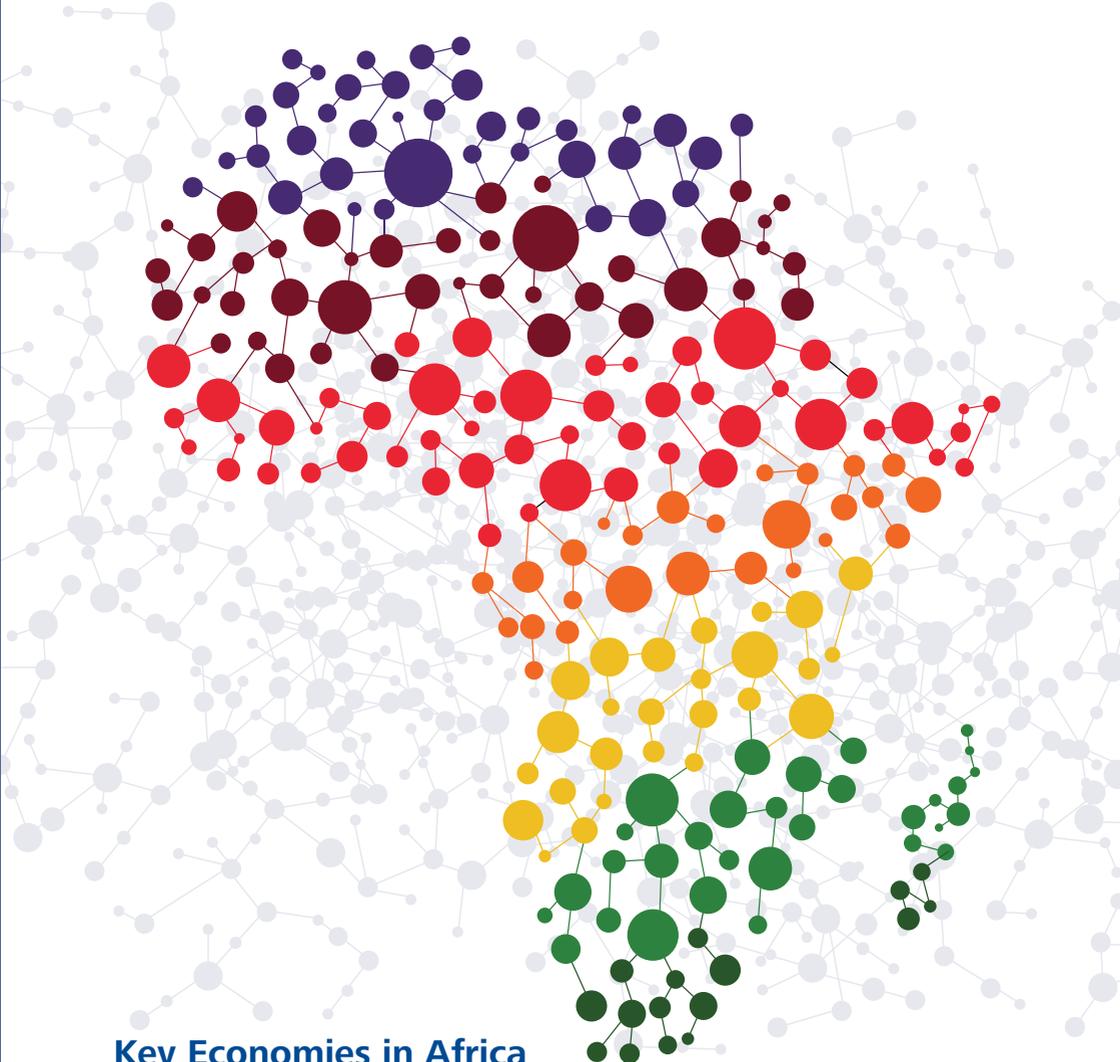


Guide to Fiscal Information



**Key Economies in Africa
2014/15**

Preface

This booklet contains a summary of tax and investment information pertaining to key countries in Africa.

This year's edition of the booklet has been expanded to include an additional five countries over-and-above the thirty-five countries featured in last year's edition.

The forty countries featured this year comprise: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Chad, Congo (Brazzaville), Democratic Republic of Congo (DRC), Egypt, Ethiopia, Equatorial Guinea, Gabon, The Gambia, Ghana, Guinea Conakry, Ivory Coast, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.

Details of each country's income tax, VAT (or sales tax), and other significant taxes are set out in the publication. In addition, investment incentives available, exchange control regimes applicable (if any) and certain other basic economic statistics are detailed.

The contact details for each country are provided on the cover page of each country chapter/section and also summarised on page 4, Tax Leaders in Africa. An introduction to the Africa Tax Desk (including relevant contact details) is provided on page 3, Africa Tax Desk.

This booklet has been prepared by the Tax Division of Deloitte. Its production was made possible by the efforts of:

- Moray Wilson, Adrienne Snyman and Susan Heiman – editorial management, content and design.
- Bruno Messerschmitt, Musa Manyathi and Sarah Naiyeju – Deloitte Africa Tax Desk.
- Deloitte colleagues (and Independent Correspondent Firm staff where necessary) in various cities/offices in Africa and elsewhere.

Unless otherwise indicated, the fiscal information is current as at 31 December 2014. The economic statistics have been obtained from the best information available during 2014.

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The booklet is issued for the use of clients and staff of Deloitte & Touche. It contains key information only and clients are advised to establish the applicability of the information in relation to particular circumstances. An electronic copy of this publication and other Deloitte tax guides from around the world can be accessed using the following link: <http://www2.deloitte.com/za/en/services/tax/tools-and-publications.html>



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Africa Tax Desk

Deloitte has a presence in 34 countries in Africa servicing 51 countries. These firms have been clustered into English, French and Portuguese-speaking areas to better facilitate service delivery for our clients. Deloitte is very fortunate to already have well established practices across the African continent, with most of them being the leading firms in their markets. The legal integration of these firms has moved Deloitte into a completely different league, further cementing its market-leading position in Africa. Deloitte in Africa is represented by over 350 partners, over 6 000 people comprising numerous industry and subject matter experts, including tax professionals who have successfully assisted clients with their Africa expansion strategies.

The Deloitte Africa Tax Desk (ATD) is a liaison between our Deloitte offices across Africa and the Global network, as well as a guide to Deloitte clients to ensure they are in contact with the right people and have access to up-to-date Deloitte publications.

Getting up-to-date and accurate information on taxation in many African countries can be challenging, however, a wealth of knowledge exists within the Deloitte network of country offices, Independent Correspondent Firms and contact firms throughout Africa. Providing easy and timely access to this knowledge is a key role of the ATD.

As part of the ATD's role, it:

- Acts as the first point of contact for basic Africa tax and investment enquiries by orientating our people and clients with published tax and business materials.
- Connects Deloitte people and clients looking for more detailed support with the appropriate advisor in our African network.
- Initiates and nurtures relationships with non-Deloitte offices in Africa to provide a continent-wide support network.
- Works with the Deloitte Africa Tax Leaders to address client needs and coordinate a client service team, especially for international clients active in multiple African tax jurisdictions.
- Promotes the services offered by Deloitte's African offices to practices and clients within and outside the region.
- Facilitates cross-office sharing of knowledge and experience about tax and investing in Africa to strategically position member firms to exploit new market opportunities.

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Algeria

Income Tax

Residents

The source basis of taxation is applied in Algeria. Payroll of expatriates is a complex area because of the impact of exchange control Algerian regulations. Thus, it is recommended that specific advice be sought in relation.

| Income Tax Rates for Resident Individuals: 2013 (Annual) | | |
|--|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| DZD | DZD | % |
| 0 | 120 000 | 0% |
| 120 001 | 360 000 | 20% |
| 360 001 | 1 440 000 | 30% |
| 1 440 000 + | | 35% |

Notes:

1. Personal income tax (PIT) is a direct tax levied on the income of an individual. Taxpayers are classified into residents and non-residents.
2. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on Algerian-source income.
3. Residence – Individuals who either own a home in Algeria or have a rental agreement, of at least one whole year, for their current place of dwelling; individuals for who Algeria is either their principal place of residence or the centre of their economic interests; individuals with a professional activity in Algeria (salaried activity or not).
4. In principle, all Algerian income taxes are withheld at source. It is the company/employer who is responsible for the withholding and payment of the taxes withheld on the employees' behalf.
5. An employee who receives other income, in addition to his principal salary, is required to file, if he/she is considered as a tax resident, in addition to the specific return for the additional revenue category, a global revenue return (series G n°1).



6. Rates – Individual income tax is imposed progressively up to 35% on amounts exceeding DZD120 000 per annum. A 10% or a 15% withholding tax (WHT) is a final tax applied for dividends received by individuals depending on whether the individual is a resident or not. For foreign individuals and entities, the WHT is 15%.
7. Capital gains – Capital gains on the disposal of a principal private residence, and other personal effects, are exempt of taxation. For business assets, the same rules apply as for corporations. Capital gains realised by a foreign individual on the shares, are taxed at 20%.

Non-Residents

Non-residents are subject to tax on Algerian-source income only.

Employment Income

In principle, all Algerian income taxes are withheld at source. It is the company/employer who is responsible for the withholding and payment of the taxes withheld on the employees' behalf.

Benefits in Kind

As fringe benefits are considered to be a part of the salary paid to an employee, they are subject to social security and income taxes. Fringe benefits taxable are generally evaluated on the basis of their fair market value.

Algeria

Companies

| Income Tax Rates for Companies (CIT) | |
|--------------------------------------|-------------|
| | Rate of Tax |
| Companies | 23% |

Notes:

1. Residence – Article 03 of the Direct Tax Code provides the definition of fiscal residence. A corporation is generally considered resident if it is incorporated in Algeria. Branches of foreign corporations and Permanent Establishments (PEs) are also considered as residents.
2. Basis – Resident and non-resident companies are subject to tax on their Algerian-source income while Algerian citizens are subject to tax on their worldwide source income.
3. The Alternative Minimum Corporate Tax (AMT) is DZD5 000 per year.
4. Taxable income – Corporate tax is computed on net profits derived from Algerian sources.
5. Losses – Losses may be carried forward for four years. The carryback of losses is not permitted.
6. Dividends – In principle, dividends received between Algerian companies are not subject to WHT and are exempt from tax in the hands of the recipient.
7. Foreign tax credit – Algerian tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief. This is a complex area in Algeria. Specific advice is therefore recommended.
8. Corporate groups – When an Algerian company holds 90% or more of the shares of one or more Algerian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Algeria, are consolidated. The consolidated group may also benefit from other tax advantages.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax.

| WHT Rates | | | |
|--|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividend | 1 | 0-10% | 15% |
| Interest | 2 | 10% | 10% |
| Royalties | 3 | 0% | 24% |
| Technical service fees and services fees | 4 | 0% | 24% |
| Branch remittance tax | 5 | 0% | 15% |

Notes:

1. Dividends – Dividends paid to non-resident shareholders are subjected to a WHT at the source of 15%. Dividends paid to local companies are exempted.
2. Interest – It is not possible to contract an international loan except intercompany loan.
3. Royalties – 24%. (Please note that it is a complex area. Expert advice would thus be necessary).
4. Technical service fees – 24%.
5. Branch remittance tax – 15%. (Note that since 2010, it is no longer possible to register a branch in Algeria. However, under certain conditions, a foreign company could operate in Algeria by registering its contract to local tax authorities. Under this scenario, a 15% tax rate applies on the distribution of profits).



Algeria

Maximum WHT Rates once Double Tax Agreement* (DTA) is applied

WHT on payments to countries with which Algeria has a DTA are as follows:

| | Type of Income | | |
|--------------|----------------|------------|--------------|
| | Dividends | Interest** | Royalties*** |
| Belgium | 15% | 15% | 15% |
| France | 5%/15% | 12% | 5%/12% |
| Germany | 5%/15% | 10% | 10% |
| Italy | 15% | 15% | 5%/15% |
| Netherlands | n/a | n/a | n/a |
| South Africa | 10%/15% | 10% | 10% |
| UK | n/a | n/a | n/a |
| Switzerland | 5%/15% | 10% | 10% |

* Because of the impact of exchange control regulations this is a complex area and it is recommended that specific advice be sought in relation to international taxation.

** International loans are forbidden since July 2009. However, intercompany funding are allowed since 2013 (provided to be reimbursed without interest within 03 years by the recipient affiliate).

*** International transfers of royalties is a complex matter it is therefore recommended that specific advice be sought in relation to international transfers.

Capital Gains Tax (CGT)

In general, capital gains are taxed as ordinary income. For certain assets, 35% relief is given where the assets have been held for up to three years, and 70% relief is given where the assets have been held longer. However, the capital gains realised on the share held more than two years are taxed at 20%.

The following capital gains are exempt from tax or receive special tax treatment:

- Capital gains realised within a group of corporations in the context of group transfers.
- Unrealised gains from the reassessment of fixed assets if they are booked in a special reserve.
- Capital gains resulting from mergers, divisions or partial transfers of assets between group corporations in Algeria.

Rollover relief is available where a company undertakes to acquire similar assets within three years.



Anti-avoidance

Transfer Pricing

An arm's length approach to transfer pricing applies. All entities registered with the tax department responsible for multinational companies (the *Direction des Grandes Entreprises*), must submit documentation to support their transfer pricing practices within 30 days after a request is made by the Algerian tax administration. Failure of provision of such documentation will lead to the payment of penalty equal to DZD500 000.

Thin Capitalisation

There are no thin capitalisation rules in Algeria.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 17% |

Notes:

1. VAT is imposed on the supply of goods or services in Algeria. It includes all economic activities conducted in Algeria, especially industrial and handicraft activities, liberal or commercial professions.
2. A zero rate is also applied to all exports.
3. A standard VAT rate of 17% applies with a reduced rate of 7% applying to various basic items.
4. Businesses that have an annual turnover exceeding DZD100 000, are required to register for VAT purposes. A business must register within 30 days of becoming liable.
5. Monthly VAT returns and payments are due by the 20th of the following month.

Algeria

Customs and Excise Duties

Customs authorities enforce strict regulations concerning temporary import or export of items such as: firearms, ammunition, or other weapons; pornography or seditious literature; and habit-forming or hallucinatory drugs.

Import Duties

Algerian imports are subject to payment of customs duties in the following increments: duty-free, 5%, 15% or 30%.

Miscellaneous Taxes

Tax on Bank Registration (*taxe de domiciliation bancaire*)

A 3% tax applies on every importation of service at the moment of the payment.

Vocational Training Tax

Corporations employing more than 20 employees are subject to a tax of 1% of annual payroll for vocational training, and an additional tax of 1% of annual payroll for learning.

Stamp Duty

Stamp duty is imposed at varying rates on transactions, including the execution of various documents and deeds.

Capital Duty

0.5% registration fees apply on the initial capital on the formation of a company and capital increase capped to DZD300 000.

Transfer Tax

A transfer tax is applicable to land and buildings at a rate of 5% for registration fees, plus 1% as a tax for land publicity.

Real Property Tax

An annual property tax is imposed on real estates in Algeria. Rates depend on the location of real estate.

Inheritance/Estate Tax

Inheritance and gift tax is imposed on the recipient with respect to property located in Algeria that is acquired by inheritance or gift. The donations between spouses are exempted according to the Article 11 of the Finance Law of 2014. Otherwise, the rate is 5%. Main residences are exempted.

Net Wealth/Net Worth Tax

Wealth tax for residents is assessed on a worldwide basis and applies to property with a net taxable value higher than DZD30 million on 1 January of the corresponding tax year. Wealth tax applies, for example, to peculiar real estates, motor vehicles, race horses, or arts. Where an individual has paid a similar tax on non-Algerian assets, it may be deducted from the tax due in Algeria. Non-residents are subject to wealth tax with respect to property deemed or actually located in Algeria.

Oil & Gas Sector

Specific taxation applies in the oil & gas sector.

Social Security

There are contributions for both pensions and the healthcare system. The employer must contribute 26% of the employee's gross salary. The employee must pay 9% of pre-tax salary.

Tax Administration

Corporations

- Tax year – Calendar year (ends 31 December).
- Consolidated returns – Algerian companies may elect group treatment where a parent company owns at least 90% of a subsidiary. Although optional, once the election is made it is binding for at least four years.
- Filing requirements – Final tax payments are due by 30 April following the close of the tax year, along with the statutory return and the appropriate financial statements. Companies must pay provisional tax by 20 March, 20 June and 20 December based on 30% of the previous year's tax liability.
- Penalties – 10% penalties up to 25% apply for late filing, failure to file or filing an incorrect return.



- Rulings – Algeria has recently introduced a tax ruling regime (only taxpayers who report to the *Direction des Grandes Entreprises, DGE*). The position taken by the Administration in such a ruling, applies only to the particular situation of the relevant taxpayer i.e. it is not binding with respect to the circumstances of other taxpayers.

Individuals

- Tax year – Calendar year (ends 31 December).
- Filing and payment – Individual returns are due by 30 April following the end of the tax year. Tax returns are not required if the taxpayer's only source of income is employment income.
- Penalties – 10% penalties up to 25% apply for late filing, failure to file or filing an incorrect return.

General Investment Information

Investment Incentives

General Incentives

- The Algerian tax legislation has established a number of incentives to investment in and creation of projects in certain sectors that are aimed at accelerating growth rate and job creation within activities related to fields determined by the specific legislation. Major incentives are available for investments made by enterprises located in areas that need development.
- The most significant incentives are a 10-year corporate tax and property tax exemption under some conditions. There are also specific incentives, for example, investments by region, investments promoting environmental protection, and the oil industry.

Tax Incentives

- Except those expressly excluded by regulation, all investments relating to production of goods or services (hence, excluding trading activities), are eligible for general regime tax incentives.
- General regime tax incentives are as follows for the setting-up phase:
 - Reduced registration duty of 0.2% for incorporation deeds and capital increases.
 - Exemption from customs duties on imported

equipment and materials directly destined for the investment project (fixed assets).

- Exemption from VAT on goods and services directly destined to investment projects, whether imported or locally acquired.
- Exemption from registration fee on transfer of immovable properties specifically acquired in the framework of investment projects.
- In the active business phase, and for the three years after starting up, qualifying investments are eligible for exemption from corporate tax (IBS) and professional tax (TAP).
- A special tax regime applies to investments that the Algerian economy benefits from, especially those using clean technologies. The criteria for defining said investments are set out by the National Council for Investment (*Conseil National de l'Investissement, CNI*). The following tax incentives may be granted under the special regime (after negotiation with the National Agency for Investment Development – the ANDI) for the setting-up phase:
 - Application of reduced registration duty of 0.2% for incorporation deeds and capital increases.
 - Exemption from taxes, duties, levies and imposts in relation to acquisition of goods or to services; designed for the investment project, whether imported or locally acquired.
 - Exemption from VAT on certain items.
 - Exemption from registration and legal publication fee on transfer of immovable property specifically acquired and assigned to production activities.
 - Exemption from tax applied on immovable property assigned to production activities.
 - In the active business phase, for up to 10 years following the start-up of the activity, incentives include exemption for the IBS and the TAP.

Other incentives may also be granted by the CNI.

To obtaining an incentive granted under the specific regime, the corporation may have to conclude an agreement with the ANDI.

Exchange Controls

- The National Board of Investment must first approve any proposed foreign direct investment project.
- Foreign investors must partner with an Algerian-owned shareholder, limiting foreign ownership to a maximum of 49%.

Algeria

- Foreign companies have to register their contracts with a bank in Algeria and appoint a resident tax representative.
- Exchange control approval is required for all international payments including dividends.

Expatriates and Work Permits

There is no special expatriate tax regime in Algeria. Expatriates are subject to the same taxation system as other individuals. A work permit is required for expatriates to work in Algeria.

For expatriates who want to work in Algeria, the employer need to request a "Principal Agreement" before the labour authorities, and then request a temporary work permit to enable the expatriate to get its work visa as conditions to request at final stage the work permit.

Trade Relations

- Memberships – United Nations (UN), OPEC, G-15, International Monetary Fund (IMF).
- Treaties – Algeria has concluded more than 20 tax treaties.

Interest and Currency Exchange Rate

Monetary Policy Rate

Information not available.

Currency: Algerian Dinar (DZD) – The Dinar is loosely linked to the US dollar in a managed float. Algeria's main export, crude oil, is priced in dollars, while most of Algeria's imports are priced in euros. Therefore, the Government endeavours to manage fluctuations in the value of the Dinar.

EUR1 = 107.11 DZD (average, July 2014)
(source: Ministère des finances, Algérie)

US\$1 = 79.02 DZD (average, September 2014)
(source: Ministère des finances, Algérie)

R1 = 7.52856 DZD (December 2014)
(source: Oanda)

US\$1 = 87.5150 DZD (December 2014)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$219.453 billion (2014 estimate)
(source: IMF)

US\$227.631 billion (2015 forecast)
(source: IMF)

Market Capitalisation

Information not available.

Rate of Inflation

8.89% (2012 average)
(source: Office National des Statistiques, Algérie)

3.255% (2013 average)
(source: IMF)

4.00% (2014 average)
(source: IMF)

5.291% (December 2014)
(source: IMF)

Notes:

1. Algeria is the second largest country in Africa. The hydrocarbons sector is the backbone of the Algerian economy. In 2010, the country was said to have the 9th largest natural gas reserves in the world and the fourth largest gas exporter despite some economic challenges.
2. The Algerian Stock Exchange was officially opened in 1999. To this day, the Exchange is still in its infancy and plays a very minor role in the financing of the country's economy with only two companies being listed in the *Bourse d'Algerie*. Conversely, the bond market has expanded in recent years. The total market capitalisation of the Algerian Exchange was US\$97 million at the end of 2007 (approximately 0.1% of the country's GDP).

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Angola

Income Tax

The source basis of taxation is applied in Angola, although resident companies are taxed on certain foreign income as well. The tax year is the calendar year ending on 31 December.

Individuals (Personal Income Tax)

All resident or non-resident individuals are liable to personal income tax (PIT) on Angolan-sourced income from employment, which is understood as income paid for or borne by an Angolan employer. The PIT Code does not establish any definition for resident or non-resident.

The concept of remuneration for PIT purposes is broadly defined and includes any remuneration paid or payable in cash or in kind to an individual, in the form of regular or incidental, fixed or variable.

Certain compensatory items are totally or partly exempt/not subject to PIT according to the conditions stipulated in the law, such as allowances for travel and accommodation, holidays and Christmas allowances up to a limit of 100% of employees' basic salary, housing allowances, social allowances (e.g. family to the limit of 5% of the employee's monthly basic salary, maternity, death, and labour accidents) and old-age, disability and survivor's pensions, retirement bonuses, social security contributions, severance payments (up to a maximum ceilings as foreseen in the labour law). Meal and transport allowances are not subject to PIT up to a total limit of Kz30 000 per month.

The different types of income are now segmented into three taxation groups:

- Group A – This includes the remuneration earned by employees (paid by an employer entity under an employment contract entered into accordance with the labour law), as well as the remuneration earned by the public servants.
- Group B – This includes the remuneration received by entrepreneurs/freelance workers that fall under the activities list included as an attachment to the PIT Code, as well as the remuneration earned by directors and members of the board or of other statutory bodies.
- Group C – This includes all remuneration obtained as a result of the development of industrial or commercial activities, as foreseen in the table of minimum profits.



Specific rules are introduced for the computation of taxable income for each taxation group.

The following rates apply on taxable income:

- Group A – Progressive PIT rates foreseen in the table included as an attachment to the PIT Code, with a maximum of 17%.
- Group B – Single rate of 15%.
- Group C – Rate of 30% for the cases in which the taxable income corresponds to the amounts included in the table of minimum profits and for remaining cases where the amount exceeds the amounts on the table of minimum profits (four times), and to taxpayers that provide services subject to withholding tax (WHT), a rate of 6.5% is applicable (harmonisation with the industrial tax rules).

The Angolan PIT has progressive rates and tax brackets depending on the monthly income. The employer has to withhold the tax according to the applicable rates and hand it over to the State until the end of the month following the one in which the income was paid. These rates vary, as provided below:

Angola

| Monthly Income Tax Rates for Resident and Non-Resident Individuals: Income Tax Table | | |
|--|---------------------|--|
| Taxable Income as exceeds | But does not exceed | Tax Payable |
| Kz | Kz | Kz |
| 0 | 34 450 | 0 |
| 34 451 | 35 000 | 5% of amount exceeding 34 450 |
| 35 001 | 40 000 | 550 + 7% of amount exceeding 35 000 |
| 40 001 | 45 000 | 900 + 8% of amount exceeding 40 000 |
| 45 001 | 50 000 | 1300 + 9% of amount exceeding 45 000 |
| 50 001 | 70 000 | 1 750 + 10% of amount exceeding 50 000 |
| 70 001 | 90 000 | 3 750 + 11% of amount exceeding 70 000 |
| 90 001 | 110 000 | 5 950 + 12% of amount exceeding 90 000 |
| 110 001 | 140 000 | 8 350 + 13% of amount exceeding 110 000 |
| 140 001 | 170 000 | 12 250 + 14% of amount exceeding 140 000 |
| 170 001 | 200 000 | 16 450 + 15% of amount exceeding 170 000 |
| 200 001 | 230 000 | 16 450 + 16% of amount exceeding 200 000 |
| 230 001 + | | 20 950 + 17% of amount exceeding 230 000 |

Notes:

1. Angola has a low PIT rate. The top PIT rate is currently 17%.
2. It is always the entity that pays the income (i.e. salary, wage or fee) that must deal with the tax administration (i.e. the paying entity must withhold the tax and subsequently remit it to the tax administration).
3. PIT must be deducted by the employer and paid by the end of the month following the month in which the personal income was paid.
4. Unless they can prove that they contribute to another social security scheme, all employees must register with the National Social Security Institute and contribute to it. The social security contribution is 11% of the monthly salaries, but the employer covers only 8%. The employer is required to withhold the employee's contribution and pay both contributions by the 20th day of the month following the month in which the personal income was paid. Employment income earned by an employee of a diplomatic mission or international organisation, is exempt from tax if the home country of the organisation or mission offers reciprocal treatment.
5. There are no specific concessions for expatriates.
6. Most PIT infringements, including the absence, inexactness and omissions in the tax returns, are now subject to the penalties established in the General Tax Code (GTC).

Business Income/Independent (Self-employed) Professionals

Unlike employees, individuals engaged in business activities must file tax returns. Basic costs in connection with such self-employment activities can, in accordance with the law and its limits, be regarded as deductible costs.

Companies

A resident company is taxed on its worldwide income. A company is resident in Angola if it has its head office or is effectively managed and controlled in Angola. In the event that an employee of a foreign entity renders services in Angola for a period of time exceeding 90 days, this would create a Permanent Establishment (PE) of the foreign entity in Angola. As a result, the said foreign entity will be subject to all Angolan taxation. Non-residents that derive income from activities in Angola are subject to the same rules as residents on Angolan-source income.

Corporate Income Tax (CIT) must be paid annually by 31 May of each year for the previous tax year for taxpayers of Group A. However, a nominal provisional tax payment must be made in the course of the year. Penalties, that may range from 35% to 20% of the tax due, are applicable for late payment of CIT.

The generally applicable CIT rate has been reduced to 30%. However, a rate of 15% applies, among others, to agricultural, forestry and cattle breeding activities. The industrial tax rate may be reduced as a result private investment projects duly licenced by public authority (as defined under the legislation) in vigour, or function with a special legislation.

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Special tax regimes apply to the petroleum and mining sectors, and in order to stimulate investment in certain economic areas, exemptions can be granted.

The new CIT Code comes into force on 1 January 2015, with the exception of the autonomous taxation regime, which date of effect is 1 January 2017. Under this new regulations, the tax groups are now limited to two groups; namely, Group A and Group B.

Income Tax Rates for Resident and Non-Resident Companies: Years of Assessment Commencing On or After 1 January 2008

| | Notes | Rate |
|---|-------|--------|
| Companies (other than those listed below) | | 30% |
| Agriculture and forestry activities | | 15% |
| Petroleum | 9 | |
| - Joint ventures | | 65.75% |
| - Production sharing agreements | | 50% |
| Mining companies | 9 | 25% |
| Urban property – rent | | 15% |

Notes:

1. The tax year for companies is the calendar year.
2. Business income is broadly defined and includes all earnings and gains from principal and secondary activities.
3. Companies that have signed a contract(s) or subcontract(s) with a resident company to provide services in Angola, are liable to WHT at a 6.5% in the case of rendering of services of any nature.
4. Provisional tax payments of sales – 2%.
5. Taxation of accidental services – 6.5%.
6. Losses may be carried forward for three years but may not be carried back.
7. Foreign exchange gains or losses are taxed or deducted as they are realised.
8. A non-resident with a PE in Angola is subject to CIT on the profits derived by that PE in Angola.
9. Special tax regimes for petroleum and mining sectors apply, as follows:

| | Rate |
|---|------------------|
| • Joint venture in petroleum sector | |
| - Royalty (on concession rights and production) | 20% |
| - Petroleum transaction tax | 70% |
| • Mining | |
| - Royalty | 2%-5% |
| - Surface tax (per 2 km ²) | US\$2- US\$40 |

Withholding Taxes (WHTs)

WHTs: Residents and Non-Residents, Corporate or Individual

| Income | Notes | Rate |
|-----------|-------|------|
| Dividend | 1, 2 | 10% |
| Interest | 1 | 15% |
| Royalties | 1 | 10% |

Notes:

1. These are final taxes i.e. for residents, the tax withheld on payments received, is considered as a payment on account of the tax due at year-end.
2. Capital income tax at a rate of 10% is withheld on dividends paid to both residents and non-residents. Exemptions apply in certain cases and the rate may be reduced under an incentive package.
3. Angola has not concluded any double taxation agreements (DTAs) with other countries.

Resident or Non-Resident Company WHTs: Service Contracts

| | Rate |
|------------------------|------|
| Services of any nature | 6.5% |

Notes:

1. If the service company is resident, it can deduct the WHT from its annual CIT under certain conditions.
2. If the service company is non-resident, the amount withheld by the resident company is the only tax due.

Capital Gains Tax (CGT)

As a general rule, capital gains and losses from the disposal of fixed assets are taxed as business income. An inflationary adjustment is foreseen in the computation of the capital gains or losses, but in practice this is not applicable. Rollover relief is available if certain conditions are met. Capital gains deriving from the sale of shares are not subject to PIT or CIT but are subject to Capital Income Tax.



Capital Income Tax

Capital Income Tax is levied on income derived from the use of capital (i.e. interest, dividends and royalties). This tax is normally paid through the WHT mechanism, except those deriving from loans. The following rates are applicable to the most relevant types of income:

| Resident or Non-Resident Company WHTs: Service Contracts | |
|--|--------|
| Type of income | Rate |
| Loan interests | 15% |
| Shareholders' loan interests | 10% |
| Interest on current and term deposits placed with financial institutions | 10% |
| Dividends or profit sharing | 10% |
| Interest on Treasury notes and bonds and on Central Bank securities | 5%/10% |
| Royalties | 10% |
| Capital gains deriving from the disposal of shares or other securities that generate income subject to tax | 10% |
| Other residual income arising from capital investment | 15% |

* In interest deriving from titles with maturity equal or superior to three years.

Several changes have been introduced; namely:

- The repatriation of profits allocated to PEs of non-resident entities in Angola, is now foreseen as an event liable to Capital Income Tax.
- In respect of capital gains taxation:
 - Positive balance assessed, on an annual basis, between realised capital gains and realised capital losses.
 - The expenses incurred with the purchase and sale of securities are deductible for purposes of the computation of capital gains and capital losses.
 - The capital gains and capital losses realised arising from the sale of bonds, participation bonds or other similar securities, from Treasury bills and Treasury bonds, as well as from Central Bank securities, benefit from 50% relief of capital gains taxation, whenever the transaction is carried out on a regulated market and the securities are issued with a maturity of three years.

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- Capital gains or capital losses realised from the sale of shares, benefit from 50% relief of capital gains taxation, whenever the transaction is carried out on a regulated market.
- Self-assessment and WHT changes have been introduced in respect of the entity liable to make the respective assessment.
- Failure to provide information, omissions, lack of tax payment, lack of tax assessments, and late payment of tax, are now subject to the penalties set out in the GTC.

Transfer Pricing and Thin Capitalisation

The arm's length principle applies to related party transactions. Thin capitalisation rules do not apply in Angola.

Transfer pricing rules have been passed in Angola. Under the terms of the such legislation, the National Direction of Taxes can make the corrections deemed necessary for determining the taxable amount when "special relations" exist between entities and taxpayers, subject or not subject to industrial tax and have been established for its operations, conditions different from those which would normally be agreed in relations between independent entities.

Taxpayers will have to justify arm's length pricing in the cases of commercial transactions of the taxpayer with other "special relations" entities, whether or not these transactions are subject to industrial tax. The proposed rules generally cover commercial transactions including any transaction of goods, rights or services, and they also include financial transactions. The transfer pricing dossier would have to be prepared by each company individually and sent to the tax administration within six months of the date of closing of the fiscal year.

In order to conduct an economic analysis to test the arm's length principle, the new regime specifies the use of traditional transfer pricing methods such as:

- Comparable controlled method.
- Resale minus method.
- Cost plus method.

Foreign Tax Relief

Angola does not have any DTAs with any country. No foreign credit system exists as the Pay-As-You-Earn (PAYE) system is final.



Amendments to the Angolan Foreign Exchange Legislation – Invisible Current Transactions (Notice No. 13/13)

Through the Notice No.13/13 of 6 August, the National Bank of Angola (BNA) proceeded with the simplification of the procedures for the accomplishment of exchange operations; namely, the accomplishment of payments and transferences to foreign countries.

The referred Notice establishes new rules and procedures that must be observed in the accomplishment of transactions related with trips and transferences, as well as payments of services and incomes for foreign countries. Thus, the general limit for the transferences for the exterior of Angola was increased to Kz100 000 000 (about US\$1 million) relative to the services dismissed of prior licensing by the BNA.

That is, the transactions resulting from contracts of amounts superior to Kz100 000 000, are subject to the prior authorisation of the BNA. In the cases where the beneficiary entity is providing services to the oil sector, duly registered and/or with programme contract celebrated with the Ministry of Petroleum, this limit is Kz300 000 000 (about US\$3 million).

The presupposition remains that to the operations that have the same authorising officer, nature and end, and that in the period of one year they benefit the same entity, are considered parcels of one/same contract, being, therefore, subjects to a prior licensing of the BNA, when its summation exceeds the limits referred to above.

Obligatory Content of the Contract

With respect to the articulation of the exchange regimen with the Regulation on the Contract of Services of Foreign Technique Assistance or Management; namely, with respect to the procedures for approval of contracts and its content, it is established that the contracts that continue to have to be written in Portuguese language, shall not contain:

- a) Vague, inexact and indeterminate objects.
- b) Exorbitant, indeterminate, random or composite prices.
- c) Clauses that reflect a huge disequilibrium between the responsibilities of the parts.
- d) Restrictions to the free use by the national part of the technique information.
- e) Clauses that establish the automatic extension of the contract.
- f) Offensive clauses of the national sovereignty.
- g) Injuring clauses of the internal public order.

Inheritances and Donations

A Gift and Inheritance Tax system exists. The Gift and Inheritance Tax applies to the transfers of property of any value, kind or nature, in whatever denomination or form.

The Gift and Inheritance Tax applies to gratuitous transfers of any movable or immovable property located or existing in Angola, or transferred from an Angolan resident. The transfer of assets with a value of Kz500 000 or less to ascendants, descendants or spouses, is exempt from Gift and Inheritance Tax.

The Gift and Inheritance Tax rates are as follows:

- Between spouses or to descendants and ascendants:
 - Up to Kz3 000 000 – 10%.
 - >Kz3 000 000 – 15%.
- Between any other persons:
 - Up to Kz3 000 000 – 20%.
 - >Kz3 000 000 – 30%.

The rates are progressive. For calculation purposes, when the taxable base is above Kz3 000 000, the value is divided into two parts and the marginal rate is applied above that ceiling.

Other Transaction Taxes

Consumption Tax

There is no Value Added Tax (VAT) on commercial transactions in Angola. However, there is a



Consumption Tax which is a combination of a single-stage sales tax and excise duty on the supply and import of certain goods and services in Angola.

The standard rate is 10%. A reduced rate of 2% applies to essential foods and medical supplies. Rates of 20% and 30% apply to certain luxury products.

The operations subject to Consumption Tax have recently been widened to cover several types of services rendered. Concerning certain types of services, the taxpayer is the provider of those services but the amount of tax due can be added to the value of the invoice or equivalent document for purposes of passing it on to the acquirer of the services. In what concerns production and import of goods, the taxpayer is the producer or the importer, respectively.

The monthly return and payment of Consumption Tax is due by the last business day of the following month.

New legislation reinforced that oil companies are subject to the general rules contained in the Consumption Tax Code relating to the payment of tax; namely, those regarding the applicable procedures and deadlines. When paying for the services provided, oil companies shall deliver the amount of consumption tax due, thus being responsible for paying it to the relevant tax office.

The Consumption Tax rate in Angola, applicable to the provision of services, will depend on the type of service. The invoice issued for services provided to oil companies

in Angola, must include the Consumption Tax due in accordance with the general Consumption Tax regime.

Furthermore, this regime does not apply to the supply of water, electricity or telecommunication services; neither to hotel and restaurant services.

Urban Property Tax (UPT)

UPT is levied on the income from properties (i.e. rental income for leased property) situated in Angola at an effective tax rate of 15% (tax payable may not be lower than 1% of the value of the property that generates the rent). The capping limit for these eligible expenses (i.e. charges with the maintenance and conservation of the immovable property), is 40% of the property rent or lease value. Income derived from rents subject to UPT, and the correspondent charges related to maintenance and conservation of the immovable property, are not relevant for CIT purposes.

Property Transfer Tax (SISA)

SISA is levied on the transfer of property located in Angolan territory between Angolan citizens, between foreigners, or between foreigners and Angolan citizens. The tax rate is 2% and it is due by the acquirer of the property on the higher of the value of sale or the value of the property. If the property is transferred with the simple promise of property sale, SISA will be due. Long-term leases exceeding 20 years are also liable to this taxation.

The acquisition of at least 50% of shares in limited liability companies, or corporations that own immovable property, can trigger Property Transfer Tax, if the acquiring entity ends up holding more than 50% of the company and does not prove that the main purpose of the operation is not the acquisition of the immovable properties.

Tax benefits include that the SISA exemption, or reduced rates, can be granted under the Private Investment Law.

Stamp Tax

A stamp duty at nominal or ad valorem rates applies to acts, contracts, documents, titles, books, papers, operations and other events listed in the Stamp Tax Table (STT) annexed to the Stamp Tax Code, which includes, for example:

- Acquisition of ownership or other rights on real estate – 0.3%.
- Real estate lease and sublease:
 - On the amount, lease amount increase or lease or sublease contract extension for housing purposes – 0.1%.
 - On the amount, lease amount increase or lease or sublease contract extension for commercial, industrial or freelance professional activity purposes – 0.4%.
- Written contracts not specifically foreseen in the STT, including those entered into with public entities – Kz1 000.

It should be noted that there is a specific 1% Stamp Tax on monthly turnover. Furthermore, there are some applicable exemptions such as shareholder loans under certain conditions. There is also an exemption for employment agreements.

As a general rule, there will be no cumulative taxation on the taxable events subject to Stamp Tax. In cases where more than one Stamp Tax rate may be applicable, only the higher will apply.

General Investment Information

Investment Incentives

The Law on Private Investment replaced the old Foreign Investment legislation and simplifies the administrative procedure for investments. It makes no distinction between national and foreign investors, taking into account the origin of the capital invested and not the nationality or country of residence of the investor.

A Tax Incentive Law was also approved and the incentives are based on a matrix that combines geographic areas and priority sectors. The new Law on Fiscal Incentives consecrates a fiscal incentives policy which aims to attract private investment. For purposes of attribution of incentives to the investment, the country is divided into three areas, from the more developed (near the coast) to the more developing ones. The less developing areas are those where the greater fiscal incentives are attributed. Fiscal incentives range from exemption of payment of

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customs duties, industrial tax and CGT. The granting of tax incentives may last for a period of 10 years.

Further to the new law concerning Private Investment, it is necessary to consider specific legislation such as oil, mining and banking industries.

Exchange Controls

Exchange controls are administered by the Central Bank (the National Bank of Angola – BNA). Any import and export of funds is subject to the rules established by the central bank. The Law on Private Investment provides for varied procedures for the approval of foreign investment based on the value of the investment, whether the investment is of significance to Angola's economy.

Furthermore, in terms of Angola's Law on Private Investment, foreign investors can be guaranteed the repatriation of profits and dividends arising in Angola after certain conditions have been complied with (e.g. deduction of any Angolan taxes due). This benefit is, however, only available in respect of foreign investments of at least US\$1 million per investor.

Further to the above, repatriation of funds derived from commercial agreements must be authorised by BNA for those cases exceeding US\$1 million (non-oil commercial agreements).

Companies operating in the petroleum and mining sectors are subject to more favourable treatment under the exchange control regulations.

Expatriates and Work Permits

All foreign workers performing duties in Angola must obtain visas after justification is made for their stay. If the workers are hired by an Angolan company or allocated to a PE of a foreign company, they should also obtain work permits.

Trade Relations

- Memberships – Cotonou Agreement, SADC, COMESA and OPEC.
- AGOA beneficiary country.

Interest and Currency Exchange Rates

Prime Lending Rate

Not available.

Currency: Angolan New Kwanza (AOA)

R1 = Kz8.84873 (December 2014)
(source: Oanda)

US\$1 = Kz102.786 (December 2014)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$131.407 billion (2014 estimate)
(source: IMF)

US\$141.756 billion (2015 forecast)
(source: IMF)

Rate of Inflation

8.782% (2013 average)
(source: IMF)

7.289% (2014 average)
(source: IMF)

7.358% (December 2014)
(source: IMF)

Benin



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Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| XOF | XOF | % |
| 0 | 300 000 | 0% |
| 300 000 | 2 000 000 | 20% |
| 2 000 000 | 3 500 000 | 30% |
| 3 500 000 | 5 500 000 | 40% |
| 5 500 000 | | 45% |

Notes:

1. Basis – An individual, whether Beninese or a foreign national, whose tax domicile is in Benin, is generally subject to personal income tax (PIT) on worldwide income. Foreign-source income that already has been taxed may be exempted if there is a tax treaty. Individuals not domiciled in Benin are subject to tax only on Benin-source income.
2. Residence – Domicile is based on habitual residence, evidenced by a permanent home, principal place of residence or centre of economic interests.
3. Rates – Progressive annual rates range from 20% (XOF300 000 – XOF2 million) to 45% (above XOF5.5 million). The tax on salaries is deducted at source at progressive annual rates from 10% (first XOF50 001 – XOF130 000) to 35% (above XOF530 000).
4. Taxable income – Income is taxed under five schedules: industrial and commercial profits; non-commercial profits; employment income; income from moveable capital (investments); and property income. Taxable income from employment is widely interpreted and includes benefits in kind, assessed at actual cost, except for accommodation at 15% of basic salary and for house staff at 15% of basic salary.



5. Deductions and allowances – The first XOF50 000 per month of employment income is exempted from tax. Income tax and tax on salaries are reduced according to the number of dependent children.
6. Filing status – Joint returns apply i.e. tax is assessed on the taxpayer's household (generally the husband's return). Children that have income separate and distinct from that of the parents are assessed separately.
7. Relief from double taxation is available through tax treaties to which Benin is signatory. Benin has four tax treaties; namely, with France, Norway, Kuwait and the WAEMU (covering eight other countries and addressing income taxes, Value Added Tax (VAT) and other duties).

Non-Residents

Individuals not domiciled in Benin are subject to tax on Benin-source income only.

Employment Income

Taxable employment income includes salaries and wages, bonuses, overtime, and all kinds of benefits and allowances.

Salaries, wages and remuneration accessories are taxable in Benin under some conditions:

- When the beneficiary is domiciled in Benin even though the gainful employment is exercised out of Benin and the employer is domiciled or established outside of Benin.
- When the beneficiary is domiciled outside of Benin to the condition that the gainful employment is exercised in Benin or that the employer is domiciled or established in Benin.



Benefits in Kind

Taxable income from employment is widely interpreted and includes benefits in kind, assessed at actual cost, except for accommodation at 15% of basic salary and for house staff at 15% of basic salary.

Pay-As-You-Earn (PAYE)

Tax is withheld on salaries, wages and remuneration accessories by employer and paid to the tax administration each month at the latest the 10th day of the following month of payment.

Companies

| Income Tax Rates for Companies | |
|--------------------------------|-------------|
| | Rate of Tax |
| Standard corporate tax rate | 30% |

Notes:

1. Residence – Residence is not defined in the tax law, but includes companies registered in Benin and Permanent Establishments (PEs) and branches of non-resident corporations.
2. Basis – Resident corporations are taxable on Benin-source profits and foreign-source dividends, interest, royalties and capital gains, but not on foreign-source industrial and commercial profits. Non-resident corporations are subject to tax only on Benin-source income (and on the rental value of their property).
3. Rate – The Corporate Income Tax (CIT) rate for non-industrial companies and partners, who have made option of taxation at CIT, is 30%. Industrial companies are subject to a special rate of 25%. The rate is between 35% and 45% for oil companies carrying out research and the exploitation, production and sale of natural hydrocarbons.

4. Taxable income – Income is taxed under four schedules: industrial and commercial profits; non-commercial profits; income from moveable capital (investments); and rental income. Deductions incurred in generating income are normally allowable. Management fees may be deducted if reasonable for the services rendered.
5. Losses – Losses may be carried forward for three years. Losses arising as a result of excess capital allowances may be carried forward indefinitely. Losses may be carried back to the third year following the year in which the loss was incurred.
6. Dividends – Dividends received from domestic companies are not included in taxable income when determining CIT liability.
7. Foreign tax credit – There is no unilateral relief granted on taxable income from a foreign-source. Unilateral relief is available to individuals by way of an exemption from income on which tax has been paid.
8. Participation exemption – None.
9. Holding company regime – Holding companies have to provide the consolidated financial statements of all companies controlled by them.
10. Alternative Minimum Tax (AMT) – A minimum tax of 0.75% is levied on cash income where the CIT liability is less than XOF200 000.

Withholding Taxes (WHTs)

WHT of Payments to Resident Persons

WHT at the appropriate rate must be deducted from payments made to resident persons in respect of the following:

- Advance on CIT.
- Salaries.
- Dividends.
- Interest.
- Rental payments.

WHT on Payments to Non-Resident Persons

WHT must be deducted from payments made to non-resident persons in respect of the following:

- Salaries.
- Dividends.
- Interest.
- Rental payments.
- Services.
- Royalties.

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The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|------------------------|------|------------------------|-------------------------|
| | Note | Residents | Non-Residents |
| Dividend | 1 | 15%-10%-7%-6%-5%-3%-0% | 15% -10%-7%-6%-5%-3%-0% |
| Interest | 2 | 15% | 15% |
| Royalties | 3 | See below | 10% -12% |
| Technical service fees | 4 | See below | 10% -12% |
| Other | 5 | See below | See below |

Notes:

- Dividends – Dividends paid to residents and non-residents are subject to a 15% WHT. This rate is reduced to: 10% for income from shares regularly distributed; 7% for income from shares regularly distributed by companies listed on a stock exchange approved by the Regional Council for Public Savings and Financial Markets in the WAEMU; 7% for capital gains realised on the disposal of shares and received by individuals. The applicable rate is 6% for revenue bonds and lots and premiums reimbursement paid to creditors and bondholders. However, the Government is authorised to establish by a regulatory act one rate applicable less than 6% rate when the bonds have duration greater than or equal to five (5) years and are issued to finance investments in priority areas of the development program of Benin. Regarding income of bonds issued by WAEMU and those issued by public authorities and their branches states, the rate is reduced to: 3% when the term of the bonds is between five (5) and 10 years; 0% when the term of the bonds is greater than 10 years. The applicable rate is 5% for capital gains realised on the disposal of bonds.
- Interest – Interest paid to a resident or a non-resident generally is subject to a 15%.
- Royalties and technical service fees paid to a foreign individual are subject to 10% WHT and to foreign companies at 12% WHT. On the other hand, royalties paid to national individuals are considered as non-commercial profits and are subject to PIT at progressive rates. Royalties paid to national companies are considered as commercial profits and are subject to CIT.

- Technical service fees – Technical service fees paid by resident companies to resident or non-resident companies, can be deductible if they are not excessive and do not have the character of an indirect transfer of profit in the extent of 20% of overheads.
- Other – A 12% WHT on profits is imposed on payments made to non-residents companies and 10% for non-residents individuals. The tax is levied in respect of all activities carried out with a resident of Benin.
- Branch remittance tax – Branches are subject to CIT, as well as a 15% WHT on payments of after-tax profits made by a Benin branch to its foreign head office, which may be reduced under a tax treaty. If there is no treaty between Benin and the state in which the head office is located, 90% of the after-tax profits are used as the base in applying the 15% WHT.



Maximum WHT Rates once Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Benin has a DTA are as follows:

| Type of Income | Norway | France | Kuwait | UEMOA |
|------------------------|--------|--------|--------|-------|
| Dividends | 20% | - | - | 10% |
| Interest | 18% | - | - | 15% |
| Royalties | - | - | 20% | 15% |
| Technical service fees | - | - | - | - |
| Other | - | - | - | - |

Capital Gains Tax (CGT)

Companies

Capital gains derived from the disposal of business assets are included in ordinary income and taxed at the company rate. The taxation of certain capital gains may be deferred if the taxpayer reinvests the gains, subject to certain conditions before the expiration of a three-year period.

Individuals

Individuals are exempted from tax on capital gains derived from the disposal of shares. In other respects, the rules governing capital gains derived by companies apply.

Anti-avoidance

Transfer Pricing

Pre-tax profits indirectly transferred abroad (by adjusting the sale or purchase price or by any other means) to a company outside Benin that controls or is controlled by the Benin corporate taxpayer, may be added back to taxable income.

Thin Capitalisation

There are no specific thin capitalisation rules but loan interest due to shareholders will be disallowed to the extent it arises from interest rates more than three (3) percentage points above the base rate of the West African States Central Bank.



Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 18% |

Notes:

1. Transactions carried out in Benin and imports are subject to VAT. This extends to supplies of goods and services used, or made use of, in Benin.
2. The standard VAT rate is 18%. Exempt activities include imports of certain products, banking and general insurance. Externally financed government contracts are exempt under certain conditions. Exports of goods and services are zero-rated.
3. All individuals, or legal entities that purchase goods for resale or carry on industrial, commercial, non-commercial, artisan or professional activities, are subject to VAT and must register with the tax authorities.
4. Monthly VAT returns must be submitted, along with payment due, by the 10th of the following month.
5. Other – Although exempt from VAT, small enterprises must register with the tax authorities and are liable for a single "business tax" at a rate of 6% on the rental value of their premises.

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Customs and Excise Duties

Since 1 January 2000, countries pay regardless of their point of entry into the WAEMU (West African Economic and Monetary Union), taxes and duties as defined in the Common External Tariff ("TEC" in French).

Import Duties

For all imports, there is a WHT on corporate income at a 1% rate for the registered companies. This WHT is applied on the customs value in addition to all duties and taxes except VAT. This WHT is an advance on CIT. There is also VAT at the rate of 18% on the customs value of the goods with duties and taxes of any kind.

Miscellaneous Taxes

Stamp Duty

There are fixed rate charges for the stamping of business contracts and other documents. Ad valorem charges are made as described in "Capital Duty" (below) and "Transfer Tax" (also below), and at rates of 1% (short-term lease or hire), XOF6 000 (shares), XOF6 000 (mergers), 5% (long-term lease or sale of moveable property) and 8% (sale of a business).

Capital Duty

No duty is levied on the formation of a company, but an increase in capital is subject to a fixed duty rate of XOF6 000.

Transfer Tax

A transfer tax of 8% is levied on the transfer of land and buildings. The transfer of shares is subject to a fixed rate stamp duty.

Real Property Tax

An annual real property tax is levied on the owner of property in "main" towns at a rate of 6% of the rental value for developed property and 5% for undeveloped property. The charge may be reduced where the property remains vacant. The tax is payable in advance, in equal instalments in January and March.

Inheritance/Estate Tax

See "Stamp Duty". The same rates apply for transfers from a deceased person's estate.

Net Wealth/Net Worth Tax

None.

Payroll Tax

A 4% rate applies, based on a widely defined concept of emoluments.

Other Taxes on Corporations

The business licence tax includes fixed and variable elements, taking into account the rental value of premises used and the nature of the activities.

An annual tax on financial activities is charged on banks and other financial institutions at 10% of the gross value of interest, commissions and other financial income. Contracts for insurance of assets in Benin are subject to insurance tax at rates from 0.25% (export credit) to 20% (fire).

Social Security

The employer's contribution is 15.4% of gross salary (6.4% pension and 9% family allowance), plus 1% to 4% as industrial injury insurance, depending on the degree of risk in the employment. The employee's contribution is 3.6% of gross salary.

Tax Administration

Corporations

- Tax year – The calendar year is used, although a company may adopt a different taxable period.
- Consolidated returns – Consolidated returns are not permitted. Each company in a group must file a separate tax return.
- Filing requirements – Tax returns must be filed four months after the accounting year-end, with any balance of tax due paid at that time. Equal quarterly advance payments are due on the 10th of March, June, September and December based on the previous year tax or, for new companies, a percentage of capital. Tax is also collected on account of the final liability when a company makes purchases, imports goods or deals with service providers, at rates of 1% (for registered enterprises) and 5% (for unregistered enterprises).
- Penalties – Penalties are assessed at rates from 20% to 80% of tax due, depending on whether the taxpayer's return was accidentally, mistakenly or fraudulently in error. The 80% rate also applies to estimated assessments in the absence of a return or a return submitted only after an injunction.

Individuals

- Tax year – Calendar year.
- Filing and payment – The individual tax return must be filed by the following 1st day of the month of May, or four months after the year-end for business income. Tax on business activities is paid in quarterly advance instalments on the 10th of March, June, September and December. No tax return is required when all income is from employment and tax has been deducted at source.
- Penalties – Penalties are assessed at rates ranging from 20% to 80% of tax due, depending on whether the taxpayer's return was accidentally, mistakenly or fraudulently in error. The 80% rate also applies to estimated assessments in the absence of a return or a return submitted only after an injunction.

General Investment Information

Investment Incentives

General Incentives

Various incentives are granted under several laws, including the Investment Code, Mining Code, Petroleum Code, Environment Code, and Free Zone Law etc.

Tax Incentives

- New or expanding enterprises that contribute to the Government's economic and social objectives may be eligible for incentives during a "setting-up" period of up to 30 months, and five to nine years of business operations, depending on the location.
- Enterprises investing at least XOF500 million, and creating at least 20 new jobs for nationals of Benin, will be able to import production plant, machinery and spare parts, duty-free; export production, free from export duties; and are tax-exempt on industrial and commercial profits for an approved period.
- Enterprises investing at least XOF3 billion may obtain guarantees of a stable tax basis. One-half of profits re-invested in approved projects, may be deducted from taxable income. New industrial enterprises, or divisions of established corporations, may be granted a five-year income tax exemption.
- Enterprises licenced to operate in Industrial Free Zones (IFZs), may be granted a 10-year exemption from income tax on industrial and commercial profits,



as well as other tax concessions.

- Financial and banking institutions, holding companies in general, and insurance companies, may obtain a licence to operate in IFZs.

Export Incentives

- Companies which benefit from Free Zone regime.
- Exemption from VAT is allowed on exported products or services.

Exchange Controls

The CFA Franc is linked to the euro (€) at a fixed exchange rate and unlimited convertibility to the euro is guaranteed. The CFA members (i.e. Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo) have agreed to apply exchange control regulations modeled on those of France. Transfers within the CFA Zone, are not restricted. Dividends paid out of revenue, and capital on disinvestment, may be remitted.

Expatriates and Work Permits

Work permits are required for expatriates who should come in Benin with a long-term visa (i.e. valid for one year). The employment contract of the expatriate is submitted to the Ministry of Labour for approval, and issue of the work permit valid for one year, renewable. A resident permit issued by Immigration Ministry is also required for all the expatriates.

Trade Relations

- Memberships – WTO, WAEMU, ECOWAS.
- Tax treaties – Benin has four treaties; namely, with France, Norway, Kuwait and the WAEMU (covering eight other countries and addressing income taxes, VAT and other duties).

Benin

Interest and Currency Exchange Rate

Monetary Policy Rate

Monetary policy is determined by the objective to:

- Increase the mobilisation of domestic resources.
- Ensure the alignment of public expenditures with the strategy to reduce poverty.
- Improve the business climate to foster private sector development.
- Reduce the inflationary pressures due to rising fuel prices.
- Ensure adequate liquidity to support the business.

Interest rate is variable and determined by the TBB (base rate) decided by the Central Bank.

Currency: CFA Franc (XOF)

R1 = 46.2174 XOF (December 2014)

(source: Oanda)

US\$1 = 537.250 XOF (December 2014)

(source: Oanda)

US\$1 = 485.824 XOF (2014 average)

(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$9.237 billion (2014 estimate)

(source: IMF)

US\$10.129 billion (2015 forecast)

(source: IMF)

Market Capitalisation

No statistic found – See Note 1 below.

Rate of Inflation

6.746% (2012 average)

(source: World Bank/AFDB)

0.969% (2013 average)

(source: IMF)

1.651% (2014 average)

(source: IMF)

3.965% (December 2014)

(source: IMF)

Notes:

1. Benin has just a single company listed on the regional stock exchange in Abidjan, Ivory Coast. This is despite the existence of four brokerage firms dealing in securities in Cotonou, Benin's commercial hub. And the one company to have its shares traded on the market (Bank of Africa-Benin) is controlled by a Moroccan group, BMCE Bank. Benin's situation is similar to most African countries where the overwhelming majority of companies are slow to have anything to do with the stock exchange.



Botswana



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Botswana

The 2014/15 Budget was presented to National Assembly by the Honourable O.K. Matambo, Minister of Finance and Development Planning, on Monday 3 February 2014.

Income Tax

The source basis of taxation is applied in Botswana, although citizens and some companies may be subject to tax on their income from foreign-sources. Expatriates who are resident in Botswana are not taxed on investment income or business income arising from a source outside Botswana.

Residents

Income Tax Rates for Resident Individuals: Years of Assessment Commencing On or After 1 July 2011

| Taxable Income as exceeds | But does not exceed | Tax Payable |
|---------------------------|---------------------|----------------|
| P | P | P |
| 0 | 36 000 | 0 |
| 36 000 | 72 000 | 0 + 5% |
| 72 000 | 108 000 | 1 800 + 12.5% |
| 108 000 | 144 000 | 6 300 + 18.75% |
| 144 000 + | | 13 050 + 25% |

Notes:

- The threshold for individuals is P36 000.
- All persons earning more than P36 000 per annum are required to register with the Botswana Unified Revenue Service (BURS) and obtain a tax identification number (TIN). Failure to do so will result in a penalty of P10 000. The current situation is that all persons earning more than P36 000 per annum are required to file annual tax returns.
- Individuals, whether resident or non-resident, are liable for income tax on Botswana-source income. Residence status is important as non-residents are subject to tax at different rates.
- Individuals are considered to be a resident for tax purposes if they are physically present in Botswana for more than 183 days in any tax year.
- There are no rebates or abatements.

- From 1 July 2011, all amounts accrued to any person are now deemed to be from one source with the exception of mining, farming and capital gains. (This was always the case with companies but is now extended to individuals).
- Individuals are taxed on the value of any benefit or advantage arising from employment, whether in cash or otherwise.
- Few deductions are allowed. Contributions to a pension or superannuation fund are deductible. Taxpayers with business income are allowed the same deductions as for companies. For retrenchment packages one-third or P36 000 (whichever is greater) is exempt. Contractual terminal gratuities payable to expatriate employees are exempt to the extent of one-third.
- Each spouse is taxed separately on his/her income.
- The interest exemption for individuals is P7 800 per annum. Interest income which has been subjected to the 10% withholding tax (WHT) does not have to be declared and the WHT suffered is considered a final charge to tax.
- Where residents receive interest in excess of P1 500 per quarter, they will be subject to a 10% WHT.
- Self-assessment tax applies to non-corporate taxpayers on an optional basis.
- The income tax return must be filed within three months of the end of the tax year. Any balance of tax due is payable within 30 days of receipt of the assessment.
- The tax year is the 12-month period from 1 July to 30 June. Corporate Income Tax (CIT) returns must normally be submitted for each tax year within four months from the end of that tax year or from the end of the company's financial accounting year, unless the Commissioner-General has granted an extension of time for submitting the return. Failure to pay tax or late filing may give rise to interest or penalties. Late payment interest is 1.5% per month and currently there are no penalties for late filing of returns by individuals.

Non-Residents

| Income Tax Rates for Non-Resident Individuals, Trusts and Estates: Years of Assessment Commencing On or After 1 July 2011 | | |
|--|---------------------|----------------|
| Taxable Income as exceeds | But does not exceed | Tax Payable |
| P | P | P |
| 0 | 72 000 | 5% |
| 72 000 | 108 000 | 3 600 + 12.5% |
| 108 000 | 144 000 | 8 100 + 18.75% |
| 144 000 + | | 14 850 + 25% |

Notes:

1. The non-resident tax rates have remained unchanged.
2. These rates are applicable to non-residents in respect of employment and business income earned in Botswana. In addition, certain payments made to non-residents at an address outside Botswana are subject to WHT.
3. The non-resident tax rates also apply to trusts and estates.

| Individual's Vehicle Benefit | | |
|-------------------------------------|----------------------------|----------------------|
| Vehicle Cost | Employee's Taxable Benefit | Fuel Cost Adjustment |
| P | P | P |
| 1 – 50 000 | 2 500 | 1 000 |
| 50 001 – 100 000 | 5 000 | 2 000 |
| 100 001 – 150 000 | 7 500 | 3 000 |
| 150 001 – 200 000 | 10 000 | 4 000 |
| 200 001 + | 10 000 + 15% of excess | 5 000 |

Notes:

1. Where the fuel cost is paid for by the employee, the fuel cost adjustment is deducted from the benefit, but where the fuel cost is borne by the employer, the full benefit is taxable.

Medical Contributions

The employer's contributions to a medical benefit fund on behalf of his employee, up to an amount equal to 100% of the required contributions, are not taxable in the hands of the employee.

Individual's Housing Benefit

- If rated – The lower of (a) or (b) pro-rated by occupation and reduced by any charge borne by the employee:
 - (a) 10% of property's rateable value; or
 - (b) 25% of taxable employment income before housing benefit.
- If not rated – The lower of (a) or (b) pro-rated by occupation and reduced by any charge borne by the employee:
 - (a) Gross floor area x P250 x 8%; or
 - (b) 25% of taxable employment income before housing benefit.

Individual's Furniture Benefit

10% of furniture cost in excess of P15 000 pro-rated by usage.

Companies

| Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2011 | | |
|---|------|-------|
| | Note | Rate |
| Resident companies | 1, 4 | 22% |
| Non-resident companies | 1, 4 | 30% |
| Capital Transfer Tax | | |
| Aggregated taxable value | 7 | 12.5% |
| On application | | |
| Manufacturing companies and International Financial Services Centre (IFSC) companies | | 15% |





Notes:

1. The two-tier system was abolished (from 1 July 2011) and the company rate of tax reduced from 25% to a flat rate of 22%, and the WHT rate on dividends paid reduced from 15% to 7.5%. This equates to an effective tax rate of 27.85%. Manufacturing and IFSC rates remained at 15% and, in respect of a manufacturing company, the effective tax rate is 21.375%. The tax rate of a branch of a foreign company is 30%, which makes this the least tax-efficient vehicle through which to operate in Botswana.
2. A company for income tax purposes includes any association or society (whether or not incorporated or registered), but excludes a partnership.
3. A corporation is resident if it is incorporated in Botswana or managed in Botswana.
4. CIT is levied on the Botswana-source taxable income of all companies, other than tax-exempt bodies (such as pension funds and charities) and small companies that elect to be treated as partnerships or sole proprietorships.
5. Foreign-source dividends and interest are deemed to be from a Botswana-source and taxed on accrual, while business profits are taxable only when remitted to Botswana.
6. Capital gains derived by companies are taxed at the rate of 25%. Where the gain arises from the sale of shares, only 75% of the amount realised is taxable. Gains from shares which are listed on the Botswana Stock Exchange (BSE) are tax exempt if the seller holds at most 49% of the shares. Gains from the disposal of IFSC shares are, however, exempt from tax. (The holding of 49%, to get a tax exemption from Capital Gains Tax (CGT), only applies to the promoter/holding company. It does not apply to the "man-in-the-street").

7. Capital Transfer Tax has remained unchanged at 12.5%.
8. CGT at 22% has been proposed.
9. Local dividends are exempt. However, dividends from sources outside Botswana are subject to a flat rate of 15%.
10. Approved financial operations that qualify as an IFSC company include: banking and financing operations, broking and trading of securities, investment advice, management and custodial functions in relation to collective investments, insurance and related activities, exploitation of intellectual property, and accounting and financial administration. In the past, IFSC companies were only allowed to do business with non-residents. The rule was relaxed in 2006/7 to allow such companies to transact with related companies which have existing operations in Botswana.
11. The effective rate for manufacturing and IFSC companies remains unchanged at 15%.
12. For mining projects (commenced prior to 1 July 1998), a company has the option to be taxed either:
 - At a rate according to the mining tax formula (as set out below) and be allowed an immediate 100% write-off of exploration and development expenditure; or
 - At the normal corporate tax rates, and write-off the mining expenditure over the life of the mine or 10 years, whichever is the lesser period. Mining projects commenced after 1 July 1998 are taxed at a rate according to the formula, with a 100% write-off of exploration and development expenditure.

$$\text{Tax rate} = 70 - \frac{150}{x}$$
 where x is the ratio expressed as a percentage of taxable income to gross income, subject to a minimum tax rate of 25%.
13. Amounts contributed to an approved mine rehabilitation fund are a deductible expense. The investment income of the fund is exempt from tax and a 10% WHT on the refund of excess contributions from the fund to the contributor, applies.
14. An assessed loss may be carried forward for five years. Mining and farming losses can be carried forward indefinitely. However, the amount of farming losses that can be claimed against non-farming income is limited to 50% of the non-farming income.

15. Relief from double taxation is provided in the form of a foreign tax credit. The credit may be granted under a tax treaty or unilaterally under Botswana domestic tax law. In the latter case, the credit is limited to the amount of Botswana tax applicable on the foreign income.
16. The exemption from income tax and CGT of public benefit organisations (PBOs), is only available to those organisations which satisfy the Commissioner that such income is applied for public benefit purposes.
17. There are currently no anti-avoidance rules for transfer pricing, thin capitalisation, controlled foreign companies (CFCs) and disclosure requirements.
18. The payment of the training levy is officially a deductible expense, and any refund received from the Botswana Training Authority (BOTA), is assessable income. The double deduction only applies to training costs to which there is no entitlement to a BOTA refund.
19. No payroll or social security tax is imposed on corporations.

Tax Administration and Compliance

- Botswana tax law treats every company within a group as a separate and independent taxpayer. No provision is made for group companies to file a consolidated tax return, nor are there provisions for losses to be transferred between group companies. However, relief is provided in respect of dividends paid out of dividends received.
- A Self-Assessment Tax (SAT) system applies. Under self-assessment, a company that has a liability of over P50 000 is required to pay the tax in four quarterly payments commencing the first quarter after its financial year-end. A final, or fifth instalment, can be made four months after its year-end at the same time that the company submits its return. A company with a liability of less than P50 000, is required to pay the full liability four months after its year-end at the same time that the company submits its return.
- Penalties may be imposed at P100 per day for late filing of corporate returns. Late payment interest on quarterly SAT payments and assessed tax is compounded at 1.5% per month. Late payment of Pay-As-You-Earn (PAYE) and WHT is also compounded at 1.5% per month.
- There is no formal advance tax ruling system in Botswana. However, a company may seek a



non-binding interpretation of particular provisions of the law from BURS.

- The definition of assessment has been expanded to include a liability for WHT. This simplifies the objection and appeal procedures in cases of WHT disputes.
- All appeals against disallowed objections, which from 1 July 2011 includes WHT disputes, must first be heard by a board of adjudicators. Previously, taxpayers had the option of taking a dispute directly to the High Court, and this was the preferred route.
- General anti-avoidance measures are of application and thin capitalisation rules apply to mining companies and IFSC companies.

Withholding Taxes (WHTs)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT.

Botswana

These tax rates are set out below:

| WHT Rates | | | |
|---|---------|-----------|---------------|
| | | Residents | Non-Residents |
| | Note | Rate | Rate |
| Contractors | 4 | 3% | 3% |
| Dividends | 1,3,5 | 7.5% | 7.5% |
| Entertainers/sportsmen | 1,9 | | 10% |
| Interest | 1,5,10 | 10% | 15% |
| Management, technical and consulting fees | 1,5,6,7 | | 15% |
| Royalties | 1,5,8 | | 15% |
| Rent | 11 | 5% | 5% |
| Commissions and brokerage | 11 | 10% | 10% |
| Surplus mine rehabilitation funds | 13 | 10% | 10% |

Notes:

1. The WHT payable on dividends and on interest, royalties, entertainers/sportsmen fees, and management, technical and consulting fees paid to non-residents, is a final tax.
2. No WHT is levied on branch profit remittances and IFSC companies.
3. With effect from 1 July 2011, the rate of WHT on dividends is 7.5%, unless reduced further by a tax treaty. There is no longer any set off against Additional Company Tax (ACT). ACT accumulated up to and including the 2011 tax year, can be utilised so long as the dividend is declared before 30 June 2011. There are no transitional arrangements after 30 June 2011. Companies with a 30 June 2011 year-end have to declare their dividends before the year-end and pay 15% WHT, and then set this off against current year ACT. Any accumulated ACT that remains unutilised after 30 June 2011 is lost.
4. The WHT does not apply to construction related services e.g. design, engineering and surveying.



5. Botswana has double tax agreements (DTAs) with Barbados, France, India, Lesotho, Mauritius, Namibia, Russia, the Seychelles, South Africa, Swaziland, Sweden, the United Kingdom (UK) and Zimbabwe. These WHT rates are reduced by the DTAs, other than in the case of the agreement with Sweden (see below). It is proposed that the WHT rate on dividends will be the lower of 7.5% and the treaty rate.
6. Management, technical and consulting fees include payments in consideration for any services of an administrative, technical, managerial or consulting nature. Virtually all service fees are caught irrespective of where services are rendered.
7. Payments for services made to South Africa after 20 May 2004 are subject to a WHT at 10% under the DTA. This exemption was removed in the case of the DTA with the UK with effect from 1 July 2006.
8. Payments by local telecommunication companies to foreign telecommunication companies, under international agreements for international telephone service fees, are exempt from the WHT requirements applicable to commercial royalties.
9. The definition of an entertainment fee specifically includes payments to associations and companies for the activities of non-resident entertainers. Therefore, all payments to non-resident entertainers, regardless of who actually receives the payments or how they are made, are subject to the 10% WHT applicable to entertainers. Previously, the definition could be interpreted to include only payments to an individual entertainer.

Botswana

10. Botswana residents receiving interest in excess of P1 500 per quarter, payable by banks and financial institutions on deposits, bonds and securities, are subject to a 10% WHT. This is not a final tax.
11. From 1 July 2011, tax must be withheld on payments of rent (5%) and commissions and brokerage (10%). There are exemptions if rent is paid to an exempt person, or if the rent is paid by an individual who is not going to claim the deduction.
12. Where payments of royalties, management or consultancy fees, interest and entertainment fees, are made to non-residents, a deduction is only allowed for income tax if the WHT has been paid in that tax year.
13. A 10% WHT on the refund of excess contributions from the mining rehabilitation fund to the contributor, applies.



Maximum WHT Once a DTA is Applied

| Recipient's Country of Residence | Note | Interest | Dividends | Royalties | Technical Fees |
|----------------------------------|------|----------|-----------|-----------|----------------|
| Barbados | 1 | 10% | 5%/7.5% | 10% | 10% |
| France | 1 | 10% | 5%/7.5% | 10% | 7.5% |
| India | 1 | 10% | 7.5% | 10% | 10% |
| Lesotho | 1 | 10% | 7.5% | 10% | 10% |
| Mauritius | 1 | 12% | 5%/7.5% | 12.5% | 15% |
| Namibia | 1 | 10% | 7.5% | 10% | 15% |
| Russia | 1 | 10% | 5%/7.5% | 10% | 10% |
| Seychelles | 1 | 7.5% | 5%/7.5% | 10% | 10% |
| South Africa | 1 | 10% | 7.5% | 10% | 10% |
| Swaziland | 1 | 10% | 7.5% | 10% | 10% |
| Sweden | 1 | 15% | 7.5% | 15% | 15% |
| United Kingdom | 1, 2 | 10% | 5%/7.5% | 10% | 7.5% |
| Zimbabwe | 1 | 10% | 5%/7.5% | 10% | 10% |

Notes:

1. The lower rate applies if the recipient is a company which owns at least 25% of the share capital of the company paying the dividend.
2. The DTA with Sweden does not provide for the reduction of WHT rates.

Capital Gains Tax (CGT)

CGT is charged on gains arising on the disposal of certain assets irrespective of whether the taxpayer is a resident or a non-resident. The assets must, broadly speaking, be located in Botswana, and must be one of the following:

- Any shares or debentures issued by a company.
- Residential property.
- Any property (movable or immovable) belonging to a business carried on in Botswana.

(This would include assets held by an investment company operating in Botswana).

Rollover relief is granted where any class of property is disposed of as a result of the restructuring or merger of two or more resident companies (including a subsidiary company of such companies), and the Commissioner is satisfied that the restructuring or merger is carried out in a manner which does not result in a change in the beneficial ownership of the shares of the companies involved and no shareholder benefits at the expense of another. The rollover relief will also apply where property is disposed of as a consequence of the reorganisation (including a restructuring or merger) of a resident company, and the Commissioner is satisfied that the sole object of the reorganisation is to enable the company to offer its shares for listing on the BSE. The application for listing of the shares must be made by the company to the BSE within one month following the completion of the reorganisation, restructuring or merger, and the application must be granted before the expiration of 12 months from the date of application. Furthermore, where a company reinvests the whole of its original investment, together with all or part of the gain from the disposal of any immovable property of its business, in another immovable property for the business, the tax liability will be deferred until the time the property in which it was reinvested is disposed of.

Capital gains on shares of resident companies, listed on the BSE, are exempt in certain circumstances. Capital losses can be carried forward for a maximum of one year.

Notes:

1. In order to obtain the exemption from CGT on the sale of shares listed on the BSE, the taxpayer must have held the shares for at least one year.
2. In order to qualify for the exemption from CGT on the sale of an individual's principal private residence, the house must have been owned for at least five years, and in respect of any further sale of a principal private residence, the house must have been owned by the individual for a further five years from the previous exemption.

| CGT Rates | | |
|--|---------------------|----------------|
| Taxable Gains as exceed | But does not exceed | Tax Payable |
| P | P | P |
| Resident & Non-Resident Individuals | | |
| 0 | 18 000 | 0 |
| 18 000 | 72 000 | 0 + 5% |
| 72 000 | 108 000 | 2 700 + 12.5% |
| 108 000 | 144 000 | 7 200 + 18.75% |
| 144 000 + | | 13 950 + 25% |
| Resident Companies | | |
| 0 + | | 22% |
| Non-Resident Companies | | |
| 0 + | | 30% |



Inheritances and Donations

Donations and other gratuitous disposals (such as inter vivos gifts and estates of deceased individuals), are subject to Capital Transfer Tax.

| Capital Transfer Tax Rates | | | |
|---------------------------------------|------------------------------------|---------------------|-------------|
| | Aggregate Taxable Value as exceeds | But does not exceed | Tax Payable |
| | P | P | P |
| Resident and non-resident individuals | 0 | 100 000 | 0 + 2% |
| | 100 000 | 300 000 | 2 000 + 3% |
| | 300 000 | 500 000 | 8 000 + 4% |
| | 500 000 + | | 16 000 + 5% |
| Companies | 0 + | | 12.5% |

Value Added Tax (VAT)

| VAT | Rate |
|----------------------------------|------|
| Basic rate on goods and services | 12% |

Notes:

- VAT is payable every month or second month depending on the level of turnover.
- With effect from 1 April 2010, the VAT rate increased from 10% to 12% and VAT registration threshold increased from P250 000 to P500 000.
- Penalties and interest may be levied for late VAT returns and late VAT payments. The maximum penalty chargeable for failure to file a nil or refund VAT return is P5 000.
- Exemptions include: educational institutions, financial services, housing rentals, passenger transportation, donations, grants and condoms.
- Zero-rated supplies include: exports, fuel, maize meal, sorghum, grain, millet, flour, sugar, wheat, pesticides, fertilisers and farming tractors, as well as the international transportation of passengers or goods and the insurance or arrangement of those services and supplies to the Head of State.
- 2014/15 Budget proposals include the amendment of the VAT Act to:
 - Increase the VAT registration threshold from P500 000 to P1000 000, in order to relieve small taxpayers on the burden of regularly filing VAT returns, has been proposed.
 - To exempt all farming equipment and all basic food stuffs, which are currently zero-rated. Basic food items exempt from VAT to be expanded to include vegetables, rice and milk.

Other Transaction Taxes

| Transaction Taxes | |
|--|------|
| Transfer Duty | Rate |
| Citizens | |
| • Non-agricultural property – value above P200 000 | 5% |
| • Agricultural property – value above P200 000 | 5% |
| Foreigners | |
| Non-agricultural property | 5% |
| Agricultural property | 30% |
| No transfer duty is payable where the sale of property attracts VAT. | |
| There is no marketable securities tax/stamp duty on share transfers. | |
| Share Capital Duty | |
| • Where nominal capital is P1 – P3 000 | P200 |
| • Then for every P1 000 or part thereof | P8 |
| Property Transfer Tax | |
| • 5% of the total consideration if VAT is not paid. | |

General Investment Information

Investment Incentives

General Incentives

There are two types of investment incentives:

1. Development Approval Order (DAO).
 - Companies which conduct an approved business of manufacturing qualify for a lower corporate tax rate of 15%. However, only certain types of manufacturing processes qualify.
 - Any project that will benefit the economic development of Botswana may qualify. This is particularly used in the mining industry but can apply to any project with the emphasis being on employment generation. The relief given can take any form and is totally negotiable.
2. The Citizen Entrepreneurial Development Agency (CEDA) provides low-interest loans to citizens.

Further investment incentives include the following:

3. Local Participation or Management Requirements.
 - There are no nationality or residence requirements for shareholders.
 - Companies may be 100% foreign-owned. However, certain types of businesses are reserved for Botswana citizens, or for companies that are majority owned by Botswana citizens.
 - There are no local management requirements, but there is an expectation that citizen employees will be trained so as to enable them to participate in management. At least one director must be resident in Botswana. However, that person does not have to be a Botswana citizen.

Taxes

- All business taxes, such as municipal rates and VAT, are deductible with the exception of income taxes.
- The creation of reserves and provisions is generally not permitted. However, banks are allowed to make provision for bad or doubtful debts, which may not exceed 1.5% of the amount of their loans and advances as at the end of the tax year. Such provision is deductible only if it had been recorded in the accounts of the bank for the relevant tax year or accounting period.
- Relief from double taxation is provided in the form of



a credit against Botswana tax for foreign tax paid on the same income. The credit may be granted either in terms of a DTA or unilaterally in terms of Botswana domestic tax law.

- A corporate tax rate of only 15% for manufacturing enterprises, the lowest in the region.
- Income tax training regulations have been gazetted.

Special Tax Allowances

- Training allowance – 200% of such expenditure.
- Construction of dwellings for employees of any business other than mining – P25 000 per house.
- Industrial buildings – 25% initial allowance and 2.5% annual allowance on the cost of construction or purchase of new buildings or on any improvements.
- Mining capital allowances – All diamond mining operations and other mining operations (commencing before 1 July 1998) allowance claimed over the lesser of the life of the mine or ten years. Non-diamond mining operations (commencing after 1 July 1998), immediate 100% write-off.
- Plant and machinery – Heavy civil engineering plant used directly in construction and self-propelled portable plant or machinery used directly in manufacture or production – 25% per annum – other industrial plant or machinery used directly in manufacture or production – 15% per annum – other plant and machinery – 10% per annum.
- Aircraft and motorised road vehicles – 25% per annum.
- Computers – 25% per annum.

Botswana

- Farming – Companies engaged in farming operations are entitled to special deductions in relation to the following items of capital expenditure:
 - A farm development expenditure, deductible in the tax year in which it is incurred, for costs incurred in developing farming land for the purpose of producing farming income.
 - Expenditure incurred on various activities, including the prevention of soil erosion, eradication of noxious plants, sinking of boreholes and wells, the construction of irrigation channels, fencing and the building of roads, bridges or airstrips used in connection with the farming operations.
 - The cost of the establishment of trees, plantations, orchards and vineyards.
 - Expenditure incurred on the construction of buildings (other than dwelling houses).
 - Ordinary farming losses may be carried forward indefinitely. They may also be carried back for the two years preceding the year in which the loss was incurred. Farming losses may be offset against only 50% of non-farming income. Losses incurred on exempt farming operations may not be set off. Unutilised capital losses (excluding allowances granted in respect of development expenditure) in the year of disposal of the farm and the five preceding years are deductible in computing capital gains.

Non-cash Incentives

- Privatisation of Botswana Telecommunications Corporation by selling 49% of its shares to citizens through an IPO and establishment of non-banking financial sector activities.
- Foreign exchange reserves which equal 13 months of import cover.
- Profits, dividends and capital can be readily repatriated (no foreign exchange control in Botswana).
- Credibility and credit-worthiness.
- Political stability and social harmony.
- Inflation in single figures.
- Low unemployment at 17.5%.
- Rated as one of the least corrupt country in Sub-Saharan Africa.
- A Financial Intelligence Bill to deal with money laundering activities and a National Security Bill.
- Historically, of the highest per capita expenditure on education in the world.



- Educated and readily trainable English-speaking labour force, reasonable wages and good industrial relations, with almost no worker unrest or strikes.
- Local Procurement Programme – A portion of Government's local supplies are channelled to qualifying local manufacturers.

Exchange Controls

There are no foreign exchange restrictions.

Expatriates and Work Permits

All foreign citizens working in the private sector are required to obtain work permits. Such permits are normally issued for a two or three-year period. Self-employed investors will not generally encounter permits obtaining permits, but permits for employees will only be issued if it can be demonstrated that a citizen cannot do the job. Generally, qualified persons do not experience problems obtaining permits, but it becomes more difficult for unqualified persons. Two-thirds of end-of-contract gratuities earned by expatriates will be taxable.

Trade Relations

- Memberships – Cotonou Agreement, SACU, SADC.
- AGOA beneficiary country.

Botswana

Interest and Currency Exchange Rates

Prime Overdraft Rate

9.00% (October 2014)

(source: Bank of Botswana)

Bank Rate

7.50% (October 2014)

(source: Bank of Botswana)

Currency: Pula (divided into 100 Thebe)

R1 = P0.8968 (December 2014)

(source: Bank of Botswana)

US\$1 = P9.31081 (December 2014)

(source: Bank of Botswana)

Notes:

1. Botswana has a crawling band exchange rate system. The trading band was set at +/-0.5% around central parity, aimed at preventing large and unexpected adjustments in exchange rates.



Key Economic Statistics

GDP (approx.)

US\$16.304 billion (2014 estimate)

(source: IMF)

US\$17.736 billion (2015 forecast)

(source: IMF)

Market Capitalisation

US\$48.752 million (last reported 2014)

(source: Botswana Stock Exchange)

Rate of Inflation

5.775% (average 2013)

(source: IMF)

4.763% (average 2014)

(source: IMF)

5.401% (December 2014)

(source: IMF)

Burkina Faso



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Burkina Faso

Income Tax

Residents

Residents are subject to a single tax on income earned in Burkina Faso.

National Contribution Rates for Resident Individuals (monthly basis)

| Taxable Income as exceeds | But does not exceed | Rate |
|---------------------------|---------------------|-------|
| XOF | XOF | % |
| 0 | 30 000 | 0% |
| 30 100 | 50 000 | 12.1% |
| 50 100 | 80 000 | 13.9% |
| 80 100 | 120 000 | 15.7% |
| 120 100 | 170 000 | 18.4% |
| 170 100 | 250 000 | 21.7% |
| 250 100 | | 25% |

Notes:

1. Basis – Habitual residents are taxable on the income earned in Burkina Faso. Non-residents are subject to tax on Burkina Faso-source income only under two conditions: that the activities are performed in Burkina Faso and the employer is located in the country.
2. Residence – Habitual residents are individuals with a permanent home available for their use in Burkina Faso or who are employed by a resident corporation.
3. Rates – Non-commercial profits (fees) are generally subject to withholding tax (WHT). An effective rate of 5% is applied on sums paid to resident providers.
4. An effective rate of 20% applies to individual's entities that are active and have no professional establishment in Burkina Faso. A reduced rate of 10% applies to mining companies; exclusively for mining operations.
5. Taxable income – Individuals are taxable on the same schedules of income as companies, and on employment income. All income is pooled and subject to a general income tax which is called the Unique Tax on Treatments and Salaries. The applicable rate is applied to the taxable income.



6. The Unique Tax on Treatments and Salaries is imposed at scheduler rates ranging from 0% to 25%.
7. Relief from double taxation is available through tax treaties (DTAs) to which Burkina Faso is a signatory.

Companies

Income Tax Rates for Companies

| | Rate of Tax |
|-----------------------------|-------------|
| Standard corporate tax rate | 27.5% |

Notes:

1. Residence – An entity incorporated in Burkina Faso is resident for tax purposes.
2. 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.
3. Rate – The corporate tax rate is 27.5%. However, in the case of losses, taxpayers must pay a minimum tax of 0.5% instead of Corporate Income Tax (CIT) (reduced for financial institutions, insurance and petroleum companies) on the year's turnover. The minimum tax must fall between XOF300 000 and XOF1 million.
4. Taxable income – Income is taxed under separate schedules for industrial and commercial profits, non-commercial profits and income from movable capital, land and agriculture. A non-commercial schedule is mainly used for professional income, royalties and know-how and for non-resident corporations. Business costs and expenses are deductible if they are strictly related to the business.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | |
|-----------|------|-------|
| | Note | Rate |
| Dividends | 1 | 12.5% |
| Interest | 2 | 25% |
| Royalties | 3 | n/a |

Notes:

1. Dividends – Dividends paid to residents and non-residents are taxed at a rate of 12.5%.
2. Interest – Interest paid to residents is taxed at 25%. This rate is reduced by half (12.5%) for income from deposit accounts and current accounts with a bank or financial broker. The rate applicable to other interest and similar payments is normally 6%.
3. Royalties – Royalties paid to a non-resident are subject to a 20% WHT. Royalties paid to a resident are not subject to WHT. The revenue concerned must be taxed to CIT (for companies) or Unique Tax on treatments and Salaries (for individuals).

Notes:

1. WHT applies to dividends, royalties and payments to non-resident companies for services rendered in Burkina Faso.
2. Interests paid to non-resident companies are subject to WHT at a maximum rate of 15% (JEMOA tax treaty) and 5% of the interest gross amount (Tunisia). In the tax treaty with France, interests are taxed in the sourcing state giving rise to a tax credit in France.
3. Dividends paid to non-resident companies are subject to WHT at a maximum rate of 15% (tax treaty with France), 10% of dividends gross amount (JEMOA tax treaty), and 8% of dividends gross amount (Tunisia tax treaty).
4. Royalties paid to non-resident companies are subject to WHT at a maximum rate of 15% (JEMOA tax treaty and France) and 5% of royalties gross amount (Tunisia tax treaty).

Maximum WHT Rates once a DTA is applied

WHT on payments to countries with which Burkina Faso has a DTA are as follows:

| Type of Income | France | JEMOA | Tunisia |
|----------------------------------|--------|-------|---------|
| Dividends | 15% | 10% | 8% |
| Interest | n/a | 15% | 5% |
| Royalties | 15% | 15% | 5% |
| Management and professional fees | n/a | n/a | n/a |

Capital Gains Tax (CGT)

Companies

Capital gains arising from the disposal of fixed assets and shares are normally included in taxable income for half the amount. Capital gains resulting from mergers for companies and asset contributions are exempt from CIT.

Tax on Capital Gains on Property

A rate of 10% is applied on the difference between the price of transfer of the property and the acquisition price.



Burkina Faso

Anti-avoidance

Transfer Pricing

Profit transfers included in payments between resident corporations and non-resident affiliates may be adjusted so that arm's length conditions apply for tax purposes.

Thin Capitalisation

There are no specific thin capitalisation rules in Burkina Faso. However, interest paid to shareholders on sums which they lend to, or put at the disposal of the company, are tax deductible provided that the interest rate charged does not exceed the reference rate (*taux des avances*) of the Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest* (BCEAO)).

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 18% |

Notes:

1. VAT is imposed on production activities, the distribution of goods and the rendering of services in the Burkina Faso. VAT is also applied to imported goods and services.
2. The standard rate is 18%.
3. Taxpayers must register for VAT with the local tax authorities.
4. VAT returns and payments are due monthly by the 20th of the following month.

Miscellaneous Taxes

Stamp Duty

The contribution of the stamp is established on administrative acts. A fixed or variable rate is applicable depending on the nature of the act. Several operations are exempt from stamp duty.

Transfer Tax

A stamp duty of XOF4 000 is charged on the transfer of shares. A transfer tax of 8% is applicable to real property. Business transfers are also charged at 10%.

Capital Duty

Provisions related to capital duty have been repealed/abrogated.

Payroll Tax

The payroll tax is called the Unique Tax on Treatments and Salaries in Burkina Faso.

Other

A company or individual carrying on a trade in Burkina Faso must also pay a business licence duty, subject to certain exemptions. There is a fixed rate of duty and also a proportional rate of duty.

Social Security

The social security contributions are paid on the base of paid salaries. Contributions payable by the employer on paid salaries are 16.5%, allocated as follows:

- Occupational accident: 3.5%
- Family allowance: 7.5%
- Old age pension: 5.5%
- Total: 16.5%

However, employees pay social security contributions for old age pensions at a rate of 5.5%. This contribution is withheld by the employer.

Tax Administration

Corporations

- 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 the 30th of April, together with the balance of tax for companies with an annual turnover. The tax is payable after the end of the year in three equal parts on the 20th of January, 20th of July and 20th of October, based on the realised profits.
- Penalties – Penalties are charged at rates of 10%, increased by default interest of 1% for late tax returns, failure to pay tax due and for errors and mistakes.

Individuals

- Tax year – Calendar year.
- Filing and payment – Personal income tax returns are due by the 30th of April. An individual receiving employment income from only one employer is not required to file a return, unless he/she is eligible for a refund. Payments of tax relating to a business are due as described above for companies. Tax is normally withheld at source for other sources of income.
- Penalties – Penalties are charged at rates of 10%, increased by default interest of 1% for late tax returns, failure to pay tax due and for errors and mistakes.

General Investment Information

Investment Incentives

General Incentives

- Various incentives are granted under several laws, including the Investment Code.
- Burkina Faso has signed various multilateral investment agreements including provisions in the Lome Convention and West African Economic and Monetary Union (WAEMU).
- In 1961, Burkina Faso signed a cooperation treaty with France allowing funds to be transferred freely between the two countries. A trade, investment protection, and technical cooperation agreement was signed between Burkina Faso and Switzerland in 1969. This agreement provides for free transfer of corporate earnings, interests, dividends, etc., between the two countries. Burkina Faso has also signed and ratified investment promotion and mutual protection agreements with various countries.
- Burkina Faso's regulations governing the establishment of businesses include most forms of companies admissible under French business law, including: public corporations, limited liability companies, limited share partnerships, sole proprietorships, subsidiaries, and affiliates of foreign enterprises.
- Under the Investment Code, all personal and legal entities lawfully established in Burkina Faso, both local and foreign, are entitled to the following rights: fixed property, forest and industrial rights; concessions; administrative authorisations; access to permits; and participation in state contracts.
- The Investment Code provides the right to transfer capital and revenues secured by alien personal and legal entities, which invest in Burkina Faso in foreign currencies. Foreign investors have the right, subject to foreign exchange regulations, to transfer dividends, any returns on the capital invested, the liquidating or conclusion proceeds of assets, in the same currency used in the initial investment.
- The rights of foreign and domestic private entities to establish and own enterprises, and engage in all forms of remunerative activities, are guaranteed by the constitution and the Investment Code.
- The Investment Code prohibits discrimination against foreigners e.g. US firms not registered in Burkina Faso can compete for contracts on projects financed by international sources such as the World Bank, UN or the African Development Bank.
- Burkina Faso is one of the fastest growing gold producers in Africa.
- Burkina Faso has undertaken reforms of labour policy to make the labour market more flexible while ensuring workers' rights, including workers' safety and health.
- In 2012, the World Bank ranked Burkina Faso as the fourth best Sub-Saharan African country in the area of corruption control.
- There is a general awareness of corporate social responsibility among both producers and consumers.
- The financial health of the banking system is sound.

Tax Incentives

The Investment Code provides four schemes of investment:

- Scheme A: For investments equal to or above 100 000 000; strictly lower of 500 000 000.
 - During investment: Customs duties are due at a rate of 5% on exploration equipment and first batch of spares. Exemption of VAT applies for new companies on exploration equipment and first batch of spares.
 - During exploration: Exemption of CIT, business licence duties and apprenticeship tax during the five years.
- Scheme B: For investments equal to or above 500 000 000; strictly lower of 2 000 000 000.
 - During investment period: Customs duties are due at a rate of 5% on exploration equipment and first batch of spares. Exemption of VAT applies for new companies on exploration equipment and first batch of spares.
 - During exploration period: Exemption of CIT, exemption of proportional duty during six years and exemption of apprenticeship tax during six years.
- Scheme C: For investments equal to or above 2 000 000 000.
 - During investment: Customs duties are due at a rate of 5% on exploration equipment and first spares part. Exemption of VAT applies for new companies on exploration equipment and first spares part.

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- During exploration: Exemption of CIT, business licence duties and apprenticeship tax during seven years.
- Scheme D: For investments equal to or above 1 000 000 000.
 - During investment period: Customs duties are due at a rate of 5% on exploration equipment and first batch of spares. Exemption of VAT applies for new companies on exploration equipment and first spares part.
 - During exploration: Exemption of CIT, business licence duties and apprenticeship tax during seven years.

Exchange Controls

The CFA Franc is linked to the euro (€) at a fixed exchange rate and unlimited convertibility to the euro is guaranteed. The CFA members (i.e. Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo) have agreed to apply exchange control regulations modelled on those of France. Transfers within the CFA Zone are not restricted. Dividends paid out of revenue, and capital on disinvestment, may be remitted.

Expatriates and Work Permits

A visa is required to work in Burkina Faso. An extension is required to stay longer. To get a visa, a company letter (stating a specific mission) and a confirmation of itinerary from a travel agent, must be provided. Natives from an ECOWAS member state do not need a visa to work in the country.

Trade Relations

- Memberships – WAEMU (West African Economic and Monetary Union), ECOWAS, WTO.
- Treaties – Burkina Faso has ratified tax treaties with France, Tunisia and WAEMU.

Interest and Currency Exchange Rates

Benchmark Interest Rate*

* Interest rates in Burkina Faso are reported by BCEAO.

3.500% (last reported 2014)

(source: Trading Economics)

Currency: CFA Franc (XOF)*

* The CFA Franc is the name of the common currency of 14 African member countries of the Franc Zone.

R1 = 44.9834 XOF (December 2014)

(source: Oanda)

US \$1 = 525.402 XOF (December 2014)

(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$13.382 billion (2014 estimate)

(source: IMF)

US\$14.833 billion (2015 forecast)

(source: IMF)

Market Capitalisation

Not applicable – There is no stock market in Burundi.

Rate of Inflation

0.518% (2013 average)

(source: IMF)

1.500% (2014 average)

(source: IMF)

2.000% (December 2014)

(source: IMF)

Burundi



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Burundi

Income Tax

Income tax is applicable to revenues generated through professional activities executed in Burundi even though the beneficiary is not resident in Burundi.

Income Tax Table for Individuals

| Taxable Income Scale Bracket (BIF) | Rate (%) |
|------------------------------------|----------|
| 0 to 1 800 000 | 0% |
| 1 800 001 to 3 600 000 | 20% |
| 3 600 001 & above | 30% |

Notes:

1. Basis – Pay-As-You-Earn (PAYE) is based on a progressive salary scale but limited to 30% of taxable income.
2. The housing, or the compensatory allowance, is added to remunerations. The amount of this benefit is fixed contractually at 10% of all the total remunerations, excluding family allowances granted to the employees and paid to the extent that they do not exceed the amount fixed by their statute or the law.
3. In the same way, the rent or compensatory allowances paid to the employee or on its behalf, exceeding 60% of the basic salary, is also added to the taxable income.
4. Pension funds up to 15% of the basic salary, and 25% of the housing allowance, are allowed to be deducted from the PAYE calculation.
5. The transport expenses not exceeding 15% of the basic salary, are also allowed as deductible expenses. This deduction is not allowed when the employee benefits from a company car.

Employment Income (PAYE)

- The tax law requires that when an employer makes available employment income to an employee, the employer must withhold, declare, and pay the PAYE tax to the Burundi Revenue Authority (OBR) within 15 days following the end of the month for which the tax was due. Where the employer is not the principal employer, they are obliged to withhold tax at 30%.
- In the case of engaging a casual labourer, the employer shall withhold 15% of the taxable employment income of the casual labourer. The first BIF150 000 of the income earned is taxed at 0%.
- The employer is personally responsible for the correct



withholding, declaration and the timely payment to the OBR.

- The employer is personally responsible for keeping proper books of account to prove that the tax has been correctly withheld, paid, and accounted for.

Companies

Income Tax Rates for Companies

| | Rate of Tax |
|-----------------------------|-------------|
| Standard corporate tax rate | 30% |

Notes:

1. Corporation tax (CIT) is applicable on the company's revenues generated in Burundi, independently of its residence.
2. The tax rate is 30% of profits before tax.
3. The CIT is payable not later than 31 March of each year.
4. Foreign companies are normally taxed only on Burundi-source income.
5. Losses may be carried forward for five tax periods. The carryback of losses is not permitted.
6. Dividends and interest are subject to a 15% withholding tax (WHT).
7. Foreign tax credit – Foreign tax paid may be credited against Burundi tax on the same income but the credit is limited to the amount of tax payable on the foreign income.

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8. CIT prepayments – It is based on the previous year's CIT and is equivalent to 25% of the previous year's tax payable. The prepayments are payable by 30 June, 30 Sept and 31 December of the given year. These three prepayments are deducted from the current year's tax payable and the balance is paid at the date of submission of the annual CIT return. If the prepayments are higher than the tax payable, the taxpayer can request a refund. Such a request is to be carried out within two months from the submission of the return. The effective refund has to be done within 60 calendar days from receipt of application and clearance of any outstanding tax liability.

Withholding Taxes (WHTs)

The WHTs are set out below:

| WHT Rates | |
|---|------|
| | Rate |
| Dividends | 15% |
| Interest | 15% |
| Revenues realised by foreign companies on services rendered in Burundi | 15% |
| Royalties | 15% |
| Technical service fees | 15% |
| Non-resident cession of immovable and movable properties, financial assets and other related assets | 5% |
| Public tenders | 4% |

Capital Gains Tax (CGT)

Companies

Capital gains derived from the sale, or cession of commercial immovable property, are separately taxed at a rate of 15%.

Value Added Tax (VAT)

| VAT | Rate |
|---|------|
| Standard rate | 18% |
| Imported foodstuff, unprocessed agricultural products and agricultural inputs (fertilisers) | 10% |

Notes:

1. VAT is imposed on the sale of goods and the provision of services.
2. The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases.
3. The registration threshold for VAT purposes is BIF100 million of annual turnover. Voluntary registration is possible for taxpayers with turnover under the threshold.
4. VAT filing and payment must be made on a monthly basis by the 15th of the following month.

Customs and Excise Duties

Excise Taxes

Consumption Tax (excise duty) is levied on the following locally manufactured and imported products: beers, lemonades, cigarettes, sugar, wines, spirits and mineral water, carbonated water, mobile phone consumption, and used vehicles, subscription, as well as purchase of audiovisual recharge cards.



Burundi



Consumption Tax shall be levied on the following products at the corresponding rates*:

| Products | Tax Rate/Amount |
|--|------------------------|
| Wine and spirits | 80% |
| Cigarettes | BIF22/Cigarette rod |
| Sugar (excluding imported sugar for beer and soft drink production) imported | BIF600/kg |
| Beers | BIF36 000/Hl |
| Beer produced using 100% local raw materials | BIF7 200/Hl |
| Mineral water and carbonated water | 13% |
| Lemonade, soda and non-alcoholic drinks | BIF30 000/Hl |
| Telephone communication on GSM | 12% |
| Anti-pollution tax on used vehicles aged 10 years and above | BIF1.5 million/vehicle |
| Subscription and purchase of audiovisual recharge cards | 12% |
| Alcohol, liqueurs & other beverages (HS 22 & 20) | BIF125/L |
| Fuel & lubricants | BIF10/L |

* The new Budget Law published in December 2014 may affect the rates above.

The taxable value on locally manufactured products is calculated according to selling price exclusive of taxes. The tax shall be payable when the taxable products

are cleared out of the factory for consumer use in case of locally manufactured products, the cost of the communication for GSM telecommunications services and for imported goods for its CIF (Cost-Insurance-Freight), including customs duties.

There is a down-payment levy imposed on the following locally manufactured products:

| Products | Tax Rate/Amount |
|--|--|
| Sugar | 1% of sale price |
| Alcoholic & non-alcoholic drinks produced by Brarudi & Burundi breweries | Between 0.21% – 1% of ex-factory price |
| Flour | 0.65% of ex-factory price |
| Oils | 1% of ex-factory price |
| Cigarettes | 1% of selling price |
| Fabrics | 1% of selling price |
| Fuel & lubricants | 0.74% of sale price |
| Slaughtered animals | BIF 800 – Cows BIF 500 – Goats/Sheep/Pigs |
| Parchment coffee | 0.9% of sale price |

The following additional taxes are imposed:

- A telephone tax of US\$0.32 per minute on incoming international calls.
- Fixed levy of 3% of CIF as down-payment for income tax on imports into Burundi.
- Safety tax of 1.15% on value of imported goods.
- 20% on imported fabrics.
- Export tax on raw hides & skins of 80% of the value.
- Surcharge of 20% on imported nails & corrugated iron not meeting transformation criteria under the East Africa Community (EAC) Rules of Origin.

Miscellaneous Taxes

Real Property Tax

Tax is paid to the municipal authorities and calculated according to the location and utilisation of the property.

Inheritance/Estate Tax

There is no inheritance/estate tax in Burundi.

Transfer Tax

Some administrative fees are applicable.

Net Wealth/Net Worth Tax

There is no net wealth/net worth tax in Burundi.

Social Security

The contribution to the Social Security Fund is 10% (6% by the employer and 4% by the employee) capped at BIF450 000 per month and 3% supported by the employer, capped at BIF80 000.

Tax Administration

Corporations

- Tax year – The tax year is the calendar year, although the taxpayer may request a different 12-month period.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
- Filing requirements – A self-assessment regime applies. Advance CIT is payable in three instalments. The tax return must be filed within three months after the end of the applicable year-end.
- Penalties – Interest is imposed for late payment of tax and fines and other penalties are imposed for late payment and tax understatements.

Individuals

- Tax year – Calendar year. A specific tax year of 12 months is available on request.
- Filing and payment – Tax on employment income is withheld by the employer under the PAYE system, and remitted to the tax authorities by the 15th of the month following payroll.
- Penalties – Penalties, including fines and interest, apply for failure to comply.



General Investment Information

Investment Incentives

General Incentives

- Good reasons to invest in Burundi include, amongst others: access to markets, exemption from transfer taxes on acquisition of buildings and plots essential for the achievement of the exploitation, certain tax advantages, an Investment Promotion Agency (API), and a business environment in constant improvement.

Tax Incentives

- The tax credit provided on investment allowances (under the Investment Code of Burundi) was removed under the 2014 revised Budget Law.
- Tax discount and exemption – A registered investment entity that operates in a Free Trade Zone (FTZ), and foreign companies that have their headquarters in Burundi, that fulfill the requirements stipulated in the Burundian Law on Investment Promotion, is entitled to:
 - Exemption from CIT for 10 years of business.
 - 15% CIT from year-11 and upwards.
 - 10% CIT if the investor employs more than 100 Burundians.
 - Exemption from 15% WHT on dividends.
 - Tax-free repatriation of profits.
 - Free transfer on purchase or sale of buildings.

Note: Under the 2014 Budget Law, indirect tax exemptions outside international agreement and other specific laws, has been eliminated.

Exchange Controls

None, but some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency.

Trade Relations

- Memberships – COMESA, EAC.
- AGOA beneficiary country.
- International Organisations – UN, IMF, World Bank and WTO.

Burundi

Notes:

1. Along with Kenya, Uganda, Rwanda and Tanzania, Burundi is a member of the EAC, which plans to form a monetary union that will introduce a single currency.
2. Burundi is eligible for Preferential Trade Benefits under the African Growth and Opportunity Act (AGOA). The US has signed Trade and Investment Framework Agreements with the EAC, and with COMESA. Burundi is a member of both regional organisations. US exports to Burundi include: iron and steel products, baking-related products, pharmaceutical products, wheat, and furniture and bedding. The primary import from Burundi to the US is coffee.



Interest and Currency Exchange Rates

Lending Rate

16.51% (May 2014)

(source: National Bank of Burundi)

Currency: Burundi Franc (BIF)

R1 = 131.620 BIF (December 2014)

(source: Oanda)

US\$1 = 1 530.00 BIF (December 2014)

(source: Oanda)

US\$1 = 1 520.99 (2013 average)

(source: National Bank of Burundi)

Notes:

1. The Burundi Franc is pegged to the value of a composite of currencies, consisting of Burundi's major trading partners. The Central Bank is committed to pursuing the liberalisation of the exchange system.

Key Economic Statistics

GDP (approx.)

US\$3.239 billion (2015 forecast)

(source: IMF)

US\$2.993 billion (2014 estimate)

(source: IMF)

Market Capitalisation

Not applicable – There is no stock market in Burundi.

Rate of Inflation

8.840% (2013 average)

(source: IMF)

5.948% (2014 average)

(source: IMF)

6.963% (December 2014)

(source: IMF)

Notes:

1. The IMF predicted economic growth would reach only 4.5% in 2013, lower than 4.2% initially projected. An upturn in coffee production and construction should lead to a modest rise in growth in 2013/14. However, growth remains vulnerable in the context of volatile oil prices, an uncertain international trade situation and uncertain foreign aid.
2. There is no stock, corporate, or government bond market in Burundi. Capital is raised from commercial banks. In terms of government securities, 91-day Treasury bills are issued.
3. Interest on Treasury bills and bonds are exempt from income tax.

Cameroon



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Cameroon

The Cameroonian concept of income taxation is the same as in industrialised countries. There are two main income taxation systems; namely, one for individuals and the other for entities. Turnover is also subject to taxation. The Turnover Tax (*Taxe sur la valeur ajoutée*) is borne by the final consumer.

Income Tax

Individuals

Residents

Individuals resident in Cameroon are taxable on their worldwide income.

Income Tax Rates for Individuals*

| Taxable Income as exceeds | But does not exceed | Rate |
|---------------------------|---------------------|------|
| XAF | XAF | % |
| 0 | 2 000 000 | 10% |
| 2 000 000 | 3 000 000 | 15% |
| 3 000 000 | 5 000 000 | 25% |
| 5 000 000 + | | 35% |

* Progressive rates are imposed from 10% to 35%. A surcharge of 10% of the principal tax is also levied on the rates (for additional council tax).

Notes:

1. An individual is considered as resident in Cameroon if he/she has his/her principal centre of interests or business, or place of abode, in Cameroon or if he/she is engaged in a salaried or non-salaried professional activity in Cameroon, or stays in Cameroon for more than 183 days in a tax year.
2. Personal income tax (PIT) applies to total income derived from various categories of revenues. Income categories include: salaries, wages, pensions and life annuities, income from stocks and shares, income from real estate, profits from handicraft, industrial and commercial activities, profits from agricultural activities and profits from non-commercial and related professions.

3. Profits from non-commercial activities and related professions will be taxed at the rate of 33.3% (and not lesser than 2.2% of the turnover) or 16.5% following their nature.
4. For the specific case of salaries, the tax will be based on graduated rates applicable to the net income determined after the application of allowable deductions which include: a lump sum of XAF500 000 for business expenses, 2.8% social security contributions and 30% professional expenses capped at XAF3 million per year.
5. Capital gains realised in Cameroon, or abroad, and derived from the sale, including indirect sales of shares, are subject to tax at a final rate of 16.5% (with Finance Law 2012, this tax applies to companies also). Unrealised gains arising from company mergers are not subject to tax on income from securities if the company taking over or the new company has its registered office in Cameroon.
6. There is no special tax regime for expatriates.

Non-Residents

A non-resident is taxable only on Cameroon-source income.

Employment Income

- Employment income generally includes: salary, allowances, emoluments, wages, benefits in kind and pension income.
- Taxable income from employment is determined by taking into consideration the gross amount of wages, salaries, emoluments, allowances, pensions, as well as benefits in kind.
- Any amount reimbursed by the employer is not subject to PIT if considered to be a professional fee.
- In general, expenses considered as professional are listed by regulation in force e.g. mobility premium, basket premium and representation.
- All cash payments *in lieu of* benefits in kind, and any expenses incurred by the employer on behalf of the employee, are included in the taxable base, unless expressly exempted by law.

