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M&A tax guide — Sub-Saharan Africa

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Summary of tax and structuring considerations for Sub-Saharan Africa

Deal structure

	Angola[7]	Cameroon	Ethiopia	Ghana	Kenya	Mozambique	Nigeria	South Africa	Tanzania
1. Do the tax rules favor asset or equity deals?	Equity	Neither	Equity	Neither	Neither	Equity	Equity	Neither	Neither
2. Do the tax rules favor onshore or offshore holding structures?	Neither	Neither	Neither	Offshore	Offshore	Offshore	Offshore	Neither	Offshore
3. Are there significant restrictions on foreign investment?	Yes	No	No	Yes	No	No	No	Yes	No
4. Are tax deductions typically available for acquisition financing costs or other acquisition costs?	Yes	Yes	Yes	Maybe	Yes	Yes	Yes	Yes	Yes
5. Can payment-in-kind (PIK) debt be structured?	-	-	-	Yes	-	-	Yes	Yes	-
6. Do thin capitalization rules apply?	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
7. Are there minimum capital requirements?	Yes	No	Yes	Yes	Yes	Maybe	Yes	No	No
8. Is it possible to increase/ decrease capital?	Yes	Yes[3]	Yes/No	Yes	Yes	Yes	Yes	Yes	Yes

Post-deal management

	Angola[7]	Cameroon	Ethiopia	Ghana	Kenya	Mozambique	Nigeria	South Africa	Tanzania
1. What is the corporate income tax rate?	35%	38.5%	30%/25%[6]	25%	37.5%	32%	30%	28%	30%
2. Can cash be remitted overseas?	Yes	Yes	Yes	Yes	Yes	Certain Retrictions	Yes	Yes	Yes
3. What is the domestic withholding tax rate									
a. On dividends paid to overseas entities?	10%	16.5%	10%	8%	10%[2]	20% and 10%[3]	10% and 7.5%[4]	15%	10%
b. On interest payments made to overseas entities?	15%, 10%, and 5%[1]	16.5%	5%	8%	15%	20%	10% and 7.5%[4]	No, 15%[5]	10%
c. On royalty payments made to overseas entities??	10%	15% and 7.5%	5%	10%	20%	20%	10%	12%, 15%	15%
4. Is tax levied on the receipt of foreign dividends?	No	Yes	Yes	No	No	Yes	No	Maybe	Yes
5. Is there limitation on the use of net operating losses (NOLs) by the successor?	Maybe	Yes	Case basis	Yes	No	Yes	Maybe	Yes	Maybe

Exit strategy

	Angola[7]	Cameroon	Ethiopia	Ghana	Kenya	Mozambique	Nigeria	South Africa	Tanzania
1. Is there tax on capital gains at the level of an onshore seller?	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
2. Is there withholding/ capital tax on the sale or disposition of a company?	Yes	Yes	Yes	Yes	Yes[6]	Yes	No	Yes	Yes
3. Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	Yes	No	No	Maybe	No	Yes	No	No	No
4. Are there substantial sales/turnover taxes on exit?	No	No	No	No	Yes	Yes	No	No	Maybe

Note:

1. The withholding tax is 15% on loans, 10% on corporate bonds and shareholder loans, and 5% on government and central bank bonds if maturity is greater than three years.
2. Applicable for nonresidents
3. Dividends are subject to a 20% withholding tax, and dividends on shares listed on the Mozambique Stock Exchange are subject to a 10% withholding tax.
4. According to the double tax agreement signed with a country
5. With effect from January 1, 2015
6. Applicable for oil, mining, or mineral prospecting
7. Government of Angola is expected to come up with a new tax legislation in August 2014

Angola

Key facts

Nominal GDP (2013)	US$134.3B	Major industries	Oil and gas
Real GDP growth (year on year)	3.6%	2013 reported M&A volume	US$0.2B

Deal structure	
Question	**Response**
Do the tax rules favor asset or equity deals?	The tax law does not give clear preference to either type of deals. Although, equity deals are likely to be preferred over asset deals due to higher capital gain taxes on assets.
Do the tax rules favor onshore or offshore holding structures?	Tax rules do not specifically favor onshore or offshore holdings. Angola currently does not have any double tax agreements with any country. However, branch (although taxed similarly as the resident entity) is the most common form of representation in Angola for a company established in foreign jurisdiction. This permits the foreign investor to undertake commercial activities in Angola under the same conditions as applicable to locally registered companies.
Are there significant restrictions on foreign investment?	The foreign investment threshold varies across industries. In oil and gas, foreign ownership is limited to 49%, insurance is limited to 50% and in banks to 10%. In the publishing, TV broadcasting, and newspaper media sectors, foreign ownership is limited to a 30%. Foreign capital participation in excess of these limits is possible with the approval of the council of ministers or the central bank.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	Investors are exempted from payment of property transfer tax applicable to acquisitions of land and real estate when such acquisitions are made as a part of the investment project. Also, acquisition of at least 50% of shares in limited liability companies or corporations that own immovable property may get waiver to property transfer tax if the acquiring entity proves that the purpose of the operation is not the acquisition of the immovable properties. Tax exemptions of three to five years is provided if investment in the project is in national interest or in the special economic zone (SEZs).
Can PIK debt be structured?	Not Available
Do thin capitalization rules apply?	There are no tax rules referring to thin capitalization. However, the arm's-length principle applies to commercial or financial transactions made between related parties.
Are there minimum capital requirements?	The minimum amount for foreign investments is US$1.0 million in order to benefit from taxation incentives and repatriation of profits. Projects in which investment values exceed US$5 million will require an authorization by the Angolan Antional Private Investment Agency (ANIP).
Is it possible to increase/decrease capital?	Yes, it is possible to increase and decrease the share capital provided it is approved by The National Bank of Angola (BNA).The ANIP (National Private Investment Agency) shall be notified of any increase in the share capital of companies incorporated for the purposes of foreign investment that do not involve the importation of capital. A capital duty of 0.5% is levied on the contribution of new capital in a company.

Post-deal tax management	
Question	**Response**
What is the corporate income tax rate?	The basic corporate income tax is 35%. However, for specified industries, it is as follows:.agriculture and forestry activities — 20%; petroleum: oint ventures — 65.75%, production-sharing agreements — 50%, mining companies — 40%; urban property: rent — 30%.
Can cash/profit be remitted overseas?	Repatriation of income earned by foreign investors is possible under the conditions defined by BNA and in accordance with the applicable foreign exchange legislation. These include royalties, profits, and dividends arising in Angola; proceeds from the liquidation of investments; and any amounts due pertaining to an act or agreement that are in accordance with the law. This benefit is, however, only available in respect of foreign investments of at least US$1 million per investor.

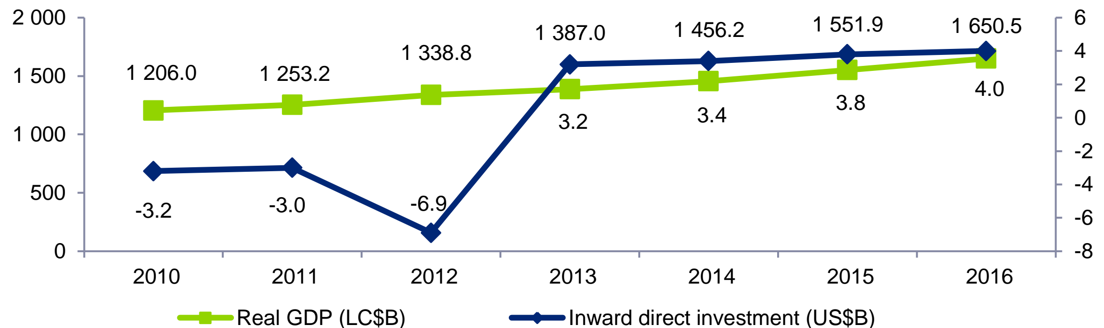
Post-deal tax management		
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	The withholding tax levied on dividends is 10% (exemption may allow a reduction to 2.5% or 0% under an incentive package)
	On interest payments made to overseas entities?	The withholding tax is 15% on loans, 10% on corporate bonds and shareholder loans, and 5% on government and central bank bonds if maturity is greater than three years.
	On royalty payments made to overseas entities?	The withholding tax on royalties is 10% (exemption may allow a reduction to 2.5% or 0% under an incentive package)
Is tax levied on the receipt of foreign dividends?	Dividends received by tax resident individual shareholders are not subject to taxation in Angola. Dividends received by corporate shareholders are included in their taxable income, for industrial tax purposes, and are taxed at the standard rate of 35%.	
Is there limitation on the use of NOLs by the successor?	Although NOLs can be carried forward for three years and seven years (in case of mining firms), it could ascertain that similar guidelines will be applicable in case of any succession.	

