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services in South Africa, on the importation of goods, and on the supply of imported services in certain circumstances, with specific rules applicable to the supply of "electronic services" as defined in government regulations. Any South African VAT charged to a vendor by suppliers, as well as VAT levied on the importation of goods, generally will be deductible through an input tax credit by the vendor.
2. Rates – The standard VAT rate is 15%. Certain supplies qualify for a zero rating (e.g. exports and certain foodstuffs and other supplies) or are exempt from VAT (mainly certain financial services, residential accommodation, and public transport).
3. Registration – A person that carries on an "enterprise" in South Africa for VAT purposes and that makes taxable supplies above a certain threshold (currently, ZAR1 million per annum) must register as a VAT vendor.

Customs and excise duties

Customs duties are levied on imported goods, with the aim, for example, of raising revenue and protecting the local market. Customs duties generally are calculated as a percentage of the value of the goods (as set out in the schedules to the Customs and Excise Act, 1964), determined by the specific tariff classification of the imported product. However, certain products (e.g., smoked cuttle fish and squid, black tea, certain textiles such as used clothing and petroleum products such as distillate fuel) attract rates of duty calculated either as a percentage of the value or as cents per unit (e.g., per kilogram, metre, or litre). In South Africa, the customs value is based on a Customs defined FOB (free-on-board) value.

Rules of origin, which are part of international trade rules, are used to determine the country of origin, that is where an imported product was made. Rules of origin also distinguish between non-preferential and preferential rules of origin. The non-preferential rules are used, for example, to determine origin for trade statistics, as well as for anti-dumping, import restrictions from specific countries and countervailing duty purposes. Preferential rules of origin refer to trade under free/preferential trade arrangements and Generalised System Preferences (GSP). In other words, rules of origin may determine whether goods are entitled to the payment of less or no import duties. For this reason, there is a distinction between non-preferential and preferential rules of origin.

For example, free/preferential trade agreements have been concluded by South Africa with the European Union (EU), members of the Southern African Development Community (SADC), the Southern African Customs Union (SACU), and the European Free Trade Association (EFTA). South Africa has signed a number of trade agreements with its trading partners in the past few years, including the TDCA, SADC, EFTA, SADC EPA, and SACU MERCUSOR trade agreements and the Economic Partnership Agreement (EPA) between the Southern African Customs Union (SACU) member States and Mozambique, of the one part and the United Kingdom of Great Britain and Northern Ireland, of the other part (SACUM-UK EPA). South Africa is also a member country of the recently introduced African Continental Free Trade Area (AfCFTA).

Apart from trade agreements, South Africa also benefits from other international instruments or agreements, such as the African Growth and Opportunity Act (AGOA).

Excise duties are imposed mostly on high-volume daily consumable products (e.g., petroleum, alcohol, and tobacco products) and on certain luxury items (e.g., electronic equipment and cosmetics), and excise levies are imposed on some consumables regarded as environmentally or health hazardous. Both duties and levies are imposed on specified locally manufactured goods, and on the same goods when imported. These duties and levies are self-assessed and paid via excise returns filed with SARS on a monthly or quarterly basis, depending on the product.

Other Taxes

Estate duty

Estate duty is payable on the dutiable amount of a deceased's estate at 20% on a dutiable amount of up to ZAR30 million, and 25% on the excess. A ZAR3.5 million abatement (ZAR7 million for a couple) is deducted from all estates, regardless of personal circumstances. Estate duty applies to all assets of a person who was ordinarily resident in South Africa at the date of his/her death, irrespective of where the assets are situated. Assets owned by a person who was not ordinarily resident in South Africa at the date of his/her death, but which are located in South Africa, also may be subject to estate duty.

Donations tax

Donations tax is payable on the value of any property that is disposed of by way of donation by a resident. The rate is 20% on the value up to ZAR30 million, and 25% on the excess. Public companies and certain donations are exempt. In addition, no donations tax is payable on donations made by an individual of up to ZAR100,000 per annum (ZAR10,000 for donors other than individuals). "Deemed donations" (disposals for less than adequate consideration) also are subject to the tax. Anti-avoidance Rules in the Income Tax Act aim to prevent the avoidance of donations tax and estate duty through the transfer of assets to trusts (or companies held by trusts) on interest-free or low-interest loan accounts.

Transfer duty

Transfer duty applies to real estate transactions at rates ranging from 0% (on the value of property not exceeding ZAR1 million) to 13% (on the value of property exceeding ZAR11 million). Where the sale of fixed property attracts VAT, no 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. Taxpayers engaged in, e.g. asset-for-share rollovers (as on the formation of a company) may obtain relief from transfer duty. No transfer duty applies to transfers on death or divorce.

Securities transfer tax (STT)

STT is levied at a rate of 0.25% on transfers of securities issued by a company incorporated, established, or formed in South Africa and by foreign incorporated companies listed on a licensed exchange. Transfers include the transfer, assignment, cession, or disposal in any other manner of a security, but exclude any event that does not result in a change in beneficial ownership, the issuance of a security, and the cancellation or redemption of a security where the company ceases to exist.

Mineral and petroleum resources royalties

The rates for mineral and petroleum resource royalties, payable in line with the corporate provisional tax cycle, are 0.5%-5% for refined mineral resources and 0.5%-7% for unrefined mineral resources.

Carbon tax

South Africa's carbon tax regime was updated on promulgation of the Taxation Laws Amendment Act of 2019, which introduced changes to the tax base, as well as some technical corrections. Payment and return submissions for the 1 January 2020 to 31 December 2020 carbon tax period must be done in July 2021. In preparation for submitting the annual return, taxpayers must license their emission generating activities with SARS. The 2021 carbon tax period runs from 1 January 2021 to 31 December 2021, and the carbon tax rate for this period has been increased from R127 to R134 per tonne CO_2e emissions.

Taxpayers continue to benefit from a 60% basic allowance on all emissions, which can be expanded to up to 90% for combustion emissions and 95% for process and fugitive emissions that meet the qualifying criteria for the additional allowances.

Tax Administration and Compliance

Tax is administered by the South African Revenue Service (SARS).

Every person that, at any time, becomes liable for income tax in South Africa or that becomes liable to submit an income tax return is required to register with SARS for income tax.

A permanent legislative framework for voluntary disclosure exists and applies to all taxes.

Companies

1. Tax year – The tax year is the company's financial year.
2. Consolidated returns – South Africa does not allow for taxation on a group or consolidated basis. Each company in a group of companies is a taxpayer in its own right.
3. Filing and payment – The filing deadline for annual income tax returns is confirmed by official notice each year (for companies, the filing deadline generally is 12 months after the end of the company's tax year). Tax returns for all types of tax generally are submitted to SARS electronically, and payment also is made electronically. Advance payments of tax (provisional tax) must be made twice a year: the first during the first six months of the tax year and the second before the end of the tax year, based on estimates of the final tax liability for the year.

For taxpayers with taxable income not exceeding ZAR1 million, the second provisional payment must not be less than the lower of the "basic amount" (calculated with reference to the previously assessed income for the latest tax year) or 90% of actual taxable income. For taxpayers with taxable income exceeding ZAR1 million, an estimate that is equal to at least 80% of the taxable income for the year is required for the second provisional tax payment. A third, final provisional tax payment must be made within six months after the end of the tax year to avoid the imposition of interest.

4. Penalties – Penalties and interest are imposed for non-compliance with tax obligations, including late filing or failure to file returns, understatement of tax owed and underestimation of provisional tax.
5. Rulings – A taxpayer may apply for a tax ruling in accordance with the advance tax ruling system. The ruling generally will be binding on SARS.

Individuals
1. Tax year – The income tax year for individuals generally runs from 1 March to the end of February each year.
2. Tax filing – Married individuals generally are taxed as separate taxpayers, but may be taxed jointly on certain community property.
3. Filing and payment – See "Filing and payment" under "Companies," above.
4. Penalties – See "Penalties" under "Companies," above.

VAT
1. Filing and payment – VAT returns generally must be submitted every two months, but businesses with an annual turnover exceeding ZAR30 million must submit monthly returns. Returns must be submitted within 25 days after the end of the tax period (or, in the case of e-filing, by the last business day of the month in which the 25th day falls). Payment in full must accompany the return.
2. Penalties – Penalties and interest are imposed for non-compliance with tax obligations, including late filing or failure to file returns and understatement of tax owed.

Investment Incentives
South African government departments offer an array of incentive schemes to stimulate and facilitate the development of sustainable, competitive enterprises. A variety of these incentive schemes seek to support the development or growth of commercially viable and sustainable enterprises through the provision of funding or tax relief. Most incentives are offered through the Department of Trade and Industry, with a few others from other government departments. These include incentives under the following categories:

- Investment and enterprise development incentives
- Competitive enhancement incentives
- Export incentives (both industry specific and non-industry specific)
- Tax incentives
- Industrial development corporation (IDC) funding
- Industrial participation incentives.

Exchange Controls
In the 2020 Budget, it was announced that a modernisation of the current foreign exchange system would be phased in over the following twelve months. It was envisaged that by the end of February 2021, a new regime would be in place whereby all transactions would be permissible except for a risk-based list of capital flow measures which would mainly affect corporate entities. Progress on these reforms appears to have been slow and the only change that was introduced in 2020 related to the lifting of the "loop" threshold from 40% to 100% for both companies and individuals.

The February 2021 Budget reaffirmed that National Treasury and the Reserve Bank continue to work to develop a new legislative framework for the capital flow management system. Furthermore, a set of Capital Flow Management Regulations will be issued during 2021 and reform of the entire system is expected to be completed by the end of 2021.

The risk-based list of capital flow measures proposed in the 2020 Budget and which should be finalised during 2021 will include:
- South African corporates will not be allowed to shift their primary domicile except under exceptional circumstances and as approved by the Minister
- Approval conditions for corporates with a primary listing offshore will be aligned to current foreign direct investment criteria
- Export of intellectual property for fair value to non-related parties will not be subject to approval.

The above list is not exhaustive and, in the interim, current measures in force remain applicable. These are summarised below.

Exchange control is administered by the South African Reserve Bank (SARB), which has delegated certain powers to authorised dealers (i.e. banks licensed to deal in foreign exchange).

In general, South Africa does not impose exchange controls on non-residents but exercises exchange controls over residents (including on outward investment) and transactions entered into between residents and non-residents. For exchange control purposes, a resident is a person (i.e. an individual or a legal entity), whether of South African or any other nationality, which has taken up residence, is domiciled in, or registered in South Africa.

Certain exchange control restrictions applicable to South African residents do have an impact on foreign investors:
- Limited local borrowing restrictions exist for entities in which 75% or more of the shares, voting, or control, or rights to capital or income, are held by non-residents. South African branches of foreign companies also are subject to these restrictions
- Borrowing for investment in residential property and financial transactions, which can be defined as the purchase and sale of securities (listed or unlisted), repurchase agreements, and any derivative transactions in securities, is limited to 100% of the shareholder's funds
- Where unlisted shares, immovable 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 exist on the remittance of certain income, e.g. exchange control approval is required for royalties and payments for services.

The rate of interest payable on foreign loans is limited by the SARB; however, after approval has been granted, interest is freely transferable from South Africa. Foreign nationals temporarily resident in South Africa, subject to completing formalities through an authorised dealer, may conduct their affairs on a resident basis while resident in South Africa and may repatriate accumulated earnings or capital brought into South Africa.

Specific exchange control rules, annual limits, or concessions apply to institutional foreign investors, immigrants, South African resident individuals, and South African resident corporations.

Under the rules applicable to 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 not exceeding ZAR1 billion per year may be adjudicated by authorised dealers. There are no limits on amounts that may be remitted abroad for investment provided the applicable exchange control requirements are met.

Dividends declared and paid may be utilised for any purpose at any stage, except for loans or investment into the Common

Monetary Area (CMA). HQCs approved by the Financial Surveillance Department may invest offshore without restriction.

The following has also been proposed for individuals:
- Transfers in excess of ZAR10 million will result in a more stringent verification process by SARS. There will be no limits on individuals externalising funds provided the necessary tax clearance has been obtained
- Natural person residents and natural person emigrants will be treated identically, and the current exchange control emigration concept will be phased out and be replaced by a SARS verification process.

Expatriates and Work Permits

South Africa's immigration system is regulated by the Immigration Act of 2002 (as amended) and regulations thereunder. The act sets out the different categories of visa and permit available to foreign nationals. There are two basic components of the system, namely, visas and permanent residence permits. Foreign nationals that do not have permanent residence status in South Africa are required to obtain temporary residence visas before arriving in the country.

There are four other types of visa that allow a foreign national to work in South Africa:
- Intra-company transfer work visa
- Critical skills work visa
- General work visa
- Corporate worker visa.

Additional categories of visas, such as a business visa, visitor's visa, study visa, exchange visa, medical visa, and retired persons' visa, have their own purposes and enable the stay of foreign nationals in South Africa. Foreign nationals should consider applying for the appropriate visa to the South African embassy/high commission or consulate in their home country prior to arriving in South Africa. Applications for renewals and changes of conditions or status for specific categories of visa where applicable, may be made to the Department of Home Affairs, via the VFS Visa Facilitation Centre in South Africa.

Trade Relations

See comments above under Customs and excise duties.

Key Economic Information

Currency (symbol/code)
South African Rand (R/ZAR)

Exchange rate	
US$1	ZAR14.28
EUR1	ZAR17.26
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$753.11 billion	US$785.33 billion
Real GDP growth	
3.10%	1.97%
Average inflation	
4.28%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
3.50%
Source: SARB, 2021.

Market capitalisation as at April 2021
US$463,279.20 million
Source: Capital IQ, 2021.

South Africa

South Sudan

Contacts

Fredrick Omondi
fomondi@deloitte.co.ke
+254 20 423 0318

Martin Makumbi
mmakumbi@deloitte.co.ug
+256 417 701 000

Income Tax – Individuals

Taxable income (SSP)	Rate
2,000 and under	0%
2,001 – 5,000	5%
5,001 – 10,000	10%
10,001 – 15,000	15%
15,001 and above	20%

Notes

1. Basis – South Sudanese nationals are subject to tax on worldwide income (including, income from entrepreneurial activities, estate leasing income, and personal income). Non-residents are subject to tax only on South Sudan-source income.
2. Residence – An individual who is domiciled in South Sudan or is physically present in the country for 183 days or more in any tax period is deemed a resident for tax purposes.
3. Taxable income – Employment income generally is taxable unless it is specifically exempt. Employment income includes salaries, bonuses, commissions, allowances, and other forms of compensation in cash or in kind; income earned under contracts for temporary work; and pension income. Income from an entrepreneurial activity, leasing income, dividends, interest, capital gains, and other investment income is taxable as well.
4. Deductions and allowances – Personal relief of SSP3,600 per year is available on employment income. In addition, up to 8% of gross wages paid by employees to funded government-approved pension schemes is deductible from gross income.
5. Rates – The personal income tax rates for residents and non-residents are progressive from 0% to 20%. Rental income is taxed at a rate of 20% after the deduction of the standard allowance of 20% and other allowable expenses (e.g. interest on a mortgage, local council rates, city rate levies, etc.).

Income Tax – Companies

	Rate
Small businesses (Revenue less than SSP1 million)	10%
Medium-sized businesses (Revenue between SSP1 million and SSP30 million)	20%
Large businesses (Revenue exceeding SSP30 million)	25%

Notes

1. Basis – Resident companies are liable to tax on their worldwide income; non-resident companies are taxed only on South Sudan-source profits.
2. Residence – A company, partnership, or other entity established in South Sudan or that has its place of effective management in South Sudan is considered a resident.
3. Taxable income – Taxable income generally consists of worldwide income for resident companies (and business profits derived from South Sudan for non-resident companies), less expenditure incurred wholly and exclusively in the production of income for the year. Dividends received from a resident company are considered South Sudan-source income and are included in business profits. However, dividends are exempt from taxation as business profits if tax already has been withheld on the dividends. There is no separate capital gains tax – capital gains are treated as part of business income and capital losses are taken as business losses.
4. Deductions – Expenditure incurred wholly and exclusively in the production of taxable income during the tax year generally is deductible in computing taxable income. Depreciation of fixed assets is allowed according to the rates specified in the Taxation Act. Amortisation of intangible assets (such as goodwill, patents and trademarks, copyrights, etc.) is allowed. Expenditure of a capital nature is not deductible.
5. Losses – Losses may be carried forward and set off against taxable income for up to five years. The carryback of losses is not permitted.
6. Foreign tax credit – A foreign tax credit is granted to a resident taxpayer that earns profits from business activities outside South Sudan through a permanent establishment, and that pays foreign tax on such income. The foreign tax credit is equal to the lesser of the foreign tax paid or the South Sudan tax applied to the portion of the foreign-source income liable to tax in South Sudan.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group in South Sudan.
8. Rates – The corporate tax rate is 10% for small enterprises, 20% for medium-sized enterprises, and 25% for large enterprises. Rental income is taxed at a rate of 20% after the deduction of the standard allowance of 20% and other allowable expenses (e.g., interest on a mortgage, local council rates, city rate levies, etc.).
9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary. There is no branch profits tax in South Sudan.
10. Advance business profits tax – Imported food items are subject to an advance payment of income tax (business profits tax) at a rate of 2%, while all other imported goods brought into or that enter South Sudan are subject to an advance payment of business profits tax at a flat rate of 4%. The tax is based on the customs value of the goods and is paid at the port of entry. A taxpayer that is required to file a tax return and that has made an advance payment on imported goods may obtain a credit against the amount of tax owed for the taxable year. An exemption from the advance payment requirement applies to the following:
    - Goods imported by a contractor, other than a local contractor, under a contract with the UN, UN specialised agencies or other international or government donors to the South Sudan government
    - Goods imported by the UN, UN specialised agencies or other international or government donors to the South Sudan government and
    - Humanitarian aid when imported by a bona fide organisation as provided in the relevant regulations

    The Minister of Finance and Economic Planning may issue exemption letters.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents, although the rate may be reduced under an applicable tax treaty):

Payment	Resident	Non-resident
Dividends	10%	10%
Interest	10%	10%
Royalties	10%	10%
Rent	20%	10%
Technical fees	15%	15%
Government contracts	20%	N/A

Notes

1. The withholding tax rate on technical fees paid to non-residents is 15%. Withholding agents for this purpose are the South Sudan government and persons who pay technical fees to non-residents.

Tax Treaties

South Sudan does not have any tax treaties.

Anti-avoidance Rules

Transfer pricing

Transactions between related parties must be on arm's length terms, and the tax authorities can adjust the profits where the arm's length principle is not followed, i.e. the difference between the arm's length price and the transfer price will be included in taxable profit. The comparable uncontrolled price method is preferred, but the resale price method or cost-plus method may be used if a price cannot be determined under the comparable uncontrolled price method.

Employment-related Taxes

Payroll tax

An employer must withhold income tax from an employee's wages, including bonuses and allowances, for the appropriate payroll period.

Social security

The employer is required to make pay-related social security contributions equal to 6% of the monthly basic salary, subject to a cap.

Indirect Taxes

Sales tax

Standard rate	20%

Notes

1. South Sudan levies a sales tax.
2. Taxable transactions – The sales tax applies to manufacturers, importers, and service providers in South Sudan.
3. Rates – The sales tax rate ranges between 1% and 20%. The standard rate is 20%.
4. Exemptions – An exemption from sales tax is available if so provided by an agreement with the South Sudan government, the UN (or UN specialised agencies or diplomatic missions) or other international donors, or their contractors that import goods or supply or purchase goods or services in South Sudan, to the extent the goods or services are directly related to the diplomatic mission or donor-funded project. However, the sales tax will immediately become due and payable if the goods are disposed of in South Sudan to private persons or are no longer used in or necessary for the diplomatic mission or donor-financed project, unless the ownership of goods is transferred to the government or another person exempt from excise tax.
5. Invoicing – An invoice must be prepared for transactions subject to sales tax.

Customs and excise duties
Imported goods are subject to customs duties at rates of 3%, 5%, 10%, and 20%. South Sudan is implementing the harmonised system classification of goods that will align the rate schedule with that of the East African Community.

Excise duty applies to the production of excisable goods in South Sudan, the import of excisable goods into the country and the provision of excisable services in South Sudan. Rates range from 5% to 100%, depending on the goods and the transaction.

Other Taxes

Inheritance/estate tax
There is no inheritance or estate tax in South Sudan.

Stamp duty
There is no national stamp duty legislation in South Sudan, but in practice, stamp duties are imposed by the state authorities at rates that vary depending on the state.

Transfer tax
There is no transfer tax on immovable property or on the transfer of shares, bonds, or other securities.

Departure tax
A departure tax of US$20 per person is levied on international air travel.

Tax Administration and Compliance

The South Sudan Department of Taxation administers tax in South Sudan.

Companies

1. Tax year – The tax year is the calendar year unless the tax authorities approve a different year end.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – A corporate taxpayer must make advance payments of income tax on a quarterly basis. It also must file an annual return based on its income for the tax year. The return is due on or before 1 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.
4. Penalties – A penalty of 5% each month will be levied on any tax that is unpaid by the due date. Interest on such unpaid tax will accrue at a rate of 120% of the commercial rate from the last due date to the date of payment. An additional charge between 5% and 25% of the reported tax liability will be levied for failure to file a return. A penalty of 5% each month is imposed on any tax arrears.
5. A person that fails to withhold tax from payment will be liable to pay the tax not withheld, as well as penalties and interest, and no deduction will be allowed for the payment.
6. Rulings – Binding rulings are available in South Sudan, provided the taxpayer has made a full and accurate disclosure of the nature of all aspects of the transaction for which the ruling is requested.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Spouses are not permitted to submit joint returns.
3. Filing and payment – The individual income tax return must be submitted before 1 April of the year following the tax period. A resident individual engaged in any entrepreneurial activity or receiving estate lease income must make advance payments of income tax on a quarterly basis.
4. Penalties – A penalty of 5% per month will be levied on tax that is unpaid by the due date. Interest on the unpaid tax will accrue at a rate of 120% of the commercial rate from the due date to the date of payment. An additional charge between 5% and 25% of the reported tax liability will be levied for failure to file a return. A penalty of 5% per month will be imposed on tax arrears.

Investment Incentives

Investment incentives are available to foreign investors on a case-by-case basis, including concessions on 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 may freely repatriate profits, net of all taxes and other statutory obligations, to their holding company or head office abroad (in accordance with the Investment Promotion Act 2009). However, 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 a work permit are required for foreigners who intend to work in South Sudan.