Companies

Income Tax Rates for Companies

| Rate of Tax | |
|---------------|-----|
| All companies | 30% |

Notes:

1. The corporate tax rate is 33% in total (30% of corporate tax + 10% surcharge tax). For companies benefiting from a special tax regime, or under an incentive tax regime; the rate remains the same as at the 1 January 2014.
2. The corporate Income Tax (CIT) is payable (latest on the 15th day of every month following the month of realisation of the taxable operation) by monthly instalments of 2% of the turnover of the company, when the latter is assessed on the basis of its actual earnings. A 10% local surcharge is applicable, bringing the effective rate to 2.2% of turnover. However, as concerns taxpayers under the simplified system, the rate shall be increased to 3% for non-importing traders; and 5% for producers, service providers and importing traders. A 10% local surcharge is also applicable. This amount is the minimum charge under CIT.
3. An entity is taxable in Cameroon if it has a Permanent Establishment (PE) in Cameroon or if it benefits from Cameroon-source incomes.
4. The taxable income only takes into account the revenue made within enterprises carrying out a business in Cameroon and the income whose taxation is attributed to Cameroon by an international tax treaty (i.e. DTA). Taxable profits are determined after deduction of allowable expenses. Expenses equal to or exceeding XAF500 000 are not deductible if paid in cash.
5. Deductible expenses notably include: interest paid to partners in respect of the sums they leave with or place at the disposal of the company over and above their capital, irrespective of the type of company, shall be acceptable within the limits of those calculated at the rate of the Central Bank Discount Rate, raised by two (2) points; foreign social security contributions are only deductible within the limit of 15% of the base salary of the expatriate when they are relating to a compulsory retirement plan; donations and liberalities are in principle not deductible, however, payments made to research and development (R&D) bodies and to collective philanthropic, educational, sports, scientific, social and family institutions and bodies, on condition that the latter are situated in Cameroon, shall be deductible as soon as there is proof of payment and as long as they do not exceed 0.5% of the turnover for the financial year; head office costs and foreign technical assistance costs (these expenses are subject to a 10% limitation of deductibility).

6. Losses may be carried forward for up to four years but may not be carried back.
7. Foreign tax credits are not provided for.
8. There is no holding company regime in Cameroon.
9. Taxation of dividends – Dividends received by a resident company from a resident or non-resident company, are subject to CIT. The recipient may offset any Cameroon tax withheld from the dividends against its CIT liability but foreign tax paid on dividends derived from a non-resident company is not creditable against Cameroon CIT, unless specifically provided for under a tax treaty.

Tax on Income from Securities and Shares

WHT (at the appropriate rate) must be deducted from payments made to resident persons in respect of the following:

- Dividends and similar income amounts paid to board of directors in public limited companies.
- Interest (other than interest paid to an approved financial institution).
- Annuities (excluding the capital element).

Withholding Taxes (WHTs)

WHT must be deducted from payments made to non-resident persons in respect of the following:

- Management or professional fees, or training fees.
- Royalties.
- Rents.
- Leasing.
- Dividends.
- Interest (including deemed interest).
- Pensions.
- Payments to sportsmen or entertainers.
- Any supply paid by the Cameroonian State, entities partially or totally owned by the State, or foreign entities within the framework of public procurements.



Cameroon

Notes:

1. A WHT of 15% (plus 1.5% surcharge) applies to dividends and interest payments to both residents and non-residents. The rate may be reduced under an applicable tax treaty.
2. Royalties paid to a non-resident are subject to a 15% WHT with no local surcharge applicable. Where royalty amounts are paid to a firm located outside the Central African Economic and Monetary Community (CEMAC), that participates in the management of a Cameroon firm in which it holds shares, the royalties will be considered as sums accruing from the distribution of profits and subject to a 16.5% WHT.



| WHT Rates | | | |
|-----------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 16.5% | 16.5% |
| Interest | 1 | 16.5% | 16.5% |
| Royalties | | | 15% |

Maximum WHT Rates once a DTA is applied

WHT on payments to countries with which Cameroon has a DTA are as follows:

| | Dividends | | Interest | Royalties |
|-------------------------------------|---------------------------|-------------------------|----------|---------------|
| | Individuals/ Companies | Qualifying Companies | | |
| Domestic Rates | | | | |
| Companies | 16.5% | 16.5% | 16.5% | 15% |
| Individuals | 16.5% | n/a | 16.5% | 15% |
| Treaty Rates (Treaties With) | | | | |
| Canada | 15% | 15% | 16.5% | 15% |
| CEMAC countries* | 16.5%[1] | 16.5%[1] | 16.5%[2] | exemption [3] |
| France | 15% | 15% | 15.6%[4] | 15%[4] |
| Tunisia | 12% | 12% | 16.5% | 15% |
| Morocco | 16.5% | 16.5% | 16.5% | 15% |

* Chad, Republic of Congo, Gabon, Equatorial Guinea, Central African Republic.

Notes:

1. If there is no limitation under the treaty, the domestic WHT rate is applicable.
2. The payments are subject to WHT under Cameroonian domestic law, if from a Cameroonian source.
3. No WHT is imposed if the income is subject to tax in the state of the recipient. In limited situations, interest and royalties may only be taxed in the country of domicile of the recipient.
4. The rate of 7.5% is applicable to technical assistance fees following provisions of a DTA with France.

Cameroon



Capital Gains Tax (CGT)

Capital gains are subject to tax on income from securities at 16.5%. The following capital shall be taxable even in the case of indirect sales:

- Proceeds from transfer of stocks.
- Proceeds from transfer of bonds.
- Profits from the transfer of other kinds of shares.

The first XAF500 000 is tax-free.

Anti-avoidance

The regulations on transfer pricing are improved each year with the aim to ensure that related party transactions are conducted on arm's length terms. Since January 2012, the Cameroonian tax administration has introduced the filing of the transfer pricing documentation prior to the execution of tax audits and has extended the duration of tax audit involving transfer pricing issues.

Thin capitalisation rules apply in Cameroon, as follows: loans granted by shareholders, or affiliated companies, are deductible only under certain conditions; and interests are deductible where loans do not exceed 1.5% of capital and if lower than 25% of the gross operational income.

Inheritances and Donations

Estate tax is charged at 15%.

The fees on inter vivos donations are charged as follows: direct line of descent/ascent, or between spouses, 5%; between brothers and sisters, 10%; between relatives beyond the second degree, or between unrelated persons, 20%.

There is no net wealth/net worth tax in Cameroon.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|--------|
| Standard rate | 19.25% |

Notes:

1. The effective standard VAT rate is 19.25% (a 17.25% VAT and 10% surcharge).
2. Exports are zero-rated and certain essential goods are exempt.
3. All corporate businesses with taxable turnover are required to register. Non-resident VAT payers are required to appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of other VAT obligations.
4. VAT returns (and any tax payable) are due by the 15th of each month. Late payment incurs interest penalties at a rate of 1.5% per month up to a maximum of 50% of the principal liability. Fines are levied for various omissions in discharging VAT obligations.
5. For taxable transactions of at least XAF100 000, the deduction right may be authorised only where they have been carried out through bank transfers or checks.

Customs and Excise Duties

- CEMAC Customs Union (Cameroon, the Central African Republic, Chad, Congo Rep., Gabon and Equatorial Guinea) provides for the free movement of goods between member states.
- The importation of goods and merchandises from third states are subject to customs duties, except where exemptions or the suspensive customs regimes are applicable. Customs duties are levied on the customs value of most imported goods at rates ranging from 5% to 30%.
- Excise duty of 25% is applicable to cigarettes (with a minimum of XAF3 500 for 1 000 cigarettes), drinks (with minimum amounts per litre of beer and level of alcohol), cosmetics or luxury goods (jewels and precious stones). An abated rate shall apply to private passenger vehicles with engine capacities equal to or higher than 2 000 cm³.
- Software may be subject to customs duties.

Miscellaneous Taxes

- There is a special tax on petroleum products which is payable by companies distributing taxable products.

Cameroon

- Refineries and oil storage companies using petroleum products for their own operations, or for other needs, are also liable to the special tax on petroleum products.
- The rates of the special tax on petroleum products are as follows:
 - Super gasoline – XAF120 per litre.
 - Petroleum diesel – XAF65 per litre.

Social Security

- Employees, including civil servants and other government contract workers, trainees and apprentices, must make social security contributions. The rate is 2.8% of their gross salary.
- The maximum monthly earnings for social security contribution and benefit purposes are XAF300 000, leading to an annual ceiling amount of XAF3.6 million.

Housing Fund Tax

- Employees are subject to the Housing Fund Tax (*contribution au crédit foncier*) at the rate of 1% of their gross taxable salary.

Tax Administration

General

- The tax year is the calendar year.
- Advanced payments of company taxes are due at the latest on the 15th of each month. Any final balance of tax is payable on the submission of the annual tax return by the 15th of March of each year.

Penalties

- With respect to spontaneous payments of taxes, late declaration or payment is subject to a penalty of 10% per month, with a maximum of 30% of principal tax due.
- Penalties are assessed at 30% (good faith), 100% (bad faith) and 150% (fraud).
- Interest may be imposed at 1.5% of the tax due per month for late filing or payment up to a maximum of 50%.
- Where a taxpayer initiates the process to settle outstanding taxes, no penalties will be assessed.



General Investment Information

Investment Incentives

Tax Incentives

In order to benefit from the tax incentives provided by the 2013 Investment Incentives Law, the companies must comply with the following conditions:

- During the installation phase:
 - Carry out an annual export activity for at least the turnover.
 - Using national resources of at least 10% of the value of inputs.
 - Contribute to the increase in the value added of at least 10% of turnover.
 - Compliance with the foreign exchange rules and the tax regulations.
- During the exploitation phase:
 - In addition to the requirements of the installation phase, the company shall create at least one job for every 5 to 25 million francs of investment.

Cameroon

There are different investment incentives depending on the phase in which the company is operating:

- During the installation phase:
There is an exemption from:
 - Registration duties on instruments for incorporation of the company, as well as for capital increases.
 - Exemption of essential instruments relating to investment program; exemption of concession contracts.
 - VAT on technical assistance relating to the project, and on import and export of materials linked to the project.
 - Business licence fees.
 - Complete deduction of technical assistance fees proportionally to the amount of investment made.
- During the exploitation phase:
There is an exemption or reduction of the followings taxes:
 - Registration duties of instruments relating to change in the capital; instruments relating to the transfer of activity
 - CIT, tax on benefits, minimum tax.
 - Tax on income from securities on dividends.
 - Special income tax on technical assistance.

Other Incentives

- Cameroon is politically stable. There is an atmosphere of peace which reigns in the country. This peace which is an element for good investment encourages many investors to come into the country and invest.
- Cameroon is a signatory to many international treaties and conventions, which are mutually beneficial. For example, the Extradition Treaty which deals with the extradition of citizens from Cameroon. Any investor investing in Cameroon is sure of not been extradited anyhow from Cameroon. His/her stay in the country is guaranteed. Cameroon is also a signatory to INTERPOL which is the international police force that seeks to curb down international crime. This therefore means that any investor investing in Cameroon is sure of making use of INTERPOL in order to track down any criminal wherever in the world that is a threat to his/her success. With these measures fruitful in Cameroon, investment is guaranteed. However, certain measures relating to investment promotion have been cancelled. Indeed, the reinvestment system is no longer applicable.



Exchange Controls

All transfer of funds outside the CEMAC, including loans obtained by resident companies abroad and the solicitation of foreign securities in the CEMAC Zone, must be declared and are subject to special control measures for statistical purposes. Transfers of amounts in excess of XAF5 million must be lodged with an authorised intermediary (i.e. a bank authorised by the Central Bank). Documentation must be submitted to the authorities for currency transfers in settlement of imports in excess of XAF100 million.

Expatriate employees may apply for authorisation to repatriate their net earnings on a regular basis. Any savings accumulated by expatriates may be repatriated upon departure from Cameroon.

All foreign direct investment exceeding XAF100 million is subject to prior notification to the Ministry of Finance and a post notification after realisation.

Expatriates and Work Permits

Expatriates on special assignments in Cameroon for a period of less than six months, who are rendering services to a company in Cameroon and who are not employed by a Cameroonian company, shall not require a work permits. Income paid to such expatriates for services rendered shall be considered as technical assistance and subject to a WHT of 15%. However, when a Cameroonian company employs expatriates, they would require work permits, which must be endorsed by the Labour Minister before commencement of work. Income paid to such expatriates shall be liable to PIT, payroll taxes and social contributions.

Cameroon

Trade Relations

- Memberships – CEMAC, BEAC, OHADA.
- International organisations – IMF (International Monetary Fund), ICC (International Chamber of Commerce), WTO (World Trade Organisation), ACP (African, Caribbean and Pacific Group of States), AFDB (African Development Bank Group), International Trade Union.

Interest and Currency Exchange Rates

Benchmark Interest Rate

2.95% (2014 last reported)
(source: BEAC)

Currency: CFA Franc BEAC (XAF)

R1 = XAF47.2098 (December 2014)
(source: Oanda)

US\$1 = XAF553.450 (December 2014)
(source: Oanda)

Notes:

1. Cameroon's currency is the Central African CFA Franc (XAF).
2. The Benchmark Interest Rate in Cameroon was last recorded at 2.95%. Cameroon is a member of the CEMAC. In CEMAC, interest rates decisions are taken by the Bank of Central African States' Monetary Policy Committee.



Key Economic Statistics

GDP (approx.)

US\$25.800 million (2014 estimate)
(source: IMF)

US\$34.401 million (2015 forecast)
(source: IMF)

Rate of Inflation

2.050% (2013 average)
(source: IMF)

3.200% (2014 average)
(source: IMF)

3.200% (December 2014)
(source: IMF)

Chad



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Chad

Income Tax

Residents

Residents are subject to tax on worldwide income.

Note:

1. Personal Income Tax (PIT) is calculated according to a schedule provided by the General Tax Code (GTC). This is a progressive rates system, and for each bracket, the rate is applied to the corresponding part of the taxable income as shown in the table below.

Income Tax Rates for Resident Individuals

| Taxable Income as exceeds | But does not exceed | Rate |
|---------------------------|---------------------|------|
| XAF | XAF | % |
| 0 | 300 000 | 20% |
| 300 000 | 800 000 | 25% |
| 800 000 | 1 000 000 | 30% |
| 1 000 000 | 1 500 000 | 40% |
| 1 500 000 | 2 000 000 | 45% |
| 2 000 000 | 3 000 000 | 50% |
| 3 000 000 | 6 000 000 | 55% |
| 6 000 000+ | | 60% |

Notes:

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax on Chad-source income only under reserve of double taxation treaties (DTAs).
2. Residence – An individual is resident in Chad if he/she has a main residence in Chad or is present in Chad for at least 183 days in the relevant calendar year.
3. Rates – Individual income tax is levied at progressive rates up to 60%.
4. Interest income – Interest income is combined with the other categories of income for annual personal income tax calculation.
5. Deductions and allowances – Various deductions are available, such as allowances for housing, food and transportation etc.

6. Filing status – Joint returns are not permitted. Each tax household must file his/her own return separately.
7. Relief from double taxation is available through tax treaties to which Chad is signatory. Chad has signed a single tax treaty: CEMAC (Central African Economic and Monetary Community).

Employment Income

Employment income is taxable:

- When the employee is tax resident in Chad, notwithstanding the fact that his remunerative activities are performed outside Chad or the employer is not established in Chad.
- When the employee is not tax resident provided that his remunerative activities are performed in Chad and the employer is established in Chad.

Employers withhold PIT from employees' salaries each month. The taxable income is composed of the salaries, allowances, premiums and benefits in kind received by the employee after deduction of certain payments made by the employer for pension and retirement purposes, limited to 3.5% of the gross salary; the employee's social security contributions; and special allowances allocated to cover expenses inherent to the job, insofar as they are effectively used for the intended purpose. (This exemption is limited to 15% of the employee's gross salary).

Benefits in Kind

The benefits in kind are taxable for PIT according to their actual value. The benefits in kind listed below are, however, assessed according to the following rates calculated on the salary, or to their actual value if inferior:

- Housing – 15%
- Electricity – 4%
- Water – 2%
- Vehicle – 8%
- Food – 25%
- Gas – 1%
- Telephone – 3%
- Furniture – 5%
- Housekeeping/Guarding – 4%
- Food – 25% with a ceiling of XAF50 000

Chad

Business and Professional Income

Individuals deriving industrial, commercial and non-commercial income in Chad, are subject to the General Income Tax (GIT). The computation varies depending on the type of income involved.

Companies

| Income Tax Rates for Companies | |
|--|-------------|
| | Rate of Tax |
| Public institutions, communities and non-profit organisations | 25% |
| Standard corporate tax rate | 40% |
| Companies operating in hydrocarbons sector (actual rate specified in each individual petroleum contract) | 40% to 75% |

Notes:

1. Residence – Chad does not have a definition of residence.
2. Basis – Chad operates under a territorial system under which all income derived in Chad is subject to tax.
3. Rate – The normal tax rate is 40%. A minimum Corporate Income Tax (CIT) (Alternative Minimum Tax (AMT)) equal to 1.5% of gross turnover applies to most companies.
4. Chargeable income – Comprises profits derived from the operation of a business in Chad.
5. Losses – Net operating losses may be carried forward up to three years. Losses from depreciation may be carried forward indefinitely. The carryback of losses is not permitted.
6. Dividends – Dividends distributed by Chad companies are not subject to tax in Chad.
7. Foreign tax credit – None.
8. Holding company regime – None.



Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|------------------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 20% | 20% |
| Interest | 2 | 20% | 25% |
| Rents | 3 | 15% | 20% |
| Services provided by non-residents | 4 | - | 12.5% or 25% |
| Other | 5 | - | 20% |

Notes:

1. Dividends – Dividends paid to non-residents are subject to a final WHT at the rate of 20% on the gross amount.
2. Interest – Interest payments made to non-residents are subject to a 25% WHT, unless the rate is reduced under a tax treaty.
3. Rents – Rents charged by a taxpayer, who is taxable on actual basis, are subject to a WHT of 15% or 20%.
4. Technical service fees – Technical service fees paid to non-residents generally are subject to a 25% WHT, unless the rate is reduced under a tax treaty, or by the Chad Law for some specific activities (reduced rate of 12.5%).
5. Other – Services provided by taxpayers who are not taxable on actual basis, are subject to a WHT of 20%.

Capital Gains Tax (CGT)

Capital gains are taxable in Chad. Their taxation will depend on the duration of the possession of the goods and the rate will depend on the nature of the goods. Some exemptions have been provided by the GTC.

Companies

Generally, capital gains are taxed as ordinary income and are subject to CIT at the standard rate. However, under certain circumstances, capital gains are subject to a special tax regime.



Individuals

Capital gains derived by individuals from business activities, are generally, subject to the GIT, except in the following cases:

- In the case of the sale or transfer (total or partial) of shares in a continued business, the net gains (selling price less acquisition price) will be subject to PIT for one-sixth of the amount, provided that the seller or his spouse, ascendants and descendants, has exercised during the last five years an executive or managerial function in the company, and if their total share in the benefits were higher than 25% during the same five-year period. Another condition is that the capital gain is higher than XAF100 000.
- Capital gains derived from the sale, exchange, sharing or expropriation of a land (built or non-built) are subject to a tax of 25% provided that it was bought, or built, less than seven years before.
- Capital gains derived from the disposal of assets at the cessation of a company, or partial transfer, as well as any amount received in compensation for the cessation of business activities, or transfer of clientele, will be included in the taxable income for half of their value only. When the sale or transfer takes place more than five years after the start-up, only a quarter of the capital gain will be included in the taxable income. The five-year deadline does not apply to a surviving spouse of a deceased or his/her direct successors.

Anti-avoidance

Transfer Pricing

There is a provision to prevent the illicit transfer of profits abroad for the benefit of parent companies, or companies or groups not resident in Chad. In making transfer pricing adjustments, taxable profits are determined based on a comparison with the profits of local companies carrying on similar activities. There is no provision for Advance Pricing Agreements.

Thin Capitalisation

There are no thin capitalisation rules in Chad.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 18% |

Notes:

1. VAT is imposed on the supply of goods or services in Chad, and on the import of goods or services.
2. The standard rate is 18%. Exports and international transport are zero-rated.
3. VAT registration is required upon the establishment of a company in Chad.
4. VAT returns and payments are due monthly by the 10th of the following month for companies with a turnover higher than XAF500 million, and by the 15th of the following month for other taxpayers.

Customs and Excise Duties

Chad is a member state of the CEMAC Customs Union (including Cameroon, the Central African Republic, Chad, Congo (Rep.), Gabon and Equatorial Guinea), which provides for the free movement of goods within the Union. Like other member states of the Union, Chad applies the CEMAC Customs Code to the importation, exportation and re-exportation of goods. The importation of goods and merchandise from third states, is subject to customs duties, except where exemptions or the bonded customs regimes are applicable. Customs duties are levied on the customs value of most imported goods, at rates ranging from 5% to 30%. In addition to the common external tariff, VAT is levied on imported goods at the standard rate.

Chad

Excise duties are levied on certain goods; notably cigarettes, drinks (i.e. water, beer and wines), cosmetics and luxury products. The applicable excise duty rates depend on the type of goods, and range from 5% to 30%. The tax base is as follows: for goods manufactured in the CEMAC Zone: the price of the goods delivered at the factory; and for other goods: the same valuation used for customs duty purposes.

Miscellaneous Taxes

Stamp Duty

Stamp duty (*droit de timbre*) is levied on all paper used for official documents and judicial instruments and documents to be used as evidence in judicial proceedings. Receipts are exempt from stamp duty. The rates vary between XAF200 and XAF50 000, according to the type of document. Certificates of Origin, for Chadian products meant for export, are exempt from stamp duty.

Capital Duty

Capital duties, or registration duties (*droits d'enregistrement*), are levied at various rates on documents issued in connection with capital contributions to a company. Registration duties may consist of fixed duties, or ad valorem duties, depending on the nature of the deed.

Property Tax

Property Tax has a rate of 11% or 12% (depending on the city) and is due by the owners of the property, regardless of whether or not they reside in Chad, as follows:

- On an annual basis – Annual Real Estate Tax.
- In case of acquisition of real estate – Due on transfer.
- In case of qualifying capital gains – At the moment of sale.

The transfer of real property located in Chad is subject to a flat tax of 12.5%.

Inheritance/Estate Tax

Inheritance tax is levied in the form of registration duty (*droits d'enregistrement*) on transfers of property for no consideration to resident individuals, and on the transfer of Chadian-situs property to non-residents.



Wealth Tax

There is no net wealth tax in Chad.

Payroll Tax

Payroll tax in Chad is very similar to income tax but is paid by the employer on the basis of "Pay-As-You-Earn" (PAYE). Social security fees, public health insurance and other deductions, are all included in this payment, and other deductions in Chad are dependent on the individual's income.

Employers are required to pay a lump sum tax on employment income (*taxe forfaitaire*) at a rate of 7.5% on gross income paid to employees, including the portion of benefits in kind. In addition, companies subject to CIT, are also subject to the Apprenticeship Tax.

Other

Business Licence Duty

Individuals carrying on a business are subject to the business licence duty (*contribution des patentes*) in the same manner as companies.

Apprenticeship Tax

Any individual, subject to GIT in the categories of industrial and commercial, non-commercial or agricultural profits, is subject to Apprenticeship Tax (*taxe d'apprentissage et de formation professionnelle*) in the same manner as a company.

Tax Administration

Corporations

- Tax year – Calendar year. A company cannot request a different 12-month period.
- Filing requirements – The tax return must be filed before 31 March of the following year. A 15-day extension may be requested from the General Tax Authorities. Companies must make advance payments of tax before 15 July and 15 October of each year. Advance tax paid may be credited against the final corporate tax liability for the year.
- Penalties – Late payment penalties are imposed at the following rates: 1.5% per month, or fraction thereof, with a maximum of 50% or 100% (if deemed deliberate).

Individuals

- Tax year – The tax year runs from 1 January to 31 December.
- Filing and payment – Individuals carrying out a trade must file returns by 1 March, except for individuals carrying professional activities (i.e. industrial, commercial, agricultural), who benefit from an extension until 31 March.
- Penalties – Late payment penalties are assessed at the following rates: 1.5% per month, or fraction thereof, if the tax authorities have to intervene.



General Investment Information

Investment Incentives

General Incentives

Chad has enacted several laws to encourage foreign investment in the industrial, services, finance and tourism sectors. Various incentives (i.e. exemptions, reduced rates, financial support, investment bonuses, and full tax allowances etc.) are provided for by the Investment Incentives Code. This has increased investment in Chad.

Exchange Controls

Foreign-owned companies, and branches of foreign companies, may freely repatriate profits provided applicable taxes have been paid. Certain transfers, however, must be approved by the Central Bank.

Expatriates and Work Permits

Inward Expatriates

There is no special regime for expatriates in Chad. Employees with no habitual residence in Chad are subject to income tax on wages and salaries received in respect of their employment in Chad. The family circumstances of an expatriate are not taken into consideration in calculating the total income tax payable, unless his/her family members reside permanently in Chad.

Outward Expatriates

Wages and salaries from employment exercised abroad by an individual, with habitual residence in Chad, are taxable in Chad, unless tax treaties provide to the contrary.

Persons who leave Chad before 31 December in any year, and who retain their interests in the country, will remain liable to tax if they have not given prior notice that they intend to leave for good.

Employment Visas

In order to be in compliance with both the labour and immigration authorities, all expatriates working in Chad must hold the following legal documents:

- An employment authorisation that cannot exceed a

Chad

one-year period of time (*autorisation d'emploi*).

- A work permit (*permis de travail*).
- A resident card (*carte de séjour*).
- A long-term visa and a return visa (*visa long séjour et visa retour*).
- A labour contract to be stamped by the National Office for the Employment Promotion. The employment contract cannot start before this stage. (The delivery of these legal documents is interconnected and therefore, their duration will not exceed a one-year period (renewal possible)).

Notes:

1. There is no need to register for tax and social security purposes since this is handled by the employer. It is, however, necessary to register with immigration services within three days after arrival in Chad.
2. The assignee leaving Chad shall file a tax return reporting all income earned during the period between 1 January (or the date of his arrival in Chad) and the date of his departure.

Trade Relations

- Memberships – World Trade Organization (WTO), Organization for Economic Cooperation and Development (OECD).
- Tax treaties – Countries with which Chad currently has double taxation agreements (DTAs) include: Cameroon, Congo (Brazzaville), Gabon, Central African Republic and Equatorial Guinea (under CEMAC Treaty).

Interest and Currency Exchange Rates

Monetary Policy Rate

2.95% (July 2014)
(source: Trading Economics)

Currency: Chad's currency is the Central African Franc (CFA Franc)

R1 = 46.2845 XAF (December 2014)
(source: Oanda)

US\$1 = 538.030 XAF (December 2014)
(source: Oanda)

€1 = 655.957 XAF (fixed rate)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$17.769 billion (2015 forecast)
(source: IMF)

US\$15.986 billion (2014 estimate)
(source: IMF)

Market Capitalisation

Not available.

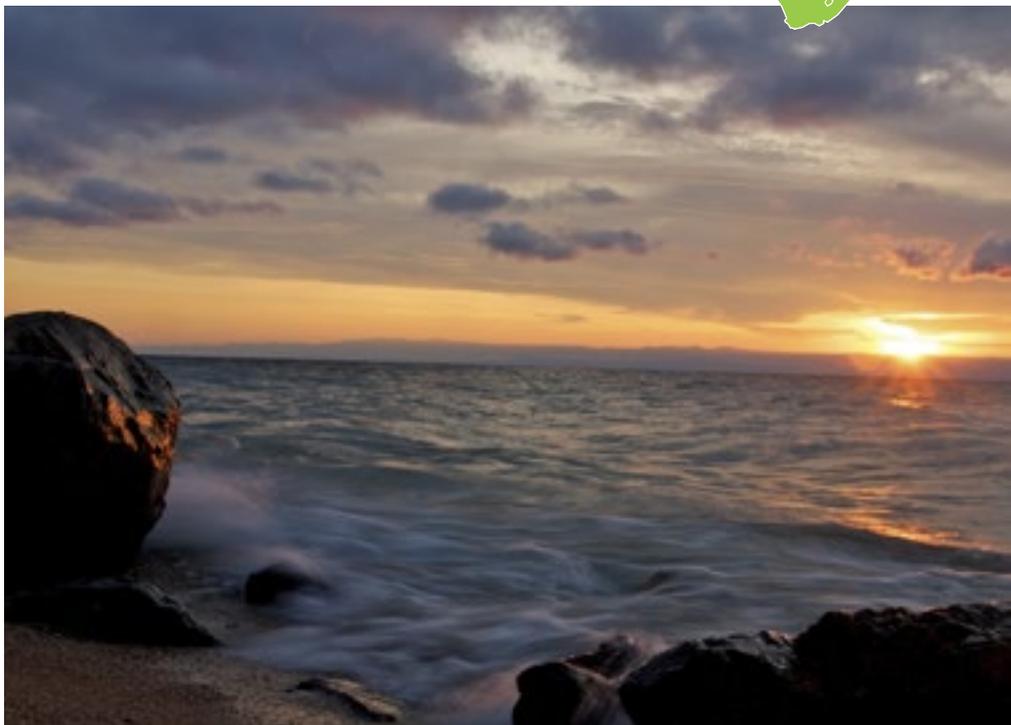
Rate of Inflation

0.221% (2013 average)
(source: IMF)

2.377% (2014 average)
(source: IMF)

3.213% (December 2014)
(source: IMF)

Congo (Brazzaville)



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Congo (Brazzaville)



Income Tax

Residents

Resident individuals are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| XAF | XAF | % |
| 0 | 464 000 | 1% |
| 464 001 | 1 000 000 | 10% |
| 1 000 001 | 3 000 000 | 25% |
| 3 000 001 | 8 000 000 | 40% |
| 8 000 001 + | | 45% |

Notes:

1. Basis – Resident individuals are assessed on their worldwide income and non-residents on income derived from a source in Congo.
2. Residence – Residence begins from the first day of work performed in Congo and applies to individuals staying more than 14 days in a calendar year. For French or CEMAC (Central African Economic and Monetary Community) citizens, in terms of double tax treaties (DTAs), an individual becomes tax resident after 183 days of presence in Congo during a calendar year.
3. Rates – The personal income tax (PIT) rates for resident individuals, set out in the table above, apply in aggregate to all income.
4. Taxable income – The remunerations received under conditions of Congolese law, are subject to PIT as soon as they are regarded as wages.

5. Deductions and allowances – Allowances for professional expenses (i.e. transport, allowances of representation etc.) are not considered as being part of wages. These allowances are not taxable if:
 - They do not exceed 15% of the taxable income.
 - Such allowances cannot be reimbursed.
 The taxable income is then determined as follows:
 - By deducting from wages (to be considered as the gross sum to be paid), the withholdings made by the employer for the constitution of pensions or retirement benefits with capital alienated within the limit of 6% of the gross value of remunerations, as well as the withholdings made for social security.
 - By adding the benefits in kind.
6. Treatment of families – The head of a family is normally subject to PIT on his/her income and on the income of his dependent children or spouse. However, an individual may elect to be assessed separately. A married woman can be assessed separately if she has employment income, or if her husband is not subject to tax in Congo, or if she is separated from her husband. The family circumstances of the taxpayer are taken into account using an income tax relief system based on number of dependents, as follows:

| Income Tax Relief System | |
|---|-----|
| Single, divorced or widowed without children | 1 |
| Married without children | 2 |
| Single or divorced with 1 child | 2 |
| Married or widowed with 1 child | 2.5 |
| Single or divorced with 2 children | 2.5 |
| Married or widowed with 2 children | 3 |
| Single or divorced with 3 children | 3 |
| Married or widowed with 3 children | 3.5 |
| Single or divorced with 4 children | 3.5 |
| + 0.5 for supplementary child up to factor of 6.5 | 0.5 |

Congo (Brazzaville)

7. The yearly declaration of wages – Congo applies the Pay-As-You-Earn (PAYE) system. This means that PIT is withheld each month by the company, and employees whose sole income consists of employment income, are not required to submit an income tax return. Nevertheless, the employer must file each year (in January) an annual declaration of salaries to reconcile the PAYE paid each month with the global amount reversed to employees during the tax year.
8. Non-residents – Individuals not domiciled in the Republic of Congo are subject to tax on Congo-source income only. According to article 185ter of the General Tax Code (GTC), persons or entities of foreign nationality not being domiciled, nor having a tax residence in Congo, are subject to a withholding tax (WHT) at 20% if they earned incomes in Congo and/or resulting from work or services of any nature carried out, provided or used in Congo. The wages paid to staff not domiciled in Congo, are not subject to the progressive scale with application of the family ratio, but instead to a 20% WHT. This tax applies only after 14 days of presence in Congo. However this is retroactive i.e. after those first 15 days, the tax application starts from the first day of presence in Congo.
9. Employment income – Income from salaries, wages, pensions, annuities and per diems for attending meetings of boards of directors is taxable, subject to a deduction for expenses incurred in the performance of the employment or office, to the extent that they are properly applied and accounted for and not excessive or expenses of a private nature. It was agreed between the tax authorities and the employers' federation (UNICONGO) on the principle of fixing an acceptable level of wages being used as taxable base of the non-resident personnel of foreign companies. This scale is in theory applicable only to the oil subcontractors.
10. Benefits in kind – Since the Finance Act 2011, each benefit in kind is retained for its actual amount when known i.e. billed and paid by the employer. If the amount is not known, the benefits in kind are valued as follows:
 - Housing: 20% of gross salary.
 - Domestic services, security: 5% of gross salary.
 - Water, lighting, gas: 7% of gross salary.
 - Phone: 2% of gross salary.
 - Car: 3% of gross salary.
 - Food: 20% of gross salary.



11. Personal assessments and payments – PIT arising from employment is withheld at source under a PAYE system. Payments are due from the employer before the 20th of the following month, together with the statutory return.
12. Industrial and commercial profits – Low income individuals earning professional income, agricultural profits or working as artisans may agree with the tax administration how to compute their net income. In other cases, the net income is computed as it is for companies.
13. Income from real estate – Real estate income includes income from leased land and developed property, including leased plant and equipment that is a permanent part of such property. Interest and actual expenses incurred can be deducted as expenses in computing the net taxable income.

Companies

| Income Tax Rates for Resident Companies | |
|---|-------------|
| | Rate of Tax |
| Corporate income tax rate (normal) | 30% |
| Corporate Income tax rate (mining) | 30% |
| Corporate income tax rate (ATE) | 7.7% |

Congo (Brazzaville)

Notes:

1. Residence – A commercial entity is resident in Congo if its registered office, or centre of activity, or management, is in Congo or it has resident employees in Congo that render services to its customers, except in cases where a Temporary Authorisation to Operate (ATE) has been granted. According to the Congolese commercial legislation, temporary commercial activities may be carried out in Congo under a Temporary Authorisation to Operate (*Autorisation Temporaire Exercice*) obtained from the Ministry of Commerce. The application for an ATE requires the following documents (certified translations in French language):
 - A copy of the contract signed with the Congolese company or the State.
 - A copy of the articles of association of the contracting foreign company.
 - A copy of the foreign company registration certified by the foreign company's home Chamber of Commerce and countersigned by an authority of the Congo Embassy or Consulate, if applicable.

Note: The ATE must be requested within 10 days after the contract signature, unless a specific date for commencement of work is provided in the contract. The ATE lasts for six months (initial fee, XAF10 010 000), and may be renewed once in theory, but up to three times in practice, within the limit of a total duration of one year (renewal fee, XAF25 000 000). The ATE is issued for one single contract. In case of multiple contracts executed simultaneously in Congo, one ATE per contract should be requested.
2. Basis – Resident entities are assessed on their worldwide income, subject to the application of DTAs. Non-residents are assessed on transactions carried out in Congo.
3. Rate – Corporate tax is currently levied at a 30% rate. The minimum company tax amounts to 1% of the turnover of the previous year with a minimum of XAF500 000 where the turnover was under XAF10 million and XAF1 million otherwise.
4. Foreign-source income – Income subject to CIT is determined on the basis of profits earned or transactions carried out in Congo, subject to international conventions.

5. Taxable income – The taxable profit is the actual profit assessed in respect of the total financial income statement of operations carried out by the company, including transfers of any assets during or at the end of the financial year. The taxable profit is established upon deduction of all operating fees i.e.:
 - Salaries to wage-earners and associates.
 - Representation fees.
 - General fees, technical assistance-related, financial and accounting consultancy related fees (this is limited to 20% of the taxable profit when the beneficiary is not a resident in of the CEMAC member states or France).
 - Renting expenses.
 - Royalties for the acquisition of patent and licences.
 - Tax and duties.
 - Financial charges (i.e. interest on the company's debts).
 - Losses.
 - Amortisations and depreciation allowance.
 - Deficit carried forward.
6. Deductions – Deductions are allowed for reasonable expenditure incurred in performing activities that produce assessable income. Expenditure considered either excessive or unnecessary for the reasonable needs of the business, will be disallowed and may be subject to a 50% or 100% tax penalty depending on the authority's perception of the motive.
7. Losses – Losses may be carried forward for up to three years but may not be carried back. (Note: capital allowance claims can be deferred indefinitely. Losses of one entity may not be transferred to another entity either in a consolidated group, or in the case of a corporate merger or other reorganisation.)
8. Dividends – Dividends received by a resident company from a resident or non-resident company, are subject to income tax. However, the recipient company has the right to set off any Congo tax withheld from the dividend against its company tax liability. Where the resident company owns at least 25% of the shares in the affiliate, and the shares remain registered in the name of the shareholder for at least two consecutive years, only 10% of the dividend is subject to tax.
9. Royalties – The costs of patents, trade marks, licences, drawings, manufacturing procedures, models and other similar rights, are deductible if they are not excessive, provided the rights are actually used in the business.

Congo (Brazzaville)

10. Interest – Interest on capital borrowed for business purposes is deductible with all necessary receipts if it is a real expense. Interest paid to the members of a company on funds provided by them to the company in excess of their share capital holding, is deductible subject to a limitation on the interest rate applied. For tax deductibility purposes, this may not exceed two percentage points above the lending rate of the Central Bank at the time the interest payments were due.
11. Purchasing commissions – Deductible if they are invoiced separately.
12. Management fees – Head office expenses of the Congo branch are fully deductible if an actual service is provided. Costs of studies and fees for technical, financial, or accounting assistance, are deductible if the costs are within a limit of 20% of the taxable income before deduction of these costs, provided an actual service is provided. If a company has a tax loss, the limit is 20% of the taxable income made during the previous year, subject to a tax audit. Purchasing commissions are deductible if they are invoiced separately.
13. Remuneration – Payroll and benefits in kind are deductible in full, provided that they are reasonable and related to actual employment. Payments made to the members of the board are deductible if such payments are reasonable and related to actual service, provided such payments have been properly authorised. Payments to a sole administrator of the board are not deductible. Lump sum allowances paid to management and staff are not deductible where the actual expenditure incurred is reimbursed as well.
14. Rents – Real estate rental payments are deductible in full, provided that they are reasonable. However, any rent paid to a member of a company who owns at least 10% of the company's shares, will be disallowed. The total shares owned by the member's spouse, children and parents, are also taken into account in calculating the 10% limit.

15. Depreciation – Tax depreciation is calculated using the straight-line method. Generally, all new or used tangible fixed assets owned by the company and used for business purposes, are depreciable for tax purposes, provided the asset value diminishes with time or through use. To be deductible, depreciation must be recorded in the accounting books. A company can indefinitely defer depreciation claims if it is in a loss position. The annual allowance rates are as follows:

| Asset Type | Allowance Rates |
|------------------------------|-----------------|
| Buildings | 5% to 20% |
| Fixed plant and machinery | 5% to 25% |
| Moveable plant and machinery | 10% to 33.33% |
| Vehicles | 5% to 33.33% |
| Furniture | 10% to 33.33% |

16. Bad and doubtful debts – Bad debts are deductible but only specific provisions for doubtful debts are deductible. If the debt provided for is subsequently recovered, the recovery is taxed in the year in which the recovery was made. Present circumstances may be deducted, provided that the provisions have been booked for accounting purposes in that year, deductible. For example, provisions for inventory losses and current asset depreciation, treated as expenditure in the financial statements, are deductible for tax.
17. Provisions – Provisions made for clearly specified losses or costs which are likely to occur given and that the corresponding cost is purposes.
18. Other expenses – All entertainment expenses related to fishing, yachting, tourist aeroplanes or recreational real estate, are not deductible. Leave passages for a salaried partner, his/her spouse and his/her minor children are deductible for one trip per year (only for expatriate employees who have signed an employment contract abroad). Insurance premiums are deductible if these premiums are ordinary expenses. Donations, gifts and subsidies are deductible if granted to support sport, scientific, educational, family and social activities in Congo, limited to 0.05% of turnover.



Congo (Brazzaville)

19. Exchange differences – Realised foreign exchange gains are taxable and realised foreign exchange losses are deductible. Unrealised exchange gains are not taxable and unrealised exchange losses are not deductible. The same treatment applies whether the exchange differences arise from trading or from foreign currency denominated assets and liabilities.
20. Taxation of non-resident entities – Unless otherwise provided by a DTA, companies that are not domiciled or taxes resident in Congo, are subject to a 20% WHT on all income derived from Congo. Dividends payable to foreign shareholders are also subject to a WHT at a 20% rate.
21. Group companies – A company is always treated as an independent entity for tax purposes. It is not possible for companies, however related, to combine their results for tax purposes.

Tax Treatment of Branches, Entities Working under ATE and Subsidiaries

In principle, branches are taxed in the same way as resident companies. However, in practice, the tax administration taxes non-CEMAC branches working in the oil & gas sector as if they were entities operating under ATEs and WHT acts as a final tax in Congo. The CEMAC branches are taxed in the same way as resident companies.

Foreign companies temporarily providing services to locally incorporated oil companies in Congo, or in the Congolese territorial waters, are subjected to the following tax regime: taxable income is gross income less mobilisation, demobilisation or reimbursable costs. Sums received or due in respect of reimbursement of costs and expenses, or in respect of the movement of plant, equipment and personnel to or from Congo (mobilisation and demobilisation), are not included in this taxable income, provided such sums are reasonable and correctly classified. The foreign company is then subject to corporate tax at the standard rate of 30% on 22% of their taxable deemed profit margin. The effective rate of tax (on taxable income) is therefore, approximately, 7.48%.

Withholding Taxes (WHTs)

Individuals, or companies, not domiciled or having tax residence in Congo, are subject to a WHT of 20% on income arising from services, supplied, carried out, or used in Congo, or from dividends, except where

relieved by a DTA. The rate of the WHT is reduced to 5.75% for Congolese or foreign individuals, or legal entities with incomes coming from contracts related to the “Zone of Unitization.”

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 20% | 20% |
| Interest | | 20% | 20% |
| Royalties | 2 | 20% | 20% |
| Technical service fees | | 20% | 20% |

Notes:

1. Dividends – Dividends paid by a resident entity are subject to a 20% withholding, deductible from the tax payable by the recipient. There are some tax agreements to limit double taxation.
2. Royalties – Individuals, or companies, not domiciled or having tax residence in Congo, are subject to a WHT of 20% on income arising from services supplied, carried out, or used in Congo. This provision does not apply to interest on loans paid to banks and credit institutions which have no domicile or tax residence in the Congo by the debtor company located in the Congo. For countries having signed a tax agreement with the Congo (e.g. France), this tax withholding is collected at a reduced rate.
3. Branch remittance tax – Finally, no branch remittance tax applies for the moment in the Republic of Congo, i.e. no WHTs or similar levies on branch’s remittances of net profits to the head office, regardless of whether it is located within the CEMAC or somewhere else. Nevertheless, in theory, a branch remittance tax has been established by the last Budget Law (for Fiscal Year 2012). It is not applicable for the moment since there are no indications as regards the rate of the tax and no decree has been published for the application.

Congo (Brazzaville)



Maximum WHT Rates Once a DTA is Applied

WHT on payments to countries with which Republic of Congo has a DTA area as follows:

| Type of Income | CEMAC | France | Other Countries |
|------------------------|-------|--------|-----------------|
| Dividends | 0% | 15% | 20% |
| Interest | 0% | 0% | 20% |
| Royalties | 0% | 0% | 20% |
| Technical service fees | 0% | 0% | 20% |

Capital Gains Tax (CGT)

Companies

Capital gains are treated as ordinary business income and are taxed at the standard income tax rate (i.e. 30%). However, a capital gain realised on the disposal of a fixed asset, in the course of trading, is excluded from income for a period of three years if the taxpayer reinvests the gain in new fixed assets for the business.

A capital gain resulting from the gratuitous allocation of shares, founders' shares, or debentures on the merger of limited liability companies or limited partnerships with share capital, is also excluded provided that the company arising from the merger has its registered office in Congo.

On the assignment, transfer, or cessation of a company within five years following its incorporation or purchase, net capital gains will be assessed at only half their value. If such an event takes place more than five years after the company is formed or purchased, the net capital gains will be assessed at a third of their value.

Notes:

1. Taxation of capital gains on sales of shares of the companies by non-residents owners – The Finance Act 2013, added new significant dispositions for taxation of capital gains. According to the GTC, in case of direct or indirect sale of company assets and/or shares leading to a change of control of the Congolese company, net capital gains are taxed:
 - For half of the capital gain if the sale occurs within five years of the creation of the Congolese subsidiary.
 - If the sale occurs after five years, one-third of the capital gain is taxable in Congo.Capital gains realised by physical, or corporations domiciled abroad, from the sale of all or part of its shares in the capital of companies under Congolese law, are taxable at the rate of 20%. The tax on capital gain is payable at the registration of transfer of shares. The assignor and the Congolese company which shares were sold, are jointly and severally responsible for the payment of the tax.
2. Taxation of capital gains made by the Congolese holding – In terms of the GTC:
 - Capital gains from the disposal by the holding companies of their participating interests, are taxable at a rate equal to a quarter of ordinary rate of CIT, if those shares sold were acquired or subscribed for over two years.
 - Capital gains from the sale of ownership interests held for less than two years, are taxed at the CIT under the common law, unless if the shares were acquired as a result of merger or a contribution.
 - The capital gain is not taxable when the portfolio of securities of the holding company consists of at least 60% of participations of companies whose the head office is situated in one of the countries members of the CEMAC, and if the transfer occurs more than two years after their acquisition.

Individuals

Capital gains of resident individuals are subject to PIT. Taxable gains are added to other income and taxed accordingly, except for private building and lands in the scope of a private patrimonial management. Capital gains attributable to non-resident taxpayers are subject to a WHT of 20%.

Anti-avoidance

Transfer Pricing

The tax authorities may make adjustments to taxable income where related party transactions are not

Congo (Brazzaville)

conducted at arm's length. The tax administration may request any information concerning the amount, date and form of payments to determine the taxable base. In absence of answer to said request by the company, or in the absence of production (or partial production of documentation), taxable bases are evaluated by the tax administration from the elements available to it. If it is not possible, profits to be taxed will be determined compared with those of similar companies typically operating in the Congo.

In the new Finance Act 2012, there are significant changes on transfer pricing regulations; namely, the requirement for any resident legal entity whose annual turnover equals or exceeds €152 449 to document the policy of transfer pricing and the introduction of rulings to validate such a policy in advance.

Thin Capitalisation

According to article 112E (of the GTC), interest on capital borrowed for business purposes, is deductible with all necessary receipts if it is a real expense. Interest paid to the members of a company on funds provided by them to the company in excess of their share capital holding, is deductible subject to a limitation on the interest rate applied. For tax deductibility purposes, this may not exceed two percentage points above the lending rate of the Central Bank at the time the interest payments were due. Moreover, as regards amounts paid by shareholders, the deduction shall be allowed only if such amounts do not exceed half of the capital.



Value Added Tax (VAT)

| VAT | Rate |
|---------------|--------|
| Standard rate | 18.9%* |

* The normal rate of 18% applies to all taxable transactions. A reduced rate of 5% applies to some consumer goods listed in the VAT legislation and a zero rate applies for exports and local sales of lumber.

Notes:

1. The individuals or legal entities performing any operation in the Congo, against payment and coming within an economic activity, are subject to VAT.
2. A business transaction is deemed to be made in the Congo: if it is a sale, when it is performed under the conditions of delivery in the Congo; and if it is a service, when the service provided, the right sold or the leased property are used or operated in the Congo.
3. Additional taxes, of which the causing event and the payability are defined as for VAT matter, are applicable to transactions subject to VAT. The tax base for additional taxes is the amount of VAT collected and the applicable rate is 5%. The additional taxes are not deductible.
4. Exports and similar transactions are assessed at a 0% VAT rate. All other transactions are assessed at the standard VAT rate of 18% plus an additional tax of 5% of the tax, making an effective rate of 18.9%. Article 7 of the Law on VAT specifies goods exempt from VAT. It includes in particular: some necessities, bank interests paying foreign loans, gambling and entertainment, mining, operations for the purpose of transmission of real estate and intangible personal property subject to registration fees, etc.
5. VAT on car purchases, spare parts and repairs, is not deductible as an input tax.
6. Registered VAT taxpayers are required to file monthly VAT returns within 15 days of the end of the month. The tax due has to be paid within 15 days following the filing of the return. Late payment of VAT attracts interest at the rate of 5% monthly up to a 50% penalty on the VAT liability (if good faith), or up to 100% in the case of wilful default.
7. Non-resident entities whose supplies are subject to VAT in Congo are required to appoint solvent resident representatives to be responsible jointly with them for the payment of VAT and the discharge of other VAT obligations.

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Customs and Excise Duties

Customs duties are set by CEMAC to which the Republic of Congo belongs.

Trade between CEMAC countries are, in principle, exempt from customs duties. An Integration Community Tax of 1% is collected on imports from outside the CEMAC. An OHADA (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*) Community Tax of 0.5% is also collected on imports from outside the OHADA Zone.

Exports are exempt from exit duties and taxes, except for logs and manganese. The import of large industrial complexes is subject to a special procedure permitting the declaration under a single tariff for all elements of the larger whole.

Miscellaneous Taxes

Business Tax

All entities not expressly exempted and carrying on in Congo a trade or an industry, temporarily or permanently, are subject to a business licence tax (or professional tax) levied according to the type and the size of the activity. The business licence is made up of:

- A variable duty based on the turnover.
- Additional taxes, equal to a percentage of the global amount of said duties and called *centimes additionels* (to the benefit of National Investment Fund (20%); to the benefit of Chamber of Commerce (7% maximum); for the community (20%).

Property Taxes

This tax applies to stores, shops, factories, warehouses, building sites and other buildings being used for the

exercise of professions subject to the business licence, including all the installations of any nature liable to land tax on built properties, whether these buildings or installations are rented or otherwise. The tax calculated on the rental value of the building is payable at the beginning of each calendar year. The rate is fixed each year per deliberation of the Popular Community Council and cannot exceed 15% of the rental value of the taxable buildings. The current rate is 14%.

Land Tax on Built Property

- Taxable entities and properties – Liable to this tax on built properties, buildings, as well as materials installed to remain permanently.
- New constructions and reconstructions, and additional constructions, are tax-exempt over:
 - 10 years, if the construction is used as an estate.
 - Five years, if the construction is of a use other than an estate.
- Taxable basis and rate – For professional buildings, the taxation basis is constituted by the lease value of properties with a 25% rebate for refurbishments and repairs. As for buildings used as estate, the basis is the land registration value of the property along with a 25% tax rebate for refurbishment and repairs. The tax rate is set on an annual basis by a disclosure of the city council.

Registration Fees and Stamp Duty

Registration fees are payable on a variety of instruments or transactions such as:

- Creation or increase of capital (3% of the capital).
- Debt transfers (3%).
- Stock transfers of non-quoted companies (5%).
- Business disposals (10%).
- Property transfers (15%).

Stamp duty applies to legal documents, ranging from XAF1 000 to XAF1 300 per page or half page.

Tax on Funds Transfers

This tax is charged by the State at 1% of the gross value of the transfer abroad and the sale of currencies inside the country.

Social Security

Contributions Owed by the Employer

Article 29 of the Employment Code provides that the execution of an employment contract in Congo,

Congo (Brazzaville)

whatever the place of residence of the parties is, is subject to the provisions of the Congolese Employment Code. However, an exception is made for employment contracts governed by different legislation and where the employees in question are temporarily seconded to Congo for a period which must not exceed three consecutive months in Congo. Therefore, social security contributions should not apply to rotators if they stay less than three months in Congo. The employer must pay social security contributions on the whole remunerations in cash and in kind to the National Social Security Office (CNSS). The rate of social security contributions is 20.29%. This rate includes:

- A pension contribution (*cotisation sociale vieillesse*): 8% of maximum gross salary; monthly limited to XAF1.2 million.
- A family allowance contribution: 10.04% of maximum gross salary; monthly limited to XAF600 000.
- An industrial accident contribution: 2.25% of maximum gross salary; monthly limited to XAF600 000.

Contributions Owed by the Employee

For the employees, the rate of social security contribution is 0.04% of maximum gross salary, monthly capped to XAF1.2 million. This contribution is withheld by the employer.

Single Tax on Salaries

In order to simplify the former tax regime on this issue, the new Budget Law for Fiscal Year 2012 has set up a Single Tax on Salaries at the rate of 7.5%, calculated on uncapped salaries and benefits. This tax cancels the following taxes on employment:

- National Construction Fund Contribution (FNH).
- The lump sum tax owed by employers and payers of a life annuity.
- Tax on training.
- National construction fund contribution (*Fond National pour l'Habitat*).

Tax Administration Corporations

- Tax year – The tax year is from 1 January to 31 December. A company's financial year must correspond to the tax year. Minimum company tax is payable annually before 15 March and is deductible from the final tax.

- Filing requirements – A company tax return for the fiscal year must be filed by the following 30 April. The balance of tax is payable in four instalments (before 15 February, 15 May, 15 August and 15 December).
- Penalties – 50%.

Individuals

- Tax year – A taxpayer's annual return of income for the calendar (tax) year is due by the following 1st day of April (i.e. 1 April).

General Investment Information

Investment Incentives

General Incentives

- Foreign Trade Zones/Free Trade Zones (FTZs) – As a member of the Central African Customs Union (UDEAC), the Republic of the Congo belongs to a FTZ which includes Cameroon, Central African Republic, Chad, Equatorial Guinea and Gabon. Within this zone, imports are subject to very low or no customs duties. The CEMAC Zone is also considered as a preferential trade area for Congo and other member countries. There are no foreign trade zones or free ports established in the country, however, this project is currently under consideration by the Ministry of Commerce.
- Bilateral investment agreements – Commercial and bilateral agreements to safeguard investments exist with the United States (US), France and China several African nations, including South Africa and Namibia.
- Protection of property rights – As a member of CEMAC, Congo is automatically a member of the African Intellectual Property Organisation (AIPO). AIPO is charged with issuing a single copyright system which is enforceable in all CEMAC member states. As a member of the World Trade Organisation (WTO), Congo is conforming its legislation to trade-related aspects governing intellectual property.
- Right to private ownership and establishment – The Republic of the Congo guarantees the legal right and freedom of private business to:
 - Import or export raw materials or products, equipment and materials necessary for economic activity.

Congo (Brazzaville)

- Define their own production, commercial and hiring policies.
 - Select suppliers and customers and set prices.
- Given these guarantees, the Republic of the Congo is one of the most progressive and open economies in the Central African region to encourage and promote foreign private business development.
- Dispute settlement – The Republic of the Congo is a member of the WTO and is party to other DTAs governing trade and commerce. Binding international arbitration of investment disputes is accepted.
 - Conversion and transfer policies – Funds are freely transferred within the French Franc Zone and there are no restrictions on importing foreign capital into Republic of the Congo.
 - Openness to foreign investment – The Investment Charter offers a range of advantages to foreign investors such as free enterprise, no discrimination or disqualification on types of investment, and equal justice under Congolese law. The judicial system upholds the sanctity of contracts; parties also may appeal to foreign or international justice courts for any necessary relief.

Tax Incentives

- The Investment Charter provides some tax reductions for companies exercising a new activity.
- The GTC provides tax reductions for farm businesses.
- Specific codes (i.e. Mining Code, Hydrocarbons Code, and Forestry Code) also provide various tax incentives (and exemptions).

Exchange Controls

- As a member of CEMAC, Congo has the same currency as other community members. Members are required by international agreement to apply exchange control regulations modelled on those of France.
- The CFA agreement guarantees the availability of foreign exchange and the unlimited convertibility of the CFA Franc with the euro (€) at the fixed rate, which provides considerable monetary stability and simplifies multinational transactions. Transfers within the CEMAC Zone are not restricted.
- Inward direct investment requires prior declaration. The term inward direct investment means the purchase or acquisition of at least 10% of the shares in a resident entity or the purchase of shares costing XAF100 million or more.



- Loans obtained by companies in Congo from foreign shareholders, or from a foreign enterprises within the same group, also require prior authorisation. The reinvestment of undistributed profits does not require prior declaration.
- Transfers outside the CEMAC Zone require prior authorisation, except those below XAF1 million, although this is primarily for statistical purposes. Transfers in excess of XAF5 million must be lodged with an authorised intermediary; namely, a bank authorised by the Central Bank to act as an intermediary.
- Expatriate employees may repatriate their earnings on a regular basis. All transfers to cover family and dependents' expenses outside the CEMAC Zone are authorised without limit.
- Transfers in settlement of imports in excess of XAF100 million require the submission of certain documents to the department responsible for exchange controls (including, an import licence and the final invoices). The CEMAC exchange control regulations do not apply to companies located in the Franc Zone, i.e.:
 - France, including its departments and territories and the Principality of Monaco.
 - Members of the Bank of Central African States (BEAC).
 - Members of the Bank of West African States (BCDEAO).

Congo (Brazzaville)

Interest and Currency Exchange Rates

Lending Interest Rate

20.67% (last reported 2014)
(source: World Bank)

Currency: CFA Central African Franc (XAF, or locally, FCFA)

R1 = XAF46.3710 (December 2014)
(source: Oanda)

€1 = XAF655.957 (December 2014) (fixed)
(source: Oanda)

US\$1 = XAF543.955 (December 2014)
(source: Oanda)

Notes:

1. As a member of CEMAC, which is a member of the African Financial Community (*Communauté Financière Africaine* – CFA), Congo has the same currency as other community Members. The CFA Franc (XAF, or locally, FCFA), is linked to the euro (€) at a fixed exchange rate.

Key Economic Statistics

GDP (approx.)

US\$14.114 billion (2014 estimate)
(source: IMF)

US\$15.118 billion (2015 forecast)
(source: IMF)

Market Capitalisation

Not applicable.

Rate of Inflation

4.632% (2013 average)
(source: IMF)

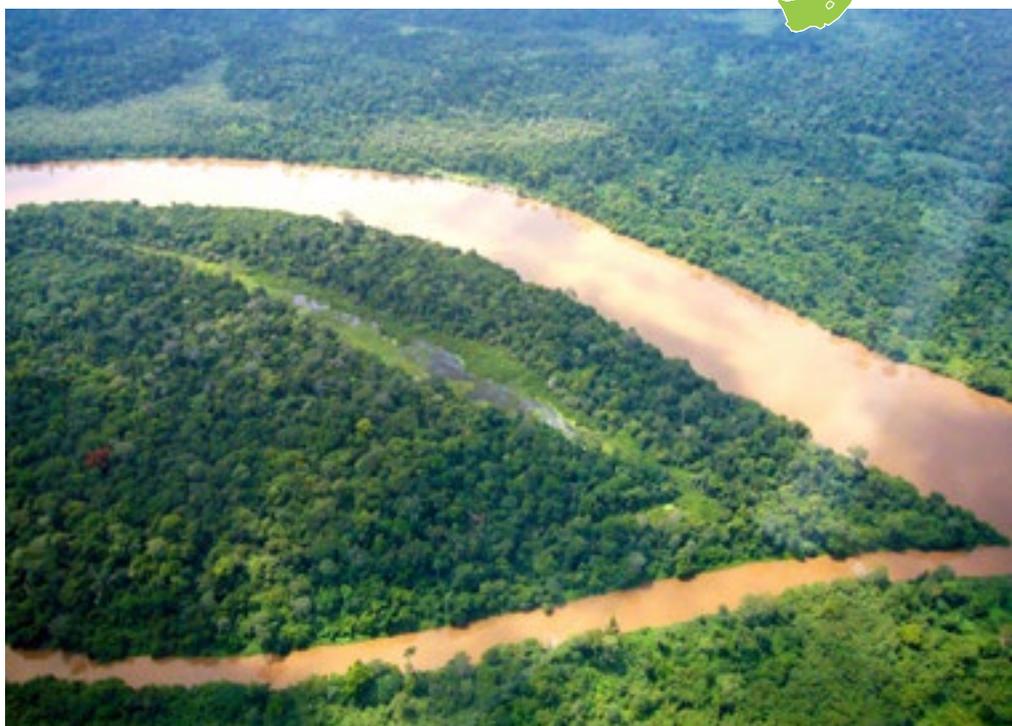
2.186% (2014 average)
(source: IMF)

1.994% (December 2014)
(source: IMF)

Notes:

1. The Republic of Congo does not have a stock exchange.

Democratic Republic of Congo (DRC)



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Democratic Republic of Congo (DRC)

Income Tax

Residents

Both residents and non-residents are subject to tax on their income earned within the DRC. The DRC tax system is source-based.

| Income Tax Rates for individuals | | |
|----------------------------------|---------------------|-------|
| Annual Taxable Income as exceeds | But does not exceed | Rate |
| CDF | CDF | % |
| 0 | 524 160 | 0% |
| 524 161 | 1 428 000 | 15% |
| 1 428 001 | 2 700 000 | 20% |
| 2 700 001 | 4 260 000 | 22.5% |
| 4 620 001 | 7 260 000 | 25% |
| 7 260 001 | 10 260 000 | 30% |
| 10 260 001 | 13 908 000 | 32.5% |
| 13 908 000 | 16 824 000 | 35% |
| 16 824 000 | 22 956 000 | 37.5% |
| 22 956 000 + | | 40% |

Notes:

1. Basis – There is no personal taxation per se in the DRC. Taxes due by individuals are remitted to the authorities by the employer. Both residents and non-residents, as a consequence of a source-based tax system, are taxable on employment income derived from the DRC. However, individuals engaged in a business are taxed under the rules governing companies i.e. all income accruing in, or derived from the DRC, is subject to tax on income in the DRC.
2. Residence – An individual is resident for tax purposes if he/she spends more than six months in the country.
3. Rates – DRC income tax rates are progressive between 0% and 40%. The overall tax shall not exceed, in any case, 30% of the taxable income.

4. Taxable income – Subject to the provisions pertaining to international agreements (i.e. DTAs), the incomes generated by professional activities carried out in the DRC, even though the beneficiary's registered office, main administrative place of business, domicile, or permanent residency, is not located in the DRC, shall be subject to the professional tax. Employment income includes salaries and other remuneration received as compensation for activities carried out in the country.
5. The payroll taxes (IPR) are calculated based on employee remuneration (i.e. salaries, fees, allowances, which do not represent reimbursement of actual, professional expenditure, gratuities, bonuses or pensions of any kind). The IPR is an annual tax but payable as a monthly withholding tax (WHT). It is due upon payment of salaries to employees.
6. Deductions and allowances – All fringe benefits are taxable, except for housing allowances (if it does not exceed 30% of basic salary), non-taxable transport and family allowances (if they do not exceed the legal limits).
7. Filing status – Although the tax law contains provisions applicable to individuals, personal taxes are collected through business entities.
8. Relief from double taxation is available through tax treaties to which the DRC is a signatory. It is important to note that the application of these treaties is still a controversial issue.
9. Exceptional Tax on Expatriates Salaries (IER) – This is an additional tax levied on the expatriates' taxable salaries as an expense for the employer. The IER is not a WHT.
10. Non-residents – Non-residents are subject to tax on DRC-source income only.
11. Benefits in kind – Any fringe benefits or benefits in kind, consisting of provision of furniture, staff meals, telephone, and water and electricity or power supply, are taxable on income as per the DRC's tax requirements. In addition, any other benefits exceeding the legal limits, or deemed exaggerated as compared to normal standards, are added to taxable income.
12. Pay-As-You-Earn (PAYE) – The employer is required, as stated above, to submit monthly PAYE returns on behalf of their employees, except for assignees of diplomatic bodies which are entitled to submit PAYE returns personally. These returns need to be submitted before the 15th of the month following the month the salaries have been paid.

Democratic Republic of Congo (DRC)

Companies

| Income Tax Rates for Companies | |
|--|-------------|
| | Rate of Tax |
| General tax rate – DRC-incorporated companies, subsidiaries or branches of foreign companies | 35% |
| Mining companies | 30% |

Notes:

1. Residence – A company is resident in the DRC if it is incorporated in the DRC, or if it has its principal place of business there. A Permanent Establishment (PE) will be deemed to exist if a person maintains a physical installation in the DRC, regardless of the form (i.e. shop, warehouse, branch, factory, leased building, office, etc.), or conducts professional activities under its own name for more than six months.
2. Basis – Resident and non-resident corporate entities are subject to tax on income derived from activities carried out in the DRC i.e. the DRC tax system is source-based.
3. Rate – The general rate of 35% applies to a DRC-incorporated company, subsidiary or branch of a foreign company. Corporate Income Tax (CIT) on profit is payable by way of two instalments representing 40% of profit tax paid for the precedent year each. The balance is determined as a complement to the current year-end tax return. Mining companies are subject to a 30% tax rate.
4. Taxable income – Corporate tax is levied on a company's gross income minus allowable deductions. Expenses incurred to realise taxable income generally are deductible for tax purposes.
5. Losses – Losses may be carried forward for five years provided they are approved by the tax authorities. Losses may not be carried back.
6. Dividends – Dividends received are treated as taxable income except in the case where the 20% tax on dividends has been withheld at payment to avoid double taxation.
7. Foreign tax credit – The DRC does not provide for a unilateral foreign tax credit and foreign taxes paid may not be deducted in calculating taxable income, subject to the provisions pertaining to international agreements.
8. Holding company regime – None.

Withholding Taxes (WHTs)

Individuals or companies not domiciled or not having tax residency in the DRC, are subject to a WHT on income arising from services supplied, carried out, or used in the DRC, or from dividends, except where relieved by a DTA and when it is applied.

The WHTs are set out below. For non-residents the WHT is a final tax.

| WHT Rates | | | |
|---|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 20% | 20% |
| Interest | 2 | 20% | 20% |
| Royalties | 3 | 20% | 20% |
| Provision of services fees/remuneration | 4 | 35% | 14% |
| Branch remittance tax | 5 | n/a | n/a |

Notes:

1. Dividends – Dividends or other distributions made to a resident or non-resident are subject to a 20% WHT. The rate is 10% for mining companies.
2. Interest – Interest paid to a non-resident is subject to a 20% WHT. An exemption applies to interest paid to a mining company.
3. Royalties – Royalties paid to a resident or non-resident are subject to a 20% WHT on the net amount (royalty expenses may be deducted in an amount equal to 30% of the gross payment).
4. Payment for services provided by non-residents – 14% WHT is withheld on the amount paid by a resident to a non-resident individual, or entity, for any service performed and rendered in the DRC over a period not exceeding six months and without forming a PE.
5. Branch remittance tax – None.

Democratic Republic of Congo (DRC)



Capital Gains Tax (CGT)

Companies

Capital gains are treated as taxable income and are subject to the standard rate of CIT.

Individuals

Capital gains are taxable provided that they arise from a permanent and professional activity.

Anti-avoidance

Transfer Pricing

Although the DRC does not have a transfer pricing law as such, transactions between related parties must be at arm's length. Abnormal payments, or any benefit resulting from an act considered as an abnormal management act, made by a local company to a related or group company, will give rise to a taxable profit for the local company.

Thin Capitalisation

The holder of a mining licence must observe a ratio of less than 75/25 between borrowed funds and equity.

Mining Taxes in the DRC

Mining taxes in the DRC apply as follows:

Mining Royalty

A mining royalty is owed as from the date of commencement of effective exploitation. The mining royalty is calculated on the value of sales realised, less transport costs and less assay, insurance and marketing costs. The rate of the mining royalty is 0.5% for iron or ferrous metals, 2% for non-ferrous metals and 2.5% for precious metals.

Profit Based Tax/Professional Tax on Benefits

A Professional Tax on Benefits (at the preferential mining code rate of 30% (instead of the 35% CIT rate)) is levied on the net profits from exploitation determined in accordance with the accounting and tax legislation in force.

WHT on Interest and Dividends

The 20% standard rate of the WHT is not applied to interest paid on loans contracted abroad in foreign currency. In addition, loans from affiliates must be on interest rates and other conditions as favourable as, or better than, loans that would be obtained from third parties to benefit from this exemption. Dividends and other distributions are subject to the preferential mining code WHT at the rate of 10%.

According to Finance Law 2014, interests paid outside the DRC to anyone directly or indirectly related to the company, can only be deductible if the principal amount is reimbursed within five years of the availability of funds, and the interest rate does not exceed the average interbank rate recognised internationally in the month of repayment of the principal amount.

WHT on Salaries

The holder of a mining title is liable to pay the standard WHT on salaries payable to the employees.

Exceptional Tax on Expatriate Salaries

The holder of a mining title is liable to pay the exceptional tax on expatriate salaries at the preferential mining code rate of 10%, instead of the standard rate.

Annual Traffic Tax

The holder of a mining right is liable to pay the annual traffic tax pursuant to the general tax legislation, except for those vehicles used exclusively within the mining perimeter.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 16% |

Democratic Republic of Congo (DRC)

Notes:

1. VAT applies as from fiscal year 2012. VAT is levied on the supply of goods and services and the imports of goods and services into the DRC.
2. The standard rate is 16%. The standard rate is 0% for export of goods and similar or related transactions.
3. Registration is compulsory for all persons (business or individual) that meet the legal requirement to be liable to VAT (i.e. a turnover of CDF80 million). Registration must take place within 15 days following the commencement of a business. Individual and legal entities, whose annual turnover is less than CDF80 million, may elect to be subject to VAT. An application for approval must be filed with the tax authorities.
4. Any transaction occurred between both VAT registered persons of an amount of at least CDF1 million should be paid only by way of a check or a bank deposit.
5. VAT returns and payments are due by the 15th day of the following month.

Customs and Excise Duties

Import duties are levied on the CIF (Cost-Insurance-Freight) value of goods imported, at rates ranging from 0% to 20%. Export duties are levied on FOB (Free-on-Board) value of goods exported, at rates ranging from 1% to 10%.

Miscellaneous Taxes

Stamp Duty

A 3% stamp duty applies to the transfer of land and building property.

Property Tax

Land rates are assessed by the provincial and tax authorities. The Property Tax rate is fixed depending on the nature of good and the rank of the locality. The villas are taxable per square metre area. Other buildings and grounds are taxable ordered.

Rental Income Tax (*L'impôt sur le revenu locatifs*) (IRL)

Rental Income Tax concerns income from rental of buildings and lands located in the DRC. Rental income is taxed at 22%. 20% is withheld and paid by the tenant, and the landlord pays the remaining 2%. This tax is payable within the 10 days following the payment of the rental.

Social Contributions

- INSS – An employee must contribute 3.5% of his/her gross salary to the INSS. The employer is required to contribute 9% of the gross salary.
- INPP – The employer is required to contribute to the INPP between 1% and 3% of the employees' gross salaries depending on the size of the workforce.
- ONEM (National Agency for Employment) – Since April 2013, a 0.2% ONEM contribution has been implemented and it is contributed by the employer.

Tax Administration

Corporations

- Tax year – Calendar year.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate tax return.
- Filing requirements – A self-assessment and compensating tax return must be filed before 31 March in the year following the end of the company's accounting period. Tax instalments are due no later than 1 August and 1 December based on 40% of the prior year's tax liability.
- Penalties – Failure to self-assess tax, understated tax returns, or defaulted tax payments, are subject to a 20% penalty for a first offence and 40% for a second offence, plus 4% monthly interest on the amount due.

Individuals

- Tax year – Calendar year.
- Filing and payment – Any balance of tax payable is due by the employer on or before the 15th of January of the following calendar year. An individual's personal tax is fully settled through the PAYE system.
- Penalties – See penalties under "Corporations" (above).



General Investment Information

Investment Incentives

Tax Incentives

- Various incentives are available to qualifying companies, including mining companies. Incentives are generally in the form of reduced tax rates or an exemption.
- Investors wishing to take advantage of the customs and tax incentives of the “New Investment Code” would have to submit an application to the ANAPI (National Agency for Promotion of Investment in the DRC). The ANAPI will ensure that the application is sent to the Minister of Finances and Planning for consideration and approval. Incentives granted, or awarded, in terms of this New Investment Code, are not available to foreign companies (branches) or *inter alia* the following sectors: mining, oil, banking, insurances, commercial activities and armament industries. Any investor desirable can apply for possible incentives provided for in the New Investment Code provided that the following requirements are met and consistent with:
 - Be (or create) an entitled Congolese company.
 - Submit a licence applicable to ANAPI.
 - Pay the application fees due.
 - Investment funds should be at least US\$1 million for the company.
 - Commit to respect or comply with the regulation in respect of environmental protection.
 - Commit to train national personnel for specific technical functions, duties, skills, supervisions and responsibilities.
 - Guarantee or safeguard a growth rate of more than 35%.

Furthermore, the New Investment Code grants exemption from taxes and duties for three years when the investments are made in Kinshasa; four years for investments in Bas-Congo, Lubumbashi, Likasi and Kolwezi; and five years in the others provinces. The Investment Code grants the following tax incentives and exemptions:

- Full exemption from corporate tax.
- Higher depreciation rates for investments in socio-economic infrastructures.



- Exemption from the fixed and proportional duties for joint-stock company at the time of their constitution or of increase of their approved capital.
- Exemption from the tax on the surface of land concessions and the built properties only related to the approved project of investment.
- Exemption from the sales tax (replaced by VAT since January 2012) on domestic purchase of goods, industrial equipment and inputs manufactured in the DRC and on the services relating to construction works.

Export Incentives

- Any approved investment, which contemplates the exportation of all or part of their finished products, processed and semi-processed under conditions favourable for the balance of payment, shall benefit from exemption from fees and tax at exportation.

Exchange Controls

Banks are required to report significant foreign exchange transactions to the Central Bank. Carrying (or holding) foreign currency in the DRC is, however, not prohibited. Payments to or from a foreign country are subject to a 0.2% exchange control fee. Exporters are required to repatriate a portion of proceeds resulting from exports via commercial banks. Funds carried by travelers that exceed the equivalent of US\$10 000 must be reported.

Democratic Republic of Congo (DRC)

Expatriates and Work Permits

In the event of a short-term contract (i.e. less than six months), employees only need to apply for an ordinary three-month visa at the Congolese Embassy of country of origin. They will be required to complete a form provided by the Embassy with a formal invitation from a DRC resident (e.g. the client) together with a police records certificate not older than three months. However, if the expatriate should provide services for a period exceeding six months, the employer is required to apply for a work permit and a resident visa. The work permit and resident visa will be valid for two years.

Work Permit

The following documents need to be submitted when applying for a working permit:

- Copy of passport with a valid visa (six months validity).
- Four passport photos (less than six months old).
- Copy of resume of the employee.
- Copy of degree or relevant diploma.
- Notarised work contract between the employer and employee.
- Medical or health certificate.
- Copies of evidence of affiliation with social administration (social security and training institutions in DRC).

There are also additional requirements as to when the applicant is a director (as opposed to a mere employee). In that case, the following documents are required:

- Copy of the articles of association of the company.
- Minutes of the general meeting of the shareholders.
- Organisation chart of the company.

Establishment Visa

The requirements are as follows when an employee is applying for an establishment (resident) visa:

- Copy of work permit.
 - A copy of passport with valid visa (six months validity).
 - Two passport photos (less than six months old).
- (Note: When the expatriate employee has been hired abroad, there should be an amendment to the contract that is signed abroad i.e. a local employment contract needs to be entered into).

Trade Relations

- Memberships – South African Development Community (SADC), WTO, Economic Community of the Great Lakes Countries (EGLC), Economic Community of Central African States (ECCAS), Common Market for Eastern and Southern Africa (COMESA) and Organisation for Harmonisation of Business Law in Africa (OHADA).
- Tax Treaties – The DRC has concluded two tax treaties; namely, with South Africa and Belgium.

Interest and Currency Exchange Rates

| Interest Rates |
|---|
| 2.000%* (last recorded 2014) * Benchmark Interest Rate (source: Trading Economics) |
| 3.000%** (November 2013) ** Central Bank Interest Rate (source: National Central Bank of DRC) |
| Currency: Congolese Franc (CDF) |
| R1 = 77.9937 CDF (December 2014) (source: Oanda) |
| US\$1 = 905.905 CDF (December 2014) (source: Oanda) |

Key Economic Statistics

| GDP (approx.) |
|---|
| US\$32.665 billion (2014 estimate) (source: IMF) |
| US\$35.571 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| Not available. |
| Rate of Inflation |
| 0.807% (2013 average) (source: IMF) |
| 2.373% (2014 average) (source: IMF) |
| 3.700% (December 2014) (source: IMF) |

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Egypt

Income Tax

Residents

| Personal Income Tax (PIT) Rates for Individuals* | | |
|--|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| EGP | EGP | % |
| 0 | 5 000 | 0% |
| 5 000 | 30 000 | 10% |
| 30 000 | 45 000 | 15% |
| 45 000 | 250 000 | 20% |
| 250 000 | 1 000 000 | 25% |
| 1 000 000 + | | 30% |

* PIT is payable on the net income on a graduated scale.

Notes:

1. Resident natural persons are taxed on their income earned in or outside Egypt, if Egypt is the centre of their commercial, industrial or professional activities. However, non-resident individuals are taxed only on their Egyptian-source income.
2. An individual is regarded as resident in Egypt in an assessment year if he/she: (i) is present in Egypt for more than 183 days in a fiscal year or (ii) is deemed to have a permanent residence or a local commercial presence in Egypt under executive regulations or (iii) resides abroad but derives income from Egyptian sources.
3. Taxable income – This includes income from employment, commercial or industrial activities and non-commercial activities (i.e. the exercise of a profession). Mandatory profit sharing, pensions and end-of-service bonuses are not subject to salary tax.
4. Employers generally are responsible for withholding and remitting the salary tax due to the relevant tax authorities on a monthly basis. However, if the employee is paid from an offshore source, the individual is required to declare it to the relevant authorities before the end of January following the tax year.
5. Available tax deductions depend on the type of income. Various tax allowances are available for items such as social security contributions and health insurance premiums.

Non-Residents

Non-resident companies pay tax only on Egyptian-source profits generally via withholding at source. Non-residents become liable to tax from the day they begin to carry on a trade, business, profession or vocation in Egypt. Double taxation treaties (DTAs) have been concluded with a number of countries and double taxation relief applies to such income.

Companies

| Income Tax Rates for Companies | |
|---|-------------|
| | Rate of Tax |
| Income for all companies | 25% |
| Income for all companies (above EGP1 million) | 30% |
| Oil & gas companies | 40.55% |

Notes:

1. Resident companies are taxed on their worldwide income. Non-resident companies are subject to tax only on Egyptian-source profits if a Permanent Establishment (PE) exists.
2. A company is resident if it is established according to Egyptian law, its main or actual headquarters is in Egypt or it is a company in which the State or a public juridical person owns more than 50% of the capital.
3. The standard rate of corporate tax in Egypt is 25% for taxable profit up to EGP1 million, 30% for taxable profit that exceeds EGP1 million and 40.55% for companies engaged in the exploration and production of oil & gas. The Suez Canal Authority, the Egyptian Petroleum Authority and the Central Bank are taxed at 40%.





4. Regarding taxable income, corporate tax is imposed on the totality of a company's profit.
5. Dividends received from an Egyptian company are taxable. Dividends received from abroad are included in taxable profits and subject to tax at a rate of 25% for taxable profit up to EGP1 million and 30% for taxable profit that exceeds EGP1 million, with a deduction allowed for foreign taxes paid abroad up to the amount of tax payable in Egypt. Income from investments in non-resident companies is taxed on the basis of owner's equity.
6. Capital allowances – The Egyptian tax law does not have any specific capital allowances other than tax depreciation.
7. Interest – Interest expenses are considered tax deductible if the payer's average debt/equity ratio does not exceed 4:1. In addition, if the interest rate exceeds two times the credit and discount rates announced by the Central Bank of Egypt in the beginning of the calendar year, interest expense on the excess shall not tax deductible.
8. Normal business losses can be carried forward for five years. The carryback of losses is not permitted except for losses incurred by a construction company on long-term contracts.
9. Foreign tax paid overseas may be deducted from Egyptian income tax payable but the deduction may not exceed the total tax payable in Egypt.
10. There is no participation exemption and no holding company regime in Egypt.
11. There is no Alternative Minimum Tax (AMT) in Egypt.
12. There are no provisions for consolidation of accounts for group taxation in Egypt.

Withholding Taxes (WHTs)

Certain payments to domestic companies and individuals and non-resident companies/investors are subject to WHT at the following rates:

| WHT Rates | | | |
|--|------|------------------------|------------------------|
| | Note | Corporate Bodies | Individuals |
| Dividends | 1 | 10%/5% | 10%/5% |
| Royalties | 3 | 20% | 20% |
| Interest | 2 | 20% | 20% |
| Rent (including hire of equipment) | 3 | 20% | 20% |
| All aspect of building construction and related activities | 5 | 20% | 20% |
| All aspect of contract activities or agency arrangements including contract for supply | 5 | 20% on service portion | 20% on service portion |
| Management services | 4 | 20% | 20% |
| Consultancy and professional fees | 5 | 20% | 20% |
| Technical services | 4 | 20% | 20% |

Notes:

1. A 10% WHT rate has been introduced on gross distributions of dividends to resident and non-resident corporate entities. Such rate may be reduced to 5%: (1) if the ownership in the distributing entity exceeds 25% of the share capital or the voting rights; and (2) and the participation is held for at least two years.
2. Interest paid to non-residents is subject to a 20% WHT, which may be reduced under a DTA. Interest paid under a long-term loan (i.e. exceeding three years) is not subject to WHT.
3. Royalty payments made to non-residents are subject to a 20% WHT, unless the rate is reduced under a tax treaty.

4. The Egyptian tax law does not have any specific WHT rules governing technical service fees and management services, although the tax authorities may treat such payments as royalties for WHT purposes (and thus, subject to a 20% WHT). The ultimate tax treatment will depend on the scope of services provided and will be determined on a case-by-case basis.
5. Services are subject to 20% WHT under domestic law and may be reduced/made free of WHT if a DTA applies.

Capital Gains Tax (CGT)

Individuals

Individuals are subject to tax on capital gains investments and fixed assets if the assets are sole proprietorship assets (including real estate). Real estate is subject to separate duties of 2.5% on the gross proceeds.

Gains on sales of unlisted securities are taxable if deemed to be a recurring activity. Gains on listed securities are subject to tax at a rate of 10%.

Companies

Gains of unlisted companies are treated as ordinary income taxed as part of the normal profit pool.

Anti-avoidance

Transfer Pricing

Taxpayers are required to comply with the arm’s length standard in related party transactions. There are three methods to determine the transfer price: (1) the comparative free price method; (2) the total cost plus profit margin method; and (3) the resale price method. The comparative free price method has priority, but if the information needed to apply this method is unavailable, either of the two other methods may be used. If none of the methods are deemed suitable by the taxpayer, any method specified under the OECD Guidelines will be accepted.

Thin Capitalisation

A 4:1 debt/equity ratio applies. Any interest exceeding this ratio is non-deductible.



Controlled Foreign Companies (CFCs)

An Egyptian company will be required to pay corporate tax on its share of a CFC’s income if the following conditions are satisfied:(1) the profits of the investee company are not subject to tax in its country of residence, are exempt or are subject to a tax rate of less than 15%; and (2) the ownership in the non-resident company exceeds 10%; and (3) more than 70% of the non-resident company’s income is from dividends, interest, royalties or management fees or rental fees.

Inheritances and Donations

There is no donations tax and no inheritance/estate tax in Egypt.

General Sales Tax (GST)

| GST | Rate |
|---------------|------|
| Standard rate | 10% |

Notes:

1. GST applies to the supply of most goods and the provision of services in Egypt.
2. The standard GST rate is 10%. GST rates changes between 0% and 20%.
3. Manufacturers and service providers with turnover in excess of EGP54 000 must register for GST purposes. Wholesalers and retailers are required to register where turnover exceeds EGP150 000.
4. All companies must prepare and file a monthly GST return with the relevant tax authority.

Customs and Excise Duties

Egypt has complex tariff and non-tariff barriers. Customs duties are levied on most goods.

Free imports include*:

- 200 cigarettes.
- 25 cigars.
- 200 grams tobacco.
- 2 litres of alcohol.
- Perfume for personal use.

* This applies with the US\$200 limit per individual entering.

Prohibited imports include:

- Drugs, firearms and cotton.

Restricted imports include:

- Cash, cheques, credit cards and gold over the value of US\$10 000 must be declared on arrival.

Vehicles:

- Customs duty varies between 40% and 135%.
- Tax varies between 10% and 45%.
- Full customs duty and tax is payable for all vehicles.
- For used cars, the shipper must prove that he/she is the first owner of the car.
- For new cars, the car must be imported within the same year of manufacturing.
- Cars are duty-free and tax-free entry only for diplomats.
- Cars with trip tickets issued by automobile clubs are allowed to enter duty-free and tax-free only on a tourist basis for three months, renewable for another three months. Cars must be exported out of Egypt at the end of the six months period. Licensing fees are only applicable on these cars.

Returning Egyptian diplomats:

- Particular duty-free and tax-free entry is granted for returning Egyptian diplomats provided the Egyptian Ministry of Foreign Affairs supplies the shipper with the necessary forms of the duty-free and tax-free entry.

Other Taxes

Real Property Tax

All real property in Egypt is subject to the Real Property Tax. The tax rate is 10% on the annual rental value after a 30% deduction on overall value, as well as an EGP24 000 exemption (for one unit for each owner only) for residential properties and a 32% deduction

for non-residential property (with no exemption). The Tax became due on 1 July 2013, and is due in two instalments. The annual rental value of real estate is assessed every five years by the tax authorities.

Stamp Duties

A number of transactions attract stamp duties. These include 20% on commercial advertisements and 0.08% to 10% on insurance premiums.

Stamp Tax at a quarterly rate of 0.1% is levied on loan balances. The Tax is applied to the highest debit balance reached in the course of the quarter. In addition, 0.1% is levied on both the buyer and seller in transactions involving the sale of shares, whether listed or unlisted, and whether the parties are Egyptian or foreign.

Other

Statutory payments to employees under profit sharing regulations may not be deducted for corporate income tax purposes and are not subject to salary tax.

Social Security

The social security regime applies to local nationals.

Tax Administration

Individuals

- The tax year is the calendar year.
- Individuals must submit a declaration of income before 1 April following the end of the tax year and must pay tax based on the declaration. Salaries are taxed by withholding at source.
- A penalty equivalent to the unpaid tax and imprisonment for a period of not less than six months and not more than five years, or either of the two penalties, applies in cases of tax evasion.





Corporations

- The tax year for companies is the accounting year.
- Companies must file a tax return before 1 May or within four months following the end of the financial year. Tax is assessed on the basis of the information provided in the tax return.
- A penalty equivalent to the unpaid tax and imprisonment for a period of not less than six months and not more than five years, or either of the two penalties, applies in cases of tax evasion.

General Investment Information

Investment Incentives

Tax Incentives

- Law No.8 of 1997 grants certain benefits. However, the majority of this law has been cancelled.
- A customs tax at a unified rate of 5% of the value is levied on the value of all imports (machines, equipment and instruments) imported by such projects.
- Taxes on profits resulting from the merger, division, or the change of the legal entity of a project, may be postponed under certain circumstances; specifically, none of the entities involved in the transaction may be foreign entities, and there may be no trade in the shares of the resulting entity for a period of three years after the change in legal form. Such projects shall enjoy the exemptions prescribed before the

merger, division or change of legal entity, until the relevant exemption period expires. The merger, division or change of the project's legal entity shall not result in any new fiscal exemptions.

- The result of assessing the in kind portions forming the foundation of JSCs, shall be exempted from corporate tax, given that the assets are not sold within five years of the transaction.

Free Trade Zones (FTZs)

- Projects set up in one of the active FTZs enjoy certain benefits that may be of interest to foreign investors. Such projects are not subject to any customs duties on imported goods or equipment. In addition, they are not liable to tax as long as their activities are within the scope of their FTZ licence. These projects, however, are subject to a 1% levy on the value of goods entering their warehouse(s). Companies involved in assembly or manufacturing activities are subject to a 1% levy on the value of goods exiting their warehouse(s). Companies with no warehousing activities are subject to a 1% levy on their total revenue.
- Licences to operate in FTZs may be granted for a range of activities based on the internal regulations of each specialized FTZ and the Agreement of the General Authority for FTZs and Investment.

Other Incentives

- The country is in a geographically strategic location.
- Moreover, it offers a cheap and relatively qualified labour force.
- Its growing population constitutes a non-negligible market in the region.
- Its energy resources are attractive.
- In addition, the country has in recent years launched a public works policy (construction of the third metro-line, expansion of the port of Sokhna and improvement and renovation of the rail network), which offers many investment opportunities to foreign companies. Finally, the Egyptian Government policy for large-scale liberalisation and improving the appeal to foreign investors are encouraging signs for foreign investment.

Exchange Controls

No restrictions are imposed on the import or export of capital or on the repatriation of funds which can be made in any currency.

Egypt



Expatriates and Work Permits

Employment in Egypt is not possible without a working visa, and a working visa can only be obtained with a formal job offer and contract from a company or sponsor. The required paperwork submitted for an entry visa changes often and is best handled by an agency or through the hiring company. The length and cost of obtaining an entry visa changes depending on the applicant's nationality and type of entry visa.

Trade Relations

- Memberships – African Union (AU) (suspended).
- International organisations – AU (suspended), Arab League, Group of 77, United Nations (UN).
- Tax treaties – Egypt has concluded over 52 tax treaties with various countries.

Interest and Currency Exchange Rates

Prime Bank Overdraft Rate

13% -13.5% (2014 estimate)
(source: Central Bank of Egypt)

Currency: Egypt's currency is the Egyptian Pound (EGP)

US\$1 = 7.1788 EGP (December 2014)
(source: Central Bank of Egypt)

R1 = 0.6269 EGP (December 2014)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$283.3 billion (2014 estimate)
(source: IMF)

US\$328.184 billion (2015 forecast)
(source: IMF)

Market Capitalisation

EGP508 billion (December 2014)
(source: Egyptian Exchange)

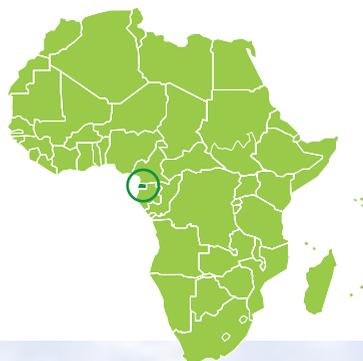
Rate of Inflation

6.915% (2013 average)
(source: IMF)

10.65% (2014 average)
(source: IMF)

11.84% (December 2014)
(source: Central Bank of Egypt)

Equatorial Guinea



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Equatorial Guinea

Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| XAF | XAF | % |
| 0 | 1 000 000 | 0% |
| 1 000 001 | 3 000 000 | 10% |
| 3 000 001 | 5 000 000 | 15% |
| 5 000 001 | 10 000 000 | 20% |
| 10 000 001 | 15 000 000 | 25% |
| 15 000 001 | 20 000 000 | 30% |
| 20 000 000 + | | 35% |

Notes:

1. Basis – Resident individuals are assessed on their worldwide income and non-residents on transactions carried out in Equatorial Guinea (EG), from the first day of work performed in the country.
2. Residence – Any person operating in EG and staying more than three months in a one calendar year, or six months in two years, is considered resident. In the oil & gas sector, individuals operating in EG, and staying more than three months in a one calendar year, are considered resident. Absences of less than 30 days are not taken into account in computing the period of residence.
3. Rates – Rates are progressive to 35%. Additionally, benefits in kind and cash allowances are taxable at the following rates on gross salary: housing, 15%; water, electricity, housekeeping and company car, 5%; food, 20% (imposed on gross salary up to a maximum XAF150 000).

4. Taxable income – Income from salaries, wages, pensions, annuities, and per diems for attending meetings of boards of directors, is taxable, excluding special allowances to cover expenses relating to the position to the extent the expenses are effectively used for their objective and not excessive. Benefits in kind and cash allowances are taxable at specific rates.
5. Deductions and allowances – The extent to which a deduction from income will be allowed depends on the category of income. Allowable deductions include business expenses, contributions to pension funds (under specific conditions), interest on loans taken out to build or repair the taxpayer's first house in EG, alimony and payments made to the welfare fund on behalf of domestic employees. For salaries, wages, pensions and annuities, allowable deductions for business expenses amount to 20% of income but cannot exceed XAF1 million.
6. Filing status – The head of a family is subject to personal income tax (PIT) both on his/her own income and on the income of his/her dependent children and spouse, subject to the individual's right to elect to be assessed separately. A married woman is assessed separately if she is separated from her husband or if her husband is not subject to tax in EG.

Non-Residents

Non-resident individuals pay taxes on their employment income at a rate of 10%.

Employment Income

Income from salaries, wages, pensions, annuities and per diems for attending meetings of boards of directors is taxable. Special allowances to cover expenses inherent in the responsibility or representation, are not taxed, provided that they are effectively used for the business purpose intended and are neither excessive nor used for expenses of a personal nature.

Benefits in Kind

Benefits in kind and cash allowances are assessed at the following rates:

- Housing: 15% of gross salary.
- Water and electricity: 5% of gross salary.
- Housekeeping: 5% of gross salary.
- Service or office car: 5% of gross salary.
- Food: 20% of gross salary (maximum XAF150 000).

Equatorial Guinea

Pay-As-You-Earn (PAYE)

The PAYE contributions are withholdings from salaries of employees in order to satisfy their income tax responsibilities. The PAYE is computed with the PIT rates.

Companies

| Income Tax Rates for Companies | |
|--------------------------------|-------------|
| | Rate of Tax |
| Standard corporate tax rate | 35% |

Notes:

1. Residence – A commercial entity operating in EG for more than three months in a one calendar year, or for six months within a two-year period, is considered resident. Companies operating in the oil & gas sector in EG for more than three months in a one calendar year, are considered resident.
2. Basis – Resident entities are assessed on their worldwide income. Non-resident entities are subject to a 10% withholding tax (WHT) on gross income derived from sources in EG.
3. Rate – The corporate tax rate is 35%.
4. Taxable income – Taxable income is a company's gross income, less allowable deductions and losses. Income of a capital nature is not included in taxable income.
5. Losses – Losses may be carried forward for up to three years (five years for companies in the oil & gas industry) but may not be carried back. Losses of one entity may not be transferred to another entity in the case of a corporate reorganisation. After three consecutive years of losses, companies will be deregistered from the Tax Registry (except new companies).
6. Dividends – All dividends received by a resident company are subject to Corporate Income Tax (CIT). However, a recipient company may offset any domestic tax withheld from dividends against its company tax liability. A participation exemption applies so that only 10% of net dividends received by a corporate shareholder is subject to tax, provided the shareholder holds at least 25% of the shares in the payer and the shares remain registered in the name of the shareholder for at least two consecutive years. Dividends received by foreign shareholders are subject to a 25% tax.



7. Foreign tax credit – None.
8. Participation exemption – A partial tax exemption on dividends applies to CEMAC groups. See also under "Taxation of Dividends".
9. Holding company regime – None.
10. Controlled foreign companies (CFCs) – CFC provisions apply where at least 35% of the share capital is held by nationals.
11. Alternative Minimum Tax (AMT) – The minimum company tax is 1% of the previous year's turnover. The AMT is payable when the operations of the company result in a taxable loss or when the minimum tax is more than 35% of the taxable profits.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | - | 25% |
| Interest | 2 | - | 25% |
| Royalties | 3 | - | 10% |
| Technical service fees | 4 | - | 10% |
| Other | 5 | - | 10% |

Equatorial Guinea

Notes:

1. Dividends – Dividends paid to a non-resident entity are subject to 25% WHT.
2. Interest – Interest paid to a non-resident entity is subject to a 25% WHT on the gross amount as they are assimilated to incomes from investments.
3. Royalties – Royalties paid to a non-resident entity are subject to a 10% WHT on the gross amount. See “Other” (below) for oil & gas companies.
4. Technical service fees – Technical service fees are subject to a 10% WHT on the gross amount.
5. Other – Other services paid to a non-resident entity are subject to 10% WHT.

Double Taxation Agreements (DTAs)

EG has signed a treaty with the other member states of the Central African Economic and Monetary Union (*Communauté Economique et Monétaire d’Afrique Centrale* or CEMAC), to improve tax cooperation between CEMAC administrations and to limit double taxation. Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon are member states of CEMAC.

Capital Gains Tax (CGT)

Companies

Capital gains are treated as ordinary business income and taxed at the standard CIT rate. However, capital gains realised on the disposal of fixed assets in the course of trading are excluded from income for a three-year period if the taxpayer reinvests the gain in new fixed assets for the business. Capital gains arising from a gratuitous allocation of shares, founders’ shares or

debentures on the merger of limited liability companies or limited partnerships with share capital are also excluded, provided that the company resulting from the merger has its registered office in EG. Net capital gains arising on the assignment, transfer or cessation of a company within five years following its creation or purchase, will be assessed at only half their value. If such an event takes place more than five years after the company is formed or purchased, net capital gains will be assessed at one-third of their value.

Individuals

Capital gains include proceeds from the sale of stock and options, income from securities, bonds, loans, deposits or from the sale of real estate assets. Capital gains accruing to individuals as a result of company mergers are not subject to PIT if the new company has its registered office in EG or another CEMAC state. The standard tax rate on such income is the same as for the other categories. Capital gains are subject to the general tax rate, except for non-residents who are subject to a 25% WHT.

Anti-avoidance

Transfer Pricing

EG law and CEMAC regulations only provide for a general rule on the prohibition of a direct or indirect transfer of income to an affiliated company by way of a diminution or increase in sale or purchase prices or interest on loans. The tax authorities can assess such indirect transfers by comparing them with transactions of similar companies operating normally in EG.



Equatorial Guinea

Thin Capitalisation

There are no thin capitalisation rules in EG.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 15% |

Notes:

1. VAT is imposed on the supply of goods or services.
2. The standard rate is 15%. A zero rate applies to exports and similar transactions. Some products are subject to a reduced rate of 6%, others are exempt and others are assessed a special duty tax at a rate of 30%.
3. Resident VAT payers must be registered. Non-resident VAT payers must appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of other VAT obligations.
4. Registered VAT vendors are required to file monthly VAT returns within 15 days of the end of the month. The tax due must be paid within 15 days following the filing of the VAT return.

Customs and Import Duties

Customs duties are set by the CEMAC to which EG belongs. The rates set are as follows:

| Product | Rate |
|---------------------------------|------|
| Basic necessities | 5% |
| Raw materials and capital goods | 10% |
| Intermediate and other goods | 20% |
| General consumer goods | 30% |

Trade between CEMAC countries are, in principle, exempt from customs duties. An Integration Community Tax of 1% is collected on imports from outside the CEMAC. An OHADA Community Tax of 0.5% is also collected on imports from outside the OHADA Zone.

Miscellaneous Taxes

Stamp Duty

Stamp duty is levied on the execution of various documents at rates ranging from 1% to 10%.

Capital Duty

There is no capital duty in EG.



Transfer Tax

Rates are 3% for the transfer of goods and chattels for valuable consideration (between residents and non-residents and between non-residents); 5% on transfers of real estate for valuable consideration between residents and 25% between residents and non-residents; and 5% on transfers for valuable consideration of goods and chattels and livestock, credits and rights not expressly specified.

Real Property Tax

Rural Property Tax of XAF100 is levied for each hectare or fraction thereof of the surface area of the property. An Urban Property Tax is imposed equal to 1% of 40% of the sum of the value of the land and the buildings constructed on it.

Inheritance/Estate Tax

A tax on *mortis causa* applies for all kinds of hereditary successions (10%), donations (5%) and life insurance (10%).

Net Wealth/Net Worth Tax

None.

Payroll Tax

There is no payroll tax. Salaries are only subject to the Work Protection Fund and INSESO contribution. (See under "Social Security" below).

Equatorial Guinea

Other

All payments made by companies in the oil & gas sector are subject to WHT at the following rates: 10% on EG gross income of non-residents obtained from commercial or industrial activities or services (6.25% for EG residents); and 5% on mobilisation, demobilisation and transportation services in EG.

Other potential taxes include property taxes; the tax on vehicle and boat ownership and use; and the tax on the screening and distribution of image and audio recordings.

Social Security

Employees contribute monthly to the National Social Security Fund (INSESO) and the Work Protection Fund. Employee contributions are 0.5% of net salary to the Work Protection Fund and 4.5% of gross salary to INSESO. The employer contributions are 1% of the gross salary to the Work Protection Fund and 21.5% to INSESO.

Tax Administration

Corporations

- Tax year – Calendar year. A company's financial year must correspond to the tax year.
- Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
- Filing requirements – A return showing the company's results for the fiscal year must be filed by 30 April following the end of the tax year. A minimum company tax equal to 1% of the previous year's turnover is payable annually before 31 March. The final instalment is paid on 30 April.



- Penalties – A fine of XAF200 000 per month is levied, capped at 75% of the tax due. The penalty for an understatement of tax liability ranges from 50% (when the amount is 10% higher than the taxpayer's profits) to 100% (bad faith). The authorities also may impose a "best judgment" assessment from 50% to 100% (bad faith). A 50% penalty is imposed for failure to pay the minimum income.

Individuals

- Tax year – Calendar year.
- Filing and payment – Tax payments on income from salaries and wages are withheld by companies or other entities at source before the 15th of the month following payment.
- Penalties – The same penalties apply as for CIT. Additionally, failing to withhold is subject to a 25% penalty and a failure/delay in paying PIT withheld is subject to a 25% plus 10% interest per month penalty, capped at 100% of the total tax withheld.

General Investment Information

Investment Incentives

General Incentives

The Investment Code is intended to encourage and stimulate productive investment in EG. It provides certain general guarantees, such as no expropriation or nationalisation without a just and equitable prior compensation. There are specific customs and tax incentives for some activities such as the oil industry. Special incentives are also offered under tax regulations for companies located in non-coastal areas, including Annobón.

Exchange Controls

Transfers within the CEMAC Zone are not restricted. Prior declaration is required for inward direct investments, which are capital investments in an entity to acquire control (excluding the purchase of less than 10% (or XAF100 million) of the share capital of an unquoted company). Loans obtained by EG companies from foreign shareholders, or from a foreign enterprise within the same group, also require prior authorisation. The reinvestment of undistributed profits is not subject

Equatorial Guinea



to prior declaration, but transfers of at least XAF1 million outside the CEMAC Zone do require authorisation.

Expatriate employees may repatriate part of their earnings on a regular basis and transfers to cover family and dependent expenses outside the CEMAC Zone, may be made without limit.

Expatriates and Work Permits

Expatriates need a work permit. Foreign employees cannot exceed 10% of the staff (30% in the oil & gas sector). At least a third of the members of the board of directors must be EG nationals, and nationals must also be involved with the management of the company.

Trade Relations

Memberships – OHADA, CEMAC, WTO (observer status; not a full member).

Interest and Currency Exchange Rates

Benchmark Interest Rate

2.950% (July 2014)

(source: Trading Economics)

Currency: Franc de la Communauté Financière d'Afrique (XAF)

R1 = 46.2845 XAF (December 2014)

(source: Oanda)

US\$1 = 538.0300 XAF (December 2014)

(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$15.540 billion (2014 estimate)

(source: IMF)

US\$13.705 billion (2015 forecast)

(source: IMF)

Market Capitalisation

Not applicable – EG has no stock exchange or securities market. Capital transfers within the CEMAC region are unrestricted, but there are restrictions on capital accounts transactions with other countries.

Rate of Inflation

3.179% (2013 average)

(source: World Bank)

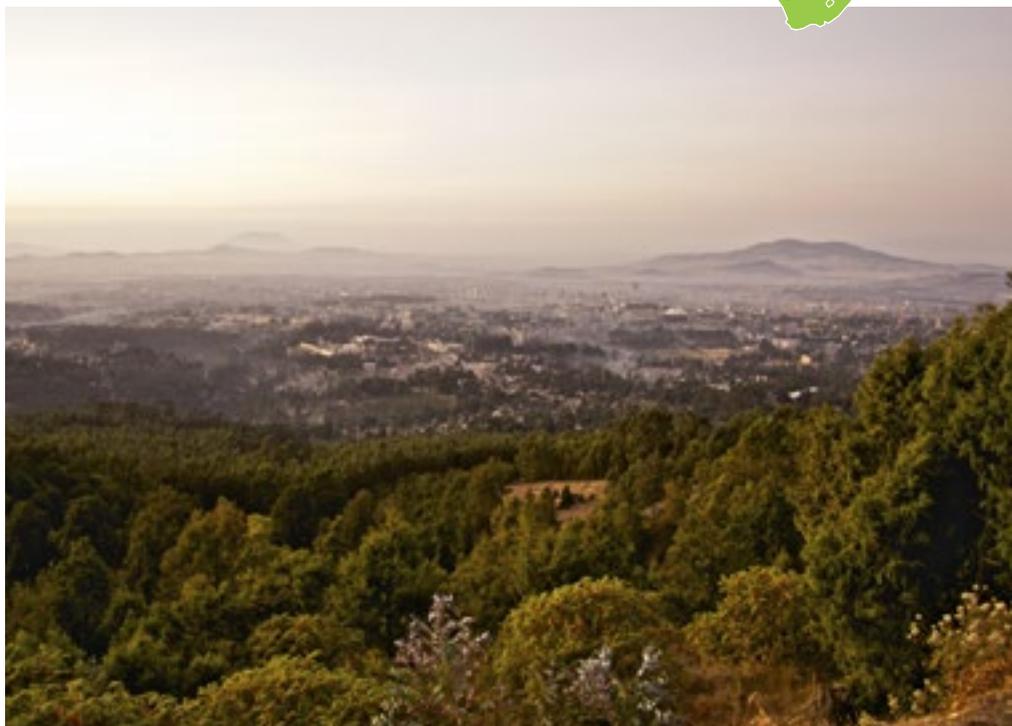
3.910% (2014 average)

(source: IMF)

3.672% (December 2014)

(source: IMF)

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Ethiopia

Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| Birr/ETB | Birr/ETB | % |
| 0 | 1 800 | 0% |
| 1 800 | 7 800 | 10% |
| 7 800 | 16 800 | 15% |
| 16 800 | 28 200 | 20% |
| 28 200 | 42 600 | 25% |
| 42 600 | 60 000 | 30% |
| 60 000 + | | 35% |

Notes:

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on all Ethiopian-source income.
2. Residence – Any individual, who lives in Ethiopia for more than 183 days during a 12-month period, whether continuously or intermittently, will be regarded as a resident for the entire tax period.
3. Rates – Personal Income Tax (PIT) is progressive and ranges from 10% to 35%. These rates apply to part-time employees equally.
4. Taxable income – Any income generated is taxable unless specifically exempt.
5. Deductions and allowances – Includes a transport allowance (maximum ETB1 000 per month) and pension contributions up to 15% of the basic salary.
6. Filing status – Monthly to be filed by the employer for Pay-As-You-Earn (PAYE).
7. Relief from double taxation is available through double taxation treaties (DTAs) to which Ethiopia is signatory. Ethiopia has entered into DTAs with several Arab countries, European Union (EU) countries and African countries.



Non-Residents

Non-residents are subject to tax only on all Ethiopian-source income. The above income tax rates are also applicable to non-residents in respect of employment. In addition, certain payments made to non-residents, at an address outside Ethiopia, are subject to a 10% withholding tax (WHT).

Employment Income

The following categories of income are exempt from payment of PIT:

- Income from employment received by casual employees who are not regularly employed, provided that they do not work for more than one month for the same employer in any 12 months.
- Pension contributions, provident fund and all forms of retirement benefits, contributed by employers in an amount that does not exceed 15% of the monthly salary of the employee.
- Subject to reciprocity, income from employment received for services rendered in the exercise of their duties by diplomatic and consular representatives, and other persons employed in any embassy and who are nationals of that state, and bearers of diplomatic passports.
- Payments made to a person as compensation or gratitude in relation to personal injuries suffered by that person or death of another person.
- Amounts paid by employers to cover the actual cost of medical treatment of employees.

Ethiopia

- Allowances *in lieu of* means of transportation granted to employees under contract of employment limits.
- Hardship allowances for approved locations within the country.
- Amounts paid to employees in reimbursement of travelling expenses incurred on duty.
- Amounts of travelling expense paid to employees recruited from elsewhere than the place of employment, joining and completion of employment, or in case of foreigners, travelling expenses from or to their country, provided that such payments are made pursuant to specific provisions of the contract.
- Allowances paid to members and secretaries of board of public enterprises and public bodies, as well as to members and secretaries of study groups set up by the federal or regional Government of Ethiopia.
- Income of persons employed for domestic duties.

Benefits in Kind

Individuals are taxed on the value of any benefit or advantage arising from employment.

Business Profit Tax

This is the tax imposed on the taxable business income net profit realised from entrepreneurial activity. Taxable business income would be determined per tax period on the basis of the profit and loss account or income statement, which shall be drawn in compliance with the Generally Accepted Accounting Standards.

Corporate businesses are required to pay a 30% flat rate of business income tax. This rate is 25% flat rate for mining companies. For unincorporated or individual businesses, the business income tax rate ranges from 10% to 35%. Unincorporated or individual businesses are taxed in accordance with the table/schedule of rates for individuals.

Companies

The principal taxes imposed on companies, currently in place, include: profit tax, Turnover Tax (TOT), Value Added Tax (VAT), excise tax, customs duty and income tax from employment. VAT has replaced sales tax. Other taxes include: corporate tax, dividend income tax, royalties and stamp duties.

| Income Tax Rates for Companies | |
|--|-------------|
| | Rate of Tax |
| Standard corporate tax rate (Non-mining companies) | 30% |
| Mining companies tax rate | 25% |

Notes:

1. Residence – A company is resident when it is registered according to the countries law for commercial registration.
2. Basis – The accounting basis used to determine is accrual accounting principles where income is recognised as earned and expenses are recognised when incurred.
3. Rate – The Corporate Income Tax (CIT) in Ethiopia is 30% for non-mining companies and 25% for mining companies.
4. Losses – Losses can be carried for two years.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 10% | 10% |
| Interest | 2 | 5% | 5% |
| Royalties | 3 | 5% | 5% |
| Technical service fees | 4 | 2% | 10% |
| Other | 5 | | |



Ethiopia

Notes:

1. Dividends – Every person deriving income from dividends from a share company, or withdrawals of profits from a private limited company, shall be subject to tax at the rate of 10%. The withholding agent shall withhold or collect the tax and account to the tax authority.
2. Interest – Every person deriving income from interest on deposits shall pay tax at the rate of 5%. The payers are required to withhold the tax and account to the tax authority.
3. Royalties – Royalty income shall be liable to tax at a flat rate of 5%. The withholding agent who effects payment shall withhold the foregoing tax and account to the tax authority. Where the payer resides abroad, and the recipient is a resident, the recipient shall pay tax on the royalty income within the time limit set out.
4. Technical service fees – All payments made in consideration of any kind of technical services rendered outside Ethiopia to resident persons in any form, shall be liable to tax at a flat rate of 10%, which shall be withheld and paid to the tax authority by the payer. The term “technical service” means, “any kind of expert advice or technological service rendered”.
5. Other – WHT is payable on import of goods, and is set at 3% of the same cost, insurance and freight (CIF). In cases of organisations having legal personality, government agencies, private non-profit institutions, and non-governmental organisations (NGOs), the amount withheld is 2% of the gross amount of payment.