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	Capital gains on profits derived from the sale of fixed assets are subject to industrial tax at the regular tax rate of 35%. Capital gains on shares or other instruments generating investment income that is not taxable for industrial tax or personal income tax purposes are subject to investment income tax at a rate of 10%.
Is there withholding/capital tax on the sale or disposition of a company?	Capital gains deriving from the disposal of shares or other securities that generate income are subjected to a tax rate of 10%. This is a capital income tax, but is normally paid through the withholding tax (WHT) mechanism.
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	The tax rules for residents and nonresidents are almost the same, however, nonresidents who have permanent establishments in Angola are subject to capital income tax on the profits derived in Angola. Such taxes have to be cleared prior to an exit by an offshore vehicle.
Are there substantial sales/turnover taxes on exit?	No, although standard rate of VAT — 10% as part of ongoing business activity. Angola levies a consumption tax, which operates as an excise tax and a sales tax on the supply and import of goods and services in Angola. The standard rate is 10%, varying from 2% (on essential foods and medical supplies) to 30% (in case of luxury items).

Summary

Angola has plenty of challenges related to setting up a business, and its operations in the country are not that easy. Angola has experienced six years of sustained stability and growth that has been critical to its development. The governments has initiated various investment incentives and is also in a process to bring down its corporate tax rate. In the past years, the country has embarked on an ambitions reconstruction program.

Economic and investment outlook



Cameroon

Key facts

Nominal GDP (2013)	US$27.5B	Major industries	Petroleum, metals, food processing, and textiles
Real GDP growth (year on year)	4.8%	2013 reported M&A volume	US$0.2B

Deal structure	
Question	**Response**
Do the tax rules favor asset or equity deals?	The legislation does not favor any one type of deal. However, direct investment in assets of more than 100.0 million CFA francs (approximately US$206,485) requires investors to declare their intent to the Ministry of Finance (MINFI) 30 days in advance. Also, in practice, substantial local equity ownership may help facilitate the investment approval process.
Do the tax rules favor onshore or offshore holding structures?	Transactions recorded by an entity in Cameroon with legal entities resident or established in a territory or state abroad considered to be a tax haven shall not be deductible in determining the company tax in Cameroon.
Are there significant restrictions on foreign investment?	No. The government of Cameroon (GOC) actively seeks to attract foreign investment in order to create much-needed economic growth and employment. The 2002 Investment Charter permits 100% foreign equity ownership in major sectors, such as agriculture, light manufacturing, telecommunication, banking, insurance, retail, tourism, and health care.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	Yes. There is an exemption from taxes on loans contracted in respect of the investments There are also exemptions on the transfer of acquired premises, lands, and buildings necessary for implementation of the investment program.
Can PIK debt be structured?	Not Available
Do thin capitalization rules apply?	Thin capitalization rules restrict the deductibility of interest on loans from associates or related companies where the loans granted exceed one-and-a-half times the equity value of the company, or the interest paid by the company to its shareholders exceeds 25% of the company's gross operating income.
Are there minimum capital requirements?	No. The new investment code — enacted in April 2013 — eliminates minimum investment requirement.
Is it possible to increase/decrease capital?	Yes. There is an exemption from registration fees in respect of capital increases.

Post-deal tax management		
Question	**Response**	
What is the corporate income tax rate?	The corporate tax rate is 38.5% in total (35% of corporate tax + 10% surcharge tax). The Corporate Income Tax (CIT) rate of 38.5% is reduced to 33% for companies during their first three years of listing on the national stock exchange of Cameroon, Douala Stock Exchange.	
Can cash/profit be remitted overseas?	Dividends, capital return, interest and principal on foreign debt, lease payments, royalties and management fees, and returns on liquidation can be remitted abroad without the restrictions of having to be declared at the MINFI and Bank of Central African States (BEAC).	
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	A withholding tax of 16.5% (15% withholding and a 10% local surcharge) applies to dividends paid to residents and nonresidents. The rate may be reduced under an applicable tax treaty.
	On interest payments made to overseas entities?	A withholding tax of 16.5% (15% withholding and a 10% local surcharge) applies to interest paid to nonresidents. The rate may be reduced under an applicable tax treaty.

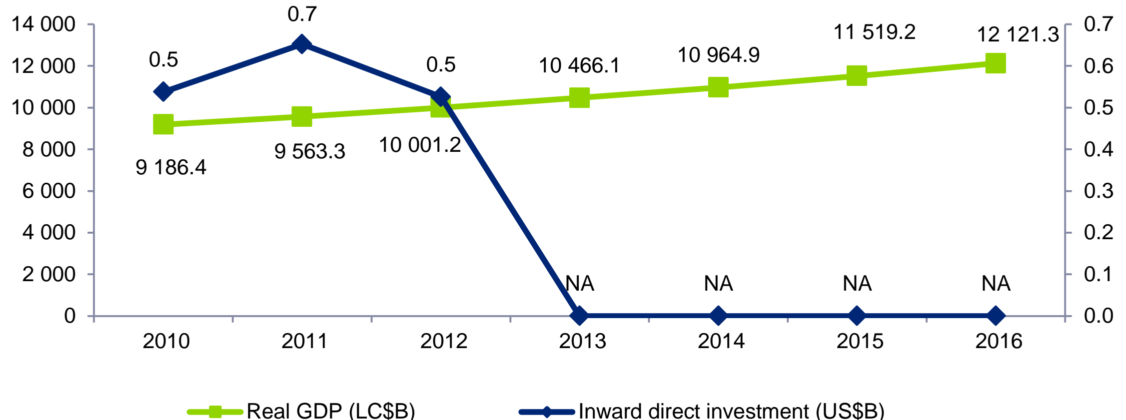
Post-deal tax management		
	On royalty payments made to overseas entities?	Royalties paid to nonresidents are subject to a 15% withholding tax (the 10% local surcharge is not applicable). When such amounts are paid to a firm that participates in the management of a Cameroon firm in which it holds shares, but is located outside the Central African Economic and Monetary Community (CEMAC), the royalties will be considered as sums accruing from the distribution of profits and taxable to withholding tax at the rate of 16.5%.
Is tax levied on the receipt of foreign dividends?	Dividends received by a resident company from a nonresident company are subject to CIT (38.5%). The recipient may offset any Cameroon tax withheld from the dividends against its CIT liability, but foreign tax paid on dividends derived from a nonresident company is not creditable against Cameroon CIT, unless specifically provided for under a tax treaty.	
Is there limitation on the use of NOLs by the successor?	Losses of a company may not be transferred to the acquirer in the case of a corporate reorganization.	

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	Capital gains are taxed at the regular corporate rate (38.5%). Capital gains include gains on the sale of real estate, corporate shares, and business assets. The tax, however, can be deferred or eliminated in the event of a merger.
Is there withholding/capital tax on the sale or disposition of a company?	In case the sale or transfer of a company entails a capital gain, a withholding tax of 16.5% is applicable to the same, irrespective of the fact that the transfer occurs locally or abroad. However, in the specific case of shares transfer, capital gains amounting to XAF 500,000 (US$1032.6) are exempted from the aforesaid withholding tax.
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	There are no specific tax rules governing the exit for investment through an offshore holding structure. In the case where the transaction is analyzed as indirect transfer of benefit, the relating amount is subject to both CIT (at the rate of 38.5%) and tax on distribution (at the rate of 16.5%) in Cameroon.
Are there substantial sales/turnover taxes on exit?	There are no specific taxes on exit, however, the transfer of control of a company will be subject to certain registration duties.

Summary

The GRC seeks to attract foreign investment in order to create much-needed economic growth and employment. The economic reforms, such as the 2013 investment code, have introduced tax incentives that make Cameroon an attractive investment destination. The greater freedom in moving currency, in event of a merger or sale, makes the investors prefer Cameroon over many of its other African subsidiaries.

Economic and investment outlook



Ethiopia

Key facts

Nominal GDP (2013)	US$48.14B	Major industries	Agriculture
Real GDP growth (year on year)	9.7%	2013 reported M&A volume	US$1.38B

Deal structure	
Question	**Response**
Do the tax rules favor asset or equity deals?	The legislation does not favor any particular deal. Equity contributions are not taxable although a CGT of 30% is charged on the gain element from the sale of equity as against to 15% on assets. Also, in cases of asset acquisition, there is a VAT element that may not be claimed back and will be a part of the cost of the asset.
Do the tax rules favor onshore or offshore holding structures?	Ethiopia currently has 18 double tax treaties with various countries. The offshore holding structure stands more favorable considering the corporate tax rate of 30%, although onshore is given various investment incentives if it is engaged in export-oriented units.
Are there significant restrictions on foreign investment?	Foreign investment is open to most of the industries except telecommunications industry (fixed-line and mobile/wireless services and infrastructure), FSI (insurance and banking), media sectors (TV broadcasting and newspaper publishing), transportation industry, and retail sector. It is also difficult to obtain licenses for electricity and waste management industry.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	Special loan funded through the Development Bank of Ethiopia provides land at low lease rates for priority export areas, such as floriculture, leather goods, textiles and garments, and agro-processing-related products. An investor can borrow up to 70% of the project cost from this fund without collateral upon presenting a viable business plan and 30% personal equity. Investors are allowed to import duty-free capital goods and construction materials necessary for the establishment of a new enterprise or for the expansion of an existing enterprise. Further, spare parts worth 15% (by value) of the capital goods can be imported duty free.
Can PIK debt be structured?	Not Available
Do thin capitalization rules apply?	The debt-to-equity ratio for companies that are thinly capitalized as provided for in the Income Tax Proclamation is 4:1.
Are there minimum capital requirements?	The minimum entry capital required of a foreign investor investing in areas of architectural, engineering works or related technical consultancy services, technical testing and analysis, and publishing work is US$ 100,000 for fully foreign owned, and US$50,000 where the investment is made jointly with domestic partner(s). A foreign investor reinvesting his profits or dividends generated from existing enterprise is not required to allocate a minimum capital.
Is it possible to increase/decrease capital?	Yes, it is possible to increase the share capital.