Trade Relations

Memberships
- United Nations (UN)
- African Union (AU)

Key Economic Information

Currency (symbol/code)
South Sudanese pound (£/SSP)

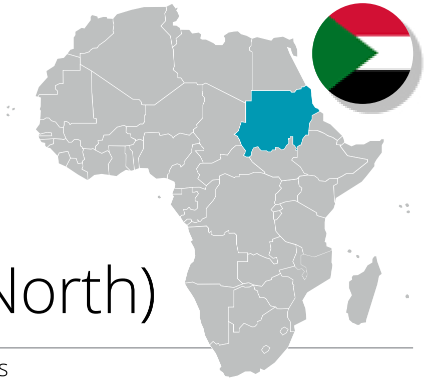
Exchange rate	
US$1	SSP175.84
EUR1	SSP213.75
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$11.69 billion	US$12.73 billion
Real GDP growth	
5.33%	6.47%
Average inflation	
40%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
15%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
There is no stock market in South Sudan.

South Sudan



Sudan (North)

Contacts

Alex Law
alexlaw@deloitte.com
+971 4506 4891

Khadija Idboujnane
khidboujnane@deloitte.com
+971 4506 4700

Lauranne Radenac
lradenac@deloitte.com
+971 4506 4797

Income Tax – Individuals

Taxable income (SDG)	Rate
Up to 3,000	0%
3,001 to 6,000	5%
6,001 to 10,000	10%
Over 10,000	30%

Notes

1. Basis – Resident individuals are subject to tax on employment income, business profits, real estate leasing income, and other personal income from worldwide sources. Non-residents are taxed only on North Sudan-source income.
2. Residence – An individual is deemed to be resident in North Sudan if he/she: (1) is present for a period or periods exceeding a total of 183 days in the basis period; or (2) is present in Northern Sudan in the relevant basis period and the two preceding basis periods for a period exceeding a total of 12 months.
3. Taxable income – Employment income generally is taxable unless otherwise exempt. Business profits earned by an individual from a trade or profession, leasing income, and other investment income also are taxable. Capital gains are taxed separately.
4. Exempt income – The first SDG3,000 of business and professional profits and income from real estate leasing is exempt from tax. However, this exemption does not apply to employment income.
5. Deductions and allowances – Personal relief of SDG36,000 per year is granted on personal income from employment of resident individuals. Other deduction may be available.
6. Rate – Progressive rates ranging from 5% to 30% apply to personal income and on business and professional profits. The rate on income from real estate leases and other non-regular income is 10%.
7. Capital gains derived from the sale of land and buildings are subject to a 5% tax rate; the rate drops to 2.5% for gains on the sale of vehicles and 2% on gains from the sale of securities, shares, and bonds, subject to certain exceptions.

Income Tax – Companies

Rate	0% – 35% (depending on the type of activities)

Notes

1. Basis – Resident companies are subject to tax on their worldwide income. Non-resident companies pay tax only on profits derived from a Sudanese source.
2. Residence – A company is deemed to be resident in Sudan if it is incorporated in Sudan under the Companies Act 1925 or if the management and control of its affairs are exercised in Sudan in the tax year concerned. Local and foreign businesses are required to register with the tax authorities for corporate tax, Value-added tax (VAT), and payroll tax purposes. An unregistered foreign entity will be deemed to be resident in Sudan if: (1) it is present in Sudan for a period or periods exceeding a total of 183 days in the basis period; or (2) it is present in Sudan in the relevant basis period and the two preceding basis periods for a period exceeding a total of 12 months.
3. Taxable income – Taxable income generally consists of worldwide income for resident companies and all Sudanese-source income for non-resident companies, less expenditure wholly and exclusively incurred in the production of the income for the year as permitted by the tax legislation.
4. Deductions – Expenses incurred wholly and exclusively for the generation of income generally may be deducted. Depreciation of fixed assets is allowed at specified rates.
5. Losses – Losses may be carried forward and set off against taxable income for five years following the end of the tax year in which the loss was incurred. The carryback of losses is not permitted.
6. Foreign tax credit – Foreign tax paid on income taxable in Sudan may be deducted from taxable income subject to the approval of the Ministry of Finance. As a domestic method of relief, the Minister of Finance may exempt from tax foreign income already taxed in the source country. Double taxation relief also is provided under tax treaties.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The corporate tax rate in Sudan depends on the business activity of the company, as follows: (i) 2% of gross income (after deducting zakat expense) of Agricultural companies (both agricultural and livestock); (ii) 15% of net profit for industrial activities; (iii) 30% for commercial activities and service activities (except for petroleum services companies (i.e. subcontractors for petroleum exploring, extracting, and exporting companies)), real estate rental companies, banks, insurance, telecommunications, and fund management companies; (iv) 30% for banks and cigarette and tobacco companies; (v) 35% for companies engaged in the exploration, extraction, and distribution of oil and gas and their subcontractors. The telecommunications sector is subject to a 10% business profit tax on gross income. A 5% social development tax applies for all companies exempt from tax under the Investment Encouragement Act or other law. A 3% advance tax is deducted from periodic payments made to foreign contractors working in Sudan, with the final settlement of tax made at the end of the contract.
9. Other – Zakat at a rate of 2.5% applies on the working capital of a company owned by Muslim shareholders. The zakat paid by a company is a deductible expense, provided it is paid to the Sudanese Zakat Chamber.

Withholding Tax (WHT)

WHT at the appropriate rate must be deducted from payments made to non-residents (Sudan generally does not levy WHT on payments to residents). The WHT rates are as follows (the tax is a final tax and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	0%	0%
Interest	0%	15%
Royalties	0%	15%
Other	1%/2%/5%/10%	1%/2%/5%/15%

Notes

1. Although there is no WHT on dividend payments, a 1% stamp duty is applicable.
2. WHT also applies where a resident company makes the following payments to a non-resident: (i) payments made to a Sudanese branch of a foreign company, which are subject to a 5% creditable WHT; (ii) payments made to non-resident contractors and subcontractors, which are subject to a 15% final WHT on the gross amount; and (iii) management and professional fees paid to non-resident companies, which are subject to a final 15% WHT on the gross amount. Management fees are defined as payments to a person in accordance with a contract for performing managerial services. Professional fees are payments to a person in return for performing technical consulting services.
3. Additionally, WHT applies to the gross amount of specific payments made to both resident and non-resident companies as follows: (i) 1% on government payments to taxable persons; (ii) 2% on imports of goods by taxable persons; (iii) 5% on payments to resident contractors and subcontractors; and (iv) 10% on consultancy fees and payments to local professionals.

Tax Treaties

Sudan has concluded tax treaties with the following countries (the domestic WHT rate applies where it is lower than the treaty rate):

Country	Dividends	Interest	Royalties
Bahrain	D	D	D
China	D	D	10%
Egypt	D	D	3/10%[1]
India	D	D	10%
Indonesia	D	D	10%
Iran	D	7%	5%
Iraq	D[2]	D[2]	D[2]
Jordan	D	D	15%
Kuwait	D	5%	10%
Malaysia	D	D	10%
Qatar	D	0%	D[3]
Romania	D	D	5%
Syria	D	D	10%
Tunisia	D	D	10%
Turkey	D	D	10%
United Arab Emirates	D	0%	5%
United Kingdom	D	D	10%
Yemen	D	D	10%

Notes

1. The lower rate applies to copyright royalties, including for films.
2. There is no limitation on WHT on dividends, interest and royalties under the treaty.
3. The domestic rate applies. The income is subject to tax only in the source country.

Anti-avoidance Rules

Transfer pricing

Sudan does not have specific transfer pricing rules, although the tax authorities are empowered to adjust or alter the tax consequences of a transaction that it has reasonable grounds to believe was arranged to result in the resident and non-resident parties having either no profit or less than ordinary profits. The Sudanese tax authorities require transactions made between related parties to be at arm's length.

Thin capitalisation rules

Sudan does not have thin capitalisation rules.

Controlled foreign company rules

Sudan does not have CFC rules.

Employment-related Taxes

Payroll tax

There is no payroll tax in Sudan but the employer is required to withhold tax from an employee's salary/wages and pay the tax over to the tax authorities.

Social security

Employers must contribute an amount equal to 17% of the monthly salaries of their Sudanese and expatriate employees for social security purposes. Employees (citizens and expatriates) contribute 8% of their monthly salary.

Indirect Taxes

Value-added tax (VAT)

Standard rate	17%

Notes

1. Taxable transactions – VAT applies to the supply of most goods and the provision of services, including the import of goods and services into Sudan.
2. Rates – The standard VAT rate is 17% and a special rate of 40% is imposed on telecommunication services. Certain activities are exempt from VAT.
3. Registration – Registration is required for all companies operating in Sudan. A person who is not charged with registration may voluntarily apply for registration.

Customs and excise duties

The Sudanese tariff system provides for a single rate of duty for each item that applies to all countries. The rates usually are grouped into a "single-column tariff," a schedule of duties at which the rate applies to imports from all countries on the same basis.

There are no preferential tariffs in Sudan. The primary basis of customs valuation is the transaction value.

Customs duties are calculated as a percentage of the value of the goods (ad valorem duty), in accordance with the standards of the 1983 International Convention on Harmonized Commodity Description and Coding System, to which Sudan is a party.

Imported goods are subject to duty rates ranging from 0% to 100%. An exemption from customs duties on imported goods is granted to licensed persons or companies under the Investment Encouragement Act.

Other Taxes

Inheritance/gift tax

Sudan does not levy an inheritance or gift tax.

Transfer tax

The transfer of shares in a company is subject to tax at a rate of 2%.

Capital duty

Stamp duty is payable on the issue or increase of share capital at the rate of 0.001% of the amount of the share capital.

Stamp duty

Stamp duty has a wide application in Sudan and the rates vary depending on the type of instrument, e.g. 1% of corporate dividends.

Vehicle tax

An annual tax is levied on automobiles at amounts ranging from SDG50 to SDG250, depending on the cylinder capacity of the vehicle.

Tax Administration and Compliance

Tax is administered by the Taxation Chamber.

Companies

1. Tax year – The tax year is the calendar year, although a company may adopt any year end. All taxable income is assessed in the fiscal year in which the company's accounting year ends. In general, the tax period is 12 months.
2. Consolidated returns – Consolidated returns generally are not permitted; each entity must file a separate return.
3. Filing and payment – A corporate taxpayer must file an annual return based on its income for the accounting year. The return is due within three and a half months following the end of the accounting year. The taxpayer's audited financial statements and the tax due must accompany the tax return.
4. Penalties – Failure to present a declaration of income to the Office of the Taxation Chamber will lead to an additional tax double the tax due. A delay in submitting an income tax return results in a penalty of SDG100 per day or, at the discretion of the General Secretary, but not exceeding 10% of the total tax liability.
5. Rulings – Rulings generally are not granted in Sudan, although a taxpayer may request a non-binding ruling.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax status – Each individual is taxed separately on his/her income. Joint filing is not permitted.
3. Filing and payment – The employer is responsible for the filing and payment of the personal income tax on behalf of the employee. Filing and payment are due at the end of every month for resident employees and at the end of every fiscal year for Sudanese citizens working abroad. Taxpayers operating a business are subject to the compliance rules applicable to companies.
4. Penalties – Penalties apply for failure to file or late filing (see above under "Companies").

VAT
1. Filing and payment – VAT taxpayers are required to file a return and pay the VAT due by the 15th day of the following month.
2. Penalties – Failure to submit the declaration of income may result into an additional tax of SDG10 per day or up to 5% of taxable income.

Investment Incentives

Tax incentives

The Income Tax Act does not include special incentives for investment, except for an initial depreciation allowance of 20% for the purchase of new machinery or equipment that is to be used in production. The initial allowance is allowed only one time during the life of the machinery/equipment, and the deduction is allowed on the date of its first use. However, a 2013 decree-law on investment incentives includes specific incentives for strategic investments, including:
- VAT exemptions for business assets
- Customs duty exemptions for business assets and transport vehicles used for business purposes, and goods used as input for production purposes are entitled to preferential customs duty rates
- Access to plots of land required to start the project at preferential rates.

Various free zones have been set up by the government, including the following (however, no tax incentives are granted in the zones):
- Khartoum free-trade zone, at El-Gaily
- Port Sudan free-trade zone, near the port
- Suakin free-trade zone.

Exchange Controls

The Central Bank of Sudan issued a circular on 22 February 2021, issued by the General Administration for Policies and Research, according to which it was decided to leave exchange rate determination to the banks based on the forces of supply and demand in the market. This led to the determination of the US dollar exchange rate against the Sudanese pound at a price of SDG376 compared to SDG55 as a closing rate for 2020.

Expatriates and Work Permits

Visas

Both a visa and a work permit are required for foreigners who intend to work in Sudan.

Trade Relations

Memberships
- African Development Bank Group (AfDB)
- Arab Fund for Economic and Social Development (AFESD)
- Islamic Development Bank (IDB)
- United Nations Conference on Trade and Development (UNCTAD)
- Common Market for Eastern and Southern Africa (COMESA)
- International Solar Alliance (ISA)
- African Union (AU).

Key Economic Information

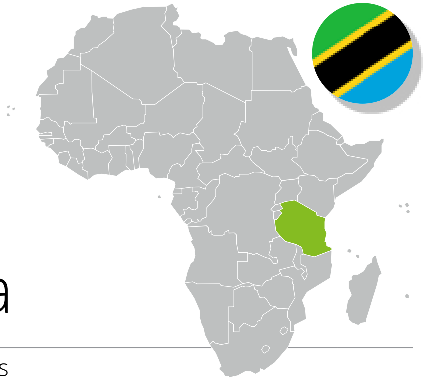
Currency (symbol/code)
Sudanese pound (ج.س./SDG)

Exchange rate	
US$1	SDG381.50
EUR1	SDG460.45
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$185.74 billion	US$192.09 billion
Real GDP growth	
0.39%	1.13%
Average inflation	
197.12%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
15.50%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
US$161.58 million
Source: Capital IQ, 2021.



Tanzania

Contacts

Samwel Ndandala
sndandala@deloitte.co.tz
+255 22 216 6006

Income Tax – Individuals

Taxable income (TZS)	Rate
0 – 270,000	0%
270,001 – 520,000	9% of the amount over TZS270,000
520,001 – 760,000	TZS22,500 + 20% of amount over TZS520,000
760,001 – 1,000,000	TZS70,500 + 25% of amount over TZS760,000
Over 1,000,000	TZS130,500 + 30% of amount over TZS1,000,000

Notes

1. Basis – Residents are taxed on worldwide income. Non-residents are subject to tax only on Tanzania-source income.
2. Residence – An individual is considered resident in Tanzania for tax purposes if he/she:
   - Has a permanent home in Tanzania and is present in Tanzania at any time during the tax year
   - Is present in Tanzania for 183 days or more during the tax year
   - Is present in Tanzania during the 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.
3. Taxable income – Individuals are taxed on the value of any benefit or advantage arising from employment. Income derived by an individual conducting a business is taxed in the same way as income of a company. The total income of a person is the sum of the person's chargeable income for the year of income from each employment, business, and investments.
4. Exempt income – Medical expense coverage, health insurance premiums, and onsite meals provided by an employer to its employees on a non-discriminatory basis do not form part of taxable employment income.
5. Deductions and allowances – No personal allowances are available; however, a deduction is allowed for retirement contributions made to an approved retirement fund.
6. Rates – The individual tax rates are progressive from 0% to 30%. Non-residents are taxed on their Tanzania-source employment income at a rate of 15%, which is a final tax. Non-resident individuals generally are subject to a fixed tax rate of 20% on their total income from a Tanzanian source. In addition, certain payments made to non-residents are subject to final withholding taxes (see "Withholding tax," below).

Income Tax – Companies

	Rate
Standard corporate rate	30%
Newly listed companies on the Dar es Salaam stock exchange (for three consecutive years from the date of listing)	25%
Newly established companies manufacturing pharmaceuticals or leather products	20%
Companies with newly established plants for assembly of vehicles and boats (for five consecutive years from the year of commencement of production)	10%
Companies dealing in manufacture of sanitary pads	25%
Repatriated income of a domestic permanent establishment of a non-resident entity	10%
Alternative minimum tax rate on turnover	0.5%

Notes

1. Basis – Resident companies are taxed on worldwide income. Branches of foreign corporations are taxed in the same way as resident companies, but they are subject to an additional tax levied on branch profits. A branch is considered an extension of a foreign incorporated company and, from a tax perspective, a branch is deemed to be a permanent establishment (PE) of a non-resident. A PE is treated as a separate but associated person to its head office for income tax purposes. Consequently, the PE is treated as a resident person in Tanzania.
2. Residence – A company is resident if it is incorporated under the Tanzanian Companies Act or if, at any time during the tax year, management and control of its affairs are exercised in Tanzania.
3. Taxable income – Taxable income includes profits derived from the operation of a business, capital gains, dividends, interest, and royalty income, etc. Interest on bonds issued by the East African Development Bank (EADB) that are listed on the Dar es Salaam stock exchange is exempt.
4. Deductions – All expenditure incurred wholly and exclusively in the production of income from any business or investment generally is deductible. This is subject to specific exceptions for items such as capital expenditure, personal or domestic expenditure, income tax, bribes, fines, dividends, and withholding tax paid by the withholding agent.
5. Losses – Subject to continuity-of-ownership and same-business tests, losses may be carried forward indefinitely. The recent amendment to the Finance Act, 2020 restricts the amount of unrelieved losses to be utilised against taxable profits to 70% of income for an entity having chargeable income and unrelieved losses for the four previous consecutive years of income. However, the amendment shall not apply to corporations engaged in agricultural businesses as well as health and education services. The carryback of losses generally is not permitted. Special rules apply to long-term contracts and to mining and petroleum operations. Companies having three consecutive years of tax losses will be taxed at 0.5% on their turnover for the third year.
6. Foreign tax credit – Foreign tax paid may be credited against Tanzanian tax on the foreign-source income, but the credit is limited to the amount of Tanzanian tax payable. Excess credits may be carried forward.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group in Tanzania.
8. Rate – The standard corporate tax rate is 30%. Certain payments made to non-residents are subject to final withholding taxes (see "Withholding tax," below). Certain payments to residents also are subject to withholding tax, which may be a final tax. Capital gains are taxed at the regular corporate tax rate, with an instalment payment due before title to the investment asset can be transferred (10% for residents and 20% for non-residents). Newly listed companies with at least 30% of their equity ownership issued to the public are taxed at a reduced corporate tax rate of 25% for three consecutive years from the date of listing. Companies with newly established plants for assembling motor vehicles, tractors, fishing boats, and "out-boat engines" and that have concluded a performance agreement with the government are taxed at a reduced rate of 10% for five consecutive years from the date production commences. Newly established companies engaged in the manufacture of pharmaceuticals or leather products and have concluded a performance agreement with the Tanzanian government are taxed at a reduced rate of 20% for five consecutive years from the date production commences. Companies manufacturing sanitary pads and that have concluded a performance agreement with the government are taxed at a reduced corporate rate 25% for two consecutive years during the period 1 July 2019 to 30 June 2021.
9. Branch taxation – The repatriated income of a local PE of a non-resident is subject to a 10% withholding tax on taxable branch profits in addition to the 30% corporate income tax.
10. Alternative minimum tax – Companies with three consecutive years of tax losses are subject to an alternative minimum tax of 0.5% of turnover as from the third year of losses.
11. Extractive industry taxation – Special rules apply to the extractive (e.g., mining and oil and gas) industry.

12. Other – Where the underlying ownership of a company changes by more than 50% as compared with the ownership at any time during the preceding three years, the company is treated as having realised its assets and liabilities held immediately before the change in control, at their market values.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents (and for residents in certain cases, as noted below) and the rates may be reduced under an applicable tax treaty):

Payments	Residents	Non-residents
Mining[2]		
• Management and technical service fees	5%	15%
Dividends[3]		
• Paid by listed company	5%	5%
• Paid by unlisted company	5%/10%	10%
Interest	10%	10%
Royalties	15%	15%
Insurance premiums	0%	5%
Pensions		
• Lump sums commuted	10%	15%
• Annuities	15%	15%
Rents		
• If in excess of TZS500 000 per annum	10%	10%
• Aircraft	10%	10%
Service fees[5]	5%	15%
Annual directors' fees	15%	15%
Government payments[6]		
Suppliers of goods to the government	2%	0%
Retirement funds' investment income[7]	10%	10%
Money transfer agent commissions[8]	10%	10%

Notes

1. General – Tax withheld must be paid to the Tanzanian Revenue Authority (TRA) within seven days following the end of the month in which the amount is withheld. The requirement to withhold tax does not apply to individuals, unless the payment is made in the course of conducting a business.
2. The WHT on payments for technical services to mining companies are final and no additional corporate tax is imposed.
3. Dividends paid to residents, interest paid on deposits from a financial institution to an individual, and payments of rent to an individual are final taxes. Payments made to a non-resident without a Tanzanian PE also are considered final. Annual directors' fees are subject to a 15% final WHT but the tax applies only to fees paid to directors who are board members.
4. Dividends – The WHT is 5% on dividends paid to a resident company that holds 25% or more of the shares of an unlisted payer company;. The WHT rate is 5% on dividends paid by a company listed on the stock exchange to a non-resident and 10% in all other cases.
5. Service fees – A 5% WHT applies to service fees paid by a resident (including a PE) to another resident. The tax is an advance tax that may be offset against the corporate tax liability for the year. A 15% WHT is applicable where service fees are paid to a non-resident person, irrespective of the place of performance of the service.
6. Government payments – All supplies of goods by a resident corporation to a resident corporation whose budget is wholly or substantially financed by the government are subject to a 2% WHT, irrespective of whether the supplier has a tax identification number.
7. Retirement funds' investment income – A 10% WHT applies to dividends, interest, and rent paid to approved retirement funds. This WHT is not final and may be offset against the corporate income tax payable by the funds.
8. The WHT treatment when the agent is a non-resident is unclear; however, if a non-resident agent receives a commission, the same rate likely would apply as for a resident agent.

Tax Treaties

Tanzania has nine tax treaties. The following table shows the WHT rates on dividends, interest, and royalties under Tanzania's treaties; the rate under domestic law may apply if it is lower than the treaty rate:

Country	Dividends	Interest	Royalties
Canada	20%/25%	0%/15%	20%
Denmark	15%	12.5%	20%
Finland	20%	15%	20%
India	5%/10%	10%	10%
Italy	10%	12.5%	15%
Norway	20%	15%	20%
South Africa	10%/20%	10%	10%
Sweden	15%/25%	15%	20%
Zambia	0%/D	D	D

Notes

1. Under the treaties with Canada, India, and Sweden, the WHT rate on dividends may be reduced if certain percentages of shareholdings are held.
2. The 0% rate under the Canada treaty applies to certain interest paid to persons constituted and operated exclusively to administer or provide benefits under pension, retirement, or other employee benefits plans.
3. A 10% rate applies under the treaty with South Africa where the beneficial owner holds at least 15% of the capital of the company paying the dividends.
4. The 0% rate under the Zambia treaty applies only if the dividend payment is taxed in the recipient's country of residence, otherwise the normal domestic rate applicable in the source country will apply. The treaty does not provide for a WHT rate on interest or royalties, so the domestic rate applies.
5. The treaties listed above – except for the treaty with Italy – provide that no WHT can be levied on branch profits.

