



## International tax

# Chad Highlights 2015

### Investment basics:

**Currency** – *Communauté Financière Africaine Franc* (XAF), used in five Central African states (CFA).

**Foreign exchange control** – The XAF is linked to the Euro at a fixed exchange rate, and unlimited convertibility to the Euro is guaranteed. CFA members have agreed to apply exchange control regulations modelled on those of France. Transfers within the CFA zone are not restricted. Dividends out of revenue and capital on disinvestment may be remitted.

**Accounting principles/financial statements** – Chad is not a member of the IFAC, and has not yet adopted IFRS for general use. Chad uses the OHADA accounting system adopted by many Central and West African nations.

**Principal business entities** – These are the public company limited by shares (*société anonyme*, SA), private company limited by shares or guarantee (*société a responsabilité limitée*, SARL), joint venture and branch of a foreign company.

### Corporate taxation:

**Residence** – An entity incorporated in Chad is resident for tax purposes.

**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. Nonresident corporations are taxed on their Chad-source income only, which is paid net of withholding tax at source.

**Taxable income** – Income is taxed under separate schedules for industrial and commercial profits, noncommercial profits and income from movable capital, land and agriculture. The noncommercial schedule is mainly used for professional income, royalties and know-how, and for nonresident corporations. Business costs and expenses are deductible if they are strictly related to the business. Management fees and similar payments are deductible if they are reasonable. Foreign management fees are

only deductible up to 10% of taxable income. Contributions to foreign retirement funds on behalf of employees are deductible up to 15% of an employee's gross salary.

**Taxation of dividends** – Dividends received from a Chadian company are subject to the tax on income from movable capital at 20% of the gross amount of the distribution. The tax is withheld at source by the payer company. Foreign-source dividends are subject to corporate income tax, unless exempt under the terms of a double tax treaty.

**Capital gains** – Capital gains arising from the disposal of fixed assets and shares are normally included in taxable income. Relief in the form of reduced tax rates or a tax exemption applies to significant long-term holdings of shares.

**Losses** – Losses may generally be carried forward for five years; losses attributable to capital allowances may be carried forward indefinitely. The carryback of losses is not permitted.

**Rate** – 35%

**Surtax** – No

**Alternative minimum tax** – A minimum tax of 1.5% of annual turnover applies.

**Foreign tax credit** – Only if provided in accordance with a relevant tax treaty.

**Participation exemption** – No

**Holding company regime** – Subject to certain conditions, dividends received by a parent company in Chad are not taxed provided that the parent holds at least 50% of the shares in the subsidiary and that both companies are established in the CEMAC region.

**Incentives** – Special tax regimes can be granted on an individual basis according to several criteria, including the business sector in which a company is planning to invest.

### Withholding tax:

**Dividends** – Dividends distributed by a resident company to a resident or

nonresident entity or individual are taxed at a rate of 20%, which represents the corporate income tax payable on the amount of the distribution.

**Interest** – Interest paid to a resident or a nonresident is subject to a 25% withholding tax.

**Royalties** – Royalties paid to a resident or a nonresident are subject to a 25% withholding tax on that part of the royalties that exceeds 10% of taxable income.

**Technical service fees** – Technical service fees paid to a resident or a nonresident are subject to a 25% withholding tax on that part of the technical service fees that exceeds 10% of taxable income.

**Branch remittance tax** – No

### Other taxes on corporations:

**Capital duty** – Capital contributions are subject to duty at 1.5% or 3% depending on the nature of the underlying transaction.

**Payroll tax** – The employer is required to pay a flat tax of 7.5% based on the employee's gross wage. An apprenticeship tax at 1.2% is also payable.

**Real property tax** – Property tax at rates ranging from 11% to 21% is payable on 80% of the rental value of property, which is assumed to be 10% of the property's current market value. The rate varies depending upon the location of the property.

**Social security** – The employer is required to make social security contributions at 20% based on an employee's gross wages.

**Stamp duty** – Stamp duty is insignificant and the amount varies depending on the nature of the transaction.

**Transfer tax** – A transfer tax of 12% applies to transfers of real property and is payable by the transferee.

**Other** – A company or individual carrying on a trade in Chad must pay a business license duty, subject to certain exemptions. The duty comprises 0.1% of turnover, plus 10% of the

rental value of the professional premises, depending on the location, amongst other factors.