Post-deal tax management		
Question	**Response**	
What is the corporate income tax rate?	The standard business income tax rate is 30%. Income from mining operations, excluding petroleum, natural gas, and oil shale, is taxed at a rate of 35%. Income from petroleum, natural gas, and oil shale operations is taxed at the standard rate of 30%.	
Can cash/profit be remitted overseas?	Ethiopia's Investment Proclamation allows all registered foreign investors, whether or not they receive incentives, to remit freely profits and dividends, principal and interest on foreign loans, and fees related to technology transfer. Foreign investors may also remit proceeds from the sale or liquidation of assets, from the transfer of shares or of partial ownership of an enterprise, and funds required for debt service or other international payments.	
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	Dividends paid to a nonresident are subject to a 10% withholding tax.
	On interest payments made to overseas entities?	The general withholding tax rate on interest paid to a nonresident is 5%

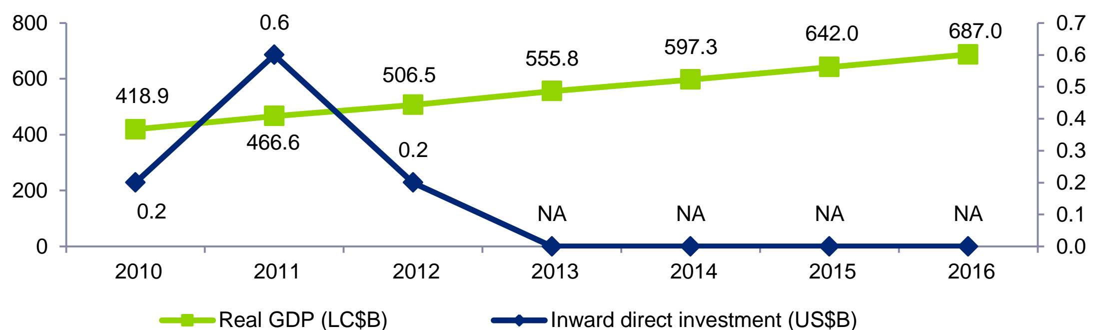
Post-deal tax management		
	On royalty payments made to overseas entities?	Withholding tax on royalties paid to nonresident entities is 5%
Is tax levied on the receipt of foreign dividends?	A 10% final income tax that is withheld at source is imposed on dividends paid by share companies and withdrawals of profits from private limited companies. The tax applies to both residents and nonresidents. Remittances by branches to their foreign headquarters are considered to be distributions of dividends and are accordingly subject to income tax at a rate of 10%.	
Is there limitation on the use of NOLs by the successor?	Companies may carry forward NOLs for three years. However, if a company incurs losses in any of the three years following the year of the loss, the loss carryforward period may be extended a year for each loss year in the three-year period, up to a maximum loss carryforward period of six years. If, during a tax period, the direct or indirect ownership of the share capital or the voting rights of a body change more than 25%, by value or by number, the right to a loss carryforward no longer applies to losses incurred by that body in that tax period and previous tax periods.	

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	Capital gains derived from transfers of buildings located in municipal areas that are used for a business, factory, or office are subject to tax at a rate of 15%. Capital gains derived from transfer of shares of companies are subject to tax at a rate of 30%.
Is there withholding/capital tax on the sale or disposition of a company?	There are various withholding taxes, excluding those levied on dividend, interest, and royalty payments, and foreign loans (10%), royalty paid by holders of large-scale mining licenses. These liabilities of tax need to be provided for before an exit.
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	Tax rules pertaining to CGT on transfer of business property or shares are the other tax specifications besides the normal corporate taxes that are to be paid for during an exit of a company.
Are there substantial sales/turnover taxes on exit?	There is no substantial sales/turnover tax on exit, although ongoing sales of products and services attract turnover tax (ToT) — charged at a rate of 2% (this applies to transactions values less than ETB 500,000. If the transaction value is above this then the tax will be VAT of 15%) on the supply of goods and supply of services relating to contractors, grain mills, tractors and combine harvesters at a rate of 10% on other services. Further, VAT rate of 15% of the value of every taxable transaction by a registered person, and all imports of goods and services other than those exempted.

Summary

Ethiopia is agriculture-based economy, though the government is looking to diversify into manufacturing and energy generation. The banking, insurance, telecommunications, and microcredit industries are restricted to domestic investors, but Ethiopia has attracted significant foreign investment in textiles, leather, commercial agriculture, and manufacturing. Ethiopia's investment code provides incentives for development-related investments, including reducing the CGT for the same.

Economic and investment outlook



Ghana

Key facts

Nominal GDP (2013)	US$44.2B	Major industries	Metal, oil, and cocoa
Real GDP growth (year on year)	5.4%	2013 reported M&A volume	US$0.04B

Deal structure	
Question	**Response**
Do the tax rules favor asset or equity deals?	Neither, as both equity and asset deals attract capital gain tax, except that equity deals are preferred in cases where deals involve listed companies.
Do the tax rules favor onshore or offshore holding structures?	Tax rules prefer offshore holding structures, with companies using entities in treaty countries to minimize tax obligations.
Are there significant restrictions on foreign investment?	Yes. The minimum required equity for foreign investors is US$200,000 (in joint ventures) or US$500,000 (for enterprises wholly -owned by a non-Ghanaian). Trading companies either wholly or partly owned by non-Ghanaians require minimum foreign equity of US$1000,000 and the firm must employ at least 10 Ghanaians.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	Yes. Tax deduction is typically available for acquisition financing cost via asset deal but not for equity deal.
Can PIK debt be structured?	Yes. The types of debt listing range from simple single listings where loan notes issued under an instrument are listed, to single listings of debt securities with a PIK facility, which allows for the automatic listing of PIK notes on issue, to listings under programs that allow for multiple issues and listings under multiple instruments with different terms.
Do thin capitalization rules apply?	Yes. A company is classified as thinly capitalized if the ratio of its interest-bearing exempt debt to its exempt equity contribution held by its parent or associate of the parent is greater than the ratio of 2:1. Any interest charges or exchange losses arising on the debt in excess of the ratio are disallowed in assessing the Ghanaian entity to tax.
Are there minimum capital requirements?	Yes. The minimum capital requirements for companies with foreign shareholding are different. For a 100% foreign company, a capital of US$500,000 is required and US$200,000 for a joint venture with a Ghanaian (with minimum of 10% equity). A company engaged in trading requires US$1,000,000 capital for 100% foreign ownership.
Is it possible to increase/decrease capital?	A company may reduce its share capital by special resolution, subject to confirmation by court.

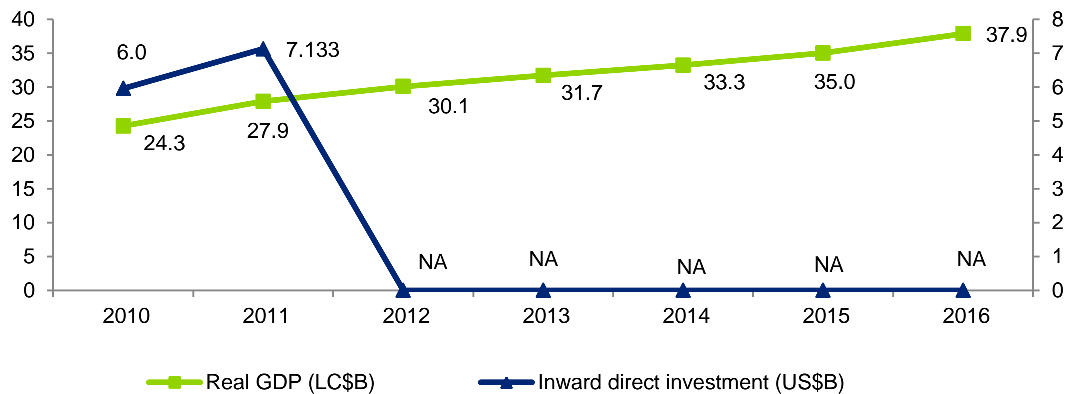
Post-deal tax management		
Question	**Response**	
What is the corporate income tax rate?	The standard corporate income tax rate is 25%. The applicable tax rates for various sectors (hotels, farming finance, nontraditional exports, etc.) fall in the 8%–50% range, with some companies in the agro-processing sector availing rates in the 0%–20% bracket.	
Can cash/profit be remitted overseas?	Yes. The Foreign Exchange Act 2006 allows the repatriation of funds from Ghana without prior central bank approval. A 10% tax is imposed on the repatriated profits of branches of nonresident persons operating in the country.	
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	Dividends paid to a nonresident entity are subject to 8% withholding tax.
	On interest payments made to overseas entities?	A withholding tax of 8% is levied on interest paid to a nonresident company.
	On royalty payments made to overseas entities?	A final withholding tax of 10% is levied on the royalty payments to nonresident company.

