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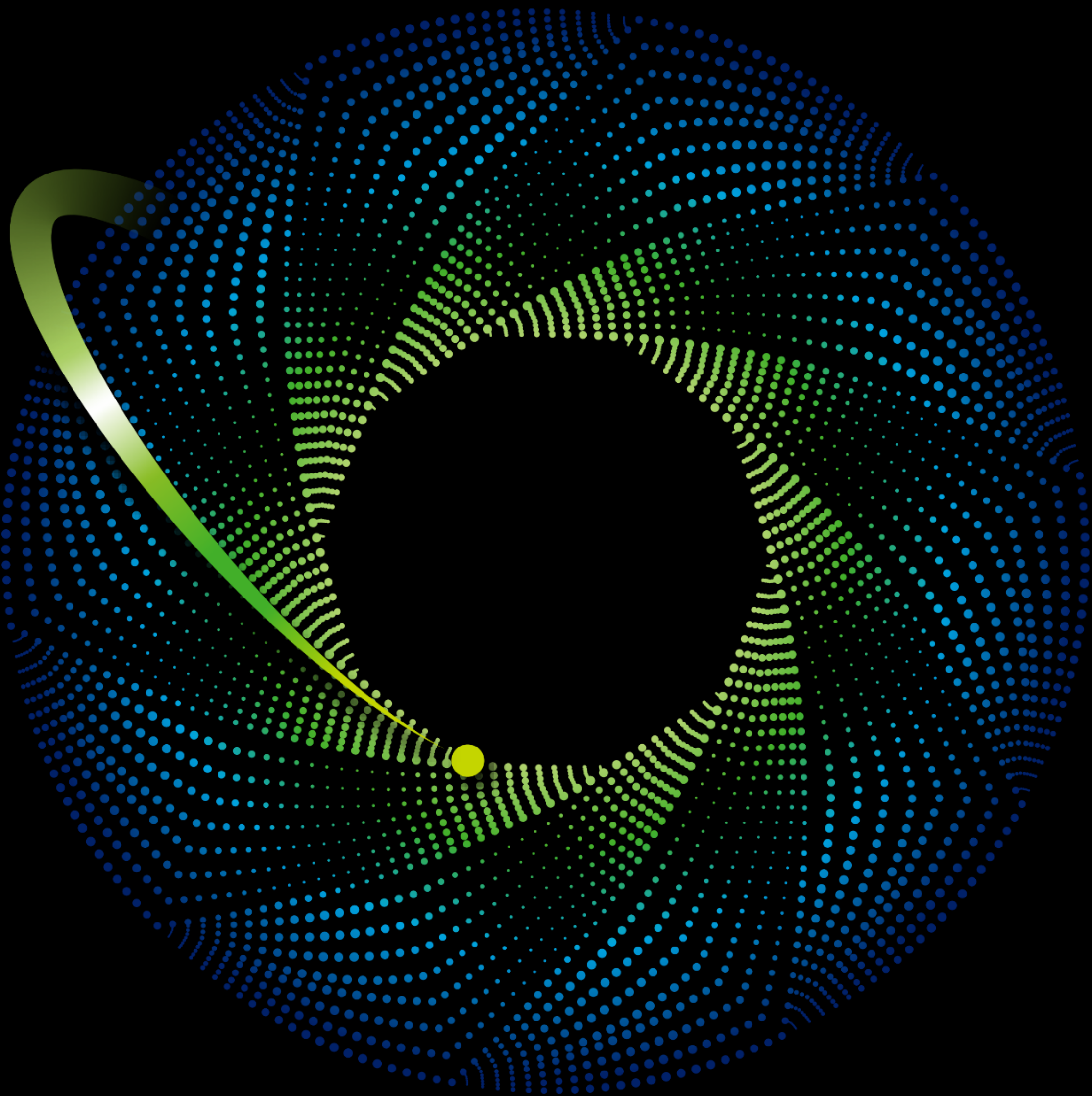