Capital Gains Tax (CGT)

The current CGT system in Ethiopia applies on sales of building at 15%, and transfer of shares at 30%.

Anti-avoidance

Transfer pricing

Transfer pricing legislation regulates international goods or services transactions between connected persons. The rules allow Revenue and Customs Authority to disallow certain expenditure or adjust income if the contract price is less or more than what the price would have been between parties dealing at arm's length.

Thin capitalisation

Thin capitalisation rules, which regulate the financial assistance granted by non-residents connected to Ethiopians, enable Revenue and Customs Authority to determine whether a local company is thinly capitalised and to disallow interest charged on excessive debt.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 15% |

Notes:

1. VAT is levied at the rate of 15% of the value of:
 - Every taxable transaction by a registered person.
 - Every import of goods, other than an exempt import.
 - Import of services.
2. A person who carries on taxable activity and is not registered is required to file an application for VAT registration with the tax authority if:
 - At the end of any period of 12 calendar months the person made, during that period, taxable transactions the total value of which exceeded ETB500 000; or
 - At the beginning of any period of 12 calendar months, there are reasonable grounds to expect that the total value of taxable transactions to be made by the person during that period will exceed ETB500 000.
3. NGOs are exempt from charging VAT on services. However, they are not exempt from paying VAT on services or goods purchased. This creates a higher tax burden on NGOs than on tax-paying companies as there is no method of recouping amount spent.

Turnover Tax (TOT)

TOT is an indirect tax. The rate for TOT is 2% on goods sold locally; for services, 2% on contractor, grain mills, tractors and combine harvesters, and 10% on others.

Customs and Import Duties

Ethiopia, being a member of the Customs Cooperation Council, ratified the harmonised Commodity Description and Coding System in August 1993.

Duties are levied on CIF value. Excise tax varies widely for different goods.

Ethiopia has significantly reduced customs duties on a wide range of imports. Duty-free items are allowed to visitors. However, the amount allowed is limited. Professional articles and samples, including those imported by businesspersons and commercial travellers, such as cameras and radio equipment, and items imported by visitors, requires special permits which must be obtained from the Ministry of Information and Culture and Environmental and the Wildlife Protection Authority.

Ethiopia

| Customs Rules | |
|----------------------------------|--|
| Import regulations | The following restrictions apply: - 100 cigarettes or 50 cigars or 1/2 lb. of tobacco (adults only). - 1 litre of alcoholic beverages. - 2 bottles or 1/2 litre of perfumes. - Gifts up to a value of ETB10. |
| Export regulations | Free export of goods obtained in Ethiopia, up to a value of ETB500 – For the export of skins and hides and any kind of antique articles (e.g. swords, bibles, etc.) export certificates are required. |
| Pets | Cats and dogs must be accompanied by veterinarian good health certificate issued at point of origin. |
| Crew members customs regulations | Same regulations as for passengers apply. |
| Baggage clearance regulations | Baggage is cleared at first international point of entry (Bole International Airport (ADD)). |
| Exempt | Baggage of transit passengers with a destination outside of Ethiopia when the onward flight is within 24 hours. |

Import Duties

All importers and exporters must be registered with the Ministry of Trade and obtain a trading licence. The Ministry regulates imports. Foreign exchange permits are required for all importers. Highly protective tariffs are applied on certain items such as textile products, leather goods etc., to protect local industries.

Miscellaneous Taxes

Stamp Duty

The following instruments are chargeable with stamp duty:

- Memorandum and articles of association of any business organisation, cooperative or any other form of association.
- Awards, bonds and warehouse bonds.
- Contract and agreements and memoranda.
- Security deeds.
- Collective agreement.
- Contract of employment.
- Lease, including sub-lease and transfer of similar rights.
- Notarial acts.
- Power of attorney.
- Documents of title to property.

Tax on Gains of Transfer of Certain Investment Property

This is the tax payable on gains obtained from the transfer (i.e. sale or gift) of a building held for business, factory, office, and shares of companies. Such income is

taxable at the following rates:

- Building held for business, factory, and office at the rate of 15%.
- Shares of companies at the rate of 30%.

Gains obtained from the transfer of a building held for residence, shall be exempted from tax provided that such building is fully used for dwelling for two years prior to the date of transfer. Any person authorised by law to accept, register, or in any way approve the transfer of capital assets, shall not accept, register, or approve the transfer, before ascertaining that the payment of the tax has been duly effected.



Tax on Income from Rental of Buildings

This is a tax imposed on the income from rental of buildings. If the taxpayer leased furnished quarters, the amounts received attributable to the lease of furniture and equipment, would be included in the income and taxed. The tax payable on rented houses would be charged at the following rates:

- On income of bodies, 30% of taxable income.
- On income of persons, according to the rates for PIT.

Other

- Tax on Income from Games of Chance – Every person deriving income from winning of “games of chance” (e.g. lotteries, tombolas, and other similar activities) shall be subject to tax at the rate of 15%, except for winning of less than ETB100. The payer shall withhold or collect the tax and account to the tax authority.
- Land Use Tax – Presently regional states have their own land use rent systems and the rate differs from region to region.

Social Security

Old Age, Disability, and Survivors

- Insured person – 7% (public sector) or 5% (private sector, gradually rising to 7% by 2013) of basic salary. The insured’s contributions also finance work injury benefits.
- Self-employed person – Voluntary contributions.
- Employer – 11% (public sector), 7% (private sector, gradually rising to 11% by 2015), or 24% (military) of payroll. The employer’s contributions also finance work injury benefits.

Sickness and Maternity

No statutory benefits are provided.

Work Injury

- Temporary disability benefits – A lump sum of 47% of the insured’s monthly basic salary, multiplied by five years, multiplied by the assessed degree of disability, is paid.
- Permanent disability pension – 47% to 70% of the insured’s monthly basic salary is paid according to the assessed degree of disability. If the value of the disability pension is less than or equal to the insured’s entitlement to the old-age pension, the old-age pension is paid, up to 70% of the insured’s monthly basic salary.
- Survivor benefits – Survivor pension is 50% of the



deceased’s pension paid to the widow(er). The pension ceases on remarriage if the widow is younger than age 45 (age 50 for a widower, no limit if disabled).

Tax Administration

Corporations

- Tax year – Accounting period.
- Filing requirements – Balance sheet and income statement.
- Penalties – Non-filing, late filing, understatement of income and interest.

Individuals

- Tax year – Calendar year.
- Filing and payment – Monthly.
- Penalties – If the amount of tax shown on a declaration understates the amount of tax required to be shown, the taxpayer is liable for a penalty in the amount of 10% of the understatement, or 50% if the understatement is considered substantial. The understatement is considered substantial if it exceeds 25% of the tax required to be shown on the return or ETB20 000. A taxpayer, who fails to pay tax liability on the due date, is subject to a penalty of 5% of the amount of unpaid tax on the first day after the due date has passed; and an additional 2% of the amount of tax that remains unpaid on the first day of each month thereafter.

General Investment Information

Investment Incentives

General Incentives

- Ethiopia's Investment Code provides incentives for development related investments, reduces capital entry requirements for joint ventures, permits the duty-free entry of capital goods (except computers and vehicles), opens the real estate sector to expatriate investors, extends the losses carried forward provision, and gives priority to investors in obtaining land for lease.
- Ethiopia reserves many businesses in the service and trade sectors for domestic investors. These areas include: broadcasting, retail and wholesale trade (except in petroleum and locally produced goods), import trade, export trade of local agricultural products, small and medium-scale construction, bars and nightclubs, small hotels and restaurants, travel agencies, car and taxi services, bakery products, grinding mills, barber shops and beauty salons, goldsmith shops, tailoring services, building and vehicle maintenance services, saw-milling, customs clearance, museums and theatres, and printing.
- The Government reviews investment proposals in a non-discriminatory manner; the screening process is not regarded as an impediment to investment, a limit to competition, or a means of protecting domestic interests.



- There is no discriminatory or excessively onerous visa, residence, or work permit requirements against foreign investors. Foreign investors do not face unfavourable tax treatment, denial of licence, discriminatory import or export policies, tariff or non-tariff barriers, etc.

Tax Incentives

To encourage private investment and promote the inflow of foreign capital and technology into Ethiopia, the following incentives are granted to both domestic and foreign investors engaged in areas eligible for investment incentives:

- Customs Import Duty.
- Income Tax Holiday.
- Duty Draw-Back Scheme.
- Voucher Scheme.
- Bonded Manufacturing Warehouse Scheme.

Export Incentives

A number of export incentives are available including facilitation of access to working capital finance.

Other Incentives

- Privatisation programme – The Government has embarked upon an extensive programme of divestiture of state enterprises with a view to curtailing the Government's role in the production of goods and services.
- Mining – Ethiopia offers very good prospects for mineral prospecting and development.
- Agriculture – Agriculture is the backbone of the economy, providing employment to 85% of the population. The sector contributes about half of the Gross Domestic Product (GDP) and three-fourths of total exports, with coffee alone accounting for up to 65% of total exports. Furthermore, agriculture plays a crucial role in providing raw material inputs for industry.
- Agricultural services – Considerable scope exists for investment in the provision of agricultural support services such as pest and disease control, technical consultancy, agricultural machinery, cold storage, transport and marketing services.
- Horticulture – Ethiopia is endowed with agro-climatic conditions that are suitable for the production of a broad range of fruits and vegetables, including temperate, tropical and sub-tropical crops.

Exchange Controls

All foreigners are required to open Birr accounts with one of the commercial banks in Ethiopia. Credits to these accounts can only be made with foreign exchange receipts from abroad or checks from other similar accounts. Credits between two locally based accounts are not allowed. Cheques from Ethiopian nationals, Birr cash and funds from a locally paid working spouse, may not be deposited without approval from National Bank. International personnel can pay by cheque, or in cash, for expenses such as rent, air tickets, school fees and purchases from Victory and duty-free shops.

Foreigners may remit limited funds abroad from their earnings deposited into local accounts. Such cases are considered individually and after the deduction of what is considered a reasonable amount for local living expenses. Foreign currency may be drawn on presentation of a confirmed air ticket for international travel. On final departure from the country, the balance in the account may be converted into foreign currency upon presentation of evidence to the National Bank as to how the remaining funds were acquired.

Currency Import Regulations

Local currency (ETB): Up to ETB100 per person; foreign currencies: unlimited, provided declaration is made to Customs on arrival. Exchange of foreign currency only via authorised banks.

Currency Export Regulations

Local currency (ETB) provided the passenger holds a re-entry permit: ETB100 per person; foreign currencies: up to the amounts imported and declared.

Expatriates and Work Permits

Visas may be secured upon application to an Ethiopian diplomatic or consular mission abroad.

The basic eligibility criteria for getting work permits are as per the procedural requirements provided by the Ministry of Labour and Social Affairs. The requirements may differ depending on the type of organisation that is going to hire the expatriate worker i.e. it may be a NGO, government or a private organisation. Moreover, the requirements may also differ in the kind of permit the applicant seeks to obtain i.e. a new work permit, to renew an existing permit or to want obtain clearance for the permit. Obtaining a work permit therefore



involves a strict requirement of providing the work permit of the hiring organisation, a recommendation letter from the concerned governmental bodies and other pertinent government organs, based on the kind of work for which the work permit is requested, providing an appropriate educational and experience documents.

A resident permit will be issued to a foreign investor upon submission of an investment permit issued by the Ethiopian Investment Authority and work permit to the Security Immigration and Refugee Affairs Authority.

Trade Relations

Treaties – A number of collaborative treaties are signed with a number of countries to enhance economic cooperation and trade facilitation.

Ethiopia

Notes:

1. A first time comprehensive Double Taxation Convention between the United Kingdom and the Federal Democratic Republic of Ethiopia was signed in London on 9 June 2011. The Convention generally follows the OECD Model Double Taxation Convention. Important features include: low WHTs for dividends, interest and royalties, a “matching credit” provision for tax given up under Ethiopia’s Investment Incentive Legislation, and the latest OECD Model provision on Exchange of Information.

Interest and Currency Exchange Rates

Benchmark Interest Rate

5.00% (last reported 2014)

Currency: Ethiopian Birr (ETB)

R1 = 1.72841 ETB (December 2014)

(source: Oanda)

US\$1 = 20.0917 ETB (December 2014)

(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$51.865 billion (2014 estimate)

(source: IMF)

US\$56.375 billion (2015 forecast)

(source: IMF)

Market Capitalisation

Not applicable – Ethiopia does not have a stock exchange. The Government issues Treasury bills for its money market operations.

Rate of Inflation

8.030% (2013 average)

(source: IMF)

6.192% (2014 average)

(source: IMF)

6.995% (December 2014)

(source: IMF)



Notes:

1. In Ethiopia, interest rate decisions are taken by Monetary Committee of the National Bank of Ethiopia. The official rate is the Bank’s Savings Rate.
2. In an effort to combat inflation, the Government implemented a tight monetary policy stance. This measure, aided by slowdown in global food and fuel price inflation, saw CPI decelerate to 10.3% in February 2013, from 39.2% in November 2011. The Government’s determination to hold down prices was further reflected in its prudent fiscal policy focusing on strengthening domestic resources and reducing domestic borrowing.

Gabon



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Gabon

Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| XAF | XAF | % |
| 0 | 1 500 000 | 0% |
| 1 500 001 | 1 920 000 | 5% |
| 1 920 001 | 2 700 000 | 10% |
| 2 700 001 | 3 600 000 | 15% |
| 3 600 001 | 5 160 000 | 20% |
| 5 160 000 | 7 500 000 | 25% |
| 7 500 001 | 11 000 000 | 30% |
| 11 000 001 + | | 35% |

Notes:

1. Basis – Residents are taxed on global net income. Non-residents are taxed only on Gabon-source income.
2. Residence – Individuals having their usual abode, or having spent at least six months, in Gabon are considered resident. Normally an individual is considered having his/her usual abode in Gabon, if his/her principal residence, main business or professional activity, or centre of financial interests, is located in Gabon.
3. Taxable income – Taxable income includes: employment income, investment income, capital gains, income from real estate and business income.
4. Deductions and allowances – Deductions and allowances are available mainly based on family situations.
5. Rates – The tax rates on ordinary income are progressive, ranging from 0% to 35%.
6. Filing status – Married persons may file an individual or joint tax return.

Non-Residents

Non-residents are taxed only on Gabonese-source income.

Employment Income

The individual, or company, who pays taxable incomes, must withhold Personal Income Tax (PIT).

Companies

| Income Tax Rates for Companies | |
|---|-------------|
| | Rate of Tax |
| Standard corporate rate (oil and mining sectors) | 35% |
| Lower rate – companies operating in other sectors | 30% |
| Lower rate – public businesses, associations, non-profit making communities, certain real estate companies, authorised companies in the tourism sector, companies holding intellectual property titles and the Gabonese Bank of Development | 25% |

Notes:

1. Residence – A corporation is resident if it is registered as a Gabonese company and it is incorporated in Gabon. Corporation tax is assessed on income earned by companies operating in Gabon, or from transactions carried out in Gabon, subject to double taxation treaties (DTAs).
2. Basis – A territorial tax system applies, under which tax is imposed only on profits derived by a resident or non-resident entity from operations in Gabon.
3. Alternative Minimum Tax (AMT) – Companies subject to corporate tax, or to revenue personal tax, are subject to minimum tax based on the global gross turnover. The minimum corporation tax is equal to 1% of the reference basis and cannot be less than XAF1 million. Companies newly incorporated are exempted from the AMT during the first two tax years, irrespective of their sector of activities.

4. Chargeable income – The “taxable income” of both resident and non-resident companies is defined as “net income” determined by the overall results of operations during the taxable period, including without limitation transfers of any part of the assets. This also includes capital gains resulting from the transfer of shares from persons whose assets are mainly constituted of such shares or of shares directly or indirectly held in a company incorporated in Gabon. The “net income” represents the difference between the value of “net assets” at the opening and the close of the period, less additional contributions and increased with the levy realised during this period by the shareholders. “Net assets” is the excess of asset values on the total after taking into account liability claims by third parties, depreciation and justified provisions/reserves.
5. Dividends – Dividends received by a resident company, from a resident or non-resident company, are subject to a 20% withholding tax (WHT) (final tax). Where dividends are received by a corporate shareholder that holds at least 25% of shares of the payer company, the head offices of the shareholder and its affiliates are located in Gabon or another Central African Economic and Monetary Union (CEMAC) state, and the shares remain registered in the name of the shareholder for at least two consecutive years, the rate of the WHT on dividends is reduced to 10% (final tax). In the case of dividends received from a non-resident company, foreign tax paid on the dividends is not creditable against Gabon company tax unless a tax treaty provides for such a credit.
6. Losses – Tax losses may be carried forward for up to five years but may not be carried back.
7. Foreign tax credit – A foreign tax credit may be obtained only for tax paid to jurisdictions with which Gabon has concluded a tax treaty.

8. Holding company regime – Holding tax regime does not allow to file a consolidated tax return or to transfer losses between group members. Only Gabon resident companies are qualified to be group holding companies. However, resident and non-resident legal entities may qualify for the status of a subsidiary company in a group. The minimum (direct or indirect) participation between the companies is 50% of the share capital, and shall allow one or several of these companies, jointly, to control the others. Such control is deemed to be when the company detains directly or indirectly the majority of the voting rights or when the company appoints, during two consecutive years, the majority of the members of the board of another company. The group holding company must supply certain services to its subsidiaries which include, among other things, financial, technical, accounting, legal, management, information technology (IT), human resources, marketing and research and development (R&D). A holding company, whose sole purpose is to hold shares in its subsidiaries, is not qualified to participate in the group special tax regime. The following main specific rules apply under the group tax regime:
 - Capital gains on the transfer of assets between group member companies which are liable to Corporate Income Tax (CIT), are subject to a final 20% tax rate.
 - Head office expenses and technical assistance lump sum fees between group companies are deductible subject to an advance pricing agreement.
 - Interests on current accounts are fully deductible. However, the interest rate must not exceed the Central Bank Rate increased by two percentage points.
 - Rental payments for hiring movable assets between group members are deductible.
 - An exemption is granted from the 10% WHT on payments for fees, royalties, services provided or interest paid to non-resident group member companies.





- A tax-sparing credit is granted on incomes from moveable capital received from foreign sources which have been subject to a similar taxation in the source country, even in the absence of a tax treaty between Gabon and the source country. The tax credit may be carried forward for two years. Under the group tax regime, a 5% WHT applies on dividends paid by a Gabonese member company to another group member company. Also, a 10% WHT is due on dividend payments made by the holding company to its shareholders.

Withholding Taxes (WHTs)

The WHT rates are set out below:

| WHT Rates | | | |
|------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 20% | 20% |
| Interest | 2 | 10% | 10% |
| Royalties | 3 | 10% | 10% |
| Technical service fees | 4 | 9.5% | 10% |
| Branch remittance tax | 5 | n/a | 15% |

Notes:

1. Dividends – Dividends paid by a Gabonese company to a resident or non-resident individual or corporate shareholder are subject to a 20% WHT, unless a tax treaty provides for a lower rate. Dividends paid by a Gabonese company to a corporate shareholder are subject to a 15% WHT. In the case of a dividend received from a non-resident company, foreign tax paid on the dividend is not creditable against Gabon company tax unless a double tax treaty (DTA) provides for such a credit. The treatment of dividends received by corporate shareholders differs when cumulatively: (i) the shareholder owns at least 25% of the shares in the affiliate; (ii) the head offices of the shareholder and its affiliate are located in Gabon or another CEMAC state; and (iii) the shares remain registered in the name of the shareholder for at least two consecutive years. In this situation, dividends are subject to a 10% WHT.
2. Interest – Interests paid by a Gabonese company to a non-resident entity are subject to a 10% WHT calculated on the gross amount paid (excluding tax on turnover).
3. Royalties – Royalties paid by a Gabonese company to a non-resident entity, as well as commissions, consultancy fees and fees for services performed in Gabon, are subject to a WHT of 10%.
4. Technical service fees – Technical service fees paid by Gabonese entities to resident entities liable to CIT but not subject to Value Added Tax (VAT) are subject to a WHT of 9.5%. Technical service fees paid by Gabonese entities to non-resident entities are subject to a WHT of 10%, subject to a DTA. If the technical service performed by resident or non-resident entity is provided in Gabon, technical service fees are also subject to VAT at 18%.
5. Branch remittance tax – After taxation to corporate tax, net profits realised by one or several Permanent Establishments (PEs) in Gabon belonging to a public limited liability company, or to a private limited liability company having its head office outside Gabon, are subject to a WHT of 15% (10% in the case that the non-resident company is located in a country having signed a DTA with Gabon).

Maximum WHT Rates once a DTA is applied

| WHT on payments to countries with which Gabon has a DTA | | | | | |
|---|---------|--------|--------|------|-------|
| | Belgium | France | Canada | OCAM | CEMAC |
| Dividends | 18% | 15% | 15% | - | - |
| Interest | 15% | 10% | 10% | - | - |
| Royalties | 10% | 10% | 10% | - | - |
| Technical service fees | 10% | 10% | 10% | - | - |
| Branch remittance tax | 10% | 10% | 10% | - | - |

Capital Gains Tax (CGT)

Individuals

Capital gains derived from the sale of securities are taxed at 20%. Capital gains from the sale of real estate property are exempt from PIT in certain cases.

Companies

Capital gains are treated as ordinary business income and are taxed at the normal CIT rate. This notably includes capital gains made on the transfer of shares owned by persons whose assets are mainly constituted with such shares, or with shares directly or indirectly held in a company located in Gabon. However, capital gains realised on the disposal of a fixed asset in the course of trading, are excluded from income for a period of three years, if the taxpayer records the capital gain in a special account and reinvests the gains in new fixed assets for business within this period. Capital gains resulting from the free allocation of shares, founder's



shares or debentures on the merger of limited liability companies, or limited partnerships with share capital, are also excluded if the surviving or new company has its registered office in Gabon. The same exemption is available in case of split or partial transfer of assets operated by a limited liability company or limited partnership, when the companies benefiting from the transfer have their seat in Gabon and the transfer occurs at the same date for all the beneficiary companies and results in the immediate winding up of the transferring company.

Anti-avoidance

Transfer Pricing

Non-arm's length expenses and payments between companies that are under the control of, or that are controlling a company located outside the CEMAC Zone, are considered abnormal management acts and income may be adjusted by the tax authorities.

Thin Capitalisation

There are no thin capitalisation rules in Gabon.

Value Added Tax (VAT)

| VAT | |
|---------------|-----|
| Standard rate | 18% |

Notes:

- VAT is imposed on the supply of goods or services in Gabon and on the import of goods or services.
- The standard rate is 18%. A reduced rate of 10% applies to some goods, including mineral water produced in Gabon, imported meat and chickens, sugar, laptops and desktops, canned vegetables and fruits and replacement parts for cars, etc. A rate of 5% applies to cement. A rate of 0% applies to qualifying exports that have been properly declared to customs and international carriages.
- Registration – For the provision of services, operators fall outside the scope of VAT and are not required to register where annual revenue is below XAF60 million. VAT returns must be filed monthly by the 20th of the following month.

Miscellaneous Taxes

Stamp Duty

Stamp duty is imposed on various instruments, such as corporation charters, corporation minutes and the transfer of shares and deeds.

Capital Duty

A fixed or proportional duty applies to transactions that impact a company's share capital (e.g. increase of share capital by cash contribution is subject to a fixed duty of XAF20 000 and increase by capitalising reserves is subject to a proportional duty of 1%).

Real Property Tax

Owners are liable for a tax based on the rental of the property at a rate of 15% on developed property, and 25% on undeveloped property.

Transfer Tax

Transfers of shares are subject, in particular, to a transfer tax equal to 3% of the sales price. Transfer of a business, or customers, is subject to a transfer tax equal to 15%, with additional tax equal to 2% when the goods are located in Libreville or Port-Gentil.

Inheritance/Estate Tax

Tax rates vary according to the family tie and the net amount of the inheritance (i.e. exemption or from 3% to 35%).

Payroll Tax

Payroll tax on salaries and premiums must be withheld at the progressive applicable rate by the employer and remitted to the tax authorities within the first 15 days of the month following the salary paid. An additional tax on salaries must be withheld at a rate of 5% by the employer and remitted within the same deadline.

Other

As an advance payment of income tax, a 9.5% WHT applies to all payments made by a Gabonese resident to a Gabonese residential provider of services subject to CIT or PIT but not subject to VAT. The basis of the tax is the amount corresponding to the service provided, VAT excluded. Sums paid to casual or interim workers are subject to a 9.5% WHT.

A WHT of 10% applies to certain payments made by a resident to a foreign services provider that is subject to CIT or, in some cases, PIT, and that does not have a professional PE in Gabon.

Social Security

Social security contributions are levied at source by the employer from salary payments and remitted as follows:

- Payment of social contributions to the National Fund for Social Security (CNSS) – Annual upper limit of XAF18 million including benefits in kind and excluding reimbursement of expenses and allowances, at a rate of 2.5% for the employee, and 16% for the employer.
- Payment of social contributions to the National Fund for Health (CNAMGS) – Monthly upper limit of XAF6 million, at a rate of 2.5% for the employee and 4.1% for the employer.

Tax Administration

Corporations

- Tax year – Calendar year but can be shorter or longer in certain cases.
- Consolidated returns – There is no system of group taxation in Gabon. Taxable companies are taxed separately.
- Filing requirements – Corporate tax returns are normally due by 30 April of the year following the tax year.
- Penalties – Taxpayers that file their returns late are subject to a 5% penalty before notice and to a 10% penalty within seven days following the notice. Those who fail to file their tax returns within seven days following the notice are subject to an automatic (estimated) taxation and a 100% penalty (150% in case of second offence). Late payments are subject to a 10% penalty for the first month and a 3% penalty for the following months.
- Rulings – Rulings are not a regular practice but may be obtained from the tax authorities.

Individuals

- Tax year – Calendar year.
- Filing and payment – The income tax return generally must be filed before the 1st day of March of the following tax year. Tax on employment income is withheld by the employer from employee's salary and remitted to the tax administration by the 15th of the following month.
- Penalties – Taxpayers that file their tax returns late are subject to a 5% penalty. Those who fail to file their returns are subject to a 100% penalty. Special penalties may apply in the case of bad faith or abuse of law.

General Investment Information

Investment Incentives

General Incentives

- Gabon provides certain legal guarantees, such as non-discrimination between enterprises owned by nationals and those owned by foreigners and no expropriation or nationalisation without just and equitable prior compensation as determined by an independent third party.
- There are specific incentives for some activities, such as the oil, timber and cement industries, hardware, airport infrastructure development, regulatory "agency of posts" and telecommunications, mines and tourism, as well as for new businesses.
- Specific tax, social and custom regimes for economic zones (such as Mandji Island and Nkok) have been introduced to promote new investment in industry, commerce and services through the establishment of new enterprises. The most significant investment incentives are corporate tax exemption for 10 years for new companies, VAT exemption for 25 years, WHT exemption for 25 years, property tax exemption for 25 years and import duty exemption for 25 years.
- Other social incentives include the recruitment of employees in an economic zone with a special regime done by an employment contract freely negotiated.

Tax Incentives

On 2 January 2012, the President of Gabon promulgated Decree No.0001 on the Finance Law for 2012, that provides the following tax incentives:

- Companies in the cement production sector will enjoy a seven-year period of exemption from CIT; reduction of the WHT rate from the standard 15% rate to 10% on distribution of dividends and interest payments; full deduction of interest incurred for business purposes; a seven-year period of exemption from VAT on certain operating expenses; and possible refunds of input VAT on equipment used for business purposes.
- Benefits for companies engaged in the wood industry include a five-year period of exemption from CIT and from the minimum lump sum tax; a five-year period of exemption from WHT on distribution of dividends

and interest payments; application of the declining balance depreciation method for certain equipment; and creation of a special renewal reserve for certain equipment.

- In addition, the Law applies a reduced 5% customs duty rate on imports of personal computers, and a registration duty of 1% on the contribution in kind upon a company's formation or increase of share capital.
- The Law also requires that oil subcontractors keep their local accounts under the OHADA Simplified Accounting Standards.

The Finance Law for 2013 provides the following incentives:

- Enterprises operating a hotel business in the tourism sector, that realise a new minimum investment of XAF300 million (taxes excluded), are exempted from CIT during the first three years of activity.
- Concerning the investments in the tourism sector below XAF300 million (authorised by the ministries in charge of tourism and finance), the CIT is reduced within the limit of this tax by the tax credit corresponding to 50% of the amount of the investment (taxes excluded), during a five-year period.
- Enterprises operating in the tourism sector (as defined under the Order No.02/2002 dated 12 February 2002), are exempted from the CIT/PIT during the first five years of activity following the end of the construction period of the project. After the period of total exemption, only half of the taxable profit is subject to CIT/PIT.
- Companies newly incorporated are exempted from the minimum corporate tax during the first two tax years, irrespective of their sector of activity.
- The Law requires that oil subcontractors benefiting from the simplified tax regime, exclusively operate within the framework of petroleum operations. The option for the simplified tax regime is not revocable during a two-year period renewable once, without exceeding a total period of four years.

Exchange Controls

Inward direct investment requires prior declaration when the investment exceeds XAF100 million.

"Inward direct investment" means the participation up to 10% of the share capital of a company (below 10% participation to the share capital of a company assimilated to a loan). Loans obtained by Gabonese

companies from a foreign company, also require prior authorisation when the amount exceeds XAF100 million. The reinvestment of undistributed profits is not subject to prior declaration. Transfers outside the CEMAC Zone require prior declaration, except those below XAF1 million.

The transfers must be made through banks authorised by the Central Bank to act as intermediaries. An import licence permitting the importation of merchandise, also constitutes an authorisation to pay the relevant invoice.

Expatriates and Work Permits

Both a visa and a work permit are required by anyone entering Gabon with the intention to work.

Business Visa

If entering Gabon to work for a period of less than 90 days, it is possible to enter the country on a simple business visa, which is available from the nearest Gabonese Embassy in the applicant's country of residence. This process takes approximately five working days. Costs depend on the country of residence's embassy.

Work/Resident Permit

There are three stages to the work/resident permit application:

Work Authorisation Application

An application for "work authorisation" must be sent to the Gabonese Ministry of Labour and Employment before entering the country. This process takes approximately one month, costing XAF250 000.

Entry Authorisation Application

Once "work authorisation" is received, the applicant must apply to the *Direction Générale à la Documentation et l'Immigration* (DGD) in order to obtain "entry authorisation". This process takes approximately 10 working days, costing XAF45 000.

Residence Permit Application

If the applicant is planning on staying in Gabon for a period in excess of 90 days, a residence permit is also required. Applications must be sent to the DGD. This process takes two days. Costs depend on the nationality of the individual concerned.

Expatriate employees staying in Gabon for more than three months, and their Gabonese employer, have to contribute to the CNSS and CNAMGS.

Trade Relations

- Memberships – UA, OHADA, CEMAC, UDEAC, UMAC, OCAM.
- Tax treaties – CEMAC, OCAM, Belgium, France and Canada.

Interest and Currency Exchange Rates

| Lending Interest Rate |
|--|
| 18.08% (10-year average) (source: The Global Economy) |
| Currency: CFA Franc (XAF) which is linked to the euro (€) at a fixed exchange rate |
| R1 = 46.248 XAF (December 2014) (source: Oanda) |
| US\$1 = 531.981 XAF (December 2014) (source: Oanda) |
| US\$1 = 490.973 XAF (2014 average) (source: Oanda) |

Key Economic Statistics

| GDP (approx.) |
|---|
| US\$20.675 billion (2014 estimate) (source: IMF) |
| US\$21.724 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| Not available. |
| Rate of Inflation |
| 0.480% (2013 average) (source: IMF) |
| 4.735% (2014 average) (source: IMF) |
| 1.701% (December 2014) (source: IMF) |

The Gambia

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The Gambia

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Income Tax

Residents

Residents are subject to tax on worldwide income.

Note: Personal Income Tax (PIT) is calculated according to a schedule given by the General Tax Code. This is a progressive rates system and, for each bracket, the rate is applied to the corresponding part of the taxable income as shown in the table below:

| Income Tax Rates for Resident Individuals: Effective 1 January 2013 | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| GMD | GMD | % |
| 0 | 18 000 | 0% |
| 18 001 | 28 000 | 5% |
| 28 001 | 38 000 | 10% |
| 38 001 | 48 000 | 15% |
| 48 001 | 58 000 | 20% |
| 58 001 + | | 30% |

Notes:

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax on most Gambia-source income only under reserve of double taxation treaties (DTAs).
2. Residence – An individual is resident in The Gambia if he/she has a main residence in The Gambia or is present in The Gambia for at least 183 days in the relevant calendar year.
3. Rates – Individual income tax is levied at progressive rates up to 30%.
4. Interest income – Interest income is subject to withholding tax (WHT) at source at the rate of 15% for individuals which is also a final tax.
5. Taxable income – Income is taxed under a scheduler system. Employment income, including most employment benefits, is taxable. Profits derived from carrying on of a trade, or profession, by individuals are generally taxed under the Pay-As-You-Earn (PAYE) system.

6. Deductions and allowances – Retirement benefits to approved pension funds may be deducted up to the lesser of 25% of gross income or GMD18 000 reduced by the employer's contributions. There are no personal allowances.
7. Filing status – Joint returns are not permitted. Each taxpayer must file his/her own return separately.
8. Foreign tax relief – Relief from double taxation is available through tax treaties to which The Gambia is signatory. In general, double taxation relief methods and procedures for resident individuals are the same as those for resident companies. If a resident has a foreign tax loss for a tax year, the amount of the loss can be carried forward to the following tax year and allowed as a deduction against the person's foreign-source income. The loss can be carried forward for a period of six years.

Non-Residents

Non-residents are taxed only on their Gambia-source income.

Employment Income

Salaries are subject to a wages tax under a PAYE system. Expenses incurred in deriving employment income are not tax deductible:

- When the employee is tax resident in The Gambia, notwithstanding the fact that his remunerative activities are performed outside The Gambia or the employer is not established in The Gambia.
- When the employee is not tax resident provided that his remunerative activities are performed in The Gambia and the employer is established in The Gambia.

Benefits in Kind

Fringe benefits are taxable on the employer and not on the employee. The benefits are subject to a so-called fringe benefits tax.

A "fringe benefit" is defined as a housing fringe benefit, motor vehicle fringe benefit, household personal fringe benefit, loan fringe benefit, debt waiver fringe benefit, property fringe benefit, medical fringe benefit, life insurance fringe benefit, entertainment fringe benefit and residual fringe benefit.

The value of a right, or option to acquire shares, under an employee share scheme granted to an employee, is

The Gambia



not subject to income tax, but to capital gains tax. If, in a tax year, an employee is issued with shares under an employee share scheme, including shares issued as a result of the exercise of an option or right to acquire the shares, the employment income of the employee for the year includes the fair market value of the shares at the date of issue reduced by the employee's contribution for the shares.

If shares issued to an employee under an employee share scheme are subject to a restriction on the transfer of the shares; no amount is included in the employment income of the employee until the earliest of the time the employee has a free right to transfer the shares and the time the employee disposes of the shares; and the amount included in the employment income is the fair market value of the shares at the time the employee has a free right to transfer the shares or disposes of the shares, as the case may be, as reduced by the employee's contribution for the shares.

Payroll Tax

Payroll tax is imposed on employers who employ non-Gambian nationals. The annual payroll tax payable is GMD40 000 for each non-West African employee and GMD10 000 for each West African employee. The tax is due and payable in January or at any other time depending on when the expatriate started work in The Gambia.

The tax paid is not deductible and cannot be set off against any other taxes in The Gambia.

Pension Income

Any lump sum payment withdrawn from an approved fund at retirement, death or upon the beneficiary becoming permanently incapable of engaging in an occupation, is exempt from tax.

For tax purposes, only contributions made to an approved fund are deductible. The deduction is limited to 25% of one's gross assessable annual emoluments or GMD18 000 per annum, whichever is lower.

Contributions made to non-resident pension funds are not deductible for individual income tax purposes.

Investment Income

Dividends received by an individual are subject to a final WHT at the rate of 15% on the gross receipt. Dividends distributed by a company operating within a priority sector, declared under The Gambia Investment and Export Promotion Agency (GIEPA) Act of 2010, are exempt for a period of five years from the date of first declaration.

Interest earned by an individual is subject to a final WHT of 15%. The tax is based on the gross amount received. However, interest earned on savings at The Gambia Postal Services Corporation is exempt from tax.

Royalties are taxable at standard tax rates. No WHT applies. Revenue expenses incurred in deriving royalties are deductible. However, royalties paid to a non-resident person will be subject to WHT at the rate of 15%.

Income from immovable property is generally subject to tax at the standard tax rates. However, income from the rental of residential and commercial properties, is subject to tax at the rates of 10% and 15% respectively, which are final.

Business and Professional Income

The principles for determining an individual's taxable business and professional income, including determining the deductible expenditure, are the same as those for corporate entities i.e. the taxable income of an individual is calculated as gross income, less permitted general deductions. Different sources of income are taxed separately.

The Gambia

Companies

| Income Tax Rates for Resident Companies | |
|---|---|
| | Rate of Tax |
| Normal corporate tax rate | 31% |
| Alternative Minimum Tax (AMT) | 1.5% and 2.5% of gross revenues for audited and unaudited accounts respectively |

Notes:

1. Residence – A company is resident in The Gambia in a tax year if: (i) it was incorporated or formed under the laws of The Gambia; or (ii) the control and management of the company's business are exercised in The Gambia at any time in the tax year.
2. Basis – Resident companies are taxed on their worldwide income; non-residents companies are taxed only on their Gambian-source income.
3. Chargeable income – The calculation of taxable income is arrived at by adjusting the accounting profits for non-taxed income and disallowed expenses.
4. Losses – If a company has a business loss for the year that amount is carried forward to the following year and allowed a deduction in computing the chargeable income for that year. Losses can only be carried forward for six years after the tax year in which the loss is incurred.
5. Dividends – Dividends are taxable under the withholding tax section.
6. Interest – A deduction is allowed for any interest incurred in a tax year if the company used the proceeds or benefit of the debt on which the interest is payable. The interest not deducted can be carried forward for a period of six years.
7. Foreign tax credit – Can be set off against a tax liability of the same income.
8. Corporate groups – Not permitted for taxation purposes.
9. Holding company regime – None.
10. Other – There are no controlled foreign company (CFC) rules in The Gambia.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|----------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 0% | 15% |
| Interest | 2 | 15% | 15% |
| Royalties | 3 | 15% | 15% |
| Other | 4 | 15% | 15% |
| Contractors/subcontractors | 5 | 10% | 15% |

Notes:

1. Dividends – Dividends paid to non-resident companies are subject to a final WHT at the rate of 15% on the gross amount. However, dividends paid by a company in possession of a Special Investment Certificate (SIC) are exempt from WHT.
2. Interest – Gross interest paid to non-resident companies is subject to a final WHT at the rate of 15% but it does not apply to interest paid to financial institutions.
3. Royalties – Royalties paid to non-resident companies are subject to a final WHT at the rate of 15% of the gross amount.
4. Other – Management, consultancy, technical services and public entertainment fees paid to non-resident companies are subject to final WHT at the rate of 15% on their gross amount.
5. Fees paid to non-resident contractors and subcontractors are subject to WHT at the rate of 15% of the gross fees which is a final tax.
6. Branch profits are subject to the same rules of corporation tax as resident companies in The Gambia.

Maximum WHT Rates Once a DTA is Applied

WHT on payments to countries with which The Gambia has a DTA are as follows:

| Type of Income | |
|------------------------|--------|
| Dividends | 5%/15% |
| Interest | 15% |
| Royalties | 12.5% |
| Technical service fees | 12.5% |

The Gambia



Capital Gains Tax (CGT)

Capital gains are taxable in The Gambia.

Companies

CGT is payable by a resident company on capital gains arising from the realisation of a capital asset. No CGT is payable if the amount of the gain does not exceed GMD18 000.

Notes:

1. The tax rate on capital gains realised by a company is the greater of: (i) 10% of the consideration; and (ii) 25% of the gain.
2. Capital asset means: any land, building or other structural improvement to land; any plant, machinery, fixture or equipment; any share, security or other financial asset, any interest in a partnership; or any right, title or interest in any of the above assets.
3. Rollover relief is available on capital gains arising from the realisation of private residence and agricultural land.

Individuals

Capital gains realised from the disposal of a capital asset are subject to CGT. CGT is payable at the rate of 15% of the gains, or 5% of the consideration, whichever is higher. Capital assets include shares held in a company. Generally, the capital gains tax rules for companies also apply, as appropriate, to capital gains derived by a resident individual. Rollover relief is available on gains arising from the disposal of a private residence.

Anti-avoidance

Thin Capitalisation

There is no thin capitalisation legislation in The Gambia.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 15% |

Notes:

1. VAT is imposed on the supply of goods or services in The Gambia, and on the import of goods or services.
2. Effective 1 January 2013, the standard rate of VAT is 15%. Exemptions include, amongst others: basic foods, financial services, educational services and certain imports. etc. A zero rate may also apply to certain supplies.
3. The VAT tax period is a calendar month. A taxable person must lodge a tax return with the Commissioner-General within 15 days from the end of each tax period. The return must show, among other details, the amount of tax payable for the period and the amount of input tax credit claimed.
4. Persons who are required to be registered are those who: at the end of 12 months, or a shorter period, make taxable supplies the value of which equals or exceeds GMD1 million; or beginning of a 12-month period have reasonable grounds to expect that in that period they will make taxable supplies, the total value of which will equal or exceed GMD1 million. (Note: The GMD1 million threshold is measured by reference to the annual turnover of the person, subject to certain exclusions (e.g. turnover from the sale of capital assets or the making of exempt supplies). Persons whose turnover exceeds GMD500 000 will be allowed to register on a voluntary basis.)

Customs and Excise Duties

Customs and excise duties apply on the importation or exportation of certain goods.

Miscellaneous Taxes

Stamp Duty

Stamp duty is levied on juristic acts resulting to a flow of wealth between the parties involved legally. Thus, stamp duty tax is applicable *inter alia* to acts whereby transactions on real estate or financial obligations are documented. Rates vary according to the type of transaction involved.

Net Worth Tax

There is no net worth tax in The Gambia.

Real Estate Tax

There is no real estate tax in The Gambia.

Land Tax

Land taxes on individuals are charged on the same basis as for companies.

Property Transfer Tax

The property transfer taxes on companies also apply to individuals.

Inheritance/Gift Tax

There are no inheritance and gift taxes in The Gambia.

Environmental Tax

GMD1 per employee per month.

National Educational Levy

If the total income of a company exceeds GMD5 million per annum, the levy applied is GMD50 000, and if below GMD5 million, a flat tax rate of GMD30 000 is applied.

Business Registration

An annual payment of GMD500 should be made by all businesses at the start of the year.

Social Security

Companies are required to make social security contributions of 10% of an employee's basic salary to the National Provident Fund. The Fund is administered by the Social Security and Housing Finance Corporation.

Employer contributions to an approved retirement fund, in respect of a resident employee, are deductible for corporate income tax (CIT) purposes up to a maximum of: the lesser of 25% of an employee's annual employment income, or GMD18 000.

Tax Administration

Corporations

- Tax year – Calendar year although a company can request another 12-month period.
- Consolidated returns – Group consolidated returns filing is not permitted for tax purposes.
- Filing requirements – The CIT tax return is mandatory



for all companies and should be submitted by the 31st of March of each year. The form is used to determine annual tax liability.

- Payment – Income tax is payable in quarterly instalments i.e. the three-month period ending on the last day of the third, sixth, ninth and twelfth months of the taxpayer's tax year. This instalment is based on 1.5% of total turnover for a company with audited accounts, or 2.5% for a company without audited accounts, and is due by the 15th of the following month, failing which a fixed penalty of GMD5 000 can be applied. The advance payments during the fiscal year are creditable against the income tax assessed.
- Penalties – Late payment penalties are imposed at the following rates: 5% per month, or fraction thereof, up to a maximum of 25% of the unpaid tax.
- Failure to withhold, or report, is equal to 5% of unpaid tax, up to a maximum of 25% of the unpaid tax.

Individuals

- Tax year – The taxable period for individuals is the same as that for companies.
- Filing and payment – Rules regarding tax returns and assessments are the same as those for corporate entities. However, an individual whose income consists entirely of employment income is not required to submit an income tax return. Similarly, the tax payment obligations of individuals carrying on a business activity are the same as those for companies. Individuals in employment are subject to a PAYE system, under which the employer withholds

the tax on the employment income of his employees. The employer is accountable for this tax and remits it accordingly to the revenue authority. This is done through submission of monthly remittance returns, along with the tax so deducted. At the end of the year, the employer submits another final return. Joint filing is not permitted.

- Rulings – The rulings system which applies to corporate entities also applies to individuals.

General Investment Information

Investment Incentives

General Incentives

- Peace and political stability.
- A liberal, market-based economy characterised by traditional subsistence agriculture, a historic reliance on groundnuts for export earnings, a re-export trade built up around its ocean port, low import duties, minimal administrative procedures, a flexible exchange rate regime with no exchange controls, and a significant tourism industry.
- No ownership or foreign control restrictions.
- English speaking.
- Abundant and easily adaptable labour force.
- Proximity to Europe and the United States (US).
- One-stop-shop (GIEPA).
- Particular opportunities exist in the following areas: food and drink processing and packaging, machinery manufacturing and servicing (particularly for the agriculture, food and fisheries industries), plastics for the consumer market, and for the construction industry, stainless steel fabrication, basic electronics assembly, pharmaceutical manufacturing or packaging, healthcare products (complimentary medicines, medical devices etc.) and cosmetics.

Tax Incentives

- Expenditure on certain pre-commencement expenditure qualifies for accelerated deductions. A deduction is allowed in the tax year which the expenditure is incurred and in the following three years at a rate of 25% each year.
- There are also DTAs entered into between the Government of The Gambia and other countries,

including: United Kingdom (UK), Norway, Sweden and Taiwan.

- Free Trade Zones (FTZs)
 - Exemption from all taxes and customs duties payable on all imports, provided that the imports are used, or to be used exclusively within the Zones, and subject to any other limitations specified by the regulations made pursuant to the Act.
 - Where import duty or VAT has been paid by a Zone Investor in respect of any goods on their importation into the customs territory, no refund shall be allowed merely because the goods are to be later transferred into any of the FTZs.
 - Exemption of customs duty, excise duty and VAT on goods produced within, or imported into any of the Zones, unless the goods are entered for consumption into the national customs territory.
 - Exemption of import duty on capital equipment.

Business Incentives

- Risk management and dispute resolution – The Constitution of The Gambia guarantees and safeguards against nationalisation and expropriation of investments. The Investment and Export Promotion Act, 2010, also contain provisions against expropriation of properties of investors. The Gambia is also a member of the International Centre for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group.
- The process of registering a business in The Gambia has been simplified.



The Gambia



- Investment Laws and Regulations – The Gambia Investment and Export Promotion Agency Act, 2010, is the main law governing investment in The Gambia. This Act provides guidance on investing in The Gambia and clearly indicates the priority sectors for the country, guarantees to investors, investment incentives eligibility criteria, procedures, the institutional framework and answers to questions that investors usually consider in making an investment decision.

Exchange Controls

There are currently no exchange controls in effect.

Expatriates and Work Permits

In order to reside in The Gambia for working purposes, expatriates require an employment/residential permit for themselves and an alien's identity card (ID) for themselves and each of their dependants who are 18 years of age or more. The residential/employment permit and aliens ID card needs to be renewed annually.

Trade Relations

- Memberships – World Trade Organisation (WTO), Organisation for Economic Cooperation and Development (OECD).
- Tax treaties – Countries with which The Gambia currently has DTAs include: Norway, Sweden, Switzerland, Taiwan and the UK.

Interest and Currency Exchange Rates

Benchmark Interest Rate

22.00% (last recorded, 2014)

(source: Trading Economics)

18.88% (average, 2002 to 2014)

(source: World Bank)

Currency: The Gambia's currency is the Dalasi. It is subdivided into 100 bututs. The Dalasi was adopted in 1971. It replaced the The Gambian Pound at a rate of 1 Pound = 5 dalasi, i.e., 1 Dalasi = 0.2 Pound = 4 Shillings.

R1 = 3.8503 GMD (December 2014)

(source: Oanda)

US\$1 = 42.6122 GMD (December 2014)

(source: Oanda)

US\$1 = 37.3600 GMD (2013 average)

(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$0.198 billion (2014 estimate)

(source: IMF)

US\$0.996 billion (2015 forecast)

(source: IMF)

Market Capitalisation

Not available.

Rate of Inflation

5.241% (2013 average)

(source: IMF)

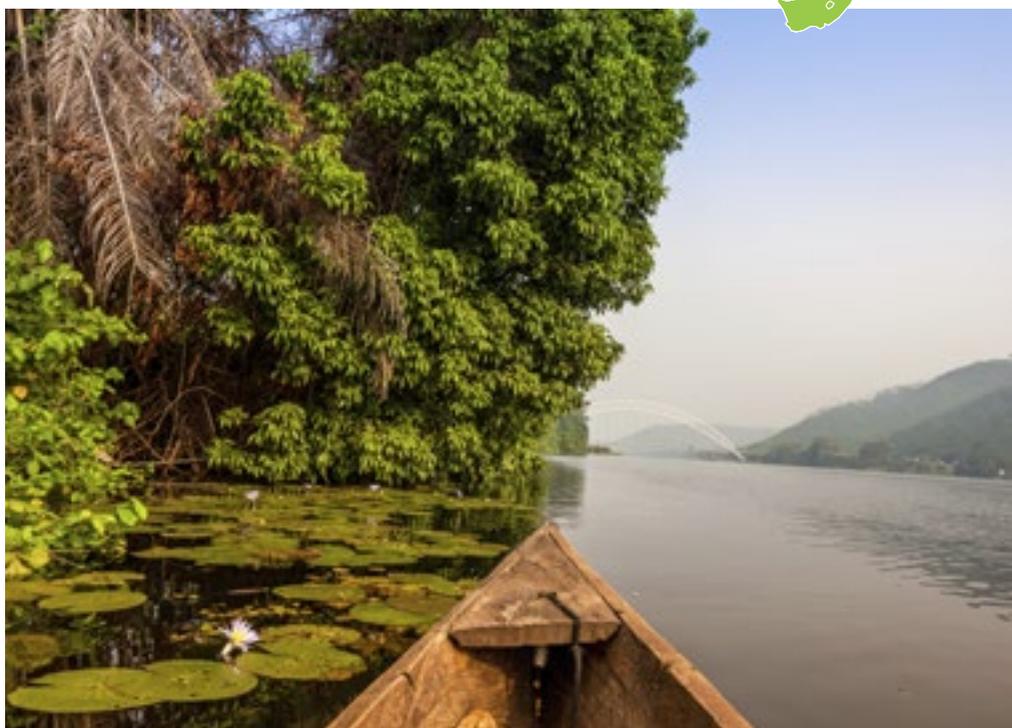
5.288% (2014 average)

(source: IMF)

5.000% (December 2014)

(source: IMF)

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Income Tax

Residents

The source basis of taxation is applied in Ghana. Foreign-source income is taxable when received or brought into Ghana.

| Income Tax Rates for Resident Individuals: 2014 (Annual) | | |
|--|---------------------|-------|
| Taxable Income as exceeds | But does not exceed | Rate |
| GHC | GHC | % |
| First | 1 584 | 0% |
| Next | 792 | 5% |
| Next | 1 104 | 10% |
| Next | 28 200 | 17.5% |
| Exceeding | 31 680 | 25% |

Notes:

1. Basis – An individual is liable to tax on the gains from employment exercised in Ghana regardless of where the payment is made. Gains include allowances or benefits paid in cash or in kind to, or on behalf of that person from the employment, except for exempt income.
2. Residence – An individual is resident in Ghana for tax purposes if: (1) he/she is a citizen of Ghana, other than a citizen who has a permanent home outside Ghana from 1 January to 31 December in any calendar year; or (2) present in Ghana for 183 days in a 12-month period; or (3) a citizen who is temporarily absent from Ghana for a period not exceeding 365 continuous days where that citizen has a permanent home in Ghana. All other individuals are considered non-residents.

3. Deductions and allowances – A resident individual may deduct various personal reliefs from gross income in arriving at his/her annual taxable income. These reliefs include a basic allowance of: GHC200 for a married taxpayer supporting a spouse or an unmarried taxpayer supporting at least two children; an employed, or self-employed taxpayer over the age of 60; child education relief of GHC200 for the education of a child (maximum three children); and additional relief of GHC100 for taxpayers supporting an elderly relative (a maximum of two relatives). Professional, vocational or technical skill training relief is GHC400. Social security contributions and life insurance premiums are also deductible within certain limits.
4. Rates – Resident individuals are taxed at progressive rates with the top marginal rate at 25%.
5. Personal Income Tax (PIT) – Self-employed persons are required to pay income tax at progressive rates in four equal instalments. The current PIT rates took effect from 23 May 2013.

Non-Residents

Non-resident individuals pay taxes on their employment income at a rate of 20%.

Employment Income

Taxable employment income includes: salaries and wages, bonuses, overtime, and all kinds of benefits and allowances. Remuneration earned by resident individuals for work performed abroad is normally taxable when brought into Ghana. Similarly, income attributable to employment in Ghana is taxable in Ghana, wherever and however paid.

Pay-As-You-Earn (PAYE)

The PAYE contributions are withholdings from salaries of employees in order to satisfy their income tax responsibilities. The PAYE is computed with the PIT rates.

Companies

| Income Tax Rates for Companies | |
|--------------------------------|-------------|
| | Rate of Tax |
| All companies* | 25% |
| Hotels | 20% |
| Mining companies | 35% |

* Except companies engaged in mining and hotels.

Notes:

1. Residence – A company is resident in Ghana if it is incorporated under the laws of Ghana or its management and control are exercised in Ghana at any time during a year of assessment.
2. Basis – Resident companies are taxed on their worldwide income, however, income sourced outside Ghana is taxed in Ghana only if it is brought into or received in Ghana.
3. Non-resident companies are taxed only on Ghana-source income.
4. Chargeable income – Chargeable income is based on the operating profit stated in the company's annual financial statements prepared in accordance with accounting standards, as adjusted by any differences between accounting requirements and the tax law. Such differences normally include disallowable expenses, exempt income and special reliefs allowed under the tax law.
5. Losses – Losses may be carried forward for five years following the year in which the losses were incurred. This applies to mining, farming, agro-processing, tourism, information communications technology (ICT) (that develops software locally) and manufacturing companies that manufacture mainly for export. All others are not allowed to carry forward losses.
6. Dividends paid to resident and non-resident shareholders are taxed at a rate of 8% on the gross dividend paid.
7. Foreign tax credit – Companies can claim a foreign tax credit for taxes imposed on their foreign-source income.

Withholding Taxes (WHTs)

WHT on Payments to Resident Persons

WHT at the appropriate rate must be deducted from payments (for goods and services, interest, dividends, rental payments etc.) made to resident persons.

WHT on Payments to Non-Resident Persons

WHT must be deducted from payments made to non-resident persons in respect of the following:

- Management or professional fees.
- Royalties.
- Rental payments.
- Dividends.
- Interest, including deemed interest.



The WHTs are set out below. For non-residents the WHT is a final tax:

| | Residents | Non-Residents |
|-------------------------------|-----------|---------------|
| Dividends | 8% | 8% |
| Interest | 8% | 8% |
| Royalties | 5% | 15% |
| Management/ professional fees | 5% | 20% |
| Rental payments | 8% | 15% |

Notes:

1. WHT is not levied on interest paid to resident financial institutions.
2. Branch remittance tax – A 10% tax is imposed on the repatriated profits of branches of non-resident persons operating in Ghana.

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Ghana has a DTA are as follows: the domestic WHT on dividend and interest are generally 8%. Therefore, the 15% for dividends and the 10% for interest is reduced to 8%.

Ghana

| Type of Income | Belgium | France | Germany | Italy | Netherlands | South Africa | United Kingdom | Switzerland |
|---|---------|--------|---------|-------|-------------|--------------|----------------|-------------|
| Dividends (where recipient holds at least 10% shares) | 5% | 7.5% | 5% | 5% | 5% | 5% | 7.5% | 7.5% |
| Dividends (in any other case) | 15% | 15% | 15% | 15% | 10% | 15% | 15% | 15% |
| Interest | 10% | 10% | 10% | 10% | 8% | 10% | 12.5% | 10% |
| Royalties | 10% | 10% | 8% | 10% | 8% | 10% | 12.5% | 10% |
| Management or technical service fees | 10% | 10% | 8% | 10% | 8% | 10% | 10% | 10% |

Transfer Pricing Regulation (TPR)

Ghana has transfer pricing regulations that require taxpayers to demonstrate that related entity transactions are at arm's length by maintaining contemporaneous documentation of such transactions for each tax year. Ghana's TPR is generally consistent with the OECD Guidelines on transfer pricing.

Entities with related party transactions in a year of assessment are to file transfer pricing returns together with their annual income tax returns.

Capital Gains Tax (CGT)

This is a tax paid on the gains made from the realisation or sale of a chargeable asset where the gain exceeds GHC50. Capital gains are taxed separately from business income at a rate of 15%. Assets on which the tax is imposed include: land, buildings, business assets (including goodwill), shares of a resident company and petroleum assets.

Gains arising from trading on the Ghana Stock Exchange (GSE) are exempt from CGT up to 2015.

Anti-avoidance

Thin Capitalisation

A resident person, other than a financial institution, is deemed to be thinly capitalised if the ratio of non-resident parent interest-bearing debt to equity ratio exceeds 2:1. Interest deductions or exchange losses arising on debt in excess of the 2:1 ratio are disallowed.

Other

Income splitting, which involves the transfer of income and/or property to associates with a view to reducing tax liability, is not allowed.

Value Added Tax (VAT)

| | Rate |
|----------------|-------|
| VAT | 15% |
| NHIL | 2.5% |
| Total VAT/NHIL | 17.5% |



Notes:

1. VAT is imposed on the supply of goods or services in Ghana and on the import of goods or services.
2. The tax base is generally the amount paid, plus any duties and taxes (excluding VAT). For imports, the tax base is the customs value, plus any import duties and taxes, except VAT.
3. A standard VAT rate of 15%, and the National Health Insurance Levy (NHIL) of 2.5%, apply; bringing the total to 17.5%. Retailers operate under a flat-rate scheme at the rate of 3%.
4. A business making taxable supplies in excess of GH¢120 000 over a 12-month period is required to register for VAT purposes.
5. A VAT return must be submitted by the last working day of the month immediately following the accounting period to which the return relates.
6. A zero (0%) rate is also applied to all exports.

Customs and Excise Duties

- Customs duty is levied on goods imported into Ghana at varying rates up to 20%. Special concessionary rates are available to members of the Economic Community of West African States (ECOWAS).
- Excise duty based on the ex-factory price is levied on tobacco products, beer, mineral water, malt drinks and spirits. The rates are as follows:

| Product | Rate |
|---------------------------------------|-------|
| Beer, other than indigenous beer | 47.5% |
| Tobacco products* | 150% |
| Soft drinks, including mineral waters | 17.5% |
| Malt drinks | 17.5% |
| Spirits | 25% |

*The 2015 Budget proposes an increase to 175%.

Miscellaneous Taxes

Stamp Duty

Stamp duty is administered under the Stamp Duty Act, 2005 (Act 689), as amended. Stamp duty is charged on conveyance or sale of immovable property at an applicable rate ranging from 0.25% to 1%. Regarding stamp duty on leases, the rates range from 0.5% to 1% of the consideration, but are also dependent on the lease period.



Gift Tax

This is a tax payable by a recipient on the total value of taxable gifts received in a year of assessment. The total value of taxable gifts must exceed GH¢50 in the year of assessment. Assets on which tax is imposed include: land, buildings, money (including foreign currency), shares, bonds and securities, business and business assets. The rate of tax is 15%.

Real Property Levy

The municipal authorities levy “rates” on the occupation of real property.

Environmental Tax

As part of Government’s measures to protect the environment, an environmental tax of 10% is charged on plastic and packaging materials and products, with the exemption of pharmaceutical and agricultural sectors.

Social Security

Employers must contribute 13% of an employee’s basic salary as a pension contribution with the employee contributing 5.5% of his/her basic salary.

Tax Administration

Corporations

- Tax year – The Government’s fiscal year is from 1 January to 31 December, although companies are allowed to choose their own accounting year.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
- Filing requirements – Taxpayers must submit an annual return within four months after the end of the tax year.

Ghana

- Penalties – Offences liable to penalties include: failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold tax and impeding tax administration. Penalties range from fines to imprisonment, or both.

Individuals

- Tax year – Calendar year.
- Filing and payment – It is the responsibility of the employer to withhold and remit taxes from an employee's monthly wages and file a tax return on behalf of the employee by 31 March. Where an individual earns income during a year of assessment, other than income from employment, the individual is required to file an annual PIT return by the 30th of April following the end of the tax year.
- Penalties – Offences liable to penalties include: failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold taxes and impeding tax administration. Penalties range from fines to imprisonment, or both.

General Investment Information

Investment Incentives

Tax Incentives

- A reduced tax rate of 8% for companies engaged in non-traditional export, and 20% for financial institutions on income from loans granted to farming enterprises and leasing companies.
- Rural banks and Free Trade Zone (FTZ) companies pay tax not exceeding 8% after a 10-year exemption period, while agro-processing companies pay tax of between 0% and 20%, depending on their location.
- A rebate is granted to manufacturing companies located outside Accra and Tema. In regional capitals (other than Accra and Tema), the rebate is 25% of the standard tax rate of 25%, and in other places it is 50% of the standard tax rate.
- Agricultural enterprises, agro-processing and waste processing companies, and venture capital financing companies are exempt from corporate tax for periods ranging from five to 10 years. Real estate companies are exempt for five years with some limitations.
- Employers receive a tax credit for employing new

graduates as part of their workforce. This incentive ranges from 1% to 5% of the salaries or wages of such employees.

Other Incentives

- Imports into FTZs are exempt from customs duty.

Exchange Controls

Exchange controls exist for imports/exports and also apply to outward transfers of capital, profits, royalties, interest, fees and income of expatriate personnel. Investors under the Ghana Investment Promotion Centre Act, 1994, are guaranteed free transfer of profits, interest, fees, charges, loan repayments and liquidation proceeds, while expatriate personnel are allowed to transfer a certain quota of their annual earnings. Non-resident companies are, in principle, free to transfer abroad their net after-tax profits, provided the transfer is done through persons approved by the Bank of Ghana.

Expatriates and Work Permits

There is no special expatriate tax regime in Ghana. Expatriates are subject to the same taxation system as other individuals. Emigration generally has no tax consequences, except that a tax clearance certificate is required.

Trade Relations

- Memberships – World Trade Organisation (WTO), ECOWAS.



Ghana



Interest and Currency Exchange Rates

Monetary Policy Rate

21.00% (November 2014)
(source: Bank of Ghana)

Currency: Ghanaian New Cedi (Code: GHS; Sign: GH¢)*

* Ghanaian Cedi is obsolete and no longer legal tender. The Ghanaian Cedi has been replaced with the Ghanaian New Cedi.

R1 = GH¢0.27549 (December 2014)
(source: Oanda)

US\$1 = GH¢3.19238 (December 2014)
(source: Oanda)

US\$1 = GH¢2.0508 (2013 average)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$48.137 million (2013 estimate)
(source: The World Bank)

US\$35.475 million (2014 estimate)
(source: IMF)

US\$32.607 million (2015 forecast)
(source: IMF)

Market Capitalisation

GH¢65,635.20 million (November 2014)
(Source: GSE)

Rate of Inflation

13.5% (2013 average)
(source: MOFEP)

15.726% (2014 average)
(source: IMF)

16.9% (November 2014)
(source: GSS)

Notes:

1. The GSE is the principal stock exchange of Ghana. The exchange was incorporated in July 1989 with trading commencing in 1990. It currently has around 38 listed companies. All types of securities can be listed. Criteria for listing include: capital adequacy, profitability, spread of shares, years of existence and management efficiency. The GSE is located in Accra.

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Guinea Conakry

Income Tax

Residents

Residents are subject to general income tax. General income tax is levied on taxable income at the following rates:

| National Contribution Rates for Resident Individuals (monthly basis) | | |
|--|---------------------|-------|
| Taxable Income as exceeds | But does not exceed | Rate |
| GNF | GNF | % |
| 0 | 100 000 | 0% |
| 100 000 | 1 000 000 | 10% |
| 1 000 001 | 1 500 000 | 15% |
| 1 500 001 | 3 000 000 | 15.7% |
| 3 000 001 | 6 000 000 | 25% |
| 6 000 001 | 10 000 000 | 30% |
| 10 000 001 | 20 000 000 | 35% |
| | 20 000 000 + | 40% |

Notes:

1. Basis – Habitual residents are taxable on worldwide income. Non-residents are subject to tax on Guinea-source income only.
2. Residence – Habitual residents are individuals with a permanent home available for their use in the Guinea Coast, or who are employed by a resident corporation.
3. Rates – The general income tax is imposed at scheduler rates ranging from 0% to 40%. Non-commercial profits (fees) are generally subject to a withholding tax (WHT), applied at an effective rate of 15%. The WHT applies to individuals that are active and have no professional establishment in Guinea. An individual in business may opt to be taxed at a flat rate of 15% and become exempt from the general income tax.
4. Taxable income – Individuals are taxable on the same schedules of income as companies, and on employment income. All income is pooled and subject to a general income tax.



5. Deductions and allowances – Expenses deductible from general income include: life insurance premiums (subject to certain limits and conditions), loan interest, and subsistence allowances paid to dependent parents or a spouse, and the general income tax itself.
6. Filing status – Spouses are generally taxed separately. Children are usually taxed with one of their parents but may be taxed separately if they have employment income.
7. Relief from double taxation is available through tax treaties (DTAs) to which Guinea is a signatory.

Non-Residents

Non-residents are subject to tax on Guinea-source income only.

Companies

| Income Tax Rates for Companies | |
|--------------------------------|-------------|
| | Rate of Tax |
| Standard corporate tax rate | 35% |

Notes:

1. Residence – An entity incorporated in Guinea is resident for tax purposes.
2. 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.
3. Rate – The corporate tax rate is 35%. However, in the case of losses, taxpayers must pay a minimum tax of 3% of the year's turnover instead of Corporate Income Tax (CIT). The minimum tax must fall between GNF15 million and GNF60 million.

4. Taxable income – Income is taxed under separate schedules for industrial and commercial profits, non-commercial profits and income from movable capital, land and agriculture. A non-commercial schedule is mainly used for professional income, royalties and know-how and for non-resident corporations. Business costs and expenses are deductible if they are strictly related to the business. Management fees, royalties and similar payments to parents companies, are deductible if they are reasonable and in total do not exceed 5% of turnover, or 20% of general expenses.
5. Losses – Losses generally may be carried forward five years. Losses may be carried forward indefinitely to the extent they arise from capital allowances. The carryback of losses is not permitted.
6. Dividends – Dividends received are subject to the CIT rate, but only on 50% of the total amount received if tax has been previously withheld on the dividends. However, subject to certain conditions, dividends received by a parent company are taxed at a rate of 5%.
7. Foreign tax credit – None, unless a tax treaty provides otherwise.
8. Holding company regime – Subject to certain conditions, dividends received by a parent company are taxed at a rate of 5% and reduced rates apply to capital gains derived from the disposal of shares and for WHT on interest.

Notes:

1. Dividends – Dividends paid to residents and non-residents are taxed at a rate of 10% for distributions paid by listed companies, and 15% on distributions that are exempt from the tax on industrial and commercial profits; otherwise, the rate is 15%.
2. Interest – Interest paid to residents and non-residents is taxed at 10%.
3. Royalties – Royalties paid to a non-resident are subject to a 15% WHT. Royalties paid to a resident are not subject to a WHT. The revenue concerned must be taxed to CIT (for companies) or general income tax (for individuals).

Capital Gains Tax (CGT)

Companies

Capital gains arising from the disposal of fixed assets and shares are normally included in taxable income. Rollover relief for gains is granted where the taxpayer invests a sum equal to the amount of the gain in the acquisition of a similar asset within three years of the sale. For shares, the relief applies only to significant long-term holdings. Subject to certain conditions, capital gains arising from a merger or partial business transfer, are exempt.

Individuals

Capital gains from the disposal of assets are exempt from tax. Capital gains from the disposal of shares are taxable only where the individual had a long-term significant shareholding and was employed in the business.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|-----------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 10% | 10% |
| Interest | 2 | 10% | 10% |
| Royalties | 3 | none | 15% |

Anti-avoidance

Transfer Pricing

Profit transfers included in payments between resident corporations and non-resident affiliates may be adjusted so that arm’s length conditions apply for tax purposes. A “tax privileged jurisdiction” refers to companies established in a location where the CIT amount is less than half Guinean CIT. There is a transfer pricing documentation introduced by the Finance Law 2014.

Thin Capitalisation

A company subject to CIT is undercapitalised when advances from related companies to the company exceed, at any time of the year, one and half (1.5) times the amount of its equity valued at the end of that year. The interest fraction paid that exceeds the sum of: the amount of the interest received from related companies;

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and 25% of its taxable income plus deductions of the interests paid to related companies; shall be reinstated to the taxable income of the undercapitalised company.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 18% |

Notes:

1. VAT is imposed on production activities, the distribution of goods and the rendering of services in the Guinea. VAT is also applied to imported goods and services.
2. The standard rate is 18% and a zero rate (0%) is applicable for exports and international carriage.
3. Taxpayers must register with the local tax authorities.
4. VAT returns and payments are due monthly by the 15th of the following month.

Miscellaneous Taxes

Stamp Duty

Stamp duty is required for by administrative acts. The stamp duty amount depends on the nature of the acts and a fixed rate or a prorated fee may apply.

Transfer Tax

Transfer Tax does not apply in Guinea. Instead, a registration duty is due on the sale of shares, tradable obligations, and profit shares. The registration duty rate is 10%.

Capital Duty

Capital contributions, capital increased by acquisitions, incorporation of profits or reserves, and mergers, are subject to registration fees that vary according to the following amounts:

- From GNF1 to GNF100 000 000: 1%.
- From GNF100 000 001 to GNF500 000 000: 0.5%.
- Over GNF500 000 000: 0.25%.

Real Property Tax

Real Property Tax in Guinea is called *Contribution Foncière Unique* (CFU). It is due by the owner of land on 1 January of the taxation year. The rate is set as follows:

- 10% of the annual rental value for building used by the owners.
- 15% of the annual rental value for rented buildings.



Payroll Tax

Payroll tax is equal to 6% of the global amount (i.e. salary plus benefits in kind) of the salaries paid to employees.

Other

A company, or individual, carrying on a trade in Guinea must also pay a business licence duty, subject to certain exemptions. A fixed rate of duty applies.

Social Security

Employers are required to make social security contributions based on an employee's gross wages (family allowances (6%), work injuries (4%), medical expenses (4%) and benefits (4%)). Contributions payable by an employee are withheld by the employer at rate of 5% of gross salary.

Tax Administration

Corporations

- 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 the 30th of April, together with the balance of tax for companies with an annual turnover. The tax is payable after the end of the year in two equal parts on the 15th of June and 30th of September, based on the realised profits.
- Penalties – Penalties are charged at rate of 10% for late tax returns, failure to pay tax due and for errors and mistakes.
- Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.

Individuals

- Tax year – Calendar year.
- Filing and payment – Personal income tax returns are due by the 30th of April. An individual receiving employment income from only one employer is not required to file a return, unless he/she is eligible for a refund. Payments of tax relating to a business are due as described above for companies. Tax is normally withheld at source for other sources of income.
- Penalties – Penalties are charged at rate of 10% of tax, with a minimum of GNF10 000 for late tax returns, failure to pay tax due and for errors and mistakes, and 50% with a minimum of GNF100 000 when the taxpayer does not reply to a request from the tax authorities.

General Investment Information

Investment Incentives

General Incentives

- Guinea has considerable potential for growth especially in the agricultural, fishing and mining sectors.
- Laws for specific sectors (like mining and oil) provide certain incentives and there is also an Investment Code in Guinea.
- Guinea applies a rule of reciprocity so that all foreigners from countries which allow Guineans to carry on business activities may undertake business activities in Guinea.
- The OPIP (*Office de Promotion des Investissements Privés*) promotes private investment and the CFE (*Centre de Formation des Entreprises*) assists investors with formalities to incorporate companies.
- Guinea has signed the OHADA treaty between 17 West and Central African countries to harmonise business laws and is a member state of the OAPI, the central intellectual property registration system for 16 African countries.

Tax Incentives

- Anyone doing business in Guinea to start a business, or to expand an existing business, can benefit from the tax advantages associated with one or more of the privileged regimes, provided the business activity, or expansion, contributes to the achievement of one or more of the priority objectives of Economic Development. To benefit from one or more of the privileged regimes, at least 20% of the total cost for small and medium-sized enterprises, and 33% for other companies proposed for approval, must be financed by a capital investment.
- Tax incentives include, amongst others, a five to eight year exemption from the tax on industrial or commercial profits, business licence duty, property tax and import tax (depending on the location of the investment).

Expatriates and Work Permits

The employment contract with a foreign worker must be the subject of written stipulations. It is subject to approval by the National Office of Employment and Labour. The visa application rests with the employer and is granted when the competent authority to attest the contract does not tacitly express its opinion within 30 days from the date of filing of the application. In the absence of a visa, or tacitly explicitly granted, the contract of employment may receive a beginning execution. Natives from an ECOWAS (Economic Community of West African States) member state do not need a visa to work in the country.



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Trade Relations

- Memberships – United Nations, WTO, ECOWAS, West African Economic and Monetary Union (WAEMU), the International Monetary Fund (IMF), World Bank, the African Union and the Mano River Union (MRU) with Liberia and Sierra Leone.
- Treaties – Guinea has only one tax treaty signed with France. This treaty was signed on 15 February 1999 and entered into force on 1 October 2004. It is based on the OECD Model.

Interest and Currency Exchange Rates

Benchmark Interest Rate*

* Rates are reported by the Central Bank of Republic of Guinea.

13.000% (last reported 2014)
(source: Trading Economics)

Currency: Guinean Franc (GNF)*

* The GNF has value only on Guinean territory.

R1 = 591.564 GNF (December 2014)
(source: Oanda)

US\$1 = 6 909.41 GNF (December 2014)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$6.770 billion (2014 estimate)
(source: IMF)

US\$7.455 billion (2015 forecast)
(source: IMF)

Market Capitalisation

Not applicable.

Rate of Inflation

11.887% (2013 average)
(source: IMF)

10.069% (2014 average)
(source: IMF)

9,357% (December 2014)
(source: IMF)

Ivory Coast



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Income Tax

Residents

Residents are subject to tax on worldwide income.

National Contribution Rates for Resident Individuals (monthly basis)

| Taxable Income as exceeds | But does not exceed | Rate |
|---------------------------|---------------------|------|
| XOF | XOF | % |
| 0 | 50 000 | 0% |
| 50 000 | 130 000 | 1.5% |
| 130 000 | 200 000 | 5% |
| 200 000 + | 0 | 10% |

Notes:

1. Basis – Habitual residents are taxable on worldwide income. Non-residents are subject to tax only on Ivory Coast-source income.
2. Residence – Habitual residents are individuals with a permanent home available for their use in the Ivory Coast or who are employed by a resident corporation.
3. Rates – Non-commercial profits (fees) are generally subject to withholding tax (WHT); an effective rate of 7.5%. WHT is applied to Ivory Coast-source investment income at the rates described below (under "Withholding Taxes"). Additionally, 80% of employment income, including fringe benefits, is taxed at 1.5%. A national contribution is also charged at effective rates up to 10%. The general income tax is imposed at scheduler rates ranging from 2% to 36%. An individual in business may opt to be taxed at a flat rate of 20% and become exempt from the general income tax.
4. Taxable income – Individuals are taxable on the same schedules of income as companies, and on employment income. All income is pooled and subject to a general income tax.
5. Deductions and allowances – Expenses deductible from general income include: life insurance premiums (subject to certain limits and conditions), loan interest, and subsistence allowances paid to dependent parents or a spouse, and the general income tax itself.



6. Filing status – Spouses are generally taxed separately. Children are usually taxed with one of their parents but may be taxed separately if they have employment income.
7. Relief from double taxation is available through tax treaties (DTAs) to which Ivory Coast is a signatory.

Non-Residents

Non-residents are subject to tax on Ivory Coast-source income only.

Companies

Income Tax Rates for Companies

| | Rate of Tax |
|-----------------------------|-------------|
| Standard corporate tax rate | 25% |

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Notes:

1. Residence – An entity incorporated in the Ivory Coast is resident for tax purposes.
2. 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.
3. Rate – The corporate tax rate is 25%. However, in the case of losses, taxpayers must pay a minimum tax of 0.5% in instead of Corporate Income Tax (CIT) (reduced for financial institutions, insurance and petroleum companies) of the year's turnover. The minimum tax must fall between XOF3 million and XOF35 million.
4. Taxable income – Income is taxed under separate schedules for industrial and commercial profits, non-commercial profits and income from movable capital, land and agriculture. A non-commercial schedule is mainly used for professional income, royalties and know-how and for non-resident corporations. Business costs and expenses are deductible if they are strictly related to the business. Management fees, royalties and similar payments to parents companies, are deductible if they are reasonable and in total do not exceed 5% of turnover, or 20% of general expenses.
5. Losses – Losses generally may be carried forward five years. Losses may be carried forward indefinitely to the extent they arise from capital allowances. The carryback of losses is not permitted.
6. Dividends – Dividends received are subject to the 25% CIT rate, but only on 50% of the total amount received if tax has been previously withheld on the dividends. However, subject to certain conditions, dividends received by a parent company are taxed at a rate of 5%.
7. Foreign tax credit – None, unless a tax treaty provides otherwise.
8. Holding company regime – Subject to certain conditions, dividends received by a parent company are taxed at a rate of 5% and reduced rates apply to capital gains derived from the disposal of shares and for WHT on interest.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|--|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 15% | 15% |
| Interest | 2 | 18% | 18% |
| Royalties | 3 | n/a | 20% |
| Management/ professional fees | 4 | n/a | 20% |
| Leasing equipment from non-residents | 5 | n/a | 20% |
| Branch remittance tax | 6 | n/a | 6% |

Notes:

1. Dividends – Dividends paid to residents and non-residents are taxed at a rate of 10% for distributions paid by listed companies and 15% on distributions that are exempt from the tax on industrial and commercial profits; otherwise, the rate is 15%.
2. Interest – Interest paid to residents and non-residents is taxed at 25% on bearer bonds, 10% on long-term government bonds and 5% on other bonds. The rate applicable to other interest and similar payments is normally 18%.
3. Royalties – Royalties paid to a non-resident are subject to a 20% WHT based on a 25% tax on 80% of the gross income. Royalties paid to a resident are not subject to a WHT. The revenue concerned must be taxed to CIT (for companies) or general income tax (for individuals).
4. Management and professional fees – Royalties paid to a non-resident are subject to a 20% WHT based on a 25% tax on 80% of the gross income.
5. Leasing equipment from non-residents – Royalties paid to a non-resident are subject to a 20% WHT based on a 25% tax on 80% of the gross income.
6. Branch remittance tax – A branch of a foreign company is subject to a remittance tax regardless of actual amounts transferred. 50% of the branch's profits are treated as though they have been remitted as a dividend (subject to a 6% rate).

Ivory Coast

Maximum WHT Rates once DTA is applied

WHT on payments to countries with which Ivory Coast has a DTA are as follows:

| Type of Income | France | Italy | Switzerland | UK | Germany | Belgium | Canada | Norway | OCAM | WAEMU |
|--------------------------------------|--------|-------|-------------|-----|---------|---------|--------|--------|------|-------|
| Dividends | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% | 12% |
| Interest | 15% | 15% | 15% | 15% | 15% | 16% | 15% | 16% | 18% | 15% |
| Royalties | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 0% | 15% |
| Management and professional fees | 0% | 0% | 0% | 10% | 0% | 0% | 0% | 0% | 0% | 0% |
| Leasing equipment from non-residents | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 0% | 15% |



Capital Gains Tax (CGT)

Companies

Capital gains arising from the disposal of fixed assets and shares are normally included in taxable income. Rollover relief for gains is granted where the taxpayer invests a sum equal to the amount of the gain in the acquisition of a similar asset within three years of the sale. For shares, the relief applies only to significant long-term holdings. Subject to certain conditions, capital gains arising from a merger, or partial business transfer, are exempt.

Individuals

Capital gains from the disposal of assets are exempt from tax. Capital gains from the disposal of shares are taxable only where the individual had a long-term significant shareholding and was employed in the business.

Anti-avoidance

Transfer Pricing

Profit transfers included in payments between resident corporations and non-resident affiliates, may be adjusted so that arm's length conditions apply for tax purposes.

Thin Capitalisation

Interest may be disallowed where it arises on shareholder loans having a duration of more than five years or in excess of the Central Bank Interest Rate plus 3 points.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 18% |

Notes:

- VAT is imposed on production activities, the distribution of goods and the rendering of services in the Ivory Coast. VAT is also applied to imported goods and services.
- The standard rate is 18% and there is a 10% for fees and commissions charged by financial institutions (interest is exempt).
- Taxpayers must register with local tax authorities.
- VAT returns and payments are due monthly by the 10th of the following month.

Ivory Coast



Miscellaneous Taxes

Stamp Duty

Stamp duty is 2.5% of the secured amount (i.e. the value of the asset or the amount of the debt provided by the lenders) without a cap. There is also a fixed XOF500 stamp duty per page of the security documents.

Transfer Tax

A stamp duty of XOF18 000 is charged on the transfer of shares. A transfer tax of 6% is applicable to real property. Business transfers are also charged at 10%. Registration fees may apply.

Capital Duty

Capital contributions are subject to duty at 0.3% (0.1% on amounts over XOF5 billion), or 6% where derived from the capitalisation of a reserve.

Real Property Tax

Property taxes are charged on the actual or potential rental income of landlords (4%) and their ownership interests (11%). Property owned and used by the same legal entity, pay an ownership charge based on 15% of the market rental value. The charge is reduced for unoccupied or undeveloped property.

Payroll Tax

Employers must pay 12% of expatriate staff gross payroll and 2.8% of local staff payroll.

Other

A company, or individual, carrying on a trade in the Ivory Coast, must also pay a business licence duty, subject to certain exemptions. The duty is based on 0.5% to 0.7% of turnover, plus 16% to 18.5% of the rental value of the professional premises, depending on the location. Insurance premiums are subject to a levy at rates from 0.1% (export credit) to 25% (fire).

Social Security

Employers are required to make social security contributions based on an employee's gross wages (pension benefits (7.7%); family allowance (5.75%); and work injuries (2% - 5%)). Contributions payable by an employee are withheld by the employer at a rate of 6.3% of gross salary.

Tax Administration

Corporations

- 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, together with the balance of tax for companies with an annual turnover of more than one billion francs CFA. The due date for companies with an annual turnover of less than one billion francs CFA is 30 May. The tax is payable after the end of the year in three equal parts in April, June and September, based on the realised profits.
- Penalties – Penalties are charged at varying rates for late tax returns, failure to pay tax due and for errors and mistakes.
- Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.



Individuals

- Tax year – Calendar year.
- Filing and payment – Personal income tax returns are due by 30 April. An individual receiving employment income from only one employer is not required to file a return, unless he/she is eligible for a refund. Payments of tax relating to a business are due as describe above for companies. Tax is normally withheld at source for other sources of income.
- Penalties – Penalties are charged at varying rates for late tax returns, failure to pay tax due and for errors and mistakes.

General Investment Information

Investment Incentives

General Incentives

- Regional incentives – There are no specific regional incentives. However, the new Investment Code (dated 7 June 2012) provides a longer exemption period (15 years) when the investment site is located outside the region of the economic capital, Abidjan.

Tax Incentives

- Certain tax incentives are available to all qualifying enterprises in the Ivory Coast. Enterprises may apply for a reduction in the tax on industrial and commercial profits. For the reduction to be granted, the amount invested in the Ivory Coast should be at least XOF10 million for an investment period

not exceeding three years. Ivory Coast also offers a favourable accelerated depreciation regime.

- Plant, machinery and equipment that are used exclusively in manufacturing, agriculture, transportation or storage, and that have an expected life of more than five years, may be granted capital allowances at up to twice the normal rates. Enterprises investing at least XOF10 million may apply for a reduction in the tax on industrial and commercial profits.
- Tax incentives are granted under the Mining Code and the Petroleum Code for enterprises involved in mining and petroleum activities. These Codes provide exemption from VAT and additional tax on imports and purchases to companies involved in exploration or production of oil, gas or minerals. The tax exemption applies to transactions or purchases directly and exclusively assigned to petroleum or mining activities. The Code also provides specific rules concerning calculation of corporate income for tax purposes. Exemption of VAT, and additional tax on imports and purchases accorded to oil & gas companies, are extended to their subcontractors providing petroleum-specific services. They are also granted a five-year exemption from CIT. The starting year of this exemption is the fiscal year of the effective start of production. A new Mining Code is being prepared in the Ivory Coast.
- Other incentives include five to eight-year exemption from the tax on industrial or commercial profits, business licence duty, property tax and import tax, depending on the location of the investment. Special tax incentives may be granted to enterprises involved in mining (a five-year tax exemption) petroleum and certain construction activities.

Export Incentives

- Export incentives and Free Trade Zones (FTZs) – Exemption from VAT is allowed on exported products or services.

Exchange Controls

The XOF 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.

Ivory Coast



Expatriates and Work Permits

A visa is required to work in the Ivory Coast and is valid for a maximum of three months. An extension is required to stay longer. To get a visa, a company letter (stating a specific mission), and a confirmation of itinerary from a travel agent, must be provided. Natives from an ECOWAS member state do not need a visa to work in the country.

Trade Relations

- Memberships – *Union Economique et Monetaire Ouest Africaine* (West African Economic and Monetary Union).
- Treaties – The Ivory Coast has ratified bilateral DTAs with France, Germany, Belgium, Norway, Canada, Great Britain, Italy and Switzerland. Ivory Coast has also signed multilateral DTAs; namely, Convention of the African and Mauritian Common Organisation (OCAM), signed 29 January 1971 in N'Djamena (Chad), and Convention of the West Africa Economic and Monetary Union (WAEMU), signed on 26 September 2008.

Interest and Currency Exchange Rates

| Benchmark Interest Rate |
|--|
| 3.50% (September 2014) (source: Trading Economics) |
| Currency: Communauté Financière Africaine Franc (XOF)* |
| *Currently used in eight West African States, including the Ivory Coast. |
| R1 = 46.2174 XOF (December 2014) (source: Oanda) |
| US\$1 = 537.250 XOF (December 2014) (source: Oanda) |

Key Economic Statistics

| GDP (approx.) |
|---|
| US\$32.285 billion (2014 estimate) (source: IMF) |
| US\$36.089 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| Not available. |
| Rate of Inflation |
| 2.584 (2013 average) (source: IMF) |
| 1.165% (2014 average) (source: IMF) |
| 0.00% (December 2014) (source: IMF) |

Notes:

1. The Ivory Coast is the biggest economy in the eight-member WAEMU and the world's largest producer of cocoa.

Kenya



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Kenya

The Cabinet Secretary for Finance, Mr. Henry Rotich, delivered the National Budget for the year 2014/15 on 12 June 2014.

The tax measures, and various other miscellaneous amendments proposed, are broadly categorised into six priority areas which complement the expenditure policies; namely, enhance business environment for job creation, improve productivity and competitiveness by developing elaborate and modern transport and logistic network, reduce cost of living on a long-term basis, protect poor and vulnerable by investing more resources in the healthcare and education sectors, reduce unemployment of youth and women, and strengthen devolution so as to facilitate efficient delivery of services.

Note:

This edition, covering fiscal information on Kenya, incorporates changes in legislation introduced by the Finance Act 2014, the Budget Speech, and other subsidiary legislation. It also includes references to changes in the practice of the East African Revenue authorities (where they are significant).

Income Tax

Residents

Kenya applies both the source and residence basis of taxation. Income accrued in, or derived from, Kenya is taxable in Kenya. Conversely, foreign-source income is exempt from Kenya tax.

| Income Tax Rates for Resident Individuals: 2005 to 2014 | | | |
|---|---------------------|------|-------------|
| Taxable Income as exceeds | But does not exceed | Rate | Tax Payable |
| KShs | KShs | % | KShs |
| 0 | 121 968 | 10% | 12 196 |
| 121 968 | 236 880 | 15% | 29 432 |
| 236 880 | 351 792 | 20% | 52 414 |
| 351 792 | 466 704 | 25% | 81 142 |
| 466 704 + | | 30% | |

Notes:

- The Kenya Income Tax Act (Capt. 470) was enacted in 1973, and its date of commencement was 1 January 1974. It replaced the East Africa Income Tax Management Act, which had served the countries of the East African Community (EAC), and which became outdated following the break-up of the Community.
- Income tax is charged for each year of income on all the income of a person, whether resident or non-resident, which accrues in, or is derived from Kenya.
- Kenyan residents are taxed on their worldwide employment income while non-residents are taxed on income from employment with a Kenyan resident employer, or a non-resident employer with a Permanent Establishment (PE) in Kenya.
- An individual is resident in Kenya if he/she has a permanent home in Kenya and was present in Kenya for any period in a particular year of income under consideration; or has no permanent home in Kenya but was present in Kenya for a period or periods amounting in the aggregate to 183 days or more in that year of income; or was present in Kenya in that year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income.
- In general, payment of the following by a resident person or a person having a PE in Kenya, is deemed to constitute income accrued in or derived from Kenya:
 - Management, professional or training fees.
 - Royalties.
 - Interest.
 - Rents (including leasing of equipment).
 - Payments to sportsmen or entertainers.
- The personal relief for 2005 to 2014 is KShs13 944 per annum. Relief is apportioned in the case of death, or in the case of an individual who arrives in Kenya, or leaves Kenya permanently. Employees are eligible for personal relief from only one employer in cases where they have more than one employer.
- The following may be deducted from taxable income: up to KShs150 000 annually in mortgage interest for owner-occupied property, contributions to a registered pension or provident fund up to KShs240 000 annually (the deduction may not exceed 30% of employment income), and 15% of health or life insurance premium payments (up to KShs60 000 annually). Any daily subsistence allowance of up to KShs2 000 paid when working away from the normal place of duty is not taxable.

8. Premiums paid for either health or life insurance can be deducted from tax payable. The deduction amounts to 15% of the premiums with a maximum of KSh60 000 per annum, effective 1 January 2007 (KSh36 000 per annum prior to 1 January 2007). However, where a policy is surrendered before its maturity, all the relief granted to the policy holder is repayable to the Kenya Revenue Authority (KRA).
9. Medical services, or medical insurance paid by an employer on behalf of full-time employee beneficiaries, is a non-taxable benefit.
10. A pension received by a resident individual from a pension fund established outside Kenya will be deemed to have been derived from Kenya to the extent to which it relates to employment or services rendered in Kenya.
11. Where a business is carried on by a resident person partly within and partly outside Kenya, the whole of the profit from that business is deemed to have accrued in or to be derived from Kenya.
12. The income of a wife is not aggregated with her husband's income in determining the appropriate rate of tax where she opts to file a separate tax return (effective 1 January 2006).
13. Personal tax returns are due by 30 June following the end of the tax year. Any balance of tax payable is due by 30 April in the following calendar year. A personal tax return is required even where an individual's personal tax had been fully settled through the Pay-As-You-Earn (PAYE) system.
14. The Commissioner has been granted express powers to register taxpayers who do not to apply for a Personal Identification Number (PIN).



Non-Residents

A non-resident is taxable only on Kenyan-source employment income. Only Kenyan citizens may offset tax on foreign employment income against the tax charged in Kenya on such income. Non-citizen residents must include their after tax foreign-source employment income in their Kenya taxable income.

Employment Income

- Taxable income from employment is widely defined and includes: wages, salary, commission, bonuses and allowances. Travelling, entertainment and other similar allowances, are taxable unless they are purely a reimbursement of expenses incurred in the production of income. The first KSh2 000 per day received by an employee as reimbursement of subsistence, travelling, entertainment or other allowances, whilst on official duties outside the usual place of work, is not taxable as a benefit of employment.
- Benefits in kind from employment income are taxable where their aggregate value exceeds KSh36 000 per annum or KSh3 000 per month.
- Benefits in kind are taxed at the higher of the cost to the employer, their market value or prescribed values. The provision of housing by an employer for an employee is taxed on the employee as follows:
 - Directors – the higher of:
 - 15% of employment income, excluding the value of the premises.
 - The market value.
 - The rent paid by the employer.
 - Whole-time service directors* – the higher of:
 - 15% of employment income, excluding the value of the premises.
 - Greater of fair market value or rent paid if lease agreement is not at arm's length.
 - Fair market value if company owned.
 - Agricultural employee – 10% of employment income.
 - Other employees – 15% of employment income or rent paid or payable by the employer, whichever is higher.
- * A whole-time service director is a director who spends substantially all of his/her time on company business and who does not own or control more than 5% of the company's share capital or voting power.
- A company car provided for an employee's private use is taxed on the higher of the values prescribed

by the Commissioner or 2% per month of the initial capital cost of the car incurred by the employer. Where such a vehicle is hired or leased from a third party, the employee shall be deemed to have received a benefit in that year of income equal to the cost of hiring or leasing. From 1 January 2008, where the employee has restricted use of the car, a lower rate of benefit would apply subject to provision of proof of this to the Commissioner.

- Benefits in kind consisting of the provision of furniture, staff meals, telephone (landline and mobile) and communal water and electricity (for agricultural employees) are, by concession, taxed at values prescribed by the Commissioner. Effective 1 January 2015, the value of meals provided to an employee by the employer will not be taxable provided the value of the meals does not exceed KShs48 000 per year (KShs4 000 per month). The meals can be provided in a canteen or cafeteria operated or established by the employer, or provided by a third party at the employer's premises, or at the third party's premises. The third party supplier, however, must be a registered taxpayer.
- An employee, participating in a registered employee share ownership plan, will be taxed at vesting on the difference between the offer price and the market value at the grant date, as a benefit of employment.
- Insurance premiums paid by an employer on the life of, and for the benefit of, an employee or his/her dependents, are taxable on the employee, except where paid to a pension or provident fund, or scheme or individual retirement fund. Premiums paid by employers in respect of group life policy and personal accident policy, that does not confer a benefit to the employee or the employee's dependent will, however, not be deemed to be a taxable benefit.
- The following are not taxable on an employee:
 - Passages between Kenya, and any place outside Kenya, paid for by the employer provided the employee is not a Kenyan citizen, was recruited outside Kenya, and is in Kenya solely for the purposes of his/her employment.
 - Medical services, or medical insurance cover, provided by an employer for a full-time employee or his beneficiaries, provided that for non-whole-time service directors, the value of non-taxable benefit is up to KShs1 million.
 - From 1 January 2010, medical expenses, or medical insurance cover paid by a partnership on

behalf of a partner, will be an allowable deduction when computing taxable income of a partnership subject to a limit of KShs1 million.

- Employer's contribution to a pension or provident fund or individual retirement fund. However, with effect from 1 July 2004, employees of organisations not chargeable to tax, will be liable to tax on contributions the employer makes to an unregistered fund or on the excess contribution to a registered fund.
- Payment by an employer of education fees of an employee's dependents, or relatives, if taxed on the employer.
- From 1 January 2011, payment by an employer not exceeding KShs240 000 per annum of gratuity or similar payment, which is paid into a registered pension scheme, shall not be taxable on the employee.
- Expenses paid by employers on behalf of the employees and their immediate family members on vacation to destinations in Kenya not exceeding seven days from July 2014 up to 1 July 2015.
- A deduction of one-third of employment income may be claimed by a non-citizen resident employee of a non-resident company, who is absent from Kenya for an aggregate of 120 days or more in a year of income and whose employment income is not deductible in ascertaining the employer's income chargeable to Kenya tax.
- From 13 June 2008, Kenyan citizens are entitled to offset tax on foreign employment income against tax charged in Kenya on the same income to the extent of tax due in Kenya.



Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2008

| | Rate of Tax |
|---------------|-------------|
| All companies | 30% |

Notes:

1. Tax on the total income of a person (other than an individual) is charged at the corporate tax rate. Since 2000, the corporate tax has been 30% for residents (and 37.5% for non-residents i.e. branches of non-resident companies). Newly listed companies enjoy a reduced rate for three to five years following the year of listing, the rate (20%-27%) and period depending on the percentage of capital listed (more than 20%).
2. Resident and non-resident corporate entities are subject to tax on all income accruing in or derived from Kenya. A company, or similar corporate entity, is tax resident if it is incorporated under Kenyan law, if management and control of its affairs are exercised in Kenya or if the Minister of Finance declares the entity to be tax resident in a notice published in the Kenyan Gazette.
3. Generally, expenses are allowed only if incurred wholly and exclusively in the production of income. Expenses specifically allowed include, amongst others: bad debts written off; legal expenses and stamp duties in connection with the acquisition of a lease not exceeding 99 years; expenses incurred prior to commencement of business where these would have been deductible if incurred after the date of commencement; capital expenditure incurred in the prevention of soil erosion by a farmer; costs of structural alterations to maintain rents; loss in value of tools and utensils; agricultural land development; scientific research; club subscriptions paid by an employer on behalf of an employee, with effect from 1 January 2006; cash donations to charitable organisations that are registered and whose income is exempted under the Income Tax Act; and expenditure on the construction of a public school, hospital, road or any similar kind of social infrastructure, upon approval by the Minister etc.
4. Disallowable expenses include: capital costs and losses; personal expenses (including personal entertainment expenses, hotel and restaurant expenses except for specified exclusions, vacation expenses except for airfares on home leave for expatriates, employee's dependents or relatives educational fees etc.); income tax or tax of a similar nature paid on income; expenses of non-resident persons relating to certainty types of income (management fees, royalties, etc.); and interest payments by a non-resident controlled company to the extent that loans made to that company exceed the greater of three times the sum of paid up capital and revenue reserves or the sum of all loans acquired prior to 16 June 1988 and still outstanding. From 11 June 2010, "deemed interest," calculated on basis of 91-day Treasury bills, will also be disallowed on interest-free loans received from a related non-resident person.
5. From 1 January 2010, tax losses for a year can only be carried forward for four years. If not utilised the losses will be lost unless an application for extension is made based on provision of evidence of inability to extinguish the deficit and approval received from the Minister. Previously, there was no time limit on the carry forward of tax losses. No allowance is made for a terminal loss but certain expenditure incurred after the cessation of a business may be regarded as incurred in the year in which the business ceased. Losses that arose before 1 January 2010, are redeemed to have arisen on that date.
6. From 1 January 1987, interest paid on money borrowed to finance investment is restricted for tax purposes to the amount of investment income (excluding income from most dividends) in the same year; any excess being carried forward.
7. The tax year is the calendar year although a company (other than a financial institution) may adopt any year-end. Consolidated returns are not permitted. The self-assessment and compensating returns must be filed within six months of the end of the company's accounting period. Tax instalments are due within 20 days of the end of each quarter year based on the relevant proportion of the estimated current tax or 110% of the tax for the prior year, less previous instalments paid and withholding tax (WHT) deducted at source, with the balance of tax, if any, due four months after the company's year-end. Agricultural companies make their first instalment payment 20 days after the third quarter.

8. The tax year is the calendar year although a company (other than a financial institution) may adopt any year-end. Consolidated returns are not permitted. The self-assessment and compensating returns must be filed within six months of the end of the company's accounting period. Tax instalments are due within 20 days of the end of each quarter year based on the relevant proportion of the estimated current tax or 110% of the tax for the prior year, less previous instalments paid and WHT deducted at source, with the balance of tax, if any, due four months after the company's year-end. Agricultural companies make their first instalment payment 20 days after the third quarter.
9. A turnover tax has been introduced (with effect from 1 January 2007) for businesses with a turnover of less than KSh5 million per annum. The applicable rate is 3% of the gross receipts of the business.
10. Turnover tax shall not apply to rental income and management or professional or training fees; the income of incorporated companies; and any income which is subject to a final WHT under this Act.
11. The Income Tax Act has been amended to exempt REITs from corporate tax, in addition to exempting investors who receive dividends from REITs from payment of WHT.
12. With effect from 1989, realised foreign exchange gains or losses resulting from a Kenyan business will be treated as trading receipts or deductible expenses. Such gains or losses will be calculated by reference to the exchange rate ruling at 30 December 1988, or date on which the foreign asset or liability is established, whichever is the later. A foreign exchange loss will be deferred for tax purposes if realised in respect of a loan from a person who, alone or with up to four other persons, controls the indebted company and where the aggregate of all loans made to that company exceeds three times the sum of paid up capital and revenue reserves. With effect from 13 June 2008, the aggregate "revenue reserves" includes accumulated losses.

Dividend Income

- Dividends received by a resident company from another resident company, of which it controls 12.5% or more of the voting power, are not subject to tax.
- Dividends received by specified financial institutions are subject to tax (from 13 June 2008).
- Taxation on the dividend income of Kenyan residents

is limited to the WHT deducted from payments of such dividends.

- Dividends received from sources outside Kenya are not chargeable to tax in Kenya.
- Dividends declared by Kenyan resident companies are deemed to be income of the year in which they are payable.
- Dividends include any distribution by a company to its shareholders, including in a winding-up, except for reimbursement of sums paid in as share capital.
- Where the Commissioner considers that a company has not distributed as much of its after tax income to shareholders as in his/her view could be so distributed without prejudice to the company's business, he/she may deem the company to have paid such a dividend 12 months after its accounting date. As a "rule of thumb", the Commissioner allows trading companies to retain 60% of their after-tax profit, although investment income is expected to be distributed in full.

Withholding Taxes (WHTs)

WHT on Payments to Resident Persons

WHT at the appropriate rate must be deducted from payments made to resident persons in respect of the following:

- Dividends.
- Interest (other than interest paid to an approved financial institution).
- Annuities (excluding the capital element).
- Commissions paid by insurance companies.
- Payments by authorised agents in respect of specified agricultural produce (currently suspended).
- Pensions or lump sum withdrawals from pension or provident funds in excess of the tax exempt limits.
- Surplus funds withdrawn from or paid out of registered pension or provident funds.
- Management or professional fees; the aggregate of which is KShs24 000 or more in a month.
- Royalties.
- Prior to 11 June 2010, lease rentals for equipment under a finance lease. However, effective 11 June 2011, WHT is not applicable on lease rentals.
- Winnings from betting or gaming (effective 1 January 2014). The WHT deducted will be a final tax.

WHT on Payments to Non-Resident Persons

WHT must be deducted from payments made to non-resident persons in respect of the following:

- Management or professional fees, or training fees.
- Royalties.
- Rents.
- Leasing.
- Dividends.
- Interest (including deemed interest).
- Pensions.
- Payments to sportsmen or entertainers.
- Winnings from betting or gaming (effective 1 January 2014).
- Natural resource income (effective 1 January 2015).

Notes:

1. Agents' commission paid in respect of flowers, fruits or vegetables exported from Kenya and auctioned in any market outside Kenya, and audit fees for analysis of maximum residue limits paid to a non-resident laboratory or auditor, are not subject to WHT. From 12 June 2009, commissions paid by a resident air transport operator to a non-resident agent in order to secure tickets for international travel, are not subject to WHT.
2. WHT deductible is payable by the 20th day of the month following that in which the payments were made.
3. From 1 July 2003, hire or similar consideration for use of an aircraft, is not subject to WHT. Effective 11 June 2010, hire or similar payments for aircraft engine will not be subject to WHT, while effective 9 June 2012, hire or similar payments for locomotives or rolling stock will also not be subject to WHT.



The WHT rates are set out below:

| WHT Rates | | | |
|--|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 5 | 5%* | 5%/10% |
| Interest | | | |
| - Financial institutions and government bearer bonds of more than two year duration | | 15% | 15% |
| - Bearer certificates | | 25% | 25% |
| - Bearer bonds with maturity of 10 years and more | | 10% | n/a |
| - Housing bonds | | 10% | 15% |
| Royalties, or natural resources | 10 | 5% | 20% |
| Management/professional fees | 1 | 5% | 20% |
| Entertainment and sporting fees | | n/a | 20% |
| Rental payments | | n/a | 30% |
| Consultancy/agency fee | 2 | 5% | 20% |
| Contractual | 2 | 3% | 20% |
| Business/trade | | n/a | n/a |
| Employment/services rendered | 8 | n/a | n/a |
| Presumptive Income Tax | 3 | 2% | 2% |
| Insurance commissions | 4 | 5%/10% | 20% |
| Equipment hire | | n/a | 15% |
| Telecommunication | | 5% | - |
| Retirement annuities | | n/a | 5% |
| Pension – Payment/withdrawal | 6, 7 | | 5% |
| Winnings and betting | | 20% | 20% |
| Sale of property in or shares of oil companies, mining companies or mineral prospecting companies. | 11 | 10% | 20% |

*On qualifying dividends

Notes:

1. WHT on management, professional or training fees was increased to 10% from 5%, effective 9 June 2011. However, from 2 May 2012, this was revised back to 5%.
2. From 1 July 2004, WHT deducted from consultancy and contractual fee for East African citizens is 15% of the gross sum payable.
3. The rate for Presumptive Income Tax (PIT) has not been removed from the legislation, although Section 17A dealing with PIT, was repealed on 15 June 2000.
4. From 1 January 1994, WHT is deducted from insurance commission paid at the rate of 5% from amounts paid to broker and 10% from amounts paid to any other person (agents).
5. From 15 June 2007, WHT on dividends from shares listed on the Nairobi Stock Exchange (NSE), held by citizens of EAC states, will be deducted at the resident rate of 5% (rather than the 10% non-resident rate applicable before).
6. On pensions, the first KSh300 000 per annum received by a resident individual from a registered fund, shall not be subject to WHT. Amounts above that shall be subjected to WHT, but such WHT shall be a final tax.
7. If no tax has been deducted under PAYE, then it should be withheld according to the following scale rates:
 - Payments after 15 years of pensionable service, or attainment of 55 years, or early retirement due to ill-health:
 - 10% on the first KSh400 000.
 - 15% on the next KSh400 000.
 - 20% on the next KSh400 000.
 - 25% on the next KSh400 000.
 - 30% on any amounts over KSh1.6 million of the amounts in excess of the tax-free amount.
 - Withdrawals before 15 years of service and attainment of 55 years:
 - 10% on the first KSh121 968.
 - 15% on the next KSh114 912.
 - 20% on the next KSh114 912.
 - 25% on the next KSh114 912.
 - 30% on any amounts over KSh466 704 of the amount in excess of the tax-free amount.
8. Effective 1 January 2014, winnings from betting and gaming activities will attract a 20% WHT, which is a final tax. In addition, the Commissioner will prescribe how to calculate deemed interest and this deemed interest will be subject to WHT. Also, leasing of locomotives, or rolling stock from non-residents, will now be exempt from WHT.

9. PAYE deductions are made on payments for employment.
10. Natural resource income is defined as “an amount, including premium or such like amount, paid as consideration for the right to extract minerals or living or non-living resources from land or sea”. The effective date for application of WHT on natural resources is 1 January 2015.
11. This is applicable from 9 January 2013 to 31 December 2014. From 1 January 2015, these rates are no longer applicable as the gain is now subject to corporate tax or the individual personal rate of tax.



Kenya

Maximum WHT Rates once a DTA is applied

| WHT on Payments to Countries with which Kenya has a DTA | | | | | |
|---|----------------|--------------------|----------------------------------|-------|--------|
| | United Kingdom | Germany and Canada | Denmark, Norway, Sweden & Zambia | India | France |
| Management and professional fees | 12.5% | 15% | 20% | 17.5% | 20% |
| Royalties | 15% | 15% | 20% | 20% | 10% |
| Rent | 30% | 30% | 30% | 30% | 30% |
| Immovable property | 15% | 15% | 15% | 15% | 15% |
| Dividends | 10% | 10% | 10% | 10% | 10% |
| Interest | 15% | 15% | 15% | 15% | 12% |
| Pension and retirement annuities | 5% | 5% | 5% | 5% | 5% |
| Entertainment and sporting events | 20% | 20% | 20% | 20% | 20% |
| Promoting entertainment or sporting events | 20% | 20% | 20% | 20% | 20% |

Capital Gains Tax (CGT)

CGT, which had been suspended since 1985, has been re-introduced. Capital gains will now be taxable in Kenya, effective 1 January 2015. The rate applicable is 5% on the net gain and is a final tax.

CGT will be levied on the profit or gain made on the transfer of qualifying property or assets. The tax is chargeable on both individuals and companies. In the case of companies, qualifying property will include, amongst others, money, goods, land, and every description of property whether moveable or immovable. However, for individuals qualifying property will comprise land and any right of interest over that land.

Certain transactions involving property dealings do not constitute a transfer for capital gains purposes. These include:

- Transfer of property for the purpose only of securing a debt or a loan.
- The issuance by a company of its own shares or debentures.
- The vesting of property in a personal representative of a deceased person by operation of law.

Determination of Capital Gain

Based on the Eighth Schedule, the capital gain is determined as follows:

Chargeable Gain = Transfer Value – Adjusted Cost

The transfer value could be in various forms, such as the amount of or value of consideration for the transfer of property; or sums received under a policy of insurance for damage to or for loss of property. The adjusted cost is the sum total of the original cost of acquiring or constructing the property, the cost of capital expenditure wholly and exclusively incurred on the property after its acquisition, and the incidental costs to the transferor of acquiring the property.

Restriction of Benefits under DTAs

The Finance Act 2014 has introduced a provision that the benefit of lower tax rates, or exemptions granted under DTAs, will not apply in situations where 50% or more of the underlying ownership of the resident of the other contracting state is held by individuals who are not resident in that other contracting state. Underlying ownership has been defined to include both direct and indirect ownership. This provision is effective from 1 January 2015.

Anti-avoidance

Kenyan law requires arm's length pricing between related enterprises. Compliance with the OECD Guidelines generally ensures compliance, although domestic transfer pricing rules have been in place since 2006.

Regarding thin capitalisation rules, interest expenses are proportionately restricted for foreign controlled

companies (other than licenced financial institutions) when the ratio of all interest-bearing liabilities exceeds three times the payer's issued and paid up capital and revenue reserves/accumulated losses. "Control" (for these purposes) includes participations of at least 25%.

In terms of 2011/12 amendments, Kenya Government allows organisations to enter into Tax Information Exchange Agreements (TIEAs) with other countries for transfer pricing and other purposes.