Post-deal tax management	
Is tax levied on the receipt of foreign dividends?	Where taxable foreign income of a person includes a dividend, tax would be deemed to have been paid. Where a double taxation agreement exists, credit is to be granted for foreign income tax paid with respect to the profits from which the dividend is distributed.
Is there limitation on the use of NOLs by the successor?	Losses and bad debts incurred prior to a change in ownership of a company (more than 50% stake) that takes place within a year are not deductible. Although, tax losses incurred by a venture capital financing company from disposal of shares in any venture investment shall be carried forward for a period of five years from the date of disposal.

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	The Internal Revenue Service imposes a capital gains tax (CGT) of 15% on the realization of certain assets if the amount realized exceeds GH¢50.00 (US$15.8).
Is there withholding//capital tax on the sale or disposition of a company?	No, withholding taxes are applicable on sale of company, although capital gains are applicable in case of sale of shares (of unlisted entities) or assets.
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	When a nonresident entity disposes of its Ghana assets, (shares — direct disposal: CGT at 15%, shares — indirect disposal: no CGT, and shares — property rich: CGT at 15%. The rules do not specifically focus on companies investing in Ghana through offshore vehicles.
Are there substantial sales/turnover taxes on exit?	No substantial sales/turnover taxes are applicable in case of exit.

Summary
Ghana's government has implemented certain tax reforms in order to resolve the issues of revenue shortfall, poverty, and slow economic growth. There are a number of incentives provided in the country's taxation laws pertaining specifically to the development of certain sectors of industry and of certain parts of the country. These incentives include reduced rate of taxes, exemption from the payment of duties and other taxes for specified periods, and higher rate of capital allowance, among others.

Economic and investment outlook



Kenya

Key facts

Nominal GDP (2013)	US$44.3B	Major industries	Tea, horticulture, coffee
Real GDP growth (year on year)	4.8%	2013 reported M&A volume	US$0.4B

Deal structure

Question	Response
Do the tax rules favor asset or equity deals?	Kenyan Tax legislation does not favor one type of deal. However, asset deals may be subject to indirect taxes, such as VAT.
Do the tax rules favor onshore or offshore holding structures?	Foreign ownership provides a reduced taxation on profits as Kenya is a high-tax country. Hence, multinationals use an offshore holding company to hold its in-country assets and investments and move their profits to a variety of offshore jurisdictions depending upon the tax treaty of the countries with Kenya.
Are there significant restrictions on foreign investment?	Kenya provides the same treatment to foreign and local investment and does not have generic restrictions on foreign investments, although foreign firms are encouraged to form joint ventures with Kenyan companies or entrepreneurs. Some specific investments have restrictions, such as foreign investment in companies listed on the Nairobi Stock Exchange is restricted to 60%, while foreign investors can invest only up to 66.7% in the insurance sector and 70% in telecommunications.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	Yes, there are a few deductions depending on the type/nature of costs (service charges/ acquisition charges).
Can PIK debt be structured?	Not Available
Do thin capitalization rules apply?	Thin capitalization rules apply in the country and limit the deduction of interest on debt that on an average exceeds a 3:1 debt-to-equity ratio. For thin capitalization, negative reserves are taken into account. Interest expenses are proportionally restricted for foreign controlled companies when the ratio of all liabilities on which interest is charged exceeds three times the payer's issued and paid-up capital and revenue/accumulated losses.
Are there minimum capital requirements?	A foreign investor is required to invest a minimum of US$100,000 or the equivalent for an investment certificate in Kenya.
Is it possible to increase/decrease capital?	An increase or decrease of capital can generally be completed in Kenya. A capital increase can be accomplished through the internal procedures of the company, but a capital decrease requires court approval.

Post-deal tax management

Question	Response	
What is the corporate income tax rate?	Kenya has a source-based tax system with a corporate tax rate of 30% for resident companies and 37.5% for nonresident companies. Newly listed companies enjoy a reduced rate (20%-27%) for three to five years from listing, with rate and period, depending upon the capital listed (more than 20%).	
Can cash/profit be remitted overseas?	In Kenya, there are no exchange control regulations and, therefore, a local entity would be free to remit profits to its parent company. However, banks need to report significant foreign exchange transactions to the central bank. (i.e., all transactions in excess of US$10,000 are reported.)	
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	No withholding tax is imposed if the recipient is a qualifying Kenyan financial institution or the resident recipient company controls 12.5% or more of the capital of the payer. Otherwise, the rate is 5% for dividends paid to residents of Kenya and on listed shares for citizens of the East African Community, and 10% for other nonresidents.
	On interest payments made to overseas entities?	The general rate on interest paid to a resident or nonresident is 15%.

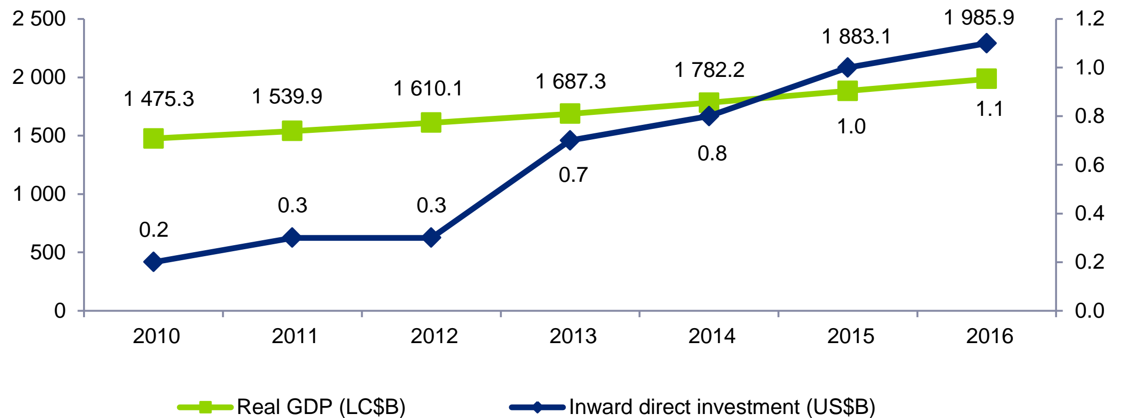
Post-deal tax management		
	On royalty payments made to overseas entities?	Royalties paid to a resident are subject to a 5% withholding tax; the rate is 20% if paid to a nonresident.
Is tax levied on the receipt of foreign dividends?	Dividends from a foreign company are not taxable in Kenya.	
Is there limitation on the use of NOLs by the successor?	NOLs cannot be transferred from one entity to another in case of an acquisition.	

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	Capital gains generally are not taxable in Kenya (there is a capital gains legislation, but it has been suspended since 1985). Recent legislation has introduced a form of CGT (withholding tax) withheld at source on the transfer of shares or property in a natural resources concern. The rates are 10% for resident entities and 20% for nonresidents.
Is there withholding/capital tax on the sale or disposition of a company?	Sale of property or shares in oil companies, mining companies, or mineral prospecting companies is subject to withholding tax of 10% (residents) and 20% (nonresidents).
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	The Companies Act of Kenya specifies how a foreign investor may exit from an incorporated company. A company faces no obstacles when divesting its assets in Kenya provided legal requirements and clearances are satisfied.
Are there substantial sales/turnover taxes on exit?	Generally, there are no sales or turnover taxes on exit. However, if the exit is through disposing assets, VAT (16%) and corporate income tax (37.5%) on the income received through disposing assets.

Summary

The government of Kenya is providing a wide range of tax incentives, including export-processing zones to businesses to attract greater levels of foreign direct investment into the country. Main reasons for firms investing in Kenya are access to the local and regional market, political and economic stability, and favorable bilateral trade agreements. However, the country restricts foreign ownership in more sectors than most other Sub-Saharan economies.

