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International Tax

Senegal Highlights 2023

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Investment basics

Currency: West African CFA franc (XOF)

Foreign exchange control: 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).

Accounting principles/financial statements: The accounting system rules for the Organization for the Harmonization of African Business Law (SYSCOHADA) apply.

Principal business entities: Companies are classified as profit or nonprofit companies. Profit companies include partnerships (general and limited); capital companies (public limited companies (SAs), simplified public limited companies (SASs), and partnerships limited by shares (SCSs)); and limited liability companies (SARLs). Nonprofit companies include charitable and not-for-profit organizations, and representative offices (which should have no business purpose but only perform ancillary and preparatory activities). A branch of a foreign company is required to register as an external company. The most commonly adopted forms of doing business by foreign investors are private companies and branches. A branch may be established for a maximum period of two years, renewable once.

Corporate taxation

Rates	
Corporate income tax rate	30%
Branch tax rate	30%, plus 10% branch profits tax in certain circumstances
Capital gains tax rate	30%

Residence: An entity generally is deemed to be a resident of Senegal if its registered office, permanent establishment (PE), or center of activity is located in Senegal.

Basis: A resident corporation is subject to tax on its worldwide income; a nonresident corporation is taxed only on Senegal-source income.

Taxable income: Corporate income tax is imposed on net profits, determined after the deduction of allowable expenses and charges. Expenses incurred for the purpose of generating taxable income generally are deductible, although certain items (e.g., taxes and fines, dividends paid) are nondeductible.

Rate: The standard corporate income tax rate is 30%, with a 15% rate applying to free export companies (see "Incentives," below).

Surtax: There is no surtax.

Alternative minimum tax: An annual minimum tax rate of 0.5% is imposed on prior year turnover (excluding taxes). The minimum tax amount cannot exceed XOF 5 million.

Taxation of dividends: If the conditions of the participation exemption regime are not met (see "Participation exemption," below), dividends are taxed as income after a 60% tax abatement on the gross amount of the dividends.

Capital gains: 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.

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

Foreign tax relief: Senegal tax law does not provide for unilateral tax relief. However, bilateral relief may be available under an applicable tax treaty.

Participation exemption: Under the participation exemption regime, a parent company may deduct 95% of the gross amount of dividends it receives from a subsidiary if both the company and the subsidiary are subject to corporate income tax and are located in Senegal and the parent company owns at least 10% of the capital of the subsidiary. The regime also applies if at least two-thirds of the share capital of the Senegalese subsidiary is held by a Senegalese registered company.

Holding company regime: There is no holding company regime. The participation exemption rules discussed above also apply to holding companies but the entities must be a participative holding company and a public limited company (SA) or a limited liability company (SARL).

Incentives: Incentives are granted under several laws, including the General Tax Code, the Investment Code, the Mining Code, the Petroleum Code, the Environment Code, the 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 include the following:

- Tax deductions are granted to enterprises that invest more than XOF 100 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 West African Economic and Monetary Union (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 withholding tax on dividend distributions, payroll taxes, registration taxes, the annual local economic contribution, land tax, and license tax.
- Investments exceeding XOF 250 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 its turnover comes from (i) the production and sale of goods destined for the production of renewable energies; or (ii) the production of renewable energies.
- 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 government-approved program for the construction of buildings for housing use (i) a reduction of 50% of the corporate income tax; and (ii) a suspension of VAT on equipment and construction materials, topographic studies, studies and works relating to various roadworks and networks (Vrd), urban planning studies, architecture, and studies and works relating to socio-collective facilities (schools, health centers, etc.). This scheme also grants real estate developers a reduction on the cost of the work to be carried out by the developer and/or their subcontractors. In addition, the regime grants (i) a 50% reduction in registration fees on the acquisition of land by real estate developers; (ii) a temporary admission for the import of machinery not permanently fixed, such as bulldozers, elevators, cranes, and trucks; and (iii) an exemption from customs duties on materials imported for the implementation of the program. However, imports of equipment and materials that can be produced locally are excluded.