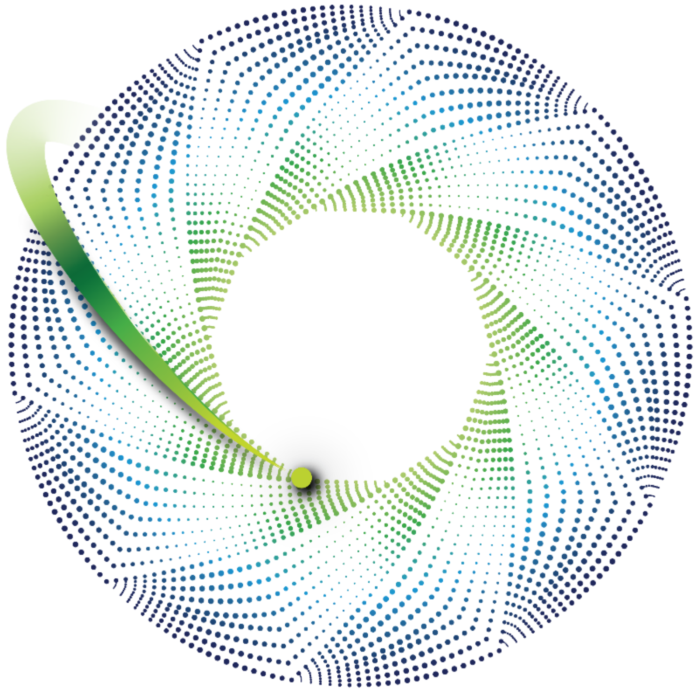
Deloitte Africa Tax Pulse

Your go-to newsletter for the latest tax developments across the continent

February 2025

Introduction

Welcome to the Deloitte Africa Tax Pulse, your go-to newsletter for the latest tax developments across the continent.



As African economies evolve, governments are implementing new tax policies to enhance revenue collection, promote transparency, and streamline compliance. These changes significantly impact businesses, individuals, and key industries.

In this edition, we cover key tax reforms, including Chad's new VAT on digital services, Malawi's budget-driven tax adjustments, Tanzania's tax system upgrade, and Zambia's full shift to electronic invoicing. We also highlight important rulings and policy changes in Uganda and Nigeria. These reforms are transforming the tax landscape for businesses and individuals.

Stay informed and prepared as we navigate Africa's evolving tax environment together.

Central Africa

Chad

Chad introduces VAT ESS

The Finance Act for 2025, applicable on 1 January 2025, has introduced a valued added tax on electronically supplied services (VAT ESS) in the Chadian tax system. This VAT extension was recommended by the Economic and Monetary Community of Central Africa (CEMAC) Guidelines on VAT published in October 2022 with an invitation to member States to transpose these rules in their respective domestic tax systems.

New VAT ESS covers any electronically supplied service which the end consumer is Chadian based entity or natural person, independently of whether the supplier or the electronical platform operator is located in Chad or not. This also includes both B2B and B2C services, in absence of any specification.

VAT ESS should be collected by the electronical platform operator who is responsible for online VAT declaration and payment to the Tax Authority, after a prior VAT registration. In the hypothesis the latter is not located in Chad, the reverse VAT charge applies to the local service user.

East Africa

Malawi

Tax focus: Budget speech highlights

The Minister of Finance and Economic Affairs, delivered the 2025/2026 Budget Statement on 28 February 2025, introducing new measures impacting the Taxation, Value Added Tax (VAT) and Customs and Excise Acts.
Key amendments include the reduction of the corporate income tax rate for foreign companies from 35% to 30% to promote a non-discriminatory business environment. The introduction of new offences related to the management of tax stamps to strengthen tax compliance. The marginal note of Section 127A in the Taxation Act has been revised to read "*Transfer pricing and other arrangements between related parties.*"

Additionally, VAT on bread, buns and confectioneries will be removed. Government has clarified that mobile phones are subject to VAT and not import or excise duty.

