



Guide to fiscal information

Key economies in Africa
2018



Introduction

We are passionate about Africa and helping clients work towards a vision for their businesses in Africa that is bold and built for success.



Nazrien Kader
Managing Partner
Deloitte Africa Tax & Legal

We believe our ability to serve you, our clients in Africa is unparalleled among our competitors thanks to the benefit of our fully integrated network across the continent. This ensures a consistent and co-ordinated delivery of quality service to all clients across Africa.

Our African story promises to enlighten existing and prospective clients on how we aim to continue driving the seamless delivery of a quality 'Deloitte service' on the continent.

We have made great strides in developing our operations, network and structures across Africa. A key consideration in this process has been learning about the local dynamics and challenges, as well as the 'business language' used in each of the African markets in which we operate.

Deloitte has organised its African practice into four fully integrated regional clusters, namely Anglophone Africa (English speaking), Francophone (French speaking), Lusophone Africa (Portuguese speaking) and Middle East Africa (Arabic speaking).

Clustering our operations in this manner has allowed us to maintain an appropriate balance between global size and local relevance with the ability to leverage the resources of our global firm to service our African clients, in a manner that still respects the unique local dynamics of each market.

Deloitte's goal is to provide you the client with consistent quality anywhere in Africa. Our focus on quality in every service we provide, wherever we operate, enforces the highest level of professionalism and integrity and continues to be the cornerstone of our firm's success on the continent. Never do we take for granted the trust placed in Deloitte by our clients and the wider business community. It is the responsibility of every individual at Deloitte to uphold the highest standards of performance, wherever they operate. This focus on quality extends to the values of the people employed at every level of our organisation.

We at Deloitte enjoy what we do and are focused on making an impact that matters to you, our clients, our people and the communities in which we operate. With one foundation, one platform we have the opportunity to build a legacy and distinguish our firm and become the undisputed leader in Africa.

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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 country, R union, over and above forty-three countries featured in last year's edition.

The 44 countries featured this year comprise: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Chad, Congo (Brazzaville), Democratic Republic of Congo (DRC), Djibouti, Egypt, Equatorial Guinea, Ethiopia, Gabon, The Gambia, Ghana, Guinea Conakry, Ivory Coast, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Nigeria, R union, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Togo, 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 are also summarised on page 3, Tax Leaders in Africa. An introduction to the Africa Centre for Tax (including relevant contact details) is provided on page 2.

This booklet has been prepared by the Africa Tax & Legal Services division of Deloitte. Its production was made possible by the efforts of:

- Moray Wilson, Susan Lyons, Liezel Klopper and Jenny Walters – editorial management, content and design.
- 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 February 2018. The economic statistics have been obtained from the best information available during March 2018.

Moray Wilson

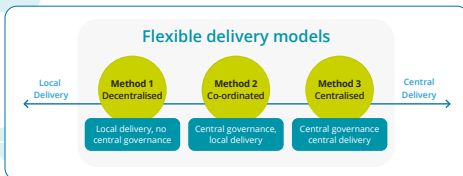
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What is the Africa Centre for Tax (ACT)?

It is the leading, single point of contact for tax compliance and reporting services across the African continent. Through combining global and in-country compliance standards and web-based technologies, Deloitte's Africa Centre for Tax offers your business flexible solutions supported by well-established shared-service centres and data management expertise that provides you with heightened visibility, access and control of your compliance obligations in multiple jurisdictions across the African continent.

How does ACT work?



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Head-office teams: Main interaction with head office, regional and business leadership locations

Local-office engagement teams (on-shore): Main interaction with the local teams

Sao Paulo - Global Tax Centre LATAM

Global Tax Centre Network (on-shore and near-shore): Main interaction with central service teams

Support team (far-shore): Main interaction with Deloitte head office, Global Tax Centre Network and local offices

What are the key benefits of using ACT?

Increased Control and greater visibility

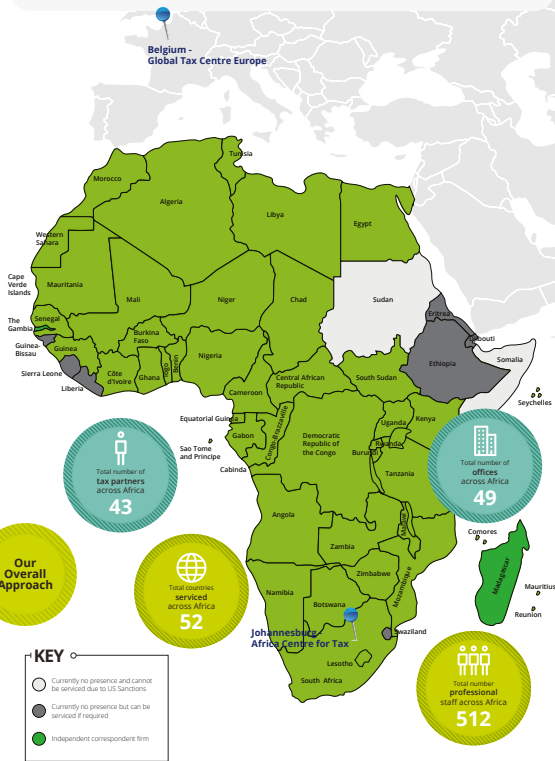
- With real-time status reporting across multiple jurisdictions
- Automated notifications and updated reports for assigned tasks in related roles

Increased Efficiency

- Co-ordination of tax compliance services delivered in-country
- Automating data compliance collection reduces effort spent on tax reporting
- Scalable framework for monitoring of compliance across different tax types

Risk Mitigation

- Aligning and implementing standard global tax processes, information requests, data collection templates and tax work papers
- Mitigating risk related to data transfer in relation to transposition and keying errors



Why Deloitte?

Deloitte uses leading tools and technologies to prepare tax returns swiftly and precisely. We simplify the collation and organisation of data, which allows you to manage your compliance issues and risks efficiently.

With our central Tax Compliance Centre in Johannesburg and network of compliance centres across Africa, we offer you a broad-scope of integrated and centralised tax compliance and outsourcing services which include:



We make sure that we effectively work with your teams including your Tax department, shared-service and local finance groups to provide a consistent standard of quality services locally and globally.

Why ACT?

Not only does ACT effectively co-ordinate a network of offices for your compliance obligations, but ACT also prepares and delivers returns for all of your operations across multiple jurisdictions on the continent.

In special situations ACT also assists with: post-merger integration, creation of shared-service centres, pan-African processes, procedures and risk reviews which require substantial system, process and technology support in addition to the potential outsourcing of tax compliance.

The Africa Centre for Tax provides you with access to our dedicated resources through:



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Income Tax – Individuals

Taxable income (DZD)	Rate
0 – 120 000	0%
120 001 – 360 000	20%
360 001 – 1 440 000	30%
Over 1 440 000	35%

Notes

1. Basis – Resident individuals are subject to tax on worldwide income. Non-residents are subject to tax only on Algerian-source income.
2. Residence – An individual is considered a resident of Algeria if he/she owns a home in Algeria or has a rental agreement for a dwelling for at least one year; has his/her principal place of residence or centre of economic interests in Algeria; or carries out a professional activity in Algeria (whether or not salaried).

3. Taxable income – The Algerian income taxes are calculated on all of an individual's remuneration, including:
 - Base salary
 - Any variable remuneration
 - All benefits in kind (food, housing, car, etc.) and cash benefits (reimbursement of taxes, schooling, etc.).
4. Exempt income – Income up to DZD 120 000 is exempt, as are capital gains derived from the sale of a principal residence. Expense reimbursements (including travel expenses/food) will not attract tax if they effectively are used pursuant to their objective and are not excessive.
5. Deductions and allowances: The employee portion of social security contributions is deductible. Benefits in kind are not deductible from taxable income.
6. Rates – Individual income tax is imposed at progressive rates up to 35%. A special 10% rate applies on bonuses. A 15% withholding tax is levied on dividends received by resident and non-resident individuals. Capital gains derived by a resident individual from the sale of shares are taxed at a rate of 15% (20% for non-resident individuals).

Income Tax – Companies

Companies	Rate of tax
Manufacturing	19%
Construction, public works, hydraulic activities and tourism and spa activities (except travel agencies)	23%
Other activities (including trade services)	26%

Notes
1. Basis – Resident and non-resident companies are subject to tax on their Algerian-source income.
2. Residence – A corporation generally is considered resident if it is incorporated in Algeria. Branches of foreign corporations and permanent establishments (PEs) of foreign companies also are considered residents.
3. Taxable income – Corporate tax is computed on net profits derived from Algerian sources. Capital gains generally are taxed as ordinary income.
4. Exempt income – Dividends received from an Algerian company are exempt from tax in the hands of an Algerian recipient. The following capital gains are exempt from tax (or receive special tax treatment): <ul style="list-style-type: none"> • Gains realised within a group of corporations in the context of a group transfer; • Unrealised gains from the reassessment of fixed assets, if they are booked in a special reserve; and • Capital gains resulting from mergers, divisions or partial transfers of assets between group corporations in Algeria.
5. Deductions – Costs and expenses generally are deductible if they are: <ul style="list-style-type: none"> • Not listed as non-deductible items in the local law • Registered in the accounts and supported by an invoice • Incurred in the interest of the company; and • Certain, liquid and due during the financial year.
6. Losses – Losses may be carried forward for four years. The carryback of losses is not permitted.
7. Foreign tax credit – Algerian tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.
8. Rate – The corporate tax rate ranges from 19% to 26%. A company that

conducts various activities and is subject to different tax rates must provide separate accounting records to determine the taxable base for each activity; otherwise, a 26% rate will be applied on the overall taxable profits.

9. Alternative minimum tax – A minimum tax of DZD 10 000 is imposed annually.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Income	Residents	Non-residents
Dividends	15%	15%
Interest	10%	10%
Royalties	0%	24%
Technical service fees and service fees	0%	24%
Branch remittance tax	0%	15%

Notes
1. Dividends paid to an Algerian company are exempt.
2. It has not been possible to register a branch in Algeria since 2010, but, in certain cases, it may be possible for a foreign company to operate in Algeria by tax-registering its contract with the local tax authorities. In such cases, in principle, a 15% tax rate applies on the deemed distribution of profits.

Tax Treaties

Algeria has a small tax treaty network. The WHT rates on dividends, interest and royalties under the treaties are as follows:

Treaty partner	Dividends	Interest	Royalties
Arab Maghreb Union	D	D	D
Austria	5%/15%	0%/10%	10%
Bahrain	0%	0%	0%

Belgium	15%	0%/15%	5%/15%
Bosnia and Herzegovina	10%	10%	12%
Bulgaria	10%	10%	10%
Canada	15%	0%/15%	15%
China	5%/10%	7%	10%
Egypt	10%	5%	10%
France	5%/15%	10%/12%	5%/10%/12%
Germany	5%/15%	10%	10%
Indonesia	15%	15%	15%
Iran	5%	5%	5%
Italy	15%	15%	5%/15%
Jordan	15%	0%/15%	15%
Korea (ROK)	5%/15%	10%	2%/10%
Kuwait	0%	0%	15%
Libya	D	D	D
Lebanon	15%	10%	10%
Mauritania	10%	10%	10%/15%
Oman	5%/10%	0%/5%	10%
Portugal	10%/15%	15%	10%
Qatar	0%	0%	5%
Romania	15%	15%	15%
Russia	5%/15%	15%	15%
Saudi Arabia	0%	0%	7%
South Africa	10%/15%	10%	10%
Spain	5%/15%	5%	7%/14%
Switzerland	5%/15%	10%	10%

Turkey	12%	10%	10%
Ukraine	5%/15%	10%	10%
United Arab Emirates	0%	0%	10%
United Kingdom	5%/15%	7%	10%

Employment-Related Taxes

Payroll tax

In principle, all Algerian income taxes are withheld at source. The employer is responsible for the withholding and payment of the taxes withheld on behalf of its employees.

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.

Anti-Avoidance Rules

Transfer pricing

An arm's length approach to transfer pricing applies. All entities must submit documentation to support their transfer pricing practices, along with the annual tax return. A penalty of DZD 2 million is imposed for failure to comply with the documentation requirement.

Indirect Taxes

Value added tax (VAT)

Reduced rate	Standard rate
9%	19%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods or services in Algeria. The scope of VAT includes all economic activities conducted in Algeria, especially industrial and handicraft activities and liberal or commercial professions.

2. Rate – The standard VAT rate is 19%, with a reduced rate of 9% applying to various basic items. A zero rate is applied to all exports.
3. Registration – A business must register within 30 days of becoming liable to VAT. However, no specific VAT registration for less than DZD 100 000.

Customs and Excise Duties

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

Algerian imports are subject to payment of customs duties at the following rates: 0% (duty-free), 5%, 15% or 30%.

In addition to the customs duty, a special contribution at a rate of 1% applies to imports of goods into Algeria.

Other Taxes

Stamp duty

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

Capital duty

A 0.5% registration fee applies on the initial capital on the formation of a company and on capital increases, capped at DZD 300 000.

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 estate in Algeria, with the rate depending on the location of the property.

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. Donations between spouses and parents are exempt; otherwise, the rate is 5%. The inheritance or gifting of a main residence is exempt.

Tax on bank registration

A 3% tax applies on every import of services at the time the payment for the services is made; the rate is 0.3% for the import of goods.

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.

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 DZD 100 million on 1 January of the corresponding tax year. 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 to be located or actually located in Algeria.

Oil and gas sector

Specific taxation applies in the oil and gas sector.

Tax Administration and Compliance

The tax system is administered by the ministry of finance. The general tax department (*Direction Générale des Impôts (DGI)*) supervises, notably, the preparation of tax regulations, tax collection and audits and relations with taxpayers.

Corporations

1. Tax year – The tax year is the calendar year ending on 31 December.
2. 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 a minimum of four years. Group treatment allows the group to be taxed as a single entity; 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 also may benefit from other tax advantages.
3. Filing and payment – The annual tax declaration is due by 30 April following the closure of the tax year. Companies must make provisional tax payments by 20 March, 20 June and 20 December, each based on 30% of the previous year's tax liability. The balance of the corporate income tax is payable through the April monthly tax declaration (G No. 50) that must be submitted by 20 May.
4. Penalties – Penalties apply for late filing, failure to file or filing an incorrect tax return.
5. Ruling – Algeria has a tax ruling regime for taxpayers that report to the division for large enterprises (*Direction des Grandes Entreprises (DGE)*). The position taken by the authorities (DGE) in such a ruling applies only to the particular situation of the taxpayer, i.e. it is not binding with respect to the circumstances of other taxpayers.

Individuals

1. Tax year – The tax year is the calendar year ending on 31 December.
2. Tax filing – Each taxpayer must file a return.
3. 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.
4. Penalties – Penalties apply for late filing, failure to file or filing an incorrect tax return.

Value added tax

1. Filing and payment – The VAT return must be filed on a monthly basis, and tax must be paid by the 20th day of the following month.
2. Penalties – Penalties apply for late filing, failure to file or filing an incorrect tax return.

General Investment Information

Foreign investors must partner with an Algerian-owned shareholder, limiting foreign ownership to a maximum of 49%. This rule tacitly forbids the establishment of a branch in Algeria.

Investment Incentives

- The Algerian tax legislation contains a number of incentives that encourage investment and the creation of projects in certain sectors, to accelerate the growth rate and create jobs. Major incentives are available for investments made by enterprises located in areas in need of development.
- There are three basic kinds of tax incentives, which are:
 - Common incentives that apply to all investors;
 - Supplementary incentives for priority activities or activities that create jobs; and
 - Exceptional incentives, in cases of particular interest to the national economy.
- Incentives usually include an exemption from customs duties, VAT, corporate income tax and local business tax for a certain period of time (3 to 10 years).
- The types of investment entitled to tax incentives are the following:

- The acquisition of assets that are directly used in creating a new business activity;
- The extension of production facilities and capacity and/or the restoration of facilities; and
- Participation in the share capital of an entity.
- To benefit from tax incentives, the investor first must register the relevant investment at the national agency for the development of investment.

Exchange Control

Exchange control approval is required for all cross-border payments, including dividends. A specific process must be followed (with the bank and the tax authorities).

Payments, including cross-border payments, must be made from an Algerian bank account.

Salaries, including salaries of expatriates, must be paid into an Algerian bank account. The expatriate usually may transfer 80% to 90% of his/her salary abroad.

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 must request a “Principal Agreement” from the labour authorities. The individual must request his/her work visa, and then a work permit.

Trade Relations

Memberships

- United Nations (UN)
- Organisation of the Petroleum Exporting Countries (OPEC)
- Group 15 (G-15)
- International Monetary Fund (IMF)

Interest and Currency Exchange Rates

Monetary policy rate

Discount and lending rate: 3.75% (Source: Bank of Algiers)

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 endeavors to manage fluctuations in the value of the dinar. The DZD is divided into 100 centimes or 20 douros.

ZAR 1 = DZD 9.59 (March 2018) (Source: Oanda)

USD 1 = DZD 113.69 (March 2018) (Source: Oanda)

EUR 1 = DZD 140.17 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 156.08 billion
(2017 estimate) (Source: Tradingeconomics)

USD 146 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

DZD 41,431 trillion
(Dec 2017) (Source: Bourse d'Alger)



Rate of Inflation

4.62%
(2017 average) (Source: Office National des Statistiques Algérie)

4.62%
(2017 average) (Source: Tradingeconomics)

5.3%
(2018 forecast) (Source: Tradingeconomics)

Notes

1. The Algerian stock exchange officially opened in 1999. To this day, the exchange is still considered in its infancy and plays a very minor role in the financing of the country's economy, with only two companies being listed. Conversely, the bond market has expanded in recent years.



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Income Tax – Individuals

Monthly taxable income (AOA)	Tax payable
0 – 34 450	0
34 451 – 35 000	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	1 300 + 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	20 950 + 16% of amount exceeding 200 000
Over 230 000	25 750 + 17% of amount exceeding 230 000

Notes

1. Basis – The source basis of taxation is applied in Angola. Resident and non-resident individuals are liable to personal income tax on Angolan-source income from employment, i.e. income paid for or borne by an Angolan employer and all local sources.
2. Residence – The Personal Income Tax Code does not contain a definition of a resident or a non-resident. The General Tax Code provides specific tax residence criteria for individuals, but the Personal Income Tax Code does not use this concept for the taxation of income earned by individuals.
3. Taxable income – The concept of remuneration for personal income tax purposes is defined broadly 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 compensation. Remuneration derived from employment or self-employment is divided into three groups:
 - Group A – Remuneration derived by employees (paid by an employer that is an entity under an employment contract entered into accordance with the labour law) or by public servants;
 - Group B – Remuneration derived by independent freelance workers that carry out activities on the list included as an attachment to the Personal Income Tax Code, as well as remuneration earned by members of the board or of other statutory bodies (however, the assessment of the taxable basis of income earned by board members or other statutory bodies follows the Group A rules); and
 - Group C – Remuneration derived from industrial or commercial activities, as provided in the table of minimum profits. This table is a schedule that sets the minimum deemed taxable income by profession, in accordance to the location where the individual is located, e.g. a driver operating in Luanda will have a minimum deemed income that will be liable to personal income tax.

Specific rules apply for the computation of taxable income for each group. As a general rule, capital gains and losses from the disposal of fixed assets or shares are taxed under the Personal Income Tax Code. If certain conditions are fulfilled, capital gains derived from the sale of shares are not liable to personal income tax, but are subject to investment income tax, which is levied on income derived from capital investments (including dividends, interest and royalties) and, according to the law, is paid through withholding at source (see “Withholding Tax,” below).
4. Deductions and allowances – Certain compensation-related items are totally or partly exempt/not subject to personal income tax, according to the conditions provided in the law, such as allowances for travel and accommodation (applicable only to public servants); holiday and Christmas allowances up to a limit of 100% of employees’ basic salary for the period; housing allowances (a 50% exemption can be granted); social allowances (e.g. family allowances, up to a limit of 5% of the employee’s monthly basic salary; maternity, death and labour accident allowances); and old-age, disability and survivor’s pension contributions, retirement bonuses, social security contributions and severance payments (up to maximum ceilings provided in the labour law). Meal and transportation allowances up to a total limit of AOA 30 000 per month are not liable to personal income tax. There are no specific concessions for expatriates. Basic costs in connection with self-employment activities, in accordance with the law and its limits, can be regarded as deductible costs, up to 30% of the relevant gross income.
5. Rates – As explained above, remuneration derived from employment or self-employment is divided into three groups. The following rates apply to taxable income:
 - Group A – The progressive personal income tax rates provided in the table above apply, with a maximum rate of 17%.
 - Group B – A single rate of 15% is levied on 70% of the income earned. When the income is paid by an entity with organised accounting, the taxable basis corresponds to 70% of the earned income. In other cases, basic costs in connection with self-employment activities, in accordance with the law, can be regarded as deductible costs, up to a limit of 30% of the gross income. The effective tax rate is 10.5% (15% x 70%).
 - Group C – A rate of 30% applies in cases in which the taxable income corresponds to the amounts included in the table of minimum profits. Where the relevant amount exceeds four times the maximum amounts in the table of minimum profits and the taxpayer is not included in Group B, and for taxpayers that provide services liable to withholding tax, a 6.5% rate is applicable.

Income derived from capital investments is subject to investment income tax, which normally is paid through withholding.

Income tax – Companies

The general corporate income tax rate is 30%.

Notes

1. **Basis** – Resident entities, including entities without legal personality whose income is not directly liable to the industrial tax (i.e. the corporate income tax) in the hands of individuals or collective entities, are taxed on worldwide income. Branches of non-resident companies and non-resident legal entities with a permanent establishment (PE) in Angola are subject to tax on the profits of the PE; profits attributable to sales in Angola of goods and merchandise of the same or a similar kind as those sold through the PE; and profits attributable to other business activities carried on in Angola of the same or a similar kind as those effected through the PE. Non-resident legal entities without a PE in Angola are liable to corporate income tax at a flat rate, under the occasional services tax regime (see “Rate,” below).
 2. **Residence** – Companies with their head office or place of effective management in Angola are considered residents.
 3. **Taxable income** – Business income is broadly defined and includes all earnings and gains from principal and secondary activities. Exemptions from tax may be granted under the Angolan private investment regime. Corporate taxpayers are divided into two groups:
 - **Group A** – These taxpayers include state-owned companies and similar entities; companies with share capital of AOA 2 million or more; companies with an annual turnover of AOA 500 million or more; associations, foundations and cooperatives whose activity generates revenue in addition to the contributions and subsidies received from their associates, cooperative members or patrons; and non-resident legal entities without a PE in Angola. Group A taxpayers are taxed on the taxable profit determined from the accounts, as adjusted in accordance with the provisions of the Industrial Tax Code.
 - **Group B** – These taxpayers include all taxpayers not included in Group A and taxpayers liable to tax only because of the exercise of an isolated act of a commercial or industrial nature (i.e. the conduct of an activity in Angola, continuously or with interruptions, for no more than 180 days in a tax year). Group B taxpayers are taxed on the taxable profit determined from the accounts, as adjusted in accordance with the provisions of the Industrial Tax Code. All taxpayers in Group B must have organised accounting.
- As a general rule, capital gains and losses from the disposal of fixed assets or shares are taxed as business income under the Corporate Income Tax Code. If certain conditions are fulfilled, capital gains derived from the sale of shares are not liable to corporate income tax, but are subject to investment income tax, which is levied on income derived from capital investments (including dividends, interest and royalties) and, according to the law, is paid through withholding at source (see “Withholding Tax,” below).
4. **Deductions** – Properly documented business expenses generally are deductible for corporate income tax purposes. A special levy applicable to certain expenses applies, with the result that the following costs are not deductible expenses and will be liable to an additional levy (in the form of an additional adjustment to the taxable income), as described below:
 - Improperly documented expenses (for which the supporting documentation shows only the name of the payee and its taxpayer identification number) are subject to a 2% levy;
 - Undocumented expenses (for which there is no valid supporting documentation, but the occurrence and nature of which are materially verifiable) are subject to a 4% levy; and
 - Confidential expenses (for which there is no valid supporting documentation and where the occurrence and nature of the expenses are not materially verifiable) are subject to a 30% levy, or a 50% levy where the expense is incurred by a taxpayer exempt from, or not liable to, corporate income tax.
 5. **Losses** – Losses may be carried forward for three years but cannot be carried back.
 6. **Foreign tax credit** – Not available
 7. **Group relief** – There is a provision allowing the transfer of tax losses between members of a group. These provisions are applicable only to “large taxpayers,” (turnover of more than AOA 5 billion) upon request from these taxpayers and pre-approval from the tax authorities. Large Taxpayers are subject to a special tax regime and dedicated supervision authorised by the Large Taxpayers Regime. (Taxpayers which are considered to be large taxpayers due to their operations’ volume.)
 8. **Rate** – The general corporate income tax rate is 30%. A reduced 15% rate applies to income exclusively from agriculture, aquaculture, poultry, fishing and forestry, among other things. Special tax regimes apply to

the petroleum and mining sectors. Occasional services provided by non-resident entities are taxed at a 6.5% rate. Payments for services rendered are liable to withholding tax at a 6.5% rate (some exemptions may be applicable to certain services). Income derived from capital investments is subject to investment income tax, which normally is paid through withholding.

9. Branch taxation – Branches of foreign companies are subject to the same corporate income tax rate as domestic companies. The remittance of profits abroad is liable to investment income tax at a 10% rate.

Withholding Tax (WHT)

Investment income tax is levied on income derived from capital investments (including dividends, interest, royalties and certain capital gains). The tax normally is paid through withholding and income liable to investment income tax normally is not liable to corporate or personal income tax, subject to certain conditions. Additionally, certain services are subject to WHT.

The WHT rates on the most relevant types of payments are as follows:

Payment	Rate
Dividends or profit sharing	10%
Interest	5%/10%/15%
Royalties	10%
Capital gains derived from the disposal of shares or other securities that generate income subject to tax	10%
Other residual income arising from capital investment	15%
Payments for services of any nature	6.5%/10.5%

Notes

1. Dividends, interest and royalties – The same rates apply to resident and non-resident corporations and individuals.
2. Interest – Interest from loans, including current account loans, generally is liable to a 15% investment income tax. If the loans are granted by shareholders or interest is derived from current or term deposits placed with financial institutions, the rate is 10%. Interest on treasury notes and bonds and on central bank securities also is subject to a 10% rate, or to a 5% rate if derived from instruments with a maturity of at least three years.
3. Services rendered by companies – Tax resident entities or entities operating in Angola through branches or PEs must withhold corporate income tax at a 6.5% rate on service payments made to other entities; however, certain services are not liable to WHT. If the service provider is a resident, the taxes withheld on income earned can be set off against the corporate income tax payable, under certain conditions. If the service provider is a non-resident, the amount withheld in Angola is a final tax and cannot be recovered in Angola.
4. Services rendered by individuals – Tax resident entities or entities operating in Angola through branches or PEs must withhold personal income tax at a 10.5% or 6.5% rate on service payments made to individuals; however, certain services are not liable to WHT. If the service provider is a resident, the taxes withheld on income earned can be set off against the personal income tax payable, under certain conditions. If the service provider is a non-resident, the amount withheld in Angola is a final tax and cannot be recovered in Angola.
5. Services – In addition to the WHT, the special contribution regime for “invisible exchange transactions” has been renewed for 2018. The special contribution generally applies to payments related to contracts for foreign technical assistance and management services rendered by non-resident entities. (It is not applicable when such services are rendered by non-resident individuals.) The assessment and the payment of the special contribution are the responsibility of the Angolan hiring entity, and must be paid at the local tax office before the transfer of payment for the services is made by the relevant financial institution. The special contribution rate is 10%, and it is levied on the net value of the transfer to be made.



Tax Treaties

Angola has not concluded or negotiated any tax treaties with other countries.

Anti-Avoidance Rules

Transfer pricing

The arm's length principle applies to related party transactions. The Angolan tax administration can make adjustments deemed necessary for determining the taxable amount when a "special relation" exists between entities, whether or not these entities are liable to corporate income tax, if conditions have been established for transactions between the entities that are different from those that normally would be agreed upon in relations between independent entities.

Taxpayers have to justify arm's length pricing when commercial transactions between the taxpayer and other related entities occur, whether or not these transactions are liable to corporate income tax.

The rules generally cover commercial transactions including any transaction for goods, rights or services, and they also include financial transactions. The transfer pricing file must be prepared by Angolan "large taxpayers" individually and submitted to the tax administration by six months after the year-end.

To conduct an economic analysis to support that the arm's length principle is satisfied, the regime provides for the use of traditional transfer pricing methods, such as:

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

Thin capitalisation rules

Angola does not have thin capitalisation rules, but interest costs incurred on shareholder loans are not deductible for corporate income tax purposes.

Employment-Related Taxes

Payroll tax

Personal income tax must be withheld by the employer and paid to the government by the end of the month following the month in which the income was paid.

Social security

Angolan citizens and foreigners with a residence permit are liable to Angolan social security contributions.

The total social security contribution is 11%, but the employer covers 8%. The employer is required to withhold the employee's contribution (3%) and pay both contributions by the 10th day of the month following the month in which the income was paid.

Social security is levied on a contribution basis, and the assessment rules differ from the rules applicable for personal income tax purposes.

Unless it is demonstrated that an expatriate is covered by a foreign social security regime, all expatriate employees must register with the National Social Security Institute and make contributions to it.

Indirect Taxes

Consumption tax

	Rate
Standard rate	10%

Notes

1. Taxable transactions – There is no VAT on commercial transactions in Angola, but 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 transactions liable to consumption tax have been broadened to cover several types of services rendered.
2. Rates – The standard rate is 10%. A reduced rate of 2% applies to essential goods. Rates of 20% and 30% apply to certain luxury products. The consumption tax rate in Angola applicable to the provision of services will depend on the type of service—certain services are taxed at a 5% rate (e.g. the provision of water and energy, the leasing of certain machinery and equipment, electronic communication and telecommunication services and consulting services), while others are taxed at 10% (e.g. hotel services and other related or similar services and access to shows or cultural, recreational or sporting events).

Customs and Excise Duties

Generally, the importation of products is liable to customs duties. Angolan customs duties have an *ad valorem* nature and are applicable to imported products, regardless of their origin. The customs duty rates can vary depending of the classification of the goods (essential, necessary, useful, extra and luxury).

In Angola, cross-border transactions involving goods are liable to customs duties, stamp tax, consumption tax and administrative fees. The Angolan customs rates are based on the Harmonised Commodity Description and Coding System used in the European Union.

Other Taxes

Inheritance/estate tax

A gift and inheritance tax system is in force in Angola. The tax applies to gratuitous transfers of movable or immovable property located or existing in Angola, or transferred from an Angolan resident. The transfer of assets with a value of AOA 500 million or less to ascendants, descendants or spouses is exempt from gift and inheritance tax.

The rates are progressive. For calculation purposes, when the taxable base is above AOA 3 billion, the value is divided into two parts and the marginal rate is applied above the AOA 3 billion ceiling:

- Between spouses or to descendants or ascendants: A 10% rate applies up to AOA 3 billion; a 15% rate applies over AOA 3 billion; and
- Between any other persons: A 20% rate applies up to AOA 3 billion; a 30% rate applies over AOA 3 billion.

Urban Property Tax (UPT)

UPT is levied on the income from property (i.e. rental income for leased property) located in Angola, at a 25% rate. The limit for deemed deductible expenses (i.e. charges for the maintenance and conservation of the immovable property) is 40% of the property's rent or lease value, so that the effective applicable tax rate corresponds to 15% of the gross income. Tax payable may not be lower than 1% of the value of the property that generates the rent. Income derived from rents liable to UPT, and the corresponding charges, are not taxed for corporate income tax purposes.

Immovable property that is not rented also is liable to UPT. In this situation, UPT is levied on the rateable valuation and is paid by the owner, occupier or holder of the surface rights. When the rateable valuation is up to AOA 5 million, no UPT is due. A 0.5% rate is applicable to property with a rateable valuation above AOA 5 million.

Property Transfer Tax (SISA)

SISA is levied on the transfer of property located in Angolan territory. The tax rate is 2%, and the tax is due from the acquirer of the property on the higher of the sales value or the value of the property.

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

SISA exemptions or reduced rates can be granted under the Private Investment Law.

Stamp tax

Stamp duty is levied on all acts, contracts, documents, transactions in securities and other acts listed in the table annexed to the Stamp Duty Code, or in special laws, that take place in the country. The following also are subject to stamp duty:

- Documents issued or acts or contracts concluded outside Angola on the same terms as would apply if they were issued or entered into in the country, and that are presented in the country for any legal purpose;
- Loans and guarantees granted abroad by any entity with a head office, subsidiary, branch or PE in Angola;
- Interest, fees and any amounts charged by entities domiciled abroad to any entities with a head office, subsidiary, branch or PE in Angola; and
- Insurance carried out abroad in relation to risk located in Angola.

The tax rates are set out in the table annexed to the Stamp Tax Code in force at the time the tax is due, with no duplication permitted regarding the same fact or transaction. If more than one rate applies to a transaction, the highest will prevail. Exemptions apply to certain transactions.

Tax Administration and Compliance

Tax is administered in Angola by the *Administração Geral Tributária (AGT)*.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated corporate income tax returns are permitted to large taxpayers, upon request from these taxpayers and pre-approval from the tax authorities; however, each company from the tax group must file a separate corporate income tax return.
3. Filing and payment – Corporate income tax must be paid annually by 31 May of each year (regarding the previous tax year for Group A taxpayers) or by 30 April of each year (regarding the previous tax year for Group B taxpayers). Provisional tax payments are applicable on sales, at 2% of the total turnover of the taxpayer computed in the first six months of the accounting period, to be paid by the end of August.
4. Penalties – Penalties are applicable for the late payment of corporate income tax.
5. Rulings – Taxpayers can submit binding ruling requests. The rulings issued by the tax authorities are valid for a minimum of one year. After that period, the tax authorities can review the rulings issued and potentially change their positions for subsequent years.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Employees are not required to submit tax returns if their only income is from employment. For other taxpayers, joint filing is not permitted; spouses must file separate tax returns.
3. Filing and payment – The employer must withhold tax on monthly employment income based on the applicable personal income tax rates and pay it over to the government by the end of the month following the month in which the income was paid. Unlike employees, individuals engaged in business activities must file tax returns, by 31 March of the year following the year to which the income relates.
4. Penalties – Most infringements of the personal income tax rules, including the failure to file and errors and omissions in tax returns, are subject to the penalties established in the General Tax Code.

Consumption tax

1. Filing and payment – The entity responsible for remitting the tax generally is the service provider or the producer of the goods. The entity acquiring the goods or services is the entity that bears the tax burden. For certain types of services, the acquiring entity is responsible for remitting the tax (i.e. a reverse-charge mechanism applies). Consumption tax applicable to the production of goods must be paid by the end of the month following the date the relevant invoice or an equivalent document is issued. In the case of services, consumption tax is due the month after the payment, or, in cases of partial payment or instalments, at the time of the first such payment.
2. There is a special exemption applicable to oil operators operating in a research and development stage. The exemption also can be extended to an exploration stage, upon



a special request submitted to the Angolan tax authorities. When consumption tax is due on operations carried out with oil operators, these entities are responsible for remitting the consumption tax due to the authorities.

3. Penalties – Most infringements of the consumption tax rules, including the failure to file and errors and omissions in tax returns, are subject to the penalties established in the General Tax Code.

General Investment Information

Investment Incentives

General incentives

Under the private investment regime, incentives and benefits may be granted to foreign investments of USD 1 million or more (or the equivalent in national currency) and domestic investments of USD 500 000 or more (or the equivalent in national currency). The incentives are based on a matrix that combines geographic areas and priority sectors. The granting of tax incentives may last for a maximum period of 10 years.

In addition to the legal framework concerning the private investment regime, it is necessary to consider specific legislation, such as that affecting the oil, mining and banking industries, which may offer incentives.

Exchange Controls

Exchange controls are administered by the central bank. Any importation or exportation of funds is subject to the rules established by the central bank. The regime on private investment provides various procedures for the approval of foreign investment, based on the value of the investment and whether the investment is of significance to Angola's economy. Under the private investment regime, foreign investors can be guaranteed the ability to repatriate profits and dividends arising in Angola, after certain conditions have been complied with.

Expatriates and Work Permits

All foreign employees performing duties in Angola must obtain visas after justification is made for their stay in the country.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)
- Organisation of the Petroleum Exporting Countries (OPEC)
- African Growth and Opportunity Act (AGOA) beneficiary country

Interest and Currency Exchange Rates

Monetary policy rate

Basic rate: 18% (Jan 2018)

Lending rate: 20% (Jan 2018)

(Source: *Banco Nacional de Angola*)

Currency

The Angolan Kwanaba (AOA) The AOA is subdivided into coin denominations of 100 centimos, and is denoted by the symbol Kz.

ZAR 1= AOA 18.03 (March 2018) (Source: Oanda)

USD 1 = AOA 213.88 (March 2018) (Source: Oanda)

EUR 1 = AOA 263.70 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 89.63 billion
(2017 estimate) (Source: Tradingeconomics)



**Market
Capitalisation**

USD 82.83 billion
(2018 forecast) (Source: Tradingeconomics)



**Rate of
Inflation**

BODIVA (Angolan Securities and
Debt Stock Exchange) plans to
launch the Angola Stock Exchange.

22.5% (2018 forecast)
(Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (XOF)	Rate
0 – 50 000	0%
15 001 – 130 000	10%
130 001 – 280 000	15%
280 001 – 5 300 000	20%
Over 5 300 000	30%

Notes

1. Basis – An individual, whether Beninese or a foreign national, whose tax domicile is in Benin generally is subject to personal income tax on worldwide income. Foreign-source income that already has been taxed may be exempt under an applicable tax treaty. Individuals not domiciled in Benin are subject to tax only on Benin-source income.

2. Residence– Domicile is based on habitual residence, as evidenced by a permanent home, principal place of residence or centre of economic interests.
3. Taxable income – Income is taxed under five schedules: industrial and commercial profits; non-commercial profits; employment income (salary, wages, benefits in kind, bonuses, etc.); income from movable capital (investments); and property income.
4. Exempt income – The first XOF 50 000 per month of employment income is exempt from tax. Resident individuals are exempt from personal income tax on capital gains derived from the disposal of shares.
5. Deductions and allowances –Tax liability is reduced based on the number of dependent children.
6. Rates – Progressive rates range from 20% to 45%. The tax on salaries is deducted at source at progressive rates from 10% to 30%. There are no specific taxation rates for non-residents. A 10% tax is withheld on fees paid to a service provider.

Income tax – Companies

	Rate
Standard corporate tax rate	30%

Notes

1. 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 Benin property.
2. 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.
3. Taxable income – Income is taxed under four schedules: industrial and commercial profits; non-commercial profits; income from movable capital (investments); and rental income. Dividends received from domestic companies are not included in taxable income when determining corporate income tax liability. Capital gains derived from the disposal of business assets are included in ordinary income and taxed at the company rate (however, 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).
4. Deductions – Deductions normally are allowed for expenses incurred in generating income. Management fees may be deducted if they are 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 for three years.
6. 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.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The corporate income tax rate for non-industrial companies and partners that opt for corporate income taxation is 30%. Industrial companies are subject to a 25% rate. The rate is between 35% and 45%

for oil companies carrying out research and the exploitation, production and sale of natural hydrocarbons. Branches of foreign companies are subject to the same rate as domestic companies, but they also are subject to a 15% branch tax on profits remitted to the head office.

9. Alternative minimum tax – Industrial companies are subject to a tax at a rate of at least 0.5%, and for other companies (non-industrial), a tax of 0.75% is levied on cash income but the amount may not be lower than XOF 200 000.

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents):

	Residents	Non-residents
Dividends ¹	0%-15%	0%-15%
Interest ²	15%	15%
Royalties ³	See note	10%-12%
Technical services ⁴ fees	See note	10%-12%
Other ⁵	See note	See note

Notes

1. Dividends – The general WHT rate on dividends is 15%. However, the rate is reduced to 10% for dividends distributed by a joint stock company and 7% for dividends distributed by a company whose shares are listed on a stock exchange approved by the Regional Council for Public Savings and Financial Markets (CREPMF) in the West African Economic and Monetary Union (WAEMU), comprised of Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.
2. Interest – Interest paid to a resident or a non-resident generally is subject to a 15% withholding tax rate. A 6% rate applies to income arising from bonds, which may be reduced by the government in certain cases. The rate on bonds issued by WAEMU countries or by the local authorities is reduced to 3% if the term of the bonds is five or 10 years and 0% if the term of the bonds is longer than 10 years.

3. Royalties paid to a foreign individual are subject to a 10% withholding tax and royalties paid to a foreign company are subject to a 12% withholding tax. Royalties paid to a resident individual are considered non-commercial profits and are subject to personal income tax at progressive rates. Royalties paid to a resident company are not addressed in the General Tax Code, so they are subject to corporate income tax at the 30% rate.
4. Technical service fees – Technical service fees paid by a resident company to a non-resident company are subject to a 12% withholding tax. Technical service fees paid by a resident company to another resident company are subject to a 1% or a 5% withholding tax.
5. Other – A 12% withholding tax is imposed on other payments made to non-residents; the tax is levied on the gross amount in respect of all activities carried out with a resident of Benin.

Tax treaties

Benin has concluded four tax treaties:

Treaty partner	Dividends	Interest	Royalties
France	0%	0%	0%
Kuwait	0%	0%	20%
Norway	18%	25%	0%
WAEMU	10%	15%	15%

Anti-avoidance rules

Transfer pricing

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

Thin capitalisation rules

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

Employment-related taxes

Payroll tax

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

Pay-As-You-Earn (PAYE)

The employer must withhold tax on salaries, wages and other remuneration and pay the tax to the tax administration on a monthly basis by the 10th day of the month following the payment.

Social security

The employer's social security contribution is 15.4% of gross salary (6.4% pension and a 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.

Employer wage payment / Versement patronal sur salaires (VPS)

VPS is a tax payable by employer in place of the former payroll and apprenticeship taxes. Natural and legal persons who pay salaries and wages are subject to the VPS. It is a tax payable by employers at a rate of 4% for all employers but 2% for educational institutions. The "VPS" is payable monthly at the same time as the IRPP / TS and is completed on a separate return. (See also Tax incentives).



Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	18%

Notes

1. Taxable transactions – The supply of goods and services carried out (or used) in Benin and imports into Benin are subject to VAT.
2. Rates – The standard VAT rate is 18%. Exempt activities include imports of certain products, banking and general insurance. Externally financed government contracts are exempt in certain circumstances. Exports of goods and services are zero-rated.
3. Registration – All individuals or legal entities that purchase goods for resale or carry on industrial, commercial, non-commercial, artisan or professional activities and whose turnover exceeds XOF 50 million per year are subject to VAT and must register with the tax authorities. Small companies with annual turnover exceeding XOF 20 million may request VAT registration.
4. Invoicing: All companies submit to VAT have to issue their invoices from an electronic system that will be granted or authorised by the tax administration.

Customs and exercise duties

Customs duties are levied on the customs value of most imported goods. As a member of the WAEMU, Benin does not levy customs duties on imports from other WAEMU member countries.

Import duties

For imports into Benin, a WHT is levied on corporate income at a rate of 1% for the registered companies. There is another WHT of 3% due by a listed taxpayer. The tax is applied on the customs value, in addition to all duties and taxes, except VAT.

Other 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) at rates of 1% for short-term leases or hires, 5% for long-term leases or sales of moveable property or 8% for sales of a business and at a fixed fee of XOF 6 000 for shares or mergers, capital increases and share transfers that do not involve the takeover of a company.

Capital duty

No duty is levied on the formation of a company, but an increase in capital is subject to a fixed duty of XOF 6 000.

Transfer tax

A transfer tax of 8% is levied on the transfer of land and buildings. A transfer of shares that results in the takeover of a company also are subject to a rate of 8%.

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. An “additional tax” of 6% on leased property is payable by the tenant.

Inheritance/Estate tax

See “Stamp Duty”. The same rates of transfers from a deceased person's estate.

Miscellaneous taxes on corporations

A monthly tax on financial activities is charged on banks and other financial institutions at a rate of 10% of the gross value of interest, commissions and other financial income.

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

An annual radio tax of XOF 1 000 is due from companies that are subject to corporate tax in Benin. An annual television tax of XOF 3 000 is due from companies that are subject to corporate tax in Benin, except companies subject to a fixed tax regime.

Contracts for insurance of assets in Benin are subject to insurance tax at rates from 0.25% (export credit) to 20% (fire).

Tax on company vehicles is XOF 150 000 or XOF 200 000 per year, depending on the engine size.

Tax Administration

Tax is administered in Benin by the General Tax Office.

Companies

1. Tax year – The tax year is the calendar year. A company cannot request a different 12-month period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Tax returns for business income must be filed no later than 30 April or four months after the end of the fiscal year, with any balance of tax due paid at that time. Quarterly advance payments are due on 10 March, June, September and December based on the previous year's tax liability. Tax also is collected when a company makes purchases, or deals with service providers, at rates of 1% (for registered enterprises) and 5% (for unregistered enterprises). The rate is 1% for all enterprises (whether or not registered) when they import goods. Large companies may pay tax by bank transfer instead of certified cheques.
4. 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.
5. Rulings – While there is no statutory requirement to issue binding rulings, the tax authorities may provide advance discussion on the interpretation of tax legislation.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Joint returns of spouses are not permitted.
3. Filing and payment – The individual tax return must be filed by 30 April or four months after the fiscal year for business income, with any balance of tax due paid at that time. The

individual income tax is paid in quarterly advance instalments on 10 March, June, September and December. A tax return is still required when all income is from employment and tax has been deducted at source. Taxes on salary must be paid on a monthly basis.

4. 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

Value added tax

1. Filing and payment – VAT returns must be submitted monthly, along with payment of VAT due by the 10th of the following month.
2. Penalties – A penalty equal to 20% of the tax liability is due for late payment and 10% for late filing.

General Investment Information

Investment Incentives

General incentives

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 XOF 500 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 will be exempt from tax on industrial and commercial profits for an approved period.
- Enterprises investing at least XOF 3 billion may obtain tax stability guarantees. 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 an income tax exemption for a five-year period.
- Enterprises licensed to operate in Industrial Free Zones (IFZs) may be granted a 10-year exemption from income tax on industrial and commercial profits, and a 50% reduction in the rate of VPS (employer payment) for five years, as well as other tax concessions.
- Financial and banking institutions, holding companies in general and insurance companies may obtain a license to operate in IFZs.

Export incentives

- Companies that benefit from the free zone regime.
- Exported products or services are exempt from VAT.

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 come to Benin with a long-term visa (i.e. valid for one year). The employment contract of the expatriate must be submitted to the Ministry of Labour for approval, and once a work permit is issued, it will be valid for one year, with the possibility for renewal. A resident permit issued by the Immigration Ministry also is required for all expatriates.

Trade Relations

Memberships

- World Trade Organization (WTO)
- West African Economic and Monetary Union (WAEMU)
- Economic Community of West African States (ECOWAS)

Interest and Currency Exchange Rate

Monetary policy rate

Rates of marginal lending window 4.5% (Feb 2018)
(Source: *Banque Centrale des Etats de l'Afrique de l'Quest*)

Currency

CFA Franc (XOF) It is used by eight independent states in West Africa: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Sénégal and Togo.

ZAR 1 = XOF 44.85 (March 2018) (Source: Oanda)

USD 1 = XOF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XOF 655.957 (Fixed Rate) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 8.98 billion
(2017 estimate) (Source: Tradingeconomics)

USD 8.52 billion
(2018 forecast) (Source: Tradingeconomics)



**Market
Capitalisation**

Not applicable – There is no stock
market in Benin



**Rate of
Inflation**

3.0%
(2017 average) (Source: Tradingeconomics)

2.87%
(2018 forecast) (Source: Tradingeconomics)





Botswana



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Income Tax

Resident individuals

Taxable income (BWP)	Income tax payable
Up to 36 000	0%
36 001 – 72 000	5%
72 001 – 108 000	BWP 1 800 + 12.5%
108 001 – 144 000	BWP 6 300 + 18.75%
Over 144 000	BWP 13 050 + 25%

Notes

1. Basis – Botswana operates a source-based system of taxation. Both resident and non-resident individuals are liable to income tax on Botswana-source income. Botswana citizens also are subject to tax on their income from foreign sources.
2. Residence – An individual is resident if his/her permanent place of abode is in Botswana; if he/she is physically present in Botswana for more than 183 days in any tax year; or he/she is physically present for any period of

time and that period is continuous with a period of physical presence in the immediately preceding or immediately succeeding tax year, for which the individual has been treated as a resident.

3. Taxable income – Taxable income comprises income from employment, business income, passive income (such as dividends and interest) and capital gains. Individuals are taxed on the value of any benefit or advantage arising from employment, whether in cash or in kind. All amounts accrued to a person are deemed to be from one source, with the exception of income from mining and farming and capital gains.
4. Exempt income – Certain types of income are exempt (e.g. pensions, interest paid by a bank or building society up to BWP 7 800 per year). An employer's compulsory contributions to a medical benefit fund on behalf of an employee are not taxable in the hands of the employee.
5. Deductions and allowances – Few deductions are allowed and no allowances are granted. Contributions to an approved pension or superannuation fund are deductible. Taxpayers with business income are entitled to the same deductions as are granted to companies. See also below, under "Investment Incentives."
6. Rates – Income below BWP 36 000 per year is exempt. Otherwise, rates are progressive up to 25%. Capital gains are subject to tax at rates up to 25%, but assessed separately from other income subject to the personal

income tax rates. A resident individual who receives interest in excess of BWP 1 950 per quarter will be subject to a 10% final WHT. Tax on employment annual gross income is withheld at source by the employer under Pay As You Earn (PAYE) salary deduction system.

Non-residents (Individuals, trusts and estates)

Taxable income (BWP)	Tax rate payable
Up to 72 000	5%
72 001 – 108 000	BWP 3 600 + 12.5%
108 001 – 144 000	BWP 8 100 + 18.75%
Over 144 000	BWP 14 850 + 25%

Notes

1. The above rates apply 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.



Corporate Tax Rates

Company type	Rate
Resident companies	22%
Resident companies – approved manufacturing taxable income	15%
Non-resident companies	30%
International Financial Services Centre (IFSC) companies – approved services income	15%
IFSC companies – other taxable income	22%
Botswana Innovation Hub accredited company	15%
Foreign dividends	15%
Unapproved pension and provident fund – investment income	7.5%
Selebi Phikwe Economic Development Unit (proposed) ¹¹	
• First five years	5%
• Thereafter	10%
Botswana Development Corporation Limited Group of Companies	22%/15%

Notes

1. Basis – Corporate tax is levied on the Botswana-source taxable income of all companies, other than tax-exempt bodies and small companies that elect to be treated as partnerships or sole proprietorships. Foreign-source dividends and interest are deemed to be from a Botswana source and taxed on an accruals basis, while foreign business profits are taxable only when remitted to Botswana.
2. Residence – A company is resident in Botswana if it is incorporated in Botswana or managed and controlled in Botswana. A company, for income tax purposes, includes an association or society (whether or not incorporated or registered), but excludes partnerships.
3. Taxable income – Taxable income is gross income, including capital

gains, less exempt income and allowable deductions. Dividends received from a Botswana-resident company are excluded from the definition of gross income and, therefore, constitute exempt income for corporate income tax purposes (although a withholding tax is levied). Where capital gains arise from the sale of shares, only 75% of the net aggregate gain is taxable. Gains from shares that are listed on the Botswana Stock Exchange (BSE) are tax-exempt if the seller holds at least 49% of the shares for at least one year prior to the disposal. Gains from the disposal of IFSC shares are exempt from tax.

4. Deductions – All expenditure incurred wholly, exclusively and necessarily in the production of assessable income will be allowed as a deduction from the assessable income. No deduction will be allowed in respect of domestic or private expenses, any capital withdrawn or any expenditure or loss of a capital nature, any tax imposed under the Income Tax Act, etc.
5. Losses – Losses may be carried forward for five years. Mining enterprises may carry forward their losses indefinitely. The carryback of losses is not permitted. Farming assessed losses may be carried forward for five years.
6. Foreign tax credit – Relief from double taxation is provided in the form of a credit against Botswana tax for foreign tax paid on the foreign income. The credit is granted under Botswana domestic law or may be available under an applicable tax treaty. In the former case, the credit is limited to the amount of Botswana tax applicable to the foreign income.
7. Group relief – 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 the transfer of losses between group companies, with the exception of the Botswana Development Corporation Limited Group of Companies.
8. Rates – The corporate tax rate for resident companies is 22%, and 15% for manufacturing and IFSC companies. A branch of a foreign company is taxed at a rate of 30%, which makes this the least tax-efficient vehicle through which to operate in Botswana. Dividends received from sources outside Botswana are subject to a flat 15% tax.
9. Anti-avoidance rules – There are no transfer pricing rules in Botswana, except for the general anti-avoidance rule. Thin capitalisation rules apply only in the context of IFSCs and mining companies. There are no controlled foreign company rules.
10. IFSCs – Approved financial operations that qualify as an IFSC include companies carrying on 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.

11. Mining operations – For mining projects, the company is taxed on the basis of the tax agreement entered into with the Ministry of Finance and Development Planning, as per the provisions of the Income Tax Act. In the absence of such an agreement, the mining profits will be taxed based on the following formula: $\text{Tax rate} = 70 - 1500/x$, where x is the ratio expressed as a percentage of taxable income to gross income, subject to a minimum tax rate of 22%. Mining companies are eligible for a mining capital allowance calculated at 100% of the mining capital expenditure incurred in the tax year.
12. There is no fixed training fee. A training levy is payable, based on a certain percentage of the taxable supplies and is administered by the income tax authorities on behalf of the Botswana Qualifications Authority.
13. Selebi Phikwe Economic Development Unit – A zone for development for mixed use Special Economic Zone to engage with communities in SPEDU region to resuscitate and support development projects.

Withholding Tax (WHT)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT at the following rates:

	Residents	Non-residents
	Rate	Rate
Dividends	7.5%	7.5%
Interest	10%	15%
Royalties	–	15%
Rent	5%	5%
Management, technical and consulting fees	–	15%
Commissions and brokerage fees	10%	10%

Entertainers/sportsmen	–	10%
Construction	3%	3%
Mine rehabilitation fund – surplus	10%	10%
Purchase of livestock for slaughter/or for feeding for slaughter	4%	–

Notes

1. The WHT on dividends; interest; royalties; management, technical and consulting fees; and fees paid to entertainers/sportsmen is a final tax for non-residents. The rates may be reduced under an applicable tax treaty.
2. Management, technical and consulting fees include payments for any services of an administrative, technical, managerial or consulting nature. This includes virtually, all service fees, irrespective of where the services are rendered.
3. The definition of an entertainment fee includes payments to associations and companies for the activities of non-resident entertainers. Therefore, all payments for non-resident entertainers and sportsmen and women are subject to the 10% WHT applicable to entertainers, regardless of who actually receives the payments or how they are made.
4. No WHT is levied on remittances of branch profits to a head office or IFSC companies.
5. No WHT is levied on services related to construction, e.g. design, engineering and surveying.
6. Payments made by local telecommunication companies to foreign telecommunication companies under international agreements for international telephone service fees are specifically excluded from the definition of commercial royalties and hence are exempt from the royalty WHT requirements.
7. Botswana residents receiving interest in excess of BWP 1 950 per quarter from a bank or financial institution on deposits, bonds and securities are subject to a final WHT of 10%.

Tax Treaties

Botswana has 15 tax treaties. Those with Mozambique, Namibia, Swaziland and Zimbabwe are not yet in force.

Treaty partner	Dividends	Interest	Royalties	Mng, consultancy/ technical fees
Barbados	65%/7.5%	10%	10%	10%
France	65%/7.5%	0%/10%	10%	7.5%
India	7.5%	10%	10%	10%
Ireland	5%	7.5%	65%/7.5%	7.5%
Lesotho	7.5%	10%	10%	10%
Mauritius	65%/7.5%	12%	12.5%	15%
Mozambique	7.5%	10%	10%	10%
Namibia	7.5%	10%	10%	15%
Russia	65%/7.5%	10%	10%	10%
Seychelles	5%/7.5%	7.5%	10%	10%
South Africa	7.5%	10%	10%	10%
Swaziland	7.5%	10%	10%	10%
Sweden	5%	7.5%	10%	15%
United Kingdom	65%/7.5%	10%	10%	7.5%
Zimbabwe	65%/7.5%	10%	10%	10%

Notes

1. Where the domestic rate of WHT is lower than the treaty rate, the domestic rate is shown.

2. Where there are two withholding tax rates on dividends, the lower rate applies where the recipient is a company that holds at least 25% of the share capital of the payer company. Direct ownership is required under some treaties.
3. Several treaties provide for an exemption on interest (and occasionally dividends) paid to the government of one of the contracting states or to one of its political subdivisions, to the central bank or to other legal entities wholly owned by the government or one of its political subdivisions. Because of the frequency of these types of exemptions, they are not reflected in the rate column, so the relevant treaty should be consulted to determine the extent of an exemption.
4. The 5% rate on royalties under the Botswana-Ireland treaty applies to royalties payable in respect of the use of or right to use industrial, commercial or scientific equipment.
5. The 0% rate on interest under the Botswana-France treaty applies to interest paid in connection with the sale on credit of any industrial, commercial or scientific equipment, or of any merchandise, or the furnishing of any services by one enterprise to another enterprise.
6. 5% applies if beneficial owner is a company and holds 25% or more of shares.
7. 5% applies if royalties are in respect of the use of or right to use industrial, commercial or scientific equipment.

Indirect Taxes

Value Added Tax (VAT)

VAT	Rate
Standard rate	12%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and the provision of services by a VAT taxable person in the course of doing business, and on the importation of goods or services.
2. Rates – The standard VAT rate is 12%. A number of goods and services are exempt from VAT, including: educational institutions, financial services, housing rentals, passenger transportation, donations, grants, and the supply of tractors for farming purposes. Zero-rated supplies include exports, supplies of certain foodstuffs, pesticides, fertilisers

and farming tractors, and the international transport of passengers or goods, including the provision of insurance and ancillary transport services, etc.

3. Registration – Taxpayers with annual turnover of at least BWP 1 million must register for VAT purposes.

Other Transaction Taxes

Transaction taxes

Transfer duty	Rate
No transfer duty is payable where the sale of property attracts VAT	
There is no marketable securities tax/stamp duty on share transfers	
Citizens	
Non-agricultural property – value exceeding BWP 200 000	5%
Agricultural property – value exceeding BWP 200 000	5%
Foreigners	
Non-agricultural property	5%
Agricultural property	30%
Share capital duty	
Nominal capital BWP 1 – BWP 3 000	BWP 200
For every BWP 1 000 or part thereof in excess of BWP 3 000	BWP 8
Property transfer tax	
If VAT is not paid	5% of the total consideration

Capital transfer tax rates

	Aggregate taxable value (BWP)	Tax payable
Resident and non-resident individuals	0 – 100 000	2%
	Over 100 000 – 300 000	BWP 2 000 + 3%
	Over 300 000 – 500 000	BWP 8 000 + 4%
	Over 500 000	BWP 16 000 + 5%
Resident and non-resident Companies	All	12.5%

Inheritances and donations

Donations and other gratuitous disposals (such as *inter vivos* gifts and estates of deceased individuals) are subject to capital transfer tax depending on their value.

Tax Administration and Compliance

The tax system is administered by the Botswana Unified Revenue Service (BURS).

Companies

1. Tax year – The tax year is the fiscal year, which runs from 1 July to 30 June, although a company may choose any date as its fiscal year end.
2. Consolidated returns – Each company within a group is treated as a separate and independent taxpayer. It is not possible for group companies to file a consolidated tax return.
3. Filing and payment – A self-assessment tax (SAT) system applies. Under self-assessment, a company whose corporate tax liability is at least BWP 50 000 is required to pay the

tax in four quarterly payments commencing with the first quarter of its financial year-end. A final, or fifth instalment, is payable within four months after its year-end, at the time of submission of the tax return. A company with a liability of less than BWP 50 000 must pay the full tax liability at the time the tax return is filed, i.e. four months after its financial year end.

4. Penalties – Penalties may be imposed at BWP 100 per day for the late filing of a corporate tax return. Late payment interest on quarterly SAT payments and assessed tax is compounded at 1.5% per month. Late payment of PAYE and WHT also is compounded at 1.5% per month.
5. Rulings – There is no formal advance tax ruling system in Botswana, although a company may seek a non-binding interpretation of particular provisions of the law from BURS.
6. All appeals must first be heard by a board of adjudicators.

Individuals

1. Tax year – The tax year is the 12-month period from 1 July to 30 June.
2. Filing status – Married couples are assessed separately.
3. Filing and payment – Individuals earning more than BWP 36 000 per year must register with BURS and obtain a tax identification number (TIN). Self-assessment tax applies to non-corporate taxpayers on an optional basis. Any balance of tax due is payable within 30 days of receipt of an assessment.
4. Penalties – Penalties apply for failure to obtain a TIN, but no penalties are imposed for the late filing of a tax return.
5. All appeals must first be heard by a board of adjudicators.

Value added tax

1. Filing and payment – VAT is payable monthly or bi-monthly depending on the level of turnover.
2. Penalties – Penalties and interest may be levied for late VAT returns and late payments.

General Investment Information

Investment Incentives

General incentives

The following investment incentives are available:

1. Development Approval Order (DAO) – Companies that carry out an approved manufacturing business undertaking certain types of manufacturing processes, qualify for a lower corporate tax rate of 15%. Any project that will benefit the economic development of Botswana may qualify, particularly projects in the mining industry, but any project that will generate employment will be considered. The relief can take any form and is negotiable.
2. Citizen Entrepreneurial Development Agency (CEDA) – Provides low-interest loans to citizens.
3. Local participation or management requirements – There are no nationality or residence requirements for shareholders. Companies generally 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 to enable them to participate in management. At least one director must be resident in Botswana, but that person need not be a Botswana citizen.

Special tax allowances

- Training allowance – 200% of expenditure which is not funded by the Botswana Qualification Authority.
- Construction of dwellings for employees of any business other than mining – BWP 25 000 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 – 100% of mining capital expenditure allowed as a deduction in the year of expenditure
- 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.
- 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 producing farming income
 - Expenditure incurred on various activities, including the prevention of soil erosion, 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 establishing trees, plantations, orchards and vineyards
 - Expenditure incurred on the construction of buildings (other than dwelling houses)
 - As mentioned under losses – Farming assessed losses may be carried forward for five years.

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 normally are issued for a two or three-year period. Self-employed investors generally will not encounter problems obtaining permits, but permits for employees only will 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
- Southern African Customs Union (SACU)
- Southern African Development Community (SADC)
- African Growth and Opportunity Act (AGOA) – beneficiary country.

Interest and Currency Exchange Rates

Prime overdraft rate

5% (Feb 2018) (Source: Bank of Botswana)

Monetary policy rate

Bank rate 5% (Feb. 2018) (Source: Bank of Botswana)

Currency

Botswana Pula (BWP). Each Pula is divided into 100 Thebe.

ZAR 1 = BWP 0.79 (March 2018) (Source: Oanda)

USD 1 = BWP 9.41 (March 2018) (Source: Oanda)

EUR 1 = BWP 10.81 (March 2018) (Source: Oanda)

Notes

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

Key Economic Statistics



GDP
(approximate)

USD 15.27 billion
(2017 estimate) (Source: Tradingeconomics)

USD 15.45 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

BWP 418 143.76 million
(2017) (Source: Botswana Stock Exchange)



Rate of Inflation

3.3%
(2017 average) (Source: Bank of Botswana)

4%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (XOF) (monthly basis)	Rate
0 – 30 000	0%
30 001 – 50 000	12.1%
50 001 – 80 000	13.9%
80 001 – 120 000	15.7%
120 001 – 170 000	18.4%
170 001 – 250 000	21.7%
Over 250 000	25%

Notes

1. Basis – Habitual residents are taxable on income earned on a worldwide basis. Non-residents are subject to tax on Burkina Faso-source employment income only under two conditions: that the

activities are performed in Burkina Faso and that 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. 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 that is called the unique tax on treatments and salaries. The applicable rate is applied to the taxable income.
4. Deductions and allowances – Expenses deductible from general income include, subject to certain limits, housing allowances, duty allowances, transport allowances, family allowances, civil and military pensions and severance pay.
5. Rates – The unique tax on treatments and salaries is imposed at scheduler rates ranging from 0% to 25%. Income other than employment income earned by an individual is subject to income tax at rates that range from 10% to 27.5%.

Income Tax – Companies

	Rate
Standard corporate tax rate	27.5%

Notes

1. 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. Non-residents are taxed only on Burkina Faso-source income.
2. Residence – An entity incorporated in Burkina Faso is resident for tax purposes.
3. Taxable income – Income is taxed under separate schedules for industrial and commercial profits, non-commercial profits, and income from movable capital, land and agriculture. The non-commercial schedule is mainly used for professional income, royalties and know-how, and for non-resident corporations. Capital gains arising from the disposal of fixed assets and shares normally are included in taxable income, but only at 50% of the total amount. Capital gains resulting from mergers for companies and asset contributions are exempt from corporate income tax.
4. Deductions – Business costs and expenses are deductible if they are strictly related to the business.
5. Losses – Losses may be carried forward until the fourth year following the year of the losses.
6. Foreign tax credit – Relief from double taxation is available through tax treaties to which Burkina Faso is a signatory.
7. Rate – The corporate tax rate is 27.5%.
8. Branch taxation – The Burkina Faso-source income of branches of foreign companies is subject to tax on securities and are also subject to a branch withholding tax rate of 12.5%. The taxable base applies to 75% of the annual income of the branch.
9. Alternative minimum tax – In the case of losses, taxpayers must pay a minimum tax of 0.5% instead of CIT (reduced for financial institutions and insurance and petroleum companies) on the year's turnover. The minimum tax must fall between XOF 300 000 and XOF 1 million.

Withholding Tax (WHT)

The rates of WHT on various types of payments are as follows (the tax is a final tax for non-residents and may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	12.5%	12.5%
Interest	12.5%/25%	12.5%/25%
Royalties	-	20%
Management and professional fees	0% and 5%	20% (10% for mining companies)

* The 0% rate applies to companies covered by the *Direction des grandes entreprises* (DGE) and the 5% rate to other companies

Notes

1. 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. These rates are applicable for both residents and non-residents.
2. Royalties paid to a resident are not subject to WHT. Instead, the income is subject to corporate income tax (for companies) or the unique tax on treatments and salaries (for individuals).
3. A rate of 20% is applied on sums paid to non-resident entities for the provision of service.
4. Management and professional fees: A reduced rate of 10% applies to mining companies but exclusively for their mining operations.

Tax Treaties

Burkina Faso has concluded tax treaties with the following countries. The WHT rates under the treaties are as follows:

Type of income	France	Tunisia	WAEMU*
Dividends	15%	8%	10%
Interest	Domestic	5%	15%
Royalties	15%	5%	15%
Management and professional fees	0%	0%	0%

* West African Economic and Monetary Union

Anti-Avoidance Rules

Transfer pricing

Transfers of profits 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 rules

There are no specific thin capitalisation rules in Burkina Faso. However, interest paid to shareholders on sums loaned to, or put at the disposal of, the company are tax deductible, provided the interest rate charged does not exceed the reference rate of the Central Bank of West African States.

Employment-Related Taxes

Payroll taxes

Companies employing people in Burkina Faso are subject to a 3% tax on the employment and apprenticeship, based on the gross amount of the salary paid, including advantages in kind and allowances.

Social security

Social security contributions are paid on the base of paid salaries. Contributions payable by the employer on paid salaries are 16%: a 3.5% occupational accident contribution; a 7% family allowance; and a 5.5% old age pension.

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

Indirect Taxes

Value added tax (VAT)

VAT	Rate
Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on production activities, the distribution of goods and the rendering of services in Burkina Faso. VAT also is applied to imported goods and services.
2. Rates – The standard VAT rate is 18%.
3. Registration – Taxpayers must register for VAT with the local tax authorities. There is no registration threshold.

Customs and Excise Duties

The prices for rights and taxes for the import of goods consists of the following duties and taxes:

- Customs duty (from 0% to 35%)
- Statistical royalty (1%)
- Value added tax (18%)
- Community solidarity tax (1%)
- CEDEAO community tax (0.5%)

The import of certain goods may be subject to an additional excise duty:

- Petroleum products (fixed duties which vary depending on scale given by general tax code)
- Alcoholic and non-alcoholic products (from 10% to 30%)
- Coffee and tea (10%)
- Tobacco (17% to 30%)
- Kola nuts (10%)
- Livestock in transit in Burkina Faso (from XOF 150 to XOF 2 500 per animal)
- Fragrance and cosmetic products (10%)

Registration duty

A lease or lease extension is subject to registration duty of 5% for rentals of limited duration and 7% for rentals of unlimited duration. The duty must be paid within the month following the beginning of the new lease period.

The transfer of ownership of a residential building with a value below XOF 10 million is subject to a fixed duty of XOF 300 000 for undeveloped property and XOF 500 000 for developed property.

Other Taxes

Inheritance/estate tax

The rate of estate tax ranges from 0% to 40%.

Stamp duty

Stamp duty applies for administrative acts. A fixed or variable rate is applicable, depending on the nature of the act. Several types of operations are exempt from stamp duty.

Transfer tax

The transfer of shares is exempt from registration fees. A transfer tax of 8% applies to transfers of real property. Business transfers are also taxed at 10%.

Capital duty

The provisions relating to capital duty have been repealed/abrogated.

Real property tax

Real property tax applies on built and unbuilt property in Burkina Faso. The tax is payable by the owner of the property, and the rate is fixed at 0.1% of the taxable amount.

Business license duty

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

Tax Administration and Compliance

Tax is administered in Burkina Faso by the *Direction Generale des Impots*.

Corporations

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return.
3. Filing and payment – The tax return is due by 30 April following the tax year, together with the balance of tax for companies with annual turnover. Advance payments of tax are payable in three equal instalments by 20 January, 20 July and 20 October, based on the realised profits.
4. Penalties – Penalties are charged at a rate of 10%, increased by default interest of 1%, for late tax returns, failure to pay tax due and errors and mistakes.
5. Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Personal income tax returns are due by 30 April following the tax year. An individual whose only taxable income is employment income derived from only one employer is not required to file a return, unless he/she is eligible for a refund. There is no filing exemption for married couples. Payments of tax relating to a business are due as described above for companies. Tax normally is withheld at source for other sources of income.
3. Penalties – Penalties are charged at a rate of 10%, increased by default interest of 1%, for late tax returns, failure to pay tax due and errors and mistakes.

VAT

1. Filing and payment – VAT returns and payments are due monthly by the 20th day of the following month.
2. Penalties – Late returns and payments are subject to a late penalty of 25% plus 5% per additional late month. This penalty can increase to 50% plus 5% per additional late month after a direct assessment procedure. Moreover, after a tax audit, a second penalty of 50% of the unpaid amount is due and this penalty can increase to 200% in cases of fraud.

General Investment Information

Investment Incentives

General incentives

Various incentives are granted under several laws, including the Investment Code.

- The Investment Code provides the right to transfer capital and revenue secured by foreign persons and legal entities that 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 and the liquidating or conclusion proceeds of assets in the same currency used in the initial investment.
- The Investment Code prohibits discrimination against foreigners, e.g. foreign firms not registered in Burkina Faso can compete for contracts on projects in the country financed by international sources, such as the World Bank, United Nations or the African Development Bank.
- Burkina Faso has undertaken reforms of its labour policy to make the labour market more flexible, while ensuring workers' rights, including workers' safety and health.

Tax incentives

The Investment Code provides four investment schemes, with different incentives available during the investment period and the operating period:

- During the investment period, reduced customs duties are granted for all schemes at a rate of 5% on exploration equipment and the first batch of spare equipment. An exemption from VAT applies for new companies on exploration equipment and the first batch of spare equipment

- During the operating period, an exemption from CIT, business license duties and employment and apprenticeship tax is available for a period of between five and seven years, depending on the scheme (which depends on the amount of the investment).

Excluded from the Investment Code are any businesses that carries on:

- Exclusively commercial and trading activities
- Mining research or mining activities under the Mining Code
- Banking and financial services
- Telecommunications activities other than those of authorised telephone companies.

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, Guinea-Bissau, the Ivory Coast, 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, except for nationals of an Economic Community of West African States (ECOWAS) member state. An extension is required to stay beyond the visa period. To obtain a visa, a letter from the employing company (stating a specific mission for the employee) and a confirmation of itinerary from a travel agent must be provided.

Trade Relations

Memberships

- West African Economic and Monetary Union (WAEMU)
- Economic Community of West African States (ECOWAS)
- World Trade Organisation (WTO)

Interest and Currency Exchange Rates

Monetary policy rate

Bank rate 4.5%
(2018) (Source: Central Bank of West African States)

Currency

CFA Franc (XOF)*




*The CFA franc is the common currency of 14 African member countries of the franc zone.

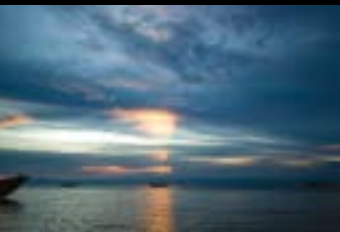
ZAR 1 = XOF 44.85 (March 2018) (Source: Oanda)

USD 1 = XOF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XOF 655.957 (Fixed Rate) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 12.12 billion (2017 estimate) (Source: Tradingeconomics)
		USD 11.8 billion (2018 forecast) (Source: Tradingeconomics)
	Market Capitalisation	Not applicable
	Rate of Inflation	0.9% (2017 average) (Source: Central Bank of West African States)
		0.73% (2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (BIF)	Rate (%)
0 – 1.8 million	0%
1 800 001 – 3.6 million	20%
3 600 001 and above	30%

Notes

1. Basis – Residents are taxed on worldwide income; non-residents are taxed only on Burundi-source income, including income generated from professional activities carried out in Burundi.
2. Residence – An individual is deemed to be resident in Burundi if he/she is a Burundian national, has a permanent abode in Burundi or has spent at least in the aggregate 183 days within the fiscal year in Burundi.
3. Taxable income – An individual is taxed on employment income, business/professional income and investment income. Capital gains other than gains derived by a resident individual as part of business income are classified under a schedule where income is taxed at 15%. However, the only capital gains that are taxable for a non-resident are those resulting from the sale of shares in a resident company or an

interest in a building located in Burundi. Additionally, capital gain on a transfer of real property that is the main residence of the transferor for at least three years, as well as capital gain on a corporate restructuring, are exempt from capital gains tax.