Inheritances and Donations

There is no inheritance tax/estate duty or donations tax in Kenya.

Value Added Tax (VAT)

| VAT | |
|---------------|-----|
| Standard rate | 16% |

Notes:

- VAT is imposed on the supply of taxable goods and services made or provided in Kenya by a taxable person in the course of, or in furtherance of, any business carried on by that person and on the importation of goods and services into Kenya.
- Zero-rated supplies include: the export of goods and taxable services, and the supply or import of specified goods.
- Exempt supplies include: financial services provided by banks and most agricultural produce in its unprocessed or preserved state.
- Registration is compulsory where the turnover of taxable supplies is, or is expected to be, KSh5 million or more in a 12-month period.
- VAT returns and any related payments are due by the 20th day of the following month.

VAT Act 2013

A new VAT Act came into force on 2 September 2013. Some of the key changes introduced included the following:

- **VAT status of supplies**
 - The VAT status of many exempt and zero-rated supplies changed to standard rated.
 - The list of zero-rated supplies significantly reduced.
 - Under the repealed Act, major projects that were deemed to be in the public interest, were granted remission from VAT at the discretion of the Minister of Finance. While existing remissions remain in

place for a period of five years from enactment of the new law, no new remissions will be granted as the law has been repealed. This trend is being seen in other countries in the region where remissions have been thought to significantly erode the tax base.

- **Place of supply**

- The VAT Act did not previously include place of supply rules. These rules now apply in respect of services, and provide that a supply of services is made in Kenya where the supplier's place of business from which the services are supplied, is in Kenya, or where the supplier is non-resident, the recipient is non-registered and the services are:
 - Physically performed in Kenya by a person who is in Kenya at the time of the supply;
 - Directly related to immovable property;
 - Radio or television broadcasting received at an address in Kenya;
 - Electronic services (as defined) delivered to a person in Kenya at the time of supply; or
 - The transfer or assignment of, or grant of a right to use, a copyright, patent, trade mark or similar right in Kenya.

- **Tax representatives**

- A non-resident person, who is required to register for VAT, must appoint a tax representative. If non-residents fail to appoint a representative, one will be appointed for them.
- A tax representative must be resident in Kenya, be responsible for all the VAT obligations of the non-resident, and be jointly and severally liable with the non-resident for taxes, penalties and interest imposed under the VAT Act.

- **Reverse charge on imported services**

- Reverse charge VAT no longer applies to the extent that a taxable person is able to claim VAT input tax recovery on the reverse charge. Where a taxpayer is 100% taxable, no reverse charge is payable. Where a taxpayer is partially exempt, the reverse charge must only be paid on the amount of non-recoverable VAT. Fully exempt persons must account for the reverse charge in full.

- **Input tax**

- Input tax must be claimed within a six month period (previously 12 months) from the time of supply. Given the increased risk of being unable to claim VAT input tax, especially where VAT invoices are not received in a timely fashion or there is a

dispute relating to the supply, effective systems will be required to ensure input VAT is claimed within the six month period.

• Other changes

- Going concerns – The transfer of a business as a going concern is a zero-rated supply, without requiring the approval of the tax authorities, as was the case.
- Partial exemption – Only one formula is provided for calculating deductible input tax by partially exempt persons. There have been changes to the *de minimis* limit for claiming input VAT (the amount of exempt supplies that can be made before the deduction of input tax is limited) and the requirement for an annual adjustment abolished.
- Assessments – The tax authorities can only issue an amended assessment within five years of the submission of the initial return (except in the case of fraud). Previously, there was no time limitation.
- Rulings – The tax authorities can make binding public rulings and taxpayers can apply for binding private rulings.
- Tax avoidance schemes – Provisions apply in relation to tax avoidance schemes.
- Transitional provisions – Transitional rules apply to manage the transition to the new Act.

2014/15 VAT Changes

VAT changes made during the 2014/15 Budget cycle include the following:

- The reintroduction of the withholding VAT regime. i.e. government ministries, departments and agencies are required on the purchase of taxable supplies to withhold 6% of the tax due at the time of paying for the supplies and remit it to the Kenya Revenue Authority (KRA).
- The VAT status of aircrafts exceeding 2000 kgs, and the supply of taxable services in respect of goods in transit has changed from standard rated to exempt.

Customs and Excise Duties

East Africa Community (EAC) member states are required to apply similar customs duties (member states have their own excise duty rates). However, some changes to the EAC Customs Management Act, and the Common External Tariff (CET), are made to address specific country requirements on request by the member states.



The following changes were made with regard to customs duties in the 2014/15 annual Budget:

- Increase of import duty on iron and steel products from 0% and 10% to 25%.
- Exemption of import duty on inputs used in processing and preservation of seeds for planting.
- Removal of duty on inputs for development of solar and wind energy.
- Removal of requirement to execute customs security bonds by gazette importers.
- Exemption from the Railway Development Levy on goods imported for implementation of official aid-funded projects, the United Nations (UN) or its agencies, as well as for official use by a diplomatic mission, institution organisation, gazetted under the Privileges and Immunities Act.
- Application of rates on paper and paperboard, as previously gazetted (duty rate of 25% instead of 10% for one year).
- Application of the CET rate on rice of HS Code 1006.10.00, 1006.20.00, 1006.30.00 and 1006.40.00 from 75% or \$200/MT, whichever is higher, to 35% or \$100/MT, whichever is higher.
- Reduced duty rate of Portland cement from 35% to 25% and withdrawal of cement from the sensitive items list.
- Increase of duty rates on cheese of HS Code 0406.10.00, 0406.20.00, 0406.30.00, 0406.40.00 and 0406.90.00 from 25% to 60%.
- Increase in duty rates on wheat grain of HS Code 1001.90.10 and 1001.90.90 from 35% to 10% for one year.

Kenya

- Reduction of duty rates on glucose of HS Code 1702.30.00 from 10% to 0% for one year.
- A Draft Customs and Border Services Bill, to be tabled in Parliament, in line with the Government's plan to restructure the KRA, and create an autonomous Customs Services Department.

Notes:

1. There were no changes in the excise duty rates in the 2014/15 annual Budget. However, the Cabinet Secretary announced that a stand-alone Excise Duty Bill would be published and a draft of this was done in September 2014.

Advance Tax

An advance tax is payable annually in respect of all commercial vehicles at the following rates:

- For vans, pick-ups, trucks, lorries and (with effect from 11 June 2010), prime movers and trailers but excluding tractors and trailers used for agricultural purposes; KShs1 500 per ton of load capacity per annum or KShs2 400 per annum, whichever is higher.
- For saloons, station-wagons, mini-buses, buses and coaches; KShs60 per passenger capacity per month, or KShs2 400 per annum, whichever is higher.

Prior to 11 June 2010, advance tax was applicable on all public service vehicles.

Miscellaneous Taxes

- Stamp duty is payable on a variety of instruments or transactions; namely: on the creation or increase of capital; on stock transfers of non-quoted companies; on leases; on debentures; and on property transfers i.e. stamp duty of 1% is payable upon the creation and increase of authorised share capital; and stamp duty of 4% is payable on immovable property (2% if levied outside municipalities). Stamp duty of 1% is payable on the transfer of shares and other securities. An exemption applies if the shares/securities are listed on the NSE.
- Other taxes include: a single business permit obtainable from the relevant local authority, property rates, customs and excise duties, export duties, an export duty on coffee and tea, a refinery throughout tax, and an air passenger service tax.



Social Security

Employee contributions to the National Social Security Fund (NSSF) for employees are mandatory. Such contributions are matched by an equal employer contribution.

Previously, NSSF of 5% of gross salary, up to a maximum of KShs200 per month was accountable. However, a new NSSF Act was assented to at the end of 2013. Effective from June 2014, the basis of calculating the NSSF was to change. Each employer will now pay to the NSSF, in respect of each of his/her employees, an employer's contribution at 6% of the employee's monthly pensionable earnings; and the employee's contribution at 6% of the employee's monthly pensionable earnings subject to an upper earnings limit. The current 6% upper limit per month is KShs2 160 for employees earning more than KShs18 000 per month. Currently though, an injunction is in place pending outcome of a High Court case rejecting the changes to NSSF. Thus, the old rate continues to be applied at present.

An exemption from such contributions is available for expatriates who continue to contribute to a social security scheme overseas and will not be present in Kenya in excess of three years.

In addition, mandatory contributions are made to the National Hospital Insurance Fund (NHIF) of approximately 1% of gross monthly income to a maximum of KShs320 per month. There are currently no NHIF employer contributions. The NHIF rates of contribution are being reviewed although it is not clear when proposed changes will be enacted.

Tax Administration

Penalties

Penalties imposed in Kenya (under the Income Tax Act) are as follows:

- Failure to keep adequate books of accounts – KShs20 000.
- Failure to submit a final return with self-assessment – 5% of the normal tax (after reducing amounts already paid and WHT credits).
- Failure to submit a compensating tax return – 5% of compensating tax which should have been shown for each month or part of the month.
- Omission, claim or statement due to fraud or gross negligence – Additional tax not exceeding twice the tax concealed.
- Knowingly omitting income from a return or improperly claiming relief or making incorrect statements including compensating tax – Additional tax of an amount twice the tax concealed, plus a maximum KShs200 000 fine and/or up to two years imprisonment for those concerned.
- Negligence or disregard of the law by an authorised tax agent in submission of a return – One-half of additional tax payable, minimum KShs1 000, maximum KShs50 000 for each return. A penalty for wilful or gross neglect, on part of the agent, is a maximum of KShs25 0000 with respect to each return, statement or other document.
- Interest on underestimated instalment tax – A penalty is payable of 20% of the difference between: (a) instalment tax payable, and (b) instalment tax paid times a factor of 1.1.
- Penalty and interest on unpaid tax -
 - Prior to 11 June 2010, 20% of the tax remaining unpaid after due date plus late payment interest of 2% per month (on tax unpaid plus penalty). This applies to instalment tax only where instalment tax remains unpaid at the date of self-assessment. With effect from 13 June 2008, the 2% interest shall not exceed 100% of the principal tax.
 - From 11 June 2010, the 20% penalty will not be applicable on late payment of WHT and PAYE tax. In addition, the 2% interest per month will not be applicable on the 20% penalty where imposed.
- The penalty for late payment of WHT is 10% while that for PAYE tax is 25%.
- Minimum additional tax, or penalties to be levied (excluding interest), will be KShs1 000 for individuals and KShs10 000 for companies.
- General penalty – Offences under the Act, for which no other penalty is specified, are subject to a maximum fine of KShs100 000 and/or imprisonment not exceeding six months.
- The Commissioner has the discretionary right to remit a penalty up to KShs1.5 million (KShs500 000 before 13 June 2008) without prior approval of the Minister of Finance, with the exception of penalties imposed under section 72(2) and section 72A.
- From 11 June 2010, the Commissioner shall refrain from assessing or recovering taxes, penalties or interest in respect of income earned by a Kenyan citizen living abroad for any year of income ending on or before 31 December 2010, provided the Kenyan citizen declares his/her income for the year 2010 and submits a return by 30 June 2011. This provision, however, only applies where the Kenyan citizen has not already been assessed for tax or is under an audit or investigation.

Other Matters

- In the context of corporate taxation; returns, records or documents required for tax purposes, shall be prepared in Kenya Shilling and maintained in English or Kiswahili.
- The Act permits incorporated businesses to alter the date to which accounts are made provided six months' notice is given to the Commissioner, and subject to written approval. Financial institutions and unincorporated businesses (partnerships and sole proprietors) are required to have accounting periods ending on 31 December each year.
- The Commissioner will be given express powers to register and recruit taxpayers refusing to register Personal Identification Numbers (PINs).
- The law has been amended to allow the Government to enter into TIEAs with other tax jurisdictions in order to facilitate exchange of information that will assist in curtailing tax evasion and ensuring all potential taxpayers pay their due taxes.

General Investment Information

Investment Incentives

Tax Incentives

- Farmworks allowance – For any year commencing on or after 1 January 2011, the allowance in respect of expenditure on farmworks, is 100% of the expenditure incurred. Previously, the allowance was calculated on a straight-line basis over a two-year period. Farmworks are structures necessary for the proper operation of a farm and include fences, daps, drains, water and electricity works (other than machinery), windbreaks etc., as well as farm buildings. Only one-third of the cost of a farmhouse may be claimed.
- Industrial building allowance – This is an annual allowance computed on the straight-line method at 10% per annum on cost from 1 January 2010. Previously, the rate was 2.5% of cost per annum. The rate for hotels is 10% (prior to 1 January 2007, the rate was 4%). From 1 January 2010, the rate for a commercial building will be 25%. To qualify for the commercial building allowance, the person must have provided roads, power, water and other social infrastructure. A commercial building has been defined to include an office, shop and showroom. Where an industrial building is eligible for investment deduction allowance, the annual allowance is computed on cost net of the investment deduction allowance. Industrial buildings are defined at length in the Act; but in general, consist of buildings in use for purposes of a factory, mill or manufacturing business. A hotel, together with its kitchens, quarters and sports facilities, is included, as are (from 1 January 1995) specified civil works. Certain types of buildings (such as offices, retail shops and dwelling houses) are specifically excluded. Prescribed dwelling houses (i.e. quarters for employees) and staff welfare buildings, are eligible for the allowance. Where less than 10% of the cost of a building does not qualify, the disqualification is ignored. Cost of land is excluded from any allowance. From 1 January 1995, substantial renovation or rehabilitation costs are eligible for the allowance. No balancing allowances or charges arise on the sale of an industrial building. The purchaser

takes over the vendor's unexpired residue of cost and annual allowance, irrespective of the transfer price.

A 50% industrial building allowance can be claimed on a hostel or educational building from 1 January 2010. This allowance also applies to buildings used for training. From 1 January 2008, a 5% industrial building allowance can be claimed on residential buildings built for rental purposes to low-income earners in an approved planned development area.

- Wear-and-tear allowances on plant and machinery – Plant and machinery includes furniture and fittings, office equipment, vehicles, aircraft and ships. Assets in this category are divided into four separate classes or pools, each with its own annual allowance rate as follows:
 - 37.5% – Tractors, combine harvesters, lorries over three tonnes, and similar heavy self-propelled vehicles.
 - 30% – Computer hardware, calculators, copiers and duplicating machines.
 - 25% – Other vehicles and aircraft.
 - 20% – From 1 January 2010, telecommunication equipment purchased and used by a telecommunication operator.
 - 20% – From 1 January 2010, software purchased.
 - 12.5% – All other machinery, including ships.
- * The Commissioner can allow accelerated rates of allowance where he considers this appropriate, but his discretion in this respect is sparingly used. The cost of additions, net of any investment deduction



allowance claimed, is added to the relevant pool. The cost of non-commercial vehicles is restricted to KShs2 million (KShs1 million per vehicle for 2005). The sale proceeds of disposals are deducted from the relevant pool. The sale proceeds of a non-commercial vehicle are reduced in proportion to the abatement of the original cost.

- Investment deduction allowance – This is intended as an incentive to investment in the manufacturing sector and consists of a “once-and-for-all” claim based on the cost of buildings and machinery installed therein. Claims can only be made by manufacturing concerns and hotels on expenditure of eligible assets as follows: where the year of first use is any year of income or accounting year, commencing on or after:
 - 1 July 2000 – 100%.
 - 1 January 2002 – 85%.
 - 1 January 2003 – 70%.
 - 1 January 2004 – 100%.
 - 1 January 2005 – 100%.
 - 1 January 2006 – 100%.
 - 1 January 2007 – 100%.
 - 1 January 2008 – 100%.

However, where capital expenditure is incurred on the construction of a building or purchase and installation of machinery outside the city of Nairobi, or the municipalities of Mombasa or Kisumu, whereof the value of the investment is not less than KShs200 million, investment deduction shall be claimed at the rate of 150%.

- * For assets used for purposes of manufacture under bond or situated in EPZs, the rate is 100%.
- ** Manufacture under bond must continue for three years to retain eligibility for the 100% allowance.
- *** Claims made by hotels will relate to the building cost only. No claim may be made for furniture or fittings installed in the hotel.
- **** Design, storage, transport or administration units do not qualify for the allowance, unless in total their cost does not exceed one tenth of the cost of the whole building.

- Shipping investment deduction – A shipping investment deduction equal to 40% is claimable in the year of first use on capital expenditure incurred on the purchase or on purchase and refitting of a power-driven ship of more than 495 tons. Not more than one investment deduction is claimable for the same ship and use of a ship must continue for no less than five years for the deduction to be retained.

Taxation of the Extractive Industry

The existing Ninth Schedule (to the Income Tax Act) has been repealed in its entirety and a new Schedule has been introduced to provide for the taxation of mining, petroleum and geo-thermal operations.

Under the new Ninth Schedule, references to a licensee means “a person who has been granted a mining right under the Mining Act or the Geothermal Resource Act”; while reference to a contractor means “a person with whom the Government has concluded a petroleum agreement”.

A summary of the pertinent provisions under this new Schedule are as follows:

- Expenditure incurred by a licensee/contractor in the licence/contract area of mining/exploration can only be offset against income derived from the same licence/contract area. This effectively introduces ringfencing of operations in separate mines/oil blocks.
- Losses incurred in the licence/contract area can be carried forward indefinitely until utilised against income derived from the same licence/contract area.
- Upon ceasing operations in a licence area, a taxpayer may elect to transfer the loss from one area to another or carry it back for a period of not more than three years from the year in which the loss arose.
- If contractors incur losses in the year and they cease operations in a contract area, they may elect to treat the loss as arising in relation to the operations of the previous year of income and may carryback the same for a period of not more than three years from the year in which the loss arose.
- Machinery used for prospecting/exploration is subject to wear-and-tear allowance at the rate of 100%.
- A deduction for extraction/development expenditure can be claimed in the year of income when the expenditure is incurred and in the following years until fully deducted at 20% on a straight-line basis. Expenditure incurred before commercial production commences, will be treated as incurred at commencement of commercial production.
- Exploration expenditure incurred by a contractor will be an allowable deduction in the year in which the expenditure is incurred.
- At the time of disposal of interest for which extraction/development expenditure was deducted, no extraction/development expenditure shall be deducted in that year. Where the disposal proceeds

exceed the written down value, the excess is taxable. However, where the written-down value exceeds the disposal proceeds, the deficit will be an allowable deduction.

- Where a licensee/contractor recoups an amount deducted as extraction expenditure (where there is no sale), this shall be deemed to be income of the licensee chargeable to tax.
- Rehabilitation expenditure incurred by a licensee, and decommissioning expenditure incurred by a contractor, shall be deductible for tax purposes.
- An amount accumulated in, or withdrawn from, an approved rehabilitation fund or escrow account for the contractors to meet the expenditure, is tax exempt. However, if such amount is withdrawn and returned to the licensee/contractor, it shall be subject to tax.
- A surplus in the rehabilitation fund/escrow account of a licensee/contractor at the time of completing rehabilitation/decommissioning, shall be income chargeable to tax in the year of completion.
- The rate of income tax applicable to a licensee is 30%; while for contractors the rate is 30% for residents and 37.5% for non-residents.
- For petroleum operations, where the portion of profit oil that the Government is entitled to take is inclusive of taxes payable by a contractor, such taxes shall be only those payable by the contractor directly in relation to petroleum operations and will exclude:
 - The tax payable on any gain made by the contractor or any other person on a disposal, directly or indirectly, of an interest in the petroleum agreement; or
 - Any tax that the contractor is liable under the Act to deduct from a payment made by the contractor.

Rules for Mining and Petroleum Operations

- The Rules prescribe how to determine the taxable consideration for the disposal of an interest in a mining right or petroleum agreement (farm-out agreements).
- A licensee/contractor is required to notify the Commissioner in writing if there is a 10% or more change in his underlying ownership.
- A licensee/contractor, disposing of an interest on behalf of a non-resident shall be deemed to be an agent of the non-resident, person and shall be required to account for tax on the transaction.
- Payments to non-residents for services will be liable to



WHT at the rate of 5.625% for contractors and 20% for licensees. However, this will not apply where the non-resident person has a Permanent Establishment (PE) in Kenya, in which case the PE will be liable to CIT at the non-resident rate of 37.5%.

- The following rates will apply for other payments to non-residents:
 - Dividends – 10%.
 - Interest – 15% (this was previously taxed at 10%).
 - Royalties or natural resource income – 20%.
 - Management or professional fees – 12.5%.
- The debt to equity ratio for thin capitalisation purposes for licensees/contractors, will be 2:1 as opposed to the ratio of 3:1 prescribed for other companies.
- Hedging transactions entered into by a licensee or contractor (with the exception of approved hedging transactions with annual turnover of less than KSh10 million) will now be considered a separate source of income and therefore taxable separately from mining/petroleum operations.
- Hedging transactions are defined as transaction entered into by a licensee or contractor to manage commodity price risk.

Duty Remissions

- Materials imported for use in the manufacture of exports, for the production of raw materials for use in export manufacture, or for the production of duty-free items for domestic sale, are eligible for duty remission.

Export Processing Zones (EPZs)

- For the first 10 years from the date of commencement of business by an EPZ:
 - Payments to the EPZ will be subject to WHT at non-resident rates.
 - Payments by the EPZ to non-resident persons will be exempt from tax.
 - The EPZ will be exempted from corporation tax provided it does not carry out any commercial activity (15 June 2007).
- * Commercial activities include: trading in, breaking bulk, grinding, repacking or relabeling goods and industrial raw material. Thus, if any commercial activity is carried out by the EPZ enterprise, the exception would not apply.
- ** For a period of 10 years commencing immediately after its initial 10 year period, the EPZ will be subject to corporation tax at the rate of 25%.
- *** Notwithstanding the above, an EPZ must submit annual tax returns and accounts. Employees and directors of EPZs, if resident, are liable to tax and deduction of PAYE in the normal way.

Exchange Controls

Foreign exchange controls do not apply in Kenya. In other words, commercial banks may process remittances with respect to *bona fide* business transactions without approval from the Central Bank of Kenya. However, commercial banks are required to inform the Central Bank of any daily remittances from the country in excess of US\$10 000.

The Exchange Control Act was repealed in late 1995.

Following recent volatility in the exchange rate, certain importers are required to purchase their foreign currency directly from the Central Bank. Primarily, this relates to oil importers and marketers.

Expatriates and Work Permits

An individual is liable to Kenyan income tax on their worldwide employment income if he/she is resident in Kenya as follows:

- Where the cost of remuneration paid to the expatriate is incurred by the home country and not remitted to the Kenya entity, the tax due should be paid via quarterly instalments within the tax year. The quarterly instalment payments are due on the 20th of the fourth, sixth, ninth and 12th month of the tax year. The amount of each instalment tax to be paid for the year is the lower of:
 - 25% of 110% of prior year assessed tax.
 - 25% of an estimate of tax due for the current year.
- Where the local entity bears some (or all) of the costs of the remuneration paid, the local entity would be obliged to withhold tax from the expatriate on a monthly basis via the PAYE regime.
- Where the expatriate is provided with a net employment remuneration package, the employer would bear the burden of the employee's tax. The company should in this case gross up the employee's tax-free remuneration and compute the PAYE liability on the grossed up value. The tax so paid by the company would become a benefit chargeable to tax in the hands of the employee.

Notes:

1. As far as immigration is concerned, every non-citizen is required to have a work permit from the Kenyan Immigration Department before he/she is allowed to work in Kenya. For employees, work permit applications are made by the employer. In addition, an individual must apply for a PIN. This serves as the individual's tax file reference. The Customs and Excise Department require the individual's PIN when importing any personal effects from home country or any other importation.

Trade Relations

- Memberships – Over-and-above the domestic demand, Kenya's membership of several regional bodies provides an expanded market. Membership of the EAC and Common Market for Eastern and Southern Africa (COMESA) guarantees a market of approximately 300 million people, and provides free movement of goods and services. Exports from Kenya also enjoy preferential access to the European Union under the ACP-EU Framework. In addition, Kenya is one of the initial beneficiaries of the African Growth and Opportunity Act (AGOA), which provides for preferential market access in textiles to the US.
- International organisations – Kenya's most significant

Kenya

international affiliations are with the EAC, the Organisation of African Unity and the Commonwealth of Nations. In addition to this, her trading partners are: the United Kingdom, Japan, Germany, Iran, the US, Tanzania, Zambia, the Netherlands and Saudi Arabia. Consequently, Kenya also has affiliations with organisations based in these countries. More particularly; these are DFID, the World Bank, USAID, and UNDP among many other such international organisations.

Interest and Currency Exchange Rates

| Bank Overdraft Rate |
|---|
| 17.14% (2013 average) (source: World Bank) |
| 16.78% (January – July 2014) (source: Central Bank of Kenya) |
| 17.12% (July 2014) (source: Central Bank of Kenya) |
| Currency: Kenyan Shilling (KShs) |
| R1 = KShs7.76466 (December 2014) (source: Oanda) |
| US\$1 = KShs90.2595 (December 2014) (source: Oanda) |
| US\$1 = KShs84.76 (2013 average) (source: Central Bank of Kenya) |
| US\$1 = KShs85.92 (January – September 2014 average) (source: Central Bank of Kenya) |



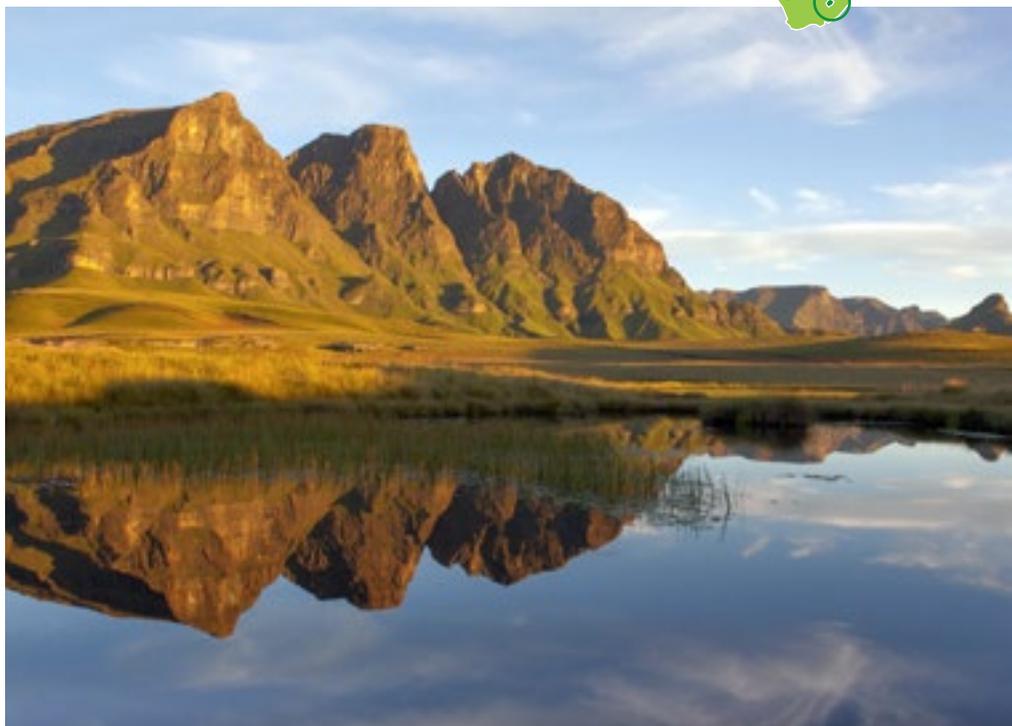
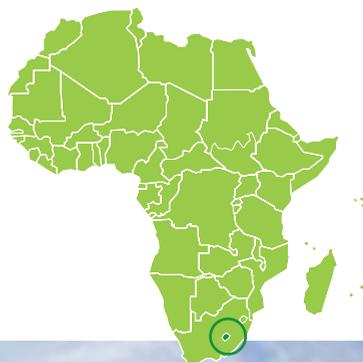
Key Economic Statistics

| GDP (approx.) |
|--|
| US\$59.191 billion (2015 forecast) (source: IMF) |
| US\$57.96 billion (2014) (source: IMF) |
| US\$55.2 billion (2013) (source: Kenya National Bureau of Statistics) |
| Market Capitalisation |
| KShs2.217 billion (December 2013) (source: NSE) |
| KShs2.296 billion (September 2014) (source: NSE) |
| Rate of Inflation |
| 6.6% (September 2014) |
| 7.12% (January – September 2014 average) |
| 5.71% (2013 average) (source: Kenya National Bureau of Statistics) |

Notes:

- Kenya has, in 2014, been classified as a middle-income country after a statistical reassessment of its economy increased the size by 25.3%. The country effectively became Africa's ninth largest economy, up from 12th, surpassing Ghana, Tunisia and Ethiopia. The jump by Kenya's economy into this middle-income status was driven largely by agriculture, manufacturing, and real estate sectors. Information and Communication Technology (ICT) sectors are now treated as a standalone sector, taking into account the country's vibrant telecoms industry which pioneered mobile payments technology and exported the innovation across Africa and around the world.

Lesotho



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Lesotho

The Honourable Dr Leketekete V Ketso, Minister of Finance, presented the Budget for the 2014/15 fiscal year on 20 February 2014, with the theme being, "Beyond Stability Towards Economic Transformation That Works", tabling the projected revenue collection and planned priorities for expenditure for the fiscal year beginning in April 2014.

Income Tax

Income tax is a tax payable on a person's taxable income and is classified as a direct tax. It is assessed annually and all rate changes also fixed annually by Parliament's motion through the Minister of Finance's recommendation through his Budget Speech, and is regulated by the provisions of the Income Tax Act of 1993, and its regulations thereof.

Taxes levied under the Income Tax Act include:

- Corporation Tax.
- Advance Corporation Tax (ACT).
- Pay-As-You-Earn (PAYE).
- Withholding Tax (WHT).
- Fringe Benefit Tax (FBT).

The source basis of taxation is applied in Lesotho, although residents are also subject to tax on their income from foreign sources.

Residents

Income Tax Rates for Resident Individuals: Years of Assessment Commencing On or After 1 April 2014

| Taxable Income as exceeds | But does not exceed | Tax Rate |
|---------------------------|---------------------|----------|
| M | M | |
| 0 | 51 670 | 20% |
| 51 670 | | 30% |

Notes:

1. Income tax is imposed on every resident individual, trustee and non-resident individual, with chargeable income.
2. Individuals will be considered resident for tax purposes if they are present in Lesotho for more than 182 days in any consecutive 12-month period, or have a normal place of abode in Lesotho and are present in Lesotho for any part of the year of assessment.
3. Taxable income is computed as gross income (excluding exempt income) less any allowable deductions.
4. PAYE is a tax charged by an employer from an employee's earnings, then remitted to the Lesotho Revenue Authority (LRA).
5. A resident individual (other than a resident minor) is allowed a non-refundable personal credit of M6 100 against the individual's liability for income tax. As a general rule, the personal credit is only available to residents of Lesotho. However, it will also be available to non-residents who live permanently outside Lesotho but who are employed full-time or engaged full-time in a business in Lesotho.
6. Where both spouses of a married couple are earning, each will be separately assessed, each being entitled to the single person's abatement.
7. A flat rate of 40% is levied on trustees, fringe benefits and electing non-residents.
8. Exemptions applicable to individuals include, *inter alia*, income of resident individuals from subsistence farming, dividends received from a resident company, and the first M500 of interest derived from one savings account by a resident individual.
9. Employment income does not include a benefit subject to the FBT.
10. Pension income is taxable as any other income. An employee may deduct contributions to an approved resident superannuation fund up to 20% of the employment income. For the purpose of this deduction, the employee's contribution will be taken into account first.

Lesotho



Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 April 2014

| Nature of Income | Note | Rate |
|---|------|------|
| Manufacturing income derived from a manufacturing activity or enterprise which promotes industrial, scientific, educational or other development within Lesotho | | 10% |
| Income from farming operations (subsistence not commercial) | | 10% |
| Other income | | 25% |

Notes:

- Corporate tax is paid ahead of the financial year-end, usually/preferably in four (quarterly) instalments. This helps ease the burden of paying the taxes due as a lump sum at the end of the financial year, with the taxpayer adding a little more to his/her payment if he/she had been under-assessed and where the taxpayer had been over-assessed, a refund will be made.
- The corporate tax rate applies to all income of a Lesotho branch of a non-resident company.
- A branch profits tax of 25% is levied on branch profits remitted to a non-resident head office.

Withholding Taxes (WHTs)

Certain payments made to non-residents, whether corporate or individual, are subject to WHT. These rates are set out below:

| WHT Rates: Non-Residents | | |
|---|---------|------|
| | Note | Rate |
| Dividends, interest, royalties | 1, 2, 4 | 25% |
| Natural resource payments, trustee's fees | 4 | 25% |
| Management charges | 4 | 10% |
| Other fees | 3, 4 | 10% |

Notes:

- No tax is withheld on dividends paid out of manufacturing income.
- Royalties payable are considered part of taxable income and are taxed on the same basis as other income. The rate for royalties in respect of manufacturing income is 15%.
- Applies to payments under a Lesotho-source services contract (other than an employment contract).
- All non-resident WHT is a final tax, unless the non-resident files a return of income, in which case he/she may elect to be assessed at the normal tax rates.
- The above rates are reduced by double taxation agreements (DTAs) Lesotho has in place with Mauritius, South Africa and the United Kingdom (UK).

Maximum WHT Rates Once DTA is Applied

| Recipient's Country of Residence | Dividends | Interest | Royalties | Management Charges |
|----------------------------------|-----------|----------|-----------|--------------------|
| Mauritius | 10% | 10% | 10% | Note 1 |
| South Africa | 15% | 10% | 10% | 10% |
| United Kingdom | 10% | 10% | 10% | 10% |

Notes:

- Management charges are not dealt with in the DTA.

Lesotho

Capital Gains Tax (CGT)

Residents and non-residents are liable for CGT on disposals of all business assets. In the case of resident taxpayers, CGT is charged regardless of where the assets are located. Non-resident taxpayers are taxed only on Lesotho-source capital gains. Capital gains are treated as ordinary income and are subject to income tax at the standard progressive rates of 20%, or 30% in the case of individuals, and the flat rate of 25% in the case of companies. There are no primary exemptions but an inflation adjustment is allowed in respect of immovable property.

Inheritances and Donations

The value of a deceased estate is subject to estate duty at progressive rates of duty of up to 33.5%. There is a M600 abatement on the dutiable value of an estate. Donations are taxed as ordinary income in the recipient's hands.

Notes:

1. Donations are generally not tax allowable expenses. However, following an amendment to the Income Tax Act in 2007, an exception applies to sports donations subject to a taxpayer having made a charitable donation of M1 000 or more, in cash or in goods and services, to:
 - (a) Support sport and recreation development through the provision of sports equipment and facilities; and
 - (b) Provide sponsorship of different sports codes and sport competitions and tournaments at different levels of the sports development continuum.
2. The taxpayer shall be entitled to a deduction in income tax equal to the value of the donation. This is subject to such charitable donation referred to being paid to the Lesotho Sports and Recreation Commission established under Section 5 of the Lesotho Sports and Recreation Act, 2002, for distribution to the beneficiary sporting association, body, community, team or individual athlete as may be stipulated by the donor in a letter of donation.
3. The Commissioner-General may disallow or reverse such deduction claimed where the donation was indirectly meant to benefit the taxpayer, the taxpayer's employees, and members of their families or the taxpayer's associates. Regulations made under the Lesotho Sport and Recreation Act, 2002, with regard to sporting sponsorships and other sporting financial assistance, apply.

Value Added Tax (VAT)

| VAT | Rate |
|-----------------------------------|------|
| Basic rate | 14% |
| Telecoms and electricity supplies | 5% |
| Liquor | 15% |
| Exports and zero-rated items | 0% |

Notes:

1. VAT is a form of an indirect tax levied on goods and services supplied in and outside Lesotho. It was introduced in July 2003 to replace an old system of indirect taxation called General Sales Tax (GST). It is applicable on all transactions where value is added.
2. As an administrative requirement, registered businesses (vendors) are required to file a return every month and make payment when it is due.
3. Limitations apply in respect of input tax deductions.
4. Banking services, except for the leasing of bank safes and insurance services, are exempt from VAT.
5. Zero-rated supplies include: maize meal, maize grain, beans, peas, lentils, milk, bread, agricultural inputs (fertilisers, seeds and pesticides), paraffin, livestock and poultry feed.
6. The Minister of Finance announced in his Budget Speech that the separate rate for liquor would be abolished. The LRA has also issued a notice to this effect. However, at the time of writing (30 November 2014) this had not yet been promulgated in the Government Gazette and therefore not yet effective.





Other Transaction Taxes

| Taxes | | |
|---|------|---------|
| | Note | Rate |
| Transfer duty – Immovable property | 1 | 3% – 4% |
| Marketable securities tax – Share transfers | | 2% |

Notes:

1. There is no freehold property in Lesotho. Property rights are based on a leasehold system. Duties are assessed by the Registrar of Companies; the average rates payable being 3% to 4%.

- A comprehensive export finance facility to support exporters with working capital on concessionary terms and unimpeded access to foreign exchange.
- Financial incentives to manufacturing companies establishing in Lesotho e.g. unimpeded access to foreign exchange, long-term loans and an import VAT credit facility providing input tax credit upon importation and local purchasing of raw materials and capital goods.
- A member of MIGA which promotes flow of direct investments to developing countries by providing investment guarantees to investors to mitigate against non-commercial risks (e.g. expropriation, transfer restrictions and breach of contract).
- An abundant labour force that is predominantly English speaking, literate and well-motivated, with high productivity and competitive wage rates.
- A non-repayable skills training grant that covers up to 50% of the wage bill during the initial training period for newly established manufacturing company.
- Availability of serviced industrial sites and purpose-built factory shells for rental at competitive rates.
- Lower water and electricity tariffs as a direct spin-off from the Lesotho Highlands Water Project.
- Reduced municipality rates applicable to industrialists.
- Government efforts towards improvement of public service delivery (e.g. implementation of the new Integrated Financial Management Information System etc).

Tax Incentives

- Preferential tax treatment for manufacturing, including a permanent maximum manufacturing tax rate of 10% on profits, no WHT on dividends distributed by manufacturing companies to local or foreign shareholders, and free repatriation of profits derived from manufacturing companies.
- Investment in pioneer industries is encouraged under the Pioneer Industries Encouragement Act, 1969, as amended. Such industries include approved manufacturers, hotel business and construction companies. Tax incentives available include exemptions from tax and additional allowances for capital and other expenditure in respect of new buildings, machinery and plant, electric power, transportation and water.
- Deduction of start-up costs – A four-year write-off period is provided for expenditure incurred in starting up a business to produce income subject to corporate

General Investment Information

Investment Incentives

General Incentives

- Lesotho is a signatory to the convention on the settlement of investment disputes between states and is a member of the Multilateral Investment Guarantee Agency (MIGA). Furthermore, as a member of the International Monetary Fund, Lesotho has accepted the obligations of the Articles of Agreement, thereby giving confidence to the international community of its pursuance of sound economic policies, contributing to a multilateral payments system free of restrictions.

Lesotho

income tax. Such expenditure may be of two broad categories. It may be incurred in acquiring intangible assets essential to the carrying on of a business (such as goodwill, intellectual or industrial property rights, or contractual rights) or it may involve an intangible advantage which does not manifest itself in any particular asset (such as the cost of feasibility studies, large-scale advertising, and initial transactional expenses, such as stamp duties, or professional fees). The second category is intended to cover expenditure which is not deductible under general principles because it is incurred preliminary to the derivation of income from the business.

- Capital allowances:
 - New machinery and equipment allowances for manufacturers – 20% to 25%.
 - Special allowances on certain expense items.
- An extension of the VAT Refund Scheme to all exporters.
- Role of the LRA – The administration and implementation of tax policy, and various tax laws, is under the care and management of the LRA. Apart from general administration of taxes (assessment and collection of taxes), including accounting for the taxes collected, the LRA is responsible for advising Government on tax treaty negotiation issues. In addition, the LRA ensures that in carrying out its tax assessments and collection role, every claim, objection, appeal, representation or the like made by any taxpayer are sufficiently considered by it. This will ensure that taxpayers have confidence in the administration of the tax system in the country. The LRA is also expected to provide guidance to the taxable public, as well as general public.

Other Incentives

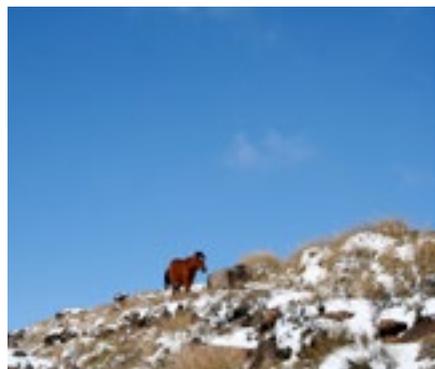
- A Partial Credit Guarantee Fund (a joint initiative with commercial banks) to assist young graduates, women and other self-employed entrepreneurs.
- Ongoing plans to strengthen the financial sector by strengthening its supervision and regulation by the Central Bank, especially control of pyramid schemes, money lenders, and insurance brokers. It will also bring legislation to modernise and update life and insurance legislation in order to protect consumers. Legislation to establish a credit bureau and to protect the confidentiality of personal information supplied as part of credit application is far advanced.
- Government, together with the Central Bank, still

plans to consolidate the issuing of government bonds and to establish a market for their sale and purchases. This bond market is to be followed by a stock exchange.

- Government places top priority on making Lesotho competitive with other SACU members in terms of the time it takes to register company, obtain licences, work permits, credit, and asset financing or leasing. Rankings provided by the International Finance Corporation on “doing business” will continue to be used to set specific targets to be achieved. This, coupled with the Minimum Infrastructure Programme for attracting investment, should help to address the problems of SMMEs where most jobs can be created.
- Entrepreneurship initiative aimed at young graduates, women and other self-employed entrepreneurs. This is the establishment of a Partial Credit Guarantee Fund which will be a joint initiative with commercial banks.
- Government, in line with all African states, will change from analogue to digital in broadcasting and video in the coming years. Lesotho is also part of the Fibre Optic project that provides an undersea cable from the Horn of Africa round the Cape. This should give businesses and people high speed connectivity. It should facilitate the transformation of the communication sector as we embrace and build broadband technologies.

Investment Assistance

The Lesotho National Development Corporation provides certain incentives for investors including, *inter alia*, training grants, loans and sites for



Lesotho

industrial buildings and project services. In addition, tax concessions may also be negotiated with the Corporation.

The investment incentive regime is to be reviewed and improved with a view to enhancing Lesotho's attractiveness to investors. Measures will include accelerated depreciation, allowances on manufacturing plant and machinery, the extension of the 15% corporate tax rate to attract private sector investment in industrial infrastructure development, and the possible reduction of municipal rates.

The Government has also embarked on a joint program with the World Bank and the International Finance Corporation to improve Lesotho's investment climate for "doing business". The World Bank will, in addition, finance a programme for worldwide tourism promotion by providing an online reservation platform.

Investment Opportunities

Investors with financial strength, managerial and technical skills, and marketing capabilities are required to form joint ventures with local investors. Investment opportunities exist in the following strategic areas:

- Clothing and blanket manufacture.
- Furniture.
- Footwear production.
- Agro-industries, especially in processing of locally produced wool and mohair, establishment of mineral water bottling operations.
- Electrical or electronic consumer products. (Strategic partners to produce television sets, video cassette recorders, electronic stoves, microwave ovens, refrigerators, washing machines and dryers, telecommunications equipment).
- A wide range of potential projects in the manufacturing, construction and services sectors connected to the Lesotho Highlands Water Project.
- Consulting engineering services for rehabilitation of rural hospitals.
- Hotels, lodges and other facilities catering for tourists.
- Road rehabilitation and maintenance.
- Health care equipment.
- Production of high quality rock-wool for insulation.
- Use of local clays for production of ceramic products such as sanitary ware, stoneware utensils, glazed advertising slabs.



Exchange Controls

Lesotho is part of the Common Monetary Area (CMA) (other countries in the CMA are Namibia, South Africa and Swaziland). In broad terms, there are no restrictions on inward investment by foreigners and profits may be fully repatriated. There are restrictions on outward investment by local residents. The Central Bank of Lesotho, in cooperation with Authorised Dealers, administers exchange control regulations for transactions outside the CMA.

Expatriates and Work Permits

If any non-resident enters Lesotho for any reason other than tourism, they must have obtained a work permit prior to entering the country. The Lesotho Police and Labour Department carry out random inspections in this regard. Because work permits can take a long time to be issued, directors can request for a few days to stay in the country at the port of entry.

Trade Relations

Lesotho's network of trade preferences has played a crucial role in providing favourable access to world markets. Ideally located for export orientated manufacturing industries, foreign companies are able to serve world markets. (There is access to 28 million consumers in SACU and 360 million consumers in the European Union (EU)). The highly concessionary Generalised System of Preferences (GSPs) gives access to North American, Japanese, Nordic and other developed markets, with preferential access to 18 markets in the Preferential Trade Area in Eastern and Southern Africa. Other Preferential Trade Agreements have been entered

Lesotho

into with the Southern Africa Development Community (SADC), and countries of the Western African Preferential Trade Area. Bilateral Trade Agreements have been concluded with a number of countries. National efforts to attract more inward investment include DTAs with other countries.

- Memberships – Cotonou Agreement, SACU.
- AGOA beneficiary country.
- The Agreement on Textiles and Clothing.

Notes:

1. Despite Lesotho's market-based economy being heavily tied to its neighbour, South Africa, the United States (US) is an important trade partner because of the export sector's heavy dependence on apparel exports.
2. China is a partner in solving the many problems facing the struggling textile industry. China has also increased its overall commitment to Lesotho by funding secondary schools and granting soft loans for telecommunications upgrading and expansion.
3. The EU, Canada, China and Japan have all granted Lesotho duty-free and quota-free access to their markets for almost all products except arms. The European Commission, furthermore, recognises Lesotho's good governance and therefore agreed to increase its "Indicative Aid" allocation under the European Development Fund (EDF).
4. Imports from outside the SACU are usually licenced in conformity with South Africa's import regulations. A wide range of imports from outside the SACU are subject to surcharges ranging from 0% to 60%.
5. There are no known specific government regulations or requirements governing counter trade.
6. Samples of no commercial value are received free of charge.
7. There are no foreign trade zones in Lesotho.
8. Lesotho is driving a process of scaling up regional economic integration. This includes launching a Free Trade Area (FTA) within which member states trade with each other duty-free and quota-free.
9. Lesotho has a DTA with Mauritius, South Africa and the United Kingdom. Agreements with Botswana and Swaziland are under discussion.

Interest and Currency Exchange Rates

Prime Lending Rate

10.62% (October 2014)
(source: Central Bank of Lesotho)

Currency: Lesotho Loti (LSL) (Divided into 100 Lisente) – Plural being Maloti

R1 = 0.99924 Lesotho Loti (December 2014)
(source: Oanda)

US\$1 = 11.15 Lesotho Loti (December 2014)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$2.427 billion (2014 estimate)
(source: IMF)

US\$2.759 billion (2015 forecast)
(source: IMF)

Rate of Inflation

5.308 (2013 average)
(source: IMF)

4.660% (2014 average)
(source: IMF)

4.632% (December 2014)
(source: IMF)

Notes:

1. There is no stock exchange in Lesotho.
2. Diamond mining is the highest contributor to GDP.
3. The rate of inflation has again increased this year. Categories that continue to reflect inflationary pressures are food and non-alcoholic beverages and housing, electricity, gas and other fuels. The rise in the general price level was mainly attributable to exogenous factors, particularly the surge in international food and fuel prices. The weakening of the Rand against major currencies was transmitted to Lesotho because of Lesotho's heavy reliance on imports of goods and services from South Africa.

Libya



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Libya

Income Tax

Individuals

Residents

Income tax applies to Libyan-source income of individuals performing activities or working in Libya, irrespective of their residency status.

Tax applies on employment income at the following rates:

| Employment Income | | |
|---------------------------|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| LYD | LYD | % |
| 0 | 12 000 | 5% |
| 12 000 + | | 10% |

Different tax rates apply to certain categories of income provided under the income tax law, as follows:

| Other Categories of Income | |
|--|-------------|
| | Rate of Tax |
| Income of private businesses practiced independently | 15% |
| Commercial income | 15% |
| Income from industry and craft activities | 10% |
| Partnership income | 10% |

Notes:

1. Basis – Individuals are taxed on Libya-sourced income. Both Libyan nationals and non-Libyan nationals should be subject to tax on wages, salaries and/or all benefits received (in cash or in kind) in respect to employment, whether permanent or temporary, based on their contract with the Libyan entity/employer/sponsor.
2. Residence – The liability to taxation is typically premised on the source of income (particularly for non-Libyan nationals), so residence is not generally a key factor in determining tax liability in Libya.
3. Taxable income – Tax is levied on salary or wage income (including allowances) derived from employment, professional income and in certain circumstances, investment income.



4. Capital gains – Capital gains generally are treated as ordinary income and taxed at the standard rate applicable to the taxpayer.
5. Deductions and allowances – Limited personal allowances and deductions are granted in calculating taxable income.
6. Rates – The payroll tax rates are as follows: annual taxable income of less than LYD12 000 is subject to a 5% tax rate. Annual taxable income above LYD12 000 is subject to a 10% rate. An exemption for income below LYD1 800 (for a single individual) or LYD2 400 (for a married person who has no dependent children) generally applies. In addition, the latter shall have an exemption of LYD300 for every minor child.
7. Capital duty – None.
8. Stamp duty – Stamp duty is levied at varying rates.
9. Capital acquisitions tax – None.
10. Inheritance/estate tax – None.
11. Net wealth/net worth tax – None.

Companies

Libya introduced a new income tax law (Law No. 7 of 2010) that became enforceable as from 28 April 2010. According to the new law, Corporate Income Tax (CIT) is levied on the net income of an entity, irrespective of the nationality of its shareholders (Libyan nationals or foreigners), at a rate of 20%.

| CIT | |
|---------------|-------------|
| | Rate of Tax |
| Standard rate | 20% |

Libya

Notes:

1. Residence – An entity established in Libya is considered tax resident in Libya.
2. Basis – Any income generated in Libya from assets held in Libya, or work performed therein, should be subject to income tax in Libya.
3. Taxable income – Tax is imposed annually on net income accrued during the tax year. Taxable income includes: income from business operations, less allowable expenses. Libyan companies, and branches of foreign companies, should be taxed on the basis of their submitted tax declaration, duly supported by audited financial statements, including statements of depreciation and general and administrative expenses. However, “deemed profit” based taxation may apply when a foreign entity is not registered at the time of contracting, the entity does not hold statutory books in Libya or the books are not maintained in accordance with the local regulations. Additionally, the tax authorities can assess tax on a deemed profit basis if they consider figures, margins, etc. inaccurate or out of line with industry norms (e.g. potential concealment, high quantum of inter-company transactions, etc.). Whilst, in theory, tax should be levied on accounting profit, in practice, the Libyan tax authorities tend to raise assessments based on deemed profit, therefore tax may be payable even when losses are incurred.
4. Losses – Net operating losses may be carried forward for five years. Losses incurred by upstream oil & gas companies may be carried forward for 10 years. The carryback of losses is not permitted.
5. Surtax – A 4% defence contribution applies in addition to CIT. A stamp duty of 0.5% is also levied on the total CIT liability.

Withholding Taxes (WHTs)

| | Note | WHT Rate |
|------------------------|------|----------|
| Dividends | | 0% |
| Interest | 1 | 5% |
| Royalties | 2 | 0% |
| Technical service fees | 3 | 0% |
| Branch remittance tax | | 0% |



Notes:

1. Interest paid on bank deposits is subject to a 5% tax.
2. Royalties (except those derived from the oil & gas sector) generally, are taxed as ordinary income on the basis that the asset is held/used in Libya.
3. Technical service fees – Work performed in Libya is considered Libyan-source income and is subject to tax accordingly.

WHT Rates for Treaty Countries

| | Dividends | Interest | Royalties |
|----------------|-------------|----------|-----------|
| Egypt* | Domestic | Domestic | Domestic |
| France | 5%/10% | 0% | 10% |
| India* | Domestic | Domestic | Domestic |
| Malta | 0%/5%/15%** | 5% | 5% |
| Pakistan | 0% | 0% | 0% |
| Singapore | 5%/10% | 5% | 5% |
| Slovakia | 0% | 10% | 5% |
| United Kingdom | 0%/15%*** | 0% | 0% |

* The income is taxable only in the source state, and the domestic rate applies.

** Libya applies a 5% rate when the beneficial owner is a company that directly holds at least 10% of the capital of the payer company, and it applies a 10% rate in other cases. The Malta WHT may not exceed the tax chargeable on the profits out of which the dividends are paid.

*** The 15% rate applies to qualifying dividends paid by a property investment company; the 0% rate applies in other cases.

Libya

Notes:

1. In terms of other treaty arrangements with countries, Libya has also entered into a "Treaty of Friendship and Cooperation " with Italy.

Capital Gains Tax (CGT)

Capital gains are treated as income and taxed at the standard rate.

Anti-avoidance

Transfer Pricing

Although Libya does not have formal transfer pricing rules, the tax department has authority to assess tax on a deemed profit basis under the general anti-avoidance provisions.

Thin Capitalisation

Thin capitalisation does not apply in Libya.

Controlled Foreign Companies (CFCs)

There are no CFC taxation rules in Libya.

Disclosure Requirements

None.

Value Added Tax (VAT)

Libya does not levy a VAT or sales tax.

Customs and Excise Duties

The National Transitional Council in Libya has issued Decision No. 48 for the year 2011, in relation to the customs tariff. The general duty rate on imported goods should be 5%, except for the following goods which are charged a higher duty rate:

- Vehicles, trucks and trailers of all types – 10%.
- Motorcycles – 30%.
- Perfumery and cosmetics – 15%.
- Tobacco and cigarettes – 25%.

Exemption applies to certain goods, such as raw materials and production supplies, medicines, agricultural and livestock production supplies, etc.

Production and consumption taxes on locally manufactured and imported goods are reduced to 0%. Fees imposed on supply services shall be cancelled.

Excise Duty

Libya does not levy an excise duty.

Solidarity Fund

Solidarity fund contributions are payable by deduction from the employees' salary at the rate of 1% of gross salary.

Other Taxes

Stamp Duty

Stamp duty is levied at varying rates.

Social Security

Social security contributions must be made by both the employer and the employee as follows:

| | Foreign Companies | Companies with Libyan Participation |
|-------------------------|-------------------|-------------------------------------|
| Employee contribution | 3.75% | 3.75% |
| Employer contribution | 11.25% | 10.50% |
| Government contribution | - | 0.75% |
| Total | 15.00% | 15.00% |

Tax Administration

- Tax year – The tax year is the calendar year, although a different year may be used subject to approval.
- Consolidate returns – Consolidated returns generally are not permitted. Each entity must file a separate return.
- Filing requirements – The annual return must be supported by audited financial statements (a balance sheet, profit and loss statement and a statement of operations). The financial statements must be audited by a Libyan licenced accounting firm. The tax return must be filed within four months of the end of the tax year. If the tax due is less than LYD100, then the amount shall be paid instantly to the tax authorities. If the amount exceeds LYD100, then the tax would be collected in four instalments and would become payable as of the 10th day up to the 25th day of the months of March, June, September and December.
- Penalties – Penalties apply for failure to file, late filing or other forms of non-compliance.

General Investment Information

Investment Incentives

Tax Incentives

- Law No. 9 of 2010 (Promotion of Investment) is designed to encourage the investment of national and foreign capital in Libya. The law provides tax benefits to companies that can contribute to diversification of the local economy, the development of rural areas, the increase of employment, etc.
- The tax exemptions applicable to companies registered/governed by Law No. 9, include: an exemption from customs duties on machinery and equipment, a five-year exemption from income tax, an exemption from tax on dividend distribution and profit generated as a result of merging, selling, dividing or changing the legal form of the enterprise, an exemption for profits generated from the activity of the enterprise if they are reinvested and an exemption from stamp duty.
- A free zone has been established in Misurata (Qasr Hamad port area).

Exchange Controls

Libyan joint-stock companies with a foreign shareholding may be paid in foreign currency. However, the payments should be made into accounts held at Libyan banks.

Expatriates and Work Permits

Visas

The employee will initially enter Libya under a business visa for a period of three months which could be extended for one more month (a visa for a six months period is usually granted to directors or applicants in similar positions) after which he/she would be required to obtain a work permit which is granted for a period of one year.

Trade Relations

- Memberships – Economic Community of West African States (ECOWAS), African Union (AU), G20, Organisation of Petroleum Exporting Countries (OPEC) and New Partnership for Africa's Development (NEPAD).
- International organisations – AU, Arab League, Group of 77 and United Nations (UN).

Interest and Currency Exchange Rates

| |
|---|
| Prime Bank Overdraft Rate |
| 6.0% (last reported 2014) (source: World Bank) |
| 6.0% (2013 average) (source: World Bank) |
| Currency: The currency is the Libyan Dinar (LYD) |
| R1 = 0.10159 LYD (December 2014) (source: Oanda) |
| US\$1 = 1.18000 LYD (December 2014) (source: Oanda) |

Key Economic Statistics

| |
|--|
| GDP (approx.) |
| US\$63.043 billion (2015 forecast) (source: IMF) |
| US\$49.341 billion (2014 estimate) (source: IMF) |
| Market Capitalisation |
| US\$3.3 billion (last reported 2014) (source: Libya Stock Market) |
| Rate of Inflation |
| 2.594% (2013 average) (source: IMF) |
| 4.819% (2014 average) (source: IMF) |
| 7.486% (December 2014) (source: IMF) |

Madagascar



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Madagascar

Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals (Monthly) | | |
|---|---------------------|---------------------|
| Taxable Income as exceeds | But does not exceed | Taxable amount/rate |
| MGA | MGA | MGA/% |
| 0 | 250 000 | 2 000 |
| 250 000 + | | 20% |

Notes:

1. Basis – Resident and non-resident individuals are subject to tax on their Malagasy-source income, including employment income.
2. Residence – Resident individuals are individuals who are present in Madagascar for at least 181 days in a tax year (calendar year). An individual is deemed to be resident if he/she has a permanent visa and a long-stay card or if he/she owns or uses a residential house.
3. Rates – The first MGA250 000 of monthly income is subject to a taxable amount of MGA2 000. Monthly income exceeding MGA250 000 is subject to tax at a rate of 20%. There is no ceiling.
4. Deductions and allowances – Certain expenses are deductible, including: payments to the *Caisse Nationale de Prévoyance Sociale* (CNAPS), the Government Fund for Social Security, and for government or private medical insurance and compulsory alimony payment.
5. Relief from double taxation is available through tax treaties (DTAs) to which Madagascar is signatory.

Non-Residents

Non-resident individuals are taxed on Malagasy-source income only (including employment income). Non-resident individuals are also subject to tax on certain specified types of income, such as income allocated to Madagascar by a multilateral or bilateral tax treaty.

Employment Income

Employers must withhold tax from their employees' wages. Certain types of income are exempt from income tax, including family allowances, military and civil disability pensions and military retirement pensions.



Companies

| Income Tax Rates for Companies | |
|--------------------------------|-------------|
| | Rate of Tax |
| Standard corporate rate | 20% |

Notes:

1. Residence – An entity is generally deemed to be a resident of Madagascar if its registered office, Permanent Establishment (PE) or centre of activity is located in Madagascar.
2. Basis – A resident corporation is subject to tax on its worldwide income, while a non-resident is taxed on Madagascar-source income only.
3. Rates – The standard Corporate Income Tax (CIT) rate is 20%. In general, the minimum tax is MGA100 000 plus 0.5% of annual turnover (including capital gains) for companies carrying out the following activities: agricultural, craft, mining, industrial, tourism and transport. This minimum tax equals 0.1% of annual turnover for fuel station filling companies. For companies engaged in other activities, the minimum tax is MGA320 000 plus 0.5% of annual turnover. The minimum tax applies if the company incurs a loss or if the corporate income tax calculated using the 20% rate is less than the minimum tax to be paid as stated above.
4. Free Trade Zone (FTZ) companies – Exempt from CIT for the first five years of their activities and are subject to CIT at a rate of 10% for subsequent years.

Madagascar

5. Large mining investments – Mining companies making investments over US\$25 million can benefit from legal and tax incentives if they are eligible under a special law called *Loi sur les Grands Investissements Miniers* (LGIM). They are exempt from minimum tax for five years from the beginning of exploitation. The CIT rates are 10% for owners of mining permits and 25% for the transformation entities.
6. Chargeable income – Taxable income is based on financial statements prepared according to the Chart of Account or the *Plan Comptable Général* (PCG 2005), which conforms to the International Financial Reporting Standards (IFRS 2003 version) and International Accounting Standards (IAS). Business operating expenses are generally deductible unless specifically excluded by law.
7. The following expenses are not deductible: interest paid on shareholder loans in excess of the interest rate determined for the interest applicant by the Central Bank plus two percentage points on an amount not exceeding two times the authorised capital. None of the interest on shareholder loans is deductible if the capital is not fully paid up; certain specified charges and subsidies; and taxes, penalties and most liberalities (payments that do not produce a compensatory benefit to the company).
8. Inventory – Inventory is normally valued at the lower of cost or market value. For goods that are not identifiable, cost must be determined through the use of the weighted-average cost-price method or the first-in first-out (FIFO) method.
9. Provisions – Provisions are generally deductible for tax purposes if they are established for clearly specified losses or expenses that are probably going to occur and if they appear in the financial statements and in a specific statement in the tax return.
10. Depreciation – Land is not depreciable for tax purposes. Other fixed assets may be depreciated using the straight-line method at rates generally used in the industry. The following are some of the applicable straight-line rates:*

| Asset (%) | Rate |
|-------------------------------------|------|
| Commercial and industrial buildings | 5% |
| Office equipment | 10% |
| Motor vehicles | 15% |
| Plant and machinery | 10% |

* In certain circumstances, plant and machinery, and other assets, may be depreciated using the declining balance method or an accelerated method.

11. Losses – Losses may be carried forward for five years. Losses attributable to depreciation may be carried forward indefinitely. Losses may not be carried back.
12. Dividends – Dividends received by companies are subject to normal CIT.
13. Foreign tax credit – Madagascar tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.
14. Participation exemption – None.
15. Holding company regime – None.
16. Controlled foreign companies (CFCs) – There are no specific CFC rules but measures exist to prevent international tax evasion.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | Note | Residents | Non-Residents |
|-----------|------|-----------|---------------|
| | | Rate | Rate |
| Dividends | 1 | 0% | 0% |
| Interest | 2 | 20% | 20% |
| Royalties | 3 | n/a | 10% |

Notes:

1. Dividends – The WHT on dividends was repealed in 2008. So far, dividends are exempt from tax without exception.
2. Interest – This WHT applies to resident and non-resident companies and individuals.
3. Royalties – This WHT applies to non-resident companies.

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Madagascar has a DTA are as follows:

| | Dividends | Interest | Royalties |
|----------------------|-----------|----------|-----------|
| | % | % | % |
| France | 0 | 15% | 10% |
| Mauritius | 0 | 10% | 5% |
| Non-treaty countries | 0 | 20% | 10%* |

* This WHT applies to non-resident companies.

Capital Gains Tax (CGT)

Companies

Capital gains are included in taxable income and subject to the CIT rate of 20%.

Value Added Tax (VAT)

| VAT | Rate |
|------------|------|
| Basic rate | 20% |

Notes:

- VAT applies on goods sold and services rendered in Madagascar.
- Entities that have annual turnover of less than MGA200 million (approximately, US\$100 000) are not liable to VAT unless they voluntarily apply for the VAT regime.
- Under the 2011 Finance Act, materials and equipment for the production of renewable energy are exempt from VAT.
- Cash payments made between entities liable to VAT are forbidden; only payments by bank cheque, wire transfer, credit card and non-endorsed bills of exchange are allowed.
- All economic activities are within the scope of VAT, including activities of independent professionals.
- The main exemptions relate to: healthcare, education, banking, insurance and reinsurance, farming and transportation. Banking transactions are subject to the tax on banking operations.

Miscellaneous Taxes

Capital Duty

None.

Urban Tax

Annual tax on the rental value of property that is part of business assets.

Registration Duties

Registration duties apply on transfers of real property or businesses. (The occupying or use of movable or immovable property must be supported by a lease agreement. This implies that registration fees at a rate of 2% are imposed on the total amount of rent during the lease agreement period).

Inheritance/Estate Tax

A lump sum tax ranging from MGA10 000 to MGA40 000 is imposed on inheritances.



Net Wealth/Net Worth Tax

None.

Social Security

Employers and employees must make contributions to the CNAPS, which uses the contributions to make payments for various items including pensions and compensation for industrial accidents and occupational diseases. The contribution rates are 13% for employers and 1% for employees. The rates are applied to the gross monthly remuneration of each employee up to MGA993 944 (capped deductible amount of CNAPS revised upward by Government). Employers must withhold the employees' contributions from the employees' wages.

Employers and employees must also make monthly contributions to either an *Organisation Socio-sanitaire Inter Entreprise* (OSIE) or to AMIE. These entities provide medical insurance. The contribution rates are 5% for employers and 1% for employees. The rates are applied to the gross monthly remuneration (no remuneration limit is imposed). Employers may purchase medical insurance from private companies instead of OSIE or AMIE but these private companies must have special authorisation from the Malagasy Administration. Employers may also purchase supplemental medical insurance from private companies in addition to insurance from OSIE and AMIE.

Tax Administration

Corporations

- Tax year – The tax year is the calendar year. However, companies may select a tax year running from 1 July to 30 June or another tax year.
- Filing requirements – Companies using the standard

tax year must file financial statements and the CIT return with the Malagasy tax authorities by 15 May of the year following the tax year. For companies choosing a tax year-end other than the standard tax year-end, the filing must be made within four months after the year-end. Companies must make six instalments of CIT for each tax year. Each payment must equal one-sixth of the preceding year's tax amount. The instalments are payable by 15 February, 15 April, 15 June, 15 August, 15 October and 15 December.

- Registration – Before engaging in activities in Madagascar, an entity must apply for tax registration by completing a specified form during the company creation procedure. The tax registration for wholesalers requires a special authorisation from the head of the tax authority (Finance Minister or Tax Managing Director). A Tax Identification Card (TIC) is issued to a new taxpayer on the completion of registration. The TIC must be renewed every year at the time of submission of the CIT return.
- Consolidated returns – Malagasy law does not provide for consolidated tax filings.
- Other – Taxpayers that compute taxable income under the actual or simplified actual regime must open a bank account in their name. Financial statements provided to private or public entities require the visa or certification of the tax authority.

Individuals

- Filing and payment – Employers must remit WHT on wages monthly between the 1st and 15th days of the month following the month in which the wages were paid.



General Investment Information

Investment Incentives

General Incentives

- Abundant natural resources (i.e. gemstones, industrial and decorative stones, oil, and rare metals for mining activities; 5000 km of beaches and exceptionally unique fauna and flora for tourism business; big and fertile land with favourable climate for any agriculture and farming activities; various agricultural and farming products as raw materials for transformative industries and rivers, wind and sun for renewable energy production).
- Low cost of local inputs and labour – Labour intensive industries, such as textile manufacturing, have thrived in Madagascar with the Law on Export Processing Zone (EPZ) and the American AGOA* provisions. The labour force is young, skilled and fast-learning.
- Access to markets and strategically located
 - With trade agreements and preferential treatment granted to some developing countries, Madagascar has advantageous access (quota-free; duty-free) to the American and European markets, as well as to other developed countries.
- In addition, as a member of the following regional economic communities, Madagascar offers the advantage of being a good location for the ease of exporting goods and services to these markets: SADC ** (Southern African Development Community), COMESA (Common Market for Eastern and Southern Africa), the Indian Ocean Rim, COI (*Communauté de l'Océan Indien*). Finally, strategically located between Asia and Africa and on major maritime routes, Madagascar gives an advantage to international businesses. And with the current extension of the port of Toamasina in the East, and the construction of the Ehoala port in the South, Madagascar provides world-class facilities for transportation of goods.
- Attractive business environment – The regulatory reforms and public investments in infrastructure since 2002, have led to improvement of the country's business environment. Significant public and private investments in infrastructure (such as road, ports, airports, telecommunication, and energy) reduce the costs of doing business. No restrictions on capital

Madagascar



flow in and out of the country, either for debt service or dividend payment. No requirement that nationals own shares of foreign companies. Rules of law are enforced without discrimination. Intellectual property protection is granted by laws. No government-imposed conditions on permission to invest, including location in a specific geographical area, specific percentage of local content, substitution for imports, export requirements or targets, employment of host country nationals, or technology transfer. Property rights are protected by laws (guarantee against nationalisation and expropriation).

- Quick and easy procedure for company creation.
- Peaceful and stable country – Malagasy people are peaceful by nature. Disputes and conflicts are resolved through amiable settlements and by rules of laws.

* Madagascar eligibility to AGOA has been renewed after the election of the new President of the Republic of Madagascar.

** Madagascar has returned to SADC after the election of the new President of the Republic of Madagascar.

Tax Incentives

- A few exceptional company tax exemptions implemented.
- Abolition of VAT collection for exporting and EPZ firms up to the amount of their VAT credit.
- Abolition of deposit payment and facilitation of income payment.
- Regime of the Common Rights which applies to all activities operating on the local market. For example, a tax cut of about 50% is granted for each investment carried out by a company; exemption of income tax (IBS) for the first working year run; the tax

credits IBS obtained can be deferred until exhaustion; facilities are applied for the operations of imports such as the temporary admission or draw back.

- Preferential regime of FTZs, exclusively for activities directed towards export. This includes: an exemption for five to 10 years of the income tax following the activity, and the payment of the income tax at 10% thereafter; an exemption of the professional tax; and exemption of the customs duties, import tax and the VAT. In addition, exceptional reduction of the taxation of companies by the abolition of VAT collection for exporting and EPZ firms up to the amount of their VAT credit; abolition of deposit payment and facilitation of income payment; abolition of import tax on some goods such as cement, yarns and fabric, iron, steel, and other items for construction, agricultural material and equipment; and abolition of VAT on the purchase of equipment good.

Exchange Controls

Exchange control regulations exist in Madagascar. For foreign exchange control purposes, the two kinds of operations are current operations and capital operations. Current operations include: transfers abroad of profits after payments of taxes, dividends, earned income, expatriate allowances and savings. Current operations require only a transfer declaration to a local bank. Capital operations include: operations relating to stock transfers, shares of liquidation bonuses, sales of businesses or assets and compensation for expropriations. Capital operations involving transfers abroad require an authorisation from the Ministry of Finance.

Madagascar

Expatriates and Work Permits

Entry Visas

If a foreigner wants to enter Madagascar, he/she must obtain a tourism or business visa for a stay of up to three months. This visa can be obtained at a Malagasy Embassy or Consulate in the foreigner's home country or at the airport on arrival in Madagascar.

Work Permits

To work in Madagascar, foreign nationals must satisfy the following requirements:

- They must obtain a work permit.
- They must provide a certificate of incorporation and a board of directors' resolution for the Malagasy company for which they intend to work.

Residence Permits

A foreigner that wants to stay in Madagascar for a period of more than three months, must obtain a Stay Card (*Carte de Séjour*), also known as a residence permit, from the Ministry of the Interior (Home Office). To obtain a Stay Card, the foreigner must submit the following documents:

- A work permit delivered in Madagascar by the Department of Labour.
- An employment certificate from the employer in Madagascar.
- A Tax Identification Number Card (*Carte de Numéro d'Identification Fiscale*, or CNIF) of the employer.
- A copy of their National Identity Card or Foreigner Identity Card (CIE) (for renewal of Stay Cards).
- A Tax Payment Certificate of the employer (for renewal of Stay Cards).

Trade Relations

- Memberships – SADC and the Common Market for Eastern and Southern Africa (COMESA).
- Treaties – Madagascar has entered into tax treaties with France and Mauritius.

Interest and Currency Exchange Rates

Monetary Policy Rate

9.50% (last reported 2014)

(source: Trading Economics)

Currency: The currency in Madagascar is the ariary (MGA).

R1 = 220.226 MGA (December 2014)

(source: Oanda)

US\$1 = 2 560.00 MGA (December 2014)

(source: Oanda)

Notes:

1. The Benchmark Interest Rate in Madagascar was last recorded at 9.50%. Interest rates in Madagascar are reported by the Central Bank of Madagascar. From 1994 until 2014, Madagascar Interest Rate averaged 13.53% reaching an all-time high of 33.0% in 1996 and a record low of 7.0% in January of 2002.

Key Economic Statistics

GDP (approx.)

US\$11.813 billion (2014 estimate)

(source: IMF)

US\$12.670 billion (2015 forecast)

(source: IMF)

Market Capitalisation

Not applicable – Madagascar does not have a stock exchange.

Rate of Inflation

5.825% (2013 average)

(source: African Economic Outlook, IMF)

6.222% (2014 average)

(source: IMF)

6.500% (December 2014)

(source: IMF)

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Malawi



The Minister of Finance, Economic Planning and Development, Honourable Goodall E.Gondwe, delivered the 2014/15 Budget Statement on 2 September 2014.

Notes:

1. This guide includes amendments to tax and non-tax measures based on information contained in the written text of the Budget Statement, as well as Amendment Bills that were passed by Parliament. Users are advised to seek professional advice on the precise nature and impact of information and changes indicated in this guide.
2. The new policy measures under Income Tax and Value Added Tax (VAT) became effective from 1 October 2014, whereas the Customs and Excise tax measures were effective from midnight 2 September 2014.

Income Tax

General Note

The tax measures referred to under "Income Tax" include those pertaining to Pay-As-You-Earn (PAYE).

Residents

Malawi taxation is based on source of income. Certain payments to residents are subject to withholding taxes (WHTs) (see Withholding Taxes below).

Income Tax Rates for Individuals: Years of Assessment Commencing On or After 1 July 2014

| Annual Taxable Income | Rate of Tax |
|------------------------|-------------|
| First MWK240 000 | 0% |
| Next MWK60 000 | 15% |
| Excess over MWK300 000 | 30% |

Notes:

1. Self-assessment – Taxpayers are encouraged to self-assess their tax liabilities. In this regard, a tax return which is prepared and delivered to the Commissioner, constitutes a self-assessment and may be accepted as such by the Commissioner. The Taxation Act gives a legal basis to the self-assessment process.
2. An annual return of income is required to be filed within 180 days of the end of the year of assessment i.e. accounting date. Late or non-filing of a return attracts a penalty of K200 000 and K50 000 for companies and individuals respectively.
3. The tax-free threshold for individuals remains at MWK240 000 per annum (MWK20 000 per month). Those whose income is estimated not to exceed the threshold of MWK240 000 per annum, are not required to pay provisional tax.
4. Employers are taxed on the value of any benefit or advantage availed to employees in respect of their employment. The employer makes a quarterly return of the taxable values of fringe benefits on which tax is paid at a rate of 30%. The taxable values are normally the cash values, except for vehicles (15% of the cost of the vehicle per annum), school fees paid directly to institutions (50% of cost) and company-owned housing (50% of the taxable value).
5. Individuals are not liable for tax on bank interest up to MWK10 000 per year.
6. There are no personal abatements or rebates.
7. The definition of person includes an individual, a partnership, a company, a corporation, a trust, a club, a society, an organisation, a public authority and an association.
8. Individuals will be considered resident for tax purposes if they are resident in Malawi for an aggregate of 183 days or more in any 12-month period beginning or ending in the year of assessment involved. A company incorporated in Malawi and any trust, estate or partnership established or otherwise organised under any written law of Malawi, is considered a person resident in Malawi.
9. The due date for payment of provisional tax is the 25th day after the end of each quarter. The rules require that at least 90% of the actual tax liability for the year has to be paid with the fourth quarter provisional tax payment. Payment of insufficient provisional tax attracts penalties of 25% or 30% where the unpaid tax (as a percentage of total tax liability) exceeds 10% but does not exceed 50% or exceeds 50% respectively.

10. Interest on any outstanding tax arrears is charged at 0.75% per month for the first month, or part thereof, and 0.25% per month for each additional month, or part thereof, that the tax remains unpaid. On good cause shown, the Commissioner may waive the interest chargeable.
11. Transfer pricing regulations, which previously considered transfer pricing as applying to entire business arrangements, apply to particular transactions.
12. Tax losses may be carried forward until utilised by the same taxpayer, subject to certain restrictions in the event of changes in shareholding which capitalise on tax losses. Assessed losses may only be carried forward for up to six years for all companies.

Non-Residents

Non-resident individuals working in Malawi are subject to a final 15% WHT on gross income. A non-resident who stays for over an aggregate of 183 days within any 12-month period is subject to tax at the normal rates.

Business Income – Turnover Tax

There is a Turnover Tax at the rate of 2%. This tax is payable by any person on business income where the annual turnover exceeds MWK2 million but does not exceed MWK6 million.

Any person who is liable to pay Turnover Tax may elect, by writing to the Commissioner not to be subject to Turnover Tax, in which case the other provisions of the Taxation Act would apply. Turnover Tax is paid/collected on a monthly basis in order to afford the taxpayer the opportunity to pay the tax when cash is available and has not accumulated into a significant amount.

Turnover Tax does not apply in respect of rental income, management fees, training fees, income of incorporated companies, and any income which is subject to a final WHT. Where the aggregate business turnover does not exceed MWK2 million, such person is deemed to be under the taxable threshold and as a result no tax is payable.

Companies

| Income Tax Rates for Companies | |
|-----------------------------------|-------------|
| | Rate of Tax |
| Normal company tax | 30% |
| Branches of foreign companies | 35% |
| Life assurance companies | 21% |
| Pension funds – investment income | 15% |
| Trusts | 25% |

Notes:

1. The only income tax measure announced in the 2014/15 Budget is a reduction in the rate of corporate tax payable by companies in the mobile telecommunication sector from 33% to 30%.

Withholding Taxes (WHTs)

Certain payments made to non-residents, at an address outside Malawi, whether corporate or individual, are subject to WHT (non-residents tax). In addition, certain payments to residents are also subject to WHT. These rates are set out below:

| WHT Rates | | | |
|----------------------|-----------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1, 5, 6 | 10% | 10% |
| Interest | 2 | 20% | 15% |
| Services | | 20% | 15% |
| Casual labour | | 20% | 15% |
| Royalties | | 20% | 15% |
| Fees | | 10% | 15% |
| Rents | | 15% | 15% |
| Commission | | 20% | 15% |
| Carriage and haulage | | 10% | 15% |
| Contractors | 9 | 4% | 15% |
| Other receipts | 4, 10, 12 | 3% | 15% |
| Imports | 13 | 3% | n/a |

Notes:

1. Both residents and non-residents are subject to a final WHT on dividends unless specifically excluded by a tax treaty.
2. The first MWK10 000 of bank interest payment to resident individuals is exempt from income tax.
3. Any WHT in respect of non-residents is a final tax in Malawi.
4. WHT rates of 3% apply on the payment for any supplies, including foodstuff, tobacco and other products.
5. Malawi has double taxation agreements (DTAs) with France, South Africa, The United Kingdom (UK), Switzerland, Norway and Sweden. The DTA with the Kingdom of Netherlands was terminated effective 1 January 2014. Where income is specifically exempt from tax in a DTA, and is taxable in the other country, WHT is normally not applied.
6. Group relief is available on the dividend WHT. Dividends originating from dividend income (which are distributed by a subsidiary company to a holding company or related company) are exempted from the 10% WHT, provided that the dividend income was subject to WHT in the first instance. The Taxation Act does not provide a definition of a related company. The Malawi Revenue Authority (MRA) has indicated that the main criterion is the holding of shares in another company, but the test is not based on the degree of control/influence exercised or even the size of the shareholding. It would seem that any shareholding by a company in another company will qualify.
7. Based on the "Dividend Article" in some DTAs, such as the one with the UK, a dividend paid by a company resident in Malawi to a resident in the other country is exempt from Malawi tax. The Malawi tax authority believes that these agreements might be renegotiated in order to prevent discrimination against resident shareholders who will be taxed at 10%.
8. In the DTA with South Africa, no "Dividend Article" is available. Therefore, the 10% WHT will be deducted at source and a foreign tax credit would be claimed against South African tax.
9. The WHT on contractors applies to contractors and sub-contractors in the building and construction industries. A building site will often constitute a deemed Permanent Establishment (PE) so that the WHT rate applicable to residents would apply to major building contracts.
10. WHT exemption certificates are granted by the MRA to holders of securities papers in secondary markets, with a proven track record of tax compliance. Suppliers of foodstuffs and other goods can also be granted exemption certificates.
11. Any payment for supplies to traders and institutions was previously subject to WHT, only if the supplies were made under tender, or under an arrangement, similar to a tender. With effect from 1 July 2007, the reference to tender or any similar arrangement was removed. The only payments exempted from WHT are what are termed as cash and over-the-counter purchases bought from open stock, utility and fuel bills, telephone bills, rates and medical and insurance subscriptions or premiums.
12. In order to achieve equity between farmers, there is no tax exemption for farmer clubs. As a result, all tobacco sold through the auction floors or directly to tobacco buyers, is subject to WHT of 3% of gross sales.
13. The issuance of WHT exemption certificates to compliant taxpayers, in order to facilitate their business transactions, will depend on the following requirements:
 - The applicant has filed all income returns for all the years since commencement of the business and timely filed an income tax return which is due.
 - The applicant has paid all outstanding taxes due including VAT and customs duties.
 - The taxpayer has been audited for tax purposes.
 - The applicant has complied with any special or general directions or has fulfilled any special conditions which the Commissioner considers necessary.
14. There is a 3% WHT on all commercial imports. Exemptions apply to registered taxpayers with valid WHT exemption certificates, government ministries and departments, tax-exempt persons, and importations done under customs procedure codes, and other special transactions accorded duty-free status. This WHT is duly allowed as a credit against income tax charged upon final assessment.

Capital Gains Tax (CGT)

Capital gains are treated as ordinary income and are subject to income tax at the personal or company income tax rates. Subject to any DTA, where non-residents sell shares in Malawian companies, WHT at 15% is deducted from any gain before remittance of the proceeds.

Capital gains and losses are calculated in one of two ways according to whether the capital asset has been subject to a capital allowance claim or not. There is no change in the determination of a capital gain/loss where capital allowances were claimed on the asset, the disposal of which gives rise to a capital gain or loss. The gain or loss is the difference between the proceeds from the disposal of the asset and the tax written-down value of the asset. Such capital losses are deductible from other taxable income without restriction.

However, in determining the adjusted basis of an asset on which capital allowances have not been claimed, the Consumer Price Index (CPI) published by the National Statistical Office (NSO) will be used. The CPI to be used is that applicable to the year in which the purchase or construction of the asset was affected.

Tax on capital gains can be deferred in the case of "involuntary conversion", which is strictly defined, or in the case of a "qualifying reorganisation", which includes most forms of corporate restructuring, provided the substance of the transaction is not a sale. Where an asset has been voluntarily converted, no capital gain will be recognised if the capital gain has been used to acquire a qualifying replacement asset similar to or related in service or use to the asset disposed, provided that the new asset is of equal or greater value. The replacement must take place within 18 months from the date of voluntary disposal.

No capital gain is recognised on the disposal of an individual taxpayer's principal residence, transfers between spouses, or transfers from a deceased spouse to a spouse or deceased parent to a child. The tax exemption available on the disposal of shares held in a company listed on the Malawi Stock Exchange (MSE) for more than one year, was re-introduced in 2012. When the exemption was abolished from 1 July 2011, the MRA directed that the shares listed on the MSE will assume the tax base of their market value as on

30 June 2011. This implied that there was no meaningful difference between the deemed tax base and the revalued amount to the time the law was reversed. However, assuming that there was a significant movement which resulted in deferred tax provisions, then such provisions would have to be reversed since any gains/losses on disposal of such shares listed on MSE would have been tax-exempt.

Any capital gain realised by an individual on the disposal of a personal and domestic asset, not used in connection with any trade, is exempt from tax. Roll-over relief is available on the disposal of business assets where these are replaced by similar assets. The gain has to be reinvested in the replacement assets within a period of two years.

A proposed CGT Act, to regulate capital gains taxation as a separate tax, is yet to be developed.

Transfer Pricing

Tax law on transfer pricing provides a mechanism for dealing with the shifting of business profits from one taxing jurisdiction to another, or from one taxing jurisdiction to nowhere; a practice sometimes common between related parties. The tax authority is accordingly able to deem profits to have accrued in cases where transfer pricing is believed to exist. Transfer pricing rules are provided to guide companies on their transactions.

Malawi has transfer pricing laws and regulations which are modeled on the OECD Guidelines.

Inheritances and Donations

The value of a deceased estate is subject to estate duty at progressive rates of duty of 5% to 11%. No tax is levied if the estate is valued at MWK30 000 or less.

Donations are not taxable in the hands of the recipient. Donations made to approved charities are deductible subject to restrictions.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|-------|
| Standard rate | 16.5% |

Notes:

1. The only VAT measure introduced during the 2014/15 Budget is the assignment of raw materials for the manufacture of fertilizer, medicaments, and pharmaceuticals as relief supplies on which VAT is not applicable.
2. The registration threshold for VAT is annual taxable revenues of MWK10 million.
3. Taxable persons, including all businesses currently earning over MWK10 million in annual turnover in Malawi, but excluding certain exempt and zero-rated categories, charge VAT on outputs and can recover VAT incurred on business inputs, other than certain non-allowable inputs such as on entertainment and private cars. It is necessary to determine the proportion of standard plus zero-rated VAT sales, over total sales, and where the proportion is less than 5%, then no input VAT incurred is claimable. Where such a proportion is above 5%, but less than 95%, input VAT should be claimable on the same proportionate basis. However, where the proportion of the standard plus zero-rated VAT sales, over total sales, is above 95%, then all input VAT incurred, relating to sales, is claimable.
4. Credit claims of inputs in a tax period are limited to the cost of goods or services procured in a month.
5. The remittance of VAT payable and submission of the related return is due within 25 days of the end of the month to which the return relates.
6. Bad debt relief is available.
7. The Commissioner cannot raise a VAT assessment after a period of six years after the VAT became due and payable, unless fraud is a material element of the assessment.
8. Any person who has committed an offence under the VAT Act, which is compounded by the Commissioner, is required to pay a sum of money equal to three times the amount of VAT involved in the offence or MWK100 000, whichever is greater.
9. Interest on unpaid VAT is calculated as an additional amount payable at 15% of the amount of VAT which remains unpaid for a month, or part thereof, and a further 5% per month, or part thereof, for the period during which the tax remains unpaid. The Commissioner has discretion to reduce the amount of the additional sums where a satisfactory explanation is made.
10. The Commissioner is able to recover VAT via third parties without the need to obtain a court order.



Other Transaction Taxes

| Stamp Duty | Rate |
|---|------|
| Stamp duty – share transfers | - |
| Stamp duty – transfer of immovable property | 1.5% |

Note:

1. The rate of stamp duty is now at 1.5% from the previous 3%.
2. The Technical, Entrepreneurial and Vocational Education and Training (TEVET) Act imposes a tax-deductible levy of 1% of the value of the basic payroll of non-governmental employers.

Tourism Levy

A tourism levy of 1%, on all bills from registered tourism units, is charged.

Customs and Excise Duties

Customs and excise duties are prescribed in the Customs and Excise Tariff Order.

Note:

1. The only customs and excise measures introduced in the 2014/15 Budget were as follows:
 - Introduction of a new offence for failure to renew excise operator's licence and a penalty of MWK200 000.
 - Introduction of provision empowering customs officers to value goods for export.
 - Prescription of methods of valuation of goods for export.
2. The definition of "duty" includes a 3% WHT on all imports (also see under Withholding Taxes).

Tax Administration

Penalties

The basic penalty is as follows:

- MWK50 000 for individuals.
- MWK200 000 for companies.

This penalty is for the following commissions and omissions:

- Failure to furnish or make default in furnishing a return of income to the Commissioner in respect of any year of assessment.
- Omission, from a return of income in respect of any year of assessment, any amount which should have been included therein.
- Deduction or setting off of any amount, in the return of income in respect of any year of assessment, the deduction or setting off of which is not allowed under the Taxation Act.
- Claiming any allowance in respect of any year of assessment which the taxpayer is not entitled to claim under the Taxation Act.

Record Keeping

The validity period for keeping records is six years in all tax legislation.

Notes:

1. Other penalties on offences include those for non-payment, late payment, underpayments, late submission of returns, non-submission of returns, and submission of incorrect returns, refer-to-drawer cheques, and refusal or resistance to register are also applicable under the Domestic Excise Tax, the Taxation Act and the VAT Act.
2. The MRA plans to leverage the use of ICT to enhance its operations by implementing the use of electronic fiscal devices in collection of VAT, automated self-assessment system for management of tax returns, web ASYCUDA system and the Customs Data Processing Centre.

Tax Clearance

The list of transactions in respect of which a tax clearance certificate is required, now includes:

- Transfer of land and buildings.
- Renewal of certificates of fitness for commercial vehicles.
- Renewal of business residence permits.
- Renewal of temporary employment permits.
- Renewal, extension or transfer of mining licences or

transfer of mineral rights by Ministry of Energy and Natural Resources.

- Renewal of tourism licences by Ministry of Tourism.
- Renewal of energy licences by the Malawi Energy Regulatory Authority (MERA).
- Renewal of telecommunication licences by the Malawi Communications Regulatory Authority (MACRA).
- Transfer of a business as a going concern.
- Renewal of the registration of public transport conveyances at Road Traffic Directorate.
- Renewal of any other business licences issued by government ministries and departments (including other statutory regulatory bodies).
- Externalisation of funds to non-resident service providers whose source is deemed to be Malawi.
- Renewal of a certificate of registration under the National Construction Industry Act.
- Renewal of professional business licence and permits of:
 - Medical practitioners or dentists.
 - Legal practitioners (lawyers).
 - Engineers and architects who are engaged in private practice on their own behalf as a private practice or in partnership with other private practitioners.

Tax Legislation

- All measures granting income tax incentives are enacted in the Taxation Act. Similarly, measures granting customs and VAT incentives are enacted in the Customs and Excise Act and VAT Act, respectively.





- Capital allowances – Initial and annual allowances are as available, as follows:

| Class of allowance | Initial allowance | Annual allowance |
|--|-------------------|------------------|
| Industrial buildings (for manufacturers) | 10%* | 5% |
| Plant and machinery (including equipment) used in process of manufacture | 20% | 10%-25% |
| Newly constructed commercial buildings of over K100mn | 0% | 2.5% |
| Furniture and fittings | 20% | 10% |
| Office and other equipment | 20% | 10% |
| Computers | 20% | 40% |
| Motor vehicles | 20% | 20%-25% |

* This is not available where an investment allowance has been claimed.

** An allowance exists for manufacturing companies to deduct all operating expenses incurred up to 24 months prior to the start of operations.

- Incentives in respect of petroleum storage facilities.
- Manufacturers may claim initial business expenditure incurred not more than 18 months prior to commencement and in the process of establishing the business, which is ordinarily allowable as a deduction in the normal course of the manufacturing business.
- The agro-processing and commercial electricity generation and distribution industries are designated priority industries. Under the Taxation Act, companies operating in designated priority industries are currently subject to income tax rates of between 0%, for periods of up to 10 years, or 15% indefinitely.
- A modern mining tax regime includes a rate of mining income tax in line with the general rate of 30% or 35% as the case may be, mining allowances in the first year of assessment of equal to 100% of mining expenditure incurred, a new resource rent tax on returns generated by high commodity prices at 10% of after-tax profits, and special exemptions from import customs duties and VAT.
- Pension fund contributions of employers are tax

General Investment Information

Investment Incentives

Tax Incentives

- Capital allowances – Investment allowance. This allowance is claimable by a taxpayer who is also a manufacturer or a farmer in the first year of use of a qualifying asset. The balance of the expenditure, if any, is deducted as an annual allowance at the rate of 5% for industrial buildings, or 10% to 33% for plants, on the cost of the asset in the first year, and on the tax written-down value of the asset in subsequent years. The investment allowance which is claimable by taxpayers in the manufacturing, agricultural and tourism sectors, is as follows:

| | Previous Rate | New Rate |
|----------------------------------|---------------|----------|
| New and unused qualifying assets | 40% | 100% |
| Used qualifying assets | 20% | 40% |

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deductible up to 15% of the employees' annual salary whilst the contributions of employees are net of PAYE. Pension benefits that accrue to a pensioner are exempt from tax.

Notes:

1. A 100% first year allowance limited to two years only was proposed in 1 July 2008, most likely in the form of an investment allowance, in respect of investment in the construction of petroleum storage facilities.

Export Incentives

- 25% of the taxable income from export sales may be deducted from taxable income as an export allowance.
- A special additional allowance of 25% of international transport costs related to exports may also be deducted from taxable income. (The above incentives do not apply to traditional exports i.e. tea, coffee, unmanufactured tobacco and tobacco refuse or cane sugar).
- 100% duty-free importation of equipment and raw materials for those exclusively engaged in horticultural production for export.
- Exporters in EPZs benefit from an exemption from excise duties and customs duty on certain purchases. Further incentives for establishing operations in an EPZ include: no WHT on dividends, no duty or capital requirement on capital equipment and raw materials and no VAT. Some of these benefits are available to other exporters.
- The Malawi Investment and Trade Centre (MITC), formed from the merger of the former Malawi Export Promotion Council (MEPC) and the Malawi Investment Promotion Agency (MIPA), exists as a designated "one-stop" agency to assist investors with establishing a business in Malawi and in obtaining an "investor's licence", although this is not mandatory.

Notes:

1. All companies under EPZs are subject to the standard corporate tax at 30%, as provided in the Taxation Act.
2. The additional 15% investment allowance given to companies operating under EPZs, is no longer applicable.
3. All other incentives provided to EPZs under the Customs and Excise Act, remain applicable.

Other Incentives

- Malawi is a uranium producer and home to one of the world's largest reserves of rare-earth metals.
- Low wage rates and a stable social and political environment.
- Fiscal policy supports structural reform in the economy.
- The Kwacha, the Malawi currency, was floated in during 2012. Capital controls still remain in place.
- Malawi forms part of the SADC Free Trade Area (FTA) aimed at furthering economic integration and industrialisation and eliminating tariffs and trade barriers among member countries.

Exchange Controls

There are no restrictions on equity ownership by foreigners. Inward investment must be registered with the exchange control authorities if repatriation of profits, dividends or capital is contemplated. Once registered, profit or dividend remittance approval may be obtained from a commercial bank subject to the production of the required documentation. The commercial banks will refer capital transactions, and those relating to royalties and technical or management fee agreements, to the Reserve Bank of Malawi. Foreign-owned companies may borrow from abroad with exchange control approval. Loans must bear interest at the prevailing rate for the currency in which the loan is denominated. No exchange control approval is necessary for local currency borrowings.

Expatriates and Work Permits

Temporary employment permits (TEPs) are normally available where a specific case can be made to the Minister of Home Affairs (through the Department of Immigration) for the employment of an expatriate. Investors, or established international organisations, may be granted a number of renewable permits for "key posts". All applications are subject to individual scrutiny and for "time posts". TEPs are normally granted for a specific person and employer for two years at a time, with an expectation that the individual should not remain in the same post beyond six years.

Expatriate individuals may, once authorisation is obtained, repatriate up to two-thirds of their after-tax remuneration and bonuses, as well as end-of-contract gratuities and leave pay.

Malawi

Trade Relations

- Memberships – Cotonou Agreement, SADC, the Common Market for Eastern and Southern Africa (COMESA).
- AGOA beneficiary country.

Notes:

1. Malawi has a bilateral trade agreement with South Africa. As a result of this trade agreement, a number of export products may enter the South African market at reduced rates of import duty.
2. Malawi signed a preferential trade agreement with the Government of Mozambique with the intention that Malawi export products to the neighbouring country are duty-free. The agreement was signed on 28 December 2005, and came into force on 20 September 2006. The agreement replaces the 1959 trade agreement with Mozambique. Certain products are excluded from the agreement and these include: beer, certain soft drinks, dressed chickens, explosives, firearms and ammunition, manufactured tobacco, petroleum products, refined edible oil, stationery excluding exercise books, sugar, table eggs, and unmanufactured tobacco. Duties (import duty, excise duty and VAT) are payable on these products.
3. Malawi continues its commitment towards aligning the national tariff to the COMESA Common External Tariff (COMESA CET) and the COMESA Common Tariff Nomenclature (COMESA CTN). In order to conform to the regional agreement under the COMESA Simplified Trade Regime (STR) programme aimed at promoting small cross border trade among member countries, the country has aligned the processing fee for customs documents under the STR to the Malawi Kwacha equivalent of US\$1.00.
4. The country is also committed to fast-tracking the process of phasing down tariffs under the SADC Free Trade Area in order to reap the economic benefits of deeper integration and regional trade. In an effort to do so, the country continues to adhere to commitments made under the SADC Trade Protocol.

Interest and Currency Exchange Rates

Prime Lending Rate

25.0% (December 2014)
(source: Reserve Bank of Malawi)

Bank Rate

37.0% December 2014)
(source: National Bank of Malawi)

Currency: Kwacha (MWK) (Divided into 100 Tambala)

R1 = MWK43.03 (December 2014)
(source: National Bank of Malawi)

US\$1 = MWK507.00 (December 2014)
(source: National Bank of Malawi)

Notes:

1. The Reserve Bank of Malawi intervenes in the foreign exchange market – a *de facto* conventional peg – to ensure Kwacha stability.

Key Economic Statistics

GDP (approx.)

US\$4.408 billion (2014 estimate)
(source: IMF)

US\$4.982 billion (2015 forecast)
(source: IMF)

Market Capitalisation

US\$14.680.7658 million (September 2013)
(source: Malawi Stock Exchange)

Rate of Inflation

28.315% (2013 average)
(source: IMF)

19.574% (2014 average)
(source: IMF)

14.744% (December 2014)
(source: IMF)

Mauritania



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Mauritania

Income Tax

Residents

| Personal Income Tax (PIT) Rates for Individuals* | | |
|--|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| MRO | MRO | % |
| 0 | 90 000 | 15% |
| 90 000 | 210 000 | 25% |
| 210 000 + | | 40% |

* PIT is payable on the net income on a progressive scale.

Notes:

1. Basis – PIT is applicable for both Mauritanian nationals and non-Mauritanian nationals who have Mauritanian-source income. Non-Mauritanian nationals are also subject to tax on the salary paid outside of Mauritania in respect of work performed in Mauritania.
2. Residence – There is no specific definition of residence for PIT purposes.
3. Rates – Rates are progressive up to 40%.
4. Taxable Income – PIT is levied on salaries and related benefits and allowances paid by public and private entities, to the extent the work is carried out in Mauritania, irrespective of whether the employer or beneficiary is resident in Mauritania. Benefits in kind are not taxable unless they exceed 20% of the salary.
5. Deductions – Various deductions are allowed including mandatory social security, pensions and contributions.
6. Unilateral double taxation relief applies – Mauritania has concluded a few double taxation treaties (DTAs) (see below).

Companies

| Income Tax Rates for Companies | |
|--------------------------------|-------------|
| | Rate of Tax |
| Standard rate | 25% |



Notes:

1. Basis – Mauritania operates a territorial tax system. Entities (both resident and non-resident) generally are subject to corporate tax only on income generated from activities carried on in Mauritania.
2. Residence – There is no definition of residence in the Mauritanian tax law. Mauritanian entities are taxed based on the territoriality principle.
3. Rates – The standard corporate tax rate is 25%. As from 1 January 2013, a non-resident entity that does not have a Permanent Establishment (PE) in Mauritania, but that sells goods or provides services in Mauritania can elect upon approval from the tax authorities to be subject to simplified taxation by way of withholding. The applicable withholding tax (WHT) rate is 15% of the contract value for the provision of services.
4. Taxable income – An entity is taxed on the difference between its trading income and expenditure.
5. Deductions – Expenses incurred in the operation of a business generally are deductible, unless specifically excluded in the tax law. Expenses that cannot be deducted include, *inter alia*, penalties, fines and depreciation in excess of the rates provided in the Mauritanian tax law.
6. Dividends – Dividends received by a Mauritanian corporate shareholder are excluded from the taxable base provided the dividends are/were subject to WHT.
7. Capital allowances – Land is not depreciable for tax purposes. Other fixed assets may be depreciated using the straight-line method at maximum rates specified by the Mauritanian tax law. Certain industrial assets may be depreciated using the declining-balance method subject to specific conditions.

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8. Provisions – Provisions are normally deductible for tax purposes if they provide for clearly specified losses or expenses that are probably going to occur and if they appear in the financial statements and in a specific statement in the tax return.
9. Losses – Tax losses may be carried forward for five years from the end of the loss-making accounting period. The carryback of losses is not permitted.
10. Foreign tax relief – Foreign tax credits are generally not available.
11. Participation relief – Not applicable.
12. Group treatment – Not applicable.

Withholding Taxes (WHTs)

Certain payments to domestic companies and individuals and non-resident companies/investors are subject to WHT at the following rates:

| WHT Rates | | | |
|-------------------------|------|-----------|---------------|
| | Note | Residents | Non-residents |
| Dividends | | 10% | 10% |
| Royalties | 1 | 0% | 15% |
| Interest | 2 | 10% | 10% |
| Director fees | | - | 10% |
| Technical services fees | 1 | 3% | 15% |
| Branch remittance tax | | 10% | 10% |

Notes:

1. Under the simplified tax regime of taxation, WHT should apply at 15% for payment made to non-resident entities with operations for less than six months.
2. Interest on savings accounts held with *la Caisse d'Epargne* is exempt from tax.

Mauritania has concluded tax treaty arrangements (DTAs) with the following countries:

| Tax Treaty Arrangements |
|---|
| Algeria |
| France |
| Kuwait |
| Qatar |
| Senegal |
| Sudan |
| Tunisia |
| Multilateral Tax Treaty with Arab Maghreb Union |
| Multilateral Tax Treaty with Economic Community of West African States (ECOWAS) |

Capital Gains Tax (CGT)

Capital gains are taxable as an ordinary income i.e. capital gains are included in the taxable base and subject to a 25% corporate tax rate. However, if the entity commits to reinvest the capital gain amounts within three years as from the end of the financial year when they incurred, the capital gain would be tax-exempt.

Anti-avoidance

Transfer Pricing

There are no formal transfer pricing regulations in Mauritania. However, transactions between related parties should be made at arm's length.

Thin Capitalisation

If the interest rate applied by the company exceeds the official rate of the Central Bank plus two percentage points, the additional interest is disallowed for corporate tax purposes.

Mauritania

Value Added Tax (VAT)

| | Rate |
|---------------|------|
| Standard rate | 14% |

Notes:

1. VAT is levied on the supply of goods and services and on import transactions.
2. Rates – The standard rate of VAT is 14%. A higher rate of 18% applies to petroleum products and telecommunications services.
3. Registration – Entities are required to register for VAT purposes within 10 days of the date of incorporation or the date activities commence.
4. Filing and payment – Companies are required to file VAT returns and pay VAT on a monthly basis by the end of the following month.

Customs and Excise Duties

The import duties in Mauritania include a general rate and a minimum rate of 20% and 5% respectively.

Certain goods can be subject to an intermediary rate that fluctuates between the minimum rate and the general rate. The rates are fixed in accordance to the goods classification and origin.

Privileged rates apply in line with the international treaties or conventions as agreed by the Government of Mauritania.

The import of samples for commercial purposes is exempt from taxes. These goods will enter under an ATA Carnet that can be obtained from the Council of the International Chamber of Commerce.

In addition to the customs duties, most imported products are subject to a Statistical Tax of 3%.

Other Taxes

Inheritances/Gift Tax

The Mauritanian tax law does not contain an inheritance tax. However, donations and inter vivos gifts are subject to registration fees at various rates that vary according to the type of assets transferred.

Net Wealth Tax

None.

Stamp Duties

Stamp duties are applicable to certain transactions at various rates.

Business Activity Tax (*patente*)

This tax (at various rates) is a calculated based on the turnover of the business.

Registration Duties

Registration duties apply on transfers of real property or businesses. The rates vary between 0.25% and 15%.

Social Security

An employer is required to remit social security contributions in respect of an employee's gross salary at a rate of 15% (capped at a monthly base of MRO70 000).

Tax Administration

Individuals

- Tax year – The tax year is based on the calendar year.
- Filing and payment – The employer is required to make monthly and annual tax filings in respect of its employees. One monthly wage WHT return is filed by the employer to report the total income, total tax withheld and total number of employees for the given month and an annual tax deduction schedule should be filed for the year before 15 February of the following year. Generally, no separate personal/ individual tax filing is required.
- Penalties – Penalties are imposed on late filing and payment at 10% of the amount payable when the delay is less than two months, and 25% of the amount payable when the delay is more than two months.



Companies

- Tax year – The calendar year is typically the fiscal year.
- Filing and payment – During the course of the fiscal year, two instalments should be made. The tax return must be filed by 31 March of the year following the fiscal year, with any balance of tax paid by 30 April.
- Penalties – Penalties are imposed on late filing and payment at 10% of the amount payable when the delay is less than two months, and 25% of the amount payable when the delay is more than two months.
- Rulings – Not applicable.

General Investment Information

Investment Incentives

Tax Incentives

There are a number of tax incentives available under the Investment Code which apply to all economic sectors except for banking, insurance (including reinsurance) activities and mining and hydrocarbon activities.

Two types of incentives are provided for in the Investment Code; namely, the capital gains exemption and the export-oriented companies' regime:

- Exemption of capital gains – Capital gains derived from the disposal of shares in the capital of enterprises operating under the Investment Code are exempt from tax in Mauritania if the transfer was made to a Mauritanian national.
- Export-oriented companies – A number of advantages are granted to companies whose business relates solely to export, whether directly or indirectly. An enterprise whose businesses relate indirectly to exports, is an enterprise that carries out transactions only with other export-oriented companies. Export-oriented companies, which are subject to the control of the customs authorities, are eligible for the following incentives: exemption from all duties and taxes due on exports; exemption from customs duties and similar taxes on the import of equipment, machinery, material, engines etc., as well as on the import of raw materials, semi-finished goods etc. required for the purposes of setting up or running the business; exemption from registration

and stamp duties of the transfers and similar deeds required for the setting up and the organisation of the business; exemption from the business licence duty and any similar taxes, as well as any tax on real property; application of a reduced flat rate minimum tax of 2%; and the possibility to recruit up to four foreign employees in executive positions without prior agreement. The tax liability of these employees may not exceed 20% of their total payroll. Note, the exemptions mentioned above are applicable not only in respect of the setting up of (approved) projects, but also in respect of any extension and modernisation etc. made thereto.

Tax Regime for Public Procurements Contracts Funded by Means of Foreign Resources

A special regime for public procurements funded by foreign resources is available under Law 97/8 of 21 January 1997. Such procurements include the supply of works, products and services, funded by means of grants, non-reimbursable subsidies and foreign loans contracted by the State, collective authorities and public establishments. The main features of this regime include:

- Taxes on transactions relating to public procurements funded by means of foreign resources are borne by the Mauritanian State. These include customs duties, VAT, Statistics Tax and excise duties (except for duties and taxes levied on hydrocarbons and lubricants).
- Equipment imported to perform such projects is entitled to the following regime:
 - Equipment which is the property of the State or of local authorities – the tax is borne by the State of Mauritania.
 - Equipment the ownership of which is to be transferred to the State at the end of the project – the temporary admission regime applies to suspend the collection of taxes and duties on such equipment. When transferred to the State of Mauritania at the end of the project, tax is to be paid by the State.
 - Equipment imported by foreign or Mauritanian companies to be used for studies, control and supervisory activities – the temporary admission regime applies. Taxes and duties are payable by these companies in proportion to the period of use in Mauritania.
- Foreign individuals in charge of studies, control and technical assistance within the framework of these

Mauritania

projects may also import one personal vehicle under the temporary exemption regime, subject to the condition that they are paid exclusively and directly by the foreign state or institution funding the project during the period of their stay.

- In addition, procurement contracts funded by foreign resources are exempt from registration duties. Such contracts are, however, still subject to registration formalities.

Exchange Controls

Exchange control regulations exist in Mauritania for foreign financial transactions.

Expatriates and Work Permits

Typically, foreign individuals working in Mauritania should obtain a work permit and a residency card. Getting a work permit requires sponsorship from a local employer. The residency card is mandatory for all foreigners in Mauritania as from May 2012.

Trade Relations

- Memberships – African Union (AU) and New Partnership for Africa's Development (NEPAD).
- International organisations – AU, Arab League, Group of 77, United Nations.
- Tax treaties – Mauritania has entered into DTAs with France, Senegal and states of the Arab Maghreb Union.

Notes:

1. The treaties generally provide the following relief: commercial profits are taxable in the treaty country where a foreign firm performs its activities through a PE; interest is taxable in the state of residence of the beneficiary, but the state of source may withhold tax at source if allowed by the domestic law of such state; and employment income is taxed in the treaty country where the activity is performed, except in the case of a short assignment.
2. The treaties with France and Senegal provide that royalties and remuneration paid to a non-resident for services rendered in Mauritania are taxable in the state of residence of the beneficiary, but the state of source may withhold tax at source if allowed by the domestic law of such state.