Economic and investment outlook



Mozambique

Key facts

Nominal GDP (2013)	US$44.3B	Major industries	Agriculture
Real GDP growth (year on year)	7.1%	2013 reported M&A volume	US$2.8B

Deal structure	
Question	**Response**
Do the tax rules favor asset or equity deals?	Although the trend seems to be favoring investments in assets, the tax rules favor investments in equity as the CGT levied on the capital gains derived from the sale of shares decline with increase in the investment period, whereas, sale of assets are taxed at 32% irrespective of their holding period.
Do the tax rules favor onshore or offshore holding structures?	Tax rules preferably favor the offshore holding structure as per the presence of double tax treaties with nine countries.
Are there significant restrictions on foreign investment?	Most of the industries are open to foreign equity ownership although in the media sector foreign ownership is limited to 20%.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	The fiscal benefits of Mozambique allow a 5% investment tax credit on the new fixed tangible assets, which is extendable to 10% to 20% in six designated provinces.
Can PIK debt be structured?	Not Available
Do thin capitalization rules apply?	Companies are subject to thin capitalization rules when the indebtedness of a taxpayer to a nonresident entity exceeds twice the value of the shareholding in equity (2:1), resulting in any excessive interest paid to be nondeductible for determining taxable income.
Are there minimum capital requirements?	There are no minimum capital requirements as such, however, the status of a foreign investor is only awarded if the amount to be invested is more than US$50,000.
Is it possible to increase/decrease capital?	Yes, it is possible to increase and decrease the share capital if it is approved by The National Bank of Angola (BNA). The ANIP (National Private Investment Agency) has to be notified of any increase in the share capital of companies incorporated for the purposes of foreign investment that do not involve the importation of capital. A capital duty of 0.5% is levied on the contribution of new capital in a company.

Post-deal tax management		
Question	**Response**	
What is the corporate income tax rate?	The standard corporate income tax rate is 32% for residents and nonresidents.	
Can cash/profit be remitted overseas?	The right of investors to repatriate capital, dividends, and other distribution profits from the approved foreign investment projects is guaranteed under the investment law. Repatriation of nonregistered investment is not guaranteed. However, in general, the repatriation of profits and of proceeds from the sale or liquidation of an investment is permitted for approved foreign investment projects with proof of legal entry of the direct and indirect foreign investments. The minimum requirement to qualify as a foreign investor is US$50,000.	
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	Dividends are subject to a 20% withholding tax, except for dividends on shares listed on the Mozambique Stock Exchange, which are subject to a 10% withholding tax.
	On interest payments made to overseas entities?	The withholding tax is 20% for interest payments made to overseas entities.
	On royalty payments made to overseas entities?	The withholding tax is 20% for royalty payments made to overseas entities.
Is tax levied on the receipt of foreign dividends?	Dividends and other type of income obtained by residents and nonresidents have a tax of 20% levied.	

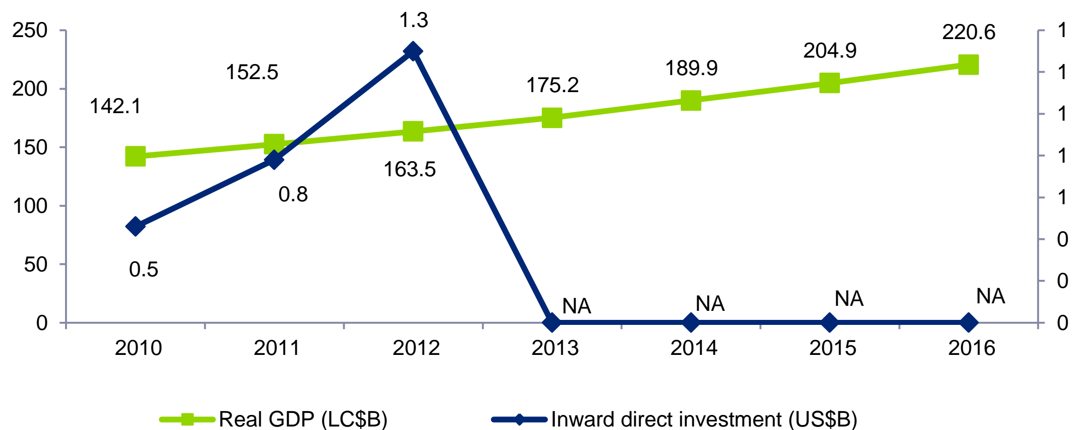
Post-deal tax management	
Is there limitation on the use of NOLs by the successor?	In reorganizations (including acquisitions), losses may be transferred if authorized by the Minister of Finance. Tax losses may be carried forward for five years. The carryback of losses is not permitted. Losses incurred by a mining or oil company in a particular mine or area of concession agreement may not be offset by gains derived in another mine or area.

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	Capital gains resulting from a direct or indirect transfer by a nonresident of assets located in Mozambique are taxable at 32%, regardless of the holding period and nature of transfer. The CGT on the sale of shares depends on the length of time the shares are held by the individual. If the shares are held for less than 12 months, 100% of the capital gains shall be taxed. 85% capital gains are taxed for shares held for a period of 12 to 14 months, 65% (period between 24 and — 60 months), and 55% (period beyond 60 months).
Is there withholding/capital tax on the sale or disposition of a company?	Nonresident companies are governed by the same withholding taxes pertaining to resident companies. However, technical service fee paid to a non-resident are subject to 20% withholding taxes, unless the rate is reduced under a tax treaty. Therefore, such liabilities pertaining to withholding taxes should be cleared before the sale of a company.
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	The transfer of income from abroad to nonresidents is not permitted, unless the tax due has been paid or guaranteed. Therefore, any sale of shares and immovable property attract CGT.
Are there substantial sales/turnover taxes on exit?	The exit of investment does not attract any sales/turnover tax, although general sales attract 17% VAT. This tax is charged on the supply of goods and services carried out in the national territory, by a taxable person and upon the importation of goods.

Summary

Mozambique is predominantly an agriculture-based country with more than two-thirds of its population living in rural areas. The infrastructure deficit can be seen from a perspective of abundant opportunities to various investors. According to the World Bank, the emerging extractive industry could provide the means for Mozambique to reach the status of a middle-income country by 2025.

Economic and investment outlook



Nigeria

Key facts

Nominal GDP (2013)	US$515.8B	Major industries	Oil and gas
Real GDP growth (year on year)	7.0%	2013 reported M&A volume	US$2.0B

Deal structure	
Question	**Response**
Do the tax rules favor asset or equity deals?	The tax rules favor equity deals over assets deals, but other business/financial considerations may not favor equity deals. For instance, risk exposure on equity deals is higher.
Do the tax rules favor onshore or offshore holding structures?	Offshore holding structure is favorable to set up business (for non-Nigerian residents) in Nigeria, driven by the double taxation treaty with ~18 countries.
Are there significant restrictions on foreign investment?	Nigeria allows operation of wholly foreign-owned businesses and unconditional transfer of net proceeds of the investments through authorized dealers. However, in the oil and gas industry, foreign participation is discouraged by providing first and exclusive consideration to indigenous firms.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	In case of mix of equity and loans in a portfolio company, Nigeria provides specific relief from withholding tax on interest, provided term of the loan is greater than seven years and no interest or capital is repaid within two years. It also provides certain incentives in case of mergers for the purpose of reorganization.
Can PIK debt be structured?	Yes, it could be structured especially with the new IFRSInternational Financial Reporting Standards regime. However, it is important to manage potential transaction taxes, which may arise depending on the repayment model.
Do thin capitalization rules apply?	Nigeria has no specific thin capitalization rules. However, thin capitalization rules are expected to be implemented in the near future that would specify a debt-to-equity ratio for cross-border investments. This would restrict the amount of interest that is deductible for related-party loans.
Are there minimum capital requirements?	Yes. A Nigerian company with foreign participation should have a minimum share capital of N10 million, and companies applying for permission to have foreign participation must confirm evidence of investment in the country of US$300,000 or its naira equivalent.
Is it possible to increase/decrease capital?	Yes, it is possible but there are regulatory requirements/considerations, which are to be complied with. Both are subject to regulatory requirements by Corporate Affairs Commission; however, decrease of capital is further subjected to a legal process requiring court order sanctioning the reduction of share capital.

Post-deal tax management		
Question	**Response**	
What is the corporate income tax rate?	30% (for nonpetroleum companies), the effective tax rate for nonresident companies is 6% of turnover (30% tax rate on deemed profit of 20% on turnover). Petroleum profits tax levied on resident petroleum companies is 85%.	
Can cash/profit be remitted overseas?	Nigeria allows foreign investors to transfer the net proceeds of their investments through authorized banks. It also allows repatriation of capital at the time of liquidation. There are no exchange control regulations; however, authorized 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.	
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	Dividends are ordinarily subject to a 10% withholding tax; however, for the 12 countries Nigeria has signed double-tax treaties with, 7.5% withholding tax is levied.
	On interest payments made to overseas entities?	10%; and for countries with double-tax treaty, 7.5% rate.