4. Deductions and allowances – A deduction from taxable income is allowed for the employee's contribution to the state pension (INSS). Contributions to a qualified pension fund or complementary social security contributions are allowed to be deducted from the Pay-As-You-Earn (PAYE) calculation, up to 20% of the gross income of the employee. Fringe benefits relating to transportation expenses not exceeding 15% of the basic salary are exempt, unless the employee benefits from a company car. Rental or compensatory allowances paid to an employee or on the employee's behalf may be exempt, but if these benefits exceed 60% of the basic salary, the excess is treated as taxable income. Interest on treasury bills and bonds is exempt from income tax.
5. Rates – Employment and business income is taxed at progressive rates up to 30%. PAYE is levied on employment income based on a progressive salary scale; the rate is limited to 30% of taxable income. Investment income and certain other payments to residents and non-residents generally are subject to withholding tax (WHT) or capital gains tax. Law No. 1/20 of 31 December 2016 and ministerial orders contain clarifying provisions.

Income Tax – Companies

	Rate
Standard corporate tax rate	Higher of 1% of turnover or 30%

Notes

1. Basis – Corporation income tax applies on a company's income generated in Burundi, regardless of its residence. Resident companies are taxed on worldwide income; foreign companies are normally taxed only on Burundi-source income.
2. Residence – A company is resident in Burundi if it is registered under the laws of Burundi or has its effective management exercised in Burundi at any time during the year.
3. Taxable income – Tax is levied on profits derived by a company from the operation of a business. Capital gains/losses derived from the sale of an asset by a resident company are included in business/investment income and taxed at the rate applicable to corporations.
4. Deductions – Expenses incurred may be deducted provided that the expense:
 - Relates to and is necessary for the operation of the taxpayer's business
 - Corresponds to actual expenditure and is duly substantiated by supporting documents
 - Reduces net assets
 - Relates to the fiscal year in question.
5. Losses – Losses may be carried forward for five tax periods, but may not be carried back.
6. 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 Burundi tax payable on the foreign income.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The standard tax rate is 30%. Certain payments to residents and non-residents are subject to WHT (as described below).
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies; Burundi does not levy a branch profits tax.

Withholding Tax (WHT)

The WHT rates on various types of payments are set forth below.

WHT rates

Payment	Residents	Non-residents
Dividends	Exempt	15%
Interest	15%	15%
Royalties	15%	15%
Technical and management service fees	15%	15%
Payments for a performance made to an artist, musician or sports person	15%	15%
Payments from public tender by public institutions	4%	15%
Proceeds from real property, a financial asset or collection of personal property	N/A	5%

Notes

1. Dividends paid by one Burundi resident company to another are exempt from tax but taxed as normal earnings of a company (at 30%) in other cases.
2. Interest is 15% for individuals and non-resident entities but taxed as normal earnings of a resident company.

Tax treaties

Burundi has not concluded any tax treaties with other countries.

Anti-avoidance rules

Transfer pricing

The tax authorities are allowed to adjust taxable income to reflect the arm's length price if a related party transaction differs

from what would have been agreed between unrelated parties, and thereby leads to a reduction in taxable income or the transfer of the income to a tax-exempt person.

Employment-Related Taxes

Payroll tax

The tax law requires that when an employer makes employment income available to an employee, the employer must withhold, declare and pay the PAYE tax to the Burundi Revenue Authority within 15 days following the end of the month for which the tax was due. Where the employer is not the principal employer, it is obliged to withhold tax at 30%. Where the employer engages a casual labourer, the employer must withhold 15% of the taxable employment income over BIF 150 000.

The employer is personally liable for the correct withholding, declaration and timely payment of PAYE to the authorities, and for keeping proper books of account to prove that the tax has been correctly withheld, paid and accounted for.

Social security

The contribution to the social security fund is 10% (6% by the employer and 4% by the employee), capped at BIF 450 000 per month, and an additional 3% contribution by the employer, capped at BIF 80 000 per month.

Indirect Taxes

Value Added Tax (VAT)

VAT	Rate
Standard rate	18%
Imported foodstuff, processed agricultural products and agricultural inputs (fertilisers)	10%
Exports	0%

Notes

1. Taxable transactions – VAT is imposed on the sale of goods and the provision of services, and on imports.
2. Rates – The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases. Telephone calls are no longer subject to VAT or consumption tax. A reduced rate of 10% applies to certain imports.
3. Registration – The registration threshold for VAT purposes is BIF 100 million of annual turnover. Voluntary registration is possible for taxpayers with turnover under the threshold.

Customs and Excise Duties

Consumption tax (excise duty) is levied on certain locally manufactured as well as imported products. The tax rate/amount varies depending on the type of product. The taxable value of locally manufactured products is calculated based on the sales price exclusive of taxes, while the taxable value for imported goods is based on the CIF (cost, insurance and freight charges), including customs duties.

Additionally, a “down-payment levy” is imposed on certain locally manufactured products.

Certain other taxes also are imposed, including the following:

- A fixed levy (WHT) of 3% of the CIF, as a down payment for income tax, on imports into Burundi
- A safety tax of 1.15% on the value of imported goods
- A 20% tax on imported fabrics that have certain commercial and technical specifications
- An export tax of 80% of the value or USD 0.52 per kg, whichever is greater, on raw hides and skins
- A lump-sum payment of BIF 10 000 on customs clearing agencies
- An anti-pollution tax of BIF 2 million per vehicle on imported vehicles older than 10 years
- An *ad valorem* tax of 50% on the customs value of imported plastic bags.

Other Taxes

Inheritances and donations

There is no inheritance/estate tax in Burundi.

Net wealth/net worth tax

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

Stamp duty

There is no stamp duty regime in Burundi.

Real property tax

Tax on real property is paid to the municipal authorities and calculated based on the location and utilisation of the property.

Transfer tax

Some administrative fees are applicable.

Tax on financial institutions

A special contribution of 5% of profit before tax applies to financial institutions. The contribution was instituted to finance development projects in the country.

Tax Administration and Compliance

Tax is administered by the Burundi Revenue Authority.

Corporations

1. Tax year – The tax year is the calendar year, although the taxpayer may request a different 12-month period.
2. Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
3. Filing and payment – A self-assessment regime applies. The tax return must be filed and the corporate income tax must be paid no later than three months after the end of the applicable year-end (i.e. by 31 March of each year for calendar-year taxpayers). Advance tax is payable in three instalments, each equivalent to 25% of the previous year's corporate

income tax liability. The prepayments are payable by 30 June, 30 September and 31 December of the relevant year, with the balance of the corporate income tax for the year payable by the date of submission of the annual corporate income tax return. If the prepayments are higher than the tax payable, the taxpayer can request a refund. Such request must be filed within two months from the submission of the return, and the refund, net of any other outstanding taxes due, must be granted within 60 calendar days from receipt of the application.

4. Penalties – Interest is imposed for late payment of tax, and fines and other penalties are imposed for late payment and tax understatements.
5. Rulings – There is no provision for tax rulings. However, a taxpayer can apply in writing to the tax authorities requesting for clarification of a tax matter, although this is not binding on the authorities.
6. Other – A legal person must have a tax identification number (TIN) assigned by the Investment Promotion Agency.

Individuals

1. Tax year – The tax year is the calendar year. A different tax year of 12 months is available upon request.
2. Tax filing – There is no filing requirement if income has been subjected to tax under the PAYE mechanism. Joint filing for spouses is not permitted.
3. Filing and payment – Tax on employment income is withheld by the employer under the PAYE system, and must be remitted to the tax authorities within 15 days following the end of the month for which the tax was due.
4. Penalties – Penalties, including fines and interest, apply for failure to comply. Before objecting to a notice of assessment, a taxpayer is required to pay 30% of the amount assessed or the undisputed amount of tax, whichever is higher.
5. Other – An individual must possess a tax identification number (TIN) assigned by the Investment Promotion Agency.

VAT

1. Filing and payment – VAT filing and payment must be made on a monthly basis by the 15th day of the following month.
2. Penalties – A taxpayer that has not filed a periodic return within the time allowed is liable to a penalty ranging from 10% to 30% for every 30 days that payment is overdue. Failure to pay an amount due within 90 days incurs an increased penalty of 1% per month of delay. If the return contains errors or inaccuracies, the penalties range from 10% to 20% of the amount due on the return, and 100% for fraudulent statements on the return.
3. Any merchant or service provider who makes a delivery of goods or services without issuing a proper tax invoice as provided by the tax authorities is liable for a fine of 20% of the value of the goods supplied.

General Investment Information

Investment Incentives**General incentives**

Incentives to invest in Burundi include, among others: access to markets, an exemption from transfer taxes on the acquisition of buildings and plots essential for the achievement of the investment, certain tax advantages, an Investment Promotion Agency (API) and a continually improving business environment.

Tax incentives

Although certain tax credits and indirect tax exemptions have been eliminated, other tax incentives remain available. Registered investment entities that operate in a Free Trade Zone (FTZ) and foreign companies that have their headquarters

in Burundi and that fulfil the requirements stipulated in the Burundian Law on Investment Promotion are entitled to:

- An exemption from corporate income tax for their first 10 years of business, and a 15% rate as from year 11
- A 10% corporate income tax if the investor employs more than 100 Burundians
- An exemption from the 15% WHT on dividends
- Tax-free repatriation of profits
- An exemption from transfer tax on the purchase or sale of buildings.

Effective 1 January 2018, all contracting authorities involved in public procurement and outsourcing are required to exclude any exemption clause relating to income tax in the provisions of contracts and financing agreements.

Any individual or legal person applying for an exemption under the Investment Code is required to provide a pre-guarantee in the form of a bank guarantee of 30% of the total amount of the exemption.

Exchange Control

Some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency.

While it is possible for companies to operate foreign-currency accounts in commercial banks, they cannot withdraw funds from these accounts. Only individual owners of the companies are allowed to withdraw foreign currency, and only when they can present legitimate documents indicating they will be travelling or leaving the country. Otherwise, these accounts are used to facilitate payments to suppliers by direct transfer by the banks from one account to another.

Expatriates and Work Permits

There is no special expatriate tax regime. Expatriates are taxed under the same rules as for individuals.

Any person who is not a Burundian national is required to obtain a resident permit and a work visa for purposes of living and working in Burundi. The work permit needs to be sponsored by a company in Burundi. The process can be lengthy and should be started as soon as possible.

Effective as from 2018, a fixed fine of USD 30 per month of delay applies for failure to renew a work permit.

Trade Relations

Memberships

- United Nations
- International Monetary Fund
- World Bank
- World Trade Organisation
- Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- African Growth and Opportunity Act (AGOA) beneficiary country

Interest and Currency Exchange Rates

Lending Rate

Interest rate: 7.95%

Weighted lending rate: 16.30%

Average refinancing rate: 9.14%

(Source: National Bank of Burundi)

Currency

Burundi Franc (BIF). It is divided into 100 centimes.

The symbol used for the Burundi Franc is Fbu.

ZAR 1 = BIF 147.34 (March 2018) (Source: Oanda)

USD 1 = BIF 1 747.40 (March 2018) (Source: Oanda)

EUR 1 = BIF 2 154.43 (March 2018) (Source: Oanda)

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.
2. Burundi is a member of the EAC, which plans to form a monetary union that will introduce a single currency.

Key Economic Statistics

 GDP (approximate)	USD 3.39 billion (2017 estimate) (Source: IMF)
	USD 3.81 billion (2018 forecast) (Source: IMF)
 Market Capitalisation	Not applicable. 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.
 Rate of Inflation	17.96% (2017 average) (Source: IMF)
	20.15% (2018 forecast) (Source: IMF)



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Income Tax – Individuals

Taxable income (XAF)	Rate
0 – 2 million	10%
2 000 001 – 3 million	15%
3 000 001 – 5 million	25%
Over 5 million	35%

Notes

1. Basis – Resident individuals are taxed on their worldwide income; non-resident individuals are taxed only on Cameroon-source income.
2. Residence – An individual is resident in Cameroon if he/she has his/her principal centre of interests, business or place of abode, in Cameroon, 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.

3. Taxable income – Personal income tax applies to total income derived from various sources, including salaries, wages, pensions and life annuities, income from real estate, profits from handicraft, industrial and commercial activities, profits from agricultural activities and profits from non-commercial and related professions.
4. Taxable income – Employment, pension and annuity income is taxed at progressive rates up to 35%. For salaries, the rates apply to the net income after allowable deductions, which include a lump sum of XAF 500 000 for business expenses, 4.2% social security contributions and 30% professional expenses. Industrial and commercial profits, some non-commercial profits (e.g. from share trading by individuals), royalties received by authors or composers or by their heirs or legatees, sums paid to inventors for the right to use their patents or acquisition of trademarks or manufacturing formulae, agricultural profits and earning from real estate are taxed at the rate of 30%. The amount of the tax cannot be less than 2.2% of turnover. A simplified taxation regime applies to sole proprietorships and corporate entities that realise an annual turnover of at least XAF 10 million but less than XAF 50 million,

- under which the tax payable cannot be less than 5.5% of turnover; i.e. 2.2% or 5.5% minimum tax based on turnover and depending on the tax regime of the taxpayer.
5. Other income – Income from stocks and shares is taxed at the rate of 16.5%.
 6. Exempt income – Tax exemptions depend on the categories of income; wages less than CFA 62 000, scholarships, interest on savings not exceeding CFA 10 million, bonds issued by companies. Within the frame of youth employment promotions, companies assessed on their actual earning, not subject to a punitive or incentive tax regime, which hire new graduates under 35 years of age for the first time, either on a permanent contract, a fixed-term contract or pre-employment internship, shall be exempted from tax and employer's contribution on salaries paid to them.
 7. Non-commercial activities: A rate of 11% applies to certain revenue from non-commercial activities, including remuneration paid to some officials of public companies and to athletes and artists.
 8. Capital gains realised in Cameroon or abroad and derived from the direct or indirect disposal of shares of Cameroonian companies are subject to tax at a final rate of 16.5%. Gains arising from company mergers are not subject to tax on income from securities if the company taking over has its registered office in Cameroon or in a country of the CEMAC area.
 9. Special tax regime: There is no special tax regime for expatriates.

Non-residents

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

Income Tax – Companies

Type of company	Rate
All companies	30%

Notes

1. Basis: The standard corporate tax rate is 30%, plus a 10% surcharge, resulting in an effective rate of 33%. For companies benefiting from a special tax regime, or under an incentive tax regime, the rate remains the same as at 1 January 2014, which is 35% plus a local surcharge of 10%.

2. Residence: An entity is taxable in Cameroon if it has a permanent establishment (PE) in Cameroon or if it receives Cameroon-source incomes.
3. Taxable income: Taxable income comprises revenue generated by enterprises carrying out a business in Cameroon and income over which taxing rights are attributed to Cameroon by an international double tax treaty. Taxable profits are determined after deduction of allowable expenses. Expenses of XAF 500 000 or more are not deductible if paid in cash.
4. Corporate income tax: For companies assessed based on actual earnings (turnover above XAF 50 million), corporate income tax (CIT) is payable in monthly instalments equivalent to 2% of turnover by the 15th day of each month following the month in which the turnover arises. A 10% local surcharge applies, resulting in an effective rate of 2.2% of turnover. The balance of tax payable is due after the end of the year. For companies operating in regulated profits margin sectors (those relating to the distribution of certain products including petroleum products, domestic gases, milling products, pharmaceutical products and press products), the CIT instalments due are payable at the rate of 15.4% (14% plus a 10% local surcharge) on the gross margin. From 2018, such companies may elect for the general CIT instalment regime of 2.2% of turnover where this is more beneficial. The election must be made each year no later than 31 January of the year for which it is to apply. For taxpayers assessed under the simplified system, the CIT instalment rate is 5.5% of the turnover (5% plus 10% of local surcharge). The instalment payments represent the minimum CIT charge for companies.
5. Deductions: Deductible expenses include: interest paid on shareholder loans at a maximum rate of two percentage points above the central bank discount rate; foreign social security contributions to a compulsory retirement plan paid on behalf of expatriate employees up to a maximum of 15% of the employee's base salary; payments made to research and development (R&D) organisations; payments made to collective philanthropic, educational, sports, scientific, social and family institutions and organisations, provided that they are situated in Cameroon, that there is proof of payment and payments do not exceed 0.5% of the turnover for the financial year; and head office costs and foreign technical assistance costs (subject to a 5% limitation on deductibility). The foreign technical assistance cost is deductible up to 5% of the intermediary tax profit (net profit before tax and added back expenses).

Therefore, we have two possibilities:

- If the foreign technical assistance cost is less than 5% of the intermediary tax profit, it will be totally deductible
 - If the foreign technical assistance cost is more than 5% of the intermediary tax profit, it will be deductible up to 5% of the intermediary tax profit.
6. Losses: Losses may be carried forward for up to four years but may not be carried back.
 7. Foreign tax credit: No unilateral relief is available for foreign tax credits. Relief may be available under the terms of a relevant tax treaty.
 8. Holding companies: There is no specific holding company regime in Cameroon. However, under the parent company exemption regime a parent company may under certain conditions deduct for CIT purpose the tax withheld at source on proceeds from the sale of shares at the time of payment by its subsidiary.
 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.

Capital Gains Tax (CGT)

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

- Gains derived from transfer of stocks and shares
- Gains derived from transfer of bonds
- Gain derived from the transfer of other types of share.

Tax on income from securities does not apply where the assessable gains do not exceed XAF 500 000 per year.

Withholding Tax (WHT)

Payment	Residents	Non-residents
Dividends	16.5%	16.5%
Interest	16.5%	16.5%
Royalties	-	15%

Notes

1. A WHT of 15% (plus 1.5% surcharge) applies to dividend and interest payments to both residents and non-residents and to income similar to dividends paid to director's fees of public limited companies. Interest paid to a resident financial institution is exempt from WHT. The WHT rate on payments to non-residents may be reduced under an applicable tax treaty.
2. Royalties paid to a non-resident are subject to a 15% WHT (10% if paid to persons carrying out temporary assignments in Cameroon) with no local surcharge applicable. The rate may be reduced under an applicable tax treaty. 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.
3. Subject to applicable convention WHT (at a rate ranging from 5% to 15%) must also be deducted from the following payments made to non-residents:
 - Management or professional fees, or training fees
 - Lease rentals
 - Payments made by local oil companies (including those in the development and research phase) to foreign suppliers
 - Any supply paid by the Cameroonian State or entities partially or totally owned by the state, to foreign entities within the framework of public procurements.

Tax Treaties

Cameroon has concluded tax treaties with the following countries:

	Dividends		Interest	Royalties
	Individuals/ Companies	Qualifying companies ¹		
Canada	15%	15%	15%	15%
CEMAC countries*	16.5% ²	16.5% ²	16.5% ³	0% ⁴
France	15%	15%	15%	15% ⁵
Tunisia	12%	12%	15%	15%
Morocco ⁶	10%	10%	10%	10%
United Arab Emirates ⁷	10%	10%	7%	10%
South Africa	15%	10% ¹	10%	10%

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

Notes

1. A company that owns at least 25% of the share capital of the payer company.
2. The treaty does not specify a maximum WHT rate so the domestic rate applies.
3. The payments are subject to WHT under Cameroon domestic law, if from a Cameroon source.
4. 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.
5. A 7.5% rate applies to technical assistance fees.
6. The treaty was signed in 2012 was ratified in 2014 but is not yet in force.
7. The treaty with South Africa was signed in 2017 and in force from 13 July 2017.
8. Cameroon signed the OECD's Multilateral Agreement on the Implementation of Tax Related Measures to Prevent Base Erosion and Profit Shifting (MLI) on 11 July 2017.



Anti-avoidance Rules

Transfer pricing

The regulations on transfer pricing have been strengthened annually to ensure that related party transactions are conducted on arm's length terms. As from January 2018, the Cameroonian tax administration has introduced a requirement for companies dealt with by the Large Taxpayer Unit to file transfer pricing documentation within the same deadline for filing the annual tax return, i.e. 15 March following the end of the tax year.

Thin capitalisation

Thin capitalisation rules apply in Cameroon. Interest payable on loans granted by shareholders or affiliated companies is deductible only under certain conditions. All interest generally is deductible only where loans do not exceed 1.5 of the company's equity and interest payable is less than 25% of gross operating income.

Indirect Taxes

Value Added Tax (VAT)

VAT	Rate
Standard rate	17.5%

Notes

1. Rate: The standard rate of VAT rate is 17.5% plus a 10% surcharge, resulting in an effective rate of 19.25%.
2. Exports: Exports are zero-rated and certain essential goods are exempt.
3. Registration: 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. Filing and payment: 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. Taxable transactions: For taxable transactions of XAF 100 000 or more, the right to deduct the associated input VAT will be authorised only where payment is made by check or bank transfer.
6. Reimbursement of VAT credit: As from 1 January 2018, taxpayers claiming VAT repayments are classified in one of three categories of risk: low, medium and high. The risk category determines the procedure for reimbursement of VAT credit.

Customs and Excise Duties

The CEMAC Customs Union 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 suspense customs regimes apply. Customs duties are levied on the customs value of most imported goods at rates ranging from 5% to 30%. Some products originating from the European Union may benefit from preferential rates. The Finance Act for 2018 has provided additional clarification of the customs regime applicable to software acquired on CD and other media or downloaded.

Excise duty applies to cigarettes, drinks (with minimum amounts per litre of beer and level of alcohol), cosmetics or luxury goods (jewels and precious stones) at rates varying from 2% to 25%. Private passenger vehicles manufactured more than 10 years ago as well as utility vehicles manufactured more than 15 years ago are subject to excise duty at the rate of 12.5%. Mobile phone calls and internet services are subject to excise duties at the rate of 2%. A specific excise duty on gambling and entertainment is introduced as from 2018. For games not subject to the gambling and entertainment levy, an excise duty of XAF 25 per unit of the game or per bet applies.

Employment-related Taxes

Taxable employment income generally includes salary, allowances, emoluments, wages, and benefits in kind and pension income. Any amount reimbursed by the employer is not subject to PIT if considered a professional expense. These are defined by regulations and include e.g. mobility premium, basket premium (based on collective characteristics) and representation costs. 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.

Social security

Employees, including civil servants and other government contract workers, trainees and apprentices, must make social security contributions at a rate of 4.2% of gross salary. The maximum monthly earnings for social security contribution and benefit purposes are capped at XAF 750 000, leading to an annual ceiling of XAF 9 million.

Housing fund tax

Employees are subject to the housing fund tax at the rate of 1% of their gross taxable salary.

Miscellaneous Taxes

Tax on petroleum products

There is a special tax on petroleum products which is payable by companies distributing taxable products. 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 rate is XAF 110 per litre on super gasoline and XAF 65 per litre on petroleum diesel.

Inheritances, donations and transfers

Registration duty is charged at 15% on the transfer of developed land in urban areas. The rate is 10% in areas where an official valuation is provided.

Fees on *inter vivos* donations are charged as follows: to direct ancestors or descendants or between spouses, 5%; between siblings, 10%; between relatives beyond the second degree, or between unrelated persons, 20%.

Wealth/net worth tax

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

Tax Administration

The Ministry in Charge of Finances and General Directorate of Taxation administers tax in Cameroon.

Companies

1. The tax year is the calendar year.
2. Any final balance of tax due is payable upon the submission of the annual tax return, which is due by 15 March of the following year.
3. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
4. Penalties – Late payment of tax is subject to a penalty of 10% per month, with a maximum of 30% of the principal amount due.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Deductions by the employer from employment income must be remitted to the tax authorities before the 15th of each month. Employers are not required to deduct personal income tax when an employee earns less than XAF 62 000 per month.

3. Filing and payment – The deadlines for payment of tax are the same as those for submission of the relevant associated return or declaration.

VAT

1. Filing and payment – VAT returns (and any tax payable) are due by the 15th day of each month. For taxable transactions of at least XAF 100 000, the right to deduct input VAT may be authorised only where payment has been made by check or bank transfer.
2. Penalties – Tax paid late is subject to interest penalties of 1.5% per month, up to a maximum of 50% of the principal amount due. Fines are levied for various omissions in discharging VAT obligations.

General Investment Information

Investment Incentives

Tax incentives

Various tax incentives are provided in the 2013 Investment Incentives Law to companies that meet the following requirements:

- Revenue from exports accounts for at least 10% to 25% of annual turnover
- Cameroon-source resources account for at least 10% of the value of inputs
- Value added accounts for at least 10% of turnover
- Compliance with the foreign exchange rules and the tax regulations
- The company creates, during the operational phase and based on the company's size and sector of activity, at

least one job for every XAF 5 million to XAF 25 million of planned investment.

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, capital increases, essential instruments relating to investment programme and concession contracts
- VAT on technical assistance relating to the project and on import of materials linked to the project
- Business license fees.

In addition, technical assistance fees are fully deductible in proportion to the amount of investment made.

During the exploitation phase, there is an exemption from or reduction in the followings taxes:

- Registration duties on instruments relating to changes in the capital and transfer of activity
- Corporate income tax, tax on benefits and minimum tax
- Tax on income from securities and dividends
- Special income tax on technical assistance.

Exchange Controls

CEMAC regulations provide that all transfers 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 exceeding XAF 5 million must be made via a bank authorised by the Central Bank to act as an intermediary. Documentation must be submitted to the authorities for currency transfers in settlement of imports exceeding XAF 100 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 XAF 100 million is subject to prior notification to the Ministry of Finance and a further 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, do not require a work permit. Income paid to such expatriates for services rendered shall be considered as technical assistance and subject to a WHT of 15%. An expatriate employed directly by a Cameroonian company requires a work permit, which must be endorsed by the Labour Minister before commencement of work. Income paid to such expatriates is liable to PIT, payroll taxes and social contributions.

Trade Relations

Memberships

- Central African Economic and Monetary Community (CEMAC)
- Banque des Etats l'Afrique Centrale (BEAC)
- L'Harmonisation en Afrique du Droit des Affaires (OHADA)
- International Monetary Fund (IMF)
- International Chamber of Commerce (ICC)
- World Trade Organisation (WTO)
- African, Caribbean and Pacific Group of States (ACP)
- African Development Bank Group (AFDB)
- International Trade Union
- Organisation for Economic Co-operation and Development (OECD).

Interest and Currency Exchange Rates

Benchmark interest rate

Bank rate 2.95% (2017) (Source: BEAC)

Currency

CFA Franc BEAC (XAF)

ZAR 1 = XAF 44.85 (March 2018) (Source: Oanda)




USD 1 = XAF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XAF 655.957 (Fixed Rate) (Source: Oanda)

Notes

1. The benchmark interest rate in Cameroon was last recorded at 2.95%. Cameroon is a member of CEMAC and interest rates decisions within CEMAC are taken by the Bank of Central African States' Monetary Policy Committee.

Key Economic Statistics

	GDP (approximate)	USD 24.20 billion (2017 estimate) (Source: Tradingeconomics)
		USD 24.22 billion (2018 forecast) (Source: Tradingeconomics)
	Market Capitalisation	Douala Stock Exchange has not operated since 8 February 2013
	Rate of Inflation	0.8% (2017 average) (Source: Tradingeconomics)
		1.6% (2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (XAF)	Rate
0 – 800 000	0%
800 001 – 2 500 000	10%
2 500 001 – 7 500 000	20%
Over 7 500 000	30%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on Chad-source income.
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. Taxable income – Taxable income includes income from employment (and fringe benefits), capital gains, income from the exercise of a business or profession, certain investment income, etc. Employment

income is taxable when the employee is tax resident in Chad even if the activities are performed outside Chad or the employer is not established in Chad; if the employee is not tax resident, the income is taxable if the activities are performed in Chad and the employer is established in Chad.

4. Exempt income – All personal income is subject to personal income tax.
5. Deductions and allowances – Various deductions are available, such as allowances for housing, food and transportation, etc.
6. Rates – Individual income tax is levied at progressive rates up to 30% on resident individuals. Non-residents are subject to withholding tax (WHT) on Chad-source income. i.e., if the individual is not considered a tax resident in Chad, he is not subject to personal income tax. WHT applies only to service providers. The rates are 12.5% or 25% depending on the economic sector to which the individual is providing services.

Income tax – Companies

	Rate
Standard corporate rate	35%
Public institutions and non-profit organisations	25%
Companies in the hydrocarbons sector (actual rate is specified in the relevant petroleum contract)	40%-75%

Notes

1. Basis – Chad operates a territorial system under which all income derived in Chad is subject to tax.
2. Residence – Chad does not have a definition of residence.
3. Taxable income – Taxable income is comprised of profits derived from the operation of a business in Chad, including capital gains (with certain exceptions). Dividends distributed by Chad companies are not subject to tax in Chad.
4. Deductions – All expenses generally are deductible except those that are not directly related to the company's activity (e.g. personal expenses) and specific categories of expenditure, such as intercompany interest exceeding a ceiling (see thin capitalisation).
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. Foreign tax credit – Chad does not offer a unilateral foreign tax credit.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 35%. Branches of foreign companies are subject to the same rate as domestic companies. Chad does not levy a branch profits tax.
9. Alternative minimum tax – An alternative minimum tax equal to 1.5% of gross turnover applies to most companies. The tax is paid monthly or quarterly depending on the size of the company.
10. Apprenticeship tax – Companies are subject to an apprenticeship tax.

Withholding Taxes (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents):

Payment	Residents	Non-residents
Dividends	20%	20%
Interest	20%	25%
Royalties		25%
Rents	15%-25%	20%-30%
Services provided by non-residents	-	12.5%/25%
Other	-	20%

Notes

1. Rents – Rent charged by a taxpayer that is taxable on an actual basis is subject to a WHT of 15% to 25% or 20% to 30%, depending on the rent.
2. Technical service fees – Certain technical service fees are subject to a lower WHT rate of 12.5%.

Tax treaties

Chad has signed one tax treaty with the Central African Economic and Monetary Community (CEMAC).

Anti-avoidance Rules

Transfer pricing

There is a provision to prevent the illicit transfer of profits abroad for the benefit of parent companies, or companies or groups that are not tax resident in Chad. In making transfer pricing adjustments, taxable profits are determined based on a comparison with the profits of domestic companies carrying out similar activities.

Transfer pricing documentation that justifies the pricing policy within a group is required.

Thin capitalisation rules

Interest on cash advances made by shareholders is deductible provided the total amount of the advances do not exceed 50% of the share capital.

Controlled Foreign Companies rules

There are no CFC rules but foreign companies are not allowed to set-up a branch in Chad for more than 4 years, after which they have the obligation to set-up a local company or subsidiary.

Employment-related taxes

Payroll tax

Payroll tax in Chad is similar to income tax but is paid to the government by the employer under a Pay-As-You-Earn (PAYE) system. Social security contributions, public health insurance and other deductions are included in the payment.

Employers are required to pay a lump sum tax on employment income equal to 7.5% of gross income paid to an employee, including benefits in kind.

Social security

The employer must make social security contributions on behalf of the employee in an amount equal to 3.5% of the gross salary.

Indirect Taxes

Value Added Tax (VAT)

	Rate
Standard rate	18%

Notes

1. Taxable transactions – VAT is levied on the supply of goods or services in Chad and on the import of goods or services.

2. Rates – The standard VAT rate is 18%. Exports and international transportation are zero-rated.
3. Registration – VAT registration is required at the time a company is established in Chad.

Customs and Excise Duties

Chad is a member of the Central African Economic and Monetary Community (CEMAC) Customs Union (which includes Cameroon, Central African Republic, Congo (Rep.), Gabon and Equatorial Guinea), which provides for the free movement of goods within the union. Like other member states, Chad applies the CEMAC Customs Code on the import, export and re-export of goods. The import of goods and merchandise from third states is subject to customs duties, unless an exemption or a bonded customs regime applies. 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.

Excise duties are levied on certain goods; notably cigarettes, drinks (i.e. water, beer and wines), cosmetics and luxury products. The applicable rate depends on the type of goods, and ranges from 5% to 30%. The taxable basis is as follows: for goods manufactured in the CEMAC zone, the taxable basis is the price of the goods delivered at the factory; and for other goods, it is the same valuation as is used for customs duty purposes.

Other Taxes

Inheritance/Estate tax

Inheritance tax is levied in the form of a registration duty on the transfer of property for no consideration to resident individuals, and on the transfer of Chadian-situs property to non-residents.



Stamp duty

Stamp duty is levied on all paper used for official documents and judicial instruments, as well as documents to be used as evidence in judicial proceedings. Receipts are exempt from stamp duty. The rates range from XAF 200 to XAF 50 000, depending on the type of document. Certificates of origin for Chad products intended for export are exempt from stamp duty.

Capital duty

Capital duties or registration duties are levied at various rates on documents issued in connection with capital contributions to a company (incorporation, share capital increase). Registration duties may consist of fixed duties or *ad valorem* duties, depending on the document.

Property tax

An annual real estate tax is levied at a rate of 2.5% and is paid by the property owner, regardless of whether the owner resides in Chad. The transfer of real property located in Chad is subject to a flat tax of 10% in the capital (N'Djamena) and 8% in the other main cities. The same rate applies to any form of transfer of real estate (10% or 8%) or a purchase, exchange or in-kind contribution to a company.

Business license duty

Individuals carrying on a business are subject to the business license duty in the same manner as companies. The duty is computed based on the company's turnover and on the value of the professional premises (rent or fair value of the real estate property if the individual of company is the owner).

Apprenticeship tax

An individual who is subject to tax under the categories of industrial and commercial, non-commercial or agricultural activities is subject to apprenticeship tax in the same manner as a company.

All companies are subject to the apprenticeship tax, which represents 1.2% of gross salaries.

Tax Administration and Compliance

Tax is administered in Chad by the General Tax Authorities (GTA).

Companies

1. Tax year – The tax year is the calendar year. A company cannot use a different 12-month period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – The tax return must be filed before 30 April of the following year, although a 15-day extension may be granted by the GTA. Companies must make advance payments of tax before 15 August and 15 November of each year. Advance tax paid may be credited against the final corporate tax liability for the year. Real estate taxes are paid based on estimates made by the administration.
4. Penalties – Late payment penalties are imposed at the following rates: 1.5% per month, or a fraction thereof, up to a maximum of 50% or 100% (if the late filing is deemed to be deliberate). If no return is filed despite several reminders from the GTA, the authorities may assess the company's taxable income based on the elements that are made available. The penalty for late payment of VAT is 5% per month.
5. Rulings – It is not possible to obtain an advance ruling in Chad.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Joint returns are permitted for spouses.
3. Filing and payment – Individuals carrying out a trade must file a return by 1 April, except for individuals carrying professional activities (i.e. industrial, commercial, agricultural activities), who have until 30 April.

4. Penalties – Late payment penalties are assessed at 1.5% per month, or fraction thereof, if the reassessment follows a tax investigation.

Value added tax

1. Filing and payment – The VAT return and payment are due monthly by the 10th day of the following month for companies with annual turnover exceeding XAF 500 million, and by the 15th day of the following month for other taxpayers.
2. Penalties – Penalties are the same as for corporate entities.

General Investment Information

Investment Incentives

General incentives

Chad has enacted several laws to encourage foreign investment in the industrial, services, finance and tourism sectors. Incentives, which include exemptions, reduced rates, financial support, investment bonuses and full tax allowances, are found in the Investment Incentives Code.

Exchange Controls

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

Expatriates and Work Permits

There is no special regime for expatriates in Chad.

Persons who leave Chad before 31 December of a year, and who retain interests in the country, remain liable to tax if they have

not given prior notice that they intend to leave permanently. An assignee leaving Chad must file a tax return reporting all income earned during the period between 1 January (or the date of arrival in Chad) and the date of departure.

Employment Visas

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

- Employment authorisation that cannot exceed one year
- Work permit
- Residence card
- Long-term visa and return visa and
- A labour contract stamped by the National Office for the Employment Promotion; the employment contract cannot start before the permit is granted.

Trade Relations

Memberships

- World Trade Organisation (WTO)
- Organisation for Economic Cooperation and Development (OECD)

Interest and Currency Exchange Rates

Monetary policy rate

Repo rate: 4.20%

Interest rate on tenders: 2.95%

Interest rate on investments: 0.0%

Minimum credit rate: 2.45%

(Dec 2017) (Source: *Banque de Etats de l'Afrique Centrale*)

Currency

Chad's currency is the Central African Franc (CFA Franc)(XAF). It is the currency for six independent states in Central Africa: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon.

ZAR 1 = XAF 44.85 (March 2018) (Source: Oanda)

USD 1 = XAF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XAF 655.957 (Fixed Rate) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 9.74 billion
(2017 estimate) (Source: Knoema)

USD 14.8 billion
(2018 forecast) (Source: KnoemaF)



Market Capitalisation

Not available. There is no stock market in Chad



Rate of Inflation

0.2%
(2017 average) (Source: IMF)

-2.9%
(2018 forecast) (Source: Knoema)



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Income tax – Individuals

Taxable income (XAF)	Rate
0 – 464 000	1%
464 001 – 1 million	10%
1 000 001 – 3 million	25%
Over 3 million	40%

Notes

1. Basis – Resident individuals are subject to tax on their worldwide income. Non-resident individuals are subject to tax only on Republic of Congo (Congo)-source income.
2. Residence – Individuals employed in Congo who are present in the country for more than 14 days in a calendar year are treated as resident from the first day of their employment, unless otherwise provided under an applicable tax treaty. The residence rule for individuals present in Congo other than for employment is the same, unless the provisions

of the tax treaty provide otherwise (typically that residence only begins after an individual has been present in Congo for more than 183 days).

3. Taxable income – Taxable income includes employment income, professional income from industrial and commercial activities, real estate income and capital gains. Income from salaries, wages, pensions, annuities and *per diems* for attending meetings of boards of directors is taxable. Benefits-in-kind also are taxable. Low-income individuals earning professional income, agricultural profits or working as artisans may agree with the tax administration on how to determine their net income. In other cases, the net income from industrial and commercial activities is calculated as it is for companies. 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. Capital gains of resident individuals are subject to personal income tax. Taxable gains are added to other income and taxed accordingly, except for gains from private buildings and lands managed by family members.
4. Deductions and allowances – Expenses incurred in the performance of an employment or office are deductible to the extent they are properly applied and accounted for, not excessive and not of a private nature.

Allowances for professional expenses (i.e. transport, allowances for representation i.e. entertainment expenses etc.) are not considered part of wages and are not taxable if they do not exceed 15% of the taxable income and cannot be reimbursed. The family circumstances of the taxpayer are taken into account using an income tax relief system based on the number of dependants.

5. Rates – The personal income tax rates for resident individuals, set out in the table above, apply to the aggregate income from all sources. Foreign nationals that are not domiciled in and do not have a tax residence in Congo are subject to a withholding tax at 20% on income earned in Congo (including capital gains) and/or resulting from work or services of any nature carried out, provided or used in Congo.

Wages paid to staff not domiciled in Congo are not subject to the progressive personal income tax scale and reliefs based on family circumstances, but instead are subject to a 20% withholding tax. The tax applies only after the individual has been present in Congo for 14 days but with retroactive effect (i.e. after 15 days, tax applies from the first day of presence in Congo).

Income tax – Companies

	Rate
Standard corporate rate	30%
Mining companies	30%
Companies with a temporary authorisation to operate (ATE) in Congo	7.7%

Notes

1. Basis – Resident entities are assessed on their worldwide income and non-residents are assessed only on profits earned or transactions carried out in Congo, subject to the application of a relevant tax treaty.
2. Residence – A commercial entity is resident in Congo if its registered office or centre of activity or management is in Congo or if 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 by the Ministry of Commerce for a foreign entity contracting with either a Congolese company or the government to carry out temporary commercial activities in Congo.

3. 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 after the deduction of all operating fees. Special rules apply to certain types of income, including the following:

- 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 corporate tax liability. Where a resident holding company owns at least 25% of the shares in an affiliated company that pays a dividend 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.
 - Capital gains – Capital gains are treated as ordinary business income and are taxed at the standard income tax rate. However, the taxation of capital gains realised on the disposal of a fixed asset in the course of trading is deferred for three years if the taxpayer reinvests the gain in new fixed assets for the business. Capital gains resulting from the gratuitous allocation of shares, founders' shares or debentures on the merger of limited liability companies or limited partnerships with share capital also are excluded, provided the company resulting from the merger has its registered office in Congo. Capital gains arising on the assignment or transfer of a company's shares, including on the dissolution of a company, within five years of the date on which the company was formed or the shares acquired, will be assessed at only half of their value (one-third of their value if such an event takes place more than five years after the company is formed or the shares are acquired). Similar rules apply where a non-resident owner directly or indirectly sells assets and/or shares of a Congolese company, leading to a change of control of the Congolese company. Special rules apply for the taxation of capital gains derived by a Congolese holding company.
 - Foreign exchange gains/losses – Foreign exchange gains (losses) are taxable (deductible) only when realised. The same treatment applies to exchange differences from trading or on foreign currency-denominated assets and liabilities.
4. 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 relevant authorities'

perception of the taxpayer's motive. Special rules apply to certain types of deductions, including the following:

- Remuneration – Payroll costs and benefits-in-kind are deductible in full, provided they are reasonable and related to actual employment. Payments made to board members are deductible if such payments are reasonable, related to actual service and 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 also is reimbursed.
- Management and other fees – Head office expenses of a 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 an actual service is supplied and the costs are within a limit of 20% of the taxable income before deduction of these costs (an exception to the limit may apply if the beneficiary is resident in a Central African Economic and Monetary Community (CEMAC) member state or a tax treaty country). If a company has a tax loss, the limit is 20% of the taxable income derived during the previous year, subject to a tax audit. Purchasing commissions are deductible up to a limit of 5% of the amount purchased if they are invoiced separately.
- Interest – See under "Thin capitalisation rules."
- Rents – Real estate rental payments are deductible in full, provided they are reasonable. However, any rent paid to a member of a company that owns at least 10% of the company's shares will be disallowed. Shares owned by the member's spouse, children and parents also are taken into account in calculating the 10% limit.
- 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. The annual allowance rates range from 5% to 33.33%, depending on the asset type.
- Bad and doubtful debts – Bad debts are deductible, but only specific provisions for doubtful debts are deductible. A debt that subsequently is recovered is taxed in the year in which the recovery was made.
- Provisions – Provisions made for clearly specified losses or costs that are likely to occur are deductible, provided certain conditions are satisfied.
- Other expenses – All entertainment expenses related to fishing, yachting, tourist airplanes or recreational real estate are not deductible. Home leave costs for a salaried partner, his/her spouse

and his/her minor children are deductible for one trip per year and 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 sporting, scientific, educational, family and social activities in Congo, limited to 0.05% of turnover.

5. Losses – Losses may be carried forward for up to three years but may not be carried back.
 6. Foreign tax credit – Relief for foreign taxes is available only if a credit is provided under an applicable tax treaty.
 7. Group relief – 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. Rate – Corporate tax is levied at a standard rate of 30% for resident companies, including mining companies. The effective rate for non-resident companies operating under an ATE is 7.7% of turnover. In other cases, unless otherwise provided by an applicable tax treaty, companies that are not domiciled or tax resident in Congo are subject to a 20% withholding tax on all income derived from Congo. Dividends payable to foreign shareholders also are subject to withholding tax at 15%. Capital gains realised by non-resident companies from the sale of all or part of the shares in the capital of Congolese companies are taxable at 20%. The tax is payable on registration of the transfer of shares and the assignor and the Congolese company whose shares were sold are jointly and severally responsible for the payment of the tax.
 9. Branch taxation – In principle, branches of foreign companies are taxed in the same way as resident companies. However the branch of non-resident company is subject to a remittance tax, regardless of whether there is an actual transfer of profits; 70% of the branch profits is treated as though it had been remitted as a dividend and is taxed at a rate of 15% (i.e. a 1.502%% rate effectively applies to the branch's turnover which is calculated as follows:
 - Corporate income tax calculation step by step
 1. Deemed profit: $\text{Turnover} \times 22\%$
 2. Corporate income tax rate: 35%
 3. Corporate income tax (CIT) = $\text{Deemed profit} \times 35\%$
 4. $\text{CIT} = \text{Turnover} \times 22\% \times 35\%$
 $= \text{Turnover} \times 7.7\%$
- CIT Effective rate: 7.7%

- Dimed distribution calculation (IRVM) calculation step by step
 1. Deemed distribution: $70\% * [(Turnover * 22\%) - (CIT)]$
 2. IRVM calculation basis= $70\% * [(Turnover * 22\% - (Turnover * 22\% * 35\%)]$
 3. IRVM calculation basis: $Turnover * 70\% * (22\% - 7,7\%)$
 4. IRVM calculation basis: $Turnover * 70\% * 14,3\%$
 5. IRVM rate: 15%
 6. Effective rate: $14,3\% * 70\% * 15\%$
Effective rate: 1,502%)

In practice, the tax administration taxes branches or subsidiaries in the oil and gas sector as if they were entities operating under ATEs, and withholding tax applies as a final tax in Congo. Foreign companies temporarily providing services to locally incorporated oil companies in Congo, or in Congolese territorial waters, are subject to a tax regime under which 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 taxable income, provided such sums are reasonable and correctly classified. The foreign company is subject to corporate tax at a rate of 35% on 22% of its taxable deemed profit margin. The effective rate of tax on taxable income is therefore 7.7%, applied through a withholding tax.

10. Alternative minimum tax – The minimum company tax amounts to 1% of the turnover of the previous year, with a minimum of XAF 500 000 where the turnover was less than XAF 10 million and a minimum of XAF 1 million otherwise.

Withholding Tax (WHT)

The WHT rates on various types of payment are set out below. The tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty.

Payment	Residents	Non-residents
Dividends	15%	15%
Interest	-	0%/20%
Royalties	-	20%
Technical service fees	-	5.75%/20%

Notes

1. Dividends – Dividends paid by a resident entity are subject to 15% withholding tax, deductible from the income tax payable by a resident recipient.
2. Interest – Interest on loans paid by a debtor company located in Congo to banks and credit institutions that have no domicile or tax residence in Congo is exempt.
3. Royalties – Amounts remitted to inventors or under a copyright, as well as all amounts derived from industrial or commercial property rights or assimilated products, are subject to WHT at 20%.
4. Technical service fees – Individuals or companies that are not domiciled or tax resident in Congo are subject to WHT at 20% on income arising from services supplied, carried out or used in Congo. The rate of the WHT is reduced to 5.75% for Congolese or foreign individuals or legal entities with income derived from contracts related to the “Zone of Unitisation.”

Tax Treaties

Republic of Congo has concluded tax treaties with the following countries/organisations:

Treaty	Dividends	Interest	Royalties	Technical service fees
CEMAC*	20%	0%	0%	0%
France	15%**	0%	15%	D
Italy	8%/15%	0%	10%	D
Mauritius	0%/5%	0%**/5%	0%	D

* CEMAC consists of Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon and Republic of Congo.

** The domestic rate is shown where this is lower than the treaty rate.

Anti-Avoidance Rules

Transfer pricing

The tax authorities may adjust taxable income where related party transactions are not 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. If the company does not respond or does not produce complete documentation, the taxable base will be evaluated by the tax administration based on the available information. If this is not possible, the profits to be taxed will be determined by comparison with those of similar companies typically operating in Congo.

Resident legal entities whose annual turnover is EUR 762 245.09 or more must document their transfer pricing policy. They also must submit simplified documentation on the transfer prices to the tax administration annually, within six months following the deadline for filing the financial statements for the financial year. Failure to produce the simplified documentation may result in fines.

In addition, one-third of the sums invoiced by the foreign company that are presumed not to reflect the arm's length conditions are reinstated into the taxable profit of the Congolese company for the relevant financial year

Thin capitalisation rules

Interest on capital borrowed for business purposes is deductible provided all the necessary documentation is available and it represents a genuine expense. Interest paid on shareholder loans is deductible, subject to a limitation on the interest rate applied, which may not exceed two percentage points above the lending rate of the Central Bank at the time the interest payments were due. In addition, a deduction will be allowed only if the amount of shareholder loans does not exceed one-half of the company's capital.

Employment-related Taxes

Payroll tax

The single tax on salaries is levied on employers at a rate of 7.5%, calculated on the employees' uncapped salaries and benefits.

Congo applies a Pay-As-You-Earn (PAYE) system, under which PIT due on employment income is withheld at source each month by the employer and remitted to the government. Payment must be made by the employer no later than the 20th day of the following month, together with the submission of the statutory return. In February each year, the employer must file an annual declaration of salaries reconciling the salaries, taxes and contributions paid monthly with the annual amounts.

Social security

Employers generally are not required to make social security contributions for employees temporarily seconded to Congo that stay in the country for less than three months. Otherwise, the employer must pay social security contributions on employees' total remuneration 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 of 8% of maximum gross salary, with a monthly limit of XAF 1.2 million; a family allowance contribution of 10.04% of maximum gross salary, with a monthly limit of XAF 600 000; and an industrial accident contribution of 2.25% of maximum gross salary, with a monthly limit of XAF 600 000.

Employee social security contributions are payable at 0.04% of maximum gross salary, with a monthly cap of XAF 1.2 million and are withheld by the employer.

Indirect Taxes

Value added tax (VAT)

VAT	Rate
Standard rate	18%

Notes

1. Taxable transactions – VAT is levied on the supply (or deemed supply) of

goods or services in Congo, and on imports.

2. Rates – A reduced rate of 5% applies to some consumer goods listed in the VAT legislation, and a zero rate applies to exports and local sales of timber. Other transactions generally are assessed at the standard VAT rate of 18%, plus an additional surcharge of 5% of the VAT, resulting in an effective rate of 18.9%. Certain goods are exempt from VAT (e.g. some necessities, bank interest paid on foreign loans, mining, etc.).
3. Registration – Non-resident entities whose supplies are subject to VAT in Congo are required to appoint a solvent resident representative to be jointly responsible for the payment of VAT, the discharge of other VAT obligations. The appointment must be made in writing by an authorised person and include the following information:
 - Name and address of the foreign company and the tax representative
 - Representative's acceptance of the designation
 - Undertaking by the representative to carry out the tax formalities and payment obligations on behalf of the foreign company and
 - Effective date of the appointment (this must be prior to the cessation of operations in Congo).

The document must be forwarded by the tax representative to the tax department responsible for the non-resident entities whom he is representing.

Customs and Excise Duties

Customs duties are set by CEMAC regulations. Trade between CEMAC countries is, 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% also is collected on imports from outside the OHADA zone.

African integration tax

A new community tax known as the “African integration tax” is applicable to eligible goods imported into the Congo from non-member States of the African Union at a rate of 0.2%.

Exports are exempt from exit duties and taxes, except for timber and manganese. The import of large industrial equipment is subject to a special procedure permitting the declaration under

a single tariff for all component elements.

Other Taxes

Inheritance/estate tax

An inheritance statement must be filed within six months when a death occurs in Congo and within 12 months in case of death abroad. Inheritance taxes are paid by the heirs or the notary. A surviving spouse or direct descendants/ascendants are exempt from tax on any inheritance. For other relatives, tax is payable at the following rates:

- 5% on the first XAF 5 million of net inheritance and
- 18% on the excess over XAF 5 million.

Penalties of between 50% to 200% of the tax unpaid, are imposed for underpayment of tax or failure to pay the tax due.

Stamp duty and registration fees

Stamp duty applies to legal documents, at rates ranging from XAF 1 000 to XAF 1 300 per page or half page.

Registration fees are payable at various rates on a variety of instruments or transactions, such as the creation or increase of capital (3% of the capital); stock transfers of non-quoted companies (5%); business disposals (10%); and property transfers (15%). Debt transfers are free of registration fees.

Business license tax

All entities that are not expressly exempt and that are carrying out trade or industrial activities in Congo, temporarily or permanently, are subject to a business license tax (or professional tax) levied according to the turnover of the entity. A flat rate of XAF 10 000 applies for entities with turnover up to XAF 1 million; other rates vary from 0.75% for turnover between XAF 1 million and XAF 20 million, to 0.045% for turnover over XAF 20 billion. Companies are exempt from business tax in their first year of activity.

In addition, business tax also is payable by dormant entities which have incurred no operating expenses in the Congo. In this case, the tax is calculated as 25% of the amount of the last business tax payment made.

Property tax

Property tax applies to stores, shops, factories, warehouses, building sites and other buildings used for commercial purposes subject to the business license tax, including all installations liable to the land tax on built properties, regardless of whether the buildings or installations are rented. The tax is calculated on the rental value of the building and is payable at the beginning of each calendar year. The rate is fixed each year and cannot exceed 15% of the rental value of the taxable buildings. The rate for 2018 is 14%.

Land tax on built property

Land tax applies on built properties and buildings (part of the built property, as well as on other various kinds of permanent installations. Newly constructed, reconstructed and extended buildings may be tax-exempt for 10 years if the building is used for residential purposes, or five years otherwise. For commercial buildings, the tax basis is the lease value of the property, with a 25% rebate for refurbishments and repairs. For residential buildings, the basis is the land registration value of the property, with a 25% tax rebate for refurbishments and repairs. The tax rate is set on an annual basis.

Tax on funds transfers

Tax is charged at 1.5% of the gross value of funds transferred abroad, and on the sale of currency inside Congo.

Tax Administration and Compliance

Tax is administered in Congo by the Directorate General of Taxes and Domains of the Ministry of Finance of the Budget and

Public Portfolio.

Companies

1. Tax year – The corporate tax year is the calendar year and a company's financial year must correspond to the tax year. The business license tax year also is the calendar year.
2. Consolidated returns – A company is treated as an independent entity for tax purposes. However, a parent company and its 95% subsidiaries subject to corporate income tax may elect to be treated as a group of companies for a period of five years, during which time the parent company is solely responsible for payment of the corporate income tax payable by all the companies within the group.
3. Filing and payment – Minimum company tax is payable annually before 15 March and is deductible from the final tax. Tax is otherwise payable in four instalments (before 20 February, 20 May, 20 August and 20 November). An annual corporate income tax return must be filed with the balance of corporate income tax payment no later than 20 May of the following year.
4. Penalties – For corporate income tax purposes, 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 relevant authority's perception of the taxpayer's motive. A penalty of 100% of the tax due may be imposed for late payment of corporate income tax. Foreign companies with an ATE must pay business license tax on their deemed revenue within 15 days of the commencement of activities in Congo; otherwise, a penalty of 100% applies.
5. Rulings – Three categories of tax ruling are available:
 - Tax rulings related to the former oil concession contracts that allowed oil operators to benefit from specific schemes. They have not been implemented since production sharing contracts replaced concession contracts;
 - Rulings arising from the CEMAC charter of investments,

enabling companies to benefit from tax and customs advantages in the framework of agreements with the Congolese state known as the “*Convention d'établissement*”;

- Specific rulings on transfer pricing policy are available in accordance with the Congolese tax code, which provides for advance pricing agreements (APAs) between taxpayers and the tax authorities.

All of these agreements may be bilateral or unilateral. The bilateral agreements are concluded between the competent authorities of the relevant states that are party to a tax treaty. A unilateral agreement takes the form of an agreement between the Congolese tax administration and the relevant company. APAs are concluded for a maximum period of three years and may be renewed under conditions determined by the tax authorities. A fee is payable, set by the tax authorities.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – The head of a family normally is subject to personal income tax on his/her income and the income of any dependent children or a spouse. However, an individual may elect to be assessed separately. A married woman can be assessed separately if she has employment income, if her husband is not subject to tax in Congo or if she is separated from her husband.
3. Filing and payment – Congo applies a PAYE system, under which personal income tax is withheld each month by the employer. A personal tax return must be submitted by 20 June following the end of the tax year.
4. Penalties – Penalties of up to 100% of the tax due may be imposed in cases of wilful default.

VAT

1. Filing and payment – Registered VAT taxpayers are required to file monthly VAT returns and pay any tax due within 20 days

following the end of the month.

2. Penalties – Late payment of VAT attracts interest at the rate of 5% per business day, up to a maximum of 50% of the VAT liability (if the taxpayer acted in good faith), or up to 100% in the case of wilful default.

General Investment Information

Investment Incentives

General incentives

The Investment Charter offers a range of advantages to foreign investors, such as free enterprise, no discrimination or restrictions on types of investment and equal justice under Congolese law.

Tax incentives

The Investment Charter provides some tax reductions for companies exercising a new activity. Additionally, the Congolese tax code provides tax reductions for farm businesses and specific codes (i.e. the Mining Code, Hydrocarbons Code and Forestry Code) also provide various tax incentives and exemptions for the relevant sectors.

Exchange Controls

As a member of CEMAC, Congo has the same currency as other community members, the Central African Franc (XAF). CEMAC members are required by international agreement to apply exchange control regulations modelled on those of France. The XAF agreement guarantees the availability of foreign exchange and the unlimited convertibility of XAF with the euro at a fixed rate. Transfers within the CEMAC zone are unrestricted.

Inward direct investment resulting in the purchase or acquisition of at least 10% of the shares in a resident entity or the purchase of shares costing at least XAF 100 million, requires prior declaration. Prior authorisation also is required for loans obtained by companies in Congo from foreign shareholders, or from foreign enterprises within the same group.

Transfers outside the CEMAC zone require prior authorisation, except those below XAF 1 million, although this is primarily for statistical purposes. Transfers in excess of XAF 5 million must be carried out via a bank authorised by the Central Bank to act as an intermediary.

Expatriate employees may repatriate their earnings on a regular basis. Unlimited transfers may be made to cover family and dependents' expenses outside the CEMAC zone.

Transfers in settlement of imports in excess of XAF 100 million require the submission of certain documents to the department responsible for exchange controls, including an import license and the final invoices.

Expatriates and Work Permits

Visas

Foreign nationals must obtain a visa from the Congolese embassy in their home country before entering Congo. This requires a letter of invitation (LOI) from the immigration administration in Congo. A request for an LOI must include:

- A copy of the individual's passport
- Confirmation of the date of departure from Congo
- Details of the individual's occupation and the purpose of their visit
- A certificate of accommodation obtained from a town hall (at a cost of XAF 12 000) and

- A cash sum of XAF 20 000.

An LOI can be obtained in approximately three business days. In practice, once an individual is in Congo, applications for visas for three months, one year or three years may be made to the immigration office in Congo.

Work permit

A distinction is made for work permit purposes between expatriate employees employed in Congo for up to six months under a contract of employment concluded outside Congo and those employed for longer than six months. The Temporary Employment Authorisation (AET) for foreign workers is valid for a maximum duration of six months but ONEMO (National office for Labour and Employment) has stated that, in practice, the AET can be renewed once for the same period.

For contracts of employment in Congo of longer than six months, applications must be made for:

1. Authorisation of employment for foreign workers:

- The employer must request from the Minister for Labour an authorisation of employment on behalf of the employee. This authorisation is valid for two years as from the date of commencement of the employment and is renewable. The issue or renewal of the authorisation of employment costs XAF 100 000, which is payable to ONEMO.
- A work card, valid for one year but renewable, is given to the expatriate employee. The fee to obtain or renew a work card is XAF 10 000, payable to ONEMO.

2. Provisional Authorisation of Employment:

In urgent situations (e.g. where the authorisation of employment cannot be obtained in time), a provisional authorisation of employment (APE) for a foreign worker can be granted by the General Manager of ONEMO, following the submission of an application for an employment authorisation for a foreign worker at the competent agency. The APE is valid

for three months and cannot be renewed. It results in practice in an additional cost of XAF 110 000. Within the framework of the APE, a provisional work card is given to the employee that is valid for three months and can be renewed once for no charge.

An employer who recruits a foreign employee without having obtained the appropriate authorisation is liable to a fine of between XAF 100 000 and XAF 1 million.

Trade Relations

Memberships

- The Central African Economic and Monetary Community (CEMAC)
- *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA)
- Bank of Central African States (BEAC)
- Bank of West African States (BCDEAO)

Interest and Currency Exchange Rates

Monetary policy rates

Repo interest rate: 4.2% (2018)

Interest rate on tenders: 2.45% (2018)

Interest rate on investments: 0% (2018)

Minimum credit rating: 2.45%. (2018)

(Source: *Banquet de Teats de l'Afrique Centrale*)

Currency (XAF)

ZAR 1 = XAF 44.85 (March 2018) (Source: Oanda)

USD 1 = XAF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XAF 655.957 (Fixed Rate) (Source: Oanda)

Key Economic Statistics



Nominal GDP
(approximate)

USD 7.83 billion
(2017 estimate) (Source: Tradingeconomics)

USD 6.48 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

Not applicable. Congo does not have a stock exchange.



Rate of Inflation

3.6%
(2017 average) (Source: Tradingeconomics)

2.96%
(2018 forecast) (Source: Tradingeconomics)



Democratic Republic of Congo (DRC)



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Income Tax – Individuals

Taxable income (CDF)	Rate
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%
4 260 001 – 7 260 000	25%
7 260 001 – 10 260 000	30%
10 260 001 – 13 908 000	32.5%
13 908 001 – 16 824 000	35%
16 824 000 – 22 956 000	37.5%
Over 22 956 000	40%

Notes

1. Basis – In the DRC, there is no personal taxation per se – taxes due

by individuals on employment income are withheld by the employer and remitted to the tax authorities, while taxes due on other types of income (e.g. investment income) generally are subject to withholding tax. Individuals engaged in a business are taxed under the rules governing companies, i.e. all income accruing in or derived from business activity in the DRC is subject to corporate income tax. As a result of the source-based tax system applied in the country, both residents and non-residents are taxable on employment income realised in the DRC. Non-residents are subject to tax only on DRC-source income.

2. Residence – An individual is a resident of the DRC for tax purposes if he/she spends more than six months in the country during the tax year. However, the concept of residence is not defined in legislation.
3. Taxable income – Employment income includes salaries and other remuneration received as compensation for activities carried out in the DRC. For non-residents, any fringe benefits or benefits in kind consisting of staff meals; or telephone, water, electricity or power-supply services constitute taxable income. In addition, any other benefits exceeding the legal limits, or deemed to be excessive as compared to normal standards, are added to taxable income for non-residents. Capital gains are subject to corporate income tax if they arise from a permanent and professional activity. Rental income is subject to rental income tax, described below.

4. Deductions and allowances – All fringe benefits are taxable, except for housing allowances that do not exceed 30% of basic salary and non-taxable transport and family allowances up to specified limit.
5. Rates – Individual income tax is levied on both residents and non-residents at progressive rates ranging from 0% to 40% on DRC-source income. The overall tax payable is limited to 30% of taxable income.

Income Tax – Companies

	Rate
General tax rate for DRC-incorporated companies, subsidiaries or branches of foreign companies	35%
Mining companies	30%

Notes

1. Basis – The DRC operates a source-based tax system, under which resident and non-resident corporate entities are subject to tax on income derived from activities carried out in the DRC.
2. 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 an entity 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 in the country for more than six months.
3. Taxable income – Corporate income tax is levied on a company's gross income less deductions. Subject to the provisions of a relevant tax treaty, income generated by professional activities carried out in the DRC is subject to tax, even if the beneficiary's registered office, main place of effective management or permanent residence is not located in the DRC. Dividends received are treated as taxable income, unless subject to the 20% withholding tax at source. Capital gains are treated as taxable income and are subject to the standard corporate income tax rate. Rental income is subject to rental income tax, described below.
4. Deductions – Expenses incurred by a company to generate taxable income generally are deductible.

5. Losses – Business losses may be carried forward for an unlimited period, but can be offset only up to a maximum of 60% of the profit before tax in any year. The carryback of losses is not permitted.
6. Foreign tax credit – The DRC does not provide for a unilateral foreign tax credit and foreign taxes paid may not be deducted in the computation of taxable income. Relief may be available under a relevant tax treaty.
7. Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group.
8. Rate – The general 35% rate applies to a DRC-incorporated company, as well as to a subsidiary or branch of a foreign company established in the DRC. Mining companies are subject to a 30% tax rate.
9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary. There is no branch remittance tax.

Rental Income Tax

Rental income tax applies to income from the rental of buildings and land 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%. The 20% tax due from the tenant must be paid within 10 days following the payment of the rent. The balance of 2% of the rental income received during the year is due and payable by the landlord no later than 1 February of the year following the year in which the income was realised.

Withholding Tax (WHT)

The WHT rates are set out below. For non-residents, the WHT is a final tax and the rate may be reduced under an applicable tax treaty.

Payment	Residents	Non-residents
Dividends	20%	20%
Interest	20%	20%
Royalties	20%	20%
Provision of services fees/remuneration		14%

Notes

1. Dividends – Dividends or other distributions paid to a resident or non-resident generally are subject to a 20% WHT. The rate is 10% for mining companies (see below under “Mining taxes”).
2. Interest – Interest paid to a non-resident generally is subject to a 20% WHT. An exemption applies to interest paid to a mining company if certain conditions are fulfilled (see below under “Mining Taxes”).
Interest paid outside the DRC to any person directly or indirectly related to the company is deductible only if the principal amount is repaid in full within five years of the date the loan is made and the interest rate does not exceed the annual average effective rates applied by the credit institutions of the country where the lending company is established.
Interest paid to a resident is not subject to the 20% WHT.
3. Royalties – Royalties paid to a resident or non-resident are subject to a 20% WHT on the net amount (expenses equivalent to 30% of the gross payment may be deducted).
4. Services – Subject to the provisions of a relevant tax treaty, payments for services supplied in the DRC by non-resident individuals or companies not domiciled or not having a tax residence in the DRC are subject to a 14% WHT.

Tax Treaties

Relief from double taxation is available through tax treaties to which the DRC is a signatory. The DRC has concluded two tax treaties:

Country	Dividends	Interest	Royalties
Belgium	10%/15%	0%/10%	10%
South Africa	5%/15%	0%/10%	10%

Notes

1. Belgium: The 15% WHT rate on dividends applies to dividends paid by a company that is exempt from tax in the DRC in accordance with the investment code or other legislation, to a company that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 10%. The 0% WHT rate on interest applies to interest paid: (i) in respect of sales on credit of goods, merchandise or services between enterprises,

(ii) to banks on debt-claims or loans of any kind, not represented by bearer instruments; and (iii) to the Belgian government, central bank and other state institutions; otherwise, the rate is 10%.

2. South Africa: The 5% WHT rate on dividends applies to dividends paid to a company (other than a partnership) that holds directly at least 25% of the capital of the payer company; otherwise, the rate is 15%. The 0% rate on interest applies to interest paid to the South African government, central bank and other state institutions; otherwise, the rate is 10%.

Anti-Avoidance Rules**Transfer pricing**

The arm's length principle applies to related party transactions. All resident entities that are part of a multinational enterprise group must maintain documentation to justify their transfer pricing practices and must make this information available to the tax administration for “spot verification” from the date of the relevant transaction.

In addition, companies must submit, either in paper form or electronically, simplified transfer pricing documentation in a format prescribed by the tax administration, within six months following the filing deadline for the corporate income tax return.

Excessive payments, or any benefit resulting from an act considered as uncommercial, made by a local company to a related or group company will give rise to a taxable profit for the local company.

Thin capitalisation

Thin capitalisation rules apply to mining companies who must observe a debt-to-equity ratio of less than 3:1.

Employment-Related Taxes**Payroll tax**

Payroll tax is calculated based on employee remuneration (i.e. salaries, fees and allowances that do not represent reimbursement of actual professional expenditure, gratuities,

bonuses and pensions of any kind). The payroll tax is an annual tax but is payable as a monthly WHT. It is due at the time the salary is paid.

The employer is required to submit monthly Pay-As-You-Earn (PAYE) returns on behalf of its employees, except for assignees of diplomatic bodies, who must submit their own individual PAYE returns. The returns must be submitted before the 15th day of the month following the month in which the salaries are paid.

Social security

- *Institut National de Sécurité Sociale* (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.
- *Institut National de Préparation Professionnelle* (INPP) – The employer is required to contribute between 1% and 3% of an employee's gross salary to the INPP, depending on the size of the company.
- *Office National de l'Emploi* (National Agency for Employment, ONEM) – A contribution of 0.2% of a gross salary paid by the employer to all its employees is made to the ONEM by the employer.

Exceptional tax on expatriates' salaries

The exceptional tax on expatriates' salaries is an additional tax levied on compensation of expatriates' taxable salaries. It is a liability on the part of the employer. Filing and payment of the IER is the same as for IPR. Employers must file a return for payroll taxes on the 15th day of the month following the payment of the salaries. The tax is not a WHT.

Mining Taxes

Mining companies in the DRC are subject to various taxes, some of which apply only to mining companies, while other taxes are applicable to all companies but apply to mining companies at preferential rates.

Mining royalty

A mining royalty is payable as from the date of commencement of effective exploitation. The royalty is calculated on the value of sales realised, less transport, test, insurance and marketing costs. The rate 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% corporate income tax rate) is levied on the net profits from exploitation, determined in accordance with accounting and tax legislation. Interest payable by mining companies is deductible provided it complies with the provisions of the mining code.

WHT on dividends and interest

Dividends and other distributions are subject to WHT at the preferential mining code rate of 10%.

The 20% standard WHT rate on interest does not apply to interest paid on overseas foreign currency loans. However, to benefit from the exemption, the interest rate and other conditions applicable to loans from related companies must be at least as favourable as those that would apply to third-party loans.

Professional tax on remuneration

The holder of a mining title (ownership) must withhold PAYE at the standard rate on salaries payable to its employees. These provisions apply only to companies that are subject to the common law regime.

Exceptional tax on expatriate salaries

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

Annual traffic tax

The holder of a mining right is liable to pay annual traffic tax in accordance with the general tax legislation, other than in respect of vehicles used exclusively within the area of mining operations.

Indirect Taxes

Value added tax (VAT)

VAT	Rate
Standard rate	16%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services, and on the import of goods and services into the DRC.
2. Rates – The standard rate is 16%. The export of goods and related transactions is zero-rated.
3. Registration – Registration is mandatory for all persons (business or individual) with annual turnover of at least the VAT registration threshold of CDF 80 million. Registration must take place within 15 days following the commencement of a business. Individuals and legal entities whose annual turnover is less than CDF 80 million may elect to be subject to VAT. An application for approval must be filed with the tax authorities.

A non-resident without a PE in the DRC must designate a VAT representative in DRC who will be jointly liable for payment of VAT. Where a foreign entity fails to appoint a VAT representative, the VAT due and any associated penalties are payable by the client in the DRC.

Customs and Excise Duties

Import duties are levied on the cost-insurance-freight (CIF) value of goods imported, at rates ranging from 10% to 20%. Export duties are levied on the free-on-board (FOB) value of goods exported, at rates ranging from 1% to 10%.

Other Taxes

Inheritance/estate tax

There is no estate or gift tax in the DRC.

Stamp duty

A 3% stamp duty applies to the transfer of land and buildings. Stamp duty also applies to the transfer of shares at rates fixed at the provincial level (i.e. the rate is 3% for shares of entities whose head offices are located in Kinshasa and Katanga).

Property tax

Property tax is an annual tax levied on developed and all undeveloped properties, the amount of which varies according to the nature of the buildings and the “rank” of the property location. For property located in first, second, third and fourth rank locations, property tax is imposed per square metre. The rate of property tax is determined by the provincial tax department. There are exemptions on certain types of properties.

Tax Administration and Compliance

Tax is administered by the General Directorate of Taxes of the Democratic Republic of Congo (*Direction Générale des impôts de la République démocratique du Congo*).

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return.
3. Filing and payment – A self-assessment and a related tax return must be filed before 30 April in the year following the end of the company’s accounting period. The corporate income tax is payable by way of two advance payments due before 1 August and 1 December, each equivalent to 40% of the previous year’s liability. Any balance is payable with the current year-end tax return.

4. Penalties – A penalty of 25% of the tax payable applies for late filing of a return, or the submission of an inaccurate, incomplete or false return. Where a tax adjustment is made subsequent to a tax audit, a failure to self-assess tax, an understatement of tax liability or a late tax payment, the penalty is 20% of the additional tax payable (40% for a second or subsequent offense), plus 4% monthly interest on the amount due.

In the case of mining arbitrary taxation, failure to file a return incurs a penalty of 50% of the tax due, increased to 100% for a second and subsequent failure. In other cases of arbitrary taxation, the penalty is 25% of the tax due, increased to 50% for a second and subsequent failure.

5. Interest – Interest is charged at 4% per month of delay on the late payment of all or part of any tax and other liability due.
6. Rulings – The tax administration's rulings are not final and may be challenged before a judge. Before going to court, a taxpayer and his/her agent must make a written complaint against the amount of their tax liability within six months from the date of the filing of the return or receipt of the notice of recovery.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Although the tax law contains provisions applicable to individuals, personal taxes are collected via business entities.
3. Filing and payment – Any balance of tax payable is due on or before 15 January of the following calendar year, and is the liability of the employer. An individual's personal tax liability is fully settled through the PAYE system.
4. Penalties – See penalties under “Companies,” above – a penalty of 25% of the tax payable applies for late filing of a return, or the submission of an inaccurate, incomplete or false return.

Value added tax

1. Filing and payment – VAT returns and payments are due by the 15th day of the following month. Any transaction of at least CDF 1 million taking place between two VAT registered parties must be settled by cheque or bank transfer.
2. Penalties – Penalties are imposed for assessment and recovery of tax, and there are also administrative fines. The amounts depend on the nature of the infringement.

General Investment Information

Investment Incentives

Tax incentives

Various incentives are available to qualifying companies, including mining companies. Incentives generally are in the form of reduced tax rates or an exemption.

Investors wishing to take advantage of the customs and tax incentives under the New Investment Code must 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 under the New Investment Code are not available to foreign companies (branches) or, *inter alia*, to the following sectors: mining, oil, banking, insurance, commercial activities and armament industries. Any other investor can apply for incentives provided for in the code if they satisfy the following criteria:

- Be (or establish) a qualifying Congolese company
- Submit a license application to the ANAPI
- Pay the appropriate application fee

- Invest at least USD 1 million in the company
- Commit to comply with environmental protection regulations
- Commit to train DRC personnel to obtain specialised technical skills and assume supervisory functions and responsibilities and
- Guarantee a value added rate of at least 35%.

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

- Full exemption from corporate income tax
- Higher depreciation rates for investments in socio-economic infrastructure
- Exemption from the fixed and proportional duties for a joint-stock company at the time of constitution or on an increase in the approved capital and
- Exemption from the tax on land and buildings related to the approved investment project.

Export incentives

Any approved investment that relates to the exportation of all or part of finished products that are processed or partially processed under conditions favourable for the balance of payments may benefit from an exemption from fees and taxes on exportation.