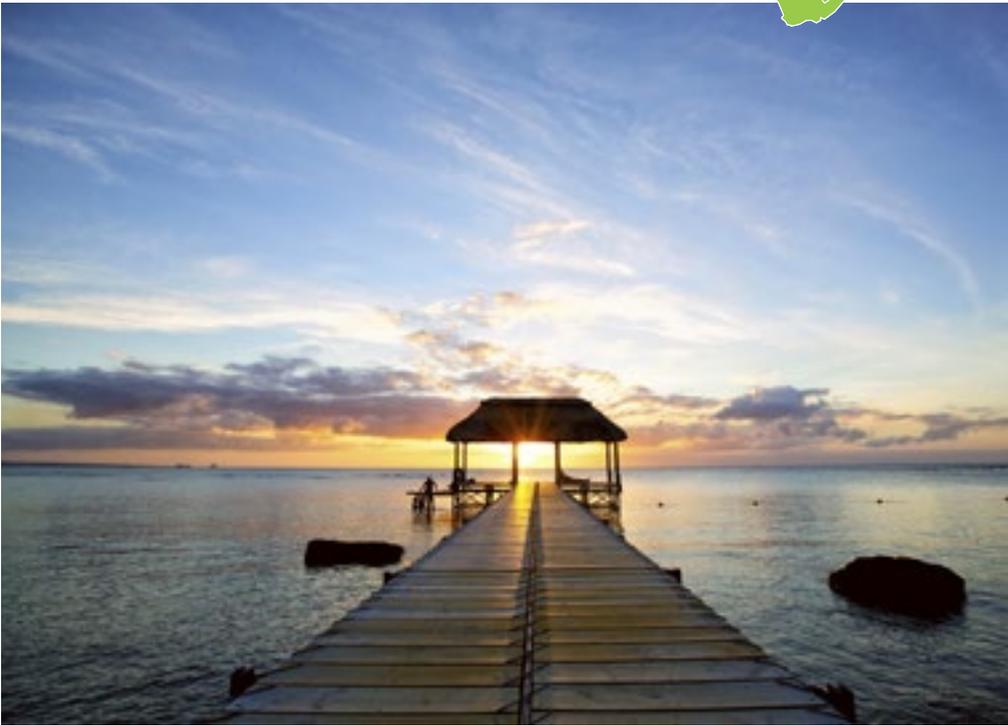
Interest and Currency Exchange Rates

| Benchmark Interest Rate |
|--|
| 9.000% (last reported 2014) (source: Trading Economics) |
| Currency: The Mauritanian currency is the ouguiya (MRO). |
| US\$1 = 285.492 MRO (December 2014) (source: Oanda) |
| R1 = 24.4994 MRO (December 2014) (source: Oanda) |

Key Economic Statistics

| GDP (approx.) |
|--|
| US\$4.286 billion (2014 estimate) (source: IMF) |
| US\$4.461 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| Not applicable. |
| Rate of Inflation |
| 4.129% (2013 average) (source: IMF) |
| 3.278% (2014 average) (source: IMF) |
| 4.099% (December 2014) (source: IMF) |

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Mauritius

Introduction

The Honourable Minister of Finance and Economic Development, Mr Charles Gaetan Xavier-Luc Duval G.C.S.K, presented the 2014 Budget for Mauritius on 8 November 2013. The 2015 Budget presentation will be held in the first week of March 2015.

Income Tax

Residents

Residents are taxed on their worldwide income. However, any earned income derived from outside Mauritius is taxed in Mauritius only if it is actually received there. Individuals are assessed and pay tax annually in arrears i.e. income earned in the year ended 31 December 2013 (year of income) is taxed by 31 March 2014 in the year ended December 2014 (year of assessment), except for salaried employees who pay tax on current earnings through a monthly deduction by their employer under the Pay-As-You-Earn (PAYE) system and self-employed individuals who make an interim tax payment on current business and professional income every quarter under the Current Payment System (CPS).

All dividends paid by companies resident in Mauritius are tax-free in the hands of individual or corporate shareholders. Dividends paid by non-resident companies to residents are taxable in Mauritius.

Income Tax Rates for Resident Individuals: Year to December 2014

| | Note | Rate |
|-------------------------|------|------|
| Flat rate of income tax | 1 | 15% |

Notes:

- The individual income tax rate has not changed and remained at a flat rate of 15%.
- Relief is afforded to retired people, under Categories E and F (see 3 below).
- A single allowance (called the income exemption threshold) is deductible from a resident individual's income to arrive at taxable income. It is divided into six categories as follows:
 - Category A – No dependant Rs275 000
 - Category B – One dependant Rs385 000
 - Category C – Two dependants Rs445 000
 - Category D – Three dependants Rs485 000
 - Category E – No dependant Rs325 000 (retired persons)
 - Category F – One dependant Rs435 000 (retired persons)

- Individuals are also taxed on the value of any benefit or advantage arising from employment.
- Individuals will be considered resident for tax purposes if:
 - They are domiciled in Mauritius, unless their permanent place of abode is outside Mauritius.
 - They have been present in Mauritius for 183 days or more in that income year.
 - They have been present in Mauritius for 270 days or more in aggregate in that income year and the two preceding income years.
- Severance allowance – As for the tax exemption on a retirement allowance, there is a similar increase in the amount of exempt severance allowance from Rs1 million to Rs1.5 million.
- Deduction for children at university – A deduction for children at university applies whereby a parent, with an annual income below Rs2 million, will be entitled to a deduction in respect of a child following a non-scholarship full-time course at a university in Mauritius, or abroad, amounting to Rs80 000 and Rs125 000 respectively. The relief is available for a three-year period and cannot be claimed for more than three children.
- First-time buyer of a house or residential land – Provided he/she has an annual income below Rs2 million, a first-time buyer of a house, or bare residential land, is entitled to an exemption of registration duty on the first Rs4 million and Rs1 million on the acquisition of a house, or bare residential land, respectively. In the case of bare land, construction must start within one year and be completed within three years of purchase. The same first-time home owner can also claim a deduction for interest on a new mortgage loan or an existing loan contracted since 1 July 2006. The interest relief, applicable as from the income year 2011, is limited to Rs120 000 annually for a five-year period only.
- A cap of Rs3 million is set for the cost of a motor car qualifying for an annual allowance.
- Sugar cane planters – A planter exclusively engaged in a sugar cane plantation on less than 15 hectares of land is entitled to an exemption for the first 60 tons of sugar income. This planter is also entitled to a duty-free double cab vehicle.
- Interest received by an individual in respect of debentures quoted on the stock exchange, will be exempted from income tax.



Relief for Medical/Health Insurance Premium

Every person is allowed to deduct from his/her net income (as from 1 January 2013), premiums paid in respect of a medical or health insurance policy contracted for himself/herself and his/her dependents (see table below).

| Resident Individuals: Year to December 2014 | | |
|---|---------------------------------------|---------------|
| Category | Applicable To | Proposed (Rs) |
| A | Individual with no dependent | 12 000 |
| B | Individual with one dependent | 24 000 |
| C | Individual with two dependents | 30 000 |
| D | Individual with three dependents | 36 000 |
| E | Retired Individual with no dependent | 12 000 |
| F | Retired Individual with one dependent | 24 000 |

Non-Residents

Non-residents are only subject to tax in Mauritius on income derived from a source in Mauritius. Non-resident individuals are subject to tax using the same tax rates applicable to residents. In addition, certain payments made to non-residents, at an address outside Mauritius, are subject to the deduction of tax at source.

Fringe Benefits

Taxation of fringe benefits applies as follows for the 2014 income tax year:

| | Monthly Taxable Amount | |
|---|--|------------------------------|
| | From | To |
| (i) Car Benefit | | |
| A. Car is used for official or business and private purposes | | |
| Up to 1600cc | Rs9 000 | Rs9 500 |
| 1601 to 2000cc | Rs10 125 | Rs10 750 |
| Above 2000cc | Rs11 250 | Rs12 000 |
| B. Car is used exclusively for private purposes | | |
| Up to 1600cc | Rs12 000 | Subsumed in Category A above |
| 1601 to 2000cc | Rs13 500 | |
| Above 2000cc | Rs15 000 | |
| (ii) Accommodation Benefit (provided by hotels) | | |
| A. Full Board and lodging | | |
| Single | Rs11 000 | Rs11 500 |
| Married | Rs15 000 | Rs15 700 |
| B. Accommodation for | | |
| Managing and supervisory staff | Rs4 200 | Rs4 400 |
| Other staff | Rs2 100 | Rs2 200 |
| (iii) Housing Benefit (where property is rented by the employer) | | |
| A. Furnished | 20% of employee's total emoluments or actual rent paid, whichever is the lower | Actual rent paid |
| B. Unfurnished | 15% of employee's total emoluments or actual rent paid, whichever is the lower | Actual rent paid |

Self-employed Persons – Current Payment System (CPS)

Self-employed taxpayers having a turnover, or deriving income from a profession, vocation or occupation, not exceeding a threshold of Rs4 million per annum, will no longer be required to file CPS returns and pay tax on a quarterly basis. They will pay tax annually at time of filing of their income tax return. This facility will apply equally to rental income not exceeding the annual threshold of Rs4 million.

Companies

Companies are assessed and pay tax annually in arrears i.e. income earned in the year of income is used to determine the taxable income, and hence, the tax liability for the year of assessment. Companies are taxed at a flat rate of 15% and an Alternative Minimum Tax (AMT).

AMT is payable where a company pays dividends and its tax payable is less than 7.5% of its book profit. The AMT payable is the lower of 7.5% of book profit and 10% of the dividends paid. Companies that are exempt from income tax are not liable for AMT. Companies are required to make quarterly tax payments under the Advanced Payment System (APS). Advance quarterly payments are required from companies with an annual turnover above Rs4 million. AMT will be suspended for manufacturing and hotel companies during fiscal years 2013 and 2014. Losses can be carried forward for a maximum period of five years.

There is no group relief provision except that losses can be transferred on the takeover or merger involving manufacturing companies.

Income Tax Rates for Companies: Year of Assessment – 2013

| | Note | Rate of Tax |
|--|------|-------------|
| Basic flat rate – all companies except for those listed below | | 15%* |
| Global business licence companies – category 2 (previously, international companies without tax resident status) | | Exempt |
| Companies holding freeport licence | 1 | Exempt |
| Companies engaged in spinning, weaving and dyeing | 2 | Exempt |

*The effective rate after granting a tax credit is 3% for global business licence companies, category 1 (previously, offshore companies) and qualifying trusts (previously, called offshore trusts).

Notes:

- The income tax exemption/tax holiday which applies to freeport operators (set to end in 2013) will be granted indefinitely.
- Exemption applies until the income year ending 30 June 2016.
- The following tax deductions are not allowed:
 - Any investment, expenditure or loss to the extent to which it is capital or of a capital nature.
 - Any expenditure or loss to the extent to which it is incurred in the production of income which is exempt income.
 - Any reserve or provision of any kind.
 - Any expenditure or loss recoverable under a contract of insurance or of indemnity.
 - Any expenditure incurred in providing business entertainment or any gift.
 - Any tax payable under the Land (Duties and Taxes) Act, 1984.
 - Income tax or foreign tax.
 - Any expenditure or loss to the extent to which it is of a private or domestic nature.
- Unrelieved business losses may be carried forward for set off against future income (other than emoluments). For companies, losses are not available for carry forward when there is more than 50% change in shareholding. The time limit to carry forward any unrelieved loss, applicable both to individuals and companies, is five years. However, the time limit of five years does not apply for the carry forward of any amount of loss which is attributable to the annual allowance arising from assets acquired after 30 June 2006.
- Prior to the announcement of the 2009/10 Transitional Budget, banks were taxable at the rate of 5% on their net income from transactions with non-residents and Global Business Licence Companies. A special levy of 0.5% of turnover, and 1.7% of accounting profit, was imposed on profitable banks. The special levy of 3.4% of profit, and 1% of turnover payable by profitable banks, was planned to be cut by half as from the income year 2011. Instead, these two rates were maintained for a further two years.

6. As regards telephone operators, the solidarity levy of 5% of book profit, and 1.5% of turnover, was extended to income year 2013.
7. Profitable companies are required to allocate 2% of their chargeable income to government-backed activities under corporate social responsibility schemes, or as contributions to the Mauritius Government in its fight against poverty.
8. In 2011, the restriction imposed on Global Business Companies, to conduct business within Mauritius, was lifted in order to provide a much-needed boost to the Global Business Sector and to enhance substance.

Tax Deduction at Source (TDS)

Under the system of TDS, tax must be deducted at the time certain types of payments are made. The payments covered and the rates of tax are:

| TDS Rates | |
|--|-------|
| Nature of Payment | Rate |
| Interest payable to a non-resident | 15% |
| Royalties | |
| A resident | 10% |
| Non-resident | 15% |
| Rent | 5% |
| Payments to providers of specified services | 3% |
| Payments to contractors and sub-contractors in construction industry | 0.75% |

The following persons are required to deduct TDS:

- From interest – Any bank, including the Bank of Mauritius; any non-bank deposit-taking institution; any person (other than an individual) issuing debentures, and any other loan instrument.
- From royalties – Any company, or *société*, other than companies holding a category 1 global business licence.
- From rent – Any person (excluding individuals).
- From fees to providers of specified services – Any person (excluding individuals).
- From payments to contractors and sub-contractors – Any person (excluding individuals).



Notes:

1. The payer is required to issue a Statement of Income Tax Deduction to the payee by 15 February every year showing the total payments made to the payee, and the total amount of TDS. Where a payer fails to remit to the Mauritius Revenue Authority (MRA) by the due date, the tax required to be deducted at source, he/she is liable to a penalty of 5% of the tax due, and to interest at the rate of 1% per month, or part of the month during which the tax remains unpaid. The basis of income taxation of companies engaged in long-term insurance business, was effective on the 1 January 2014.
2. Ministries, departments, local authorities, the Rodrigues Regional Assembly and parastatals will, apart from the normal TDS, also be required to effect deduction at source in respect of high-value contracts relating to implementation of projects and procurement of goods and services.

The scope of TDS is extended to cover:

- Certain consultancy and management services.
- Interest payments made by financial institutions and other companies, to an individual, where such interest is taxable.

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Mauritius has Double Taxation Agreements (DTAs) with the countries listed below. These treaties may reduce the tax rates imposed under TDS as follows:

| DTA – Summary Table | | | | | |
|--|-----------------|-------------|-----------------|-------------|------------------|
| Maximum Tax Rates Applicable to Certain Revenue Taxable at Source | | | | | |
| Country | Interest | | Interest | | Royalties |
| | Banks | Note | Other | Note | |
| Barbados | Nil | 1 | 5% | | 5% |
| Belgium | Nil | | 10% | | Nil |
| Botswana | 12% | | 12% | | 12.5% |
| China | 10% | | 10% | | 10% |
| Croatia | Nil | | Nil | | Nil |
| Cyprus | Nil | | Nil | | Nil |
| France | Nil | 1 | Nil | 1 | 15% |
| Germany | Nil | 1 | Nil | 1 | 15% |
| India | Nil | 1 | Nil | 1 | 15% |
| Italy | Nil | 1 | Nil | 1 | 15% |
| Kuwait | Nil | 2 | Nil | 2 | 10% |
| Lesotho | 10% | | 10% | | 10% |
| Luxembourg | Nil | | Nil | | Nil |
| Madagascar | 10% | | 10% | | 5% |
| Malaysia | 15% | | 15% | | 15% |
| Mozambique | Nil | | 8% | | 5% |
| Namibia | Nil | | 10% | | 5% |
| Nepal | Nil | | 10%/15% | 4 | 15% |
| Oman | Nil | | Nil | | Nil |
| Pakistan | 10% | | 10% | | 12.5% |
| Rwanda | Nil | | Nil | | Nil |
| Senegal | Nil | | Nil | | Nil |
| Seychelles | Nil | | Nil | | Nil |
| Singapore | Nil | | Nil | | Nil |
| South Africa | Nil | | Nil | | Nil |
| Sri Lanka | Nil | | 10% | | 10% |
| Swaziland | 5% | | 5% | | 7.5% |
| Sweden | Nil | | 15% | | 15% |
| Thailand | 10% | | 15% | 3 | 5%/15% |
| Uganda | 10% | | 10% | | 10% |
| United Kingdom | Nil | 1 | Nil | 1 | 15% |
| Zimbabwe | Nil | | 10% | | 15% |

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Treaties awaiting ratification: Malawi, Nigeria, Russia, Tunisia, United Arab Emirates, Vietnam and Zambia.
Treaties under negotiation: Canada, the Czech Republic, Egypt, Greece, Iran and Portugal.

Government intends widening the network of DTAs and Investment Promotion and Protection Agreements with African states starting with Algeria, Angola, Burkina Faso, Tanzania and South Sudan.

Notes:

1. Where interest is paid by banks it is exempt. Interest payable, other than by banks, is taxed in the source country according to the taxation laws of that state.
2. Interest is only taxable in the source country where the beneficial owner of the interest carries on business through a Permanent Establishment (PE), or performs independent personal services from a fixed base, and the debt claim is effectively connected with the PE or fixed base. The maximum tax rate is 5%.
3. The rate of 5% is only applicable if the royalties relate to any copyright of literary, artistic or scientific work, excluding cinematograph films and films, tapes or discs for radio or television broadcasting.
4. The rate of 10% is applicable if the beneficial owner is a financial institution, an insurance company or an investment company receiving income from financial institutions.

Inheritances and Donations

There is no estate duty in Mauritius. Donations tax is payable at the rate of 5%. The rate of donations duty has been aligned with that of registration duty on any gratuitous transfers of property during the donor's lifetime but only in relation to property which requires registration. This tax is payable by the donee. Donations between ascendants, and a descendant, a descendant's spouse or surviving spouse, are exempt from donations tax.

Value Added Tax (VAT)

| VAT | Rate |
|------------|------|
| Basic rate | 15% |



Notes:

1. The registration threshold is Rs4 million per annum. Certain businesses or professions are required to register, irrespective of their turnover.
2. Zero-rated supplies include amongst others: goods exported under customs control, the supply of services to non-residents, the supply of aeronautical services, pharmaceutical products, kerosene (including jet type fuel), books, goods sold by a duty-free shop at a port or airport and the international transport of passengers and goods. In addition, sugar and fruits produced in Mauritius are also zero-rated supplies.
3. Exempt supplies include: supplies of certain foodstuffs (rice, wheat flour and bran, butter, margarine, sterilised liquid milk, curdled milk and cream and yoghurt fish, meat and vegetables etc.), medical services, public transport, residential accommodation, banking services, life jackets, anti-smoking gum, cosmetic surgery and construction of social housing by housing development trusts. In addition, the following goods and services are VAT exempt: Infant cereals not containing milk, colostomy bags and urine bags, entrance fees to cinemas, concerts and shows and royalties on importation of film.
4. The VAT exemption on cosmetic surgery was restored with effect from 1 January 2012.
5. VAT on soluble chemicals, such as potassium nitrate, mono potassium phosphate and magnesium sulphate, has been removed.

6. VAT exemption on cosmetic surgery applies.
7. No input tax can be claimed in respect of goods or services used to make an exempt supply, motor car expenses, accommodation, catering services, receptions and entertainment.
8. A VAT refund scheme applies for the agro-industrial and fisheries sector, whereby VAT paid on equipment purchased in 2012, will be refunded by the MRA. For small planters and breeders, equipment refers to agricultural machinery, equipment and tools and for registered fisherman in the fisheries sector, equipment includes fishing gear, outboard and inboard engines of up to 25hp, VHS radios and semi-industrial fishing vessels used by fishermen grouped in cooperatives.
9. Returns must be submitted on a monthly basis if annual turnover of taxable supplies exceeds Rs10 million. Otherwise, quarterly returns are required.
10. Severe penalties are prescribed in cases of late submission of returns and late payment of VAT.

Additional VAT incentives for 2014 included:

- Removal of VAT on the importation and acquisition of new semi-low floor buses or chassis used for public transport.
- Extension of VAT exemption of services provided by banks in respect of credit cards or debit cards to a company engaged wholly and exclusively in the provision of e-commerce to a person residing outside Mauritius.
- Claw-back of VAT on buildings sold before the 20th year will be reviewed for the transfer between VAT-registered persons.
- Proposal for the collection of VAT in respect of mineral waters, aerated waters, soft drinks and alcoholic drinks, at the wholesale stage, as the case for petroleum products.
- Proposal for VAT exemption for the supply of photovoltaic panels.
- Removal of VAT on medical, surgical or laboratory sterilizer, x-ray film and photographic plates for medical purposes, bio-pesticides and growing medium for plants.
- Change in VAT classification from exempt to zero-rated for fresh or frozen meat (pork, beef, mutton, etc), canned or preserved meat and fish, sausages, milk, buttermilk, curdled milk, butter, cheese and curd, honey, soya bean, tea, spices and rice.
- VAT refund scheme for small planters, fishermen,

breeders, apiculturists and bakers are permanent in the VAT legislation.

- Refund up to Rs300 000 on VAT charged by a VAT-registered building contractor on the construction of new residential unit costing less than Rs2.5 million for household with monthly income of less than Rs50 000. The scheme is also applicable for purchase of an apartment.

Customs and Excise Duties

Tariff Policy

Where significant local production exists, and to give greater certainty to businessmen and investors, changes in customs duty rates on products will be announced with a notice of at least six months.

Interim Economic Partnership Agreement (EPA) with the European Union

First year of tariff liberalisation process involving:

- Raw materials and capital goods: Immediate liberalisation.
- Intermediate goods: phased reduction from 2013 to 2017 (five years).
- Finished goods: phased reduction from 2013 to 2022 (10 years).



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Notes:

- As from 1 January 2014, excise duty on sugar content of soft drinks is 3 cents for each gram (previously, 2 cents for each gram). This covers any aerated beverage (such as colas), any syrup, any fruit squash, cordial or drink, whether imported or produced locally.
- As from 1 January 2014, excise duty of 25% on energy inefficient products was extended to household room air conditioners, tumble dryers and electric lamps; an excise duty of 30% applies to firecrackers and fireworks; excise duty of 45% on motor cycles of cylinder capacity ranging from 201 to 250 c.c has been removed; excise duty on alcoholic products increased by 5%; and customs duty on a list of sensitive goods (i.e. black tea, spices, flour, salt, edible oil, margarine, doors, windows, furniture, etc.) originating from Southern African Development Community (SADC) countries was removed.
- As from 2013, modulated excise duty was introduced on electrical appliances on the basis of their energy consumption in order to promote the use of more energy efficient types of energy.
- As from 1 January 2014, excise duty on tobacco products increased as follows:

| Tobacco Products | From | To |
|-----------------------------|-----------------|--------------------|
| Cigars (Rs per Kg) | 12 236 | 12 845 |
| Cigarillos (Rs) | 12 236 per kilo | 7 500 per thousand |
| Cigarette (Rs per thousand) | 3 540 | 3 717 |



Other Transaction Taxes

| Transaction Taxes | Note | Rate |
|---|------|----------------------------|
| Registration duty – immovable property | 1 | 5%/US\$70 000 |
| Land transfer tax | 2, 3 | 5%/10% |
| Tax on transfer of leasehold rights in state land | 4 | 20% |
| Municipal tenant's tax – commercial properties | 5 | 10% to 20% of rent payable |
| Environment protection fee (EPF) | 6 | |
| Levy on messaging services | 7 | 10c per SMS/MMS/ZMS |
| Advertising structure (billboard) fee | 8 | |

Notes:

- Registration duty on acquisition of Integrated Resort Scheme (IRS) residence, is payable at the rate of 5% on the value of the property or US\$70 000, whichever is higher. Agricultural land sold by sugar companies to metayers is not subject to registration duty. The transfer of immovable property, within a family, may be exempt from duty in certain circumstances. This duty does not apply where the transfer has been subject to donations tax. Registration duty on the acquisition of immovable property by a manufacturing company, is exempt. The Transition Budget introduced the following changes:
 - Investors acquiring a non-IRS villa for leaseback, to pay a fixed registration fee of US\$70 000 (provided that it is leased back to a hotel operator).
 - Micro-enterprises moving to corporate status exempted from registration duty of 5% on immovable properties transferred as equity into a new company.
 - 50% reduction on registration duty for electric cars.

Further changes included the following:

- Reduction of registration duty on registered loans – Registration duty ranging from Rs1 000 to Rs10 000 removed on registration of secured loans where the amount borrowed does not exceed Rs1 million.
 - Abolition of inscription fee – The inscription fee of Rs200, payable on registration of secured loans, was removed. Therefore, only stamp duty of Rs1 000 is payable as user fee on registration of a secured loan not exceeding Rs1 million.
 - Renewal of inscription – The *Code Civil Mauricien* was amended to extend the time limit for renewal of inscription in respect of a fixed and floating charge in connection with a secured loan from 10 years to 40 years.
2. Payable on transfer of shares in companies with immovable property. The tax rate is 10% for transfers effected within five years of acquisition. Otherwise the rate is 5%.
 3. To provide cash relief to IRS/RES promoters, developers pay 25% of the Land Transfer Tax at the time of signature provided a bank-guarantee for the remaining balance is furnished to the Registrar-General. The remaining balance is payable in three equal instalments over a period of 18 months. From 1 January 2012, financial institutions are exempt from payment of Land Transfer Tax on the sale immovable property in connection with debt realisation provided that the property is being sold within a period of 12 months from its acquisition date.
 4. This tax is to be paid in equal proportions by the transferor and transferee.
 5. Effective 1 January 2012, Municipal Tenant's Tax was abolished.
 6. For the 2012 year, EPF was to be payable only by profitable hotels, guest houses or tourist residences. In addition, EPF was only payable within four months after the end of its accounting period, instead of monthly.
 7. A levy of 10 cents on each SMS, MMS and ZMS applies as from 1 January 2012.
 8. The advertising structure fee is collected by the MRA and a vignette affixed to each billboard to ensure compliance control.

Tax Administration

- Individuals are required to submit returns of income and pay tax, if any, by 31 March. Companies with an accounting year ending on 30 June are required to submit their returns and pay tax, if any, by 31 December. Other companies are required to

submit their returns and pay tax, if any, within six months after the end of their accounting year.

Sociétés and *Successions* are required to submit their returns by 31 March.

- Tax claimed in a notice of assessment should be paid within 28 days of the date of the notice of assessment, unless the taxpayer objects to the assessment. There is a time limit of four years to raise an assessment, except where the taxpayer has failed to submit a return or in case of fraud or willful neglect.
- In case of dissatisfaction with a notice of assessment, the taxpayer may object to the tax claimed within a delay of 28 days specifying, in the letter of objection, the grounds of the objection and at the same time pay 30% of the amount of income tax claimed. If the taxpayer objects exclusively to income assessed as emoluments, or to the amount of income exemption threshold, the payment of the 30% mentioned above does not apply.
- For tax treaty purposes, the Income Tax Act permits the exchange of information on non-tax resident persons.
- Excess corporate tax paid is allowed to be set off against future tax liability under the APS.
- Executive directors in a private company are accountable and liable for non-payment of VAT to MRA as in the case of income tax.
- Companies submitting electronic VAT returns are required to submit particulars of sales to traders.

Budget 2014 proposals included:

- Implementation of a simplified income tax return for small and medium businesses with a turnover up to Rs10 million.
- Extension of filing deadline for companies with an accounting year ending 30 June and no tax payable to 15 January.
- Synchronisation of the payment dates of various taxes and other remittances payable to the MRA for facilitating online block payment.
- Introduction of a Tax Administration Bill to consolidate administrative processes with a common platform for various areas of tax through common and streamlined provisions in light of best international practice to facilitate better compliance by taxpayers. Tax representatives and tax agents also regulated.



General Investment Information

Investment Incentives Tax Incentives

| Capital Allowances | Annual Allowance |
|-------------------------------------|------------------|
| Industrial and commercial premises | 5% |
| Hotels | 30% |
| Assets costing Rs30 000 or less | 100% |
| Assets costing more than Rs30 000 | |
| • Electronic and computer equipment | 50% |
| • Other machinery and plant | 35% |
| • Motor vehicles | 25% |
| • Furniture and fittings | 20% |
| • Golf courses | 15% |

- To give a boost to manufacturing, and in line with the MID agenda, the Schedule of Annual Allowances in the Income Tax Act, provides for accelerated depreciation in respect of investments made during 2013 and 2014 in manufacturing and in “green” technology equipment, as follows:

| Capital Expenditure Incurred On | From | To |
|--|------------------------|------------------------|
| Industrial premises dedicated to manufacturing | 5% (straight-line) | 30% (reducing balance) |
| Plant or machinery fully expensed (100% allowance) | < Rs30 000 | <Rs50 000 |
| Electronic and high-precision machinery (incl. computer hardware and software) | 50% (reducing balance) | 50% (straight-line) |
| Plant and machinery by a manufacturing company | 35% (reducing balance) | 50% (straight-line) |
| “Green” technology equipment | 35% (reducing balance) | 50% (straight-line) |
| Scientific research | 25% (reducing balance) | 50% (straight-line) |
| Renovation works incurred by hotels, restaurants and retail outlets | 20% (reducing balance) | 33% (straight-line) |

- List of qualifying “green equipment” eligible for 50% annual allowance on a straight-line basis:
 - Renewable energy including solar-electric (photovoltaics) and solar thermal, wind and biomass, except for companies whose main

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business is the production of electricity.

- Energy-efficient equipment or noise control device.
 - Water-efficient plant and machinery and rainwater harvesting equipment and system.
 - Pollution control equipment or device, including wastewater recycling equipment.
 - Effective chemical hazard control device.
 - Desalination plant.
 - Composting equipment.
 - Equipment for shredding, sorting and compacting plastic and paper for recycling.
 - Landscaping and other earthworks for embellishment purposes undertaken in 2013 and 2014.
- Any unused annual allowance in a year (including, the new provisions) may be carried forward indefinitely. Expenditure on a passenger car will not be eligible to the accelerated annual allowance provision.
 - The annual allowance is calculated on a straight-line basis except for industrial premises dedicated to manufacturing.

VAT Refund Schemes

- A VAT refund scheme applies for small planters and small breeders on equipment and machinery purchased in 2012 and 2013.
- A VAT refund scheme applies for registered fishermen on fishing gear, outboard and inboard engines of up to 25hp, as well as VHF radios and on semi-industrial fishing vessels used by fishermen grouped in cooperatives.
- The list of covered items was extended to cover:
 - Spare parts of agricultural machinery and equipment.



- Weed mats.
- Plastic mulch.
- Post-harvest equipment.
- Dryers for agricultural products.
- Weight scales.
- Refractometer.
- Industrial type chill room/cold room.
- Straw and fodder bailers.
- Honey extractor.
- Tyres used for tractors.

Tax Amnesties Schemes

All amnesty schemes have been terminated as at end of September 2013. It is not expected that the MRA will be implementing new schemes over the next few years.

Exchange Controls

The Exchange Control Act was suspended in 1994.

As a result, there are currently no restrictions on the repatriation of capital, profits or dividends in Mauritius.

Expatriates and Work Permits

Work permits are required for expatriates seeking employment in Mauritius. In general, work permits will be granted provided that a contract of employment is in place and local citizens do not possess the necessary expertise. Under the Business Facilitation Act, an occupation permit giving right to a three-year residence period can be granted to:

- An investor setting up a business with an annual turnover exceeding Rs3 million.
- A professional offered employment with a monthly salary exceeding Rs30 000.
- A self-employed professional with an annual income exceeding Rs600 000. On expiry of the occupation permit, the investor, or self-employed professional, can apply for permanent residence subject to certain conditions.

Trade Relations

- Memberships – Cotonou Agreement, SADC, COMESA, IOL and IOR – ARC.
- AGOA beneficiary country.

Mauritius



Interest and Currency Exchange Rates

Bank Rate

2.48% (October 2014)
(source: Bank of Mauritius)

Repo Rate

4.65% (last reported 2014)
(source: Bank of Mauritius)

PLIBOR*

3.00% (December 2014)
(source: Bank of Mauritius)

* Port Louis Interbank Offered Rate.

Currency: Rupee (Divided into 100 cents)

R1 = Rs2.61414 (December 2014)
(source: Oanda)

US\$1 = Rs30.3078 (December 2014)
(source: Oanda)

Notes:

1. The Bank of Mauritius uses the Repo Rate, instead of the Lombard Rate, as the key policy rate to signal changes in its monetary policy stance.

Key Economic Statistics

GDP (approx.)

US\$12.72 billion (2014 estimate)
(source: IMF)

US\$13.64 billion (2015 forecast)
(source: IMF)

Market Capitalisation

US\$6.3 billion (August 2013)
(source: Stock Exchange Mauritius)

Rate of Inflation

3.483% (2013 average)
(source: IMF)

3.739% (2014 average)
(source: IMF)

4.200% (December 2014)
(source: IMF)

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Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| MAD | MAD | % |
| 0 | 30 000 | 0% |
| 30 001 | 50 000 | 10% |
| 50 001 | 60 000 | 20% |
| 60 001 | 80 000 | 30% |
| 80 001 | 180 000 | 34% |
| 180 000 + | | 38% |

Notes:

1. Basis – Habitual residents are taxable on worldwide income. Non-residents are subject to tax on Morocco-source income only.
2. Residence – Habitual residents are individuals with a permanent home available for their use in the Morocco, or who are employed by a resident corporation.
3. Withholding tax (WHT) is applied to Morocco-source investment income at the rates described below (under "Withholding Taxes").
4. Taxable income – Individuals are taxable on the same schedules of income as companies, and on employment income. All income is pooled and subject to a general income tax.
5. Deductions and allowances – Expenses deductible from general income include: life assurance premiums (subject to certain limits and conditions), loan interest, and subsistence allowances paid to dependent parents or a spouse, and the general income tax itself.
6. Filing status – Spouses are generally taxed separately. Children are usually taxed with one of their parents but may be taxed separately if they have employment income.
7. Relief from double taxation is available through tax treaties (DTAs) to which Morocco is a signatory.

Non-Residents

Non-residents are subject to tax on Morocco-source income only.

Employment Income

The individual, or company, who pays taxable income(s), must withhold Personal Income Tax (PIT).

Companies

| Income Tax Rates for Companies | |
|--------------------------------|-------------|
| | Rate of Tax |
| Standard corporate rate | 30% |

Notes:

1. Residence – A company is resident if it is incorporated in Morocco or its place of activities is in Morocco.
2. Basis – Morocco operates a territorial tax system. Companies (both resident and non-resident) are generally subject to corporate tax on income generated from activities carried on in Morocco. A foreign corporation is subject to tax on income arising in Morocco if it has, or is deemed to have, a Permanent Establishment (PE) in Morocco.
3. Rate – The normal corporate rate is 30%, with a 37% rate applying to leasing companies and credit institutions. A foreign contractor carrying out engineering, construction or assembly projects, or projects relating to industrial or technical installations, may opt to be taxed at a rate of 8%, calculated on the total contract price, net of Value Added Tax (VAT) and similar taxes. There is no Alternative Minimum Tax (AMT) but the tax payable by a company must be at a rate of at least 0.5%, regardless of the amount of taxable profits, calculated on turnover and other profits.
4. Taxable income – A company is taxed on the difference between its trading income and expenditure. Expenses incurred in the operation of the business are generally deductible, unless specifically excluded. Expenses that are not permitted include: penalties, fines, interest on shareholder loans where the stock is not fully paid up, and interest on shareholder loans in excess of the official annual interest rate.
5. Losses – Tax losses may be carried forward for a period of four years from the end of the loss-making accounting period. However, the portion of a loss that relates to depreciation may be carried forward indefinitely. Losses may not be carried back.



- 6. Dividends – Dividends received by corporate shareholders from taxable Moroccan-resident entities, must be included in business profits of the recipient company but the dividends are 100% deductible in the computation of taxable income. As of January 2008, the participation exemption in Morocco is also applicable to dividends derived from foreign subsidiaries. The original participation exemption regime granted a 100% allowance to a Moroccan recipient company of Moroccan-source dividends.
- 7. Foreign tax credit – A foreign tax credit is only available to the extent provided in an applicable tax treaty.
- 8. Interest – Interest paid on loans and other debts, is deductible to the extent it relates to borrowings made for income producing purposes. Thin capitalisation rules apply to reduce the deduction available where the taxpayer is a foreign entity operating in Morocco, a foreign-controlled Moroccan entity, or a Moroccan resident with foreign business investments. In each of these cases, the tax deduction for interest may be reduced if the taxpayer’s debt exceeds the levels permitted under the thin capitalisation provisions.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|--------------------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | n/a | 15% |
| Interest | 2 | n/a | 15% |
| Royalties | 3 | n/a | 15% |
| Management and professional fees | 4 | n/a | 15% |
| Leasing equipment from non-residents | 5 | n/a | 15% |
| Branch remittance tax | 6 | n/a | 15% |

- Notes:**
- 1. Dividends – Dividends paid to a non-resident are subject to a 15% WHT unless the rate is reduced under an applicable tax treaty, generally 10%.
 - 2. Interest – Interest on loans obtained from a non-resident is subject to a 15% WHT.
 - 3. Royalties – Royalties paid to non-residents are subject to a 15% WHT unless the rate is reduced under an applicable tax treaty.
 - 4. Management and professional fees – Subject to a 15% WHT according to the Moroccan Tax Code.
 - 5. Leasing equipment from non-residents – Subject to a 15% WHT according to the Moroccan Tax Code.
 - 6. Branch remittance tax – A 15% branch remittance tax is imposed on profits remitted to the head office of a non-resident, generally 10%.

Morocco

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Morocco has a DTA are as follows:

| Jurisdictions | Dividends | Royalties | Interest |
|----------------------------|-----------|-----------|----------|
| Austria | 5%/10% | 10% | 10% |
| Bahrain | 5%/10% | 10% | 10% |
| Belgium | 6.5%/10% | 10% | 10% |
| Bulgaria | 7%/10% | 10% | 10% |
| Canada | 15% | 5%/10% | 15% |
| China (P.R.C.) | 10% | 10% | 10% |
| Czech Republic | 10% | 10% | 10% |
| Denmark | 10%/25% | 10% | 10% |
| Egypt | 10%/12.5% | 10% | 20% |
| Finland | 15% | 10% | 10% |
| France | 15% | 5%/10% | 10%/15% |
| Germany | 5%/15% | 10% | 10% |
| Hungary | 12% | 10% | 10% |
| India | 10% | 10% | 10% |
| Italy | 10%/15% | 5%/10% | 10% |
| Jordan | 10% | 10% | 10% |
| Korea (R.O.K.) | 5%/10% | 5%/10% | 10% |
| Latvia | 6%/10% | 10% | 10% |
| Luxembourg | 10%/15% | 10% | 10% |
| Malaysia | 10% | 10% | 10% |
| Malta | 6.5%/10% | 10% | 10% |
| Netherlands | 10%/25% | 10% | 10%/25% |
| Norway | 15% | 10% | 10% |
| Pakistan | 10% | 10% | 10% |
| Poland | 7%/15% | 10% | 10% |
| Portugal | 10%/15% | 10% | 12% |
| Romania | 15% | 10% | 10% |
| Spain | 10%/15% | 5%/10% | 10% |
| Switzerland | 7%/15% | 10% | 10% |
| Turkey | 7%/10% | 10% | 10% |
| Ukraine | 10% | 10% | 10% |
| United Arab Emirates (UAE) | 5%/10% | 10% | 10% |
| United Kingdom (UK) | 10%/25% | 10% | 10% |
| United States (US) | 10%/15% | 10% | 15% |

Capital Gains Tax (CGT)

Companies

Capital gains are treated as ordinary income and taxed at the corporate tax rate.

Individuals

Individuals earning capital gains from selling property are subject to tax on property profits. Profits on the sale of property are taxable at 20% of any profit but with a minimum tax of 3% of the sale price. The tax is 30% when it is related to plots of land acquired of more than six years. The taxable gain is computed by deducting the following from the selling price:

- Acquisition price and incidental costs.
- Transfer costs.
- Investment expenses.
- Interest payments.

Capital gains from the sale of a property, which has been the primary residence of the taxpayer, are not subject to tax under certain qualifications; namely:

- The property has been the seller’s primary residence for at least six years.
- The property has been the seller’s primary residence for at least four years on the day of the sale, and the property area does not exceed 100 square meters and the profit does not exceed MAD250 000.
- The profit made on one or more transfers by individuals within a calendar year, whose total value does not exceed MAD60 000.

Anti-avoidance

Transfer Pricing

There is no formal transfer pricing legislation in Morocco, but transactions between related parties should be at an arm’s length. Two methodologies are used by the tax authorities: the comparable uncontrolled price method and direct assessment based on available information.

Thin Capitalisation

There are no thin capitalisation rules in Morocco but the deduction of interest on shareholder loans is limited to the rate provided by *Bank Al Maghreb* (the Central Bank), with the difference disallowed as a deduction for corporate tax purposes.



Value Added Tax (VAT)

| VAT | |
|---------------|-----|
| Standard rate | 20% |

- Notes:**
1. VAT is levied on all industrial, commercial and craft activities, on services rendered in Morocco and on import transactions.
 2. The standard rate is 20% with reduced rates of 7%, 10% and 14% applying for certain transactions.
 3. All persons subject to VAT should register for VAT purposes within 30 days as of the start of their operations.
 4. VAT returns and payments are generally due on a monthly basis.

Customs and Excise Duties

Equipment, goods, materials, tools, spare parts and accessories, which are considered necessary to promote and develop investment, are subject to import duty

Morocco

at between 2.5% and 10% ad valorem if no other stipulation of a trade treaty with the country of origin. Morocco has signed several agreements aiming to reduce these rates; namely, with the US, European Union, United Arab Emirates and other Arab countries.

Miscellaneous Taxes

Stamp Duty

Legal documents are subject to stamp duty at a rate up to MAD1 000.

Transfer Tax

A 6% registration duty, and a 1% real estate tax, are levied at the time real property is acquired.

Property Tax

Properties occupied as a main or second residence, are taxed at progressive rates as follows:

| Tax Base (MAD) | Tax Rate (%) |
|-----------------|--------------|
| Up to 5 000 | 0% |
| 5 000 – 20 000 | 10% |
| 20 000 – 40 000 | 20% |
| 40 000 + | 30% |

If the property is used as a primary residence, only 25% of the assessed rental property value is subject to tax.

Municipal Tax

Municipal tax is assessed on the rental value of the property. The general property tax rate is 10.5% of the assessed rental value as determined by the local tax authorities for the property tax.

Business Tax

A business tax (or *Taxe Professionnelle*) is levied on individuals and enterprises that habitually carry out business in Morocco. The tax consists of a tax on the rental value of business premises (rented or owned) and a fixed amount depending on the size and nature of the business. The tax rates range from 10% to 30% with exemption for the first five years of activity.

Payroll Tax

Payroll tax is imposed on the gross monthly remuneration of employees at a rate of 1.6%.

Social Security

An employer is required to register its employees with the Social Fund and pay Social Security Tax on the basis of the employee's gross salary.

Tax Administration

Corporations

- Tax year – Calendar year.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate tax return.

General Investment Information

Investment Incentives

Tax Incentives

- Exemption from Business Tax – New enterprises which set up operations in certain demarcated zones of Morocco and new, small and medium-sized industries set-up anywhere in Morocco, will be exempt from this duty for the first five consecutive years of operation.
- In the case of companies exporting goods and services, an exemption is granted from corporate tax for the first five consecutive years of operation. The normal corporate tax rate is 30%, except banks, insurances, and other finance institutions, are subject to a rate of 37%. Thereafter, a reduction of the corporate tax to 17.5% is granted on that portion of export sales. For exports services, this exemption is applied only for the sales turnover generated in a foreign currency.
- An exemption from VAT on the cost of materials, tools and equipment, imported or acquired locally, which are depreciable assets registered in a fixed asset account for the couple of years following the start of activity.
- An exemption from VAT on goods, merchandise and services financed or delivered as a gift by the European Union.
- An exemption from the minimum contribution in respect of corporate tax during the first 36 months of operation.

Morocco

Exchange Controls

Foreign exchange is not restrictive in Morocco. Exchange control rules should, however be observed to grant transferability of transactions in foreign currency.

Expatriates and Work Permits

Foreign citizens can work in Morocco for resident employers if they obtain a visa to the employment agreement.

Trade Relations

- Memberships – United Nations (UN), World Trade Organisation (WTO).
- Tax treaties – Morocco has concluded 34 tax treaties.

Interest and Currency Exchange Rates

Monetary Policy Rate

3.000% (November 2014)
(source: Central Bank)

Currency: Moroccan Dirham (MAD)

R1 = 0.77484 MAD (December 2014)
(source: Oanda)

US\$1 = 9.00699 MAD (December 2014)
(source: Oanda)



Key Economic Statistics

GDP (approx.)

US\$114.731 billion (2014 estimate)
(source: IMF)

US\$124.827 billion (2015 forecast)
(source: IMF)

Market Capitalisation

US\$55.6 billion (October 2014)
(source: Ministry of Finance)

Rate of Inflation

1.296% (2012 average)
(source: Ministry of Finance)

1.881% (2013 average)
(source: IMF)

2.500% (2014 average)
(source: IMF)

2.500% (December 2014)
(source: IMF)

Mozambique



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Mozambique

Introduction

On 1 January 2014, alterations to the Corporate Income Tax (CIT) Code and Individual Income Tax (IIT) Code came into force.

A new tax depreciations regime was approved which revoked the outdated legislation of 1967. Some depreciation rates were amended but essentially it introduced depreciation rates for fixed assets which were not contemplated in the previous legislation.

Furthermore, as of 1 January 2015, new legislation regarding the taxation of mining, and oil & gas operations enters into force. The new legislation has been summarised and included in this edition of the Guide.

Note further, that a technology project for the administration of domestic taxes has been set in course, which aims to use the facilities offered by information and communication technologies (ICTs) to improve the

quality of services to citizens; namely, submitting tax returns electronically. However, electronic submission of tax returns is not yet expected in 2015.

Income Tax

The residence basis of taxation is applied in Mozambique and non-residents are taxed on income from a Mozambican source. Income from employment is, from 1 January 2014, subject to final monthly withholding tax (WHT). However, the filling of the annual return is still required.

The tax year is the calendar year from 1 January to 31 December, and unilateral relief is available for any foreign tax paid by a resident.

Residents (WHT Rates)

| Ranges for Limits on Gross Monthly Salary | Value of Personal Income Tax to Withhold for the Lower Limit of the Gross Salary, by Number of Dependents (Meticais) | | | | | Applicable Coefficient for Each Additional Unit of the Lower Limit of the Gross Salary |
|---|--|-----------|-----------|-----------|-----------|--|
| | 0 | 1 | 2 | 3 | 4+ | |
| Up to 20 249.99 | - | - | - | - | - | - |
| From 20 250.00 to 20 749.99 | 0.00 | - | - | - | - | 0.10 |
| From 20 750.00 to 20 999.99 | 50.00 | 0.00 | - | - | - | 0.10 |
| From 21 000.00 to 21 249.99 | 75.00 | 25.00 | 0.00 | - | - | 0.10 |
| From 21 250.00 to 21 749.99 | 100.00 | 50.00 | 25.00 | 0.00 | - | 0.10 |
| From 21 750.00 to 22 249.99 | 150.00 | 100.00 | 75.00 | 50.00 | 0.00 | 0.10 |
| From 22 250.00 to 32 749.99 | 200.00 | 150.00 | 125.00 | 100.00 | 50.00 | 0.15 |
| From 32 750.00 to 60 749.99 | 1 775.00 | 1 725.00 | 1 700.00 | 1 675.00 | 1 625.00 | 0.20 |
| From 60 750.00 to 144 749.99 | 7 375.00 | 7 325.00 | 7 300.00 | 7 275.00 | 7 225.00 | 0.25 |
| From 144 750 onward | 28 375.00 | 28 325.00 | 28 300.00 | 28 275.00 | 28 225.00 | 0.32 |

Note: “-” signifies that there is no WHT, nor is the coefficient applied. (0.00) signifies that only the coefficient applies.

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Notes:

1. Regarding description of a taxable person, the tax is now payable individually by each person who is part of the household and receives income.
2. There are some personal abatements or rebates for individuals and families (but not material).
3. Exempt income is taken into account in determining the applicable rate of tax.
4. Losses may generally be carried forward subject to a limitation of five years in respect of income from a business or profession, investments or capital gains.
5. Losses relating to agriculture, forestry and livestock activities may not be set off against other business related income, unless that income results from an activity of the same nature e.g. a loss from a livestock trade may not be set off against income from forestry, whereas if the taxpayer carries on two forestry businesses, then the loss from the one forestry business may be set off against income of the other forestry business.
6. For agricultural or livestock industry, the income tax rate applicable is 10% from 1 January 2012 until 31 December 2015.
7. Individuals will be considered resident for tax purposes if they reside in Mozambique for more than 180 days in a tax year, or if resident for a shorter period and on 31 December (being the last day of the tax year) they occupy a residence under circumstances indicating an intention to continue occupancy on a permanent basis. Persons who form part of a household are deemed to be resident, provided that the person in charge of managing the household is resident in Mozambique.
8. Mozambique does not have a specific Capital Gains Tax (CGT). Capital gains or losses are included in ordinary income and taxed accordingly.

Non-Residents

Non-residents are subject to WHT on income from a Mozambican source (see Withholding Taxes). The transfer of income abroad to non-residents is not allowed unless the tax due has been paid or guaranteed.

Companies

A company is resident if its head office or place of effective management, or control, is in Mozambique, or if the business is registered in Mozambique. A resident company is taxed on its worldwide income. A non-resident company is subject to tax only on its Mozambique-source income.



Corporate Income Tax (IRPC) is levied on profits obtained by taxpayers during the taxation period; namely, commercial or civil companies, cooperatives, public companies and other corporate entities both public and private, including entities with no legal personality, whose income is not subject to taxation under the Individual Income Tax (IRPS).

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 January 2015

| | Note | Rate |
|---------------------------|------|------|
| Agriculture and livestock | 3, 4 | 10% |
| All other industries | 4 | 32% |

Notes:

1. The Mozambique tax year is the calendar year, although a company may adopt a different tax period when there is over 50% participation from entities that adopt a different tax period. Consolidated tax returns are not required. Each company in a group must file a separate tax return.
2. All income and gains are included in taxable income. Expenses considered indispensable in the generation of income, or gains subject to tax, are deductible.
3. The reduced rate of 10% applies until 31 December 2015.
4. The same tax rates apply to branches and companies. Additionally, non-documented charges and illicit expenses (e.g. a bribe revealed as a result of an audit) are taxed at a rate of 35%.

Mozambique

5. Companies must make three provisional corporate tax payments in May, July and September. The total amount should be 80% of the amount of the tax assessed for the previous year. Annual tax returns, and the balance of tax due, must be submitted by 31 May, with supporting documents filed a month later.
6. Companies must make additionally three special provisional tax payments in June, August and October when the result of the following formula is positive: 0.5% of the turnover of the previous tax year, with a minimum limit of 30 000MT and maximum limit of 100 000MT, minus the provisional tax payments done made in the previous year.
7. There are penalties for late filing, non-payment of tax and failure to disclose records. Penalties range from approximately US\$100 to US\$33 000. Interest is charged on late payments. Prison terms for tax fraud may be up to eight years, or up to two years for negligence.
8. Some amendments were introduced to the existing CIT Code to accommodate IFRS legislation introduced in the Mozambican jurisdiction. For example, gains or losses resulting from the effects of deferral of IRPC are not qualified for the computation of the taxable profit. Only realised exchange differences are considered as gains or losses for tax purposes.
9. Tax losses can be carried forward for five years. No carryback is allowed.
10. Alternative Minimum Tax (AMT) applies to very small entities (turnover less than US\$85 000).
11. Mozambique does not have a specific CGT. The profits derived from capital applications are taxed at the corporate tax rate of 32%. There is no surtax in Mozambique.
12. A Permanent Establishment (PE) of a non-resident is subject to CIT. Non-residents without a PE in Mozambique but who/which derive income from a source within Mozambique, are subject to WHT (see Withholding Taxes below), and are obliged to appoint a resident representative in Mozambique when income is not taxable under WHT (e.g. capital gains) or the tax is not a final tax (e.g. income from real estate).
13. The transfer of income abroad to non-residents is not permitted unless the tax due has been paid or guaranteed.



14. A tax credit is available for foreign taxes paid. Mozambique applies the ordinary foreign tax credit as a unilateral method for the avoidance of double taxation of income obtained abroad for resident companies and PE of non-resident companies. Unused credits may be carried forward for up to five years.
15. Participation exemption – No WHT is levied on dividends paid to a Mozambique company that has held 20% or more of the shares in an associated company in Mozambique for at least two years.
16. General rulings on the interpretation of the tax law, or advance rulings on the taxation of specific transactions, may be obtained from the tax authorities. Such rulings are binding on the authorities with respect to the disclosed facts of the transaction.

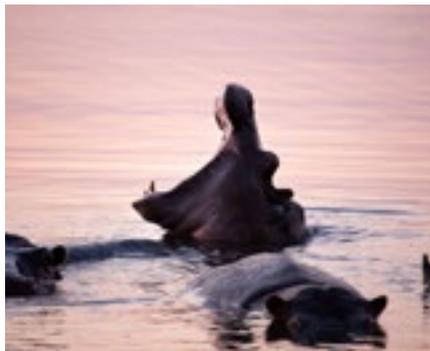
Mozambique

Withholding Taxes (WHTs)

Certain payments made to residents and non-residents are subject to WHT. The rates are set out below:

| WHT Rates | | |
|--|------|----------------------------|
| | Note | Rate |
| Resident Individuals | | |
| Income from employment | | [0 – 32%] marginal rate |
| Income from self-employment | | 20% |
| Income from intellectual or industrial property | | 20% |
| Income from the use of agricultural or industrial equipment | | 20% |
| Income from real estate | 1 | 20% |
| Income from agency commissions | | 20% |
| Interest on term deposits | 2 | 10% |
| Income from securities rated on the Mozambique Stock Exchange (MSE) (except debt securities) | | 10% |
| Income from debt securities rated on the MSE | | 20% |
| Other income from capital (e.g. dividends) or derived from swap operations | | 20% |
| Professional performers and sportspersons | 3 | 10% |
| Non-Resident Individuals | | |
| Other income not expressed above and related to services rendered | 4 | 20% |
| Resident Companies | | |
| Income from intellectual or industrial property | | 20% |
| Other income from capital (e.g. dividends) | | 20% |
| Income from real estate | | 20% |
| Interest from Treasury bills, debt securities issued on the MSE and liquidity swaps between banks | | 20% |
| Non-Resident Companies without a PE | | |
| Telecommunications, international transport services, as well as assembly and installation of telecommunication equipments | | 10% |
| Income from construction and rehabilitation of productive infrastructures, transport and distribution of electricity in rural areas, under the scope of public projects of rural electrification | | 10% |
| Income from charter of marine vessels to conduct fishing and cabotage activities | | 10% |
| Income from securities issued on the MSE (except interest from Treasury bills and debt securities) | | 10% |
| Other income not expressed above and related to services rendered | 4, 5 | 20% |

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Notes:

1. The 20% is applied to 70% of the invoiced amount.
2. Other interest paid to residents and non-residents is subject to a 20% WHT unless the rate is reduced under a tax treaty. A zero tax rate applies to interest paid to a registered Mozambique financial institution.
3. This rate is only applicable where the taxpayer does not earn his/her income on a regular basis working for an employer.
4. The rates applicable to non-residents are the same as for residents. For other income not specifically expressed for residents, and related with services rendered, the rate will be 20%. These taxes are final taxes in respect to non-residents (except when the income obtained is derived from real estate) and may be reduced by an applicable double taxation agreement (DTA). Mozambique has DTAs with the countries listed below (after notes).
5. There is no branch remittance tax.
6. Gains resulting from the direct or indirect transmission of shares, participating interests or rights, between non-resident entities involving assets situated in Mozambique, are considered obtained in Mozambican territory irrespective of the location where the alienation occurs.
7. Capital gains derived from the sale of a resident company's shares obtained by a non-resident company without a PE, will be taxed at the full 32%, irrespective of the holding period of the shares.

| Maximum WHT Rates Once a DTA is Applied | | | |
|---|------------|----------|-----------|
| Recipient's Country of Residence | Dividends | Interest | Royalties |
| Portugal | 10% | 10% | 10% |
| Mauritius | 8%/10% (a) | 8% | 5% |
| Italy | 15% | 10% | 10% |
| United Arab Emirates | (b) | (b) | 5% (d) |
| Macau | 10% | 10% | 10% |
| South Africa | 8%/15% (c) | 8% | 5% |
| Botswana | 0%/12% (c) | 10% | 10% |
| India | 7.5% | 10% | 10% |
| Vietnam | 10% | 10% | 10% |

- (a) These rates apply if the beneficial owner of the dividend is a company. Otherwise the rate is 15%. The lower rate will be applicable where a shareholding of at least 25% exists.
- (b) Incomes are taxable only in the residence country of the beneficial owner.
- (c) The lower rate is applicable where the beneficial owner is a company holding at least 25% of the capital of the paying company.
- (d) Depending on the nature of the royalty, the income may be only taxable on the residence country of the beneficial owner.

Transfer Pricing and Thin Capitalisation

The arm's length principle applies to dealings between related parties in Mozambique. In other words, the tax authorities are allowed to adjust the taxable income declared where a special relationship exists between the taxpayer and other entities, if any dealings between these parties are not on an arm's length basis. Regulation on this matter is under preparation and expected to be in force in 2015. For payments to companies in low tax jurisdictions, the authorities will need to be satisfied that the payment was genuine and reasonable.

Mozambique

Companies are subject to thin capitalisation rules. Where the indebtedness of a taxpayer to a non-resident entity is twice the value of the shareholding in equity, and a special relationship exists between these two parties, then any excessive interest paid is not deductible for the purpose of determining taxable income. A special relationship between a resident and a non-resident entity exists according to thin capitalisation rules when:

- The non-resident entity holds, directly or indirectly, at least 25% of the share capital of the resident entity.
- The non-resident entity, holding less than 25%, exercises a significant de facto influence on the management of the resident entity.
- The non-resident and the resident entity are controlled by the same entity by virtue of a direct or indirect holding by that entity.

In accordance with the amendments of the CIT Code, interests and other forms of loan payment conceded by the partners to a corporation, when they exceed the value corresponding to the referenced rate, increased by two percentage points, are not tax deductible.

Inheritances and Donations

Estate duty and donations tax is paid by the beneficiary or recipient. The rate varies from 2% to 10% and is dependent upon the amount and the relationship between the donor and the recipient.

Value Added Tax (VAT)

There is a 17% VAT rate levied on the supply and importation of goods and services. The monthly VAT return must be filed and the VAT paid by the last day of the following month.

The supply by any local supplier of goods and services to a special free zone is classified as an export and is exempt from VAT. Any operator licenced within a special free zone does not pay VAT on the import of construction materials, equipment and spare parts. VAT is, however, levied on the import of goods or services for consumption.

Supplies are completely exempt (i.e. zero-rated), thereby resulting in a VAT refund, and include the following:

- All exports, related operations and international transport.
- The cost of services which are included in the taxable

base of the imported goods, such as packaging, transport and insurance incurred up to the first place of destination of the goods in the national territory.

- Supplies of certain food products (maize meal, rice, bread, iodised salt, powdered milk for babies up to one year's old, wheat, wheat flour, fresh and refrigerated tomatoes, potatoes, onions and frozen mackerel).
- Supplies of paraffin (for lamps), jet fuel, communal bicycles and condoms.
- Supply of goods and services (under customs control) destined for Special Economic Zones (SEZs), Free Trade Zones (FTZs), and free warehousing or shop arrangements. This applies as long as they are not consumed in these zones and the goods remain under such regimes. Also included are goods in transit, drawback or goods subject to temporary importation arrangements.
- Acquisition of goods to offer to national institutions of public interest and relevant social aims or to lessen the effect of natural disasters.
- Supplies of goods resulting from the activity to produce food to feed animals destined for human consumption.
- Supply of goods (by the respective factories) of raw materials for the edible oil and the soap industry (temporary exemption up to 31 December 2015).
- Supply of goods and services in the industrial production of sugar cane (temporary exemption up to 31 December 2015).
- The acquisition of services related to drilling, research and construction of infrastructures under the scope of mining and oil activity, are zero-rated on the exploration phase.

The VAT on construction services is only payable at the time of receipt of the invoiced value when the client is the State. This also applies to sub-contracted construction companies. Services in public works (roads, bridges and infrastructure linked with the supply of water) and rural electrification services are covered under a specific taxation regime, which only considers as a taxable base 40% of the counter-installment obtained or to be obtained by the purchaser. The taxable base is 62% of the counter-installment for sale of energy, whose price is fixed by the Public Authority, and 85% of the counter-installment for services rendered whose price is fixed by aeronautical rates.

The VAT contained in invoices or equivalent documents

Mozambique

shall be deducted on the VAT return from the period corresponding to the date of the invoice or equivalent document. Not being able to deduct the VAT in the terms above mentioned, the taxpayer may exercise the right to deduct on the following 90 days, counted from the time that the tax became payable.

The taxpayer has to keep in his secondary establishments the records containing adequate information to the assessment of the VAT and pay VAT in the respective tax department of the secondary establishment. Note, it has not yet regulated and therefore not been applicable.

Simplified Tax for Small Taxpayers

A Simplified Tax for Small Taxpayers (ISPC) was introduced in 2009, and has been in force since 14 April 2009. ISPC only applies at the election of the taxpayer, and once elected it replaces VAT, CIT and individual income tax. The tax introduces simplification for micro-enterprises and small individual taxpayers, who have an agricultural, industrial or commercial activity, including services, when the turnover does not exceed 2 500 000MT. The annual tax could be either paid as a fixed amount of 75 000MT or by applying an annual tax rate of 3% to the turnover.

Other Transaction Taxes

| Transaction Tax Rates | | |
|---|------|-----------|
| | Note | Rate |
| Property tax | 1 | 0.4/0.7% |
| Transfer tax (SISA) | 2 | 2%/10% |
| Specific consumption tax (ICE) | 3 | 15% – 75% |
| Marketable securities tax – share transfers | 4 | 0.4% |
| Social security fee | 5 | 7% |



Notes:

1. Urban properties are subject to an annual tax (which is 0.4% of the property value where the building is for housing purposes and 0.7% for the other cases).
2. All land is owned by the state. The Property Transfer Tax is therefore based on the property value excluding the value of the land. In cases where the buyer resides in a country where the fiscal regime is more favourable than in Mozambique, the rate is 10%.
3. The Specific Consumption Tax (ICE) is taxable, in a selective manner, on the consumption of certain goods, produced or imported. ICE is levied on luxury products such as alcohol, tobacco, perfumes, cosmetics, jewellery, gold and passenger vehicles.
4. The stamp duty on marketable securities is at a fixed rate of 0.4%. Stamp tax on share capital no longer applies.
5. The registration of workers and their respective employers with the National Social Security System is mandatory. The tribute for social security is 7%, being 4% paid by the employer (with no upper limit) and 3% by the employee.
6. There is no capital duty and no payroll tax in Mozambique.

The taxation system is completed by other taxes; namely, the Special Tax on Gambling, National Reconstruction Tax, Vehicle Tax and other legally established taxes and specific charges. An Economic Activity Tax is charged on businesses in municipal areas but the costs vary according to location, type and size of the business, and are not significant.

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Customs Duties

Customs duties are taxable on imported and exported goods in the customs territory, whose values vary in the following manner: 2.5% for raw materials; 5% for capital goods (Class K); 7.5% for intermediary goods; 20% for consumption goods. In the framework of the materialisation of the Southern Africa Development Community (SADC) Trade Protocol, various products from the SADC region countries will benefit from exemptions from payment of customs duties from 2008.

Mining Activities

As of 1 January 2015, mining activities are subject to specific taxes under Law No.28/2014. Previous Law No.11/2007 has been revoked:

- Production Tax (*imposto sobre a produção mineira*) is levied on the value of the quantity of mineral products extracted, concentrates and mineral water derived from a mining activity within Mozambican territory, regardless of the sale, export or other disposition of such mineral products. The value of the product is based on: last sales price or reference price of international market where there have been no sales. The applicable rates are:

| Product | Rates |
|---|-------|
| Diamonds | 8% |
| Precious metals (gold, silver and platinum) and precious stones | 6% |
| Semi-precious stones and heavy sands | 6% |
| Base minerals, coal, ornamental rocks, and other mineral products | 3% |
| Sand and stone | 1.5% |

- All mining products used for the development of local industry enjoy a 50% Production Tax rate reduction.
- The licence holder of the mining product, in case of commercialisation of the mining product in the domestic market without proof of Production Tax payment, shall be required to pay corresponding tax.
- The export of the mining product is only permitted after payment of the Production Tax due.
- Surface Tax (*imposto sobre a superfície*) is an annual tax levied concerning the area of mining activity and in the case of mineral water is levied on the mining title. This tax is payable by both holders and non-holders of mining titles who develop mining activity in the national territory. Surface Tax is

calculated on the basis of the number of hectares of the area under licence or by mining title in the case of mineral water. Taxpayers subject to Surface Tax are exempt from the annual rate of use and exploitation of the land in regards to the area of the mining title.

- The companies, holders of mineral rights, granted under the law of mines, must assess the taxable income and organise its accounting records autonomously, which means each mining title must have a specific/individual tax registration number.
- The tax and accounting returns from the companies (above mentioned); namely, annual income returns, tax and accounting information return, registration, amendment or cancellation of taxpayer registry, must be completed separately, for each mining title, not being allowed to compensate losses assessed in a particular mine or area of concession agreement by the gains assessed in another.

The current and expected rates for mining titles are as follows:

| Description | Rate |
|---|----------------|
| Prospecting and Exploration Licences for All Minerals | |
| 1st and 2nd year | 17.50MT/ha |
| 3rd year | 43.75MT/ha |
| 4th and 5th year | 91.00MT/ha |
| 6th year | 105.00MT/ha |
| 7th and 8th year | 210.00MT/ha |
| Mining Concession | |
| For mineral water | 85 000.00MT/ha |
| For Other Mineral Resources | |
| From the 1st to 5th year | 30.00MT/ha |
| From the 6th year onward | 60.00MT/ha |
| Mining Certificate/Title | |
| From the 1st to the 5th year | 17 500.00MT/ha |
| From the 6th year onward | 25 000.00MT/ha |

- Thin capitalisation rules (debt equity 2:1) applies no matter if there are or not special relations between the entities and if the owner of the debt is resident or not.
- The following are deemed as costs and losses derived from mining activity:

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- Treatment and process of mining product.
- Transport costs up to the delivery point.
- Resettlement of populations as approved by the one responsible for the mining activity in said sector.
- Professional training of Mozambican workers.
- Costs of signing the concession contract, with exception of any bonus associated with the acquisition.
- Financial security provided in cash, in the form of bank guarantee or insurance and costs relating to mine closure.
- Closure of the mine.
- Other fiscally accepted costs.
- In addition to the provisions of the CIT Code, there are a number of non-deductible charges; some of which include:
 - Prospecting and exploration without occurrence of discovery.
 - Vocational training expenses of expatriate personnel and training programs, if they do not comply with the terms required by applicable law.
 - Marketing costs or transportation of mining products beyond the point of delivery.
 - Independent expert expenses that may be consulted for determining the price of mining produce, when not solicited by the Government.
 - Production Tax.
 - Rent Tax.
- Mining WHT – The taxpayer who pays non-resident amounts derived from services related to mining activity, independent of where they are held, must withhold tax at the flat rate of 10% of the gross amount paid.
- CGT on mining activity – Gains obtained by non-residents, with or without a PE, resulting from the onerous or gratuitous alienation of mining title, are subject to a CGT of 32%. When the beneficiary of the income is non-resident without a PE, the acquirer is jointly liable for the CGT payment.
- The following are deemed as profits or gains derived from mining activity:
 - Revenues from the sale or disposal of the extracted mining product.
 - The compensation received for any loss or destruction of mineral products or ores and resulting from insurance or from other source.
 - Amounts received from the sale of information relating to mining activity or mining assets.



- Capital gains arising from direct or indirect sale of assets in the area of the mining licence, which are located in Mozambican territory
- Not using a provision concerning mine decommissioning costs.
- Other income related to mining activity.
- The Title Miner must amortise all tangible and intangible depreciable elements that are susceptible to losing value as a result of common wear-and-tear, from the exploration, passage of time or obsolescence, whether it be taxpayer's property or finance lease by the taxpayer lessee. The rates of depreciation of assets used in the mining industry, under a Title Miner are:

| Type of Asset | Rate |
|------------------------------|------|
| Acquisition of mining rights | 10% |
| Exploration expenses | 100% |
| Development expenses | 25% |
| Mining production assets | 20% |
| Other assets | 10% |

- Rent Tax (*Imposto sobre a Rendade Recurso Mineiro Rendimento* – IRRM) is a direct tax on the net cash flow of a mining project. The tax is due by mining title holders and is applicable to mining projects that have accrued net revenues (cash gains) during a fiscal year.
- The IRRM rate is 20%. The amount due is obtained by applying the 20% rate to the closing balance of accumulated net cash gains when positive.
- The taxpayer must submit the annual IRRM statement

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on the same date as the annual declaration for CIT.

- The taxpayer must keep detailed records of assets in use in their mining records, in accordance with applicable law.
- Investments under the Mining and Petroleum Law – Companies that carry out mining operations in Mozambique may apply to get the following benefits:
 - A five-year exemption of custom duties on the importation of equipment, apparatus, materials and spare parts for prospecting and exploration, mineral production and exportation of mineral resources (Class K/Capital Goods and comparable to Class K items).
 - A stability clause of taxes may be negotiated for a period of 10 years. In this case, from the 11th year of production, it will be due an additional 2% to the Production Tax.

Notes:

1. Mining activities are also subject to the other general taxes (i.e. corporate tax, VAT etc.).

Oil Activities

As of 1 January 2015, oil exploration activities are taxed under Law No. 27/204.

Petroleum Production Tax (*imposto sobre a produção*) is levied on the value of the quantity of oil products extracted within Mozambican territory. The value of oil produced is based on the balanced average prices as sold by the producer and its contractors in the month in which the tax settlement takes place. The rates are:

- Crude oil: 10%.
- Natural gas: 6%.
- Under the new Law, there is a 50% reduction of the above mentioned rates when the production of oil & gas is designated for use by the local industry.

The following costs will be deductible for tax purposes:

- Operating costs (including the capture collection treatment storage and transport of Petroleum from the petroleum deposit to the point of delivery).
- Costs related with the signature of the Concession Contract (except acquisition bonuses).
- Service costs related to the petroleum operations.
- Costs relating to the training of Mozambican employees.
- Cash contributions to the fund for closure and

decommissioning and demobilisation costs.

- General and administrative expenses limited to a percentage of the total cost incurred which varies from 1.5% to 5% depending on the level of the costs incurred.

Mozambique-source income of foreign legal entities which do not have a branch in the country, is taxable via a withholding mechanism at the tax relief rate of 10%, if the beneficiary of the services is a resident entity or has a PE in Mozambique and carries out petroleum activities.

Petroleum Production Tax is not accepted as cost for determination of the taxable income. The companies, holders of oil rights, granted under the Law of Oil, must assess the taxable income and organise its accounting records autonomously (which means each concession agreements must have a specific/individual tax registration number).

The tax and accounting returns from the companies above mentioned; namely, annual income returns, tax and accounting information returns, registration, amendment or cancellation of taxpayer registry, must be completed separately for each concession agreement, not being allowed to compensate losses assessed in a particular mine or area of concession agreement by the gains assessed in another.

Under the tax regime law, the holder of the concession shall reintegrate and amortise all of the depreciable elements of tangible and intangible assets according to



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the rates set out below (unless the period of its useful life in a petroleum operation approved in a development plan is lower, in which case the rate is 1 divided by the number of years of expected petroleum operations):

| Type of Asset | Rate |
|--------------------------------|------|
| Search and evaluation expenses | 100% |
| Development expenses | 25% |
| Petroleum production assets | 20% |
| Oil rights acquisition | 10% |
| Other assets | 10% |

Oil exploration activities are also subject to the other general taxes (i.e. corporate tax, VAT etc.).

Capital gains arising from direct or indirect sale of oil & gas rights are taxable for CIT purposes. When the beneficiary of the income is non-resident, without a PE, the acquirer is jointly liable for the CGT payment.

When the capital gains are obtained by a non-resident, with or without PE, they are taxed at 32%.

Ventures pursuant to the oil & gas law benefit, over a five year period from the date of approval of a development plan, exemption of customs duties payable on the importation of equipment for use in petroleum operations, as classified in Class K of the Customs Tariff.

Forms of Business Organisation

In Mozambique, individuals or companies can carry out business activities. Persons who wish to set up a company can choose between the two most common types of commercial companies:

- *Sociedades por Quotas de Responsabilidade Limitada* – The private limited liability company (LDA).
- *Sociedades Anónimas de Responsabilidade Limitada* – The public or joint-stock company with limited liability (S.A.).

Branches – The granting of licences is governed by the Ministry of Trade and Industry and regulated by Decree 34/2013. Under this new regulation the period of issuance of the branch licence has increased from three to five years.



Under article 85 of the Commercial Code, foreign companies that operate, or have any commercial activity within the national territory for more than a year, should set up a branch and comply with the national legislation, as well as appoint a resident representative.

General Investment Information

Investment Incentives

Tax incentives, including tax credits and the reduction or exemption of corporate tax, are available under the Fiscal Benefits Code. Companies that invest in Rapid Development Zones and Industrial Free Zones (in agriculture, mining, oil, tourism and industrial and services projects), may also benefit from incentives that vary by location, the number of employees and whether the products are exported.

General Benefits and Exemptions

- Tax Credit for Investment (TCI) – Investments in most new tangible fixed assets used in operations carried out in the City of Maputo under the Investment Law, qualify for a tax credit (TCI) equal to 5% of the total investment for a period of five tax years. This TCI is deductible from the amount of the CIT up to the total amount of the tax assessment. Any portion of the tax credit not used in any tax year may be deducted in the following years provided that the tax credit must be used within five tax years from the date of the commencement of the investment in ongoing projects and from the date of commencement of operations for new projects. The TCI is 10% of

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qualifying expenditure when the investment project takes place in others cities. The TCI does not apply when the investment is in respect of certain listed tangible fixed assets.

- Accelerated depreciation – This relates to new immovable assets used in the furtherance of undertakings authorised under the Tax Incentives Code. Accelerated depreciation is depreciation increased at 50% of the normal rate set by law. Accelerated depreciation also applies to refurbished immovable assets, and machinery and equipment used in industrial and agro-industrial activities.
- Modernisation and introduction of new technology – The amount invested in specialised equipment for development activities authorised under the Investment Law, qualifies for an income tax deduction up to a maximum amount of 10% of taxable income during the first five years.
- Professional training – Expenditure in respect of professional training is deductible from taxable income during the first five years from the date of commencement of trading, up to a maximum of 5% of the taxable income. When the professional training is for the use of technologically advanced equipment, the allowable income tax deduction is a maximum of 10% of taxable income.
- Tax deductible expenditure – During a period of five years, in respect of companies eligible for tax benefits, the following may be treated as deductible expenditure for income tax purposes:
 - 110% or 120%, depending on the province, of the value of expenditure in the construction and rehabilitation of roads, railways, airports, mail delivery, telecommunications, water supply, electricity, schools, hospitals and other works that are considered to be of public utility, subject to prior authorisation.
 - In the case of expenditure for the acquisition for personal ownership of works of art and other objects that are representative of Mozambican culture, as well as activities that contribute to the development of such works – 50%.
- The following special incentives apply to the following sectors/projects:
 - Agriculture and fishing:
 - Exemption of custom duties and VAT on importation of equipment classified on Class K – Capital Goods.
 - Reduction of CIT in a sliding scale over a number of years.
 - Other general benefits.
 - Hotel and tourism:
 - Exemption of custom duties and VAT on importation of equipment classified on Class K – Capital Goods and others considered necessary for the activity.
 - Other general benefits (including tax credit of 5% or 10% depending of the locality of the investment).
 - Large-scale projects (investments exceeding US\$347 million):
 - Exemption of custom duties and VAT on importation of construction materials, equipment, spare parts and others for developing the activity.
 - Other general benefits.
 - Rapid Development Zones (RDZs):
 - Exemption of custom duties and VAT on importation of equipment classified on Class K – Capital goods.
 - TCI equal to 20% of the total investment for a period of five tax years.
 - Other general benefits.
 - Industrial Free Zones (IFZs):
 - Exemption of custom duties and VAT on importation of construction materials, equipment, spare parts and others for the development of the activity in IFZs.
 - Exemption and reduction of CIT on a sliding scale over a number of years.
 - Special Economic Zones (SEZs):
 - Exemption of custom duties and VAT on importation of construction materials, equipment, spare parts and others for the development of the activity in SEZs.
 - Exemption or reduction of CIT on a sliding scale over a number of years.
 - Construction of basic infrastructure:
 - Exemption of custom duties and VAT on importation of equipment classified on Class K – Capital goods.
 - Reduction of CIT on a sliding scale over a number of years.
 - Commercial and industrial projects in rural areas:
 - Exemption of custom duties and VAT on importation of equipment classified as Class K – Capital Goods and others considered necessary for the activity.

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- Manufacturing and assembly plants:
 - Exemption of custom duties on importation of raw materials to be used in the production process.
- Science and technology parks:
 - Exemption of custom duties and VAT on importation of material and scientific equipment, educational and laboratory, including software, and construction materials, machines, equipment.
 - Exemption and reduction of CIT on a sliding scale over a number of years.
 - A five-year exemption from VAT and excise duties on the same items imported.
- Processing industry – The fiscal incentives in this area of activity are ruled by a specific custom regulation that sets out the procedure for the concession of additional fiscal benefits applied to the importation of materials destined for industrial production. The fiscal benefit consists of the exemption of import duties of the materials for the industrial activity, and may be granted to companies that assure an annual revenue equal or above, approximately 6 million MT and whose added value of the final product corresponds to a minimum of 20%. The following types of industry may apply for the concession of the fiscal benefit:
 - Agricultural industry.
 - Food industry.
 - Textile, confection and shoe industry.
 - Mechanical industry.
 - Graphic industry.
 - Chemical, plastic and rubber industry.

Note: the authorisation of the fiscal benefit shall be granted to persons (individual or corporate) who:

 - Are duly incorporated in Mozambique.
 - Do not have any pending payments to the tax authorities.
 - Have proper premises where the materials will be stored in good physical and security conditions.
 - Have the capability of supplying accommodation, telephone, and faxes to the official fiscal agents.
 - Maintain and control records of the stock available, stock movements, proper accounting records, periodic inventories and reconciliation of the records.



Notes:

1. These benefits shall not apply if the beneficiaries are in any of the following situations:
 - Insolvent or bankrupt.
 - Convicted of smuggling, duty frauds, or of any crime which has a penalty of eight to 24 years imprisonment under the Mozambican criminal law.
 - Convicted for crimes of theft, fraud, falsification or use of documents, and acceptance of stolen objects.

Capital Allowances*

Fixed maximum rates of depreciation are deductible on a straight-line basis at the following rates:

| | |
|----------------------|---|
| Commercial buildings | 2% |
| Industrial buildings | 4% |
| Office equipment | 12.5 to 16.66% (electrical equipment) |
| | 10% to 20% (other office equipment) |
| Motor vehicles | 20% (vehicles used in a tourism business) |
| | 25% (heavy duty vehicles) |
| Plant and machinery | 10% /16.66% |

* Capital allowances are specific to certain industries.

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Bilateral Investment Treaties

Mozambique is a signatory to 25 Bilateral Investment Treaties; the most recent being with the Belgium-Luxembourg Economic Union, which entered into force on 1 September 2009.

| Partners | Status | Date of Signature | Date of Entrance into Force |
|--|-----------------------|-------------------|-----------------------------|
| Algeria | In force | 12/12/1998 | 25/07/2000 |
| BIEU (Belgium-Luxembourg Economic Union) | In force | 18/07/2006 | 01/09/2009 |
| China | In force | 10/07/2001 | 26/02/2002 |
| Cuba | In force | 20/10/2001 | 26/02/2002 |
| Denmark | In force | 12/10/2002 | 30/12/2002 |
| Egypt | Signed (not in force) | 08/12/1998 | |
| Finland | In force | 03/09/2004 | 21/09/2005 |
| France | In force | 15/11/2002 | 06/07/2006 |
| Germany | In force | 06/03/2002 | 15/09/2007 |
| India | Signed (not in force) | 19/02/2009 | |
| Indonesia | In force | 26/03/1999 | 25/07/2000 |
| Italy | In force | 14/12/1998 | 17/11/2003 |
| Japan | Signed (not in force) | 02/06/2013 | |
| Mauritius | In force | 14/02/1997 | 26/05/2003 |
| Netherlands | In force | 18/12/2001 | 01/09/2004 |
| Portugal | In force | 28/05/1996 | 31/10/1998 |
| South Africa | In force | 06/05/1997 | 28/07/1998 |
| Spain | Signed (not in force) | 18/10/2010 | |
| Sweden | In force | 23/10/2001 | 01/11/2007 |
| Switzerland | In force | 29/11/2002 | 17/02/2004 |
| United Arab Emirates | Signed (not in force) | 24/09/2003 | |
| United Kingdom | In force | 18/03/2004 | 12/05/2004 |
| United States | In force | 01/12/1998 | 03/03/2005 |
| Vietnam | In force | 16/01/2007 | 29/05/2007 |
| Zimbabwe | Signed (not in force) | 12/09/1990 | |

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Exchange Controls

The new regulation of the Foreign Exchange Law came into force on 11 July 2011. The aim of the new Foreign Exchange Law (approved in March 2009), and the respective regulation, is to liberalise controls in the banking sector and to move the Reserve Bank into a role of regulation and control. The main changes of this new legislation are:

- Liberalisation of some transactions of goods, services and other transfers. Capital operations still require pre-authorisation of the Central Bank (such as foreign direct investment, loans, credit arrangements contracts outside Mozambique, opening and movement of bank accounts outside Mozambique when undertaken by resident entities).
- Mandatory use of the national banking system for any foreign exchange operation (payments and income received).
- Mandatory declaration of foreign exchange assets.
- Mandatory remittance to the country of income received from exports of goods and services.
- Conditions imposed to open new bank accounts in foreign currency for residents and on the bank movements of accounts in foreign currency.

Expatriates and Work Permits

Under the Labour Act, 2007, foreign employees are automatically approved to be contracted by Mozambican companies under the following circumstances:

- The company has an Investment Authorisation which pre-establishes the number of foreign employees that it is going to need.
- Where the company employs at least 100 Mozambican workers, it can contract up to 5% of its workforce as foreigners.
- Where the company employs between 10 and 100 Mozambican workers, it can contract up to 8% of its workforce as foreigners.
- Where the company employs up to 10 Mozambican workers, it can contract up to 10% of its workforce as foreigners.



However, the company has to inform the Ministry of Labour of the admission and submit to the Ministry of Labour the following:

- Three copies of the labour contract for a maximum period of two years, with the remuneration and the work contracted for.
- A Certificate of Payment of Social Security and Taxes for the month prior to the admission, with the respective file of inscribed workers.

In the case of an investment project, the requirement is to submit information to the Ministry of Labour which contains:

- An authenticated copy of the Investment Authorisation.
- Three copies of the labour contract for a maximum period of two years, with the remuneration and the work contracted for.
- A Certificate of Payment of Social Security and Taxes for the month prior to the admission, with the respective file of inscribed workers.

For all other cases, an application must be submitted together with documentary evidence of the company's articles of association, proof of registration, trading licence (Alvará) issued by the competent authority (operating licence), tax registration. In relation to the employee, it is necessary to submit:

- His/her identification document.
- Three copies of the labour contract for a maximum period of two years, with the remuneration and the work contracted for.

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- Certificates of studies and or capabilities recognised by the Ministry of Education of Mozambique.
- An opinion from the trade union.
- A Certificate of Payment of Social Security and Taxes for the month prior to the admission, with the respective file of inscribed workers.

Note, under recent amendments to expatriate legislation, it is now possible to contract expatriates on rotational work of up to six months without having a work authorisation and residence documents in the mining and oil & gas areas. Failure to comply with the legal provisions relating to the employment of foreigners, will result in the payment of a fine and the suspension and expulsion of the employee.

Trade Relations

- Memberships – Cotonou Agreement, SADC.
- AGOA beneficiary country.

Interest and Currency Exchange Rates

Benchmark Interest Rate

8.25% (November 2014)
(source: Trading Economics)

Currency: Mozambique New Metical – MZN (Divided into 100 centavos)*

R1 = MZN2.87183 (December 2014)
(source: Oanda)

US\$1 = MZN33.4000 (December 2014)
(source: Oanda)

Notes:

1. The Benchmark Interest Rate in Mozambique was last reported at 8.25% in November 2014. Historically, from 2009 until 2014, Mozambique interest rate averaged 11.94 % reaching an all-time high of 16.50% in February of 2011, and a record low of 8.25% in October of 2013. In Mozambique, interest rates decisions are taken by the Monetary Policy Committee of the Central Bank of Mozambique (*Banco de Moçambique*). The official interest rate is the Standing Lending Facility Rate (*taxa de juro da facilidade permanente de cedência*).

Key Economic Statistics

GDP (approx.)

US\$16.59 billion (2014 estimate)
(source: IMF)

US\$18.60 billion (2015 forecast)
(source: IMF)

Market Capitalisation

US\$1 306.99 million (November 2014)
(source: Bolsa de Valores de Moçambique)

Rate of Inflation

4.208% (2013 average)
(source: IMF)

4.600% (2014 average)
(source: IMF)

6.000% (December 2014)
(source: IMF)

Namibia



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Income Tax

The source basis of taxation is applied in Namibia.

Residents (Individuals/Trusts)

Income Tax Rates for Individuals: Years of Assessment Commencing on or after 1 March 2013

| Taxable Amounts | | Tax on Lower Amount | Percentage Tax on Excess over Lower Amount |
|-----------------|-----------|---------------------|--|
| N\$ | | N\$ | % |
| 0 | 50 000 | | 0 |
| 50 001 | 100 000 | | 18% |
| 100 001 | 300 000 | 9 000 | 25% |
| 300 001 | 500 000 | 59 000 | 28% |
| 500 001 | 800 000 | 115 000 | 30% |
| 800 001 | 1 500 000 | 205 000 | 32% |
| 1 500 001 + | | 429 000 | 37% |

Notes:

- There are no abatements or rebates.
- Individuals are taxed on the value of any benefit or advantage arising from employment.
- Part-time employees are taxed at 18%.
- The annual aggregate allowable deductions in respect of contributions to pension funds, provident funds, retirement annuity funds and premiums payable to educational policies, are N\$40 000.
- The exempt threshold for lump sum pension fund pay-outs is N\$50 000. If the pay-out is in excess of N\$50 000, one-third will be paid as a tax-free lump sum and the remaining portion as an annuity. Similar provisions apply for pay-outs in terms of preservation and retirement annuity funds.
- An exemption limited to N\$300 000 is allowed for gratuity payments made to an employee at retirement, who is 55 years of age or older, or whose employment is terminated due to ill-health or retrenchment due to his/her position becoming redundant.

- Contributions made to retirement annuity funds, and donations to welfare and educational institutions, recovered or recouped during a particular tax year, are excluded from taxable income.
- The interest portion of unit trust income is subject to withholding tax (WHT) of 10% except if payable to Namibian companies and entities normally exempt from tax (e.g. pension funds). The dividend portion of a unit trust income is exempt from tax.
- The definition of "person" includes a trust.

Non-Residents (Individuals/Trusts)

The above income tax rates are also applicable to non-residents in respect of employment and business income earned in Namibia. In addition, certain payments made to non-residents, at an address outside Namibia, are subject to WHT. (See Withholding Taxes below).

Ringfencing

Where an individual's taxable income exceeds N\$200 000 in a particular tax year and if the individual is carrying on a "suspect trade" * (see definition below), the individual may have to ringfence such losses from other taxable income. The application of this provision is limited depending on the number of years the taxpayer made losses and whether or not there is a prospect of deriving taxable income within a reasonable period.

*" Suspect Trade":

- Any sport practiced by the taxpayer.
- Dealing in collectible items.
- Rental of residential accommodation unless at least 80% of the accommodation is used by non-relatives for at least half of the year.
- Rental of vehicles, aircraft or boats unless 80% are used by non-relatives for at least half of the year.
- Animal showing.
- Farming or animal breeding unless carried on a full-time basis ("full-time basis" – any trade carried on most or all of the taxpayer's normal working hours).
- Any performing or creative arts practiced by the taxpayer.
- Any form of gambling or betting practiced by the taxpayer.

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 January 2013

| Nature of Income | Note | Rate |
|--|------|-----------|
| Non-mining | | 33% |
| Manufacturing | 1 | 18% |
| Diamond mining | 2 | 55% |
| Petroleum mining (oil & gas companies) | | 35% |
| Other mining | 2 | 37.5% |
| Mining service | 2 | 55%/37.5% |
| Insurance | 3 | 33% |
| Branches of foreign companies | 4 | 33% |
| Retirement funds | | Exempt |

Notes:

1. The rate for registered manufacturing companies is 18% for the first 10 years after manufacturing status was granted. For companies that have been granted manufacturing status more than 10 years ago, the tax rate will be 33%.
2. Mining service companies will be taxed at 37.5% (non-diamond mining) and 55% (diamond mining). It would mean, for example, that a company subcontracted by a non-diamond mining company to conduct mining on its behalf, would be taxed at 37.5% as opposed to 33%.
3. Insurance companies are taxed at the same rate as other companies, but there are special rules dealing with the computation of taxable income for long-term and short-term insurance companies.
4. A rate of 33% applies unless the branch is a mining, manufacturing or mining service company, in which case the applicable manufacturing or mining tax rate will apply.

Withholding Taxes (WHTs)

Dividends, royalties and certain service payments to non-residents, whether corporate or individual, are subject to WHTs as shown below:

| WHT Rates: Non-Residents | | |
|--------------------------|------|---------|
| | Note | Rate |
| Dividends | 1, 5 | 10%/25% |
| Interest | 2 | 10% |
| Royalties | 3, 5 | 9.9% |
| Directors fees | 4 | 25% |
| Services | 4 | 25% |

Notes:

1. The WHT on dividends is a final tax. WHT on dividends for non-Namibian shareholders, with shareholding of less than 25%, is 20%, while the rate for shareholding in excess of 25%, is 10%.
2. Namibian registered banks, and Namibian registered unit trust management companies, must withhold a final tax at a flat rate of 10% from interest accruing to an individual, trust, the estate of a deceased person and non-Namibian companies. There is currently no WHT on inter-company loans. A WHT may be imposed in future in respect of cross-border inter-company loans.
3. The WHT on royalties may be credited against the final assessed income tax liability.
4. From 30 December 2011, a final WHT of 25% is applicable in respect of a non-resident entertainers involved in cabaret, motion picture, radio, television or theatre, any payments made to a non-resident person for any administrative, managerial, technical, consulting services or any similar services, whether such services are of a professional nature or not and any director's fee to a non-resident person.
5. These rates may be reduced by double taxation agreements (DTAs). Namibia has agreements with the countries listed in the table below. Treaties with the following countries are at various stages of negotiation or ratification: South Africa (re-negotiated), Tunisia, Zimbabwe, Spain, Canada and Zambia.

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| Maximum WHT Rates Once DTA is Applied | | | | | | |
|---------------------------------------|---------------------|---------------------|---------------|---------------------|---------------------|----------|
| Recipient's Country of Residence | Dividends | Royalties | Entertainment | Directors Fees | Services | Interest |
| Botswana | 10% | 10% | 25% | 25% | 15%/0% ⁵ | 10% |
| France | 5%/10% ¹ | 10% | 25% | 25% | 0% ² | 10% |
| Germany | 10% | 10% | 25% | 25% | 0% ² | 0% |
| India | 10% | 10% | 25% | 25% | 10%/0% ³ | 10% |
| Malaysia | 5%/10% | 5% | 25% | 25% | 5%/0% ³ | 10% |
| Mauritius | 5%/10% ¹ | 5% | 25% | 25% | 0% ² | 10% |
| Romania | 10% | 5% | 25% | 25% | 0% ² | 10% |
| Russia | 5%/10% ¹ | 5% | 25% | 25% | 0% ² | 10% |
| South Africa | 5%/10% ¹ | 10% | 25% | 25% | 0% ² | 10% |
| Sweden | 5%/10% ¹ | 10.2%/5% | 25% | 25% | 15%/0% ⁵ | 10% |
| United Kingdom | 5%/10% ¹ | 5%/50% of local tax | 25% | 25%/0% ⁶ | 0% ² | 10% |

Notes:

1. The lower rate will be applicable when the recipient of the dividend holds a minimum level of shareholding.
2. Only if the non-resident does not have a Permanent Establishment (PE) in Namibia (as defined in the particular DTA).
3. The higher rate will be applicable in respect of technical, managerial or consultancy services.
4. The lower rate will apply to royalties with respect to patent, secret formula, process or for information concerning industrial or scientific experience.
5. The higher rate will be applicable in respect of administrative, technical, managerial or consultancy services.
6. The higher rate will apply if the non-resident person has a fixed base in Namibia.



Thin Capitalisation

Thin capitalisation rules, which regulate the financial assistance granted by non-residents connected to Namibians, enable Inland Revenue to determine whether a local company is thinly capitalised and to disallow interest charged on excessive debt.

Capital Gains Tax (CGT)

There is currently no CGT system in Namibia. In the 2014 Budget, it was announced that CGT could be implemented in due course, but no legislative changes have been made as yet. Certain capital gains are, however, specifically included in income and subject to income tax.

Transfer Pricing and Thin Capitalisation

Transfer Pricing

Transfer pricing legislation regulates international goods or services transactions between connected persons. The rules allow Inland Revenue to disallow certain expenditure or adjust income if the contract price is less or more than what the price would have been between parties dealing at arm's length.



For tax years commencing on or after 1 January 2012, any income received or accrued from the sale, donation, expropriation, cession, grant, transfer or other alienation of a licence or a right to mine minerals in Namibia, irrespective of where the transaction will be concluded, the place where payment for the transaction will be made, or the place where the funds from which payment is made are held, is taxable in Namibia. Similarly, the sale of shares in a company that holds a licence, or has a right to mine minerals in Namibia, is subject to tax. This provision does not apply to mineral rights/licences issued in respect of petroleum and gas exploration and/or mining.

Inheritances and Donations

There is currently no estate duty or donations tax in Namibia. In the 2003/4 Budget, it was announced that the recommendations of the Namibian Tax Consortium, which reviewed the tax structure of Namibia, were approved by Cabinet. One of the recommendations of the Consortium was the introduction of estate duty and donations tax. No mention was made of this in subsequent budgets and it is still unclear whether these taxes will be introduced.

Value Added Tax (VAT)

| | Note | Rate |
|---------------|------|------|
| Standard rate | 1, 2 | 15% |

Notes:

1. Certain supplies are subject to a rate of 0%. The principal zero-rated supplies are the direct export of goods, international transport services, the sale of a business as a going concern, certain services rendered to non-resident persons, residential municipal services, petrol and diesel, postage, supplies by charitable or similar institutions, residential telephone services, the erection and extension of a building used for residential purposes, and the sale of residential land and buildings. The improvements to buildings used for residential purposes, are subject to the standard rate of VAT. The following foodstuff items are zero-rated: fresh and dried beans (excluding canned and frozen), sunflower cooking oil, fried out and processed animal fat, bread, sifted and unsifted bread flour, sifted and unsifted cake flour (excluding when furnished or served as a meal or as cooked or prepared food), fresh milk, dry white sugar, wet brown sugar, dry brown sugar, and funeral undertaking services.
2. Exempt supplies include: medical, dental and hospital services, educational services, public transportation services, financial services, rental of residential accommodation and fringe benefits etc.

Other Transaction Taxes

Stamp Duties

Stamp duty is payable at 0.2% on the issue or transfer of shares. Shares listed on the Namibian Stock Exchange (NSE) are exempt from this duty.

Stamp duty is also imposed on the acquisition of immovable property and a range of other instruments.

The rates on the acquisition of immovable property from 1 June 2013, by an individual, are:

- N\$0 – N\$600 000: 0%
- Over N\$600 001: N\$10 for every N\$1 000

Stamp duty is payable at N\$12 for every N\$1 000 or part therefore of the value of the immovable property where purchased by a juristic person or a trust.

Transfer Duties

Transfer duty is levied on the value of any property acquired. The rates below are effective from 1 June 2013:

Any property acquired by natural persons including mineral rights (except the category immediately below): value rates of duty

- N\$0 – N\$600 000: 0%
- N\$600 001 – N\$1 million: N\$ nil + 1%
- N\$1 million – N\$2 million: N\$4 000 + 5%
- Over N\$2 million: N\$54 000 + 8%

Agricultural land acquired by natural persons and financed by Agricultural Bank of Namibia: value rates of duty

- N\$0 – N\$1.5 million: 0%
- N\$1.5 million – N\$2.5 million: N\$ nil + 1%
- Over N\$2.5 million: N\$10 000 + 3%

Any property, including mineral rights, acquired by persons other than natural persons, including trusts

- 12% of the value of the property

In determining the value for transfer duty purposes, VAT and stamp duties where applicable, are excluded. The sale of shares/membership interest in property owning companies/close corporations are currently not subject to transfer duties, but an amendment in this regard is expected in due course.

Export Levies

Export levies on the export of fish, meat and minerals will be introduced in due course. The applicable rates are expected to be between 0% and 2%. The legislation and rates per category of product have not been finalised yet.

Environmental Tax

Draft legislation has been prepared for the introduction of an environmental levy that was initially announced in the 2005/6 Budget. The levy will be applicable on *inter alia* carbon emissions of vehicles and tyres. The legislation has not been gazetted yet.



Land Tax

Land tax (on agricultural land only) is payable for every 12-month period ending 28 February at the following rates (applied to the unimproved site value):

- Namibian resident owner: 0.75%.
- Non-resident owner: 1.75%.

On each additional farm property, the rate increases by 0.25%.

Tax Administration

- A change in the method of calculating provisional tax was introduced for tax years commencing on or after 1 January 2012. Provisional tax payments must be based on estimates of taxable income for the year, as opposed to last year assessed.
- Interest at 20% per annum is imposed on the late/non-payment of all income tax, Pay-As-You-Earn (PAYE), provisional tax, VAT and import VAT. The interest amount may not exceed the original tax amount. Various penalties may also be imposed on the late/non-submission of returns and late/non-payment of taxes. The penalty amount may not exceed the original tax amount.
- The Ministry of Finance may make arrangements with any person to collect outstanding tax, penalties and interest on its behalf.
- Since 2005, the Ministry of Finance instituted several measures aimed at strengthening tax compliance and administration. Included in those measures were a number of forensic audits and the amendment of the Income Tax Act to allow for the publishing



of the names of tax offenders. Ongoing efforts to clamp down on tax evaders have continued, with forensic audits widespread. The Minister announced a continuation of the strengthening of collection through capacity building, compliance enforcement and general revenue administration. The Government will also continue with optimising its “Public-Private-Partnerships” with regard to revenue collection.

- The Minister of Finance has also embarked on an integrated tax management system development and implementation that is expected to be finalised in 2015/2016. The system and new processes are expected to simplify tax administration process, improve services to taxpayers and compliance and collections. Comprehensive tax policy reviews will also be undertaken with the aim of finding alternative sources of revenue.
- In 2014 the Ministry also announced that Inland Revenue will become a Revenue Agency in due course.

General Investment Information

Investment Incentives

Tax Incentives Applicable to Registered Manufacturing Enterprises

In order to qualify for the incentives listed below, companies must register as carrying on a manufacturing activity in terms of specified criteria. These incentives may not increase or create an assessed loss. The incentives include:

- An additional income tax deduction of 25% of employment and approved training costs in respect of employees directly involved in a manufacturing process.
- An additional income tax deduction of 25% for specified export marketing expenditure.
- An additional income tax deduction of 25% for certain land-based transportation costs for the first 10 years of registration.
- Exporters of goods manufactured in Namibia qualify for an allowance equal to 80% of taxable income derived from the export of manufactured goods (excluding fish or meat products).
- 8% annual allowance on qualifying buildings.
- Exemption from import duties on the importation or acquisition of manufacturing machinery and equipment, subject to ministerial approval.

Export Processing Zones (EPZs)

EPZ enterprises qualify for total relief from income tax, VAT, customs and excise duties, stamp duty and transfer duty (but not employees' tax and WHT). Essential requirements for EPZ status include: conducting a manufacturing activity and exporting at least 70% of the manufactured goods outside the Southern African Customs Union (SACU).

Capital Allowances

- Buildings used for the purposes of trade
 - 20% of the cost of erection in the first year of use and 4% over a 20-year period (the 4% allowance is increased to 8% for certain manufacturing buildings and the period of the claim reduced to 10 years).
- Except for the items listed below, a general three-

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year write-off period for all fixed assets other than buildings (e.g. plant, machinery, equipment, aircraft and ships). This allowance is not pro-rated in the first year.

- Mining operations
 - Exploration expenditure – 100% deduction in the year the production commences.
 - Development expenditure – Three-year write-off.
- Farming operations
 - All capital expenditure except the cost of land, dwellings, machinery, implements, utensils and vehicles – 100%. This is deductible from farming income only. These expenses may not create a farming loss and the excess may be carried forward to following year of assessment.
 - Housing for employees – N\$50 000 per employee. This is deductible from farming income only. These expenses may not create a farming loss and the excess may be carried forward to the following year of assessment.
 - Erection of power lines and cost of carrying electric power from the main transmission lines to the farm apparatus – These expenses may not create a farming loss and the excess may be carried forward to the following year of assessment.
 - Ringfencing of farming tax losses may be required depending on certain criteria where the taxpayer is not a full-time farmer.

Financial Sector Reforms

- The Banking Institutions Act of 1998 will be amended in order to align it with developments in the markets, including addressing the issue of limited competition in the banking sector.
- The Namfisa Amendment Bill seeks to improve the supervision of the non-banking financial sector and enhance consumer protection.
- Draft regulations that will complement the provisions of the Financial Intelligence Act have been finalised.
- Support for development and diversification of the capital market through fiscal policy.

Notes:

1. Incentives apply equally to domestic and foreign investors.
2. The major goals of incentives are: employment creation, industrial and economic development, exports, and to uplift previously disadvantaged people.

Exchange Controls

Namibia is part of the Common Monetary Area (CMA) (with Lesotho, South Africa and Swaziland). In broad terms, there are few restrictions on inward investment by foreigners and profits may be fully repatriated. Currently, the debt-to-equity ratio may not exceed 3:1 without permission from the Bank of Namibia. There are restrictions on outward investment by local residents. An EPZ entity may acquire and use foreign currency without restriction. The administration of exchange control regulations is undertaken by the Bank of Namibia in cooperation with Authorised Dealers.

Resident individuals are allowed to operate foreign currency accounts with local Authorised Dealers, or invest abroad up to a maximum of N\$2 million. Long-term insurers, pension funds and unit trusts (through unit trust management companies) are allowed to invest offshore up to a maximum of 20% of their total assets. The foreign capital allowance is N\$4 million per emigrating family unit.

Non-residents can invest in equity, operational financing requirements, or in capital equipment and assets, through normal banking channels without reference to exchange controls. Dividends can be freely transferred to non-resident shareholders, except where local borrowings restrictions have been exceeded.

Namibia imposes a WHT (non-resident shareholder's tax) payable on the repatriation of dividends from Namibia to the foreign shareholders (see rates elsewhere). The rates of these taxes are limited through certain DTAs.

Namibia continues to gradually relax its exchange controls in line with other CMA countries. The following exchange control relaxations were introduced in 2011/12:

- Mandatory repatriation of export proceeds to Namibia increased from three to six months from the date of shipment.
- The retention period of foreign currency by foreign currency account holders, increased from 90 days to 180 days.
- Offshore investment limits for foreign portfolio investments by Namibian institutional investors, increased from 30% to 35%.
- Cash limits for Namibian residents travelling overland to and from Namibia through Botswana, increased from N\$5 000 to N\$10 000.

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Further exchange control features now include:

- A special exemption for oil & gas companies from the requirements of operating Customer Foreign Currency (CFC) accounts.
- Companies involved in international trade may now operate a single CFC account as opposed to the past requirement of multi-CFC accounts.
- For local importers, the threshold for “cash-with-order” payments has been increased from N\$250 000 to N\$500 000.
- The required shareholding in foreign entities by Namibian corporate investors investing outside the CMA, has been reduced from a majority holding (more than 50%) to 25%.

Expatriates and Work Permits

Work permits for skilled expatriates are obtainable but often with substantial administrative delays.

Anti-Corruption Commission

An Anti-Corruption Commission (ACC) has been established.

Namibian Competition Commission (NCC)

The Namibian Competition Commission (NCC) was formally launched on 9 December 2009, and is entrusted to promote and safeguard competition in Namibia. Parties involved in a merger, must notify the NCC of the proposed transaction, whereupon the NCC must either approve or decline the implementation of the transaction. The Competition Act also contains provisions around restrictive business practices, including restrictive agreements and dominant positions. The NCC may also, either on its own initiative or on receipt of information or a complaint, investigate restrictive agreements and/or dominant positions.

Trade Relations

- Memberships – Cotonou Agreement, SACU, SADC, WTO, CMU.
- AGOA beneficiary country.
- Namibian products qualify for preferential market access to 34 countries under the Generalised System of Preferences (GSPs).
- Namibia/Zimbabwe Preferential Trade Agreement.

Notes:

1. The creation of a SADC Customs Union, and Free Trade arrangements with other Economic Blocs (such as the European Partnership Agreement between SADC and the EU), pose serious risks to tax revenue. To compensate for anticipated revenue losses, the domestic tax base is intended to be broadened and tax administration improved.
2. The Minister announced that a Preferential Trade Agreement is being negotiated by SACU with India.

Interest and Currency Exchange Rates

| |
|---|
| Prime Overdraft Rate |
| 9.750% (October 2014) (source: Bank of Namibia) |
| 9.250% (October 2013) (source: Bank of Namibia) |
| Currency: Namibian Dollar (Divided into 100 cents) |
| R1 = N\$1.000 (December 2014) (source: Oanda) |
| US\$1 = N\$11.5745 (December 2014) (source: Oanda) |

Key Economic Statistics

| |
|---|
| GDP (approx.) |
| US\$13.323 billion (2014 estimate) (source: IMF) |
| US\$14.342 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| N\$992 billion (November 2014) (source: allafrica.com) |
| Rate of Inflation |
| 6.17% (2013 average) (source: Bank of Namibia) |
| 5.90% (2014 average) (source: IMF) |
| 5.90% (December 2014) (source: IMF) |

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Income Tax Individuals Residents

| Personal Income Tax(PIT) Rates for Individuals* | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| NGN | NGN | % |
| 0 | 300 000 | 7% |
| 300 000 | 600 000 | 11% |
| 600 000 | 1 100 000 | 15% |
| 1 100 000 | 1 600 000 | 19% |
| 1 600 000 | 3 200 000 | 21% |
| 3 200 000 + | | 24% |

* PIT is payable on the net income on a graduated scale.

Notes:

1. Nigerian residents are taxed on their worldwide income.
2. An individual would be deemed as resident in Nigeria if, in an assessment year, he/she performs duties wholly or partly in Nigeria, unless all the following conditions apply: (i) the employee is not in Nigeria for an aggregate period of 183 days (including annual leave and temporary absence) in any 12-month calendar period; (ii) employment is with a company in a country other than Nigeria; (iii) the remuneration of the employee is liable to tax in that country with whom Nigeria has a treaty; and (iv) the employer is in Nigeria or has a fixed base in Nigeria.



3. Foreign-sourced income of residents, arising from dividends, interest, rents, royalties, fees or commissions earned from abroad, is exempt if brought into Nigeria in convertible currency and paid into a domiciliary account in a bank approved by the Government. Income brought into Nigeria through domiciliary accounts via an authorised bank by athletes, playwrights, authors, musicians and artists (who are professionals), is also exempt.
4. The profit of a trade, profession, or vocation carried on in Nigeria, is liable to tax in Nigeria regardless of the period such a trade, profession, or vocation, has been carried on. Income from employment, however, is liable to tax when a person becomes resident.
5. Additionally, a certain proportion of earned income is tax-free based on certain allowances given.
6. Capital gains are generally taxed at 10%. Gains from disposal of shares are not, however, subject to Capital Gains Tax (CGT).
7. Each individual must file a return. Joint filing is not permitted.

Non-Residents

Non-residents are taxed on Nigerian-source income; generally, via withholding at source. Non-residents become liable to tax from the day they begin to carry on a trade, business, profession, or vocation, in Nigeria.

Double taxation treaties (i.e. DTAs) have been concluded with a number of countries and double taxation relief applies to such income.

Employment Income

The Pay-As-You-Earn (PAYE) system of collection is in operation.

Notes:

1. There is a consolidated relief allowance of the higher of NGN200 000 or 1% of gross income, plus 20% of gross income.
2. A minimum tax of 1% of gross income is applicable where computed tax amount is less than 1% of gross income.
3. The following deductions are tax-exempt when computing taxable income:
 - National Housing Fund Contribution.
 - National Health Insurance Scheme.
 - Life Assurance Premium.
 - National Pension Scheme.
 - Gratuities.

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Companies

| Income Tax Rates for Companies | |
|---|-------------|
| | Rate of Tax |
| All companies | 30% |
| Small companies – turnover does not exceed NGN1 million (circa US\$6 450) | 20% |

Notes:

1. The corporate tax rate is 30% for all companies except oil & gas companies in the upstream sector. However, a lower rate of 20% is applicable to manufacturing or agricultural production companies and companies engaged wholly in exports within the first five years of operation and where the turnover does not exceed NGN1 million (circa US\$6 450).
2. Nigerian companies are taxed on worldwide income (subject to some exceptions). Therefore, a duly registered Nigerian company is considered resident in Nigeria. Nigerian income tax applies to all companies that derive, bring into, accrue and receive income in Nigeria. With respect to non-residents, the companies' income tax applies the concept of "deemed derivation". Here the law sets out instances where a non-resident company's income will be deemed to have been derived from Nigeria. The first condition of the "deemed derivation" concept is of a fixed base. Any non-resident company doing business in Nigeria through a fixed base or Permanent Establishment (PE) (as defined in DTAs), is subject to tax. Other conditions include concluding contracts through a dependent agent.
3. Nigerian companies are taxed on worldwide income, while companies registered in a foreign jurisdiction with a fixed base or PE, are taxed only on Nigerian-source income.
4. Taxable income is a company's income less allowable deductions and losses. Income of a capital nature is not included in taxable income.

5. Interest paid on loans (used for business operations) are allowable for tax purposes. For new businesses, such interest is capitalised prior to starting commercial production. Interest income received by lending institutions, on loans to export-oriented companies and agricultural businesses, are granted tax exemptions depending on tenor and moratorium of the loans.
6. Dividends received by a Nigerian company from other domestic companies, are excluded in the determination of taxable income to the extent that such distribution had suffered withholding tax (WHT) in the hands of the initial recipient (distributing company). Dividends paid to non-resident companies and investors attract a WHT of 10%, unless reduced by a DTA to 7.5%. This is the final tax on such distribution. Dividends distributed by unit trusts and pioneer companies during the pioneer period, are tax-exempt in the hands of recipients and WHT is not deductible for such dividends.
7. Capital allowances are granted to companies against taxable income *in lieu of* the wear-and-tear of business assets. Rates of capital allowances are highest (95%) for expenditure on replacement plant and machinery for mining, agricultural production, industrial plant and machinery and motor vehicles used for public transportation. In addition, investment allowances of 10% are available to companies in their first year of acquisition of plant and machinery.
8. Certain business assets (such as factory buildings, furniture and fittings) enjoy capital allowances at lower rates of 25% (initial) and 20% (annual), but generally at 50% (initial) and 25% (annual) in other cases.
9. Normal business losses can be carried forward indefinitely except for insurance companies and companies within the first four years of operation, which can only carry forward losses for a maximum of four years.
10. Closing stocks have to be appropriately valued at the lower of cost or net realisable value. Accepted valuation methods are: First-In-First-Out (FIFO) and weighted average. Last-In-First-Out (LIFO) valuation is not acceptable. The valuation method, once adopted, must be consistently followed.
11. A unilateral foreign tax credit is not available to corporate taxpayers. However, unilateral relief is applicable for Commonwealth (non-treaty) countries, if Nigeria also taxes the income.