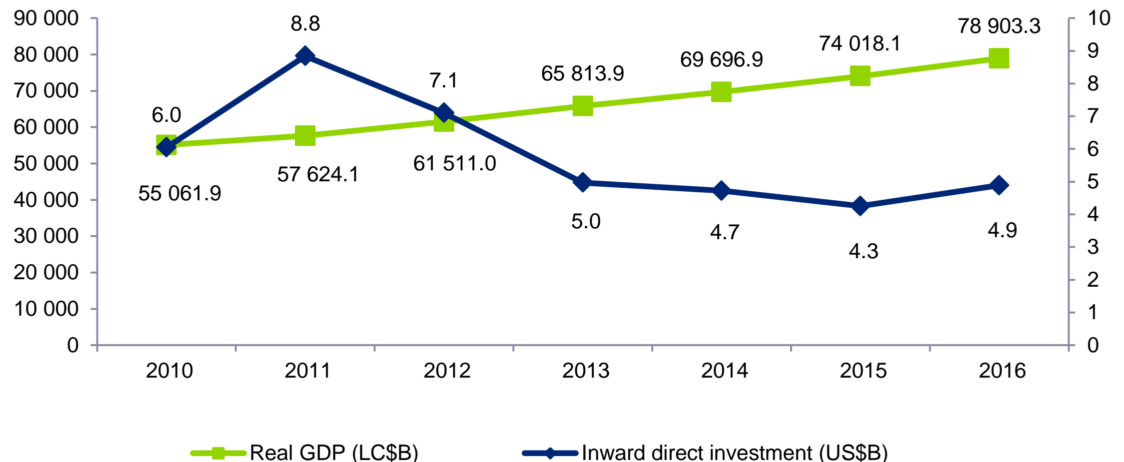
Post-deal tax management		
	On royalty payments made to overseas entities?	Patent and trademark royalties as well as management/technical service fees are subject to a 10% withholding tax, but for the double-tax treaty exception; this represents taxation only for nonresidents. Individuals and companies must also pay taxes on fees, commissions, and contract payments. Deduction of royalty income is allowed; however, for a foreign parent, the amount allowed to be repatriated is subject to limits.
Is tax levied on the receipt of foreign dividends?	Receipt of foreign dividend is not taxable in Nigeria, provided it is paid into a domiciliary account in a government-approved bank.	
Is there limitation on the use of NOLs by the successor?	Carryforward of losses or any other setoff is not allowed, except when the merged company or the acquirer is in the same business as the acquired. However, in case of shareholder change, there are no laws restricting carryforward of tax losses. It is possible for a successor company to inherit and make the most of tax losses of the target company in certain scenarios.	

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	Capital gains are treated differently from ordinary income and are taxed at 10%. Taxable assets include land, building, plant, and machinery, while corporate securities are exempted.
Is there withholding//capital tax on the sale or disposition of a company?	Takeover of the business is subject to clearance by the Federal Inland Revenue Service. All asset transfers are valued on an arm's-length basis, and CGT (10% of chargeable gains) is levied on any gains made on the transfer of assets.
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	CGT of 10% is applicable in case of divestment of assets, although no separate taxes are applicable on exiting investments through offshore vehicle
Are there substantial sales/turnover taxes on exit?	No substantial sales/turnover taxes are applicable on exiting the investments.

Summary

Nigeria, being Africa's most populous nation, provides significant opportunities to investors on account of its abundant natural resources, low-cost labor, and large population. However, it continues to be mired by several impediments, including the countries' regulation and tax system, examples of which include conflict over tax authority, tax evasion, corruption, and regulatory delays.

Economic and investment outlook



South Africa

Key facts

Nominal GDP (2013)	US$515.8B	Major industries	Metal, coal, and mining
Real GDP growth (year on year)	1.9%	2013 reported M&A volume	US$9.8B

Deal structure	
Question	**Response**
Do the tax rules favor asset or equity deals?	To encourage investments, the South African government promotes all kinds of deal structures, and the tax legislation of the country does not favor any particular one. Generally, from a seller's perspective, a sale of shares (equity) is more tax efficient. From the acquirer's perspective, an asset deal is more favorable as the acquirer will be eligible for capital allowances, where applicable, on the (higher) purchase price paid for the assets acquired.
Do the tax rules favor onshore or offshore holding structures?	Offshore holding structures are generally used for acquisition of a single South African asset either through a local subsidiary or a local branch of a foreign company. However, where a foreign investor holds various share investments, it may be preferable to invest through a South African intermediary holding company as this may simplify the tax neutral rationalization of group companies. Subject to treaty relief, dividends paid to foreign shareholders are subject to a dividends tax at a rate of 15%, while dividends paid to a South African holding company would not be subject to the dividends tax. The headquarter company regime is a significant development directed at establishing South Africa as a jurisdiction of choice for investments into Africa. Essentially, the regime provides a relaxation for headquarter companies of the controlled foreign company and arm's length rules. Foreign dividends received by the headquarter company may also be exempt from tax where the headquarter company holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividend.
Are there significant restrictions on foreign investment?	There is no limit on the level of foreign ownership investment in the country, except in the banking and media sectors. The Banks Act prohibits any person, resident or non-resident, from acquiring an interest of greater than 15% in a bank without obtaining permission from the Registrar of Banks and, dependent on the size of the interest acquired, from the Minister of Finance. Any acquisition by foreigners would be subject to the prior approval of the Financial Surveillance Department of the South African Reserve Bank. There are no exchange control restrictions on non-residents investing in South Africa. However, indirectly, restrictions apply as South African residents need to be exchange control compliant. Local borrowing restrictions apply to South African entities, where 75% or more of the shares, voting or control, rights to capital or income are held by non-residents, in respect of borrowings raised for the purpose of acquiring residential property and/or so called "financial transactions". Foreign owned South African companies who wish to borrow locally for the acquisition of residential property and/or financial transactions, will be limited to 100% of total shareholders investments. Restrictions also exist on the payment of royalties, certain dividend remittances, interest, and payments for services that are calculated based on a percentage of turnover, income, sales or purchases.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	Transaction costs are as a rule, capital in nature and are not deductible for tax purposes. Finance costs incurred in connection with a purchase of shares are only deductible under specific circumstances. Finance costs incurred in connection with the acquisition of assets are deductible subject to transfer pricing, thin capitalisation and "limitation on deductibility of interest" rules which apply to interest which is not subject to tax in South Africa. The latter seeks to limit the deduction of interest, which is not subject to tax in South Africa, to 40% of EBITDA.
Can PIK debt be structured?	Yes. Finance costs incurred in connection with the acquisition of assets is deductible subject to transfer pricing, thin capitalization and "limitation on deductibility of interest" rules which apply to persons not subject to tax in South Africa. The PIK debt may also be/become a hybrid debt instrument in which case the interest would not be deductible and be deemed to be a dividend in specie, which would be subject to the dividends tax which must be borne by the borrower. Prior approval for the PIK debt must be obtained from the Financial Surveillance Department of the South African Reserve Bank.

Deal structure	
Do thin capitalization rules apply?	Thin capitalization rules are applicable in South Africa. With effect from tax years starting on or after 1 April 2012, the safe harbor debt to equity ratio no longer applies and has been replaced by a general arm's length test. Essentially, a South African taxpayer receiving inbound financial assistance from a foreign related party is required to demonstrate that it could have secured the financial assistance from an unrelated lender. No definitive guidance has been provided by the Revenue Authorities regarding the approach those taxpayers are required to take to demonstrate this point. Interest incurred on financial assistance in excess of the amount determined in terms of the arm's length test will be disallowed and be deemed to be a loan to the funder.
Are there minimum capital requirements?	There are no minimum share/capital requirements in South Africa.
Is it possible to increase/decrease capital?	The share capital of a South African company can be decreased easily, through a distribution of capital or through a share buyback, provided the company meets the solvency and liquidity tests. The capital of a company can only be increased through the issue of additional shares.