Exchange Controls

Banks are required to report significant foreign exchange transactions to the Central Bank. However, carrying (or holding) foreign currency is not prohibited in the DRC. Payments to or from a foreign country are subject to a 0.2% exchange control fee and in some cases the advance submission of a return to an approved bank in the DRC is required. Exporters are required to repatriate a portion of proceeds resulting from exports via

commercial banks. Funds carried by travellers that exceed the equivalent of USD 10 000 must be reported.

Expatriates and Work Permits

For short-term contracts (i.e. a contract of less than six months), employees need only apply for an ordinary three-month visa at the Congolese embassy in their country of origin. They will be required to complete a form provided by the embassy and include a formal invitation of employment from a DRC resident (e.g. the client) together with a police record's certificate not more than three months old. Where the contract is for six months or more, the employer must apply for a work permit and a resident visa, which are valid for up to two years.

When an expatriate employee is hired abroad for a contract that will be executed in the DRC, the employee must comply with the provisions of the DRC Labour Code and it is therefore advisable that a local employment contract be entered into amongst other matters.

Work permits

The following documents must be submitted when applying for a work permit:

- Transmission letter accompanying the application form
- Copy of passport with a valid visa (with six months' validity)
- Four passport photos (less than six months old)
- Copy of the employee's résumé
- Copy of the employee's degree or relevant diploma
- Notarised employment contract between the employer and employee
- Medical or health certificate and
- Copies of evidence of affiliation with the social administration (social security and training institutions in the DRC) i.e.:
 - Copy of the company's professional training and development programme

- Copy of the company registration certificate at the Trade and Property Credit Register (RCCM)
- Copy of the company's National Identification Number certificate and
- Minutes from the Labour Department.

When the applicant is a director, rather than an employee, the following documents also are required:

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

Resident visas

An employee applying for an establishment (resident) visa must provide the following:

- Copy of work permit
- Copy of passport with a valid visa (with six months' validity) and
- Two passport photos (less than six months old).

Trade Relations

Memberships

- South African Development Community (SADC)
- World Trade Organisation (WTO)
- Economic Community of the Great Lakes Countries (ECGLC)
- Economic Community of Central African States (ECCAS)
- Common Market for Eastern and Southern Africa (COMESA)
- Organisation for Harmonisation of Business Law in Africa (OHADA)

Interest and Currency Exchange Rates

Interest rates

Interest rate 20%* (Jun 2017) (Source: Central Bank of Congo)

*Benchmark interest rate

Currency

Congolese Franc (CDF), subdivided into 100 centimes. There have been two versions of the franc; the current version is referred to as the new Congolese franc.

ZAR 1 = CDF 132.64 (March 2018) (Source: Oanda)

USD 1 = CDF 1 573.05 (March 2018) (Source: Oanda)

EUR 1 = CDF 1 939.47 (March 2018) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 35 billion (2017 estimate) (Source: Tradingeconomics)
		USD 35.69 billion (2018 forecast) (Source: Tradingeconomics)
	Market Capitalisation	Not available. There is no stock market in the DRC.
	Rate of Inflation	20% (2017 average) (Source: Tradingeconomics)
		20% (2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable Income (DJF)	Rate
Up to 30 000	2%
30 001 – 50 000	15%
50 001 – 150 000	18%
150 001 – 600 000	20%
Over 600 000	30%

Notes

1. Basis – Tax is applicable for both Djiboutian nationals and non-Djiboutian nationals who have Djiboutian-source income. Non-Djiboutian nationals also are subject to tax on salary paid outside of Djibouti for work performed in Djibouti.
2. Residence – There is no definition of residence for personal income tax purposes.
3. Taxable income – Individuals are subject to two main taxes on income: the tax on salaries, wages, pensions and ancillary income; and tax on professional

and business profits (the latter is the same tax applicable to companies).

4. Exempt income – Employment income under DJF 50 000 is exempt.
5. Deductions and allowances – Article 59 of the Tax Code lists deduction rates for expenses and allowances that range from 20% to 40% based on the function or employment for various professions.
6. Rates – Rates are progressive up to 30% (over DJF 600 000) for employment income. Individuals who derive business and professional income other than from employment are taxable at the standard corporate income tax rate of 25%.

Income Tax – Companies

	Rate
Standard corporate tax rate	25%

Notes

1. Basis – Djibouti 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 Djibouti. However, entities involved in the following activities are exempt from corporate

income tax: agricultural cooperatives and associations of agricultural cooperatives; investment companies whose sole purpose is to purchase and sell securities; and companies that are eligible for the tax incentives available under the Investment Code.

2. Residence – Djibouti tax law does not define the concept of residence. However, companies and legal persons operating a business in Djibouti are subject to tax in Djibouti.
3. Taxable income – An entity generally is taxed on its net profits, which include total income less certain allowable deductions and which exclude exempt income and income from immovable property that has been subject to property taxes. Capital gains are treated as taxable income.
4. Exempt income – Dividends and royalties are exempt from corporate income tax.
5. Deductions – Expenses incurred in the operation of a business generally are deductible, unless specifically excluded in the tax law. Depreciation expenses may be deductible in line with industry norms based on the particular industry or activity that the taxpayer is undertaking. Reserves and provisions normally are deductible for tax purposes if they provide for clearly specified tax deductible expenses that are likely to occur and if they appear in the financial statements and in a specific statement in the tax return. Non-deductible expenses include dividends, penalties, fines and extra payments of all kinds charged to companies in respect of infringements of laws or regulations, and certain payments to shareholders, partners and directors.
6. Losses – Losses arising from normal business activities during a given fiscal year are deductible for corporate income tax purposes. Tax losses may be carried forward for three years from the end of the loss-making accounting period. The carryback of losses is not permitted.
7. Foreign tax credit – Djibouti tax law does not provide for a foreign tax credit.
8. Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group.
9. Rate – The standard corporate tax rate is 25%.
10. Minimum tax – The minimum lump sum tax rate is 1% of turnover exclusive of VAT, with a minimum payment of DJF 120 000.

Withholding Tax (WHT)

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

Income	Residents	Non-residents
Dividends ¹	0%	0%
Royalties ²	25%	10%
Interest	0%	0%
Fees (technical)	10%	10%
Fees (management)	25%	10%
Branch remittance tax	n/a	n/a

Notes

1. There is no WHT on dividends as from 1 January 2017.
2. The following payments of royalties are exempt from WHT: remuneration for professional training; royalty payments by companies licensed under the Free Zone and the Investment Code; and fees for financial and insurance operations paid by resident companies specialising in financial and insurance activities.

Tax treaties

Djibouti has not concluded any tax treaties with other countries.

Capital Gains Tax (CGT)

Capital gains are taxed as normal income. The gain is included in the amount of taxable profit and taxed at the standard rate of 25%.

Anti-Avoidance Rules

Transfer pricing

There are no specific transfer pricing rules in Djibouti. However, the tax authorities can adjust the pricing of transactions between related parties.

Thin capitalisation

There are no formal specific or general thin capitalisation regulations in Djibouti. However, interest paid by a company to its shareholders is deductible up to an amount computed on the

basis of the average annual central bank interest rate increased by one percentage point. Interest paid to a majority shareholder of a joint stock company or a limited liability company is deductible only if the loan does not exceed the capital of the company.

Employment-Related Taxes

Social security

An employer is required to remit social security contributions in respect of an employee's total salary at a rate of 15.7%, including contributions for the family allowance (5.5%), health and professional injuries (6.2%), retirement pension (4%) and mandatory health insurance (2%). The contributions for social security are calculated on the total salary including fringe benefits, capped at DJF 400 000 per month. In addition, the employee must contribute 4%.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	10%

Notes

1. Taxable transactions – VAT is levied on the provision of goods and services and on imports.
2. Rates – The standard VAT rate is 10%, which applies to all transactions, except for export and international transport transactions, which are zero-rated.
3. Registration – Entities with turnover that exceeds DJF 50 million are required to register for VAT purposes.

Customs and excise duties

Djibouti is a member state of the Common Market for Eastern and Southern Africa (COMESA), which maintains a common external tariff for non-COMESA imports ranging from 0% to 25%. Apart from the COMESA common external tariff, specific rates are provided for certain goods.

In addition, a domestic consumption tax applies to goods imported for processing or consumption within Djibouti. The tax is levied at rates of 0%, 2%, 5%, 10% and 23%, depending on the type of goods involved.

Excise duties are payable on certain types of goods, such as alcoholic and non-alcoholic beverages, tobaccos and fuel.

Other Taxes

Inheritance/Gift tax

Inheritance tax is levied by way of a registration duty at a rate of 2% and is payable by the heirs and legatees of the deceased's estate, regardless of whether they are resident in Djibouti.

Real property tax

A real property tax is levied on both developed and undeveloped land in Djibouti.

Property tax on developed land

All buildings, including houses, factories, shops and warehouses, are subject to the tax, as is land used for industrial or commercial purposes, the storage of goods and all other types of commercial installations. Exemptions are provided for buildings belonging to the state, religious entities and, subject to reciprocity, international entities, foreign embassies or consulates. New buildings are subject to the tax as from 1 January of the sixth year after construction if there has been no change of ownership during this period. This period may be extended to 10 years for property covered by the Investment Code. The tax rates vary according to the taxable base and are as follows:

Taxable base (DJF)	Rate
0 to 1 120 000	10%
1 120 001 – 3 840 000	18%
Over 3 840 000	25%

Property tax on undeveloped land

A property tax applies to undeveloped plots of land, irrespective of the nature of the type of title held on the land. Land on which buildings are constructed and that is exempt from the property tax on developed land is subject to this tax during the exemption period. The tax is levied at a rate of 25%. Permanent exemptions are provided for land belonging to the state or used for public services; land used for educational services; and land belonging to international entities, foreign embassies or consulates, subject to reciprocity.

Stamp duties

Stamp duties are payable on any document liable to registration duty. Except for a few specific deeds, stamp duty generally is paid at a rate of DJF 1 000 per page.

Business license tax

The business license tax is a local tax applicable to all individuals and companies that engage in a trade, business or professional activities in Djibouti. Tax applies depending on the classes where the activities are categorised. Tax on activities under class 1 to 6 includes a fixed portion specified by the tax authorities and a variable portion levied at 20% based on the rental value. Other classes' tax includes the fixed portion only.

General solidarity tax (IGS)

The IGS applies on the import of goods by persons without an import patent at a rate of 10% on the value of the goods. The import of goods also is subject to excise and customs duties, and to any other taxes and levies that usually are paid on the import of goods.

Domestic consumption tax

The consumption tax (TBS) which applies in Djibouti as from 2017, is imposed on goods and services as follows:

- All transactions involving the supply of goods or the provision of services in Djibouti by an entity not subject to VAT and not

covered by the simplified corporate income tax regime are subject to the TBS.

- Goods and services that are exempt from VAT are excluded from the scope of the TBS.
- All individuals and legal persons that engage in any of the above activities and have an annual turnover below DJF 20 million or DJF 10 million, respectively are subject to the TBS.
- The standard rate of TBS is 7%, with a 5% rate applying to the supply of fruits and vegetables, catering and the sale of meat and fish.
- Taxpayers must file a monthly return and include any tax due. The return must be submitted no later than the 15th day of the following month.

In addition, taxpayers are required to send an email to the tax authorities within 48 hours of the tax return submission deadline, which summarises the following: invoice date, customer name, tax identification number, amount excluding VAT and the TBS invoiced or received.

Tax Administration

The Tax Management Office administers tax.

Companies

1. Tax year – The calendar year typically is the fiscal year, although a different period may be accepted by the tax authorities.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Companies must file a tax return no later than 1 March following the end of the calendar year. Three advance payments must be made during the course of the fiscal year (before 15 April, 15 August and 15 November), with each payment equal to 25% of the corporate income tax due for the previous year. The balance due must be paid before the due date for filing the return.

4. Tax identification number – Taxpayers must apply for the renewal of their tax identification number no later than 31 March each year.
5. Penalties – The penalty for late filing is 0.5% of the tax amount due for each month the filing is late, and is increased to 10% where the return is filed within 20 days of a formal notice, and 40% where the return is filed more than 20 days from the formal notice or not filed at all.
6. Rulings – Rulings are not granted in Djibouti.

Individuals

1. Tax year – The tax year is based on the calendar year.
2. Tax filing – Married couples are assessed separately, i.e. every individual taxpayer is taxed individually regardless of marital status.
3. Tax return – Individuals who derive professional income must file a tax return no later than 1 March of the year following the fiscal year.
4. Filing and payment – The personal income tax payable by employees must be withheld at source each month by the employer and remitted to the Treasury not later than 15 days following the salary payment. If the amount of the monthly withholding taxes is less than DJF 50 000, the payment may be made within the following three-month period. For an individual deriving income from business or professional independent activities, tax is payable by March of the following fiscal year.
5. Penalties – See under “Companies.”

Value added tax

1. Filing and payment – Companies are required to file VAT returns and pay VAT on a monthly basis by the 20th day of the following month.
2. Penalties – No penalties are listed in the tax law.

General Investment Information

Investment Incentives

Tax Incentives

A number of tax incentives are available under the Investment Code and the Free Zone Code, which apply to all economic sectors.

1. The Investment Code contains three preferential regimes:
 - Regime A: Taxpayers benefiting from Regime A for investment and tax purposes are exempt from the domestic TBS on imports of materials and equipment that are necessary for investment operations. The following activities benefit from this regime: use and processing of vegetables, animal or sea products; mining; research, exploitation and storage of energy; tourism and handicraft-making activities; creation and development of electricity, electronic, chemical and shipping industries; transport by land, sea or air; service activities provided in harbours or at airports; construction, repair and maintenance of ships; processing of goods for consumption; financial activities other than those specifically covered by the regime for financial investments; and communication services.
 - Regime B: Investors are exempt from the following taxes and levies for a non-renewable seven-year period: corporate income tax, property tax and domestic TBS. In addition, an exemption from registration duty is granted on the deed of incorporation if the company's share capital exceeds DJF 30 million. An increase in share capital is exempt from registration duty if the increase in value is over DJF 10 million and the investment is made within five years of the incorporation date or of a previous capital increase. The following activities benefit from this regime: construction of buildings to be used for industrial, commercial or tourism

purposes; construction of buildings to be used for social purposes; and construction, creation and exploitation of teaching and training institutions.

- Regime for financial investments: The regime for financial investments applies to profits reinvested in the acquisition of securities of a company already authorised under the Investment Code. Such reinvestments are exempt from corporate income tax, subject to certain additional conditions regarding the amount of investment and the level of participation in the share capital.
2. The Free Zone Code grants qualifying companies an exemption from all taxes, duties and applicable levies, with the exception of VAT, for a renewable period of up to 50 years. Up to 70% of the company's staff may be foreign for the first five years; after that, the quota will be reversed, i.e. the staff must be at least 70% Djiboutian. If the company fails to comply, the Free Zone Authority will not grant a new license. Foreign staff are not required to pay social security contributions, and the firm does not have to pay social security contributions for such staff.

Exchange Controls

There are no foreign exchange control regulations applicable in Djibouti.

Expatriates and Work Permits

Foreign individuals working in Djibouti must obtain a work permit and a residence permit (identity card) by providing proof of their offer of employment. Sponsorship from a local employer is required to obtain a work permit.

Trade Relations

Memberships and International Organisations

- World Trade Organisation (WTO)
- African Union (AU)
- Arab League
- *La Francophonie*
- Group of 77 and
- United Nations

Interest and Currency Exchange Rates

Monetary policy rate

Benchmark interest rate: 11.30% (Source: Tradingeconomics)

Currency

The Djiboutian currency is the Djibouti Franc (DJF). The symbol used for the Franc is FDJ. It is subdivided into centimes, 1 DJF = 100 centimes.

ZAR 1 = DJF 14.91 (March 2018) (Source: Oanda)

USD 1 = DJF 176.87 (March 2018) (Source: Oanda)

EUR 1 = DJF 218.08 (March 2018) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 1.83 billion (2017 estimate) (Source: Tradingeconomics)
		USD 1.76 billion (2018 forecast) (Source: Tradingeconomics)
	Market Capitalisation	Not applicable – Djibouti does not have a stock market.
	Rate of Inflation	-1.10% (2017 average) (Source: Tradingeconomics)
		0.48% (2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Annual taxable income (EGP)	Rate	Tax credit	Bracket
0 – 7 200	0%	0%	1
7 201 – 30 000	10%	80%	2
30 001 – 45 000	15%	40%	3
45 001 – 200 000	20%	5%	4
Over 200 000	22.5%	No tax credit	5

Notes

1. Basis – A resident individual is taxable on his/her worldwide income if Egypt is the centre of the individual's commercial interests. A non-resident individual is taxed only on his/her Egyptian-source income.
2. Residence – An individual is regarded as a resident if he/she is present in Egypt for more than 183 days in a fiscal year; is deemed to have a

permanent abode in Egypt; or is an Egyptian national residing abroad, but deriving income from Egyptian sources.

3. Taxable income – Taxable income 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. Capital gains realised on the sale of unlisted shares by resident or non-resident individuals are included in taxable income and subject to the normal progressive tax rates; for other types of capital gains, see under "Capital Gains Tax," below.
4. Exempt income – Both residents and non-residents are entitled to an annual salary exemption of EGP 7 000.
5. Deductions and allowances – 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.
6. Rates: Individual income tax is levied at progressive rates up to 22.5% for both residents and non-residents for work performed in Egypt. A tax credit is available at the rates listed in the table above. Only one tax credit will be allowed annually, based on the highest tax bracket to which the taxpayer is subject. Resident employees who derive income from a secondary employer are subject to tax at a 10% flat rate.

Income Tax – Companies

	Rate of tax
Standard rate	22.5%
Oil and gas companies	40.55%

Notes

1. Basis – Resident companies are taxed on their worldwide income. Non-resident companies are subject to tax on a “net basis” on Egyptian-source profits of a permanent establishment (PE) in Egypt; non-resident companies also may be subject to withholding tax on other types of Egyptian-source income (see under “Withholding Taxes,” below). Non-residents become liable to tax from the day they begin to carry on a trade, business or profession in Egypt. Tax treaties have been concluded with a number of countries providing some relief from double taxation, depending on the specific type of income.
2. Residence – A company is resident if it is established according to Egyptian law, if its main or actual centre of management is in Egypt or if it is a company in which the government or a public juridical person owns more than 50% of the capital.
3. Taxable income – Corporate tax is imposed on the total profits of a company after deducting the necessary and relevant expenses incurred in deriving the profits (i.e. the “tax pool”). For the treatment of capital gains, see “Capital Gains Tax,” below.
4. Exempt income – A “dividend exemption” (DIVEX) mechanism exists under Egyptian tax law, under which 90% of the dividends received by a resident parent company from another entity (whether or not resident in Egypt) are exempt from corporate tax. The mechanism applies where the Egyptian resident parent holds at least 25% (minimum shareholding) of the shares of the subsidiary for at least two years (minimum holding period) before the distribution or, if the holding period is not met at the time of the distribution, the parent commits to hold the shares of the subsidiary for two years, to complete the minimum holding period. For resident parent companies receiving dividends from resident subsidiaries that qualify for the DIVEX mechanism, the effective tax on dividends is 22.5% on 10% of the dividend, in addition to the 5% withheld at source by the subsidiary (effective rate of 7.25%). If the parent company's ownership of the subsidiary is less than 25%, the dividends

are excluded from the tax pool together with related costs, based on a formula specified in the law.

5. Losses – 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.
6. Deductions – Normal business expenses are deductible in calculating taxable income, but must be supported with documentation and be business related and necessary for the company's activities. Interest expenses are considered tax deductible if the payer's average debt-to-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 will not be tax deductible. The Egyptian tax law does not have any specific capital allowances other than tax depreciation and an optional application of accelerated depreciation provisions.
7. Foreign tax credit – Foreign tax paid overseas may be deducted from Egyptian income tax payable, but the deduction may not exceed the total tax payable in Egypt.
8. Alternative minimum tax – There is no alternative minimum tax in Egypt.
9. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
10. Branch remittance tax – Profits realised by a branch or PE of a foreign company are deemed to be distributed to the head office within 60 days from the year-end and are subject to the 5% dividend withholding tax, subject to the provisions of an applicable tax treaty.
11. Rate – The standard rate of corporate tax in Egypt is 22.5%, and 40.55% for companies engaged in the exploration and production of oil and gas. The Suez Canal Authority, the Egyptian Petroleum Authority and the Central Bank of Egypt are taxed at 40%.

Capital Gains Tax (CGT)

Individuals

Capital gains realised by a resident or non-resident individual on the sale of listed shares of Egyptian companies are subject to a 10% income tax rate in a separate income pool. However, this tax has been temporarily “suspended” (i.e. an exemption is granted) until 17 May 2020.

Capital gains realised on the sale of unlisted shares of Egyptian companies by resident or non-resident individuals are subject to progressive tax rates of up to 22.5%, subject to the provisions of an applicable bilateral tax treaty.

Income derived from the sale of assets in a sole proprietorship becomes part of an individual's taxable base (including the sale of a sole proprietorship's real estate). If owned as a personal asset and not classified as sole proprietorship assets, real estate sales are subject to a separate 2.5% tax on the gross proceeds.

Companies

Capital gains derived by a resident or non-resident company from the sale of shares listed on the Egyptian stock exchange are subject to a reduced 10% corporate income tax rate in a separate income tax pool. However, this tax has been "suspended" (i.e. an exemption is granted) until 17 May 2020.

In contrast, capital gains derived by a resident or a non-resident entity from the disposal of unlisted shares in Egyptian companies are included in taxable income and taxed at the standard corporate tax rate.

Capital gains derived by a resident from the disposal of foreign shares/securities are taxable in Egypt, subject to the provisions of an applicable tax treaty.

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	Non-residents
Dividends	1	5%/10%	5%/10%	10%
Interest	2	0%/20%	0%/20%	20%
Royalties	3	20%	20%	20%
Technical service fees	4	20%	20%	20%

Notes

1. Dividends paid to a resident or a non-resident entity are subject to a 10% withholding tax. The rate is reduced to 5% where the corporate recipient holds at least 25% of the capital or voting rights in the payer company for at least two years. In cross-border situations, the rate may be further reduced under a relevant bilateral tax treaty (see also the comments under "Tax Treaties").
2. Interest paid to a non-resident is subject to a 20% withholding tax, unless the rate is reduced under an applicable bilateral tax treaty. Interest paid to a non-resident on a long-term loan (i.e. a loan with a term of at least three years) is not subject to withholding tax. Interest paid to a resident is not subject to withholding tax with the exception of treasury bonds and bills – 20%.
3. Royalty payments made to a non-resident are subject to a 20% withholding tax, unless the rate is reduced under an applicable bilateral tax treaty. Royalties paid to a resident are not subject to withholding tax.
4. Outbound payments for "services" trigger, in principle, a 20% withholding tax on exit from the country. A relevant bilateral tax treaty can override domestic tax law directly and grant benefits to the beneficial owner of the service payments. It is common for the Egyptian Tax Authority to reclassify service payments that are suspected to include a right to use "experience" as royalties, and thus apply the same WHT treatment and limitations applicable to outbound payments for royalties.

Tax Treaties

Egypt has concluded over 57 tax treaties. The following table shows the WHT rates on dividends, interest and royalties under Egypt's treaties. Egypt signed the OECD multilateral instrument on 7 June 2017.

Country	Dividends	Interest	Royalties
Albania	10%	10%	10%
Algeria	10%	5%	10%
Austria	15%	15%	0%
Bahrain	0%	0%	0%
Belarus	15%	10%	15%
Belgium	15%/20%	15%	15%/25%
Bulgaria	10%	12.5%	12.5%
Canada	15%/20%	15%	15%
China	8%	10%	8%
Cyprus	15%	15%	10%
Czech Republic	5%/15%	15%	15%
Denmark	15%/20%	15%	20%
Finland	Domestic/20%	15%	25%
France	Domestic	0%/15%	15%
Georgia	10%	10%	10%
Germany	15%/20%	15%	15%/25%
Greece	10%	15%	15%
Hungary	15%/20%	15%	15%
India	Domestic	20%	20%

Indonesia	15%	15%	15%
Iraq	Domestic	20%	15%
Ireland	5%/10%	10%	10%
Italy	Domestic/20%	25%	15%
Japan	Domestic/20%	Domestic	15%
Jordan	15%	15%	20%
Korea (ROK)	10%/15%	10%/15% ³	15%
Kuwait	10%	10%	10%
Lebanon	10%	10%	5%
Libya	Domestic	Domestic	Domestic
Malaysia	0%	15%	15%
Malta	10%	10%	12%
Mauritius	5%/10%	10%	12%
Montenegro	5%/15%	15%	15%
Morocco	10%/12.5%	10%	10%
Netherlands	0%/15%	12%	12%
Norway	0%/15%	0%/15%	15%
Oman	12.5%	12.5%	15%
Pakistan	15%/30%	15%	15%
Palestinian Territories	15%	15%	15%
Poland	12%	12%	12%
Romania	Domestic/10%	15%	15%
Russia	10%	15%	15%
Saudi Arabia	5%/10%	10%	0%/10%
Serbia	5%/15%	15%	15%

Singapore	15%	15%	15%
South Africa	15%	12%	15%
Spain	9%/12%	10%	12%
Sudan	Domestic/15%	20%	3%/10%
Sweden	Domestic/5%/15%	15%	14%
Switzerland	0%	0%/15%	12.5%
Syria	15%	15%	20%
Tunisia	10%	10%	15%
Turkey	5%/15%	10%	10%
Ukraine	12%	12%	12%
United Arab Emirates	0%	10%	10%
United Kingdom	Domestic/20%	15%	15%
United States	Domestic/20%	15%	15%
Yemen	Domestic	10%	10%

Notes

1. The lower rate on dividends applies where the recipient is a company that holds at least 25% of the share capital of the payer company for at least two years or as set forth in the relevant treaty.
2. Tax on interest and royalties is withheld at the domestic rate and the recipient must apply for a refund to benefit from a reduced WHT rate under an applicable tax treaty, unless an advance ruling is obtained.
3. Republic of Korea treaty 10% interest rate applies to a loan for a period exceeding 3 years. However, if the loan is greater than 3 years, then it should be exempted from WHT according to the domestic law.

Anti-Avoidance Rules

Transfer pricing

Related party transactions must be conducted on arm's length terms. Transfer pricing rules apply to the exchange of goods, services and the licensing of intangibles (brand, technology etc.), as well as to loans (financing, guarantee fees, cash pooling agreements, etc.). Five transfer pricing methods are specified: the comparable uncontrolled price, resale price, total cost plus profit margin, profit split and transactional net margin methods, with priority given to the comparable uncontrolled price method. However, if the information needed to apply this method is unavailable, the other methods are used in a hierarchical order. The transfer pricing rules recommend that taxpayers follow a four-step approach to demonstrate that their controlled transactions are in accordance with the arm's length principle.

Egyptian taxpayers are expected to prepare transfer pricing documentation annually.

Advance pricing agreements (APAs) are allowed under Egyptian tax law.

Thin capitalisation

A 4:1 debt-to-equity ratio applies. The tax deduction for any interest on debt exceeding this ratio is disallowed. In addition, the deduction is disallowed for interest paid that exceeds twice the credit and discount rate issued by the Central Bank at the beginning of each calendar year. The interest rate on loans between related parties should be set on an arm's length basis and supported by transfer pricing documentation.

Controlled foreign companies (CFCs)

Income from investments in non-resident companies is recognised under the equity method of revenue recognition, and is taxed in Egypt if:

- (1) The Egyptian entity owns more than 10% of the non-resident entity
- (2) More than 70% of the non-resident entity's income is derived from dividends, interest, royalties, management fees or rental fees (i.e. "passive income")
- (3) The profits of the non-resident entity are not subject to tax in its country of residence, are exempt or are subject to a tax rate of less than 75% of the corporate tax rate applicable in Egypt.

Employment-Related Taxes

Payroll tax

Employees working in Egypt or working abroad but paid by an Egyptian employer are subject to payroll taxes on all their earnings, based on the salary tax brackets (see "Income Tax – Individuals," above), except for mandatory profit sharing, pensions and certain end-of-service bonuses.

Social security

The social security regime applies only to local nationals, unless a social security agreement with another country applies. Both the employer and employee contribute to the social security imposed and must remit the contributions to the Social Insurance Organisation on a monthly basis.

Employee contributions are 14% on the first EGP 1 240 and 11% on the next EGP 2 430 of variable salary allowances. Employer's contribution is 26% for fixed base salaries and 24% on variable salaries greater than EGP 3 670 that are not subject to social security.



Indirect Taxes

Value added tax (VAT)

VAT	Rate
Standard rate	14%

Notes

1. General – A VAT law has been introduced, replacing the sales tax law.
2. Taxable transactions – VAT generally applies to the supply of all goods and services. Services are broadly defined as anything that is not classified as a “good,” which means that intellectual property rights, consultations and management services, etc. will be subject to VAT. Input VAT may be offset against output VAT on most items.
3. Rates – The standard rate is 14% from 1 July 2017 onward. Certain goods and services are specified as “tabled items” that are subject to a special rate, and their providers are not allowed to offset input VAT against their output VAT. These items include professional services, petroleum products, media productions, etc. Construction contracts also are included in the table, but input VAT paid to subcontractors may be offset against output VAT on the same projects. Certain goods and services are specified as “double taxed” items and are subject to the general rate as well as the table rate, potentially making the effective VAT rate on these items over 20%. These items include cars, white goods such as home appliances, air-conditioning equipment and mobile telecommunication services. Exported goods or services are subject to a zero rate of output VAT.
4. Exempt items – The VAT law contains a list of 57 categories of goods and services that are exempt. These include: basic food products; provision of natural gas; production, transmittal and distribution of electricity; banking services and other regulated non-banking financial services and insurance services; rental of residential or non-residential properties; and health and education services. In addition, certain Egyptian state bodies and entities are exempt from VAT, as well as entities exempted by virtue of an international agreement or special law.
5. Reverse-charge mechanism – A reverse-charge mechanism applies on imported taxable goods and services from non-resident suppliers (that have not appointed a local agent) to a non-VAT-registered resident consumer (B2C transactions) or to a VAT-registered resident customer

(B2B transactions). The end users are required to calculate and pay VAT on the value of the imported goods or services.

6. Registration – Resident providers of goods or services must register for VAT purposes only if their annual revenue is equal to or higher than EGP 500 000. Voluntary registration is possible below this limit. No minimum registration threshold exists for providers of tabled items and double taxed items, which are required to register irrespective of their revenues.

Customs and Excise Duties

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

Other Taxes

Inheritances and donations

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

Real property tax

Most real property in Egypt is subject to a real estate tax. A 10% rate applies on the annual rental value after allowing a 32% deduction to cover related costs for non-residential property, and a 30% deduction for residential property. Exemptions are provided for non-residential property that is used for commercial, industrial and administrative purposes with an annual rental value of less than EGP 1 200, and for residential units with an annual rental value of less than EGP 24 000. The user of the property pays the tax, which is due in two instalments. The annual rental value of real estate is assessed every five years.

Stamp Tax

Stamp tax is charged at variable and fixed rates: 0.1% per quarter for banking transactions; 20% on commercial advertisements; and rates ranging from 1.08% to 10.08% on insurance premiums.

A new stamp tax is imposed on the total value of trading in securities, other than public treasury bills and bonds (Egyptian or foreign securities, listed or unlisted), without any deduction allowed for expenses, as follows:

- 0.125% imposed on both the buyer and the seller effective from 20 June 2017 until 31 May 2018
- 0.15% imposed on both the buyer and the seller from 1 June 2018 until 31 May 2019
- 0.175% imposed on both the buyer and the seller from 1 June 2019.

However, a single transaction (acquisition or disposal) may be subject to a 0.3% rate imposed on both the buyer and the seller, without any deduction allowed for expenses, if it meets the following conditions:

- It is a sale or acquisition of 33% or more of the shares or voting rights of a resident company, whether in terms of number or value
- It is a sale or acquisition of 33% or more of the assets or liabilities of a resident company by another resident company, in exchange for shares in the acquiring company.

If multiple transactions conducted by one legal person related to a company result in exceeding the 33% limit above during the two years following the first transaction, the seller and the buyer both are subject to a 0.3% rate on the total amount of the transactions, with the right to offset any stamp duty already paid on such transactions.

The tax is not deductible for corporate income tax purposes.

Tax Administration and Compliance

The tax authorities are the Egyptian Tax Authority of the Ministry of Finance.

Corporations

1. Tax year – The tax year for companies is the accounting year.
2. Consolidated returns – There are no provisions for consolidation of accounts for group taxation in Egypt.
3. Filing and payment – Companies must file a tax return within four months following the end of the financial year. Tax is assessed on the basis of the information provided in the tax return.
4. Penalties – Various penalties apply for failure to apply the system of withholding, collection and remittance of tax; failure to file a return; and other offenses. Interest is calculated at 2% above the annual credit and discount rate announced by the Central Bank of Egypt. In particular, a penalty of no less than EGP 5 000 and no more than EGP 20 000 is imposed for failure to file a tax return. If the amounts included in the tax return are less than the final assessed tax amount, an additional penalty may be imposed based on the difference between the amounts included in the return and those in the assessment. The rate is 5% if the difference ranges from 10%-20%, 15% if the difference is above 20% and up to 50% and 40% if the difference exceeds 50%.
5. Statute of limitations – The statute of limitations for the assessment of tax normally is five years, extendable to six years in the case of tax evasion. There is no statute of limitations for the collection of tax.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Spouses are not permitted to file a joint return.
3. Filing and payment – Individuals must submit a declaration of income by 31 March following the end of the tax year and pay tax based on the declaration. The employer is responsible for withholding and paying salary tax to the tax authorities on a monthly basis. However, if the employee is paid from an offshore source, the employee must declare his/her income and benefits for the entire year and pay the applicable tax to the tax authorities with the annual income tax return before 31 January of the following year.
4. Penalties – See the penalties in the corporations section above.

VAT

1. Filing and payment – All companies must prepare and file a monthly VAT return with the tax authorities.
2. Penalties – Failure to settle tax at the correct time triggers delay fines (“additional tax”) at a rate of 1.5% per month on any portion of the tax unpaid.

General Investment Information

Investment Incentives

Tax incentives

The new Investment Law No.72 of 2017 (Investment Law 2017) that came into effect on 1 June 2017 provides several general incentives for newly formed companies. These include:

- A five-year exemption period from stamp duty tax and notarisation and registration fees for the deeds of association of companies and establishments, credit facilities and

mortgage contracts connected with the company’s activities. This exemption will apply from the date of recording the items in the commercial register

- A stamp duty tax and notarisation and registration fee exemption for the registration contracts of land necessary for the establishment of companies and establishments
- A reduced and uniform 2% reduced customs rate will apply on all imported machinery, equipment and apparatuses required for the establishment of the project or company
- Temporary imports (that will be reshipped out of Egypt) of molds and other similar production requirements will be exempt from customs duties.

Investment projects established after the enforcement of the law will be granted an investment incentive in the form of a deduction (equal to 30% or 50% of the “investment costs,” with certain limitations) from the net taxable profits, in accordance with the investment map, which is geographically split into Sector A and Sector B. The sector determines the percentage deduction that will be granted.

Free trade zones

- A free zone is a part of the state land that exists within its political boundaries where projects could be established and set up. These projects benefit from the provisions of the investment law. There are two types of free zones: public and private.
- Public Free Zones are pieces of land allocated by the government in the following specified areas: Alexandria, Nasr City, Port Said, Damietta, Ismailia, Keft, Media City, Shebin El-Koom, and Suez. The zones in these areas are equipped with all the necessary facilities and essential infrastructural services to setup and run the investment projects.
- Private Free Zones are pieces of land located out of the boundaries of the above 9 areas. Private free zones could

be established due to lack of space availability in public free zones or due to economic reasons. The Cabinet issues a decree on the approval of the establishment of a private free zone.

- New projects can operate in free zones, as long as they are licensed. However, licenses may not be issued to conduct projects under the free zones regime in the areas of oil processing; fertiliser industries; iron and steel; natural gas processing, liquidation and transport; the “energy heavy” industries, which are defined by a decision issued by the Supreme Council of Energy; the spirits and alcoholic beverage industries; guns, ammunition and explosives industries; and other industries associated with the national security.
- Goods exported by free zone projects to other countries or imported to carry out activities in Egypt will not be subject to the relevant import and export regulations, or to customs procedures for exports and imports. Additionally, they will not be subject to customs duties or any other type of tax, such as VAT.
- Equipment, machinery and transportation vehicles (except for automobiles) necessary for production activities within free zones are exempt from customs duties, VAT and other types of taxes and fees. However, customs taxes will apply to goods imported from the free zone to the local market, as if they were imported from abroad. As for products containing local and foreign components imported from free zone projects, the customs tax basis will be the value of the foreign components at the prevailing prices at the time of their entry from the free zone into the local market, provided the customs tax due on the foreign components will not exceed the tax due on the final product imported from abroad.
- Enterprises that are established in the free zones and their distributable profits will not be subject to the provisions of the tax and duty laws applicable in Egypt; however, these projects will be subject to the treatment described below, depending

on whether they are located in a public or a private free zone (see above). In all cases, projects established in public and private free zones will pay an annual service charge of 0.001% of the capital (EGP 100 000 maximum).

Projects in public free zones will be subject to:

- A fee of 2% of the value of the commodities upon entry (cost, insurance and freight) for warehousing projects
- A fee of 1% of the value of the commodities upon exit (free on board) for manufacturing and assembly projects
- A fee exemption for trade of transit goods with a fixed destination
- A fee of 1% of total revenue realised for projects whose main activity does not require the entry or exit of commodities. This will be assessed based on the financial statements approved by a chartered accountant.

Projects in private free zones will be subject to:

- A fee of 1% of the total revenue realised for manufacturing and assembly projects upon exporting the commodities abroad, and 2% of the total revenue of these projects upon the entry of commodities into the local market
- A fee exemption for trade of transit goods with a fixed destination and
- A fee of 2% of the total revenue realised for projects not otherwise mentioned.

Exchange Controls

Following the floatation of the EGP on 3 November 2016, the Central Bank of Egypt relaxed some restrictions on the export of capital and the repatriation of funds. As a result of a decree issued by the Central Bank of Egypt (on 28 November 2017), the previous limits on foreign currency transactions have been abolished.



Expatriates and Work Permits

Employment in Egypt is not possible without a working visa, and a working visa can be obtained only with a formal job offer and a contract from a company, a sponsor or a certificate of experience from three to five years for certain nationalities. The required paperwork to be submitted for an entry visa changes often, and is best handled by an agency or through the hiring company. The length of time and cost necessary to obtain an entry visa depends on the nationality of the applicant and the type of entry visa.

Trade Relations

Memberships

- African Union (AU)
- Arab League
- Group of 77
- United Nations (UN)
- World Trade Organisation

Agreements

- The General Agreement on Tariffs and Trade (GATT)
- The General Agreement on Trade in Services (GATS)
- European Union-Egypt Free Trade Agreement (Association Agreement)
- Free Trade Agreement with EFTA States
- Turkey-Egypt Free Trade Agreement
- Greater Arab Free Trade Area Agreement
- Agadir Free Trade Agreement among Egypt, Morocco, Tunisia and Jordan
- Egyptian-European Mediterranean Partnership Agreement
- The Common Market for Eastern and Southern Africa (COMESA)
- Pan Arab Free Trade Area (PAFTA)

Interest and Currency Exchange Rates

Lending rate

CBE rate: 17.27%
(March 2018) (Source: Central Bank of Egypt)

Currency

Egypt's currency is the Egyptian Pound (EGP).

ZAR 1 = EGP 1.48 (March 2018) (Source: Oanda)

USD 1 = EGP 17.59 (March 2018) (Source: Oanda)

EUR 1 = EGP 21.69 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 336.30 billion
(2017 estimate) (Source: Tradingeconomics)

USD 318 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

EGP 973.09 billion
(April 2018) (Source: Egyptian Exchange)



Rate of Inflation

Inflation rate: 18.2%
(2017 actual) (Source: Tradingeconomics)

Inflation rate: 15.5%
(2018 estimate) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (XAF)	Rate
0 – 1 000 000	0%
1 000 001 – 3 million	10%
3 000 001 – 5 million	15%
5 000 001 – 10 million	20%
10 000 001 – 15 million	25%
15 000 001 – 20 million	30%
Over 20 million	35%

Notes

1. Basis – Resident individuals are subject to tax on their worldwide income and non-residents are only taxed on their EG-source income. However,

non-resident individuals are also subject to tax on transactions and services carried out in Equatorial Guinea (EG).

2. Residence – An individual working in EG who is present in the country for more than three months in one calendar year, or more than six months over two years, is considered resident in EG. Individuals working in the oil and gas sector in EG are considered resident only where the individual is present in EG for more than three months in one calendar year. Absences of less than 30 days are not taken into account when computing the period of residence. The residence rule applies to a person who does not work except they would not be subject to taxation.
3. Taxable income – Income from salaries and wages (including benefits-in-kind and cash allowances), pensions, annuities, dividends, interest, royalties, income from self-employment, capital gains etc. and *per diems* for attending directors' board meetings are taxable. Specific allowances to cover expenses relating to the position are not taxable to the extent the expenses are effectively used for their objective and are not excessive. Capital gains accruing to individuals from company mergers are not subject to tax if the new company has its registered

office in EG or another *Communauté Economique et Monétaire d'Afrique Centrale* (CEMAC) state (i.e. Cameroon, Central African Republic, Chad, Congo or Gabon).

4. 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 obtained to build or repair the taxpayer's main residence in EG, alimony and payments made to the welfare fund on behalf of domestic employees. For salaries, wages, pensions and annuities, a lump-sum deduction for business expenses of 20% of income is available, subject to a maximum deduction of XAF 1 million.
5. Rates – Rates for resident individuals are progressive up to 35%. Additionally, benefits-in-kind and cash allowances are taxable at the following rates: housing – 15%; water, electricity, housekeeping and company car – 5%; and food – 20% (imposed on gross salary up to a maximum of XAF 150 000 for food only). Non-resident individuals are subject to a final withholding tax on their gross income from EG sources generally at 10% or 25% (see “Withholding tax,” below). Capital gains are subject to the general tax rate, except for gains realised by non-residents, which are subject to a 25% withholding tax.

Income Tax – Companies

	Rate
Basic rate	35%

Notes

1. Basis – Resident entities are subject to tax on their worldwide income. Non-resident entities are subject to tax on gross income derived from sources in EG.
2. Residence – A commercial entity operating in EG for more than three months in one calendar year, or for more than six months over a two-year period, is considered resident. Companies operating in the oil and gas sector are considered resident in EG only where they operate in EG for more than three months in one calendar year.
3. Taxable income – Taxable income is a company's gross income, less allowable deductions and losses. Dividend income is subject to tax, although a participation exemption applies so that only 10% of net

dividends received by a corporate shareholder is subject to tax where the shareholder holds at least 25% of the shares in the payer and the shares are registered in the name of the shareholder for at least two consecutive years.

Capital gains are treated as ordinary business income, but the taxation of capital gains realised on the disposal of business fixed assets may be deferred for three years if the taxpayer reinvests the gain in new business fixed assets. Capital gains resulting from the gratuitous allocation of certain shares or debentures on the merger of limited liability companies or limited partnerships with share capital are excluded, provided the company arising from the merger has its registered office in EG. Capital gains arising on the assignment or transfer of a company's shares, including on the dissolution of a company, within five years of the date on which the company was formed or the shares acquired, will be assessed at only half of their value (one-third of their value if such an event takes place more than five years after the company is formed or the shares are acquired).

4. Deductions – Expenses incurred that are necessary for carrying out a company's taxable activity in EG are deductible. To be deductible, depreciation must be recorded in the accounting books. A company can defer depreciation claims indefinitely if it is in a loss position.
5. Losses – Losses may be carried forward for up to three years (five years for companies in the oil and gas industry) but may not be carried back. After three consecutive years of losses, companies (except new companies) will be deregistered from the Tax Registry. Losses of one entity may not be transferred to another entity either in a consolidated group or on a corporate merger or other reorganisation.
6. Foreign tax credit – No
7. Group relief – There is no provision for group relief or the transfer of losses between members of a group.
8. Rate – The corporate income tax is a flat rate of 35%.
9. Branch taxation – Branches of foreign companies are subject to tax at the same rate as domestic companies; EG does not levy a branch profits tax.
10. Surtax – A 13% surcharge in the form of an excise tax applies to oil and gas operations. The rate is 10% for production sharing contracts (PSC) entered into before 2016, in accordance with the 1981 Hydrocarbon Law.
11. Presumptive tax – Companies are subject to a minimum income tax (MIT) of 3% of the previous year's turnover. The MIT cannot be less than XAF 800 000 and 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. (Minimum income tax and alternative minimum tax are applied under the same concept.)

12. Oil and gas companies – Special regimes apply to oil and gas operations and the assignment of petroleum license interests. Companies engaged in upstream petroleum operations are subject to corporate income tax on taxable income in accordance with the provisions of the 1994 Hydrocarbons Code.
Royalties are deductible if they are not excessive and if the rights are actually used. Rents are deductible in full.
The following are not deductible for corporate income tax purposes: signature, discovery and production bonuses; annual surface rentals; and interest on loans obtained by the contractor from affiliated companies. Research and exploitation activities are subject to annual surface rental duty at a 13% rate although different rates may apply to PSC entered into before 2006. Payments to resident and non-resident contractors may be subject to withholding tax. Certain customs duty and import duty exemptions apply.

Withholding Tax (WHT)

The following table sets out the applicable WHT rates on dividends, interest and royalty payments made to residents and non-residents (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Resident	Non-resident
Dividends	-	25%
Interest	-	25%
Royalties	-	10%
Technical service fees	-	10%
Capital gains	-	25%
Oil and gas services	6.25%	10%
Mobilisation, demobilisation and transportation services related to oil and gas	5%	0%

Notes

1. A company operating in the oil and gas sector as a contractor or subcontractor must withhold tax at 10% from the wages and income paid to its non-resident contractors and subcontractors. The rate is 6.25% on such payments to residents. Other disbursements and payments for the purchase of equipment (goods) necessary to oil and gas operations generally are not subject to WHT based on "London Agreements." (This was an agreement in 1997 between the EG Government and oil and gas companies, where the types of transactions that would be subject or not subject to the WHT were determined.)
2. Payments related to mobilisation, demobilisation and transportation services related to oil and gas operations on the EG continental shelf are subject to a reduced 5% WHT. Payments related to mobilisation, demobilisation and transportation services outside the EG continental shelf are not subject to EG tax.

Tax Treaties

EG has a treaty with the CEMAC member states to improve tax cooperation between CEMAC administrations and to limit double taxation.

Anti-Avoidance Rules

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 adjustments to sale or purchase prices or interest on loans; there are no specific transfer pricing rules in EG. However, the tax authorities can assess such indirect transfers by comparing them with transactions of similar companies operating at arm's length in EG.

Thin capitalisation

There are no thin capitalisation rules in EG.

Controlled foreign companies (CFCs)

CFC provisions are applied according to decree number 127/2004 which provides that at least 35% of EG nationals should make up the share capital of all companies created in EG, this would require subsidiaries of foreign companies to include EG nationals in their share capital but would not apply to branches of foreign companies. The principle behind this rule is to allow EG citizens to invest in foreign companies established in EG and have economic benefits arising from such commercial activities.

Employment-Related Taxes

Payroll tax

Income tax on employment income is generally collected by the employer via withholding tax at source under the Pay-As-You-Earn (PAYE) system. The employer is responsible for filing a monthly personal income tax return on behalf of the employee and paying the relevant tax.

Social security

Employers and employees make monthly contributions to the National Social Security Fund (INSESO) and the Work Protection Fund. Employer contributions are 1% of the gross salary to the Work Protection Fund and 21.5% to INSESO. The rates for employees are 0.5% of net salary (net after deduction of tax and INESOC contributions) to the Work Protection Fund and 4.5% of gross salary to INSESO. The net salary is based on the administrative practice to calculate and pay both contributions based on the gross salaries



Indirect Taxes

Value Added Tax (VAT)

	Rate
Standard rate	15%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods or services and imports. Companies engaged in business in the oil and gas sector are not subject to VAT in EG.
2. Rates – The standard VAT 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 to a special duty tax at a rate of 30%. The special duty taxes still under VAT but instead of applying 15%, some transactions are assessed at 30% as special duty tax.
3. Registration – 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.

Special duty tax

A standard special duty tax of 30% applies to an exhaustive list of products (mainly luxury goods) in the Tax Code. However, both the Tax Code and CEMAC provisions list special rates for products such as:

- Sparkling wine and champagne – 20% (special duties) and 15% (CEMAC duties)
- Cigars, cigarettes and tobacco – 50% (special duties) and 25% (CEMAC duties) and
- Photographic devices with automatic flashes – 25% (special duties)

Customs and Excise Duties

Customs duties are set by the CEMAC and apply across all CEMAC member states. The rates 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 is, in principle, exempt from customs duties. A 1% integration community tax is collected on imports from outside the CEMAC. An *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA) community tax of 0.5% also is collected on imports from outside the OHADA zone, which comprises 17 African states.

An oil and gas contractor may import all goods (e.g. materials, machinery, equipment, and consumer goods) directly necessary to properly perform the petroleum operations into EG, free of import duties. The goods must be exclusively destined to be re-exported at the end of their use.

A 13% surcharge in the form of an excise tax applies to oil and gas operations. However, the 10% rate under the 1981 Hydrocarbon Law applies to PSC entered into before 2016.

Other Taxes

Inheritance/estate tax

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

Stamp duty

Stamp duty is payable on a variety of instruments and transactions, such as increases of capital, transfers of unquoted shares and property transfers, at rates ranging from 1% to 10%.

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% on such transfers between residents and non-residents; and 5% on all transfers for valuable consideration of goods and chattels and livestock, credits and other rights not expressly specified.

Real property tax

Rural property tax of XAF 100 is levied for each hectare or fraction thereof of the surface area of the property. An urban property tax is levied at 1% on 40% of the sum of the value of the land and the buildings constructed on it.

Other

Other taxes include a tax on vehicle and boat ownership and use, and a tax on the screening and distribution of image and audio recordings.

Tax Administration and Compliance

The responsibility for administering taxes in EG rests with the General Department of Taxation of the Ministry of Finance and Budget.

Companies

1. Tax year – The tax year is the calendar year. A company's financial year must correspond to the tax year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

3. Filing and payment – A return showing the company's results for the fiscal year must be filed by 30 April following the end of the tax year. Minimum tax is payable annually before 31 March which is the first instalment. The final instalment is paid on 30 April as the final corporate income tax.
4. Penalties – A fine of XAF 200 000 per month is levied for late filings, 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% (for deliberate understatement). An understatement of profits, if the understatement is due to miscalculation the administration would deem it a mistake which can be rectified under article 88 of the tax code, however if they can prove that it was done in bad faith penalties would apply. A 50% penalty is imposed for failure to pay the minimum income tax.
5. Rulings – No rulings are available.
6. Tax amnesty: The Presidency declared a waiver of certain tax debts for tax incentives purposes published in the Law no. 9/2017 dated 20 November 2017 which effects the automatic amnesty of corporate income tax, personal income tax, value added tax and land registration duties as follows:
 - A total waiver of non-declared tax debts through Fiscal Year (FY) 2014
 - A 50% waiver of tax debts for FYs 2015 and 2016
 - A 15% waiver of tax debts for FY 2017
 - A fixed rate for land registration duties
 - The waiver of tax debts is opened to taxpayers who have filed their taxes for the FY 2017, and which are not involved in exploration, exploitation and production of hydrocarbons.
 - Qualified taxpayers need to file a Special Tax Return which leads to the signature of a Tax Waiver Agreement with the Tax Administration.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – The head of a family is subject to personal income tax both on his/her own income and on the income of his/her spouse and dependent children, 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.
3. Filing and payment – Tax payments withheld from income from salaries and wages must be paid by the employer by the 15th of the following month. Individuals are not liable to file their own returns, it is the employer's responsibility to do so.
4. Penalties – The same penalties apply as for companies. Additionally, failing to withhold is subject to a 25% penalty and a failure/delay in paying personal income tax withheld is subject to a monthly penalty of 25% of the tax withheld plus 10% interest, capped at 100% of the total tax withheld.

Value added tax

1. Filing and payment – 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.
2. Penalties – Late VAT payments bear interest at 10% and a 50% fine (100% in some cases) is imposed. Delays in the submission of VAT monthly returns bear interest at 10% on the tax due. Reassessment of VAT is fined at a 50% rate (100% if the taxpayer is dishonest). With regard to the unilateral procedure, the fine will be equal to 100% of the amounts due.

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 advance compensation.
- Specific customs and tax incentives are available for certain sectors, such as the oil and gas industry.
- Special incentives are offered under tax regulations for companies located in non-coastal areas, including Annobón.

Exchange Controls

Transfers within the CEMAC zone are not restricted. An advance 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 XAF 100 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. No advance declaration is required when undistributed profits are reinvested, but transfers of at least XAF 1 million outside the CEMAC zone require authorisation. Transfers in excess of XAF 5 million must be made via a bank authorised by the Central Bank to act as an intermediary. Expatriate employees may repatriate part of their earnings on a regular basis, and unlimited transfers may be made to cover family and dependent expenses outside the CEMAC zone.

Expatriates and Work Permits

Expatriates must have a work permit. Foreign employees cannot exceed 10% of the workforce (30% in the oil and gas sector). At least one-third of the board of directors of an EG company must be EG nationals, and EG nationals also must be involved in the management of the company.

Trade Relations

Memberships

- *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA)
- *Communauté Economique et Monétaire d'Afrique Centrale* (CEMAC)
- World Trade Organisation (WTO) (observer status)

Interest and Currency Exchange Rates

Benchmark interest rate

Repo transactions interest rate: 4.20%

Interest rate on tenders: 2.95%

Interest rate on investments: 0%

Minimum credit rating: 2.45%

(Source: *Banque de Etats de l'Afrique Centrale*)

Currency

XAF – All CEMAC members share a common currency, the CFA Franc (XAF). The XAF is linked to the Euro (EUR) at a fixed exchange rate.

ZAR 1 = XAF 44.85 (March 2018) (Source: Oanda)

USD 1 = XAF 531.91 (March 2018) (Source: Oanda)

EUR 1 = CFA 655.957 (Fixed rate) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 10.18 billion
(2017 estimate) (Source: Tradingeconomics)

USD 9.81 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

Not applicable – There is no stock market in EG.



Rate of Inflation

1.5%
(2017 average) (Source: Tradingeconomics)

3.2%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Ethiopian income tax is scheduler and is classified into five.

Schedule A – Employment income

Taxable income (ETB)	Rate	Deduction (ETB)
0 – 600	0%	0
601 – 1 650	10%	60
1 651 – 3 200	15%	142.5
3 201 – 5 250	20%	302.5
5 251 – 7 800	25%	565
7 801 – 10 900	30%	955
Over 10 900	35%	1 500

Notes

1. Basis – Income tax in Ethiopia is based on source and residence. Ethiopian residents are subject to tax on worldwide income. Non-

residents are subject to tax only on 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 resident for the entire tax period.
3. Taxable income – Any income generated is taxable unless specifically exempt. Employment income (including fringe benefits) is taxable, as is income earned from a business and investments. Capital gains on immovable property are subject to tax at 15%; the rate is 30% for gains from the sale of shares and bonds.
4. Exempt employment income (Schedule E see below) – The following income is exempt:
 - Employment income up to ETB 600
 - Pension contributions to the extend exempt from tax under the Public Servants Pension Proclamation or the Private Organisation Employees' Pension Proclamation
 - Employer contributions to retirement benefits up to a maximum of 15% of an individual's monthly salary
 - Amounts paid by employers to cover the actual costs of medical treatment, hardship and other allowances and
 - Transport allowance of up to the lower of ETB 2 200 or 25% of basic salary per month.

5. Rates – Personal income tax rates are progressive up to 35%. These rates also apply to non-residents. In addition, certain payments made to non-residents are subject to a 15% withholding tax (WHT), although this may be reduced in accordance with the terms of a relevant double taxation treaty.

Schedule B – Rental income

Only rental income derived from the lease of buildings by Ethiopian residents is taxed under this schedule. The tax applies to income from the rental of buildings, including amounts received attributable to furniture and equipment where premises are let furnished. For individuals, rates are progressive up to a maximum of 35%.

Schedule C – Business income

Unincorporated businesses and sole traders are taxed as follows:

Taxable business income (ETB)	Rate	Deduction (ETB)
0 – 7 200	Exempt threshold	0
7 201 – 19 400	10%	720
19 401 – 38 400	15%	1710
38 401 – 63 600	20%	3 630
63 601 – 93 600	25%	6 780
93 601 – 130 800	30%	11 460
Over 130 800	35%	18 000

Notes

1. Basis – The accruals basis of accounting applies so that recognised as it is earned and expenses are recognised when incurred.
2. Taxable income – Tax under Schedule C is imposed on the net profits from entrepreneurial activities. Rental income is assessed under Schedule B.

3. Deductible expenditure – There are a number of allowable deductions in determining taxable income, including:
 - Expenditure necessarily incurred by the taxpayer during the year in deriving, securing and maintaining amounts included in business income
 - The cost of trading stock disposed of by the taxpayer during the year
 - The total amount by which the depreciable assets and business intangibles of the taxpayer have declined in value during the year from use in deriving business income using the method specified in the annual Income Tax Proclamation
 - Losses on the disposal of business assets (other than trading stock) disposed of by the taxpayer during the year and
 - Any other deductible amounts as specified in the annual Income Tax Proclamation.
4. Losses – Losses for a tax year shall be carried forward to the following year and the loss shall be allowed as a deduction in computing the taxable income for the following year.
If the taxpayer is not able to wholly deduct a loss in the following year, the taxpayer shall carry the amount not deducted forward to the next year and apply the amount as specified above until the loss is fully deducted. However, a taxpayer shall not carry a loss forward for more than five tax years after the end of year in which the loss was incurred. However, if a loss has been incurred for two years and each of those losses have been carried forward to the following year and a deduction allowed, the taxpayer shall not be permitted to carry forward any further losses.
Losses may be carried back only by taxpayers engaged in long-term contracts who incur a loss in the final year of a contract that they otherwise could carry forward, but are unable to do so as they are ceasing to carry on business in Ethiopia at the end of the contract. In such circumstances, the taxpayer may carry the loss back to offset profits of the preceding tax year. If the loss cannot be fully offset in the prior year, the unrelieved amount may be carried back to the next preceding tax year.
There is no provision for loss carryback for other businesses.
5. Foreign tax credit – If a resident taxpayer has foreign taxable income, in respect of which the resident has paid foreign income tax, the taxpayer will be entitled to a tax credit equal to the lesser of the foreign income tax paid or the tax payable in Ethiopia in respect of the foreign income.

6. Rate – For unincorporated or individual businesses, the business income tax rate ranges from 10% to 35%. Capital gains on immovable property are subject to tax at 15%; the rate is 30% for gains from the sale of shares and bonds.

Schedule D – Other income – Income of non-residents

Notes

1. A non-resident who has derived an Ethiopian source dividend, interest, royalty, management fee, or insurance premium is liable for non-resident tax at the following rates:
 - 5% of the gross amount of an insurance premium or royalty,
 - 10% of the gross amount of a dividend or interest,
 - 15% of the gross amount of the fee for a management or technical fee
2. The first section shall not apply to a dividend, interest, royalty, management fee, technical fee or insurance premium that is attributable to a business carried on by the non-resident through a permanent establishment in Ethiopia, the amount shall then be taxable under Schedule C or D which ever applies.

Schedule E – Exempt income

Exempt income refers to those types of income earned or received that are exempt from income tax

- Subject to the limits set forth in the directive to be issued by the Minister in regard to items specified the following benefits provided to an employee:
 - An amount paid by an employer to cover the actual cost of medical treatment of an employee
 - An allowance in lieu of means of transportation granted under a contract of employment
 - A hardship allowance
 - Transport expenses and per diem payments to an employee travelling on a tour of duty
 - Travelling expenses paid to an employee recruited from place other than the place of employment on joining or completion of employment, including, in the case of a foreign

employment, including, in the case of a foreign employee, travel expenses from and to their country of origin, but only if the travel expenses have been paid pursuant to specific provisions of the employee's contract of employment

- Food and beverages provided for free to an employee by an employer conducting a mining, manufacturing, or agricultural business
- Allowances paid by the Government of the Federal Democratic Republic of Ethiopia to employees engaged in public service in a foreign country
- Allowances paid to members and secretaries of boards of public enterprises, public bodies, or study groups established by the Federal or a State Government or City administration
- Contributions by an employer to a pension, provident, or other retirement fund for the benefit of an employee provided the monthly total of contributions does not exceed 15% of the monthly employment income of the employee
- A pension to the extent exempt from tax under the public servants pension proclamation or the Private Organisation Employees' Pension Proclamation
- An amount derived by the Federal, or a State or Local Government of Ethiopia, or the National Bank of Ethiopia, from activities that are incidental to official operations
- An amount exempt from tax to the extent provided for under an international agreement
- An amount exempt from tax to the extent provided for under a provision (referred to as an "exemption provision") in an agreement entered into by the Government of the Federal Democratic Republic of Ethiopia when the following conditions are satisfied:
 - The agreement is for the provision of financial, technical, humanitarian, or administrative assistance to the Government and
 - The Minister has concurred, in writing, with the exemption

- A public award for outstanding performance in any filed or an award granted under Article 135 of the Tax Administration Proclamation
- An amount as compensation for personal injury or the death of another person
- Subject to Article 59 of this proclamation, a cash amount, or the value of asset, acquired by gift or inheritance, other than a gift that is employment, rental or business income
- A scholarship or bursary for attendance at an educational institution
- Maintenance or child support payments
- The income of a non-profit organisation other than business income that is not directly related to the core function of the organisation
- A cash indemnity allowance paid by an employer to an employee, but only to the extent that the allowance compensates the employee for shortfalls on money counts
- An amount that is specifically exempted from income tax under a law in force in Ethiopia
- Salaries paid to domestic servants
- Payments made by Contractors engaged in petroleum operations to their sub-contractors.

Income Tax – Companies

Companies	Rate
Standard corporate tax rate (Non-mining companies)	30%
Large scale mining companies tax rate Difference between large-scale and small-scale mining is based on the amount of estimated reserve, not by turnover.	25%

Notes

1. Basis – The accruals basis of accounting applies so that income is recognised as it is earned and expenses are recognised when incurred.
2. Residence – A company is resident if it is registered according to Ethiopia's law on commercial registration and its effective management is in Ethiopia.
3. Taxable income – Tax under Schedule C is imposed on the net profits from entrepreneurial activities. Taxable business income is determined per tax period on the basis of the profit and loss account or income statement, which must be drawn up in compliance with International Financial Reporting Standards (IFRS) or IFRS for small- and medium-sized entities, as applicable. Rental income is assessed under Schedule B.
4. Deductible expenditure – There are a number of allowable deductions in determining taxable income, including:
 - Expenditure necessarily incurred by the taxpayer during the year in deriving, securing and maintaining amounts included in business income
 - The cost of trading stock disposed of by the taxpayer during the year
 - The total amount by which the depreciable assets and business intangibles of the taxpayer have declined in value during the year from use in deriving business income using the method specified in the annual Income Tax Proclamation
 - Losses on the disposal of business assets (other than trading stock) disposed of by the taxpayer during the year and
 - Any other deductible amounts as specified in the annual Income Tax Proclamation.
5. Losses – Losses may be carried for two years but a loss may not be carried forward for more than five tax years after the end of the year in which ordinary business losses have incurred. Capital losses may be carried forward indefinitely and offset against capital gains of the same class. Losses may be carried back only by taxpayers engaged in long-term contracts who incur a loss in the final year of a contract that they otherwise could carry forward, but are unable to do so as they are ceasing to carry on business in Ethiopia at the end of the contract. In such circumstances, the taxpayer may carry the loss back to offset profits of the preceding tax year. If the loss cannot be fully offset in the prior year, the unrelieved amount may be carried back to the next preceding tax year.
There is no provision for loss carry-back for other businesses.

6. Foreign tax credit – If a resident taxpayer has foreign taxable income, in respect of which the resident has paid foreign income tax, the taxpayer will be entitled to a tax credit equal to the lesser of the foreign income tax paid or the tax payable in Ethiopia in respect of the foreign income.
7. Group relief – There are no provisions allowing for group relief or the transfer of losses between members of a group.
8. Rate – The corporate income tax rate is 30% for non-mining companies and 25% for mining companies. Capital gains on immovable property are subject to tax at 15%; the rate is 30% for gains from the sale of shares and bonds. A 30% rate applies to rental income assessed under Schedule B.

Withholding Tax (WHT)

The WHT rates on various types of payment are as follows:

Payment	Residents	Non-residents
Dividends	10%	10%
Interest on deposits	5%	10%
Royalties	5%	5%
Technical or management service fees	2%	15%/10% for Mining

Notes

1. Dividends – The WHT is a final tax for residents. For dividends paid to non-residents, the tax may be reduced or eliminated by a relevant tax treaty.
2. Interest-On local deposits, the rate is 5% for residents and 10% for non-residents. On payments to non-resident loan providers (banks or shareholders that are third party and related) the rate is 10%. The WHT is a final tax for residents. The application of the tax treaty results in a reduction in the rate of Ethiopian tax.
3. Royalties – The WHT is a final tax for residents. For royalties paid to non-residents, the tax may be reduced or eliminated by a relevant tax treaty.
4. Technical service fees are defined as fees for “any kind of expert advice or technological service rendered.” The tax withheld is treated as a payment of advance profit tax for residents. For technical service fees paid to non-residents, the tax may be reduced or eliminated by a relevant tax treaty.

Tax Treaties

Ethiopia has concluded tax treaties with the following countries. The treaties with Kuwait and Russia are not yet in force:

Country	Dividends	Interest	Royalties
China (PRC)	5%	7%	5%
Cyprus	5%	5%	5%
Czech Republic	10%	10%	10%
France	10%	5%	7.5%
India	7.5%	10%	10%
Ireland	5%	5%	5%
Israel ^{1,2}	5%/10%/15%	5%/10%	5%
Italy	10%	10%	20%
Korea (ROK)	5%/8%	7.5%	5%
Kuwait ^{3,4}	0%/5%	0%/5%	30%
Netherlands	5%/10%	5%	5%
Portugal	5%/10%	10%	5%
Romania	10%	15%	15%
Russia	5%	5%	15%
Saudi Arabia	5%	5%	7.5%
Singapore	5%	5%	5%
South Africa	10%	8%	20%
Tunisia ⁵	5%	11%	5%
Turkey ⁶	10%	10%	10%
United Kingdom	10%/15%	5%	7.5%

Notes

1. The dividends WHT rate may be reduced if certain levels of shareholdings are held as in the case of Israel.
2. Interest charged shall not exceed: a) 5 per cent of the gross amount of the interest in the case of interest arising in a Contracting State and paid on any loan of whatever kind granted by a bank of the other Contracting State; and b) 10% of the gross amount of the interest in all other cases.
3. Under the Ethiopian treaty, the rate is of 0% for the interest paid to entities in which the government owns a specified percentage of the equity and for interest paid on loans guaranteed by the government.
4. The rate is 0% for dividends paid to the government of Kuwait or any of the institutions or any intergovernmental entities. The rate is 5% for other dividends.
5. The rate of 0% for loans granted by financial institutions, the capital of which is held at least up to 50% by the Ethiopian state, its political subdivisions, or local authorities.
6. Interest is 0% when paid to the government or the central bank otherwise interest is 10%.

Anti-avoidance**Transfer pricing**

Transfer pricing legislation regulates cross-border transactions involving goods or services between related parties. The rules allow the Revenue and Customs Authority to disallow certain expenditure or adjust income if the contract price is less or more than the arm's length price.

Thin capitalisation

If a foreign-controlled resident company, other than a financial institution, has an average debt to average equity ratio in excess of 2:1 for a tax year, no deduction is available for the interest paid by the company during that year on the portion of the loan that exceeds the prescribed threshold.

Controlled foreign resident company

CFRC means a resident company in which more than 50% of the membership interests in the company are held by a non-resident either or together with a related person or persons.

Social security

The employer must contribute to the social security scheme on behalf of the employee at a rate of 7% of basic salary. The employee's contribution is 11%.

Indirect Taxes**Value Added Tax (VAT)**

VAT	Rate
Standard rate	15%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services in Ethiopia and on imports. Non-business organisations are exempt from charging VAT on services, but are not exempt from paying VAT on services or goods purchased unless exempted by a relevant bilateral agreement.
2. Rates – The standard VAT rate is 15%. Exports of goods and services are zero-rated.
3. Registration – A person that carries on taxable activity and is not registered for VAT is required to apply to the tax authorities for VAT registration if: at the end of any period of 12 calendar months the person made, during that period, taxable transactions with an aggregate value exceeding ETB 500 000; 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 ETB 500 000.

Turnover tax

Turnover tax is levied at a rate of 2% on goods sold locally and contractor services; and 10% in other cases.

Customs and import duties

Ethiopia is a member of the Customs Cooperation Council.

Ethiopia has reduced customs duties on a wide range of imports and duties are levied at rates ranging from 0% to 35%. Rates on category one goods (e.g. raw materials, semi-finished goods, producers' goods, and items imported for public use such as minibuses, buses etc.) range from 0% to 10%. The rates are 20% to 35% for category two goods (consumer or finished goods imported for personal use or for a non-productive purpose). Visitors are allowed to import items up to a specified value duty-free.

Excise tax applies on a variety of goods.

All importers and exporters must be registered with the Ministry of Trade and obtain a trading license. 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.

Other Taxes

Stamp duty

The following instruments are subject to stamp duty:

- Memoranda and articles of association of a business organisation, cooperative or any other form of association
- Awards, bonds and warehouse bonds
- Contracts, agreements and memoranda
- Security deeds
- Collective agreements
- Contracts of employment
- Leases, including sub-leases and transfers of similar rights
- Notarial acts
- Powers of attorney and
- Documents of title to property.

Tax on gains from transfer of certain investment property

Gains arising from the transfer (i.e. sale or gift) of a building held for commercial purposes are taxable at 15%. Gains arising from the transfer of shares are taxed at 30%.

Gains arising from the transfer of a residential property are exempt from tax provided the building is fully occupied for residential purposes for two years before the date of transfer. Any person authorised by law to accept, register, or in any way approve the transfer of capital assets may not do so before ascertaining that the payment of the tax has been made.

Land use tax

The regional states have their own land use rent systems, with rates differing depending on the region.

Tax Administration

Tax is administered in Ethiopia by the Revenue and Customs Authority.

Corporations

1. Tax year – The taxable period is the accounting period
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return
3. Filing and payment – The tax return must be filed within four months after the end of the accounting period
4. Penalties – Penalties are imposed for late filing, failure to file or understating income. Penalties range from administration penalty such as financial fines to criminal penalties such as imprisonment on those who do not comply with the regulations. The administrative penalty includes the sell or seizure of tax-payer's property and pays the tax. The criminal penalty includes Imprisonment and fine
5. Rulings – There is no provision for advance rulings under Ethiopian tax legislation.

Individuals

1. Tax year – The tax year runs from 8 July to the following 7 July.
2. Tax filing – Each taxpayer must file a return. Spouses are not permitted to file joint returns.
3. Filing and payment – A pay-as-you-earn (PAYE) system is used for employment income, under which the employer withholds tax on the individual's wages. An individual is required to file if he/she derives any other income from employment.
4. Penalties – Penalties are imposed for late filing, failure to file or understating income. Penalties for failure to pay tax may take the form of administrative penalties, including the sale or seizure of the taxpayer's property to pay the tax due or criminal penalties, including imprisonment and a fine.

Value added tax

1. Filing and payment – Returns must be filed and the tax due paid on a monthly basis.
2. Penalties – Penalties are imposed for failure to register for VAT, issuance of tax invoices when not registered, issuance of incorrect tax invoices and failure to issue a VAT tax invoice. Penalties range from administration penalty such as financial fines to criminal penalties such as imprisonment on those who do not comply with the regulations.

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 import of capital goods (except computers and vehicles), opens the real estate sector to foreign investors, extends the relief for losses carried forward and gives priority to investors for the lease of land
- Certain sectors are, however, reserved to domestic investors. These 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 are no discriminatory or excessively onerous visa, residence or work permit requirements applicable to foreign investors.

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 qualifying areas:

- Exemption from customs duties for certain eligible investors
- Income tax holidays
- Duty draw-back schemes
- Voucher schemes and
- Bonded manufacturing warehouse schemes.

Export incentives

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

Exchange Controls

All foreigners are required to open accounts denominated in Ethiopian Birr (ETB) with one of the commercial banks or authorised dealers or with special permission from the National Bank of Ethiopia. Credits to the accounts can be made only with foreign exchange receipts from abroad or checks from other similar accounts. Credits between two locally based accounts are not permitted. Checks from Ethiopian nationals, ETB cash and funds from a locally paid working spouse may not be deposited without approval from the National Bank. International personnel may make payments for rent, air tickets, school fees and purchases from duty-free shops by check or in cash.

Foreigners may remit limited funds abroad from their earnings deposited in local accounts after the deduction of what is considered a reasonable amount for local living expenses. Such cases are considered individually. Foreign currency may be drawn on presentation of a confirmed air ticket for international travel. On final departure from Ethiopia, 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 and export regulations

Foreign currency exceeding the equivalent of USD 3 000 must be declared to customs upon arrival in the country. The exchange of foreign currency is permitted only via authorised banks. Currency up to the equivalent of USD 40 000 may be exported.

Expatriates and Work Permits

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

The eligibility criteria for obtaining a work permit are set by the Ministry of Labour and Social Affairs. The requirements may differ depending on the type of organisation that intends to hire the expatriate worker or depending on the type of permit sought (i.e. a new work permit, renewal of an existing permit or clearance for a permit). The hiring organisation must comply with all requirements, a recommendation letter must be obtained from all relevant government departments based on the type of work for which the work permit is requested, and documentary evidence of educational qualifications and work experience must be submitted.

A work permit for expatriates working for a foreign investor upon submission of an investment permit is issued by the Ministry of Labour and Social Affairs.

Trade Relations

Memberships

- African Development Bank Group (AfDB)
- African Union
- Common Market for Eastern and Southern Africa (COMESA)
- Group of 24 (G24)
- Group of 77 (G77)
- African, Caribbean and Pacific Group of States (ACP)
- World Trade Organisation (WTO) (observer)

- International Monetary Fund (IMF)
- United Nations (UN) various memberships
- World Federation of Trade Unions (WFTU)
- World Customs Organisation (WCO)

In addition, Ethiopia has signed a number of bilateral and multilateral treaties to enhance economic cooperation and facilitate trade.