The Customs Procedure Code (CPC) will be amended to grant Members of Parliament duty-free clearance of three vehicles. In alignment with the Agriculture, Tourism, Mining and Manufacturing (ATMM) strategy the government will reduce import duty and excise tax on materials imported for the construction of amusement parks. The relevant CPC of various irrigation sector items will be expanded to include duty-free clearance of pump engines of any size. The Customs Agency Bond under Form No.123 will be increased from MK1.5 million to MK2 million.

The above highlighted measures will come into effect when the VAT (Amendment) Act, the Taxation (Amendment) Act and the Customs and Excise (Amendment) Act are passed by parliament and subsequently gazetted. The effective date will be 1 April 2025.

Taxpayers are encouraged to familiarise themselves with the changes to ensure adherence.

Malawi

Malawi's priority industries

The Priority Industry Scheme offers exciting benefits to qualifying companies, including a tax holiday of up to 10 years and duty-free importation of capital items, aiming to boost investment and economic growth. However, concerns have been raised about unclear eligibility criteria and the exclusion of critical sectors.

To address this, government is introducing mega farms as a priority sector and reviewing regulations to enhance transparency and broaden access to incentives. This reform aligns with the ATMM strategy, encouraging participation in priority industries and driving sustainable economic development.

Malawi to reduce excise tax on hybrid vehicles

Following the 2025/2026 Budget Statement on 28 February 2025, in order to promote the adoption of fuel-efficient hybrid vehicles, the government will implement significant reductions in excise tax rates for hybrid vehicles, effective 1 April 2025.

The excise tax reductions will be as follows:

- For hybrid vehicles less than 8years old, the excise will be reduced from 45% to 0%;
- For hybrid vehicles between 8 and 12 years old, the excise tax will be reduced from 70% to 35%; and
- For hybrid vehicles older than 12 years, the excise tax will be reduced from 100% to 60%.

This law aims to reinforce government's commitment to environmental sustainability by encouraging energy-efficient transportation.

Excise efficiency: MRA revamps domestic tax returns

Effective 1 February 2025, the Malawi Revenue Authority (MRA) has introduced updates to the Domestic Excise (DEX) return on Msonkho Online to streamline the filing process and enhance the accuracy of DEX return submissions, making tax reporting more efficient for taxpayers.

The updated return now features:

- **Product description field:** where taxpayers can provide detailed descriptions of products.
- **Quantity and unit price fields**: this field facilitates the precise calculation of excisable value (excisable units multiplied by the unit price).
- **Specific tax rates:** improvements have been made to support the use of specific tax rates for products. The specific tax rates are expressed units of currency per specified quantity (E.g MK1,000 per kilogram). This feature is currently only applicable to cigarettes.
- Reference data.

Taxpayers are to note that the values are to be entered exactly as they are stored in the system to avoid upload errors.

Malawi

Tariff made easy: MRA goes digital with customs e-tariff

The MRA has launched the customs e-tariff, a digital tool designed to enhance accessibility and efficiency in tariff classification. This online platform replaces the traditional paper-based Malawi tariff book, allowing users to seamlessly search and browse tariff classifications, view applicable duty rates, as well as access tax and levy information for specific harmonised tariff codes.

The e-tariff also features a duty estimator, enabling traders to calculate estimated duties and taxes for imports.

MRA encourages customs agents, cross-border traders, manufacturers, importers and distributors to utilise the e-tariff for a more streamlines and efficient customs clearance process.

The tool is available on the MRA website.

Tanzania

Implementation of first phase of the Integrated Domestic Revenue Administration System

On 10 February 2025, the Tanzania Revenue Authority (TRA) officially launched the first phase of the Integrated Domestic Revenue Administration System (IDRAS).

This first phase of IDRAS allows taxpayers to access a range of services such as motor vehicle registration and driving license issuance. Access to these services requires a user account on the taxpayer portal, authenticated with the Taxpayer Identification Number (TIN). This system offers self-service access to:

- Registration of motor vehicles following importation or domestic purchase;
- Transfer of ownership of motor vehicles;
- Change of motor vehicle particulars; and
- Application of driving licenses.