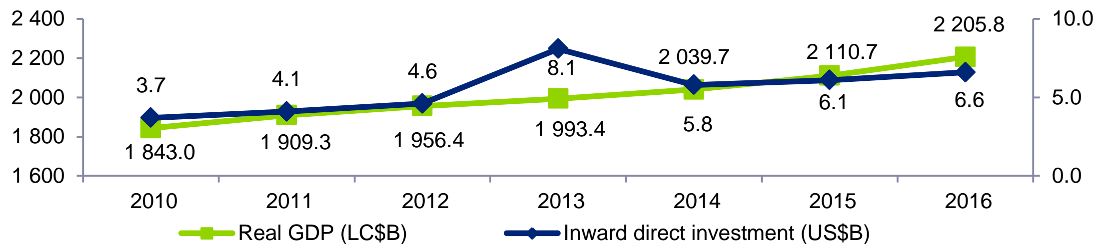
Post-deal tax management		
Question	**Response**	
What is the corporate income tax rate?	Domestic/foreign companies and branches are taxed at a flat corporate income tax rate of 28%.	
Can cash/profit be remitted overseas?	South Africa does not impose exchange controls on non-residents, but exercises exchange controls over transactions entered into between residents and non-residents. Non-residents may freely invest in, or disinvest from South Africa and may remit all income from their South African investments. Restrictions exist on the payments made to foreign persons in respect of royalties, certain dividend remittances, interest and payments for services that are calculated based on a percentage of turnover, income, sales or purchases. Foreign loans, including their repayment, require the prior approval of the Financial Surveillance Department of the South African Reserve Bank.	
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	Dividends paid to overseas entities are subject to a 15% withholding tax.
	On interest payments made to overseas entities?	Currently, there is no withholding tax on interest paid to overseas entities. However, with effect from 01 January 2015, a withholding tax of 15% shall be levied.
	On royalty payments made to overseas entities?	Currently, the withholding tax on royalties paid to a non-resident is 12%. This rate will increase to 15% with effect from 01 January 2015.
	On service fees paid to overseas entities	Service fees paid to overseas entities will be subject to a 15% withholding tax with effect from 01 January 2016.
Is tax levied on the receipt of foreign dividends?	Foreign dividends are currently subject to income tax in the hands of a South African shareholder, but with certain exceptions, exempt if the South African shareholder holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividends.	
Is there limitation on the use of NOLs by the successor?	Where an investor has acquired assets, losses incurred by the seller cannot be utilized by the acquirer. Where the investor has acquired shares, the income tax losses can be carried forward, and be used to shield revenue and capital gains in future, indefinitely provided the company continues to carry on trade in the immediately succeeding tax year. Capital losses can be carried forward, and be used to shield capital gains in future, indefinitely. In terms of tax avoidance provisions, these income tax losses and capital losses may be ring-fenced, i.e. only be set off against gains arising out of the existing business and assets, if the target was acquired, or a transaction was entered into, solely or mainly for the purpose of utilizing these tax losses.	

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	Residents of South Africa are liable for capital gains tax on capital gains made on their worldwide capital assets. Consequently, a sale at the level of an onshore seller may result in capital gains tax. Capital gains accruing to a company, which is tax resident in South Africa, are taxed at an effective rate of 18.6%.
Is there withholding/capital tax on the sale or disposition of a company?	A sale of shares in a company by a company, which is tax resident in South Africa, will attract CGT at an effective rate of 18.6%. A sale of shares in a company by a non-resident will not attract capital gains tax, other than in the case of the direct or indirect disposal of equity shares held in an Immovable Property Company or if the shares were attributable to a South African permanent establishment of the non-resident. Where the aggregate proceeds on sale of immovable property, including on sale of equity shares in an Immovable Property Company, payable to a non-resident seller exceed R 2 million, tax must be withheld at 5% for natural persons, 7,5% for companies and 10% for trusts from all payments made to the non-resident seller.
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	CGT will have to be considered during an exit. Generally, non-residents are only subject to CGT on the disposal of the assets attributable to a South African permanent establishment or South African immovable property, including shares in an Immovable Property Company.
Are there substantial sales/turnover taxes on exit?	There are no sales, VAT, or turnover taxes in respect to the disposal of shares.The transfer of shares is subject to Securities Transfer Tax (STT) calculated at 0.25% of the higher of the market value or the price paid for the shares. The STT must be paid by the company whose shares are sold, but it can recover the STT from the purchaser of the shares.

Summary

Recent developments to the South African legislative framework have resulted in significant changes to the M&A environment, which has resulted in some uncertainty regarding the appropriate method of dealing with these types of transactions from a tax and legal perspective. The replacement of the secondary tax on companies with a withholding tax on dividends and the introduction of a withholding tax on interest and service fees paid to non-residents are few such instances.

Economic and investment outlook



Tanzania

Key facts

Nominal GDP (2013)	US$32.5B	Major industries	Metals and coffee
Real GDP growth (year on year)	6.9%	2013 reported M&A volume	US$1.38B

Deal structure	
Question	**Response**
Do the tax rules favor asset or equity deals?	Neither, as both equity and asset deals attract capital gain tax, except that equity deals are preferred in cases where deals involve listed companies.
Do the tax rules favor onshore or offshore holding structures?	Tanzania's tax regulations favor an offshore holding structure due to Double Tax Avoidance Agreement (DTAA) with nine countries.
Are there significant restrictions on foreign investment?	No. There are no laws or regulations that limit or prohibit foreign investment, participation, or control, and firms generally do not restrict foreign participation. However, there are limits on the amount of equity that can be invested for various sectors, such as telecommunications has a limit of 65%, insurance 66.6%, and media 49%.
Are tax deductions typically available for acquisition financing costs or other acquisition costs?	Interest incurred under a debt obligation is tax deductible in accordance with the Income Tax Act.
Can PIK debt be structured?	Not Available
Do thin capitalization rules apply?	Yes. An interest deduction is limited to the extent of a debt-to-equity ratio of 7:3. This interest is disallowed permanently in the year incurred.
Are there minimum capital requirements?	No, except for the banks whereby currently the minimum equity required is TZS15 bilions (US $9 million)
Is it possible to increase/decrease capital?	To increase share capital, the company shall give the notice of the increase to the registrar within 30 days of passing the resolution. However, decreasing capital is subject to confirmation by the court post the passing of a special resolution.

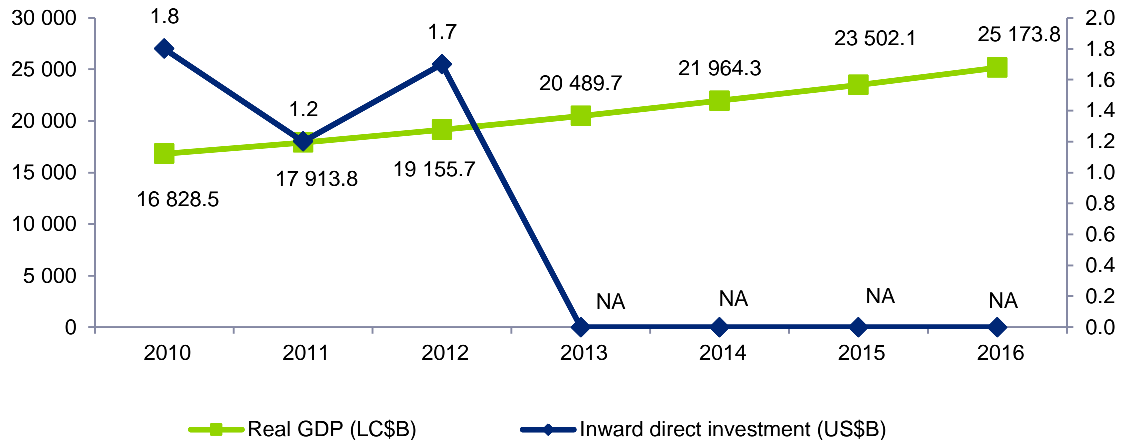
Post-deal tax management		
Question	**Response**	
What is the corporate income tax rate?	The basic corporate income tax rate is 30% and is reduced to 25% for companies that are newly listed on the Dar es Salaam Stock Exchange and that issue at least 30% of their share capital to to the public. The reduced rate applies for three consecutive years.	
Can cash/profit be remitted overseas?	Yes, investors can remit net profits, foreign loan service, royalties, fees and technology transfer charges, emoluments of foreign personnel, and repatriation of capital, after taxes on sale of the investment.	
What is the domestic withholding tax rate?	On dividends paid to overseas entities?	Dividends paid to a nonresident are subject to a 10% withholding tax.
	On interest payments made to overseas entities?	The general withholding tax rate on interest paid to a nonresident is 10%.
	On royalty payments made to overseas entities?	Withholding tax on royalties paid to nonresident entities is 15%.
Is tax levied on the receipt of foreign dividends?	Yes. Dividends received from a nonresident company are taxed at 30%.	
Is there limitation on the use of NOLs by the successor?	The NOLs can be carried forward indefinitely, although transfer for the same post-acquisition needs to be ascertained.	

Exit strategy	
Question	**Response**
Is there tax on capital gains at the level of an onshore seller?	Capital gains realized on the disposal of land and premises situated within Tanzania are subject to tax, paid by way of a single installment, at the rate of 10% in the case of a resident and 20% for nonresidents. These rates apply to the disposal of shares as well. However, shares of companies quoted on the Dar es Salaam Stock Exchange are exempt from CGT.
Is there withholding/capital tax on the sale or disposition of a company?	There are few taxes on capital gains in Tanzania on specific transactions. These relate to tax on disposal of immoveable and financial assets. These taxes are paid by way of final withholding taxes when assets are disposed.
Are there specific tax rules governing the exit strategy for investment through an offshore vehicle?	There are no specific tax rules but gains (if any) from the disposal of investment will be subject to CGT at a rate of 30% , stamp duty and VAT may also apply. Exit by changes in the underlying ownership by more than 50% may also have tax consquences to the local entity.
Are there substantial sales/turnover taxes on exit?	No, if exit is by share transfer, and yes if the exit is by way of disposing off individual assets, unless the sale is considered as a disposal of a going concern, and therefore VAT will not apply.