Interest and Currency Exchange Rates

Monetary policy rate

Interest rate = 7% (2018)

Deposit interest rate = 5% (2018)

Lending rates are determined by individual banks
(Source: National Bank of Ethiopia)

Currency

Ethiopian Birr (ETB), subdivided into 100 cents

ZAR 1 = ETB 2.29 (March 2018) (Source: Oanda)

USD 1 = ETB 27.21 (March 2018) (Source: Oanda)

EUR 1 = ETB 33.55 (March 2018) (Source: Oanda)

Notes

1. In Ethiopia, interest rate decisions are made by the Monetary Committee of the National Bank of Ethiopia. The official rate is the Bank's Savings Rate.

Key Economic Statistics



GDP
(approximate)

USD 72.37 billion
(estimate 2017) (Source: Tradingeconomics)

USD 75.74 billion
(forecast 2018) (Source: Tradingeconomics)



Market Capitalisation

Not applicable, Ethiopia does not have a stock exchange. The government issues treasury bills for its money market operations.



Rate of Inflation

13.4%
(average 2017) (Source: Tradingeconomics)

9.4%
(forecast 2018) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (XAF)	Rate
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%
5 160 001 – 7 500 000	25%
7 500 001 – 11 000 000	30%
Over 11 000 001	35%

Notes

1. Basis – Residents are taxed on worldwide net income. Non-residents are taxed only on Gabon-source income.

2. Residence – Individuals having their usual abode or spending at least six months in Gabon are considered resident. An individual normally is considered to have 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. Exempt income – Capital gains from the sale of real property are exempt in certain cases. Capital gains on share disposals also can be exempt, subject to conditions.
5. Deductions and allowances – Deductions and allowances are available mainly based on family situations and include alimony, pension contributions (subject to limits), etc.
6. Rates – The individual tax rates on ordinary income are progressive and range from 0% to 35% for both residents and non-residents. Taxable capital gains derived from the sale of securities are taxed at 20%.
7. Complementary tax on salaries (TCS) – see below under Payroll taxes.

Income tax – Companies

	Rate
Standard corporate rate	30%
Companies operating in oil and mining sectors	35%
Public businesses, associations, non-profit organisations, certain real estate companies, authorised companies in the tourism sector, companies holding intellectual property titles and the Gabonese Bank of Development	25%

Notes

1. 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.
2. Residence – A corporation is resident if it is registered as a Gabonese company and is incorporated in Gabon.
3. Taxable income – Corporation tax is assessed on income earned by businesses on operations or activities carried out in Gabon (even if not effectively managed in Gabon), subject to the application of a relevant tax treaty. The taxable income of both resident and non-resident companies is the net income earned during the taxable period, including, without limitation, capital gain from the disposal of assets. Taxable income also includes capital gains resulting from the transfer of shares directly or indirectly held in a company incorporated 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 gain in new fixed assets within this period. Capital gains resulting from mergers or split or partial transfers of assets also are excluded, subject to certain conditions. Dividends are subject to tax under the rules for withholding tax (WHT), see below.)
4. Deductions – Expenses are deductible unless explicitly prohibited under the General Tax Code (GTC), e.g. due to lack of documentation, the nature of the expense or where a specific threshold is exceeded.
5. Losses – Tax losses may be carried forward for up to five years, but may not be carried back.
6. Foreign tax credit – A foreign tax credit may be obtained only for tax paid to jurisdictions with which Gabon has concluded a tax treaty (except where the special group tax regime applies) and, in the case of foreign tax withheld from dividends received from a non-resident, only if the tax treaty provides for such a credit.
7. Group relief – A special group tax regime applies to Gabon resident holding companies that own (directly or indirectly) participations of at least 50% of the share capital of other resident or non-resident companies. Ownership requirements are deemed met where the company (directly or indirectly) holds the majority of the voting rights or 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 financial, technical, accounting, legal, management, information technology, human resources, marketing, research and development and other services. A holding company whose sole purpose is to hold shares in its subsidiaries is not qualified to participate in the special group tax regime. The following benefits apply under the regime:
 - Capital gains on the transfer of assets between group member companies are subject to a final 20% tax rate
 - Head office expenses and technical assistance fees paid between group companies are deductible, subject to an advance pricing agreement
 - Interest on current accounts is fully deductible; however, the interest rate must not exceed the Central Bank rate increased by two percentage points
 - Rental payments between group members for movable assets are deductible
 - An exemption from the 20% WHT is granted on fees, royalties, services or interest paid to non-resident group member companies
 - A tax-sparing credit is granted on income from moveable capital (for example, dividends) received from foreign sources that has been subject to similar taxation in the source country, even in the absence of a relevant tax treaty. 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, and a 10% WHT applies on dividend payments paid by the holding company to its shareholders.
8. Rate – The standard corporate tax rate is 30%. A 35% rate applies to oil and mining companies. A 25% rate applies to public businesses,

- associations, non-profit organisations, certain real estate companies, authorised companies in the tourism sector, companies holding intellectual property titles and the Gabonese Bank of Development. Capital gains are taxed as ordinary business income.
9. Branch taxation – Branches of foreign companies are subject to a 20% tax on repatriated earnings (10% where the foreign company is located in a country that has signed a tax treaty with Gabon) in addition to the corporate income tax, unless otherwise provided under a relevant tax treaty.
 10. Alternative minimum tax – Companies are subject to a minimum tax of 1% of “adjusted global gross turnover” or corporate income tax of not less than XAF 1 million, whichever is higher. Newly incorporated companies usually are exempt from the minimum 1% tax and the minimum corporate income tax during their two initial financial years, irrespective of their sector of activities.

Withholding Tax (WHT)

The rates of WHT on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

	Residents	Non-residents
Dividends	10%/20%	10%/20%
Interest	20%	20%
Royalties	-	20%
Technical service fees	9.5%	20%

Notes

1. Dividends – A 10% rate applies to dividends paid to corporate shareholders that are resident in Gabon or another Central African Economic and Monetary Community (CEMAC) state where:
 - The shareholder owns at least 25% of the shares of the payer
 - The head offices of the shareholder and the payer are located in Gabon or another CEMAC state and
 - The shares remain registered in the name of the shareholder for at least two consecutive years.

2. Interest – Interest paid by a Gabonese company to a non-resident entity is subject to a 20% 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 20%.
4. Technical service fees – Technical service fees paid by Gabonese entities to resident entities that are subject to corporate income tax but not 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 20%. If the technical service performed by the resident or non-resident entity is used in Gabon, the technical service fees also are subject to 18% VAT.

Tax treaties

Gabon has concluded tax treaties with the following countries:

	Dividends	Interest	Royalties/Technical service fees
Belgium	18%	15%	10%
Canada	15%	10%	10%
France	15%	10%	10%
Morocco	15%	10%	10%

Anti-Avoidance Rules

Transfer pricing

Transactions with related parties resident outside Gabon or with related or unrelated parties established in a low-tax or a non-cooperative jurisdiction that are not conducted at arm's length are considered abnormal acts of management and are subject to adjustment (to the arm's length price) by the tax authorities. Abnormal acts of management include payments of expenses and any other form of advantage granted without equivalent compensation.

Transfer pricing documentation requirements apply, which include the preparation of a “local file” and a “master file.” The local file must be filed with the tax authorities on or before the due date of the income tax return for the reporting year (i.e. by 30 April of the year following the reporting year). The master file must be maintained by the taxpayer for inspection at the request of the tax authorities and must be prepared by the filing deadline for the income tax return of the group's ultimate parent company; however, the tax authorities recently have indicated that they may request the master file to be provided with the local file.

Penalties apply for failure to comply with the transfer pricing documentation requirements, in an amount equal to 5% of the company's total intra-group transactions, with a minimum fine of XAF 65 million per fiscal year.

Thin capitalisation rules

Thin capitalisation rules were introduced by the Finance Act for 2018 (Law no. 021/2017 dated 26 January 2018) and apply as from 1 January 2018. These rules treat as non-deductible the amount of interest expense due to a related party that exceeds the highest of the following amounts:

- The interest expense calculated on the average amount of related party debt for the period, limited to 1.5 times the company's equity (at the opening or closing of the financial year);
- The amount of interest income from related parties; or
- 25% of the company's adjusted recurring income before taxes.

Disallowed interest can be deducted in subsequent years, subject to conditions; however, the disallowed amount is reduced by 10% each year. Interest relating to a debt guaranteed by a related party is considered related party interest.

Interest paid to a related party located in a low-tax or a non-cooperative jurisdiction is not deductible.

From a corporate law standpoint, as per the *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA) Uniform Act, where the company has suffered losses, shareholders' equity should remain above half of the company's authorised share capital or be reconstituted.

Employment-Related Taxes

Payroll tax

Personal income tax due by the employee on salaries and other employment income must be withheld by the employer at the applicable progressive rates and remitted to the tax authorities within the first 15 days of the month following the salary payment. An additional tax, *Taxe complémentaire sur les salaires* (the complementary tax on salaries), must be withheld at a rate of 5.5% by the employer and remitted by the same deadline.

Social security

Social security contributions are payable by both employers and employees. The employee's contribution is withheld by the employer from salary payments. The contribution amounts are as follows:

- Contributions to the National Fund for Social Security (CNSS) are payable at a rate of 2.5% for the employee and 16% for the employer, on an annual upper limit of XAF 18 million including benefits in kind and excluding reimbursements of expenses and allowances.
- Contributions to the National Fund for Health (CNAMGS) are payable at a rate of 2% for the employee and 4.1% for the employer, on a monthly upper limit of XAF 2.5 million.

Professional training tax (PTT)

PTT is imposed on the gross monthly remuneration of each employee, subject to certain limits, at a rate of 1%. The PTT is levied monthly by the employer and paid to the Gabonese budget by the 15th day of the month following the salary payment.



Indirect Taxes

Value Added Tax (VAT)

	VAT
Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods or services in Gabon and on the import of goods or services.
2. Rates – 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.
3. Registration – Taxpayers fall outside the scope of VAT and are not required to register where their annual revenue is below XAF 60 million.

Solidarity special contribution (SSC)

SSC

Rate	1%
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Notes

1. Taxable transactions – SSC is levied on the supply of goods or services used in Gabon and upon the importation of goods.
2. Rates – The rate is 1%.
3. Registration – Taxpayers fall outside the scope of the SSC if their annual turnover is below XAF 30 million. A foreign service provider without a permanent establishment in Gabon is required to designate a solvent accredited representative resident in the Gabonese territory who is jointly and severally liable for the SSC payment.

Customs and Excise Duties

As a member of CEMAC, which comprises countries from Central Africa, merchandise entering Gabon and any other CEMAC territory is subject to importation duties under the customs tariff laws. A standard regime, as well as exemption, temporary admission and reduced tax regimes apply.

Merchandise entering Gabon also is subject to the community tax of integration (CCI) regime at a rate of 0.4% and to the OHADA withholding duty at a rate of 0.05% of the customs value of the imported merchandise. In addition, as from 2018, a 0.2% African Union Tax is levied on goods imported into Gabon from outside the union, computed on the same basis.

Excise duty mainly applies to luxury goods and alcohol, as well as sales of second-hand cars and telecommunications.

Other Taxes

AGEOS royalty

Under the Finance Act for 2018, all beneficiaries of wood, mining, agricultural or hydrocarbon exploitation rights are required to provide the Geo-space Agency with details about their permits and pay a yearly royalty ranging from XAF 50 to XAF 300 per hectare, depending on the nature of the permit.

Inheritance/estate tax

Inheritance tax is imposed at rates that vary according to the heir's family relationship and the net amount of the inheritance (i.e. an exemption or rates from 1% to 35%).

Stamp duty

Stamp duty at various rates is imposed on certain instruments, such as corporation charters, corporation minutes and the transfer of shares and deeds. The amount of stamp duty payable usually is not significant.

Capital duty

A fixed or proportional duty applies to transactions that impact a company's share capital (e.g. the increase of share capital by a cash contribution is subject to a fixed duty of XAF 50 000, and the increase by capitalising reserves is subject to a proportional duty of 1%).

Rental tax

Owners of real estate are subject to a 15% tax on rental income. An advance 5% tax must be withheld from rent paid by a Gabonese resident to a Gabonese individual, which may be offset against the personal income tax due by the individual for the same period. The tax withheld is payable to the tax authorities by the 15th day of the month following the rental payment. The amount generally is withheld by the tenant, individual or company, except if the tenant is an individual and if a real estate agency, real estate manager or an "SCI" (real estate company) is involved in the payment scheme.

Transfer tax

Transfers of shares are subject to a transfer tax equal to 3% of the sales price. A transfer of a business, or customers, is subject to a 6% transfer tax. An additional 2% payable on transfers of assets (transfers of a going-concern) located in Libreville, Akanda, Owendo or Port-Gentil.

Tax authorities and compliance

Tax is administered in Gabon by the *Direction Générale des Impôts*.

Companies

1. Tax year – The tax year is the calendar year, but can be shorter or longer in certain cases.
2. Consolidated returns – There is no system of group taxation in Gabon. Taxable companies are taxed separately.
3. Filing and payment – Corporate tax returns normally are

due by 30 April of the year following the tax year. Advance payments of corporate income tax are due by 30 November of the tax year and the following 30 January.

4. Penalties – Taxpayers that file their returns late are subject to a 5% penalty before and to a 10% penalty within seven days following receiving a notice from the tax authorities. Those who fail to file their tax returns within seven days following the notice are subject to automatic (estimated) taxation and a 100% penalty (150% for second and future offenses). Late payments are subject to a 10% penalty for the first month and a 3% penalty and 3% for subsequent months.
5. Rulings – Rulings are not a regular practice, but may be obtained from the tax authorities in certain cases.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Married persons may file an individual or joint tax return.
3. Filing and payment – The income tax return generally must be filed before 1 March of the year following the tax year. Tax on employment income withheld by the employer from the employee's salary during a month is remitted to the tax administration by the 15th day of the following month. The tax authorities will issue a tax notice to be paid within 2 months for any remaining tax due.
4. Penalties – Taxpayers who 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.

Value added tax/Solidarity special contribution

1. Filing and payment – VAT returns (including nil returns) and payments are due monthly by the 20th day of the following month. SSC returns must be filed monthly by the 20th day of the following month.

2. Penalties – Taxpayers that file their returns late are subject to a 5% penalty before and to a 10% penalty within seven days following receiving a notice from the tax authorities. Those who fail to file their tax returns within seven days following the notice are subject to automatic (estimated) taxation and a 100% penalty (150% for second and future offenses). Late filing of a VAT return giving rise to estimated taxation results in the loss of the right to offset input VAT and carry forward VAT credits. If the declaration does not show any VAT due, the penalty is XAF 100 000, and is increased to XAF 200 000 per month of delay as from the issuance of a notice by the tax authorities, capped at XAF 2 000 000. Late payments are subject to a 10% penalty for the first month and a 3% penalty every subsequent month.

General Investment Information

Investment Incentives

General Incentives

- Gabon's legal system prohibits (i) discrimination against enterprises owned by foreigners in favour of those owned by nationals; and (ii) the expropriation or nationalisation of assets without just and equitable compensation.
- There are specific incentives for activities in some industries, such as oil, timber, cement, hardware, airport infrastructure development, regulatory "agency of posts" and telecommunications, mines and tourism, and for new businesses.
- Specific tax, social and customs 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 a corporate tax exemption for 10 years for new companies, and VAT, WHT, property tax and import duty exemptions for 25 years.

- Social incentives are offered for the recruitment of employees in certain special economic zones.

Tax Incentives

- Companies in the cement production sector are eligible for a seven-year period of exemption from corporate income tax; a reduction of the WHT rate from the standard 20% rate to 10% on the distribution of dividends and interest payments; a 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 corporate income tax and from the minimum tax; a five-year period of exemption from WHT on the distribution of dividends and interest payments; application of the declining balance depreciation method for certain equipment; and the creation of a special renewal reserve for certain equipment.
- A reduced 5% customs duty rate applies on imports of personal computers, and a registration duty of 1% applies on contributions in kind upon a company's formation or an increase of share capital.
- Oil subcontractors are allowed to maintain their local accounts based on the OHADA Simplified Accounting Standards.
- Enterprises operating a hotel business in the tourism sector that make a new minimum investment of XAF 300 million (taxes excluded) are exempt from corporate income tax during their first three years of business activity.
- For businesses in the tourism sector in Gabon that make investments below XAF 300 million (authorised by the

ministries in charge of tourism and finance), corporate income tax is reduced by a tax credit equal 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 exempt from income tax during their first five years of business activity following the end of the construction period of the project. A construction project would be elected for tax benefits. After the five-year exemption period, only half of the taxable profit is subject to income tax for the 5 following years.
- Newly incorporated companies are exempt from the minimum corporate tax during their first two tax years, irrespective of their sector of activity.
- Oil subcontractors are eligible for a simplified income tax regime. Companies benefiting from the simplified tax regime are required to exclusively operate within the framework of petroleum operations. The option for the simplified tax regime is not revocable during a two-year period, which is renewable once without exceeding a total period of four years.

Exchange Controls

Inward direct investment requires prior declaration when the investment exceeds XAF 100 million. "Inward direct investment" means a participation of 10% or more in the share capital of a company. Loans obtained by Gabonese companies from a foreign company also require prior authorisation when the amount exceeds XAF 100 million. The reinvestment of undistributed profits is not subject to prior declaration. Transfers outside the CEMAC zone require prior declaration, except those below XAF 1 million.

The transfers must be made through banks authorised by the Central Bank to act as intermediaries. An import license 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, and costs vary depending on the country of residence.

Work/residence permit

There are three stages to the work/residence 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 and costs XAF 250 000
- Entry authorisation application – Once work authorisation is received, the applicant must apply to the *Direction Générale à la Documentation et l'Immigration* (DGDl) to obtain “entry authorisation”. This process takes approximately 10 business days and costs XAF 45 000
- Residence permit application – If the applicant is planning to stay in Gabon for a period that exceeds 90 days, a residence permit also is required. Applications must be sent to the DGDl. This process takes two weeks. The cost of the permit depends on the nationality of the individual applicant.

Expatriate employees staying in Gabon for more than three months, and their Gabonese employer, have to contribute to the CNSS and CNAMGS (see “Social security,” above).



Trade Relations

Memberships

- Economic and Monetary Community of Central Africa (CEMAC)
- *L'Union Africaine* (UA)
- *L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA)
- *Union Douanière et Économique de l'Afrique Centrale* (UDEAC)
- *Union Monétaire de l'Afrique Centrale* (UMAC)
- *Organisation Commune Africaine et Malgache* (OCAM)

Interest and Currency Exchange Rates

Monetary policy rate

Repo interest rate: 4.20%

Interest rate on tenders: 2.95%

Interest rate on investments: 0.0%

Minimum credit rating: 2.45%

(Source: *Banque de Etats de l'Afrique Centrale*)

Currency

Gabon's currency is the CFA Franc (XAF), which is linked to the euro at a fixed exchange rate and is the currency for six independent states in central Africa: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon.

ZAR 1 = XAF 44.85 (March 2018) (Source: Oanda)

USD 1 = XAF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XAF 655.957 (fixed rate) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 14.21 billion
(2017 estimate) (Source: Tradingeconomics)



Market Capitalisation

Not available. There is no stock market in Gabon.



Rate of Inflation

0.0%
(2017 average) (Source: Tradingeconomics)

3.15%
(2018 forecast) (Source: Tradingeconomics)



The Gambia



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Income Tax – Individuals

Personal income tax is calculated according to a schedule provided by the General Tax Code. The Gambia has a progressive rate system. The bands of taxable income for 2018 and associated tax rates are as shown below.

Taxable income (GMD)	Rate
0 – 24 000	0%
24 001 – 34 000	5%
34 001 – 44 000	10%
44 001 – 54 000	15%
54 001 – 64 000	20%
Over 64 000	25%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax on most Gambian-source income unless otherwise provided by an applicable tax treaty.
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. Taxable income – Income is taxed under a scheduler system. Employment income, including most employment benefits, is taxable. Profits derived from carrying on a trade or profession by individuals is generally taxed under the Pay-As-You-Earn (PAYE) system.
4. Deductions and allowances – Retirement benefit contributions to approved pension funds may be deducted up to the lesser of 25% of employment income reduced by the employer's contributions or GMD 24 000 per tax year. The annual personal allowance (the amount of tax free income) was increased to GMD 24 000 as from 1 January 2018 (previously GMD 18 000).

5. Rates – Individual income tax, for both resident and non-residents, is levied at progressive rates up to a maximum of 25% (reduced from 30% as from 1 January 2018). Income from immovable property generally is subject to tax at the standard tax rates. However, income from the rental of residential and commercial properties is subject to a final tax at the rate of 8% and 10%, respectively. Capital gains are subject to capital gains tax (see below).
6. Foreign tax relief – Foreign source employment income received by a resident individual is exempt from income tax if the individual has paid foreign income tax in respect of the income. However, where the foreign source income is included in the resident individual's gross income for tax purposes, relief is given equal to the lesser of: (a) the foreign income tax paid and (b) The Gambian income tax payable in respect of the net foreign source income received. If a resident has a foreign business loss for a tax year, the amount of the loss can be carried forward for six years and offset against the individual's foreign source income on a "first-in, first-out" (FIFO) basis.

Income Tax – Companies

Resident company	Tax rate
Normal corporate tax rate	27%
Alternative minimum tax (AMT)	1% (2%) of gross revenue for audited (unaudited) accounts respectively

Notes

1. Basis – Resident companies are taxed on their worldwide income; non-resident companies are taxed only on their Gambian source income.
2. Residence – A company is resident in The Gambia in a tax year if it was incorporated or formed under the laws of The Gambia, or if the control and management of the company's business are exercised in The Gambia at any time in the tax year.
3. Taxable income – Taxable profit is calculated by adjusting the accounting profits for allowable and disallowed expenses for tax purposes.
4. Corporate income tax – Corporate entities in The Gambia are subject to corporate income tax, which comprises two elements: (i) advance tax,

paid quarterly and which is based on revenue/turnover for the period; and (ii) annual corporate income tax based on either taxable profit or revenue/turnover for the tax year. Advance tax is not a final tax and is credited against the total tax liability assessed for the year.

5. Deductions – Normal business expenses generally are deductible in computing taxable profits. A deduction is allowed for interest incurred if the company used the proceeds or benefit of the debt on which the interest is payable in deriving gross income. Unrelieved interest may be carried forward for a period of six years on a FIFO basis.
6. Losses – Business losses may be carried forward for six years and allowed as a deduction in computing chargeable income. The carryback of losses is not permitted.
7. Foreign tax credit – Foreign tax paid may be set off against a Gambian tax liability on the same income, but the credit is limited to the amount of Gambian tax payable on the foreign income.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rates – The standard corporate tax rate is 27% for 2018 (reduced from 30% for 2017). Capital gains are subject to capital gains tax (see below). Dividends and certain other payments are subject to withholding tax. A 10% tax is imposed on the gross amount of rental income from property that is used for commercial purposes.
10. Branch taxation – Branch profits are subject to corporation tax in the same way as profits of resident companies in The Gambia. There is no branch remittance tax.
11. Alternative minimum tax – An AMT equal to 1% and 2% of gross revenue for audited and unaudited accounts, respectively, is payable at the end of every quarter in the calendar year or in a relevant quarter for entities with a special tax year.

Capital Gains Tax

Capital gains tax is levied on the disposal of capital assets by individuals or entities. The disposal of a private residence or agricultural land is exempt from capital gains tax if it fulfills conditions in the Income and Value Added Tax Act 2012.

Companies

Capital gains tax for companies is payable at a rate of 25% of the gain or 10% of the consideration, whichever is greater. No tax is payable if the gain does not exceed GMD 24 000. A capital asset includes 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.

Individuals

Capital gains tax for individuals is payable at a rate of 15% of the gain, or 5% of the consideration, whichever is greater. Capital assets include shares held in a company. Generally, the CGT rules for companies also apply, as appropriate, to capital gains derived by a resident individual.

Withholding Tax (WHT)

Individuals or entities making certain types of payment are required to withhold tax at rates as shown below and remit the amount withheld to The Gambia Revenue Authority (GRA). Exemptions may apply in certain cases.

Payment	Resident	Non-resident
Dividends	15%	15%
Interest	15%	15%
Royalties	0%/15%	15%
Payments to contractors and subcontractors	10%	15%
Certain other payments	15%	15%

Notes

1. Dividends – Dividends paid by a company in possession of a Special Investment Certificate are exempt from WHT. Additionally, dividends distributed by a company operating within a priority sector, as provided under The Gambia Investment and Export Promotion Agency (GIEPA) Act 2010, are exempt for a period of five years from the date of first declaration. The WHT is a final tax for resident individuals.
2. Interest – Interest paid to financial institutions is exempt. The WHT is a final tax for resident individuals. Interest earned on savings at The Gambia Postal Services Corporation is exempt from tax.
3. Royalties – Royalties paid to resident and non-resident companies, and non-resident individuals are subject to WHT at a rate of 15% of the gross amount. Royalties paid to resident individuals are taxable at the standard personal tax rates; no WHT applies and revenue expenses incurred in deriving the royalties are deductible.
4. Certain other payments – Management, consultancy, technical services and public entertainment fees paid to resident and non-resident companies are subject to a final WHT of 15% of the gross amount.

Tax Treaties

The Gambia has concluded tax treaties with the following countries:

Country	Dividends	Interest	Royalties
Norway	0%/5%/15%	0%/15%	12.5%
Qatar(1)	0%	0%	5%
Sweden	0%/5%/15%	0%/5%/15%	5%/12.5%
Switzerland (2)	15%	15%	D
Taiwan (ROC)	10%	0%/10%	10%
United Kingdom	0%/15%(3)	0%/15%	12.5%



Notes

1. The treaty with Qatar has been ratified but is not yet in force.
2. The 1954 treaty with the UK applies under a 1963 exchange of notes. The exchange of notes does not provide for a rate on dividends or interest, so the domestic rate applies.
3. The treaty does not provide for a rate on dividends, so the domestic rate applies.

Anti-Avoidance Rules

Transfer pricing

There currently is no transfer pricing legislation in The Gambia. However, the Commissioner-General may adjust the price of non-arm's length transfers between associates. The adjustments are made by determining the geographic source and nature of income, payments for loss of capital, revenue, etc.

Thin capitalisation rules

There are no thin capitalisation rules in The Gambia.

Employment-Related Taxes

Payroll tax

Salaries are subject to a wages tax under a PAYE system. Payroll tax is imposed on employers that employ non-Gambian nationals. The annual payroll tax payable is GMD 40 000 for each non-Economic Community of West African States (ECOWAS) employee and GMD 10 000 for each ECOWAS employee. The tax generally is due and payable in January (but may be payable at another 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.

Director's fees

Director's fees and other sitting allowances are taxed in accordance with the First Schedule of the Income and Value Added Tax Act 2012 at progressive rates.

Social security

Employers that are members of the National Provident Fund scheme are required to make social security contributions of 10% of each employee's basic salary to the Social Security and Housing Finance Corporation (SSHFC), which is the only approved national retirement fund administrator in The Gambia. Under this scheme, the employee is required to contribute 5% of his/her basic salary in addition to the employer's contribution. The employer also must pay 1% of the employee's gross monthly earnings subject to a maximum contribution of GMD 15 per employee per month to the SSHFC in respect of Industrial Injuries Compensation Fund (IICF).

Currently, SSHFC is the only approved national retirement fund administrator in The Gambia and contributions by employers to SSHFC on behalf of employees is an allowable deduction subject to the 25% limit. However, where an entity maintains a separate private retirement fund which is approved by the Revenue Authority for tax purposes, then employer contributions to such a fund are allowable deductions as stated above.

Fringe benefits tax

Fringe benefits are taxable at a rate of 27% on the employer and not the employee. A "fringe benefit" is defined to include housing, motor vehicles, household staff, loans, debt waivers, property, medical costs, life insurance, entertainment and various other residual benefits.

The following benefits are exempt: (1) a fringe benefit provided to an employee in respect of an employment, if the employment income arising from that employment is exempt from income tax; (2) a fringe benefit provided by the government of The Gambia to an employee; and (3) a pension contribution that is exempt from income tax.

Indirect Taxes

Value Added Tax (VAT)

VAT	Rate
Standard rate	15%

Notes

1. VAT applies to taxable supplies of goods and services.
2. Taxable transactions – VAT is imposed on the supply of goods or services in The Gambia, and on the import of goods or services.
3. Rates – The standard rate of VAT is 15%. Exemptions include, basic foods, financial services, educational services and certain imports, etc. A zero rate may apply to certain supplies.
4. Registration – VAT registration is required where the total value of taxable supplies at the end of a 12-month (or shorter) period is at least GMD 1 million; or, at the beginning of a 12-month period, the taxpayer has reasonable grounds to expect that the value of taxable supplies in that period, will be at least GMD 1 million. The GMD 1 million threshold is measured by reference to annual turnover, subject to certain exclusions, e.g. turnover from the sale of capital assets or from exempt supplies. Persons whose turnover exceeds GMD 500 000 may register on a voluntary basis.

Customs and Excise Duties

Customs and excise duties apply on the import or export of certain goods. For example, a 10% excise duty applies on new cars and used cars up to five years old; the rate is 15% for cars more than five years old.

Other Taxes

Inheritance/estate tax

There are no inheritance or gift taxes in The Gambia.

Stamp duty

Stamp duty is levied on juristic acts resulting in a flow of wealth between the parties involved in a legal transaction. Stamp duty applies, *inter alia*, to acts through which 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.

Property rental tax

Annual income from the rental of residential property is taxed at 8%; a 10% rate applies to rental income from commercial property.

Environmental tax

Environmental tax applies at a rate of GMD 1 per employee per month.

National educational levy

An annual national education levy applies at the rate of 0.75% of gross revenue, subject to a maximum charge of GMD 100 000.

Business registration payment

An annual payment of GMD 500 must be made by all businesses at the start of the year.

Currency translation

Amounts taken into account under The Income and Value Added Tax Act 2012 must be expressed in Gambia Dalasis (GMD). Foreign currency amounts must be translated at the prevailing Central Bank of The Gambia (CBG) mid-rate at the date the amount is taken into account for tax purposes.

Tax Administration and Compliance

Tax is administered by the Gambia Revenue Authority (GRA).

Companies

1. Tax year – The tax year generally is the calendar year, although a company can request another 12-month period.
2. Consolidated returns – The filing of group consolidated returns is not permitted for tax purposes.
3. Filing and payment – The corporate income tax return is mandatory for all companies and must be submitted by 31 March or the last day of the third month following the end of a relevant tax year. The form is used to determine the annual tax liability. Income tax is payable in quarterly instalments, i.e. for the three-month periods ending on the last day of the third, sixth, ninth and twelfth months of the taxpayer's tax year. The instalments are based on 1% of total turnover for a company with audited accounts, or 2% for a company without audited accounts, and are due by the 15th day of the following month. A fixed penalty of GMD 5 000 can be applied for late payments. The advance payments during the fiscal year are creditable against the income tax assessed on the annual corporate income tax return.
4. Penalties – Late payment of tax incurs a penalty equal to 5% of the tax unpaid for the month (or part of a month) for which the tax is overdue. Any remaining tax unpaid after that month is subject to a maximum penalty of 25% of the unpaid tax. The penalty for failure to withhold or report tax is equal to 5% of the unpaid tax, up to a maximum of 25% of the unpaid tax.

5. Rulings – To ensure consistency in the administration of the legislation and to provide guidance to taxpayers and revenue officers, the Commissioner-General may issue public rulings setting out the Commissioner-General's interpretation of the application of the relevant acts. A public ruling is binding on the Commissioner-General until revoked but is not binding on taxpayers.

Individuals

1. Tax year – The taxable period for individuals is the same as that for companies.
2. Filing status – Joint returns are not permitted; each taxpayer must file his/her own return separately.
3. 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. Employed individuals are subject to a PAYE system, under which the employer is required to withhold tax on employment income and remit it to the GRA, together with a monthly return. The tax payment obligations of individuals carrying on a business activity are the same as those for companies.
4. Penalties – A penalty of GMD 5 000 is imposed for failure to submit a return where required. Late payment of tax incurs a penalty equal to 5% of the tax unpaid for the month (or part of a month) for which the tax is overdue. Any remaining tax unpaid after that month is subject to a maximum penalty of 25% of the unpaid tax.
5. Other – The rulings system applicable to corporate entities also applies to individuals.

Value added tax

1. Filing and payment – The tax period for VAT purposes is a calendar month. A taxable person must file a tax return with the Commissioner-General within 15 days from the end of each tax period. The return must include details of the amount of tax payable for the period and the amount of input tax credit claimed.
2. Penalties – A fine of up to GMD 20 000 and/or imprisonment for a term not exceeding one year for the may be imposed for failure to issue VAT invoices and/or to issue correct credit/debit notes that cover post sale adjustments.

General Investment Information

Investment Incentives

General incentives

The Gambia Investment and Export Promotion Agency Act 2015 is the main law governing investment in The Gambia. This act provides guidance on investing in The Gambia and sets out the country's priority sectors investment guarantees available to investors, eligibility criteria for investment incentives, procedures and the institutional framework, and provides answers to the questions that investors generally address when making an investment decision.

Tax incentives

Expenditure on certain pre-commencement expenditure qualifies for accelerated deductions. A deduction is allowed in the tax year in which the expenditure is incurred and in the following three years, at a rate of 25% each year.

Certain incentives are available in relation to Free Trade Zones (FTZs):

- An exemption from all taxes and customs duties payable on imports, provided the imports are used, or are to be used, exclusively within the zones, and subject to any other limitations specified (however, where import duty or VAT has been paid by a zone investor in respect of any goods upon importation into the customs territory, no refund will be allowed merely because the goods are to be transferred later into any of the FTZs)
- An exemption from 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
- An exemption from import duty on capital equipment.

Exchange Controls

The Gambia has no exchange controls.

Expatriates and Work Permits

To reside and work in The Gambia, expatriates require an employment/residential permit for themselves and an alien's identity card (ID) for themselves and each of their dependants who is 18 years of age or older. The residential/employment permit and alien's ID card need to be renewed annually.

Trade Relations

Memberships

- World Trade Organisation (WTO)
- Organisation for Economic Cooperation and Development (OECD)

Interest and Currency Exchange Rates

Monetary policy rate

Central Bank of Gambia Policy rate: 15% (Sep 2017)
(Source: Central Bank of Gambia)

Currency




The Gambia's currency is the Dalasi, which is subdivided into 100 bututs.

ZAR 1 = GMD 3.95 (March 2018) (Source: Oanda)

USD 1 = GMD 46.93 (March 2018) (Source: Oanda)

EUR 1 = GMD 57.86 (March 2018) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 0.96 billion (2017 actual) (Source: Trading Economics)
		USD 0.90 billion (2018 forecast) (Source: Trading Economics)
	Market Capitalisation	Not applicable – There is no stock market in Gambia
	Rate of Inflation	7.92% (2017 average) (Source: IMF)
		8.3% (2018 forecast) (Source: IMF)



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Income Tax – Individuals

Taxable income of residents (GHS) (Cumulative chargeable income)

	Rate
0 – 3 132	0%
3 132 – 3 972	5%
3 972 – 5 172	10%
5 172 – 38 892	17.5%
38 893 and above	25%

Notes

1. Basis – Resident individuals are taxed on their worldwide income, i.e. residents are taxed on all income regardless of source and regardless of whether foreign income derived is brought into Ghana. Non-residents are taxed only on Ghana-source income.
2. Residence – An individual is resident in Ghana for tax purposes if he/she (i) is a citizen of Ghana, other than a citizen who has a permanent home outside Ghana from 1 January to 31 December of the calendar year; (ii) is present in Ghana for 183 days in a 12-month period; or (iii) is 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. Taxable income – The chargeable income from each source of income is determined separately. The total chargeable income of a person for a year of assessment is the total of the assessable income from employment, business and investment, less the total amount of deductions allowed. Taxable employment income includes: salaries and wages, bonuses, overtime payments and other kinds of benefits and allowances (however, pension income is exempt). Remuneration earned by resident individuals for work performed abroad is taxable in Ghana when earned, rather than when brought into Ghana. Similarly, income attributable to employment in Ghana is taxable in Ghana, regardless of where or how it is paid.
4. 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 GHS 200 for a married taxpayer supporting a spouse or an unmarried taxpayer supporting at least two children; an allowance of GHS 200 for an employed or self-employed taxpayer over age 60; child relief of GHS 200 for the education of a child (maximum of three children); and additional relief of GHS 100 for taxpayers supporting an elderly relative (maximum of two relatives). Professional, vocational or technical skill-training relief is GHS 400. Social security contributions and life insurance premiums are deductible within certain limits.

5. Rates – Resident individuals are taxed at the progressive rates listed above, with the top marginal rate at 25%. Non-resident individuals pay taxes on their Ghana-source income at a rate of 20%.

Income Tax – Companies

	Rate
Standard corporate rate	25%
Hotels	22%
Mining/petroleum companies	35%

Notes

1. Basis – Resident companies are taxed on their worldwide income, irrespective of the source. Non-resident companies are taxed only on Ghana-source income.
2. Residence – A company is resident in Ghana if it is incorporated under the laws of Ghana or if its management and control are exercised in Ghana at any time during a year of assessment.
3. Taxable 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 disallowed expenses, exempt income and special reliefs allowed under the tax law. There is no separate capital gains tax; capital gains derived by a company from the realisation of assets are added to other business or investment income and taxed at the company's corporate tax rate.
4. Deductions – General deductibility principles apply, and there are specific deduction rules relating to certain expenses. For example, for repairs and improvements of depreciable assets used in the production of income, the deduction may not exceed 5% of the written-down value of the relevant pool at the end of the year.
5. Losses – Businesses in priority sectors may carry forward losses for five years. Other businesses may carry forward losses for three years. Priority sector areas are businesses undertaking mining, petroleum, power generation, manufacturing, farming, agro processing, tourism, and software development.

6. Foreign tax credit – Companies can claim a foreign tax credit for taxes imposed on their foreign-source income.
7. Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 25%. Various concessionary rates/tax holidays are available to companies operating in specific sectors or engaged in activities such as agro-processing, waste processing and the export of non-traditional products (see "Tax incentives").
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies. In addition, an 8% tax is imposed on profits repatriated from the branch to the foreign head office.

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty).

	Residents	Non-residents
Dividends	8%	8%
Interest	0%/8%	8%
Royalties	15%	15%
Management/professional fees	7.5%	20%
Rental payments	8/15%	15%

Notes

1. Interest – WHT is not levied on interest paid to resident financial institutions.
2. Rental payments – An 8% WHT applies if the rent is for residential accommodation and 15% if it is for commercial purposes.

Tax treaties

Ghana has concluded tax treaties with the following countries:

Treaty	Dividends	Interest	Royalties
Belgium	5%/10%	0%/10%	10%
Denmark	5%/15%	0%/8%	8%
France	5%/15%	0%/12.5%	10%/12.5%
Germany	5%/15%	0%/10%	8%
Italy	5%/15%	10%	10%
Netherlands	5%/10%	8%	8%
South Africa	5%/15%	5%/10%	10%
Switzerland	5%/15%	0%/10%	8%
United Kingdom	7.5%/15%	12.5%	12.5%

Notes

1. Dividends – The lower rates for dividends apply where the recipient holds at least 10% of the shares of the payer company.
2. Dividends and interest – The rate under domestic law may apply where this is lower than the treaty rate.

Anti-Avoidance Rules

Transfer pricing

Ghana has transfer pricing regulations that require taxpayers to demonstrate that related party transactions are on arm's length terms by maintaining contemporaneous documentation of such transactions for each tax year. Ghana's regulations generally are consistent with the OECD transfer pricing guidelines.

Entities with related party transactions in a year of assessment are required to file transfer pricing returns along with their annual income tax returns.

Thin capitalisation rules

A resident person, other than a financial institution, is deemed to be thinly capitalised if the ratio of interest-bearing or foreign currency-denominated debt (to a non-resident parent) to equity exceeds 3:1. Interest deductions or exchange losses arising on the debt in excess of the 3:1 ratio are disallowed.

Other

Income splitting, which involves the transfer of income and/or property to associates with a view to reducing the tax liability, is not allowed.

Employment-Related Taxes

Payroll tax

Pay-As-You-Earn (PAYE) taxes are withheld from the salaries of employees to satisfy their income tax responsibilities. The PAYE is computed at the personal income tax rates.

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.

Indirect Taxes

Value Added Tax (VAT)	Rate
Standard rate	15%
National Health Insurance Levy (NHIL)	2.5%

Notes

1. Taxable transactions – VAT is imposed on the supply of goods or services in Ghana and on the import of goods or services. The tax base generally is the amount paid for the goods or service. For imports, the tax base is the customs value, plus any import duties and taxes, except VAT.

2. Rates – The standard VAT rate is 15%, and the NHIL of 2.5% also applies, bringing the total rate to 17.5%. A zero rate is applied to exports.
3. VAT Flat Rate Scheme (VFRS) – There is a VFRS covering the wholesaling and retailing of goods. Under the VFRS, VAT-registered retailers and wholesalers of goods account for VAT/NHIL at a flat rate of 3%. Such suppliers do not qualify for input VAT claim so they must remit VAT collected in full.
4. Withholding VAT on taxable supplies – A 7% withholding of VAT is applied by designated VAT-registered entities and selected government agencies on payments for taxable supplies.
5. Registration – A business making taxable supplies exceeding GHS 200 000 over a 12-month period must register for VAT purposes.

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 certain products. The rates are as follows:

Product	Rate
Beer, other than domestic beer and "cider beer"*	10%-47.5%
Tobacco products (cigarettes and cigars)	150%
Water, including mineral water and distilled water	17.5%
Malt drinks*	7.5%- 17.5%
Spirits (other than for use solely in laboratories or in the compounding of drugs)	10%-25%
Plastic and plastic products	10%
Cider beer	17.5%

*Excise duty may be reduced with an increased use of local raw materials.



Other Taxes

Special Import Levy (SIL)

The special import levy is imposed at a rate of 2% on goods, other than petroleum, fertiliser and certain equipment, imported into Ghana. The tax is computed on the cost, insurance and freight value of imported goods and currently is applicable until end of 2019.

National Fiscal Stabilisation Levy (NFSL)

The National Fiscal Stabilisation Levy is a 5% levy on the profit before tax of specified businesses. Businesses subject to the levy are banks and non-bank financial institutions, insurance companies, telecommunication companies, breweries, inspection and valuation companies, mining support service providers, shipping lines, maritime and airport terminals.

Inheritance/estate tax

Ghana does not impose inheritance or estate tax.

Stamp duty

Stamp duty is charged on the conveyance or sale of immovable property at a rate ranging from 0.25% to 1%. The stamp duty rates on leases range from 0.5% to 1% of the consideration, but also depend on the lease period.

Property tax

The municipal authorities levy “rates” on the occupation of real property.

Environmental tax

An environmental tax of 10% is charged on plastic and packaging materials and products, with an exemption for the pharmaceutical and agricultural sectors.

Vehicle income tax

This tax is collected from commercial vehicle operators on quarterly basis. A flat amount is charged quarterly based on the type of vehicle. The amount charged per quarter ranges from GHS 10 to GHS 200.

Tax Administration and Compliance

Tax is administered by the Ghana Revenue Authority; specifically, domestic taxes are administered by the revenue authority's Domestic Tax Revenue Division (which represents the merger of the operational units of the former Value Added Tax Service and the Internal Revenue Service).

Companies

1. Tax year – The government's fiscal year is from 1 January to 31 December, although companies are allowed to choose their own accounting year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Taxpayers must submit an annual return and pay the tax due within four months after the end of the tax year.
4. Penalties/Interest – Offences liable to penalties/interest include under-estimating of income tax payable, failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to withhold tax, failure to file return and impeding tax administration. The penalties range from pecuniary penalties and interest to imprisonment, or both.
5. Rulings – A taxpayer may apply to the tax authorities for a private ruling regarding a specific transaction or arrangement. The ruling is binding on the tax authorities, but not the taxpayer, for the period specified in the ruling if the transaction proceeds in all material aspects as described in the application.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Individuals who earn income other than employment income during a year of assessment are required to file an annual personal income tax return by 30 April following the end of the tax year. Couples are not allowed to file a joint personal income tax return.
3. Tax 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 30 April following the end of the calendar year. Self-employed persons are required to make advance payments of personal income tax at progressive rates in four equal instalments.
4. Penalties – Offences liable to penalties include failure to comply with the tax laws, failure to pay tax, making false or misleading statements, failure to file return and impeding tax administration. The penalties range from pecuniary penalties and interest to imprisonment, or both.

Value added tax

1. Filing and payment – A VAT return must be submitted by the last working day of the month immediately following the accounting period (month) to which the return relates.
2. 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, failure to file return and impeding tax administration. The penalties range from pecuniary penalties and interest to imprisonment, or both.

General Investment Information

Investment Incentives

Tax incentives

- A reduced corporate tax rate of 8% is available for companies engaged in “non-traditional exports,” and a 20% rate applies for financial institutions on income from loans granted to farming enterprises and leasing companies.
- Free Trade Zone (FTZ) companies have a 10-year exemption period after which they pay corporate tax at 15% on export sales.
- A rebate is granted to manufacturing companies located outside Accra and Tema. In regional capitals (other than Accra and Tema), the rebate is 75% of the standard corporate tax rate of 25%, and in all other places it is 50% of the standard tax rate.
- Tax holidays are granted from the time operations commence to companies in the following sectors:
- Agricultural enterprises, agro-processing and waste processing companies, rural banks and venture capital financing companies pay 1% corporate tax for periods ranging from five to 10 years.
- Real estate companies pay 1% corporate tax for five years on income from certified low-cost housing, with some limitations.
- Entrepreneurs aged 35 years and under are granted a five-year corporate tax holiday if they are engaged in specific businesses. Businesses that qualify for the exemption include manufacturing, ICT, agro processing, energy production, waste processing, tourism and creative arts, horticulture and medicinal plants. Such entrepreneurs also enjoy a rebate on corporate tax rates ranging from 5% to 15% for five years after the tax holiday.



- Privately-owned universities are exempted from corporate tax if they reinvest 100% of their profits into the operation of the university.
- Employers receive an additional tax deduction for employing new graduates as part of their workforce that ranges from 10% to 50% of the salaries or wages of such employees.

Other incentives

Imports into FTZs are exempt from customs duty.

Tax Amnesty

A limited tax amnesty was introduced as from 1 January 2018 that allows defaulting taxpayers to regularise their tax affairs in exchange for a waiver of taxes and/or interest and penalties. Entities that were not previously registered with the Ghana Revenue Authority can register and file returns for the 2014, 2015 and 2016 tax years to qualify for a waiver of all outstanding taxes, penalties and interest due before the 2017 tax year. Taxpayers that already have registered with the Ghana Revenue Authority but that have outstanding tax liabilities can file returns or amended returns that provide a full disclosure of outstanding taxes for all relevant years in order to benefit from a waiver of penalties and interest for years up to the 2017 tax year.

Applications to benefit from the tax amnesty must be made to the Commissioner-General of the Ghana Revenue Authority by 30 September, 2018.

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, 2013 are guaranteed the right to transfer profits, interest, fees, charges, loan repayments and liquidation proceeds, while expatriate

personnel are allowed to transfer their annual earnings abroad, provided the applicable taxes have been paid. In principle, non-resident companies are free to transfer abroad their net after-tax profits, provided the transfer is carried out through banks 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 tax 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)
- Economic Community of West African States (ECOWAS)

Interest and Currency Exchange Rates

Monetary policy rate

Interest rate: 20% (Dec 2017) (Source: Bank of Ghana)

Currency

Ghanaian New Cedi (Currency code: GHS;

Currency symbol: GHS)*

* The former Ghanaian Cedi is obsolete and no longer legal tender. The Ghanaian Cedi has been replaced by the Ghanaian New Cedi.

ZAR 1 = GHS 0.37 (March 2018) (Source: Oanda)

USD 1 = GHS 4.42 (March 2018) (Source: Oanda)

EUR 1 = GHS 5.45 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(in a purchaser's value)

GHS 38 960.3 million
(2017 estimate) (Source: 2018 Budget Statement)

GHS 41 593.9 million
(2018 forecast) (Source: 2018 Budget Statement)



Market Capitalisation

GHS 64 902.52 million
(Feb 2018) (Source: Ghana Stock Exchange)



Rate of Inflation

11.6%
(October 2017) (Source: 2018 Budget Statement)

9.8%
(2018 forecast) (Source: 2018 Budget Statement)

Notes

1. The Ghana Stock Exchange (GSE) is the principal stock exchange of Ghana. It currently has around 36 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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Income Tax – Individuals

Taxable income (GNF)	Rate
0 – 1 million	0%
1 000 001 – 3 million	5%
3 000 001 – 5 million	10%
5 000 001 – 10 million	15%
Over 10 million	20%

Notes

1. Basis – Habitual residents are taxable on worldwide income. Non-residents are subject to tax only on Guinea-source income.
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. Taxable income – Individuals are taxable on the same types of income as companies, and on employment income. Capital gains from the disposal of shares are taxable only if the individual had a long-term significant shareholding and was employed in the business. Capital gains from the disposal of assets are exempt from tax.
4. Deductions and allowances – Deductible expenses include social security contributions (subject to limits and conditions), loan interest and subsistence allowances paid to dependent parents or a spouse.
5. Rates – The general income tax is imposed at progressive rates ranging from 0% to 20%. Non-commercial profits (fees) generally are subject to an effective 25% withholding tax (WHT). The WHT applies to individuals that are active and have no professional establishment in Guinea. Non-residents are subject to the same WHT rate.

Income Tax – Companies – Tax on industrial and commercial profits

	Rate
Telecom companies, insurance companies and banks, and the import, warehousing, storage and distribution of oil products	35%
Mining companies (in the operating phase)	30%
Other companies	25%

Notes

1. Basis – Resident companies are subject to corporate income tax on income earned on a worldwide basis. Non-resident companies are subject to corporate income tax on profits derived from activities carried out in Guinea.
2. Residence – An entity incorporated in Guinea is resident for tax purposes.
3. 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 royalties and know-how and for non-resident corporations. Dividends received are taxable, but only on 50% of the total amount received if Guinea tax previously has been withheld on the dividends. Capital gains arising from the disposal of fixed assets and shares normally are included in taxable income. Rollover relief for gains is granted where the taxpayer invests an amount equal to the amount of the gain in the acquisition of a similar asset within three years of the sale. For gains on shares, the capital gains relief applies only to significant long-term holdings. Subject to certain conditions, capital gains arising from a merger or partial business transfer are exempt.
4. Deductions – Business costs and expenses are deductible if they are strictly related to the business. Management fees, royalties and similar payments made to a parent company are deductible only if made at arm's length and under certain other requirements are met. In addition, royalties paid to a related party pursuant to an agreement may not be excessive in nature and must be subject to WHT at a rate of 15%.
5. Losses – Losses generally may be carried forward three years. Losses arising from capital allowances may be carried forward indefinitely. The carryback of losses is not permitted.

6. Foreign tax credit – No foreign tax credit is available, unless allowed under a tax treaty.
7. 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.
8. Rate – The standard corporate tax rate is 25%, although a 35% rate applies to telecom companies, insurance companies and banks, and the import, warehousing, storage and distribution of oil products and a 30% rate applies to mining companies.
9. Branch taxation – Branches of foreign companies are subject to the 25% corporate income tax, as well as an additional tax of 10% on the benefits.
10. Minimum tax – In the case of losses, taxpayers must pay a minimum tax of 1.5% of the annual turnover instead of corporate income tax. The minimum tax may not be lower than GNF 15 million or more than GNF 75 million for large corporations. For medium-sized companies, the minimum tax may not be lower than GNF 15 million or higher than GNF 60 million.

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

	Residents	Non-residents
Dividends	10%	10%
Interest	10%	10%
Royalties	-	15%

Tax treaties

Guinea has concluded two tax treaties:

Country	Dividends	Interest	Royalties
Morocco	5%/10%	10%	10%
France	15%	10%	10%

The treaty with the United Arab Emirates concerns the avoidance of tax evasion of strategy against fraud.

Anti-avoidance rules

Transfer pricing

Profit transfers included in payments between resident corporations and non-resident affiliates may be adjusted to reflect arm's length conditions for tax purposes. Transfer pricing documentation requirements apply.

Thin capitalisation

Thin capitalisation rules apply to under-capitalised companies (i.e. companies with advances from related companies that exceed, at any time during the year, 1.5 times the amount of their equity valued at the end of that year. Interest paid by an under-capitalised company that exceeds the sum of (i) the amount of the interest received from related companies; and (ii) 25% of the company's taxable income (before deductions of interest paid to related companies) is non-deductible.

Employment-Related Taxes

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.

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 a rate of 5% of gross salary.

Indirect Taxes

Value added tax (VAT)

VAT	Rate
Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on production activities, the supply of goods and the provision of services in Guinea, and on imports. A deduction of 50% is levied at source on VAT invoiced by the suppliers of goods and services by mining public companies, mixed ownership companies, oil companies and telephone companies.
2. Rates – The standard VAT rate is 18%. Exports and the supply of international carriage are zero-rated.
3. Registration – All taxpayers must register for VAT purposes.

Miscellaneous Taxes

Inheritances and donations

A duty of GNF 50 000 apply on inheritances.

Stamp duty

Stamp duty applies to certain administrative acts. The amount of stamp duty depends on the nature of the act, and a fixed rate or a prorated fee may apply.

Transfer tax

Transfer tax does not apply in Guinea; instead, a 10% registration duty is due on the sale of shares, tradeable obligations and profit shares.

Capital duty

Capital contributions, capital increased by acquisitions, incorporation of profits or reserves and mergers are subject to registration fees that range as follows:

- GNF 1 to GNF 100 million: 1%
- GNF 100 000 001 to GNF 500 million: 0.5%
- Over GNF 500 million: 0.25%.

Real property tax

Real property tax is due by the owner of land on or before 30 June of each year. The rates are as follows:

- 5% of the annual rental value for residential buildings used by the owner
- 10% of the annual rental value for professional buildings used by the owner
- 15% of the annual rental value for rented buildings.

Tax on financial activities

Banks and financial institutions are subjected to a tax on financial activities. The tax is applied on financial activities carried out by these companies, at a rate of 5% for credit operations exceeding one (1) year and 13% for the other operations.

Other

A company or individual carrying on a trade in Guinea must pay a business license duty, subject to certain exemptions. The duty is set at a fixed amount depending on annual turnover; a proportional duty is levied on the rental value of professional premises.

Tax Administration

Tax is administered in Guinea by the National Directorate of Taxes.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted. Each company must file a separate tax return.
3. Filing and payment – Corporate income taxes are payable in two equal parts by 15 June and 15 September of the tax year, based on the realised profits to date. The tax return is due by 30 April of the year following the tax year, together with the balance of tax for companies with an annual turnover.
4. Penalties – Penalties are imposed at a rate of 10% of the

amount due for late tax returns, failure to pay tax due and for errors and mistakes, and 50% (with a minimum of GNF 100 000) where the taxpayer does not reply to a request from the tax authorities.

5. Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Spouses generally are taxed separately. Children usually are taxed with one of their parents, but may be taxed separately if they have employment income.
3. Filing and payment – Personal income tax returns are due by 30 April of the year following the tax year. 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 normally is withheld at source for other sources of income.
4. Penalties – Penalties are charged at rate of 10% of the amount due (with a minimum of GNF 10 000) for late tax returns, failure to pay tax due and for errors and mistakes, and 50% (with a minimum of GNF 100 000) where the taxpayer does not reply to a request from the tax authorities.

Value added tax

1. Filing and payment – VAT returns and payments are due monthly by the 15th of the following month.
2. Penalties – A penalty of 2% is due per month for filing a late VAT return. An additional penalty of 10% of the amount of the tax is also due, with this penalty increased by 50% after the 10th day following a formal notice.



General Investment Information

Investment Incentives

General incentives

- Incentives are available in specific sectors (e.g. mining and oil), and there is an Investment Code.
- Guinea applies a reciprocity rule so that all foreigners from countries that allow Guineans to carry on business activities may undertake business activities in Guinea.
- The Guinea OPIP (*Office de Promotion des Investissements Privés*) promotes private investment and the CFE (*Centre de Formation des Entreprises*) assists investors with incorporation formalities.
- Guinea has signed the OHADA treaty with 17 West and Central African countries to harmonise business laws and is a member state of the African Intellectual Property Organisation (OAPI), the central intellectual property registration system for 16 African countries.

Tax incentives

- A person starting a new business or expanding an existing business in Guinea can benefit from tax advantages under certain privileged regimes, provided the business activity or expansion contributes to the achievement of one or more of the priority economic development objectives. 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, must be financed by a capital investment
- Tax incentives include a five to eight-year exemption from the tax on industrial or commercial profits, business license duty, property tax and import tax (depending on the location of the investment).

Expatriates and Work Permits

An employment contract with a foreign employee must be in writing and approved by the National Office of Employment and Labour. The employer must request a visa for a foreign employee. A foreign individual may not work in Guinea without a visa (except for individuals from an ECOWAS (Economic Community of West African States) member state).

Trade Relations

Membership

- United Nations (UN)
- World Trade Organisation (WTO)
- Economic Community of West African States (ECOWAS)
- West African Economic and Monetary Union (WAEMU)
- International Monetary Fund (IMF)
- World Bank
- African Union and the Mano River Union (MRU) with Liberia and Sierra Leone

Interest and Currency Exchange Rates

Monetary policy rate

Interest rate 12.5% (March 2018)

(Source: Central Bank of Republic of Guinea)

Currency

Guinean Franc (GNF)*




*The GNF has value only in Guinea. The GNF denominations include 1, 5, 10 and 25 coins, with banknotes in denominations of 50, 100, 500, 1000, 5000 and 10 000 franc.

ZAR 1 = GNF 755.27 (March 2018) (Source: Oanda)

USD 1 = GNF 8 957.07 (March 2018) (Source: Oanda)

EUR 1 = GNF 11 043.48 (March 2018) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 6.6 billion (2017 estimate) (Source: Tradingeconomics)
		USD 6.22 billion (2018 forecast) (Source: Tradingeconomics)
	Market Capitalisation	Not applicable – There is no stock market in Guinea Conakry.
	Rate of Inflation	9.6% (2017 average) (Source: Tradingeconomics)
		8.1% (2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

The general income tax (IGR) is imposed at progressive rates ranging from 2% to 36% on different types (schedules) of income; the salaried employment is taxed at rates from 0% to 60%. In addition, a tax of 1.5% applies to 80% of gross employment income. A national contribution of up to 10% also is charged, based on the monthly taxable income. Employment income is subject to a dual-tax regime; namely the national contribution and tax on salaries.

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 Ivory Coast or who are employed by a resident corporation.
3. 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. However, until 31 December 2018, self-employed individuals are exempt from general income tax on their non-salary income. (An exceptional measure taken by the government in order to reform the general income tax rules.) Capital gains from the disposal of fixed assets are exempt from tax. Capital gains from the disposal of shares are normally taxable. However, under a few conditions, these gains could be exempted of tax.

4. Deductions and allowances – Expenses that are 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.
5. Rates – A 1.5% tax rate applies to 80% of employment income, including fringe benefits. The national contribution also is charged at effective rates ranging from 0% (for monthly taxable income up to XOF 50 000) to 10% (for monthly taxable income exceeding XOF 200 000). 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% instead of being subject to the general income tax. Non-commercial profits

(fees) generally are subject to withholding tax at a fixed rate of 7.5% in accordance with the General Tax Code. Withholding tax is applied to Ivory Coast source investment income at the rates described below (see "Withholding Taxes"). The rates apply to both residents and non-residents.

Income Tax – Companies

	Rate
Standard corporate tax rate	25%
Telecom companies tax rate	30%

Notes

1. 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. Non-residents are taxed only on Ivory Coast-source income.
2. Residence – An entity incorporated in Ivory Coast is considered resident for tax purposes.
3. Taxable income – Income is taxed under separate schedules for industrial and commercial profits; non-commercial profits; and income from movable capital, land and agriculture. Mainly the non-commercial schedule is used for professional income, royalties and know-how, and for non-resident corporations. Dividends received are subject to the 25% corporate income tax rate, but on only 50% of the total amount received if tax previously has been withheld on the dividends. However, subject to certain conditions, dividends received by a parent company are 95% exempt. Capital gains arising from the disposal of fixed assets and shares normally are included in taxable income. Rollover relief for gains is granted where the taxpayer invests a sum equal to the amount of the gains 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.
4. Deductions – Business costs and expenses are deductible if they are strictly related to the business. Management fees, royalties and similar payments to parent companies are deductible if they are reasonable and, in total, do not exceed 5% of turnover or 20% of general expenses. Only 50% of such payments to a parent company that is resident in a tax

haven country is deductible.

5. Losses – Losses generally may be carried forward for five years. However, losses may be carried forward indefinitely to the extent they arise from capital allowances. The carryback of losses is not permitted.
6. Foreign tax credit – No foreign tax credit is available, unless an applicable tax treaty provides otherwise.
7. Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 25%. A 30% rate applies to telecom companies.
9. Branch taxation – Branches of foreign companies are subject to the same rate of tax as domestic companies. Additionally, a branch of a foreign company is subject to a remittance tax, regardless of whether there is an actual transfer of funds. Fifty percent of the branch profits are treated as though they have been remitted as a dividend and taxed at 15%, resulting in an effective tax rate of 7.5%.
10. Alternative minimum tax – In the case of losses, taxpayers must pay a minimum tax of 1% of turnover, instead of corporate income tax. The minimum tax must be at least XOF 5 million and cannot exceed XOF 50 million.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents):

Payment	Residents	Non-residents
Dividends	10%/15%	10%/15%
Interest	5%/10%/18%	5%/10%/18%
Royalties	-	20%
Management/ professional fees	-	20%
Leases of equipment from non-residents	-	20%
Non-commercial profits (fees)	7.5%	20%

Notes

1. Dividends – Dividends paid by listed companies to residents and non-residents are taxed at a rate of 10%, and 15% if the distribution is exempt from the tax on industrial and commercial profits. The 15% rate also applies to all other dividends.
2. Interest – Interest on long-term government bonds paid to residents and non-residents is taxed at 5%; the rate is 10% for short-term government bonds. The rate applicable to other interest and similar payments generally is 18%.
3. Royalties – Royalties paid to a non-resident entity are subject to a 25% WHT on 80% of the gross income, resulting in an effective tax rate of 20%. Royalties paid to a resident are not subject to WHT; instead, the revenue from royalties must be subject to corporate income tax (for companies) or general income tax (for individuals).
4. Management and professional fees – Management and professional fees paid to a non-resident entity are subject to a 25% WHT on 80% of the gross income, resulting in an effective tax rate of 20%.
5. Leases of equipment from non-residents – Payments to a non-resident under an equipment lease are subject to a 25% WHT on 80% of the gross income, resulting in an effective tax rate of 20%, subject to the provisions of an applicable tax treaty.
6. Non-commercial profits (fees) – Such payments generally are subject to withholding tax at a fixed rate of 7.5%. The fixed rate is determined by the General Tax Code.

Tax Treaties

Ivory Coast has concluded tax treaties with the following countries/bodies:

Treaty partner	Dividends	Interest	Royalties	Mng fees
Belgium	15%/18% ⁽¹⁾	16%	10%	0%
Canada	15%/18% ⁽¹⁾	0% ⁽²⁾ /15%	10%	0%
France	15%/18% ⁽¹⁾	0% ⁽³⁾ /15%	10%/D ⁽⁴⁾	0%/10%
Germany	15%	0% ⁽⁵⁾ /15%	10%	0%
Italy	15%/18% ⁽¹⁾	0% ⁽²⁾ /15%	10%	0%
Morocco	10%	0% ⁽⁵⁾ /10%	10%	10%
Norway	15%	16%	10%/D ⁽⁴⁾	0%
Portugal	10%	0% ⁽⁶⁾ /10%	5%	10%
Switzerland	15%/18% ⁽¹⁾	0% ⁽⁷⁾ /15%	10%	0%
Tunisia	10%	0% ⁽⁵⁾ /10%	10%	0%
United Kingdom	15%/18% ⁽¹⁾	0% ⁽²⁾ /15%	10%	10%
WAEMU*	10%	15%	15%	0%

*West African Economic and Monetary Union

Notes

1. The 18% rate applies to dividends paid by a company that is a resident of Ivory Coast and that is exempt from tax on profits or that does not pay that tax at the rate provided under general law.
2. The 0% rate applies to interest paid to the government of the other contracting state and various other local governmental entities and authorities.
3. The 0% rate applies to interest paid to or by a contracting state, a local authority or statutory body thereof or interest paid in connection with the sale on credit of industrial, commercial or scientific equipment, or in connection with the sale on credit of merchandise or the furnishing of services between enterprises.
4. The domestic rate (D) applies to royalties paid for the use of immovable property or for the working of mines, oil or gas wells, quarries or other

natural resources situated in Ivory Coast.

5. The 0% rate applies to interest paid to the government and certain state-owned banks.
6. The 0% rate applies to interest paid to or by a contracting state, a local authority or statutory body thereof or interest paid to the central bank.
7. The 0% rate applies to interest paid in connection with the sale on credit of goods or industrial, commercial or scientific equipment.

Anti-Avoidance Rules

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. Transfer pricing documentation is required from local companies that are part of a multinational group. The information which must be reported in respect of transactions carried out between Ivorian companies with foreign related entities includes:

- Name and country of residence of the group entities with whom the transactions were carried out, with a breakdown of the nature of transactions and amounts
- Description of the transfer pricing methods applied to intragroup transactions (income, expenses and acquisitions) carried out throughout the year.

If a taxpayer fails to file the form or files an incomplete form, it may not deduct the amounts paid in respect of transactions with foreign related entities.

The deduction for amounts paid by an Ivorian company to related party entities established in non-cooperative countries or included on the OECD list of low tax jurisdictions is capped at 50% of their gross amount, and may not exceed both 5% of annual turnover and 20% of overhead expenses.

A country-by-country (CbC) report must be submitted by

domestic companies that meet the following requirements:

- Aggregate turnover (excluding taxes before deduction) exceeding XOF 491 967 750 000
- Required to submit consolidated financial statements in accordance with the provision of Uniform Act article 74 and subject to the provisions of the Uniform Act governing the organisation and harmonisation of accounting systems;
- Controls companies or entities located abroad
- Not controlled by an Ivorian company already subject to the CbC reporting obligation, or under the control of a foreign company established in a country that has concluded with Ivory Coast a tax information exchange agreement with a similar reporting obligation.

Thin capitalisation rules

Cumulative thin capitalisation rules apply to shareholder loans as follows:

- The total amount loaned may not exceed the share capital of the borrowing company. This rule does not apply to sums borrowed from shareholders of holding companies subject to the special tax regime for Ivorian holding companies
- The total amount paid may not exceed more than 30% of the year-end profit before deduction of corporate income tax, interest charges, amortisation and depreciation of the year (EBITDA)
- The interest rate applicable to the loan must not exceed the current central bank interest rate plus two percentage points;
- The loan must be repaid within five years of the date on which the funds are made available, and the borrowing company must not be subject to any liquidation procedure throughout this period
- Related party interest paid is deductible for tax purposes if the share capital of the borrowing company is fully paid-up.

Employment-Related Taxes



Payroll tax

Employers must pay payroll tax equivalent to 12% of expatriate staff gross payroll and 2.8% of local staff payroll.

Social security

Employers are required to make social security contributions based on an employee's gross wages: for pension benefits (7.7%); a family allowance (5.75%); and work injuries (2% to 5%) depending on the company's activity sector.

Employee contributions are payable at a rate of 6.3% of gross salary and are withheld by the employer.

Indirect Taxes

Value added tax (VAT)

VAT	Rate
Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on production activities, the distribution of goods and the rendering of services in Ivory Coast. VAT also is applied to imported goods and services.
2. Rate – The standard rate is 18%, and there is a 10% rate for fees and commissions charged by financial institutions (interest is exempt).
3. Registration – There is no special VAT registration procedure in Ivory Coast, but taxpayers must register with the local tax authorities before commencing activities.

Customs and excise duties

Imported goods are subject to the following duties and taxes:

- Customs duty (0% to 35%)
- Statistical royalty (1%)
- Value added tax (18%)
- Community solidarity tax (1%)
- Economic Community of West African States (ECOWAS/CEDEAO) community tax (0.5%).

An additional excise duty applies to imports of:

- Petroleum products (fixed duties that vary depending on the scale prescribed in the general tax code)
- Alcoholic and non-alcoholic products (20% to 45%)
- Tobacco products (38%).

Other Taxes

Inheritance/estate tax

Estate tax is payable at rates which vary from 4% to 45%, depending on the value of the inheritance. A special rate of 2% may apply to assets transferred to public interest associations.

Stamp duty

Stamp duty is charged at 2.5% of the secured amount (i.e. the value of the asset or the amount of the debt provided by the lender), without a cap. There also is a fixed XOF 500 stamp duty per page of security documents.

Capital duty

Capital contributions are subject to duty at 0.3% (0.1% on amounts over XOF 5 billion), or 6% where derived from the capitalisation of a reserve.

Transfer tax

Stamp duty of XOF 18 000 is charged on the transfer of shares. A transfer tax of 6% is applicable to real property. Business transfers also are charged at 10%. Registration fees may apply.

Real property tax

Property taxes are charged on the actual or potential rental income of landlords at 4% and on their ownership interests at 11%. Property owned and used by the same legal entity is subject to an ownership charge based on 15% of the market rental value. The charge is reduced for unoccupied or undeveloped property.

Business licence duty

A company or individual carrying on a trade in Ivory Coast must pay a business license 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 business premises, depending on the location.

Insurance premium tax

Insurance premiums are subject to a levy at rates from 0.1% (export credit) to 25% (fire).

Tax Administration and Compliance

Tax is administered in the Ivory Coast by the *Direction Générale des Impôts, Ministère du Budget et du Portefeuille de L'Etat*.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return.
3. Filing and payment – The tax return is due by 30 June following the tax year, together with the balance of tax for companies required to have a public accountant. The due date for other companies is 30 May following the tax year. Advance payments of tax are payable in three equal instalments in April, June and September during the tax year, based on profits of the prior tax year.

4. Penalties – Penalties are charged at varying rates for late tax returns, failure to pay tax due and for errors and mistakes.
5. Rulings – A taxpayer may seek clarification from the tax authorities on the interpretation of provisions in the tax legislation.

Individuals

1. Tax year – The tax year is the calendar year.
2. Filing status – Spouses generally are taxed separately. Children usually are taxed with one of their parents, but may be taxed separately if they have employment income.
3. Filing and payment – Personal income tax returns are due by 30 April following the tax year. 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 normally is withheld at source on other sources of income.
4. Penalties – Penalties are charged at varying rates for late tax returns, failure to pay tax due and for errors and mistakes.
5. Rulings – Individuals can apply for rulings.

Value added tax

1. Filing and payment – VAT returns and payments are due monthly, by the 10th, 15th or 20th day of the following month depending on the type of the company (commercial companies, service provider companies, and oil or industrial companies).
2. Penalties – A penalty of 10% of the tax payable, plus an additional 1% per further month's delay is imposed for the failure to file or late filing of a return and payment of the VAT due. After an audit, the tax authorities also may impose an additional penalty of 15% to 150% of the VAT due.

General Investment Information

Investment Incentives

Tax incentives

Certain tax incentives are available to qualifying enterprises in Ivory Coast:

- Enterprises investing at least XOF 10 million in Ivory Coast for a period not exceeding three years may apply for a reduction in the tax on industrial and commercial profits.
- Capital allowances at up to twice the normal rates may be granted in respect of 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.
- Tax incentives are granted under the Mining Code and the Petroleum Code for enterprises involved in mining and petroleum activities. These codes provide exemptions from VAT and additional tax on imports and purchases for companies involved in exploration or production of oil, gas or minerals and to their subcontractors providing petroleum-specific services. Specific rules also apply to the calculation of corporate income for tax purposes, and enterprises involved in mining may be granted a five-year exemption from corporate income tax, starting from the fiscal year of the effective start of production.
- Other incentives include a five- to eight-year exemption from the tax on industrial or commercial profits, business duty, property tax and import tax, depending on the location of the investment.

Exchange Controls

The XOF is linked to the euro at a fixed exchange rate and unlimited convertibility to the euro is guaranteed. The African Financial Community (CFA) members (i.e. Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, 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 the Ivory Coast which is valid for a maximum of three months but may be extended. To obtain a visa, a letter from the employer stating the specific nature of the employee's work in Ivory Coast and a confirmation of itinerary from a travel agent must be provided. Natives of an Economic Community of West African States (ECOWAS) member state do not need a visa to work in the country.

Trade Relations

Memberships

- West African Economic and Monetary Union
- Economic Community of West African States

Interest and Currency Exchange Rates

Benchmark interest rate

Bank rate: 4.50%

(2018) (Source: *Banque Centrale des l'Afrique de l'Quest*)

Currency

The Ivory Coast's currency is the *Communauté Financière Africaine Franc* (XOF) used by all CFA members.

ZAR 1 = XOF 44.85 (March 2018) (Source: Oanda)

USD 1 = XOF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XOF 655.957 (Fixed Rate) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 36.16 billion
(2017 estimate) (Source: Global Finance)

USD 37.80 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

XOF 6 836 billion
(Source: Bourse Regionale Des Valeurs Mobilières (BRVM) official website, Jan 2018)



Rate of Inflation

1.0%
(2017 average) (Source: Tradingeconomics)

0.8%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (KES)	Rate
0 – 147 580	10%
147 581 – 286 623	15%
286 624 – 425 666	20%
425 667 – 564 709	25%
Over 564 709	30%

Notes

1. Basis – Kenya operates a source and residence-based system of taxation, under which income accrued in, or derived from, Kenya is taxable in Kenya. Foreign-source employment income earned by a Kenyan national is subject to Kenya tax. A non-resident is taxable only on Kenyan-source employment income.
2. Residence – An individual is resident in Kenya if he/she has a permanent home in Kenya or is present in the country for a period or periods

amounting to the aggregate of 183 days or more in the relevant 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.

3. Taxable income – Taxable income includes income from employment (and fringe benefits), income from the exercise of a business or profession, capital gains (with some exceptions), certain investment income, etc. Income from employment is defined broadly and includes wages, salary, commissions, bonuses and allowances. Travelling, entertainment and similar allowances are taxable unless they are purely a reimbursement of expenses incurred in the production of income. Benefits in kind from an employment are taxable where their aggregate value exceeds KES 36 000 per year, or KES 3 000 per month. A pension received by a resident individual from a pension fund established outside Kenya is deemed to be derived from Kenya to the extent it relates to employment or services rendered in Kenya. Where a business is carried on by a resident person partly within and partly outside Kenya, the entire profit from the business is deemed to have accrued in or be derived from Kenya.
4. Exempt income – The payment of bonuses, overtime and retirement benefits to employees whose taxable employment income falls in the lowest band is exempt from taxation.

