Benin

What’s new?
Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

While there are no relevant updates in Benin’s tax code, Benin has a new investment code since March 2020, which includes:

- Exemption from principal customs duties on imports in the investment period. Companies investing between XOF 50 billion and XOF 500 billion are also exempted from CIT, customs duties, and business tax and are allowed a reduction of 80% of the employer’s share of salaries taxes during the exploitation period.
- Exemption from principal customs duties during the investment period for authorized companies whose investment amount is more than XOF 500 billion. These companies are also exempted from CIT, the employer’s share of salaries tax, business tax, and license tax during the exploitation period.

Featured government incentives

<table>
<thead>
<tr>
<th>Incentive name</th>
<th>Description</th>
<th>Maximum percentage</th>
<th>Qualification standards</th>
<th>Key exclusions or issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax rate reductions for start-up companies</td>
<td>Favorable income tax rates for start-up companies subject to CIT</td>
<td>Standard income tax rate is reduced by 25% for the first two years of operation and by 50% for the third year</td>
<td>Favorable tax rates for start-up companies apply to all new companies subject to CIT</td>
<td></td>
</tr>
<tr>
<td>Incentives for companies investing in their Benin operation and creating new jobs</td>
<td>Exemption from import/export duties, exemption from tax on industrial and commercial profits and exemption from employer part of salaries taxes</td>
<td>Total exemption from import/export duties as well as tax on industrial and commercial profits, exemption from CIT and employer part of salaries taxes</td>
<td>To qualify for duty and CIT exemption, the enterprise must have turnover between XOF 50 million and XOF 1 billion</td>
<td>To qualify for exemption from employer’s share of salaries taxes the enterprise must be in the first year of activities, or in the first two years of activities for the exemption relating to first employment of an employee</td>
</tr>
</tbody>
</table>

Industries most often affected by government incentives in country

<table>
<thead>
<tr>
<th>Technology, Media &amp; Telecom</th>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom, Media &amp; Entertainment</td>
<td>Banking &amp; Capital Markets</td>
</tr>
<tr>
<td>Technology</td>
<td>Insurance</td>
</tr>
<tr>
<td><strong>Consumer</strong></td>
<td></td>
</tr>
<tr>
<td>Consumer Products</td>
<td>Investment Management</td>
</tr>
<tr>
<td>Retail, Wholesale &amp; Distribution</td>
<td>Real Estate</td>
</tr>
<tr>
<td><strong>Energy, Resources &amp; Industrial</strong></td>
<td><strong>Government &amp; Public Services</strong></td>
</tr>
<tr>
<td>Power &amp; Utilities</td>
<td>Health &amp; Social Care</td>
</tr>
<tr>
<td>Mining &amp; Metals</td>
<td>Defense, Security &amp; Justice</td>
</tr>
<tr>
<td>Oil, Gas, &amp; Chemicals</td>
<td>Civil Government</td>
</tr>
<tr>
<td>Industrial Products &amp; Construction</td>
<td>International Donor Organizations</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Benin

<table>
<thead>
<tr>
<th>Type</th>
<th>National incentive?</th>
<th>State, provincial, regional or local incentives?</th>
<th>Filing deadlines imposed?</th>
<th>Did you claim in advance or arrears?</th>
<th>Nature of incentive</th>
<th>Maximum benefit available to large enterprises?</th>
<th>Maximum benefit available to small and medium-sized enterprises?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capex: Start-ups</td>
<td>[ ]= PERMANENT INCENTIVE [ ]= TEMPORARY INCENTIVE [ ]= NEGOTIABLE [ ]= NO [ ]= LIMITED APPLICABILITY [ ]= NOT APPLICABLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National: Advance</td>
<td>[ ]= PERMANENT INCENTIVE [ ]= TEMPORARY INCENTIVE [ ]= NEGOTIABLE [ ]= NO [ ]= LIMITED APPLICABILITY [ ]= NOT APPLICABLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local: Not applicable</td>
<td>[ ]= PERMANENT INCENTIVE [ ]= TEMPORARY INCENTIVE [ ]= NEGOTIABLE [ ]= NO [ ]= LIMITED APPLICABILITY [ ]= NOT APPLICABLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New small companies are not eligible for CIT reduction. New medium-sized and large companies are eligible for reduced CIT rates for the first three years</td>
<td>New large companies (more than 1 billion turnover) are eligible for a reduction of CIT for the first three years of activities. The CIT rate is reduced by 25% for the first two years, and by 50% for the third year</td>
<td>New large companies (more than 1 billion turnover) are eligible for a reduction of CIT for the first three years of activities. The CIT rate is reduced by 25% for the first two years, and by 50% for the third year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.
## Benin

### Investment (continued)

**Capex:** Tax relief for significant capex

- National: Advance
- Local: Not applicable

Authorized companies that invest between XOF 50 billion and XOF 500 billion are exempted from customs duties on import during the investment period. These companies are also exempted from CIT, custom duties, and business tax and are granted a reduction of 80% of the employer’s share of salaries taxes during the exploitation period.

Authorized companies that invest more than XOF 500 billion are exempted from principal customs duties in the investment period. These companies are also exempted from CIT, the employer’s share of salaries tax, business tax, and license tax during the exploitation period.

The tax incentives are available for large companies that make the required amount of investment.

