



International tax

Senegal Highlights 2015

Investment basics:

Currency – Senegal belongs to the zone of the African financial community (also CFA). The CFA franc CFA has a fixed exchange rate with the Euro (EUR 1 = CFA 655,957).

Foreign exchange control – There is no limit on the repatriation of profits generated by a company in Senegal. Residents are required to recover their foreign credits and to transfer their income in foreign currency to an approved intermediary, which must take place within two months from the date of current liability of the payment. Supporting documents must be presented to the intermediary for all outbound transfers.

When a transfer relates to a current transaction (which generally includes imports of goods, freight and insurance, wages, fees, royalties, trademark licenses, interest, dividends, rents, etc.), it can be carried out freely by the approved intermediary, under its responsibility. Otherwise (e.g. for any outbound movement of capital for investment, a loan or any other operation), preliminary authorization must be obtained from the Minister of Finance. Foreign exchange forward hedging can be made for the import of certain categories of goods, subject to the preliminary approval of the Ministry of Finance.

Accounting principles/financial statements – The accounting standards are based on the Organization for the Harmonization of Business Law in Africa (OHADA). Financial statements must be filed annually.

Principal business entities – These are the public or private corporation, limited liability company, economic interest group and branch of a foreign company.

Corporate taxation:

Residence – An entity is deemed resident if its registered office, permanent establishment or center of activity is located in Senegal.

Basis – Resident corporations are subject to tax on their worldwide income. Nonresident

corporations are subject to tax on their Senegal-source income only.

Taxable income – Corporate income tax is imposed on net profits. Taxable profits are determined after the deduction of allowable expenses and charges.

Taxation of dividends – Dividends received from a company other than a subsidiary are taxed as income after a 60% tax abatement on the gross amount.

Under the parent/subsidiary regulation, when dividends are paid by a qualifying subsidiary to its parent company, an amount equal to 5% of the dividends will be deemed to be expenses incurred on the dividends and will have to be included in taxable income. The remaining 95% is exempt from tax.

Capital gains – Capital gains are treated as operating profits and included in the corporate income tax base.

Losses – Tax losses may be carried forward for three years. The carryback of losses is not permitted.

Rate – The standard corporate tax rate is 30%. A 15% rate applies to companies with "Free Exporting Enterprise" status.

Surtax – No

Alternative minimum tax – An annual minimum tax is levied at a fixed rate of 0.5% on annual turnover (excluding tax) realized during the previous tax year. The minimum tax amount ranges between CFA 500,000 and CFA 20 million.

Foreign tax credit – Senegal tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.

Participation exemption – See "Taxation of dividends," above.

Holding company regime – Holding companies may, in certain cases, benefit from the exemption for dividends received (see "Taxation of dividends," above).

Incentives – Incentives are granted by the tax code and several laws, including the investment code, the mining code, the

petroleum code, the environment code, the free zone law and the free exporting companies law. Investments valued higher than CFA 250 billion are entitled to particular advantages negotiated directly between the investor and the ministry in charge, if the prime minister does not object.

Withholding tax:

Dividends – Dividends paid to a resident or nonresident are subject to a 10% withholding tax unless (in the latter case) the rate is reduced under a tax treaty.

Interest – Interest paid to a resident or nonresident company or individual is subject to a 16% withholding tax. The rate is 8% for interest generated on a bank or stockbroker's account and 20% on interest on cash vouchers. The withholding tax rate on interest paid to nonresidents may be reduced under a tax treaty.

Royalties – Royalties paid to a foreign entity are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.

Technical service fees – Technical service fees paid to a foreign entity are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax – Under certain circumstances, VAT (18%) can be applied on branch remittances.

Other – No

Other taxes on corporations:

A special contribution on mining products and concrete production was introduced by the Finance Act 2014 and is payable upon the sale or delivery of locally produced items. For imported items, it is payable once they are used in Senegal. The tax base is the total price before VAT. The general rate is set at 3%. For gold, the rate is 3% for 2015 (4% for 2014 and 2% for 2016).

A tax on the telecoms sector was introduced by the Finance Act 2014 and applies to the before tax net revenue of telecoms service providers at a rate of 1%.

Capital duty – Initial capital duty is 1% of capital exceeding CFA 100 million; otherwise, the duty is CFA 25,000. A 1% tax is levied on a capital increase and a 1% surtax applies for real estate contributions.

Payroll tax – Payroll tax is 3% of taxable gross salary.

Real property tax – Tax is charged at 5% of the value of real property other than factories and industrial premises, and 7.5% of the value of factories and industrial premises.

Social security – Only the employer contributes to social security. The annual ceiling for contributions is CFA 756,000. The rate for family benefits is 7% and the rate for industrial accidents varies from 1% to 5%, depending on the line of business.

National retirement fund contributions are paid by both the employer (60%) and the employee (40%). The rate of contributions for the general scheme is 14%, with an annual ceiling of CFA 3,072,000; the rate of contributions for the executive's scheme is 6%, with an annual ceiling of CFA 9,216,000. Executive staff must contribute to both schemes.

Stamp duty – Stamp tax is levied on cash transactions, based on the amount of the transaction.