Capital gains tax is not levied on gains arising from the transfer of shares traded on a securities exchange licensed by the Capital Markets Authority.

Medical services or medical insurance paid by an employer on behalf of a full-time employee is a non-taxable benefit.

The first KES 2 000 per day received by an employee as reimbursement of subsistence, travel, entertainment or other allowances while on official duties outside the usual place of work is not taxable as a benefit of employment.

5. Deductions and allowances – The following may be deducted in calculating taxable income: up to KES 300 000 annually in mortgage interest for owner-occupied property, contributions to a registered pension or provident fund up to KES 240 000 annually (the deduction may not exceed 30% of employment income) and 15% of health or life insurance premium payments up to KES 60 000 annually. Premiums paid for health or life insurance may be deducted up to 15% of the premiums (a maximum of KES 36 000) annually. An annual personal allowance of KES 16 896 is granted.
6. Rates – Individual income tax is levied at progressive rates up to 30% and applies to both residents and non-residents.

Companies

	Rate
All companies	30%

Notes

1. Basis – Resident and non-resident corporate entities are subject to tax on all income accruing in or derived from Kenya.
2. Residence – 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 Cabinet Secretary responsible for the National Treasury declares the entity to be tax resident in a notice published in the Kenyan gazette.
3. Taxable income – Taxable income includes income from the operation of a business, certain dividends and capital gains. Gains or profits from one of seven specified sources of income are computed separately from

gains or profits derived from the other sources of income. The specified sources are: rental income; income from agricultural or horticulture; surplus from registered pension or provident funds; interest income and income received by petroleum contractors.

4. Exempt income – Dividends received by a resident company from another resident company in which it holds 12.5% or more of the voting power are not subject to tax. Real estate investment trusts (REITs) are exempt from corporate income tax (and investors that receive dividends from REITs are exempt from withholding tax (WHT)). As noted above, capital gains tax is not levied on gains arising from the transfer of shares traded on a securities exchange licensed by the Capital Markets Authority.
5. Deductions and allowances – Expenses generally may be deducted if they are incurred wholly and exclusively in the production of income. Certain expenses may not be deducted, including: capital costs and losses; income tax or tax of a similar nature paid on income; expenses of non-resident persons relating to certain types of income (management fees, royalties, etc.); and certain interest payments by a non-resident controlled company. Capital allowances are deductible in determining the chargeable income on qualifying assets (buildings, software and plant and machinery).
6. Losses – Tax losses for a year may be carried forward for 10 years. If not utilised within this period, the losses will be forfeited unless an application for an extension is approved by the Cabinet Secretary of Finance. The carryback of losses is not permitted.
7. Foreign tax credit – A foreign tax credit is granted only if so provided under a tax treaty.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rate – The standard corporate tax rate is 30%. The rate for branches of foreign companies is 37.5%. Newly listed companies enjoy a reduced rate of 25% for five years following the year of listing. With effect from 1 January 2018, the corporate tax rate for local assemblers of motor vehicles is reduced from 30% to 15%. Capital gains are subject to a 5% tax on the net gains.
10. Extractive industry – A special regime applies to companies operating in the extractive industry and for companies operating in the petroleum sector.

Withholding Tax (WHT)

WHT at the appropriate rate must be deducted from payments made to resident and non-resident persons.

Payment	Residents	Non-residents
Dividends	5%	5%/10%
Interest	10%/15%/25%	15%/20%/25%
Royalties	5%	20%
Rent	0% / 10%	30%
Management/ professional fees	5%	20%

Note

1. Interest – There are different categories for withholding tax on interest. Interest received from financial institutions is subject to a 15% tax, while withholding tax on interest on bearer certificates is 25%. Withholding tax on interest from bearer bonds is 10%. These rates apply for payments made to both residents and non-residents.
2. Royalties – Royalties (and natural resource income) paid to a resident are subject to a 5% withholding tax; the rate of 20% if paid to a non-resident.
3. Rent – Rent payments on immovable property by agents appointed by the government are subject to a 10% withholding tax.

Tax Treaties

Kenya has a small tax treaty network. Kenya tax law contains a provision under which the benefit of lower tax rates or exemptions granted under an applicable tax treaty will not apply 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 contracting state. Underlying ownership for these purposes includes both direct and indirect ownership.

The WHT rates on dividends, interest and royalties under Kenya's tax treaties are as follows:

Treaty partner	Dividends	Interest	Royalties
Canada ¹	10%/15%/ 25%	15%	15%
Denmark ²	10%/20%/ 30%	20%	20%
France	10%	12%	10%
Germany	15%	15%	15%
India ⁸	10%	10%	10%
Norway	15%/25% ³	20%	20%
South Africa	10%	10%	10%
Sweden	10%/15%/25% ⁴	15%	20%
United Kingdom	0%/10%/15% ⁵	0%/15% ⁶	15%
Zambia	D ⁷	D	D

Notes

1. The 15% rate applies where dividends are paid to a company that holds at least 10% of the voting shares of the payer company during the six-month period immediately before the date the dividends are paid; otherwise, the rate is 25%.
2. Dividends are taxable in accordance with the law of the state of residence of the company paying the dividends (i.e. 10% in Kenya), but may not exceed 20% or 30%. The 20% rate applies where dividends are paid to a company that owns at least 25% of the voting shares of the payer company for a six-month period immediately preceding the date the dividends are paid; otherwise, the rate is 30%.
3. Dividends are taxable in accordance with the law of the state of residence of the company paying the dividends (i.e. 10% in Kenya), but may not exceed 15% or 25%. The 15% rate applies where dividends are paid to a company that owns at least 25% of the voting shares of the payer company during the six-month period immediately before the date the dividends are paid; otherwise, the rate is 25%.
4. Dividends are taxable in accordance with the law of the state of residence of the company paying the dividends (i.e. 10% in Kenya), but

may not exceed 15% or 25%. The 15% rate applies where dividends are paid to a company that owns at least 25% of the voting shares of the payer company for a six-month period immediately preceding the date the dividends are paid; otherwise, the rate is 25%.

5. Dividends are taxable in accordance with the law of residence of the company paying the dividends (i.e. 10% in Kenya), but may not exceed 15%. The 0% rate applies where the recipient of the dividends owns at least 10% of the class of shares in respect of which the dividends are paid and to the extent the dividends are paid only out of profits that the payer company earned or other income it received in a period ending 12 months or more before the date on which the recipient of the dividends became the owner of 10% or more of the class of shares in question; otherwise, the rate is 15%, provided the recipient of the dividends is subject to tax on the dividends in the UK.
6. The 0% rate may be applied at the discretion of the competent authority in Kenya.
7. The treaty does not specify a withholding tax rate, so the rate under domestic law will apply.
8. A revised treaty between Kenya and India applies as from 1 January 2018.
9. Kenya has negotiated treaties with several other countries, but these are not fully ratified and thus not in force. These countries include Iran, Kuwait, Netherlands and the United Arab Emirates and with the other East Africa Community countries.

Anti-Avoidance Rules

Transfer pricing

Kenyan law requires arm's length pricing between related enterprises. A company engaging in cross-border transactions with associated parties must have a fully documented transfer pricing policy in place to demonstrate the arm's length pricing of such transactions.

Thin capitalisation rules

The thin capitalisation rules restrict the deduction of interest expense for foreign controlled companies (other than licensed 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 a participation of at least 25%.

General anti-avoidance rule

A general anti-avoidance rule allows the tax authorities to disregard the tax effects of schemes or transactions where one of the main purposes is the avoidance of tax or the reduction of tax liability.

Employment-Related Taxes

Social security

Employers must contribute to the National Social Security Fund (NSSF) on behalf of their employees. The contribution is 6% of the employee's monthly salary up to KES 2 160 per month for employees earning more than KES 18 000 per month. However, due to an injunction that is in place pending the outcome of a High Court case challenging changes to the NSSF, the old rate continues to apply (i.e. 5% of gross salary, up to a maximum of KES 200 per month).

An exemption from NSSF contributions is available for expatriates who continue to contribute to a social security scheme overseas and will not be in Kenya for more than three years.

In addition, contributions must be made to the National Hospital Insurance Fund (NHIF). An employee is required to contribute to the NHIF on a graduated scale at KES 150 on KES 5 999 salary per month up to a maximum of KES 1 700 for salaries of KES 100 000 and above. There currently are no NHIF employer contributions.

Indirect Taxes

Value Added Tax (VAT)

	Rate
Standard rate	16%

Notes

1. Taxable transactions – VAT is levied on the supply of goods or services in Kenya, and on the import of goods or services.
2. Rates – The standard VAT rate is 16%. 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 processed or preserved state.
3. Registration – VAT registration is mandatory where the turnover of taxable supplies is, or is expected to be, KES 5 million or more in a 12-month period. A non-resident person that is required to register for VAT must appoint a tax representative, and if it fails to do so, a representative will be appointed. The 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.

Customs and Excise Duties

East African Community (EAC) member states (i.e. Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda) are required to apply similar customs duties (member states have their own excise duty rates). The import of goods and merchandise from third states is subject to customs duties at rates ranging from 0% to 25%. Rates greater than 25% can apply for sensitive goods considered to be of economic importance.

Excise duty is imposed mainly on luxury items under the Excise Duty Act.

Other Taxes**Stamp duty**

Stamp duty is payable on a variety of instruments or transactions, including the increase of share capital; stock transfers of unlisted companies; leases; debentures; and property transfers. Stamp duty is not levied on the initial nominal capital of a newly incorporated company, but a 1% duty is payable on an increase of share capital and on the

transfer of shares. A duty of 4% is payable on immovable property (2% outside municipalities). An exemption applies if the shares/securities are listed on the stock exchange.

Real property tax

Property rates are levied by the local county governments and is calculated according to the location and utilisation of the property.

Turnover tax

A turnover tax of 3% of gross receipts is imposed on businesses with annual turnover of less than KES 5 million. The turnover tax does not apply to rental income and management or professional or training fees, the income of incorporated companies and any income that is subject to a final WHT.

Tax Administration and Compliance

Tax is administered by the Kenya Revenue Authority (KRA).

Companies

1. Tax year – The tax year is the calendar year, although a company (other than a financial institution) may adopt any year-end.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – 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, 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. The additional two months essentially allows

companies, especially multinationals, to have the accounts approved by the board of directors and signed by directors who may be overseas.

4. Penalties – Penalties apply for late filing, failure to submit a return or submitting an inaccurate return or for filing a fraudulent return. Offenses committed by tax agents, such as participating in creation of tax avoidance or evasion schemes or acting as a tax agent illegally will be subject to a fine equal to 200% of the amount of tax evaded or a fine of KES 5 million, whichever is higher or imprisonment for a term not exceeding five years, or both. Where a tax avoidance provision has been applied, a tax avoidance penalty is payable equal to double the amount of tax that would have been avoided but for the application of the tax avoidance provision.
5. Rulings – A private ruling can be obtained from the KRA on how the tax legislation applies to a specific transaction.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – 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.
3. Filing and payment – 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, even though the tax return itself can be filed six months after the year. The employer withholds tax on employment income under the Pay-As-You-Earn (PAYE) system. A personal tax return is required even where an individual's personal tax had been fully settled through the PAYE system.
4. Penalties – See above under "Companies."
5. Other – The Commissioner of the KRA has the authority to register taxpayers who do not apply for a personal identification number (PIN).

Value added tax

1. Filing and payment – VAT returns and any related payments are due by the 20th day of the following month.
2. Penalties – Late payment of VAT results in a penalty of 1% monthly calculated on simple interest basis. Failure to submit VAT returns results in a penalty of 5% of the tax due (subject to a minimum penalty of KES 10 000), while failure to apply for VAT registration results in a fine of KES 100 000.

General Investment Information

Investment Incentives

Tax incentives

- Farm works allowance – The allowance in respect of expenditure on farm works is 100% of the expenditure incurred. Farm works 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.
- Industrial building allowance – This is an annual allowance computed on the straight-line method at 10% per annum. The rate for hotels is 10% and 25% for commercial buildings, irrespective of the transfer price. A 50% industrial building allowance can be claimed on a hostel or educational building, as well as for buildings used for training. A 5% industrial building allowance can be claimed on residential buildings constructed 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.

- Investment deduction allowance – This is intended as an incentive to investment in the manufacturing sector and consists of a one-time claim based on the cost of buildings and machinery installed. Claims can be made only by manufacturing concerns and hotels on expenditure of eligible assets. The claim is 100% of the cost of eligible assets in the year of first use. However, where capital expenditure is incurred on the construction of a building or purchase and installation of machinery outside Nairobi, or the municipalities of Mombasa or Kisumu, where the value of the investment is not less than KES 200 million, the investment deduction may be claimed at a rate of 150%.
- Shipping investment deduction – A shipping investment deduction equal to 100% is claimable in the year of first use on capital expenditure incurred on the purchase and/or refitting of a power-driven ship weighing more than 125 tons. Not more than one investment deduction is claimable for the same ship and use of a ship must continue for at least five years for the deduction to be retained.
- Buildings used for training film industry personnel – Buildings used for training of film producers, actors and crew are eligible for a 100% capital allowance.
- Expenditure incurred in the construction of transportation and storage facilities for petroleum products by the Kenya Pipeline Company Limited are eligible for investment deductions as from 1 January 2018.
- As from 1 January 2018, special economic zone (SEZ) enterprises are eligible for the 100% investment deduction on buildings, plant and machinery used in manufacturing or the 150% investment deduction where the investment is located outside the municipalities of Kisumu, Mombasa or Nairobi.

Duty remissions

Materials imported for use in the manufacture of exports, the production of raw materials for use in manufacturing for export or for the production of duty-free items for domestic sale are eligible for duty remission.

Export Processing Zones (EPZs)

The following benefits apply for the first 10 years from the date of commencement of business by an EPZ:

- Payments by residents to the EPZ are subject to WHT at non-resident rates.
- Payments by the EPZ to non-resident persons are exempt from tax.
- The EPZ is exempt from corporation tax provided it does not carry out any commercial activities. A corporate tax rate of 25% will apply for 10 years after the initial 10-year exemption period.

Special Economic Zone

SEZ enterprises are subject to corporate tax at a reduced rate of 10% for the first 10 years and 15% for the next 10 years. The reduced tax rates apply regardless of whether the SEZ enterprise sells its products to markets within Kenya or internationally.

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. However, commercial banks must inform the Central Bank of any daily remittances from the country in excess of USD 10 000.

Expatriates and Work Permits

An individual is liable to Kenyan income tax on his/her 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 during 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 is the lower of 25% of 110% of the prior year assessed tax or 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 is required 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 must bear the burden of the employee's tax. The company must gross up the employee's tax-free remuneration and compute the PAYE liability on the grossed-up value. The tax paid by the company becomes a benefit chargeable to tax in the hands of the employee.

Every non-citizen must 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, which serves as the individual's tax file reference. The Customs and Excise Department require the PIN when an individual imports personal effects from his/her home country, or for any other importation.

Trade Relations

Kenya's membership in 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 for the free

movement of goods and services. Exports from Kenya also enjoy preferential access to the EU under the African, Caribbean and Pacific (ACP) and the EU (ACP-EU) Framework. In addition, Kenya is one of the initial beneficiaries of the African Growth and Opportunity Act (AGOA), which provides preferential market access in textiles to the US.

Kenya's most international affiliations are with the EAC the Organisation of African Unity and the Commonwealth of Nations.

Interest and Currency Exchange Rates

Bank rate

Bank rate 10% (Dec 2017) (Source: Central Bank of Kenya)

Currency




The official currency of Kenya is the Kenyan Shilling (KES)

ZAR 1 = KES 8.45 (March 2018) (Source: Oanda)

USD 1 = KES 100.22 (March 2018) (Source: Oanda)

EUR 1 = KES 123.56 (March 2018) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 74.7 billion (2017 estimate) (Source: Tradingeconomics)
		USD 81.98 billion (2018 forecast) (Source: Statista)
	Market Capitalisation	KES 2 562.14 billion (Jan2018) (Source: Nairobi Securities Exchange)
	Rate of Inflation	4.4% (2017 average) (Source: Kenya Bureau of Statistics)
		6.4% (2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (LSL)	Rate
0 – 61 080	20%
Over 61 080	30%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on Lesotho-source income.
2. Residence – 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 – Taxable income is computed as gross income (excluding exempt income), less any allowable deductions. Employment income does not include benefits subject to the fringe benefits tax. Pension income is taxable in the same way as any other income. Residents and non-residents are liable for capital gains tax (CGT) on disposals of all business or investment 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 flat rate of 25%. There are no general exemptions from CGT (for business or investment assets), but an inflation adjustment is allowed in respect of immovable property.

4. Exempt income – Exempt income for resident individuals includes, *inter alia*, income derived from subsistence farming, dividends received from a resident company and the first LSL 500 of interest derived from one savings account.
5. Deductions and allowances – A resident individual (other than a resident minor) is allowed a non-refundable personal credit of LSL 7 260 against the individual's liability for income tax. As a rule, the personal credit is available only to residents of Lesotho. However, it also is available to non-residents who live permanently outside Lesotho but who are employed full-time in Lesotho or engaged full-time in a business in Lesotho. An employee may deduct contributions to an approved resident superannuation fund, up to 20% of employment income. For the purpose of this deduction, the employee's contribution will be taken into account before calculating the employment income. Charitable donations generally are not tax-deductible expenses, except for sports-related donations of LSL 1 000 or more, which may be deductible if certain conditions are fulfilled.

6. Rates – Individual income tax generally is levied at progressive rates of 20% or 30%. A flat rate of 40% is levied on trustees, non-exempt fringe benefits that are not taxed at the employer level and non-residents that elect to be taxed by assessment on income that otherwise would be subject to withholding tax. A non-resident individual taxpayer who lives permanently outside Lesotho, but who is employed full-time in Lesotho or who is engaged full-time in a business or trade in Lesotho, is subject to tax on his or her chargeable employment income and chargeable business income at the rate prescribed in the “Second Schedule.”

Income tax – Companies

	Rate
Standard corporate rate	25%
Manufacturing income	10%
Income from farming operations (excluding subsistence farming, which is exempt)	10%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax only on Lesotho-source income.
2. Residence – A company is resident in Lesotho if it is incorporated under the laws of Lesotho, has its management and control in Lesotho or undertakes most of its operations in the country.
3. Taxable income – Taxable income is computed as gross income (excluding exempt income) less any allowable deductions. Residents and non-residents are liable for CGT on disposals of all business or investment 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 flat rate of 25%. There are no general exemptions from CGT (for business or investment assets), but an inflation adjustment is allowed in respect of immovable property.
4. Deductions – A deduction is allowed for any expense or loss (including depreciation or amortisation expense, or other expense or loss

specifically provided for in the Income Tax Act), but only to the extent incurred by the taxpayer during the year of assessment in the production of income subject to tax.

5. Non-deductible expenses – No deductions are allowed for the following:
 - any expense or loss to the extent it is of a personal nature (e.g. cost of commuting between a taxpayer's residence and work);
 - income tax;
 - costs of acquiring, producing, or improving property or for other expenses chargeable to a capital account, including indirect expenses such as depreciation, interest, or taxes incurred during the construction period;
 - the cost of a gift made directly or indirectly to an individual if the gift is excludable from the individual's gross income;
 - a fine or similar penalty paid to a government for breach of any law;
 - an insurance premium paid to a non-resident insurer in respect of an asset or risk located in Lesotho; or
 - 50% of otherwise deductible expenses for entertainment or meals.
6. Special Deductions:
 - Charitable donations generally are not tax-deductible expenses, except for sports-related donations of LSL 1 000 or more, which may be deductible if certain conditions are fulfilled.
 - Interest incurred by a taxpayer on a borrowing used by the taxpayer in the production of income subject to tax is allowed as a deduction, subject to thin capitalisation limitations.
 - Research and experimental expenditure is allowed as a deduction if incurred in the production of income subject to tax.
 - Depreciation is allowed on depreciable assets as per the “Sixth Schedule.”
7. Losses – Losses may be carried forward indefinitely, but may not be carried back.
8. Foreign tax credit – A resident taxpayer is entitled to a foreign tax credit for any foreign income tax borne directly or indirectly by the resident on foreign-source income subject to tax in Lesotho. The foreign tax credit may not exceed the Lesotho tax payable on the foreign-source income.
9. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.

10. Rate – The standard corporate tax rate is 25%.
11. Branch taxation – The corporate tax rate applies to all income of a Lesotho branch of a non-resident company. A branch profits tax of 25% also is levied on branch profits remitted to a non-resident head office.
12. Lesotho plans to introduce a small business taxation regime to simplify and improve tax compliance for small businesses.

Withholding Tax (WHT)

The WHT rates on various types of payments are set forth below (the tax is a final tax for non-residents, unless the non-resident files an income tax return, in which case the non-resident may elect to be assessed at the applicable income tax rate). The rates for non-residents apply to payments to both corporations and individuals, and may be reduced under an applicable tax treaty.

	Residents	Non-residents
Dividends	-	0%/25% ¹
Interest	10% ²	15%/25% ³
Royalties	-	15%/25% ³
Management fees	-	15%/25% ³
Natural resource payments	-	25%
Payments to resident contractors	5% ⁴	-
Lesotho Sourced Services Contracts	-	10% ⁵

Notes

1. Dividends – No tax is withheld on dividends paid out of manufacturing income.
2. Interest – Interest paid to a resident is taxed only if paid by another Lesotho resident.

3. Interest, royalties and management fees – The WHT rate for non-residents is reduced to 15% for interest, royalties and management fees paid in respect of manufacturing income.
4. Payments to resident contractors – Examples of payments to resident contractors include those made for vehicle leases, plant equipment, construction services, painting or decorating, installation services, plumbing and drainage, water supply, irrigation, roofing, tiling, earthmoving, excavation, landscaping, demolition, restoration work, etc. The WHT does not apply to payments of less than LSL 3 000 or where the contractor has an exemption certificate issued by the Lesotho Revenue Authority (LRA).
5. Lesotho-sourced services contracts – The 10% rate applies to payments to non-residents under a Lesotho-source services contract (other than an employment contract).

Tax treaties

Lesotho has concluded tax treaties with the following countries:

Treaty	Dividends	Interest	Royalties	Mng fees
Mauritius	10%	10%	10%	N/A
South Africa	15%	10%	10%	10%
United Kingdom	10%	10%	10%	10%

Notes

1. Management fees are not addressed in the treaty with Mauritius.

Anti-Avoidance Rules

Transfer pricing

In any transaction between taxpayers who are associates, the Commissioner may distribute, apportion, or allocate gross income, deductions, or credits between the taxpayers as is necessary to prevent the evasion of taxes or to clearly reflect the income of such taxpayers. (An associate is any other person who acts or is likely to act in accordance with the directions, requests,

suggestions or wishes of a person whether or not these are communicated to the other person.)

The Commissioner may adjust the income arising in respect of any transfer or license of intangible property between associates so that it is commensurate with the income attributable to the intangible.

Thin capitalisation rules

Where a resident company not principally engaged in a money-lending business has a debt-to-equity ratio in excess of 3 to 1, the Commissioner may disallow a deduction for the interest paid on the part of the debt that exceeds the 3 to 1 ratio.

Employment-Related Taxes

Payroll tax

Under the Pay-As-You-Earn (PAYE) system, the employer withholds individual income tax from an employee's earnings and remits the tax to the LRA.

Social security

Lesotho does not have a social security system for employed persons.

Fringe benefits tax

Fringe benefits generally are taxable to the employer, and not to the employee. The fringe benefits tax is levied at 40%.

Indirect Taxes

Value Added Tax (VAT)

	Rate
Basic rate	15%
Telecommunications	9%
Electricity supplies	8%

Notes

1. Taxable transactions – VAT is levied on goods and services supplied within and outside Lesotho by taxable persons in Lesotho, and on imports. It is applicable on all transactions where value is added. Limitations apply in respect of input tax deductions.
2. The LRA will introduce a reverse charge mechanism to tax imported services.
3. Rates – The standard VAT rate is 15% (increased from 14% effective 1 April 2018). Banking services, except for the leasing of bank safes and insurance services, are exempt from VAT. Zero-rated supplies include maize meal, maize grain, beans, peas, lentils, milk, bread, agricultural inputs (fertilisers, seeds and pesticides), paraffin, livestock and poultry feed. Exports also are zero-rated. There was a current year increase from the standard 5% rate for telecommunication and electricity supplies to 9% and 8%, respectively. It is proposed that the VAT rates on telecommunications and electricity will be aligned to the unitary rate of 15% over the next few years.
4. Registration – A person making taxable supplies exceeding LSL 850 000 is required to register for VAT.

Customs and Excise Duties

Lesotho forms part of the Southern African Customs Union and, as such, the same customs and excise duties as applicable to South Africa apply to Lesotho.

Other Taxes

Inheritance/estate tax

The value of a decedent's estate is subject to estate duty at progressive rates of up to 33.5%. There is an LSL 600 abatement on the dutiable value of an estate.

Stamp duty

Share transfers are subject to marketable securities tax at a 2% rate.

Stamp duties also are payable on bills of exchange, contracts, bonds, leases and insurance contracts.



Transfer duty

There is no freehold property in Lesotho. Property rights are based on a leasehold system. Transfer duties on immovable property are assessed by the Registrar of Companies, with the average rates payable being 3% to 4%.

Marketable securities tax

None – see stamp duties above.

Tax Administration and Compliance

The Lesotho Revenue Authority administers tax in Lesotho.

Companies

1. Tax year – The year of assessment is the 12-month period ending on 31 March.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Corporate tax generally is paid through advance payments before the financial year-end, usually in four (quarterly) instalments. Any remaining balance of tax due is payable with the tax return filed for the year. Every taxpayer and every nominated officer of a partnership or trust must file a return of income for each year of assessment not later than the last day of the third month following the end of that year.
4. Penalties – Additional tax at a rate of 22% per annum is payable in respect of the failure to file a return, failure to pay tax when due, underestimation of tax payable and failure to withhold tax or pay tax withheld.
5. Rulings – There is no formal system of providing rulings, however the LRA may provide rulings on application by the taxpayer.
6. Lesotho plans to introduce a new voluntary disclosure programme in 2018.

Individuals

1. Tax year – The assessment year in Lesotho is the 12-month period starting 1 April and ending 31 March.
2. Tax filing – Where both spouses of a married couple earn income, each is separately assessed and each is entitled to the single person's abatement.
3. Filing and payment – Taxpayers generally must submit an annual tax return no later than the last day of the third month following the end of the assessment year (except for tax on employment income that is withheld by the employer).
4. Penalties – Additional tax at a rate of 22% per annum is payable for the failure to file a return, failure to pay tax when due, underestimation of tax payable and failure to withhold tax or pay tax withheld.

Value added tax

1. Filing and payment – Registered businesses (vendors) are required to file a return every month and make payments when VAT is due. A vendor must file a VAT return with the Commissioner for each tax period within twenty days after the end of the period.
2. Penalties – Additional tax at a rate of 22% per annum is payable in respect of the failure to file a return, failure to pay tax when due and underestimation of tax payable.

General Investment Information

Investment Incentives

General incentives

- The Lesotho National Development Corporation provides certain incentives for investors including, *inter alia*, training grants, loans, services to facilitate the acquisition of sites for industrial buildings and project services. In addition, tax concessions may be negotiated. 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 and the possible reduction of municipal rates.
- Lesotho offers a comprehensive export finance facility to support exporters with working capital on concessionary terms and unimpeded access to foreign exchange.
- Financial incentives are available to manufacturing companies establishing in Lesotho, e.g. unimpeded access to foreign exchange, long-term loans and an import VAT credit facility providing an input tax credit upon importation.
- A non-repayable skills-training grant is available that covers up to 50% of the wage bill during the initial training period for a newly established manufacturing company.
- A partial credit guarantee fund (a joint initiative with commercial banks) is available to assist young graduates, women and other self-employed entrepreneurs.

Tax incentives

- Preferential tax treatment is available for manufacturing, including a maximum corporate income tax rate of 10% on profits from manufacturing, 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 businesses 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.
- A four-year write-off period is provided for expenditure incurred in starting up a business to produce income subject to corporate income tax. Such expenditure may fall into 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 that 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 that is not deductible under general tax principles because it is incurred before the derivation of income from the business.
- Capital allowances are available, including new machinery and equipment allowances of 20% to 25% for manufacturers, and special allowances on certain expense items.

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 a non-resident enters Lesotho for any reason other than tourism, he or she must have obtained a work permit prior to entering the country. The Lesotho police and the labour department carry out random inspections in this regard.

Trade Relations

Memberships

- Cotonou Agreement, Southern African Customs Union (SACU)
- African Growth and Opportunity Act (AGOA) beneficiary country
- The Generalised System of Preferences gives access to North American, Japanese, Nordic and other developed markets, with preferential access to 18 markets in the Preferential Trade Area for Eastern and Southern Africa
- Other preferential trade agreements have been entered 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.

Interest and Currency Exchange Rates

Prime lending rate

Central Bank prime lending rate: 11.50%
(2018) (Source: Bank of Lesotho)

Currency

The currency is the Lesotho Loti (LSL) (divided into 100 Lisente); the plural is Maloti. The Loti is pegged to the South African Rand on a 1:1 ratio by the CMA; both currencies are accepted as legal tender in Lesotho. (Source: Oanda)

ZAR 1 = LSL 1.00 (March 2018) (Source: Oanda)

USD 1 = LSL 11.83 (March 2018) (Source: Oanda)

EUR 1 = LSL 14.59 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 2.20 billion
(2017 estimate) (Source: Tradingeconomics)

USD 2.34 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

There is no stock exchange in Lesotho.



Rate of Inflation

5.8%
(2017 average) (Source: Tradingeconomics)

5.4%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (LYD)	Rate
0 – 12 000	5%
Over 12 000	10%

Notes

1. Basis – Individuals are taxed on Libya-source income. Both Libyan nationals and non-Libyan nationals are subject to tax on wages, salaries and all benefits received (in cash or in kind) in respect of employment, whether permanent or temporary, based on their contract with the Libyan entity/employer/sponsor.
2. Residence – Liability to taxation typically is based on the source of income (particularly for non-Libyan nationals); therefore, residence generally is not 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. Generally capital gains are treated as ordinary income.

4. Exempt income – Income below LYD 1 800 (for a single individual) or LYD 2 400 (for a married person with no dependent children) generally is exempt. Married couples have an exemption of LYD 300 for each minor child.
5. Deductions and allowances – Limited personal allowances and deductions are granted in calculating taxable income.
6. Rate – Annual taxable income of less than LYD 12 000 is subject to a 5% tax rate, and income above that amount is subject to a 10% rate. The employer is responsible for withholding and remitting payroll tax. Income earned from a commercial enterprise is subject to a 15% rate, and income earned from a partnership or handicrafts is subject to a 10% rate.

Income Tax – Companies

	Rate
Standard rate	20%

Notes

1. Basis – Any income generated in Libya from assets held in Libya or work performed therein is subject to income tax in Libya.
2. Residence – An entity established in Libya is considered a tax resident.
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 are taxed on the basis of their submitted tax declarations, 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. The authorities also can assess tax on a deemed profit basis if they consider amounts, margins, etc. inaccurate or out of line with industry norms (e.g. cases involving potential concealment, many intercompany transactions, etc.). While, in theory, tax is 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 and gas companies may be carried forward for 10 years. The carryback of losses is not permitted.
5. Foreign tax credit – A foreign tax credit generally is not available, unless it is provided for in an applicable tax treaty, i.e. Libyan tax legislation does not provide any definition/details regarding the foreign tax credit.
6. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group. Each entity is treated as a standalone entity from a tax perspective, irrespective of any group to which it belongs.

7. Rate – The standard corporate tax rate is 20%. The rate for branches of foreign companies also is 20%; there is no branch remittance tax. Capital gains are treated as income and are subject to the standard corporate tax rate. Other taxes apply on top of the 20% rate, such as the defense contribution (see under “Surtax,” below).
8. Surtax – A 4% defense contribution applies in addition to corporate income tax. A stamp duty of 0.5% also is levied on the total corporate income tax liability.

Withholding Tax (WHT)

WHT at the appropriate rate must be deducted from payments made to non-residents. The WHT rates are as follows (the tax is a final tax and the rate may be reduced under an applicable tax treaty):

Payment	Rate
Dividends	0%
Interest	0%/5%
Royalties	0%
Technical service fees	0%

Notes

1. Interest paid on bank deposits is subject to a 5% tax.
2. Royalties (except those derived from the oil and gas sector) generally are taxed as ordinary income, on the basis that the asset is held/used in Libya.
3. Technical service fees – Income from work performed in Libya is considered Libyan-source income and is subject to tax accordingly.

Tax Treaties

Libya has a small tax treaty network. The WHT rates on dividends, interest and royalties under Libya's tax treaties are as follows (however, the rate under domestic law may apply where this is lower than the treaty rate):

Treaty partner	Dividends	Interest	Royalties
Algeria	Domestic	Domestic	Domestic
Egypt	Domestic	Domestic	Domestic
France	5%/10%	0%	0% ²
India	Domestic	Domestic	Domestic
Malta	5%/15% ⁴	5%	5%
Mauritania	Domestic	Domestic	Domestic
Morocco	Domestic	Domestic	Domestic
Pakistan	Domestic	Domestic	Domestic
Serbia	5%/10%	10%	10%
Singapore	5%/10% ⁵	5%	5%
Slovakia	Domestic	10%	5%
Sudan	Domestic	Domestic	Domestic
Syria	5%/10%	10%	12%
Tunisia	Domestic	Domestic	Domestic
United Kingdom	0%/15% ⁶	0%	0%
Ukraine	5%/15%	10%	10%

Notes

1. The general royalties rate under the treaty with France is 10%. However, by virtue of a most favoured nation clause, the rate is reduced to 0%.
2. There is no limitation under the treaty on the WHT rate.
3. Libya applies a 5% rate where the beneficial owner is a company

that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 15%. The Malta WHT may not exceed the tax chargeable on the profits out of which the dividends are paid.

4. The treaty provides for a 5% rate where dividends are paid to a company that holds directly at least 10% of the capital of the payer company; otherwise, the rate is 10%.
5. The 15% rate applies if qualifying dividends are paid by a property investment company to a beneficial owner (other than a pension scheme) that is a resident of the other contracting state; otherwise, the rate is 0%.

Anti-Avoidance Rules

Transfer pricing

Although Libya does not have formal transfer pricing rules, the tax department has the authority to assess tax on a deemed profit basis under the general anti-avoidance provisions.

Employment-Related Taxes

Social security

Social security contributions must be made by the employer at a rate of 11.25% for foreign companies and at a rate of 10.5% for companies with a Libyan participation, calculated on the gross wages/salary. The employee contributes 3.75%.

Indirect Taxes

Value added tax (VAT)

Libya does not levy a VAT or sales tax.

Customs and excise duties

The general duty rate on imported goods is 5%, with higher rates up to 30% for certain goods. An exemption applies to certain goods, such as raw materials and production supplies, medicines, agricultural and livestock production supplies, etc.

Libya does not levy excise duties.



Other Taxes

Solidarity fund contributions

Solidarity fund contributions are payable through deductions from the employees' salary, at a rate of 1% of gross salary.

Stamp duty

Stamp duty is levied at varying rates (although there also are certain fixed duties), typically between 1% and 3%, on the execution of documents. Stamp duty of 0.5% is levied on payments made to the tax authorities.

Tax Administration and Compliance

Tax is administered by the Tax Department of the Secretariat (Ministry) of Finance.

Companies

1. Tax year – The tax year is the calendar year, although a different year may be used, subject to approval.
2. Consolidated returns – Consolidated returns generally are not permitted. Each entity must file a separate return.
3. Filing and payment – The annual return must be supported by audited financial statements (a balance sheet, a profit and loss statement and a statement of operations). The financial statements must be audited by a Libyan licensed 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 LYD 100, the amount must be paid immediately to the tax authorities; if the tax due exceeds LYD 100, tax is collected in four instalments, payable from the 10th to the 25th day in March, June, September and December.
4. Penalties – Penalties apply for failure to file, late filing or other forms of non-compliance.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must submit a tax return; there is no joint filing.
3. Filing and payment – Tax on employment income is withheld and remitted by the employer at the employee's applicable rate.
4. 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), which is designed to encourage the investment of national and foreign capital in Libya, provides tax benefits to companies that can contribute to the 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 distributions and profits 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 the profits 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 receive payments in foreign currency. However, the payments must be made into accounts held at Libyan banks.

Expatriates and Work Permits

Visas

A foreign employee initially will enter Libya under a business visa for a period of three months, which may be extended for one month (a six-month visa usually is granted to directors or applicants in similar positions), after which the individuals must obtain a work permit, which is granted for a period of one year.

Trade Relations

Memberships

- Economic Community of West African States (ECOWAS)
- Organisation of Petroleum Exporting Countries (OPEC)
- New Partnership for Africa's Development (NEPAD)
- African Union (AU)
- Arab League
- Group of 77
- United Nations (UN)

Interest and Currency Exchange Rates

Monetary policy rate

Interest rate: Sharia (2013) (Source: Central Bank of Libya)

Currency




The Libyan Dinar (LYD) is subdivided into 1000 dirham.

ZAR 1 = LYD 0.111 (March 2018) (Source: Oanda)

USD 1 = LYD 1.31 (March 2018) (Source: Oanda)

EUR 1 = LYD 1.62 (March 2018) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 29.15 billion (2017 estimate) (Source: Tradingeconomics)
		USD 36.16 billion (2018 forecast) (Source: Tradingeconomics)
	Market Capitalisation	LYD 4 973.47 million (estimate) (Feb 2018) (Source: Libya Stock Market)
	Rate of Inflation	28.5% (2017 average) (Source: Central Bank of Libya)
		29% (2018 forecast) (Source: Tradingeconomics)





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Income Tax – Individuals

Resident individuals

Monthly income (MGA)	Amount/Rate
Salary up to 250 000	0%, with a minimum tax rate of MGA 2 000
Over 250 000	20%

Notes

1. Basis – Resident individuals are taxed on their worldwide income. Non-resident individuals are taxed only on Madagascar-source income.
2. Residence – An individual is considered a resident if he/she is present in Madagascar for at least 181 days in a tax year (calendar year), has a permanent visa and a long-stay card or if he/she owns or uses a residence in Madagascar.
3. Taxable income – Taxable income is comprised of employment income, income derived from the carrying on of a business and investment income.

4. Exempt income – There is no exemption in personal income tax (IRSA), but the minimum tax is MGA 2 000.
5. Deductions and allowances – Certain expenses are deductible, including payments to the *Caisse Nationale de Prévoyance Sociale* (CNAPS), the government fund for social security, for government or private medical insurance and compulsory alimony payments. Certain types of income are exempt from income tax, such as family allowances, military and civil disability pensions, and military retirement pensions.
6. Rates – The tax rate is 0%, subject to a minimum payment of MGA 2 000. The first MGA 250 000 of monthly income is subject to a taxable amount of MGA 2 000; monthly income exceeding that amount is subject to tax at a rate of 20%. Employers must withhold tax on the salary income of their employees. Non-resident are subject to the 20% rate on Malagasy-source employment income.

Companies

	Rate
Standard corporate rate	20%

Notes

1. Basis – A resident corporation is subject to tax on its worldwide income, while a non-resident is taxed only on Madagascar-source income.
2. Residence – An entity generally is deemed to be a resident of Madagascar if its registered office or centre of activities is in Madagascar, or if it has a permanent establishment in Madagascar.
3. Taxable 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 International Financial Reporting Standards (IFRS 2003 version) and International Accounting Standards (IAS). Taxable income is comprised of net profits from all activities of the company derived during the accounting year, declared in the final accounts and reported on a tax return. Dividends received from another company and capital gains are included in taxable income.
4. Deductions – Expenses generally are deductible if they are necessary for the generation of business income. The following expenses are not deductible:
 - interest paid on shareholder loans in excess of the interest rate determined the Central Bank, plus two percentage points on an amount not exceeding two times the authorised capital
 - certain charges and subsidies, taxes, penalties, etc.

Other fixed assets may be depreciated using the straight-line method at rates generally used in the industry. In certain circumstances, plant and machinery, and other assets, may be depreciated using the declining balance method or an accelerated method. Land is not depreciable for tax purposes.
5. Losses – Losses may be carried forward for five years. The carryback of losses is not permitted.
6. Foreign tax credit – Madagascar tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The standard corporate income tax rate is 20% for companies whose annual turnover exceeds MGA 100 000 000.
9. Minimum tax – A minimum tax applies if the tax calculation exceeds the corporate income tax rate using the 20% rate or if the company incurs a loss. The minimum tax is MGA 100 000, increased by 0.5% of annual turnover (excluding VAT) for companies carrying on industrial,

agricultural, artisanal, tourism or transport activities. The minimum tax is 0.1% of total turnover (excluding VAT) for fuel retailers, and MGA 320 000, increased by 0.5% of total turnover (excluding VAT) for other companies.

10. Free Trade Zone (FTZ) companies – FTZ companies are exempt from corporate income tax for the first five years of their activities and are subject to a 10% tax rate thereafter. FTZ companies must export all of their products.
11. Mining activities – Large mining companies that make investments over USD 25 million can benefit from legal and tax incentives if they are eligible under a special law (*Loi sur les Grands Investissements Miniers* (LGIM)). Such companies are exempt from the minimum tax for five years as from the beginning of exploitation. The corporate income tax rates are 10% for owners of mining permits and 25% for transformation entities.

Withholding Tax

The following table sets out the applicable withholding tax rates on dividends, interest and royalties (the tax is a final tax for non-residents):

	Residents	Non-residents
Income	Rate	Rate
Dividends ¹	0%	0%
Interest	20%	20%
Royalties	n/a	10%

Notes

1. Madagascar does not levy withholding tax on dividends.

Tax Treaties

Madagascar has concluded two tax treaties:

Country	Dividends	Interest	Royalties
France	0%	15%	10%/15%
Mauritius	0%	10%	5%

Canada has signed a tax treaty with Madagascar, but the treaty has not been ratified.

Anti-Avoidance Rules

Transfer pricing

Broad anti-avoidance rules apply to prevent related parties from pricing transactions in a manner that could result in the manipulation of profits.

Employment-Related Taxes

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 the employer and 1% for the employee. The rates are applied to the gross monthly remuneration of each employee up to MGA 1 244 184. The employer withholds the employee contributions from wages.

Employers and employees must also make monthly contributions to entities that provide medical insurance (i.e. *Organisation Socio-sanitaire Inter Entreprise* (OSIE) or an *Association Médicale Inter-Entreprise* (AMIE)). The contribution rates are 5% for the employer and 1% for the employee, applied to the gross monthly remuneration. The employer may purchase medical insurance from a private company instead of the OSIE or AMIE,

but these private companies must have special authorisation from the Malagasy administration. Employers also may purchase supplemental medical insurance from private companies in addition to insurance from the OSIE and AMIE.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	20%

Notes

1. Taxable transactions – VAT applies on goods sold and services rendered in Madagascar. All economic activities are within the scope of VAT, including activities of independent professionals.
2. Rate – The standard rate is 20%. Materials and equipment used for the production of renewable energy are exempt from VAT. Other exemptions are healthcare, education, banking, insurance and reinsurance, farming and transportation. Banking transactions are subject to the VAT.
3. Registration – Entities that have annual turnover of less than MGA 100 million (approximately USD 35 000) are not liable to VAT unless they voluntarily apply for the VAT regime. There are no VAT registration requirements in Madagascar.

Customs and excise duties

The Malagasy customs nomenclature is established according to the Harmonised System with its general rules of interpretation, in force in more than 170 countries. Duties range from 20% to 180%.

Other Taxes

Inheritance/Estate tax

A lump sum tax ranging from MGA 10 000 to MGA 40 000 is imposed on inheritances.

Intermittent income tax

An intermittent income tax at a rate of 5%, withheld at source, is levied on local suppliers (goods and services) that are not registered with the tax authorities in Madagascar. The tax must be paid monthly.

Urban tax

Urban tax is an annual tax levied 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).

Tax Administration and Compliance

Tax is administered by the Madagascar Revenue Authority.

Corporations

1. 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.
2. Consolidated returns – Malagasy law does not provide for consolidated tax filing.
3. Filing requirements – Companies using the standard tax year must file financial statements and the corporate income tax return 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 corporate income tax for each tax year, with each payment equal to 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.

4. Registration – Before engaging in activities in Madagascar, an entity must apply for tax registration by completing a specified form at the time the company is set up. The tax registration for wholesalers requires a special authorisation from the head of the tax authorities. A tax identification card (TIC) is issued to a new taxpayer when registration is completed. The TIC must be renewed annually at the time the tax return is submitted.
5. Penalties – Failure to file a return is subject to a penalty of MGA 100 000. The penalty rate varies from 40% to 100%.
6. Other – Taxpayers that compute taxable income under the actual or simplified actual regime must open a bank account in their own name. Financial statements provided to private or public entities require the stamp or certification of the tax authorities.

Individuals

1. Tax year – The tax year generally is the calendar year.
2. Filing status – Joint filing is not permitted. Each spouse must file a return.
3. Filing and payment – Employers must remit withholding tax on wages on a monthly basis between the first and 15th days of the month following the month in which the wages were paid. An individual earning employment income must file before the 15th day of the month after the salary is paid.
4. Penalties – Failure to file a personal income tax return gives rise to a non-filing penalty of MGA 100 000. The penalty rate is 1% per month of the total amount of tax.

Value added tax

1. Filing – The VAT return must be filed monthly, with tax due paid at that time.
2. Penalties – Failure to file a VAT return gives rise to a penalty of MGA 100 000 000. The penalty rate ranges from 10% to 150% of the tax due.

General Investment Information

Investment Incentives

General background

- Madagascar has abundant natural resources (i.e. gemstones, industrial and decorative stones, oil, and rare metals for mining activities; over 5 000 km of beaches and unique fauna and flora for the tourism business; large fertile land with a favorable climate for agriculture and farming activities; and raw materials for transformative industries and rivers, wind and sun for the production of renewable energy).
- Labour-intensive industries, such as textile manufacturing, have thrived in Madagascar as a result of EPZs and the American African Growth and Opportunity Act (AGOA). The labour force is young, skilled and fast-learning.
- Madagascar offers access to markets and has a strategic location.
- With trade agreements and preferential treatment granted to some developing countries, Madagascar has advantageous access (quota-free, duty-free) to the United States of America (USA) and European markets, as well as to other developed countries.
- As a member of the following regional economic communities, Madagascar can export goods and services to these markets: SADC (Southern African Development Community), COMESA (Common Market for Eastern and Southern Africa) and the Indian Ocean Rim, COI (*Communauté de l'Océan Indien*). Finally, strategically located between Asia and Africa and on major maritime routes, Madagascar offers advantages to international businesses. 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 the transportation of goods.
- The regulatory reforms and public investments in infrastructure that have taken place since 2002 have led

to improvement in the country's business environment. Significant public and private investments in infrastructure (e.g. roads, ports, airports, telecommunications and energy) have reduced the cost of doing business. There are no restrictions on the flow of capital in and out of Madagascar (for debt service or dividend payments), nor are there any requirements for nationals who own shares of foreign companies. The rule of law is enforced without discrimination. There are no government-imposed conditions relating to investment, 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 the transfer of technology. Property rights, including protection of intellectual property, are protected by laws (guarantee against nationalisation and expropriation).

- The procedure for setting up a company in Madagascar is quick and easy.

Tax incentives

- There are a few exemptions from corporate income tax (e.g. companies operating in FTZs).
- A "common rights" regime applies to all activities operating in the local market. For example, a tax cut of about 50% is granted for each investment carried out by a company; an exemption from income tax is available for the first operating year; and beneficial facilities are available for imports, such as temporary admission or duty drawback.
- Companies operating in FTZs and carrying out export activities are entitled to a five to ten-year income tax exemption, followed by taxation at a lower rate of 10%; and an exemption from customs duties, import tax and VAT.

Exchange Controls

Madagascar operates exchange control regulations. For foreign exchange control purposes, operations either are current or capital. Current operations include transfers abroad of profits

after payments of taxes, dividends, earned income, expatriate allowances and savings; such 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.

Expatriates and Work Permits

Entry visas

A foreigner who wishes to enter Madagascar 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 upon arrival in Madagascar.

Work permits

To work in Madagascar, a foreign national must obtain a work permit and provide a certificate of incorporation and a board of directors' resolution for the Malagasy company for which the individual intends to work.

Residence permits

A foreigner that wishes to stay in Madagascar for more than three months must obtain a "Stay Card," also known as a residence permit, from the Ministry of the Interior. The following documents must be submitted to obtain a Stay Card:

- A work permit granted in Madagascar by the Department of Labour
- An employment certificate from the employer in Madagascar
- A copy of the employer's TIC
- A copy of the individual's national identity card or foreigner identity card (for the renewal of a Stay Card)
- A tax payment certificate of the employer (for the renewal of a Stay Card).

Trade Relations

Memberships

- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)

Interest and Currency Exchange Rates

Monetary Policy Rate

Interest rate 9.50% (Nov 2017) (Source: *Banque de Madagascar*)

Currency

The currency in Madagascar is the Ariary (MGA).

1 Malagasy Franc = 0.2 Ariary.

ZAR 1 = MGA 262.48 (March 2018) (Source: Oanda)

USD 1 = MGA 3 112.75 (March 2018) (Source: Oanda)

EUR 1 = MGA 3 837.83 (March 2018) (Source: Oanda)

Notes

1. The benchmark interest rate in Madagascar was last recorded at 9.5%. Interest rates in Madagascar are reported by the Central Bank.

Key Economic Statistics

	GDP (approximate)	USD 9.99 billion (2017 estimate) (Source: Tradingeconomics)
		USD 9.76 billion (2018 forecast) (Source: Tradingeconomics)
	Market Capitalisation	Not applicable – Madagascar does not have a stock exchange.
	Rate of Inflation	9.2% (2017 average) (Source: Tradingeconomics)
		9.2% (2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Other than employment income

Taxable income (MWK)	Rate
0 – 360 000	0%
360 001 – 420 000	15%
Over 420 000	30%

Employment income

Taxable income (MWK)	Rate
0 – 360 000	0%
360 001 – 420 000	15%
420 001 – 3 000 000	30%
Over 3 000 000	35%

Notes

1. Basis – Individuals are subject to tax on Malawi-source income. Income from carrying on a trade in Malawi is deemed to be Malawi-source.
2. Residence – Individuals are considered resident for tax purposes if they are present in Malawi for an aggregate of 183 days or more in any 12-month period beginning or ending in the year of assessment.
3. Taxable income – Taxable income includes employment income (including benefits-in-kind and fringe benefits), business income, dividends, interest and property income.
4. Capital gains – Capital gains are taxed as ordinary income. No capital gain is recognised on the disposal of a personal-use domestic asset (including an individual taxpayer's principal residence), transfers between spouses, transfers from a deceased spouse to a spouse or deceased parent to a child, disposal of shares held in a company listed on the Malawi Stock Exchange for more than one year or transfers from an individual to a trust.
5. Deductions – Donations made to approved charities and non-profit organisations are deductible subject to tax restrictions. There are no deductions allowed for non-business expenses and there are no personal allowances.

6. Losses – Losses and expenditure that are not of a capital nature wholly that are exclusively and necessarily incurred by the taxpayer for the purpose of his/her trade or the production of income are deductible against income.
7. Rates – Resident individuals are taxed at progressive rates. A maximum rate of 35% applies to employment income over MWK 3 million per annum (MWK 250 000 per month), and a maximum rate of 30% applies to income other than employment income over MWK 420 000. Certain income is subject to withholding tax (WHT) (see “Withholding Taxes,” below).
8. Non-residents are subject to a final 15% WHT on gross income.

Income tax – Companies

	Rate
Basic rate	30%
Branches of foreign companies	35%
Pension funds – investment income	15%
Designated priority industries	0%-15%

Notes

1. Basis – Companies (including Malawi branches of foreign companies) are subject to tax on Malawi-source income.
2. Residence – A company incorporated in Malawi and any trust, estate or partnership established or otherwise organised under any written law of Malawi is considered resident in Malawi.
3. Taxable income – Taxable income includes business income, dividends, interest income, royalty income and gains from the sale of property. Dividends received from a subsidiary and paid from the subsidiary's dividend income are not taxable, provided the dividend income was subject to tax in the first instance. Capital gains are taxed as ordinary income, and the tax basis of the disposed property is adjusted for inflation in certain cases. Tax on capital gains can be deferred in the case of involuntary conversions or qualifying reorganisations. No capital gain is recognised if a qualifying replacement asset is acquired within 18 months from the date of a voluntary disposal.

4. Deductions – Donations made to approved charities and non-profit organisations are deductible subject to tax implications
5. Certain expenses relating to taxable income from farming and timber processes are deductible. Further deductions are allowed for certain costs of research relating to a trade, training allowances and transport allowances.
6. Losses – Assessed losses may be carried forward for up to six years for all companies. Capital losses are deductible from other taxable income without restriction.
7. Foreign tax credit – Provided certain requirements are met, a foreign tax credit is allowed against income taxed both in Malawi and in a foreign country, even in the absence of a tax treaty. The credit may not exceed the Malawi tax on the income determined at the average effective rate for the taxpayer's total taxable income.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rate – The standard rate of tax is 30%. Pension funds are subject to a 15% rate. Designated priority industries are subject to reduced rates (see “Tax incentives,” below). Certain payments are subject to WHT (see “Withholding Taxes,” below).
10. Branch taxation – Branches of foreign companies are subject to a 35% rate.
11. Surtax – None
12. Turnover tax – A 2% turnover tax is payable on a monthly basis on business income of taxpayers with annual turnover not exceeding MWK 6 million. No turnover tax is due where the aggregate business turnover does not exceed MWK 2 million. A taxpayer may elect, by writing to the Commissioner, to be subject to income tax instead of turnover tax. Turnover tax does not apply to rental income, management fees, training fees, income of incorporated companies or any income that is subject to a final WHT.
13. Mining tax regime – A special regime applies for determining the taxable income and for the administration of royalties for mining companies. Such companies are subject to a minimum resource rent tax of 15% and a preferential WHT rate of 10% on payments of interest, royalties and management fees to non-residents.

Withholding Tax (WHT)

The WHT is a final tax for non-residents (and for residents in the case of dividends), and the rate may be reduced under an applicable tax treaty. The rate of WHT on various types of payments is as follows:

	Residents	Non-residents
Dividends	10%	10%
Bank Interest	20%	15%
Royalties	20%	15%
Services	20%	15%
Casual labour	20%	15%
Fees	10%	15%
Rents	15%	15%
Commissions	20%	15%
Carriage and haulage	10%	15%
Contractors	4%	15%
Other payments	3%	15%
Imports	3%	n/a

Notes

- Dividends paid from dividend income (and distributed by a subsidiary company to a holding company or related company) are exempt from the 10% WHT, provided the dividend income was subject to WHT in the first instance. This exemption applies to dividends paid to both residents and non-residents.
- A 10% rate applies to payments of interest, royalties and management fees to non-residents where the payment is related to mining operations.
- The WHT on contractors applies to contractors and subcontractors in the building and construction industries.
- A 3% WHT applies to payments for any supplies, including foodstuff, tobacco and other products (the rate is 15% on payments to non-residents). Suppliers of foodstuffs and other

goods can be granted exemption certificates.

- Payments for supplies to traders and institutions generally are subject to WHT. The only payments that are exempt from WHT are those that are made in cash, for over-the-counter purchases bought from open stock, utility and fuel bills, telephone bills, rates and medical and insurance subscriptions or premiums.
- Non-residents are subject to 15% WHT on sales of shares of Malawian companies, unless a reduced rate applies under an applicable tax treaty.
- A 3% WHT applies on all commercial imports. Exemptions apply to registered taxpayers with valid WHT exemption certificates, government ministries and departments, tax-exempt persons and importations under customs procedure codes and other special transactions accorded duty-free status. This WHT is allowed as a credit against income tax charged upon final assessment.

Tax treaties

Malawi has concluded tax treaties with the following countries:

	Dividends	Interest	Royalties
France	D*	D*	0%
Norway	0/5/15%	10%	5%
South Africa	D*	D*	D*
Switzerland	D*	D*	D*
United Kingdom	0%/15%	0%/D	0%/D*

* No rate is specified in the treaty; therefore, the domestic rate applies.

Notes

- The lower rates on dividends generally apply where a specific holding requirement is met. (Under the treaty with Norway, the 0% rate applies to dividends paid to the government of the other contracting state. Under the treaty with the UK, the 0% rate also applies where dividends are paid to a resident of Malawi who is not entitled to the same tax credit to which a UK resident individual would be entitled in respect of the dividends.)
- Under the treaty with the United Kingdom, the domestic rate applies to interest and royalty payments to a company that controls, directly or indirectly, more than one half of the voting power in the payer company.

Anti-Avoidance Rules

Transfer pricing

Malawi has transfer pricing laws and regulations that are modelled on the OECD guidelines and apply to particular transactions. Transfer pricing regulations apply to transactions with both resident and non-resident parties, and local groups are required to have a formal transfer pricing policy. New local transfer pricing regulations were introduced with effect from 1 July 2017, which go further than the OECD model by bringing local groups of companies into the transfer pricing net.

Thin capitalisation

The government introduced thin capitalisation provisions as from the 2015/2016 fiscal year to regulate the terms of investment and to prescribe a ratio of debt to equity to guard against over-claiming of interest for tax purposes. However, the Minister is yet to gazette the order specifying a possible debt to equity ratio of 3:1. This 3:1 ratio already is included in the legislation for mining companies.

Employment-Related Taxes

Payroll tax

The employer deducts tax monthly on a PAYE basis and is responsible for remitting it within 14 days of the end of each month.

Social security

An employer is allowed to deduct its contribution to an approved pension fund (the maximum contribution is 15% of the employee's salary).

Indirect Taxes

Value Added Tax (VAT)

VAT	Rate
Standard rate	16.5%

Notes

1. Taxable transactions – VAT is charged on taxable supplies of goods and services in Malawi, and on the import of goods. Certain supplies are exempt.
2. Rates – The standard rate of VAT is 16.5%. Certain supplies are exempt or zero-rated.
3. Registration – Taxpayers with annual taxable supplies of at least MWK 10 million must register for VAT.

Customs and Excise Duties

Customs and excise duties are prescribed in the Customs and Excise Tariff Order for goods imported into Malawi. The usual basis of calculating duty is cost, insurance and freight (CIF); therefore, customs duty rates vary from product to product.

Excise duties

The Common Market for Eastern and Southern Africa (COMESA) Simplified Trade Regime (STR) is a trade arrangement that allows cross-border traders in the COMESA region to enjoy duty free status when they import goods originating from member states. The list of eligible products includes some agricultural products, live animals, food products, furniture, stationery and other assorted items. Traders enjoy duty free status on such goods originating from any of the three member states.

Malawi has bilateral trade agreements with South Africa, Mozambique, and Zimbabwe, which allow duty-free entrance of Malawian products.

Other Taxes

Inheritances and Donations

The value of an estate is subject to estate duty at progressive rates of 5% to 11%. No tax is levied if the estate is valued at MWK 30 000 or less.

Donations are not taxable in the hands of the recipient.

Stamp duty

Stamp duty is imposed at 1.5% on transfers of immovable property. Share transfers are not subject to stamp duty.

TEVET levy

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% is charged on all bills from registered tourism units.

Tax Administration and Compliance

The Malawi Revenue Authority administers tax.

Companies

1. Tax year – The fiscal year runs from 1 July to 30 June, but a Malawi company may adopt any date as its accounting year-end. All taxable income is taxed in the fiscal year in which the accounting year.
2. Consolidated returns – Consolidated returns are not permitted; each company within a group must file its own tax return.
3. Filing and payment – An annual return is required to be filed within 180 days of the end of the year of assessment. Companies must withhold and remit PAYE, WHT, excise duty and turnover tax monthly. The employer is required to file a

quarterly return to report the taxable values of fringe benefits on which tax is paid at a rate of 30%.

4. Penalties – The basic penalty is MWK 200 000 for failure to furnish a return of income for any year in a timely manner or for the omission of any amount from a return. Payment of insufficient provisional tax attracts penalties of 25% or 30%, respectively, where the unpaid tax (as a percentage of total tax liability) exceeds 10% but does not exceed 50%, or exceeds 50%. Penalty is charged at 20% of the amount outstanding for the first month or part thereof and further interest on any outstanding overdue tax is charged at the bank lending rate plus 5% per annum. The bank lending rate is defined as the rate that the Reserve Bank of Malawi (RBM) charges on its lending to commercial banks.
5. Rulings – There is no provision in the Taxation Act for advance rulings on positions.
6. Tax clearance certificate – A tax clearance certificate is required for many purposes. A tax clearance certificate shows that the taxpayer's tax affairs are in order at the date of issue of the certificate and that no tax is due. Transactions requiring a tax clearance certificate include but are not limited to transfers of land and buildings, renewals of certificates of fitness for commercial vehicles, renewals of business residence permits, changes of ownership of a company, renewals of temporary employment permits and renewals of telecommunications licenses, among others.

Individuals

1. Tax year – The fiscal year runs from 1 July to 30 June.
2. Tax filing – A married couple may elect to file a joint return. Where such an election is made, tax on the wife's earned income is computed as though it were the sole income of the couple and added to tax on the husband's income.
3. Filing and payment – Taxpayers are required to self-assess their tax liabilities. In this regard, a tax return, which is

prepared and delivered to the Commissioner General, constitutes a self-assessment and may be accepted as such by the Commissioner General. The due date for payment of provisional tax is the 25th day after the end of each quarter. At least 90% of the actual tax liability for the year has to be paid with the fourth quarter provisional tax payment.

4. Penalties – The basic penalty is MWK 50 000 for failure to furnish a return of income for any year in a timely manner or for the omission of any amount from a return. Other penalties apply (see “Companies,” above.)
5. Tax clearance certificate – A tax clearance certificate is required for certain purposes (see “Companies,” above).

Value added tax

1. Filing and payment – VAT is payable monthly. 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.
2. Penalties – Interest on unpaid VAT is calculated at the bank lending rate plus 5% per annum. The Commissioner General has discretion to reduce or waive the amount of interest for good cause. The Commissioner General 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. The Commissioner General is empowered to recover VAT via third parties without the need to obtain a court order.

Record keeping

The validity period for keeping records is six years in all tax legislation.

Notes

1. Other penalties on offenses (including for non-payment, late payment, underpayment, late submission of returns, non-submission of returns, submission of incorrect returns, refer-to-drawer cheques and refusal or

resistance to register) also are applicable under the domestic excise tax law, the Taxation Act and the VAT Act.

2. Electronic Fiscal Devices (EDF) have been introduced in the collection of VAT, and input VAT claims are valid only if accompanied by the EDF receipt.
3. Payment of all taxes is only by electronic transfers or Bank Certified Cheques.
4. An Automated Systems Customs Data (ASYCUDA) system is used in assessments for customs duties.

General Investment Information

Investment Incentives

Tax incentives

- Taxpayers in the manufacturing, agricultural and tourism sectors may claim an “investment allowance” of 100% of the cost of new qualifying assets (40% for used assets). The balance of the expenditure, if any, is deducted as an annual allowance at rates ranging from 5%-33% depending on the asset class
- Manufacturing companies are allowed to deduct all operating expenses incurred up to 18 months prior to the start of operations
- Incentives apply in respect of petroleum storage facilities
- Manufacturers may claim initial business expenditure (expenditure incurred not more than 18 months prior to the commencement and in the process of establishing the business, and that is ordinarily allowable as a deduction in the normal course of the manufacturing business) as an up-front deduction
- 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) and 15% (indefinitely)

- A modern mining tax regime includes a rate of mining income tax in line with the general rate of 30% (or 35% for branches of foreign companies), mining allowances in the first year of assessment 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 of up to 15% of the employees' annual salary are tax deductible, while the contributions of employees are net of PAYE. Pension benefits that accrue to a pensioner are exempt from tax.

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 also may 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.)
- The importation of equipment and raw materials for those exclusively engaged in horticultural production for export is 100% duty-free.
- Exporters in Export Process Zones (EPZs) benefit from an exemption from excise duties and customs duty on certain purchases. Further incentives for establishing operations in an EPZ include exemptions from WHT on dividends, exemptions from duty or capital requirement on capital equipment and raw materials and exemptions from VAT. Some of these benefits are available to other exporters.
- The Malawi Investment and Trade Centre (MITC) exists as

a designated "one-stop" agency to assist investors with establishing a business in Malawi and in obtaining an "investor's license," although this is not mandatory.

Exchange Controls

There are no restrictions on equity ownership by foreigners. Foreign 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 RBM.

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. Exchange control approval is not necessary for local currency borrowings.

Expatriates and Work Permits

Temporary employment permits (TEPs) normally are 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." TEPs normally are 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.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)
- African Growth and Opportunity Act beneficiary country
- Malawi signed a bilateral trade agreement with South Africa, under which a number of export products may enter the South African market at reduced rates of import duty
- Malawi signed a preferential trade agreement with Mozambique with the intention that Malawi export products to the neighbouring country are duty-free.

Interest and Currency Exchange Rates

Monetary policy rate

Bank rate 25.4%
(Mar 2018) (Source: Reserve Bank of Malawi (RBM))

Currency

Kwacha (MWK) (divided into 100 Tambala) (Source: RBM)

ZAR 1 = MWK 60.27 (March 2018) (Source: Oanda)

USD 1 = MWK 714.85 (March 2018) (Source: Oanda)

EUR 1 = MWK 881.35 (March 2018) (Source: Oanda)

Notes

1. The RBM intervenes in the foreign exchange market – a *de facto* conventional peg to ensure Kwacha stability.

Key Economic Statistics



GDP
(approximate)

USD 6.435 billion
(2016 estimate) (Source: RBM)



Market Capitalisation

**MWK 1 026.89 billion/
USD 1.42 billion**
(2018) (Source: RBM Financial and Economic Review;
Malawi Stock Exchange)



Rate of Inflation

11.61%
(2017 average) (Source: RBM)

8.1%
(February 2018) (Source: Malawi Statistical Office)

9.6%
(2018 forecast) (Source: IMF)



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Income Tax – Individuals

Taxable income (MRO)	Rate
0 – 90 000	15%
90 001 – 210 000	25%
Over 210 000	40%

Notes

1. Basis – Both Mauritanian nationals and non-Mauritanian nationals who have Mauritanian-source income are subject to personal income tax. Non-Mauritanian nationals also are subject to tax on salary paid outside of Mauritania for work performed in Mauritania.
2. Residence – There is no specific definition of residence for personal income tax purposes.
3. Taxable income – Tax is levied on income earned from employment (salaries, wages, etc.), income derived from carrying out professional activities, income from industrial, commercial and agricultural products, capital gains and rental income. Payroll tax 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 salary. Individuals who perform industrial, commercial, agricultural or aircraft activities are subject to corporate income tax in the same way as companies. Capital gains generally are subject to tax, but gains on the sale of shares of companies operating under the Investment Code are exempt.

4. Deductions and allowances – Various deductions are allowed, including for mandatory social security and pension contributions.
5. Rates – The rates of tax on employment income are progressive up to 40% for both residents and non-residents. Individuals who derive business and professional income other than from employment are taxable at the standard corporate income tax rate of 25%. Capital gains are taxed at 25% for business-related gains and 10% for gains on disposals of mining concessions.
6. Alternative minimum tax – Alternative minimum tax applies to individuals in the same way as for companies (see below).

Income tax – Companies

	Rate
Standard rate	25%

Notes

1. Basis – Mauritania operates a territorial tax system. Resident and non-resident entities generally are subject to corporate tax only on income generated from activities carried out in Mauritania.
2. Residence – There is no definition of residence in the Mauritanian tax law. Mauritania operates a territorial system.
3. Taxable income – An entity is taxed on the difference between its trading income and expenditure. Dividends received by a Mauritanian corporate shareholder are excluded from the taxable base, provided the dividends are/were subject to withholding tax (WHT). Capital gains are taxable as ordinary income, i.e. capital gains are included in the taxable base and subject to the standard corporate tax rate. However, if the entity commits to reinvest the amount of the capital gains within three years from the end of the financial year in which they arose, the capital gains may be tax exempt.
4. 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 exceeding the rates provided in the tax law. Land is not depreciable for tax purposes, but other fixed assets may be depreciated using the straight-line method at specified rates. Certain industrial assets may be depreciated using the declining-balance method, subject to specific conditions. Provisions normally are deductible for tax purposes if they provide for clearly specified losses or expenses that are likely to occur and if they appear in the financial statements and in a specific statement in the tax return.
5. 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.
6. Foreign tax credit – Foreign tax credits generally are not available.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The standard corporate tax rate is 25%. A non-resident entity that does not have a permanent establishment (PE) in Mauritania but that provides services in Mauritania can elect, upon approval from the tax authorities, to be subject to simplified taxation by way of withholding. The applicable WHT rate is 15% of the contract value for the provision of services. There is no separate tax rate for foreign companies, but a 4% rate applies for non-resident subcontractors of petroleum companies (i.e. 25% on 16% of the gross income).
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies (i.e. 25%), and remittances by a branch to a head office are subject to a 10% WHT.

10. Alternative minimum tax – A minimum flat rate tax (i.e. *Impôt Minimum Forfaitaire* (IMF)) is payable by entities when there is no industrial and commercial taxable profits. The IMF is 2.5% of the sales turnover of the financial year, with a minimum payment of MRO 750 000. A 3% rate applies for companies with a turnover not exceeding MRO 30 million.

Withholding Tax (WHT)

Certain payments to domestic companies and individuals and non-resident companies/investors are subject to WHT at the following rates (the tax is a final tax for non-residents (corporates and individuals) and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	10%	10%
Interest	10%	10%
Royalties	0%	3%
Director fees	-	0%
Technical services fees	25%	15%

Notes

1. Dividends – Dividends normally are subject to a 10% WHT, although a participation exemption applies for dividends paid by a subsidiary to its parent company (whether inbound or outbound).
2. Interest – Interest on savings accounts held with the savings fund is exempt from tax.
3. Royalties – Royalties are not subject to tax in Mauritania.
4. Technical services fees – Technical service fees are subject to WHT at 25% on a net basis and 15% on a gross basis where the operator has been operating in Mauritania for less than six months.
5. A non-resident entity that does not have a PE in Mauritania but that provides services in Mauritania for a period of less than six months can elect, upon approval from the tax authorities, to be subject to simplified taxation by way of WHT. The applicable WHT rate is 15% of the contract value for the provision of services including technical service fees

Tax treaties

Mauritania has concluded tax treaties with the following countries/bodies:

Treaty	Dividends	Interest	Royalties
Arab Maghreb Union ⁴	1	2	3
Algeria	10%	10%	15%
France	10%	10%	3%
Senegal	1	2	3
Tunisia	1	2	3

Notes

1. Dividends paid by a company that is a resident of a contracting state to a resident of the other contracting state may be taxed in the state in which the profits distributed are derived and according to the laws of the receiving state.
2. Interest arising in a contracting state and paid to a resident of the other contracting state may be taxed in the state in which the interest is paid.
3. Royalties (as defined under the treaty) arising in a contracting state and paid to a resident of the other contracting state are taxable only in the first-mentioned state.
4. The Arab Maghreb Union comprises the nations of Algeria, Libya, Mauritania, Morocco and Tunisia.

Anti-Avoidance Rules

Transfer pricing

There are no formal transfer pricing regulations in Mauritania, but transactions between related parties should be carried out at arm's length. The tax authority is allowed to levy tax on an enterprise that has carried out artificial transactions or seemingly transferred profit to a related entity abroad. It is artificial if it is not carried out at arm's length.

Thin capitalisation rules

Interest deductions are limited based on a thin capitalisation ratio of 25:75 (debt to equity).

Controlled foreign companies

There are no controlled foreign company rules in Mauritania.

Employment-Related Taxes

Payroll tax

The employer is required to withhold payroll tax from employees' salaries and remit it to the tax authorities before the 15th of the following month.

Social security

An employer is required to remit social security contributions of 15% of the employee's monthly salary. The employee's contribution is 1% of monthly salary for old age, disability and survival and 5% for sickness. The monthly salary for purposes of both the employer's and the employee's contributions is capped at MRO 70 000.

Indirect Taxes

Value Added Tax (VAT)

	Rate
Standard rate	16%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services and on imports.
2. Rates – The standard rate of VAT is 16%. 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.

Customs and Excise Duties

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 with the goods' classification and origin.

Privileged rates may apply in line with bilateral or multilateral treaties or conventions, as agreed by the government of Mauritania. The Maghreb Union Arab Union rates are not yet operational.

Excise duties apply to limited products, including tobacco.

The import of samples for commercial purposes is exempt from taxes. These goods enter under an "ATA Carnet" that can be obtained from the Council of the International Chamber of Commerce.

In addition to customs duties, most imported products are subject to a statistical tax of 3%.

Other Taxes

Inheritance/gift tax

Mauritanian tax law does not contain an inheritance tax. However, donations and *inter vivos* gifts are subject to registration fees at rates that vary according to the type of assets transferred.

Stamp duty

Stamp duties are applicable to certain transactions at various rates.

Business activity tax (*patente*)

This tax (at various rates) is calculated based on the turnover of the business.

Registration duties

Registration duties apply on transfers of real property or businesses at rates that range between 0.25% and 15%.

Property income tax

The tax rate is 10% and the tax is paid annually before 1 March on built properties. The tax is the value after abatement of 20% for building and 14% for equipment tools and installations. The tax rate is fixed by deliberation of the municipal council comprise between 3 and 10%, the rate voted applies to the rental value obtained, deducted 20% (non-taxable). Properties subject to the land tax on built properties are taxable on the basis of their rental value as of January 1 of the taxation year after taxation of a standard abatement of 20% to take account of wastage and maintenance and repair costs. This is the base tax.

Capital tax

Capital tax is paid quarterly before 15 April, 15 July, 15 October and 15 January at a rate of 10% on its capital owned by a company.

Tax Administration and Compliance

Tax is administered in Mauritania by the *Direction Générale des Impôts Ministère des Finances Mauritanie*.