#### **Anti-avoidance rules:**

**Transfer pricing** – Profit transfers included in payments between resident corporations and nonresident affiliates may be adjusted so that arm's length conditions apply for tax purposes.

**Thin capitalization** – Interest expense may be disallowed where it arises on shareholder loans in excess of fixed capital. In addition, interest paid to shareholders in excess of a prescribed fixed rate is nondeductible.

**Controlled foreign companies** – No

**Other** – No

**Disclosure requirements** – No

#### **Administration and compliance:**

**Tax year** – Calendar year

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

**Filing requirements** – The tax return is due by 30 April of the year following the calendar year. Taxpayers must make advance payments of tax, calculated on the basis of the previous year's liability, in equal installments on 15 May, 15 August and 15 November of the calendar year. The balance of corporate income tax due is payable before the following 15 April.

**Penalties** – Penalties are charged at varying rates for late tax returns, failure to pay tax due, and errors and mistakes.

**Rulings** – A taxpayer may seek clarification from the tax authorities on the interpretation of specific provisions in the tax legislation but there is no general advance ruling system.

#### **Personal taxation:**

**Basis** – Habitual residents are taxable on worldwide income. Nonresidents are subject to tax on Chad-source income only.

**Residence** – Habitual residents are individuals with a permanent home available for their use in the Chad or who spend more

than 183 days in Chad within a 12-month period.

**Filing status** – A single personal income tax return is generally filed for each household. Spouses and children must be resident in Chad in order to be accounted for in the computation of personal income tax.

**Taxable income** – Individuals are taxable on the same schedules of income as companies, plus employment income. All income is pooled and subject to a general income tax.

**Capital gains** – Capital gains from the disposal of fixed assets are subject to income tax. Capital gains from the disposal of shares are taxable but specific regimes are available which may provide for an exemption or reduction in the taxable base.

**Deductions and allowances** – Expenses deductible from general income include contributions to retirement funds.

**Rates** – Fees are generally subject to withholding tax at an effective rate of 20% if the provider is not subject to taxation on actual basis. Withholding tax is applied to Chad-source investment income at the rates described in "Withholding tax" above. The general income tax is computed at progressive rates ranging from 20% to 60%. Only 60% of employment income is taxable.

#### **Other taxes on individuals:**

**Capital duty** – Capital contributions are subject to duty at 1.5% or 3% depending on the nature of the underlying transaction.

**Stamp duty** – Stamp duty is insignificant and is usually charged at a flat rate, depending on the nature of transaction.

**Capital acquisitions tax** – No

**Real property tax** – Property tax at rates ranging from 11% to 21% is payable on 80% of the rental value of property, which is assumed to be 10% of the property's current market value. The rate of tax varies depending upon the location of the property.

**Inheritance/estate tax** – No

**Net wealth/net worth tax** – No

**Social security** – Social security contributions are payable by an employee at a rate of 3.5% of gross salary and are withheld by the employer.

#### **Administration and compliance:**

**Tax year** – Calendar year

**Filing and payment** – Personal income tax returns are due by 1 March. Payments of tax relating to business income are due as for companies (see "Filing requirements" above). Tax is normally withheld at source on other sources of income.

**Penalties** – Penalties are charged at varying rates for late tax returns, failure to pay tax due, and errors and mistakes.

#### **Value added tax:**

**Taxable transactions** – VAT is chargeable on production activities, the distribution of goods and the rendering of services in Chad. VAT is also applied to imported goods and services.

**Rates** – The standard rate is 18%. A zero rate applies to exports and international transport.

**Registration** – Taxpayers must register with the local tax authorities. The registration threshold is very low.

**Filing and payment** – Monthly returns and payments, if any, are due by the 10th or 15th of the following month, depending on the previous year's revenue.

**Source of tax law:** General Tax Code

**Tax treaties:** Chad has concluded a single tax treaty (CEMAC treaty).

**Tax authorities:** Tax General Managing Department

#### **International organizations:**

*Communauté Economique et Monétaire de l'Afrique Centrale* (Economic and Monetary Community of Central Africa)

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