Anti-avoidance Rules

Transfer pricing

The Income Tax Act provides that where transactions between associated persons are not at arm's length, the TRA has discretion to make adjustments to taxable income and impose penalties resulting from any underpayment. Similar rules apply where an arrangement exists between parties to allocate income in such a way as to reduce the overall tax payable, whether or not the arrangement is between associated companies.

Transfer pricing regulations require taxpayers with related party transactions to prepare transfer pricing documentation. Taxpayers with annual related party transactions amounting to TZS10 billion or more must file the documentation with the TRA with their annual corporate tax returns. Taxpayers with annual related party transactions of less than TZS10 billion also must prepare and maintain transfer pricing documentation at the time the annual corporate tax return is filed and, if requested by the TRA, must be able to provide the documentation within 30 days.

Tanzania's transfer pricing rules largely follow the United Nations and OECD guidelines. However, where inconsistencies exist, the Tanzania transfer pricing regulations prevail.

Thin capitalisation rules

The total amount of interest that an "exempt controlled resident entity" may deduct for corporate tax purposes may not exceed the amount of interest equivalent to a debt-to-equity ratio of 7 to 3. An entity is an exempt controlled resident entity if it is a resident and 25% or more of the underlying ownership of the entity is held by entities exempt under the second schedule to the Income Tax Act, approved retirement funds, charitable organisations, non-resident persons, or associates of such entities or persons. The Finance Act, 2020 amended the thin capitalisation rules by adding that the amount of deductible realised foreign exchange loss on interest-free debt obligation shall be the amount of loss attributable to not more than seventy percent (70%) of such obligation.

Controlled foreign corporations (CFC) and controlled foreign trusts
Residents are taxed on the undistributed income of CFCs and controlled foreign trusts. A CFC or controlled foreign trust is a non-resident corporation or trust in which a resident person has a direct or indirect interest through one or more interposed non-resident entities, and where the person is "associated" (i.e. connected) with the corporation or trust. The ownership threshold for association is 25% or more; however, there are other relevant factors as well.

A CFC/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.

Employment-related Taxes

Payroll tax
Under the Pay As You Earn (PAYE) system, income tax on an employee's employment income must be withheld at source by a resident employer (which includes a PE) at the time the income is paid to the employee (normally on a monthly basis). PAYE for resident employees is deducted at the statutory personal income tax rates, with a top marginal rate of 30%. A flat rate of 15% applies for non-resident employees.

A Skills and Development Levy (SDL) is payable by the employer at a rate of 4% of cash emoluments paid to employees.

A Workers Compensation Fund has been established, with an additional levy payable by employers at 0.5% or 1% of the total wage bill for a given period for public and private employers, respectively.

Social security
There are two approved retirement funds: one for employees in the private sector and the other for employees in the public sector.

Contributions at 20% of wages are imposed under the governing legislation for the private sector, with the duty to remit the contribution prima facie falling on the employer. However, the employer has the right to recover up to 10% of the contribution from the employee (via deduction from wages). The contribution at 20% of wages also applies in the public sector, but the employer (i.e. the government) has the right to recover from the employee up to 5% via the deduction from wages.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is levied on the supply of most goods and services in Tanzania, with exceptions for certain goods and services eligible for "zero-rating" or a VAT exemption.
2. Rates – The standard rate of VAT is 18%. Exports of goods and services are subject to a zero rate of VAT, subject to certain conditions.
3. Registration – There are four triggers for VAT registration: reaching a TZS100 million threshold of turnover from taxable supplies; providing designated services, irrespective of turnover; being an "intended trader"; and carrying on business in Tanzania as a non-resident, which requires registration by appointing a VAT representative.

Customs and excise duties
Tanzania has adopted the East African Community (EAC) Customs Management Act and Common External Tariff, although differences may exist for Tanzanian customs purposes. Customs and excise duties at various rates are levied on a range of goods. Duties and taxes on the importation of goods are payable within 30 days from the date of assessment.

Other Taxes

Inheritance/estate tax
There is no inheritance or estate tax in Tanzania.

Stamp duty
Stamp duty on most common instruments is 1% of the value of the instrument. An exemption from stamp duty applies to transfers between associates where the ownership of one associate in the other is 90% or more.

Property tax
Property tax is levied at flat rates on the property value by the municipal or city councils. Applicable rates vary depending on the size, use, and location of the property.

Property tax currently is levied as a percentage of the valued amount of the property, which is specific to each council. Property tax on unvalued property is levied at flat rates of TZS10,000 and TZS50,000 for normal houses and multiple-story houses, respectively. The levies are collected by the Tanzania Revenue Authority.

Business license fees
The business license fees per annum depend on several factors, including the size of the business, the nature of the business, and the shareholding. The fees range from US$15 to US$10,000, depending on the area where the business is (or would be) located.

Railway development levy
A 1.5% levy applies to the cost, insurance, and freight (CIF) value of all imports, except exempt goods under the EAC Customs Management Act.

City service levy (CSL)
Municipal councils are empowered to administer and collect a CSL from companies operating in their municipalities. CSL is chargeable at 0.3% on turnover.

Tax Administration and Compliance

Tax is administered in Tanzania by the Tanzania Revenue Authority (TRA).

Companies

1. Tax year – The tax year is the calendar year. A different tax year may be approved by the TRA upon application.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – For calendar-year taxpayers, an estimated income tax return and payment of the first instalment of self-assessed income tax are due by 31 March of each year. Additional instalment payments of income tax are due on 30 June, 30 September, and 31 December. A final tax return and final payment of income tax are due on 30 June of the year following the tax year. Withholding taxes are payable within seven days after the end of a calendar month.

4. Penalties – Penalties and interest apply for failure to comply with the various provisions of the tax laws, including failure to maintain proper documentation.
5. Rulings – A person may apply for a private or class ruling to understand the TRA's position on the application of a tax law to an arrangement.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Married couples are taxed separately.
3. Filing and payment – An estimated income tax return and payment of the first instalment of self-assessed income tax are due by 31 March of each year. Additional instalment payments of income tax are due on 30 June, 30 September, and 31 December. A final tax return and final payment of income tax are due on 30 June of the year following the tax year.
4. Penalties – Penalties and interest apply for failure to comply with the various provisions of the tax laws, including failure to maintain proper documentation.

VAT
1. Filing and payment – VAT is payable and monthly returns are due on the 20th day of the month following the supply, or the following business day if the 20th day falls on a weekend or public holiday.
2. Penalties – Penalties and interest apply for failure to comply with the various provisions of the tax laws, including failure to maintain proper documentation.

Investment Incentives

General incentives
The Public Private Partnership Act provides scope for the private sector to invest in public infrastructure and operate such with a view to providing public services at a reasonable cost, while at the same time, addressing the public's economic and social needs.

Tanzania Investment Centre (TIC)
The TIC was established to act as a "go to" centre for investors and to coordinate, encourage, promote, and facilitate foreign direct investment in Tanzania. One aspect of the eligibility criteria for the centre is a minimum capital threshold of US$100,000 or US$500,000 for locals and foreigners, respectively. Upon a successful application and acceptance, the TIC will issue a company a certificate of incentives, including tax incentives (see "Tax incentives," below).

Strategic investor incentives
The Tanzania Investment Act provides that a relevant minister can identify an 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" or the "special strategic investor". A special strategic investor is one whose investment is at least US$300 million, while a strategic investor is one whose investment is at least US$20 million for local investors, and at least US$50 million for foreign investors.

To qualify for special strategic investor status, the investment also must fulfil the following requirements:
- The investment's capital transactions must be undertaken through registered local financial institutions
- The investment must generate at least 1,500 jobs for locals, with a satisfactory number of senior positions
- The investment must have the capacity to generate significant foreign exchange earnings, produce significant import substitution goods, or supply important facilities necessary for development in the social, economic, or financial sector.

Export Processing Zones (EPZ)
The EPZ scheme provides for the establishment of export-oriented investments in designated zones with a view to fostering international competitiveness for export-led economic growth. Operators in an EPZ can 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:
- Access to the export credit guarantee scheme
- Exemption from payments of corporate tax and WHT on dividends, interest, and rent, for 10 years
- Reduction/remission of customs duty, VAT, and any other tax payable on raw materials and goods of a capital nature
- Exemption from payment of all taxes and levies imposed by local government authorities for goods and services produced or purchased in the EPZ for 10 years
- Exemption from pre-shipment or destination inspection requirements
- On-site customs inspection of goods
- 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 apply); and entitlement to an automatic immigration quota of five persons
- Treatment of goods destined for the EPZ as transit cargo
- Exemption from VAT on utility and wharfage charges
- Guarantees on foreign exchange transferability.

Special Economic Zones (SEZs)
The SEZ regime in Tanzania applies to investments that produce goods and services for the local market. An investment falling short of qualifying for the EPZ scheme likely will be eligible for the SEZ regime. Depending on whether investors are: (i) zone developers (category 1); (ii) suppliers producing and selling into an SEZ (category 2); or (iii) certain other investors (category 3), the investor may be eligible for some of the benefits granted to EPZ investors (category 1 and 2), exemptions from taxes and duties on capital goods and materials used for purposes of development in SEZs (category 1), exemptions from stamp duty (category 1), a 10-year property tax exemption (category 1), an exemption available from WHT on interest on foreign-source loans (category 2), or investor entitlements that mirror those of EPZ investors (category 3).

Tax incentives
- A 50% "wear and tear" allowance in respect of plant and machinery used for manufacturing or fish farming and hotel equipment is allowed in the first year of the assets' use
- 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 remediation of damage caused by natural resource extraction
– Research and development (R&D) expenditure.

- Various concessions on land apply to EPZs, SEZs (see above), and non-government organisations
- The TIC regime provides for certain tax reliefs and concessional tax rates that may be accessed by a TIC-qualifying investor under various laws (see above).

Exchange Controls

Tanzania does not have exchange controls in respect of capital inflow and overseas remittances. A maximum travel allowance of US$10,000 for each trip out of Tanzania is granted to an individual. Payments to entities outside Tanzania require the approval of the Bank of Tanzania (BOT). However, transfers of shares between residents and non-residents ordinarily are considered as an internal matter of the company and the entire process is governed by the articles of the company, although financial institutions require approval from the BOT before the transfer. Additionally, all transfers require a clearance certificate from the TRA to confirm that tax has been paid or that there is no tax payable. 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 both residence and work permits. The applicant institution must submit, together with the application, a succession plan demonstrating how a Tanzanian national is being prepared to take on the role.

Trade Relations

Memberships

- Southern African Development Community
- East African Customs Union
- African Growth and Opportunity Act beneficiary country

Key Economic Information

Currency (symbol/code)
Tanzanian shilling (TSh/TZS)

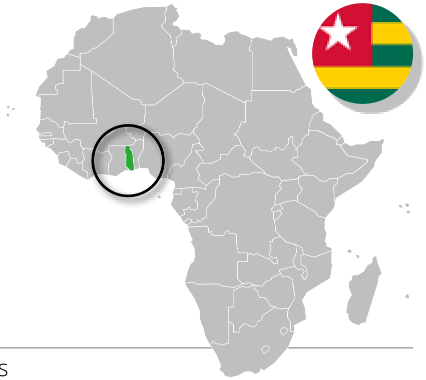
Exchange rate	
US$1	TZS2,319.00
EUR1	TZS2,796.10
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$171.01 billion	US$182.95 billion
Real GDP growth	
2.66%	4.62%
Average inflation	
3.30%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
5%
Source: Trading Economics, 2021.

Market capitalisation as at April 2021
US$3,174.60 million
Source: Capital IQ, 2021.

Tanzania



Togo

Contacts

Patrice Kokou
pkokou@deloitte.com
+228 90 21 41 24

Yves Madre
ymadre@deloitte.com
+243 859 998 044

Income Tax – Individuals

Taxable income (XOF)	Rate
0 – 900,000	0.5%
900,001 – 4 million	7%
4,000,001 – 6 million	15%
6,000,001 – 10 million	25%
10,000,001 – 15 million	30%
Over 15 million	35%

Notes

1. Basis – Residents are taxed on their worldwide income. Non-residents are treated as residents for tax purposes if they have spent at least six months in Togo and have a tax domicile in Togo; otherwise, non-residents are taxed only on Togo-source income.
2. Residence – The concept of residence is not defined in Togolese law. An individual is domiciled in Togo if his/her main place of residence is in the country or if the individual has a dwelling in Togo at his/her disposal.
3. Taxable income – Taxable income of individuals includes employment income (and benefits in kind) and bonuses awarded to reward loyalty and/or exceptional service; capital gains; industrial and commercial profits; non-commercial profits; agricultural profits; and income from property, securities, and other assets.
4. Exempt income – Income that is exempt from tax includes capital gains reinvested in fixed assets under certain conditions, statutory family allowances, national or international awards of distinction, family pension supplements, wages of apprentices, military invalidity and war pensions, etc.
5. Deductions and allowances – A percentage of net wages that covers contributions for public health insurance, social security, and certain other expenses may be deducted. Deductions are allowed for certain expenses relating to real property, and interest on loans for the acquisition of a building or for building repairs in Togo for the first 10 years of the loan. Deductions also are allowed for dependent relatives; the amount of the deduction per dependent is XOF10,000 per month. An individual that earns industrial and commercial profits, non-commercial profits, or agricultural profits may deduct expenses incurred in earning those profits.
6. Rates – The personal income tax rates are progressive and range from 0.5% to 35%. The following formula is used to calculate income tax due where annual earnings exceed XOF15 million: Tax = (Taxable income – XOF15 million) x 0.35 + XOF3,021,500. Non-residents who spend more than six months in Togo during the fiscal year are taxed at the same rates as residents. Both residents and non-residents are subject to capital gains tax on direct or indirect transfers of real property, gains from the transfer of share and mining permits, and licenses issued by the government. The tax rates are 7% for gains from the transfer of property or property rights and share transfers and 15% for mining permits or license transfers. The transferor or the seller pays the tax. Industrial and commercial profits, non-commercial profits, and agricultural profits are taxed at a rate of 30% after the deduction of relevant expenses.
7. Other – Individuals are required to pay a minimum tax of XOF3,000.

Income Tax – Companies

	Rate
Standard corporate rate	27%

Notes

1. Basis – All companies registered in Togo are subject to tax on Togo-source income.
2. Residence – There is no definition of residence in Togo's tax law, but the tax code does define the term "permanent establishment" (PE). A PE is a fixed place of business through which the company exercises all or part of its business. PEs in Togo are subject to corporate tax in Togo on all of their income, regardless of whether it comes from a Togo source.
3. Taxable income – Companies are taxed on industrial and commercial profits, non-commercial profits, and income from land, securities, and other assets. Capital gains realised by companies on the sale of assets/real estate are regarded as taxable income and are subject to income tax, with some exemptions and reliefs.
4. Deductions – Expenses and costs incurred for the purpose of operating a business generally are deductible, including the following: rents, personnel and labour costs, direct and indirect remuneration paid in respect of work, interest paid to shareholders, royalties, management fees, technical assistance fees, and research costs paid by a Togolese company or a Togolese PE of a foreign company and fees and remuneration paid to intermediaries. The deduction of technical assistance fees is limited to 20% of the taxable profit for the current fiscal year. In the absence of profit, the deduction limitation must be indexed based on the profits of the most recent loss-making year. If no profits were earned during this period, the right to deduct the technical assistance fees is forfeited. Depreciation and amortisation deductions are available, calculated on the basis of the normal wear and tear of assets used in business activities.
5. Losses – Losses incurred during a financial year are deductible up to 50% of the taxable profit of a subsequent year. The remaining losses that are not deductible may be carried forward without limit. The carryback of losses is not allowed.
6. Foreign tax credit – Togo does not provide for unilateral tax relief. However, a tax treaty may provide bilateral relief.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 27%. Non-resident companies without a branch or PE in Togo are subject to a final 20% withholding tax on Togo-source income, unless otherwise provided (see under "Withholding taxes," below). Both residents and non-residents are subject to capital gains tax on direct or indirect transfers of real property, gains from the transfer of share and mining permits, and licenses issued by the government. The tax rates are 7% for gains from the transfer of property or property rights and share transfers and 15% for mining permits or license transfers. The transferor or the seller pays the tax.
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies. There is no branch tax.
10. Alternative minimum tax – Corporations and corporate bodies liable to corporation tax are subject to a minimum tax (IMF) of at least XOF20,000. The IMF is 1% of the entity's turnover, excluding Value-added tax (VAT). The IMF does not apply to non-residents. A minimum tax is due from a loss-making company. Companies must withhold a special tax on capital gains derived from the direct or indirect sale of shares or bonds in resident companies, real property and property rights, and mining or other exploration licenses. The tax rate is 7% of the capital gains from the sale of shares and bonds, real property or property rights, and 15% for the sale of licenses, and is paid by the transferor/seller.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends and deemed dividends	0%/13%	7%/13%
Interest	6%/13%	6%/13%
Royalties	5%/10%	20%
Rent	8.75%	8.75%
Management/fees for contractors	5%/10%	20%

Togo

Notes

1. Dividends – Dividends generally are taxed at a 13% rate, but the rate is 7% if the payer company is a listed company in the West African Economic and Monetary Union (WAEMU). Dividends paid by a resident subsidiary to its resident parent company are exempt from tax.
2. Interest – The standard WHT rate for interest payments (including deemed interest payments) made to legal entities is 6% and 13% for payments to individuals. Long-term government bonds are taxed at 0%, medium-term government bonds are taxed at 3%, and fixed-yield investments, corporate bonds, and certain other interest are taxed at 6%, regardless of whether the interest is paid to a resident or a non-resident.
3. Royalties – The WHT rate is 5% on payments to a resident registered with the tax administration, and 10% on payments to a resident without a tax registration number. The 20% rate applies to payments to non-residents.

Tax Treaties

Togo has only concluded two tax treaties.

Country	Dividends	Interest	Royalties
France	15%	D*	D*
WAEMU**	10%	15%	15%

*Domestic rates apply.
** The WAEMU members are Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal, and Togo.

Anti-avoidance Rules

Transfer pricing

Togo's transfer pricing rules require all commercial and financial transactions between affiliated or controlled companies to be on arm's length terms.

The scope of the transfer pricing rules has been expanded to include transactions with entities that are resident in a jurisdiction that operates a preferential tax regime and entities in a non-cooperative jurisdiction within the meaning of article 99.s of the General Tax Code, regardless of whether the companies are related or deemed to be related.

Transfer pricing documentation (including a master file, local file, and country-by-country report) must be submitted at the latest within three months after the financial statements have been submitted. Penalties apply for failure to provide the required documentation.

Thin capitalisation rules

An entity's total interest expense deduction is limited to 30% of its gross operating surplus. In addition, Togo's General Tax Code provides that deductions for interest paid to shareholders on loans granted to the company are limited to an amount computed based on the annual average legal interest rate, plus at least three percentage points. Additional restrictions may apply in certain cases to interest on loans from non-residents that are not banks.

Employment-related Taxes

Payroll tax

The 3% payroll tax on gross salary has been abolished. Employers withhold personal income tax on employment income under the pay-as-you-earn (PAYE) system and remit it to the government no later than 15 days following the month the salary was paid.

Social security

Employers must make monthly social security contributions of 17.5% of their employees' monthly gross salary. The employee contribution is 4% of gross remuneration.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services and on imports. All legal entities or persons that carry out taxable transactions in Togo must pay VAT even if the supplier entity is located outside Togo.
2. Rates – The standard VAT rate is 18%. Supplies of certain services, including financial, insurance, medical, and transport services, are exempt from VAT. Additional categories of supplies that are exempt from VAT relate to agriculture, fishing and livestock, and supplies relating to the importation, production and sale of products and equipment used in the fight against the COVID-19 pandemic. Accommodation, catering and other services provided by hotels, restaurants and related registered organisations, and services performed by licensed tour operators, are subject to VAT at a reduced rate of 10%.
3. Registration – VAT registration is required for taxpayers whose turnover is at least XOF60 million per year. Voluntary registration is possible if the threshold is not met. Foreign companies must appoint a fiscal representative in Togo if they wish to provide goods and services in the country.
4. Digital transactions have been identified as being subject to VAT and specific documentation needs to be filed by digital platforms operating in Togo.

Customs duties

Togo is a member state of the WAEMU, and the applicable customs rates are specified by the community regulations. The customs value of most imported goods is subject to customs duties ranging from 0% to 20%.

Excise duties

Excise duties are levied on certain goods at the following rates:

Product	Rate
Coffee	10%
Tobacco products	150%
Soft drinks, excluding mineral water	5%
Beer	18%
Other spirits	50%

Other Taxes

Inheritances and donations

Gratuitous transfers of real estate and movable assets are subject to registration duty (e.g. see below under "Transfer tax").

Stamp duty

The amount of the stamp duty varies depending on the relevant act.

Capital duty

The registration fee for share capital on the incorporation of a company and on a capital increase has been abolished.

Transfer tax

A transfer of real property is subject to a registration duty of XOF35,000.

Property tax

Property tax on developed land is levied at a rate of 15% on the assessed rental value of buildings.

Fuel tax

A tax on fuel consumption is levied at rates ranging from XOF0 to XOF60 per litre, depending on the type of fuel.

Tax Administration and Compliance

Tax is administered in Togo by the Togo Revenue Authority.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Four quarterly advance payments of corporate income tax must be made during the fiscal year on 31 January, 31 May, 31 July, and 31 October, with any balance due paid by the due date for filing the annual return, i.e. by 30 April of the year following the tax year.
4. Penalties – A maximum penalty of XOF150,000 applies for failure to comply with the tax rules.
5. Rulings – While there is no statutory requirement to issue binding rulings, the tax authorities may provide an advance ruling on the interpretation of the tax legislation.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Spouses are taxed separately. However, it may be possible to request to file a single return for the total income of a household.
3. Filing and payment – If an individual only has employment income, the employer withholds tax under the PAYE system and remits the tax due to the government by 31 January of the year following the tax year. If the individual derives other income, he/she must submit an annual return by 31 March of the following tax year. An individual must make quarterly advance payments of tax on other income by 31 January, 31 May, 31 July, and 31 October of each year.
4. Penalties – Penalties for failure to comply with the tax rules vary, up to a maximum of XOF150, 000.