Companies

1. Tax year – The tax year typically is the calendar year. Companies may not elect a different fiscal year.
2. Consolidated returns – Consolidated returns are not permitted; each entity must file a separate tax return.
3. Filing and payment – Two advance payments of corporate income tax must be made by 31 March and 30 June. The tax return must be filed by 31 March of the following year, with the balance of tax paid by 30 April.
4. Penalties – Penalties are imposed for late filing and late 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.

5. Rulings – Rulings are not available.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Married couples file separate tax returns (no joint tax filing is allowed in Mauritania).
3. 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 must be filed for the year before 15 February of the following year. Generally, no separate personal/individual tax filing is required.
Natural or legal persons who, at the opportunity to exercise their profession to third parties and not being part of their salaried staff of commissions, brokerage, rebates, vacations, fees, occasional or not, gratuities and other remunerations, must declare these sums, whatever the amount, in the month of January of each year to the Direction General Taxes.
4. Penalties – Penalties are imposed for late filing and late 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.

Value added tax

1. Filing and payment – Companies are required to file VAT returns and pay VAT on a monthly basis, by the end of the following month.
2. Penalties – Penalties are imposed for late filing and late 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.

General Investment Information

Investment Incentives

Tax Incentives

Various tax incentives are available under the Investment Code that apply to all economic sectors, except for banking, insurance (including reinsurance) and mining and hydrocarbon activities. These include a capital gains exemption and the export-oriented company regime:

- Capital gains exemption – Capital gains derived from the disposal of shares in enterprises operating under the Investment Code are exempt from tax in Mauritania if the transfer was made to a Mauritanian national.
- Export-oriented company regime – Advantages are granted to companies whose business relates solely to exports, whether directly or indirectly. (An enterprise whose business relates 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 on the transfers and similar deeds required for the setting up and the organisation of the business; exemption from the business license 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.

There also is a special tax regime for public procurement contracts funded by foreign resources. Such procurements include the supply of works, products and services funded by means of grants, non-reimbursable subsidies and foreign loans contracted by the government, collective authorities and public establishments. The key exemptions cover VAT, statistics tax and excise duties (except for duties and taxes levied on hydrocarbons and lubricants) and registration duties.

Exchange Controls

Exchange control regulations exist in Mauritania for foreign financial transactions.

Expatriates and Work Permits

Typically, foreign individuals working in Mauritania must obtain a work permit and a residence card. Obtaining a work permit requires sponsorship from a local employer. The residence card is mandatory for all foreigners in Mauritania. There is no special tax regime for expatriates or any tax benefits applicable to expatriate taxpayers in Mauritania.

Trade Relations

Memberships

- African Union (AU)
- New Partnership for Africa's Development (NEPAD)
- Arab League
- Group of 77
- United Nations

Interest and Currency Exchange Rates

Monetary policy rate

Debit interest rate 9% (2018)

(Source: *Banque Centrale de Mauritanie*)

Currency

The Mauritanian currency is the Ouguiya (MRO). An Ouguiya is divided into five khoums.

ZAR 1 = MRO 29.63 (March 2018) (Source: Oanda)

USD 1 = MRO 351.41 (March 2018) (Source: Oanda)

EUR 1 = MRO 433.27 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 4.63 billion
(2017 estimate) (Source: Tradingeconomics)

USD 3.40 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

Not available. Mauritania does not have a stock exchange.



Rate of Inflation

2.5%
(2017 average) (Source: Tradingeconomics)

3.7%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

The income tax rate on individuals is a flat rate of 15%.

Notes

1. Basis – Mauritius operates a worldwide system of taxation. Residents are taxed on worldwide income; non-residents are taxed only on Mauritius-source income.
2. Residence – An individual is considered a resident of Mauritius if he/she:
 - Is domiciled in Mauritius (unless the individual's permanent abode is outside Mauritius)
 - Is present in Mauritius for 183 days or more in the income year or
 - Has been present in Mauritius for 270 days or more in the aggregate in the relevant income year and the prior two years.
3. Taxable income – An individual is taxed on employment income, fringe benefits arising from employment and business income. Investment income derived from outside Mauritius is taxable if it is received in Mauritius. Dividends received by a resident individual from a Mauritius resident company are exempt from tax in the hands of the recipient, but dividends received from a non-resident company are taxable in Mauritius.

4. Deductions and allowances – A single allowance (the income exemption threshold) is deductible from a resident individual's income to arrive at taxable income. The allowance is divided into six categories and the income exemption threshold for the income year ending 30 June 2018 is as follows:

- Category A – No dependent: MUR 300 000
- Category B – One dependent: MUR 410 000
- Category C – Two dependents: MUR 475 000
- Category D – Three dependents: MUR 520 000
- Category E – Three or more dependents: MUR 550 000 (retired persons)
- Category F – No dependent: MUR 350 000 (retired persons)
- Category G – One dependent: MUR 460 000 (retired persons).

A taxpayer whose annual income is below MUR 4 million is entitled to an additional deduction for a dependent child attending university on a full-time basis. The deduction amounts to MUR 135 000 and is available for a period not exceeding six years.

All individuals are permitted to deduct from taxable income premiums paid for medical or health insurance policies for the individual and his/her dependents, with the amount depending on the status of the individual and the number of dependents.

Certain first-time buyers of a residence or residential land may deduct mortgage interest and are exempt from registration duty.

Sugar cane planters – A planter engaged exclusively in a sugar cane plantation activities on less than 15 hectares of land is entitled to an exemption for the first 60 tons of sugar income. The planter also is entitled to a duty-free double cab vehicle.

5. Rates – The income tax rate for individuals is 15%. Non-resident individuals are subject to the same rate as resident individuals on income derived from Mauritius, although certain payments made to individuals with an address outside Mauritius are subject to withholding tax (WHT).

Income Tax – Companies

	Rate
Basic rate	15%

Notes

1. Basis – Residents are taxed on worldwide income; non-residents are taxed only on Mauritius-source income.
2. Residence – A company is resident if it is incorporated in Mauritius or its central management and control is in Mauritius.
3. Taxable income – Income tax is imposed on a company's profits, which consist of business/trading profits and passive income.
4. Deductions – Normal business expenses generally are deductible in computing taxable income. However, the following expenses are non-deductible:
 - Expenditure that is of a capital nature
 - A reserve or provision of any kind
 - Expenditure that is recoverable under an insurance contract or indemnity
 - Expenditure incurred for the provision of business entertainment or gifts
 - Tax payable under the Land (Duties and Taxes) Act, 1984
 - Income tax or foreign tax
 - Expenditure of a private nature.

5. Losses – Losses may be carried forward for five years, except for losses arising from annual allowances on capital expenditure incurred after 1 July 2006, which may be carried forward indefinitely. The carryback of losses is not permitted.
6. Foreign tax credit – Foreign tax paid on foreign-source income may be claimed as a credit against Mauritius tax arising on the same income. A company holding a Category 1 Global Business License (BBL 1 company) is entitled to claim a credit for the greater of the actual foreign tax incurred or a deemed foreign tax credit equivalent to 80% of the Mauritius tax payable on its foreign-source income, giving rise to a maximum effective tax rate of 3%.
7. Group relief – There are no group relief provisions, except that losses can be transferred in a takeover or merger involving manufacturing companies.
8. Rates – The standard tax rate on resident companies is 15%. Companies holding a category 1 Global Business License are entitled to a foreign tax credit as explained above in "6". Companies holding a freeport license and do not operate outside the freeport zone in Mauritius are exempt from corporate income tax.
9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary. Mauritius does not levy a branch tax.
10. Alternative minimum tax – The alternative minimum tax was repealed in 2015.
11. Other – Profitable companies are required to allocate 2% of their previous year chargeable income to approved activities under corporate social responsibility schemes, or as contributions to the Mauritius government to help combat poverty. Up to 30 June 2018, a special levy is payable by profitable banks as follows:
 - 3.4% of book profits and 1% of operating income payable on income derived from banking transactions with non-residents and corporations holding a Global Business License under the Financial Services Act and
 - 10% on chargeable income from all other sources.
 As from 1 July 2018, the special levy will reduce to 1.7% on book profits and 0.50% on operating income.

Withholding Tax

The WHT on various types of payments are as follows (the tax is a final tax for non-residents for certain types of income and the rate may be reduced under an applicable tax treaty):

Payment	Rate
Dividends	0%
Interest paid to a non-resident*	15%
Interest in all other cases	15%
Royalties paid to a resident/non-resident	10%/15%
Rent	5%
Payments to providers of specified services (including accountants/accounting firms and tax advisors and their representatives)	3%
Payments to contractors and subcontractors in the construction industry	0.75%
Payments made to a non-resident for any services rendered in Mauritius	10%

* Any interest payable by any person other than an individual, a bank or a non-bank deposit-taking institution under the Banking Act to a person other than a company resident in Mauritius is subject to tax deduction at source (TDS) at a rate of 15%.

Notes

1. The payer is required to submit an annual TDS return to the Mauritius Revenue Authority (MRA) and issue a statement of income and tax deducted to the payee by 15 August annually showing the total payments made to the payee and the total amount of TDS. Failure to remit the TDS return to the MRA by the due date will result in a penalty of MUR 5 000 per month or part of a month, up to a maximum of MUR 20 000.
2. In addition to the normal WHT, ministries, departments, local authorities, the Rodrigues Regional Assembly and parastatals are required to make a deduction at source on high-value contracts relating to the implementation of projects and the procurement of goods and services.

Tax Treaties

Mauritius has a broad tax treaty network. The following table shows the treaty WHT rates on dividends, interest and royalties:

Treaty	Dividends ¹	Interest	Royalties
Australia (partial)*		-	-
Bangladesh	10%	Domestic rate	Domestic rate
Barbados	5%	5%	5%
Belgium	5%/10%	10%	0%
Botswana	5%/10%	12%	12.5%
China	5%	10%	10%
Congo (Rep)	0%/5%	5%	0%
Croatia	0%	0%	0%
Cyprus	0%	0%	0%
Egypt	5%/10%	10%	12%
France	5%/15%	Domestic rate	15%
Germany	5%/15%	0%	10%
Guernsey	0%	0%	0%
India	5%/15%	7.5%	15%
Italy	5%/15%	Domestic rate	15%
Kuwait	0%	0%	10%
Lesotho	10%	10%	10%
Luxembourg	5%/10%	0%	0%
Madagascar	5%/10%	10%	5%
Malaysia	5%/15%	15%	15%
Malta	0%	0%	0%

Monaco	0%	0%	0%
Mozambique	8%/10%/15%	8%	5%
Namibia	5%/10%	10%	5%
Nepal	5%/10%/15%	10%/15%	15%
Oman	0%	0%	0%
Pakistan	10%	10%	12.5%
Qatar	Exempt	Exempt	5%
Rwanda	10%	10%	10%
Senegal	0%	0%	0%
Seychelles	0%	0%	0%
Singapore	0%	0%	0%
South Africa	5%/10%	10%	5%
Sri Lanka	10%/15%	10%	10%
Swaziland	7.5%	5%	7.5%
Sweden	0%/15%	0%	0%
Thailand	10%	10%/15%	5%/15%
Tunisia	0%	2.5%	2.5%
Uganda	10%	10%	10%
United Arab Emirates	0%	0%	0%
United Kingdom	10%/15%	Domestic rate	15%
Zambia	5%/15%	10%	5%
Zimbabwe	10%/20%	10%	15%

* Mauritius and Australia have signed an Agreement on the Exchange of Information with Respect to Taxes, which provides for the exchange of information upon request in criminal and civil tax matters. The two countries also have signed an Additional Benefits Agreement (ABA) that sets out an administrative mechanism to resolve transfer pricing disputes between taxpayers and the tax authorities of Australia and Mauritius and eliminate double taxation of certain income derived by retirees, government employees and students.



Anti-Avoidance Rules

Mauritius does not have transfer pricing, thin capitalisation or controlled foreign company rules.

Employment-Related Taxes

Pay-As-You-Earn (PAYE)

Tax on employment income is withheld monthly by the employer under the PAYE system and remitted directly to the tax authorities. Income not subject to PAYE is self-assessed, and individuals earning more than MUR 4 million annually must make quarterly payments. The employer must submit an annual return of employees with the MRA by 15 August following the end of the tax year showing the details of the employees and the amount of tax remitted for each employee.

Social security contributions

The employer is required to make pay-related social security contributions equal to 6% of the monthly basic salary of each employee for the National Pension Fund (NPF), 2.5% for the National Solidarity Fund (NSF) and 1.5% for the Human Resource Development Council (HRDC) Levy. The monthly salary is capped at a maximum of MUR 16 995 for NPF and NSF contributions.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	15%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and the provision of services in Mauritius, and on the import of goods or services.
2. Rates – The standard VAT rate is 15%. Certain supplies are zero-rated (e.g. goods exported under customs control, the supply of services to

non-residents, the supply of aeronautical services, pharmaceutical products, foodstuffs, etc.). Exempt supplies include medical services, public transport, residential accommodation, banking services, cosmetic surgery and construction of social housing by housing development trusts. Input tax may not be claimed on exempt supplies.

3. Registration – The registration threshold for VAT purposes is MUR 6 million per year. Certain businesses or professions are required to register, irrespective of turnover.

Customs and Excise Duties

Tariff policy

Customs and Excise duty is levied on the importation of a range of products as prescribed under the Customs and Tariffs Act. The applicable rate is listed in the Integrated Customs Tariffs Schedule.

Where significant local production exists, and to provide greater certainty to businesses and investors, changes to the customs duty rates on products are announced at least six months in advance.

Other Taxes

Inheritances and donations

There is no inheritance tax in Mauritius. The transfer of property during a donor's lifetime is subject to registration duty and transfer taxes in certain cases, although the transfer of property is exempt from tax where the transfer is made by an ascendant to a descendant (or his/her spouse or surviving spouse) and between descendants of a deceased person.

Stamp duty

There is no stamp duty applicable in Mauritius.

Land transfer tax

The seller or transferor of immovable property must pay a 5% land transfer tax.

Registration duty

Registration duty of 5% is paid by the purchaser of immovable property.

Tax Administration and Compliance

Tax is administered by the Mauritius Revenue Authority.

Companies

1. Tax year – The tax year is the fiscal year, which runs from 1 July to 30 June, although companies can opt for a financial year end other than 30 June. Companies are required to file their annual return no later than six months from the end of the month in which the accounting year ends.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Companies with annual turnover exceeding MUR 10 million annually are required to make quarterly tax payments under the advance payment system. Companies with an accounting year ending on 30 June are required to submit their returns and pay tax, if any, two days (excluding weekend days and public holidays) before 31 December. Where companies have their accounting year ending on 31 December, the due deadline for submission of the return and settlement of tax due is two days (excluding weekend days and public holidays) before the end of June. Other companies must submit their returns and pay tax, if any, within six months after the end of their accounting year. *Sociétés and Successions* must submit their returns by 30 September.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.
5. Rulings – Taxpayers may request a ruling on the tax consequences of transactions.

Individuals

1. Tax year – The tax year is the fiscal year. Tax forms must be submitted and filed by 30 September.
2. Tax filing – Married couples are assessed separately.
3. Filing and payment – Individuals are required to submit income tax returns and pay tax, if any, by 30 September following the end of the fiscal year:
 - Self-employed individuals whose preceding year's annual turnover or income derived from the exercise of a profession, vocation or occupation exceeded MUR 4 million must file Current Payment System (CPS) returns and pay tax on a quarterly basis. Any additional tax must be paid at the time the annual income tax return is due in September.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.

Value added tax

1. Filing and payment – Filing and payment is made on a monthly or quarterly basis.
2. Penalties and interest – Late payment of VAT is subject to a penalty of 10% and interest of 1% per month or part of a month on the amount of VAT payable.

General Investment Information

Investment Incentives

Tax incentives

To boost manufacturing, the Schedule of Annual Allowances in the Income Tax Act, provides for accelerated depreciation in respect of capital expenditure made during the period 1 January 2013 to 30 June 2018, as follows:

Capital expenditure	Allowance
Industrial premises dedicated to manufacturing	30% of tax base value
Plant or machinery costing MUR 50 000 or less	100% of costs
Electronic and high-precision machinery (including computer hardware and software) (including computer hardware and software)	50% of costs
Plant and machinery (excluding passenger cars) by a manufacturing company	50% of costs
Scientific research	50% of costs

Exchange Control

The Exchange Control Act was suspended in 1994, so there are 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. A work permit generally will be granted if a contract of employment is in place. Under the Business Facilitation Act, an occupation permit giving a foreign national the right to work and reside Mauritius for a specified period can be granted to:

- An investor setting up a business with an initial transfer of USD 100 000 and annual turnover exceeding MUR 2 million for the first year and cumulative turnover of at least MUR 10 million for the following two years;
- A professional who is offered employment with a monthly salary exceeding MU R60 000 or MUR 30 000 if the professional is in the ICT sector; and
- A self-employed professional making an initial transfer of USD 35 000 and whose business activities generate annual income exceeding MUR 600 000 in the first two years and MUR 1.2 million as from the third year.

When an occupation permit expires, the investor, professional or self-employed professional can apply for permanent residence subject to certain conditions.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Development Community (SADC)
- Common Market Eastern and Southern Africa (COMESA)
- IOL and Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)
- African Growth and Opportunity Act (AGOA) beneficiary country
- Interim Economic Partnership Agreement (EPA) with EU

Interest and Currency Exchange Rates

Bank rate

Lending rate: 5.65 – 8.5% (2017)

Average lending rate of banks 6.2% (Source: Bank of Mauritius)

Repo rate

3.5% (Nov 2017) (Source: Bank of Mauritius)

PLIBOR*

* Port Louis Interbank Offered Rate.

1.19% (Jan 2018) (Source: Bank of Mauritius)

Currency

Rupee, named after the Mauritian rupee. It is divided into 100 cents.

MUR – Currency code

Rs – Currency symbol

ZAR 1 = MUR 2.72 (March 2018) (Source: Oanda)

USD 1 = MUR 32.34 (March 2018) (Source: Oanda)

EUR 1 = MUR 39.87 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 12.27 billion
(2017 estimate) (Source: Knoema)

USD 12.78 billion
(2018 forecast) (Source: Knoema)



Market Capitalisation

MUR 367 billion
(Jan 2018) (Source: Mauritius Stock Exchange)



Rate of Inflation

4.2%
(2017 average) (Source: Tradingeconomics)

3%
(2018 forecast) (Source: Knoema)



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Income Tax – Individuals

Taxable income (MAD)	Rate
0 – 30 000	0%
30 001 – 50 000	10%
50 001 – 60 000	20%
60 001 – 80 000	30%
80 001 – 180 000	34%
Over 180 000	38%

Notes

1. Basis – Resident individuals are taxed on their worldwide income; non-residents are taxed only on Moroccan-source income.
2. Residence – The following individuals are resident in Morocco for tax purposes:

- Individuals who are habitually resident in Morocco;
 - Individuals who are present in Morocco for a minimum of 183 days within a given year, whether or not continuously; and
 - Individuals whose professional activities or centre of economic interests are located in Morocco.
3. Taxable income – All compensation received by an individual is taxable, including: salaries and wages, allowances, pensions, annuities and all other employment benefits; investment income; property income; and income derived from the carrying on of a business or profession. Capital gains are treated as ordinary income and taxed at the personal tax rate.
 4. Deductions and allowances – Various deductions and personal allowances are available in computing taxable income.
 5. Rates – Rates are progressive from 0% to 38% for both residents and non-residents. Individuals deriving capital gains from the sale of property are subject to tax on the gain at a rate of 20%, but with a minimum tax of 3% of the sales price. The tax is 20% if the gain relates to a plot of land. Capital gains from the sale of a primary residence are exempt if held for more than 6 years.

Income Tax – Companies

Taxable income (MAD)	Rate
0 – 300 000	10%
300 001 – 1 million	20%
Over 1 million	31%

Notes

1. Basis – Morocco operates a territorial tax system. Companies (both resident and non-resident) generally are subject to corporate tax only on income earned from activities carried on in Morocco. Foreign corporations are subject to taxation on income arising in Morocco if they have, or are deemed to have, a permanent establishment in Morocco.
2. Residence – A company is resident in Morocco if it is incorporated in Morocco or if its place of effective management is in Morocco.
3. Taxable income – A company is taxed on the difference between its trading income and expenditure. Dividends received by corporate shareholders from a taxable Moroccan resident entity must be included in business profits of the recipient company, but the dividends are 100% deductible in the computation of taxable income. Capital gains are treated as ordinary income and taxed at the corporate tax rate.
4. Deductions – Expenses incurred in the operation of the business generally are 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. Foreign tax credit – Foreign tax credits are available where provided in an applicable tax treaty.
7. Group relief – There is no group relief provision.
8. Rates – Rates are progressive from 10% to 31%. A 37% rate applies 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.

9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary, as well as a 15% branch profits tax.
10. Alternative minimum tax – There is no AMT, but the tax payable by a company must be at a rate of at least 0.5%, regardless of the amount of taxable profit, calculated on turnover, financial and non-current income.

Withholding Tax (WHT)

The WHT rates on various types of payments made to non-residents are as follows (the tax is a final tax and the rate may be reduced under an applicable tax treaty):

Payment	Rate
Dividends	15%
Interest	10%*
Royalties	10%
Management and professional fees	10%

* Interest paid to non-residents on loans exceeding 10 years is exempt from WHT.

Tax Treaties

Morocco has a solid tax treaty network. The following table shows the WHT rates on dividends, interest and royalties under Morocco's treaties:

Treaty partner	Dividends	Interest	Royalties
Austria	5%/10%	10%	10%
Bahrain	5%/10%	10%	10%
Belgium	6.5%/10%	10%	10%
Bulgaria	7%/10%	10%	10%
Canada	15%	15%	5%/10%
China	10%	10%	10%
Czech Republic	10%	10%	10%

Denmark	10%/25%	10%	10%
Egypt	10%/12.5%	20%	10%
Finland	15%	10%	10%
France	15%	10%/15%	5%/10%
Gabon	15%	10%	10%
Germany	5%/15%	10%	10%
Greece	5%/10%	10%	10%
Guinea	5%/10%	10%	10%
Hungary	12%	10%	10%
India	10%	10%	10%
Indonesia	10%	10%	10%
Ireland (R.O.I.)	6%/10%	10%	10%
Italy	10%/15%	10%	5%/10%
Ivory Coast(R.O.IC)	10%	10%	10%
Jordan	10%	10%	10%
Korea (ROK)	5%/10%	10%	5%/10%
Kuwait	5%/10%	10%	10%
Latvia	6%/10%	10%	10%
Lebanon	5%/10%	10%	5%/10%
Luxembourg	10%/15%	10%	10%
Maedonia	10%	10%	10%
Malaysia	10%	10%	10%
Mali	5%/10%	10%	10%
Malta	6.5%/10%	10%	10%
Netherlands	10%/25%	10%/25%	10%
Norway	15%	10%	10%
Oman Kingdom	10%	10%	10%

Pakistan	10%	10%	10%
Poland	7%/15%	10%	10%
Portugal	10%/15%	12%	10%
Qatar	5%/10%	10%	10%
Romania	15%	10%	10%
Russia	5%/10%	10%	10%
Senegal	10%	10%	10%
Singapore	8%/10%	10%	10%
Spain	10%/15%	10%	5%/10%
Switzerland	7%/15%	10%	10%
Syria	7%/15%	10%	10%/14%
Turkey	7%/10%	10%	10%
Ukraine	10%	10%	10%
United Arab Emirates (UAE)	5%/10%	10%	10%
United Kingdom	10%/25%	10%	10%
United Mughreb Arab	0%	10%	10%
United States	10%/15%	15%	10%
Vietnam	10%	15%	10%

Anti-Avoidance Rules

Transfer pricing

There is no formal transfer pricing legislation in Morocco, but transactions between related parties must be at 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 is no formal thin capitalisation legislation, but the deduction of interest on shareholder loans is subject to some conditions and limitations. Interest is deductible, provided the shareholder's stock is fully paid up, the interest rate does not exceed the official annual rate and the debt-to-equity ratio does not exceed 1:1.

General anti-avoidance rule (GAAR)

A GAAR has been introduced, based on the concept of "abuse of law." The tax authorities will be able to invoke this provision to reassess transactions whose main purpose is to avoid or evade tax.

Employment-Related Taxes

Payroll tax

Payroll tax (called professional training tax) is imposed on the gross monthly remuneration of employees subject to social security contributions, 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.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	20%

Notes

1. Taxable transactions – VAT is levied on the supply of goods and the provision of services in Morocco, and on the import of goods and services.
2. Rates – The standard VAT rate is 20%. There are reduced rates of 7%, 10% and 14%. Certain supplies are zero-rated or exempt.
3. Registration – All persons subject to VAT must register within 30 days of commencing operations.

Customs and excise duties

Equipment, goods, materials, tools, spare parts and accessories that are considered necessary to promote and develop investment are subject to an *ad valorem* import duty at between 2.5% and 10%, unless an applicable trade treaty with the country of origin provides otherwise. Morocco has signed several agreements aiming to reduce the duty rates.

Other Taxes

Stamp duty

Legal documents are subject to stamp duty at a rate of up to MAD 1 000.

Transfer tax

A 4% to 6% registration duty and a 1% real estate tax are levied at the time real property is acquired.

Property tax

Property occupied as a main or second residence is taxed at progressive rates from 0% to 35%. 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 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, which is levied by the local authorities, is imposed 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 an exemption for the first five years of activity.

Inheritances and donations

There is no inheritance tax, but a gift tax is levied at a flat rate of 20%.

Tax Administration and Compliance

Tax is administered by the General Tax Administration (GTA). The GTA mainly manages four state taxes (corporate tax, income tax, VAT and registration and stamp duties). It also is responsible for managing three local taxes on behalf of the local authorities (business tax, property tax and municipal tax).

Companies

1. Tax year – The calendar year normally is the fiscal year, although a company may opt for a different fiscal year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – The tax return must be filed within three months of the close of the fiscal year. Corporate tax is payable in four equal instalments, based on the prior year's assessment. The actual amount payable is adjusted in the three months following the end of the accounting period.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.
5. Rulings – Tax rulings may be requested from the tax administration. The procedure for issuing a ruling may take more than six months. The administration's positions in rulings, in general, are in line with the tax law and circular notes.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Married couples are assessed separately.
3. Filing and payment – The global income tax return, when applicable, must be filed before 1 March of the following year in the place where the taxpayer has his/her habitual residence or main business.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.

Value added tax

1. Filing and payment – Filing and payment of VAT is made on a monthly basis.
2. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.

General Investment Information

Investment Incentives

Tax incentives

- New enterprises that set up operations in certain areas and new, small and medium-sized businesses set up anywhere in Morocco will be exempt from the business tax for the first five years of operations.
- Companies exporting goods and services are entitled to an exemption from corporate tax for the first five years of operations. Thereafter, a reduced corporate tax rate of 17.5% applies to the export sales. For export services, this exemption is applied only for the sales turnover generated in a foreign currency.
- An exemption is granted from VAT on the cost of materials, tools and equipment imported or acquired locally that are depreciable assets registered in a fixed asset account for 36 months following the start of activity.
- An exemption is granted from the minimum contribution in respect of corporate tax during the first 36 months of operations.
- Neutralisation of corporate income tax is available on the transfer of investment goods among member companies of a restructuring group. All taxpayers may benefit from such incentives.

Mergers and divisions

Favourable tax treatment for mergers and divisions is provided, such as the following:

- A capital gains tax exemption for gains derived by the acquiring company on the disposal of shares in the target company;
- Deferral of tax on gains derived by shareholders of the target company when exchanging their shares for shares of the acquiring company, until disposition of the shares; and
- Deferral of taxation on the assets of the target company at the level of the acquiring company:
 - In a case where the target company has no depreciable assets (only land, goodwill, etc.), deferral lasts until the assets are subsequently sold; and
 - In a case where the target company has depreciable assets, deferral lasts until the depreciation/amortisation period ends or the assets otherwise are disposed or withdrawn from use, as reflected in the company's accounting books.

Exchange Controls

Foreign exchange is not restrictive in Morocco, but the rules must be observed in transferring funds abroad.

Expatriates and Work Permits

Foreign citizens can work in Morocco for resident employers if they obtain a visa relating to the employment agreement.

Trade Relations

Memberships

- United Nations
- World Trade Organisation

Interest and Currency Exchange Rates

Monetary policy rate

Key rate: 2.25% (2018) (Source: Bank Al-Maghrib)

Currency

Moroccan Dirham (MAD)




The MAD is issued by the Central Bank of Morocco, Bank Al-Maghrib, and its export is prohibited by law.

ZAR 1 = MAD 0.77 (March 2018) (Source: Oanda)

USD 1 = MAD 9.15 (March 2018) (Source: Oanda)

EUR 1 = MAD 11.28 (March 2018) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 110.71 billion (2017 estimate) (Source: IMF Knoema)
		USD 110.87 billion (2018 forecast) (Source: Societe Generale)
	Market Capitalisation	MAD 635 237 798 925,25 (2017) (Source: Casablanca Stock Exchange)
	Rate of Inflation	1.6% (2017 average) (Source: IMF)
		2% (2018 forecast) (Source: IMF)



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Income Tax – Individuals

Annual income (MZN)	Rate	Deductible amount (MZN)
0 – 42 000	10%	-
42 001 – 168 000	15%	2 100
168 001 – 504 000	20%	10 500
504 001 – 1 512 000	25%	35 700
Over 1 512 000	32%	141 540

Notes

1. Basis – Resident individuals are subject to tax on worldwide income. Non-resident individuals are taxable only on Mozambique-source income.
2. Residence – An individual will be considered resident for tax purposes if he/she resides in Mozambique for more than 180 days in a tax year, or if resident for a shorter period and on 31 December, the individual occupies a residence under circumstances indicating an intention to continue occupancy on a permanent basis.

3. Taxable income – The income of an individual is taxed under separate schedules for employment, trade and business, capital gains, real estate and other income. Employment income is defined broadly and includes benefits-in-kind.
4. Deductions and allowances – Personal and dependent allowances are available. Dependent allowances are available for one responsible person per dependent.
5. Rates – Employment income obtained by residents is taxed under the Pay-As-You-Earn (PAYE) system. The monthly withholding tax is a final tax and the highest marginal rate is 32%, which applies to monthly income higher than USD 2 300. Non-residents are taxed at a flat rate of 20%.
6. Simplified tax for small taxpayers (ISPC) – Taxpayers can elect for the ISPC regime in place of individual income tax (or corporate income tax) and VAT. The ISPC regime applies to micro-enterprises and small individual taxpayers that carry on an agricultural, industrial or commercial activity, including services, and whose annual turnover does not exceed MZN 2.5 million. The tax payable under the ISPC regime is either MZN 75 000 or 3% of annual turnover.
7. An annual income tax return should be submitted. Taxpayers whose only sources of income are from employment and/or other income subject to withholding tax are not required to submit a return.

8. Municipalities – The municipalities are empowered to collect individual income tax on income derived from real estate located in the municipality.
9. Advance payment – Where the advance payments of tax exceed the final liability, the excess may be repaid.

Income tax – Companies

	Rate
Standard corporate rate	32%

Notes

1. Basis – Resident companies are taxed on their worldwide income. Non-resident companies are subject to tax only on their Mozambique-source income.
2. Residence – 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.
3. Taxable income – All income and gains are included in taxable income. Dividends are included in taxable income unless they qualify for the participation exemption. Capital gains also are considered taxable income. However, gains arising from the direct or indirect transfer between non-residents of shares or other interests and participatory rights involving assets located in Mozambique are deemed to be Mozambique-source income, regardless of where the sale takes place and regardless of whether the transfer is for consideration.
4. Deductions – Expenses that are necessary for the generation of income are deductible and various capital allowances are available. Interest payments and other forms of remuneration on loans granted by shareholders to the company are not deductible tax costs to the extent they exceed the 12-month Maputo Interbank Offered Rate (MAIBOR), plus 2%. Mining and oil and gas companies and holders of mineral and oil rights granted under the law of mines and oil must assess taxable income and maintain related accounting records separately, which means that each mining title and concession agreement must have a specific/individual tax registration number.
5. Losses – Tax losses may be carried forward for five years. The carryback of losses is not permitted. Losses incurred by a mining or oil company

from a specific mine or area of concession agreement may not be offset by gains derived from another mine or area.

6. Foreign tax credit – A unilateral tax credit is available for foreign taxes paid to prevent the double taxation of income obtained abroad by resident companies and permanent establishments of non-resident companies. The tax credit is the lowest value between the tax paid abroad on corporate income and the part of the income tax computed before the deductions are given as attributed to the income that may be taxed in Mozambique. Unused credits may be carried forward for up to five years.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 32%, although a penalty rate of 35% may be charged on unsubstantiated payments or non-compliant invoice. There are 2 implications: Non-deductibility of the cost which increase the profit and the respective amount not duly supported is taxed at 35%.
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies; Mozambique does not levy a branch profits tax.
10. The ISPC regime may apply to small taxpayers with an annual turnover of less than MZM 2.5 million who elect to be taxed under the regime. See above under “Income tax – Individuals.”

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents except for on rental income):

Payment	Residents	Non-residents
Dividends	0%/10%/20%	10%/20%
Interest	0%/20%	20%
Royalties	20%	20%
Technical services fees	0%	20%
Rent	20%	20%

Notes

1. Dividends – Dividends paid to residents and non-residents are subject to a 20% withholding tax (10% for shares listed on the Mozambique stock exchange), unless (for non-residents) the rate is reduced under a tax treaty. No withholding tax is levied on dividends paid to a Mozambique company that has held at least 20% of the shares in an associated company in Mozambique for at least two years.
2. Interest – Interest paid to residents and non-residents is subject to a 20% withholding tax, unless (for non-residents) the rate is reduced under a tax treaty. A 0% rate applies to interest paid to a registered Mozambique financial institution. A 20% rate applies to interest on treasury bonds and debt securities listed on the stock exchange and interest on liquidity swaps between banks, with or without collateral.
3. Royalties – Royalties paid to residents and non-residents are subject to a 20% withholding tax, unless (for non-residents) the rate is reduced under a tax treaty.
4. Technical services fees – Technical service fees paid to a non-resident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty.
5. Other – A 10% withholding tax applies to payments made to non-residents for the following services:
 - Telecommunications services, international transport services and the assembly and installation of telecommunications equipment
 - Services related to construction and rehabilitation of productive infrastructure, transport and the distribution of electricity in rural areas, under the scope of public projects of rural electrification
 - Services from charters of marine vessels to conduct fishing and cabotage activities and
 - Services relating to the maintenance of freight aircraft.

Tax treaties

Mozambique has tax treaties with the following countries:

Treaty partner	Dividends	Interest	Royalties
Botswana	0%/12%	10%	10%
India	7.5%	10%	10%
Italy	15%	10%	10%

Macau	10%	10%	10%
Mauritius	8%/10%/15%	8%	5%
Portugal	10%	10%	10%
South Africa	8%/15%	8%	5%
United Arab Emirates	0%	0%	5%
Vietnam	10%	10%	10%

Notes

1. Dividends – The lower (lowest) rate is applicable where the beneficial owner is a company holding at least 25% of the capital of the payer company.
2. Botswana – The treaty is not yet in force.
3. United Arab Emirates – Dividends and Interest are taxable only in the state of residence of the beneficial owner.

Anti-Avoidance Rules**Transfer pricing**

The arm's length principle applies to dealings between related parties in Mozambique. For income derived in 2018 and thereafter, the tax authorities may 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. Transfer pricing documentation must be prepared to support transactions between related parties where the value of the transactions is at least MZN 2.5 million (USD 40 300).

For payments to companies in low tax jurisdictions, the authorities will need to be satisfied that the payment was genuine and reasonable.

Thin capitalisation rules

Companies are subject to thin capitalisation rules. Where the indebtedness of a Mozambique taxpayer to a non-resident entity is twice the value of the equity shareholding, and a special relationship exists between the two parties, any excessive interest paid is not deductible in calculating taxable income. The equity ratio is 2:1. A special relationship between a resident and a non-resident entity exists for these purposes if the following requirements are met:

- The non-resident entity holds, directly or indirectly, at least 25% of the share capital of the resident entity
- The non-resident entity holds less than 25% of the resident entity but exercises a significant *de facto* influence on the management of the resident entity or
- The non-resident and the resident entity are both controlled directly or indirectly by a third entity.

In addition, as noted above, interest and other forms of payments on loans granted by shareholders to a corporation are non-deductible if they exceed the value corresponding to the 12-month MAIBOR rate, plus 2%.



Employment-related Taxes

PAYE

Employers must withhold tax on the monthly remuneration paid to resident employees in accordance with the rates shown in the table below. The rates are final tax rates. Non-residents are subject to a flat withholding rate of 20%.

Gross monthly salary (MZN)	Personal income tax withheld on income up to lower limit of the gross salary band, by number of dependants (MZN)					Rate on excess over lower band limit
	0	1	2	3	4+	
0 – 20 249.99	0	0	0	0	0	0
20 250 – 20 749.99	0	0	0	0	0	10%
20 750 – 20 999.99	500	00	0	0	0	10%
21 000 – 21 249.99	750	250	0	0	0	10%
21 250 – 21 749.99	1000	500	25	0	0	10%
21 750 – 22 249.99	150	100	75	50	0	10%
22 250 – 32 749.99	200	150	125	100	50	15%
32 750 – 60 749.99	1 775	1 725	1 700	1 675	1 625	20%
60 750 – 144 749.99	7 375	7 325	7 300	7 275	7 225	25%
144 750 and above	28 375	28 325	28 300	28 275	28 225	32%

Social security

Employers and employees must register with the National Social Security System. The total contribution for social security is 7%, with 4% payable by the employer (with no upper limit) and 3% by the employee. Salaries are not capped for the purposes of employee contributions.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	17%

Notes

1. General – The definition of “territory” for VAT purposes includes areas where Mozambique has sovereign rights with regard to the prospecting, exploration and production of natural resources.
2. Taxable transactions – VAT is levied on the supply of goods or services in Mozambique, and on the import of goods or services.
3. Rates – The standard VAT rate is 17%. Banking, financial and certain health, education and philanthropic services are exempt. Services related to drilling, research and construction of infrastructure in the context of mining and oil activities during the exploration phase and the export of goods and services are subject to the standard rate of 17%. 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 licensed within a special free zone does not pay VAT on the import of construction materials, equipment and spare parts. VAT is however payable on the import of goods or services for consumption.
4. Registration – A unique tax number must be obtained and a declaration filed 15 days before the time VAT taxable activities commence.
5. VAT refund – An application for a VAT refund may be submitted when:
 - Four months have elapsed and a full credit has not been received
 - The taxpayer has a VAT credit exceeding MZN 500 000.00 in a specific month
 - An exporter has a VAT credit exceeding MZN of 20 000.00 or
 - A company has ceased its activities and notified the revenue authorities.

The VAT refund process takes on average six to 12 months.

Customs duties

Customs duties are levied on imported goods at rates ranging from 2.5% to 20%. As from 1 January 2018:

- The surcharge on imports of Portland Cements (tariff heading 2 523 29.00) is increased from 10.5% to 20%
- Customs duty rates on certain goods used by the printing industry are reduced from 20% to 7.5% and
- A surcharge is introduced on the import of second-hand goods comprised of textiles and similar goods (MZN 25/kg) and electric conductors (10%).

No customs duties are imposed on exports of goods, but a surtax applies on certain goods such as unprocessed timber and cashew nuts.

Specific consumption tax (ICE) Excise duty

ICE applies on the consumption of certain goods, produced or imported. ICE is levied on luxury items, such as alcohol, tobacco, perfumes, cosmetics, jewellery, gold and passenger vehicles. *Ad valorem* rates vary from 10% to 75%.

A new tax code on excise duty applies as from 1 January 2018. The main changes are:

1. A revised formula for calculating the minimum values for the taxation of spirits, based on a minimum value per litre per 100% of alcoholic strength in volume;
2. An increase in the minimum taxation amounts for 2018, 2019 and 2020;
3. The distinction between hard and soft packets has been removed for tobacco taxation;
4. Plastic bags are now subject to excise duty with minimum duty values set for 2018, 2019 and 2020;
5. The creation of new categories of cosmetic products, such as baby powder, retail bottled, skin and glycerin lotions, which will be eligible for reduced tax rates; and

6. The introduction of minimum values for beer taxation for 2018, 2019 and 2020 and reduced rates of 20% for the first year, 25% for the second year and 30% for the third year for new brewery undertakings under tariff heading 2 203 00.10.

Other Taxes

Inheritance/Estate tax

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.

Stamp duty

Stamp duty applies on marketable securities at a fixed rate of 0.4%. A 0.2% rate applies to transfers of buildings.

Property tax

Urban property is subject to an annual tax of 0.4% of the property value (excluding land) where the building is used for residential purposes and 0.7% otherwise.

Transfer Property tax

All land is owned by the state and a property transfer tax applies based on the property value excluding the value of the land. The transfer tax rate is 2%.

Mining taxation

Mining activities are subject to specific rules and taxes:

- Production tax is levied on the value of the quantity of mineral products extracted, concentrates and mineral water derived from a mining activity within Mozambique territory, irrespective of whether the products are sold, exported or otherwise disposed of. The value of the product is based on the last sales price or the reference price of an international market where there have been no sales. The applicable rates are as follows:

Product	Rate
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%

Mining products may be exported only after payment of the production tax due.

- Surface tax (ISS) is an annual tax levied on the area of mining activity and in the case of mineral water, the mining title. This tax is payable by persons conducting mining activity in the national territory. Surface tax is calculated on the basis of the number of hectares of the area under license 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. Changes to the specific tax regime applicable to mining activities entered into force on 1 January 2018 under which the rates of ISS are reduced, as follows:
 - For mining concessions, the ISS rate is MZN 85 000 per mining title (previously MZN 85 000 per hectare).
 - For mining certificates, the ISS rate is MZN 30 per hectare for the first to fifth years and MZN 50 per hectare from the sixth year (previously MZN 17 500 per hectare for the first to the fifth years and MZN 25 000 per hectare from the sixth year).
 - The taxable base for gains derived by non-residents from the sale of shares in entities holding mining rights or other immovable property is 100% (increased from 50%), as the gains are no longer considered to be derived from

the transfer of immovable property. In addition, the gains are subject to tax separately, for both residents and non-residents, meaning that resident taxpayers can no longer include the gains in the annual tax return with other income and offset tax losses from other sources.

- Rent tax (IRRM) is a direct tax on the net cash flow of a mining project. The tax is payable by mining titleholders and applies to mining projects that have accrued net revenue (cash gains) during a fiscal year. The IRRM rate is 20%, applied to the closing balance of accumulated net cash gains when positive. The taxpayer must submit the annual IRRM statement on the same date as the annual corporate tax return.
- The holders of mineral rights, granted under the law of mines, must assess taxable income and retain accounting records for each mining title separately. Each must have a specific individual tax registration number and tax and accounting returns must be completed separately for each mining title; losses arising from a particular mine or area of concession agreement cannot be offset against gains derived from another.

Oil activities

Petroleum production tax is levied on the value of the quantity of oil products extracted within Mozambique. 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 10% for crude oil and 6% for natural gas.

As from 1 January 2018, taxable gains realised by non-residents on the sale of shares in entities holding oil rights or other immovable property are taxable in full (previously a 50% reduction was available). In addition, the gains are subject to separate taxation, for both residents and non-residents,

meaning that resident taxpayers can no longer include the gains in the annual tax return with other income and offset tax losses. The normal corporate income tax rate of 32% will apply to the difference between the realisation value and the acquisition value of the shares, movable or immovable property, regardless of whether or not the transferor is resident in Mozambique. Where the transaction is not at arm's length, the realisation value will be taken as market value.

Mozambique-source income of foreign legal entities that do not have a branch in the country is taxable via a withholding mechanism at a 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 a deductible cost in computing taxable income. The company and all holders of oil rights must calculate taxable income and organise accounting records separately; each concession agreement must have a specific individual tax registration number.

Tax Administration and Compliance

Tax is administered in Mozambique by the Mozambique Tax Authority (*Autoridade Tributária de Moçambique*).

Companies

1. Tax year – The tax year is the calendar year. A tax period other than the calendar year will be allowed only when an entity is more than 50% owned by an entity that has adopted a different tax period.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return. The tax and accounting returns of companies that are holders of mineral and oil rights granted under the law of

mines and oil (namely, annual income returns, the tax and accounting information return, registration and amendment or cancellation of taxpayer registration) must be completed separately for each mining title or concession agreement.

3. Filing and payment – Companies must make three provisional payments of corporate tax in May, July and September. The total amount of the payment should be 80% of the tax assessed, less the amount of tax withheld by third parties in the previous year. Other special provisional corporate tax payments may be due in June, August and October if 0.5% of turnover (subject to a minimum turnover limit of MZN 30 000 and a maximum of MZN 100 000) exceeds the provisional payment made in the previous year.
4. The annual tax return and the balance of tax due must be submitted by 31 May following the end of the tax year, with supporting documents filed by the end of June.
5. Penalties – Penalties are imposed for late filing, non-payment of tax and failure to disclose records. Penalties range from approximately USD 100 to USD 33 000. Interest is charged on late payments. Prison sentences also may be imposed, of up to eight years for tax fraud and up to two years for negligence.
6. Rulings – 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. The rulings are binding on the authorities with respect to the disclosed facts of the transaction.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – All taxpayers must file a return for income earned in 2017. For 2018 and thereafter, taxpayers whose only income is from employment and/or other income subject to withholding tax are not required to submit a return. Spouses are not

permitted to file joint returns. The return is due by 31 March for taxpayers who received income only from employment and by 30 April for other taxpayers.

3. Tax payment – The final tax payment is due by 30 June for income from entrepreneurial activities and by 31 May for other income.
4. Penalties – Penalties are imposed for late filing, non-payment of tax and failure to disclose records. Penalties range from approximately USD 100 to USD 33 000. Interest is charged on late payments. Prison sentences also may be imposed, of up to eight years for tax fraud and up to two years for negligence.

Value added tax

1. Filing and payment – The monthly VAT return must be filed and the VAT paid by the last day of the following month or by the 15th day of the following month when the company is in a credit position.
2. Penalties for late submission vary from MZN 6 000 to MZN 130 000. Penalties for the underpayment of tax vary from the amount of tax due up to twice the amount payable. Interest on unpaid tax is charged from the due date for payment to the date of payment at the 12-month MAIBOR rate, plus 2%.

General Investment Information

Investment Incentives

General 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) also may benefit from incentives that vary by location, the number of employees and whether the products are exported.

Exchange Controls

The 2011 Foreign Exchange Law liberalised controls in the banking sector and moved the Reserve Bank into a role of regulation and control. The law requires the declaration of that foreign exchange assets, the mandatory use of the national banking system for any foreign exchange transactions and the mandatory remittance to the country of income received from exports of goods and services. Certain requirements must be met for residents to open new bank accounts in foreign currency and for the movement of foreign currency between accounts.

Expatriates and Work Permits

Legislation regarding the hiring of foreign nationals specifies a quota for foreign workers, sets out regulations for employment agencies hiring foreign workers and specifies the process for transferring employees to a new location. Key measures include:

- Employment agencies may only hire foreign employees to work at their own premises and cannot assign foreign employees to a third-party employer



- Employers may apply for a short-term work permit for a maximum of 90 days a year (180 days for the mining and oil and gas sectors)
- Work permits under the quota regime require the foreign national's academic or professional qualifications diploma/certificate, accompanied by an equivalence certificate issued by the relevant Mozambican authority (Ministry of Education and Human Development) or proof of professional experience
- The definitive transfer of foreign employees to another work place is possible only where there is an available quota in the location of the employment.

Penalties are imposed on companies that attempt to circumvent the rules.

Automatic approval will be given to Mozambican companies to employ foreign employees provided the company has an investment authorisation that sets out the number of foreign employees the company will need. Where a company employs more than 100 Mozambican workers, up to 5% of the total workforce can be foreign employees; where there are between 11 and 100 Mozambican workers, up to 8% of the total workforce can be foreign employees; and if a company employs no more than 10 Mozambican workers, up to 10% of the total workforce can be foreign employees.

The company must provide the Ministry of Labour with the following documents:

- Three copies of the labour contract that will apply for a maximum period of two years, along with the remuneration to be paid and a description of the work to be performed
- A certificate of payment of social security and taxes for the month prior to the hiring

- Certificates of studies and or qualifications stamped by the relevant authority in the country of origin, as well as by the Foreign Affairs Ministry and the Mozambique consulate, and an equivalence certificate issued by the Mozambique Ministry of Education and Human Development and
- A trading license issued by the competent authority.

In the case of an investment project, the documentation must be submitted to the Ministry of Labour, together with an authenticated copy of the investment authorisation.

Special rules apply to the oil and gas, and mining sectors, allowing the hire of a greater number of expatriates.

New immigration legislation became effective on 31 October 2017 which permits visas issued by Mozambique consulates abroad to be valid for more than one year. However, in practice, owing to the immigration department's internal procedures, visas issued by the consulates are only valid for 30 to 60 days. In accordance with the internal procedures, once expatriates enter Mozambique with a work visa, they will no longer be entitled to a residence document (DIRE). However, the work visa can be renewed annually.

Trade Relations Memberships

- Cotonou Agreement
- Southern African Development Community (SADC)
- African Growth and Opportunity Act beneficiary country

Interest and Currency Exchange Rates

Benchmark interest rate

MIMO rate 18% (Feb 2018) (Source: Bank of Mozambique)

Prime rate: 25.5% (Source: Bank of Mozambique)

Currency

Mozambique new metical – MZN (divided into 100 centavos)

ZAR 1 = MZN 6.17 (March 2018) (Source: Bank of Mozambique)

USD 1 = MZN 61.39 (March 2018) (Source: Oanda)

EUR 1 = MZN 75.69 (March 2018) (Source: Oanda)

Notes

1. Interest rates decisions are made by the Monetary Policy Committee of the Central Bank of Mozambique. The official interest rate is the standing lending facility rate.

Key Economic Statistics



GDP
(approximate)

GDP USD 11.01
(2017 estimate) (Source: Tradingeconomics)

GDP USD 12.15
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

MZN 61 899.38 million
(2017) (Source: Mozambique Stock Exchange)



Rate of Inflation

2.93%
(average 2017) (Source: Tradingeconomics)

4.52%
(estimate 2018) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (NAD)	Rate
0 – 50 000	0%
50 001 – 100 000	18%
100 001 – 300 000	9 000 + 25% of amount over 100 000
300 001 – 500 000	59 000 + 28% of amount over 300 000
500 001 – 800 000	115 000 + 30% of amount over 500 000
800 001 – 1 500 000	205 000 + 32% of amount over 800 000
Over 1 500 000	429 000 + 37% of amount over 1 500 000

Proposed new rates (see under “Rates, below”)

Taxable income (NAD)	Rate
0 – 50 000	0%
50 001 – 100 000	17%
100 001 – 300 000	8 500 + 25% of amount over 100 000
300 001 – 500 000	58 500 + 28% of amount over 300 000
500 001 – 800 000	114 500 + 30% of amount over 500 000
800 001 – 1 500 000	204 500 + 32% of amount over 800 000
1 500 001 – 2 500 000	428 500 + 39% of amount over 1 500 000
Over 2 500 000	818 500 + 40% of amount over 2 500 000

Notes

1. Basis – Resident and non-resident individuals are taxable on all income received or accrued from a Namibian source, or a deemed Namibian source. During the 2018/2019 budget speech, the Minister of Finance proposed to expand the list of deemed source provisions in the near future. No effective date or details have been made available.
2. Residence – The Namibian Income Tax Act does not define a “resident.”
3. Taxable income – Individuals are taxed on the value of any benefit or advantage arising from employment, as well as on business income and investment income. There currently is no separate capital gains tax system in Namibia, but income from certain capital transactions is included in gross income and subject to income tax.
4. Exempt income – An exemption (limited to NAD 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. Lump-sum pension fund payouts are exempt up to a threshold of NAD 50 000; if the payout is in excess of NAD 50 000, one-third will be paid as a tax-free lump sum, and the remaining portion as an annuity. Similar provisions apply for payouts in terms of “preservation” and retirement annuity funds. Contributions made to retirement annuity funds and donations to welfare and educational institutions that are recovered or recouped during a particular tax year are excluded from taxable income.
5. Deductions and allowances – The annual aggregate allowable deductions in respect of contributions to Namibian-registered pension funds, provident funds and retirement annuity funds and premiums payable with respect to educational policies are limited to NAD 40 000. There are no tax abatements or rebates.
6. Rates – Individual income tax generally is levied at progressive rates up to 37% (proposed to be increased to 40% in the future, at a date still to be determined); however, part-time employees are taxed at a flat rate of 18% (proposed to be increased to 17% in the future, at a date still to be determined). The same tax rates are 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 withholding tax (see “Withholding Tax,”

below). The tax rates for individuals generally also apply to trusts; however, the interest portion of a unit trust's income is subject to withholding tax of 10%, except if the income is payable to Namibian companies and entities normally exempt from tax (e.g. pension funds), in which case it is exempt. The dividend portion of a unit trust's income is exempt from tax. Proposed changes to the taxation of trusts and dividend distributions, in general, to residents were announced during the 2018/2019 budget speech, but no details or expected effective dates have been announced.

7. Other – Where an individual's taxable income exceeds NAD 200 000 in a particular tax year and the individual is carrying on a “suspect trade” (defined below), the individual may have to “ring-fence” any losses from such a trade from other taxable income. The application of this provision is limited, depending on the number of years the taxpayer has incurred losses and whether there is a prospect of deriving taxable income within a reasonable period. Suspect trades include the following:
 - Any sport carried out by the taxpayer
 - Dealing in collectible items
 - Rental of residential accommodations, 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 at least 80% of the relevant item is used by non-relatives for at least half of the year
 - Animal showing
 - Farming or animal breeding, unless carried out on a full-time basis (i.e. for most or all of the taxpayer's normal working hours)
 - Any performing or creative arts carried out by the taxpayer and
 - Any form of gambling or betting carried out by the taxpayer.
8. Local dividends – The Minister of Finance's 2018/2019 budget speech announced the introduction of a 10% local dividend tax. No further details were provided.

Income Tax – Companies

	Rate
Standard corporate rate	32%
Manufacturing companies	18%/32%
Diamond mining companies	55%
Petroleum mining companies (oil and gas companies)	35%
Other mining companies	37.5%
Mining service companies	37.5%/55%
Insurance companies	32%
Retirement funds	Exempt

Notes

1. Basis – Resident and non-resident entities are subject to Namibian income tax only on taxable income arising in, or deemed to arise from, a source within Namibia.
2. Residence – A resident corporation is not defined in the Income Tax Act, but is understood to be a corporation incorporated in Namibia.
3. Taxable income – Taxable income is calculated as gross income, less exempt income and deductions. Gross income is the total amount, in cash or otherwise, received or accrued during the tax year from a source within (or deemed to be within) Namibia, excluding receipts or accruals of a capital nature. Although there is currently no capital gains tax system in Namibia, income from certain capital transactions is specifically included in gross income and subject to income tax in Namibia, regardless of its capital nature, including the following:
 - Income received or accrued from the sale, donation, expropriation, cession, grant, transfer or other alienation of a license or a right to mine minerals in Namibia, irrespective of where the transaction is concluded, the place where payment for the transaction is made or the place where the funds from which payment is made are held
 - The direct or indirect sale of shares in a company that holds a license or has a right to mine minerals in Namibia and

- The sale or other disposal of petroleum rights/licenses, or the direct or indirect sale of shares in a company that holds such rights/licenses.
4. Deductions – Some deductions are available, *inter alia*, in respect of capital expenditure, certain donations, doubtful debts and certain prepayments.
 5. Losses – Tax losses may be carried forward indefinitely for set off against future taxable income, provided the entity does not cease to trade. Losses may not be carried back.
 6. Foreign tax credit – A foreign tax credit may be obtained only for tax paid to jurisdictions with which Namibia has concluded a tax treaty.
 7. Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group.
 8. Rate – The standard corporate tax rate is 32%. Different rates apply to companies engaged in certain activities, as shown in the table above. The rate for registered manufacturing companies is 18% for the first 10 years after manufacturing company status is granted. For companies granted manufacturing status more than 10 years ago, the tax rate is 32%. The Minister of Finance's 2018/2019 budget speech announced his intention to phase out manufacturing allowances. Further discussions will be conducted before any changes will be made.
Mining service companies (companies that subcontract with mining companies to carry out mining activities on their behalf) are taxed at 37.5% (non-diamond mining) or 55% (diamond mining).
Insurance companies are taxed at the same standard rate as other companies, but there are special rules dealing with the computation of taxable income for companies providing long-term and short-term insurance.
 9. Branch taxation – A rate of 32% applies to branches of foreign companies unless the branch is a mining or manufacturing company or a mining service company, in which case the applicable manufacturing or mining tax rate will apply. There is no branch profits tax, but non-resident shareholders' tax is payable when branch profits that have been repatriated to the non-resident head office are distributed to non-resident shareholders.
 10. Local dividends – The Minister of Finance's 2018/2019 budget speech announced the introduction of a 10% local dividend tax. No further details were provided.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the same rates apply to payments to non-resident companies and non-resident individuals, and may be reduced under an applicable tax treaty):

Payment	Rate
Dividends	10%/20%
Interest	10%
Royalties	10%
Directors' fees	25%
Service fees	10%

Notes

1. Dividends – The WHT on dividends is a final tax. The rate on dividends paid to non-Namibian shareholders with a shareholding of less than 25% in the payer company is 20%, while the rate for those with a shareholding in excess of 25% is 10%.
2. Interest – 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, a trust, the estate of a deceased person or a non-Namibian company. Interest payable by resident individuals and companies to non-residents are subject to 10% withholding tax from 1 January 2016. Interest payable by a Namibian bank to a non-resident bank is exempt from this withholding tax.
3. Royalties – The WHT on royalties payable to non-residents may be credited against the final assessed income tax liability. The scope of royalty withholding tax has been extended to include all rentals of commercial, scientific and industrial equipment.
4. Directors' fees – A final WHT of 25% is applicable in respect of payments made to non-resident directors.
5. Service fees – A 10% WHT applies to payments made to non-resident entertainers and to payments to non-residents for any administrative, managerial, technical or consulting services, or any similar services, regardless of whether such services are of a professional nature.



Tax Treaties

Namibia has concluded tax treaties with a number of countries. The following table shows the WHT rates on various types of income under Namibia's treaties.

Treaty	Dividends	Interest	Royalties	Directors' fees	Entertainers' fees	Service fees
Botswana	10%	10%	10%	25%	10%	0%/10%
France	5%/15%	0%/10%	0%/10%	25%	10%	0%
Germany	10%/15%	0%	10%	25%	10%	0%
India	10%	10%	10%	25%	10%	0%/10%
Malaysia	5%/10%	0%/10%	0%/5%	25%	10%	0%/5%
Mauritius	5%/10%	0%/10%	5%	25%	10%	0%
Romania	5%/10%	0%/10%	5%	25%	10%	0%
Russia	5%/10%	0%/10%	5%	25%	10%	0%
South Africa	5%/15%	0%/10%	0%/10%	25%	10%	0%
Sweden	5%/15%	0%/10%	0%/15%	25%	10%	0%/10%
United Kingdom	5%/15%	10%	5%/50% of domestic rate	0%/25%	10%	0%

Anti-Avoidance Rules

Transfer pricing

Transfer pricing legislation regulates international goods or services transactions between connected persons. The rules allow the tax authorities (Inland Revenue) to disallow the deduction for certain expenditure or adjust income if the contract price is higher or lower than what the price would have been between parties dealing at arm's length.

Thin capitalisation rules

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

Employment-Related Taxes

Payroll tax

Tax on employment income is withheld by the employer under the pay-as-you earn (PAYE) system and remitted on a monthly basis to the Inland Revenue. PAYE is deducted based on the individual tax rates set out above.

Social security

Every employer is obliged to register with the Social Security Commissioner as an employer and to register every employee (younger than 65 years) under its employ as an employee. Social security contributions are calculated at 1.8% of the employee's basic salary, shared equally between the employer (0.9%) and the employee (0.9%). The current maximum contribution is NAD 162 (NAD 81 per employee and NAD 81 per employer) for employees whose monthly earnings are above NAD 9 000. For employees earning below NAD 9 000 per month, the monthly employee and employer contributions will be calculated at 0.9% of the monthly basic wage.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	15%

Notes

1. Taxable transactions – VAT is imposed on the supply and import of most goods, and on the provision of services.
2. Rates – The standard rate is 15%. Certain supplies are subject to a rate of 0%, including the direct export of goods, international transport services, the sale of a business as a going concern, certain services rendered to non-resident persons, the erection and extension of a building used for residential purposes and the sale of residential land and buildings. Improvements to buildings used for residential purposes are subject to the standard rate of VAT. Certain foodstuffs are zero-rated. Exempt supplies include medical, dental and hospital services; educational services; public transportation services; financial services; the rental of residential accommodations; and fringe benefits, etc.
3. Registration – The registration threshold for VAT purposes is NAD 500 000 of annual turnover.

Customs and excise duties

Customs duties are payable on the importation of goods into Namibia from non-Southern African Customs Union (SACU) countries. Rates depend on the tariff heading of the goods and may vary between 0% and 30%. Excise duties are payable by manufacturers and exporters on certain items like alcoholic beverages.

Export levies

Levies on the export of certain wood types, certain fish types and minerals are applicable since 1 June 2017. The applicable rates vary between 0% and 1.5%.

Other Taxes

Inheritances and donations

There is currently no estate duty or donations tax in Namibia. The introduction of estate duty and donations tax was proposed a few years ago, but indications are now that these taxes may no longer be introduced in Namibia.

Stamp duty

Stamp duty is payable at 0.2% on the issue or transfer of shares. Shares listed on the Namibian Stock Exchange (NSX) are exempt from the duty.

Stamp duty also is imposed on the acquisition of immovable property, and a range of other instruments. The rate on the acquisition of immovable property by an individual is NAD 10 for every NAD 1 000 (or part thereof) of the value of the property, with the first NAD 600 000 being exempt. The rate on acquisitions by a juristic person or a trust is NAD 12 for every NAD 1 000 (or part thereof) of the value of the immovable property.

Transfer duty

Transfer duty is levied on the value of any property acquired (excluding the VAT and stamp duty charged, where applicable). The rates for acquisitions by natural persons vary depending on the value and type of the property, and are progressive from 0% to 8%. The rate for acquisitions by other persons, including trusts, is 12% of the value of the property. The sale of shares/membership interests in property-owning companies/close corporations currently is not subject to transfer duties.

Land tax

Land tax (on agricultural land only) is payable for every 12-month period ending 28 February, at a rate of 0.75% for a Namibian resident owner and a rate of 1.75% for a non-resident owner (applied to the unimproved site value). For each additional farm property, the rate increases by 0.25%.

Environmental tax

Environmental levies apply on the importation of vehicles, tyres and certain light bulbs.

Tax Administration and Compliance

Tax is administered in Namibia by the Inland Revenue.

Companies

1. Tax year – The tax year corresponds to a corporation's financial year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Provisional tax payments, payable six months after the beginning of the taxpayer's financial year and at year end, must be based on estimates of taxable income for the year, as opposed to income from the last year assessed. Final tax returns, together with a computation of taxable income and the payment of any corporation tax owed for the relevant tax year, are due within seven months after the taxpayer's year end. Reasonable extensions may be granted to submit tax returns.
4. Penalties – Interest at 20% per annum is imposed on the late payment or failure to pay income tax, PAYE, provisional tax, VAT and import VAT. The interest amount may not exceed the original tax amount. Various penalties also may be imposed for the late submission or failure to submit returns, and late payment or failure to pay taxes.

The penalty amount may not exceed the original tax amount.

5. Rulings – Rulings may be obtained from the tax authorities.

Individuals

1. Tax year – The tax year for individuals is from 1 March to 28 February.
2. Tax filing – Spouses are taxed separately on their income.
3. Filing and payment – Returns are due by 30 June for salaried individuals, and by 30 September for non-salaried individuals.
4. Penalties – Interest at 20% per annum is imposed on the late payment or failure to pay income tax. The interest amount may not exceed the original tax amount. Various penalties also may be imposed for the late submission or failure to submit provisional tax returns, and late payment or failure to pay taxes. The penalty amount may not exceed the original tax amount.

Value added tax

1. Filing and payment – VAT returns are due bimonthly on the 25th day of the month. VAT-registered persons are registered in either Category A or Category B, which indicates the calendar month in which the VAT period ends.
2. Penalties – See the rules for companies, above.



General Investment Information

Investment Incentives

Incentives apply equally to domestic and foreign investors, and include the following:

- Tax incentives for registered manufacturing enterprises – Companies that meet certain criteria may qualify for the following incentives (which may not increase or create an assessed loss):
 - An additional income tax deduction of 25% of employment costs 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
 - For exporters of goods manufactured in Namibia, an allowance equal to 80% of taxable income derived from the export of manufactured goods (excluding fish or meat products)
 - An 8% annual capital allowance on qualifying buildings and
 - An exemption from import duties on the importation or acquisition of manufacturing machinery and equipment, subject to ministerial approval.
 - The Minister of Finance's 2018/2019 budget speech announced his intention to phase out manufacturing allowances. Further discussions will be conducted before any changes will be made.
- 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 employment-related taxes and WHT). 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).

The Minister of Finance's 2018/2019 budget speech announced his intention to repeal the EPZ Act, with a “sunset” clause for entities that have EPZ status. The EPZ Act would be replaced by a Special Economic Zone Act; no further details were provided.

- Capital allowances – For buildings used for the purposes of trade, 20% of the cost of erection may be written off in the first year of use, and 4% may be written off annually over a 20-year period (the 4% allowance is increased to 8% for certain manufacturing buildings, and the write-off period is reduced to 10 years). A general three-year write-off period applies for fixed assets other than buildings (e.g. plant, machinery, equipment, aircraft and ships), with an accelerated write-off period for certain expenditure relating to mining operations and farming operations.

Exchange Controls

Namibia is part of the Common Monetary Area (CMA) (with Lesotho, South Africa and Swaziland), and Namibia continues to gradually relax its exchange controls in line with other CMA countries. In broad terms, there are few restrictions on inward investment by foreigners, and profits may be fully repatriated. 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. Dividends can be freely transferred to non-resident shareholders, except where local borrowing restrictions have been exceeded.

Expatriates and Work Permits

Work permits for skilled expatriates may be obtained, but there are often substantial administrative delays.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Customs Union
- Southern African Development Community
- World Trade Organisation
- African Growth Opportunity Act beneficiary country
- Preferential market access to 34 countries for Namibian products, under the Generalised System of Preferences
- Preferential trade agreement with Zimbabwe
- Economic partnership agreement signed with the EU in June 2016

Interest and Currency Exchange Rates

Monetary policy rate

Prime rate: 10.50% (2018)

Repo rate: 6.75% (2018) (Source: Bank of Namibia)

Currency

Namibia's currency is the Namibian Dollar (NAD), which is divided into 100 cents.

ZAR 1 = NAD 1.00 (March 2018) (Source: Oanda)

USD 1 = NAD 11.83 (March 2018) (Source: Oanda)

EUR 1 = NAD 14.59 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 10.27 billion
(2017 estimate) (Source: Tradingeconomics)

USD 9.80 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

NAD 1.844 trillion
(Oct 2017) (Source: Namibian Stock Exchange)



Rate of Inflation

3.6%
(2017 average) (Source: Tradingeconomics)

5.45%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable Income (NGN)	Rate
0 – 300 000	7%
300 001 – 600 000	11%
600 001 – 1 100 000	15%
1 100 001 – 1 600 000	19%
1 600 001 – 3 200 000	21%
Over 3 200 000+	24%

Notes

1. Basis – Nigerian residents are taxed on worldwide income; non-residents are taxed only on Nigerian-source income.
2. Residence – An individual is deemed to be resident in Nigeria if he/she spends more than an aggregate of 183 days (inclusive of annual leave

or temporary period of absence) in any 12-month period in Nigeria, and meets other conditions for residence.

3. Taxable income – Employment income generally is taxable unless otherwise exempt. This includes employment income earned by both temporary and permanent employees. Business profits earned by an individual from a trade or profession and other investment income also are taxable.
4. Exempt income – Foreign-source 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 exempt as well.
5. Deductions and allowances – There is a consolidated relief allowance of 20% of gross income, plus the higher of NGN 200 000 or 1% of gross income. The following deductions are tax-exempt when computing taxable income:
 - National Housing Fund Contribution

- National Health Insurance Scheme
 - Life Assurance Premium
 - National Pension Scheme and
 - Gratuity contributions, provided the scheme is approved.
6. Rates – Individuals in Nigeria are taxed at progressive rates ranging from 7% to 24%. Capital gains generally are taxed at a rate of 10% (although gains from the disposal of shares are exempt). Non-residents are taxed via deduction at source.
 7. Employment income: The Pay-As-You-Earn (PAYE) system of collection is used. A minimum tax of 1% of gross income is applicable where computed tax amount is less than 1% of gross income.

Income tax – Companies

	Rate
All companies	30%
Small companies (i.e. those whose turnover does not exceed NGN 1 million)	20%

Notes

1. Basis – Nigerian companies are taxed on worldwide income, while companies registered in a foreign jurisdiction with a fixed base or permanent establishment (PE) in Nigeria are taxed only on Nigerian-source income.
2. Residence – Resident companies are liable to tax on their worldwide income. A company is resident in Nigeria if it is incorporated in Nigeria. A non-resident company operating through a fixed base (or PE as defined in a tax treaty) also is subject to income tax on its Nigerian-source profits.
3. Taxable income – Taxable income is a company's income less allowable deductions and losses. Income of a capital nature is not included in taxable income. Dividends received by a Nigerian company from another domestic company are excluded in the determination of taxable income to the extent the distribution suffered withholding tax (WHT) in the hands of the initial recipient (distributing company).
4. Deductions – Expenses that are incurred wholly and exclusively for the business generally may be deducted. 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. Investment allowances of 10% are available to companies in their first year of acquisition of plant and machinery. Certain business assets (such as factory buildings, furniture and fittings) enjoy capital allowances at lower rates of 25% or 15% (initial) and 20% or 10% (annual), but generally at 50% (initial) and 25% (annual) in other cases.

5. Losses – Losses may not be carried back but may be carried forward indefinitely (except losses incurred by insurance companies, which are limited to a four-year carry forward period and losses incurred by other (non-upstream oil and gas) companies within the early years of operation, which may not be carried forward beyond the fourth year).
6. Foreign tax credit – A unilateral credit is not available to corporate taxpayers. However, income tax paid in non-treaty countries is deductible if Nigeria also taxes the income.
7. Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group of companies.
8. Rate – The corporate tax rate is 30% for all companies, except oil and gas companies in the upstream sector. 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 NGN 1 million. Capital gains generally are taxed at a rate of 10% (although gains from the disposal of shares are exempt). Non-resident companies are subject to the same rate as resident companies. Nigeria does not levy a branch profits tax.
9. Minimum tax – A minimum tax is levied to ensure that, unless exempt, every company pays a certain amount of corporate income tax. 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 NGN 500 000 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 NGN 500 000, an additional tax is payable, calculated at the rate of 0.125% of turnover exceeding NGN 500 000. 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.

10. 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 and gas industry determines the applicable tax regime. Income derived by companies engaged in petroleum operations is assessable to tax at a rate of 85% with some variations for companies within the first five years of operation (chargeable at 65.75%) and those that are operating under a production sharing contract (chargeable at 50%). Profit from any activity that does not qualify as petroleum operations is subject to tax at a rate of 30%.

Withholding Taxes (WHTs)

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

Payments	Corporate bodies	Individuals
Dividends	10%	10%
Interest	10%	10%
Royalties	10%	5%
Directors' fees	n/a	10%
Rent (including the hire of equipment)	10%	10%
Construction and related activities	5%	5%
Agency arrangements, including contract for supply	5%	5%
Management, consultancy, professional fees and technical service fees	10%	5%

Notes

1. WHT deducted from the income of resident individuals and companies is a payment on account of tax. WHT credit notes may be used to offset personal and company income tax liabilities, except where the tax withheld is a final tax (e.g. WHT on dividends). Where the recipient is a non-resident, the WHT is a final tax.
2. Certain interest payments are exempt from WHT.
3. The WHT rate on non-residents is reduced to 7.5% where the recipient is resident in a country that has concluded a tax treaty with Nigeria. The withholding rate for non-treaty countries is 10%.

Tax treaties

Nigeria has concluded tax treaties with the following countries:

Treaty partner**	Dividends*	Interest*	Royalties*
Belgium	7.5%	7.5%	7.5%
Canada	7.5%	7.5%	7.5%
China	7.5%	7.5%	7.5%
Czech Republic	7.5%	7.5%	7.5%
France	7.5%	7.5%	7.5%
Netherlands	7.5%	7.5%	7.5%
Pakistan	7.5%	7.5%	7.5%
Philippines	7.5%	7.5%	7.5%
Romania	7.5%	7.5%	7.5%
Slovakia	7.5%	7.5%	7.5%
South Africa	7.5%	7.5%	7.5%
United Kingdom	7.5%	7.5%	7.5%

** The treaty with Italy covers only air and shipping income.

*Based on a directive issued by the Nigerian government, the WHT rate on dividends, interest and royalties paid to a resident of a treaty partner country is 7.5%.

Anti-avoidance Rules

Transfer pricing

The Companies Income Tax Act contains general provisions on anti-avoidance rules that require transactions between related parties to comply with arm's length principle. Additional guidelines covering applicable transactions, acceptable transfer pricing methods, documentation, advance pricing agreements, and offenses, penalties and dispute resolution are contained within the Income Tax (Transfer Pricing) Regulations.

Employment-Related Taxes

Payroll tax

Nigeria operates a Pay-As-You-Earn system under which personal income tax due on employment income is deducted from the employee's salary and wages by the employer, who must remit the relevant amount to the Nigerian tax authorities by the 10th day of the month following the month of withholding.

Employees Compensation Act (ECA) 2011

The ECA aims to provide safer working conditions for employees in both the public and private sectors. The rate of contribution is 1% of total payroll costs, including any share awards or benefits.

Social security

Nigeria operates a contributory pension scheme, under which 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.

Indirect Tax

Value Added Tax (VAT)

	Rate
Standard rate	5%

Notes

1. Taxable transactions – VAT is charged on the taxable supply of goods and services in Nigeria, and on the import of goods.
2. Rates – The standard VAT rate is 5%. Exports and international transport are zero-rated and certain transactions are exempt. Input tax paid on purchases to produce exempt supplies is not recoverable.
3. Registration – All taxable persons that make taxable supply of goods and services are required to register for VAT purposes within the earlier of six months of commencement of business and effective date of the Value Added Tax Act.