Summary

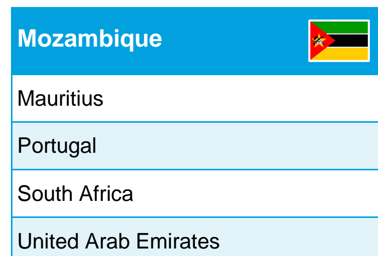
The Tanzanian economy depends heavily on agriculture, which accounts for one-fourth of its GDP. Tanzania has introduced various tax incentives under the Income Tax Act of 2004 to make it an attractive investment option for foreign investors. Its tax rules and treaties with other countries are framed such that they encourage offshore holding structures.

Economic and investment outlook

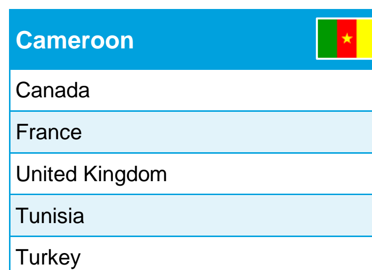


Appendix

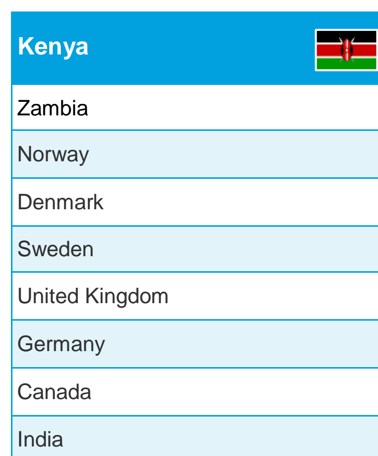
DTAA for Sub-Saharan Countries with the respective countries



Mozambique
Mauritius
Portugal
South Africa
United Arab Emirates

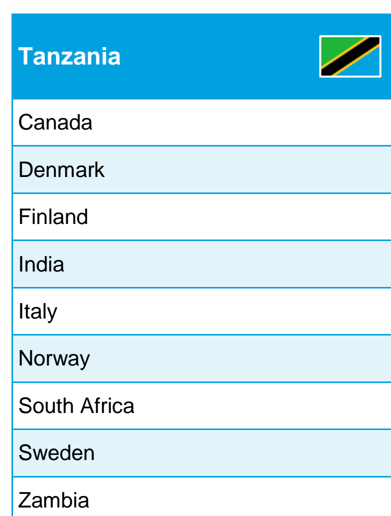


Cameroon
Canada
France
United Kingdom
Tunisia
Turkey

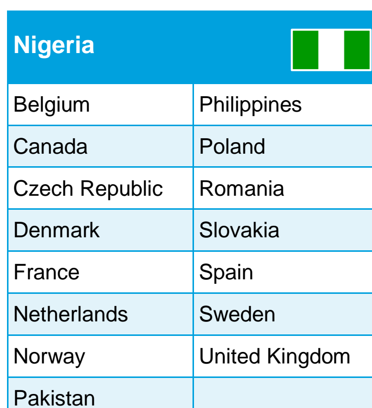


Kenya
Zambia
Norway
Denmark
Sweden
United Kingdom
Germany
Canada
India

Ghana
Belgium
Denmark
France
Italy
Netherlands
Serbia
South Africa
United Kingdom

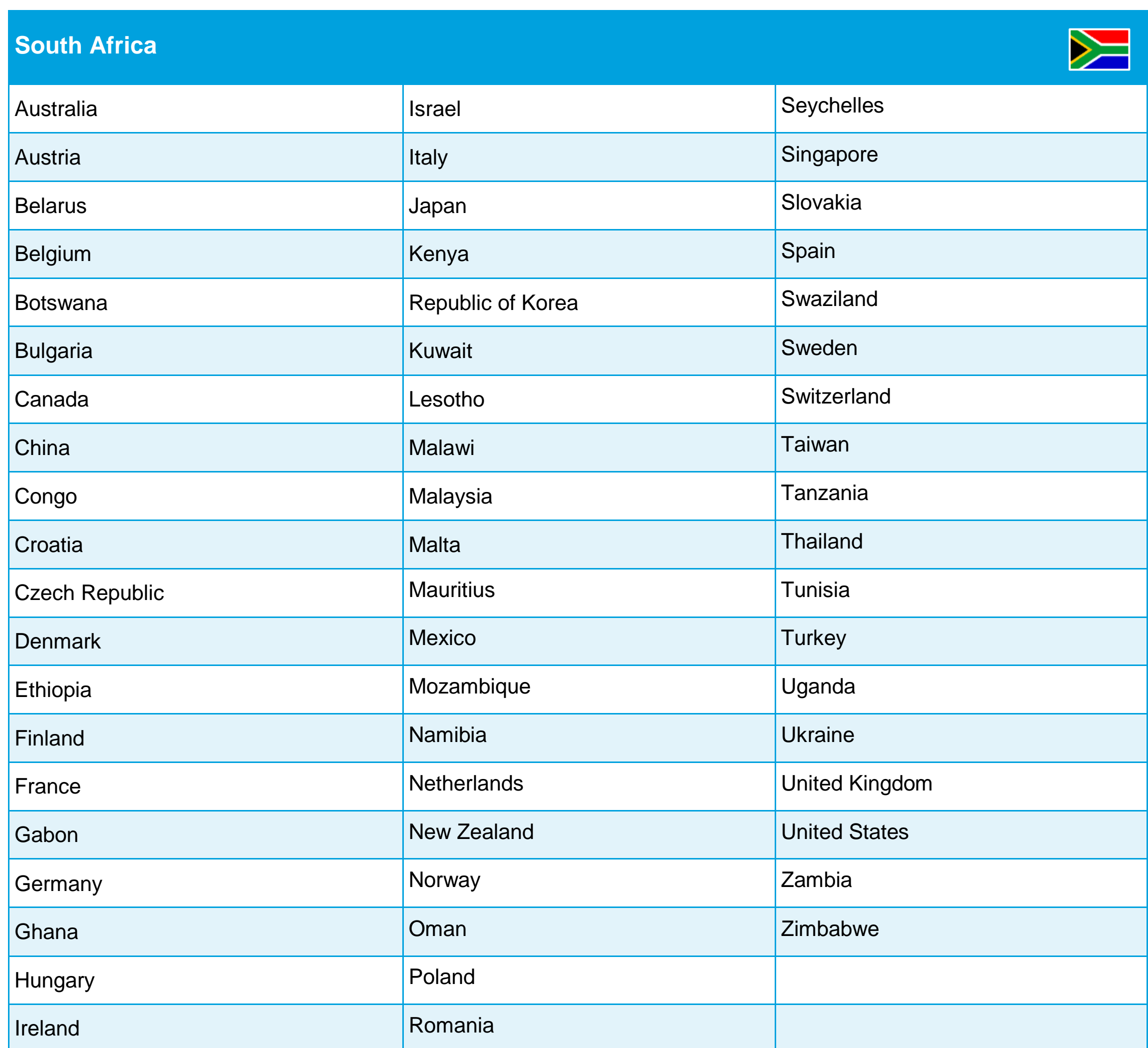


Tanzania
Canada
Denmark
Finland
India
Italy
Norway
South Africa
Sweden
Zambia



Nigeria	
Belgium	Philippines
Canada	Poland
Czech Republic	Romania
Denmark	Slovakia
France	Spain
Netherlands	Sweden
Norway	United Kingdom
Pakistan	

Ethiopia	
France	Yemen
Czech Republic	India
Algeria	China
Kuwait	Sudan
Israel	Egypt
Italy	Saudi Arabia
Romania	Netherlands
Russia	Portugal
South Africa	Qatar
Tunisia	Uganda
Turkey	



South Africa		
Australia	Israel	Seychelles
Austria	Italy	Singapore
Belarus	Japan	Slovakia
Belgium	Kenya	Spain
Botswana	Republic of Korea	Swaziland
Bulgaria	Kuwait	Sweden
Canada	Lesotho	Switzerland
China	Malawi	Taiwan
Congo	Malaysia	Tanzania
Croatia	Malta	Thailand
Czech Republic	Mauritius	Tunisia
Denmark	Mexico	Turkey
Ethiopia	Mozambique	Uganda
Finland	Namibia	Ukraine
France	Netherlands	United Kingdom
Gabon	New Zealand	United States
Germany	Norway	Zambia
Ghana	Oman	Zimbabwe
Hungary	Poland	
Ireland	Romania	

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