VAT

1. Filing and payment – VAT returns and payments are due on the 15th day of the month following the date of the relevant transactions.
2. Penalties – The penalty in the case of non-compliance with the relevant invoicing requirements is 50% of the invoice amount.

Investment Incentives

Tax incentives

The Investment Code, revised in 2019 to consolidate two separate systems, offers tax exemptions, reduced tax rates and customs duties, and special deductions. To qualify for the incentives, a taxpayer must invest more than US$1.2 million and Togo nationals must have priority for the majority of permanent jobs to be created. Companies located in Togo must be engaged in activities in the following sectors: agriculture, industry, commerce, crafts, and services, in accordance with laws and regulation. The incentives are available for five 12-month operating periods from the date the investment is approved, with the available incentives depending on the phase of the investment/operations.

Companies operating in the export processing zone are entitled to reduced tax rates, an exemption from customs duties and VAT on imported equipment, etc.

Other special incentives are offered to companies that engage in certain types of activities, the use of technological inventions, certain investment areas, etc.

Exchange Controls

There are no restrictions on the transfer of funds based on the WAEMU regulations. Transfers of funds outside the WAEMU must comply with central bank requirements, specifically that justify the purpose of the transfer and must produce a tax clearance certificate.

Expatriates and Work Permits

The employer must pay fees to the labour administration to obtain a work permit for a foreign employee who is to be hired to work in Togo. The fee is 45% of the employee's monthly gross salary. The employment contract must be submitted to the labour administration for authorisation and the contract period cannot exceed four years, including any renewal period.

Before the issuance of a boarding pass, the emigration service of the national security may require from any person who has fiscal domicile in Togo and who is leaving the country (temporarily or permanently) to present a certificate of tax compliance or a certificate discharging tax liability.

Key Economic Information

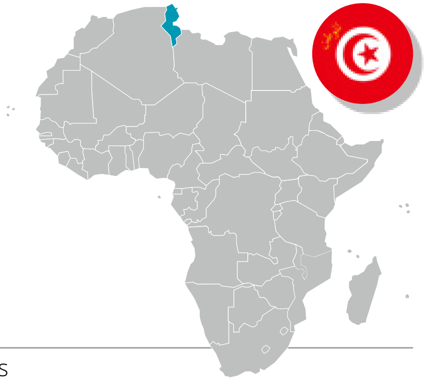
Currency (symbol/code)
West African CFA franc (CFA/XOF)

Exchange rate	
US$1	XOF545.50
EUR1	XOF655.96
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$19.20 billion	US$20.52 billion
Real GDP growth	
3.50%	4.50%
Average inflation	
2.05%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
4%
Source: Trading Economics, Central Bank of West African States, 2021.

Market capitalisation as at April 2021
US$891.20 million
Source: Capital IQ, 2021.



Tunisia

Contacts

Sonia Louzir
slouzir@deloitte.tn
+216 29 112 302

Mongi Djellouli
mdjellouli@deloitte.tn
+216 29 112 322

Haifa Ahmed
haiahmed@deloitte.tn
+216 29 112 327

Income Tax – Individuals

Taxable income that exceeds TND	Does not exceed TND	Rate
0	5,000	1%
5,001	20,000	27%
20,001	30,000	29%
30,001	50,000	33%
50,001	-	36%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax on most Tunisian-source income but only under tax treaties. In other words, a non-resident is subject to Tunisian income tax at the normal graduated rates on income received from 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).
2. Residence – An individual is resident in Tunisia if he/she has a permanent residence in Tunisia or is present in Tunisia for at least 183 days in the relevant calendar year.
3. Taxable income – Income tax is assessed on total annual income derived from Tunisia or abroad if the foreign income was not subject to tax in the source country. Taxable income includes income from employment, income from the carrying on of a business, professional income, and capital gains.
4. Deductions and allowances – Life insurance payments and grants to the National Employment Fund may be deducted in calculating taxable income. Family allowances are available. Ten percent of professional fees may be deducted up to TND2,000 per year.
5. Rates – Personal income tax rates are progressive from 0% to 35%, plus a 1% social solidarity contribution. The solidarity contribution does not apply to employees, residents, and retirees with annual taxable income that does not exceed TND5,000. Non-resident individuals are subject to the same rates as Tunisian residents and also may be subject to WHT. Capital gains are taxed at a rate of 15% if the seller holds the property for less than five years and 10% if the property is held for more than five years.

Income Tax – Companies

Companies	Rate	Rate, including social solidarity contribution	Minimum contribution (TND)
Standard corporate rate	15%	16%	200
Banking and financial institutions, insurance and reinsurance, factoring, telecommunications, and mutual insurance companies large commercial areas; automotive dealerships; franchises of a foreign brand; service companies operating in the hydrocarbons sector	35%	38%/37%	300
Companies subject to the 35% rate that are listed on the TSE and/or alternative markets during the period 1 January 2010 through 31 December 2024	20%	21%	200
Other	10%	11%	100

Notes

1. Basis – Tunisia operates a territorial system of taxation, under which all income derived in the country is subject to tax. Worldwide revenue may be subject to Tunisian tax based on provisions in an applicable tax treaty.
2. Residence – Tunisia does not have a definition of residence for tax purposes.
3. Taxable income – Profits derived from the operation of a business in Tunisia or abroad are subject to tax, after the deduction of allowable expenses. Capital gains are treated as ordinary income and are subject to the applicable corporate income tax rate.
4. Losses – Net operating losses may be carried forward for up to five years. Losses resulting from depreciation may be carried forward indefinitely. The carryback of losses is not permitted.
5. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
6. Rate – The normal corporate income tax rate is 15%, effective 1 January 2021. A 35% rate applies to certain banking and financial institutions, investment companies, insurance and reinsurance companies; factoring companies; and telecommunications companies. The 35% rate is reduced to 20% for companies that list their shares on the TSE (or an alternative market) during the period 1 January 2020 through 31 December 2024. A 50%-75% rate applies to companies operating in the hydrocarbons sector. A lower rate of 10% applies to agricultural, health, handicraft, and education activities.
7. Branch taxation – A branch of a foreign company is subject to the same accounting and tax obligations as a domestic company. However, a 10% branch profits tax applies to the after-tax profits of a branch of a foreign company where funds are repatriated.
8. Social solidarity contribution – a 1% social solidarity contribution is added to the corporate income tax rate.
9. Deductions – Deductions are allowed for all necessary costs incurred in operating the business, depreciation or amortisation, reserves, rent for premises and equipment, wages, remuneration paid to board members, etc.
10. Foreign tax credit – Tunisia does not provide for a unilateral foreign tax credit.

Withholding Tax (WHT)

The WHT rates on various types of income are set out below. The tax is a final tax for non-residents.

	Residents	Non-residents
Dividends	10%	10%/25%
Interest	20%	10%/25%
Royalties	-	-
Professional fees	3%	15%/25%
Payments exceeding TND 1,000	1%	N/A
Other	10%	15%/25%

Notes

1. Dividends paid to resident individuals and non-residents are subject to a 10% WHT. The tax is final for amounts that exceed TND10,000 and is deductible in calculating personal income tax if the amount is under TND10,000.
2. Interest payments made to non-residents generally are subject to a 10% WHT unless the rate is reduced under a tax treaty.
3. Royalties are not defined under domestic law; the definition is provided in a relevant tax treaty. Payments made abroad are subject to a 15% WHT if there is no tax treaty with the relevant country.
4. The higher rate of 25% applies where payments are made to

a company resident in a country with privileged taxation.
5. Professional fees paid to non-residents generally are subject to a 15% WHT unless the rate is reduced under a tax treaty.
6. The WHT on payments exceeding TND1,000 is not applicable to non-residents not established in Tunisia. The rate of 1% applies to companies subject to the 15% corporate tax rate and 0.5% applies to companies subject to the 10% corporate tax rate.
7. Remuneration paid to members of boards, assemblies, and committees of limited companies is subject to a 20% WHT, which may be deducted in computing taxable income.

Tax Treaties

Tunisia has concluded tax treaties with the following countries:

Country	Dividends	Interest	Royalties
Austria	10%/20%	10%	10%/15%
Belgium	5%/15%	5%/10%/0%	11%
Cameroon	12%	15%	15%
Canada	15%	15%	15%/20%
China	8%	0%/10%	5%/10%
Czech Republic	10%/15%	12%	5%/15%
Denmark	15%	0%/12%	15%
Egypt	10%	10%	15%
Ethiopia	5%	0%/10%	5%
France	D[1]	0%/12%	0%/5%/15%/20%
Germany	5%/15%	2,5%/10%	10%
Hungary	10%/12%	0%/12%	12%
Indonesia	12%	0%/12%	15%
Iran	10%	0%/10%	8%
Italy	15%	0%/12%	5%/12%/16%
Jordan	D[1]	D[1]	D[1]
Kuwait	10%	0%/2.5%/10%	5%
Lebanon	5%	0%/5%	5%
Luxembourg	10%	7,5%/10%	12%
Mali	0%/5%	5%/0%	10%
Malta	10%	0%/12%	12%
Mauritius	0%	0%/2.5%	2.5%
Netherlands	0%/20%	0%/7.5%/10%	7.5%/11%
Norway	20%	12%	5%/15%/20%
Pakistan	10%	13%	10%
Poland	5%/10%	12%	12%
Portugal	15%	15%	10%
Qatar	0%	D[1]	5%
Romania	12%	0%/10%	12%/4%/15%
Saudi Arabia	5%	2.5%/5%	5%
Senegal	D[1]	D[1]	D[1]
Singapore	5%	5%/10%	5%/10%
South Africa	10%	5%/12%/0%	10%/12%
South Korea	15%	0%/12%	15%
Spain	5%/15%	5%/10%	10%
Sudan	0%/5%	0%/10%	5%
Sultanate of Oman	0%	0%/10%	5%
Sweden	15%/20%	12%	5%/15%
Switzerland	10%	10%	10%
Syria	0%	10%	18%
Turkey	12%/15%	10%/0%	10%
United Arab Emirates	0%	0%/2.5%/ 5%/10%	7.5%
United Kingdom	12%/20%	10%/12%	15%
United Maghreb Arab	D[1]	D[1]	D[1]
United States	14%/20%	15%	10%/15%
Yemen	0%	10%/0%	7.5%
Burkina Faso	8%	5%/0%	5%
Hellenic Republic	35%/10%	15%	12%
Serbia	10%	10%	10%
Vietnam	10%	10%/0%	10%/15%

Notes

1. The income is taxed in the source country and according to its legislation.

Anti-avoidance Rules

Transfer pricing

In line with its international commitments and following Tunisia's signing of the OECD Multilateral Instrument for the Implementation of Tax Treaty Measures to Prevent Base Erosion and Profit Shifting in 2018, Tunisia has adopted new transfer pricing rules based on the OECD transfer pricing guidelines. Transactions between related parties (and between a Tunisian entity and an entity located in a country with a preferential tax regime) must be carried out on arm's length terms.

The following documentation rules apply as from 1 January 2020:

- Companies with turnover exceeding TND200 million are required to prepare an annual transfer pricing policy report
- Tunisian groups and subsidiaries of foreign companies that meet certain criteria are required to prepare country-by-country reports

Advance pricing agreements may be concluded with the Tunisian tax authorities for a three to five-year period.

Thin capitalisation rules

Tunisia does not have thin capitalisation rules.

Controlled foreign company (CFC) rules

Tunisia does not have CFC rules.

General anti-avoidance rule

Tunisia does not have general Anti-avoidance Rules.

Employment-related Taxes

Payroll tax

An employer is required to pay a professional training tax at a rate of 1% of gross salary in the manufacturing sector, 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 monthly.

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's social security contribution is 16.07% or 16.57%, in addition to a workplace accident contribution, and ranges from 0.4% to 4%, depending on the sector.

Contribution to a retirement fund is not mandatory, but it is fixed at a rate of 9% on the difference between an employee's gross wages and six times the minimum guaranteed wage, of which two-thirds is paid by the employer and one-third by the employee.

Indirect Taxes

Value-added tax (VAT)

Standard rate	19%

Customs and excise duties
The import of goods into Tunisia is subject to import or customs duty at rates ranging from 0% to 30%.

Excise tax is a federal tax on specific goods and services imported or manufactured in Tunisia. The tax is levied on a variety of items based on the sales price or customs value for imported goods. The advance tax on imports is 15%, and the amount paid may be deducted when calculating corporate income tax.

VAT applies to goods subject to excise tax.

Other Taxes

Inheritances and donations
Inheritance and gift tax is due at rates ranging from 2.5% to 35%, depending on the degree of succession.

Capital duty tax
A registration duty is levied on the contribution of capital or an increase in capital, at TND150 per formation or increase.

Stamp duty
Stamp duty is levied on most contracts, agreements, and documents that are subject to registration, as well as on administrative private documents relating to a business. The stamp duty rate varies depending on the nature of the transaction.

Land transfer tax
The transfer of immovable property located in Tunisia is subject to a 5% registration duty and a 1% duty on registered or unregistered real estate.

Real property tax
The transfer of real property located in Tunisia is subject to various registration fees, such as a 5% transfer tax and a 3% tax for unregistered property, etc. These rates may be applied individually or cumulatively depending on the nature of the transfer and the identity of the parties. In addition, a complementary duty may be imposed at a rate of 2% on immovable property that is valued between TND500,000 to TND1 million, and 4% if the value of the property exceeds TND1 million.

Other
A tax on industrial, commercial, or professional establishment is due at a rate of 0.1% of export turnover or 0.2% of local turnover.

Tax Administration and Compliance

Tax is administered in Tunisia by the La Direction Générale des Impôts (General Directorate of Taxes).

Companies
1. Tax year – The tax year is the calendar year, although a company can request a different 12-month period.
2. Consolidated returns – A consolidated declaration for a group of companies is no longer applicable.
3. Filing and payment – The annual tax return must be filed before the 25th day of the third month following the end of the tax year. Advance payments of tax must be made before the 28th day of the 6th, 9th, and 12th months following the end of the year, with each payment equal to 30% of the corporate income tax liability of the previous year. Advance tax paid may be credited against the final corporate income tax liability for the year.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.
5. Rulings – Rulings are not granted on the tax consequences of transactions.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Married couples are assessed separately. Joint returns are not permitted.
3. Filing and payment – Individuals carrying out a trade must file a tax return by 25 April, and service providers and those carrying on an industrial activity or a non-commercial profession by 25 May. Salaried employees and pensioners must file by 5 December. Individuals deriving income from movable capital, land, and foreign sources must file an annual return by 25 February.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.

VAT
1. Filing and payment – The VAT return must be filed and tax paid on a monthly basis.
2. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.

Investment Incentives
The Investment Code offers guarantees to foreign investors and protection to intellectual property, as well as a preferential system for exports and offshoring services, including the following:
- Exemption from TFP, FOPROLOS, registration fees, and VAT
- Tax exemption for up to 10 years (applicable until 31 December 2020) for certain investments
- 10% tax on exports (however, as from 2021, exporting companies will be subject to a 15% corporate income tax rate)
- Up to 30% of a company's management may be comprised of foreigners for three years
- Financial incentives equal to up to one-third of the project costs
- Full coverage of social and employer costs for certain investments for up to 10 years.

Exchange Controls
Foreign-owned companies and branches of foreign companies may freely repatriate profits provided applicable taxes have been paid. However, certain transfers must be approved by the Central Bank.

Expatriates and Work Permits
Pre-arrival procedures
Any foreigner, except Union du Maghreb Arabe (UMA) nationals, who wishes to work in Tunisia must have an employment contract and a residence card that allows the individual to work in the country. The employment contract must be valid for at least one year and may be renewed once (except in the case of foreigners working in companies that operate in Tunisia within the framework of the Realization of Development Projects). Foreigners can be recruited only if there are no Tunisian citizens with the relevant skills.

Employment visas
Entry visas are not required for most European countries, except for individuals who come to Tunisia to work. The latter individuals must apply for a residence card from the relevant regional police office. This procedure is not required for UMA nationals.

Trade Relations
Memberships
- World Trade Organization
- OECD

Key Economic Information

Currency (symbol/code)
Tunisian dinar (د.ت/TND)

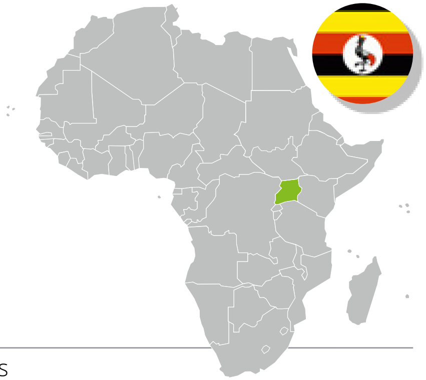
Exchange rate	
US$1	TND2.74
EUR1	TND3.29
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$127.33 billion	US$133.37 billion
Real GDP growth	
3.81%	2.43%
Average inflation	
5.82%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
6.25%
Source: Central Bank of Tunisia, 2021.

Market capitalisation as at April 2021
US$8,435.30 million
Source: Capital IQ, 2021.

Tunisia



Uganda

Contacts

Patronella Namubiru
pnamubiru@deloitte.co.ug
+256 417 701 000

Martin Makumbi
mmakumbi@deloitte.co.ug
+256 417 701 120

Fredrick Omondi
fomondi@deloitte.co.ke
+254 20 423 0318

Income Tax – Individuals

Annual chargeable income (UGX)	Resident tax rates	Non-resident tax rates
0 – 2,820,000	0	10%
2,820,001 – 4,020,000	10% of excess over UGX2,820,000	10%
4,020,001 – 4,920,000	UGX120,000 + 20% of excess over UGX4,020,000	UGX402,000 + 20% of excess over UGX4,020,000
4,920,001 – 120 million	UGX300,000 + 30% of excess over UGX4,920,000	UGX582,000 + 30% of excess over UGX4,920,000
Over 120 million	UGX300,000 + 30% of excess over UGX4,920,000 + additional tax of 10% of excess over UGX120 million	UGX582,000 + 30% of excess over UGX4,920,000 + additional tax of 10% of excess over UGX120 million

Notes

1. Basis – A resident individual in Uganda is subject to tax on his/her worldwide income. However, foreign-sourced employment income is exempt from tax in Uganda where the individual has paid foreign tax on the income. A short-term non-resident individual (i.e. a person who is resident for less than two years) is liable to tax only on Uganda-source income or income from employment or services rendered in Uganda. A sole proprietor is taxed in the same way as an individual.
2. Residence – An individual who is physically 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. An individual is also considered a resident for tax purposes if he/she has a permanent home in Uganda or has been present in the country for an average of at least 122 days during three consecutive years of income.
3. Taxable income – Income includes employment income, profits from the exercise of a trade, business, or professions; capital gains; dividends; interest; and non-monetary benefits, advantages, or facilities obtained through gainful means. Benefits in kind provided to an employee by an employer (e.g., motor vehicles, housing, certain meals and entertainment, certain loans, and other property or services) are taxable to the employee at scale rates or at the actual cost to the company, subject to a market value test.
4. Exempt income –Certain employment income, employee benefits, and capital gains are exempt from personal income tax, as follows:
   - Employment income – The foreign employment income of a resident individual is exempt from tax in Uganda if tax has been withheld on the income and remitted to the tax authorities in the country of employment. Employment income of an individual in the public service of the government of a foreign country is exempt, subject to certain conditions. An exemption is available for employment income of persons employed by the Uganda People's Defense Force, the Uganda police, an internal or external security organisation, or the Uganda prisons service. Emoluments payable to an employee of the East African Development Bank are also exempt
   - Employee benefits – Exempt employee benefits include life insurance premiums (only where the person is carrying out a life insurance business and the employer is a tax-paying entity); contributions to retirement funds, and medical expenses paid for by an employer (other than a tax-exempt employer); an allowance payable outside Uganda to a person working on a Ugandan foreign mission; the cost of passage to and from Uganda in respect of an appointment and termination of employment of a non-Ugandan citizen employee recruited outside Uganda solely for the purpose of the employment; the value of meals provided by the employer on premises operated by or on behalf of the employer solely for the benefit of employees where meals are available to all full-time staff on equal terms; per diems, i.e., allowances that do not exceed or are unlikely to exceed expenses for accommodation, travel, or meals while undertaking travel in the course of performing employment duties; and any benefit where the total value of benefits in a month does not exceed UGX10,000.
   - Capital gains – Capital gains derived from the disposal of non-business assets are not subject to capital gains tax, except gains from the sale of shares in a private limited liability company. No gain or loss arises on transfers between spouses, transfers that form part of a divorce settlement, disposals where the proceeds are reinvested in a similar asset within one year of the disposal, and transfers of assets to a trustee or a beneficiary upon the death of the taxpayer.
5. Deductions and allowances – Local service tax is an allowable deduction when computing an employee's income through the "Pay As You Earn" (PAYE) system. A deduction is allowed for 20% of the rental income of an individual.
6. Rates – Personal income tax is imposed at progressive rates ranging from 0% to 40%. Rental income for individuals and individual partners of a partnership is taxed separately at a rate of 20% on 80% of gross income exceeding UGX2.82 million. Taxable profits from self-employment income is taxed as business income, using the annual individual tax rates.
7. Local tax – Local service tax is payable to the local authorities at specific rates based on the individual's income up to a maximum tax of UGX100,000. See "Employment-related Taxes," below.

Income Tax – Companies

Basic rate	30%

Notes

1. Basis – For all companies, income accruing in or derived from Uganda (i.e. Uganda-source income) is taxable. Small businesses are subject to tax based on their turnover (see "Indirect taxes," below). The profits of a partnership, including a firm carrying on a trade or profession, are taxable at either the level of the partnership or the level of the partner. Partners in the partnership are taxable regardless of whether they are companies or individuals.
2. Residence – A company is resident in Uganda for tax purposes if it is incorporated or formed under the laws of Uganda or exercises its management and control or undertakes the majority of its operations in Uganda at any time during the tax year.
3. Taxable income – Chargeable income is gross income earned during the year, less total allowable deductions. Gross income comprises both business income and property income. Business income includes any income of a revenue or capital nature from carrying on a business, such as gains on the disposal of business assets or the cancellation of business debts, amounts derived as consideration for a restriction on the ability to carry on business, gross proceeds from the disposal of trading stock, the value of gifts given in the course of business relationships, and interest derived from trade receivables or from the business of lending money. Property income includes dividends; interest; royalties; rents; annuities; natural resource payments; any payment derived from the provision, use, or exploitation of property; and income from sports and pool betting. The taxation of dividends is described below, and interest is subject to withholding tax (WHT), with some exceptions (see "Withholding tax," below). WHT deducted from interest payable to a resident individual by a financial institution is a final tax; in all other cases, interest will be subject to further tax, with a credit granted for the tax withheld.