Customs and Excise Duties

Customs duties are levied on goods imported into Nigeria at varying rates ranging from 0% to 35% of the import value at the port of entry. Import adjustment taxes (also known as levies) are applicable as prescribed by annual fiscal policy measures.

A list of excisable items (i.e. wines and spirits, tobacco and cigarettes, alcoholic beverages, etc.) and factories can be obtained from the Nigeria Customs Service.

Other Taxes

Inheritances and donations

There is no donations tax and no inheritance/estate tax in Nigeria. Donations, however, can give rise to capital gains tax in some instances.

Stamp duties

The Stamp Duties Act sets out the details of dutiable transactions and applicable duties. Transactions that attract stamp duty include the incorporation of companies, an 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 corporate income tax, or PPT purposes, before the deduction of capital allowances. The tax authorities are 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 within six months after the accounting year-end.

Information technology (IT) levy

IT tax (at a rate of 1% of pretax profit) is payable by telecommunications, cyber, insurance companies and banks with turnover of NGN 100 million or more. The tax usually is self-assessed and paid within six months after the accounting year-end. IT tax paid is treated as a deductible expense.

Industrial training fund (ITF)

All employers with five or more employees or fewer than five employees, but with minimum annual turnover of NGN 50 million are expected to contribute an amount equal to 1% of annual payroll costs to the ITF. The ITF is used to provide and promote skills acquisition in the industry. The fund amount is payable no later than 1 April of the following year. The employer may obtain a refund of up to 50% of ITF contributions made if suitable training courses are provided to the employees.

Oil and gas content development fund

The sum of 1% of every contract awarded to any operator, contractor, subcontractor, alliance partner or other entity involved in a project, operation, activity or transaction in the upstream sector of the Nigerian oil and gas industry must be deducted at source and paid into the oil and gas content development fund.

Cabotage fund levy

A surcharge of 2% of the contract sum performed by any vessel engaged in coastal trade must 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 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.

Local taxes

States within the federation of Nigeria (currently 36 states) impose a variety of local taxes in their areas of jurisdiction. Local taxes include motor vehicles license/registration, consent fees for the transfer of real estate, property tax, gaming/casino tax, water rates, etc. Local councils impose tenement rates and several other fees.

Tax Administration and Compliance

Taxation in Nigeria is administered by the three major tiers of government:

- The Federal Inland Revenue Service (FIRS) administers revenue laws that deal with taxes paid by the residents of the Federal Capital Territory and taxes that are paid by corporate bodies (limited liability companies)
- The State Internal Revenue Service primarily administers the Personal Income Tax Act

- The Local Government Revenue Committee is responsible for the assessment and collection of all taxes, fines and rates under its jurisdiction and account for all revenue collected to the chairman of the local government.

Companies

1. Tax year – The tax year is 12 months on a preceding year basis, except for the commencement of a new business, a change of accounting date and the cessation of business, where special rules apply.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – A corporate taxpayer must file an annual return based on its income for the accounting year. The return is due within six months after the end of the accounting year. The taxpayer's audited financial statements must accompany the return.
4. Penalties – A taxpayer that fails to file a return will be assessed by the tax authorities to the best of their judgment. Penalties may apply for late filing.
5. Rulings – A private ruling can be obtained from the FIRS on the tax consequences of a transaction.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Joint returns of spouses are not permitted.
3. Filing and payment – An individual engaged in full-time employment is taxed under the PAYE system. The employer withholds personal income tax from the employee's salary or wages and pays it to the tax authorities. A taxable person, resident in the year of assessment, is required to file a tax return unless his/her employment income does not exceed NGN 30 000 per year. Other individuals pay tax by self-assessment or direct assessment.

4. Penalties – Penalties and interest are levied for late payments or failure to file returns.

Value added tax

1. The tax period is one calendar month.
2. Filing and payment – VAT returns and the relevant payment are due, not later than the 21st day after the month of the transaction.
3. Registration – All taxable persons that make taxable supply of goods and services are required to register for VAT within the earlier of six months of the commencement of business and the effective date of the VAT Act.
4. Penalties – Fines and penalties plus interest are levied for various misdemeanors such as furnishing false documents, failing to register for VAT, failing to collect VAT, collecting the VAT but failing to remit and failing to file a VAT return.

General Investment Information

Investment Incentives

Tax incentives

- Pioneer status – There is a 100% three to five-year tax-free period for pioneer industries that produce products deemed to be "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 that provide basic infrastructure: tarred roads (15%), water (30%), electricity (50%) and 100% for companies that provide all such basic facilities where they do not exist

- Research and development (R&D) – Qualifying R&D expenses are tax deductible by a company but the amount deducted may not exceed 10% of the company's total profits for the relevant year of assessment. In addition, companies and organisations engaged in R&D activities for commercialisation are granted a 20% investment tax credit on qualifying expenditure
- Companies engaged in export trade are entitled to the following incentives, among others:
 - Profits of a Nigerian company relating to goods exported from Nigeria (provided the proceeds from the exports are repatriated to Nigeria and used exclusively for the purchase of raw materials, plant and equipment and spare parts) are exempt from tax
 - Profits of companies whose products are used exclusively as inputs for the manufacturing of products for exports are tax-exempt
 - An export expansion grant is available, which is settled by issuing an export credit certificate to the beneficiaries. The certificate can be used to settle federal government taxes among other benefits.

Other Incentives

- Incentives for investors in the agriculture sector – 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, to encourage local production. These include an enhanced capital allowance regime; an agricultural credit guarantee scheme fund with a loan guarantee of up to 75%; an exemption from the minimum corporate income tax; and a 0% import duty on agricultural equipment and machinery
- Incentives for the tourism sector – Incentives have been put in place to encourage domestic and foreign investor participation

in the tourism industry. Twenty-five percent of income in convertible currencies are exempted from tax

- Free Trade Zones (FTZs) – FTZs offer numerous incentives to businesses. Locating in any FTZ in Nigeria automatically confers on the investor certain locational advantages and other generous incentives. Essentially, companies operating in an FTZ are exempt from tax on business transactions concluded within the zones
- Investment Promotion and Protection Agreement (IPPA)
 - As part of an additional effort to foster foreign investor confidence in Nigeria, the federal government has continued to enter into IPPAs with countries that do business with Nigeria (e.g. China, South Africa, United Kingdom, etc.)
- Small- and Medium-sized Enterprise Equity Investment Scheme (SMEEIS) – The SMEEIS requires all banks in Nigeria to set aside 10% of their profits after-tax (PAT) for equity investment and the promotion of SMEs
- Gas industry – The government has approved various fiscal incentives, including an accelerated capital allowance, tax-free dividends and a deduction for interest expense incurred on loans for companies involved in the utilisation of gas.

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. The remittance of royalty and service fees is permitted, provided the underlying license and service agreements have been approved by the National Office for Technology, Acquisition and Promotion.

A tax clearance certificate, or other evidence of payment of the appropriate tax, must be obtained by any person wishing to remit dividends, interest, royalty or service fees outside the country.

Authorised dealers of foreign currencies must notify the Central Bank of Nigeria of any cash transfer to, or from a foreign country, of any sum in excess of USD 10 000.

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 ECOWAS cards upon arrival. There are four categories of visas – tourist, business, temporary work permits (TWP) and the subject to regularisation (STR) visas.

Employers obtain expatriate quotas to enable them to bring in foreign employees, and these usually are 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

- Economic Community of West African States
- African Union
- Organisation of Petroleum Exporting Countries
- New Partnership for Africa's Development

International organisations

- International Chamber of Commerce,
- African Development Bank Group
- World Federation of Trade Unions
- World Trade Organisation
- World Customs Organisation

- United Nations, Commonwealth
- ECOWAS
- Non-Aligned Movement

Interest and Currency Exchange Rates

Monetary Policy Rate*

* Interest rate decisions in Nigeria are made by the Central Bank. The official interest rate is the Monetary Policy Rate (MPR).

Monetary Policy Rate 14% (Jan 2018)

(Source: Central Bank of Nigeria)

Currency

Naira (NGN), which is subdivided into 100 kobo. Only the Central Bank has the authority to issue legal currency in the Federation.

ZAR 1 = NGN 30.10 (March 2018) (Source: Oanda)


USD 1 = NGN 357.03 (March 2018) (Source: Oanda)

EUR 1 = NGN 440.19 (March 2018) (Source: Oanda)

Notes

1. From June 2016, Nigeria operates a flexible exchange rate regime.

Key Economic Statistics

	GDP (approximate)	USD 394.82 billion (2017 estimate) (Source: Knoema)
		USD 494.76 billion (2018 forecast) (Source: Knoema)
	Market Capitalisation	NGN 13.06 trillion (Nov 2017) (Source: Nigerian Stock Exchange)
	Rate of Inflation	15.37% (2017 average) (Source: Central Bank of Nigeria)
		17.5% (2018 forecast) (Source: Knoema)



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Income Tax – Individuals

For the 2018 assessment year (i.e. income earned in 2017), the progressive income tax rates are as follows:

Taxable income (EUR)	Rate
Up to 9 807	0%
9 808 – 27 086	14%
27 087 – 72 617	30%
72 618 – 153 783	41%
Over 153 783	45%

* The gross tax is subject to a reduction of 30%, capped at EUR 5 100 for taxpayers domiciled in Réunion.

Notes

1. Basis – Réunion is a French overseas department in the Indian Ocean and has the same political status as the departments of metropolitan France that are located in Europe. It is considered a part of France for tax purposes, and the French tax system generally applies, with some modifications and exceptions. Residents are taxed on worldwide income;

non-residents are subject to tax only on Réunion-source income.

2. Residence – An individual will be considered a resident if he/she is domiciled in Réunion. An individual normally is considered domiciled if the individual's principal residence is in Réunion, or if he/she has a main place of business or professional activity or centre of financial interests located in Réunion. A resident of Réunion is considered a French tax resident.
3. Taxable income – There is no definition of taxable income. The most important categories of income are:
 - Employment income (including income from prior employment)
 - Business income
 - Agricultural income
 - Professional income (income from “non-commercial” activities, e.g. from the legal and medical professions, and income from activities not classified into any other category)
 - Income from activities performed by certain managers controlling family companies or limited partnerships
 - Income from immovable property
 - Investment income (income from movable property)
 - Capital gains.

4. Capital gains – As from 1 January 2018, capital gains from the disposal of movable assets will be subject to a flat tax rate of 30% (see “Rates” below), unless the taxpayer elects to apply the progressive tax rates. If the taxpayer makes such an election, the gains are taxed as ordinary income at progressive rates ranging from 0% to 45%. In addition, special social security surcharges apply for French residents, amounting to approximately 17.2% for 2018. Capital gains from the disposal of immovable property are taxed at a special flat rate of 19%, plus special social security surcharges. An annual reduction applies to the taxable basis of capital gains from the disposal of real estate: the gains are totally exempt from the flat-rate tax if the real estate has been owned for at least 22 years, and are exempt from social surcharges after 30 years of ownership.
5. Exempt income – There is an inward expatriation regime, under which foreign individuals who become tax residents of France for work purposes are exempt from income tax until 31 December of the eighth year of residence on the following:
 - Additional remuneration components linked to their assignment in a French department (capped at 30% of the total remuneration), and a portion of the remuneration related to work carried out abroad; however, the benefits arising from both exemptions cannot lead to a tax basis reduction higher than 50% of the total compensation and the portion of the remuneration related to work carried out abroad cannot exceed 20% of the remuneration related to the work performed in a French department
 - 50% of certain foreign-source passive income, such as dividends and interest and
 - 50% of capital gains on the disposal of foreign shares.
6. Deductions and allowances – Various deductions and allowances are available, based on family circumstances and related to certain types of investment or expense incurred during the year.
7. Rates – The rates on ordinary income for resident individuals are progressive from 0% to 45%. A flat withholding tax on investment income (dividends, interest, capital gains from the sale of securities, etc.) of resident individuals has been introduced at an overall rate of 30% (12.8% income tax and 17.2% social security contribution). The new rate applies to taxable events occurring as from 1 January 2018. However, taxpayers still have the option of electing out of the flat rate regime on a global basis and having all investment income they receive

taxed at the progressive rates, which may be more favourable in certain cases. Non-residents are subject to withholding tax of 8% or 14.4% on wages, salaries, remuneration and emoluments received from an activity carried on in Réunion when the amount exceeds EUR 14 461 (the 8% rate applies from EUR 14 461 to EUR 41 951 and the 14.4% rate applies over that amount). See under “Withholding tax,” below, for the rates on other Réunion-source income of non-residents.

Income Tax – Companies

Fiscal year opening from	Turnover	Taxable profit (EUR)	Rate
1 January 2018	No limit	0 – 500 000	28%
		Over 500 000	33.33%
1 January 2019	No limit	0 – 500 000	28%
		Over 500 000	31%
1 January 2020	No limit	Entire profit	28%
1 January 2021	No limit	Entire profit	26.5%
1 January 2022	No limit	Entire profit	25%

Notes

1. Basis – Réunion is a French overseas department that is considered a part of France for tax purposes, and the French tax system generally applies, with some modifications and exceptions. There is a territorial tax system: both residents and non-residents are taxable on profits allocable to a business carried out in Réunion and on Réunion-source income. Foreign-source income of residents generally is not subject to tax.
2. Residence – A company is resident for tax purposes if it is incorporated in Réunion or has its place of effective management in Réunion.
3. Taxable income – Taxable income is equal to book income, plus or minus certain tax adjustments. Corporation tax is payable annually on all profits generated by companies and other legal entities in Réunion. Dividends are included in taxable income, although distributions from qualifying subsidiaries benefit from the participation exemption. The

participation exemption applies where the recipient owns at least 5% of the shares of the distributing entity for at least 24 months, and provides a 95% tax exemption for dividends.

4. Capital gains are subject to corporate tax at the standard rate. A participation exemption applies to capital gains arising from the sales of shares that form part of a substantial investment if the shares have been held for at least 24 months. The gain is 88% exempt, resulting in a maximum effective rate of 4.13% (12% x 34.43%). In the case of a merger, the parent company must choose between having the distribution within the scope of the participation exemption and taking a deduction for the loss on the shares of the distributing entity.
5. Deductions and allowances – Expenses generally are deductible if they are necessary for the generation of business income. Allowable expenses generally are those incurred for business purposes and that can be verified. Foreign-source losses are not deductible. Small and medium-sized enterprises (SMEs) that carry out specific activities in Réunion may benefit from a 35% allowance on taxable income, capped at EUR 150 000 (or a 60% allowance capped at EUR 300 000 in specific areas) if they commit to contribute to professional training.
6. Losses – Losses may be carried forward indefinitely, but may be offset against taxable profit of a given year only up to EUR 1 million, plus 50% of the taxable profit in excess of this amount for the fiscal year. Losses may be carried back for one year. Additional limitations apply to the deduction of capital losses on the sale of shares between related parties.
7. Foreign tax credit – Domestic law generally does not provide for a credit for foreign taxes. A tax treaty, however, may provide for a tax credit mechanism, which generally corresponds to the withholding tax paid in the source country, but is capped at the French tax actually due on the net income.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rates – The standard corporate income tax rate is 33.33%, which is progressively being reduced to 25% over the period from 2018 to 2022. Small or new businesses may benefit from lower rates. A 3.3% social surcharge applies to the portion of a standard corporate income tax liability exceeding EUR 763 000. SMEs benefit from specific exemptions, provided certain conditions are satisfied.

Withholding Tax (WHT)

The following table sets out the applicable WHT rates on dividends, interest and royalty payments made to non-residents (the tax is a final tax and the rate may be reduced under an applicable tax treaty):

Income	Rate
Dividends	0%/30%
Interest	0%
Royalties	33.33%

Notes

1. Dividends – Dividends paid by a corporation in Réunion to a non-resident shareholder are subject to a 30% withholding tax, unless a tax treaty provides for a lower rate or the EU parent-subsidiary directive applies. Under the directive, dividends paid by a corporation in Réunion to a qualifying EU parent company are exempt from withholding tax. Distributions made on or after 8 October 2017 are not subject to the 3% surtax that previously was levied on dividend distributions.
2. Interest – Interest paid by a company in Réunion to a non-resident lender generally is not subject to withholding tax (except for lenders located in a non-cooperative country or territory).
3. Royalties – Royalties paid to a non-resident entity are subject to a 33.33% withholding tax (reducing to 31% in 2019). The rate may be reduced or eliminated under a tax treaty or where the royalties qualify for the benefit of the EU interest and royalties directive.
4. Technical service fees – Fees paid for commissions, consultancy and services performed or used in French departments are subject to a 33.33% withholding tax (reducing to 31% in 2019). The rate may be reduced or eliminated under a tax treaty.
5. Branch remittance tax – The after-tax income of a Réunion branch of a foreign company (not located in France) is deemed to be distributed to the non-resident and is subject to a 30% branch tax. However, the tax may be eliminated or reduced under a tax treaty, and is not due if the foreign head office is located in the EU/European Economic Area and is subject to income tax with no possibility of opting out or of being exempt, and the income is taxable in the foreign country.

Tax Treaties

Réunion is a French department, thus, the tax treaties concluded by France are applicable. The following table shows the WHT rates on dividends, interest and royalties under France's treaties.

Country	Dividends	Interest	Royalties
Albania	5%/15%	10%	5%
Algeria	5%/15%	0%/10%	5%/10%
Andorra	5%/15%	0%/5%	0%/5%
Argentina	15%	20%	18%
Armenia	5%/15%	0%/10%	5%/10%
Australia	0%/5%/15%	0%/10%	5%
Austria	0%/15%	0%	0%
Azerbaijan	10%	0%/10%	5%/10%
Bahrain	0%	0%	0%
Bangladesh	10%/15%	10%	10%
Belarus	15%	0%/10%	0%
Belgium	10%/15%	15%	0%
Benin	Domestic	Domestic	0%/Domestic
Bolivia ¹	10%/15%	15%	15%
Bosnia and Herzegovina	5%/15%	0%	0%
Botswana	5%/12%	0%/10%	10%
Brazil	15%	10%/15%	10%/15%/25%
Bulgaria	5%/15%	0%	5%
Burkina Faso	Domestic	Domestic	0%/Domestic
Cameroon	15%	0%/15%	0%/7.5%/15%
Canada	5%/15%	0%/10%	0%/10%

Central African Republic	Domestic	Domestic	0%/Domestic
Chile ¹	15%	5%/10%	5%/10%
China	5%/10%/Domestic	10%	10%
Congo (Republic of the)	15%/20%	0%	15%
Croatia	0%/15%	0%	0%
Cyprus	10%/15%	0%/10%	0%/5%
Czech Republic	0%/10%	0%	0%/5%/10%
Ecuador	15%	10%/15%	15%
Egypt ¹	0%	15%/Domestic	15%
Estonia	5%/15%	0%/10%	0%/5%/10%
Ethiopia	10%	5%	7.5%
Finland	0%	0%/10%/12%	0%
French Polynesia	Domestic	Domestic	Domestic
Gabon	15%	0%/10%	0%/10%
Georgia	0%/5%/10%	0%	0%
Germany	0%/15%/Domestic	0%	0%
Ghana	5%/15%	0%/10%	10%
Greece	Domestic	12%	5%
Guinea	15%	0%/10%	0%/10%
Hong Kong	10%	10%	10%
Hungary	5%/15%	0%	0%

Iceland	5%/15%	0%	0%
India ¹	15%	10%/15%	10%
Indonesia	10%/15%	10%/15%	10%
Iran	15%/20%	15%	0%/10%
Ireland	10%/15%	0%	0%
Israel	5%/15%	5%/10%	0%/10%
Italy	5%/15%	0%/10%	0%/5%
Ivory Coast	15%	0%/15%	10%/Domestic
Jamaica	10%/15%	10%	10%
Japan	0%/5%/10%	0%/10%	0%
Jordan	5%/15%	0%/15%	5%/15%/25%
Kazakhstan	5%/15%	10%	10%
Kenya	10%	12%	10%
Korea (ROK)	10%/15%	0%/10%	10%
Kosovo	5%/15%	0%	0%
Kuwait	0%	0%	0%
Kyrgyzstan ²	15%	10%	0%
Latvia	5%/15%	0%/10%	5%/10%
Lebanon	0%	0%	Domestic
Libya ¹	5%/10%	0%	0%
Lithuania	5%/15%	0%/10%	5%/10%
Luxembourg	5%/15%	10%/12%	0%/Domestic
Macedonia	0%/15%	0%	0%
Madagascar	15%/25%	15%	10%/15%
Malawi	Domestic	Domestic	0%

Malaysia	5%/15%	15%	10%/Domestic
Mali	Domestic	Domestic	0%/Domestic
Malta	5%/15%	0%/10%	0%/10%
Mauritania	Domestic	Domestic	0%/Domestic
Mauritius	5%/15%	Domestic	0%/15%
Mexico	0%/5%/15%	0%/5%/10%	0%/10%
Moldova	15%	0%/10%	0%
Monaco	Domestic	Domestic	Domestic
Mongolia	5%/15%	0%/10%	0%/5%
Montenegro	5%/15%	0%	0%
Morocco	0%/15%	10%/15%	5%/10%
Namibia	5%/15%	0%/10%	0%/10%
Netherlands	5%/15%	0%/10%/12%	0%
New Caledonia	5%/15%	0%	0%/10%
New Zealand	15%	10%	10%
Niger	Domestic	Domestic	0%/Domestic
Nigeria	12.5%/15%	12.5%	12.5%
Norway	0%/15%	0%	0%
Oman	0%	0%	7%
Pakistan	10%/15%	10%	10%
Panama	5%/15%	0%/5%	5%
Philippines	10%/15%	0%/15%	15%
Poland	5%/15%	0%	0%/10%
Portugal	15%	10%/12%	5%
Qatar	0%	0%	0%

Romania	10%	10%	10%
Russia	5%/10%/15%	0%	0%
Saint Martin (French Division)	0%/15%	0%/10%	0%
Saint Pierre and Miquelon	5%/15%	0%	0%/10%
Saudi Arabia	0%	0%	0%
Senegal	15%	0%/15%	0%/15%/Domestic
Serbia	5%/15%	0%	0%
Singapore	5%/15%/Domestic	0%/10%	0%/Domestic
Slovakia	10%	0%	0%/5%
Slovenia	0%/15%	0%/5%	0%/5%
South Africa	5%/15%	0%	0%
Spain	0%/15%	0%/10%	0%/5%
Sri Lanka	Domestic	0%/10%/Domestic	0%/10%
Sweden	0%/15%	0%	0%
Switzerland	0%/15%	0%	5%
Syria	0%/15%	0%/10%	15%
Taiwan	10%	0%/10%	10%
Thailand	15%/20%/Domestic	3%/10%/Domestic	0%/5%/15%
Togo	Domestic	Domestic	0%/Domestic
Trinidad and Tobago	10%/15%	10%	0%/10%

Tunisia	Domestic	12%	0%/5%/15%/20%
Turkey	15%/20%	15%	10%
Turkmenistan	15%	0%/10%	0%
Ukraine	0%/5%/15%	0%/2%/10%	0%/10%
United Arab Emirates	0%	0%	0%
United Kingdom	0%/15%	0%	0%
United States of America	0%/5%/15%	0%	0%
Uzbekistan ¹	5%/8%/10%	0%/5%	0%
Venezuela	0%/5%	5%	5%
Vietnam ¹	5%/15%	Domestic	5%/10%
Zambia	Domestic	Domestic	0%
Zimbabwe	10%/15%	10%	10%
Non-treaty countries	0%/15%/30%/75%	0%/75%	0%/33.33%/75%

1. Most favoured nation clause.

2. The USSR treaty continues to apply.

Notes

1. In cases where there is more than one rate listed for a type of income, the lower rates apply in qualifying circumstances that are specifically defined in the relevant treaty. In some circumstances that are specifically defined in the relevant treaty, or where no rate is specified in the treaty, the applicable rate is the domestic rate in Réunion. The rate under domestic law also may apply where this is lower than the treaty rate. A WHT exemption may be available if the conditions for the application of the EU parent-subsidiary directive or interest and royalties directive are satisfied.



Anti-Avoidance Rules

Transfer pricing

Réunion entities controlled by entities established outside France are taxable on profits transferred directly or indirectly to an entity located abroad through an increase or decrease in purchase or sales prices, or by any other means. Companies exceeding certain thresholds must maintain contemporaneous transfer pricing documentation.

Rates on interest paid by corporate taxpayers to related parties are deemed to be at arm's length if they do not exceed an index corresponding to the average annual floating rate applied by banks to two-year loans granted to businesses. If the interest rate exceeds that index, the taxpayer will have to demonstrate that it would have paid a similar or higher rate to a bank in a comparable situation.

Country-by-country reporting is required for certain companies with annual consolidated group revenue equal to or exceeding EUR 750 million.

Thin capitalisation

The deduction of interest expense on related party debt is deferred if the interest exceeds the highest of the following thresholds: (1) the interest expense on a debt equal to 1.5 times the equity; (2) 25% of the borrower's adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA); and (3) the amount of interest income received from related parties. An additional deduction may be available when the borrower is part of a consolidated tax group.

Controlled foreign companies (CFCs)

The CFC rules apply to more than 50%-owned or controlled foreign subsidiaries or permanent establishments of a company when the local taxation is less than 50% of the French rate, i.e. the actual tax paid compared to the tax that would be due on the income calculated under French GAAP.

Employment-Related Taxes

Social security

Social security contributions and surcharges are deducted at source from salary payments, with contributions of approximately 20% for the employee. Special social security surcharges apply for residents, amounting to approximately 17.2% for 2018.

Indirect Taxes

Value added tax (VAT)

Réunion operates a VAT system, which is similar to the EU system, but with certain adaptations. Metropolitan France, the other overseas departments and EU member states are deemed export territories with regard to Réunion, in the same way as third countries. The following rates are applicable:

VAT	Rate
Standard rate	8.5%
Reduced rate	2.1%

Notes

1. Taxable transactions – VAT applies on goods sold and services rendered in Réunion. All economic activities are within the scope of VAT, including activities of independent professionals.
2. Rate – The standard rate is 8.5%. The reduced rate applies, notably, to most food products for human consumption and to certain supplies. The main exemptions relate to healthcare, education, banking, insurance and reinsurance and transportation.

Customs and excise duties

Réunion is part of the EU single trading area with a unified customs law where all goods (subject to very narrow exceptions, such as certain limited health and safety exceptions and exceptions for military items) circulate freely, whether made in an EU member state or imported from outside the EU. With

the exception of Réunion's dock dues (see “Consumption tax (dock dues)” below) internal customs duties, fees and barriers are removed within the EU, although member state customs authorities retain the right to check goods at the border. There is a common external customs tariff for products imported from outside the EU. The EU has adopted a Union Customs Code (UCC), which sets out the general rules and the customs procedures applicable to goods traded between the EU and non-EU countries, including rules in respect of import relief in the form of dumping and countervailing duties and quotas.

The UCC and the EU customs regulations are directly applicable in Réunion and are administered and enforced by the French customs authorities. The national customs authority in France (Réunion) is the General Directorate for Customs and Excise Duties (DGDDI). Relevant legislation is found in the French Customs Code, which is applicable in Réunion. In some cases, imports may require a national or EU license. These can include common agricultural policy licenses for certain foodstuffs, and licenses for the importation of livestock, plant life and other items subject to health and safety controls. Exports may be subject to controls under French legislation and/or EU regulations.

Taxes on the import of goods in Réunion are based on three essential notions: the origin of the goods, the nature of the goods and the value of the goods. The event triggering these taxes is the import to Réunion; in other words, even operations carried out gratuitously (gifts, donations) or without a transfer of ownership (rental, leasing) give rise to taxation.

Only goods imported from third countries are subject to customs duties; however, all goods imported to Réunion (from Metropolitan France, the EU or a third country) are subject to VAT at the time of their entry, as well as to dock dues.

Consumption tax (dock dues)

An additional tax on consumption known as “dock dues,” applies mainly to products from outside Réunion but which also can be applied to locally manufactured products. Dock dues are an old form of tax, which originally was levied on all products arriving in Réunion by sea. The rate of this tax varies according to the nature of the products and the place of production of the goods (internal/external) between 0% and 61.5%.

Other Taxes

Capital duty

A fixed EUR 375 (or EUR 500 for companies with a capital in excess of EUR 225 000) duty applies to most transactions that impact a company's share capital. Upon dissolution, a company pays *droit de partage* equal to 2.5% of net worth, if the net worth is distributed pro rata to the shareholders.

Payroll tax

Payroll tax is levied on entities that collect revenue not subject to VAT, mainly banks and financial institutions. The applicable payroll tax rate in Réunion is 2.95%.

Real property tax

Several real property taxes apply to entities, including the “CET,” the *taxe foncière* and the “3% tax.” See under “Local business tax” and “Transfer tax.”

Local business tax

Resident and non-resident companies operating a business in Réunion must pay a territorial economic tax (*Contribution Economique Territoriale* – CET). The CET has two components: the immovable property contribution (CFE) and the added value contribution (CVAE). SMEs that carry out specific activities in Réunion may benefit from a 70% allowance on the net taxable basis subject to the CFE and the added value

subject to the CVAE (up to EUR 150 000 for the CFE allowance and EUR 2 million for the CVAE allowance) if they commit to contribute to professional training.

Social security

Contributions payable by the employer vary depending on the size and type of business and the location, but in certain cases can exceed 50% of gross pay for the employer.

Stamp duty

Stamp duties apply, but they are nominal.

Transfer tax

The sale of real property is subject to a transfer tax at a maximum rate of 5.8%. The sale of shares of a limited liability company (SARL) or commercial partnership (SNC) is subject to a transfer tax equal to 3% of the sales price, minus a sum equal to the number of units sold x EUR 23 000/total number of the company units. A flat rate of 0.1% applies for the sale of shares of a joint stock company (SA/SAS), or SCA. The rate is increased to 5% if the company whose shares are transferred to is a real estate company.

Systematic risk tax

A systematic risk tax of 0.22% applies on risks assumed by banks. The tax base is the applicable minimum required regulatory capital. The systematic risk tax is scheduled to be phased out by 1 January 2019.

Financial transaction tax

A financial transaction tax of 0.3% applies to transactions involving shares of publicly traded companies established in France, the capital of which exceeds EUR 1 billion. The tax is calculated based on the value of the shares.

Inheritance/estate tax

Transfers between close relatives are subject to tax at rates ranging from 5% to 45%, after a rebate (e.g. up to EUR 100 000 per child).

Wealth tax

Households are liable to wealth tax (on real estate assets only) if the value of their immovable assets exceeds EUR 1.3 million. The net wealth tax is due on the portion of the assets' value exceeding EUR 800 000. Residents are liable on their worldwide immovable assets, whereas non-residents are liable only on their immovable assets located in Réunion or France. Rates are progressive, ranging from 0.5% to 1.5%.

Tax Administration and Compliance

The French tax authorities administer tax in Réunion.

Corporations

1. Tax year – The tax year generally is the calendar year. However, companies may select a different tax year-end date. The tax year is 12 months but can be shorter or longer in certain cases.
2. Consolidated returns – Under the fiscal integration regime, a group of companies may opt to consolidate profits and losses so that tax is assessed at the level of the parent company but is based on the group profit or loss. To qualify for consolidation, the parent must, *inter alia*, be subject to French tax and cannot be 95% or more owned directly by French corporate taxpayers.
3. Filing requirements – A self-assessment regime applies. Corporate tax returns normally are due by 30 April of the year following the calendar year, or within three months of the year-end for a non-calendar financial year. Companies are required to make advance payments of their annual corporate taxes in quarterly instalments due 15 March, 15 June, 15 September and 15 December.

4. Penalties – Late payments and late filing are subject to a 10% penalty. If additional tax is payable as a result of a reassessment of tax, interest is charged at 0.2% per month (2.4% per year). Special penalties may apply in the event of bad faith or abuse of law.
5. Rulings – Rulings are becoming a regular practice. A special ruling procedure exists to confirm whether a foreign entity has a permanent establishment in a French department.

Individuals

1. Tax year – The tax year is the calendar year.
2. Filing status – Married persons file a joint tax return, with no option to file separately after the year of marriage or before the year of divorce.
3. Filing and payment – Income tax returns must be filed in May after the end of the tax year.
4. Penalties – Late payments and late filings are subject to a 10% penalty. Interest is charged at 0.2% per month (2.4%) if additional tax is payable as a result of a reassessment of tax. Special penalties may apply in the case of bad faith or abuse of law.

Value added tax

1. Filing and payment – The VAT return can be filed monthly, quarterly or annually, depending on the type of activities and other factors. Companies within the same group of companies may consolidate payment of VAT in certain cases (but not VAT returns). VAT grouping is not possible.
2. Entities subject to VAT must register with the tax authorities.
3. Penalties – Late payments and late filings are subject to a 10% penalty. Interest is charged at 0.2% per month (2.4%) if additional tax is payable as a result of a reassessment of tax. Special penalties may apply in the case of bad faith or abuse of law.

General Investment Information

Investment Incentives

General incentives

The key sectors for economic development are tourism, information and communication technology (ICT), agri-food, renewable energy and the environment. Tourism offers the most incentives for both the economy and job creation. This is due to the island's unique "Pitons, Cirques and Remparts" site that was granted the status of a world heritage site by UNESCO in August 2010, thus becoming France's 35th site to obtain this classification. The tourism sector provides a strong impact on the creation of wealth and jobs, and source of diversification for the island's economy.

Tax incentives

Corporations in Réunion that incur research and development (R&D) expenses during the year may benefit from a tax credit against income tax that corresponds to 50% of actual R&D expenditure for expenses up to EUR 100 million, and 5% for expenses exceeding EUR 100 million. The tax credit is deductible from the corporate income tax for the year and the following three years.

The competitiveness and employment tax credit (CICE) is calculated on the portion of the gross payroll not exceeding 2.5 times the national minimum wage. The rate of the CICE in Réunion is 9% of the total amount paid. Payment of the CICE may be offset against the corporate income tax liability for three years. The CICE will be abolished as from 1 January 2019.

Tax reductions are available for companies and individuals investing

in Réunion, provided the beneficiaries are tax-resident in France:

- Individuals investing in the housing sector or in the share capital of specific companies may benefit from a tax reduction that may range from 18% to 38% of the costs of the investment. Individuals may deduct a portion of the tax reduction over five years for investments in rental properties, and over 10 years for investments in a principal residence. Individuals also may benefit from a specific tax reduction when investing in rented social housing.
- Companies subject to either corporate tax or income tax (for transparent company) may benefit from a tax reduction if they invest in new productive tangible assets lasting at least five years in industry, business or the agricultural or artisanal sectors (but some specific activities are excluded from the scope of the reduction). The tax reduction is calculated on the amount of the companies may benefit from a reduction on corporate tax or income tax amounting to 38.25% of the investment (45.9% if the investment is in the renewable energy production sector). This can include property. Companies also may benefit from a specific tax reduction when investing in rented social housing.

Exchange Controls

There are no foreign exchange controls.

Expatriates and Work Permits

Entry visas and work permits

Réunion is a French department and has the same entry requirements as France; however, it is not part of the Schengen treaty.

Admission to and residence in Réunion requires a visa, unless special dispensation is granted. The category of visa primarily is determined by the duration and reason for residence. The main visa categories for international mobility are the short-stay visa

(up to 90 days) and the long-stay visa (more than 90 days). A work permit is required for a foreign person to work in Réunion. Work permits may be difficult to obtain because an offer of employment by a Réunion employer is a prerequisite, and few employers will hire a foreign national without a work permit.

Foreign nationals who wish to stay in Réunion longer than 90 days for professional reasons (to set up a company or engage in paid employment, etc.) must submit an application for a long-stay visa to the French consular authorities in their country of residence.

The long-stay visa is, in principle, valid for a three-month period, during which the visa holder must go to the *Préfecture* to complete the administrative formalities to obtain the residence permit corresponding to the reason for the stay: "Expatriate Employee," "Research Scientist," "Skills and Expertise," etc.

Some categories of foreign nationals are issued a long-stay visa equivalent to a residence permit, which is valid for three to 12 months and does not require the holder to apply at the *Préfecture* for a residence permit for the first year.*

Residence permits and immigration

Immigration procedures depend on the type of activity being conducted by the foreign national. In this respect, a distinction must be made between salaried employees and company directors, which each have to follow a different procedure to obtain specific residence permits. The exception to the rule is that some residence permits allow any type of employment to be undertaken on French soil (salaried or commercial employment) without any specific formalities: these are the "Private and Family Life" temporary residence permit and the standard residence permit.

Trade Relations

Memberships

- Outermost region of the European Union
- Indian Ocean Commission (IOC)

Interest and Currency Exchange Rates

Monetary policy rate

Interest rate: 9.50% (2018) (Source: *Banque de la Réunion*)

Currency

Euro (EUR)

ZAR 1 = EUR 0.06 (March 2018) (Source: Oanda)

USD 1 = EUR 0.81 (March 2018) (Source: Oanda)

GBP 1 = EUR 1.13 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 22.82 billion
(2015) (Source: Populationdata)

USD 30 billion
(2017 forecast) (Source: Populationdata)



Market Capitalisation

Not applicable – Réunion does not have a stock exchange.



Rate of Inflation

1.2%
(2017 average) (Source: IMF)

1.0%
(2018 forecast) (Source: IMF)



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Income Tax – Individuals

Taxable income (RWF)	Rate
0 – 360 000	0%
360 001 – 1 200 000	20%
Over 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. Taxable income – Employment income, including most employment benefits, is taxable. 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 are separately taxed at a rate of 30%, and capital gains on secondary market transactions in listed securities are exempt.

4. Exempt income – Employment income will be exempt from tax in Rwanda if it is:
 - Received by a non-citizen of Rwanda from a foreign government or a non-government organisation under an agreement signed by the government of Rwanda and the income is received for the performance of aid services in Rwanda or
 - Received from a foreign employer by a non-resident individual for the performance of services in Rwanda, unless such services are related to a permanent establishment of the employer in Rwanda.
5. Deductions and allowances – Deductions are available for items such as retirement contributions made to a qualified pension fund, subject to a limit of the lower of RWF 1.2 million per year or 10% of employment income.
6. Rates – Rates are progressive up to 30%.

Income Tax – Companies

	Rate
Standard corporate rate	30%

Notes

1. Basis – Residents are taxed on worldwide income; non-residents are taxed only on Rwandan-source income. Foreign-source income derived by residents is subject to corporate income tax (CIT) in the same way as Rwanda-source income. Small entities pay income tax under a lump-sum system of 3% of the annual turnover (see under “Turnover tax, below”), but can opt to pay under the regular regime based on taxable profit, while medium-to-large taxpayers pay tax based on profit as determined under International Financial Reporting Standards (IFRS) and as adjusted for deductions allowed.
2. Residence – A company is resident if it is established according to Rwandan law or if its headquarters are in Rwanda.
3. Taxable income – CIT is imposed on a company's total income after the deduction of normal business expenses. Dividends received by a Rwandan resident company from another Rwandan company generally are exempt from income tax; other dividends are subject to withholding tax (see “Withholding taxes,” below). 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 in listed securities are exempt.
4. Deductions – Deductions against income are allowed for:
 - Tax depreciation
 - All expenses corresponding to an actual cost and used for activities related to the tax period
 - Write-offs of bad debts, if there is proof of the efforts made to recover the debt and of the bankruptcy or insolvency of the debtor and
 - Bad debt provisions for financial institutions, up to a statutory limit provided by the National Bank of Rwanda (BNR).
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 the losses arise upon the completion of a long-term contract. Limitations apply to the use of foreign-source losses.

6. 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.
7. Group relief – A company that transfers its assets to another company is exempt 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 company from another resident company; or the splitting of a resident company into two or more resident companies.
8. Rate – The CIT rate is 30%, with some registered investment companies having a preferential rate of 15% or 0% or a tax holiday of five or seven years, subject to meeting certain criteria. Specific tax rates, with a minimum of 20%, are provided for newly listed companies on the capital market, depending on the percentage of their shares sold to the public.
9. Branch taxation – No branch profits tax applies in Rwanda.
10. Alternative minimum tax – There is no alternative minimum tax in Rwanda. However, a turnover tax may apply in certain cases (see “Turnover tax,” below).

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	0%/5%/15%	5%/15%
Interest	15%	15%
Royalties	15%	15%
Management/technical service fees	15%	15%
Payments made to an artist, a musician or a sports person	15%	15%

Lottery and other gambling proceeds	15%	15%
Payments to non-Taxpayer Identification Number (TIN) holders	15%	15%
Payments made by public institutions	0%/3%*	15%
Tax on importation of goods for commercial use	0%/5%*	5%

Notes

1. Dividends – Dividends paid to another Rwandan company generally are exempt. However, dividends paid by a listed Rwandan company to a Rwandan or East African Community (EAC) resident are subject to a withholding tax of 5%. A 15% rate applies to dividend payments to individuals. The 15% rate is the default withholding tax rate for dividends and applies, for example, to dividends paid to non-EAC resident companies. EAC residents receiving dividends from securities listed on the stock exchange benefit from a reduced withholding tax rate of 5%. Generally, the withholding tax rate on dividends is 15%. The exemption from withholding tax applies to dividends being paid by a company in Rwanda to another Rwandan company.
2. Multiple payment types – Payments for interest and royalties and payments to artists, musicians and sportspersons are subject to a 15% WHT, as are management fees. However, the 15% WHT on a payment for services made to a resident will apply only if the resident is not registered for tax purposes in Rwanda. Where a resident company is registered for tax and therefore has a Tax Identification Number (TIN), withholding tax on services does not apply.
3. Payments by public institutions – Payments made by public institutions for supplies are subject to a 3% WHT if made to a resident, unless the resident is in possession of a tax clearance certificate (in which case the payments are exempt). The 3% WHT is not applicable if a company holds a tax clearance certificate from the Rwanda Revenue Authority.
4. Importation of goods – Payments made upon importation of goods are subject to a 5% WHT if made to a resident, unless the resident is in

possession of a tax clearance certificate (in which case the payments are exempt). Being in possession of the tax clearance certificate means WHT on import duty will not apply.

Tax Treaties

Rwanda has concluded tax treaties with a few countries. The following table shows the WHT rates on dividends, interest, royalties and technical service fees under Rwanda's tax treaties.

Treaty	Dividends	Interest	Royalties	Technical service fees
Belgium	0%/15%	0%/10%	10%	10%
Mauritius	10%	10%	10%	12%
Singapore	10%	10%	10%	10%
South Africa	7.5%	10%	10%	10%

Notes

1. The treaty with Belgium provides for a favourable rate of 0% for dividends and interest under certain conditions. The 0% rate applies to dividends in the event that the recipient company owns 25% or more of the capital of the payer company for an uninterrupted 12-month period and the payer company does not benefit from special economic incentives.
2. The multilateral treaty with the EAC is not effective.

Anti-Avoidance Rules

Transfer pricing

Transfer pricing rules require “controlled transactions” between related parties to be on arm's length terms.

Thin capitalisation rules

Interest on related-party loans exceeding 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.

Employment-Related Taxes

Payroll tax

A “Pay-As-You-Earn” (PAYE) system applies in Rwanda, and an employer must withhold, declare and pay the tax to the Rwanda Revenue Authority 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 annual turnover not exceeding RWF 200 million. An employer that is not the first employer of an employee must withhold PAYE at the top marginal tax rate of 30%. In the case of engaging a casual labourer for less than 30 days during a particular tax year, the employer must withhold 15% of the taxable employment income of the casual labourer.

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. The declaration and remittance of the contribution must be made on a monthly basis, no later than the 15th day of the month following the month to which the contribution relates.

In addition to the 8% contribution to the Social Security Fund, a contribution of 0.6% of gross income excluding compensatory allowances such as transport (0.3% employer and 0.3% employee) is contributed to the Social Security Fund toward maternity benefits for female employees. This contribution is payable for all employees, regardless of nationality or gender. The tax is due by the 15th day of the following month.

Maternity leave benefits are filed separately from pension contributions effective from December 2017.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	18%

Notes

1. Taxable transactions – VAT is imposed on the sale of goods and the provision of services.
2. Rates – The standard VAT rate is 18%, with exemptions and zero-rating available in certain cases.
3. Registration – The registration threshold for VAT purposes is RWF 20 million of annual turnover, or RWF 5 million for the previous quarter. Voluntary registration is possible for taxpayers with turnover under the threshold.
4. Reverse-charge mechanism – Reverse-charge VAT at 18% is payable on imported services and is not allowed as an input VAT credit unless it relates to services not available in Rwanda.
5. VAT refunds – An input VAT refund now is allowed to be claimed only in the month the invoice was issued, and not for a different period.

Turnover tax

A presumptive tax of 3% of annual turnover is applicable to taxpayers with annual turnover less than RWF 50 million that opt for the regime. Other lump sums from RWF 60 000 to RWF 300 000 (depending on the turnover) are payable by taxpayers with turnover less than RWF 20 million.

Customs and excise duties

Consumption tax (excise duty) is levied on certain locally manufactured products. The taxable value is calculated according to the selling price (exclusive of taxes), and the tax is payable when the taxable products are cleared out of the factory for consumer use or when the taxable services are provided. The rate ranges from 5% to 70%.



Other Taxes

Inheritance/estate tax

There is no inheritance/estate tax in Rwanda.

Net wealth/net worth tax

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

Stamp duty

There is no stamp duty in Rwanda.

Capital duty

There is no provision for capital duty.

Property tax

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

Transfer tax

Administrative fees apply to certain transactions.

Tax Administration and Compliance

Tax is administered in Rwanda by the Rwanda Revenue Authority.

Companies

1. Tax year – The tax year is the calendar year, although the taxpayer may request a different 12-month period.
2. Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.
3. Filing and payment – A self-assessment regime applies. Advance corporate tax is payable in three instalments by the end of the sixth, ninth and twelfth months within the year, with each instalment calculated as 25% of the prior year's tax. The annual tax return must be filed within three months of the applicable year-end.

4. Penalties – Interest is imposed for late payment of tax, and fines and other penalties are imposed for late payment and tax understatements.
5. Rulings – There is no provision for private rulings within the tax law. However, a taxpayer may apply for clarification on a tax matter to the revenue authority and rely on the written confirmation provided.

Individuals

1. Tax year – The tax year is the calendar year. A specific tax year of 12 months is available on request.
2. Tax filing – The tax return is due by 31 March of the year following the calendar year. There is no provision for joint filing.
3. Filing and payment – There is no requirement to file a return if all income has been subjected to tax under the PAYE mechanism or has been subjected to withholding at source that is a final tax (as is the case for dividends and interest). An individual who receives employment income from more than one employer, or who receives incidental employment income, such as an end-of-year bonus, may file an annual declaration if he/she wants to claim a tax refund. Only amounts in excess of RWF 5 000 are refunded. Where the individual earns rental income, this is accounted for separately by filing a rental income tax return. The tax returns mentioned above must be filed and payment of the tax declared is due by 31 March of the year following the calendar year.
4. Penalties – Penalties, including fines and simple interest at 1.5% per month, apply for non-compliance.

Value added tax

1. Filing and payment – 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 RWF 200 million.
2. Penalties – Penalties, including fines and simple interest at 1.5% per month, apply for non-compliance.

General Investment Information

Investment Incentives

General incentives

- 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 and European Union markets, in line with the provisions of the African Growth and Opportunity Act (AGOA) and the Cotonou arrangement.
- Rwanda's strategic location provides access to the EAC region and the Common Market for Eastern and Southern Africa (COMESA).

Tax incentives

- An investment allowance of 50% of the amount invested in new or used assets is available, provided the amount invested is at least USD 50 000 and the business assets are held for at least three tax periods
- Certain training and research expenses incurred and declared, as agreed by the revenue authority and that promote certain activities during a tax period, are deductible from taxable profits
- Registered investment entities that operate in a Free Trade Zone (FTZ) and foreign companies that have their headquarters in Rwanda that fulfill the requirements stipulated in the Rwandan Law on Investment Promotion are entitled to:
 - Pay CIT at a rate of 0%
 - An exemption from the 15% WHT on interest and
 - Tax-free repatriation of profits

- Companies that carry out micro-finance activities, as approved by the competent authorities, pay CIT at a 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 relevant minister
- A registered investor who invests an equivalent of at least USD 50 million and contributes at least 30% of this investment in the form of equity in priority sectors, as stipulated by the investment code, will be entitled to a maximum of a seven-year corporate income tax holiday
- A registered investor investing in products used in Export Processing Zones is exempt from customs taxes and duties, according to the provisions of the customs rules and the regulations of the EAC.

Exchange Controls

There are no exchange controls *per se*, but some restrictions are imposed on the import and export of capital. Both residents and non-residents can hold bank accounts in any currency.

However, effective from August 2015, the BNR issued a notice to the public indicating that it is illegal for domestic transactions to be carried out in foreign currency.

Expatriates and Work Permits

Persons coming to work in Rwanda must apply for temporary permits, which fall into 19 alphabetical categories. Persons coming to work for a specific employer in Rwanda must apply for a “category H” work permit (i.e. from category H1 (persons on the On Demand List of prescribed professions) to H5 for “other employees”). A special pass applies for persons with a contract of three months or less, or those coming to set up companies as entrepreneurs or investors.

The following fees apply:

- RWF 100 000 for most categories of temporary permits
- RWF 50 000 for a special pass and a dependent’s pass
- USD 100 for business owners or directors of companies to apply for a business visa and
- For EAC member state applicants, the application is free of charge.

A foreign investor and his/her dependents are entitled to temporary resident permits, in accordance with the relevant laws. A registered investor of an investment enterprise is entitled to recruit up to three expatriates without having to prove that they have sufficient knowledge or skills, i.e. the “labour market test” is not required.

Employment Visas

See above. The employment visa is either a work permit or a special pass.

Trade relations

Memberships

- The Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- The Commonwealth

Interest and Currency Exchange Rates

Monetary policy rate

Key repo rate: 5.5%

Average lending interest rate 16.54%

(Feb 2018) (Source: National Bank of Rwanda)

Currency

Rwanda's currency is the Rwandan Franc (RWF), which is subdivided into 100 centimes.

ZAR 1 = RWF 71.15 (March 2018) (Source: Oanda)

USD 1 = RWF 843.86 (March 2018) (Source: Oanda)

EUR 1 = RWF 1 040.43 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 8.38 billion
(2017) (Source: Tradingeconomics)

USD 8.04 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

RWF 2 748 030 186 876
(Jan. 2017 estimate) (Source: Rwanda Stock Exchange)



Rate of Inflation

-0.20%
(2017 average) (Source: Tradingeconomics)

1.97%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (XOF)	Rate
Up to 630 000	0%
630 001 – 1 500 000	20%
1 500 001 – 4 000 000	30%
4 000 001 – 8 000 000	35%
8 000 001 – 13 500 000	37%
Over 13 500 000	40%

Notes

1. Basis – Residents are taxed on worldwide income; non-residents are taxed only on Senegal-source income. Non-residents become liable to Senegal tax from the day they begin carrying on a trade, business, profession or vocation in Senegal from the day they commence an employment.

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 is present in Senegal for more than 183 days in any 365-day period.
3. 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 property; etc.). Capital gains are taxable either at source by a notary in the case of real estate or based on the taxpayer's declaration at progressive rates. Benefits-in-kind are taxable according to scales published by the tax administration or on their fair market value.
4. Exempt income – The first XOF 630 000 of net taxable income is exempt from personal income tax. Diplomats and foreign consular agents are exempt from tax in Senegal on income earned from the exercise of their diplomatic or consular functions, provided that the countries they represent offer similar beneficial treatment for Senegalese diplomatic and consular staff.
5. Deductions and allowances – Different abatements and allowable deductions apply to each category of income. A lump sum deduction

of 30% of earnings is available when determining the taxable base for employment income tax purposes, capped at XOF 900 000.

6. Rates – Progressive income tax rates of 0%-40% apply to both resident and non-resident individuals.

Income Tax – Companies

	Rate
Basic rate	30%

Notes

1. Basis – A resident corporation is subject to tax on its worldwide income; a non-resident corporation is taxed only on Senegal-source income.
2. Residence – An entity generally is deemed to be a resident of Senegal if its registered office, permanent establishment (PE) or centre of activity is located in Senegal.
3. Taxable income – Corporate income tax is imposed on net profits, determined after deduction of allowable expenses and charges. 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. Capital gains generally are treated as operating profits and included in the tax base. Rollover relief is available for capital gains on the transfer of fixed business assets where the taxpayer undertakes to reinvest the sales proceeds in other business assets in Senegal within three years from the end of the financial year in which the gain was realised.
4. Deductions – Expenses incurred for the purpose of generating taxable income generally are deductible, although certain items (e.g. taxes and fines, dividends paid) are non-deductible.
5. Losses – Tax losses may be carried forward for three years. The carryback of losses is not permitted.
6. Foreign tax credit – Senegal tax law does not provide for unilateral tax relief. Bilateral relief may be available under a relevant tax treaty.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The standard corporate tax rate is 30%, with a 15% rate applying to free export companies (see "Tax incentives," below).

9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary. Under certain circumstances, VAT at 18% may be imposed on branch remittances.

10. Alternative minimum tax – An annual minimum tax is levied of 0.5% of prior year turnover (excluding taxes). The minimum tax amount ranges between XOF 500 000 and XOF 5 million.

Withholding Taxes (WHT)

The WHT rates on various types of payment are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

	Residents	Non-residents
Dividends	10%	10%
Interest	16%	16%
Royalties	20%	20%
Technical service fees	20%	20%

Notes

1. An 8% rate applies to bank or stockbroker account interest, and a 20% rate to interest on cash vouchers.

Tax treaties

Senegal has concluded tax treaties with the following countries:

Treaty partner	Dividends ¹	Interest	Royalties
Belgium	10%	15%	10%
Canada	10%	16%	15%
Egypt ²	10%	15%	15%
France	10%	0%/15%	0%/15%/D ³
Italy	10%	15%	15%
Kuwait ²	0%	0%	20%

Lebanon	10%	10%	10%
Mauritania	10%	16%	0%/D
Mauritius	0%	0%	0%
Morocco	10%	10%	10%
Norway	10%	16%	16%
Portugal	5%/10%	10%	10%
Qatar	D	D	D
South Africa*	0%	0%	0%
Spain	10%	10%	10%
Taiwan	10%	15%	12.5%
Tunisia	D	D	D
United Kingdom	5%/8%/10%	10%	10%
West African Economic and Monetary Union (UEMOA) ⁴	10%	15%	15%

* Agreement in process of negotiation or finalised but not yet signed

Notes

1. The domestic WHT rate on dividends is shown where this is lower than the treaty rate.
2. The treaties with Egypt and Kuwait are not yet in force.
3. The domestic rate applies either because the treaty does not specify a rate or provides that the domestic rate should apply.
4. UEMOA members are Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo.



Anti-avoidance Rules

Transfer pricing

The Senegal tax authorities have the power to adjust the taxable profits of Senegal resident companies or branches of foreign companies in respect of transactions with non-resident related companies. Two companies are considered related if:

- One company has a direct or indirect minimum participation of at least 50% in the capital of the other company or exercises *de facto* control over the other company; or
- A third party has a direct or indirect minimum participation of at least 50% in the capital of both companies or exercises *de facto* control over both companies.

The related company requirement does not apply where the transaction involves companies incorporated in a low tax jurisdiction or a non-cooperative state or territory. Specific payments to non-residents are not allowed as deductible expenses for income tax purposes where the recipient is subject to a privileged tax regime or is based in a non-cooperative country.

Transfer pricing documentation requirements apply to Senegal resident companies:

1. With annual turnover, excluding taxes, of at least XOF 5 billion; or
2. Which hold, directly or indirectly, more than 50% of the capital or voting rights of a company that meets the criterion in 1 above; or
3. Whose capital is more than 50% owned, directly or indirectly, by a legal entity that meets the criterion in 1 above.

Companies within the scope of the transfer pricing requirements must file at the same time as the financial statements:

- General information about the group of related companies:
 - A general description of the business activities, including any changes that occurred during the fiscal year;
 - A list of the main intangible assets held by related companies and used by the reporting company, indicating the state(s) or jurisdiction(s) where the companies owning the assets are located; and
 - A general description of the group's transfer pricing policy and changes during the fiscal year.
- Specific information about the reporting company:
 - A description of the business activities, including any changes that occurred during the fiscal year;
 - A summary of transactions with related companies;
 - Information on loans and borrowings with affiliated companies; and
 - Information on transactions with related companies that are the subject of prior price agreements or tax rulings concluded with another state or jurisdiction.
- A declaration containing a country-by-country breakdown of group profits and consolidated economic, accounting and tax information, together with details of the location and activities of the constituent entities must be submitted electronically within twelve months of the end of the fiscal year by legal entities established in Senegal that meet the following criteria:
 - Prepare consolidated accounts;
 - Hold or control, directly or indirectly, one or more legal entities established outside Senegal or have foreign branches; and
 - Have consolidated annual turnover, excluding taxes, in the previous fiscal year of at least XOF 491 billion.
- The legal entity established in Senegal must make available to the tax administration during an audit documentation justifying the pricing policy adopted for all transactions of conducted with foreign related companies. This obligation applies where the legal entity:
 - Has annual turnover excluding taxes or gross assets of at least XOF 5 billion; or

- At the end of the financial year, holds, directly or indirectly, more than half of the capital or voting rights of a Senegalese or foreign company with annual turnover excluding taxes or gross assets of at least XOF 5 billion; or
- At the end of the financial year, has more than half of its capital or voting rights held, directly or indirectly, by a company with annual turnover excluding taxes or gross assets of at least XOF 5 billion.

Thin capitalisation

Senegal does not have specific thin capitalisation rules but limits are imposed on interest paid to foreign parties in respect of funds provided to local companies. Interest paid is subject to the following limitations:

1. The rate of interest paid to shareholders, partners or other related or third parties on loans advanced directly or indirectly to the company in excess of any share of capital may not exceed the advances rate of the issuing institute, the Central Bank, by more than three percentage points;
2. The interest referred to in (1) is deductible only on the condition that any capital has been fully paid up;
3. The deduction of interest paid to an individual is limited to the interest attributable to loans not exceeding the amount of the share capital;
4. Interest referred to in (1) when paid to companies, is not deductible to the extent that it is paid in respect of loans which exceed one and a half times the share capital and the interest exceeds 15% of profits from ordinary activities plus interest, depreciation and provisions taken into account for the determination of those profits.

This limitation does not apply to interest paid by companies not subject to corporation income tax (CIT) to their partners if they are subject to income tax in Senegal because of these interests. This means the interest paid by partnerships to

partners who are assessed to income tax in Senegal on the interest received.

5. The total amount of deductible annual interest in respect of all debts incurred by members of a group cannot exceed 15% of the group's consolidated profits from ordinary activities plus interest, depreciation and provisions taken into account for the determination of those profits.

Employment-Related Taxes

Payroll tax

Payroll tax of 3% of taxable gross salary is payable by the employer. Senegal operates a Pay-As-You-Earn (PAYE) system, under which personal income tax (PIT) is withheld by the employer from the employee's wages. It is the employer's liability to file monthly PIT returns and to remit the corresponding tax.

Social security

Social security contributions are paid by the employer, up to an annual ceiling of XOF 756 000; i.e. annual salary on which contributions are payable. The rate for family benefits is 7% and that for industrial accidents ranges from 1% to 5%, depending on the type of business.

National retirement fund contributions are shared between the employer (60%) and the employee (40%). The rate of contributions for the general scheme is 14%, with an annual ceiling of XOF 4.320 million. The contribution rate for the executives' scheme is 6%, with an annual ceiling of XOF 12.960 million (see above). Executives must contribute to both schemes.



Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	18%

Notes

1. Taxable transactions – All economic activities are within the scope of VAT, including activities of independent professionals. The main exemptions relate to health care, education, banking, insurance and reinsurance, farming and transportation.
2. Rates – The standard single rate in Senegal is 18%.
3. Registration – All corporate businesses are required to register. 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-related obligations.

Customs and excise duties

Senegal customs operates under the authority of the Ministry of Finance. Payment of taxes and duties is performed through a customs and excise bond, handled by the Treasury.

Senegal imposes a tariff scheme that conforms to the common external tariff scheme agreed by UEMOA member states. Under this tariff structure, Senegal has four simple tariff rate categories: 1) 0% on cultural and scientific goods, agricultural inputs, capital goods and computer equipment not available from local production; 2) 5% on raw materials, crude oil, and cereals for industry; 3) 10% on semi-finished products, intermediate goods, diesel and fuel oil; and 4) 20% on consumer goods, capital goods and computer equipment available from local production, and vehicles. An array of other import tariffs also exist, with a maximum combined rate of 52%. VAT at 18% applies to all imports. Certain import restrictions apply to agricultural and industrial products that support the Senegalese economy.

Other Taxes

Inheritance/estate tax

Deeds of pure and simple acceptance of succession or legacy are taxed at a fixed amount of XOF 25 000.

Stamp duty

Stamp tax is levied on cash transactions based on the amount of the transaction – 1% rate up to XOF 100 000.

Capital duty

Capital duty is payable on initial share capital at 1% if the amount of capital exceeds XOF 100 million; otherwise, there is a fixed duty of XOF 25 000. Increases in capital are subject to duty at 1%, with a 3% surtax on contributions of real property.

Real property tax

Tax is charged at 5% of the value of real property; 7.5% for factories and industrial premises.

Transfer tax

Transfer tax applies at rates depending on the nature of the transfer. A list of rates is available from a tax expert.

Tax on financial transactions

Banking transactions are subject to a 17% tax on financial transactions, rather than VAT.

Local economic contribution

A local economic contribution is payable by any person who carries on a business, industry or profession in Senegal and is subject to tax on the profits. The contribution is not payable by employees. The contribution includes an element based on the rental value of the premises used for the exercise of the taxable business or profession and an element based on the added value generated in the prior year. The revenue collected from the tax is used for the benefit of local authorities.

Other taxes

Specific taxes are levied on the sale of petroleum products (at up to XOF 21 665 per hectolitre depending on the type of fuel), alcohol and tobacco, tea and coffee, cosmetic products (including perfumes) and certain tourism vehicles.

Tax Administration and Compliance

Tax is administered by the Directorate General of Taxes and Domains (DGID), which is a department of the Ministry of the Economy, Finance and Planning.

Companies

1. Tax year – The tax year is the calendar year that ends on 31 December.
2. Consolidated returns – Consolidated returns are required when a company established in Senegal controls other companies or exerts a notable influence over such companies.
3. Filing and payment – A tax return must be filed by 30 April of the following year. The tax payment must be paid in two instalments by 15 February and 30 April. Any outstanding balance of tax due must be paid by 15 June.
4. 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

1. Tax year – The tax year is the calendar year that ends on 31 December.
2. Tax filing – Each individual must file his/her own return. Joint returns are not permitted.
3. Filing and payment – A taxpayer whose only source of income is salary on which tax is withheld and remitted by the employer, is exempt from the obligation to file a tax return. Taxpayers with income other than salary income are required to declare the total amount of their income once a year.

Returns must be filed by 31 January or 30 April of the following year, depending on the type of income. Payment of tax must be made upon receipt of a tax notice.

4. 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.

Value added tax

1. Filing and payment – VAT returns and payments are due on the 15th of the month following the date of the relevant transactions.
2. Penalties – For late filing, simple interest at 5% is charged on the amount of tax due. Each month or fraction of a month of further delay incurs an additional 0.5% interest. Filing an inaccurate return is subject to a penalty of 25% of the tax underpaid as a result; failure to file a return incurs a penalty of 50% of the tax underpaid, increased in both cases to 100% for repeated failures.

General Investment Information

Investment Incentives

Incentives are granted under several laws, including the General Tax Code, the Investment Code, Mining Code, Petroleum Code, Environment Code, Free Zone Law, Free Exporting Companies Law, etc. Senegal encourages investment from abroad, especially from developed countries. Tax incentives automatically are granted to investment projects meeting criteria defined by the law. The Investment Code also provides exemptions from income tax, other taxes and duties, but these are to be phased out progressively over the next few years.

Tax incentives

- Tax deductions are granted to enterprises that invest more than XOF 100 million in the creation or expansion of a business in specific sectors. The deduction is 40% of the value of the investment for new investments and 30% for investment in an existing business. The deduction is capped at 50% of the taxable profits for enterprises created in Dakar and at 70% for enterprises created in other regions. Exemptions from import duties and payroll costs and a suspension of import VAT also may apply. Specific conditions of eligibility exist for small and medium-sized companies.
- A 50% tax deduction from taxable income is granted to enterprises that export more than 80% of their production or services, resulting in an effective preferential corporate income tax rate of 15%. Mining and oil companies are excluded from this measure.
- A free export company (FEC) regime is available for any company operating in the agriculture, industrial or online services field which exports at least 80% of its turnover outside the UEMOA zone. The privileges granted under the FEC regime remain valid for a period of 25 years. FECs may benefit from a preferential 15% corporate income tax rate and exemption from withholding tax on dividend distributions, payroll taxes, registration taxes, the annual business license tax, land tax and license tax.
- Investments exceeding XOF 250 billion are entitled to particular advantages negotiated directly between the investor and the relevant government ministry, provided that there is no objection from the prime minister.

Other incentives

- The right to remit income and capital, and the opportunity to participate in government contracts.
- The *Bourse Regionale des Valeurs Mobilières* (BRVM), was opened in September 1998 to serve as a regional financial market for UMOEA member states. Listing requirements include a share capital of XOF 200 million to XOF 500 million, public ownership of between 15% and 20%, five annual reports and a balance sheet. The BRVM has computerised trading with satellite links.
- The government welcomes foreign investment and does not discriminate against businesses conducted or owned by foreign investors. In most sectors, 100% foreign ownership is permitted. The government does not participate in foreign investment projects.
- The Senegalese legal system enforces private property rights. Senegal is a member of the African Organisation of Intellectual Property, a grouping of 13 Francophone African countries, which has established among its member states a common system for obtaining and maintaining protection for patents, trademarks 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.
- The government favors the principles of free competition. Senegal is reforming and developing its regulatory framework as a part of its effort to attract private sector investment.

Special economic zone

The status of special economic zone (SEZ) can be granted by decree to any investor who wishes to establish a SEZ following a written application to the Minister in charge of the Investment Promotion.

Special tax status

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

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 who must recover their foreign credits, or transfer their income in foreign currencies, can only do so via an approved intermediary (licensed bank).

Expatriates and Work Permits

An expatriate living in Senegal for more than three months must obtain a resident card.

Trade Relations

Memberships

- *Communauté Financière Africaine* (African Financial Community Franc Zone)
- Economic Community of West African States (ECOWAS)
- West Africa Economic and Monetary Union (UEMOA)
- African Organisation of Intellectual Property (OAPI)
- World Intellectual Property Organisation (WIPO)
- Lome Convention
- *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA) treaty
- Bern Copyright Convention

Interest and Currency Exchange Rates

Monetary policy rate

R1 rate: 4.50% (2018)

Lending rate: 8.53% (2018) (Source: *Banque Centrale des l'Afrique de l'Quest*)

Currency

Senegal's currency is the *Communauté Financière Africaine* (CFA) Franc (XOF) used by the eight CFA member states in West Africa: Benin, Burkina Faso, the Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo.

The CFA franc has a fixed exchange rate with the Euro (EUR 1 = XOF 655.957)

ZAR 1 = XOF 44.85 (March 2018) (Source: Oanda)

USD 1 = XOF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XOF 655.957 (fixed rate) (2018 average) (Source: Oanda)

Notes

1. "R1" is an interest rate variable determined by the TBB (base bank rate) decided by the Central Bank.

Key Economic Statistics



GDP
(approximate)

USD 14.77 billion
(2017 estimate) (Source: Tradingeconomics)

USD 15 billion
(2018 forecast) (Source: IMF/Knoema)



Market Capitalisation

Bourse Regionale des Valeurs Mobilières (BRVM)
CFA 6 7 billion (9 April 2018)



Rate of Inflation

1.5%
(2017 average) (Source: Tradingeconomics)

1.9%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (SCR)		Rate
Employees		
0 – 8 555.50		0%
8 555.51 to 10 065.29	$0.15 - [(8\,555.50 - (\text{Gross Emoluments} \times 0.85)) / (\text{Gross Emoluments})]$	
Above SCR 10 065.29		15%
Non-monetary benefits		20%

Notes

1. Basis – All individuals whether resident or non-resident in Seychelles are subject to personal income tax on their gross income derived from Seychelles. Residents are subject to tax on worldwide income.
2. Residence – An individual is resident in Seychelles if he/she has a main residence in Seychelles, is domiciled in Seychelles (unless he/she has a permanent place of abode outside Seychelles) or is present in Seychelles

for at least 183 days in any 12-month period that commences or ends during a tax year.

3. Taxable income – Taxable income includes income from employment (and fringe benefits), gains on the disposal of business assets, income from the exercise of a business or profession and investment income (dividends, interest, royalties, fees, rental income, etc.). Benefits in kind are subject to the non-monetary benefits tax on the value as prescribed in the law. The taxable amount depends on the kind of benefits. The tax is payable by the employer, along with the monthly remittance of income tax withheld. Individuals carrying on business activities are subject to business tax under the Business Tax Act.
4. Deductions and allowances – No deduction is allowed for losses or costs (including commuting costs) incurred by an employee in deriving emoluments. Deductions of expenses are allowed only if they are incurred by an individual in gaining assessable income.
5. Rates – Individual income tax is levied on employment income at progressive rates up to 15%. Non-resident individuals/employees are subject to income tax at a flat rate of 15%. Tax also is levied on non-monetary benefits paid to the employee at a rate of 20% and is paid by the employer under monthly payroll tax filing.

Business Tax – Companies

	Rate
0 – SCR 1 million	25%
Over SCR 1 million	30%
Special License Company	1.5%

Notes

1. Basis – Taxation is source-based in Seychelles. Income earned or deemed to be earned in Seychelles is subject to business tax. The only exception to this rule is the Special License Company, which is taxed on its worldwide income.
2. Residence – A company is considered resident in Seychelles if it is incorporated, formed, organised in or otherwise established in Seychelles, or its central management and control are exercised in Seychelles. International Business Companies (IBCs) are not regarded as tax resident in Seychelles and are not permitted to carry out business in Seychelles.
3. Taxable income – Under the Business Tax Act, all income derived or deemed to be derived from a source in Seychelles by a corporate entity, which is not exempt income, is subject to business tax. This includes gross receipts from the employment of the capital of the business, including dividends, interest, royalties, rent and natural resource amounts; the amount of any bounty or subsidy received in relation to the business; and premiums received on the grant, surrender or assignment of a lease of property. Capital gains are not subject to tax in Seychelles, although the net gain on the disposal of business assets of a revenue nature used, available for use or held in carrying on a business are included in assessable income and subject to business tax.
4. Exemptions – Certain public corporations are exempt from tax, as are trade unions and cooperatives. Dividends received by a resident entity from another resident corporation are exempt from tax.
5. Deductions – Normal business expenses that are incurred in generating assessable income are deductible. However, expenses that are capital or private are not deductible.
6. Losses – Net operating losses may be carried forward up to five years. The carryback of losses is not permitted.

7. Foreign tax credit – Seychelles does not offer a unilateral foreign tax credit.
8. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
9. Rate – Companies, government bodies and trusts are subject to a 25% tax on the first SCR 1 million and 30% on income exceeding that amount. Small businesses (i.e. those with turnover under SCR 1 million) pay a presumptive rate of tax of 1.5% on turnover instead of a tax on annual income, unless they opt to be taxed under the normal regime. Special rates are applicable to the following businesses:
 - Telecommunications service providers, banks, insurance companies, alcohol and tobacco manufacturers are subject to a tax of 25% on the first SCR 1 million and 33% on the remainder
 - Companies incorporated in Seychelles and granted a special license (i.e. Special License Companies) are subject to a 1.5% tax on global taxable income and
 - Non-residents operating aircraft or ships are subject to a tax of 3% on gross income.
10. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies; Seychelles does not levy a branch profits tax.

Withholding Tax (WHT)

The domestic WHT on various types of payments are as follows (the tax is a final tax for non-residents, but the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	0%	15%
Interest	0%/15%/33%	15%
Royalties/Technical service fees	15%	15%
Management fees	15%	15%/33%
Directors' fees	10%	10%

Notes

1. Dividends – Dividends paid by a Seychelles company to a non-resident company are subject to a final WHT of 15% on the gross amount, except where the payment is made by a Special License Company or other company that benefits from a tax exemption. Dividends paid between resident Seychelles companies are exempt.
2. Interest – Interest paid to a resident or non-resident company is subject to a final WHT of 15% on the gross amount, except where the payment is made by a Special License Company. However, if the non-resident recipient company is in the business of lending money (i.e. it is an overseas bank, finance or insurance company or a person whose principal business is the lending of funds), interest payments are not subject to WHT. Interest paid to a resident company are subject to WHT on the gross amount, as follows:
 - 33% on bearer bonds and 15% on interest paid to a non-financial institution
 - 0% on interest paid to holders of bonds issued by the Seychelles government in 2007
 - 0% on interest payments made to a bank, finance company, insurance company or an entity whose principal business consists of the lending of money; and interest paid on a loan if the Minister is of the opinion that the business carried on by the class or category of persons, or loan funds, has assisted or will further the economic development of Seychelles.
3. Royalties – Royalties paid to a non-resident company are subject to a final WHT of 15% on the gross amount, except where the payment is made by a Special License Company. Royalties paid by IBCs to a non-resident are not subject to WHT.
4. Technical service fees – Technical services fees paid to a non-resident company for the supply of scientific, technical, industrial or commercial knowledge, information or services are subject to a final WHT at a rate of 15% on the gross amount.
5. Management fees – Management fees paid to a resident or non-resident are subject to a 15% WHT on the gross amount. Fees paid by a banking institution to a non-resident are subject to a 33% WHT.
6. Directors' fees – Royalties paid to a non-resident company are subject to a final WHT of 15% on the gross amount.

Tax Treaties

Seychelles has tax treaties with the following countries:

Treaty partner	Dividends	Interest	Royalties
Bahrain	0%	-	5%
Barbados	5%	5%	5%
Belgium	5%/10%/15%	5%/10%	5%
Bermuda	0%	0%/5%	5%
Botswana	5%/10%	7.5%	10%
China	5%	10%	10%
Cyprus	0%	0%	5%
Ethiopia	5%	5%	5%
Guernsey	0%	0%	5%
Indonesia	10%	10%	10%
Isle of Man	0%	0%	5%
Jersey	0%	0%	0%
Kenya	0%	0%	5%
Luxembourg	0%/10%	5%	5%
Malaysia	10%	5%/10%	10%
Mauritius	0%	0%	0%
Monaco	7.5%	5%	10%
Oman	5%	5%	10%
Qatar	0%	0%	5%
San Marino	0%/5%	0%/5%	0%
Singapore	0%	12%	8%
South Africa	5%/10%	0%	10%

Sri Lanka	7.5%/10%	10%	10%
Thailand	10%	10%/15%	15%
United Arab Emirates	0%	0%	5%
Vietnam	10%	10%	10%
Zambia	5%/10%	5%	10%

Notes

1. Dividends, interest and royalties paid by a company that is resident of a contracting state to a resident of the other contracting state shall be taxable in that other state at a rate of 0%.