The tax incentives are available for medium-sized companies that make the required amount of investment.

**Other**

**Industrial Free Zone (IFZ)**

- National: Advance
- Local: Not applicable

Exemptions from CIT and VAT for qualifying companies operating within IFZs, including:

- Exemption from CIT for the first 10, 12, and 15 years for zones 1, 2, and 3, respectively;
- Reduction of rate of CIT to 20% for five years from 11th, 12th, and 13th year for zones 1, 2, and 3, respectively;
- Exemption from VAT for the duration of approval for specific goods and services;
- Exemption from land taxes and business tax for one year from signing of agreement.

The number of years of exemption and the taxes concerned depend on geographic area.

The number of years of exemption and the taxes concerned depend on geographic area.

### Key:

- **●** = PERMANENT INCENTIVE
- **■** = TEMPORARY INCENTIVE
- **■** = NEGOTIABLE
- **○** = NO
- **●** = LIMITED APPLICABILITY
- **○** = NOT APPLICABLE
Country background
The standard corporate tax rate in Benin is 30%, but companies in the industrial sector are subject to a lower rate of 25%. A varying corporate tax rate of between 35%–45% is imposed on companies engaged in oil research and exploration and/or the production and sale of hydrocarbons. There also is a value added tax (VAT) levied at a standard rate of 18%.

New reforms have been implemented by the Benin government to foster foreign direct investment. This includes creating a unified regulatory framework for public-private partnerships, a single business registration desk, and multiple tax incentives to support private investments. Moreover, the current administration (led by President Patrice Talon) has initiated a process to modernize public procurement and to revise fees to transfer state-owned lands. The tax regime also has been simplified to favor micro and small enterprises.


Country synopsis
Benin (officially the Republic of Benin, formerly Dahomey) is a country in West Africa, bordered by Togo to the west, Nigeria to the east, and Burkina Faso and Niger to the north.

Part of the Gulf of Guinea, Benin has a 121 kilometer-long coastline and a population of close to 11.4 million. The country has recently been carrying out key economic and structural reforms.

Benin is a tropical nation, highly dependent on agriculture, and one of the world’s largest producers and exporters of cotton and palm oil. Substantial employment and income arise from subsistence farming.

According to the African Development Bank, real GDP growth is projected to be 6.3% in 2019 and 6.8% in 2020. Growth in the raw materials extractive sector is projected to reach 5.7% in 2019, driven mainly by the cotton sector.

Industrial growth is projected to expand by 13.3% in 2019, owing to building and public works (growing by 25%) and the electricity and water sectors, projected to grow 8% as the 120-megawatt Maria-Gléta power plant begins production.

Benin is a member of the African Union, the Economic Community of West African States (ECOWAS), and the West African Economic and Monetary Union.

Benin is highly integrated with the regional market: 70% of its exports go to the ECOWAS zone (mainly Nigeria) and the port of Cotonou remains a transit corridor for countries such as Burkina Faso, Mali, and Niger. Benin is also integrated into the regional capital markets and is host to subsidiaries of regional banking groups.

The main challenges for the country are diversifying exports and modernizing trading services and trade and transport services.

Economic growth prospects are good but remain vulnerable to external shocks, especially rainfall, global cotton and oil prices, and changes in Nigeria’s economic situation.

Investment incentives
Incentives are granted under several laws, including the investment code, mining code, petroleum code, environment code, free zone law, etc.

Capex
- Start-ups: The Benin tax code provides a reduction of corporate income tax (CIT) rates in the first three years of operation. CIT is reduced by:
  - 25% for the first and second years of operation; and
  - 50% for third year of operation.
Benin

These exemptions apply only to new medium and large companies established in Benin whatever their sectors of activity.

- **Import/export duty exemptions and tax relief for capex and job creation:**
  - New companies (whose turnover is more than XOF 50 million) are exempted from the employer's share of salaries taxes for the first year of activity. New companies are also exempt from the employer's share of salaries taxes for two years on the remuneration paid for the first job of an employee declared to Social Security.
  - Companies with one year of activity can benefit from a non-renewable annual CIT credit following the conclusion of a long-term contract with a Beninese employee after one year of service.
  - Apart from these general exemptions and following the provisions of the Benin investment code, authorized companies (with a capex investment amount of between XOF 50 million and XOF 1 billion) are exempted from principal customs duties at import during the investment period. These companies are also exempted from customs duties at export and from CIT during the exploitation period.

- **Tax relief for significant capex:**
  - Following the provisions of the Benin investment code, authorized companies that invest more than XOF 500 billion are exempted from principal customs duties during the investment period. These companies are also exempted from CIT, the employer's share of salaries tax, business tax, and license tax during the exploitation period.

**Other incentives**

**Industrial Free Zones**
Enterprises licensed to operate in Industrial Free Zones (IFZs) can apply for exemptions from VAT and CIT, but the scope of the exemptions depend on the geographic area of each company. While the exemptions are not fixed, applicants could be awarded the following benefits:

- Exemption from CIT for the first 10, 12, and 15 years for zones 1, 2, and 3, respectively;
- Reduction of the rate of CIT to 20% for five years from the 11th, 12th, and 13th year for zones 1, 2, and 3, respectively;
- Exemption from VAT for the duration of the approval for specific goods and services;
- Exemption from land taxes and business tax for one year from the signing of the agreement.