Special economic zone (SEZ) status can be granted by decree to any investor that wishes to establish an SEZ following a written application to the minister responsible for investment promotion. The tax benefits related to SEZ status include:

- A reduced 15% corporate income tax rate on taxable profits determined in accordance with the provisions of the General Tax Code. An additional 3% rate applies to any turnover realized within Senegalese territory by an exempt company; and
- An exemption from dividend distribution tax, the employer contribution for wages, registration fees, stamp duties, minimum tax, land contributions, the local economic contribution, the special tax on private cars, and certain customs duties.

Special tax status is granted to tourism businesses located in the tourist center of Casamance for a period of 10 years from the date approval is issued.

Compliance for corporations

Tax year: The tax year is the calendar year.

Consolidated returns: Consolidated returns are required when a company established in Senegal controls other companies or exerts a notable influence over companies that are within the scope of country-by-country reporting (see "Transfer pricing" under "Anti-avoidance rules," below).

Filing and payment: The corporate income tax return must be filed by 30 April of the year following the tax year. Tax must be paid in two installments, by 15 February and 30 April, and any outstanding balance of tax due must be paid by 15 June.

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.

Rulings: There is a system of tax rulings; a taxpayer can request a ruling from the tax authorities to provide guidance in the absence of specific applicable provisions on certain tax issues.

Individual taxation

Rates		
Individual income tax rate	**Taxable income (XOF)**	**Rate**
	Up to 630,000	0%
	630,001–1,500,000	20%
	1,500,001–4,000,000	30%
	4,000,001–8,000,000	35%
	8,000,001–13,500,000	37%
	13,500,001–50,000,000	40%
	Over 50,000,000	43%
Capital gains tax rate		Same as above

Residence: An individual is considered resident in Senegal for tax purposes if their permanent place of dwelling, center of interests, or center of business is located in Senegal.

Basis: Residents are taxed on worldwide income; nonresidents are taxed only on Senegal-source income. Nonresidents 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.

Taxable income: Taxable income is defined as income from all sources (e.g., wages and salaries; proceeds from agricultural, commercial, or noncommercial activities; income from real property). Benefits-in-kind are taxable according to scales published by the tax authorities or on their fair market value. The first XOF 630,000 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 jurisdictions they represent offer similar beneficial treatment for Senegalese diplomatic and consular staff.

Rates: Progressive income tax rates ranging from 0% to 43% apply to both resident and nonresident individuals.

Capital gains: 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.

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 XOF 900,000.

Foreign tax relief: Senegal tax law does not provide for unilateral tax relief. However, bilateral relief may be available under an applicable tax treaty.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Each individual must file their own return. Joint returns are not permitted.

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 annually. 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.

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.

Rulings: There is a system of tax rulings; a taxpayer can request a ruling from the tax authorities to provide guidance in the absence of specific applicable provisions on certain tax issues.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	10%	10%	10%	10%
Interest	8%/16%/20%	8%/16%/20%	8%/16%/20%	8%/16%/20%
Royalties	20%	20%	20%	20%
Fees for technical services	20%	20%	20%	20%

Dividends: The rate of withholding tax on dividends is 10% for both residents and nonresidents unless, in the case of nonresidents, the rate is reduced under an applicable tax treaty.

Interest: The rate of withholding tax on interest generally is 16% for both residents and nonresidents. An 8% rate applies to bank or stockbroker account interest, and a 20% rate applies to interest on cash vouchers. In the case of payments to nonresidents, the rate may be reduced under an applicable tax treaty

Royalties: The rate of withholding tax on royalties is 20% for both residents and nonresidents unless, in the case of nonresidents, the rate is reduced under an applicable tax treaty.

Fees for technical services: The rate of withholding tax on technical fees is 20% for both residents and nonresidents unless, in the case of nonresidents, the rate is reduced under an applicable tax treaty.

Branch remittance tax: Under certain circumstances, a 10% branch profits tax is payable.

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 with respect to transactions with nonresident 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 noncooperative state or territory. Specific payments to nonresidents 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 noncooperative jurisdiction.

Transfer pricing documentation requirements apply to Senegal resident companies:

- Whose annual turnover, excluding taxes, is at least XOF 5 billion;
- That hold, directly or indirectly, more than 50% of the capital or voting rights of a company that meets the criterion above; or
- Whose capital is more than 50% owned, directly or indirectly, by a legal entity that meets the first criterion above.