4. Exempt income – Exempt income includes the following: income of a listed institution; income of a local authority; income of an exempt organisation, other than property income and rent from an exempt organisation and business income not related to the core existence of the organisation; income of the government of Uganda and the government of any other country; income of the Bank of Uganda; income of a collective investment scheme; income of an investor compensation fund (established as per section 81 of the Capital Markets Act); income from the operation of aircraft; income from the exportation of finished consumer goods for a period of 10 years by a person that has been issued a certificate of exemption; income of a person carrying on agro-processing that has been issued a certificate of exemption; income of a Savings and Credit Cooperative Society through 30 June 2027; income of the Bujagali Hydro Power Project for a five-year period as from 1 July 2017; interest paid on infrastructure bonds; and income of an operator in a free zone with minimum investment capital of US$10 million for a foreigner or US$1 million for a Ugandan citizen who, subject to availability, uses at least 50% of locally sourced raw materials and employs at least 60% Ugandan citizens and:
   - Processes agricultural goods;
   - Manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobiles, or household appliances;
   - Manufactures furniture, pulp, paper, and the printing and publishing of instructional materials;
   - Establishes or operates vocational or technical institutions; or
   - Carries on business in logistics and warehousing, information technology, or commercial farming
5. Deductions – Deductions may be available for the following:
   - Specific bad debts written off if they are trade debts and all reasonable steps have been taken to pursue payment
   - Capital allowances
   - Acquisition of a depreciable asset (other than a returnable container) costing less than UGX1 million
   - Certain expenses for meals, refreshment, or entertainment in the course of the performance of an employee's duties
   - The cost of training or tertiary education not exceeding five years for a Ugandan citizen or a permanent resident of Uganda
   - Charitable donations not exceeding 5% of chargeable income to exempt organisations
   - Repairs to property used in the production of income
   - Losses on the disposal of business assets
   - Interest on debt obligations incurred in the production of income; the deduction of interest payable to "group" entities, other than financial institutions or persons carrying on insurance business, which is capped at 30% of tax earnings before interest, tax, depreciation and amortisation (EBITDA), with any excess interest allowed to be carried forward for up to three years
   - Interest paid on a mortgage from a financial institution to purchase or construct rental property
   - 2% of income tax payable by a private employer that proves to the Uganda Revenue Authority (URA) that 5% of its full-time employees are disabled persons
   - An initial allowance of 50% on eligible property outside a 50-kilometer radius from Kampala, and 20% on industrial buildings.

   Certain expenses may not be deducted, including expenses of a capital nature, income tax payable in Uganda or a foreign country, donations in excess of 5% of chargeable income and donations to non-exempt organisations; and expenditure exceeding UGX5 million in a single transaction on goods and services from a supplier that does not have a taxpayer identification number.
6. Losses – Trading losses, including capital losses, may be carried forward indefinitely and offset against future trading income. Where there has been a change of 50% or more in the underlying ownership of a company, compared to its ownership in the previous year, losses cannot be deducted from the income of the new company, unless for a period of two years after the change or until the assessed loss has been exhausted, the company:
   - Continues to carry on the same business as before the change in ownership
   - Does not engage in a new business or investment after the change that is designed to reduce the tax payable on the income of the new business or investment.

   Assessed farming losses may not be deducted from any other income in the year the loss is incurred and may be offset only against future farming income. Losses incurred on the completion of a long-term contract may be carried back. Special rules apply to mining and petroleum companies (see below). The carryback of losses is not permitted.
7. Dividends – Dividends received from a resident company by a resident or a non-resident are subject to 15% WHT on the gross payment. Dividend income is taxable at the corporate tax rate but is exempt where a resident recipient company holds 25% or more of the voting power of the resident payer. Foreign-source dividends are taxable, with any WHT deducted allowed as a credit against the company's tax liability for the year. Taxable dividends also include dividends paid to a financial institution on its ownership of redeemable shares in the payer company and dividends paid by a resident company as part of a dividend-stripping arrangement.
8. Capital gains – Taxable capital gains arise on the disposal of qualifying assets held by a company. The gain is the excess of the proceeds over the cost of the assets and related expenses. The taxpayer can elect to claim inflation relief for assets acquired before 31 March 1998. The gain is taxed at the company rate as part of business income.
9. Foreign tax credit – A foreign tax credit is available where foreign-source income also is taxable in Uganda. The credit may be used in the year in which it arises to offset Ugandan tax payable on such income; otherwise, the taxpayer forfeits the credit. The amount of the foreign tax credit may not exceed the tax payable in Uganda on the foreign income and is calculated by applying the average Ugandan tax rate to the taxpayer's net foreign income.
10. Group relief – There are no group relief provisions or provisions for the transfer of losses between members of a group.
11. Rates – The standard corporate income tax rate is 30%. Rental income is taxed separately; all expenses incurred in deriving the income are allowed as a deduction and the chargeable income is taxed at the 30% rate. Businesses with gross turnover not exceeding UGX150 million are subject to the small business taxpayer rates on their turnover, unless an election is made (see "Indirect Taxes" below).
12. Branch taxation – Branch remittances are subject to a 15% tax, in addition to the normal 30% corporate income tax rate.
13. Mining companies – Mining companies also are taxed at a 30% rate on their mining activities. Where a licensee has a loss carried forward for more than one year, the loss of the earliest year is allowed as the first deduction in a particular license area. Special depreciation rules apply.
14. Petroleum companies – Petroleum companies are taxed at the standard 30% rate. Losses in a contract area may be carried forward to offset income in that contract area until the loss is fully utilised or the petroleum operations in the contract area cease. Special depreciation rules apply.
15. An income tax holiday is granted to industrial park or free zone developers or operators, as follows:
    - A 10-year holiday if the capital invested is at least US$50 million for a foreigner or US$10 million in the case of a Ugandan citizen
    - A 10-year holiday if the capital invested is at least US$10 million, or US$1 million in the case of a Ugandan citizen investor, respectively.

Withholding Tax (WHT)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty). These tax rates are set out below:

Payment	Resident	Non-resident
Dividends	10%/15%	15%
Interest	0%/10%/15%/20%	10%/15%/20%
Royalties	N/A	15%
Management fees	6%	15%
Professional fees	6%	15%
Imported goods	6%	N/A
Goods and services provided to government bodies and other designated persons	6%	N/A
Agricultural supplies	N/A	N/A
Rents or premiums	N/A	15%
Natural resources	N/A	15%
Uganda-source service contracts	N/A	15%
Shipping, air transport, cargo, road transport	N/A	2%
Cable, radio, optical fibre or satellite communication	N/A	5%
Public entertainment, athletes' fees	N/A	15%
Non-resident mining or petroleum contract services	N/A	10%
Reinsurance premiums	N/A	10%
Commissions paid by telecom companies	10%	N/A

Notes

1. Dividends paid to both residents and non-residents are subject to a 15% WHT; the rate drops to 10% for dividends paid by a listed company to a resident individual.
2. Interest paid to a resident is subject to a 15% WHT (20% on government securities whose maturity period does not exceed 10 years and 10% on government securities whose maturity period is at least 10 years for both resident and non-residents). No WHT applies, however, on interest paid by an individual, interest paid to a financial institution, and interest paid by a company to an associated company.
3. A 10% final WHT applies on all commissions paid by telecom companies for airtime distribution or the provision of mobile money services.
4. Any payment to a Uganda resident from the government, a government institution, a local authority, a company controlled by the government, or a person designated in a notice issued by the Finance Minister of an amount exceeding or in the aggregate of UGX1 million for the supply of goods or materials of any kind or any service is subject to a 6% WHT. The Commissioner of the URA can exempt resident taxpayers who are regularly compliant from payment of the 6% WHT on goods and services (upon application and confirmation of an acceptable compliance record for at least three years).
5. Payments under Uganda-source service contracts to Uganda residents are exempt from WHT if paid to an entity or professional listed on the URA exemption list. The list is updated every six months.
6. A 15% WHT applies to sports winnings or pool betting.
7. A non-resident contractor who derives a fee for the provision of services to a licensee in respect of mining or petroleum operations is required to pay a 10% non-resident contractor WHT. The licensee is required to withhold this tax from the contractor at the earlier of the time the licensee credits the service fee to the account of the non-resident contractor or the time that the fee is actually paid.
8. A 6% WHT is applied on the gross payment to a resident person that purchases a business or a business asset.

Tax Treaties

The following table shows the WHT rates on dividends, interest, and royalties under Uganda's treaties.

Treaty partner	Dividends	Interest	Royalties
Denmark	10%/15%*	10%	10%
India	10%	10%	10%
Italy	15%	15%	10%
Mauritius	10%	10%	10%
Netherlands	0%/5%/15%*	10%	10%
Norway	10%/15%*	10%	10%
South Africa	10%/15%*	10%	10%
United Kingdom	15%	15%	15%
Zambia	0%	0%	0%

* The lower rate applies where a specific holding requirement is met.

Countries that have no treaty with Uganda have a rate of 15% for dividends, interest and royalties.

Anti-avoidance Rules

Transfer pricing

The commissioner is granted powers to recharacterise income or transactions between related parties using the anti-avoidance provisions where the commissioner is of the opinion that the transactions do not reflect an arm's length relationship. Any company with cross-border transactions with associated parties must have a fully documented transfer pricing policy in place to demonstrate the arm's length pricing of the transactions (following the OECD guidelines). This also applies to companies engaged in domestic transactions with associated parties in excess of UGX500 million per year in the aggregate.

Related party transactions for transfer pricing purposes include employment relationships.

Thin capitalisation

See under "Deductions" in the income tax section for companies, above.

Employment-related Taxes

Payroll tax

A PAYE system applies, under which employers are required to register and deduct tax from their employees' salary or other employment income. The PAYE deducted is remitted to the URA, and reported on the PAYE tax return filed by the employer. The employee credits the PAYE against its tax liability at the time the annual tax return is filed at the end of the tax year. Penalties apply where the employer fails to deduct or remit PAYE or deducts and remits incorrect amounts.

Social security

National Social Security Fund (NSSF) contributions are charged at a rate of 15% of monthly salary, wages, or cash allowances. Employers and employees contribute 10% and 5%, respectively. The 10% employer contribution may be deducted in calculating taxable income.

Local service tax (LST)

LST is an annual tax collected by the local authority (e.g., the district, municipality, division, or city council) where the taxpayer resides (for at least six months) from persons with gainful employment.

LST is levied on the salaries/wages of employees remaining after deducting PAYE. Employers have a statutory duty to determine and deduct LST from the salaries and wages of their employees based on the rates specified (a maximum of UGX100,000/US$40 per year). LST may be deducted when computing PAYE.

LST is deducted in four equal instalments in the first quarter of the fiscal year (1 July to 30 June) and must be remitted by the 15th day of the month following the LST month. However, the employer can opt to deduct the LST in one lump sum and remit it by 15 November.

Indirect Taxes

Value-added tax (VAT)

Standard rate	18%

Notes

1. Taxable transactions – VAT is levied on the sale of goods and the provision of services, and on the import of non-exempt goods and services.
2. Rates – The standard VAT rate is 18%. Wheat grain is now standard rated. Zero-rated supplies include exported goods and services and specified imported goods, particularly those used in agriculture, health, and education. Certain transactions are exempt, and exempt supplies have been expanded to include the following: animal feed and premixes, crop extension services, irrigation works, sprinklers, and ready-to-use drip lines, deep-cycle batteries and composite lanterns, and agriculture insurance premiums or policies. The Minister may designate a person to withhold tax on the payment of taxable supplies at a rate of 6% of the taxable value.
3. Registration – Persons making, or expecting to make, taxable supplies of UGX37.5 million or more in a three month period, or UGX150 million or more in a 12-month period are required to register for VAT purposes. A business must have an office or registered office in Uganda before it can be registered for VAT, or it must appoint an agent to assume its VAT responsibilities and obligations. Licensees engaging in mining and petroleum operations, persons undertaking the construction of a petroleum refinery or petroleum pipeline are persons permitted to register for VAT.

Customs and excise duties

Goods imported into Uganda normally are subject to customs duties (import duty, excise duty, WHT, VAT, and environmental levy). Import duty rates generally are 0% for raw materials and capital equipment, 10% for intermediate/semi-finished goods, and 25% for finished goods, with higher rates for certain products (including tobacco products).

The East African Community contracting member states impose common tariffs on goods originating from outside the community. Customs is governed by the East-African Community Customs Management Act. Variable rates apply for some excisable goods, based on the higher of the specific rate or the ad valorem rate for the goods, as follows:

- "Opaque" beer: Higher of 30% or UGX650 per litre
- Powder for making juice or flavouring drinks (except pulp): 15%
- Undenatured spirits made from local raw materials: Higher of 60% or UGX2,000 per litre
- Undenatured spirits made from imported raw materials: Higher of 100% or UGX2,500 per litre
- Ready-to-drink spirits: Higher of 80% or UGX1,500 per litre
- Wine made from local raw materials: Higher of 20% or UGX2,000 per litre
- Other wine: Higher of 80% or UGX8,000 per litre.

Other Taxes

Turnover tax (presumptive tax)

The turnover tax is referred to as a "presumptive tax" for small businesses with annual gross turnover exceeding UGX50 million but not exceeding UGX150 million:

Annual gross turnover (UGX)	Tax payable (UGX)
50,000,001 – 75 million	Lower of 937,500 or 1.5% of turnover
75,000,001 – 100 million	Lower of 1,312,500 or 1.5% of turnover
100,000,001 – 125 million	Lower of 1,687,500 or 1.5% of turnover
125,000,001 – 150 million	Lower of 2,062,500 or 1.5% of turnover

Turnover tax (local tax)

Annual local taxes of UGX100,000 to UGX500,000 apply to small businesses with annual gross turnover exceeding UGX10 million but not exceeding UGX50 million, with the rates depending on the taxpayer's business and whether the relevant local authority is a division, municipality, town, or trading centre.

Inheritance and estate tax

There is no inheritance tax or estate tax in Uganda.

Real property tax

Property rates are levied by the local authorities.

Stamp duty

Stamp duty is an indirect tax levied on various legal documents and certain agreements (i.e., financial instruments and transactions) and is charged at nominal or ad valorem rates. Corporations may be able to obtain a waiver from stamp duty in some cases if the Minister of Finance consents.

The following rules apply as from 1 July 2019:

- A uniform fixed stamp duty is payable on bank guarantees, insurance performance bonds, indemnity bonds, and similar debt instruments at a rate of UGX100,000
- A nil rate of stamp duty applies to investors with thresholds as listed below under the 1 July 2019 changes for income tax.

Tax Administration and Compliance

Tax is administered by the Uganda Revenue Authority (URA).

Companies

1. Tax year – The normal fiscal year is 1 July to 30 June. A company may adopt a different year with the consent of the commissioner.
2. Consolidated returns – Consolidated returns are not permitted; each company in a group must file its own return.
3. Filing and payment – A provisional return must be filed within six months of the commencement of the company's accounting year and, if necessary, a company must file a revised estimate before the end of the 12th month of the 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 any balance due must be paid within six months after the company's year end.
4. The Minister of Finance has been empowered to issue estimates of rent for purposes of assessing rental tax in a specific area for persons failing to file a return or filing a misleading return.
5. 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 for the late payment of tax is 2% per month on the shortfall, and a penalty of 2% of the greater of the gross tax liability or UGX200,000 per month applies when a return is filed late. Other civil and criminal penalties may arise in specific circumstances.

6. Penal tax – A "penal tax" of UGX50 million or UGX20 million applies for failure to provide records in respect of transfer pricing within 30 days of a request from the URA or for failure to provide any other information requested, respectively.
7. Interest capping – Interest capping has been introduced so that the total interest due from a taxpayer cannot exceed the aggregate of the principal tax and penal tax due.
8. Rulings – A private ruling may be obtained from the URA 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.

Individuals

1. Tax year – The normal tax year runs from 1 July to 30 June.
2. Filing and payment – Quarterly provisional returns must be filed by individuals receiving income that is not subject to PAYE or another WHT. The provisional return must be filed before the end of the first quarter (third month of the year) and payments of tax must be made on a quarterly basis. 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. by 31 December), unless their income is from a single employer and is subject to PAYE, or the individual is a small business taxpayer taxed on the basis of turnover.
3. Penalties – The late filing penalty for individuals is the same as for corporations, i.e. the higher of 2% of tax payable or UGX200,000 per month. The penalty for late payment is 2% of the tax payable per month outstanding, calculated as simple interest. The penalty on an employer or withholding agent for the late filing of PAYE or WHT returns for an individual is UGX500,000, upon conviction, and the penalty for late payment is 2% of the outstanding tax payable per month, calculated as simple interest.

VAT

Filing and payment – VAT returns must be filed monthly by the 15th day of the following month, and tax due paid at that time.
Penalties – A penalty of the higher of UGX200,000 or compound interest of 2% applies for late returns. The penalty is 2% of tax payable per month outstanding, calculated as compound interest, for late payment.

The Government of Uganda has introduced the Electronic Fiscal Receipting and Invoicing System (EFRIS) effective financial year 2020/2021. Every VAT registered taxpayer is required to issue an e-invoice or e-receipt for business supplies made whether exempt or taxable. This is necessary in order to claim a VAT credit, refund or income tax deduction.

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 annual 5% industrial buildings allowance is granted to factories, hotels, and hospitals
- Amortisation is available for intangible assets over their ascertainable useful life
- Wear-and-tear allowances of 20% to 40% apply to most assets.

Investments meeting threshold

Effective 1 July 2019, a 10-year income tax exemption is available with respect to the following:

- Income derived from letting or leasing facilities by a developer of an industrial park or a free zone whose investment capital is at least US$50 million or US$10 million for a foreigner and citizen respectively. The tax holiday begins as from the date construction commences or when the developer meets the monetary threshold
- Income derived by an operator in an industrial park or a free zone or other business outside an industrial park or a free zone whose investment capital is at least US$10 million in the case of a foreigner or US$1 million in the case of a citizen, as from the date business commences (as from the date the additional investment threshold is met for an existing operator)
- Income from specific businesses carried out by an operator in an industrial park or a free zone, or an operator who owns a single factory or other business outside the industrial park or free zone, whose investment capital is at least US$10 million in the case of a foreigner or US$1 million in the case of a citizen and that uses at least 50% locally sourced raw materials (subject to availability) and employs at least 60% Ugandan citizens. The following businesses qualify:
  - Processing agricultural goods
  - Manufacturing or assembling medical appliances, building materials, automobiles, or household appliances
  - Manufacturing furniture
  - Establishing or operating vocational or technical institutions
  - Carrying on a logistics and warehousing, information technology, or commercial farming business.

Non-cash incentives

Export incentives

- The foreign exchange regime is fully liberalised and exporters are entitled to retain 100% of foreign exchange earnings accruing from their export transactions
- Uganda's exports qualify for preferential tariff rates in the Common Market for Eastern and Southern Africa and the East African Community. In addition, Ugandan products enter the EU and US markets duty and quota-free under the Cotonou Agreement and the African Growth and Opportunity Act initiatives, respectively
- All exports of goods and services are zero-rated. However, exporters are required to be VAT-registered and can reclaim VAT incurred on all inputs used in the process of producing and processing exports. There are no duties charged on exports
- "Duty drawback" is available for manufacturers and other exporters to compete in foreign markets without having to include costs of imported inputs in the final export price (the duty paid on imported inputs). This allows exports to draw back up to 100% of duties paid on materials inputs imported to produce for export
- Manufacturers may apply for a customs license to hold and use imported raw materials intended for manufacture for export in secured places without the payment of taxes
- Other incentives are available for export-oriented investment projects.

Other investment incentives

The Financial Institutions Act has been amended to provide for new financial products, such as Islamic banking and agency/mobile banking.

Exchange Controls

Although foreign exchange repatriations from Uganda are not restricted, a person seeking to repatriate funds in excess of UGX50 million must obtain a tax clearance certificate from the URA.

Expatriates and Work Permits

There are no expatriate concessions available in Uganda. Expats/non-residents are taxed only on income derived from sources in Uganda.

Work permits

- Individuals may apply for seven classes of work permits, depending on the type of work they are employed to perform in Uganda. Applicants who are East African nationals (i.e., from Burundi, Kenya, and Rwanda) are exempt from paying visa fees for all classes
- Class A is for individuals employed by the government for diplomatic services and for government contractors, including government tertiary institutions
- Class B applies to individuals seeking to establish or become involved in the agriculture or husbandry business in Uganda
- Class C is applicable to those seeking to establish a business prospecting for minerals or mining in Uganda
- Class D is designed to attract investors and business people who wish to invest in Uganda. An applicant for this work permit is not required to have a Ugandan investment partner. The applicant's family may be included on the work permit application, subject to certain requirements
- Class E is applicable to individuals seeking to establish a manufacturing business in Uganda
- Class F is applicable to individuals intending to carry out a profession in Uganda
- Class G is designed for individuals who intend to work in Uganda on either a paid or an unpaid basis, including employees within a multinational group that are seconded to Uganda by their employers (otherwise known as an intracompany transfer).

Visa fees

Visa fees are as follows:

- A single-entry visa is US$50
- A multiple-entry visa for six months to 12 months is US$100
- A multiple entry-visa for 24 months is US$150
- A multiple-entry visa for 36 months is US$200, depending on the class of work the individual will be employed to perform. Applicants that have applied to government and diplomatic services pay lower fees from US$150 to US$900 for the same periods, as quoted by the Directorate of Citizenship and Immigration.

Various documents must be submitted to obtain a visa, such as the following:

- Passport (bio-data page)
- Recent passport-size photo
- Security bond, if applicable for the employment
- Clearance letter from Interpol or relevant authority in the home country
- Non-refundable prepayment of US$800, or US$1 500 if the permit is for more than six months
- Trading license
- Certified bank statement (for the last three months)
- Income tax clearance certificate from the home country.

The turnover tax is referred to as a "presumptive tax" for small businesses with annual gross turnover exceeding UGX50 million but not exceeding UGX150 million.

Key Economic Information

Currency (symbol/code)
Ugandan shilling (USh/UGX)

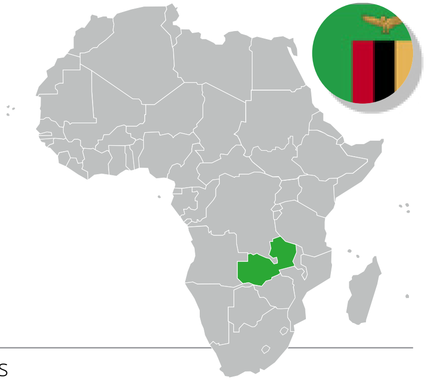
Exchange rate	
US$1	UGX3,603.88
EUR1	UGX4,344.30
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$114.90 billion	US$123.36 billion
Real GDP growth	
6.35%	4.99%
Average inflation	
5.16%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
7%
Source: Bank of Uganda, 2021.