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12. There is a participation exemption and holding company regime in Nigeria for financial institutions.
13. An Alternative Minimum Tax (AMT) is levied to ensure that unless exempt, every company pays a certain amount of Corporate Income Tax (CIT). The minimum tax is payable by a company where, in any year of assessment, the total assessable profits from all sources results in a loss or no tax being payable or tax payable that is less than the minimum tax. When turnover is NGN500 000 or less, the minimum tax is the highest of 0.5% of gross profits or 0.5% of net assets, or 0.25% of paid-up capital or 0.25% of turnover. When turnover exceeds NGN500 000, an additional tax is payable, calculated at the rate of 0.125% of the turnover exceeding NGN500 000. Agricultural and agro-allied companies, companies with at least 25% foreign equity and any company in the first four years of commencement of business are not required to pay the minimum tax.
14. There are no provisions for consolidation of accounts for group taxation in Nigeria.

Withholding Taxes (WHTs)

Certain payments to domestic companies and individuals and non-resident companies/investors are subject to WHT at the following rates:

| WHT Rates | | | |
|--|------|------------------|------------|
| | Note | Corporate Bodies | Individual |
| Dividends | 2 | 10% | 10% |
| Royalties | | 10% | 5% |
| Interest | 3 | 10% | 10% |
| Director fees | | n/a | 10% |
| Rent (including hire of equipment) | 5 | 10% | 10% |
| All aspect of building construction and related activities | | 5% | 5% |
| All aspect of contract activities or agency arrangements including contract for supply | | 5% | 5% |
| Management services | 4 | 10% | 5% |
| Consultancy and professional fee | 4 | 10% | 5% |
| Technical services | 4 | 10% | 5% |
| Commission | 4 | 10% | 5% |

| WHT Rates for Treaty and Non-treaty Countries* | | | |
|--|-----------|----------|-----------|
| | Dividends | Interest | Royalties |
| Treaty countries | 7.5% | 7.5% | 7.5% |
| Non-treaty countries | 10% | 10% | 10% |

* As a result of a Nigerian Government Directive, the WHT rate for all treaty countries, so far as payments out of Nigeria are concerned, for dividends, interest and royalties; is 7.5%.

Nigeria

Nigeria has concluded treaty arrangements with the following countries

1. Belgium
2. Canada
3. China
4. Czech and Slovakia Republic
5. France
6. Netherlands
7. Pakistan
8. Romania
9. United Kingdom
10. South Africa
11. Philippines

Notes:

1. WHT paid by resident persons and companies in Nigeria is payment on account of tax. WHT credit notes can be used to offset personal and companies' income tax liabilities, except in cases where tax withheld is a final tax. Where the recipient of funds is a non-resident, the relevant WHT is a final tax.
2. Dividends are subject to a 10% WHT, whether paid to a resident or non-resident, unless the rate is reduced under a tax treaty. This is the final tax on the income.
3. Interest payments are subject to a 10% WHT, whether paid to a resident or non-resident. This is a final tax for the non-resident recipient, unless the interest is exempt. Exempt interest include interest payable on a foreign loan; percentage of exemption ranges from 0% to 100%, and is based on the loan repayment period and grace period.
4. Payments, such as management consulting fees and fees for technical services and commissions, are subject to WHT at a rate of 10% for corporate recipients and 5% for individuals.
5. A 10% WHT applies to all rental payments and director's fees. These WHTs are final for non-resident recipients but may not be final for residents.
6. Branch remittance tax does not apply.



Capital Gains Tax (CGT)

Capital gains and losses are treated differently from regular business transactions of individuals, partnerships and companies in Nigeria. Gains arising from the disposal of assets are taxed at the rate of 10%. Taxable assets include: land, building, as well as other corporeal or incorporeal properties situated in Nigeria. With effect from 1 January 1998, corporate securities are exempted from CGT.

Inflation is rarely taken into account in determining capital gains. Payment of CGT can be postponed if the proceeds on disposal of an asset are reinvested in acquiring similar assets. Nigeria's tax law does not provide for capital loss relief.

Anti-avoidance

In Nigeria, the Income Tax Law applicable to companies contains general provisions on related party transactions. It requires that transactions by related parties are conducted at arm's length; if otherwise, the price will be restated. Further guidelines are provided within the Income Tax (Transfer Pricing) Regulations No. 1/2012; highlighting applicable transactions, acceptable transfer pricing methods, documentation requirements, advance pricing agreements and offences, penalties and dispute resolutions.

There are no thin capitalisation rules in Nigeria.

Inheritances and Donations

There is no donations tax and no inheritance/estate tax in Nigeria. Donations could, however, give rise to CGT in some instances.

Nigeria

Value Added Tax (VAT)

| | Rate |
|---------------|------|
| Standard rate | 5% |

Notes:

- VAT was introduced in the country on 1 December 1993 to replace sales tax.
- VAT is imposed on non-exempt supplies of goods and services within Nigeria, as well as on goods imported. Export goods are non-taxable.
- Exempted goods include:
 - All medical and pharmaceuticals products.
 - Oil exports.
 - Plant, machinery and equipment purchased for utilisation of gas in downstream.
 - Basic food items.
 - Books and educational materials.
 - Baby products.
 - Plant, machinery and goods imported for use in Export Processing Zones (EPZs) or Free Trade Zones (FTZs).
 - Tractors, ploughs and agricultural implements purchased for agricultural purposes.
- Exempt services include:
 - Medical services.
 - Services rendered by community banks and mortgage institutions.
 - Plays and performances by educational institutions as part of learning.
 - All exported services.
- Zero-rated goods and services include:
 - Non-oil exports.
 - Goods and services purchased by diplomats.
 - Goods and services purchased for use in humanitarian donor funded projects.

Customs and Excise Duties

Customs duties are levied on goods coming into the country at varying rates, with the lowest rate at 5% and a maximum rate of 35% of import value at each port of entry. There is a list of excisable items (i.e. wines and spirits, tobacco and cigarettes, alcoholic beverages etc.) and factories which can be obtained from the Nigeria Customs Service.

Other Taxes

Petroleum Profit Tax (PPT)

PPT (rather than corporate tax) is imposed on petroleum companies. Income for PPT purposes refers to the value of the oil and related substances extracted, except

gas, plus any other income of the company. Various deductions are allowed. The nature of the contract entered into by persons in the oil & gas industry determines the person's tax regime. The income derived by companies engaged in petroleum operations is assessable to tax at the rate of 85% with some variations for companies within the first five years of operation and those involved in a production sharing contract. Profit from any activity that does not qualify as petroleum operation is subject to tax at the rate of 30%.

Stamp Duties

The Stamp Duties Act sets out the details of dutiable transactions and applicable duties thereon. The transactions that attract stamp duties include: incorporation of companies, increase in companies authorised share capital, mortgage bonds, debentures and dealing in securities, settlement of estates and conveyance of property.

Tertiary Education Trust Fund Act

Tertiary Education Tax (at a rate of 2%) is payable by all resident companies on the adjusted/assessable profits for CIT, or PPT purposes, before the deduction of capital allowances. The Revenue authority is required to issue assessments for the tax which is payable within 60 days of service of the assessment notice on the company. However, in practice, the tax is self-assessed and paid six months after the accounting year-end.

Information Technology (IT) Tax

IT Tax (at the rate of 1% of profit before tax) is payable by telecommunication, cyber, insurance companies and banks with turnover of N100 million (circa US\$645 161) and above. The tax is treated as a deductible expense when paid. The tax is payable within 60 days of service of the assessment.

Industrial Training Fund

All employers having either a minimum of five employees or having less than five employees, but with annual turnover of NGN50 million (circa US\$33 000), are expected to contribute an amount equal to 1% of its annual payroll cost to the Industrial Training Fund. The Fund is utilised in the provision and promotion of skills acquisition in the industry. This is payable no later than 1 April of the following year. The employer could get a refund of up to 50% of contributions made if suitable training courses are provided to the employees.

Employees Compensation Act (ECA) 2011

ECA repealed the Workmen's Compensation Act. The Act is meant to provide safer working conditions for all the employees. The provisions of the Act are applicable to employees in the public and private sectors of the economy except the armed forces. The rate of contribution is 1% of total payroll cost consisting of total emolument. This includes any share award or benefit.

Nigeria Oil & Gas Content Development Fund

The sum of 1% of every contract awarded to any operator, contractor, subcontractor, alliance partner, or any other entity involved in any project, operation, activity or transaction in the upstream sector of the Nigerian oil & gas industry, shall be deducted at source and paid into the Fund.

Cabotage Fund Levy

A surcharge of 2% of the contract sum performed by any vessel engaged in coastal trade is to be paid into the Cabotage Vessel Financing Fund. The Cabotage Guidelines provide for the surcharge to be based on the gross earnings on contracts performed by the relevant vessel. The surcharge is to be deducted at source by the employer, or charterer of the relevant vessel, based on the charter or freight invoice and remitted to the Nigerian Maritime Administration and Safety Agency (NIMASA).

Local Taxes

States in Federation (currently, 36 states) have a variety of local taxes in their areas of jurisdiction. Local taxes include: motor vehicles licence/registration, consent fees for transfer of property in real estate, property tax, gaming/casino tax, water rates etc. Local councils impose tenement rates and several other fees.

Social Security

Nigeria operates a contributory pension scheme. Under the scheme, the employer is required to make compulsory pension contributions at a minimum of 10% of the employee's monthly emoluments. An employee also contributes a minimum of 8% of his/her monthly emoluments. While there is no maximum limit to the amount that may be contributed by an employer, the minimum total contribution is 18% where the employer chooses to be responsible for the employee's portion of the contribution.



General Investment Information

Investment Incentives

Tax Incentives

- Pioneer status – There is a 100% tax-free period for a period of three to five years for pioneer industries that produce products declared as "pioneer products" under the Industrial Development (Income Tax Relief) Act.
- Infrastructure – Investment tax relief is available for each year of expenditure at the following rates to companies who provide basic infrastructures: tarred roads (15%), water (30%), electricity (50%) and 100% for companies who provide all such basic facilities where they do not exist.
- Research and Development (R&D) – Expenses for qualified R&D are tax deductible to a company but the amount deducted must not exceed 10% of the company's total profit for that year of assessment. In addition, companies and organisations engaged in R&D activities for commercialisation, shall be allowed a 20% investment tax credit on their qualifying expenditure.
- Companies engaged in export trade – With effect from 1 January 1996:
 - (i) Profits of any Nigerian company in respect of goods exported from Nigeria (provided that the proceeds from such exports are repatriated to Nigeria and are used exclusively for the purchase of raw materials, plant and equipment and spare

Nigeria

parts) are exempted from tax.

- (ii) The profits of companies whose products are used exclusively as inputs for the manufacturing of products for exports are tax-exempt. For this purpose, the exporter must give a certificate of purchase of the input of exportable goods to the seller before the profit can be eligible for tax exemption.
- Tax relief to export-oriented enterprises
 - The profit or gains of 100% of export-oriented undertakings, established outside an EFZ, shall be fully exempted from income tax for three consecutive assessment years, provided that:
 - (i) The undertaking is 100% oriented.
 - (ii) The undertaking is not formed by splitting up or the reconstruction of a business already in existence.
 - (iii) It manufactures, produces and exports during the relevant year, and the proceeds or goods exported during the year are not less than 75% of its turnover for the year.
 - (iv) The undertaking is not formed by transfer of machinery or plant previously used for any purpose to the new undertaking or, where it does, the written-down value does not exceed 25% of the total value of the plant and machinery.
 - (v) That the undertaking repatriates at least 75% of the export earnings to Nigeria and places this in the domiciliary account with a bank in Nigeria.
 - Solid minerals – Companies engaged in the mining of solid minerals enjoy a tax-free holiday for the first three years of operation.
 - Replacement of industrial plants and machineries – Plant and machinery purchased to replace old ones are to enjoy a once and for all 95% capital allowances in the first year and the remaining 5% is to be approximately, as the book value, until the final disposal of the asset (approximately section was repealed in 2007 CIT amendment).
 - Tax incentives for hoteliers and tourism services – 25% of income from tourism by hotels in convertible currencies are exempted from tax, provided such incomes are set aside and put in a reserve fund to be utilised within five years in expansion or the construction of new hotels, conference centres and new facilities useful for tourism development.
 - Employment tax relief – Companies with minimum net employment of 10 employees, 60% being employees with no prior work experience within three years of graduating from school or any vocation, are entitled to a relief of 5% of total assessable profits.
 - Work Experience Acquisition Programme relief – Companies with a minimum net employment of five new employees, and retains these employees for a minimum of two years from the year of assessment in which they were first employed, also enjoy a tax relief of 5% of assessable profits.
 - Infrastructure tax relief – A company that incurs expenditure on infrastructure, or facilities of a public nature, shall be entitled to a tax exemption of an additional 30% of the cost of the provision of the infrastructure or facilities. These are: power (electricity); roads and bridges; water; health, educational and sporting facilities.
 - Additional incomes exempted from CIT – Short-term securities such as Treasury bills and promissory notes; bonds; and interests earned by holders of the bonds and short-term securities, are exempt from CIT for 10 years, effective 2 January 2012.

Other Incentives

- New incentives to boost cement production – Nigeria's Federal Government has approved a number of new incentives to boost local cement production.
- FTZs offer numerous incentives to businesses – Locating in any FTZ in Nigeria automatically confers on the investor certain locational advantages, as well as very generous incentives.
- Various incentives on offer to stimulate biofuel industry – The objective of Nigeria's Biofuel Production Programme is to establish a thriving fuel ethanol industry by utilising agricultural products.
- Investment Promotion and Protection Agreement (IPPA) – As part of an additional effort to foster foreign investor confidence in Nigeria, the Federal Government continues to enter into IPPAs with countries that do business with Nigeria.
- Small and Medium Enterprises Equity Investment Scheme (SMEEIS) – The SMEEIS requires all banks in Nigeria to set aside 10% of their profit after-tax (PAT) for equity investment and promotion of small and medium enterprises.
- Tax incentives to the gas industry – In view of the enormous potentials in this sector, Government has approved various fiscal incentives. Effective from 31 January 2012, equipment and machinery in the power sector attract zero duty.

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- Incentives for investors in the agriculture sector – Nigeria's agriculture is now in the limelight as the Federal Government moves to reduce the amounts of foreign exchange it spends on imported food. Numerous incentives are available to stimulate investment in agricultural activities. Import levies have been increased on certain agricultural products such as wheat flour, wheat grain and brown rice.
- Incentives to the tourism sector – Incentives have been put in place to encourage domestic and foreign investor participation in the tourism industry.

Exchange Controls

Equity and/or loan capital must be brought into Nigeria through Authorised Dealers (i.e. banks).

The remittance of dividends and interest is permitted, provided the equity and/or loan was imported and is evidenced via an appropriate certificate of capital importation.

There are no restrictions on the percentage of profits that may be distributed as dividends subject to the dividend tax rule consideration. The remittance of royalty and service fees is permitted, provided the underlying licence and service agreements have been approved by the National Office for Technology, Acquisition and Promotion.

Authorised Dealers of foreign currencies need to notify the Central Bank of Nigeria of any cash transfer to, or from a foreign country, of any sum in excess of US\$10 000.

A tax clearance certificate, or other evidence of payment of the appropriate tax, must, however, be obtained by anyone wishing to remit dividends, interest, royalty or service fees outside the country.

Expatriates and Work Permits

All non-residents/citizens must obtain visas before entry into Nigeria, except citizens of ECOWAS (Economic Community of West African States), who only need to process ECOWAS cards on arrival. There are four categories of visas – tourist, business, temporary work permits (TWP) and the subject to regularisation (STR) visas. Employers obtain expatriate quotas for their employees and these are usually valid for at least two years. Expatriate quotas are approved based on the need for the skill to be imported into Nigeria. Employers



of expatriates are required to file monthly immigration returns stating the utilisation of expatriate quotas.

Trade Relations

- Memberships – ECOWAS, African Union (AU), Organisation of Petroleum Exporting Countries (OPEC) and New Partnership for Africa's Development (NEPAD).
- International organisations – International Chamber of Commerce (ICC), African Development Bank Group (AfDB), World Federation of Trade Unions (WFTU), World Trade Organisation (WTO), United Nations (UN), Commonwealth, ECOWAS, the AU and Non-Aligned Movement (NAM).

Interest and Currency Exchange Rates

Benchmark Interest Rate*

* In Nigeria, interest rate decisions are taken by the Central Bank of Nigeria. The official interest rate is the Monetary Policy Rate (MPR).

12.00% (last reported 2013)

(source: Central Bank of Nigeria)

Currency: Naira (NGN)

R1 = 15.5355 NGN (December 2014)

(source: Oanda)

US\$ = 182.033 NGN (December 2014)

(source: Oanda)

Notes:

1. Nigeria's currency is the Nigerian Naira (NGN).
2. From November 2014 the exchange rate was adjusted to NGN155 to the US\$.

Nigeria

Key Economic Statistics

GDP (approx.)

US\$594.257 billion (2014 estimate)
(source: IMF)

US\$657.218 billion (2015 forecast)
(source: IMF)

Market Capitalisation

NGN10.156 trillion (December 2014)
(source: Punchng.com)

Rate of Inflation

8.476% (2013 average)
(source: IMF)

8.292% (2014 average)
(source: IMF)

9.000% (December 2014)
(source: IMF)



Rwanda



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Rwanda

Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals (Annual) | | |
|--|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| RWF | RWF | % |
| 0 | 360 000 | 0% |
| 360 000 | 1 200 000 | 20% |
| 1 200 000 + | | 30% |

Notes:

1. Basis – A resident is taxed on worldwide income, while a non-resident is taxed only on Rwanda-source income. Foreign-source income derived by a resident is subject to Personal Income Tax (PIT) in the same way as Rwanda-source income.
2. Residence – An individual is resident in Rwanda if he/she has a permanent residence or habitual domicile in Rwanda; if he/she stays in Rwanda for more than 183 days in a 12-month period, or if he/she is a Rwandan representing Rwanda abroad.
3. Rates – Rates are progressive to 30%.
4. Taxable income – Employment income, including most employment benefits, is taxable.
5. Deductions and allowances – Deductions are available for items such as retirement contributions made by the employer to the Rwanda Social Security Board and pension payments made under the State Social Security System.
6. Filing status – No requirement if income has been subjected to tax under Pay-As-You-Earn (PAYE) mechanism.
7. Small entities pay income tax under a lump sum system but can opt for the real regime (based on taxable profit), while medium to large taxpayers pay tax based on profit as determined under IFRS and adjusted for based on deductions allowed.

Non-Residents

Non-residents are taxed on Rwanda-source income only.

Employment Income (PAYE)

- The tax law requires that when an employer makes available employment income to an employee, the



- employer must withhold, declare, and pay the PAYE tax to the Rwanda Revenue Authority (RRA) within 15 days following the end of the month for which the tax was due. An option for a quarterly declaration, and payment, is available for employers with an annual turnover not exceeding RWF200 million.
- In the case of engaging a casual labourer for less than 30 days during a particular tax year, the employer shall withhold 15% of the taxable employment income of the casual labourer.
- The first RWF30 000 of the income earned is taxed at 0%.
- Beginning January 2006, employers/employees shall calculate the tax on the employee's taxable income based on the tax bands and/or using the formulae provided. Employers/individuals that declare their own PAYE, can build these formulae into their systems in order to compute the tax due.
- The employer is personally responsible for the correct withholding, declaration and the timely payment to the RRA.
- The employer is personally responsible for keeping proper books of account to prove that the tax has been correctly withheld, paid, and accounted for. Under those circumstances, where the employer is not required to withhold and pay the tax, the employee is responsible for registering, declaring, accounting and paying the tax.
- An employer, who is not the first employer of an employee, must withhold PAYE at the marginal top tax rate of 30%. An individual who receives employment income from more than one employer, or who receives incidental employment income such as end of year bonus, may file an annual declaration

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if he/she wants to claim a tax refund. Only amounts in excess of RWF5 000 are refunded. An employee who works for more than one employer is obliged to inform his/her employers specifying which one is his/her first employer. The employer is obliged to ask the employee and confirm that he/she is the first employer.

Companies

Income Tax Rates for Companies

| | Rate of Tax |
|-----------------------------|-------------|
| Standard corporate tax rate | 30% |

Notes:

1. Residence – A company is resident if it is established according to Rwandan Law or if its headquarters are in Rwanda.
2. Basis – Residents are taxed on worldwide income; non-residents are taxed on Rwandan-source income. Foreign-source income derived by residents is subject to corporation tax (CIT) in the same way as Rwanda-source income.
3. Rate – The CIT rate is 30%, with some discounts for registered investors based on the number of employees, and the amount of income derived from the export of goods and services. Furthermore, specific tax rates, with a minimum of 20% are provided for new listed companies on the capital market, depending on the percentage of their shares sold to the public.
4. Chargeable income – CIT is imposed on a company's total income after deduction of normal business expenses.
5. Losses – Losses may be carried forward for five tax periods unless there is a 25% or more change in ownership (direct or indirect). The carryback of losses is not permitted unless they arise on completion of a long-term contract.
6. Dividends – Dividends received by a Rwandan resident company from another Rwandan company, are exempt from income tax. Other dividends are subject to a 15% withholding tax (WHT).
7. Foreign tax credit – Foreign tax paid may be credited against Rwandan tax on the same income but the credit is limited to the amount of Rwandan tax payable on the foreign income.
8. Corporate groups – See "Participation exemption" below.

9. Participation exemption – A company that transfers its assets to another company, is exonerated from tax in respect of capital gains and losses realised on the participation. A "participation" for these purposes means: a merger of two or more resident companies; the purchase or takeover of at least 50% of the shares in a resident company; the purchase of 50% or more of the assets and liabilities by a resident from another resident company; or the splitting of a resident company into two or more resident companies.



Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|----------------------------------|------|----------------------------------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 15%/exempt | 15% |
| Interest | 2 | 15% | 15% |
| Royalties | 3 | 15% | 15% |
| Management/technical service fee | 4 | 15% (Non-registered resident) | 15% |

Notes:

1. Dividends – Dividends paid to another Rwandan company are exempt. Dividends paid to a non-resident, or an individual, are subject to a 15% WHT unless the rate is reduced under a tax treaty (DTA).
2. Interest – Interest paid to a non-resident or to a non-registered resident is subject to a 15% WHT unless the rate is reduced under a tax treaty.

3. Royalties – Royalties paid to a non-resident, or to a non-registered resident, are subject to a 15% WHT unless the rate is reduced under a tax treaty.
4. Technical service fees – Technical fees paid to a non-resident, or to a non-registered resident, are subject to a 15% WHT unless the rate is reduced under a tax treaty.

Maximum WHT Rates once a Double Tax Agreement (DTA) is applied

WHT on payments to countries with which Rwanda has a DTA are as follows:

| Type of Income | Belgium* | Mauritius** | South Africa |
|------------------------|----------|-------------|--------------|
| Dividends | 15% | 10% | 10% |
| Interest | 10% | 10% | 10% |
| Royalties | 10% | 10% | 10% |
| Technical service fees | 10% | 12% | 10% |
| Other | 10% | 10% | 10% |

* Belgium DTA has favourable rates up to 0% for dividends and interest.

** Mauritius DTA was re-negotiated and was ratified by the Parliament of Rwanda in March 2014.

Capital Gains Tax (CGT)

Companies

Capital gains are taxable as ordinary income at the standard rate of corporation tax. However, capital gains derived from the sale or cession of commercial immovable property, are separately taxed at a rate of 30%, while capital gains on secondary market transactions, on listed securities, are exempted.

Individuals

Capital gains are taxable as ordinary income at the normal PIT rates. However, capital gains derived from the sale or cession of commercial immovable property is separately taxed at a rate of 30%, and capital gains on secondary market transactions, on listed securities, are exempt.

Anti-avoidance

Transfer Pricing

When independent parties deal with one another, the terms of trade are determined by market forces and may be presumed to be at an arm’s length. However, for related party transactions, determination of the arm’s length price requires a comparison of the conditions in a “controlled transaction” against the conditions in an unrelated party or uncontrolled transaction.

Thin Capitalisation

Interest on a loan from a related party, that exceeds four times the amount of equity, may not be deducted from taxable income unless the taxpayer is an individual. This provision does not apply to commercial banks or insurance companies.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 18% |

Notes:

1. VAT is imposed on the sale of goods and the provision of services.
2. The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases.
3. The registration threshold for VAT purposes is RWF20 million of annual turnover. Voluntary registration is possible for taxpayers with turnover under the threshold.
4. VAT filing, and payment, must be made on a monthly basis, although quarterly filing/payment is available as an option for taxpayers with annual turnover not exceeding RWF200 million.
5. Reverse charge VAT at 18% is payable on imported services and is not allowed as input VAT credit unless it relates to services not available in Rwanda.

Customs and Excise Duties

Excise Taxes

Consumption tax (excise duty) is levied on the following locally manufactured products: beers, lemonades, cigarettes, wines, spirits and mineral water made in Rwanda and telephone communication supplied by telephone communication providers operating in Rwanda.

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The corresponding consumption tax rates are as follows:

| Product | Tax Rate |
|---|------------------|
| Juice from fruits | 5% |
| Other juices, sodas and lemonade | 39% |
| Mineral water | 10% |
| Beer | 60% |
| Wine | 70% |
| Brandies, liquors and whisky | 70% |
| Cigarettes | 150% |
| Telephone communication | 8% |
| Fuel (excluding benzene) | RWF183 per litre |
| Diesel and gas oil | RWF150 per litre |
| Lubricants | 37% |
| Powdered milk | 10% |
| Vehicles with an engine capacity of above 2500cc | 15% |
| Vehicles with an engine capacity of between 1500 and 2500cc | 10% |
| Vehicles with an engine capacity of less than 1500cc | 5% |

Notes:

1. The taxable value on locally manufactured products is calculated according to the selling price exclusive of taxes. The tax shall be payable when the taxable products are cleared out of the factory for consumer use in case of locally manufactured products and when the taxable service provided is telecommunication services.

Miscellaneous Taxes

Real Property Tax

Tax is paid to the municipal authorities and calculated according to the location and utilisation of the property.

Inheritance/Estate Tax

There is no inheritance/estate tax in Rwanda.

Transfer Tax

Some administrative fees are applicable.



Net Wealth/Net Worth Tax

There is no net wealth/net worth tax in Rwanda.

Other

A Presumptive Tax of 3% of annual turnover is applicable to taxpayers with annual turnover less than RWF50 million that opt for the regime. Other lump sums from RWF60 000 to RWF300 000 (depending on the turnover) are payable by taxpayers with a turnover less than RWF20 million.

Social Security

The total contribution to the Social Security Fund is 8% (5% by the employer and 3% by the employee). The 5% employer contribution includes workmen's compensation.

Tax Administration

Corporations

- Tax year – The tax year is the calendar year, although the taxpayer may request a different 12-month period.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
- Filing requirements – A self-assessment regime applies. Advance corporate tax is payable in three instalments. The tax return must be filed within three months of the applicable year-end.
- Penalties – Interest is imposed for late payment of tax and fines and other penalties are imposed for late payment and tax understatements.

Individuals

- Tax year – Calendar year. A specific tax year of 12 months is available upon request.

- Filing and payment – Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities.
- Penalties – Penalties, including fines and interest, apply for failure to comply.

General Investment Information

Investment Incentives

General Incentives

- Peace and stability, and predictability of political leadership.
- Firm commitment to democracy.
- Good governance.
- The principles of a free market economy is fully embraced.
- In keeping with its regional integration commitments, Rwanda has reduced its tariff rates and eliminated all export taxes and other non-tariff barriers.
- As a developing country, Rwanda has duty and quota-free access into the United States (US) and European (EU) markets in line with provisions of AGOA and the Cotonou arrangement.
- Rwanda offers opportunities in many fields, many focused on the local market and some on markets abroad.
- Rwanda's strategic location provides access to the East African Community (EAC) region and COMESA.

Tax Incentives

- Investment allowance – An investment allowance of 40% of the amount invested in new, or used assets, is available provided the amount invested is at least RWF30 million and the business assets are held for at least three tax periods. The investment allowance is 50% for investment in rural areas, and specified activities, as provided by the Investment Authority.
- Training and research expenses – All training and research expenses incurred and declared, as agreed by a taxpayer, and which promote activities during a tax period, are considered as deductible from taxable profits in accordance with provisions of Article 21 of this Law. Expenses on training, research and on promotion of activities, as applied in this Article, do not concern the purchase of land, of houses, of

buildings and other immovable properties including refining, rehabilitation and reconstruction, as well as exploration expenses and other assets.

- Losses carried forward – If the determination of business profit results in a loss in a tax period, the loss may be deducted from the business profit in the next five tax periods; earlier losses being deducted before later losses. However, foreign-source losses can neither reduce domestic sourced business profits nor can they reduce future domestic sourced business profits. A loss sustained by a taxpayer, whose share are not traded in the stock market, is not allowed to be carried forward when changes of ownership occur by more than 25%. This applies to losses incurred in the tax period the change of ownership happened and the previous tax period.
- Tax discount and exemption – A registered investment entity that operates in a Free Trade Zone (FTZ), and foreign companies that have their headquarters in Rwanda, that fulfil the requirements stipulated in the Rwandan Law on Investment Promotion, is entitled to:
 - Pay CIT at the rate of 0%.
 - Exemption from 15% WHT on interest (mentioned in Article 51 of the Law No.16/2005 of 18/08/2005 on direct income).
 - Tax-free repatriation of profits.
- Profit Tax Discount (PTD) – A registered investor shall be entitled to a PTD of:
 - 2%, if the investor employs between 100 and 200 Rwandans.
 - 5%, if the investor employs between 201 and 400 Rwandans.
 - 6%, if the investor employs between 401 and 900 Rwandans.
 - 7%, if the investor employs more than 900 Rwandans.

The tax discount is granted to the investor only if he/she maintains the employees for a period of at least six months during a tax period, and are not in the category of employees who pay at the rate of 0% (as stipulated in Article 50 of the Law No.16/2005 of 18/08/2005). If a taxpayer exports commodities or services that bring to the country between US\$3 million and US\$5 million in a tax period, he/she is entitled to a tax discount of 3%. If he/she exports commodities or services that bring to the country more than US\$5 million in a tax period, he/she is entitled to a tax discount of 5%. Companies

Rwanda

that carry out micro-finance activities, approved by competent authorities, pay CIT at the rate of 0% for a period of five years from the time of the approval of the activity. However, this period may be renewed by the order of the Minister.

Other Incentives

- Free initial one-year work permits for foreign workers and the acquisition of permanent residency (granted to an investor if he deposits an amount of at least US\$500 000 on an account in a Rwandan commercial bank for a period no less than six months).
- A foreign investor and their expatriate(s) are entitled to a free initial work permit and a free residence visa valid for a period of one year.
- The owner of an investment enterprise (that invests at least a capital of US\$100 000), automatically entitles them to the right to recruit three expatriates.

Exchange Controls

None, but some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency.

Expatriates and Work Permits

Persons coming to work in Rwanda must apply for temporary permits which fall into 19 categories from A to Z. Persons coming to work for a specific employer in Rwanda, must apply for a category H Work Permit i.e. from H1 (persons on the On Demand List i.e. prescribed professions) to H5 for other employees. A special pass (for persons with a contract of three months or less, or those coming to set-up,) category R applies.

The following fees apply:

- RWF100 000 for most categories of temporary permits
- RWF50 000 for a special pass.
- Business owners or directors of companies can apply for a business visa and pay US\$100.

Trade Relations

- Memberships – COMESA, EAC and Commonwealth.
- Tax Treaties – Rwanda has tax treaties with Belgium, Mauritius and South Africa. The multilateral treaty with the EAC is not yet effective pending ratification by all parties to the treaty.



Interest and Currency Exchange Rates

| |
|--|
| Monetary Policy Rate |
| 5.597% and 17.39% (Interbank Rate and Lending Rate respectively) (September 2014) (source: National Bank of Rwanda) |
| Currency: Rwandan Franc (RWF) |
| R1 = 58.8417RWF (December 2014) (source: Oanda) |
| US\$1 = 684.000 RWF (December 2014) (source: Oanda) |
| US\$1 = 646.703 RWF (2013 average) (source: National Bank of Rwanda) |

Key Economic Statistics

| |
|--|
| GDP (approx.) |
| US\$8.058 billion (2014 estimate) (source: IMF) |
| US\$8.848 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| US\$690.5 billion (2014 estimate) (Source: Trading Economics) |
| Rate of Inflation |
| 4.224% (2013 average) (source: IMF) |
| 4.074% (2014 average) (source: IMF) |
| 4.50% (December 2014) (source: IMF) |

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Senegal

Note

Senegal's current Tax Code was published on 1 January 2013.

Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals | | |
|---|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| XOF | XOF | % |
| 0 | 630 000 | 0% |
| 630 000 | 1 500 000 | 20% |
| 1 500 000 | 4 000 000 | 30% |
| 4 000 000 | 8 000 000 | 35% |
| 8 000 000 | 13 500 000 | 37% |
| 13 500 000 + | | 40% |

Notes:

1. Basis – A resident is taxed on worldwide income, while a non-resident is taxed on Senegal-source income only.
2. Residence – An individual is considered resident in Senegal for tax purposes if his/her permanent place of dwelling, centre of interests, or centre of business, is located in Senegal, or if he/she stays in Senegal for more than 183 days in any 365-day period.



3. Rates – The annual tax liability is computed by applying the progressive income tax rates on the aggregation of net taxable income from various categories of income. A 30% lump sum deduction is available when determining the taxable base for employment income tax purposes. The deduction is capped at XOF900 000. Tax deduction applies on the total amount of tax due as follows:

| Number of shares | Rate (%) | Minimum (XOF) | Maximum (XOF) |
|------------------|----------|---------------|---------------|
| 1.0 | 0% | 0 | 0 |
| 1.5 | 10% | 100 000 | 300 000 |
| 2.0 | 15% | 200 000 | 650 000 |
| 2.5 | 20% | 300 000 | 1 100 000 |
| 3.0 | 25% | 400 000 | 1 650 000 |
| 3.5 | 30% | 500 000 | 2 030 000 |
| 4.0 | 35% | 600 000 | 2 490 000 |
| 4.5 | 40% | 700 000 | 2 755 000 |
| 5.0 | 45% | 800 000 | 3 180 000 |

4. The overall individual income tax burden may not exceed 40% of the taxable income.
5. Taxable income – Taxable income is defined as income from all sources (i.e. wages and salaries; proceeds from agricultural, commercial or non-commercial activities; income from real estate property etc.). Taxpayers with income other than salaries are required to declare the total amount of their incomes once a year.
6. Deductions and allowances – Different abatements and allowable deductions apply to each category of income.
7. Filing status – Joint-filing is not permitted. Spouses are required to file separate tax returns.
8. Relief from double taxation is available through tax treaties (DTAs) to which Senegal is signatory.

Non-Residents

A non-resident is taxed on Senegal-source income only. Non-residents become liable to tax from the day they begin carrying on a trade, business, profession, or vocation, in Senegal. DTAs have been concluded with a number of countries and double taxation relief applies to such income.

Senegal

Employment Income

Benefits in Kind*

Benefits in kind are taxable according to the following scales published by the tax administration:

* CFA Franc (XOF).

- Accommodation (per month):

| | |
|------------------------|--------|
| Per room in Dakar area | 33 500 |
| Other major city | 20 000 |
| Rest of the country | 13 500 |

- Domestic servants (per month):

| | |
|--------------------|--------|
| Watchman, gardener | 61 700 |
| Cooker | 92 500 |
| Others | 35 600 |

- Water: 10 500 per month.
- Electricity: 30 200 per month.
- Food: real value.
- Company car: 26 000 or 77 500, depending on horsepower.
- Telephone: 67 000 per month.
- Others benefits in kind are taken into account at their real value.

Pay-As-You-Earn (PAYE)

Since Senegal uses a PAYE system, whereby Personal Income Tax (PIT) is withheld by the employer on the wages of their employees, it is the employer's liability to file monthly PIT returns and to pay the corresponding tax.



Companies

Income Tax Rates for Companies

Rate of Tax

| | |
|-------------------------|-----|
| Standard corporate rate | 30% |
|-------------------------|-----|

Notes:

- Residence – An entity is generally deemed to be a resident of Senegal if its registered office, Permanent Establishment (PE) or centre of activity is located in Senegal.
- Basis – A resident corporation is subject to tax on its worldwide income, while a non-resident is taxed on Senegal-source income only.
- Rates – The standard corporate tax rate is 30%, with a 15% rate applying to companies with “Free Exporting Enterprise” status.
- Chargeable income – Corporate income tax (CIT) is imposed on net profits. Taxable profits are determined after deduction of allowable expenses and charges.
- Losses – Tax losses may be carried forward for three years. The carryback of losses is not permitted.
- Dividends – Dividends received from a company, other than a subsidiary, are taxed as income after a 60% tax abatement on the gross amount of the dividends.
- Foreign tax credit – Senegal tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.
- Participation exemption – An amount equal to 5% of dividends received by a resident parent company from its subsidiary, is included in the taxable base (considered expenses incurred), unless the actual expenses incurred by the parent company are less than 5% of dividends received. In that case, only the actual amount is included in the taxable base.
- Holding company regime – A holding company may, in some conditions, benefit from an exemption for dividends received.
- Controlled foreign companies (CFCs) – There are no specific CFC rules, but measures exist to prevent international tax evasion.
- Senegal also has an Alternative Minimum Tax (ATM). The annual minimum tax is levied at a fixed rate of 0.5% on the annual turnover (excluding taxes) realised during the previous tax year. The minimum tax amount ranges between XOF500 000 and XOF20 million. This applies to all companies, resident and non-resident.

Senegal

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

| WHT Rates | | | |
|-------------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 10% | 10% |
| Interest | 2 | 16% | 16% |
| Royalties | 3 | 20% | 20% |
| Technical service fees | 4 | 20% | 20% |
| Other (Value Added Tax (VAT)) | 5 | 18% | 18% |

Notes:

1. Dividends – Dividends paid to a non-resident company are subject to a 10% WHT, unless the rate is reduced under a DTA.
2. Interest – Interest paid to a company, or individual, is subject to a 16% WHT, unless the rate is reduced under a DTA. The rate is 8% for interest on a bank or stockbroker account, and 20% on interest on cash vouchers.
3. Royalties – Royalties paid to a foreign entity are subject to a 20% WHT, unless the rate is reduced under a DTA.
4. Technical service fees – Technical service fees paid to a foreign entity are subject to a 20% WHT, unless the rate is reduced under DTA.
5. Other – In certain cases, VAT (at 18%) can be applied on branch remittances.



Maximum WHT Rates once a DTA is applied

WHT on payments to countries with which Senegal has a DTA are as follows:

| Type of Income | France | Canada | Belgium | Italy | Norway | Morocco | Tunisia | Mauritania | UEMOA | China/Taiwan | Egypt | Indonesia | Kuwait | Libya | Mauritius | Qatar | India |
|------------------------|--------|--------|---------|-------|--------|---------|---------|------------|-------|--------------|------------------------------|-----------|--------|-------|-----------|-------|-------|
| Dividends | 15% | 16% | 15% | 15% | 16% | 10% | 10% | 10%/16% | 10% | 10% | 10% (Senegal) 15% (Egypt) | 10% | 0% | 10% | 0% | 0% | 10% |
| Interest | 15% | 16% | 15% | 15% | 16% | 10% | 16% | 16% | 15% | 15% | 15% | 15% | 0% | 10% | 0% | 0% | 10% |
| Royalties | 15% | 15% | 10% | 15% | 16% | 10% | 0% | 20% | 15% | 12.5% | 15% | 15% | 20% | 10% | 0% | 0% | 10% |
| Technical service fees | 0% | 15% | 10% | 15% | 16% | 10% | 0% | 20% | 15% | 12.5% | 15% | 15% | 20% | 10% | 0% | 0% | 10% |

Capital Gains Tax (CGT)

Companies

Capital gains are treated as operating profits and included in the CIT base.

Individuals

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

Anti-avoidance

Transfer Pricing

In terms of Senegal's Tax Code, a regulation regarding transfer pricing applies whereby tax authorities are entitled to reintegrate to the taxable profits of Senegal resident companies, or branches of foreign companies, the profits indirectly transferred to non-resident related companies. Two companies are considered related if:

- (i) one of them has a direct or indirect minimum holding of 50% in the capital of the other, or exercises de facto control over the other company; or
- (ii) a third party has a direct or indirect minimum holding of 50% in the capital of both companies, or exercises de facto control over both companies.

However, the related company requirement does not apply where the transaction involves companies incorporated in a low tax jurisdiction or in non-cooperative states or territories.

The documentation requirements apply to Senegal resident companies that fulfil one of the following criteria: (i) an annual turnover (excluding taxes) equal to or exceeding XOF5 billion; (ii) direct or indirect holding of more than 50% of the capital or voting rights of a company that meets the first criterion; or (iii) companies in which more than 50% of the capital is owned, directly or indirectly, by a legal entity that meets the first criterion.

The documentation requirements consist of two main categories of information: (i) general information on related companies; and (ii) specific information on the audited company itself.

Specific payments to non-resident persons will not be allowed as deductible expenses for income tax purposes, when the recipient is subject to a privileged tax regime, or based in a non-cooperative country.



Thin Capitalisation

While Senegal does not have specific thin capitalisation rules, limits are imposed on interest paid to partners on funds provided by them to a company. The maximum interest rate is the lending rate of West African States Bank (BCEAO), plus 3 points at the time the interest payment is due. Further, the loan may not exceed the amount of the share capital and the capital must be paid in full.

Value Added Tax (VAT)

| VAT | |
|---------------|-----|
| Standard rate | 18% |

Notes:

1. All economic activities are within the scope of VAT, including activities of independent professionals. The main exemptions relate to healthcare, education, banking, insurance and reinsurance, farming and transportation. Banking transactions are subject to the tax on financial transactions (*Taxe sur les opérations financières*). The standard single rate in Senegal is 18%. Banking transactions are subject to a 17% tax.
2. All corporate businesses are required to register. Non-resident VAT payers are required to appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of other VAT related obligations.
3. VAT returns and payments are due on the 15th of the month following the date of the relevant transactions.

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Special Contribution on Mining Products and Concrete Production

Introduced by the Finance Act, 2014, this special contribution is payable upon the sale or delivery of locally produced items. For imported items, it is payable upon their use date in Senegal. The tax base is the total price before VAT. The general rate is set at 3%. For gold, rates are 4% for 2014, 3% for 2015, and 2% for 2016.

Tax on Telecom Sector

Introduced by the Finance Act, 2014, the tax is applicable on the before-tax net revenue of the telecom service provider, at the rate of 1%.

Customs and Excise Duties

Senegal customs operates under the authority of the Ministry of Finance. Payment of taxes and duties are performed through a customs and excise bond. The customs and excise bond is handled by the Treasury.

Import Duties

- In January 2000, Senegal put into effect a new tariff scheme that conforms to the common external tariff (CET) scheme agreed on by member nations of the West African Economic and Monetary Union (WAEMU). Under this tariff structure, Senegal has four simple tariff rate categories: (i) 0% on cultural and scientific goods, agricultural inputs, and capital goods and computer equipment not available from local production; (ii) 5% on raw materials, crude oil, and cereals for industry; 10% on semi-finished products, intermediate goods, (iii) diesel and fuel oil; and (iv) 20% on consumer goods, capital goods and computer equipment available from local production and vehicles. There also exists an array of other import tariffs with a maximum combined rate of 52%. VAT at 18% applies to all imports.
- In 1982, Senegal abolished its import licensing system, opening the market to all countries on an equal basis. Previously, only products from the Franc Zone and the European Union (EU) could be imported without a licence. Certain import restrictions exist on agricultural and industrial products that support the Senegalese economy.

Miscellaneous Taxes

Stamp Duty

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

Capital Duty

The initial capital duty is 1% of capital if the amount of capital is higher than XOF100 million, and XOF25 000 in all other cases. The tax on a capital increase is 1% of the amount of the increase, with 3% surtax in the case of contributions of real property.

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.

Transfer Tax

The tax rate depends on the nature of the transfer. For example, the rate on transfers of real property and goodwill is 10%, and the rate on transfers of shares is 1%.

Inheritance/Estate Tax

Deeds of pure and simple acceptance of succession or legacy, are imposed on the fixed amount of XOF25 000. Inheritance tax is imposed at a 3%, or 10% rate, depending on the degree of relationship.

Real Estate Tax

Property tax is due at a 5%, or 7.5% rate.

Net Wealth/Net Worth Tax

None.



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Payroll Tax

The payroll tax is 3% of taxable gross salary.

Other Taxes

- A business licence tax is comprised of a fixed annual payment and a proportional duty, with the amounts and rates fixed according to the nature and size of the business activity.
- Specific taxes are levied on the sale of petroleum products, alcohol and tobacco as follow:

| Nature of Tax | Rates |
|---|--|
| Cosmetic products (including perfumes) and tourism vehicles with an engine capacity equal to or higher than 13 horsepower | 10% |
| Tea and coffee | 5% |
| Low-price cigarettes | 40% |
| Tax on petroleum products | XOF21 665 per hectolitre for super fuel; XOF19 847 per hectolitre for ordinary fuel; XOF3 856 per hectolitre for fuel used on canoes; and XOF10 395 per hectolitre for gas oil |

Social Security

Social security is supported by the employer, with an annual ceiling for contributions of XOF756 000. The rate for family benefits is 7% and that for industrial accidents ranges 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 XOF3.072 million. The contribution rate for the executives' scheme is 6%, with an annual ceiling of XOF9.216 million. Executive personnel must contribute to both schemes.



Tax Administration

Corporations

- Tax year – The tax year is the calendar year that ends on 31 December.
- Consolidated returns – Consolidation is necessary when a company established in Senegal controls other companies or exerts a notable influence on such companies.
- Filing requirements – A tax return must be filed by 30 April of the following year.
- 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.

Individuals

- Tax year – Calendar year that ends on 31 December.
- Filing and payment – A taxpayer whose only source of income is salary, with tax withheld and paid by the employer, is exempt from the obligation to file a tax return. All other tax residents must file their own returns. Returns must be filed by 31 January or before 1 May of the following 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.

General Investment Information

Investment Incentives

General Incentives

- Incentives are granted under several laws, including the Tax Code, the Investment Code, Mining Code, Petroleum Code, Environment Code, Free Zone Law, Free Exporting Companies Law, etc. Investments valued higher than XOF250 billion are entitled to particular advantages negotiated directly between the investor and the ministry in charge, subject to non-objection from the Prime Minister.

The Tax Code

- Tax deductions from the taxable profits are granted to enterprises which invest more than XOF100 million in the creation or the extension of a business in specific sectors. The deduction rates are as follows: 40% of the investment's value for the creation of a new business; and 30% of the investment's value for the extension of an existing business.
- The deduction is capped at 50% of the taxable profits for enterprises created in Dakar and at 70% for enterprises created in other regions.
- A 50% tax deduction from the taxable profits is granted to enterprises which export more than 80% of their production or services. Mining and oil companies are excluded from this measure.

Tax Incentives

- Tax incentives are automatically granted to investment projects meeting fulfilling criteria defined by the law.
- The Investment Code also provides exemptions from income tax, other taxes, and duties, which are to be phased out progressively over the next few years.
- Other tax incentives include: the right to remit income and capital, and the opportunity to participate in government contracts.

Other Incentives

- Stock exchange – The *Bourse Regionale des Valeurs Mobilières* (BRVM) was opened in September 1998, to serve as a regional financial market for the member states of the West African Economic and Monetary

Union (UMOEA), which includes Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. By the end of the 1990s, the BRVM had 35 listed companies. Listing requirements include: a share capital of XOF200 million – XOF500 million; 15% – 20% public ownership; five annual reports; and a balance sheet. The BRVM has computerised trading with satellite links.

- Openness to foreign investment – The Government welcomes foreign investment. There is no discrimination against businesses conducted or owned by foreign investors. In fact, there are no barriers regarding 100% ownership of businesses by foreign investors in most sectors.
- Senegal encourages investment from abroad, especially from developed countries. The main investment incentives are provided by the Investment Code. The following sectors may benefit from the Investment Code:
 - Agriculture, livestock, fisheries, and activities related to manufacturing, storage, and packaging of vegetables, aquatic or animal products.
 - Manufacturing production or transformation activities.
 - Mineral substance extraction or processing activities.
 - Tourism and related activities.
 - Cultural activities.
 - Services provided in the field of health, education, tele-service, air and maritime transport, port, airport and railway infrastructure works.
 - Realisation of commercial centre, industrial park, touristic zone, cyber village and artisan centres.



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To be eligible to the Investment Code, the investor should project either to invest an amount up to at least XOF100 million for extension of business, or to create a new activity. Specific conditions of eligibility exist for small and medium-sized companies. A formal application must be submitted near to the National Agency of Investment (APIX). The approval is issued within 10 days. During the investment period, a qualifying enterprise enjoys, amongst others, exemption from import duties and suspension of import VAT.

New companies may benefit from exemption from the payroll costs, deduction by the company of 40% of the amount invested, assuming that this deduction is limited to 50% of the taxable profits of the year.

Any company operating in the agriculture, industrial or on-line services field, may benefit from the Free Export Company (FEC) regime, provided it exports at least 80% of its turnover out of the UEMOA Zone. The privileges granted under the FEC regime remain valid for a period of 25 years.

FECs may benefit exemption from WHT payable upon distribution of dividends, exemption from payroll taxes payable by employer, exemption from all registration taxes, exemption from business tax, land tax on development or underdeveloped property and licence tax, corporate tax reduced to 15% preferential rate.

- Private ownership rights – In addition to the traditional guarantees offered to investors (e.g. free transfer of capital and income and equal treatment (foreign and domestic private entities are permitted to establish and own business and to engage in most forms of remunerative activity)), other advantages granted cover both a firm's investment and operation.
- Protection of property rights – The Senegalese legal system enforces private property rights. Senegal is a member of the African Organisation of Intellectual Property (OAPI), a grouping of 13 Francophone African countries, which has established among its member states, a common system for obtaining and maintaining protection for patents, trade marks and industrial designs. Senegal has been a member of the World Intellectual Property Organisation since its inception and is a member of the Bern Copyright

Convention. Local statutes recognise reciprocal protection for authors or artists who are nationals of countries adhering to the 1991 Paris Convention on Intellectual Property Rights.

- Transparency of regulatory system – The Government of Senegal favours the principles of free competition. Senegal is reforming and developing its regulatory framework as a part of its effort to attract private sector investment.
- Relations between employees and employers are governed by the Labour Code, collective bargaining agreements, company regulations and individual employment contracts. There are two powerful industry associations that represent management's interests: the National Council of Employers (CNP), and the National Employers' Association (CNES). The principal labour unions are the National Confederation of Senegalese Workers (CNTS), affiliated with the former ruling Socialist Party, and the National Association of Senegalese Union Workers (NUNAS), a federation of independent labour unions.

Exchange Controls

There is no limit on the repatriation of profits derived by a company in Senegal. Supporting documentation must be provided for all outbound transfers of currency. Residents are required to transfer any income in foreign currency to an approved intermediary.

Expatriates and Work Permits

Anyone living and working in Senegal must pay PIT. UMOA (West African Monetary Union) and ECOWAS (Economic Community of West African States) member citizens do not require a resident card. Senegal has introduced a visa system. Except for some countries, a visa is required to enter in Senegal. Generally, a mission statement from the employer, identity proofs, employer contacts in home country, and return tickets and a valid travel insurance proof, are required. To stay any longer (up to three months), a resident card is required.

Trade Relations

- CFA Franc Zone – Senegal is a member of the Franc Zone; a territory of defined credit, exchange and monetary relations between France, its former colonies in Africa and Equatorial Guinea. There is no limit to the repatriation of profits generated by a company in Senegal. Residents who must recover their foreign

Senegal



credits, or transfer their income in foreign currencies, can only do so via an approved intermediary (licenced bank).

- ECOWAS – Senegal is a member of ECOWAS, which promotes economic development. ECOWAS is a market of 200 million consumers in 15 member states: Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal, Togo, Cape Verde, Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone. The principal goals of the organisation are a customs union and eventually, a full common market to promote free movement of people and goods within West Africa.
- Others treaties – Senegal is signatory to the Lome Convention, a trade and aid agreement between the EU and 46 African, Caribbean and Pacific (ACP) states. The convention guarantees duty-free entry to the UE for some commodities produced by ACP states.
- Senegal is also a member of the West Africa Economic and Monetary Union (WAEMU) which includes other countries (Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, and Togo) and a member of the Treaty for the Harmonisation of Business Law in Francophone Africa, also known as the OHADA Treaty.
- Treaties – 11 tax treaties are currently in force.

Interest and Currency Exchange Rates

Monetary Policy Rate

3.500% (last reported 2014)

(source: Central Bank)

Currency: CFA Franc (XOF), the common currency of the Zone of the African Financial Community (West African Franc).

US\$1 = 525.841 XOF (December 2014)

R1 = 45.49099 XOF (December 2014)

US\$1 = 525.611 XOF (2014 average)

(source: Oanda)

Notes:

1. R1 = interest rate variable and determined by the TBB (base rate) decided by the Central Bank.
2. The CFA Franc was devalued in January 1994, but remains pegged to the French Franc and the euro (€).

Key Economic Statistics

GDP (approx.)

US\$15.881 billion (2014 estimate)

(source: IMF)

US\$16.853 billion (2015 forecast)

(source: IMF)

Market Capitalisation

Not available.

Rate of Inflation

0.710% (2013 average)

(source: IMF)

-0.532% (2014 average)

(source: IMF)

1.441% (December 2014)

(source: IMF)

Sierra Leone



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Sierra Leone

Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Resident Individuals (As from 1 January 2014) | | |
|--|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| LE | LE | % |
| 0 | 3 600 000 | 0% |
| 3 600 001 | 7 200 000 | 15% |
| 7 200 001 | 10 800 000 | 20% |
| 10 800 001 + | | 30% |

Notes:

1. Basis – Sierra Leone applies a worldwide system of income and capital gains taxation. However, there are a few exceptions to this general rule.
2. Residence – An individual is resident in Sierra Leone for the year of assessment if that individual: has a normal place of abode in Sierra Leone and is present in Sierra Leone at any time during the year of assessment; is present in Sierra Leone on more than 182 days in a 12-month period that commences or ends during the year of assessment; or is an official of the Government of Sierra Leone posted overseas during the year of assessment.
3. Rates – Progressive up to 30%. Notably, for individuals receiving employment income, there is a threshold on non-taxable allowance of LE2 640 000 per annum (LE220 000 per month).

Non-Residents

Non-residents are subject to tax on all payments from which withholding tax (WHT) is deducted and all other assessable income from a source in Sierra Leone.

Pay-As-You-Earn (PAYE)

PAYE is one of the oldest forms of WHT, where an employer “withholds” from the employee’s salary, at each pay day, the amount of tax that the employee owes the National Revenue Authority (NRA). The employer must then pay over the tax to the NRA. Under the PAYE system, a person’s employment income is spread over the tax year and taxed accordingly.

The Income Tax Act, 2000 (as amended), mandates the employer to deduct the tax due from the employees’ earnings and pay it over to the NRA before the 15th day of following month. However, PAYE is not due on a persons’ entire employment income and allowances. A portion of every person’s salary is tax-free.

The PAYE rates applicable to individuals resident in Sierra Leone are as follows:

Yearly Basis

| PAYE Rates for Resident Individuals (As from 1 January 2014) | | |
|--|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| LE | LE | % |
| 0 | 3 600 000 | 0% |
| 3 600 001 | 7 200 000 | 15% |
| 7 200 001 | 10 800 000 | 20% |
| 10 800 001 + | | 30% |

Monthly Basis

| PAYE Rates for Resident Individuals (As from 1 January 2014) | | |
|--|---------------------|------|
| Taxable Income as exceeds | But does not exceed | Rate |
| LE | LE | % |
| 0 | 300 000 | 0% |
| 300 001 | 600 000 | 15% |
| 600 001 | 900 000 | 20% |
| 900 001 + | | 30% |

Fringe Benefits Tax

Non-cash benefits given by employers to employees are included in employment income on the basis of the higher of the cost to the employer or the market value. Infrequent fringe benefits of very small value are excludable.



Payroll Tax

Every employer who employs individuals, who are not citizens of Sierra Leone, must pay a payroll tax not later than the 31st January every year. The amount of the tax is LE500 000 for ECOWAS nationals and LE3 000 000 for all non-ECOWAS nationals.

Companies

Corporation tax is a tax paid on the chargeable income or profit of a company (after the deduction of legitimate expenses such as employees’ wages, raw materials and allowable running costs). It is charged at 30%. All registered businesses conducting business in Sierra Leone, and those employing PAYE staff, have to pay corporation tax. The corporate tax rates for resident and non-resident companies are as follows:

| Income Tax Rates for Resident Companies (As from 1 January 2014) | |
|--|------|
| Corporation Tax | Rate |
| Basic rate | 30% |
| Mining companies | 30% |
| Capital gains | none |
| Rental income | 10% |
| Dividends | 0% |
| Interest | 15% |
| Royalties | 25% |
| Natural resource payments | 25% |
| Payments to contractors | 5% |

| Income Tax Rates for Non-Resident Companies (As from 1 January 2014) | |
|--|------|
| Corporation Tax | Rate |
| Basic rate | 30% |
| Mining companies | 30% |
| Capital gains | none |
| Rental income | 25% |
| Dividends | 10% |
| Interest | 15% |
| Royalties | 25% |
| Natural resource payments | 25% |
| Payments to contractors | 10% |

Notes:

1. Basis – Residents are taxable on worldwide income, subject to certain exemptions for foreign income. Non-residents are taxable on any payments subject to WHT, and all Sierra Leone income. Temporary residents are taxable on Sierra Leone income and any foreign income remitted to Sierra Leone.
2. Residence – A company is resident in Sierra Leone if: it is incorporated or formed under the laws of Sierra Leone; It has its effective management and control in Sierra Leone; or it undertakes the majority of its operations in Sierra Leone.
3. Rates – The standard corporate income tax rate is 30%.
4. Double taxation treaties (DTAs) – None of the DTAs entered into by Sierra Leone reduce the rate of WHTs on payments to non-residents.
5. Depreciation – Capital allowances are given instead.
6. Losses – Losses are allowable and can be carried forward indefinitely. Foreign exchange losses can also be deducted.
7. Branch profits tax – A branch in Sierra Leone of a non-resident company is considered to be a resident company. Its profit (chargeable income) is taxed at 30%.
8. Corporate groups – No special rules exist for the taxation of groups.
9. Foreign tax relief – A resident taxpayer may claim a tax credit for tax borne on assessable foreign-source income (including capital gains).

Withholding Taxes (WHTs)

A WHT is that tax which is collected by a registered taxpayer at source. Examples of WHTs include: PAYE, which is deducted and withheld by an employer from an employee's salary, rent tax, which is deducted and withheld by a landlord, and contractor's WHT.

The taxes collected in this way must be paid over to the NRA by the registered taxpayer by the end of the month following the month in which they were collected.

If the services of a person is employed to provide construction, transportation, management, or any other service and the payment for these services, is more than LE500 000 in any month, then tax must be deducted at the rate of 5% in the case of residents, and 10% if the payment is made to a non-resident. If goods are also supplied then the WHT also applies to the price of the goods. This also applies to lottery winnings above LE500 000.

Capital Gains Tax (CGT)

Gains derived from the disposal of a business or investment asset are included in taxable income. Gains from the disposal of any other asset are not taxed. The loss incurred on the disposal of a business or investment asset is also taken into account in determining a person's taxable income. A business asset is an asset held for the production of assessable income and which is used in a business or is held for sale in a business.

Anti-avoidance

Expenses incurred in these transactions are allowable but the Commissioner has the power to re-characterise a transaction entered into as part of a tax avoidance scheme.

General Sales Tax (GST)

There is no Value Added Tax (VAT) in Sierra Leone but GST applies. GST is a consumption tax. It is applied at a rate of 15% on most goods and services supplied by registered businesses. It was introduced in Sierra Leone in 2009 to replace seven former outdated taxes.

Imposition

GST is imposed on: a taxable supply and a taxable import. The amount of GST chargeable on a taxable supply or import, is calculated by applying the rate to the GST, exclusive value of the taxable supply or import.

The rate of GST applicable on a taxable supply or import is:

- If the supply or import is zero-rated – 0%.
- If the supply or import is standard rated – 15%.

The GST chargeable on a taxable supply is the liability of the supplier and accounted for by the supplier to the tax authorities, whilst the GST on imports is paid by the importer.

If a non-resident principal makes a taxable supply or import through a resident agent, the liability for GST lies with the agent. However, if such supply is made by a principal, that is treated as resident and registered for GST. The liability lies with the principal resident under the GST Act and is defined as:

- Government entity or a local council.
- Person resident in Sierra Leone for the year in question, for the purposes of the Income Tax Act, 2000.
- A person, other than an individual, which is formed or created under an enactment or is managed and controlled in Sierra Leone (whether or not that person is resident in Sierra Leone for the year in question for the purposes of the Income Tax Act, 2000).
- Any other person to the extent that the person carries on a taxable activity in Sierra Leone.

Registration

A person is required to register for GST if:

- The person's turnover in a period of 12 or lesser months exceeds LE350 million;
- The person's turnover exceeds one-third of the threshold (LE350 million) in a period of four months ending on that day; and
- There are reasonable grounds to expect that the person will exceed the threshold (LE350 million) in the 12-month period commencing on the following day.

Customs Duties

Customs duties are levied on imported goods under a single customs tariff with no preferential or differential rates. Duties are both ad valorem and specific. The rates of customs duties range from 3% on raw materials for mining, manufacturing, tourism and infrastructure projects, to 40% on luxury goods. Specific duties apply to goods such as foodstuffs, petroleum products and beverages. However, duty exemption is provided for textbooks, medical equipment, agricultural inputs and personal effects.

Excise Duties

Excise duty is paid for certain consumer items, whether imported or produced locally. The duty is levied at varying rates on imported goods and domestically produced goods.

Miscellaneous Taxes

Other

All land acquisitions are subject to stamp duty, registration fees and a land tax.

Foreign Travel Ticket Tax

This tax was imposed by the Foreign Travel Ticket Tax Act, 1975, and amended by Act No.4 of 2004. It is imposed at a rate of 10% of the normal price of a return ticket from Sierra Leone and is payable by every person departing the country by ship, aircraft, or other means of transport, irrespective of whether or not the ticket is purchased, obtained issued, or received in Sierra Leone.

Business Licence

Businesses are obliged to register a licence at commencement and are no longer required to renew their licences annually. The fee for registration and licences is based on the capital of the company.

Social Security

Employers and employees contribute 10% and 5% respectively of the employees' employment income.

Tax Administration

The Domestic Tax Department (DTD) of the NRA administers Sierra Leone's domestic taxes. The DTD facilitates tax payment for the taxpayer because it provides a "one-stop shop" for all domestic taxes. This allows taxpayers to deal with a single office for all their taxes affairs and to receive taxation advice in a comprehensive fashion. Notably, all income tax returns must be submitted within 120 days of the end of the tax year i.e. for a tax year from 1 January to 31 December by the 30th of April.

Corporations

- Tax year – The tax year runs from 1 January to 31 December.

Individuals

- Tax year – The tax year in Sierra Leone is the same as that for companies.



General Investment Information

Investment Incentives

General Incentives

- Substantial natural resources, particularly iron ore.
- Government Infrastructure investment and assistance are boosting expansion in the non-iron ore economy.
- Return to political stability following civil war which has opened up new opportunities to local and foreign investors.
- The country has re-engaged with multilateral organisations to help rebuild the country following the civil war.
- The Government is scaling up public investment under the country's poverty reduction strategy, the Agenda for Prosperity (AfP), which should help boost sustainable growth in the non-resources sector.

Tax Incentives

- There is an authorisation deduction of 10% for expenditure incurred to start a business.
- An investment allowance of 5% is also given on expenditure to purchase depreciable assets, such as plant and machinery.
- A 5% allowance is given to businesses in the tourism industry on expenditure to acquire depreciable assets (such as plant, machinery and buildings for commercial activities).
- A deduction may be allowed for expenditure on research and development activities carried out for the purpose of producing assessable income.

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- There are exemptions for persons/organisations and associations that promote social or sporting amenities.

Exchange Controls

Exchange control is under the direct supervision of the Bank of Sierra Leone. The following are broad guidelines:

- Real estate transactions –
 - Sierra Leoneans: Capital transfers for real estate transactions are not permitted.
 - Non-Sierra Leoneans: Non-Sierra Leoneans can purchase real estate from funds brought in by documented remittances through an Authorised Dealer.
- Holdings of assets abroad – Transactions under this category should be processed within the regulations governing foreign currency accounts.
- Borrowing – Internal borrowing (in Leones): It is permitted for Authorised Dealer acting within the existing regulations to grant commercial and financial credits to a legal entity registered in Sierra Leone. External borrowing: It is permitted to contract external loans fully covered by external collateral acceptable to the lending institution.
- Guarantees – The prior approval of the Bank of Sierra Leone should be obtained for the giving and renewal of: (i) any guarantee or any other undertaking, the implementation of which would involve payment to a non-resident or payment in any foreign currency; and (ii) any guarantee to a resident in Sierra Leone on behalf of or in the account of a resident outside Sierra Leone.

Sierra Leone commercial banks may, without the prior permission of the Bank of Sierra Leone, give the following types of guarantees on behalf of their customers: (i) guarantees in respect of missing documents; (ii) the authenticity of signatures; and (iii) the release of under trust receipts and the like.

Expatriates and Work Permits

There are various types of visas and permits needed to enter, stay and work in Sierra Leone.

Landing Visa

For entry into Sierra Leone, a landing visa is a must for non-ECOWAS citizens. To obtain a landing visa a copy of bio-data page of original passport bearing the applicant photo is needed. This is presented to the Immigration department and the visa is processed. Processing time takes two to three (2-3) working days. The visa must be presented at the Lungi International Airport upon entry into Sierra Leone, together with the issued National Revenue Authority receipt for payment.

Multiple Entry Visa

If an individual would have to make multiple entries into Sierra Leone within a year, then is it advisable to have a multiple entry visa. To obtain this visa, the individual would have to present his/her original passport as the visa must be stamped in the passport. This can only be obtained after entry in Sierra Leone or through consular offices where established.

Residence Permit

This permit allows you to reside in Sierra Leone. The time frame for the processing of a resident permit normally takes between two to five working days and the following documents are needed:

- Residence permit form which should be completed.
- Original passport.
- Two passport pictures.

These documents are presented to the immigration department for the processing of the residence permit.



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Work Permit

The work permit allows an individual to work in Sierra Leone. It is processed within 30 working days. Documents needed for this process are:

- A completed work permit form. This form must be purchased from the Ministry of Labour and completed by the individual applying for the permit.
- Three passport sized photos.
- Appointment letter from employing organisation.
- Photocopy of first six pages of passport.
- Curriculum Vitae.

Trade Relations

- Memberships – ECOWAS.
- Treaties – Sierra Leone has DTAs with Norway, South Africa and the United Kingdom.

Interest and Currency Exchange Rates

Benchmark Interest Rate

10.00% (last recorded 2014)
(source: Bank of Sierra Leone)

Currency: The currency in Sierra Leone is the Leones (LE)

R1 = LE366.040 (December 2014)
(source: Oanda)

US\$1 = LE4 255.00 (December 2014)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$5.411 billion (2014 estimate)
(source: IMF)

US\$6.112 billion (2015 forecast)
(source: IMF)

Market Capitalisation

Not available.

Rate of Inflation

9.799% (2013 average)
(source: IMF)

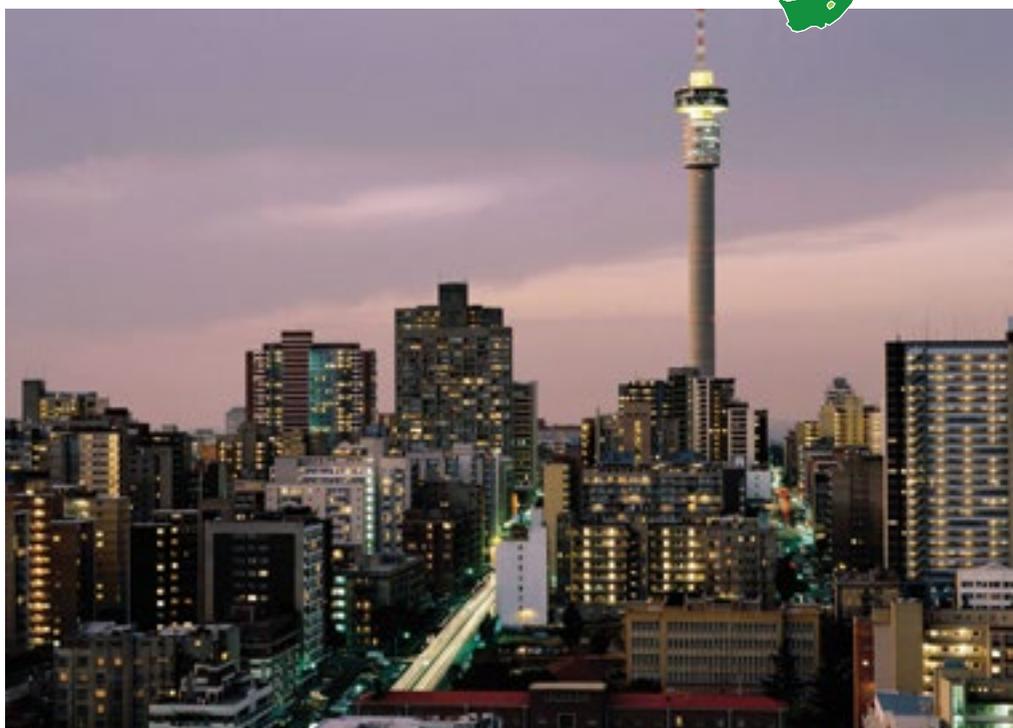
8.807% (2014 average)
(source: IMF)

10.00% (December 2014)
(source: IMF)

Notes:

1. The Sierra Leone Stock Exchange (SLSE) was launched in July 2008 with proper trading commencing in 2011.

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Income Tax – Individuals

Income Tax

South African residents are taxed on worldwide income. Non-residents are taxed on their South African-source income, and on capital gains from the disposal of immovable property and assets of a Permanent Establishment (PE) in South Africa.

An individual is tax resident if he/she is “ordinarily resident” in South Africa. Alternatively, an individual is resident if he/she is physically present in South Africa for more than 91 days during the current and each of the preceding five tax years, and is physically present in South Africa for a period exceeding 915 days in the aggregate in the preceding five tax years.

Tax Rates and Rebates

| Tax Rates and Rebates (2014/15) | | |
|--|---------------------|---------------|
| Individuals, Estates, Special Trusts (Years of Assessment Ending 28 February 2015) | | |
| Taxable Income as exceeds | But does not exceed | Tax Payable |
| R | R | R |
| 0 | 174 550 | 18% |
| 174 551 | 272 700 | 31 419 + 25% |
| 272 701 | 377 450 | 55 957 + 30% |
| 377 451 | 528 000 | 87 382 + 35% |
| 528 001 | 673 100 | 140 074 + 38% |
| 673 101 + | | 195 212 + 40% |
| Other trusts | | 40% |

| Tax Rates and Rebates (2014/15) | |
|---|---------|
| Rebates – Natural Persons (Years of Assessment Ending 28 February 2015) | |
| Primary rebate – All individuals | R12 726 |
| Age rebate* | |
| Secondary rebate (65 years and older) | R7 110 |
| Third rebate (75 years and older) | R2 367 |

*Additional to primary rebate.

Notes:

1. Rates are progressive to a maximum rate of 40% for the tax year ending 28 February 2015.
2. The tax year for individuals runs to the end of February.
3. Tax returns must be filed by a date published annually by the South African Receiver of Revenue (SARS).
4. All persons who earn income exceeding prescribed tax thresholds are required to be registered as taxpayers with SARS. This process does not happen automatically on entering the country. Individuals who earn income other than remuneration are, subject to certain exemptions, required to register as provisional taxpayers. In addition, SARS reserves the right to classify any taxpayer as a provisional taxpayer.
5. The tax threshold for the tax year ending 28 February 2015 is R70 700 for individuals below 65 years of age, R110 200 for individuals aged between 65 years and 75 years of age, and R123 350 for individuals aged 75 years and older.
6. Rebates are a credit against tax payable. Rebates are available only to natural persons and not to companies and trusts and must be apportioned where a taxpayer is assessed for a period of less than a year.
7. Taxpayers may be entitled to a foreign tax credit (rebate) for foreign tax paid where income from foreign sources was subject to tax in a foreign country and in South Africa.

Taxable Income

Taxable income comprises gross income less exempt income and allowable deductions. Gross income from employment includes all remuneration in cash or in kind, including bonuses, allowances and taxes reimbursed or paid on the employee’s behalf.

Exemptions

Local Interest

Local interest earned by individuals is exempt from income tax up to certain levels. For the tax year ending 28 February 2015, the exemption is R23 800 for individuals who are under the age of 65 years, and R34 500 for individuals 65 years and older. Additional relief from tax applies under the special tax-free investment rules, effective 1 March 2015 (see below).

Interest received or accrued to a non-resident will not be taxable in South Africa, unless that person is an individual that is in South Africa for a period exceeding 183 days

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in aggregate during the 12-month period preceding the date on which the interest was received or accrued, or the debt from which the interest arises is effectively connected to a PE of that person in South Africa.

Prior to 1 March 2015, no withholding tax (WHT) applied in respect of interest paid to non-residents but with effect from 1 March 2015, interest paid to non-residents may be subject to WHT at a rate of 15% (see discussion under Withholding Taxes).

Tax-Free Investments

New rules will come into effect from 1 March 2015 which will exempt from income tax any amounts received by or accrued to an individual in respect of particular prescribed investment instruments and policies. Contributions to these prescribed investments/policies will be subject to a R30 000 annual limit and a R500 000 life-time limit. Capital gains and losses on the disposal of a tax-free investment are disregarded, and no Dividends Tax (DT) applies on dividends paid to an individual in respect of a tax-free investment.

Dividends

Subject to certain exceptions, local dividends are fully exempt from income tax in the hands of the recipient. (see discussion under Withholding Taxes in respect of the WHT applicable to dividends).

Foreign dividends are subject to income tax in the hands of the recipient but are exempt if, for example, the shareholder holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividend. Foreign dividends received by individuals from foreign companies are taxable at a maximum effective rate of 15%.

Remuneration for Services Rendered Outside South Africa

South African residents working abroad for more than 183 days over a 12-month period, and for a continuous period of more than 60 days during that period, are exempt from income tax on remuneration for services rendered while abroad.

Foreign Social Security and Pension Payments

Social security payments received by South African residents from another country are exempt from tax in South Africa. There is also currently an exemption for pensions received from a source outside South Africa in respect of past employment outside South Africa. Lump sums and annuities are included in the exemption from 1 March 2015.

Other Exemptions

Further exemptions include: disability pensions, compensation for occupational injuries and diseases, Unemployment Insurance Fund (UIF) payments, alimony, government grants and scrapping payments etc. (subject to certain conditions being met).

Deductions and Tax Credits

Subject to certain restrictions (see discussion under Limitation of Employee Deductions), deductions (and/or tax credits) are granted for contributions to pension and retirement annuity funds, certain donations, travel and motor vehicle expenses, entertainment expenses if an employee is paid on a commission basis, and certain other qualifying expenses. A tax credit is available for medical expenses incurred by a taxpayer.

General Principles

The Income tax Act permits the deduction of certain expenses incurred in the carrying on of an individual's trade. "Trade" includes a profession, trade, business, employment, calling, occupation or venture, including the letting of property. Certain activities may not be regarded as carrying on of trade (the most common being investments in dividend and interest-bearing stocks and income from pensions and annuities). In order for an expense incurred in the carrying on of trade to be tax-deductible either:

- The expense must comply with the requirements of the general deduction formula (a general deduction); or

- The expense must specifically be allowed as a deduction under a section of the Income Tax Act (a specific deduction).

General Deductions

General deductions are permitted under what is called the “general deduction formula”. The general rule is that if an expense does not comply with the requirements of the formula, it will not be deductible, unless specifically allowed by another section of the Income Tax Act. Where an expense qualifies for a deduction under both the general formula and a specific section, it may only be deducted once.

In terms of the general deduction formula, the following requirements must be fulfilled before an expense can be deducted:

- The amount must have been actually incurred or there must be an actual loss.
 - The taxpayer must be legally liable to pay the amount.
 - The expense, or loss, must have been incurred during the year of assessment in respect of which it is claimed.
 - The expenditure must be incurred in the production of income.
 - The expenditure must be of a revenue nature and not a capital nature.
 - The expense must be expended for the purposes of trade.
- Monthly credit of R257 each for the taxpayer and his/her spouse (or first dependant), and a further R172 for every additional dependant; and
 - Medical expenses tax credit:
 - Over 65 years of age and taxpayers with a disability (taxpayer, spouse or child): 33.3% of the amount of contributions to a medical scheme as exceeds three times the medical scheme fees tax credit, and 33.3% of qualifying medical expenses incurred.
 - Under 65 years of age: 25% of the aggregate of the amount of fees paid to a medical scheme as exceeds four times the medical scheme fees tax credit and qualifying medical expenses, as exceeds 7.5% of taxable income (excluding retirement lump sum benefits/withdrawals and severance benefits).

Notes:

1. It has been announced that a new National Health Insurance scheme is to be phased in over a period of time. Funding options to be considered include a payroll tax (payable by employers), an increase in the Value Added Tax (VAT) rate and a surcharge on individuals’ taxable income. Further details are awaited.

Specific Deductions/Tax Credits

Those expenses which qualify for a deduction under a specific section of the Income Tax Act need only meet the requirements of the specific section and do not have to meet the requirements of the general deduction formula. Specific deductions or credits include the following:

Medical Expenses

In an effort to achieve greater equality in the treatment of medical expenses across income groups, the previous medical scheme contribution deduction (limited to a prescribed capped amount) was replaced by a medical scheme fees tax credit and medical expenses tax credit. The amount of the tax credit changes periodically. For the tax year ending 28 February 2015, the tax credit comprises the following:

- Medical scheme fees tax credit:

Donations to Public Benefit Organisations (PBOs)

Donations to certain approved PBOs are tax deductible. The tax deduction is limited to 10% of taxable income (excluding retirement fund lump sums/withdrawals and severance benefits). These organisations include: most welfare, healthcare, education and development, land and housing, and conservation, environmental and animal welfare organisations, with certain exceptions. Any excess may be carried forward and is treated as a donation made in the subsequent year.



Pension Fund Contributions

- Current: Maximum deduction is the greater of:
 - R1 750; or
 - 7.5% of remuneration from retirement-funding employment.
- Arrear: Maximum R1 800 (excluding former members of a non-statutory force or service).

Notes:

1. Provident fund contributions made by an individual are not deductible for tax purposes.

Retirement Annuity Fund (RAF) Contributions

- Current: Maximum deduction is the greatest of:
 - 15% of net income, excluding income from retirement-funding employment; or
 - R3 500, less deductible current pension contributions; or
 - R1 750.
- Reinstatement: R1 800.

Notes:

1. Significant changes to the taxation of retirement fund contributions have been proposed. Initially, these were to take effect from 1 March 2015 but the implementation of these changes has been postponed to 1 March 2016, and may be postponed further. The details may still change but were previously proposed as follows:
 - Employer contributions to retirement funds (i.e. pension and provident funds) will be a taxable fringe benefit in the hands of the employee. Currently, this contribution (on behalf of an employee) is made without tax consequences to the employee.
 - Individuals will then be able to claim a deduction of up to 27.5% of their taxable income for contributions to pension, provident and RAFs (currently more limited deductions are allowed, only in relation to the employee's contribution to a pension fund or RAF).
 - A maximum annual deduction threshold will be capped at R350 000.

Income Continuation Premiums

Premiums on income protection insurance policies are generally deductible. Changes are proposed to the current rules.

Limitation of Employee Deductions

Only the following expenses may be deducted by

individuals, except where the employee's remuneration is wholly or mainly derived in the form of commissions based on sales or turnover:

- Business travel deduction against travel allowance.
- Certain medical expenses.
- Contributions to a pension and/or RAF.
- Donations to certain PBOs.
- Specific expenditure against allowances of holders of a public office.
- Home office expenses under certain circumstances.
- Premiums paid on an insurance policy which covers against loss of income caused by illness, injury, disability or unemployment.
- Wear-and-tear allowances on equipment.

Employment Benefits and Allowances

Subsistence Allowances

Subsistence allowances are tax-free if they are granted to an employee who is obliged to spend at least one night away from his usual place of residence while on business and if they do not exceed the following amounts:

- Varying amounts per day for meals and incidental costs for travel outside the Republic, depending upon the country/countries visited.
- R335 per day for meals and incidental costs for travel within the Republic (per current amounts).
- R103 per day for incidental costs only within the Republic (per current amounts).

Interest-Free or Low-Interest Loans

The difference between interest charged at the official rate and the actual amount of interest charged, is to be included in gross income as a taxable fringe benefit.

Residential Accommodation

In terms of current rules, the taxable fringe benefit to be included in gross income, is the greater of the benefit calculated by applying a prescribed formula and the cost to the employer. The formula will apply if the accommodation is owned by the employer, by an associated institution in relation to the employer, or under certain limited circumstances where it is not owned by the employer.

With effect from 1 March 2015, the taxable fringe benefit to be included in gross income, will ordinarily comprise the benefit calculated by applying the prescribed formula, but it will comprise the lower of the formula and the cost to the employer in circumstances

where the employer supplied accommodation that was obtained under an arm's length transaction with an independent third party.

No taxable fringe benefit will apply in certain circumstances, including in the case of accommodation provided to employees who are away from their usual place of residence within the Republic or their usual place of residence outside the Republic (i.e. in respect of expatriate employees), subject to certain conditions and limitations.

Company Car Fringe Benefit

The taxable value per month comprises 3.5% of the "determined value" of the motor vehicle. In terms of current rules, the determined value comprises the original cost to the employer in the case of a motor vehicle acquired by way of purchase from an independent third party. With effect from 1 March 2015, the determined value in this case will be the retail market value of the motor vehicle as listed by way of Government Notice. If the vehicle is subject to a maintenance plan, the taxable value per month will be 3.25% of the determined value.

These rates apply for all vehicles provided by an employer and the benefit will be reduced by any consideration paid by an employee (other than consideration relating to insurance, licencing, or maintenance or fuel, for which there are specific deductions available).

On assessment there will be a reduction in the taxable fringe benefit for business use where an employee can furnish accurate records of distances travelled for business purposes and total distances travelled. The employee will also be entitled to a reduction in the taxable fringe benefit where he/she has borne the full expenditure relating to maintenance, licencing, or insurance or fuel, in relation to the company car, and has kept accurate details thereof.

80% of the taxable fringe benefit will be included in remuneration for PAYE purposes. This monthly fringe benefit inclusion may be further reduced where employees travel extensively on business travel.

No taxable fringe benefit will arise in certain circumstances.



Travel Allowances

The following table sets out the three components of the rates which may be used in determining the cost of business travel, where actual costs are not used:

| Value of the Vehicle (incl.VAT) | Fixed Cost | Fuel Cost | Maintenance Cost |
|---------------------------------|------------|-----------|------------------|
| (R) | (R p.a.) | (c/km) | (c/km) |
| 0 - 80 000 | 25 946 | 92.3 | 27.6 |
| 80 001 - 160 000 | 46 203 | 103.1 | 34.6 |
| 160 001 - 240 000 | 66 530 | 112.0 | 38.1 |
| 240 001 - 320 000 | 84 351 | 120.5 | 41.6 |
| 320 001 - 400 000 | 102 233 | 128.9 | 48.8 |
| 400 001 - 480 000 | 120 997 | 147.9 | 57.3 |
| 480 001 - 560 000 | 139 760 | 152.9 | 71.3 |
| Exceeding 560 000 | 139 760 | 152.9 | 71.3 |

* If the travel allowance is applicable to a portion of the tax year, the fixed cost is reduced proportionately.

** Where the travel allowance is based on actual distance travelled and business travel during the tax year does not exceed 8 000 kilometres, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 330 cents per kilometre regardless of the value of the vehicle. This alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

*** The logbook method to claim business travelling expenses is compulsory.

Other Tax Features

Married Persons

Married individuals are generally taxed as separate taxpayers but may be taxed equally on, for example, investment income if they are married in community of property.

Ringfencing of Losses from Certain Trades

Losses from certain trades conducted by individual taxpayers who are subject to the maximum marginal tax rate (e.g. annual taxable income exceeding R673 101 for the tax year ending 28 February 2015, excluding any loss from trade), are ringfenced in certain circumstances and such losses may only be offset against income from that trade.

A trade subject to the ringfencing means:

- A trade which has generated losses for at least three tax years out of the previous five years; or
- Any one of the specifically listed trades; namely, sporting activities, dealing in collectibles, the rental of residential accommodation, vehicles, aircraft or boats (as defined in the Eighth Schedule of the Income Tax Act) unless at least 80% of the accommodation or asset is used for at least half of the tax year by persons who are not relatives of the taxpayer, farming or animal breeding on a part-time basis, any form of performing or creative arts, gambling or betting, and the showing of animals in competitions.

Even if the above requirements are met, the ringfencing will not apply if the taxpayer can show that the business has a reasonable prospect of generating taxable income (other than a taxable capital gain) within a reasonable period. This exemption will, however, not apply if the taxpayer has incurred an assessed loss from that trade (other than farming) during at least six out of the prior ten years, including the current tax year.

Long-Term Insurance

Currently, employer-paid premiums in respect of employer group income protection policies, are deemed to be a payment made by the employee to the extent that the premium is taxed as a fringe benefit in the hands of the employee. This ensures that the employee can claim a monthly deduction for Pay-As-You-Earn (PAYE).

Keyperson Insurance Policies

Keyperson insurance policies are intended to insure an employer against losses suffered due to the death, disablement or severe illness of a key employee/director. Currently, a deduction may be claimed in respect of these policies even if the policy is held by a creditor of an employer as security for a debt. It is proposed that the provisions relating to the cession of keyperson insurance policies be deleted.

Severance Benefits and Retirement Fund Lump Sum Benefits

Severance benefits are lump sums received by employees from employers in respect of the relinquishment or termination of employment for the following reasons:

- Attaining the age of 55 years.
- Due to incapacity through sickness or other ailment.
- Retrenchment due to cessation of trade or general reduction in staff.

Severance benefits and lump sum awards from retirement funds following retirement or retrenchment are taxed according to the following table:

| Taxable Income From Lump Sum Benefits* | Tax Payable |
|--|---|
| R0 – R500 000 | 0% of taxable income |
| R500 001 – R700 000 | R0 + 18% of taxable income above R500 000 |
| R700 001 – R1 050 000 | R36 000 + 27% of taxable income above R700 000 |
| R1 050 001 and above | R130 500 + 36% of taxable income above R1 050 000 |

* Taxable income is cumulative and includes all lump sum payments whether on retirement or withdrawal or a severance benefit.



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Retirement Fund Lump Sum Withdrawal Benefits

Lump sum benefits in consequence of membership of a retirement fund, including amounts assigned in terms of divorce settlements in certain circumstances, other than lump sum benefits as above, are taxed according to the following table:

| Taxable Income From Lump Sum Benefits* | Tax Payable |
|--|---|
| R0 – R25 000 | 0% of taxable income |
| R25 001 – R660 000 | 18% of taxable income above R25 000 |
| R660 001 – R990 000 | R114 300 000 + 27% of taxable income above R660 000 |
| R990 001 and above | R203 400 + 36% of taxable income above R990 000 |

* Taxable income is cumulative and includes all lump sum payments whether on retirement or withdrawal or a severance benefit.

Employment Taxes

South African employment taxes comprise employees' tax (PAYE), Skills Development Levies (SDL) and UIF contributions.

Employees' tax is payable to SARS monthly at prescribed tax rates in respect of any remuneration payable by an employer to an employee.

SDL is also payable to SARS monthly and is calculated at 1% of the remuneration payable to the employee. SDL does not, however, apply to employers with an annual payroll of less than R500 000. UIF contributions are payable to SARS monthly and are calculated at 2% of

the remuneration payable to the employees, subject to a maximum limit.

As a general rule, if an employer is required to withhold employees' tax in respect of an amount paid to a person, that employer would, subject to certain limited exceptions, also be required to withhold SDL and UIF in respect of that amount.

Pay-As-You-Earn (PAYE)

PAYE ensures that an employee's income tax liability is settled in a continuing fashion at the same time that the income is earned. The advantage of this is that the tax liability for the year is settled over the course of the whole year of assessment.

The employment tax rules essentially provide that, unless the person to whom the payment is made qualifies for specific tax relief, an employer is obliged to withhold employees' tax in respect of remuneration paid/payable to an employee if that employer is:

- A resident of South Africa; or
- A non-South African resident, but has a "representative employer" in South Africa.

Entities listed below would generally comprise an employer for South African employment tax purposes:

- Any South African resident company.
- A foreign company in respect of any branch/PE it may create in South Africa.
- Any South African resident sub-contractor.
- Any non-South African resident sub-contractor who has established a PE in South Africa.
- Any non-South African resident who has not established a PE in South Africa, but has an office or carries on a business in South Africa.

The above parties/employers are obliged to withhold employees' tax from the amounts paid to the persons who render services to them, unless the person to whom the payment is made, qualifies for specific tax relief.

Each employer should, on an individual basis, determine whether the person to whom the payment is made, qualifies for tax relief. This assessment depends on a number of factors, including whether the person is a South African resident or non-South African resident, and an individual or a corporate entity.

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If the recipient of the payment qualifies for tax relief, no employees' tax needs to be withheld in respect of that specific person. If, however, no tax relief applies, the employer will be obliged to withhold employees' tax.

Notes:

1. The employers listed above will be required to register for employees' tax, SDL, and UIF, and submit monthly employment tax returns and payments to SARS.
2. All persons (individuals and corporate entities, South African residents and non-South African residents) who are liable for income tax in South Africa, are required to register as taxpayers and must, where required, submit annual income tax returns.
3. Various fringe benefits and allowances may be provided to the employees as part of their remuneration packages on a tax-efficient basis if certain conditions are met.
4. Temporary employees ("non-standard employees") are not taxed based on standard tax rates for employees' tax purposes. Employers must deduct employees' tax at a rate of 25% from the taxable remuneration paid to temporary employees. No tax is deducted if the temporary employee works at least five hours on a specific day and the daily rate of pay is less than the equivalent of the annual tax threshold.
5. Failure by an employer to comply with its employment tax obligations may result in significant penalties and interest being imposed by SARS.

Unemployment Insurance Fund (UIF)

Every employer will be liable to pay a monthly contribution to UIF in respect of its employees, which is based on a maximum (i.e. capped) monthly gross remuneration per employee of R14 872 (the limit is adjusted periodically). The employer will contribute 1%, and the employee will (by means of a deduction from salary) contribute 1% of remuneration, up to the prescribed calculation limit. Remuneration for purposes of calculating UIF excludes the following:

- Payments to independent contractors.
- Non-employment related payments (such as annuity or pension payments).
- Payments made to labour brokers that hold a valid exemption certificate.
- Retrenchment payments.
- Lump sums paid from pension, provident, or retirement annuities.



- Restraint of trade payments.
- Commission.
- Payments made to juristic persons (such as companies).

Employees that are excluded from contributing toward UIF, but must still be reported in the return, are:

- Temporary workers (working less than 24 hours per month).
- Employees in the national or provincial sphere of government.
- Foreign employees that will be repatriated at the end of the service/employment contract term.
- Employees with no taxable income, or commission only.
- Learners under contract (in terms of the Skills Development Act).

Notes:

1. It has been proposed that the Unemployment Insurance Contributions Act be aligned with the amendments in the Unemployment Insurance Amendment Bill, which proposes to extend unemployment insurance benefits to learners in learnership training, civil servants and foreigners working in South Africa. However, civil servants would not be expected to make contributions and instead, the fiscus would make funds available to cover the cost of government workers who qualify to claim unemployment insurance benefits.

Skills Development Levy (SDL)

Employers are liable to monthly pay a 1% levy of total remuneration paid by that employer, where the employer's annual payroll exceeds R500 000. Generally, the total value of remuneration paid is used to calculate

the levy, but excludes the following:

- Amounts paid to independent contractors.
- Reimbursement payments to employees.
- Pensions paid.
- Remuneration of learners under contract.

Employment Tax Incentive

Government introduced the employment tax incentive on 1 January 2014 to encourage employers to hire young and less experienced work seekers and thereby help reduce youth unemployment.

It comprises a deduction (credit) that may be claimed by employers against their employees' tax liability and, in general, it applies in respect of employees between the age of 18 years and 29 years, employees in a Special Economic Zone (SEZ) and certain industries that may be designated by the Minister of Finance. Currently, excess amounts can be set off against future PAYE liabilities.

For the first 12 months of employment, the incentive is as follows:

- 50% of an employee's monthly remuneration, up to R2 000 per month. (This would only be applicable if the minimum wage prescribed by the relevant sector determination or bargaining council agreement was less than R2 000 per month.)
- For an employee with a monthly remuneration of between R2 000 and R4 000, the incentive will be R1 000 per month.
- For employees with monthly remuneration of between R4 000 and R6 000, the value of the incentive will be between R1 000 and zero per month, as determined in terms of a formula.

For the second 12 months of employment, the incentive is as follows:

- Half of the amounts mentioned above apply.

Notes:

1. To enhance this incentive, SARS has developed a mechanism to reimburse employers in instances where the incentive exceeds PAYE payable.



Tax Registration and Return Submission

The tax registration and tax return submission thresholds for individuals change periodically.

On the basis of requirements applicable to the 2014 tax year, it is anticipated (but still to be confirmed by official notice) that submission of a personal income tax return (ITR12) will be required by a taxpayer for the 2015 tax year (i.e. tax year ending 28 February 2015) in the following situations:

- Under 65 years of age and received an income of more than R70 700 from one or more sources during the tax year.
- Between 65 and 75 years of age and received an income of more than R110 200 from one or more sources during the tax year.
- Over 75 years of age and received an income of more than R123 350 from one or more sources during the tax year.
- Conducted any trade in South Africa.
- Received an allowance, such as a travel, subsistence or office bearer allowance (section 8(1)(a) of the Income Tax Act).
- Received interest in excess of R22 800 where under the age of 65 years (and in excess of R33 000 where over the age of 65 years).
- Had a local capital gain/loss exceeding R30 000.
- Received any income or capital gain in a foreign currency.
- Held any rights in a controlled foreign company (CFC).
- Received an income tax return, or was requested by SARS to submit a return for the year in question.

Notes:

1. The term "trade" includes every profession, trade, business, calling, occupation or venture, including the letting of any property, but excluding any employment income.

There are various ways in which taxpayers can complete and submit their returns; namely:

- eFiling, which is the most convenient and quickest way.
- Filing electronically at a branch where SARS staff will help.
- Completing the return(s) in writing and posting it to SARS or dropping it off in a SARS drop box.

The tax year for individuals runs from 1 March to the end of February each year. The submission deadline dates for individuals change periodically. Typically, these dates are around September for taxpayers who submit their tax returns manually, around November for taxpayers who submit their returns electronically, and around January of the succeeding year for provisional taxpayers who submit their returns electronically.

Notes:

1. The actual filing dates for the 2015 tax season (i.e. 1 March 2014 to 28 February 2015) have not yet been announced by SARS.

Capital Gains Tax (CGT)

Tax residents are subject to CGT in South Africa on the disposal of their worldwide assets. Non-residents are essentially subject to CGT in South Africa only on the disposal of fixed property, held directly or indirectly, located in South Africa.

On breaking tax residence, CGT will be payable on the deemed disposal of a tax resident's worldwide assets (excluding South African fixed property) i.e. the growth in value from the date of establishing tax residence to the date of breaking tax residence will be regarded as a capital gain and CGT will be payable.



33% of an individual's net capital gain for the year is included in his/her taxable income to be taxed at the applicable marginal tax rate. The general annual capital gains exclusion for individuals and special trusts is currently R30 000, and the exclusion on death is R300 000.

Various other exclusions and roll-over reliefs apply. These include an exclusion in respect of the disposal of personal use assets, an exclusion of up to R2 million on the disposal of a primary residence and an exclusion of up to R1.8 million on the disposal of a small business (when the owner is over 55 years of age and the market value of assets does not exceed R10 million). Roll-over relief applies, for example, in respect of the transfer of assets between spouses.

Income Tax – Companies

Income Tax

The principal source of direct tax revenue in South Africa is income tax.

South Africa has a residence-based system of taxation:

- South African residents are therefore taxed on their worldwide income, subject to a number of exceptions.
- Non-residents are taxed on income earned from a South African source.
- The question of residency needs to be addressed in the light of any double taxation agreements (DTAs) that may be applicable.
- Any company, which is either incorporated in, or effectively managed from South Africa, is deemed to be a South African resident for tax purposes.
- Domestic companies, and branches of foreign companies, which have their effective management outside South Africa, are taxed at a rate of 28%. Trusts (other than special trusts) are taxed at a rate of 40%.

Capital Gains Tax (CGT)

Residents of South Africa are liable for CGT on capital gains made on the disposal of their worldwide capital assets. CGT is not a separate tax but forms part of income tax:

- The inclusion rate for capital gains is 33.3% in respect of individuals and special trusts, and 66.6% in respect of companies and other trusts. The maximum effective tax rate is therefore 13.3% for individuals, 18.6% for companies and 26.7% for trusts.
- Exposure to CGT for non-residents is largely limited to disposals of South African real estate or assets of a branch business.
- Where a person/company becomes a resident, the market value of their assets at the date they become South African residents for tax purposes, must be established. This market value becomes the base cost which is used to calculate the capital gains upon disposal of capital assets in future. The subsequent cessation of resident status may result in a deemed disposal for CGT.

Exempt entities and Public Benefit Organisations (PBOs)

- Receipts and accruals of PBOs are exempt from income tax to the extent that the receipts and accruals are not from business or trading activities, or



are from integral, occasional or approved business or trading activities (subject to certain conditions).

- Certain trading activities are totally tax-free. Certain trading activities are partially taxable.
- The PBO can deduct the greater of R200 000 and 5% of its total business or trading receipts and accruals for the year.
- PBOs may register as a vendor for VAT purposes in order to claim VAT inputs on supplies made to it.
- Donations to PBOs are exempt from donations tax and bequests to PBOs are exempt from estate duty. Donations or bequests to PBOs are further not viewed as disposals for CGT purposes.
- Similar provisions exist for other exempt entities, such as specially exempt entities, government departments, municipalities, sporting bodies and the like.

Secondary Tax on Companies (STC)

- Prior to 1 April 2012, in addition to normal corporate income tax (CIT), STC at the rate of 10% applied to the net amount of any dividend declared by a South African resident company.
- STC was abolished on 1 April 2012 and was replaced with a shareholder Dividends Tax (DT) of 15% (see further comments below under Withholding Taxes).

Local Dividends

- Dividends, being any amount transferred or applied by a resident company in respect of a share in that company, are generally exempt from income tax in the hands of the recipient.
- There are substantial restrictions and prohibitions that apply in respect of the exemption to corporate shareholders in respect of shares not actually owned, or certain categories of trading stock, borrowed shares, etc.

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Foreign Dividends

- A general blanket exemption of 25/40 for natural persons and trusts, 13/28 for companies, and 15/30 for individual policy holder funds, applies for all otherwise taxable foreign dividends. The result is that the maximum effective tax rate is essentially limited to 15%.
- Subject to certain exceptions (see below), foreign dividends are subject to income tax in the hands of the recipient.
- A foreign dividend means any amount paid by a “foreign company” (a company which is not a resident of South Africa) in respect of a share, where that amount is treated as a dividend or similar payment under the laws of the foreign country.
- In certain cases, foreign dividends (including dividends declared by a Headquarter Company (HQC)) are fully exempt from income tax in the hands of the recipient. The exemptions include, *inter alia*:
 - (a) Where the resident recipient (in the case of a company, together with any other company in the same group of companies) holds at least 10% of the total equity share capital and voting rights of the foreign company.
 - (b) If the recipient is a foreign company and the foreign dividend is paid or declared by another foreign company that is resident in the same country as that person.
 - (c) Where the recipient is a resident, foreign dividends paid out of income which has been included in the income of the resident recipient as a result of the application of the controlled foreign company provisions.
 - (d) Foreign dividends received by or accrued to a person that are in respect of shares that are listed and do not consist of a distribution of an asset *in specie*.
 - (e) Foreign dividends received by or accrued to a company that is resident in respect of a listed share and consists of the distribution of an asset *in specie*.

Notes:

1. The exemptions in paragraphs (a) and (b) do not apply to any foreign dividends that are tax deductible in the hands of the company paying the dividend. The exemption in paragraph (a) does also not apply to a foreign dividend paid in respect of a share other than an equity share.

Tax Losses

- A tax loss incurred by a company in any business activity may generally be carried forward without restriction and may be set off against future profits until exhausted, provided that the company continues to trade during the year of assessment.
- However, the losses earned by a foreign branch of a South African resident company cannot be set off against income from a South African source (i.e. ringfencing applies).

Withholding Taxes (WHTs)

Dividends Tax (DT)

- DT came into effect on 1 April 2012 and replaced STC. It is levied at a rate of 15% on dividends declared by domestic companies and in respect of shares of non-resident companies that are listed on the Johannesburg Stock Exchange (JSE). It does not apply to dividends paid by a HQC (see below).
- The 15% rate may be reduced under an appropriate DTA.
- Dividend payments to domestic companies, the government, provincial administrators or municipalities, domestic retirement funds, a rehabilitation company or trust, PBOs and various exempt bodies, are exempt from DT. Exempt shareholders will have to certify their exemption status.
- In respect of *in specie* dividends, the distributing company (not the shareholder) will bear the liability, although it will be subject to similar exemptions and treaty relief as cash dividends. This has administrative implications for companies whose dividends normally flow through “regulated intermediaries” (i.e. in the case of *in specie* dividends) as the administrative burden will be upon the company itself.



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- The dividend definition is broad, with the result that value-transfers (understood as deemed dividends) may be taxed under normal WHT rules.
- A dividend will be deemed to be paid on the earlier of the date on which the dividend is paid or becomes payable by the company that declared the dividend.

Branch Remittances

- Profits remitted by a branch of a foreign company are not subject to WHT.

WHT on Royalties

- A WHT applies to royalties paid to, or for the benefit of, any foreign person to the extent that the royalty is received or accrued to that foreign person from a source within South Africa.
- The WHT on royalties is a final tax and it is levied at 15% (prior to 1 January 2015, 12%). The rate may be reduced under an appropriate DTA.
- The WHT does not apply in respect of royalties paid to a foreign person if that foreign person is an individual who was physically present in South Africa for a period in excess of 183 days in the 12-month period preceding the date on which the royalty was paid, or if the property in respect of which the royalty paid, is effectively connected to a PE of that foreign person in South Africa and the foreign person is registered as a taxpayer in South Africa. It also does not apply to royalties paid by a HQC in certain circumstances.

WHT on Interest

- A new WHT on interest has been proposed to come into effect from 1 March 2015. It is applicable to interest paid to, or for the benefit of any foreign person, to the extent that the interest is received or accrued from a South African source.
- The WHT on interest is a final tax and will be levied at a rate of 15%. The rate may be reduced under an appropriate DTA.
- Certain exemptions apply, including in respect of interest on government bonds, listed debt, debt owed by a local bank, local dealer and brokerage accounts.
- The WHT will also not apply to interest paid by HQC, nor will it apply to interest paid to non-resident individuals spending in excess of 183 days per year in South Africa, or if the relevant debt is effectively connected with a PE in South Africa and the foreign person is registered as a taxpayer in South Africa.



WHT on Service Fees

- A new WHT on service fees has been proposed to come into effect from 1 January 2016. It will be applicable to service fees paid to, or for the benefit of, any foreign person, to the extent that the service fees are received or accrued from a South African source.
- The WHT on service fees will be a final tax and be levied at a rate of 15%. The rate may be reduced under an appropriate DTA.
- The WHT will not apply if the recipient of the payment is an individual who was physically present in South Africa for a period exceeding 183 days during the 12-month period to preceding the date on which the fees are paid, if the service fees are effectively connected to a PE in South Africa and the foreign person is registered as a taxpayer in South Africa, or if the service fees are paid in respect of services rendered by any person in his/her capacity as an employee.

WHT on Entertainers and Sportspersons

- A 15% WHT applies in respect of gross payments made to non-resident entertainers and sportspersons performing in South Africa. Failure to deduct or withhold tax, or pay it to SARS, will render the resident taxpayer personally liable for tax. It is a final tax.

Sale of Immovable Property

- A WHT is imposed on the proceeds of the sale of fixed property in South Africa by non-residents where the proceeds exceed R2 million. The tax is an advance in respect of the seller's liability for income tax.

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- The amounts to be withheld by the purchaser from payments made to the non-resident seller are:
 - Where the seller is a natural person – 5% of the amount payable.
 - Where the seller is a company – 7.5% of the amount payable.
 - Where the seller is a trust – 10% of the amount payable.

Tax Deductions and Allowances

In addition to the general tax deduction that is permitted in terms of section 11 (a) of the Income Tax Act, for business expenditure that is not of a capital nature and that is incurred in the production of income, specific tax deductions and allowances may be allowed. In the context of a business, these include:

Expenditure and Losses Incurred before Commencement of Trade

Taxpayers are entitled to a deduction for pre-trade costs incurred before the commencement of trade. Pre-trade costs are not defined but they would include: costs such as advertising and marketing promotion, insurance, accounting and legal fees, rent, telephone, licences and permits, market research and feasibility studies, but exclude costs such as the purchase of buildings and motor vehicles, and pre-trade R&D expenses. Pre-trade costs incurred before the commencement of trade can only be set off against income from that trade.

Allowance in Respect of Future Expenditure on Contracts

Section 24C of the Income Tax Act permits the matching of receipts with corresponding future expenditure where such receipts arise in advance of the expenditure concerned. This is found in the practice of construction contracts. The section 24C allowance is typically calculated by taking the gross profit percentage applied to the receipts to date on the contract, less the costs allowed on the contract to date. The allowance should not exceed the receipts, and should not create an overall loss. The allowance deducted in the current year shall be deemed to have accrued or been received in the following year of assessment, and as a result shall be included in taxable income in the following year.

Movable Capital Assets

With regards to capital assets which are not subject to other capital allowances, wear-and-tear at rates in terms of SARS Interpretation Note No. 47 (Issue 3) may apply. Any asset costing R7 000 or less may be written-off in the year in which it is acquired.

Industrial Buildings

Wear-and-tear is normally not allowed on buildings or other structures of a permanent nature. However, an allowance equal to 5% (20-year straight-line basis) of the cost to the taxpayer of industrial buildings, or of improvements to existing industrial buildings used in a process of manufacture (other than mining or farming), is granted.

Commercial Buildings

An allowance equal to 5% (20-year straight-line basis) is permitted of the cost to the taxpayer of new and unused buildings or improvements to buildings (other than the provision of residential accommodation). For the purposes of the 5% allowance, to the extent a taxpayer acquires part of a building without erecting or constructing that part, the following percentages below will be deemed to be the cost incurred:

- 55% of the acquisition price, in the case of part of a building being acquired.
- 30% of the acquisition price, in the case of an improvement being acquired.

Plant and Machinery

With regard to plant and machinery, the capital allowances apply as follows:

- Manufacturing or similar process (new only): 40%/20%/20%/20%.
 - Industrial policy projects (additional investment allowance): 35% – 75%.
 - Renewable energy technology equipment: 50%/30%/20%.
 - Small business corporations:
 - Manufacturing assets: 100%.
 - Other depreciable assets*: 50%/30%/20%.
- * General depreciation regime is optional.

Environmental Expenditure Allowance

New, or unused, environmental treatment and recycling assets, can be depreciated for tax at the rate of 40% in the first year, and 20% in the following three years. New, or unused, environmental waste disposal assets can be depreciated for tax at the rate of 5% per annum.



Transportation/Transmission of Oil, Electricity and Electronic Communications

An allowance equal to 10%, 5% or 6.67% is permitted on the cost incurred by a taxpayer in respect of the acquisition of assets used for the transportation/transmission of oil, electricity or electronic communications respectively.

Rolling Stock

An allowance equal to 20% is permitted on the cost incurred by a taxpayer in respect of the acquisition or improvement of any rolling stock.

Research and Development (R&D)

A R&D tax deduction applies in respect of expenditure incurred by a company on the following:

- Systematic investigative or experimental activities of which the result is uncertain for discovering non-obvious scientific or technical information, creating any invention, design, computer program or certain essential knowledge, specified improvements to the above, certain pharmaceutical products, and clinical trials: 150% allowance.
- New or unused buildings, machinery, plant, implement, utensils or article or improvements thereto, brought into use for the first time for R&D purposes: 50%/30%/20% allowance.

Notes:

1. The R&D must be approved by the Minister of Science and Technology in advance to qualify for the enhanced allowance of 150%. To the extent that government grants are received to fund R&D, the expenditure so incurred does not qualify for the special allowance. Certain activities are excluded.

Intellectual Property (see also Research and Development)

- Costs incurred in acquiring (i.e. other than developing or creating):
 - Inventions, patents or copyrights: 5%.
 - Designs: 10%.

Notes:

1. Costs not exceeding R5 000 may be deducted in full. No deduction is available in respect of trade marks.

Urban Development Zone (UDZ) Allowance

An allowance equal to 5% of the cost to the taxpayer of refurbishing an existing building in an UDZ once it is brought into use, is granted. An allowance equal to 20% in the first year, and 8% in the subsequent years of the cost to the taxpayer of constructing new buildings and extending existing buildings in an UDZ once it is brought into use, is granted. Different rules apply in circumstances where a person has acquired a building or part of a building from a developer.

Learnership Allowance

An allowance of R30 000 per annum is available as a deduction by employers for each registered learnership agreement. A completion allowance of a further R30 000 is available on completion. Where the learnership is two years or longer, the completion allowance will be the number of years times R30 000. Learners with a disability qualify for an additional R20 000 allowance.

Notes:

1. The learnership tax incentive is currently scheduled to expire in September 2016.

Venture Capital Company Shares

Special rules allow a taxpayer to claim a deduction for income tax purposes in respect of expenditure incurred in acquiring shares in a venture capital company that has been approved for such purposes by SARS.

Transfer Pricing and Thin Capitalisation

Transfer pricing rules in South Africa are contained in section 31 of the Income Tax Act.

South Africa follows the OECD (Organisation for Economic Cooperation and Development) Guidelines

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on transfer pricing and uses the arm's length standard/principle to test transactions between connected persons in an international transaction.