Taxpayers are required to update their TIN information on the TRA website to access motor vehicle management and driving license services. Completing vehicle ownership transfers is also essential for maintaining proper registration of vehicles and motorised equipment under the current owner's TIN and name.

Uganda

Tax Appeals Tribunal rules on how throughput charges should be categorised for VAT and WHT

On 21 February 2025, the Tax Appeals Tribunal in the case of Total Energies Marketing Uganda Ltd versus URA TAT App. N0.104 of 2023 ruled that throughput fees relating to handling, storage and transportation charged to Ugandan companies importing petroleum products are vatable services.

The tribunal further ruled that handling fees from sources in Uganda attract withholding tax (WHT) on the entire amount paid out to the service provider.

In this case, the Ugandan Revenue Authority issued value-added tax (VAT) and WHT assessments on service charges paid by Total Uganda to Total Kenya for facilitating the importation and transportation of petroleum products into Uganda.

Deloitte Africa's view:
This ruling will have a significant impact on the downstream oil and gas companies as throughput services, prior to this ruling, were considered incidental to the import of an exempt good (fuel) and thus exempt from VAT; and now would alternatively be considered incidental to international transport, which is VAT zero rated. The ruling further requires charging of WHT on the gross amount of a service fee as opposed to the previous practice of charging WHT on the mark-up.

We wait to see if this ruling will be challenged in an appellant court.

Zambia

Zambia fully implements electronic invoicing

The full rollout of the electronic invoicing system, known as the 'Smart Invoice', commenced on 1 October 2024. All taxpayers are required to fully implement and start recording all their transactions on Smart Invoice including transmitting production, invoicing, and stock data in real-time to the Zambia Revenue Authority.

All taxpayers registered for eligible types of taxes that include value added tax (VAT), income tax, turnover tax, rental tax, insurance premium levy, tourism levy and domestic excise duty are required to use Smart Invoice.

Taxpayers are therefore advised to implement and use Smart Invoice to avoid fines and/or imprisonment for a term not exceeding three years. Additionally, all invoices issued outside the Smart Invoice System cannot be used to claim input VAT except for invoices issued by taxpayers exempted from Smart Invoice.

Click here to learn more

Nigeria

Update on Nigeria’s Visa on Arrival policy

Sequel to the Federal Government of Nigeria (FGN)’s announcement on 21 February 2025, to cancel the Visa-on-Arrival (VoA) initiative, the Presidential Enabling Business Environment Council (PEBEC), following a meeting with the Honourable Minister of Interior, clarified via a press release on 25 February 2025 that the VoA initiative will not be cancelled. Instead, it will be upgraded to improve operational efficiency and strengthen immigration controls.

Some of the key features promised with the upgrade include:

- A quicker turnaround, with approvals to be issued within 24 to 48 hours of submission of the application.
- Direct sharing of the e-visa sticker with the applicants, upon approval of their application, replacing the current system of issuing a pre-approval letter.

This upgrade is expected to take effect between 1 March and 1 April 2025.

Federal Ministry of Interior announces review of approving authority for applications

The Federal Ministry of Interior (FMI) via a circular announced a revision of the approval process for all applications (Expatriate Quota and Citizenship) on 12 February 2025, which is expected to take effect immediately and will supersede all previous approval procedures.

Under the revised process, the Honourable Minister and Permanent Secretary of FMI are now the sole approvers for all applications. Previously, the Director for citizenship and business under the FMI was part of the approval authority for certain applications.

While the revised process is expected to reduce irregularities and abuses, one major concern is that it may lead to longer approval timelines for applications that were previously authorised by the Director’s office, as these will now require approval from the Permanent Secretary or Honourable Minister. This could also place additional pressure on the offices of both the Permanent Secretary and Honourable Minister.

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