Market capitalisation as at April 2021
US$630.20 million
Source: Capital IQ, 2021.

Uganda



Zambia

Contacts

Victor Muhundika
vmuhundika@deloitte.co.zm
+260 21 1 232 314

Liywalii Kanyimba
lkanyimba@deloitte.co.zm
+260 21 1 228 677

Lawrence Musonda
lmusonda@deloitte.co.zm
+260 21 1 228 677

Income Tax – Individuals

Taxable income (ZMW)	Rate
0 – 4,000	0%
4,001 – 4,800	25%
4,801 – 6,900	30%
Over 6,900	37.5%

Notes

1. Basis – Zambia operates a source-based system of taxation. Every person receiving income from a source within, or deemed to be within, Zambia is liable to income tax in Zambia on that income.
2. Residence – An individual is resident in Zambia for tax purposes if he/she is physically present in Zambia for at least 183 days in a tax year or has entered the country with a view to establishing residence.
3. Taxable income – Taxable income includes employment income (defined broadly), annuities, gains or profits from a business, dividends, interest, charges and discounts, royalties, premiums and similar consideration for the use or occupation of property, and income from the letting of property.
4. Exempt income – Taxable income under ZMW4,000 for individuals is exempt from tax. A dividend paid to an individual by a company listed on the Lusaka Securities Exchange (LSE) is also exempt from income tax. Ex-gratia payments, medical expenses, funeral expenses, labour day awards, sitting allowances to councillors and payments that fall within the definition of a pension benefit, such as a pension, gratuity, severance pay, or compensation for a loss of office, redundancy pay, etc. are exempt from income tax. Income earned by privileged persons specified in the Income Tax Act, such as the president, chiefs, diplomats, etc. also is exempt from income tax.
5. Deductions and allowances – No rebates are available, however, an annual tax credit of ZMW6,000 per year is available for persons with a disability that are members of the Zambia Agency for Persons with Disabilities. A tax deduction of ZMW2,000 is allowed as a claim for each charge year by an employer for each person with a disability employed in their business.
6. Rates – The individual income tax rates are progressive from 0% to 37.5%. These rates also apply to non-residents with respect to employment and business income earned.
7. Compliance - The employer deducts tax monthly on a Pay-As-You-Earn (PAYE) basis and is responsible for remitting the tax by the 10th day of the following month.
8. Non-cash benefits – A housing benefit is taxable in the hands of the employer by disallowing 30% of the employee's annual gross emoluments. Tax on a car benefit is payable by the employer at the corporate tax rate based on specified scale rates comprising the following: below 1800cc - ZMW18,000 per annum; between 1800cc and below 2800cc - ZMW30,000 per annum; and 2800cc and above - ZMW40,000 per annum.

Income Tax – Companies

Corporate taxes	Rate
Standard rate	35%
Mining profits (from both base metals and industrial minerals)	30%
Mineral processing	35%
Banks	35%
Telecommunications companies: • Income not exceeding ZMW250,000 • Income exceeding ZMW250,000	 35% 40%
Farming/agro-processing or export of non-traditional products from farming or agro-processing	10%
Income earned by producers of organic and chemical fertilisers	15%
Export of other non-traditional products	15%
Companies add value to copper cathode	15%
Income from accommodation and food services	15%
Turnover tax	4%
Levies on casino, lottery, betting, and gaming:	
• Live casino games	20% of gross takings
• Casino machine games	20% of gross takings
• Lottery winnings/proceeds	35% of net proceeds
• Betting	10% of gross stakes
• Gaming	ZMW250 to ZMW500 per machine/month

Capital allowances	Rate
Investment allowance on industrial buildings (once-off)	10%
Initial allowance on industrial buildings (once-off)	10%
Industrial buildings allowance	5%
Commercial buildings allowance	2%
Commercial/Non-commercial vehicles	25%/20%
Implements, Machinery and Plant used for: • Farming and agro-processing • Manufacturing, Tourism, Leasing • Electricity power generation • Mining • Others	 100% 50% 50% 20% 25%
Farm improvement/farm works allowance	100%

Notes

1. Basis – A resident company is taxable on income received or accrued from an actual or deemed source in Zambia. A resident company is also subject to tax on foreign-source dividends and interest at 35%. A non-resident company is taxable only on Zambia-source income.
2. Residence – A company is resident in Zambia in a tax year if it is incorporated or formed under the laws of Zambia, or if its place of effective management is in Zambia during the tax year.
3. Taxable income – Taxable income includes gains or profits from any business, dividends, interest, charges and discounts, royalties, premiums and any similar consideration for the use or occupation of any property and income from the letting of property.
4. Exempt income – Income earned by any international organisation, agency of a foreign government, foreign foundation or organisation approved by the Minister of Finance or other specified organisations in the Second Schedule to the Income Tax Act is exempt from income tax.
5. Deductions – Expenses that are incurred wholly and exclusively for the business and are revenue in nature are generally deductible for income tax purposes. However, exceptions to this include such expenses recoverable under an insurance contract or indemnity, on gifts, mineral royalty and incidental costs of obtaining finance.
6. Foreign tax credit – Zambia grants a unilateral foreign tax credit where there is no tax treaty with the country in which the foreign income is derived. The credit is limited to the portion of Zambian income tax that is attributable to the foreign source.
7. Exports of other non-traditional products subject to a corporate income tax rate of 15% exclude income from export of minerals, electricity services and cotton lint exported without an export permit from the Minister of Commerce, Trade and Industry.
8. A 2% discount is applicable to corporate tax rates and only available for the first year for new listings on the Lusaka Securities Exchange (LSE).
9. An additional 5% discount is applicable to corporate tax rates and only available for the first year for new listings on the LSE with more than 33% shares taken up by Zambians.
10. Advance income tax applies on importation of goods in a case where the importer does not have a valid tax clearance certificate.
11. Turnover tax is levied on business with turnover below ZMW800,000. This excludes passive income and income earned from consultancy services, property rental, mining and VAT registered businesses.
12. Industrial minerals includes a rock or mineral other than gemstones, base metals, energy minerals or precious metals used in their natural state or after physical or chemical transformation.
13. Capital allowances are computed on a straight-line basis.
14. Investment and Initial allowances are granted in the charge year in which the industrial building has been put into use. Total allowances claimed should not exceed the cost of the asset.
15. Trading losses are carried forward for five years for non-mining companies and 10 years for mining companies, hydro and thermo power generation companies and other power generation companies (wind and solar) excluding wood. They are available for offset against future income from the same source.
16. Branches – Branches of foreign companies are subject to the same tax rates as Zambian companies.

Mineral Royalty	Rate
On norm value of minerals/precious metals under license:	
• Base metals excluding copper and cobalt	5%
• Cobalt	8%
• Precious Metals	6%
On gross value of gemstones/energy minerals under license:	
• Energy/Industrial minerals	5%
• Gemstones	6%
On norm value of copper:	
• Normal price of copper <US$4,500/tonne	5.5%
• Normal price of copper =>US$4,500/tonne <US$6,000/tonne	6.5%
• Normal price of copper= >US$6,000/tonne <US$7,500/tonne	7.5%
• Normal price of copper= >US$7,500/tonne <US$9,000	8.5%
• Normal price of copper US$9,000/tonne and above	10%

Notes

1. Mineral royalties are not allowed as deduction for corporate income tax purposes.

Zambia

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	15%	20%
Branch profits	N/A	20%
Interest	15%	20%
Coupon Income (interest on Government bonds)	15%	15%
Management and Consultancy fees	15%	20%
Royalties	15%	20%
Rent	10%	10%
Commission	15%	20%
Commodity royalty	N/A	15%
Non-resident contractors and haulage	N/A	20%
Non-resident entertainers/ sports persons fees	N/A	20%

Notes

1. WHT is payable on the earliest of the time when payment is made, the time when income accrues to a person or the time when income is in any way due to a person or held to that person's order or on their behalf.
2. Dividends paid by companies listed on LSE to individuals are exempt.
3. Dividends paid from farming income for the first five years from when the distributing company commences farming are exempt from WHT.
4. Dividends paid on income from assembly of motor vehicles, motorcycles and bicycles for the first five years from the date of first declaration by the distributing company are exempt from WHT.
5. Interest paid or payable to local commercial banks and financial institutions is exempt from WHT.
6. WHT is the final tax on income from rentals. This is also the final tax for both residents and non-residents on dividends.

Tax Treaties

Zambia has concluded a number of tax treaties. The table below provides the applicable WHT treaty rates:

Country	Dividends	Interest	Royalties	Technical fees
Botswana	5%/7%	10%	10%	10%
Canada	15%	15%	15%	0%
China	5%	10%	5%	0%
Denmark	15%	10%	15%	0%
Finland	5%/15%	15%	15%	0%
France	0%	0%	0%	0%
Germany	5%/15%	10%	10%	0%
India	5%/15%	10%	10%	10%
Ireland	7.5%	10%	10%	0%
Italy	5%/15%	10%	10%	0%
Japan	0%	10%	10%	0%
Kenya	15%	15%	20%	0%
Netherlands	5%	10%	10%	0%
Norway	15%	10%	15%	0%
Seychelles	5%/10%	5%	10%	0%
South Africa	15%	15%	20%	20%
Sweden	5%/15%	10%	10%	0%
Switzerland	0%	0%	0%	0%
Tanzania	15%	15%	20%	0%
Uganda	15%	15%	20%	0%
United Kingdom	5%/15%	10%	5%	0%

Notes

1. The Zambian government terminated the tax treaty with Mauritius in 2020.
2. Application of a treaty rate is not automatic. This is subject to an approval by the tax authorities by issuance of a Limited Deduction Direction (LDD) valid for one year. An LDD is a written instruction issued by the tax authorities under domestic law confirming the application of a reduced WHT rate provided in a tax treaty.
3. Where management and consultancy services (fees for technical services) are not expressly provided in a tax treaty, the WHT rate may be 0% based on the business profits or other income Article.
4. Where a treaty does not provide for a WHT rate, the domestic rate applies.

Anti-avoidance Rules

Transfer pricing

Zambian Transfer Pricing (TP) Regulations apply to both domestic and cross border transactions between associated persons and require that transactions between associated persons comply to the arm's length principle.

Affected taxpayers should prepare, on an annual basis, and maintain contemporaneous documentation evidencing the arm's length nature of the controlled transactions for the relevant charge year. Such documentation should be in place by the due date of the annual return submission and should be submitted within 30 days upon request by the Zambia Revenue Authority (ZRA).

A penalty of ZMW24 million is applicable for non-compliance with the TP Regulations.

In addition, the ZRA is authorised to adjust taxable income and deductions relating to commercial or financial transactions between associated persons to reflect arm's length conditions. Additional penalties may be imposed under section 100 for negligence, wilful default or fraud at 17.5%, 35% or 52.5% of the adjustment, respectively.

The Regulations exempt persons who are not members of a multinational enterprise and whose turnover does not exceed ZMW50 million in a charge year from the TP documentation requirement. However, taxpayers would still be required to comply with the arm's length principle on their associated party transactions.

Country-by-country reporting (CbC)

A CbC reporting requirement has been introduced in Zambia with effect from the 2021 tax charge year. This applies in a case where:

- The company is the Ultimate Parent Entity or Surrogate Parent Entity of a Multi-National Enterprise Group
- The annual turnover of the group exceeds EUR750 million or the Zambian Kwacha equivalent in the previous accounting year.

The CbC report is due for filing 12 months after the last day of the reporting year of the Multi-National Enterprise Group with respect to that reporting accounting year.

However, a Zambian entity which is neither the Ultimate Parent Entity nor Surrogate Parent Entity of the qualifying group is still required to file a CbC report to the ZRA where:

- The Parent company is not required to file in its jurisdiction
- The jurisdiction of the Parent entity does not have automatic exchange of information with Zambia
- There is a systemic failure in the automatic exchange of information.

Entities operating in Zambia which are members of a group which meets the prescribed threshold are required to notify the ZRA on who the parent or reporting company is and their jurisdiction. This notification should be done by the end of each accounting year of the Multinational Enterprise Group.

A specific template is provided for the CbC Report and specific Regulations have been issued for guidance. The Regulations have effect in relation to the charge year ending on 31 December 2021 and, each subsequent tax charge year.

Thin capitalisation rules
Zambia has an interest deduction rule that limits the amount of tax-deductible interest expenses to a fixed ratio of the interest expense to the company's earnings (fixed ratio rule), irrespective of whether the interest is capital or revenue in nature.

The fixed ratio rule limits the amount of the interest expense that an entity can deduct in a tax year to 30% of the Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). WHT will, however, still be applied on the disallowed amount of interest.

The limitation concerns all borrowings inter-company or not (all forms of debt, payments economically equivalent to interests and expenses incurred in connection with the raising of finance).

The law further provides for a carry-forward of the disallowed interest for up to five years following which the unutilised interest is forfeited.

General anti-avoidance rule
The Commissioner General of ZRA is empowered under the General Anti-Avoidance Rule (GAAR) to adjust the tax liability of a company where he considers that the main purpose or one of the main purposes of a transaction was the reduction or avoidance of the liability to tax. Adjustments deemed "just and reasonable" are made to counteract the avoidance or reduction in tax.

In so doing, the Commissioner General may:
- recharacterize a transaction or an element of a transaction that was entered as a tax avoidance scheme
- recharacterize a transaction of which the form does not reflect the substance.

Employment-related Taxes
Skills Development Levy (SDL)
The SDL Act requires the employer to pay 0.5% of the gross emoluments of an employee to the ZRA as SDL. This is payable by the 10th of the following month after the month the emoluments relate to. This is declared/included in the same return with PAYE.

The penalty for late payment of SDL is 5% of the amount unpaid per month or part of the month thereof. Further interest is charged at 2% per annum above the Bank of Zambia discount rate.

Pension contributions
The National Pensions Scheme Authority (NAPSA) Act requires that both the employee and the employer, at the rate of 5% of the gross emoluments, each, make social security contributions to NAPSA.

The employer is required to remit the total amount to NAPSA on a monthly basis, accompanied by a monthly return. The contributions are applicable to both foreign and local staff with the maximum ceiling of ZMW1,159.40 (ZMW2,318.80 in total) for the 2021 calendar year.

A penalty of 20% of the amount unpaid applies for each month or part of the month thereof the amount remains unpaid.

National Health Insurance
The National Health Insurance (NHI) Act requires that the employer and employee each contribute 1% of the employee's basic salary to the NHI Management Authority by the 10th of the following month the basic salary relates to. The return filing is also due on the same date.

A Company or employer that is non-compliant under the NHI Act commits an offence and is liable, on conviction, to a fine not exceeding ZMW60,000 or imprisonment to a term not exceeding two years or to both.

Workers compensation
All employers in Zambia are required to contribute to the Workers Compensation Control Fund Board, which provides compensation to employees on death and/or injury resulting in temporary or permanent disability.

The assessment rates vary from industry to industry and are fixed from time to time by the Workers Compensation Fund Control Board.

Returns and payments for Workers Compensation Contributions are due on or before 14th of each subsequent month following the Company's financial year. Employers are required to make a self-assessment to form as basis for the liability payable.

If an assessment or any instalment thereof is not fully paid by an employer at the time when it becomes payable, the defaulting employer is liable to pay, in addition to such assessment or instalment thereof, as a penalty for default such percentage, not exceeding 10% per annum, of the amount unpaid as the Workers' Compensation Control Fund Board may determine.

Personal Levy
Personal Levy is payable to the Local Municipal Authority on an annual basis on 1 April of each year. The annual amount payable for each employee is ZMW15.

If the payment is not made on or before 1 April for any given year, a penalty of 25% applies on the amount not paid.

Indirect Taxes
Value-added tax (VAT)

Standard rate	16%

The current standard rate of VAT is 16% and is applied on the monetary value of taxable supplies of goods and services.

The VAT Act, 1995 (VAT Act) requires entities dealing in taxable supplies to register for VAT if the turnover exceeds or is expected to exceed ZMW800,000 per annum or ZMW200,000 per quarter. Voluntary registration is possible for businesses whose annual turnover is below ZMW800,000, subject to certain conditions.

The VAT period is the calendar month. Returns and payments are due by the 18th day of the month after the end of a relevant VAT period.

VAT incurred by a registered taxable supplier on supplies received of purchases and expenses for business activities (input tax) is recoverable subject to specific restrictions provided for in the VAT Act.

In addition, VAT also applies on the procurement of services from non-resident service providers. In this case, a non-resident foreign service provider is required to appoint a local and independent tax agent in Zambia to discharge its VAT obligations including raising VAT inclusive tax invoices to clients in Zambia on the services provided.

The recipients of imported services are permitted to recover the input tax using tax invoices issued by the local tax agent.

Further, where the foreign service provider does not appoint a local tax agent, the obligation to account for VAT on the services shifts to the Zambian recipient in Zambia under the VAT Reverse Charge mechanism. The Zambian recipient is not permitted to claim the corresponding input VAT. Hence, the cost of the procurement services in effect increases by 16% of their monetary consideration in the hands of the importer in Zambia.

Withholding VAT
Withholding VAT is system where a Tax Agent appointed by the Commissioner General of the Zambia Revenue Authority is required to withhold 100% of VAT on the invoices from their suppliers.

The VAT withheld should be remitted on or before 16th of the month following the end of the accounting period (calendar month).

Customs and excise duties
Import and export duties apply at different rates depending on the nature of the goods imported and exported.

Zambia uses the Harmonized Commodity Description and Coding System, the Nomenclature in accordance with World Customs Organisation.

Domestic excise duty
Domestic excise duty applies on particular goods or products whether imported or produced in Zambia and is imposed at any stage of production or distribution, by reference to weight, strength or quantity of the goods or products, or by reference to their value.

The products liable to excise duty, at different rates, are as follows:
- Cigarettes – 145% or ZMW240.00/Mille whichever is greater
- Pipe tobacco – 145% or ZMW240.00/Mille whichever is greater
- Clear Beer – 60%
- Opaque Beer – ZMW0.15 or 15 ngwee per litre
- Hydrocarbon oils such as petrol, diesel, light oils etc – Ranging from 0% to 15%, depending on the type of oil
- Ethyl alcohol and spirits – 125%
- Wines – 60%
- Electrical energy – 3%
- Airtime – 17.5%
- Beauty make-up kits, body and hair – 20%
- creams and perfumes – 20%
- Plastic Bags – 20%
- Cement – ZMW40/tonne
- Non-alcoholic beverages – ZMW0.30/litre
- Fruit juices – ZMW0.30/litre
- Packed water – ZMW0.30/litre.

Other Taxes
Base tax
This is a tax applicable to persons where the Commissioner-General of the ZRA has no information to estimate one's income as stipulated under Section 64 of the Income Tax Act.

Accordingly, base tax is payable by persons who are not in a position to determine their income but do earn some form of income. This arises from an estimated assessment which may not be a final tax as ZRA can raise another assessment if there is information on one's actual or closer to actual tax liability.

The amount of tax due per charge year is ZMW365. Strictly speaking, base tax is due by 31 December of any charge year but payable not later than 21 June of the following charge year. However, in practice and for administrative convenience, this is payable on a daily or quarterly basis.

Turnover tax
Turnover tax applies at the flat rate of 4% of the monthly turnover/sales and payable to the ZRA by the 14th of the following month.

The following are not eligible for turnover tax
a. Any person carrying on a business with annual turnover of more than ZMW800,000
b. Any individual or partnership carrying on business of public service vehicle for the carriage of persons
c. Partnerships carrying on any business irrespective of whether the annual turnover is less than ZMW800,000. Partners' income from the partnership is also excluded from Turnover Tax. This is because it is the partnership that carries on business and not the partners
d. Income from consultancy services
e. Any person whose turnover is ZMW800,000 or below and is voluntarily registered under value-added tax (VAT)
f. Any person who is involved in mining operations as provided under the Mines and Minerals Development Act
g. Any person whose business earnings are subject to withholding tax and it is the final tax.

Inheritance and donations tax
There is no estate duty or donations tax in Zambia.

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

The notable ones include those levied on the increase of share capital of 2.5% of the nominal value of the issued shares and registration of debentures of 1% of the debenture value. These are payable to the Companies and Registration Agency.

Property Transfer Tax (PTT)
PTT applies whenever land (including buildings thereon), shares, intellectual property and mining rights are transferred. This is charged upon and collected from the person transferring the property (transferor) on the realisable value.

PTT is paid by reference to the nominal value or the open market value, whichever is greater.

The rate is currently at 5% on all transfers/sales except for transfers of mining rights or interest therein where this applies at 10% of the realised value.

A transfer of shares listed on LSE is exempt from PTT.

A transfer of shares of a company incorporated outside Zambia which directly or indirectly owns shares in a Zambian entity (indirect share transfers) is also liable to PTT where the total value of the transferred shares over a period of three years is more than 10% of the value of the company incorporated in the Republic.

The realised value for the purpose of calculating PTT on indirect shares transfers/sales is whichever is greater of the effective shareholding multiplied by:
- Value of the transferred shares
- Consideration of the transfer of the shares
- Nominal value of the shares.

Effective shareholding is defined as the extent of control or ownership in the company incorporated in the Republic by the company incorporated outside the Republic expressed as a percentage.

Where the Commissioner-General of ZRA is satisfied that an indirect share transfer is made for the purpose of group reorganisation and that there is no change in the effective shareholding with respect to the Zambian company, the Commissioner-General may determine a nil value for that transfer and accordingly no PTT would arise. However, this would only apply to a company that has not been part of the group of companies for at least three (3) years.

Carbon tax
An annual carbon tax is payable on all motor vehicles as follows:

Motor vehicle type	Amount p.a (ZMW)
Motorcycles	60
Engine size < 1,500 cc	60
Engine size > 1,500 cc, < 2,000 cc	120
Engine size > 2,000 cc, <3,000 cc	180
Over 3,000cc	240
Vehicles propelled by non-pollutant energy	Nil

Presumptive taxes
Public Service Vehicle (PSV) operators are required to pay presumptive tax on each motor vehicle as follows:

Motor vehicle type	Amount p.a (ZMW)
64-seater and above	10,800
50-63-seater	9,000
36-49-seater	7,200
22-35-seater	5,400
18-21-seater	3,600
12-17-seater	1,800
Below 12-seater	900

Tax Administration and Compliance
Tax is administered by the Zambia Revenue Authority (ZRA).