In determining an arm's length price/consideration, the five transfer pricing methods recommended by OECD are used. These include:

- Comparable Uncontrolled Price (CUP) Method.
- Resale Price (RP) Method.
- Cost Plus (CP) Method.
- Profit Split (PS) Method.
- Transactional Net Margin Method (TNMM).

Although there is no legislative requirement for organisations to prepare transfer pricing policies and documentation, the risk of an adverse transfer pricing audit from SARS is increased in the absence of such documentation. In view of the above, it is critical that any transactions between a foreign entity and any related South African entity be considered from a transfer pricing perspective.

Where a transaction between a resident and non-resident (or PE of a resident outside South Africa) is not carried out on an arm's length basis, the amount of the difference between the arm's length basis and the basis applied, if it results in a tax benefit for the resident, is deemed to be an *in specie* dividend paid by the resident if it is a company, or is deemed to be a donation by the resident if it is a person other than a company.

Section 31 no longer deals separately with the thin capitalisation rules. Instead thin capitalisation rules have been merged into the general transfer pricing rules. This means that the thin capitalisation rules will also apply to local branches of foreign companies.

Corporate Rules

The corporate rules provide relief for transactions between group companies or between shareholders and their company.

In this regard, a "group of companies" is defined as two or more companies in which one company (the controlling group company) directly or indirectly holds shares in at least one other company (the controlled group company) to the extent that:

- At least 70% of the equity shares of each controlled group company are directly held by the controlling

group company, or one or more controlled group companies, or any combination thereof; and

- The controlling group company holds at least 70% of the equity shares in at least one controlled group company.

Notes:

1. For purposes of the corporate rules, the definition of group of companies excludes any company that does not have its place of effective management in South Africa except, in certain limited circumstances, if such a company is a CFC.

The rules cover the following transactions:

- Asset-for-share transactions.
- Substitutive share-for-share transactions.
- Amalgamation transactions.
- Intra-group transactions.
- Unbundling transactions.
- Liquidation, winding-up and deregistration.

Each of the rules has qualifying criteria and anti-avoidance provisions. The rules provide for relief from income tax, CGT, transfer duty, securities transfer tax (STT) and, in certain circumstances, DT. VAT relief may also be obtained if certain conditions apply.

Because of concerns that the tax base is being eroded through the use of the corporate rules, provisions have been introduced that may deny the deduction of interest incurred on borrowings arising from a transaction in terms of the corporate rules in certain circumstances.



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A transferor and transferee may enter into a written agreement that the relevant provisions do not apply in the case of asset-for-share transactions, substitutive share-for-share transactions, intra-group transactions and liquidation transactions. With regard to amalgamation and unbundling transactions, the corporate rules will apply, unless the parties form part of the same group of companies and jointly elect for the rules not to apply. Full particulars of any transaction falling within these provisions must be disclosed in the taxpayer's tax return for the tax year in which the transaction takes place.

Special rules apply for determining contributed tax capital where shares are issued in terms of the rules.

Controlled Foreign Companies (CFCs)

Also included in the income of a South African resident is a proportional amount of the net income (including capital gains) earned by a CFC. A CFC is any foreign company where South African residents directly or indirectly hold more than 50% of the total participation rights or more than 50% of the voting rights in that company. The proportionate income of the CFC will be included in the income of the resident where the resident has participation or voting rights of 10% or more. The income of the CFC is to be determined as if the South African Income Tax Act applied to such entity.

Exclusions from attribution of income under CFC rules include the following:

- Where the net income of the CFC is attributable to a foreign business establishment in a foreign country, provided that the foreign business establishment effectively operates at arm's length (subject to certain restrictions).
- Where the income is subject to WHT in South Africa on interest, royalties or services fees.
- Where the net income of the CFC is included in its South African taxable income.
- Foreign dividends declared to a CFC by another CFC.
- Interest, royalties or rental income payable to a CFC by another CFC and exchange differences between such parties, where the entities are part of the same group of companies.
- Capital gains to the extent that the asset disposed of (subject to exclusions) is attributable to any business establishment of a CFC that forms part of the same group of companies as the CFC.

In addition, the net income of a CFC is deemed to be nil where foreign taxes paid by the CFC amount to at least 75% of the South African tax that would be payable had the CFC been a South African resident or (subject to certain conditions) all the receipts and accruals of the CFC are attributable to a foreign business establishment of the CFC.

Hybrid Equity Instruments, Hybrid Debt Instruments and Third Party Backed Shares

The Income Tax Act contains sections dealing with hybrid debt instruments, hybrid equity instruments and third party backed shares. These sections are anti-avoidance sections and are aimed at ensuring instruments are correctly classified as debt or equity for tax purposes.

Legislation to Limit Excessive Interest Deductions

New provisions were inserted into the Income Tax Act (effective 1 April 2014) with respect to the deductibility of interest on acquisition and reorganisation indebtedness. Additional provisions have been introduced (effective 1 January 2015) relating to the deductibility of interest in respect of a debt owed to a person that is not subject to tax in South Africa where the funds are obtained directly or indirectly from a person who is in a controlling relationship (holding at least 50% of equity shares or voting rights) in relation to the debtor.

Headquarter Company (HQC) Regime

The HQC regime is a significant development directed at establishing South Africa as a jurisdiction of choice for investments into Africa. Essentially, the regime provides for a relaxation for HQCs of the CFC and arm's length rules, and for dividends declared by these companies to benefit from the same exemptions available to foreign dividends.

For this purpose, the following areas of tax relief will be granted to entities qualifying as HQCs (or their shareholders where applicable):

- Foreign subsidiaries of HQCs will not be treated as CFCs under the normal rules and therefore no "net income" of any CFC can be imputed to a HQC.
- Dividends declared by the HQC will be exempt DT.
- HQCs engaged in financial assistance will enjoy relief from the transfer pricing provisions to a certain extent.

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- Interest paid or owed by a HQC to a foreign person, to the extent that it relates to back-to-back lending arrangements, will be exempt from the WHT on interest.
- A HQC will be treated as a foreign company for the purposes of the CGT participation exemption for the benefit of qualifying shareholders disposing of their interest in such HQC.

A resident company may elect to be HQC for a year of assessment if the following criteria are met:

- If, during the relevant year and all prior years, each shareholder (together with related group companies) held 10% or more of the equity shares and voting rights in that company;
- If, at the end of the relevant year and all prior years, 80% or more of the cost of the total assets of the company was attributable to equity shares in, loans to, or intellectual property licenced to any foreign company in which the company (together with related group companies) held at least 10%; provided that in determining the total assets of the company there must not be taken into account any amount in cash or in the form of a bank deposit payable on demand, and in determining whether the requirements for inclusion within the definition have been satisfied, no regard must be had to any year in which the company did not own assets with a market value in excess of R50 000; and
- Where the gross income of the company exceeds R5 million, if 50% or more of the gross income of the company consisted of dividends, interest, royalties or fees from any foreign company contemplated above, or of proceeds from the disposal of shares in such foreign company, or the above intellectual property.

Notes:

1. A HQC must submit to the Minister an annual report providing the Minister with the information that the Minister may prescribe within such time and containing such information as the Minister may prescribe.

Other

Partnerships

Partnerships are not treated as separate taxable entities. Each partner is taxed only on his/her share of the partnership's taxable income.



Shipping Companies

A company that is a resident, that holds a share or shares in one or more ships that are utilised in international shipping, is exempt from income tax (including CGT) on its international shipping income. It is also exempt from WHT on interest in respect of interest paid to a foreign person for debt used to fund the acquisition, construction or improvement of a South African ship, and dividends WHT on any dividend derived from international shipping income, is levied at 0%.

Mining, Insurance, Oil & Gas, Farming and Public Private Partnerships

Special rules apply to mining and insurance companies, oil & gas companies, farming activities and public private partnerships.

Small Business Funding Entities

New rules will come into effect from 1 March 2015 that provide relief to entities funding small businesses. These entities will, for example, be exempt from income tax and dividends WHT on a similar basis to PBOs.

Special Economic Zones (SEZs)

Subject to certain conditions, companies that carry on business within a SEZ are subject to corporate income tax at the special rate of 15% on taxable income derived from business within that SEZ, to a 10% capital allowance on new or unused buildings (or improvements) within the SEZ and to other benefits. The date on which these special rules are to come into effect still needs to be announced.

Government Islamic Bonds (i.e. Sikuks)

The regime allows for asset-based financing with the yield giving rise to tax that is equivalent to interest. These bonds essentially serve as the standard for risk-free Islamic financing within South Africa.

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Calculating Taxable Income

| | |
|-----------------------------|---|
| Gross income | <ul style="list-style-type: none"> Receipts/accruals of a South African resident Receipts/accruals sourced or deemed to be sourced in South Africa accruing to a non-resident |
| Less: Exempt income | <ul style="list-style-type: none"> E.g. Local dividends |
| Less: Allowable deductions | <ul style="list-style-type: none"> All non-capital expenses incurred in South Africa in the production of income |
| Less: Other tax allowances | <ul style="list-style-type: none"> E.g. Capital allowances on: <ul style="list-style-type: none"> Plant and machinery Buildings and improvements to buildings etc |
| Plus: Taxable capital gain* | |
| Equals: Taxable income | |

* Inclusion rate for capital gains: 33.3% for individuals and special trusts, and 66.6% for companies and other trusts.



Corporate Taxation – Rates of Tax *

| Tax Type | Taxable Income | Tax Rate |
|--|---------------------|--|
| <ul style="list-style-type: none"> Company tax (non-mining), including branches | | 28% |
| <ul style="list-style-type: none"> Qualifying companies in a SEZ (not yet in effect) | | 15% |
| <ul style="list-style-type: none"> Turnover tax**: micro-businesses: on an elective basis, entities with an annual turnover of \leq R1 million | R0 - R150 000 | 0% |
| | R150 001 - R300 000 | 1% of each R1 above R150 000 |
| | R300 001 - R500 000 | R1 500 + 2% of amount > R300 000 |
| | R500 001 - R750 000 | R5 500 + 4% of amount > R500 000 |
| | R750 001 and above | R15 500 + 6% of amount > R750 000 |
| <ul style="list-style-type: none"> Small business corporations: entities with an annual turnover of \leq R14 million | R0 - R70 700 | 0% |
| | R70 701 - R365 000 | 7% of taxable income > R70 700 |
| | R365 001 - R550 000 | R20 601 + 21% of taxable income > R365 000 |
| | R550 000 + | R59 451 + 28% of taxable income > R550 000 |

* Unless otherwise stipulated, rates apply to financial years ending between 1 April 2014 to 31 March 2015.

** Turnover tax is a simplified system aimed at making it easier for micro-business to meet their tax obligations.

The turnover tax system replaces income tax, VAT, provisional tax, CGT and DT for micro-businesses with a qualifying annual turnover of R1 million or less. A micro-business that is registered for turnover tax can, however, elect to remain in the VAT system (from 1 March 2012).

Provisional Tax

Any company and other person who derives income other than remuneration (salary/allowance), is a provisional taxpayer. Certain exclusions apply.

A first provisional tax payment (due six months into the tax year) is calculated using the "basic amount", which is the taxable income per the last year of assessment in relation to which a notice of assessment was issued. If the abovementioned assessment is in respect of a period that ends more than one year after the latest year of assessment in relation to such estimate, the basic amount determined shall be increased by an amount equal to 8% per annum of that amount from the end of such year to the end of the year of assessment in respect of which the estimate is made.

In the event that a provisional taxpayer's taxable income is more than R1 million, a 20% penalty will be levied where a provisional taxpayer's second provisional tax payment (due at the end of the tax year) is based on a taxable income that is less than 80% of the taxpayer's actual taxable income for that year.

In the event that a provisional taxpayer's taxable income is equal to or less than R1 million, a 20% penalty will be levied where a provisional taxpayer's second provisional tax payment is based on a taxable income that is less than 90% of the taxpayer's actual taxable income for that year.

Notes:

1. Where the amount of any estimate is not within the abovementioned 80% or 90% of the taxpayer's actual taxable income for that year, and the Commissioner for SARS is satisfied that the amount of any estimate was seriously calculated with due regard to the factors having a bearing thereon, and was not deliberately or negligently understated, or if the Commissioner is partly so satisfied, the Commissioner may in his/her discretion remit the additional tax or part thereof.

Tax Administration

Tax Registration

Any company which becomes liable for any normal tax, or becomes liable to submit any return of income, is required to register as a taxpayer and any such person must register (as a taxpayer) at SARS within 60 days after so becoming a taxpayer.

The following entities are required to register as taxpayers for corporate income tax (CIT) purposes:

- Listed public companies.
- Unlisted public companies.
- Private company.
- Cooperatives.
- Other e.g. small business corporations (an entity with an annual turnover of less than R14 million).

Tax Year

The tax year of a company is the same as its accounting year.

Filing Requirements

Companies are required to file their income tax returns (ITR14s) annually within 12 months of the company's financial year-end. Advance payments of tax (provisional tax) must be made twice a year based on estimates of the final tax amount, with the first payment during the first six months of the company's financial year and the second before the end of the year. Where the provisional tax payments are less than the final tax liability, a third provisional tax payment should be made within six months after the end of the tax year.

Supplementary Declaration for Companies and Close Corporations (IT14SD)

The IT14SD return is intended to reconcile a taxpayer's financial information across tax types and customs. The IT14SD consists of the PAYE, income tax, VAT and customs reconciliation schedules that must be reconciled and submitted by the taxpayer, where applicable.

Consolidated Returns

South Africa does not allow for taxation on a group or consolidated basis. Each company in a group of companies is a taxpayer in its own right.

Penalties

Penalties and interest are imposed for failure to comply.

Statute of Limitations (Prescription)

Where an assessment is issued by SARS, the statute of limitations is three years from the date of the original assessment, unless there is fraud, misrepresentation or non-disclosure of material facts. In the case of a self-assessment, it is five years from the date of the original assessment.

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Voluntary Disclosure

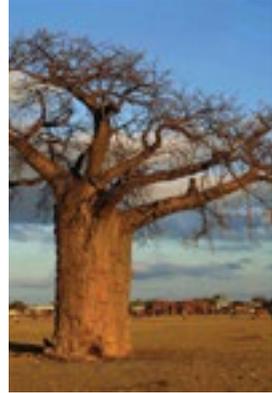
A permanent legislative framework for voluntary disclosure, that applies to all tax types, exists.

Rulings

A taxpayer may apply for a tax ruling in accordance with the advance tax ruling system. The ruling generally will be binding on SARS.

Double Taxation Agreements (DTAs)

South Africa has concluded DTAs with a number of countries, the primary purpose being the prevention of double taxation. The agreements essentially divide up the taxing rights between the contracting countries, in situations where they might both claim such rights. Another purpose to these agreements is the prevention of tax evasion by taxpayers of the contracting countries. The tables below provide a list of existing comprehensive treaty agreements in force and treaties in the process of negotiation or finalised but not signed:



| Existing Comprehensive Agreements | | | | |
|-----------------------------------|-------------------------|---------------------------------|----------------------------|---------------------------------|
| Algeria | Egypt | Kuwait | Norway | Swaziland |
| Australia | Ethiopia | Lesotho | Oman | Sweden |
| Australia (Protocol 2008) | Finland | Luxembourg | Oman (Protocol 2013) | Sweden (Protocol 2012) |
| Austria | France | Malawi | Pakistan | Switzerland |
| Austria (Protocol 2012) | Germany | Malaysia | Poland | Switzerland (Renegotiated 2009) |
| Belarus | Ghana | Malaysia Protocol (March 2012) | Portugal | Taiwan |
| Belgium | Greece | Malta | Romania | Tanzania |
| Botswana | Grenada | Malta (Protocol 2013) | Seychelles (Protocol 2012) | Thailand |
| Brazil | Hungary | Mauritius | Russian Federation | Tunisia |
| Bulgaria | India | Mexico | Rwanda | Turkey |
| Canada | Indonesia | Mozambique | Saudi Arabia | Uganda |
| China (People's Republic of) | Iran | Namibia | Seychelles | Ukraine |
| Croatia | Ireland (Protocol 2012) | Netherlands | Seychelles (Protocol 2013) | United Kingdom |
| DRC | Israel | Netherlands (Renegotiated 2008) | Singapore | United Kingdom (Protocol 2011) |
| Cyprus | Italy | Netherlands (Protocol 2008) | Sierra Leone | USA |
| Czech Republic | Japan | New Zealand | Slovak Republic | Zambia |
| Denmark | Korea | Nigeria | Spain | Zimbabwe |

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| Treaties/Protocols in the Process of Negotiation or Finalised but not Signed | | |
|--|-------------|----------------------|
| Austria | Isle of Man | Qatar |
| Belgium | Kenya | Senegal |
| Botswana | Kuwait | Singapore |
| Brazil | Lesotho | Sudan |
| Cameroon | Luxembourg | Swaziland |
| Chile | Malawi | Switzerland |
| Cuba | Mauritius | Syria |
| Cyprus | Mozambique | Thailand |
| Gabon | Vietnam | Turkey |
| Germany | Morocco | United Arab Emirates |
| Hong Kong | Namibia | Zambia |
| India | Netherlands | Zimbabwe |
| Indonesia | Norway | |



Transaction Taxes



Value Added Tax (VAT)

The principal source of indirect taxation revenue in South Africa is VAT.

The standard rate of VAT is 14%. Exports, certain foodstuffs, and other supplies, are zero-rated, and certain supplies are exempt (mainly certain financial services, residential accommodation and public transport).

Any person that carries on an “enterprise” in South Africa for VAT purposes and that makes taxable supplies above a certain threshold, is obliged to register as a VAT vendor. Investment in South Africa, both by a branch or through a subsidiary, will constitute an enterprise and will therefore require VAT registration.

VAT (output tax) is levied at 14% on the value of any supplies made by a vendor, unless such supplies qualify for a zero rating (for example, supplies physically rendered outside of South Africa are subject to VAT at the zero rate) or are exempt from VAT.

Any South African VAT charged to the vendor by suppliers, as well as VAT levied on the importation of goods, will generally be deductible as an input tax credit by the vendor.

VAT returns are generally submitted every two months but businesses with an annual turnover in excess of R30 million must submit monthly returns. Returns must be submitted within 25 days after the end of the tax period (or, in the case of electronic filing, by the last business day of the month in which the 25th day falls). Payment in full must accompany the return.

Transfer Duty

Transfer duty is applicable to real estate transactions that are not subject to VAT.

| Rates of Duty* | Duty Payable |
|---------------------------------|--------------|
| First R600 000 of consideration | 0% |
| R600 001 to R1 000 000 | 3% |
| R1 000 000 to R1 500 000 | R12 500 + 5% |
| R1 500 001 and over | R37 000 + 8% |

* These rates are applicable to both natural and legal persons (companies and trusts).

Notes:

1. Where the sale of fixed property attracts VAT, no transfer duty is payable. Where the transfer of fixed property is not subject to VAT (at either the standard or zero rate), transfer duty is payable. The indirect acquisition of residential property by way of the acquisition of shares, or a contingent right in a discretionary trust, is subject to transfer duty. Taxpayers engaged in, for example, asset-for-share rollovers (e.g. upon formation of a company) obtain relief from transfer duty. Where a company or trust owns residential property and the shares, beneficiaries are changed or sold, it will be deemed that a sale of immovable property has occurred and transfer duty will apply.

Securities Transfer Tax (STT)

STT is levied at a rate of 0.25% on every transfer of securities issued by a company incorporated, established or formed in South Africa and foreign incorporated companies listed on a licenced exchange.

Transfers include the transfer, assignment or cession, or disposal in any other manner, of a security but exclude any event which does not result in the change in beneficial ownership, the issue of a security, and cancellation or redemption where corporate existence is being terminated.

Estate Duty

Estate duty is payable on the dutiable amount of a deceased estate. In general, the estate of a person who was ordinarily resident in South Africa at the date of his/her death includes all his assets irrespective of where they are situated. In addition, an asset which is located

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in South Africa may be subject to estate duty even though the owner was not ordinarily resident in South Africa at the date of his/her death.

An estate consists of all the property of a person at the date of death, including limited rights in property (such as a usufruct) and deemed property. Deemed property includes the following, whether or not the proceeds accrue for the benefit of the deceased's estate:

- Domestic policies of insurance on the life of the deceased.
- Lump sum payments received on death from pension, provident or RAFs (annuities payable from pension and RAFs are not dutiable).
- Accruals under the Matrimonial Property Act.

The deductions allowed in terms of section 4 of the Estate Duty Act, in calculating the dutiable amount of an estate, include:

- Liabilities of the estate, including funeral and administration expenses.
- Certain foreign assets held by the deceased.
- Charitable and certain other bequests.
- Property which is inherited by the surviving spouse (a spouse includes heterosexual or same sex life partners and spouses married under any recognised system of religious law).
- Any CGT payable by the estate (death triggers a disposal for CGT purposes).

A R3.5 million abatement (R7 million for a married couple) is deducted from all estates, regardless of personal circumstances. Estate duty is payable on the residual dutiable amount of the estate of a person at the rate of 20%.

Donations Tax

Donations tax is payable where a donor donates property valued in excess of R100 000 per annum (R10 000 in the case of donors other than natural persons). The tax is levied at a rate of 20% on such excess and is payable by the donor.

Where spouses are married in community of property, a donation made by one spouse out of the joint estate will be deemed to be made in equal shares by each spouse.

Donations tax is only payable where the donor is an individual resident in South Africa or is a private company (for tax purposes) which is either incorporated in, or managed and controlled in South Africa. Public companies are exempt from donations tax.

A "donation" includes any gratuitous disposal of property or waiver of a right. Certain donations are exempt from tax. They include:

- Donations between spouses.
- Donations cancelled within six months from the date they took effect.
- Donations made by public companies.
- Donations to approved PBOs and recreational clubs.
- Donations by/to/for any traditional council, traditional community or tribe.
- Donations between group companies where the recipient is a resident of South Africa.
- Donations of property situated outside the Republic provided certain conditions are present.

A "deemed donation" is any disposal of property for a consideration which in the opinion of SARS is not an adequate consideration. In the case of a deemed donation, the value of the property (for donations tax purposes) is reduced by any consideration given by the donee.

Other Taxes

Customs Duties

At present, customs and excise duties are imposed by the Customs and Excise Act No. 91 of 1964. Customs duties are levied on imported goods with the aim of raising revenue and protecting the local market. They are usually calculated as a percentage of the value of the goods (set in the schedules to the Customs and Excise Act). However, meat, fish, tea, certain textile products and certain firearms, attract rates of duty calculated either as a percentage of the value or as cents per unit (for example, per kilogram or metre).

Excise Duties

Excise duties and levies are imposed mostly on high-volume daily consumable products (e.g. petroleum, alcohol and tobacco products), as well as certain non-essential or luxury items (e.g. electronic equipment and cosmetics). Excise duties are levied on both imported and locally manufactured goods. These duties and levies are self-assessed by the client per periodic

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excise return and, depending on the product, paid to SARS on either a monthly or quarterly basis.

Customs and Excise duties are levied throughout the Southern African Customs Union (SACU), consisting of the Republic of South Africa, the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia and the Kingdom of Swaziland, on import into SACU or at point of manufacture and based on a "duties at source" principle. The customs and excise duties raised within the various member states are pooled and finally distributed between the SACU member states based on statistics and formulas.

Notes:

1. The Customs and Excise Act No. 91 of 1964 is in the process of being replaced by an entirely new set of rules which will be contained in the Customs Duty Act, the Customs Control Act and the Excise Duty Act.
2. The last mentioned Act, will come about by way of the Customs and Excise Amendment Act 2014, which changes the name of the current Customs and Excise Act to the Excise Duty Act.
3. New rules to the Customs Acts are still being drafted and the current Customs and Excise Act 1964 will remain in place until the new legislation and rules become effective. This is expected to take place during the second half of 2015.

CO₂ Environmental Levy

New passenger motor vehicles with carbon dioxide (CO₂) emissions in excess of 120g/km, and motor vehicles used for the transportation of goods with CO₂ emissions exceeding 175g/km, manufactured in or imported into South Africa, attract a CO₂ environmental levy. The levy is not payable on motor vehicles that can transport 10 or more persons, or new motor vehicles manufactured and cleared for home consumption for purposes as defined (i.e. hearses and ambulances, shuttle cars for underground mines, special purpose motor vehicles etc.).

Notes:

1. South Africa has plans to introduce a carbon tax from 2016. The proposed carbon tax (initially announced in the 2012 and 2013 Budget Speeches and presented in the Carbon Tax Policy Paper (May 2013)), is one of the key measures being contemplated by the South African Government to mitigate climate change.

Air Passenger Tax

This tax came into effect on 1 November 2000, and is charged at a different/slightly lower rate for destinations in SACU countries than that for destinations outside of those countries. The standard rate departures are R190 per ticket for a destination other than SACU countries, while BLNS countries (Botswana, Lesotho, Namibia and Swaziland) have a lower rate departure of R100 per ticket. This tax is included in the ticket price and the airline/operator is liable to pay SARS.

Diamond Export Levy

On 1 November 2008, a diamond export levy on unpolished diamonds exported from South Africa, was introduced. Although this is legislated in the Diamond Export Levy Act, SARS is mandated to administer and collect this levy. All producers, dealers, beneficiators and/or holders of permits, must pay this levy when exporting such diamonds. The export rate of duty is 5% of the total value less overpaid, or plus underpaid. The Act provides for six-monthly payments.

Mineral Petroleum and Resource Royalty

SARS collects a royalty for these resources in terms of the Mineral and Petroleum Resources Royalty Act 2008, and the Mineral and Petroleum Resources Royalty (Administration) Act 2008. The rates for the mineral and petroleum resource royalties are currently; for refined mineral resources: the minimum of 0.5% to a maximum of 5%; and for unrefined mineral resources: the minimum of 0.5% to a maximum of 7%. These royalties should be paid at the same time as the corporate provisional tax cycle.

General Investment Information

Investment Incentives

South African government departments offer an array of incentive schemes to stimulate and facilitate the development of sustainable, competitive enterprises. A variety of these incentive schemes seek to support the development or growth of commercially viable and sustainable enterprises through the provision of either funding or tax relief. Most of the incentives are housed within the Department of Trade and Industry (the dti), with a few others in other government departments.

Investment and Enterprise Development Incentives

- Critical Infrastructure Programme (CIP).
- Municipal Infrastructure Grant (MIG).
- National Electrification Programme (Municipal).
- Neighbourhood Development Partnership Grant (NDPG).
- Developmental Electricity Pricing Programme (DEPP).
- Public Transport Infrastructure and Systems Grant (PTIF).
- Business Process Services Incentive (BPS).
- Enterprise Investment Programme (EIP): Aquaculture Development and Enhancement Programme (ADEP).
- Section 12I Tax Allowance.
- Automotive Investment Scheme (AIS).
- Foreign Film and Television Production Incentive.
- Location Film & Television Production Rebate.
- South African Film and Television Production and Co-Production Incentive.
- South African Emerging Black Filmmakers Incentive.
- PSOM Business Incentive: Dutch Programme for Cooperation with Emerging Markets.
- Tourism Support Programme (TSP).
- Local Economic Development Programme (LED).
- Isivande Women's Fund (IWF).

Competitive Enhancement Incentives

- Black Business Supplier Development Programme (BBSDP).
- The Cooperative Incentive Scheme (CIS).
- Incubation Support Programme (ISP).
- Clothing and Textile Competitiveness Programme (CTCP) – Production Incentive (PI).
- The Clothing and Textile Competitiveness Improvement Programme (CTCIP).
- Jobs Fund.



Export Incentives – Non-industry Specific

- Export Marketing and Investment Assistance (EMIA).
- Sector Specific Assistance Scheme (SSAS).
- Capital Projects Feasibility Programme (CPFP).
- Steel Rebate.
- Customs Rebate and Drawback Provisions.
- Special Economic Zones (SEZs).
- VAT – Export Incentives.
- VAT – Licenced Customs and Excise Storage Warehouse.

Export Incentives – Industry Specific

- Automotive Production and Development Programme (APDP).
- Automotive Investment Scheme (AIS).
- People-Carrier Automotive Investment Scheme (PAIS).
- Production Incentive (PI).
- Vehicle Assembly Allowance (VAA).

Tax Incentives

- Preferential Corporate Tax Rate for Small Businesses.
- Research & Development (R&D) Allowances.
- Depreciation Allowances.
- Urban Development Allowances.
- Section 12I Investment and Training Allowance.
- Infrastructure Development.
- Public Private Partnerships.
- Rolling Stock Depreciation.
- Environmental Expenditure Deductions.
- Commercial Buildings Depreciation.
- Carbon Reducing Charges.
- Energy Expenditure Allowances.
- Oil & Gas Incentive.
- Underwater Telecommunications Cable Allowances.
- Foreign Rebate Subsidies.
- Support Programme for Industrial Innovation (SPII) (Suspended).

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- SPII Matching Scheme (Suspended).
- SPII – Partnership Scheme.
- SPII – Product Process Development Scheme.
- Technology and Human Resources for Industry Programme (THRIP).
- Innovation Fund (IF).
- Manufacturing Competitive Enhancement Programme (MCEP).

Industrial Financing Incentives

- Agro-industry Incentives.
- Incentives for Chemicals and Allied Industries.
- Mining and Minerals Beneficiation.
- Incentives for Forestry and Wood Products.
- Healthcare Incentives.
- Incentives for Metal, Transport and Machinery Products.
- Information Communication Technology (ICT) Incentives.
- Tourism Finance.
- Gold Loan Scheme.
- Technology Venture Capital Fund.
- Green Energy Efficiency Fund (GEEF).
- Gro-E Scheme.
- Transformation and Entrepreneurship Scheme.
- Risk Capital Facility Programme.
- Venture Capital Incentives.

Industrial Participation Incentives

- Defence Industrial Participation Programme (DIP).
- National Industrial Participation Programme (NIPP).

Social Responsibility Incentives

- DANIDA Business to Business Programme.
- DEG Public Private Partnership (PPP).

Exchange Controls

Basic Position

Exchange control is administered by the South African Reserve Bank (SARB) which has delegated powers to Authorised Dealers (banks licenced to deal in foreign exchange). The Exchange Control Department has been renamed the Financial Surveillance Department.

South Africa does not impose exchange controls on non-residents, but exercises exchange controls over residents and transactions entered into between residents and non-residents i.e. non-residents may freely invest in, or disinvest from, South Africa and may



remit all income from their South African investments. However, there are controls on outward investment by South African residents. For exchange control purposes, a resident is a person (natural person or legal entity) whether of South African or any other nationality, who has taken up residence, is domiciled or registered in South Africa.

Certain exchange control restrictions on foreign investors include:

- Local borrowing restrictions on entities in which 75% or more of the shares, voting or control, or rights to capital or income, are held by non-residents. South African branches of foreign companies, or foreign-owned South African companies, may borrow locally up to 300% of the total shareholders' investments. Borrowing for investment in residential property and financial instruments is limited to 100%.
- Where unlisted shares, fixed property, a business or other major assets, are transferred between a resident and a non-resident, the value of the assets transferred must be verified.
- Restrictions on the remittance of certain income. For example, exchange control approval is required for royalties, certain dividend remittances and payments for services that are calculated based on a percentage of turnover, income, sales or purchases.

There are no thin capitalisation rules imposed in terms of exchange controls but the rate of interest payable on foreign loans will be limited by the SARB, although, after approval has been granted, interest is freely transferable from South Africa. Foreign nationals temporarily resident in South Africa may, subject to completing formalities

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through an Authorised Dealer, conduct their affairs on a resident basis whilst resident in South Africa and may repatriate accumulated earnings or capital introduced.

Institutional Foreign Investment

Institutions are able to invest in foreign portfolio investments using cash transfers regulated by prudential regulation. There has been a shift from a pre-application process for foreign investment to a system of regular reporting and monitoring. Limits on foreign asset holdings of institutional investors (e.g. life offices, unit trusts and pension funds), are detailed below:

- The foreign exposure limit for pension funds, and the underwritten policies of long-term insurers, is 25% of total retail assets.
- The foreign exposure limit on collective investment schemes, investment managers and the investment linked business of long-term insurers, is 35% of total retail assets.
- An additional allowance for portfolio investment in Africa, equal to 5% of total retail assets, for all institutional investors.
- Authorised Dealers are able to acquire direct and indirect foreign exposure up to 25% of total liabilities, excluding shareholder's equity.
- Appropriately mandated private equity funds meeting certain criteria will be able to obtain upfront approval for investments in Africa.
- Furthermore, South African companies, trusts, partnerships and banks are permitted to participate without restriction in the Rand futures market on the JSE.

Immigrants

On arrival, immigrants must notify their local bank that they own foreign assets and undertake not to put the assets at the disposal of South African residents. If an immigrant departs, he/she may freely transfer out of South Africa all assets brought into South Africa, as well as any remaining South African assets. After expiration of the five-year period, if he/she immigrated after 13 March 1995, he may transfer out of South Africa all assets brought into South Africa, as well as the prescribed limits for normal emigrants. Concessions are available to all immigrants to remit amounts in respect of pension fund contributions, life insurance premiums, loan repayments and foreign tax commitments from South Africa within five years.

South African Resident Corporations

Applications by corporate entities to invest abroad are considered on their merits and in the light of national interest. Applications for investments under R500 million per year are adjudicated by Authorised Dealers. There are no limits on amounts that may be remitted abroad for investment. Dividends declared and repatriated to South Africa (between 18 February 2004 and 26 October 2006) qualify for an exchange control credit and may, subject to approval, be retransferred abroad to refinance or for approved new investments. Dividends declared and paid after 26 October 2006, may be utilised for any purpose at any stage, except for loans or investment into the CMA. Headquarter companies that are approved by the Financial Surveillance Department may invest offshore without restriction.



South African Resident Individuals

| Exchange Control Allowances | |
|--|-----------------|
| Individual foreign capital/investment allowance (per adult) ¹ | R4 000 000 p.a. |
| Single discretionary allowance | |
| <ul style="list-style-type: none"> Adult (over the age of 18 years)¹ This allowance is at the discretion of the individual to cover the following allowances, subject to conditions: <ul style="list-style-type: none"> Travel (both holiday and business travel) allowance Maintenance transfers Monetary gifts and loans to non-residents Donations to missionaries Study allowances | R1 000 000 p.a. |
| Travel allowance (18 years and under) | R200 000 p.a. |
| Study | |
| <ul style="list-style-type: none"> Tuition fees | Full amount |
| Student living and travel allowance | |
| <ul style="list-style-type: none"> Student – as per single discretionary and travel allowances above Student and spouse – as per single discretionary and travel allowances above | |
| Credit cards | |
| <ul style="list-style-type: none"> Foreign purchases using approved credit cards up to R20 000 per permissible transaction may be made | |
| Upon emigration by South African resident | |
| <ul style="list-style-type: none"> Foreign capital allowance <ul style="list-style-type: none"> Family unit/married couple R8 000 000 Single person R4 000 000 The foreign capital allowance is reduced by the amount of any foreign capital/investment allowance previously utilised | |
| <ul style="list-style-type: none"> Emigrants’ travel allowances – as per single discretionary and travel allowances above | |
| <ul style="list-style-type: none"> Household and personal effects, motor vehicles, stamps and coins (excluding SA legal tender) (insured value) | R2 000 000 |

Notes:

- These allowances are to be consolidated into one R5 million investment allowance per year.



Exchange Control Developments

Ongoing amendments to exchange controls, as well as financial market legislation, make South Africa an attractive investment prospect and brings it in line with international best practice.

Past amendments have included, for example, the National Payment System Act of 1998 (which confers greater powers and duties on the South African Reserve Bank to provide clearing and settlement facilities, bringing the South African financial settlement system in line with international practice on settlement systems and systematic risk management procedures) and the introduction of payment clearing house agreements and agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. Other developments have also included the withdrawal of the application process to make new outward foreign direct investments where the total cost of such investment does not exceed R500 million per company per year and removing controls on emigrant blocked assets.

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Recent exchange control relaxations have resulted in the following concessions:

- A special type of South African holding company which both JSE-listed and unlisted entities will be able to establish for holding African and offshore operations without it being subject to exchange control restrictions. Each entity will be entitled to establish one such subsidiary.
 - The aforementioned entity will also be able to operate as a cash management centre for the South African multinational and cash pooling will be allowed without restrictions.
 - Such holding companies will also be able to raise and deploy capital offshore provided it is without South African guarantees.
 - Transfers from the parent company to the holding company will be allowed within a R2 billion per annum limit for listed companies and R1 billion per annum for unlisted entities.
 - The Financial Surveillance Department of the SARB will, on application, consider transfers of up to 25% of the listed company's market capitalisation to the holding company provided there is a demonstrated benefit to South Africa.
 - Income generated from cash management will be freely transferable.
 - Holding companies may choose their functional currency or currencies and operate both foreign currency and Rand-denominated accounts for operational purposes.
 - There will be no restriction on transfers into and out of the holding company provided such transfers comply with regular reporting requirements and are not undertaken to avoid tax commitments.
 - The Financial Surveillance Department of the SARB will consider, on application and on a case-by-case



- basis, the listing of the holding company and joint ventures.
- Further refinements to the HQC rules have also been announced.
- Banks will be permitted an additional five percentage points on their macro-prudential limits for further expansion into Africa.
- The requirement that collateral for securities lending transactions are by way of cash cover in Rand or the pledge of unencumbered non-resident owned local assets, have been lifted and Authorised Dealers will now be able to accept non-Rand based collateral.
- Debt and equity instruments issued by entities in the CMA, will be classified as domestic assets.
- The JSE will be permitted to offer African agricultural commodity derivative contracts in foreign currency, subject to certain requirements.
- The ability to operate gold and other commodity exchange traded funds will be opened to a wider range of financial institutions and these funds will be classified as domestic assets for prudential purposes.
- A review will be undertaken of the current stance that intellectual property is deemed to be capital for exchange control purposes.
- Member funds
 - In order to provide domestic investors with a channel to obtain foreign exposure, while at the same time benefitting from enhanced customer protection, foreign member funds will be introduced which will not be subjected to the macro-prudential limit applicable to Institutional Investors.
 - These member funds will comprise collective investment schemes and alternative investment funds (including private equity, venture capital and hedge funds). They will be permitted to source funding from non-residents, domestic institutional investors, subject to permitted macro-prudential limits and, in respect of individuals, subject to their foreign capital investment allowance limit.
- Foreign member funds will be required to be domiciled, anaged and tax compliant in South Africa, and subject to the Financial Services Board and Financial Surveillance Department of the SARB.
- Accessing capital for growth into Africa
 - Unlisted technology, media, telecommunications, exploration and other R&D companies will be allowed to freely list offshore to allow them to raise capital for their operations provided they remain

South Africa



incorporated in South Africa and a tax resident and are effectively controlled and managed from South Africa. Their intellectual property is to remain registered in South Africa.

- Following a successful offshore listing, the entity will be required to secondary list in South Africa within two years.
- JSE-listed companies will be freely permitted to secondary list offshore.
- In line with promoting access to offshore capital, intellectual property developed in South Africa may be freely assigned offshore subject to the appropriate tax treatment.
- Changes applicable to Authorised Dealers
 - Authorised Dealers will be required to submit a revised macro-prudential limit report.
 - Authorised Dealers will be permitted to participate in foreign syndicated loans irrespective of the status of the borrower (this is for exchange control purposes only) and within the macro-prudential limit applicable to the Authorised Dealer.
- Miscellaneous reforms
 - Customer foreign currency (CFC) accounts – Foreign currency purchased in the spot market or the maturity proceeds of hedging contracts may be credited to CFC accounts and paid away within 30 days. Previously, this timeframe was restricted to the following business day.
 - Credit card limits – The current limit of R20 000 per transaction will be increased to R50 000 per transaction to cover miscellaneous payments for imports, services and subscriptions.
 - Payments for imports – In respect of payments in advance for imports within a limit of R50 000, the presentation to an Authorised Dealer

of an invoice only will suffice, obviating the requirement to subsequently present further import documentation.

- Income transfers to South African residents temporarily abroad – South African residents temporarily abroad will be able to receive pension fund and annuity payments without the specific approval of the Financial Surveillance Department of the SARB.
- Corporate foreign direct investment – Companies that have utilised a portion of their authorised foreign direct investment allowance in a calendar year will be able to remit the balance in the following calendar year without obtaining the specific approval of the Financial Surveillance Department of the SARB.
- Emigrant transfers – Previously emigrants were permitted to export listed securities *in lieu of* a foreign capital allowance. This has been expanded to include unlisted shares under certain conditions still to be announced.

Work Permits and Visas

South Africa's immigration system is regulated by the Immigration Act. This Act sets out the categories of permits available. There are three basic components to the South African system; namely, visas, temporary residence permits and permanent residence permits. Persons not having permanent residence status in South Africa are required to obtain work permits before arriving in the country. These permits are granted or refused depending upon whether the individual has skills in scarce supply.

Trade Relations

The South African Government, through the dti, seeks to support the objectives of industrial development and upgrading, employment growth and increased value added exports by negotiating trade agreements with other countries. The International Trade and Economic Development Division (ITED), within the dti, is the body responsible for such trade negotiations.

These agreements take different forms. Below is a summary of the various trade agreements that South Africa is party to:

- Preferential Market Access Agreements:
 - Southern African Customs Union (SACU).
 - Southern African Development Community (SADC) FTA.

South Africa

- European Union/South Africa Trade, Development and Cooperation Agreement (EU/SA TDCA).
- SACU-European Free-Trade Association (EFTA) FTA.
- SACU-Southern Common Market (Mercosur) PTA.
- Bilateral agreements with Mozambique and Zimbabwe (limited scope).
- Current Trade Negotiations:
 - WTO's Doha Development Agenda.
 - SACU-India PTA.
 - SADC-EAC-COMESA Tripartite FTA.
- Non-reciprocal Agreements:
 - Africa Growth and Opportunity Act (AGOA).
 - South African products qualify for preferential market access (i.e. no or substantially reduced customs duty) under the Generalised System of Preferences (GSPs).
- Memberships:
 - NEPAD.
 - BRICS– Brazil, Russia, India, China and South Africa.
 - United Nations.
 - African Union (AU), ACP, G20, G22, G77.

Interest and Currency Exchange Rates

| |
|--|
| Prime Overdraft Rate |
| 9.25% (December 2014) (source: Reserve Bank) |
| Repo Rate |
| 5.75% (December 2014) (source: Reserve Bank) |
| Currency: Rand (Divided into 100 cents) |
| US\$1 = R11.0402 (December 2014) (source: Oanda) |
| £1 = R17.3269 (December 2014) (source: Oanda) |
| €1 = R13.7324 (December 2014) (source: Reserve Bank, Oanda) |



Key Economic Statistics

| |
|---|
| GDP (approx.) |
| US\$354.150 billion (2014 estimate) (source: IMF) |
| US\$373.254 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| R8 331.6 million (June 2014) (source: JSE) |
| Rate of Inflation |
| 5.752% (2013 average) (source: IMF, JSE, Reserve Bank) |
| 6.303 % (2014 average) (source: IMF) |
| 5.900% (CPI, December 2014) (source: IMF) |

South Sudan



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South Sudan

Income Tax

Residents

Residents are subject to tax on worldwide income.

| Income Tax Rates for Individuals | |
|---|------|
| Amount of Taxable Income (Monthly Average) | Rate |
| SSP | % |
| 300 | 0% |
| 301 – 5 000 | 10% |
| 5 001 + | 15% |

Notes:

1. Basis – South Sudanese nationals are subject to tax on worldwide income (including, e.g. income from entrepreneurial activities, estate lease income and personal income).
2. Residence – An individual who is domicile in South Sudan or physically present in South Sudan for 183 days or more in any tax period.
3. Rates – Progressive rates from 10% to 15% apply to personal income. The tax rates shall be as follows: the first monthly average of SSP300 is 0%, from SSP301 – SSP5 000 is 10% and from SSP5 001 and above is 15%.
4. Taxable income – Employment income is generally taxable unless otherwise exempt. Income from entrepreneurial activity, estate lease income, dividend, interest, capital gains and other investment income also are taxable.
5. Deductions and allowances – Personal relief of SSP3 600 per annum is available on employment income. In addition, there shall be allowed as a deduction from gross income, a contribution in an amount up to 8% of gross wages paid by employees to funded pension schemes approved by the Government of South Sudan.
6. Filing status – Generally, employers are responsible for withholding and paying the tax due to the relevant tax authority on a monthly basis. For income, other than employment income, submission of tax returns shall be on or before the 1st of April of the year following the tax period. Further, a resident individual engaged in any entrepreneurial activity or receiving estate lease income shall remit an advance payment of income tax on a quarterly basis.
7. South Sudan has no tax treaties (i.e. DTAs) with other foreign countries.



Non-Residents

Non-residents are subject to tax based on South Sudan-source income only.

Employment Income

Employment income includes, but is not limited to:

- Salaries paid by or on behalf of an employer.
- Bonuses, commissions, allowances, and other forms of compensation in cash or in kind that an employer pays to employees in addition to salary.
- Income earned under contracts for temporary work.
- Pension income.
- Insurance premiums and any other in kind benefit that an employer pays for or to an employee that exceeds a *de minimis* amount as provided in the regulations.
- Forgiveness of an employee's debt or obligation to the employer.
- Payment of an employee's personal expenses.

Companies

| Income Tax Rates for Companies | |
|--|-----|
| Rate of Tax | |
| Small businesses (if the revenue is up to SSP1 million) | 30% |
| Medium businesses (if the revenue is up to SSP75 million) | 10% |
| Large businesses (if the revenue is more than SSP75 million) | 20% |

South Sudan

Notes:

1. Residence – A company, partnership or other entity which is established in South Sudan, or has its place of effective management in South Sudan.
2. Basis – Resident companies are liable to tax on their worldwide income, while non-resident companies only pay tax on profits derived from South Sudan-source income.
3. Taxable income – Taxable income generally consists of all worldwide income for resident companies (for non-resident companies, business profits derived from South Sudan) less any expenditure wholly and exclusively incurred in the production of the income for the year as may be permitted by the tax legislation.
4. Deductible expenses – The general rule is that, for the purpose of computing taxable income, any expenditure which is incurred wholly and exclusively in the production of taxable income during the tax year, is deductible.
5. Non-deductible expenses – In general, any expenditure which is not wholly and exclusively incurred in the production of income, is not deductible. Any expenditure or loss of a capital nature is not deductible.
6. Depreciation – Depreciation of fixed assets is allowed. The assets are to be depreciated according to the rates specified in the South Sudan Taxation Act, 2009. Amortisation of intangible assets; such as goodwill, patents and trade marks, copyrights, and any similar asset, is allowed.
7. Tax losses – Losses shall be carried forward and set off against taxable income for not more than five years after the end of the tax year in which the loss was incurred. Losses cannot be carried back.
8. Capital gains – Capital gains are considered as South Sudan-source income which shall be included in the taxable income subject to corporate tax.
9. Dividends – Dividends received from resident companies are considered as South Sudan-source income and are included in business profits. However, dividends are exempted from tax if tax has already been withheld.

10. Foreign tax credit – A foreign tax credit shall be allowed to a resident taxpayer who derives profit from business activities outside South Sudan through a Permanent Establishment (PE) outside South Sudan and who pays tax on that profit to any other country. The foreign tax credit is the foreign tax or the South Sudan tax applied to that part of the foreign-source income liable to tax in South Sudan, whichever is less.
 11. Participation exemption – None.
 12. Holding company regime – None.
 13. South Sudan has no tax treaties (i.e. DTAs) with other foreign countries.

Withholding Taxes (WHTs)

The WHTs are set out below.

| WHT Rates | | | |
|-----------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 10% | 10% |
| Interest | 1 | 10% | 10% |
| Royalties | 1 | 10% | 10% |
| Rent | 2 | 10% | 10% |

Notes:

1. A final WHT at a rate of 10% on dividends, interest and royalties at the time of payment shall be imposed, regardless of whether the beneficiary is a resident or not.
2. Rental payments to individuals and legal entities, whether paid to a resident/domestic or not, beginning May 2013, shall be subject to a 10% WHT.
3. Other – There is no specific provision on the taxation of other income payments made by a resident to non-resident companies.
4. No branch profits tax is levied in South Sudan.
5. South Sudan has no tax treaties (i.e. DTAs) with other foreign countries.

South Sudan



Capital Gains Tax (CGT)

There is no CGT in South Sudan.

Anti-avoidance

Transfer Pricing

The difference between the arm's length price and the transfer price shall be included in the taxable profit.

The price used in conjunction with asset transactions or contract obligations between related persons shall be the transfer price. On the other hand, the arm's length price shall be determined under the comparable uncontrolled price method and when this is not possible, the resale price method or the cost plus method shall be used.

Thin Capitalisation

There are no provisions in the Act regarding thin capitalisation.

Value Added Tax (VAT)

There is no VAT legislation in South Sudan.

Sales Tax

Effective May 2013, Sales Tax applies to manufacturers, importers and service providers in South Sudan. The tax rate on hotel, restaurant and bar services is 5%, regardless of the type of business.

| Sales Tax Rates for Importers and Producers of Goods | |
|--|-------------|
| | Rate of Tax |
| Small businesses (if the revenue is up to SSP1 million) | 0% |
| Medium businesses (if the revenue is up to SSP75 million) | 5% |
| Large businesses (if the revenue is more than SSP75 million) | 5% |

Import Duties

All goods brought in, or entered into South Sudan, shall be subjected to an advance payment of business profit. Under the Taxation Act of 2009 (as amended), all goods entered into South Sudan shall be subject to tax at a fixed rate of 4%.

Excise Duties

The tax shall apply to the production of excisable goods in South Sudan, the importation of excisable goods into South Sudan and the provision of excisable services in South Sudan. Rates vary from 5% to 20% depending on the excisable goods.

Other Taxes

Capital Duty

None.

Stamp Duty

There is currently no stamp duty legislation in South Sudan. However, in practice, stamp duties are imposed by the state authorities, which varies depending on the states.

Transfer Tax

There is no transfer tax on immovable property. There is no transfer tax on shares, bonds and other securities.

Net Worth Tax

There is no net worth tax in South Sudan.

Real Estate Tax

There is no legislation yet.

Inheritance/Estate Tax

None.

South Sudan



Net Wealth Tax
None.

Payroll Tax

An employer shall withhold tax from an employee's wages, including bonuses and allowances, for the appropriate payroll period.

Social Security

There is no legislation yet. However, in practice, employers must contribute an amount equal to 17% of the monthly salaries of their Sudanese and expatriate employees for social security.

Tax Administration

Corporations

- Tax year – Calendar year unless a different tax year is approved by the tax authorities.
- Filing requirements – A corporate taxpayer must file an annual return based on its income for the tax year. The return is due on or before the 1st April of the year following the tax period. The taxpayer's audited financial statements, together with any final tax due, must accompany the tax return. In addition, taxpayers shall remit an advance payment of income tax on a quarterly basis.
- Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
- Penalties – A penalty of 5% each month shall accrue

on any amount of tax unpaid by the due date. An interest on such unpaid tax shall accrue at the rate of 120% of the commercial rate from the last due date to the date of payment. In cases of failure to file the return, an additional charge of 5% of reported tax liability, to a maximum of 25%, shall be levied on the taxpayer.

- Rulings – Binding rulings are applicable in South Sudan provided that the taxpayer has made a full and true disclosure of the nature of all aspects of the transaction relevant to the ruling.

Individuals

- Tax year – Calendar year.
- Filing and payment – Submission of tax returns shall be on or before the 1st of April of the year following the tax period. A resident individual engaged in any entrepreneurial activity, or receiving estate lease income, shall remit an advance payment of income tax on a quarterly basis.
- Penalties – See rules under "Corporations".

General Investment Information

Investment Incentives

Various investment incentives are available to foreign investors on a case-by-case basis, including concessions in machinery and equipment for qualified investment priority areas, capital allowances, deductible annual allowances, other annual depreciation allowances and access to land for investment under the Investment Promotion Act.

Exchange Controls

There are no foreign exchange controls as such in South Sudan. Foreign investors can freely repatriate profits, net of all taxes and other statutory obligations, to its holding company or head office abroad, in accordance with the Investment Promotion Act 2009. However, it should be noted that due to a shortage of foreign currency, it may be difficult to transfer foreign currency outside South Sudan.

Expatriates and Work Permits

A visa and work permit is required for foreigners who intend to work in South Sudan.

South Sudan

Trade Relations

- International Organisations – United Nations (UN) and African Union (AU).
- Treaties – None.

Interest and Currency Exchange Rates

Lending Interest Rate

11.80% (last recorded 2014)
(source: Trading Economics)

15%-18% (2009)
(source: South Sudan Housing Finance Report)

Currency: South Sudanese pound (SSP)

R1 = 0.488635 SSP (December 2014)
(source: Oanda)

US\$1 = 5.6800 SSP (December 2014)
(source: Oanda)

Notes:

1. The South Sudanese pound is the official currency of the Republic of South Sudan. It is subdivided into 100 piasters. It was approved by the Southern Sudan Legislative Assembly prior to secession on 9 July 2011 from Sudan. It was introduced on 18 July 2011, and replaced the Sudanese pound at par.

Key Economic Statistics

GDP (approx.)

US\$23.188 billion (2013 estimate)
(source: IMF)

US\$24.830 billion (2014 estimate)
(source: IMF)

US\$29.193 billion (2015 forecast)
(source: IMF)

Market Capitalisation

Not available.

Rate of Inflation

-0.039% (2013 average)
(source: IMF)

11.154% (2014 average)
(source: IMF)

14.195% (December 2014)
(source: IMF)



Swaziland



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Swaziland

The Minister of Finance, Honourable Martin G Dlamini, delivered the National Budget for the 2014/15 year on 21 February 2014, with the theme being, "Invigorate economic growth, create employment opportunities and accelerate public sector reforms".

Income Tax

Residents

The source basis of taxation is applied in Swaziland. Foreign-source income is exempt from Swaziland tax.

Income Tax Rates for Resident Individuals: Years of Assessment Commencing On or After 1 July 2013

| Taxable Income as exceeds | But does not exceed | Tax Payable |
|---------------------------|---------------------|--------------|
| E | E | E |
| 0 | 100 000 | 0 + 20% |
| 100 000 | 150 000 | 20 000 + 25% |
| 150 000 | 200 000 | 32 500 + 30% |
| 200 000 | | 47 500 + 33% |

Notes:

1. A primary rebate of E8 200 applies.
2. A secondary rebate of E2 700 is applied for persons over the age of 60.
3. Income tax returns, for individuals (IT12) required to submit returns, must be downloaded from the Swaziland Revenue Authority (SRA) website or collected from an SRA tax office/service centre and be completed and submitted by 31 October each year. Extensions may be granted on application to the SRA.
4. Individuals are taxed on the value of any benefit or advantage arising from employment. The Commissioner has determined values for various benefits in kind on which the recipient is taxed. Such valuations cover free and/or subsidised housing, private usage of a company vehicle on company business, provision of domestic services and staff, education, free or subsidised fuel and other benefits. Fringe benefits are taxed in full.



5. Amounts derived by an employee under an employee share acquisition scheme, including any gain derived by an employee on disposal of a right or option to acquire shares under such a scheme, are taxable and subject to the deduction of employees' tax.
6. The penalty for contravening the provisions of the Pay-As-You-Earn (PAYE) system is a fine, on conviction, of up to E10 000 or imprisonment for up to one year, or both. In serious cases, a fine on conviction of up to E50 000, or imprisonment for up to five years, or both can apply. These penalties will apply to any person who fails to deduct employees' tax from remuneration paid by him; who fails to pay employees' tax deductions to the Commissioner; or who uses the money for any purpose other than paying it to the Commissioner.

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7. If an employer fails to pay the full amount he/she has deducted, or should have deducted, from his/her employees by the 7th of the following month, he will be liable to a penalty of 20% of the amount outstanding, in addition to the interest charge of 18%. Where the employer has failed to deduct the employees' tax and the Commissioner is satisfied that this was not done with an intent to postpone payment or to avoid the employer's responsibilities, the Commissioner may, if he/she is satisfied that there is a reasonable prospect of recovery from the employee, absolve the employer. Employers not so absolved, will have the right of recovery of the tax against employees and may deduct the money which they have had to pay to the Commissioner on behalf of employees, from future payments of remuneration in accordance with the Commissioner's directions.
8. Dividends are taxed at a flat rate of 10%.
9. There is a 10% withholding tax (WHT) on interest on investments paid to Swaziland residents.

3. Branches of foreign companies are subject to tax on Swaziland profits as if they were domestic companies. In addition, a branch profits tax of 15% is charged on the deemed repatriated income (12.5% if repatriated to Botswana, Lesotho, Mozambique, Namibia or South Africa).
4. There is no group relief.
5. There is no specific provision for relief from foreign taxes except under double taxation agreements (DTAs).
6. A Development Approval Order (DAO) is available, subject to the approval of the Minister of Finance, for new businesses engaged in the manufacturing, mining, agribusiness, tourism and international financial services industries. The DAO includes generous tax incentives for 10 years including exemption from WHTs, a CIT rate of 10%, as well as the duty-free import of capital goods for investment projects. New investors also enjoy duty-free import of raw materials to manufacture products to be exported outside the Southern African Customs Union (SACU).

Non-Residents

Salaries paid to non-resident individuals, working in Swaziland, are subject to a minimum tax rate of 15%. The income tax rates for resident individuals are also applicable to non-residents in respect of other (non-salary) income earned in Swaziland (subject to a minimum tax rate of 10%). In addition, certain payments made to non-residents are subject to WHTs (see Withholding Taxes below).

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2013

| | Rate of Tax |
|---------------|-------------|
| All companies | 27.5% |

Notes:

1. Corporate Income Tax (CIT) is levied at a flat rate of 27.5%. There is, however, a variable rate for mining companies. For companies, around whose principal business is that of mining, the following tax rates are applied: 27% on the first E20 000 of taxable income, and 30% on the balance of taxable income.
2. Dividends received by, or accruing to a company, are exempt from normal tax.

Withholding Taxes (WHTs)

Certain payments made to non-residents, whether corporate or individual, are subject to WHTs. In addition, certain payments to residents are also subject to WHTs. These rates are set out below:

| WHT Rates | | | |
|---|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 10% | 15% |
| Interest | | 10% | 10% |
| Royalties | | | 15% |
| Management fees, construction fees, entertainers and sportsmen, and services contracts (excluding employment contracts) | | | 15% |
| Rental payments (individuals) | 2 | 10% | 10% |

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Notes:

1. If the dividends are paid to companies which are incorporated in Botswana, Namibia, Lesotho or South Africa, and which are not subsidiaries or branches of companies registered elsewhere, the rate is 12.5%.
2. WHTs apply on rental payments for the use or occupation, or the right of use or occupation of land or buildings, or collection of such rent for or on behalf of any person.
3. These WHTs are all final taxes, but may be reduced by applicable DTAs. Swaziland has agreements with Mauritius, South Africa, the United Kingdom (UK) and Taiwan.

Maximum WHT Rates Once DTA is Applied

| Recipient's Country of Residence | Dividends | Interest | Royalty |
|----------------------------------|------------------------|----------------|-----------------|
| Mauritius | 7.5% | 5% | 7.5% |
| South Africa | 10%/12.5% ¹ | 10% | 10% |
| Taiwan | 10% | 10% | 10% |
| UK | - | - ² | 0% ³ |

Notes:

1. The 10% rate applies if the beneficial owner is a company which holds at least 25% of the capital of the company paying the dividends. In order to claim the 10%, the receiving company must make application to the Swaziland authorities for a directive, without which the local company is obligated to withhold 12.5%.
2. There is no reduction under the treaty.
3. Royalties are only taxable in the country of the recipient.
4. DTAs have been negotiated with Seychelles and Lesotho and are currently signed but not ratified.
5. A DTA between Swaziland and Botswana is still being negotiated.



Capital Gains Tax (CGT)

There is no CGT in Swaziland.

Inheritances and Donations

There is no estate duty or donations tax in Swaziland.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 14% |

Notes:

1. VAT was introduced in Swaziland on 1 April 2012 and is levied at the standard rate of 14%.
2. Certain goods and services are free of VAT (i.e. they are zero-rated) and these include certain basic foodstuffs and direct exports. VAT is charged at 0% and input tax credits on purchases can be claimed.
3. A supply of goods and services can also be exempt (i.e. fall outside the scope of VAT). A supplier of exempt supplies cannot charge VAT nor claim input tax. Exempt supplies include financial services, educational services and passenger transport.
4. Businesses with taxable supplies exceeding E500 000 are required to register for VAT. Registration below this threshold is voluntary and at the discretion of the Commissioner.
5. VAT returns and payments are generally required to be submitted every month within 20 days of the end of the VAT period.
6. The VAT system provides for a reverse charge mechanism for services imported from foreign suppliers. The obligation to calculate VAT and pay it to the SRA, is that of the Swaziland purchaser and is not a WHT. Applicable WHTs remain payable.



Customs and Excise Duties

SACU member states are required to apply similar customs and excise duties. Various excise duties are levied on both imported and local goods, such as tobacco, vinegar, alcohol and petroleum products. The rates are specific and are generally assessed on a per litre or per kilogram(kg) basis.

Other Transaction Taxes

| Transaction Tax | | Rate |
|--|--------------------|------|
| Transfer duty – Immovable property | first E40 000 | 2% |
| | E40 001 to E60 000 | 4% |
| | E60 001 + | 6% |
| Stamp duty – Share transfers | | 1% |
| Casino levy and lotteries and gaming tax | | 15% |

Notes:

- Stamp duties are payable on various documents. Purchasers of marketable securities are liable for stamp duty of 1%.
- The casino levy and lotteries and gaming tax is withheld at source and is a final tax.

General Investment Information

Investment Incentives

Swaziland has established the Swaziland Investment Promotion Authority (SIPA) to attract foreign investment. Applications for business licences, work permits and foreign exchange approvals are processed by SIPA.

Tax Incentives

- Capital allowances:
 - Plant and machinery used in a process of manufacture – 50% initial allowance in the first year of use and a 10% annual allowance on the reducing balance method over the lifetime of the asset.
 - Hotel construction and improvement allowance – 50% of the cost is deductible in the year in which it is incurred on the construction of a new hotel or beneficial improvements to an existing hotel. In addition, an annual allowance of 4% of such expenditure is allowed.
 - Buildings (and improvements thereto) used to house manufacturing plant and machinery (industrial buildings) – 50% initial allowance in the first year of use and an additional 4% annual allowance. The initial allowance is deductible at the taxpayer's discretion. The allowance is a one-time deduction in the year in which the building is first brought into use, or the improvements are completed, and it is subject to the condition that the building must be used to house machinery or plant which at the time of installation is new or unused or, if the machinery or plant is not new, has not previously been used in Swaziland, and which does not replace other machinery or plant. This initial allowance is also available to taxpayers who lease an industrial building to a lessee who uses it in his business.
- Employee housing allowance – For the erection of dwellings for employees, an allowance of 20% may be claimed for the first year and 10% for each of the succeeding eight years. The same concessions are given to farmers in respect of the erection of any buildings used for the domestic purposes of any employees.

Swaziland



- Export promotion expenditure:
 - 133% deduction on approved export promotion expenditure incurred during the year preceding the year of assessment by an approved company in the handicraft and cottage industry sector.
 - 150% deduction on approved export promotion expenditure incurred during the year preceding the year of assessment by an approved trading house. (The allowance is subject to the approval of the Commissioner and the Ministry of Enterprise and Labour).
- Farming – Certain capital expenditure is tax-deductible, but the total deduction in any year of assessment is limited to 30% of the gross income derived by the farmer from farming operations. Any amount disallowed is carried forward and added to expenditure in the succeeding year.
- Certain tax incentives are available to investors qualifying as a “development enterprise” in terms of issued guidelines. These incentives include a 10% CIT rate for 10 years and an exemption from WHTs on dividends for the same period.
- Losses – Where income is exceeded by allowable deductions, an assessed loss is created. Such loss may be carried forward indefinitely for set off against taxable income in future years of assessment. The proviso exists that the taxpayer must continue to operate and derive income.
- Foreign-source income – Only income which has a source, or deemed source, in Swaziland will be subject to tax in the Kingdom. Foreign-source income is exempt from Swaziland tax.
- Exemption from non-resident shareholders tax and

non-resident tax on interest – There is provision in the Order to exempt a non-resident person from non-resident’s shareholder’s tax, and from non-resident tax on interest in respect of dividend income and interest income, in cases where the Government has given an undertaking to grant such exemptions.

Exchange Controls

Swaziland is a member of the Common Monetary Area (CMA) with South Africa, Lesotho and Namibia. In broad terms, it constitutes a single exchange control area. There are no restrictions on inward investment by foreigners and profits may be fully repatriated. There are restrictions on outward investment by local residents.

The administration of the exchange control regulations, is undertaken by the Central Bank of Swaziland in cooperation with Authorised Dealers. Generally, all loans and shareholdings abroad, are subject to prior approval.

Expatriates and Work Permits

Subject to meeting certain criteria, these may be granted to investors and skilled personnel.

Trade Relations

- Memberships – SACU, South African Development Community (SADC), Common Market for Eastern and Southern Africa, European Free Trade Area, African, Caribbean and Pacific Group of States (ACP).
- Swaziland has bilateral investment protection agreements with Egypt, Germany, Taiwan, Mauritius and the UK.

Swaziland

Notes:

1. As a member of the CMA, monetary developments in Swaziland reflect the monetary policy pursued and implemented by the South African Reserve Bank. Swaziland has signed an interim Economic Partnership Agreement (EPA), which will cover trade in services and investments between the SADC-EPA states and the European Union (EU).
2. Swaziland is a World Trade Organisation (WTO) member and continues to support the Doha round of negotiations at the WTO. A satisfactory outcome for Swaziland, and all developing countries, will be a Round that places development at the core of the negotiations. This will assist the Nation to achieve development policy objectives and aspirations and draw closer to meeting the Millennium Development Goals (MDGs).

Interest and Currency Exchange Rates

Lending Interest Rate

8.500% (last reported 2014)

(source: World Bank)

Currency: Lilangeni (Divided into 100 cents)

R1 = E0.99571 (December 2014)

(source: Oanda)

US\$1 = E11.5745 (December 2014)

(source: Oanda)

US\$1 = E9.6488 (2013 average)

(source: Oanda)

Notes:

1. South African bank notes, but not coins, are a legal tender in Swaziland. The monetary arrangement between South Africa and Swaziland, which dates back to when both countries used British Sterling as their currency, was formalised in December 1974 with the signing of the Rand Monetary Area (RMA) Agreement which became the CMA in 1986.
2. Swaziland's currency is pegged to the South African Rand, subsuming Swaziland's monetary policy to South Africa.



Key Economic Statistics

GDP (approx.)

US\$3.791 billion (2013 estimate)

(source: The World Bank)

US\$3.822 billion (2014 estimate)

(source: IMF)

US\$4.004 billion (2015 forecast)

(source: IMF)

Market Capitalisation

E2.036 billion (October 2014)

(source: Swaziland Stock Exchange)

Rate of Inflation

5.62% (2013 average)

(source: IMF)

5.52% (2014 average)

(source: IMF)

5.60% (December 2014)

(source: IMF)

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Tanzania

Introduction

The Minister for Finance and Economic Affairs, Honourable Saada Mkuya Salum (MP), presented the Budget Speech and Economic Status comprising the estimates of the Government revenue and expenditure for financial year 2014/15, to the National Assembly on 12 June 2014, in Dodoma. Agriculture remains a top priority for the Government and the largest employer of over 85% of the population.

The Budget changes were supported by Finance Bill 2014, which has since been enacted into Finance Act 2014. The 2014/15 revenue measures were effective from 1 July 2014.

Income Tax

Residents

Residents are taxed on worldwide income.

Income Tax Rates for Resident Individuals: From 1 July 2014

| Monthly Taxable Income as exceeds | But does not exceed | Tax Payable |
|-----------------------------------|---------------------|---------------|
| Tshs | Tshs | Tshs |
| 0 | 170 000 | 0% |
| 170 000 | 360 000 | 0 + 12% |
| 360 000 | 540 000 | 22 800 + 20% |
| 540 000 | 720 000 | 58 800 + 25% |
| 720 000 | | 103 800 + 30% |

Notes:

- An individual is considered resident in Tanzania for tax purposes if the individual:
 - Has a permanent home in Tanzania and was present in Tanzania at any time in the tax year; or
 - Is present in Tanzania for 183 days or more in the tax year; or
 - Was present in Tanzania in that tax year and in each of the two preceding tax years, for periods averaging more than 122 days per year; or
 - Is an employee or an official of the Government of Tanzania posted abroad during the tax year.



- Individuals are also taxed on the value of any benefit or advantage arising from employment.
- The tax-free amount for purposes of Pay-As-You-Earn (PAYE) continues to be to Tshs170 000 following the increase in the minimum threshold in 2012.
- The 2014 Finance Act provided for a 1% reduction on the lower band PAYE rate payable by resident individuals. The minimum tax rate chargeable for the year of income has been reduced from 13% to 12%.
- The rate of Skills and Development Levy (SDL) payable by the employer remains to be 5% following the reduction from 6% to 5% in 2013.
- It also provided exemption from SDL to government departments or public institutions wholly funded by the Government.

Non-Residents

Non-resident individuals are subject to a fixed tax rate of 20% on total income from a source in Tanzania. However, non-residents are taxed on their income from employment that is Tanzanian sourced at 15%, which is a final tax. In addition, certain payments made to non-residents are subject to withholding taxes (WHTs). (See Withholding Taxes below).

Companies

Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 January 2005

| | Rate |
|-------------------------------|------|
| Companies | 30% |
| Alternative Minimum Tax (AMT) | 0.3% |

Notes:

1. The corporate tax rates have remained unchanged since 1 January 2005.
2. Where the underlying ownership of a company changes by more than 50%, as compared with the ownership at any time during the preceding three years, the company is treated as having realised its assets and liabilities held immediately before such change in control at their market value.
3. Shareholders disposing shares in Tanzanian companies are required to pay a single instalment tax (10% for residents and 20% for non-residents) before the title in the shares can be transferred.
4. A 4% royalty is charged on gold and other metallic mineral; 5% on diamonds, uranium and gemstones; 1% on gemstones (cut and polished); 3% for other minerals (e.g. coal) and 12.5% for petroleum and gas produced onshore and in shallow water. The royalty rate for deep sea hydrocarbon production is 7.5%. A 15% levy is charged on exports of raw hides and skins.
5. Companies having five consecutive years of tax losses will be taxed at 0.3% on their turnover on the fifth year.

Income Tax Rates for Non-Corporate Businesses

| Yearly Turnover as exceeds | But does not exceed | Tax Payable (where complete records are kept) | Tax Payable (where records are incomplete) |
|----------------------------|---------------------|---|--|
| Tshs | Tshs | Tshs | Tshs |
| 0 | 4 000 000 | Nil | Nil |
| 4 000 000 | 7 500 000 | 0 + 4% | 200 000 |
| 7 500 000 | 11 500 000 | 140 000 + 5% | 424 000 |
| 11 500 000 | 16 000 000 | 340 000 + 6% | 728 000 |
| 16 000 000 | 20 000 000 | 610 000 + 7% | 1 150 000 |

Notes:

1. This table is applicable to self-employed individuals whose businesses have an annual turnover of less than Tshs20 million and applies to individual’s income that consists exclusively of income from business with a source in Tanzania. A standard assessment is made (i.e. the graduated tax rates for individuals are not applied) and no tax returns need to be submitted.

Mining

The Income Tax Act (ITA) was amended to allow the mining companies to claim full deduction on equipment used for prospecting and exploration for minerals during their first year of use.

Oil & Gas

Finance Act 2014 has extended the definition of “technical services” to the oil & gas sector. The definition of technical services for income tax purposes now includes services relating to seismic survey, data interpretation, drilling or any such services which are typically associated with the oil & gas sector.

Oil & gas entities procuring these services will now be required to withhold either 5% or 15% tax from residents or non-resident service providers respectively. The WHT is a final tax which means resident service providers will suffer the tax on their turnover. Since it is a final tax, technical services providers will not have additional corporate tax liabilities on income subjected to the 5% tax.

Financial Sector

Recently there has been a conflict between the financial sector in Tanzania (which is regulated by the Bank of Tanzania) and Tanzania Revenue Authority (TRA) regarding deductibility of bad debts in the sector. The BoT has guidelines on how the financial institutions should determine bad debts from an industry perspective. TRA do not agree with the BoT’s guidelines and has often queried and disallowed financial institutions’ bad debts that are based purely on the basis of the guidelines. A number of banks have challenged TRA’s position and there are a couple of cases working their way through the court hierarchy.

Finance Act 2014 has now amended the law in this area to introduce more stringent requirements to financial institutions. In addition to the BoT guidelines, financial institutions will now be required to demonstrate that they have taken all reasonable steps in pursuing the bad debts, and the institution must reasonably believe that debt claim will not be satisfied.

Withholding Taxes (WHTs)

Certain payments are subject to WHT. These rates are set out below:

| WHT Rates | | |
|---|-----------|---------------|
| | Residents | Non-Residents |
| Dividends | | |
| - Paid by listed company | 5% | 5% |
| - Paid by unlisted company | 10% | 10% |
| - To company controlling 25% of shares or more | 5% | 10% |
| Insurance premiums | 0% | 5% |
| Interest | 10% | 10% |
| Pensions | | |
| - Lump sums commuted | 10% | 15% |
| - Annuities | 15% | 15% |
| Royalties | 15% | 15% |
| Mining | | |
| - Management and technical services | 5% | 15% |
| Rents | | |
| - If in excess of Tsh500 000 per annum ⁹ | 10% | 10% |
| - Aircraft ¹² | 10% | 0% |
| Service fees ^{3,4} | 5% | 15% |
| Annual directors fees | 15% | 15% |
| Government payments | | |
| - Suppliers of goods to the Government | 2% | 0% |
| - Money transfer commission ¹² | 10% | |

Notes:

- All supplies of goods to a resident corporation, whose budget is wholly or substantially financed by the Government, by a resident corporation irrespective of whether or not they hold a Tax Identification Number (TIN) are subject to WHT of 2%.
- The non-resident WHTs specified in the table alongside, the WHT on technical services to mining companies, and the resident WHT rates for dividends, interest on deposits from a financial institution to an individual, and rent to an individual, are final taxes.
- Finance Act 2013 imposed a 5% WHT on service fees paid by a resident person (including a Permanent Establishment (PE)) to another resident person. The tax is an advance tax that can be offset against the corporate tax liability for the year.
- A 15% WHT is applicable where service fees are paid to a non-resident person with a source in Tanzania. Income is sourced in Tanzania where services are rendered in Tanzania, though the TRA is attempting to tax payments where the service is consumed in Tanzania, regardless of the location of performance.
- The repatriated income of a local PE of a non-resident person is subject to a WHT of 10%.
- Tax withheld must be paid to the Commissioner within seven days after the end of the month in which the amount is withheld.
- The requirement to withhold tax does not apply to individuals unless the payment is made in conducting a business.
- The WHT rates may, in respect of payments to non-residents, be reduced by an applicable Double Tax Agreement (DTA). Tanzania's DTAs, and the WHT rates in terms of these agreements, are set out below.
- WHT on lease payments for land/buildings to a non-resident withholder, has been reduced to 10% instead of 15% (as previously).
- Finance Act 2013 introduced a 10% WHT on the commission on money transfers by a money transfer agent.
- Finance Act 2014 removed exemption rental charges on an aircraft lease paid to a non-resident by a person engaged in an air transport business. A 10% WHT now applies.
- Finance Act 2014 has introduced a 15% final WHT on fees paid to directors who are board members.
- Finance Act 2014 has also exempted from PAYE, payments in respect of annual directors' fees to full-time service directors.

| Maximum WHT Rates Once a DTA is Applied | | | |
|---|------------------|----------|-----------|
| Recipient's Country of Residence | Dividends | Interest | Royalties |
| Canada | 10% ¹ | 10% | 15% |
| Denmark | 10% | 10% | 15% |
| Finland | 10% | 10% | 15% |
| India | 10% ¹ | 10% | 15% |
| Italy | 10% | 10% | 15% |
| Norway | 10% | 10% | 15% |
| Sweden | 10% ¹ | 10% | 15% |
| Zambia | 0% ² | 10% | 15% |
| South Africa | 20% ³ | 10% | 10% |

Notes:

1. The WHT rate may be reduced if certain levels of shareholdings are held.
2. The reduced rate only applies if the dividend payment is taxed in the recipient's country of residence.
3. A preferential rate of 10% applies where the beneficial owner holds at least 15% of the capital of the company paying the dividends.
4. All of these tax treaties (except the treaty with Italy) provide that no WHT can be levied on branch profits.

Controlled Foreign Corporations (CFCs) and Trusts

Residents are taxed on the undistributed income of controlled foreign corporations and controlled foreign trusts. A "controlled foreign trust" or "controlled foreign corporation" means a non-resident trust or corporation in which a resident person has an interest, whether directly or indirectly through one or more interposed non-resident entities, and where the person is "associated" (i.e. connected) with the trust or corporation.

A controlled foreign corporation/controlled foreign trust is treated as having distributed its unallocated income at the end of each tax year and the shareholders or beneficiaries are treated as having received such



income. The unallocated income of the corporation or trust is determined as if it were a resident of Tanzania, less any distributions made.

Thin Capitalisation, Transfer Pricing and Income Splitting

In a Gazette Notice (published on 7 February 2014), Tanzania introduced transfer pricing (TP) regulations. The regulations require taxpayers to have a TP policy in place when filing their corporate tax returns and furnish the Commissioner with the policy when requested to do so. However, TRA have indicated that they consider a grace period to allow taxpayers to comply.

The TP regulations largely follow the United Nations (UN) and OECD Guidelines, and are for the most part consistent with the OECD TP guidelines. However, where inconsistency exists, the Tanzania TP regulations will prevail.

Notes:

1. The Income Tax Act provides that where transactions between associated persons are not at arm's length, the Commissioner has the discretion to make adjustments to the taxable income. Similar rules apply when there is an attempt to split income and thereby reduce the tax payable, whether dealing with associated companies or not. In terms of the thin capitalisation rules, the Finance Act amended the existing rule. Interest deductions will now be limited to the extent of a debt to equity ratio of 70:30. This interest is disallowed permanently in the year incurred.

Capital Gains

Residents and non-residents could be liable for income tax on capital gains. This applies to land, buildings and shares or securities held as securities. The rate is 30%, with an instalment tax due at the time of transfer of land or buildings, being 10% for resident persons and 20% for non-resident persons. Finance Act 2012 imposed a single instalment requirement on sale of shares in a resident corporation by a foreign/ non-resident shareholder. The instalment is payable before the title to an investment asset is transferred. Moreover, the transfer shall only be registered upon certification by the Commissioner that the instalment has been paid or that no instalment is payable. This aims at controlling tax avoidance. Gains realised by a person carrying on a business are generally taxed as business income.

Inheritances and Donations

There is no donations tax or estate duty in Tanzania.

Value Added Tax (VAT)

Tanzania’s Ministry of Finance issued a draft VAT Bill 2014, which is meant to replace the current Act which has been in place since 1998.

With effect from 1 July 2009, VAT on the supply and importation of goods and services, was reduced from 20% to 18%.

Currently, exports, agricultural and fishing inputs, veterinary drugs and mosquito nets, are zero-rated. The supply of basic foodstuffs, agricultural and livestock raw products, newspapers and books, pesticides, health services, educational services, mobile health clinics, railway locomotives and rolling stock, and veterinary services, are exempt supplies. Certain other goods and services are also exempt from VAT, including ground transport services run by tour operators, aviation fuel for domestic air operators, games of chance, and goods such as computer equipment, hospital equipment, capital goods for investment in education projects and tea and milk packaging materials.

The third schedule provides VAT relief on importation by, or supply to, a registered and licenced oil & gas/ mining explorer or prospector of goods or services used in exploration or prospecting activities.

The changes proposed in VAT Bill 2014 will radically change the current VAT legislation by making most supplies standard rated and limiting exemption and VAT relief to limited items.

Other Transaction Taxes

| Transaction Tax | | |
|---------------------------|------|-------------------|
| | Note | Tax Payable |
| Stamp duty on transfer of | | |
| - Agricultural land | | Tshs500 per acre |
| - Immovable property | | Maximum 1.5% |
| Stamp duty | | |
| - Share transfers | | 1% |
| Air travel tax | | |
| - Domestic travel | | Tshs5 000 |
| - International travel | | US\$30 |
| Road fuel levy | 1 | Tshs263 per litre |

Business Licencing

- City, town and municipal councils – Licence fee of Tshs50 000 per annum for each type of business eligible for a business licence (other than bars).
- District councils – Licence fee of Tshs30 000 per annum.
- Village councils – Licence fee of Tshs10 000 per annum.



Notes:

1. The road fuel levy increased to Tshs263, being an increase in Tshs63 per litre.
2. There is an exemption from stamp duty on transfer of ownership of assets to Special Purpose Vehicles (SPVs) for the purpose of issuing asset-backed securities.
3. Government introduced a petroleum levy of Tshs50 per litre. The move is intended to support the Rural Energy Authority in the rural electrification project.
4. There is a proposed VAT legislation that is meant to repeal the current VAT Act. The Bill is yet to be assented by the President.

Motor Vehicle Licence Fees

The rates for motor vehicle licence fees are as follows:

| Motor Vehicle Licence Fees | | |
|--|---------------------|-------------------------|
| Motor Vehicle Engine Capacity as exceeds | But does not exceed | Licence Fee p.a. (Tshs) |
| 0 | 500cc | 0 |
| 500 | 1 500cc | 150 000 |
| 1 500cc | 2 500cc | 200 000 |
| 2 500c + | | 250 000 |

Notes:

1. Passenger car vehicles will attract excise at a rate of 10%, and the import age threshold has been reduced from 10 to five years.
2. Non-passenger utility motor vehicles will continue to attract excise at 5%, and the import age threshold has been reduced from 10 to eight years.
3. Non-utility motor vehicles will continue to attract excise at a rate of 25%, and the import age threshold has been reduced from 10 to eight years.
4. Introduction of 10% excise duty on fees and levies on money transfer services, which will be payable by banks and telecommunication companies.

City Service Levy (CSL)

The Local Government Finance Act 1982, empowers municipal councils to administer and collect a city service levy to companies operating in their municipalities. CSL is chargeable to a maximum of 0.3% on turnover. The levy is negotiable but capped at 0.3%.

**Import Tariffs**

- In order to enhance revenue collections, the Government is intending to improve the valuation system for imported goods to address the problem of under-declaration, which leads to revenue leakages. To facilitate this, several measures are being taken to improve the Import Export Commodity Data Base (IECDB).
- The 2014/15 Budget proposed the following changes in respect to import duties:
 - A reduction in import duty rate on buses carrying more than 25 passengers, from 25% to 10%.
 - Increase import duty rate for millstones and grindstones for milling, grinding or pulping (HS Code 6804.10.00) from 0% to 25%.
 - Split the tariff line under HS Code 8421.29.00 in order to grant exemption of import duty to water treatment effluent plant.
 - Introducing a 25% duty rate temporarily on rice and sugar when imported to cover the gap in the local market. Formerly, the duty rate was set at 75% for rice, and 100% for sugar.
 - Continuing to grant duty remission to soap manufacturers using palm stearin, RBD under HS Code 1511.90.40.
 - Granting exemption of import duty on:
 - Machinery and spare parts imported by Tanzania Railways Limited (TRL) for use in railway operations.
 - Goods imported by the National Intelligence Services.
 - Plastic bag biogas digesters under HS Code 3926.90.90.
 - Armed Forces Canteen Organisation for the period of one year.
 - Abolish procedures used in inspection of goods imported by traders under the "Compliant Trader Scheme".

Customs and Excise

Notes:

1. The changes to the EAC Customs Management Act and Common External Tariff are usually adopted by all East African Community (EAC) members; namely, Kenya, Uganda, Rwanda, Tanzania and Burundi. There are, nevertheless, occasions where each country may not adopt the provisions under a special concession granted by the other member states. At the time of writing this publication, it was not clear whether there were any such instances. What follows therefore is a combination of announcements by each of the countries. Once the EAC Gazette Notice is published, it will be possible to clarify this matter. The changes agreed to under the EAC Management Act generally take effect from 1 July, unless specified otherwise in the EAC Gazette Notice.

The 2014/15 Budget further introduced the following changes:

- Removal of 0.15% excise duty on money transfers.
- Introducing 10% excise duty on fees and levies on money transfer services, which are payable by banks and telecommunication companies.
- Introducing 15% excise duty on imported furniture under HS code 94.01.
- Introduction of 25% excise duty on used spare parts for motor vehicles, motorcycles and used domestic appliances.
- Increasing excise duty on imported fruit juices from Tshs110 to Tshs200 per litre.
- Amending excise duty on cigarettes as follows:
 - Cigarettes without filter tip and containing domestic tobacco more than 75%, from Tshs9 031 to Tshs9 11 289 per thousand cigarettes.
 - Cigarettes with filter tip and containing domestic tobacco more than 75%, from Tshs21 351 to Tshs26 689 per thousand cigarettes.
 - Other cigarettes not mentioned above from Tshs38 628 to Tshs48 285 per thousand cigarettes.
 - Cut rag or cut filler from Tshs19 510 per kg to Tshs24 388 per kg.
 - Excise duty rate on cigars remains at 30%.
- Excise duty on natural gas for industrial use at the rate of Tsh0.43 per cubic feet.
- Adjusting the specific duty structure on soft drinks, beers, spirits, cigarettes and wine as follows:
 - Carbonated soft drinks from Tshs91 per litre to Tshs55 per litre.

- Wine with domestic grapes content exceeding 75%, from Tshs160 per litre to Tshs192 per litre.
- Wine produced with more than 25% imported grapes, from Tshs1 775 per litre to Tshs2 130 per litre.
- Spirits, whiskies, rums, gins and others from Tshs2 631 per litre to Tshs3 157 per litre.
- Beer (made from local un-malted cereals) from Tshs341 per litre to Tshs409 per litre.
- Other (including energy drinks and non-alcoholic beverages) from Tshs578 per litre to Tshs694 per litre.

Notes:

1. The duty rate of 15% will now apply to all vehicles that are more than eight years old but less than 10 years old, and 30% on those vehicles imported that are more than ten years old. The duty rate of 25% previously applied to vehicles imported that were more than ten years old.
2. Imported utility vehicles, that are more than five years old, now attract excise duty at a rate of 10%.
3. The Finance Act 2014 abolished the 0.15% excise duty on money transfers. However this has been replaced with an excise duty of 10% chargeable to financial institutions and telecommunications service on fees, other charges and money transfer services.

Investment Incentives

Tax Incentives

Wear-and-tear Rates

- Initial allowance (in first year of use) – 50% allowance in respect of plant and machinery used for manufacturing processes or fish farming, and hotel equipment.
- Annual allowance – The wear-and-tear rates apply as set out below (straight-line method unless otherwise stated):
 - Computer equipment and construction and earth-moving equipment – 37.5% (reducing balance method).
 - Vehicles – 37.5% or 25% depending on the type of vehicle and seating capacity (reducing balance method).
 - Trains, boats, aircraft, plant and machinery used in manufacturing or mining operations – 25% (reducing balance method).
 - Office furniture, fixtures and equipment – 12.5% (reducing balance method).
 - Mining assets – 20%.

- Buildings and other permanent structures used in agriculture, livestock farming or fish farming – 20%.
- Plant and machinery used in agriculture, electronic fiscal device purchased by a non-VAT registered trader and equipment used for prospecting and exploration of minerals or petroleum – 100%.
- Other buildings – 5%.
- Other intangible assets – Written off over the useful life of the asset.
- Other assets – 12.5% (reducing balance method).
- A full deduction is granted in respect of the following:
 - Agricultural improvement expenditure in clearing land, excavating irrigation channels or planting perennial crops or trees bearing crops.
 - Environmental expenditure for the prevention of soil erosion or remedying damage caused by natural resource extraction.
 - Research and development (R&D) expenditure.
 - Various fees charged by the Ministry of Natural Resources and Tourism will be reviewed.
 - Various concessions apply to Export Processing Zones (EPZs), Special Economic Zones (SEZs) and non-government organisations on land.

Tanzania Investment Centre (TIC)

TIC was established to act as a “go to” centre for investors. It is responsible to coordinate, encourage, promote and facilitate FDIs in Tanzania. TIC is also tasked among other things with the following:

- (a) Initiate and support measures that enhance the investment climate in the country.
- (b) Collect, collate and analyse and disseminate information about investment opportunities and sources of investment capital, and advise investors upon request on the availability, choice or suitability of partners in joint-venture projects.
- (c) In consultation with government institutions and agencies, identify investment sites, estates, or land together with associated facilities of any sites, estates or land for the purposes of investors and investments in general.
- (d) Assist all investors to obtain all necessary permits, licences approvals consents, authorisations, registrations and other matters required by law for a person to set up and operate an investment; and to enable certificates issued by the Centre to have full effect.

- (e) To provide, develop, construct, alter, adapt, maintain and administer investment sites, estates or land together with associated facilities and subject to relevant law, the creation and management of an EPZ.
- (f) Provide and disseminate up to date information on benefits or incentives available to investors.

One of the eligibility criteria under the centre, is a minimum capital threshold of US\$100 000 and US\$300 000 for local and foreigners respectively. Upon successful application and acceptance, the TIC will issue a company a certificate of incentives. Incentives as per the Act is used to mean tax reliefs and concessional tax rates which may be accessed by an investor under the ITA, ECCMA, Customs Tariff Act, VAT and any other laws for the time being in force.

Strategic Investor

The Tanzania Investment Act provides that a relevant minister can identify a certain investment as a strategic or major investment. In doing so, the minister in consultation with the Finance Minister can issue a Gazette Notice setting out specific incentives to be granted to the strategic investor.

Economic Processing Zones (EPZs)

On 26 March 2006, presidential assent was given to the Export Processing Zones (Amendments) Act, 2006. The primary purpose of this Act is to overhaul the administration of EPZs. This is being done through the establishment of the Export Processing Zones Authority. Roles of the EPZ Authority include setting up EPZ sites and promotion of EPZs. The EPZ Authority is to be comprised of various government ministers, the Attorney General, Governor of the BOT, as well as the heads of three industry groups. The other function of the Amendments Act was to restate the benefits under an EPZ. Importantly, EPZ operators can now sell up to 20% of their goods within the customs territory, provided the necessary customs permits and applicable import duties, levies and other charges are cleared. An EPZ investor’s entitlements include the following:

- (a) Access to the export credit guarantee scheme.
- (b) Exemption from payments of corporate tax for an initial period of 10 years.
- (c) Exemption from payment of WHT on rent, dividends and interest for the first 10 years.
- (d) Remission of customs duty, VAT and any other tax



payable on raw materials and goods of a capital nature.

- (e) Exemption from payment of all taxes and levies imposed by local government authorities for goods and services produced or purchased in the EPZ for a period of 10 years.
- (f) Exemption from pre-shipment or destination inspection requirements.
- (g) On-site customs inspection of goods.
- (h) Provision of business visas at the point of entry to key technical, management, and training staff for a maximum period of two months; thereafter the requirements to obtain a residence permit applies.
- (i) Entitlement to automatic immigration quota of five persons.
- (j) Treatment of goods destined for the EPZ as transit cargo.
- (k) Exemption form VAT on utility and wharfage charges.
- (l) Guarantees on foreign exchange transferability.

Special Economic Zones (SEZs)

In another move to promote manufacturing, the Special Economic Zones Act, 2006, was also given presidential assent on 26 March 2006. The SEZs regime in Tanzania is now operational. This scheme applies to investments that produce goods and services for the local market. An investment falling short of qualifying for the EPZ scheme will most likely be eligible for this. The EPZ now operates under the umbrella of the SEZ but with slight

different conditions to the SEZs especially in terms of local supply limitation. The SEZ Act has widened the coverage of incentives to more than just producers for export market. Each one would be under a specific licensing authority but all under the one umbrella, the SEZA.

Notes:

1. Category "A" investors get similar benefits to items (b), (c), (f), (g), (i), (j) and (k) listed for EPZs in the paragraph pertaining to EPZs. In addition, they are entitled to exemption from taxes and duties on any capital goods and materials used for purposes of development of SEZs, exemptions from stamp duty and a 10-year property tax exemption. This category is for the zone developer.
2. Category "B" investors get similar benefits to items (d), (f), (g), (h), (i), and (l), listed previously for EPZs. There is also an exemption available from WHT on interest on foreign-source loans. Category "C" consists of suppliers producing and selling into the SEZs.
3. Category "C" investor entitlements mirror that of EPZ investors.

General Incentives

- Government is set to continue implementing the Five Year Development Plan, which directs investment of national resources in few priority areas, with a view to accelerate economic growth and reduction of poverty. The Government also aims at continuing to encourage the private sector to invest in priority areas. In addition, every citizen is called upon to participate effectively in the utilisation of available opportunities by providing services and engaging in productive activities in order to increase income.
- Continue with capacity building to government officials including TRA officials in order to enhance their knowledge and skills with a view to curb tax evasion and avoidance particularly on tricks often used by big companies, especially in communication, minerals and gas sectors, including transfer pricing.
- The 2014/15 Budget aims to continue strengthening Regional Integration in EAC and SADC, and exploit existing opportunities.
- Considering the priorities identified under the First Five Year Development Plan, particularly the priority sectors under the "Big Results Now", as well as MKUKUTA II, which have proved to be effective in economic growth.



- The Public Private Partnership (PPP) Act No. 18 of 2010, was passed in 2012, so as to provide room for the private sector to invest in public infrastructures and operate them with a view to provide public services at reasonable cost, at the same time addressing peoples’ economic and social needs. The 2014/15 Budget aims to improve the business and investment environment, including addressing barriers to the implementation of the PPP Law to attract private sector participation in the economy.

Exchange Controls

Tanzania does not have exchange controls in respect of capital inflow and overseas remittances. A maximum of US\$10 000 travel allowance for each trip out of Tanzania, is granted to an individual. Transactions between residents of Tanzania and non-residents, require the approval of the Bank of Tanzania. However, transfers of shares between residents and non-residents, do not require approval. Resident corporations may remit capital and income to non-resident corporations through commercial banks operating in Tanzania.

Expatriates and Work Permits

All foreign nationals taking up employment in Tanzania must obtain a work permit. The applicant must demonstrate that a Tanzanian national is not able to fill the position.

Trade Relations

- Memberships – SADC, East African Customs Union.
- AGOA beneficiary country.

Interest and Currency Exchange Rates

| |
|--|
| 91-Day Treasury Bill Rate |
| 11.84% (July 2014) (source: Bank of Tanzania) |
| Currency: Tanzanian Shilling (Divided into 100 cents) |
| R1 = Tshs145.00 (December 2014) (source: Oanda) |
| US\$1 =Tshs1 701.86 (December 2014) (source: Oanda) |
| US\$1 = Tshs1 574 (2013 average) (source: Bank of Tanzania) |

Key Economic Statistics

| |
|--|
| GDP (approx) |
| US\$36.62 billion (2014 estimate) (source: IMF) |
| US\$40.244 billion (2015 forecast) (source: World bank) |
| Market Capitalisation |
| US\$13 559.33 million (September 2014) (source: Dar es Salaam Stock Exchange) |
| Rate of Inflation |
| 7.87% (2013 average) (source: IMF) |
| 5.872% (2014 average) (source: IMF) |
| 9.40% (April 2014) (source: Ministry of Finance) |
| 5.022% (December 2014) (source: IMF) |

| |
|--|
| Notes: |
| 1. The Government’s perseverance in curbing inflation has enabled the decline of the inflation rate in 2014. This was made possible due to a strong macro-economic policy, good climate conditions (which led to increase in food production), provision of farm inputs, subsidies, and availability of electricity. |

Tunisia



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Tunisia

In December 2013, the Constituent Assembly of Tunisia approved the Financial Act of Management for 2014. Likewise, in August 2014, this Assembly approved a complementary Financial Act of Management in order to balance the State budget.

This document takes into consideration the updates brought by these two Financial Acts of Management.

Income Tax

Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals

| Taxable Income as exceeds | But does not exceed | Rate |
|---------------------------|---------------------|------|
| TND | TND | % |
| 0 | 1 500 | 0% |
| 1 500 | 5 000 | 15% |
| 5 000 | 10 000 | 20% |
| 10 000 | 20 000 | 25% |
| 20 000 | 50 000 | 30% |
| 50 000 + | | 35% |

Notes:

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax on most Tunisian-source income only under reserve of double taxation treaties (DTAs).
2. Residence – An individual is resident in Tunisia if he/she has a main residence in Tunisia or is present in Tunisia for at least 183 days in the relevant calendar year.
3. Rates – Individual income tax is levied at progressive rates up to 35% with an exemption of annual net income which does not exceed TND5 000. However, foreign national workers in certain sectors (e.g. export enterprises, offshore banks and hydrocarbon exploitation), can opt to pay a lump sum tax of 20% of gross salary.
4. Royalty on personal income – The payment of a royalty on personal income equals 1% of the net income, for the benefit of the General Compensation Fund. The royalty is due on all personal income (even the exempt income) which exceeds TND20 000.



5. Taxable income – Is assessed on the total annual income derived from Tunisia or abroad, if the foreign income was not taxed in the source country for the individual.
6. Deductions and allowances – Various deductions are available, such as interest incurred on certain loans, life insurance payments and grants to the National Employment Fund. Family allowances are also available.
7. Filing status – Joint returns are not permitted. Each taxpayer must file his/her own return separately.
8. Relief from double taxation is available through tax treaties to which Tunisia is signatory. Tunisia has entered into tax treaties with most Arab countries, European Union (EU) countries, the United States of America (USA), and Canada etc.

Non-Residents

Non-resident companies are taxed on Tunisia-source income only. In other words, a non-resident is subject to the Tunisian income tax at the normal graduated rates on income received in consequence of employment by a local employer (whether a resident employer or a Tunisian Permanent Establishment (PE) of a non-resident employer), as well as to the various flat rate withholding taxes (WHTs).

Employment Income

The taxable revenues are comprised of salaries, and other complementary remunerations, as well as any other “in kind benefits”. The revenues of foreign-source paid in Tunisia, is subject to income tax in Tunisia, or in the countries of origin, according to the salaried employee tax residence status, and subject to DTAs.

Tunisia

Benefits in Kind

The benefits in kind paid by an employer to his/her employee are taken into account in the determination of the WHT based on their real value. This rule is applied to all benefits including lodging, a company car, or goods and services consumption (e.g. telephone, restaurants etc.).

Companies

| Income Tax Rates for Companies | |
|--|---------------------|
| | Rate of Tax |
| Agricultural, health, handicraft companies and education activities | 10% |
| Companies which are newly listed on the Tunisian Stock Exchange (TSE) | 20% |
| Standard corporate tax rate* | 25% |
| Banking and financial institutions; investment companies; insurance and reinsurance companies; factoring companies; and telecommunications companies | 35% |
| Companies operating in the hydrocarbons sector | Between 50% and 75% |

* The standard corporate tax rate was reduced to 25%, applicable to net incomes realised from 2014.

Notes:

1. Residence – Tunisia does not have a definition of residence.
2. Basis – Tunisia operates under a territorial system under which all income derived in Tunisia is subject to taxes.
3. Rate – The normal tax rate is 25%. A minimum corporate income tax (CIT) (Alternative Minimum Tax (AMT)) is also applicable depending on the activities and sectors.
4. Chargeable income – Comprises profits derived from the operation of a business in Tunisia.
5. Losses – Net operating losses may be carried forward up to four years. Losses from depreciation may be carried forward indefinitely. The carryback of losses is not permitted.
6. Dividends – Dividends distributed by Tunisian companies are subject to WHT at the rate of 5% on net distributable net income.

7. Foreign tax credit – None.
8. Corporate groups – When a Tunisian company holds 75% or more of the shares of one or more Tunisian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company. To benefit from this regime, the following requirements must be met:
 - (1) The parent company is listed on the TSE;
 - (2) The financial statements of the companies in the group are certified by an external legal auditor;
 - (3) The group companies all have the same fiscal year and accounting period; and
 - (4) All companies in the group are subject to CIT.
9. Holding company regime – None.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax.

| WHT Rates | | | |
|--------------------------------|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| Dividends | 1 | 5% | 5% |
| Interest | 2 | 20% | 20% |
| Professional fees | 3 | 5% | 15% |
| Payment more than 1.000 dinars | 4 | 1.5% | n/a |
| Other | 5 | 15% | 15% |

Notes:

1. Dividends – Dividends are subject to WHT at the rate of 5% excluding dividends distributed to resident companies in Tunisia.
2. Interest – Interest payments made to non-residents are generally subject to a 20% WHT unless the rate is reduced under a tax treaty.
3. Professional fees – Fee payments to non-residents generally are subject to a 15% WHT unless the rate is reduced under a tax treaty.
4. Not applicable to non-residents not established in Tunisia.
5. Other – Unless exempt under a tax treaty, other revenues realised by a non-resident are subject to a 15% WHT on these revenues.

Tunisia

Maximum WHT Rates once a DTA is applied*

WHT* on payments to countries with which Tunisia has a DTA are as follows:

| Type of Income | Belgium | France | Germany | Italy | Netherlands | South Africa | UK | Switzerland |
|------------------------|---------|--------|---------|-------|-------------|--------------|-----|-------------|
| Dividends | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% |
| Interest | 15% | 12% | 10% | 12% | 10% | 12% | 12% | 10% |
| Royalties | 15% | 20% | 10% | 16% | 11% | 10% | 15% | 10% |
| Technical service fees | 15% | 15% | 15% | 12% | 15% | 15% | 15% | 10% |
| Other | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% |

* Note that the applicable rate is the minimum between the Tunisian Law and the DTA. Maximum rates were cited but in accordance with the DTA, many rates can be applied depending on the nature of the operations.

Capital Gains Tax (CGT)

Companies

Capital gains are taxed as ordinary income and subject to the CIT rate applicable to the company.

Individuals

Capital gains are taxed as ordinary income. The rate is 15% if the seller holds property for less than 10 years, and 10% if the property is held for longer than 10 years.

Anti-avoidance

Transfer Pricing

If the price in a related party transaction does not correspond to a market price, the price could be adjusted by the tax administration. There is no benchmarking basis to fix the market price or the market margin,

which is why the transfer pricing manual must be well documented in order to be well protected and to have a comfortable position in a case of a tax audit.

Value Added Tax (VAT)

| VAT Category | Rate of VAT |
|---|-------------|
| Standard rate | 18% |
| Products and operations listed in Table B bis | 12% |
| Products and operations listed in Table B | 6% |
| Products and operations listed in Table A | 0% |

Notes:

- VAT is imposed on the supply of goods or services in Tunisia, and on the import of goods or services. VAT is applied to all industrial, handicraft and services businesses except for agriculture.
- The standard rate is 18% with reduced rates of 6% and 12%. Exports are VAT exempt.
- VAT registration is required upon the establishment of a company in Tunisia.
- VAT returns and payments are due on a monthly basis.



Tunisia



Customs and Excise Duties

Excise tax is a federal tax on specific goods and services either imported or manufactured in Tunisia. It is levied on a variety of items such as cigarettes, tobacco, and alcoholic beverages, cosmetics, perfume and private cars. Excise tax is levied on sale price or customs value for imported goods. According to the Tunisia Excise Tax Code, several rates apply to different goods. A joint list is available on the Code, fixing different rates.

Import Duties

VAT rates apply as follows:

- 18% which is the standard rate.
- 12% on the importation of certain goods listed in the Table B bis.
- 6% on the importation of certain goods listed in the Table B.
- 0% on the importation of certain goods listed in the Table A.

Excise duty applies at rates and sums resumed in the table of "Consumption Duties". Customs at rates and pricing apply as detailed in the Customs Code.

Miscellaneous Taxes

Stamp Duty

Stamp duty is levied on majority of contracts, agreements and documents that are subject to registration, as well as on administrative private documents relating to a business. The rates for stamp duty vary depending on the nature of the transaction.

Stamp Duty on Departure of a Non-resident

A stamp duty of TND30 has been introduced, and applies for non-resident persons upon their departure from Tunisia.

Capital Duty

A TND150 registration duty is levied on each contribution of capital or increase in capital.

Real Property Tax

The transfer of real property, located in Tunisia, is subject to various registration fees, such as a 5% transfer tax and a 3% tax for unregistered property etc. These rates could be individually or cumulatively applied depending on the nature of the transfer and the identity of the parties.

Inheritance/Estate Tax

Inheritance and gift tax is calculated at rates ranging from 2.5% to 35%, depending on the degree of succession.

Wealth Tax

This tax is not applied in Tunisia.

Payroll Tax

An employer is required to pay a professional training tax at a rate of 1% of gross salary in the manufacturing industry, and 2% for other activities. In addition, a contribution must be made to the Social Housing Fund at a rate of 1% of gross salary. Both taxes are due monthly.

Tunisia

Other

A tax on industrial, commercial or professional establishment is due at a rate of 0.1% or 0.2% of the local turnover; all taxes included with a minimum.

Social Security

The employer must withhold and pay social security contributions on behalf of the employee at a rate of 9.18% of the total monthly gross remuneration. The employer's social security part is at 16.07% in addition to a work accident contribution rate, which depends on the sector and ranges from 0.4% to 4%.

Contribution to the retirement fund is not compulsory and is fixed at 9% on the difference between the gross wages and six times the minimum guaranteed wage, of which two-thirds is paid by the employer and one-third by the employee.

Tax Administration

Corporations

- Tax year – Calendar year although a company can request another 12-month period.
- Consolidated returns – A group of companies may file a consolidated tax return provided approval is obtained from the Ministry of Finance and the following requirements are met: (1) the parent company is quoted on the TSE; (2) the parent company holds directly or indirectly at least 75% of the share capital of each subsidiary in the group; (3) the financial statements of the companies in the group are certified by an external auditor; (4) the group companies all have the same tax year and

accounting period; and (5) all companies in the group are subject to CIT.

- Filing requirements – The tax return must be filed before the 25th day of the third month following the closing date. Companies must make advance payments of tax before the 28th day of the sixth, ninth and 12th month following the end of the year, with each payment equivalent to 30% of the CIT of the previous year after adjustment. Advance tax paid may be credited against the final CIT liability for the year.
- Penalties – Late payment penalties are imposed at the following rates: 0.5% per month, or fraction thereof, if the tax due is paid voluntarily (i.e. without intervention of the authorities), and 1.25% per month, or fraction thereof, if the tax authorities have to intervene. For WHTs, the penalty for failure to withhold, or report, is equal to the amount of non-withheld tax. The amount can double for a subsequent offence.

Individuals

- Tax year – Calendar year.
- Filing and payment – Individuals carrying out a trade must file by no later than the 25th of April, and service providers and those carrying on an industrial activity or a non-commercial profession, by no later than the 25th of May. Salaried employees and pensioners must file by no later than the 5th of December. Individuals deriving income from movable capital, land and foreign sources, must file an annual return by no later than the 25th of February.
- Penalties – Late payment penalties are assessed at the following rates: 0.5% per month, or fraction thereof, if the tax due is paid voluntarily (i.e. without intervention of the authorities), and 1.25% per month, or fraction thereof, if the tax authorities have to intervene. For WHTs, the penalty for failure to withhold, or report, is equal to the amount of non-withheld tax. The amount can double for a subsequent offence.

Banking Secrecy

- Banks, postal facilities brokers and insurance institutions are required to provide to the tax administration the accounts and funds of taxpayer which undergoes a tax audit.
- This measure is applicable only if certain conditions are met by the tax administration.



General Investment Information

General Incentives

Tunisia has enacted several laws to encourage foreign investment in the industrial, services, finance and tourism sectors. Various incentives (i.e. exemptions, reduced rates, financial support, investment bonuses, a full tax allowance etc.) are provided for by the Investment Incentives Code. This has increased foreign investment in Tunisia.

Tax Incentives

- Companies incorporated in regional development areas benefit from:
 - A full tax exemption on profits for 10 years and a 50% tax base reduction for a new period of 10 years.
 - A full tax exemption on reinvested profits.
 - Full assumption by the State of the employer's contribution to the legal regime of social security during the first five years in regional development areas, and partially (from 80% to 20%) during the following five years.
 - Possibility that the State contributes to infrastructure expenses.
 - 15% to 25% investment bonus based on the investment value (with limitations).
 - The High Commission for Investments is authorised to grant further incentives to investments projects deemed to be of special or significant importance.
- Companies established in Free Trade Zones (FTZs) are

only subject to the following taxes, duties, rights and fees:

- Duties and taxes related to passenger cars.
- Single countervailing duty on land transport.
- Contributions and shares for the social security legal scheme.
- CIT from the 11th year of operation to date from the first effective export sale after a 50% deduction for export derived profits.
- Export incentives are as follows:
 - Fully exporting companies are taxable at the rate of 10%.
 - Fully exporting companies established before this date, benefit from whole exemption of their profits during the first 10 years. Thereafter, a rate of 10% applies.
- Dividends distributed by Tunisian companies are taxable in Tunisia. They are freely transferable as long as they come from businesses provided by the Investment Incentives Code.
- Expatriate concessions are as follows:
 - Diplomatic and consular agents of foreign nationalities, subject to reciprocity, are exempt from income tax.
 - The fully exporting companies may recruit management and official staff members of foreign nationality up to the limit of four for each company, after advising the Ministry of Labour.

Exchange Controls

Foreign-owned companies, and branches of foreign companies, may freely repatriate profits provided applicable taxes have been paid. Certain transfers, however, must be approved by the Central Bank.



Tunisia

Expatriates and Work Permits

Pre-arrival Procedures

Any foreigner, except Union du Maghreb Arabe (UMA) nationals, who desires to exercise salaried work in Tunisia, should have a working contract and a residence card bearing authorisation to exercise salaried work in Tunisia. The working contract is concluded for a period not exceeding one year, renewable only once. However, the working contract may be renewable more than once if it deals with foreigners working in their companies that operate in Tunisia within the framework of the Realisation of Development Projects, approved by the relevant authorities. The recruitment of foreigners can only be realised when there are no Tunisian skills within the specialties concerned by the recruitment.

Employment Visas

Entry visas are not required for almost all European countries. However, for workers who benefit from a working contract, they should apply for residence cards from the relevant regional police offices. This procedure is not required for UMA nationals.

Trade Relations

- Memberships – World Trade Organisation (WTO), Organisation for Economic Cooperation and Development (OECD).