Companies that fall within the scope of the transfer pricing requirements must provide, together with their 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; and
- Specific information about the reporting company, including:
    - A description of its 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; and
    - Information on transactions with related companies that are the subject of advance pricing agreements or tax rulings concluded with another jurisdiction.

Legal entities established in Senegal must submit electronically within 12 months of the end of the fiscal year 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, if they:

- Prepare consolidated accounts;
- Hold or control, directly or indirectly, one or more legal entities established outside Senegal or have foreign branches; and
- Have consolidated annual turnover, excluding taxes, in the previous fiscal year of at least XOF 491 billion.

Domestic companies may be subject to country-by-country (CbC) reporting requirements if they are held or controlled, directly or indirectly, by a foreign company incorporated in a low tax jurisdiction or a noncooperative state or territory.

The following Senegal legal entities must make available to the tax authorities, 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 XOF 5 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 XOF 5 billion; or
- 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 XOF 5 billion.

Interest deduction limitations: Thin capitalization rules impose the following restrictions on the deduction of interest paid to foreign related parties on loans granted to domestic companies:

- The rate of interest paid to shareholders, partners, or other related parties on loans advanced directly or indirectly to a domestic company may not exceed the rate of the Central Bank of West African States (BCEAO), increased by three percentage points (i.e., 4.75% plus three percentage points or an effective rate of 7.75%).
- The interest is deductible only if the company's share capital has been fully paid up.
- The interest is not deductible to the extent it is paid on loans that exceed one and a half times the company's 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 corporate income tax to partners that are subject to income tax in Senegal on the interest. 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.

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.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are anti-hybrid rules in Law No. 2021-43 of 31 December 2021, by which Senegal ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).

Economic substance requirements: There are economic substance requirements pursuant to Law No. 2021-43 of 31 December 2021, by which Senegal ratified the MLI. The main purpose of these requirements is to ensure that profits are taxed where the economic activities that generate those profits are actually carried out and where value is created.

Disclosure requirements: See "Transfer pricing," above. Persons, entities, or organizations with a legal obligation toward the tax authorities are required to declare their existence, declare a change of domicile or address, and provide complete and accurate information.

Exit tax: There is no exit tax.

General anti-avoidance rule: The general anti-avoidance rules provided by law apply. The general anti-avoidance rules mentioned in the MLI also apply. Senegal took part in the OECD/G20 BEPS project and actively contributed to the development of concrete measures to counter tax avoidance practices. These measures include: limiting the excessive deductibility of interest, preventing harmful tax practices, fighting against artificial avoidance of permanent establishment status, requiring CbC reporting, and improving dispute settlement.

Value added tax

Rates	
Standard rate	18%
Reduced rate	10%

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.

Rates: The standard VAT rate is 18%. A reduced rate of 10% applies to services provided by agreed tourist accommodation establishments.

Registration: All corporate businesses are required to register for VAT. Nonresident VAT payers must appoint a solvent resident representative to be approved by the tax authorities and 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.

Filing and payment: VAT returns and payments are due on the 15th day of the month following the month the services are rendered or the goods are supplied.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Social security contributions are paid by the employer on an employee's salary, capped at an annual salary of XOF 756,000. 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 salary ceiling of XOF 4,968 million. The contribution rate for the executives' scheme is 6%, with an annual salary ceiling of XOF 14,904 million. Executives must contribute to both schemes.

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 authorities.

Capital duty: Capital duty is payable on initial share capital at 1% if the amount of capital exceeds XOF 100 million; otherwise, a fixed duty of XOF 5,000 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.

Stamp duty: Stamp tax is levied on cash transactions based on the amount of the transaction, at a 1% rate up to XOF 100,000.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: Deeds of pure and simple acceptance of succession or legacies are taxed at a fixed amount of XOF 25,000.

Other

Tax on financial transactions

Banks 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 added 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 XOF 21,665 per hectoliter, depending on the type of fuel), alcohol and tobacco, tea and coffee, cosmetic products (including perfume), and certain tourism vehicles.

Tax treaties: Senegal has concluded over 15 tax treaties. The MLI entered into force for Senegal on 1 September 2022.

Tax authorities: Directorate General of Taxes and Domains (DGID), a department of the Ministry of the Economy, Finance and Planning

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