Income tax – companies
1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted. Accordingly, each company must file a separate return.
3. Filing and payment – Corporate taxpayers are required to make quarterly advance (provisional) payments of tax in the course of the tax year, on account of their estimated tax liability. The provisional tax payments are due on a current-year basis on 10 April, 10 July, 10 October and 10 January of the following year.
4. Final income tax returns are due by 21 June of the year following the tax year, with the balance of tax paid at the time the return is filed.
5. Penalties – A penalty equal to 25% of the underpaid tax liability is imposed if less than two-thirds of the total liability was paid as provisional tax. Late payments of provisional tax attract interest at 2% above the Bank of Zambia discount rate.
6. In addition, all late payments (provisional or final) are subject to a penalty of 5% of the tax due per month. The penalty for late filing of returns is ZMW600 per month or part thereof the return remains outstanding.
7. The penalties for negligence, wilful default and fraud for businesses subject to company income tax are 17.5%, 35%, and 52.5%, of the understatement/underestimation of income or overstatement of deductions, respectively.

Income tax – individuals
1. Tax filing – Each taxpayer with Zambian source income which is not subject to PAYE or has earned foreign dividend and/or interest must file a return. Joint returns with spouses are not permitted.
2. Filing and payment – An individual whose income is not taxed under PAYE that exceeds the personal tax-exempt threshold must make quarterly provisional tax payments based on current-year income estimates. The tax return is due by 21 June following the end of the tax year.
3. Late filling penalties of ZMW300 apply per month or part thereof the return remains outstanding.
4. Interest of 2% above the Bank of Zambia policy rate is levied on unpaid tax. Further a penalty of 5% per month or part thereof is charged on the unpaid tax.
5. The penalties for negligence, wilful default and fraud for businesses subject to company income tax are 17.5%, 35%, and 52.5%, of the understatement/underestimation of income or overstatement of deductions, respectively.

Withholding tax (WHT)
1. Filing and payment – Taxpayers are required to file monthly WHT returns and make payment within 14 days following the month of accrual/payment.
2. Penalties – Late payment of WHT attracts a penalty of 5% per month or part thereof. Late filing of return attracts a penalty of ZMW102 per month or part thereof for companies and ZMW51 per month or part thereof for individuals. Late payments further attract interest at 2% above the Bank of Zambia discount rate.
3. The penalties for negligence, wilful default and fraud for businesses subject to company income tax are 17.5%, 35%, and 52.5%, of the understatement/underestimation of the amounts subject to WHT, respectively.

Pay As You Earn (PAYE)
1. Filing and payment – Taxpayers are required to file monthly PAYE returns and make payment within 10 days following the month to which the emoluments relate.
2. Penalties – Late payment of PAYE attracts a penalty of 5% per month or part thereof if the payment is late. Late filing of a return attracts a penalty of ZMW600 per month or part thereof if the return is late. Late payments further attract interest at 2% above the Bank of Zambia discount rate.
3. The penalties for negligence, wilful default and fraud for businesses subject to company income tax are 17.5%, 35%, and 52.5%, of the understatement/underestimation of the amounts subject to PAYE, respectively.

VAT
1. Filing and payment – Registered suppliers must submit monthly VAT returns to the ZRA by the 18th of the following month and account for the excess of output VAT over input VAT by the same date.
2. A tax agent that withholds VAT is required to submit a return showing the withheld VAT and pay the VAT to the ZRA by the 16th of the following month.
3. Penalties – Late submission of a return attracts a penalty of ZMW300 or 0.5% of the amount payable (whichever is greater) for each day or part of the return is late. Late payments of VAT attract additional tax of 0.5% of the amount due per day or a part thereof, as well as interest charged at the Bank of Zambia discounted rate plus 2%.

Domestic excise duty

1. Filing and payment – Taxpayers are required to submit monthly excise duty returns to the ZRA by the 15th of the following month and account for the duty by the same date.
2. Penalties – Late submission of a return attracts a penalty of ZMW300 or 0.5% of the amount payable (whichever is greater) for each day or part thereof that the return is late. Late payments of VAT attract additional tax of 0.5% of the amount due per day or part thereof, as well as interest charged at the Bank of Zambia discounted rate plus 2%.

Mineral royalty

1. Filing and payment – Mining licence holders must submit the monthly mineral royalty returns and make payment of the mineral royalty tax to the tax authorities by the 14th of the following month the sale of the minerals is done.
2. Penalties – Late submission of a return attracts a penalty, in the case of an individual of ZMW300 per month or part thereof for individuals and ZMW600 for companies ZMW600 per month or part thereof.
3. Late payment attracts a penalty of 5% of the mineral royalty tax payable per month or part thereof. Late payment also attracts interest charged at the Bank of Zambia discounted rate plus 2%.
4. The penalties for negligence, wilful default and fraud for businesses subject to company income tax are 1.5%, 3%, and 4.5%, of the gross value or norm value, respectively.

Turnover tax

1. Filing and payment – Taxpayers must submit monthly turnover tax returns and make payment of the mineral royalty tax to the tax authorities by the 14th of the following month.
2. Penalties – Late submission of a return attracts a penalty of ZMW75 per month or part of the month thereof.
3. Late payment attracts a penalty of 5% of the tax payable per month or part of the month thereof. Late payment also attracts interest charged at the Bank of Zambia discounted rate plus 2%.
4. The penalties for negligence, wilful default and fraud for businesses subject to company income tax are 1.5%, 3%, and 4.5%, of the understatement of the taxable amount, respectively.

Tax rulings

Rulings – Advance tax rulings in Zambia are not applicable, except for HS advance tariff rulings.

Investment Incentives

General

There are duty drawbacks and VAT deferment incentives that companies in agriculture, manufacturing and mining, among others, are entitled to in respect of specific imports prescribed under the Customs and Excise Act and VAT Act.

Further, as Zambia is a member of the Common market for Eastern and Southern Africa (COMESA) and Southern Africa Development Community (SADC), certain imports into Zambia meeting the criteria on the Rules of Origin and documentation requirements prescribed in the COMESA and SADC Trade Protocols are entitled to preferential tariff treatment.

Duty drawback

The current Customs and Excise Law provides for a refund of duty paid at importation on inputs that go into the production of goods in Zambia that are exported to any Country. The legal provision for this fall under Part XI of the Customs and Excise (General) Regulations, 2000 which states:

"100 (1)....goods produced in Zambia using inputs upon which duty has been paid shall, when exported to any country, or supplied to any organisation entitled to a refund or remission of duty on such good be subject to a drawback of duty on such inputs".
Drawback is defined as *"...a refund of duty payable under these regulations..."*

Accordingly, companies that export their produce wishing to claim drawback of duty are required to register with the ZRA by submission of a prescribed application for registration Form CE 20.

VAT deferral

The current VAT law provides an incentive available to VAT registered suppliers who, subject to such conditions as the Commissioner General of the ZRA may require and in such circumstance as may be allowed, are permitted to account for VAT on capital goods and other goods specified in the Third Schedule to the Administrative Rules by deferring the payment of VAT on approved goods at importation, provided that the registered supplier also foregoes the equivalent input tax recovery.

A company wishing to exploit this incentive needs to apply in writing to the Commissioner General of the ZRA, who subject to other conditions as he may require, shall approve the application.

Tax incentives

Under the Zambia Development Agency Act, 2006 (ZDA Act), the incentives are restricted to import duty on machinery and equipment other than spares for machinery or equipment required for use in manufacturing activities located in multi-facility economic zones, industrial parks or rural areas and priority sectors. This applies in respect to investments not less than US$500,000.

A multi-facility economic zone is defined under the ZDA Act as follows:
"...any area or premises in Zambia that has been declared as a multi-facility economic zone under Section eighteen".

A priority sector is further defined in the ZDA Act as:
"a sector that has a high growth potential, listed in the Second Schedule".

The import duty incentive also applies on machinery and equipment and other goods required for the development of a multi-facility economic zone or an industrial park.

Goods or services supplied to or imported by a developer for the purposes of developing infrastructure in a multi-facility economic zone or industrial park are zero-rated for VAT purposes.

In addition, capital allowances apply at 100% of the initial cost of implements, machinery and plant (assets) used exclusively & directly in a priority sector.

The current priority sectors are limited to manufacturing, construction and establishment of infrastructure, energy and water development and water supply.

Zambia

Other sector specific tax incentives

- **Agriculture**
  - Guaranteed input tax claim for four years prior to commencement of production for vatable agricultural businesses
  - Zero-rating of taxable agricultural products and supplies when exported
  - VAT deferment on importation of some agricultural equipment and machinery
  - Income taxed at a reduced rate of 10%
  - Farm improvement allowance at 100% on fencing, appropriate to farming and farm dwelling occupied by farm workers whose original cost is not in excess of ZMW20,000
  - Farm works allowance at 100% for the full cost of stumping and clearing, works for prevention of soil erosion, boreholes, wells, aerial and geophysical surveys and water conservation
  - Dividends paid out of farming profit are exempt from tax for the first five years the distributing company commences farming
  - Development allowance is given for any person who incurs expenditure on the growing of tea, coffee, or banana plant or citrus trees or other similar plants or trees. An allowance of 10% of such expenditure shall be deducted in ascertaining the gains or profits of that business
  - Capital allowance rate of 100% 50% for implements, plant and machinery used in farming and agro-processing.
- **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 organic and chemical manufacturing of fertilizers is taxed at a reduced rate of 15%
  - Capital allowances on industrial buildings used for the purposes of manufacturing shall be entitled to a deduction of 10% in case of low-cost housing and 5% for other industrial buildings of the cost of the building.
- **Mining**
  - Guaranteed input tax claim for seven years on pre-production expenditure for exploration companies in the mining sector
  - Dividend paid by a mining company holding a mining license and carrying on mining operations is taxed at 0%
  - 25% mining deduction on capital expenditure on buildings, railway lines, equipment, shaft sinking or any similar works.
- **Tourism**
  - Zero rate of VAT on other tourist services provided to foreign tourists other than those included in tour packages
  - 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
  - Capital allowances at 50% of the cost of plant and machinery
  - Investment allowance at 10% of the cost of an extension to an hotel (being an industrial building)
  - 5% wear and tear allowance to an extension to an hotel (being an industrial building)
  - 10% initial allowance on an extension to an hotel (being an industrial building) in the year the building is first brought into use.

Exchange Controls

There are no foreign exchange controls in Zambia.

Expatriates and Work Permits

A holder of an investment license that invests at least US$250,000 and employs at least 10 local individuals will be entitled to a self-employment or residence permit, and to assistance in obtaining work permits for up to five expatriate employees.

Trade Relations

Memberships

1. Cotonou Agreement
2. Southern African Development Community (SADC)
3. Common Market for Eastern and Southern Africa (COMESA)
4. African Growth and Opportunity Act beneficiary country
5. China Special Preferential Agreement

Key Economic Information

Currency (symbol/code)
Zambian kwacha (ZK/ZMW)

Exchange rate	
US$1	ZMW22.27
EUR1	ZMW26.84
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$64.64 billion	US$66.80 billion
Real GDP growth	
0.60%	1.05%
Average inflation	
17.75%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
8.50%
Source: Trading Economics, CBR website, 2021.

Market capitalisation as at April 2021
US$810.80 million
Source: Capital IQ, 2021.

Zambia

Zimbabwe

Contacts

Graham Dombodzvuku
gdombodzvuku@deloitte.co.zw
+263 867 700 0261

Monica Gotora
mgotora@deloitte.co.zw
+263 867 700 0261

Harriet Green-Thompson
hgreen-thompson@deloitte.co.zw
+263 867 700 0261

Income Tax – Individuals

Annual Taxable income (ZWL)	Rate*
0 – 120,000	0%
120,001 – 360,000	20%
360,001 – 720,000	25%
720,001 – 1,440,000	30%
1,440,001 – 3,000,000	35%
Over 3,000,000	40%

* The rates do not include the AIDS levy of 3% on the tax payable.

Annual Taxable Income (US$)	Rate
0 – 840	0%
841 – 3,600	20%
3,601 – 12,000	25%
12,001 – 24,000	30%
24,001 – 36,000	35%
Over 36,000	40%

Notes

1. Basis – Zimbabwe operates a territorial tax system. Individuals (both residents and non-residents) are subject to tax only on Zimbabwe-source income and on certain income where the source is deemed to be from within Zimbabwe.
2. Residence – An individual is a resident if he/she is ordinarily resident and resides in Zimbabwe for at least 183 days in a year of assessment. The definitions of the terms "residence" and "ordinarily resident" are not defined in the tax legislation but have been established by practice. Typically, persons who habitually reside in Zimbabwe are considered ordinarily resident.
3. Taxable income – Taxable income includes employment income and benefits arising from employment at deemed values. Taxable benefits also include loans to employees where the interest rate on the loan is less than the LIBOR rate plus 5% on loan amounts exceeding US$100 and 15% where the amount exceeds ZWL8,000 respectively, and amounts received by employees under share option schemes (see "Other," below) and use of company car. The deemed benefit is provided by the Act as follows.

Engine capacity	Annual deemed benefit	
	ZWL	US$
0 – 1,500cc	54,000	3,600
1,501 – 2,000cc	72,000	4,800
2,001 – 3,000cc	108,000	7,200
Above 3,000cc	144,000	9,600

Taxable income also includes any Zimbabwe-source interest that is not subject to withholding tax, rental income and trade income.

Other income such as foreign dividends and foreign interest is brought into taxable income under the deemed source provisions. There are various circumstances where income is deemed to be from a Zimbabwean source.

Subject to certain exemptions, taxable income includes capital gains from a source within Zimbabwe arising from the sale or deemed sale of specified assets, namely, immovable property and marketable securities, as well as certain rights over tangible or intangible property. Rollover relief applies to the disposal of a principal private residence and vacant residential land, and on transfers between spouses.

Income from employment may not be set off against losses incurred in business activities, and vice versa.

4. Exempt income – Individuals who receive a bonus or performance-related award in respect of employment are entitled to an exemption of ZWL25,000 and US$320 per year effective 1 November 2020. Elderly taxpayers (i.e. taxpayers that are at least 55 years of age) receive exemptions of (i) ZWL120,000 rental income; (ii) ZWL200,000 Interest from financial institutions; and (iii) ZWL200,000 interest from discounted securities. Pension income received by elderly taxpayers also is exempt. Gains arising from the disposal of a principal private residence accruing to a person who is 55 years or over at the time of the sale are exempt from capital gains tax, as are amounts by which the fair market price received by, or accruing to, a person from the sale or disposal of his/her shares to an "indigenisation partner" (including employees) or community share ownership trust or scheme exceeds the actual price at which they were sold.
5. Deductions and allowances – The following may be deducted from the income of an employee: contributions made to an approved pension fund or a retirement annuity fund (subject to specific limitations and an aggregate limitation of ZWL240,000), subscriptions; and personal credits of specified amounts. Certain employment related benefits attract special treatment. Special exemptions and credits apply to individuals over 55 years of age, particularly on pension income (see "Exempt income," above).
6. Rates – The individual income tax rates for residents and non-residents on Zimbabwe-source employment income are progressive from 0% to 40%. An AIDS levy (surtax) imposes an additional 3% tax on the income tax payable. Taxable income accruing to an individual from a trade or an investment is taxed at a flat rate of 24% (plus the additional 3% AIDS levy) with effect from 1 January 2020. A 15% rate applies on the taxable income of an individual holding a temporary employment permit for employment with a licensed investor having a qualifying degree of export-orientation (as defined in the Taxes Act). WHT applies on capital gains (see "Withholding tax," below). Income earned by an individual from mining operations is subject to a rate of 24.72% (including the 3% AIDS levy).
7. Other – Where share options were granted by an employer prior to, but exercised by the employee on or after, 1 February 2009, a final tax of 5% on the gross amount is levied. For shares granted after that date, tax is imposed on the gain from the disposal of the shares on the date of exercise.
8. With effect from 1 January 2020, the total taxable income from employment of a person who receives income partly in local currency and partly in foreign currency is taxable as if all of the income is denominated in US dollars. In such a case, tax is payable on the equivalent of the income converted into US dollars at the prevailing exchange rate.

Income Tax –Companies and Trusts

	Rate
Basic corporate rate	24%
AIDS levy – based on tax payable	3%
Special income tax rates	
Foreign dividends and interest	20%
Pension funds	15%
Export manufacturing companies	15%-20%
Mining operations – companies and mining trusts (includes AIDS levy)	24.72%
Special mining lease operations	15%
BOOT/BOT*arrangement operations:	0% for the first five years and 15% for the second five years
Licensed investor in a Special Economic Zone (with effect from 1 January 2017)	0% for the first five years and 24% after five years
Electricity generation projects	0% for the first five years and 15% after five years
Exporting manufacturing company (see "Investment incentives" below)	

* BOOT is build, own, operate, and transfer; BOT is build, operate, and transfer

Zimbabwe

Notes

1. Basis – Zimbabwe operates on a source-based tax system. Companies are taxed on Zimbabwe-source income and on deemed Zimbabwe-source income. As from 1 January 2019, the following income is deemed to be from a Zimbabwe source
   - Amounts received by or on behalf of satellite broadcasting services operators resident outside Zimbabwe, from persons resident in Zimbabwe in respect of the provision or delivery of television or radio programmes
   - Amounts received by or on behalf of electronic commerce platform operators resident outside Zimbabwe from persons resident in Zimbabwe in respect of the provision or delivery of goods or services.
   - The Income is subject to Income Tax at a rate of 5% should the income earned reach US$500 000
   - Tax is payable quarterly on actual earnings derived per quarter and is due on the 25th day of March, June, September and the 20th day of December.
2. Residence – A company is resident in Zimbabwe if its central management and control is situated in Zimbabwe.
3. Taxable income – Taxable income includes all income received or accrued from sources within Zimbabwe, including capital gains from the sale of certain specified assets (immovable property, marketable securities and certain tangible and intangible property rights). Taxable income includes any Zimbabwe-source interest that is not subject to WHT, foreign dividends and interest, rental income and trade income. However, residents are taxed on foreign-source dividends and interest. Prepaid income received for goods and/or services is proportionately allocated for income tax purposes to the year of assessment in which the goods and/or services are used. Tax is payable in the currency in which the respective income is earned, However, tax is payable in ZWL on export proceeds liquidated by the Reserve Bank of Zimbabwe (RBZ) under the retention scheme
4. Exempt income – Foreign-source income, such as rental income and business profits, is not taxable. Dividends paid by a resident company to another resident company are exempt. Interest earned by financial institutions on treasury bills is exempt if the term sheet specifies that income from the bill is exempt from tax.
5. Deductions – Expenditure incurred in the production of income or for the purposes of a trade (to the extent not of a capital nature) may be deducted, with the exception of specific prohibited deductions. Costs of software acquisition and development qualify for capital allowances at 25% per year over four years. Balance of capital allowances that remain unclaimed as at 1 January 2021 are rebased to the local currency value of the outstanding foreign currency invoice value using prevailing exchange rate as at 1 January 2021. A double deduction is granted on expenditure incurred to develop export markets. Expenditure that relates to prepayments for goods, services or benefits is allowable in the year in which the related benefits are realised. As from 1 January 2019, the intermediated money transfer tax (IMTT) is not deductible. IMTT is transaction tax chargeable on transfer of money by a financial institution between persons.
6. Mining royalties are tax deductible effective 1 January 2020.
7. Effective 1 January 2021, expenditure incurred by a prescribed company under a BOT or BOOT arrangement on projects or off-site related projects is allowable.
8. Losses – Assessed losses are deductible against taxable income and may be carried forward for up to six years. Tax losses of mining companies do not expire. The carry back of losses is not permitted. Certain capital losses may offset capital gains and may be carried forward indefinitely.
9. Foreign tax credit – Where foreign-source income is taxable in both the source country and Zimbabwe, a credit is allowed for the foreign tax suffered. However, the credit is limited to the amount of Zimbabwean income tax imposed on the foreign-source income
10. Youth Employment Tax Credit, a Tax credit of ZWL1,500 per month per employee up to a maximum of ZWL180,000 per year is awarded to a qualifying taxpayer upon satisfying certain conditions.
11. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
12. Rate – The basic rate of corporate tax is 24%, with an additional AIDS levy (surtax) of 3% of the income tax payable. For satellite broadcasting and electronic platform service providers, the corporate tax rate is 5%. Presumptive taxes are levied on certain informal traders, small-scale miners, transport operators, hair salons and operators of water-borne vehicles, among others. (See the above table for additional rates.) WHT applies on capital gains (see "Withholding taxes," below).
13. Branch taxation – Branches of foreign companies are subject to the same rates as domestic companies. No WHT applies on branch profit remittances paid out of after-tax profits. However, payments made by a branch from Zimbabwe to another country for expenditure incurred outside Zimbabwe in connection with, or allocable to, its carrying on of any trade within Zimbabwe (e.g. allocable foreign head office expenses of a technical, administrative, managerial or consultative nature) are subject to a 15% WHT (see "Withholding taxes," below).
14. Alternative minimum tax – There is no alternative minimum tax in Zimbabwe.
15. Mining regime – Special rules apply to mining companies and operations.
16. Export manufacturing company regime – Export manufacturing companies are granted a tax concession in the form of reduced income tax rates based on the level of exports (see "Investment incentives," below).

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents, and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends distributed by:		
• Company listed on Zimbabwe stock exchange	10%	15%
• Dividend distributed to non-residents shareholders from a security listed on the Victoria Falls Stock Exchange	N/A	5%
• Dividends distributed by a BOT or BOOT operator in terms of the ZIDA ACT to non-resident shareholders	N/A	Exempt
• Any other resident company	15%	15%
Group allocable expenditure remittance	0%	15%
Interest (deposits with financial institutions)		
• Bank intruments	15%	0%
• Treasury bills	15%	0%
• Fixed term deposits (i.e. at least 90 days)	5%	0%
Royalties and fees	N/A	15%
Non-executive directors' fees	20%	20%
Contracts for sales/services	10%	0%
Freelance property and insurance agent commissions	20%	20%
Artiste/entertainers' fees	N/A	15%
Capital gains	1%, 5%, 15%	1%, 5%, 15%

Notes

1. General – Various dates apply for purposes of remitting tax withheld to the Zimbabwe Revenue Authority (ZIMRA), depending on the type of taxes. Failure to pay, or late payment of taxes, may result in the imposition of penalties of up to 100%. Interest at a rate of 25% per annum is charged on reduced assessments and refunds. On foreign currency obligations interest rates of 10% per annum apply with effect from 1 January 2020.