Interest and Currency Exchange Rates

| |
|--|
| Monetary Policy Rate |
| 4.94% (November 2014) (source: Central Bank of Tunisia) |
| Currency: Tunisian Dinar (TND) |
| R1 = 0.15995 TND (December 2014) (source: Oanda) |
| US\$1 = 1.85930 TND (December 2014) (source: Oanda) |

Key Economic Statistics

| |
|--|
| GDP (approx.) |
| US\$46.736 billion (2014 estimate) (source: IMF) |
| US\$48.058 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| US\$9.225 billion (November 2014) (source: Bloomberg) |
| Tunindex* |
| 4 978.55 (November 2014) (source: Bloomberg) |
| *The Tunindex is a major stock market index which tracks the performance of all companies listed on the TSE. |
| Rate of Inflation |
| 6.095% (2013 average) (source: IMF) |
| 5.488% (2014 average) (source: IMF) |
| 5.339% (December 2014) (source: IMF) |

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Uganda

The Minister of Finance, Maria Kiwanuka, delivered the 2014/15 National Budget amid high expectations, with the theme for 2014/15 being, "Maintaining the Momentum: Infrastructure Investment for Growth and Socio-Economic Transformation" (not much of a change from last year's theme).

Amendments include the following:

Income Tax

- Termination of exemption on income derived from education institutions.
- Introduction of Capital Gains Tax (CGT) on sale of commercial property.
- Elimination of initial allowances,
- Termination of interest income exemption on agricultural loans.
- Limiting deductions on interest paid to associated parties under thin capitalisation rules. Interest on debt in excess of the foreign debt-to-equity ratio of 1:1 is to be disallowed.
- Defining start-up costs as only non-recurring expenditure, and re-defining commercial buildings.
- Designation of gaming houses as withholding tax (WHT) agents, and introducing a 15% WHT on betting winnings.
- Imposing WHT on payments of re-insurance premiums at 15%.
- Separating rental income from companies' gross income and taxing it at 30%.
- Revising of the tax bands of small business taxpayers (annual gross turnover less than Ushs50 million).

Value Added Tax (VAT)

- Elimination of VAT exemption on supply of new computers, desktop printers, computer parts and accessories, and computer software licences.
- Elimination of VAT exemption on supply of hotel accommodation in tourist lodges and hotels outside Kampala District.
- Elimination of VAT exemption on supply of liquefied petroleum gas.
- Elimination of VAT exemption on supply of feeds for poultry and livestock.
- Elimination of VAT exemption on supply of packaging materials to the dairy and milling industries.
- Elimination of VAT exemption on supply of salt.
- Elimination of VAT exemption on supply of insurance services, except health, life, micro and re-insurance services.



- Elimination of VAT exemption on supply of specialised vehicles, plant and machinery services and civil works related to roads and bridges construction, agriculture, water, education and health.
- Termination of zero-rating supply of printing services for educational materials.
- Termination of zero-rating supply of cereals, grown, milled or produced in Uganda.
- Termination of zero-rating supply of processed milk and milk products.
- Termination of zero-rating supply of machinery and tools for agriculture.
- Termination of zero-rating supply of seeds, fertilizers, pesticides and hoes.

Customs Duties

- Introduction of an additional infrastructure levy of 1.5% on selected items into the East African Community (EAC).

Excise Duties

- Petrol and diesel increased to Ushs950 and Ushs630 respectively.
- Re-instatement of excise duty of Ushs200 on kerosene.
- Increase excise duty on sugar from Ushs25 to Ushs50.
- Imposition of 10% excise duty on mobile money withdrawal fees.
- Imposition of 10% excise duty on bank charges and money transfer fees.

Miscellaneous

- Integration of Government in the tax system so that government transactions are treated in the same way as private sector transactions.
- To revise the current non-tax revenue rates through the Finance Bill of 2014.

Income Tax

Residents

Income Tax Rates for Resident Individuals: Years of Assessment Commencing On or After 1 July 2012

| Taxable Income as exceeds | But does not exceed | Rate | Tax Payable |
|---------------------------|---------------------|------|-------------|
| Ushs | Ushs | % | Ushs |
| 0 | 2 820 000 | 0% | 0 |
| 2 820 000 | 4 020 000 | 10% | 120 000 |
| 4 020 000 | 4 920 000 | 20% | 300 000 |
| 4 920 000 | 120 000 000 | 30% | |
| 120 000 000 + | | 40% | |

Income Tax Rates for Small Business Taxpayers: Years of Assessment Commencing On or After 1 July 2014

| Annual gross turnover as exceeds | But does not exceed | Tax Payable |
|----------------------------------|---------------------|---|
| Ushs | Ushs | Ushs |
| 5 000 000 | 10 000 000 | 0 |
| 10 000 000 | 20 000 000 | Lower of 450 000 and 3% of gross turnover |
| 20 000 000 | 30 000 000 | Lower of 750 000 and 3% of gross turnover |
| 30 000 000 | 40 000 000 | Lower of 1 050 000 and 3% of gross turnover |
| 40 000 000 | 50 000 000 | Lower of 1 350 000 and 3% of gross turnover |

Notes:

1. A resident individual is subject to tax on worldwide income. However, foreign-source employment income is exempt from tax in Uganda where the individual has paid foreign tax on the income. For other types of income a foreign tax credit is available in the same way as it is for companies.
2. Tax is imposed at graduated rates from 0% to 30%. Annual income in excess of Ushs4.92 million is taxed at 30%.
3. A sole proprietor is taxed in the same way as an individual.
4. The tax year of assessment for individuals and partnerships is 1 July to 30 June.
5. An individual present in Uganda for at least 183 days in any 12-month period is resident for the tax years beginning and ending in that period. In addition, a person with a permanent home in Uganda, or who has been present for an average of at least 122 days during three consecutive tax years, is deemed to be tax resident. In addition, an individual is resident for tax purposes if that individual is an employee or official of the Government posted abroad during the year.
6. The foreign employment income of a resident is exempt from tax in Uganda if tax has been deducted and remitted on it to the Revenue authorities in the country of employment.
7. Income includes: any profits, gains, dividends, interest, and non-monetary benefits, advantages or facilities obtained through gainful means. The WHT on dividends (15% or 10% on dividends from companies listed on the Uganda Stock Exchange (USE)) is treated as a final tax for individuals. The WHT (15%) on interest from a financial institution (20% on Treasury Bills) is a final tax for individuals.
8. Rental income for individuals and individual partners of a partnership is taxed separately at 20% on 80% of the gross income over Ushs2.82 million.
9. Effective 1 July 2014, rental income for companies and trustees is now separately taxed at 30%.
10. Life insurance premiums, contributions to retirement funds and medical expenses paid for by an employer (other than a tax-exempt employer) are not taxable employee benefits.
11. Fringe benefits are taxable to the employee at scale rates or the actual cost to the company, subject to a market value test.

Uganda



12. National Social Security Fund (NSSF) is charged at the rate of 15% of monthly salary, wages or cash allowances. Both employers and employees contribute 10% and 5% respectively. The 10% contribution by the employer is now an allowable deduction from the gross income of the employer with effect from 1 July 2004.

Non-Residents

Income Tax Rates for Non-Resident Individuals, Trusts and Estates: Years of Assessment Commencing On or After 1 July 2012

| Annual Taxable Income as exceeds | But does not exceed | Rate | Tax Payable |
|----------------------------------|---------------------|------|-------------|
| Ushs | Ushs | % | Ushs |
| 0 | 4 020 000 | 10% | 402 000 |
| 4 020 000 | 4 920 000 | 20% | 582 000 |
| 4 920 000 | 120 000 000 | 30% | |
| 120 000 000 + | | 40% | |

Notes:

1. A non-resident individual is liable only to tax on income derived from sources in Uganda or which accrues to him from an employment exercised or services rendered in Uganda.

Pay-As-You-Earn (PAYE)

PAYE and taxation of employment benefits is not a separate tax. It is an instalment income tax system under which employers are required to deduct tax instalments from their employees' salary or other employment income.

Notes:

1. The instalments deducted are remitted to the Uganda Revenue Authority (URA), and based on the PAYE tax return lodged by the employer. The employee offsets the total amount deducted from the individual employee against the employees' tax liability upon submission of the annual tax return at the end of the tax year. Every employer must therefore register for PAYE, as well as be familiar with the rules relating to the filing of PAYE returns and how PAYE is calculated.
2. No return of income is necessary for an individual whose gross income consists exclusively of employment income derived exclusively from a single employer from which tax has been withheld and paid.
3. Penalties apply where the employer fails to deduct or remit PAYE, or deducts and remits incorrect amounts. For example, the URA can require the employer to pay any PAYE shortfalls.
4. Where the employee has been in employment for 10 or more years, the assessable amount is calculated using the formula: $A \times 75\%$, where A is the total amount of payment.

Taxable Benefits in Kind

Motor Vehicles

A car provided wholly or partly for an employee's private use is a taxable benefit, calculated according to the formula:

$$(20\% \times A \times B/C) - D$$

Where:

- A = The market value of the car at the time it was first provided for private use.
- B = The number of days the car is available for private use in the year of income.
- C = The number of days in the year of income.
- D = Any payment made by the employee for the benefit.

Provision of Domestic Services and Utilities

The cost to the employer of providing the services of a housekeeper, chauffeur, gardener and utilities, is assessable income reduced by any payments made by the employee as contribution towards cost.

Provision of Meals, Refreshments or Entertainment

The cost to the employer of providing such benefits is assessed on the employee. However, where the meals are provided by an employer on a non-discriminatory basis to all employees in premises operated by or on behalf of the employer, then no taxable benefit arises.

Beneficial Loans

Where an employer grants a loan exceeding US\$1 million whose repayment is over three months at a rate of interest below the statutory rate (Bank of Uganda discount rate at the start of the year), the value of the benefit is the amount outstanding at the beginning of the month multiplied into the difference between the statutory rate and the rate offered by the employer.

Waiver of Loans

The amount of any loans waived by the employer is assessed on the employee.

Transfer of Use of Property or Provision of Services

Where a benefit provided by an employer consists of transfer or use of property or the provision of services, the market value of the property or services is the value of the benefit to be included in assessable income reduced by any payment made by the employee for the benefit.

Provision of Accommodation or Housing

The value of the benefit is the lesser of:

- The market rent of the accommodation/housing less the employee's contribution.
- 15% of employment income including market rent.

Housing provided to domestic workers within the same compound as the person they work for is not a taxable benefit.

Rental Income

Rental Tax is a separate income tax charged on the rental income of individuals, companies, partners and trusts. Rent is defined as any payment, including a premium or like amount, made as consideration for the use or occupation of, or the right to use or occupy, land or buildings. In effect, payment made on a lease of immovable property would be considered to be rent.



Notes:

1. A person's rental income should be segregated from other income and charged to tax as though it were a sole source of income for the taxpayer.
2. The taxation of rental income is as follows:
 - For individuals, including partners, 20% of the gross rental income is allowed as a deduction. (No other expenditure and loss is allowed against the gross rental income). From the remaining 80% of the gross rental income, the first US\$2 820 000 per annum is not taxable. The balance is taxed at the rate of 20%.
 - For companies and trustees in trusts, all expenditures and losses incurred in the production of rent is deducted from rental income before taxing rental income at 30%.
3. Subject to the provisions of a double taxation agreement (DTA) entered into between Uganda and another country, non-residents are taxed on rental income derived from Ugandan sources by way of a WHT of 15%.

Companies

| Income Tax Rates for Companies: Years of Assessment Commencing On or After 1 July 2012 | | |
|--|------|------|
| | Note | Rate |
| Resident companies | | 30% |
| Non-resident companies | | 30% |
| Trusts, trustees and retirement funds | | 30% |

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Notes:

1. The income of all companies accruing or derived from Uganda is taxable.
2. The income tax rate applicable to resident companies, Permanent Establishments (PEs) of non-resident companies and trusts and retirement funds is 30%.
3. The sources of income of a company on which the tax can be levied include: profits and gains from any business carried on for whatever period of time. Other sources include: dividends from shares in other companies and interest from use of the company's property.
4. Any income arising out of any trade, profession, vocation or venture in the nature of trade, is taxable under special rules applicable to business entities.
5. Taxable dividends include: dividends paid to a financial institution on its ownership of redeemable shares in the company paying the dividend, or dividends paid by a resident company as part of a dividend stripping arrangement. Dividend income is taxable at the corporate tax rate, but is exempt where a resident recipient company controls 25% or more of the voting power of the resident payer company. Any WHT deducted is allowed as a credit against the company's tax for the year. Foreign-source dividends are taxable.
6. There is no holding company regime. No participation exemption applies.
7. A company is liable to pay tax separately from its shareholders.
8. Trading losses, inclusive of capital losses, may be carried forward indefinitely and offset against future trading income. Losses arising from the completion of a long-term contract may be carried back.
9. A foreign tax credit is available where the foreign income is also taxable in Uganda. The credit can only be used in the year in which it arises to offset Ugandan tax payable on such income. Otherwise, the taxpayer loses this credit.
10. A company is resident in Uganda for tax purposes if that company:
 - Is incorporated or formed under the laws of Uganda; or
 - Has its management and control exercised in Uganda at any time during the year of income; or
 - Undertakes the majority of its operations in Uganda during the year of income.
11. The income tax rate applicable to trusts is 30% of the chargeable trust income for the year of income. A trust is exempt from income tax where income of the trust is paid directly to the beneficiary without passing through the hands of the trustee, or where a trustee relies on the ground that part of the income to be assessed accrues or arises for the benefit of the beneficiary.
12. Income tax assessments for a partnership can be made either in respect to individual partners or in the partnership's name. The profits of a partnership, including a firm carrying on a trade or profession, are taxable.
13. Losses may be disallowed where:
 - There is a change in corporate ownership exceeding 50% during a 12-month period.
 - For two years immediately after such ownership change, the company engages in new business or investment designed to reduce its tax liability.
14. Where dividend stripping reduces the value of shares, the dividend must be included in the company's income to the extent deemed necessary by the authorities.
15. Branch profits are taxed an additional 15% of the after-tax profits repatriated.
16. Where total deductions exceed total income, the assessed loss may be carried forward indefinitely and set off against future trading income. Assessed farming losses cannot be deducted from any other income in the year the loss is incurred. They may only be offset against future farming income. If a final loss is determined in the year a long-term contract is completed, the Commissioner may allow the loss to be carried back and offset against the income earned in the previous years, starting with the year immediately preceding the year in which the contract was completed.



17. Mining companies – The tax rate applicable to mining companies is calculated according to the following formula:
 $70 - 1500/x$
 x = The number of percentage points represented by the ratio of the chargeable income of the mining company for the year to the gross revenue of the company for that year.
- If the tax rate calculated from the above is less than 25%, the rate applicable is 25%.
 - If the tax rate calculated is more than 45%, the rate applicable is 45%.
 - When the x factor is between 0 – 33, the tax rate will be 25%.
 - When the x factor is 60 or more, then the tax rate is 45%.
18. Small business tax rates – Businesses with gross turnover not exceeding Ushs50 million will apply the small business taxpayer rates unless the election is made.

Taxation of Petroleum Operations

- Income earned by a contractor from activities other than petroleum operations, shall be taxed in accordance with the Income Tax Act (the Act).
- A contractor is only allowed to deduct amounts relating to petroleum operations against cost of oil derived in a contract area in the same year of income in which the amounts are incurred and income is derived.
- Where total deductions exceed the cost of oil arising from operations, the excess is carried forward to the next year and becomes deductible against the cost of oil arising in that year until fully utilised or operations in that area cease.
- All transactions shall be accounted for at arm’s length prices and a contractor shall disclose all non-arm’s length transactions in a return for a specified period (if required to do so by the Commissioner).
- A contractor is required to file a return as per the Act subject to modifications. A contractor shall furnish a return for the year of income not later than 90 days after the end of the year.
- In addition to the annual return, a contractor is required to file a return of estimates for each calendar not less than 30 days before the commencement of the year and thereafter an updated return within seven days after the end of each of the first three calendar quarters.



- For each year of income, commencing with the year of income in which commercial production commences from the contract area, allowable contract expenditure shall be deductible from the cost of oil.
- Decommissioning amounts carried in a contractor’s decommissioning costs reserve for a year of income, are allowed as a deduction in that year. Where at the end of decommissioning the deductible decommissioning amount exceeds the actual decommissioning expenditure, the excess is included in the contractor’s production share in the year the decommissioning ends.

Tax Administration and Compliance

Corporate Taxation

- A company may adopt a year of income different from the normal fiscal year (July to June) with the consent of the Commissioner.
- A provisional return must be filed within six months of the commencement of the company’s accounting year and if necessary file a revised estimate before the end of the 12th month of the particular year of income. The estimated tax for the year is payable in two instalments before the end of the first six-month period and before the company’s year-end. A final return and balance payment is due within six months after the company’s year-end.
- Consolidated returns are not permitted. Each company in a group must file its own return.
- Penalties – A 20% penalty on the shortfall will be levied where the provisional tax paid is less than 90% of the actual liability. The penalty on late payments is 2% per month on the shortfall, and 2% of the gross

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tax liability or Ushs200 000 per month, whichever is greater for the year when a return is filed late. Other civil and criminal penalties may arise in specific circumstances.

- Rulings – A private ruling may be obtained from the tax authorities on how the tax legislation applies to a specific transaction. Rulings are binding on the URA provided the taxpayer makes a full disclosure and completes the transaction as described.

Personal Taxation

- The normal tax year runs from 1 July to 30 June. Except for rental income, it is possible to have a year of income different from July to June with the approval of the tax authorities.
- Married couples are required to file separate returns.
- Quarterly provisional returns must be filed by individuals receiving income not subject to PAYE or other WHT. Individuals (including partners in a partnership) with taxable income must file a tax return within six months after the end of the fiscal year (i.e. 31 December), unless their income is from a single employer and subject to PAYE, or the individual is a small business taxpayer taxed on the basis of turnover. However, partnership and rental income returns and final tax payments are due four months after the year-end.
- Penalties – A 20% penalty on the shortfall will be levied where the provisional tax paid is less than 90% of the actual tax liability. The penalty on late payments is 2% per month on the shortfall and 2% of the gross tax liability for the year when a return is filed late. Other civil and criminal penalties may arise in specific circumstances.



Withholding Taxes (WHTs)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT. These tax rates are set out below:

| WHT Rates | | | |
|---|------|-----------|---------------|
| | Note | Residents | Non-Residents |
| | | Rate | Rate |
| Professional fees | | 6% | 15% |
| Management fees | | 6% | 15% |
| Imported goods | | 6% | |
| Goods and services to government bodies and other designated persons | | 6% | n/a |
| Royalties | | n/a | 15% |
| Rents or premiums | | n/a | 15% |
| Dividends | 1 | 15%/10% | 15% |
| Interest | | 15% | 15% |
| Natural resource payment | | n/a | 15% |
| Uganda-source service contract | | n/a | 15% |
| Shipping, air transport, cargo road transport | | n/a | 2% |
| Transmitting messages by cable, radio, optical fibre or satellite communication | | n/a | 5% |
| Entertainers, sports persons | | n/a | 15% |

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Notes:

1. Payments of dividends and interest are subject to a WHT of 15% both for residents and non-residents. In the case of non-residents, the rate may be reduced under an applicable tax treaty. The rate of WHT for dividends paid to resident individuals from listed companies is 10%.
2. In addition, non-residents are subject to 15% WHT for royalties, management fees, entertainers and sports personnel income, natural resource payments and equipment leases, on income earned from Uganda.
3. Interest paid to a resident person is subject to WHT at the rate of 15%. This is not, however, applicable in the case of:
 - Interest paid by a natural person.
 - Interest paid to a financial institution.
 - Interest paid by a company to an associated company.
 - Interest paid which is exempt in the hands of the recipient.Treasury bills now carry a 20% WHT.
4. Any payment to a person in Uganda from the Government, a government institution, a local authority, any company controlled by the Government, or any person designated in a notice issued by the Finance Minister, of an amount exceeding US\$1 million for the supply of goods or materials of any kinds or any service, is subject to a 6% WHT.
5. The Commissioner can exempt resident taxpayers who are regularly compliant from the payment of the 6% WHT on goods and services.

Double Taxation Agreements (DTAs)

Uganda has DTAs with a number of countries including: South Africa, United Kingdom (UK), Mauritius, Zambia, Italy, Norway, Denmark, India and Mauritius. The East African Treaty has also been signed but is yet to be ratified.

The Income Tax Act provides that an international agreement entered into between the Uganda Government and the government of a foreign country, shall have effect as if the agreement was contained in the Act. Where the terms of such an agreement are inconsistent with the provisions of the Act, apart from issues of tax avoidance, the terms of the international agreement prevail over the provisions of the Income Tax Act.

Capital Gains Tax (CGT)

Taxable capital gains arise on the disposal of qualifying assets held by a company. The gain is the excess of proceeds over the cost of the assets and related expenses. The taxpayer can elect to claim inflation relief for assets acquired prior to 31 March 1998. The gain is taxed at the company rate as part of business income. For an involuntary disposal, there is no gain or loss where the proceeds are re-invested in similar assets within one year. An asset is treated as disposed of if it is sold, exchanged, redeemed or distributed by the taxpayer, gifted, destroyed or lost.

Non-business assets are not subject to CGT except gains derived from the sale of shares in a private limited liability company. Only gains on disposal of business assets are liable to capital gains.

No gain or loss arises on a transfer between spouses, transfers which form part of a divorce settlement, disposals where the proceeds are reinvested in a similar asset within one year of the disposal, and transfer of asset to a trustee or a beneficiary on death of the taxpayer.

Transfer Pricing

In the past there have been no specific transfer pricing rules in Uganda. However, the Act gives the Commissioner powers to re-characterise income or transactions between related parties using the anti-avoidance provisions, where the Commissioner is of the opinion that the transactions do not reflect on arm's length relationship. Transfer pricing regulations have now been gazetted and became effective from 1 July 2011. Further guidelines covering documentation requirements were issued in early 2012.

Thin Capitalisation

The recommended interest-bearing debt to equity ratio by a foreign controlled resident company, which is not a financial institution at any time during the year, has been reduced from the ratio 2:1 to 1:1. A foreign controlled resident company is considered to be thinly capitalised if the ratio of its interest-bearing debt to its equity contribution exceeds 1:1. Where a company is thinly capitalised, any interest charges arising on the debt in excess of the 1:1 ratio, is not tax deductible. Equity includes unrealised revaluation reserves.

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Inheritances, Donations and Estate Duty Tax

There is no inheritance and estate duty tax in Uganda.

Value Added Tax (VAT)

| VAT | Rate |
|----------------------------------|------|
| Basic rate on goods and services | 18% |

Notes:

1. VAT was introduced in Uganda on 1 July 1996.
2. VAT is levied on the sale of goods and provision of services. VAT is also chargeable on the import of non-exempt goods and services.
3. A standard rate of 17% applied on most goods and services until 1 July 2005, when it was increased to 18%.
4. A reduced rate of 5% was introduced on 1 July 2007. This rate applied to taxable supplies of a commercial venture of taxable persons who built residential property for rent or sale. This special rate was revoked on 1 July 2009.
5. Zero-rated supplies include: an exported supply of goods or services and the supply or import of specified goods, particularly where used in agriculture, health and education.
6. Exempt supplies include, amongst others: unprocessed foodstuffs, agricultural produce in an unprocessed state, financial services, the supply of postage stamps, the supply of unimproved land, the supply of social welfare services, the supply of burial and cremation services, the supply of passenger transportation (other than tour and travel operators), the supply of betting, lotteries, and games of chance, the supply of goods as part of the transfer of a business as a going concern by one taxable person to another taxable person, the supply of precious metals and other valuables to the Bank of Uganda for the State Treasury, the supply of milk, including milk treated in any way to preserve it, the supply of dental, medical and veterinary equipment, the supply of life-jackets, life-saving gear, headgear and speed governors etc.
7. Compulsory registration applies to a person making, or expecting to make, taxable supplies of Ushs12.5 million or more in a three-month period. A business must have an office or registered office in Uganda before it can be registered for VAT. Though there is no legal requirement to appoint a fiscal representative, the only practical way of complying with VAT obligations without setting up a representative office in Uganda, could be by way of doing business through an agent. In general, the agent steps into the foreign business shoes and assumes its VAT responsibilities and obligations.
8. VAT returns must be filed by the 15th day of the following month, together with any outstanding amount.
9. Taxable persons are ordinarily expected to issue original tax invoices for their supplies. Taxpayers whose turnover is less than Ushs100 million may issue simplified tax invoices for taxable supplies made, provided the value of any individual item does not exceed Ushs50 000 and the total invoice does not exceed Ushs100 000. Where the person supplied, loses the original tax invoice, the supplier may provide a duplicate copy clearly marked "copy". A supplied person who has not been provided with an invoice may request the taxable person to provide a tax invoice in respect of the supply. A taxable person who receives a request for provision of an invoice should comply with the request within 14 days of receipt.
10. Non-VAT registered entities ordinarily cannot recover VAT incurred on their business activities. There is an exception, however, applicable to diplomats, consular missions and public international organisations, mentioned in the 1st Schedule to the VAT Act. These organisations and individuals may recover any VAT expenses in the conclusion of activities for official purposes.
11. Credit from self-assessed reverse charge VAT on imported services, is no longer available for offset.



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Customs and Excise

Notes:

1. The details of the 2014/15 Budget amendments are contained in the Excise Tariff (Amendment) Bill, 2014.

Other Transaction Taxes

| Transfer Tax | Rate |
|--------------|------|
| Basic rate | 1% |

Notes:

1. A transfer tax of 1% is levied on the transfer of immovable property and on the transfer of shares and other securities (except for shares listed on the USE).

Real Property Tax

Property rates are levied by the local authorities.

Stamp Duty

Stamp duty is an indirect tax levied on a number of legal documents and certain agreements (i.e. financial instruments and transactions) and charged at nominal or ad valorem rates. In the case of corporations, it may be possible to obtain a waiver from this duty in some cases if the Minister of Finance consents. The Stamps (Amendment of Schedule) Instrument 2013 changed the duty on policy of insurance, life insurance and insurance performance bonds to Ushs35 000, nil/zero and Ushs50 000 respectively.

General Investment Information

Investment Incentives

Tax Incentives

Special Tax Allowances

- Mining operations are allowed a 100% first-year deduction for capital expenditure incurred in searching for, discovering, testing, or gaining access to mineral deposits.
- An industrial buildings allowance (5% annual) is granted to factories, hotels and hospitals.
- The cost of acquiring an intangible asset having an ascertainable useful life is allowed a deduction on a

straight-line basis over the useful life of the asset.

- On disposal of the asset, the cost base of the asset is reduced by the deductions granted above.
- Wear-and-tear allowances apply to assets in the following classes:

| Class | Rate |
|--|------|
| 1. Computers and data handling equipment | 40% |
| 2. Automobiles, buses and minibuses with a seating capacity of less than 30 passengers; goods vehicles with a load capacity of less than seven tons; construction and earth-moving equipment | 35% |
| 3. Buses with a seating capacity of 30 or more passengers; goods carrying vehicles of more than seven tons, tractors, trailers, plant and machinery for farming mining or manufacturing operations | 30% |
| 4. Railroad cars, locomotives, vessels, barges, aircraft, specialised public utility plant, office furniture, fixtures and equipment and any depreciable asset not included in another class | 20% |

Non-Cash Incentives

Export Incentives

- Foreign exchange liberalisation – The foreign exchange regime is fully liberalised and exporters are entitled to retain 100% of their foreign exchange earnings accruing from their export transactions.
- Duty and VAT exemptions – There are no taxes charged on exports (zero-rated). This is meant to reduce costs for the exporters and to make exports from Uganda more competitive.
- Market access – The Government strongly supports global economic integration as it increases volume of trade, as well as offers other economic opportunities. Because of membership, Uganda's exports qualify for preferential tariff rates in COMESA, EAC. In addition, Ugandan products enter the European Union (EU) and US markets duty and quota-free under the Cotonou Agreement (ACP – EU) and the African Growth and Opportunity Act (AGOA) initiatives respectively.
- VAT on exports – All exports of goods and services are zero-rated for VAT. However, exporters are

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required to be VAT-registered. This enables them to reclaim VAT expended on all inputs used in the process of producing and processing exports.

- Duty drawback – The rationale for duty drawback is to enable manufacturers, and other exporters, to compete in foreign markets without the handicap of including costs of imported inputs in the final export price (the duty paid on imported inputs). This allows exports to drawback up to 100% duties paid on materials inputs imported to produce for export.
- Manufacturing under bond – This scheme allows manufacturers to seek a customs licence to hold and use imported raw materials intended for manufacture for export in secured places without payment of taxes. It makes available working capital, which would have been tied up through paying duties immediately after importation.
- Others – Other incentives are available under the Investment Code, as administered under the Income Tax Act, 1997, by the URA for export-oriented investment projects.

Exchange Controls

Although foreign exchange repatriations from Uganda are not restricted, any person seeking to repatriate funds in excess of Ushs50 million should obtain a tax clearance certificate from the URA. The Anti-Money Laundering Act was also passed in 2013.

Trade Relations

- EAC.
- Conotou.

Notes:

1. The Cotonou Agreement provides the framework for the EU's Development funding to Uganda. Uganda signed the Agreement in 2013.

Interest and Currency Exchange Rates

Prime Overdraft Rate/Lending Rate

21.85% (October 2014)

(source: Bank of Uganda)

23.10% (August 2013)

(source: Bank of Uganda)

Commercial Bank Rate

Lending at 21.85% and time deposit at 8.75% (October 2014)

(source: Bank of Uganda)

91-day Treasury Bill Rate

11.00% (October 2014)

(source: Bank of Uganda)

Currency: Ugandan Shilling (Ushs/UGX)

R1 = Ushs238.346 (December 2014)

(source: Oanda)

US\$1 = Ushs2 765.00 (December 2014)

(source: Oanda)

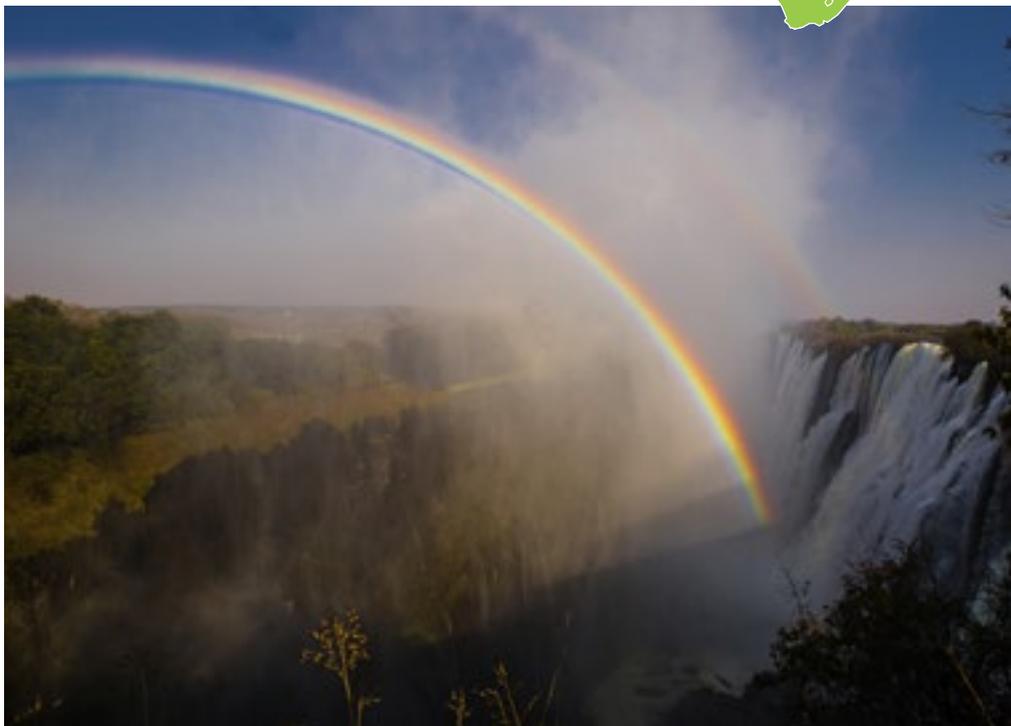
Key Economic Statistics

| |
|---|
| GDP (approx.) |
| US\$25.583 billion (2014 estimate) (source: IMF) |
| US\$27.202 billion (2015 forecast) (source: IMF) |
| Market Capitalisation |
| US\$1.04 billion (last reported 2014) (source: World Bank) |
| Rate of Inflation |
| 5.439% (2013 average) (source: IMF) |
| 6.283% (2014 average) (source: IMF) |
| 6.953% (December 2014) (source: IMF) |

Notes:

1. Real GDP growth is projected at 6.1% for the 2014/15 fiscal year. Cash crops production, manufacturing, mining and quarrying, increased electricity production, and transport and communication are projected to be the major drivers of growth.
2. Inflation remained relatively low in 2014.
3. The exchange rate has remained relatively stable over the year, with marginal appreciation of the Ugandan shilling by approximately 2% against the US\$. The strengthening of the shilling has largely been on account of strong foreign inflows from investment portfolio inflows and foreign direct investment.

Zambia



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Zambia

This information is based on existing tax legislation and the 2015 Budget Address delivered by the Minister of Finance, Honourable Alexander Bwalya Chikwanda, MP, to National Assembly on 10 October 2014.

Notes:

1. The amendments to legislation proposed in the Budget Address must be approved by Parliament and changes may occur to the proposals before they are enacted. Therefore, until legislation has been enacted, these proposals are provisional in nature. The changes in tax legislation and other relevant information, as announced in the 2015 Budget Address, apply for the fiscal year 1 January 2015 to 31 December 2015, unless indicated otherwise.

Introduction

Zambia operates a source-based system of taxation. Every person receiving income from a source within, or deemed to be within Zambia, will be liable to income tax in Zambia on that income. The concept of residence is of secondary importance in that it only extends the tax net to cover interest and dividend income received from a foreign source by Zambian residents.

Effective 1 January 2015, income earned by a person resident in Zambia from carriage of persons, mail, livestock or any other goods loaded outside Zambia to destinations outside Zambia, is deemed to have a source within Zambia and will be taxed in Zambia.

The tax system is administered by the Zambian Revenue Authority (ZRA), an agency established in 1994. Where disputes arise between taxpayers and the ZRA under the Income Tax Act, Value Added Tax (VAT) Act and the Customs and Excise Act, the aggrieved party has a right of appeal to the Revenue Appeals Tribunal (RAT), a statutory body that hears and determines the settlement of tax cases. A party dissatisfied with the decision of the RAT, can appeal to the High Court of Zambia.

The tax year for both individuals and companies currently runs from 1 January to 31 December.



Income Tax

Income tax is divided into Pay-As-You-Earn (PAYE), Tax on Self-employed Individuals and Company Tax.

Pay-As-You-Earn (PAYE)

PAYE is collected at source from individuals in gainful employment. The employer deducts the tax from the employee's salary or wages and is required to remit it to the ZRA by the 14th day of the month following the month of deduction. The Government has maintained the graduated four-band system for taxing income from employment and has also maintained the PAYE exempt threshold of K3 000 per month introduced in January 2014.

The PAYE regime has been maintained as follows:

| PAYE Rates for Individuals: From 1 January 2014 | | |
|---|---------------------|------|
| Annual Taxable Income as exceeds | But does not exceed | Rate |
| K | K | % |
| 0 | 3 000 | 0% |
| 3 000 | 3 800 | 25% |
| 3 800 | 5 900 | 30% |
| 5 900 + | | 35% |

Zambia

Notes:

1. An individual is resident for tax purposes if he/she is physically present in Zambia for at least 183 days in any tax year, or has entered the country with a view to establishing residence. The definition of a Permanent Establishment (PE) has been realigned with the definition provided in the OECD Guidelines on international taxation, and now covers among others:
 - A place of management.
 - A branch.
 - An office.
 - A factory.
 - A workshop.
 - A mine, an oil & gas well, a quarry, or other place of extraction or exploitation of natural resources.
- In relation to an individual, a place where the individual performs services in Zambia for a period (or periods) aggregating more than 90 days in any 12-month period.
2. There are no rebates. However, an annual tax credit is available for persons with a disability. This tax credit for "differently-abled persons" is K3 000 per annum.
3. A company employing persons with disabilities is entitled to an annual deduction of K1 000 per annum for each such persons employed.
4. The annual deductible limit for contributions to approved pension funds for an employee, is the lower of 15% of income and K3 060. An employee who contributes to an approved pension scheme is allowed a refund of both his/her contribution and that of the employer's share upon loss of employment. The employer is allowed a deduction of up to 20% of the employee's gross emoluments.
5. In principle, individuals are liable for tax on all benefits arising from employment. However, in the case of non-cash fringe benefits, the employer is denied a tax deduction for the cost of the benefit. The provision of company cars and residential accommodation is subject to special rules.
6. On retirement, the Income Tax Act provides for exemption from tax of the first K35 000 on termination benefits paid to retirees. The balance of such payments is subject to tax at 10%.
7. The exemption for lump sum termination benefits on retrenchment or redundancy is also K35 000. Any excess is taxed at 10%. Lump sum benefits on the loss of employment on medical grounds are exempt.

8. Local authorities are permitted to add a 2% levy on income of resident individuals, up to K15 annually.
9. Gratuity income equivalent to the annual exempt income under PAYE (K36 000), is exempt from taxation and the balance is taxed at a flat rate of 25%.
10. Dividend income earned by individuals on shares listed on the Lusaka Stock Exchange (LUSE), is exempt from tax.
11. Social security – Employers must match employees' contributions to the National Pensions Scheme Authority (NAPSA). Employee contributions to NAPSA are capped at the lower of 5% of annual basic salary and K9 504.60 per annum.

Non-Residents

The above rates are also applicable to non-residents in respect of employment and business income earned in Zambia. In addition, certain payments made to non-residents are subject to withholding tax (WHT) (see Withholding Taxes).

Tax on Self-employed Individuals

This tax is levied on business profits of individuals running business ventures as sole proprietors, or partners in a partnership, at the graduated PAYE rates. For individuals earning both business income and emoluments, business income that has been taxed under Turnover Tax is (as from 1 April 2007) no longer added to emoluments that are subject to PAYE but remains under the Turnover Tax system. The tax treatment for income that exceeds the annual threshold is not clear.

Company Tax

This is levied on business profits of incorporated companies and branches of foreign companies. Taxpayers are required to compute taxable income on an actual basis by reference to the charge year.

A company that has an accounting year-end other than 31 December can apply to the ZRA to base its tax return on the accounting year-end. The final tax returns are due by 30 June following the end of the respective charge year.

| Income Tax Rates for Companies: January 2015 to December 2015 | | |
|--|------|------------------------------|
| | Note | Rate of Tax |
| Basic rate | | 35% |
| Companies listed on the LUSE – years of listing | 7 | 2% less than the sector rate |
| Banks | 5 | 35% |
| Mobile telecommunications operators | | |
| – First K250 million profit | | 35% |
| – Balance of profit | 4 | 40% |
| Charitable organisations – income from commercial activities | 1 | 15% |
| Farming | 2 | 10% |
| Exporters of non-traditional products, producers of chemical fertilisers | | 15% |
| Manufacturers and others | | 35% |
| Mining of industrial minerals and metal processing | | 30% |
| Mining operations | | 0% |
| Businesses with turnover up to K800 000, excluding consultancy (Presumptive Tax) | 3 | 3% |



Notes:

- Profits from commercial transactions carried on by charities are taxable at 15%. Donations and membership subscriptions are not taxable.
- The company income tax rate for agricultural activities is 10%.
- There is a Presumptive Tax for persons carrying on the business of operating public passenger service vehicles. The tax is a standard annual assessment based on the seating capacity of the passenger service vehicle.
- There is a 5% surtax on profits above K250 million earned by operators in the mobile telecommunications sector.
- The tax rate that applies to profits made by banks is 35%.
- The due date for the submission of annual income tax returns is 30 June following the end of the charge year. The due dates for provisional tax payments have been adjusted as follows:

| Instalment | Jan 2015 – Dec 2015 |
|------------|---------------------|
| 1st | 31 March |
| 2nd | 30 June |
| 3rd | 30 September |
| 4th | 31 December |

- New listings on the LUSE attract a 2% discount on the above income tax rate applicable and a further 5% discount where Zambians hold at least 33% of the shares.
- Business enterprises carrying on manufacturing activities in a rural area, a Multi Facility Economic Zone (MFEZ) or an Industrial Park, and approved by the Zambia Development Agency (ZDA), are exempt from income tax for the first five years of operations.
- The allowable low-cost housing capital expenditure is K20 000. This encourages employers to build decent housing units for their employees, particularly in the agriculture sector.
- Business enterprises approved by the ZDA qualify for an improvement allowance of 100% of capital expenditure on the improvement or upgrading of infrastructure.
- Debt-equity ratio for thin capitalisation purposes – The debt-equity ratio in the mining sector is 3:1.

12. Transfer pricing – Zambian transfer pricing rules require that transactions between associated persons be on arm’s length terms. The tax authorities can replace actual conditions with arm’s length conditions for commercial or financial transactions between associated persons.
13. Exchange gains/losses – Exchange gains and losses of a revenue nature are only allowed as a deduction when realised. Exchange gains and losses of a capital nature are neither taxable nor allowable as a deduction. However, exchange losses of a capital nature incurred on borrowings used to finance the building and construction of an industrial or commercial building, are deductible.
14. Details of the capital allowances are set out under Tax Incentives.
15. An advance income tax of 6% on commercial imports by non-registered traders, is payable at the port of entry based on the value for duty purposes. A tax credit against income tax is given on submission of respective receipts and annual tax return. The Commissioner has discretionary powers as to where and when the 6% tax will not apply.
16. Carry forward of losses – Other than for companies carrying out mining operations and hydro and thermal power generation, carry forward of company losses are restricted to five years. The period for carry forward of losses for mining companies and those operating in the energy sector (i.e. hydro and thermal power (except wood) is 10 years for income tax purposes. Holders of large-scale mining licences, and carrying out the mining of base metals, are allowed to index the losses and unutilised capital allowances to be carried forward for income tax purposes.
17. Foreign tax credit – A foreign tax credit is available in respect of tax suffered on foreign income taxable at source and in Zambia. The credit is limited to the attributable tax according to a statutory formula where the denominator is the total of taxable and exempt income.
18. All hedging activities are treated as separate business activities for income tax purposes.
19. Provisional tax – Companies are required to pay provisional tax in quarterly instalments during the charge year based on estimated income for that year. Any balance of tax due for the year is payable in the year following the end of the charge year. A provisional tax return showing an estimate of income for the charge year must be filed and a revised return should be submitted if the estimate of taxable income changes substantially.



20. Penalties – A penalty equal to 25% of the tax liability underpaid is imposed if less than two-thirds was paid as provisional tax. Late payments of provisional tax attract interest at 2% over the Bank of Zambia Discount Rates. In addition, all late payments (provisional or final) are subject to a penalty of 5% of the tax due per month. Penalties for the late filing of returns are at K200 per month for individuals and K400 per month for companies. The penalties for negligence, wilful default and fraud for businesses under the Turnover Tax system, are 1.5%, 3% and 4.5% respectively.
21. Concessions for companies with large-scale mining licences for base metals, and those operating under the ZDA, are detailed under Tax Incentives below.

Mining Tax Regime

The regime for the taxation of mining companies is as follows:

- Tax on profits is now at 0% on mining operations.
- A basic rate of 30% has been maintained on income from mining industrial minerals and mineral processing.
- Variable profit tax of up to 15% on taxable income that is above 8% of gross income on mining of industrial minerals.
- A mineral royalty rate on base metals at 20% for open cast mining operations, including winning from tailing dumps or similar dumps and leaching, and 8% for underground mining operations.
- A mineral royalty rate of 6% on industrial minerals produced or recovered.
- WHT on dividends at 0%.
- Capital expenditure deductions for mining equipment, plant, machinery and other capital

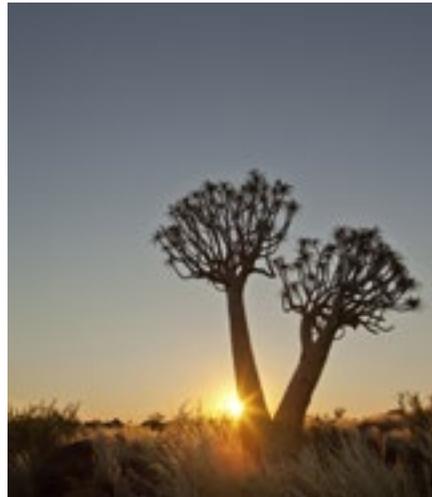
expenditure, are claimed at the rate of 25% per annum from the year that the asset is brought-into-use.

- A reference price is applied for the purposes of assessing mineral royalties and any transaction for the sale of base metals, gemstones or precious metals between related or associated parties. The reference price is based on the London Metal Exchange or other commodity exchange prices.
- Cash accounting basis for VAT applies.

Withholding Taxes (WHTs)

Certain payments to residents and non-residents, whether individual or corporate, are subject to WHT, as follows:

| WHT Rates | | | |
|-------------------------------|------------------|-----------|---------------|
| | Notes | Residents | Non-residents |
| Branch profits remittance | | - | 15% |
| Commission | 2, 3 | 20% | 20% |
| Dividends | 1 | 15% | 15% |
| Royalties | | 20% | 20% |
| Rental of real property | 1 | 10% | 10% |
| Management or consultant fees | 6 | - | 20% |
| Public entertainment fees | | - | 20% |
| Interest | 4, 5, 6, 7, 8, 9 | 15% | 15% |
| Non-resident contractors | | - | 20% |



Notes:

1. WHT is a final tax in respect of payments to non-residents.
2. Other than commissions paid to employees or holders of an office.
3. Commission payments made to non-residents are deemed to have arisen from a source within Zambia and therefore taxable in Zambia irrespective of the place where the service was physically rendered. Accordingly, commission payments for services that are physically rendered outside Zambia would suffer WHT on payment from Zambia.
4. WHT on interest earned by individuals on savings and deposit accounts is deducted at 0%.
5. The WHT of 15% on interest paid to resident companies is not a final tax. Interest income (in the case of companies) is subject to further assessment regardless of the source of the interest. WHT already withheld will be treated as a credit against the income tax assessed.
6. The WHT rate was been increased to 20% on payments made to foreign contractors, public entertainers and payment of commissions.
7. Dividends paid by mining companies carrying on the mining of base metals, are subject to WHT at a rate of 0%.
8. These rates may be reduced by an applicable double taxation agreement (DTA). Zambia has DTAs with the countries listed below.

Zambia

| Maximum WHT Rates Once a DTA is Applied | | | |
|---|-----------|----------|-----------|
| Recipient's Country of Residence | Dividends | Interest | Royalties |
| Canada | 15% | 15% | 15% |
| Denmark | 15% | 10% | 15% |
| Finland | 5%/15%* | 15% | 15% |
| France | 15% | 15% | 15% |
| Germany | 5%/15%* | 10% | 10% |
| India | 5%/15%* | 10% | 10% |
| Ireland | – | – | – |
| Italy | 5%/15%* | 10% | 10% |
| Japan | – | 10% | 10% |
| Kenya | – | 15% | 15% |
| Mauritius | 5%/15%* | 10% | 5% |
| Netherlands | 5%/15%* | 10% | 10% |
| Norway | 15% | 10% | 15% |
| Romania | 10% | 10% | 15% |
| South Africa | 15% | 15% | 15% |
| Sweden | 5%/15%* | 10% | 10% |
| Switzerland | 15% | – | – |
| Tanzania | – | 15% | 15% |
| Uganda | 15% | 15% | 15% |
| United Kingdom | 5%/15%* | 10% | 10% |

* The lower rate will be applicable where a minimum level of shareholding exists.

Capital Gains Tax (CGT)

There is no CGT in Zambia. However, where an asset is sold in respect of which capital allowances have been or could have been claimed, the excess of the proceeds from the asset over the tax written-down value is treated as a balancing charge which is combined with the entity's taxable income. In each instance, the balancing charge is restricted to the allowances previously claimed.

Inheritances and Donations

There is no estate duty or donations tax in Zambia.

Value Added Tax (VAT)

| VAT | Rate |
|---------------|------|
| Standard rate | 16% |

The VAT registration threshold is K800 000 per annum (effective 1 January 2013). Companies and individuals dealing in taxable supplies, and with a turnover exceeding K800 000 per annum, are required to register for VAT. Registered suppliers should submit returns to the ZRA for each calendar month within 21 days of the end of the month and account for the excess of output over input VAT.

Other aspects of VAT are as follows:

- The standard rate for VAT is 16%.
 - VAT registration is voluntary for businesses with an annual taxable turnover below K800 000.
 - All VAT registered suppliers are required to submit input tax and output tax schedules electronically which are part of the online return submission.
 - Supplies of goods and services are taxable at the standard rate, zero-rate or exempt. Input tax paid on purchases to produce exempt supplies is not recoverable.
 - VAT exemptions include: domestic kerosene, health, education, domestic house rentals, water, transport, financial and life insurance services, conveyancing services, funeral services, statutory fees and food and agriculture.
 - Taxable goods and services become zero-rated when exported. In addition, tourist activities which were previously zero-rated are now standard rated. Books are also zero-rated. Other zero-rated supplies include: mosquito nets raw materials and medical supplies.
- The list of standard rated supplies in the tourism industry now includes activities such as elephant-back safaris, steam train excursions, walking (with lions) safaris, clay pigeon shooting, fixed wing flights over the Falls, gorge swing/flying fox, paint ball shooting and quad biking safaris.
- The period for pre-production input credit for mineral prospecting companies is five years.
 - The VAT Act provides for the application of VAT to a sole proprietorship.
 - The VAT Act excludes from taxation, services that

Zambia

constitute local supplies in other VAT jurisdictions.

- The VAT Act provides for the taxation of a service consisting of a lease, hire or loan of goods that involves the removal of goods from Zambia.
- VAT at the standard rate is also levied on services provided by foreign suppliers to clients in Zambia by means of a reverse charge for such services. The corresponding input VAT is not reclaimable. This means that the Zambian client is effectively bearing the foreign company's VAT. The reverse charge only applies in cases where the non-resident supplier has not appointed a local tax agent to act on its behalf. Input VAT relating to the commission charged by the reverse VAT agents, is non-deductible by the principal.
- The cash accounting basis of accounting for VAT also applies to mining companies.
- Late payments of VAT attract additional tax of 0.5% of the amount due per day. Additional tax equal to K0.18 or 0.5% of the tax payable, whichever is greater, is charged per day for failure to file a VAT return.

Mineral Royalty Tax

| Mineral Royalty Tax Rates | | |
|---|------|------|
| Type of Licence | Note | Rate |
| Open cast mining/winning from tailing dumps | 1 | 20% |
| Underground mining | 1 | 8% |
| Mining industrial minerals | 1 | 6% |



Notes:

1. The mineral royalties for open cast underground mining and industrial minerals are 20%, 8% and 6% respectively.
2. Mineral royalty returns and payments are due by the 14th day of the month following the month of sale.

Presumptive Tax

Presumptive Tax is levied at 3% on businesses with turnover of up to K800 000 per annum and on operators of buses, mini buses and taxis, but excluding consultancy businesses. The taxes payable for transport operators are as follows:

| Presumptive Tax on Transport Operators | |
|--|-------------------------------|
| Seating Capacity of Vehicle | Tax per Vehicle per Annum (K) |
| Below 12 (including taxis) | 1 200 |
| 12-17 | 2 400 |
| 18-21 | 4 800 |
| 22-35 | 7 200 |
| 36-49 | 9 600 |
| 50-63 | 12 000 |
| 64 seater and above | 14 400 |

Property Transfer Tax (PTT)

PTT is charged at 10% on the realised value of the property being transferred. It is payable by the transferor.

Property includes land (including any buildings, structures, or other improvements thereon), shares issued by a company in Zambia that is not listed on the LUSE and mining rights. The realised value is the price at which the shares or land could, at the time of transfer, reasonably have been sold on the open market. There is a discretionary exemption for transfers of property within the same group of companies, provided both the holding company and the transferee are companies resident in Zambia, and the transfer is for the purposes of effecting internal group reorganisations.

Customs and Excise

The importation of goods into Zambia is subject to import or customs duty. All goods are categorised as



to whether they are raw materials, intermediate or finished goods, and taxed at rates in the range 0% to 25% on cost, insurance and freight value (or value for duty purposes).

Excise duties are levied on specific classes of goods manufactured in, or imported into, the country by reference to value using pre-determined rates contained in the Harmonised Commodity Description and Coding System plus the customs duty payable on those goods.

Temporary Imports

Goods may be temporarily imported into Zambia tax-free under a temporary import permit. In practice, permits are granted up to a maximum of 12 months. Upon importation, the importer must give security for the goods imported on temporary permits. This is refundable upon exporting the goods within the period of the permit.

Carbon Tax on Motor Vehicles

An annual carbon tax on motor vehicles is charged at the following rates:

| Motor Vehicle Licence Fees | | |
|--|---------------------|--------------------------------|
| Motor Vehicle Engine Capacity as exceeds | But does not exceed | Licence Fee per annum (Kwacha) |
| 0 | 1 500cc | 50 |
| 1 500cc | 2 000cc | 100 |
| 2 000cc | 3 000cc | 150 |
| 3 000cc + | | 200 |

General Investment Information

Investment Incentives

Tax Incentives

- Capital allowances:
 - Capital expenditure deductions for mining equipment, plant, machinery and other capital expenditure will be claimed at the rate of 25% per annum. The deductions will only be available from the year that the asset is brought-into-use.
 - Farmworks and improvements allowance (100% – clearing, prevention of soil erosion, farm dwellings with an original cost of no more than K10 million and other permanent works.
 - Improvement allowance under ZDA Act – 100%.
 - Accelerated capital allowances – 50% per annum on machinery, plant and equipment used exclusively for farming, manufacturing, and tourism or leasing.
 - Plant, machinery and commercial vehicles – 25% per annum based on the original cost.
 - Leased plant, machinery and implements – 50%.
 - Non-commercial vehicles – 20% per annum.
 - Initial development allowance (10%) – growers of tea, coffee and banana plants, citrus fruit trees, rose bushes and other similar plants or trees.
 - Investment allowance – 10% for capital expenditure on industrial buildings used for manufacture.
 - Industrial building allowance (10% initial for first year and 5% annual allowance). Applies to hotels and buildings used for manufacturing purposes.
 - Commercial buildings – 2% annual allowance based on the original cost.
- There is an exemption from customs duties for mining machinery imported by the holder of a mining right. This is only available on application to the Minister of Mines and Minerals. Moreover, customs duty is suspended on machinery and equipment used for the manufacture of trailers.
- Carry forward of losses for tax purposes – holders of large-scale mining licences are allowed to index their Kwacha-denominated losses and capital allowances with a factor based on the movements in exchange rates.

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Agriculture

- Income taxed at a reduced rate of 10% (except for cotton lint).
- Dividends paid out of farming activities exempt from tax for the first five years from commencement of business.
- VAT deferment on importation of some agricultural equipment and machinery.
- No import duty on irrigation equipment and reduced duty rates on imports of other farming equipment.
- Reduced customs duty at 5% on premixes, being vitamin additives for animal feed.

Manufacturing

- Refund of Zambian VAT on export of Zambian products by non-resident businesses under the Commercial Exporters Scheme.
- Guaranteed input tax claim for two years prior to commencement of production.
- Income from chemical manufacturing of fertilisers is taxed at a reduced rate of 15%.
- Suspension of import duty on machinery, equipment and capital goods for assembling of motor vehicles, trailers, motorcycles and bicycles.

Tourism

- Refund of VAT for non-resident tourists and visitors on selected goods.
- No import VAT on all goods temporarily imported into the country by foreign tourists.

General Incentives

- Import VAT relief for VAT registered businesses on imports of eligible capital goods (i.e. VAT deferment).
- Zero rate of VAT on export of taxable products.
- Guarantee of VAT refund within 30 days of lodgement of adequately supported claims within 30 days of submission of the claim.
- Relief of VAT on transfer of a business as a going concern.
- Equal treatment of services for VAT irrespective of domicile of the supplier (i.e. reverse VAT).
- Cash accounting for VAT for members of the Association of Building and Civil Engineering Contractors.
- Guaranteed VAT input tax claim for three months prior to VAT registration for businesses that have already commenced trading.
- Voluntary VAT registration for compliant businesses

whose turnover is below K800 per annum subject to the conditions stated above.

- Registered businesses allowed to reclaim 20% of input VAT paid on petrol.
- Exemption of interest component of finance leases from VAT.
- VAT relief on input tax paid for purchases made by registered suppliers.
- Income from non-traditional exports is taxed at a reduced rate of 15%.

Concessions for Companies Operating under the Zambian Development Agency Act

- Profits made in designated zones are 100% exempt from income tax for five years from the date when the approved investment commences operations.
- 0% tax on dividends for five years from the date when the approved investment commences operations.
- 0% import duty rate on raw materials, capital goods and machinery (including trucks and specialised motor vehicles) for the first five years.
- Deferment of VAT on machinery and equipment (including trucks and specialised motor vehicles).

Further concessions for developers and investors in the MFEZ and Industrial Parks (introduced last year) include:

- No WHT on management fees, consultancy fees, and interest repayments to foreign contractors.
- Zero-rating of supplies to developers of MFEZ and Industrial Parks.
- Foreign suppliers to MFEZ and Industrial Parks exempt from reverse VAT charge.
- Exemption from customs duty of equipment and machinery imported for the development of MFEZ and Industrial Parks.
- 0% import duty rate on raw materials, capital goods and machinery (including trucks and specialised motor vehicles) for the first five years.
- Deferment of VAT on machinery and equipment (including trucks and specialised motor vehicles).

Notes:

1. Developers of Industrial Parks will only qualify for these incentives if the layout of the development plan is approved by the relevant planning authority, the Park to be developed is at least 15 acres in size, the Park will have paved roads and water and electricity supply within the Park is provided.

Zambia

Exchange Controls

There are no foreign exchange controls in Zambia.

Expatriates and Work Permits

A holder of an investment licence, who invests at least US\$250 000 and employs at least 10 local people, will be entitled to a self-employment or a residence permit and to assistance in obtaining work permits for up to five expatriate employees.

Trade Relations

- Memberships – Cotonou Agreement, SADC, COMESA.
- AGOA beneficiary country.
- The China Special Preferential Agreement.

Notes:

1. In order to strengthen and develop the existing China-Africa friendly relations and cooperation, the Chinese Government has extended a special preferential trade arrangement to developing countries. In respect of this arrangement (which took effect on 1 January 2005), certain African countries (including Zambia) benefit from tariff preferences on selected goods exported to China.



Interest and Currency Exchange Rates

Overnight Lending Facility Rate

22.500% (December 2014)
(source: Bank of Zambia)

91-day Treasury Bill Rate

12.595% (December 2014)
(source: Bank of Zambia)

Currency: Zambian Kwacha (Divided into 100 ngwee)

R1 = K0.5475 (December 2014)
(source: Oanda)

US\$1 = K6.3236 (December 2014)
(source: Oanda)

Key Economic Statistics

GDP (approx.)

US\$25.611 million (2014 estimate)
(source: IMF)

US\$28.864 million (2015 forecast)
(source: IMF)

Market Capitalisation

K66.306 million (December 2014)
(source: LSE)

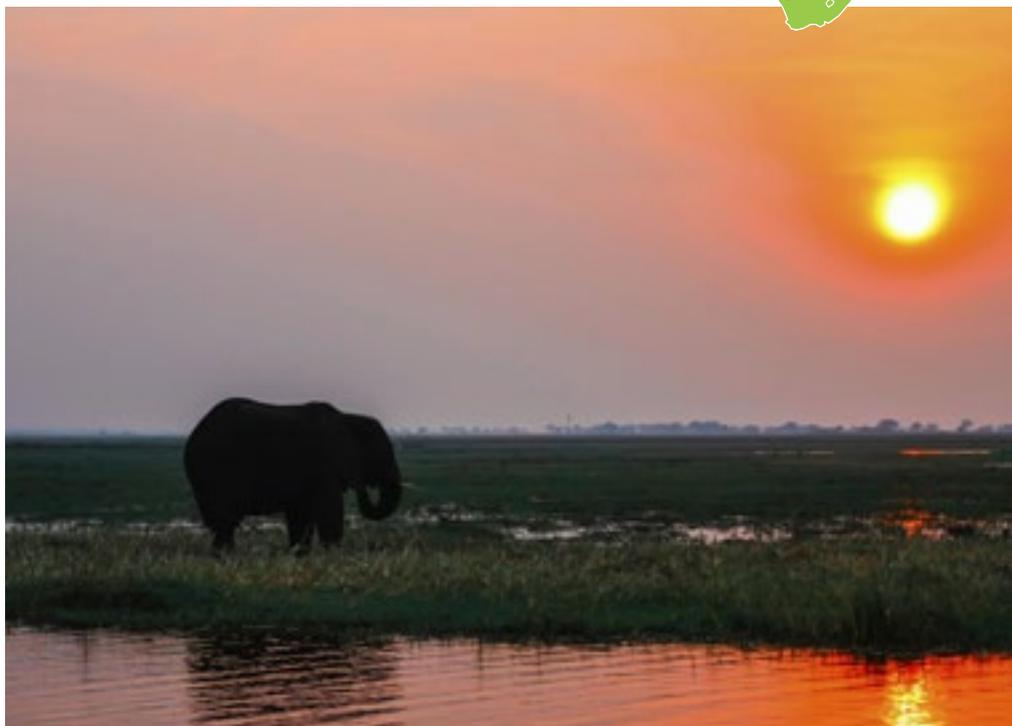
Rate of Inflation

6.978% (2013 average)
(source: IMF)

8.000% (2014 average)
(source: IMF)

8.500% (December 2014)
(source: IMF)

Zimbabwe



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Zimbabwe

Notes:

1. Except where otherwise stated, references to 1 January 2015, in the context of Income Tax and Capital Gains Tax (CGT), are to the year of assessment commencing on that date. References to "Zimra" are to the Zimbabwe Revenue Authority and the currency specified is the United States Dollar (US\$).
2. The Amnesty Act was passed on 1 October 2014. The Act provides a complete waiver of penalties and interest charges on tax irregularities committed for the period 1 February 2009 to 30 September 2014, which the taxpayer has declared. The declaration period is from 1 October 2014 to 31 March 2015. The principal taxes should be settled by 31 December 2015 (see details below).
3. The Income Tax Bill, which was gazetted in late 2012, has been referred back by the President to Parliament with some reservations. It is uncertain at this stage whether or not it will be made law. There are fundamental changes to the tax system proposed in this Bill, including a move from a source-based tax system to a residence-based tax system.

Income Tax

The source basis of taxation is applied in Zimbabwe.

Individuals

Pay-As-You-Earn (PAYE)

Any employer of an employee, whose annual remuneration exceeds the zero-rate band of taxable income from employment, is required to register for PAYE purposes with Zimra and this has to be within 14 days of employing such person. A similar obligation extends to others (e.g. administrators of pension funds and foreign employers).

Employers, and other parties, are required to withhold tax from remuneration in accordance with tables published by Zimra and to pay the PAYE by the 10th day of the following month.

The "Final Deduction System", which operates through the PAYE stage of collections, minimises Zimra's assessment work in respect of employee taxpayers. Employers are authorised to refund excess PAYE or to collect additional PAYE from employees in appropriate circumstances. A substantial proportion of taxable employees are thus not required to render returns.

The minimum tax threshold has increased from US\$3 000 to US\$3 600 per annum. High income earners (i.e. persons earning in excess of US\$240 000 per annum) will continue to be taxed at 50% on the excess amount.

The annual tax bands and rates for the period 1 January 2015 to 31 December 2015 are as follows:

| Taxable Income Bands (US\$) | | | Rates | |
|-----------------------------|-----|---------|-------------|-----|
| 0 | to | 3 600 | multiply by | 0% |
| 3 601 | to | 18 000 | multiply by | 20% |
| 18 001 | to | 36 000 | multiply by | 25% |
| 36 001 | to | 60 000 | multiply by | 30% |
| 60 001 | to | 120 000 | multiply by | 35% |
| 120 001 | to | 180 000 | multiply by | 40% |
| 180 001 | to | 240 000 | multiply by | 45% |
| 240 001 | and | above | multiply by | 50% |

Notes:

1. The portion of income that falls into each band is taxed at each applicable rate.
2. The highest marginal tax rate remains at 50% with effect from 1 January 2014.
3. The above rates do not include the AIDS levy which is a further 3% on the tax payable.
4. The above rates are applicable to residents and non-residents in respect of employment income earned from a source within Zimbabwe.
5. The monthly tax-free threshold has been adjusted from US\$250 to US\$300 per month from 1 January 2015.
6. Certain employment-related benefits attract special treatment.
7. Income from employment may not be set off against losses incurred in business activities and vice versa.

Personal Tax Credits

- Personal credits of specified amounts are deducted from income tax with which a taxpayer is chargeable.
- The monthly personal tax credits for the elderly (from the year of 55th birthday), blind and disabled persons are US\$75 per month.
- A medical aid expense credit of 50% of invalid appliances, and treatment and 50% of medical aid contributions, are granted.

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- Tax credit in respect of disabled persons, and medical concessions pertaining to disabled persons, are not available if the person is not ordinarily resident in Zimbabwe.
- The credit for the elderly is reduced proportionately for the year of assessment in which the person turns 55 years old. In the case of the blind person's and disabled person's credits, where the income tax payable by the entitled spouse is insufficient to absorb the amount of the credit, the excess may be carried over and set off against the income tax payable by the other spouse (spouses are assessed separately in Zimbabwe).
- Taxable income accruing to an individual from any trade or investment, is taxed at a flat rate of 25% (plus AIDS levy at 3%) as opposed to the sliding scale applicable to taxable income from employment. The tax may, however, be reduced by personal tax credits (to the extent that they have not been credited against the tax on any employment earnings).

Benefits from Employment

Unless otherwise exempted, benefits arising from employment are taxable. Certain benefits have deemed values as follows:

- Motor vehicles – The annual deemed benefits from private use of an employer's motor vehicle (with effect from 1 January 2014) are as follows:

| Engine Capacity | US\$ |
|--------------------|-------|
| Up to 1 500cc | 3 600 |
| 1 501cc to 2 000cc | 4 800 |
| 2 001cc to 3 000cc | 7 200 |
| Over 3 000cc | 9 600 |

- Benefits on disposal of company vehicles to employees – With effect from the 1 January 2009, and any subsequent year of assessment, the deemed benefit in the case of a sale or disposal of a motor vehicle to an employee whether during or on termination of employment, is determined by deducting from the market value of the vehicle (on date of acquisition by employee) the consideration given by the employee.

In the event that the motor vehicle was acquired before 1 January 2009, the benefit is the market value of the vehicle less the cost of the vehicle (the cost of the vehicle is the value of the vehicle as shown in the final balances determined and carried forward by the employer in their financial statements as at 1 January 2009).

In determining the market value of a motor vehicle, the Commissioner may have regard to the valuation of a member of such institution or association of motor dealers or values as prescribed by notice in the gazette. No benefit accrues to an employee who on the date of sale or disposal of the motor vehicle is over the age of 55.

- Soft loans – A benefit arises on the provision of a loan to an employee where the interest rate on the loan is less than LIBOR rate plus 5%. No benefit would arise if the charge is above the LIBOR rate plus 5%. If the charge is less than that rate, the benefit is determined by the difference between the LIBOR rate plus 5% and the interest rate charged. Provision of loans for education, technical education and medical purposes, do not attract tax.
- Accommodation – A benefit arises on the provision of accommodation (quarters, boarding etc.) to an employee by employer and is equal to the open market reduced by any rent paid by the employee.
- Relocation/travelling expenses – Travelling or relocation expenses of an employee, borne by an employer, constitute a taxable benefit to the employee, except to the extent that the expenses are incurred on the business of the employer or represent first relocation expenses on commencement or termination of employment.
- Share option schemes – The amount received or accrued as a result of the sale of shares offered to an employee, pursuant to any share option scheme, is brought into gross income. Where the share options

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were granted prior to, but exercised on or after 1 February 2009, a final tax of 5% of the gross amount realised arises. Disposal of shares granted after that date, will be taxable based on the market value of the shares on date of exercise less the cost of the shares to the employee. The cost is adjusted for the inflation content. Such adjustment is calculated by applying a formula recognising the difference in the “all-items” Consumer Price Index (CPI) at the date of sale, and at the date of the offer under the scheme.

Taxable Income from Employment: Other Aspects

- Bonus tax-exempt threshold – The bonus tax-exempt threshold is US\$1 000 with effect from 1 November 2012.
- Retrenchment exemption – From 1 January 2014, the exemption is the greater of US\$10 000 or one-third of the retrenchment package provided that the exemption shall apply only in respect of the first US\$60 000 of the package in any year of assessment.
- Elderly taxpayer’s exemptions (i.e. aged 55 years or more) – An amount of US\$250 per month remains exempt on each of the following accruals:
 - Rentals.
 - Interest on any deposit with a financial institution.
 - Interest on bankers’ acceptances and other discounted instruments traded by financial institutions.
- An elderly person (i.e. whose over the age of 55 years) is exempted on pension receipt or accrual.

Deductions

The following are deductible from the income of an employee:

- Contributions made to an approved pension fund (including, National Social Security Authority (NSSA) contributions) up to US\$5 400 per annum.
- Contributions made to a retirement annuity fund (RAF), US\$5 400 per annum (more than one RAF, US\$2 700 per annum).
- An allowable deduction of arrear pension contributions of US\$1 800 per annum.
- Aggregate of all above contributions (US\$5 400 per annum).
- Professional subscriptions made (full amount).



Other

- An over-deduction of PAYE shall not be refunded where the amount is below US\$0.05.
- The Commissioner will write off any shortfall on PAYE of US\$0.05 and below.

Companies, Trusts, and Individuals in Respect of Trade or Investment Income

Income of Companies, Trusts and Individuals from Trade and Investments

Non-PAYE income includes any Zimbabwe interest that is not liable to withholding tax (WHT), foreign interest and dividends where the Zimbabwe tax exceeds the foreign tax paid, rentals and trade income.

Notes:

1. The tax year is the calendar year from 1 January to 31 December. An accounting year may be used instead if so approved by the tax authorities.
2. Foreign-source income – Income such as rentals and business profits are not taxable. Residents are, however, taxed on foreign-source dividends and interest. Dividends are taxed separately at the rate of 20%. Where foreign-source income is taxable in the source country, a credit for the foreign tax, up to the amount of the applicable Zimbabwean income tax, will be allowed.
3. Deceased and insolvent estates are generally taxable at the rates applicable to individual’s trade or investment income.

Zimbabwe

The following tax rates apply:

| Income Tax: Companies and Trusts | Rate |
|---|-------------|
| Basic rate | 25% |
| AIDS levy – based on tax payable | 3% |
| Effective rate | 25.75% |
| Special Income Tax Rates | |
| Foreign dividends | 20% |
| Pension funds | 15% |
| Mining operations – companies and mining trusts (AIDS levy introduced WEF 1 Jan 2015) | 25.75% |
| Mining operations – individuals | 25.75% |
| Special mining lease operations | 15% |
| Income Tax Holiday Rates | |
| BOOT/BOT arrangement operations | |
| First five years | 0% |
| Second five years | 15% |
| Exporting manufacturing company (see below)* | |

Exporting Manufacturing Companies

From 1 January 2015, export manufacturing companies are granted a tax concession in the form of reduced income tax rates, based on level of exports, as follows:

| Export Threshold (% Manufactured) | Corporate Rate |
|--|---------------------------|
| 30 - 40 | 20% |
| 41 - 50 | 17.5% |
| Above 51 | 15% |

Aids Levy on Companies and Trusts

With effect from 1 January 2015, the Aids levy of 3% of the tax payable has been extended to trusts or companies engaged in the business of mining.

Quarterly Payment Dates (QPDs)

QPD payments are paid in respect of estimated tax in the year of assessment. The instalments of percentages of the tax fall due, are as follows during the year:

| | |
|--------------|-----|
| 25 March | 10% |
| 25 June | 25% |
| 25 September | 30% |
| 20 December | 35% |

Taxpayers are required, during each QPD period, to submit estimates of the taxable income for the year of assessment.

Submission of Returns

Taxpayers on self-assessment are required to submit returns by 30 April following the December year-end and others based on the Commissioner's public notice. Dormant companies (being a company that has not carried on any trade or business for the whole of the year of assessment) will not be subject to any penalty for failing to submit a return under the Income Tax Act. This is conditional upon its public officer, or directors, or the major shareholder, making a written and sworn declaration to the effect that it was dormant, within 30 days of the Commissioner giving notice of submission of returns.

Deductions

Assessed Losses

Assessed losses are deductible against taxable income and losses, that cannot be used, are carried forward for a maximum of six years. They expire on a first-in-first-out basis. Tax losses of mining companies do not expire.

Export Market Development Expenditure

Double deduction is granted on expenditure incurred to develop export markets.

Employers' Pension Fund Contributions

The maximum allowable contribution to an approved pension fund and RAF, is US\$5 400 per annum, and the maximum allowable contribution to a RAF only, is US\$2 700 per annum. Where the person is a member of more than one RAF the maximum allowable is US\$2 700.

Lump Pension Contribution

With effect from 1 January 2015, lump sum contributions by employers to pension funds, will be allowed as a tax deduction subject to submission of an actuarial certificate confirming the required contribution level, and approval by the Minister of Finance and Economic Development.

Social Development Expenditure and Funding

From 1 January 2009, the limit for a claim for payments made to, or for expenditure incurred in each of the following, is US\$100 000:

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- Payments to the State for hospital and health supplies funding.
- Payments to the State for school and educational supplies funding.
- Payments to specified research and development (R&D) institutions.

Attendance at a Trade Mission or Convention

From 1 January 2009, the limit on a claim for deduction of expenditure incurred, is US\$2 500 per trade mission or convention.

Contributions to Scientific, Educational Institutions or Like Body of a Public Character

The deduction allowable to contributions made by the taxpayer to scientific, educational, or like body of a public character, approved by the Commissioner solely for the purpose of industrial research or scientific, experimental work connected with his trade, is now restricted to the amount contributed by the taxpayer during the year.

Repeal of Deductibility of Mining Royalties

Royalties payable to the Government (under the Mines and Minerals Act) are no longer afforded a specific tax deduction with effect from 1 January 2014.

Specific Allowable Deductions in Respect of Indigenisation Transactions

A deduction of the following, in respect of activities pursuant to compliance with the Indigenisation and Economic Empowerment Act, is permitted:

- The amount of any contribution or donation paid

in the year of assessment to a community share ownership trust or scheme.

- The value of the shares of a corporate taxpayer that are lent in the year of assessment to an indigenisation partner of the taxpayer pursuant to a corporate vendor-financed loan. A corporate vendor-financed loan means a loan of shares in a corporate taxpayer to an aspirant shareholder of that taxpayer, which are purchased by the aspirant shareholder by means of dividends forgone on those shares in favour of the taxpayer.
- Interest payable by an indigenisation partner in the year of assessment on any loan advanced to him/her to purchase shares in the company of which he/she is an indigenous partner. (The measure takes effect from 1 January 2014).

Limited Deductions

- An annuity, allowance or pension, paid to a former employee who has retired due to ill-health infirmity or old-age, is US\$500 per annum.
- An amount paid to a former partner who has retired from the partnership due to ill-health, infirmity or old-age, is US\$200 per annum.
- An amount paid to any person who is dependent for his maintenance on the former employee or former partner, or where the former employee or partner is deceased, is US\$200 per annum.
- An amount paid to the public private partnership fund is US\$50 000 per annum.
- An amount paid to the Destitute Homeless Person Rehabilitation Fund is US\$50 000 per annum.
- The allocation of general administration and management charges between group companies is restricted to 1% of other deductible expenditure.
- Limit of interest on debt not exceeding three times equity.

Capital Allowances

Special Initial Allowance and Wear-And-Tear

A Special Initial Allowance (SIA) is provided on specified assets, such as plant and machinery and industrial buildings, at a rate of 25% of the cost of the asset in the year of assessment in which such an asset is first used. During the subsequent three years, the asset is then entitled to an accelerated wear-and-tear allowance of 25% each year.



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Small and Medium Enterprises (SMEs)

Qualifying SME's can access a capital allowance structure of 50% SIA, and 25% accelerated wear-and-tear in the next two years of assessment.

Staff Housing Unit

A unit of staff housing, with cost exceeding US\$25 000, is disqualified as capital expenditure qualifying for capital allowances.

Passenger Motor Vehicles (PMVs)

Capital cost of PMVs is restricted to US\$10 000 (effective 1 January 2009).

Software

With effect from 1 January 2015, costs of software acquisition and development qualify for capital allowances at 25% per annum (over four years).

Capital Redemption Allowance – Mining

- Allowance of 100% of the amount incurred on capital expenditure in the year of assessment.
- Full capital cost of employee housing under a general miner qualifies for capital redemption allowance.
- Capital cost on a unit of employee housing acquired or constructed, and used by a holder of Special Mining Lease, is restricted to US\$10 000 per unit for purposes of claiming capital redemption allowance. As well, the limit on cost of a passenger motor for purposes of claiming capital redemption is restricted to US\$10 000. The limits were expressed in now the defunct Zimbabwean dollar. The measure is backdated to 1 February 2009.

Mining Claims

To discourage holders of mining claims from retaining unworked ground for speculative purposes, a fee of US\$100/hectare per annum is payable on unworked mining claims.

Income Tax Exemptions

Dividends

Dividend paid by a resident company to another resident company are exempt.

Interest from Financial Institutions

Interest earned from local financial institutions (subject to final WHT at source) are exempt.

Interest Earned On Approved Loans

Interest earned on approved loans to statutory corporations (specified statutory corporations to be Zimbabwe National Water Authority, Zimbabwe Power Company and Zimbabwe Electricity Transmission Distribution Company), are exempt (effective 1 January 2015).

Charitable Organisations

Receipts and accruals of charitable organisations, trusts of a public character, and educational institutions of a public character, are exempt.

Interest Earned on Mortgage Finance

Presently building societies are exempted from income tax. In light of the fact that other financial institutions grant mortgage finance, the exemption from income tax relating to building societies, has been repealed and replaced with "building societies and financial institutions providing mortgage finance, but only to the extent that the receipts and accruals of such financial institutions are attributable to the provision of mortgage finance by them". The measure takes effect from 1 January 2014.

Interest Earned on Loans Made to Small-Scale Gold Producers

Interest on loans made to small-scale gold miners for mining operations, prospecting or exploratory works in Zimbabwe, are exempt with effect from 1 January 2014.

Withholding Taxes (WHTs)

Certain amounts are subject to WHTs, as follows:

10% WHT on Local Contracts

From 30 January 2009, the threshold for the levying of 10% tax on contracts denominated in foreign currency was US\$250 per contract. The amount has been revised upwards with effect from 1 January 2015 to US\$1,000 cumulative value of transactions. The amount withheld is payable to Zimra on or before the 10th day of the month following payment.

15% WHT on Non-Resident Artistes or Entertainers

With effect from 1 January 2014 a new WHT of 15% is deduct on any contract involving a non-resident artists or entertainers that are contracted to perform in Zimbabwe. The amount withheld is payable to Zimra on or before the 10th day of the month following payment.

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The existing and new provisions both make the payer/contractor liable for the taxes not withheld.

Resident Tax On Interest

With effect from 1 January 2013, resident tax on interest is reduced to 5% on fixed-term deposits with tenure of at least 90 days. The ordinary rate of 15% still applies on interest from other deposits.

The following are the WHT rates:

| WHT Rates | | |
|--|---------|------|
| | Note | Rate |
| Resident and Non-resident Shareholders' Taxes | 1, 2, 3 | |
| On dividends distributed by: | | |
| • A company listed on the Zimbabwe Stock Exchange (ZSE) | | 10% |
| • Any other company | 4 | 15% |
| On fees and royalties | 4 | 15% |
| Tax on non-executive directors' fees | 5 | 20% |
| WHT on group allocable expenditure remittances | 6 | 15% |
| Residents' Tax on Interest | | |
| From deposits with financial institutions | | 15% |
| Bankers' acceptances and other discountable: | | |
| • Instruments | | 15% |
| • Treasury bills | | 15% |
| • Fixed-term deposits | | 5% |
| Tax on contracts of sale/service | | 10% |
| Tax on freelance property and insurance agents' commission | | 20% |

Notes:

- No tax arises on dividends distributed by one Zimbabwe resident company to another.
- Shareholders who are individuals, and whose aggregate income (i.e. taxable income plus local dividends) does not exceed specified amounts, may be entitled to a refund of the tax.
- Dividends from companies (other than building societies) ordinarily resident in Zimbabwe, while not subject to Zimbabwe income tax in the hands of non-residents, suffer non-resident shareholders' tax, which is withheld by the dividend-paying companies and paid to Zimra.
- Reduced rates may apply to non-residents where a double taxation agreement (DTA) exists (see DTA table alongside). Exemptions in respect of export market development fees were introduced with effect from 1 January 2015.
- From 1 January 2007, WHT of 20% is introduced on fees payable to non-executive directors. Such tax is payable within 10 days of the date of payment of such fees and is later credited against any income tax payable by the recipient.
- Subject to certain exemptions, a non-resident individual, partnership or company, which remits an amount from Zimbabwe to another country, for expenditure incurred outside Zimbabwe in connection with or allocable to its carrying on of any trade within Zimbabwe, is required to pay the tax within 10 days from the date of payment of the remittance. This would relate to mainly foreign head office expenses.
- From 1 January 2012, WHT on fees, royalties, dividends payable to various residents, and non-executive director's fees, remains payable within 10 days (previously 15 days) from date of payment or deemed payment of the aforementioned payments.
- With effect from the same date, WHTs for resident's tax on interest, automated financial transactions, intermediate money transfers and property or insurance commissions, remain payable by the 10th day of the month following the month of payment of the relevant expense.
- Failure to pay, or late payment of the correct taxes, may result in the imposition of penalties of up to 100%. With effect from 1 January 2010, interest on unpaid tax is levied on late remittances at a rate of 10% per annum. In determining the period within which payment should be made, care must be taken regarding the date of entitlement.

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Refund of Tax on Dividend

Where a taxpayer is over 55 years of age, the Commissioner shall authorise a refund of tax withheld on dividends and interest paid, as follows:

| Amount US\$ | % |
|-------------|------|
| Up to 600 | 100% |
| 601 to 720 | 75% |
| 721 to 840 | 50% |
| 841 to 960 | 25% |

Where the taxpayer is below 55 years of age, the Commissioner shall authorise a refund of tax withheld on dividends and interest paid, as follows:

| Amount US\$ | % |
|-------------|------|
| Up to 480 | 100% |
| 481 to 600 | 75% |
| 601 to 720 | 50% |
| 721 to 840 | 25% |

Double Taxation Agreements (DTAs)

| Maximum WHT Rates Once a DTA is Applied | | | | |
|---|-------|-----------|-----------|----------------|
| | Notes | Dividends | Royalties | Technical Fees |
| Bulgaria | 1 | 10% | 10% | 10% |
| Botswana | 1 | 5-10% | 10% | 10% |
| Canada | 1 | 10% | 10% | 10% |
| Congo | | 10/15% | 15% | 15% |
| France | 1 | 10% | 10% | 10% |
| Germany | 1 | 10% | 7.5% | 7.5% |
| Kuwait | 1 | 0-5% | 10% | 15% |
| Malaysia | 1 | 10% | 10% | 10% |
| Mauritius | 1, 2 | 10% | 15% | 0/15% |
| Netherlands | 1 | 10% | 10% | 10% |
| Norway | 1 | 15% | 10% | 10% |
| Poland | 1 | 10% | 10% | 15% |
| South Africa | 1 | 15% | 15% | 15% |
| Sweden | 1 | 15% | 10% | 10% |
| United Kingdom | 1 | 5-15% | 10% | 10% |
| Countries without a DTA | 1 | 10/15% | 15% | 15% |

Notes:

1. This lower rate applies only on dividends declared to companies with a 25% shareholding or voting power, otherwise the rates remain as 10% (listed) or 15% (unlisted).
2. If the technical fee is taxed in Mauritius, no WHT is levied in Zimbabwe. If, however, the technical fee is not taxed in Mauritius, there is a WHT in Zimbabwe at the normal rate of 15%.
3. Non-residents' tax on remittances remains at 15% in all cases.
4. Agreements with the following countries are pending: China, Indonesia, Namibia, Singapore, Seychelles, Switzerland, Tanzania, Thailand, Tunisia, Yugoslavia, Zambia, Democratic Republic of Congo and (re-negotiation) South Africa.
5. Non-Resident Tax on Interest (NRTI) was repealed with effect from 30 September 2009.

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Intermediated Money Transfer Tax

Mobile Banking Services

The 30th Schedule, which imposes a tax on money transfers, has been extended to include such a tax on any mobile banking service. The Intermediated Money Transfer Tax is presently calculated at the rate of US\$0.05 for each transaction on which the tax is payable. The effective date for this measure is 1 January 2014.

Automated Financial Transactions Tax

The Automated Financial Transactions Tax is presently calculated at the rate of US\$0.05 for each transaction on which the tax is payable (with effect from 1 January 2014) and includes mobile platforms.

Presumptive Taxes

Presumptive taxes are levied on certain informal traders, small-scale miners, transport operators, hair salons and operators of water-borne vehicles, amongst others, as follows:

| Vehicle Usage | Sub-Class | Rate per Quarter US\$ |
|---------------------------------------|----------------------------|------------------------------------|
| Driving school training | class 4 | 500 |
| | class 1 and 2 | 600 |
| Goods - carrying capacity | +10 to less than 20 tonnes | 1 000 |
| Goods - carrying capacity | other | 2 500 |
| | 20 tonnes+ | 2 500 |
| Commuter omnibus - passengers | 8 – 14 | 150 |
| | 15 – 24 | 175 |
| | 25 – 36 | 300 |
| | 37 + | 450 |
| Taxicabs - passengers | maximum 7 | 100 |
| Other | | |
| Hairdressing salon | | 1 500 |
| Cross-border traders | | 10% of the VDP |
| Restaurant operators or bottle stores | | 300 |
| Cottage industry operators | | 300 |
| Informal traders | | 10% of rent |
| Small-scale miners | | Suspended effective 1 January 2015 |

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With effect from 1 January 2012, presumptive tax on water-borne vessels applies as follows:

| Type of Operator | Size per Vessel (number of passengers) | Rate per Quarter (US\$) |
|-------------------------------|--|-------------------------|
| Fishing rigs | | 350 |
| Commercial water-borne vessel | 1-5 | 250 |
| | 6-15 | 500 |
| | 16-25 | 1 000 |
| | 26-49 | 1 500 |
| | 50 and above | 2 000 |

Notes:

1. The tax is payable by the 10th day following the applicable quarter and interest is chargeable on unpaid tax.
2. This type of presumptive tax will only not apply unless an operator of commercial water-borne vessel has been issued a tax clearance certificate confirming they have submitted an income tax return for the previous year, or has proof that he/she is registered for Value Added Tax (VAT).
3. A commercial water-borne vessel includes any ship, cruiser, houseboat, canoe or any other water-borne vessel, of whatever description, that is employed for the carriage of passengers for profit on inland waters, or fishing rigs.

Thin Capitalisation

The thin capitalisation rules limit the deduction of interest payments by a company to a debt-equity ratio of 3:1. The disallowed interest is deemed to be a dividend for WHT purposes.

With effect from 1 November 2013, though the disallowance of excessive interest remains, the disallowed interest is no longer deemed interest for WHT purposes, if the interest on the loan incurred by any company, is for the benefit of the State.

Transfer Pricing

Effective 1 January 2014, transfer legislation was introduced. However, there is no specific transfer pricing framework (e.g. as per the OECD Guidelines) as yet. The following are the broad measures:

The Commissioner will be empowered to:

- Distribute, apportion or allocate income deductions or tax credit to reflect an arm's length transaction.
- Adjust income accruing from any transfer of any income or intangible property involving associates or employer and employee relationship. The adjustment to be commensurate with the income attributable to the property.
- Where an individual attempts to split income with an associate, the Commissioner may adjust the taxable income of the taxpayer and the associate to prevent any reduction in tax payable as a result of the splitting.

In making any of the above adjustments, the Commissioner has the power to recharacterise the income and the nature of any payment or loss, capital, or otherwise.

"Associate" has been clearly defined and in summary this includes:

- Where a person, other than an employee, acts in accordance with the directions, requests, suggestions or wishes of another person, whether or not the persons are in a business relationship and whether or not those directions, requests, suggestions or wishes are communicated to the first mentioned person, both persons shall be treated as associates of each other.

More specifically, an "associate" includes (subject to certain exceptions based on the Commissioners discretion):

- A near relative of the person.
- A partner of the person.
- A partnership in which the person is a partner, if the person, either alone or together with one or more associates, controls 50 % or more of the rights to the partnership's income or capital.
- The trustee of a trust under which the person, or an associate of the person, benefits or may benefit.
- A company which is controlled by the person, either alone or together with one or more associates.
- Where the person is a company, a person who, either alone or together with one or more associates, controls the company; or another company which is controlled by that person either alone or together with one or more associates.

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Capital Gains Tax (CGT)

Subject to certain exemptions, CGT is payable on any gain from a source within Zimbabwe, arising from the sale or deemed sale of specified assets; namely, immovable property and marketable securities. Deemed sales include the donation or exchange of assets. Amounts received on the maturity or redemption of assets is also taxable. The tax applies equally to companies and individuals.

With effect from 1 January 2014, amounts received by or accruing to a person from the sale or disposal of his or her shares to an indigenisation partner (including employees), or community share ownership trust, or scheme, will be exempt from CGT.

Effective 1 January 2014, the transfer of qualifying assets by way of a cession, are subject to obtaining a CGT clearance certificate.

With effect from 1 February 2009, the capital gain from a sale or disposal of a marketable security, and immovable property acquired before 1 February 2009, is the amount realised from the sale or disposal of the asset. The rate of CGT on such disposal is 5%.

Any sale of a marketable security (except a listed security), which is subject to a CGT WHT which is final, and immovable property acquired after this date, is taxed at 20% after allowing the following deductions:

- Selling expenses.
- Cost price.
- Bad debts.
- Special Court, High Court or Supreme Court appeal costs.
- 2.5% allowance of the purchase price from date of acquisition.
- 2.5% allowance on the cost of additions or improvements.

CGT is payable within 30 days of the earliest of:

- The signing of the agreement.
- Transfer of the property.
- Receipt of payment of the selling price of the specified asset.

Notes:

1. The CGT exemption on the sale of a principal private residence by an individual, applies to sellers aged 55 years and older.
2. Roll-over provisions with respect to the disposal of a principal private residence, have also been extended to the disposal of a vacant residential stand.

Capital Gains Withholding Tax

The rate of WHT is as follows:

- With effect from 1 February 2009, on immovable property, 15% of the sale proceeds.
- With effect from 1 February 2009, on unlisted marketable securities, 5% of the sale proceeds.
- With effect from 1 August 2009, on marketable securities that are listed securities, 1% of the sale proceeds (this is a final tax).

No part of capital gains WHT, that was withheld and paid over to the Commissioner, is refundable on the basis that there was an overpayment.

Notes:

1. From 1 January 2009, the depositories, agent or payee, must remit the capital gains WHT no later than the third working day of the following month.
2. The responsibility for withholding CGT, and paying such taxes, rests with a "depository", such as a conveyancer or a stockbroker, who holds part or all of the sale proceeds. Such depositories must be registered with Zimra. Should the depository fail to withhold the amount, responsibility passes to the seller. In certain circumstances, taxpayers may apply for capital gains WHT clearance (e.g. where there is no CGT liability).
3. The tax withheld is allowed as a credit against CGT ultimately found to be payable.
4. Registration of change of ownership may necessitate an assessment before permission to transfer is granted.

Value Added Tax (VAT)

VAT is payable in respect of a broad range of goods and services supplied by a registered operator or which are imported.

A registered operator is a person carrying on a trade continuously. The VAT registration threshold is US\$60 000 per annum. The effect of registration is

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that a recipient trader is entitled to claim input (with certain exceptions) equal to the VAT paid by him to his supplier if such supplies are for the purpose of his trade. This input VAT is set off against output VAT payable in respect of the tax period. Any excess input tax is refundable by Zimra.

The rates of VAT applied, are:

- The standard rate of 15%.
- A zero rate (0%).

With regards to a 0% VAT rate, the effect of the zero rate is that, although the supplier of the designated goods and services charges no VAT and therefore has no output tax in that respect, he/she remains entitled to claim input tax on any supplies to him as have been subject to VAT. Zero-rating applies to: basic foodstuffs (including bread, margarine, milk, sugar, fresh/chilled/frozen meat and vegetables, fresh/dried fruits, eggs and salt), supplies of certain agricultural, horticultural and forestry equipment, various goods for use by disabled persons, medicines, exported goods and international transport of goods and passengers. With effect from 1 December 2010, the procurement of fiscalised electronic tax registers and memory devices is zero-rated.

Exemptions from VAT include: operations under a temporary casino licence, certain educational services, medical services, road and rail fare-paying passenger services, pipeline transportation, services provided by a fund administrator to or on behalf of a pension fund registered under the Pension and Provident Funds Act, domestic accommodation, water and electricity

supplies, imports of certain agricultural equipment and imports of certain petroleum products.

Notes:

1. The option to apply for VAT registration for separate trade, branches and divisions, was repealed with effect from 1 January 2010.
2. VAT at 20% is payable by the supplier on exportation of unbeneficiated chrome (chrome-ore and fines).
3. On importation of goods into Zimbabwe, VAT is payable on the value for duty purposes plus any duty, excluding surtax.
4. The period within which the Commissioner should respond to an objection is three months.
5. With effect from 1 January 2010, every supply made by auction of any goods and services on behalf of a principal, is treated as a supply made by the auctioneer.

The following changes were effected from the 1 January 2012:

- VAT payable and returns are due by the 25th day after the tax period.
- Implementation of VAT fiscalised recording of transactions.
- Non-compliance with fiscalisation by registered operators attract a maximum penalty of a US\$25 per point of sale for each day the taxpayer remains in default.

The VAT Act allows for the deferment of VAT payable on certain imported capital goods for a period of up to 90 days, and where the goods are converted to/or disposed of without having used them in the manner that qualified them for the deferment, additional tax equal to the tax is chargeable. With effect from 1 January 2013, the additional tax is extended to persons who do not settle the deferred VAT when it becomes due. The amounts are also subject to interest. The period for deferment for payment of VAT on high valued capital assets, is extended as follows:

| Value of equipment (\$) | Deferment period (days) |
|-------------------------|-------------------------|
| 100 000 – 1 000 000 | 90 |
| 100 001 – 10 000 000 | 120 |
| Above 10 00 000 | 180 |

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Export of Unbeneficiated Products

Presently, the only export attracting VAT, is on the export of unbeneficiated chrome. The Minister indicated that the ban on exportation of chrome would be maintained. The following further changes are proposed on certain exports:

Exportation of Unbeneficiated Hides

The exportation of unbeneficiated hides will give rise to VAT at a rate of 75 cents per kilogram on the supplier of such hides for export. Unbeneficiated hides include:

- Raw or untanned animal hides; or
- Unbeneficiated leather.

The valuation method (for purposes of VAT) is the highest price in the market of export in the prior six months, or the value on the Bill-of-Entry (BOE) under the Customs Act (whichever is higher).

Exportation Tax on Unbeneficiated Platinum

An export tax (VAT) on unbeneficiated platinum was due to come into effect on 1 January 2015. This has been deferred to 1 January 2017.

Exportation of Rough Diamonds

The exportation of rough diamonds shall attract VAT at a rate to be advised on the value of the exported rough diamonds. Rough diamonds have been defined as any diamond after it has been extracted by a diamond producer but before it is cut or polished. The value placed on the exportation of rough diamonds shall be:

- The market value on the date of exportation as determined by reference to a reputable diamond exchange; or
- The value as reflected on the BOE or other document (as required under the Customs and Excise Act), whichever is higher.

The effective date for this measure is 1 January 2014.

Input VAT

Prohibited Input Tax Deductions

The Bill further proposes to prohibit the deduction as input tax of the VAT paid on the exportation of unbeneficiated chrome, unbeneficiated hides, and unbeneficiated platinum or raw diamonds. The effective date for this measure is 1 January 2014.

VAT On Clearing Agents

A minimum clearance fee of \$50 per bill of entry to be charged for the purposes of charging VAT with effect from 1 January 2015

VAT Rates

Zero-Rating of Locally Sold Rough Diamonds Locally sold rough diamonds are zero-rated with effect from 1 January 2014.

Zero-Rating of White Sugar

To avail a relief to manufacturers and retailers on accumulating outstanding VAT on white sugar, it is proposed that white sugar is zero-rated with retrospective effect. The measure takes effect from 1 February 2009.

Exemption of Imported Electricity

VAT is exempted on electricity imported by ZETDC and on sold to local consumers. The effective date for this measure is 1 January 2009.

Customs and Excise Duty

Customs duty is levied on the importation of certain goods on the value for duty purposes (VDP). The VDP is essentially the landed value of the goods plus VAT where applicable.

The standard tariff can be varied by virtue of special rates applicable to an agreement or trade block membership. Presently, Zimbabwe is a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

A wide range of rebates exist mainly in respect of certain raw materials, strategic entities and/or sectors and certain types or classes of capital equipment.

Regular changes are made to customs tariffs and/or rebates depending on emerging circumstances. Accordingly, it is outside of the scope of this document to include all such rebates or tariffs. A tariff search is available on the Zimra website at: www.zimra.co.zw.

Excise Duty on Airtime

The collection of 5% excise duty on airtime, based on sale value from operators of cellular communication systems, applies with effect from 1 October 2014.

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Duty on Safaris Operators

Effective 1 January 2015, duty on motor vehicles imported by safaris operators, is suspended for a further 12 months.

Other Transaction Taxes

Demutualisation Levy

Any issue of shares under a scheme whereby, for example, a mutual society is converted into an insurance company, is subject to a demutualisation levy of 2.5% of the value of the shares, payable by the company concerned.

Carbon Tax

Carbon tax rates for visitors entering Zimbabwe with foreign-registered vehicles, in accordance with the engine capacity of the vehicle, are as follows:

| Engine Capacity | US\$ |
|--------------------|------|
| Up to 1 500cc | 72 |
| 1 501cc to 2 000cc | 132 |
| 2 001cc to 3 000cc | 180 |
| Over 3 000cc | 360 |

Notes:

1. It is understood that the above figures are annual and that visitors should pay one-twelfth (1/12) of the above amounts per 30-day period or part thereof.

Export Tax

An export tax of 20% on the gross value of export proceeds of chrome-ore and fines has been introduced from 1 January 2010. The exports of such fines are presently banned.

Royalties

| | | |
|-----------------------|-----|------------------------------|
| Precious Stones | 10% | |
| Gold | 5% | (Was 7% to 31 October 2014) |
| Platinum | 10% | (Was 5% to 31 December 2011) |
| Other precious metals | 4% | |
| Base metals | 2% | |
| Industrial metals | 2% | |
| Coal-bed methane | 2% | |
| Coal | 1% | |

Special Dividends

Minerals Marketing Corporation of Zimbabwe (MMCZ)

Whenever the MMCZ sells diamonds, whether on its own account or on behalf of anybody that it partners with for diamond exploration, extraction, exploitation, beneficiation or sale, then the MMCZ should pay to the Consolidated Revenue Fund a special dividend of 10% of the gross value of the proceeds for the sale of the diamonds within 24 hours of the acquaintance of the export documents relating to the sale of any batch of diamonds (effective 1 January 2014).

Zimbabwe Mining and Development Corporation (ZMDC)

A similar provision as regard the MMCZ special dividend also applies to the ZMDC in respect of diamond sales (effective 1 January 2014).

Depletion Fees

Minerals Marketing Corporation of Zimbabwe (MMCZ)

With effect from 1 January 2014, depletion fees payable to the MMCZ are now payable to the Consolidated Revenue Fund.

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Unbeneficiated Diamonds

To encourage local beneficiation, no royalties are charged on rough diamonds sold to local firms licenced to cut and polish diamonds (effective 1 January 2015).

Mining Rights

Protection and/or Forfeiture of Claims Certain amendments have been made to the rules regarding preservation of mining rights. The revisions require the obtaining of an inspection certificate for the renewal of mining blocks or mining leases accompanied by a prescribed fee and details of work carried out at the location including the declaration of the extent of quittance work, provision made for the meeting of quittance work or any other work required to protect or restore the environment. Failure to obtain an inspection certificate can on notification result in forfeiture of the lease. In certain circumstances the holder of a block or the lessee of a mining lease can on payment of a prescribed fee acquire a retention licence. This measure takes effect from 1 January 2014.

Stamp Duty

Stamp duty, payable on registration in a deeds registry of the acquisition of immovable property that was acquired in foreign currency, is payable in the same or another specified foreign currency as follows:

| Property Value (US\$) | Stamp Duty (\$) |
|--|-----------------|
| Up to 5000 for every 100 or part of the value | 1 |
| More than 5 000 to 20 000 for every 100 or part of the value | 2 |
| More 20 000 to 100 000 for every 100 or part of the value | 3 |
| Above 100 000 for every 100 or part of the value | 4 |

Notes:

1. A transfer duty of 1% arises on the transfer of mining claims.

Estate Duty

Estate duty of 5% is levied on the value of worldwide assets of a deceased individual who was ordinarily resident in Zimbabwe. If the deceased was not ordinarily resident, estate duty is levied only on property within Zimbabwe. The blanket exclusion from dutiable amount in an estate is US\$50 000.

Tax Administration

- In line with international best practice, Zimra has set up a Large Taxpayer Office (LTO) that became operational on 1 April 2010.
- Zimra has embarked on the process of electronic filing of returns which is ongoing.

Other

Tax Amnesty

With effect from 1 October 2014, the Tax Amnesty Act was enacted. The Act absolved taxpayers from interest and penalty charges for tax irregularities if they address their tax affairs by 31 March 2015. Taxpayers are also relieved of any prosecution by the National Prosecuting Authority regarding declared irregularities.

The covered amnesty period is from 1 February 2009 to 31 October 2014. The covered taxes include: income tax, VAT, CGT, customs and import taxes etc.

Taxpayers must truthfully declare all facts and extent of irregularities when making an application for amnesty, short of which the Commissioner reserves the right to withdraw amnesty on the taxpayer concerned. The amnesty can also be withdrawn if, without reasonable grounds, a taxpayer defaults from the payment plan or fails to pay current tax or duty liabilities in full by the due dates. It is proposed to extend the period of settlement of liabilities to 31 December 2015.

Furthermore, a discount is offered on the tax payable by an amnestied taxpayer of not exceeding 5% cumulatively per month for early payment of the covered taxes due. This discount appears to have been extended to those who have also already participated but it gives the Commissioner the option to process the discounted amount by way of credit against future tax liabilities



Powers of the Commissioner and Duty to Keep Records

The Commissioner has been given the power to attach and auction property in cases of non-payment of duty or taxes. The powers also cover areas such as failure to furnish any return or information in connection with a tax liability within the time allowed, and where the Commissioner is not satisfied with the return or information supplied. In addition, all persons whose gross income does not consist solely of wages or salaries, shall be required to keep proper books of accounts relating to any trade carried out by him for a period of six years and the books should be kept in English language. Any person who fails to maintain such a record shall be guilty of an offence.

The In Duplum Rule (Prescribed Rate of Interest Act)

To encourage prompt compliance with court orders requiring the payment of sums of money, the debtor's protection under the "in duplum rule" (in brief, that the interest levied cannot exceed the capital sum) is to be excluded in the case of judgment debts.

Transitional Matters

With regard to items that have an impact on the 2009 taxable income, such as assessed losses, income tax values, closing stock and recoupment, it was proposed that taxpayers express their revalued Zimbabwean dollar final balances in US\$ by applying a conversion rate which is subject to the Commissioner's approval. Taxpayers should declare the exchange rate applied and justify application of such an exchange rate, where it is necessary. The actual invoices and proof of payment in Zimbabwean dollars may be called for.

General Investment Information

Investment Incentives

Notes:

1. Incentives apply equally to domestic and foreign investors. The major goals of incentives include employment creation, small business development, industrial development, export promotion, spatial development and the upliftment of the economically disadvantaged. Presently, very limited incentives apply. Tariffs protect local industry but the move towards harmonisation of trade within the region has led to the reduction of tariff for COMESA and SADC countries.

General Incentives

- Rebate provisions – These are available to all manufacturing industries. Provision exists for rebate or drawback of certain duties applicable to imported goods, raw materials and components used in manufacturing, processing or for export.
- Incentives for the small business sector –The Zimbabwe Government is well aware of the important role that small, medium and micro-enterprises play in job creation and innovative new production methods. SME's presently access a more favourable capital allowance regime.

Capital Allowances

- Refer to the section on capital allowances above.

Free Trade Zones (FTZs)

- The EPZ status is no longer available. The Minister indicated in his 2011/12 Budget presentation to Parliament, that the Zimbabwe Government was looking to establish certain economic hubs throughout the country.

Other Investment Incentives

- Business environment – The Government is committed to creating a conducive investment environment by guaranteeing security of investment and crafting of investor-friendly policies. The intention is to increase investment from the current level of 4% to at least 25% of Gross Domestic Product (GDP). It is

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intended to introduce amendments in the last session of parliament (2013) to the Zimbabwe Investment Authority Act to create a more conducive investment climate.

Indigenisation

The Government has introduced legislation and regulations aimed at seeking to ensure that indigenous Zimbabweans participate in all sectors of the economy. Recent legislative amendments will see determination of compliance levels being determined subject to negotiation with the respective line/Ministry under which the business falls.

Exchange Controls

Limited exchange controls are in place with the majority of restrictions on exchange being removed in 2009. Most controls relate to monitoring activities, which have largely been passed on to the banking sector, with minimal Central Bank intervention. Individuals and companies are permitted to make payments for goods and services offshore, as well as servicing external debts. External loans of up to US\$7.5 million, for both domestic and foreign investors, can be processed at banks without prior approval from Treasury and the Reserve Bank External Loans Coordinating Committee (ELCC).

Expatriates, Entrance Permits, and Work Permits

Work permits for expatriates are generally available in cases where the expertise is not available locally or if the employment of an expatriate is called for in setting up a new project. A business visa can be obtained installation and back-up service for machinery purchased outside Zimbabwe by local companies, those attending board meetings and assessing investment opportunities. Investors, who invest not less than US\$1 million in a project approved by Zimbabwe Investment Authority (ZIA), qualify for permanent residence on application. Investors who invest at least US\$300 000 in a sole business venture, in a project approved by ZIA, will qualify for a residence permit for three years at the end of which permanent residence may be granted, whereas investors who invest US\$100 000 in a joint venture approved by ZIA, with a bona fide Zimbabwean, will qualify for a three-year residence permit at the end of which permanent residence may be granted.

Trade Relations

- Memberships – SADC and COMESA.
- Zimbabwe has a bilateral trade agreement with South Africa. As a result of this trade agreement, a number of export products may enter the South African market at reduced rates of import duty and vice versa.

Interest and Currency Exchange Rates

Due to liquidity constraints, lending rates on the US\$ remain high except in the case of certain special facilities. These rates vary from approximately 7% to over 20% in certain instances.

With effect from 1 February 2009, the following currencies became legal tender in Zimbabwe: British Pound Sterling (£), euro (€), United States Dollar (US\$), South African Rand (R) and Botswana Pula (P).

Notes:

1. The US\$ is primarily in use and international cross-rates of exchange are applied when transacting with other currencies.

Key Economic Statistics

GDP (approx.)

US\$11.745 billion (2013 actual)

(source: Ministry of Finance)

US\$12.103 billion (2014 estimate)

(source: Ministry of Finance)

US\$12.495 billion (2015 forecast)

(source: Ministry of Finance)

Market Capitalisation (approx.)

US\$4.70 billion (October 2014)

(source: Reserve Bank of Zimbabwe)

Rate of Inflation

1.632% (2013 average)

(source: IMF)

0.291% (2014 average)

(source: IMF)

1.200% (December 2014)

(source: IMF)

Below 1% (2015 projected)

(source: IMF)

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The African story



“I see the opportunity in Africa as greater than anywhere else in the world today...The difference with Africa is simply that the scope for catch up and convergence is greater and is likely to happen more rapidly” - Stephen Jennings, Founder of Renaissance Group.

“If you give me today \$5 billion I will not invest any abroad. I will invest everything here in Nigeria. Let us put heads together and work.” - Aliko Dangote, Founder and CEO Dangote Cement.

“The 22nd Century will be the African century - if I’m wrong we can come back and discuss it” - Tidjane Thiam, Group Chief Executive Officer of Prudential

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Challenges faced by CEOs expanding into Africa

According to the Deloitte Insomnia Index survey some of the challenges include:

- Understanding the real needs of the market
- Political environment
- Funding
- The regulatory environment and Labour Laws
- Shortage of skills
- Compliance



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Understand business purpose

- Market sizing
- Competitor analysis
- Market Gap
- Demand forecasting
- Supply Chain analysis
- Identification of local partners

Define the investment

- Capital raising
- Determining tax optimal legal entity
- Merger and acquisition
- Due diligence
- Valuations

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51 countries

Are you asking the right questions?



Determine the right location

- Country risk analysis
- Site selection
- R&D and Government incentives
- Provincial/State/Local incentives

Secure and manage talent

- Recruiting local talent
- Determine need for expatriate model

Set up enabling areas and optimise the investment

- Meeting statutory and other requirements
- Secretarial and legal services
- Compliance with regulatory environment eg. Tax return submissions
- Compliance with local labour laws and local hires

Establishing a compliance platform

- Payroll
- Accounting
- Information technology
- Direct and indirect tax reporting

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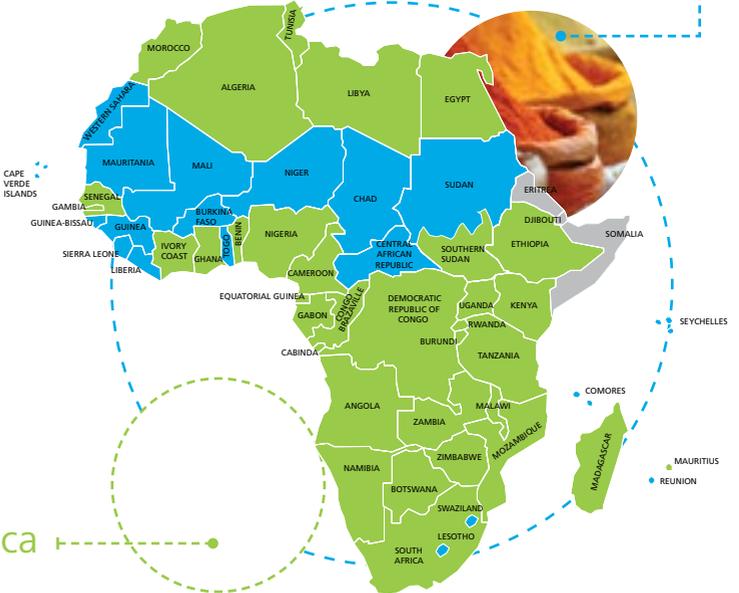
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