Transfer tax – The transfer tax rate depends on the nature of the transfer: the rate on real property is 10%; the rate for shares and shareholders' current accounts is 1%; and a 10% rate applies to goodwill.

Other – Business license tax consists of a fixed annual payment and a proportional duty. The amounts and rates of these taxes are fixed according to the nature and size of the activity.

Banking transactions are subject to the tax on financial transactions at a rate of 17%. Specific taxes are levied on sales of petroleum products, alcohol and tobacco.

Anti-avoidance rules:

Transfer pricing – Transfer pricing rules are included in the new tax code, under which the tax authorities can adjust the profits of Senegal resident companies or branches of foreign companies where cross-border transactions are not made on arm's length terms. Documentation requirements apply to Senegal resident companies in certain cases.

Thin capitalization – There are no specific thin capitalization rules, but limits are imposed on the deduction of interest in certain cases.

Controlled foreign companies – There are no specific CFC rules, but several measures exist to counter tax evasion.

Other – No

Disclosure requirements – No

Compliance for corporations:

Tax year – Calendar year

Consolidated returns – Consolidation is necessary when a company established in Senegal controls other companies or exerts a notable influence on them.

Filing requirements – Advance payments of tax are required. The annual tax return must be filed by April of the following year.

Penalties – Penalties apply for late filing or payment, failure to file and filing incorrect returns. The amount of penalties varies, based on the nature of the tax and/or the violation.

Rulings – No

Personal taxation:

Basis – Residents are taxed on worldwide income, while nonresidents are taxed on their Senegal-source income only.

Residence – An individual is regarded as resident in Senegal if his/her permanent place of dwelling, center of interests or center of business is located in Senegal. An individual is also regarded as a Senegal tax resident if he/she stays in Senegal for more than 183 days out of any 365-day period.

Filing status – Spouses are required to file separate tax returns.

Taxable income – Taxable income is defined as income from all sources (wages and salaries; proceeds from agricultural, commercial or noncommercial activities; real estate income, etc.).

Capital gains – Capital gains are taxable at source by a notary in the case of a real estate transaction; otherwise, they are taxable based on the taxpayer's declaration.

Deductions and allowances – For each category of income, there are different abatements and allowable deductions. Losses on a particular category of income cannot offset gains from a different category, but may be carried forward for three years. A 30% lump sum deduction, capped at CFA 900,000, is available when determining the taxable base for employment income tax purposes.

Rates – The annual tax liability is computed by applying progressive income tax rates

(ranging from 0% to 40%) to the aggregate of net taxable income from various categories of income.

Other taxes on individuals:

Capital duty – No

Stamp duty – See "Other taxes on corporations," above.

Capital acquisitions tax – A 10% tax applies on the value of a real estate acquisition; the rate is 1% on the value of securities, stocks and shares and other liquid assets.

Real property tax – Property tax is due on improved and unimproved real property at rates ranging from 5% to 7.5%.

Inheritance/estate tax – There are various types of taxation on succession. A 1% registration fee applies for deeds of "pure and simple" acceptance of succession or legacy. Taxes on transfers by death are subject to a 3% rate in cases of direct lineage; otherwise the rate is 10%.

Net wealth/net worth tax – No

Social security – Only the employer contributes to social security. The annual ceiling for contributions is CFA 756,000. The rate for family benefits is 7% and the rate for industrial accidents varies from 1% to 5%, depending on the line of business.

National retirement fund contributions are paid by both the employer (60%) and the employee (40%). The rate of contributions for the general scheme is 14%, with an annual ceiling of CFA 3,072,000; the rate of contributions for the executive's scheme is 6%, with an annual ceiling of CFA 9,216,000. Executive staff must contribute to both schemes.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Taxpayers whose only source of income is a salary and whose taxes are withheld and paid by the employer need not file a tax return. All other tax residents must file their own returns.

Returns must be filed by 31 January, 31 March or 31 May of the following year, depending on the nature of the income. Payments must be made upon receipt of a tax notice.

Penalties – Penalties apply for late filing, late payment, failure to file and filing incorrect returns. The amount of penalties varies, based on the nature of the tax and/or the breach of the tax code.

Value added tax:

Taxable transactions – All economic activities fall within the scope of VAT, including the activities of independent professionals. The main exemptions relate to health care, education, banking, insurance and reinsurance, farming and transportation. Banking transactions are subject to the tax on financial transactions, rather than the VAT.

Rates – There is a single rate of 18%, which is reduced by 10% for services involving accommodation and food provided by approved tourist accommodation establishments.

Registration – All corporate businesses are required to register. Nonresident VAT payers must appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of their other VAT-related obligations.

Filing and payment – VAT returns and payments are due on the 15th day of the month following the date of the transaction.

Source of tax law: New General Tax Code, current Finance Law, tax doctrines and specific tax laws (Petroleum Code, Investment Code, etc.)

Tax treaties: Senegal has concluded more than 10 tax treaties.

Tax authorities: Customs Authority, Tax Authority, Ministry of Finance

International organizations: West Africa Economic and Monetary Union (UEMOA), African and Malagasy common organization (CEAO), G15, Organization of the Islamic Conference (OCI), CREDAF-OCAM

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