Zimbabwe

2. Dividends – Dividends paid between Zimbabwe companies are exempt. 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. Fees and royalties – Exemptions may apply in respect of export market development fees and where the payment is made for services utilised by a licenced investor operating in a special economic zone.
4. Group allocable expenditure remittances – Subject to certain exemptions, a non-resident individual, partnership or company that 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 (e.g. foreign head office expenses), is required to withhold tax at a rate of 15% on such remittances and pay the tax within 10 days from the date of remittance.
5. Capital gains – The rate of WHT on capital gains for listed marketable securities is 1% and unlisted securities is 5% of the sales proceeds. The capital gains tax rate for specified assets are as follows:

Period acquired	Capital Gains	Capital Gains WHT Rate
Before 22 February 2019 and disposed after that	5% of the gross capital amount	5%
After 22 February 2019	20% of capital gain	15% -immovable property 1% -listed shares 5%-unlisted shares

6. Dividends and interest – Where a taxpayer is over 55 years of age, a percentage of the tax withheld from dividends and interest may be refunded, depending on the amount of tax withheld.

Amount withheld (US$)	Refunded
Up to 600	100%
601 – 720	75%
721 – 840	50%
841 – 960	25%

7. Withholding tax on local tenders applies to payment exceeding ZWL80,000 in aggregate in a year of assessment. Exemptions from withholding tax are payments to non-resident persons liable to withholding tax on fees, allocable expenditure on royalties and whose supplies of satellite broadcasting services or electronic commerce platforms are more than US$500,000.
8. The WHT on artistes/athletes applies only to foreign artistes. Payments made to resident artistes are deemed to be income from a trade and investment and, therefore, subject to income tax.

Tax Treaties

Zimbabwe has concluded tax treaties with the following countries:

Country	Dividends	Royalties	Fees
Botswana	5%/10%	10%	10%
Bulgaria	10%[1]	10%	10%
Canada	10%	10%	10%
France	10%[1]	10%	10%
Germany	10%[1]	7.5%	7.5%
Mauritius	10%[1]	15%	0%15%[2]
Malaysia	10%[1]	10%	10%
United Kingdom	5%[1]	10%	10%
Netherlands	10%[1]	10%	10%
Norway	15%	10%	10%
Poland	10%[1]	10%	15%[2]
China	2.5%/7.5%	7.5%	15%
South Africa	5%/10%	5%	5%
Sweden	15%[1]	10%	10%
Kuwait	0%/5%	0%	10%
United Arab of Emirates	5%	9%	6%
Zimbabwe (domestic rates)	Listed 10% & Unlisted 15%	15%	15%

Notes

1. Lower rates apply on dividends paid to a company that holds a minimum shareholding percentage as provided by the applicable DTA.
2. Both rates are specified. Exemption in Zimbabwe appears to depend on there being liability in Mauritius.
3. Agreements with the following countries are pending: Democratic Republic of Congo, Indonesia, Namibia, Seychelles, Singapore, Switzerland, Tanzania, Thailand, Tunisia and Zambia.

Anti-avoidance Rules

Transfer pricing

Zimbabwe's transfer pricing rules broadly follow the OECD or UN guidelines as relevant sources of interpretation. Where a person engages directly or indirectly in a controlled transaction (i.e. a transaction with an associate), the amount of taxable income derived by the person must be consistent with the arm's length principle.

Documentation supporting the arm's length nature of intercompany transactions must be prepared and maintained to enable the Commissioner General of ZIMRA to ascertain whether a transaction was conducted in accordance with the arm's length principle. Statutory Instrument 109 of 2019 lists the requirements of contemporaneous transfer pricing documentation. Typically, the documentation must contain detailed functional and economic analysis, including information on the process used for selecting the most appropriate transfer pricing method and the application of the method to demonstrate the arm's length nature of the transaction and the appropriate arm's length price. An annual transfer pricing return is required to be filed together with the annual income tax return ITF12C. The transfer pricing document must be provided to the Commissioner, upon request, within seven days of the written request duly issued by the Commissioner.

Permissible transfer pricing methods include the traditional transaction methods (comparable uncontrolled price, resale price and cost-plus methods) and profit-based methods (transactional net margin method and profit split method). Any other method may be applied subject to the Commissioner General's satisfaction that none of the approved methods can reasonably be applied and such other method yields a result that is consistent with that which would have been achieved by independent parties.

Ordinarily, transfer pricing rules apply to transactions between foreign related parties; however, in line with Zimbabwe's anti-avoidance legislation, domestic transactions also are subject to transfer pricing rules. Additionally, the principles also apply where a person resident in Zimbabwe engages in a transaction with a person (whether related or a third party) resident outside Zimbabwe in a jurisdiction considered by the Commissioner General to provide a tax benefit in relation to the transaction.

The following penalties apply in respect of related party adjustments raised by the Commissioner General:
- A 100% penalty where there is evidence of fraud or evasion
- A 30% penalty in the absence of fraud or tax evasion, but where transfer pricing documentation either does not exist or does not comply with the transfer pricing guidelines
- A 10% penalty where documentation exists and complies with the guidelines.

Employment-related Taxes

Payroll tax

The "final deduction system," which is a pay-as-you-earn (PAYE) system, applies in Zimbabwe. An 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 within 14 days of employing the individual. A similar obligation extends to others (e.g. administrators of pension funds and foreign employers).

Employers are required to withhold tax from remuneration in accordance with relevant tables and remit the tax to ZIMRA by the 10th day of the following month. The system allows for the refund of excess PAYE or the payment of additional PAYE from employees in appropriate circumstances.

The employer is required to submit an annual return itf16 which is a summary of the yearly payroll showing the PAYE deducted.

National Social Security Authority (NSSA) contributions
Employers and employees are required to make NSSA contributions of 4.5% of up to ZWL5,000 of the employee's annual pensionable earnings.

Indirect Taxes

Value-added tax (VAT)

Standard rate	14.5%

Notes

1. Taxable transactions – VAT is levied on a broad range of goods and services supplied by a registered operator or that are imported. VAT is payable in the currency in which the sales were made.
2. For imported goods, VAT is payable on the value for duty purposes plus any duty, excluding surtax. Imported services are services supplied by a person that is not resident in Zimbabwe or that carries on business outside Zimbabwe to a Zimbabwe recipient, to the extent the services are used or consumed in Zimbabwe. All importers of services are required to account for VAT on the imported services. VAT on imported services is due on the 25th day of the month commencing after month of supply.
3. Rates – Effective 1 January 2020 the standard rate of VAT is 14.5%. Certain goods and services are zero-rated, and some exemptions apply. VAT at 20% is payable by the supplier on the export of beneficiated chrome (chrome-ore and fines). For zero-rated supplies, although the supplier of the designated goods and services charges no VAT and, therefore, has no output tax, the supplier can claim a deduction of input tax paid.
4. VAT on Imported Services, the supply of radio and television services or of electronic services from an electronic commerce operator domiciled outside Zimbabwe shall be deemed to be a supply made in Zimbabwe and therefore not subject to VAT on imported services.
5. Effective 1 January 2020 input tax is claimable on imported services.
6. VAT withholding – To minimise risk of non-payment and ensure remittance to ZIMRA, VAT withholding applies. Designated agents are appointed to withhold part of the VAT charged (i.e. one-third) to their suppliers and remit the amount to ZIMRA by the 15th day of the following month. The agent must issue a withholding certificate to the supplier. Tax is payable in the currency in which the goods and services were purchased.
7. The VAT Act allows for the deferral of VAT payable on certain high value imported capital goods for a period of up to 180 days. A capital good is defined as any asset or component thereof that is of a nature subject to a capital allowance deduction, e.g. machinery. Where the goods are converted or disposed of without having been used in the manner that qualified them for the deferral, or where the deferred VAT is not settled when it becomes due, additional tax equal to 100% of the tax due and interest is chargeable. The deferral periods are as follows:

Value of capital good (ZWL)	Deferral period (days)
100,000 – 1 million	90
1,000,001 – 10 million	120
Above 10 million	180

8. Registration – Effective 1 January 2021, the compulsory VAT registration threshold is ZWL4 million of taxable supplies per year. However, for category C and D, the threshold is ZWL19,2 million and ZWL9,6 million. The threshold changes are with effective from 1 January 2021. A registered operator is a person carrying on a trade continuously. The effect of registration is that a recipient trader is entitled to claim input VAT (with certain exceptions) equal to the VAT paid to its supplier if the supplies are for the purpose of a 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.

Customs and excise duties
Duty (customs duty, VAT and surtax surcharge] is levied on the importation of goods on the value for duty purposes (VDP). The VDP generally is comprised of the cost, insurance, freight and any incidental charges incurred in the transportation of the goods. The standard tariffs can vary based on special rates under a bilateral trade agreement or trade bloc membership.

A wide range of rebates exist, mainly in respect of certain raw materials, strategic entities and/or industry sectors and certain types or classes of capital equipment.

.
The conversion of the value or cost in foreign currency of any imported goods into local currency is done using the designated customs rates of exchange applicable on the day of entry of the goods.

Additionally, the conversion of specific rates of duty expressed in United States Dollars in the Customs & Excise Tariff Handbook into Zimbabwe Dollars is done at the prevailing customs exchange rate on the date of Customs clearance.

Registration of imported Vehicles
Effective 1 January 2021, newly imported vehicles are registered at the port of entry.

Other Taxes

Estate tax
Estate duty of 5% is levied on the value of the worldwide assets of a deceased individual who was ordinarily resident in Zimbabwe. For individuals not ordinarily resident, estate duty is levied only on property within Zimbabwe. The blanket exclusion from the dutiable amount for an estate is ZWL50,000.

Stamp duty
Stamp duty, which is payable on the 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 based on the value of the property as follows:

Property Value (ZWL)	100 of value or part thereof (ZWL)
Up to 5,000	0.7
5,001 – 15,000	3
15,001 – 100,000	5
Over 100,000	6

Transfer duty
A transfer duty of 1% applies on the transfer of mining claims.

Property tax
None

Capital duty
There is no capital duty in Zimbabwe.

Demutualisation levy
An issue of shares under a demutualisation scheme (e.g. where 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.

Intermediated money transfer tax (IMTT)
An intermediated money transfer tax (IMTT) applies on money transfers at a rate of ZWL0.02 per transaction. As from 1 January 2021, the tax applies only on transactions exceeding ZWL500 or US$5. A single transaction exceeding ZWL4 million or US$100,000 is subject to a flat IMTT of ZWL800,000 or US$2,000. Certain transactions have been

excluded from the IMTT. IMTT is chargeable where a financial institution mediates the transfer of money, otherwise by a cheque, from one person or more to another either physically or automatically or by any other means.

No liability arises on transfer of money from one financial institution to another financial institution, if the financial institution is acting on behalf of any of the persons as an intermediary.

This is also the case in respect of transfers of money from the African Export Import Bank (with effect from 13 October 2018) and the transfer of foreign currency by authorised dealers in settlement of international obligations for the importation of goods and services.

The transfer of foreign currency by authorised dealers in settlement of international obligations for the importation of goods and services is exempt from IMTT.

Automated financial transactions tax
The automated financial transactions tax is imposed at a rate of US$0.05 per transaction, including transactions initiated on mobile platforms. The tax applies only on transactions exceeding US$10.

An automated financial transaction is a transaction where a customer of a financial institution withdraws cash or effects any debit on his account with the institution.

Carbon tax
A flat rate carbon tax of US$10 applies for visitors entering Zimbabwe with foreign-registered vehicles.

Bookmaker's tax
A bookmaker's tax applies to persons licensed or required to be licensed under the Betting and Totalisator Control Act. The tax is 3% of the gross monthly takings and is paid not later than the last day of the following month.

Tax Administration and Compliance
Tax is administered in Zimbabwe by the Zimbabwe Revenue Authority (ZIMRA).

Companies
1. Tax year – The tax year is the calendar year. An accounting year other than the calendar year may be used instead, subject to approval by the tax authorities.
2. Consolidated returns – Consolidated returns are not permitted in Zimbabwe; each company must file a separate return.
3. Filing and payment – For calendar-year taxpayers, tax returns must be filed by 30 April after the close of the tax year. Income tax is paid quarterly, based on estimated annual taxable income, on 25 March, 25 July, 25 September and 20 December of the assessment year. The commissioner may assign different payment dates upon application by taxpayers with financial year ends other than the calendar year. Taxpayers are required to submit their returns via ZIMRA's e-filing platform. Various dates apply for purposes of remitting tax withheld to ZIMRA, depending on the type of payment.
4 "Fiscalisation" rules require all registered taxpayers to interface with the ZIMRA server. This entails linking the registered operator's fiscal devices to the ZIMRA server to enable ZIMRA to access information in real time. In addition to meeting fiscalisation requirements, registered operators should register for e-filing and submit their returns electronically.
5. Penalties – Interest and penalties apply to unpaid taxes, late returns and failure to file returns. 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 submit a return or information in connection with a tax liability by the relevant deadline, and where the commissioner is not satisfied with the return or information supplied.
6. Duty to keep records – All persons whose gross income does not consist solely of wages or salaries, are required to keep proper books of accounts in the English language for a period of six years relating to any trade.
7. Rulings – The commissioner may issue an advance tax ruling on any provision in the Income Tax Act.

Individuals
1. Tax year – The tax year is the calendar year.
2. Tax filing – Spouses are taxed separately; joint filing is not permitted.
3. Filing and payment – Employees are not required to file a return if their tax has been paid under the final deduction system.
4. Penalties/duty to keep records – See under "Companies," above.

VAT
1. Filing and payment – VAT payments and returns are due by the 25th day after the tax period.
2. Penalties – Non-compliance with "fiscalisation" rules by registered taxpayers attracts a maximum penalty of ZWL305 per point of sale for each day the taxpayer remains in default. See also under "Companies," above.
3. Effective 1 January 2020, interest of 10% and 25% is applicable on tax liability and refunds denominated in foreign currency and ZWL respectively.

Investment Incentives
Incentives apply equally to domestic and foreign investors. The major goals of incentives include employment creation, small business development, industrial development, export promotion and the uplifting and development of the economically disadvantaged. Limited incentives currently are available.

Suspension of duty and provision of rebates on selected industries also contributes to the investment incentives available. Tariffs protect local industry, but the move towards harmonisation of trade within the region has led to the reduction of tariffs for COMESA and SADC countries.

Tax incentives
- Rebate provisions apply to all manufacturing industries for the rebate or drawback of certain duties applicable to imported goods, raw materials and components used in manufacturing or processing or for export
- A "special initial allowance" (SIA) is 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 asset is first used. During the subsequent three years, the asset is entitled to an accelerated wear-and-tear allowance of 25% each year
- Qualifying small and medium-sized enterprises (SMEs) may elect a capital allowance structure that includes a 50% SIA, and 25% accelerated wear-and-tear allowances in the following two years of assessment
- Building societies and financial institutions providing mortgage finance are exempt from tax, but only to the extent the receipts and accruals of such financial institutions are attributable to the provision of mortgage finance
- Interest on loans made to small-scale gold miners for mining operations, prospecting or exploratory works in Zimbabwe is exempt
- A double deduction is granted for expenditure incurred to develop export markets.

Export manufacturing companies
Export manufacturing companies are granted a tax concession in the form of reduced income tax rates, based on the percentage of manufactured products exported, as follows:

Export percentage	Corporate rate
30% – 40%	20%
41% – 50%	17.5%
Above 50%	15%

Mining incentives
Certain tax incentives apply to mining companies, including the following:

- A "capital redemption allowance" is granted on capital expenditure incurred by a miner. An allowance of 100% of the amount incurred on capital expenditure in the year of assessment is available
- The full capital cost of employee housing for a general miner qualifies for a capital redemption allowance
- The capital cost of a unit of employee housing acquired or constructed after 1 January 2021 and used by a holder of a "special mining lease" is restricted to ZWL2 million per unit for purposes of claiming a capital redemption allowance
- The cost of a passenger motor vehicle for purposes of claiming a capital redemption allowance is restricted to ZWL800,000.
- Capital Redemption allowance is also claimable on cost of software used by the miner in his/her mining activities

Indigenisation incentives and regulations
From 1 January 2021, the indigenisation and empowerment regulations were revised to apply to extraction of minerals prescribed by the Minister of Indigenisation in consultation with the Minister responsible for Mines and the Minister .

Indigenised companies – Special deductions
The following deductions apply to indigenisation transactions:

- The amount of any contribution or donation paid to a community share ownership trust or scheme
- The value of the shares of a corporate taxpayer that are loaned 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 on any loan advanced to him/her to purchase shares in the company of which he/she is an indigenous partner.

Exchange Controls
Limited exchange controls are in place, most of which relate to monitoring and registration activities that have largely been passed on to the banking sector with minimal central bank intervention. However, Zimbabwe has been facing severe currency shortages and, accordingly, currency allocations now are being managed on a priority basis.

Individuals and companies are permitted to make payments for goods and services offshore, as well as for servicing external debts. External loans of up to US$20 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.

Expatriates and Work Permits
Work permits for expatriates generally are available in cases where the relevant expertise is not available locally or where the employment of an expatriate is needed in setting up a new project. Where a business visa is issued, the following activities are permissible:

- Installation and back-up service for machinery purchased outside Zimbabwe by local companies
- Attendance at board meetings
- Assessment of investment opportunities.

Individuals who invest at least ZWL1 million in a project approved by the Zimbabwe Investment Authority (ZIA) can apply for permanent residence. Investors who invest at least ZWL300,000 in a sole business venture approved by the ZIA, or who invest at least ZWL100,000 in a joint venture approved by the ZIA with a bona fide Zimbabwean, will qualify for a residence permit for three years, at the end of which permanent residence may be granted subject to immigration approval.

Trade Relations
Memberships

- Southern Africa Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)
- African Continental Free Trade Area (AfCFTA) – Zimbabwe ratified the agreement on 25 April 2019

Additionally, Zimbabwe has a bilateral trade agreement with South Africa. As a result of this agreement, a number of export products may enter the South African market at reduced rates of import duty, and vice versa.

Key Economic Information

Currency (symbol/code)
Zimbabwean dollar ($/ZWL)

Exchange rate	
US$1	ZWL421.42
EUR1	ZWL509.59
Source: IRESS, 2021.	

2021 forecast	2022 forecast
Nominal GDP	
US$41.79 billion	US$44.45 billion
Real GDP growth	
3.07%	4%
Average inflation	
99.25%	
Source: IMF WEO DATABASE, April 2021.	

Central Bank Rate
40%
Source: Reserve Bank of Zimbabwe, 2021.

Market capitalisation as at April 2021
US$277.10 million
Source: Capital IQ, 2021.

Deloitte School of Tax (DSOT)

The Deloitte School of Tax & Legal offers tax technical seminars providing practical training at the correct level of complexity for the participant. Our approach encourages individual interaction and includes practical demonstrations of the impact of the principles discussed.

The Deloitte School of Tax & Legal provides value adding services by offering:
- National workshops
- Tailored client training
- Online learning solutions.

Live Webinars
The Deloitte School of Tax & Legal presents regular live webinars. These are also offered as on-demand recordings post-event. Delegates get to implement their learning immediately.

National workshops will be reintroduced as circumstances allow.

Topics include:
- Annual Tax Update: Latest Amendments
- Customs
- Value-added Tax
- International Tax
- Capital Gains tax
- Audit of tax balances addressing the SAICA tax competencies for audit trainees
- Tax Accounting: Deferred Tax & Review of Tax Calculation
- Expatriates tax and Global Mobility Fundamentals
- Corporate Tax
- Provisional Tax
- Tax incentives
- Tax Administration Act and Dispute Resolution
- Transfer pricing
- Individual's Tax
- Dividends tax
- Trusts and Estates.

Tailored Client Training
The Deloitte School of Tax & Legal offers tax training workshops tailored to your organisation's needs.

This could be a once-off training intervention or a series of interventions over predetermined intervals and include pre-work (assessments and pre-reading), facilitated technical training workshops (e.g. 1-2 days per month over a 12-month period) and post-training assessment and development sessions.

We can provide you with a comprehensive and flexible tax learning solution that will help you build and retain skills according to your training and development objectives.

Our approach to preparing bespoke client training encompasses:

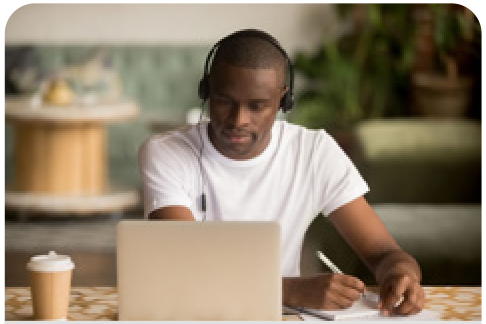
Performing a needs analysis
We prioritise understanding our audience and their specific training needs which ensures the correct focus and level of complexity, thus enhancing the learning experience for participants.

Effective Design and Delivery
Our aim with delivery is to be as practical as possible to this end training is designed to be interactive and example based. In our experience, training which is lecture focused and steers clear of being interactive and practical, is not effective. In addition to this we ensure that all material is quality reviewed by highly experienced tax subject matter experts.

Evaluate and evolve
Critically analysing the effectiveness of training is fundamental. This means having the ability to adapt to feedback based on the effectiveness of sessions during training. We have an administrative team that is experienced in collating and communicating this feedback, allowing us to enhance the effectiveness of delivery.

Workshop material and case studies
As part of the process of customising a training solution we will prepare a complete set of reference material. This may include slide decks, custom-made training manuals, development of client specific case study material as well as SARS and other publications relevant to the training session.

We believe in real-world applied training, in keeping with this we design our material to be practically orientated. To help achieve this aim we will include actual documents from the client's records, like contracts and invoices, as part of the case study or practical example. Where relevant, we will also include the actual SARS returns and filing documents and take participants through the process and principles of completing those returns and filing via eFiling.



Online Learning Solutions
With the current global circumstances, the Deloitte School of Tax & Legal has moved online with our learning offerings. These include online courses where topics are broken down into smaller, manageable sessions for delegates to work through. Most sessions have a knowledge check quiz at the end to assess your understanding.

Live webinars are recorded and offered on demand after the event if delegates missed the webinar.

Our Online Solution offering
- Complete with material to download including practical examples
- Ranges from 90 minutes to three hours in duration
- Questions on the content can be sent through to dsot@deloitte.co.za
- Experienced presenters who are experts in their field
- CPD certificate given on completion.

Deloitte School of Tax & Legal Contacts
Website: www.schooloftax.deloitte.co.za
Email: dsot@deloitte.co.za

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organization") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 330,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2021. For information, contact Deloitte Touche Tohmatsu Limited. (SJH)