Anti-Avoidance Rules**Transfer pricing**

Transfer pricing adjustments may be made by the Seychelles Revenue Commission (SRC) under the domestic law where transactions are deemed not to be carried out on arm's length terms. The Commissioner is empowered to adjust the liability of a taxpayer where he considers that a transaction has not been entered into or carried out by persons dealing at arm's length. No mechanisms exist for concluding advance pricing agreements.

Thin capitalisation rules

Interest expense incurred on funds from debt instruments/agreements utilised by a taxpayer in deriving taxable business income is treated as an allowable deduction for tax purposes.

General anti-avoidance rule

A general anti-avoidance rule is available for the tax authorities to disregard the tax effects of schemes entered into where one of the main purposes is the avoidance or reduction of tax liability.

There also are specific anti-avoidance rules relating to income splitting arrangements.

Employment-Related Taxes**Payroll tax**

A payroll tax withholding system applies under which the appropriate income tax is withheld from the employee's gross remuneration by the employer and remitted to the tax authorities. The employer also must withhold the 20% tax on non-monetary benefits. The employer must submit a payroll withholding statement to the SRC within 21 days after the end of the preceding calendar month.

Indirect Taxes**Value Added Tax (VAT)**

	Rate
Standard rate	15%

Notes

1. Taxable transactions – VAT is levied on the supply of goods or services in Seychelles, and on the import of goods or services.
2. Rates – The standard VAT rate is 15%. A 0% rate applies to certain supplies.
3. Registration – VAT registration is required for businesses with an annual turnover exceeding SCR 2 million; voluntary registration is available for companies with turnover under this amount.
4. Non-resident entrepreneurs – Non-resident entrepreneurs that make taxable transactions in Seychelles are subject to VAT and must appoint a VAT representative in Seychelles if they do not carry on an enterprise through a fixed place of business. The Revenue Commissioner may require a security to be lodged.



Customs and Excise Duties

Customs duty exists in the form of trade tax, a tax generally levied on goods imported into Seychelles at rates ranging from 0% to 200%. Concessions are available for imports meant for certain industries such as the tourism, construction and car hire business. Concessions on trade tax are approved by the Policy and Strategy Division of the Ministry of Finance.

Excise duty is levied on petroleum products, motor vehicles, and alcohol and tobacco products imported or produced in Seychelles. The applicable rate depends on the type of product.

Other Taxes

Inheritance/Estate tax

There is no inheritance or estate tax in Seychelles.

Stamp duty

A stamp duty is chargeable on the registration and transfer of instruments at a rate prescribed in the Stamp Duty Act. Transfers of immovable property and transfers of shares are subject to stamp duty at a rate of 5% of the sales price.

Transfer tax

As noted above, a transfer tax is levied on the transfer of immovable property at a rate of 5% of the sales price for residents. For non-residents that plan to acquire property in Seychelles, the transfer tax rates may not exceed 30% of the value of the property or stated consideration for the purchase of the property, with the tax paid by the buyer. A notary fee of 1% to 2% of the transfer value is also applicable.

Capital duty

Seychelles does not levy capital duty.

Corporate Social Responsibility Tax (CSRT)

A company must pay CSRT in a particular year if its annual turnover in the previous year was at least SCR 1 million. CSRT is chargeable at the rate of 0.5% on the monthly turnover (excluding VAT) of the taxpayer.

Tourism marketing tax

Businesses with an annual turnover exceeding SCR 1 million and engaged in specific activities must pay the tourism marketing tax at a rate 0.5% of their monthly turnover.

Tax Administration and Compliance

Tax is administered by the Seychelles Revenue Commission.

Companies

1. General – Seychelles moved to a self-assessment for the business tax return in 2010 whereby at the end of each business year, all businesses must complete a Self-Assessed Business Tax Return.
2. Tax year – The tax year in Seychelles is the calendar year. However, a taxpayer may, with prior permission of the Revenue Commissioner, adopt an alternate accounting period of 12 months, but that accounting period must be applied consistently.
3. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
4. Filing and payment – Tax returns must be filed on a monthly basis for most taxes using a Business Activity Statement (BAS). Business tax is levied by a provisional assessment under which an estimate is made by the tax office of the business's final taxable income for the year, and 1/12th of this estimate is included on the BAS each month (to be lodged by the twentieth of following month). The monthly payments for a year start on 21 February and end on 21 January of the following year. Most businesses have a 31 December year end,

but if a substituted year end is used the provisional tax still must be paid from February to January. A final return must be filed by 31 March with any remaining tax due paid at that time.

5. Penalties – Additional tax is imposed as a late payment penalty at a rate of 20% per annum. A late payment penalty will be imposed at the higher of the tax assessable or SCR 2 000. An omitted income penalty will be imposed if changes are made during an assessment; this penalty may not exceed double the amount of tax that would have been avoided had the return had been accepted as correct.
6. Rulings – An advance tax ruling system is available, which comprises public rulings, private rulings and written guidance to enable taxpayers to understand and meet their obligations and be aware of their rights and entitlements.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – There is no joint taxation of spouses in Seychelles. Spouses are taxed separately on their individual emoluments and non-monetary benefits insofar as the collection of tax is made through withholding at source.
3. Filing and payment – An annual tax return must be submitted by individuals engaged in business activities by 31 March following the end of the tax year. As far as employment income is concerned, income tax withheld on the emoluments of employees must be remitted to the SRC on a monthly basis, using the Business Activity Statement. Business tax may be remitted/paid in different ways as described in the above section. Income tax withheld on the emoluments of employees must be paid to the SCR by the employer on a monthly basis.
4. Penalties – Individuals engaged in business activities and required to file a business tax return would be subject to additional tax imposed as late payment penalty at the rate of 20% per annum. Additionally, a late payment penalty will be imposed at the higher of the tax assessable or SCR 2 000. An

omitted income penalty will be imposed if changes are made during an assessment; this penalty may not exceed double the amount of tax that would have been avoided had the return been accepted as correct.

Value added tax

1. Filing and payment – Monthly: A compulsory VAT registered business must report and pay on a monthly basis. The due date for lodging the VAT return and BAS form and paying any amount owed on that statement is 21 days after the end of each month. Quarterly: A voluntary VAT registered business must report and pay on a quarterly basis. The due dates for lodging a VAT return and BAS form and paying any amount owed on that statement (including quarterly instalment amounts) are by 21 of April, July, October and January in any year.
2. Penalties – Late payment of VAT will incur interest that will be calculated as a percentage of the unpaid VAT, based on the quarterly average prime lending rate applicable on the payment due date increased by three percentage points also additional tax equal to 10% of the amount of unpaid tax. Late filing penalties have various penalties for:
 - Small business: SRC 500 plus SRC 50 for each week or part of a week that the return is not furnished
 - Medium business: SRC 1 000 plus SRC 100 for each week or part of a week that the return is not furnished
 - Large business: SRC 5 000 plus SRC 500 for each week or part of a week that the return is not furnished
 - Other cases: SRC 500 plus SRC 50 for each week or part of a week the return is not furnished.

General Investment Information

Investment Incentives

There may be concessions on business tax, depending on the industry. Concessions may apply if the investor holds:

- A Tourism Incentive Act (TIA) Certificate
- An Investment Promotion Act (IPA) Certificate
- An Agricultural and Fisheries Act Certificate
- Agriculture and Fisheries Incentive Act, 2005
- A license as an importer/retailer operating an Exclusive Shop Outlet as authorised by the government
- A license as an importer/retailer operating as a Duty Free Shop as authorised by the government
- A registration under the International Corporate Service Providers Act 2003
- A license under the International Business Companies Act
- A special license under the Companies Special Licenses Act 2003.

Exchange Controls

There is a limited form of exchange control under the Seychelles exchange control legislation.

Expatriates and Work Permits

Irrespective of the nationality of the visitor and his/family members, there are no visa requirements to enter Seychelles.

Foreigners working in Seychelles must be in possession of a Gainful Occupation Permit issued by the Immigration Division, Department of Internal Affairs. The permit allows the holder to reside and work in Seychelles either as an employee or self-employed person.

Trade Relations

Memberships

- South African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA)

International Organisations

- United Nations (UN), World Trade Organisation (WTO)

Interest and Currency Exchange Rates

Monetary policy rate

Lending Rate: 9.0%
(Jan 2018) (Source: Central Bank of Seychelles)

Currency

The currency in Seychelles is the Seychelles rupee (SCR)

ZAR 1 = SCR 1.10 (March 2018) (Source: Oanda)

USD 1 = SCR 13.14 (March 2018) (Source: Oanda)

EUR 1 = SCR 16.20 (March 2018) (Source: Oanda)

Notes

1. The Seychelles Rupee is the official currency of the Seychelles. It is subdivided into 100 cents. The international currency code is SRC. Locally it is called roupie.

Key Economic Statistics



GDP
(approximate)

USD 1.43 billion
(2017 estimate) (Source: Tradingeconomics)



Market Capitalisation

USD 1.4 billion
(2018 forecast) (Source: Tradineconomics)

No market data available on Trop-X
Seychelles Securities Exchange
(Source: World Bank)



Rate of Inflation

3.5%
(2017 average) (Source: Central Bank of Seychelles)

4.9%
(2017 forecast) (Source: Tradingeconomics)



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Income Tax Individuals

Resident individuals are subject to tax on worldwide income. Personal income tax is imposed under the Income Tax Act, 2000, as amended, and is levied at progressive rates. As from 1 January 2018, the annual and monthly taxation thresholds are as follows:

Taxable income (SLL) per annum	Taxable income (SLL) per month	Rate
First 6 million	First 500 000	Nil
Next 6 million	Next 500 000	15%
Next 6 million	Next 500 000	20%
Next 6 million	Next 500 000	30%
Excess above 24 million	Excess above 2 000 000	35%

Notes

1. Basis – Sierra Leone operates a worldwide system of taxation of income and capital gains (with some exceptions).

2. Residence – An individual is resident in Sierra Leone for a year of assessment (YOA) if he/she has a normal place of abode in Sierra Leone and is present in the country at any time during the YOA; is present in Sierra Leone for more than 182 days in a 12-month period that commences or ends during the YOA; or is an official of the government of Sierra Leone posted overseas during the YOA.
3. Rates – Progressive up to 35%. For individuals receiving employment income, there is a non-taxable allowance threshold of SLL 6 million per year or SLL 500 000 per month.
4. Taxable income – A permanent resident is assessed on income from all sources, less allowable deductions. A temporary resident is assessed on income earned outside Sierra Leone and remitted to Sierra Leone, plus the taxpayer's assessable income within Sierra Leone, less allowable deductions. An individual treated as resident, shall be treated as temporarily resident in Sierra Leone for the entire year of assessment if that individual:
 - Is not a citizen of or domiciled in Sierra Leone
 - Does not intend, during the year of assessment, to reside in Sierra Leone for a total period of more than four years
 - As of the end of the year, has not been resident in Sierra Leone for more than four years.

Non-residents

Non-residents are subject to tax on all payments from which withholding tax (WHT) is deducted (this includes employment income for foreign employees) and all other assessable income from a source in Sierra Leone. The rate of withholding tax on payments of employment income to non-residents is 25%.

Income Tax – Companies

Corporation tax is a tax paid on the chargeable income or profit of a company (after the deduction of legitimate expenses, such as employee wages, raw materials and allowable operating costs). All registered companies conducting business in Sierra Leone must pay corporation tax. The tax rates for resident and non-resident companies are as follows:

	Resident	Non-resident company
Corporation tax	Rate	Rate
Basic rate	30%	30%
Mining companies	30%	30%
Capital gains	0%	30%
Dividends	0%	10%
Interest	15%	15%
Royalties	25%	25%
Rental income	10%	25%
Natural resource payments	25%	25%
Payments to contractors	5%	15%
Management and technical fees	15%	

Notes

1. Basis – Resident companies are taxable on income generated from their activities occurring in Sierra Leone. All costs/expenses that are incurred in generating that income generally are treated as allowable expenses in arriving at the chargeable income. Non-resident companies are taxable on payments subject to WHT, and all Sierra Leone source income. Companies that are temporarily resident are taxable on Sierra Leone source income and foreign income remitted to Sierra Leone. A temporarily resident taxpayer's chargeable income is calculated similarly to that for a resident taxpayer except assessable income includes only Sierra Leone source income and income from other sources that is remitted to Sierra Leone. (Definition of a temporary resident, see above.)
2. Residence – A company is resident in Sierra Leone if it is incorporated or formed under the laws of Sierra Leone, has its effective management and control in Sierra Leone, or undertakes the majority of its operations in Sierra Leone.
3. Rates – The standard corporate income tax rate is 30%.
4. Branch profits tax – A Sierra Leone branch of a non-resident company is considered a resident company and is subject to the 30% tax on its profits (chargeable income). Repatriated income of a branch is subject to an additional 10% tax.
5. Dividends – Dividends received by a resident company from another resident company are exempt from tax.
6. Depreciation – Capital allowances are granted instead.
7. Losses – Losses may be deducted and carried forward indefinitely. Foreign exchange losses also may be deducted. Losses incurred on the disposal of a business or investment asset also are taken into account in determining taxable income. A business asset is an asset held for the production of assessable income and used in a business or held for sale by a business.
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).
10. Tax credits – A business employing a female employee in a management position during the period 1 January 2016 to 31 December 2018 is eligible for a tax credit at a rate of 6.5% on the PAYE of that employee.
11. 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 taxed at the rate of 30%.

Withholding Tax (WHT)

WHT is collected by a registered taxpayer at source. Tax collected via withholding must be paid over to the National Revenue Authority (NRA) by the payer of the income by the 15th day of the month following the month in which the tax was withheld.

If a person is employed to provide construction, transportation, management or any other services, and the payment for these services is more than SLL 500 000 in any month, tax must be deducted at a rate of 5.5% if the individual is a resident and 15% if the individual is a non-resident. If goods also are supplied, the WHT applies to the price of the goods.

Withholding Tax	Residents	Non-residents
Dividends	10%	10%
Interest	15%	15%
Rental income	10%	25%
Royalties	25%	25%
Pensions and Annuities	15%	25%
Natural Resources Payments	25%	25%
Real Property	10%	-
Winnings of SLL 500 000 and above	10%	-
Payments for benefit of non-resident beneficiaries ¹		25%

Notes

1. A person resident in Sierra Leone who distributes income of a trust to a non-resident beneficiary or applies income of a trust for the benefit of a non-resident beneficiary shall withhold tax at the rate prescribed in Part II of the Second Schedule which is 25%.

WHT for mining companies

Payment	Residents	Non-residents
Dividends	10%	10%
Interest	10%	15%
Interest on affiliates ¹	15%	5% (non-affiliates)
Rents	10%	10%
Royalties and natural resources	25%	25%
Payments to contractors	5%	5% (non-DTA)
Pensions and annuities	15%	10% (non-DTA)

* Refer to the Finance Act 2016

Notes

1. An affiliate refers to mining companies that are related to another company, as a member or in a subordinate role within Sierra Leone usually has a small percentage of 10 percent or 25 percent.
2. The non-affiliated company that is a non-resident implies that they have no association with any other companies within Sierra Leone.
3. The DTAs do not reduce the rate of withholding taxes on payments to non-residents.

Capital allowance for mining companies

The rates of capital allowances for mining companies are as follows:

- a) Expenditure for start-up costs on mineral and petroleum prospecting and exploration: 100%; and
- b) Production rights and other expenditure incurred on mineral and petroleum development: an initial allowance of 40% of costs in the year of expenditure and an annual allowance of 20% of costs for each of the three years following the year of expenditure.

Tax Treaties

Sierra Leone has tax treaties with the following countries:

Country	Dividends	Interest	Royalties
Norway ¹	0%/5%	0%	0%
South Africa ²	0%	0%	Domestic
United Kingdom	0%	Domestic	0%

Notes

1. The Norwegian tax on dividends paid by a company which is resident in Norway to a resident of the UK who is subject to tax in the UK through PE shall not exceed 5%.
2. The treaty with South Africa does not provide for a rate on dividends, so the domestic rate applies.

Anti-avoidance rules

General rules

The Income Tax Act, 2000 allows the NRA to:

- Recharacterise a transaction or an element of a transaction that was entered into as part of a tax avoidance scheme or that would result or has resulted in less income tax being paid
- Disregard a transaction that does not have substantial economic effect; or
- Recharacterise a transaction the form of which does not reflect the substance.

Further, the Income Tax Act, 2000 states that a tax avoidance scheme includes any transaction one of the main purposes of which is the avoidance or reduction of tax.

Thin capitalisation

Financial cost that qualifies to be deducted is limited up to a percentage, based on the chargeable income and other financial gains.

Transfer pricing

There are no specific rules for determining the correct transfer price for a cross-border transaction with associated/related parties, whether it involves tangibles, intangibles, services, financing or cost allocation/sharing arrangements; however, arm's length principles apply. The Commissioner may distribute, apportion or allocate assessable income, deductions or credits between the taxpayers as is necessary to reflect the chargeable income the taxpayers would have realised in an arm's length transaction in any transaction between related taxpayers.

Controlled foreign company rules

There are no controlled foreign company rules in Sierra Leone.

Employment Related Taxes

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 payday, the amount of tax the employee owes the NRA. The employer must pay the tax to the NRA before the 15th day of the following month. SLL 500 000 of an individual's salary is tax-free and, thus, PAYE is not due on such income. The employee has no extra liability to pay at the end of the year unless he/she has income from other sources including the provision of other benefits-in-kind or other employment.

Fringe benefits tax

Non-cash benefits granted to an employee by the employer are included in employment income. The taxable value of the benefit is the higher of the cost to the employer or the market value of the benefit to the employee. Infrequent fringe benefits of very small value are excluded from employment income.

Payroll tax

An employer that employs individuals who are not citizens of Sierra Leone must pay a payroll tax no later than 31 January annually or on the day the staff commences employment. The payroll tax is payable on 2 January every calendar year as long as the international staff remains in employment. The amount of the tax is SLL 1.5 million for nationals of the Economic Community of West African States (ECOWAS) and SLL 5 million for non-ECOWAS nationals.

Tax on redundancy and retirement payments

The tax rate is 5% on the amount of redundancy and retirement payments exceeding SLL 50 million. The first SLL 50 million of such payments are exempt.

Social security

The employer and the employee contribute 10% and 5%, respectively, of the employee's salary to the social security fund.

Indirect Taxes

Goods and services tax (GST)

There is no value added tax in Sierra Leone, but GST applies. Introduced in 2009, GST is a consumption tax applied at a rate of 15% on most goods and services supplied by registered businesses.

GST is imposed on taxable supplies and taxable imports, with the amount of GST chargeable calculated by applying the rate to the GST-exclusive value of the taxable supply or import, as follows:

- 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 must be accounted for by the supplier to the tax authorities; 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 the supply is made by a principal that is treated as resident and registered for GST, the liability lies with the principal, which is defined as:

- A government entity or a local council
- A person resident in Sierra Leone for the relevant year for purposes of the Income Tax Act, 2000
- A person, other than an individual, that is formed or created under an enactment or is managed and controlled in Sierra Leone (whether or not the person is resident in Sierra Leone for the year in question for the purposes of the Income Tax Act, 2000) or
- Any other person to the extent 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 fewer months exceeds SLL 350 million
- The person's turnover exceeds one-third of the SLL 350 million threshold for a four-month period ending on the day that he / she has exceeded the threshold; and
- There are reasonable grounds to expect that the person will exceed the threshold in the 12-month period commencing on the day following the 12-month period.

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. An exemption is provided for textbooks, medical equipment, agricultural inputs and personal effects.

All payments of duties, taxes and other levies exceeding SLL 500 000 by importers, exporters, customs clearing agents and other persons must be made electronically by bank cheque or by debit or credit card at the Commissioner General's offices, provided upon written application by a taxpayer is made, the Commissioner General may enter into a time to pay agreement specifying instalment payments in respect of any duties, taxes and levies. Failure to comply may result in the imposition of a fine of SLL 50 million or imprisonment.

Excise duty

Excise duty must be paid on 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.

National insurance levy

A national insurance levy is imposed at a rate of 0.5% on the value of all contracts relating to the supply of goods and services.

Foreign travel ticket tax

The foreign travel ticket tax 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 the ticket is purchased, obtained, issued or received in Sierra Leone or not.

Business license

Businesses must obtain a license upon commencing operations. The fee for registration and the obtaining of a license is based on the capital of the company.

Tax Administration

The Domestic Tax Department (DTD) of the NRA administers Sierra Leone's domestic taxes. The DTD provides a "one-stop shop" for all domestic taxes, allowing taxpayers to deal with a single office for all of their tax affairs.

Corporations

1. Tax year – The tax year runs from 1 January to 31 December.
2. Filings – The income tax return must be submitted within 120 days of the end of the tax year, i.e. by 30 April for a tax year from 1 January to 31 December.

Individuals

1. Tax year – The tax year for individuals is the same as that for companies.
2. Filings and payments – The income tax return must be submitted within 120 days of the end of the tax year, i.e. by 30 April for a tax year from 1 January to 31 December. Employers pay monthly PAYE on the 15th day of the month following the tax period.
3. Penalties:
 - 10% if paid within 30 days from the due date
 - 15% % if paid after 30 days but less than 90 days from the due date
 - 20% if paid after 90 days but less than 180 days after the due date
 - 25% if paid after 180 days from the due date.



General Investment Information

Investment Incentives

General incentives

- The country has substantial natural resources, particularly iron ore
- Government infrastructure investment and assistance are boosting expansion in the non-iron ore economy
- There has been a return to political stability following the civil war, and this 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 poverty reduction strategy, the Agenda for Prosperity (AfP), which should help boost sustainable growth in the non-resources sector
- All United Nations (UN) agencies and international organisations (i.e. all of the 22 UN agencies, funds and programmes in Sierra Leone) are protected by the Vienna or Geneva Conventions and have been added to the list of GST institutional reliefs.

Tax incentives

- A 10% deduction is granted to investors in the mining sector for amortisation of start-up costs
- An investment allowance of 5% is granted for expenditure incurred to purchase depreciable assets, such as plant and machinery
- A 5% allowance is granted 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 granted for expenditure on R&D activities carried out for the purpose of producing assessable income
- There are exemptions for persons/organisations and associations that promote social or sport amenities
- New and existing businesses importing plant and machinery, excluding spare parts and general purpose vehicles, exclusively for their business operations (and not for resale), are entitled to duty-free import for a period of three years from the date of their first registration. The benefit will not apply in the case of a new business if the investment is at least USD 10 million and, in the case of an existing business, the investment is at least USD 5 million for expanding the business.

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 must be processed in accordance with the regulations governing foreign currency accounts
- Borrowing – Internal borrowing (in SLL): An authorised dealer may grant commercial and financial credit to a legal entity registered in Sierra Leone. External borrowing: External loans fully covered by external collateral acceptable to the lending institution may be granted
- Guarantees – Approval of the Bank of Sierra Leone must be obtained to provide or renew the following: (i) a guarantee or

other undertaking, the implementation of which would involve payment to a non-resident or payment in a foreign currency; and (ii) a guarantee to a resident in Sierra Leone on behalf of, or on the account of, a non-resident.

Sierra Leone commercial banks may, without the prior approval 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 trust receipts.

Expatriates and Work Permits

Various types of visas and permits are required to enter, stay and work in Sierra Leone.

Landing visa

A landing visa is required for non-ECOWAS citizens (with the exception of Niger) to enter into Sierra Leone. It takes two to three business days to process this visa. Applications can be made to the Immigration Office in Sierra Leone directly or through a local agent. The visa must be presented at the Lungi International Airport upon entry into Sierra Leone, together with the issued NRA receipt. The landing visa is valid for entry within three months and for a stay of up to one month.

Multiple entry visa

If an individual wishes to make multiple entries into Sierra Leone within one year, he/she should request a multiple entry visa. To obtain the visa, the individual must present his/her original passport, since the visa must be stamped in the passport. This can be obtained only after entry in Sierra Leone or through consular offices, where established. Multiple entry visas can be renewed only twice, after which you are required by law to apply for a residence permit.

Residence permit

A residence permit allows an individual to reside in Sierra Leone. The time frame for processing a residence permit normally is two to five business days, and the following documents must be submitted to the Immigration Department:

- Completed residence permit form
- An original passport and
- Four passport pictures.

Work permit

A work permit allows an individual to work in Sierra Leone. The processing time for a work permit is four to six weeks. Documents needed for this permit are:

For the private sector

- Copy of bio data page of passport
- Four passport sized photos
- Applicant's curriculum vitae
- Applicant's appointment letter or contract of employment
- Evidence of bank account in Sierra Leone
- Copy of valid residence permit
- Police clearance from applicant's home/country of residence
- Medical clearance from applicant's home/country of residence
- Completed application form
- Copy of employer's NASSIT certificate
- Copy of employer's income tax clearance certificate
- Copy of employer's certificate of incorporation.

For non-governmental organisations

- Completed application form
- Applicant's curriculum vitae
- Four passport pictures
- Certificate of NGO registration
- Photocopy of first six pages of passport
- Copy of valid residence permit

- Copy of employer's NASSIT certificate
- Copy of employer's income tax clearance certificate
- Evidence of bank account in Sierra Leone
- Police clearance from applicant's home/country of residence
- Medical Clearance from applicant's home/country of residence
- Applicant appointment letter/contract of employment/ invitation letter.
-

Trade Relations**Memberships**

- Economic Community of Western African States (ECOWAS)

Interest and Currency Exchange Rates**Monetary policy rate**

Monetary Policy Rate: 14.5%
(Mar 2018) (Source: Bank of Sierra Leone)

Benchmark interest rate

Standing Lending Facility: 19.0% (Mar 2018)
Standing Deposit Facility: 12% (Mar 2018)
(Source: Bank of Sierra Leone)

Currency




The currency in Sierra Leone is the Leones (SLL). The symbol is Le and the currency is partitioned into 100 cents.

ZAR 1 = SLL 644.42 (March 2018) (Source: Oanda)

USD 1 = SLL 7 642.52 (March 2018) (Source: Oanda)

EUR 1 = SLL 9 422.89 (March 2018) (Source: Oanda)

Key Economic Statistics

	GDP (approximate)	USD 3.897 billion (2017 estimate) (Source: IMF)
		USD 4.1240 billion (2018 forecast) (Source: IMF)
	Market Capitalisation	Sierra Leone Stock Exchange has two listed companies.
	Rate of Inflation	16.9% (Average, 2017) (Source: IMF)
		12.69% (2018 forecast) (Source: Pennarth Greene)

Notes

1. The Sierra Leone Stock Exchange (SLSE) was launched in July 2008, with proper trading commencing in 2011.
2. The Sierra Leone Local Content Policy Act was fully enacted from a policy into law in March 2016 to ensure effective linkage between the local economy and foreign enterprise.



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Income Tax – Individuals

For the year of assessment ending 28 February 2019, the rates are as follows:

Taxable income (ZAR)	Tax payable
0 – 195 850	18% of taxable income
195 851 – 305 850	ZAR 35 253 + 26% of taxable income above ZAR 195 850
305 851 – 423 300	ZAR 63 853 + 31% of taxable income above ZAR 305 850
423 301 – 555 600	ZAR 100 263 + 36% of taxable income above ZAR 423 300

555 601 – 708 310	ZAR 147 891 + 39% of taxable income above ZAR 555 600
708 311 – 1 500 000	ZAR 207 448 + 41% of taxable income above ZAR 708 310
1 500 001 and above	ZAR 532 041 + 45% of taxable income above ZAR 1 500 000

Tax rebates (individuals)

Primary rebate – All individuals	ZAR 14 067
Additional age rebates:	
Secondary rebate (65 years and older)	ZAR 7 713
Third rebate (75 years and older)	ZAR 2 574

Notes

1. The tax rates and rebates reflected above were announced on 21 February 2018 and will apply (once officially enacted) in respect of any year of assessment ending during the period of 12 months ending on 28 February 2019.
2. Basis – Subject to exceptions, South African residents are taxed on worldwide income, including capital gains. Non-residents are taxed on their South African-source income, and on capital gains from the disposal of immovable property and assets effectively connected with a permanent establishment (PE) in South Africa.
3. Residence – An individual is a tax resident if he/she is “ordinarily resident” in South Africa (i.e. regards South Africa as his/her “true home”). 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. These rules do not apply to a person who is deemed to be exclusively a resident of another country for purposes of the application of a tax treaty.
4. Taxable income – Taxable income comprises gross income, less exempt income and allowable deductions, plus taxable capital gains (see below under “Capital gains tax”). Gross income from employment includes all remuneration in cash or in kind (based on prescribed conditions and valuation rules). Taxpayers may be entitled to a foreign tax credit (or deduction) for foreign tax paid where income from foreign sources has been subject to tax in a foreign country and is taxable in South Africa.
5. Exempt income – Remuneration for services rendered by individuals outside South Africa is exempt, provided certain requirements are met (note that it is proposed that this exemption would apply only up to the first ZAR 1 million of remuneration earned in a year of assessment, with effect from 1 March 2020). Subject to certain exceptions, local dividends are fully exempt from income tax. Foreign dividends are subject to income tax at a maximum effective rate of 20%, but exemptions apply, e.g. where the shareholder holds at least 10% of the total equity shares and voting rights in the foreign company declaring the dividend. Local interest earned by individuals is exempt from income tax up to certain levels. Interest received by, or accrued to, a non-resident is not taxable, unless that person is in South Africa for a period exceeding 183 days during the 12-month period preceding the date on which the interest was received or accrued, or the interest is effectively connected to a PE in South Africa. Further exemptions include (subject to certain conditions being met) disability pensions,

- compensation for occupational injuries and diseases, unemployment insurance fund (social security) income, alimony, government grants, income of certain investment funds, etc. Social security payments received by South African residents from another country, as well as lump sums, pensions or annuities received from a source outside South Africa from foreign retirement funds in respect of past employment outside South Africa, are exempt from tax in South Africa.
6. Deductions and allowances – General deductions are permitted under what is called the “general deduction formula,” subject to certain requirements. Donations to certain approved public benefit organisations (PBOs) are tax deductible, generally limited to 10% of taxable income and subject to carryforward provisions. Amounts contributed to pension, provident and retirement annuity funds during a year of assessment are deductible, subject to a limitation of 27.5% of the greater of remuneration or taxable income, with a maximum annual deduction threshold of ZAR 350 000. Excess contributions may be carried forward to the subsequent year. Specific limitations apply in respect of expenses relating to employment. Tax credits apply for medical expenses, based on a taxpayer’s situation and age.
 7. Rates – Tax rates (see table, above) are progressive, with a maximum rate of 45% for the tax year ending 28 February 2019. Tax rebates (see table, above) are available only to individuals and comprise amounts that may be deducted from the tax calculated according to the tax tables. The rebates must be apportioned where a taxpayer is assessed for a period of less than a year.
 8. Capital gains tax (CGT) – CGT is not a separate tax, but forms part of income tax – 40% of an individual’s net capital gains for the year is included in his/her taxable income to be taxed at the applicable marginal tax rate. The general annual CGT exclusion for individuals and special trusts is currently ZAR 40 000, and the exclusion on death is ZAR 300 000. Upon breaking tax residence, CGT will be payable on the deemed disposal of a tax resident’s worldwide assets (excluding South African immovable property). Various other exclusions and rollover reliefs from CGT apply. These include an exclusion in respect of the disposal of personal-use assets, an exclusion of up to ZAR 2 million on the disposal of a primary residence and an exclusion of up to ZAR 1.8 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 ZAR 10 million). Rollover relief applies to the transfer of assets between spouses.

9. Losses – Losses from certain trades that have generated losses for at least three out of the previous five tax years and that are carried out by individual taxpayers who are subject to the maximum marginal tax rate are “ring-fenced” in certain circumstances, and such losses may be offset only against income from that trade.

Income Tax – Companies

Companies	Rate
Standard corporate tax rate	28%
Qualifying companies in a special economic zone (SEZ)	15%
Qualifying micro businesses (turnover tax)	0% – 3%
Qualifying small business corporations	0% – 28%
Gold mining companies	Varies
Long-term insurers	28%/30%

Notes

1. Basis – Subject to exceptions, South African residents are taxed on worldwide income, including capital gains. Non-residents are taxed on their South African-source income, and on capital gains from the disposal of immovable property and assets effectively connected with a PE in South Africa.
2. Residence – A company will be a resident of South Africa for tax purposes if it is incorporated in or effectively managed from South Africa.
3. Taxable income – Taxable income consists of business/trading income, passive income and capital gains (80% of a company's net capital gains for the year are included in taxable income). Dividends received from local companies are exempt. Dividends received from a foreign company are, in principle, subject to tax at a maximum effective rate of 20%, although various exemptions exist (e.g. where the recipient holds at least 10% of the shares and voting rights of the company declaring the dividend). CGT exclusions and rollover reliefs apply in certain circumstances, including a participation exemption applicable to the disposal of shares in a foreign company in which at least 10% of the

equity shares and voting rights are held, and rollover relief applicable to involuntary disposals. Special rules apply to shipping companies, mining and insurance companies, oil and gas companies, farming activities and public-private partnerships.

4. Deductions – Generally, expenses incurred in the production of income and that are not of a capital nature may be deducted in computing taxable income. The law provides for additional deductions, subject to certain rules, including, e.g. capital allowances on plant and machinery and buildings and improvements; wear-and-tear allowances on, and full expensing of, certain movable capital assets; depreciation of certain environmental-related assets; deduction of “pre-trade costs” incurred before the commencement of trade, once trade commences (but only against income from that trade); and deduction of certain research and development (R&D) costs and intellectual property acquisition costs.
5. Losses – A tax loss incurred by a company in a business activity generally may be carried forward without restriction and set off against future profits until exhausted, provided the company continues to trade during the year of assessment. However, the losses incurred by a foreign branch of a South African resident company cannot be set off against income from a South African source (i.e. ring-fencing applies).
6. Foreign tax credit – Foreign tax paid on foreign-source income may be credited against South African tax on the same profits, but the credit is limited to the amount of South African tax payable on the foreign income. Other limitations also apply. Any surplus foreign tax credit may be carried forward for no more than seven years. Alternatively, the foreign tax may be deducted from income in determining taxable income.
7. Group relief – There is no group taxation regime applicable in South Africa; companies are taxed separately. However, the Income Tax Act provides tax relief for transfers between 70%-related group companies (as defined) and between 70% shareholders and the company in which they hold shares in certain circumstances. For purposes of these rules, the definition of a group company excludes any company that does not have its place of effective management in South Africa. Anti-avoidance provisions apply.
8. Rates – The standard corporate tax rate is 28%. Special rates apply to qualifying companies in a SEZ and small business corporations (annual turnover of ZAR 20 million or less), gold mining companies and insurers. Turnover tax applies to certain micro businesses (see below).

9. Branch taxation – Branches of foreign companies are subject to the same tax rates as resident companies. No branch remittance tax applies in South Africa.
10. Alternative minimum tax – There is no alternative minimum tax in South Africa.
11. Turnover tax – The turnover tax system replaces income tax, VAT, provisional tax, capital gains tax and dividends tax for micro businesses with qualifying annual turnover of ZAR 1 million or less. The rates are progressive up to 3% of taxable turnover. A micro business that is registered for turnover tax can, however, elect to remain in the VAT system.
12. Headquarter company (HQC) regime – South Africa's HQC regime provides for a relaxation of the controlled foreign company rules, an exemption from dividends tax, certain relief from transfer pricing provisions and an exemption from withholding tax for interest on certain "back-to-back" lending arrangements. An 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 the HQC. A resident company may elect to be an HQC for a year of assessment if certain criteria are met.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (with the exception of WHT on sales of immovable property, the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	20%	20%
Interest	0%	15%
Royalties	0%	15%
Amounts paid to entertainers and sportspersons	0%	15%
Proceeds from sale of immovable property	0%	7.5%/10%/15%
Management or consulting fees	0%	0%

Notes

1. Dividends – Dividends tax is levied on dividends declared by domestic companies and in respect of shares of non-resident companies that are listed on the Johannesburg Stock Exchange (JSE). With effect from 22 February 2017, the dividends tax rate is 20%. Dividends tax does not apply to dividends paid by an HQC. Dividend payments to domestic companies, the government, provincial administrators or municipalities, domestic retirement funds, rehabilitation companies or trusts, PBOs and various exempt bodies are exempt from dividends tax. Exempt shareholders must certify their exemption status. In respect of *in specie* dividends (dividends in kind), the distributing company (not the shareholder) will bear the liability and the administrative burden. These dividends are subject to similar exemptions and treaty relief as cash dividends. Value transfers (deemed dividends) may be taxed under normal WHT rules.
2. Interest – Certain exemptions from WHT apply for interest, including in respect of interest on government bonds, listed debt and debt owed by a local bank. The WHT also will not apply to interest paid by an HQC, nor will it apply to interest paid to non-resident individuals spending in excess of 183 days in South Africa in the 12-month period preceding the date on which the interest is paid, 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.
3. Royalties – 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 an HQC in certain circumstances.
4. Payments to entertainers and sportspersons – A final 15% WHT applies in respect of payments made to non-resident entertainers and sportspersons performing in South Africa. Failure to deduct or withhold tax, or pay it to the South African Revenue Service (SARS), will render the resident taxpayer making the payment personally liable for the tax.
5. Proceeds from sale of immovable property – WHT is imposed on the proceeds of a sale of immovable property in South Africa by non-residents where the proceeds exceed ZAR 2 million. WHT will apply at a rate of 7.5% in a case where the seller is an individual, 10% where the seller is a company and 15% where the seller is a trust. The tax is an advance in respect of the seller's liability for income tax.

Tax Treaties

South Africa has concluded tax treaties with a number of countries, and signed the OECD multilateral instrument on 7 June 2017. The maximum WHT rates on dividends, interest and royalties under the relevant treaties (including lower alternative rates that apply in qualifying circumstances) are set out below:

Country	Dividends	Interest	Royalties
Algeria	10%/15%	10%	10%
Australia	5%/15%	0%/10%	5%
Austria	5%/15%	0%	0%
Belarus	5%/15%	5%/10%	5%/10%
Belgium	5%/15%	0%/10%	0%
Botswana	10%/15%	10%	10%
Brazil	10%/15%	0%/15%	10%/15%
Bulgaria	5%/15%	5%	5%/10%
Cameroon	10%/15%	0%/10%	10%
Canada	5%/15%	0%/10%	6%/10%
Chile	5%/15%	5%/15%	5%/10%
China	5%	10%	7%/10%
Croatia	5%/10%	0%	5%
Cyprus	5%/10%	0%	0%
Czech Republic	5%/15%	0%	10%
Democratic Republic of Congo	5%/15%	10%	10%
Denmark	5%/15%	0%	0%

Egypt	15%	12%	15%
Ethiopia	10%	0%/8%	20%
Finland	5%/15%	0%	0%
France	5%/15%	0%	0%
Germany	7.5%/15%	10%	0%
Ghana	5%/15%	5%/10%	10%
Greece	5%/15%	8%	5%/7%
Grenada	0%	Domestic*	Domestic*
Hong Kong	5%/10%	10%	5%
Hungary	5%/15%	0%	0%
India	10%	10%	10%
Indonesia	10%/15%	10%	10%
Iran	10%	5%	10%
Ireland	5%/10%	0%	0%
Israel	25%	25%	0%/15%
Italy	5%/15%	10%	6%
Japan	5%/15%	10%	10%
Kenya	10%	10%	10%
Korea (ROK)	5%/15%	0%/10%	10%
Kuwait	0%	0%	10%
Lesotho	10%/15%	10%	10%
Luxembourg	5%/15%	0%	0%
Malawi	Domestic*	Domestic*	Domestic*

Malaysia	5%/10%	10%	5%
Malta	5%/10%	0%/10%	10%
Mauritius	5%/10%	0%/10%	5%
Mexico	5%/10%	10%	10%
Mozambique	8%/15%	0%/8%	5%
Namibia	5%/15%	10%	10%
Netherlands	5%/10%	0%	0%
New Zealand	5%/15%	10%	10%
Nigeria	7.5%/10%	7.5%	7.5%
Norway	5%/15%	0%	0%
Oman	5%/10%	0%	8%
Pakistan	10%/15%	10%	10%
Poland	5%/15%	10%	10%
Portugal	10%/15%	10%	10%
Qatar	5%/10%	0%/10%	5%
Romania	15%	15%	15%
Russia	10%/15%	10%	0%
Rwanda	10%/20%	10%	10%
Saudi Arabia	5%/10%	5%	10%
Seychelles	5%/10%	0%	0%
Sierra Leone	0%	Domestic*	Domestic*
Singapore	0%/5%/10%	0%/7.5%	5%
Slovak Republic	5%/15%	0%	10%

Spain	5%/15%	0%/5%	5%
Swaziland	10%/15%	10%	10%
Sweden	5%/15%	0%	0%
Switzerland	5%/15%	5%	0%
Taiwan	5%/15%	10%	10%
Tanzania	10%/20%	10%	10%
Thailand	10%/15%	10%/15%	15%
Tunisia	10%	5%/12%	10%
Turkey	10%/15%	0%/10%	10%
Uganda	10%/15%	10%	10%
Ukraine	5%/15%	10%	10%
United Arab Emirates	5%/10%	10%	10%
United Kingdom	5%/10%/15%	0%	0%
United States	5%/15%	0%	0%
Zambia	Domestic*	Domestic*	Domestic*
Zimbabwe	5%/10%	0%/5%	10%

* Domestic – No rate is specified in the treaty, so the domestic South African rate applies

Notes

- South Africa has treaties/protocols in the process of negotiation (or finalised but not signed) with the following countries: Austria, Belgium, Botswana, Cuba, Germany, Ireland, Kuwait, Luxembourg, Malawi, Morocco, Mozambique, Namibia, Netherlands, Norway, Senegal, Seychelles, Swaziland, Switzerland, Syria, Thailand, Vietnam and Zambia.



Anti-Avoidance Rules

Transfer pricing

South Africa follows the OECD guidelines on transfer pricing and uses the arm's length standard/principle to test transactions between connected persons in an international (cross-border) transaction. Allowable methods include the following:

- The comparable uncontrolled price method
- The resale price method
- The cost plus method
- The profit split method and
- The transactional net margin method.

For years of assessment commencing on or after 1 October 2016, it is obligatory for taxpayers with qualifying transactions to prepare transfer pricing policies and documentation.

Where a transaction between a resident and a non-resident (or a non-resident and a PE of another non-resident in South Africa, or a resident and a PE of a resident outside South Africa) is not carried out on an arm's length basis and results in a tax benefit, the taxable income of the person receiving the tax benefit must be calculated as if the transaction had been entered into on arm's length terms. If a resident received the tax benefit, an amount equal to the adjustment is deemed to be an *in specie* dividend paid by the resident (if a company), or a donation paid by the resident (if a person other than a company).

Compulsory transfer pricing documentation and reporting rules apply. Qualifying taxpayers must file country-by-country reports, a master file and a local file with the SARS.

Thin capitalisation

Thin capitalisation provisions that are part of the general transfer pricing rules limit the deduction of interest payable by South African companies on debt provided by certain non-resident connected persons. South Africa's thin capitalisation rules also apply to local branches of foreign companies.

Controlled foreign companies (CFCs)

A proportional amount of the net income (including capital gains) earned by a CFC is included in the income of a South African resident shareholder. 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 the company, or (with effect from any year of assessment commencing on or after 1 January 2018) any foreign company whose financial results are reflected in the consolidated financial statements (as contemplated in IFRS 10) of any company that is a resident. 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 the attribution of income under the CFC rules apply under certain specified conditions, including where the foreign taxes paid by the CFC amount to at least 75% of the South African tax that would be payable if the CFC were a South African resident.

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.

Interest deduction limitation provisions

Provisions in the Income Tax Act restrict the deductibility of interest on acquisition and reorganisation indebtedness. In addition, there are provisions regulating 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.

General anti-avoidance rule

The Income Tax Act contains a general anti-avoidance rule (GAAR) that sets forth the circumstances under which an arrangement constitutes an “impermissible avoidance arrangement” for tax purposes, and the consequences that flow from this.

Employment-Related Taxes**Payroll tax**

A pay-as-you-earn (PAYE) system applies in South Africa, at the prescribed tax rates for individuals. A 25% rate applies for temporary employees in “non-standard employment.” Employers are liable to pay a monthly 1% “skills development levy” (SDL) on the total remuneration paid, where the employer’s annual payroll exceeds ZAR 500 000. Payments to reimburse employees, pension payments and payments to independent contractors and learners under contract are not subject to the SDL.

Social security

Both employers and employees are obliged to pay a monthly 1% contribution to South Africa’s unemployment insurance fund (UIF). The contribution is based on a maximum (i.e. capped) monthly gross remuneration per employee (currently, ZAR 14 872). The employee’s 1% contribution is made by the employer through a deduction from the employee’s salary. Certain remuneration and certain employees are excluded from the UIF contribution requirements.

Indirect Taxes

Value-added tax (VAT)

	Rate
Standard rate	15% (14% prior to 1 April 2018)

Notes

1. Taxable transactions – VAT is levied on the supply of goods and services in South Africa, on the importation of goods and on the supply of imported services in certain circumstances, with specific rules applicable to the supply of electronic services. Any South African VAT charged to a vendor by suppliers, as well as VAT levied on the importation of goods, generally will be deductible through an input tax credit by the vendor. The government has proposed that the list of taxable electronic services subject to VAT be broadened to include cloud computing and services provided using online applications.
2. Rates – The standard VAT rate is 15% (14% prior to 1 April 2018). The rate change was announced on 21 February 2018 and parliament must still pass legislation giving effect to the announcement. Certain supplies qualify for a zero rating (for example, exports and certain foodstuffs and other supplies) or are exempt from VAT (mainly certain financial services, residential accommodation and public transport).
3. Registration – Any person that carries on an “enterprise” in South Africa for VAT purposes and that makes taxable supplies above a certain threshold (currently, ZAR 1 million per annum), is obliged to register as a VAT vendor.

Customs and excise duties

Customs duties are levied on imported goods, with the aim of raising revenue and protecting the local market, and usually are calculated as a percentage of the value of the goods (as set out in the schedules to the Customs and Excise Act). However, meat, fish, tea, certain textiles and petroleum products attract rates of duty calculated either as a percentage of the value or as cents per unit (for example, per kilogram or metre). The customs value is based on an FOB (free-on-board) value. Preferential or free

rates of customs duties are applicable where trade agreements exist (listed under “Trade Relations,” below), subject to particular rules of origin.

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 through periodic excise returns filed with and, depending on the product, paid to SARS on either a monthly or a quarterly basis. On 1 April 2018, a new Sugary Beverages Levy (SBL) came into effect, calculated at a rate of 2.1 cents per gram of the sugar content exceeding 4 grams per 100 millilitres of specified imported and locally manufactured products.

Other Taxes

Estate duty

Estate duty is payable on the dutiable amount of a deceased's estate. With effect from 1 March 2018, the rate of estate duty that is applicable in respect of the dutiable amount of a deceased's estate is as follows: 20% of such amount as does not exceed ZAR 30 million, and 25% of such amount as exceeds ZAR 30 million. Prior to 1 March 2018, a flat rate of 20% applied. Note: the changes set above were announced on 21 February 2018 and parliament must still pass legislation giving effect to the announcement. A ZAR 3.5 million abatement (ZAR 7 million for a couple) is deducted from all estates, regardless of personal circumstances. Estate duty applies to all assets of a person who was ordinarily resident in South Africa at the date of his/her death, irrespective of where the assets are situated. Assets that are owned by a person who was not ordinarily resident in South Africa at the date of his/her death, but which are located in South Africa, also may be subject to estate duty.

Donations tax

Donations tax is payable on the value of any property that is disposed of by way of donation by a resident. With effect from 1 March 2018, the rate of donations tax that is chargeable in respect of the value of any property that is disposed of through a donation is as follows: 20% of such value as does not exceed ZAR 30 million, and 25% of such value as exceeds ZAR 30 million during the immediately preceding 12-month period. Prior to 1 March 2018, a flat rate of 20% applied. Note: the changes set above were announced on 21 February 2018 and parliament must still pass legislation giving effect to the announcement. Public companies and certain donations are exempt from donations tax. In addition, no donations tax is payable on donations made by a natural person of up to ZAR 100 000 per annum (ZAR 10 000 in the case of donors other than individuals). "Deemed donations" (disposals for less than adequate consideration) also are subject to the tax. Anti-avoidance rules in the Income Tax Act aim to prevent the avoidance of donations tax and estate duty through the transfer of assets to trusts (or companies held by trusts) on interest-free or low-interest loan accounts.

Transfer duty

Transfer duty is applicable to real estate transactions at duty rates ranging from 0% (on the value of property not exceeding ZAR 900 000) to 13% (on the value of property exceeding ZAR 10 million). Where the sale of fixed property attracts VAT, no 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, e.g. asset-for-share rollovers (e.g. upon formation of a company) may obtain relief from transfer duty. Additionally, no transfer duty is applicable, e.g. in respect of transfers on death or divorce.

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 by foreign incorporated companies listed on a licensed exchange. Transfers include the transfer, assignment or cession, or disposal in any other manner, of a security, but exclude any event that does not result in a change in beneficial ownership, the issue of a security and the cancellation or redemption of a security where corporate existence is being terminated.

Mineral and petroleum resources royalties

The rates for the mineral and petroleum resource royalties, payable in line with the corporate provisional tax cycle, are 0.5%-5% for refined mineral resources and 0.5%-7% for unrefined mineral resources.

Carbon tax

After being deferred numerous times, it is currently proposed that a carbon tax would be introduced with effect from 1 January 2019. Once in effect, the tax would be applicable initially at ZAR 120 per ton of CO₂ equivalent emissions above certain tax-free thresholds and allowances.

Tax Administration and Compliance

Tax is administered by the South African Revenue Service (SARS). Every person that, at any time, becomes liable for income tax in South Africa or that becomes liable to submit an income tax return is required to register with the SARS for income tax. A permanent legislative framework for voluntary disclosure that applies to all tax types exists.

Companies

1. Tax year – The tax year is the company's financial year.
2. 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.
3. Filing and payment – The filing deadline for annual income tax returns is confirmed by official notice each year (for companies, the filing deadline generally is 12 months after the end of the company's tax year). Tax returns for all tax types generally are submitted to the SARS via e-filing, and payment is made electronically. Advance payments of tax (provisional tax) must be made twice a year: the first payment must be made during the first six months of the tax year, and the second before the end of the tax year, based on estimates of the final tax liability for the year. For taxpayers with taxable income of less than ZAR 1 million, the second provisional payment must not be less than the lower of the “basic amount” (calculated with reference to the previously assessed income for the latest tax year) or 90% of actual taxable income. For taxpayers with taxable income of more than ZAR 1 million, an estimate that is equal to at least 80% of the taxable income for the year is required for the second provisional tax payment. A third, final provisional tax payment must be made within six months after the end of the tax year, to avoid the imposition of interest.
4. Penalties – Penalties and interest are imposed for non-compliance with respect to tax obligations, including in respect of late/non-submission of returns, understatement of tax owed and underestimation of provisional tax.
5. Rulings – A taxpayer may apply for a tax ruling in accordance with the advance tax ruling system. The ruling generally will be binding on the SARS.

Individuals

1. Tax year – The income tax year for individuals generally runs from 1 March to the end of February each year.
2. Tax filing – Married individuals generally are taxed as separate taxpayers, but may be taxed jointly on certain community property.
3. Filing and payment – See “Filing and payment” under “Companies,” above.
4. Penalties – See “Penalties” under “Companies,” above.

VAT

1. Filing and payment – VAT returns generally must be submitted every two months, but businesses with an annual turnover in excess of ZAR 30 million must submit monthly returns. Returns must be submitted within 25 days after the end of the tax period (or, in the case of e-filing, by the last business day of the month in which the 25th day falls). Payment in full must accompany the return.
2. Penalties – Penalties and interest are imposed for non-compliance with respect to tax obligations, including in respect of late/non-submission of returns and understatement of tax owed.

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 offered through the Department of Trade and Industry, with a few others from other government departments.

These include incentives under the following categories:

- Investment and enterprise development incentives
- Competitive enhancement incentives
- Export incentives – Non-industry specific
- Export incentives – Industry specific
- Tax incentives
- Industrial development corporation (IDC) funding and
- Industrial participation incentives.

Exchange Controls

Exchange control is administered by the South African Reserve Bank (SARB), which has delegated powers to authorised dealers (i.e. banks licensed to deal in foreign exchange). Subject to the rules stated below, South Africa does not impose exchange controls on non-residents, but exercises exchange controls over residents (including on outward investment) and transactions entered into between residents and non-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 is registered in South Africa.

Certain exchange control restrictions exist for foreign investors:

- Limited local borrowing restrictions exist for 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 also are subject to these restrictions. Borrowing for investment in residential property and financial transactions, which can be defined as the purchase and sale of any securities (listed or unlisted),

repurchase agreements and any derivative transactions in securities, is limited to 100% of the shareholder's funds

- Where unlisted shares, immovable 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 exist on the remittance of certain income; e.g. exchange control approval is required for royalties and payments for services.

The rate of interest payable on foreign loans will be limited by the SARB; however, after approval has been granted, interest is freely transferable from South Africa. Foreign nationals temporarily resident in South Africa, subject to completing formalities through an authorised dealer, may conduct their affairs on a resident basis while resident in South Africa and may repatriate accumulated earnings or capital brought into South Africa.

Specific exchange control rules, annual limits or concessions apply to institutional foreign investment, immigrants, South African resident individuals and South African resident corporations.

Under the rules applicable to 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 ZAR 1 billion per year may be adjudicated by authorised dealers. There are no limits on amounts that may be remitted abroad for investment. Dividends declared and paid may be utilised for any purpose at any stage, except for loans or investment into the Common Monetary Area (CMA). HQCs that are approved by the Financial Surveillance Department may invest offshore without restriction.

Work Permits and Visas

South Africa's immigration system is regulated by the Immigration Act of 2002 (as amended) and regulations thereunder. The act sets out the different categories of visas and permits available to foreign nationals. There are two basic components to the system, namely, visas and permanent residence permits. Foreign nationals that do not have permanent residence status in South Africa are required to obtain temporary residence visas before arriving in the country.

There are four other types of visas that allow a foreign national to work in South Africa:

- Intra-Company Transfer Work Visa
- Critical Skills Work Visa
- General Work Visa
- Corporate Worker Visa.

Additional categories of visas, such as a business visa, visitor's visa, study visa, exchange visa, medical visa and retired persons' visa, have their own purposes and enable the sojourn of foreign nationals in South Africa. It is recommended that foreign nationals apply for the appropriate visa with the South African embassy/high commission or consulate in their home country prior to arriving in South Africa. Renewals and Changes of Conditions or Status for specific categories can be applied for with the Department of Home Affairs, via the VFS Visa Facilitation Centre in South Africa.

Trade Relations

The South African government, through the Department of Trade and Industry, seeks to support the objectives of industrial development and upgrading, employment growth and increased value-added exports by negotiating trade agreements with other countries. Below is a summary of the various trade agreements to which South Africa is a party.

Preferential market access agreements

- Southern African Customs Union (SACU)
- Southern African Development Community (SADC) Free Trade Agreement (FTA)
- European Union/South Africa Trade, Development and Cooperation Agreement (EU/SA TDCA)
- SACU-European Free-Trade Association (EFTA) FTA
- SACU-Southern Common Market (Mercosur) Preferential Trade Agreement (PTA)
- Bilateral agreements with Mozambique and Zimbabwe (limited scope)

Current trade negotiations

- WTO's Doha Development Agenda – South Africa is a negotiator
- SACU-India Preferential Trade Agreement
- SADC-EAC-COMESA Tripartite Free Trade Agreement
- Trade, Investment and Development Cooperation Agreement (TIDCA) SACU-US Cooperative framework agreement
- Trade and Investment Framework Agreement (TIFA) SACU-US Bilateral agreement

Non-reciprocal agreements

- Africa Growth and Opportunity Act (AGOA)
- Generalised System of Preferences – South African products qualify for preferential market access (i.e. no or substantially reduced customs duty) under the GSPs.

Memberships

- New Partnership for Africa's Development (NEPAD)
- BRICS – Brazil, Russia, India, China and South Africa
- United Nations
- African Union (AU)
- African, Caribbean and Pacific Group of States (ACP)
- G20
- G22
- G77

Interest and Currency Exchange Rates

Prime overdraft rate

Prime lending rate: 10.00%
(March 2018) (Source: South African Reserve Bank)

Repo rate

Repo rate: 6.50%
(March 2018) (Source: South African Reserve Bank)

Currency

South Africa's currency is the Rand (ZAR), which is divided into 100 cents.

GBP 1 = ZAR 16.52 (March 2018) (Source: Oanda)

USD 1 = ZAR 11.83 (March 2018) (Source: Oanda)

EUR 1 = ZAR 14.59 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 294.84 billion
(2017 estimate) (Source: Tradingeconomics)

USD 390 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

USD 995.12 billion
(Mar. 2018) (Source: JSE)



Rate of Inflation

4.4% (2017)
(Source: Tradingeconomics)

5%
(2018 forecast) (Source: Tradingeconomics)



South Sudan



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Income Tax – Individuals

Taxable income (SSP)	Rate
600	0%
601 – 5 000	10%
Over 5 000	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). Non-residents are subject to tax only on South Sudan-source income.
2. Residence – An individual who is domiciled in South Sudan or is physically present in the country for 183 days or more in any tax period is deemed to be a resident for tax purposes.
3. Taxable income – Employment income generally is taxable, unless it is specifically exempt. Employment income includes salaries, bonuses, commissions, allowances and other forms of compensation in cash or in

kind; income earned under contracts for temporary work; and pension income. Income from an entrepreneurial activity, leasing income, dividends, interest, capital gains and other investment income also is taxable.

4. Deductions and allowances – Personal relief of SSP 3 600 per year is available on employment income. In addition, up to 8% of gross wages paid by employees to funded government-approved pension schemes is deductible from gross income.
5. Rates – The personal income tax rates for both residents and non-residents are progressive from 0% to 15%.

Income Tax – Companies

	Rate
Small businesses (revenue less than SSP 1 million)	10%
Medium-sized businesses (revenue between SSP 1 million and SSP 30 million)	20%
Large businesses (revenue exceeding SSP 30 million)	25%

Notes

1. Basis – Resident companies are liable to tax on their worldwide income; non-resident companies pay tax only on South Sudan-source profits.
2. Residence – A company, partnership or other entity established in South Sudan or that has its place of effective management in South Sudan is a resident.
3. Taxable income – Taxable income generally consists of worldwide income for resident companies (and business profits derived from South Sudan for non-resident companies), less expenditure incurred wholly and exclusively in the production of the income for the year. Dividends received from a resident company are considered South Sudan-source income and are included in business profits. However, dividends are exempt from taxation as business profits if tax has already been withheld on the dividends. Capital gains are considered South Sudan-source income and are included in the taxable income subject to corporate tax.
4. Deductions – In computing taxable income, any expenditure incurred wholly and exclusively in the production of taxable income during the tax year generally is deductible. Depreciation of fixed assets is allowed according to the rates specified in the South Sudan Taxation Act. Amortisation of intangible assets (such as goodwill, patents and trademarks, copyrights and any similar asset) is allowed. Expenditure of a capital nature is not deductible.
5. Losses – Losses may be carried forward and set off against taxable income for up to five years. The carryback of losses is not permitted.
6. Foreign tax credit – A foreign tax credit is granted to a resident taxpayer that earns profits from business activities outside South Sudan through a permanent establishment, and that pays foreign tax on such income. The foreign tax credit is equal to the lesser of the foreign tax paid or the South Sudan tax applied to the portion of the foreign-source income liable to tax in South Sudan.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rates – The corporate tax rate depends on the classification of the company: the rate is 10% for small enterprises, 20% for medium-sized enterprises and 25% for large enterprises.
9. Branch taxation – A branch of a foreign company is subject to the same tax rate as a domestic subsidiary. There is no branch profits tax.
10. Advance business profits tax – Imported food items are subject to an advance payment of income tax (business profits tax) at a rate of 2%,

while all other imported goods brought into or that enter South Sudan are subject to an advance payment of business profits tax at a flat rate of 4%. The tax is based on the customs value of the goods and is paid at the port of entry. A taxpayer that is required to file a tax return and that has made an advance payment on imported goods may obtain a credit against the amount of tax owed for the taxable year. There is an exemption from the advance payment of tax for:

- Goods imported by a contractor, other than local contractors, to perform under a contract with the United Nations (UN), UN specialised agencies or other international or governmental donors to the government of South Sudan
- Goods imported by the UN, UN specialised agencies or other international or governmental donors to the South Sudan government and
- Humanitarian aid, when imported by a *bona fide* organisation, as provided for in the relevant regulations.

It should be noted that the Minister of Finance and Economic Planning is the sole authority that may issue exemption letters.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Taxation Act	
	Resident/Non-resident	Residents
Dividends	10%	10%
Interest	10%	10%
Royalties	10%	10%
Rent	10%	20%
Technical fees paid to contractors	n/a	n/a
Government contracts	n/a	20%

Tax Treaties

South Sudan does not have any tax treaties.

Anti-Avoidance Rules

Transfer pricing

Transactions between related parties must be on arm's length terms, and the tax authorities can adjust the profits where the arm's length principle is not followed, i.e. the difference between the arm's length price and the transfer price will be included in taxable profit. The comparable uncontrolled price method is preferred, but the resale price method or cost plus method may be used if a price cannot be determined under the comparable uncontrolled price method.

Employment-Related Taxes

Payroll tax

An employer must withhold income tax from an employee's wages, including bonuses and allowances, for the appropriate payroll period.

Social security

The employer is required to make pay-related social security contributions equal to 6% of the monthly basic salary (capped).

Indirect Taxes

Sales tax

	Rate
Standard rate	20%

Notes

1. South Sudan levies a sales tax rather than a VAT.
2. Taxable transactions – The sales tax applies to manufacturers, importers and service providers in South Sudan.

3. Rates – As from financial year 2017/18, the sales tax rate ranges between 1% and 20%. The standard rate is 20% (increased from 18%). The different rates that previously applied to domestically produced goods, imported goods, hotels, restaurants and bar services (depending on whether the supplier was a small, medium-sized or large business) have been eliminated. The value on which the tax on hotels, restaurants and bar services is assessed is the greater of the amount paid for the services, inclusive of excise duties, or the fair market value.
4. Invoicing – An invoice must be prepared for transactions subject to sales tax.
5. Exemptions – Where provided by an agreement with the South Sudan government, the United Nations (UN, UN specialised agencies, diplomatic missions) or other international donors, or their contractors that import goods or supply or purchase goods or services in South Sudan, goods or services are exempt from the sales tax to the extent that such goods or services are directly related to the diplomatic mission or donor-funded project.
However, the sales tax will immediately become due and payable if the goods are disposed of in South Sudan to private persons or are no longer used in or are no longer necessary for the diplomatic mission or donor-financed project, unless the ownership of goods is transferred to the government or another person exempt from excise tax.

Customs and excise duties

Imported goods are subject to customs duties at rates of 5%, 10% and 20%. South Sudan is implementing the harmonised system classification of goods that will align the rate schedule with that of the East African Community.

Excise duty applies to the production of excisable goods in South Sudan, the import of excisable goods into the country and the provision of excisable services in South Sudan. Rates range from 5% to 20%, depending on the goods and the transaction.



Other Taxes

Inheritance/estate tax

There is no inheritance or estate tax in South Sudan.

Stamp duty

There is currently no national stamp duty legislation in South Sudan. However, in practice, stamp duties are imposed by the state authorities, at rates that vary depending on the state.

Transfer tax

There is no transfer tax on immovable property or on the transfer of shares, bonds or other securities.

Departure tax

There is a departure tax of USD 20 per person on international air travel.

Tax Administration and Compliance

The South Sudan Department of Taxation administers tax in South Sudan.

Companies

1. Tax year – The tax year is the calendar year, unless the tax authorities approve a different year-end.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – A corporate taxpayer must file an annual return based on its income for the tax year. The return is due on or before 1 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, the taxpayer must make advance payments of income tax on a quarterly basis.
4. Penalties – A penalty of 5% each month will be levied on any tax that is unpaid by the due date. Interest on such unpaid tax

will accrue at a 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 between 5% and 25% of the reported tax liability will be levied. A penalty of 5% each month is imposed on any amount of tax arrears.

5. Rulings – Binding rulings are available in South Sudan, provided the taxpayer has made a full and accurate disclosure of the nature of all aspects of the transaction for which the ruling is requested.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Joint returns of spouses are not permitted.
3. Filing and payment – The individual income tax return must be submitted before 1 April of the year following the tax period. A resident individual engaged in any entrepreneurial activity, or receiving estate lease income, must make advance payments of income tax on a quarterly basis.
4. Penalties – A penalty of 5% each month will be levied on any tax that is unpaid by the due date. Interest on such unpaid tax will accrue at a 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 between 5% and 25% of the reported tax liability will be levied. A penalty of 5% each month is imposed on any amount of tax arrears.

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 may freely repatriate profits, net of all taxes and other statutory obligations, to their 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 might 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.

Trade Relations

Memberships

- United Nations (UN)
- African Union (AU)

Interest and Currency Exchange Rates

Monetary policy rate

Average lending interest rate: 9.72% (2016) (Source: Knoema)

Currency




The South Sudanese pound (SSP) is the official currency of the Republic of South Sudan. It is divided into 100 piasters.

ZAR 1 = SSP 10.97 (March 2018) (Source: UnitConverters)

USD 1 = SSP 130.26 (March 2018) (Source: UnitConverters)

EUR 1 = SSP 160.23 (March 2018) (Source: UnitConverters)

Key Economic Statistics

	GDP (approximate)	USD 9.02 billion (2017 estimate) (Source: Tradingeconomics)
		USD 13.95 billion (2018 forecast) (Source: Tradingeconomics)
	Market Capitalisation	There is no stock market in South Sudan.
	Rate of Inflation	142% (2017 average) (Source: Tradingeconomics)
		65% (2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (SZL)	Tax payable
0 – 100 000	20%
100 001 – 150 000	SZL 20 000 + 25% on amount exceeding SZL 100 000
150 001 – 200 000	SZL 32 500 + 30% on amount exceeding SZL 150 000
Over 200 000	SZL 47 500 + 33% on amount exceeding SZL 200 000

Different rates and thresholds apply to unemployed or retired individuals as follows:

Taxable income (SZL)	Tax payable
0 – 200 000	25%
200 001 – 300 000	SZL 50 000 + 30% on amount exceeding SZL 200 000

Over 300 000

SZL 80 500 + 33% on amount exceeding SZL 300 000

Notes

1. Basis – The source basis of taxation is applied in Swaziland. Foreign-source income is exempt from Swaziland tax.
2. Residence – Swaziland does not have a definition of residence for tax purposes.
3. Taxable income – Taxable income includes income from employment (and associated benefits), capital gains, income derived from a business or profession, certain investment income, etc., that arises in, or is deemed to arise in, Swaziland.
4. Exempt income – This includes war pensions and gratuities; a part of any payment from a pension, provident or benefit fund payable on termination of employment (subject to certain limits); severance allowance or notice pay; certain redundancy payments; scholarships and bursaries; certain interest received, etc.
5. Deductions and allowances – Certain rebates, allowances and deductions are available. All individuals are entitled to a tax-free allowance of SZL 41 000. The tax payable will be reduced by a tax rebate

amount not exceeding SZL 8 200 per tax year and SZL 10 900 for retired individuals over the age of 65 years.

6. Rates – Individual income tax is levied at progressive rates up to 33%. Trusts are taxed at 33%. Dividends are taxed at a flat rate of 10%, and a 10% withholding tax (WHT) is imposed on interest on investments and rental income paid to Swaziland residents (other than companies). A 15% rate applies to dividend payments made to non-residents; in addition, certain payments made to non-residents are subject to WHT.

Income tax – Companies

	Rate
All companies	27.5%

Notes

1. Basis – The source basis of taxation is applied in Swaziland. Foreign-source income is exempt from Swaziland tax.
2. Residence – Swaziland does not have a definition of residence.
3. Taxable income – Taxable income is comprised of profits derived from the operation of a business in Swaziland including capital gains (with certain exceptions). Dividends distributed by Swaziland companies to another Swaziland company are not subject to tax.
4. Deductions – In computing taxable income, expenses (excluding those of a capital nature) actually incurred in Swaziland for the production of the taxable income are deductible by the taxpayer. These include interest payable, wear and tear of depreciable assets, expenditure on the repair of machinery, proven bad debts and allowances for doubtful debts. Certain capital allowances also are available (see below under “Incentives”).
5. Losses – Losses may be carried forward indefinitely for set-off against taxable income in future years of assessment. Losses may not be carried back.
6. Foreign tax credit – Swaziland does not offer a unilateral foreign tax credit.
7. Group relief – There are no provisions for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 27.5%. Companies whose principal business is mining are subject to 27% tax on the first

SZL 20 000 of taxable income, and 30% on income exceeding that amount. Branches of foreign companies are subject to the same rate as domestic companies; however, a 15% branch profits tax also is levied (12.5% if the profits are repatriated to Botswana, Lesotho, Mozambique, Namibia or South Africa).

Withholding Tax (WHT)

The WHT rates on various types of payment are as follows (the tax is a final tax for non-residents):

Payment	Residents	Non-residents ¹
Dividends ²	10%	12.5%/15%
Interest	10%	10%
Royalties		15%
Management and construction fees, entertainer and athlete fees, and Swaziland sourced services contracts (excluding employment contracts)	0%	15%
Repatriated branch profits ³	0%	12.5%/15%
Rental payments (individuals)	10%	-

Notes

1. An exemption from the non-resident's tax on dividends and interest may be available if granted by the government.
2. Dividends paid to companies that are incorporated in Botswana, Namibia, Lesotho or South Africa, and that are not subsidiaries or branches of companies registered elsewhere are subject to the 12.5% rate.
3. Branch profits repatriated to Botswana, Mozambique, Namibia, Lesotho or South Africa are subject to the 12.5% rate.

Tax Treaties

Swaziland has concluded five tax treaties that provide for maximum WHT rates as shown below. Where relevant, the domestic rate will apply where this is lower than the treaty rate.

Country	Dividends	Interest	Royalties
Mauritius	7.5%	5%	7.5%
Seychelles ¹	7.5%/10% ²	7.5%	10%
South Africa	10%/15% ³	10%	10%
Taiwan	10%	10%	10%
United Kingdom	15% ⁴	10% ⁵	0% ⁶

Notes

1. The treaty is not yet in force.
2. The 7.5% rate applies where the beneficial owner is a company that holds at least 25% of the capital of the payer company; otherwise, the rate is 10%.
3. The 10% rate applies where the beneficial owner is a company that holds at least 25% of the capital of the payer company; otherwise, the rate is 15%.
4. The treaty rate will not apply where the beneficial owner owns at least 10% of the class of shares in respect of which the dividend is paid to the extent the dividend could have only been paid out of profits which the payer company earned or other income which it received in a period ending 12 months or more before the 10% shareholding was acquired, subject to certain conditions.
5. The treaty does not provide for a reduced WHT rate, so the domestic rate of 10% applies.
6. Royalties are taxable only in the country of residence of the recipient.

Anti-avoidance Rules

Transfer pricing

There is no specific transfer pricing legislation in Swaziland. However, the general anti-avoidance rules will apply if the Commissioner considers transactions to be carried out at prices that are not at arm's length.

Thin capitalisation rules

There is no thin capitalisation legislation in Swaziland.

Employment-related taxes

Payroll tax

Personal income tax under Pay-As-You-Earn (PAYE) is levied on the taxable income received by or accrued to an individual, which is sourced or deemed to be from a source within Swaziland. The income is subject to tax at progressive rates as set out above.

Social security

All employees are obliged to make social security contributions to the Swaziland National Provident Fund, with the employer being liable for half of the contribution to the fund. The amount of the contribution varies according to an employee's earnings.

Indirect Taxes

Value Added Tax (VAT)

VAT	Rate
Standard rate	15%

Notes

1. Rates – The standard VAT rate is 14% (in his budget speech the Minister of Finance announced that the VAT rate would increase to 15% – As of the date of publication this change has not yet been enacted and the rate remains at 14%). Certain goods and services are zero-rated, including some basic foodstuffs and direct exports. VAT is charged at 0% on these goods and services and input tax credits can be claimed on

purchases used to make the zero-rated supplies. Certain other supplies, including financial services, educational services and passenger transport, are exempt (i.e. fall outside the scope of VAT). A provider of exempt supplies can neither charge VAT nor reclaim input tax suffered. Taxable transactions – VAT is levied on the supply of goods or services in Swaziland, and on the import of goods or services.

2. Registration – Businesses with taxable supplies exceeding SZL 500 000 are required to register for VAT. Registration below this threshold is voluntary and at the discretion of the Commissioner.

Customs and excise duties

South African Customs Union (SACU) member states (Botswana, Lesotho, Namibia, South Africa and Swaziland) are required to apply similar customs and excise duties. Various excise duties are levied on imported and local goods, such as tobacco, vinegar, alcohol and petroleum products. The rates are specific and generally are assessed on a per litre or per kilogram basis.

Other Taxes

Capital duty

There are no taxes on capital in Swaziland.

Stamp duty

Stamp duty is payable on various documents. Purchasers of marketable securities are liable for a 1% stamp duty.

Transfer tax

The transfer of immovable property is subject to transfer tax ranging from 2% to 6%.

Tax Administration and Compliance

The Swaziland Revenue Authority (SRA) administers tax.

Companies

1. Tax year – The year of assessment in Swaziland is the 12-month period ending on 30 June, although permission may be obtained to have a different year-end.

2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Companies are required to file an annual income tax return no later than 31 October annually. Tax returns for companies that have an approved financial year-end other than 30 June are due 120 days after the relevant year-end.
4. Penalties – The late filing or non-submission of a tax return will attract a penalty of an amount equal to twice the tax chargeable for the relevant year of assessment.
5. Rulings – The Commissioner may issue a ruling on application by a taxpayer to confirm a particular tax position taken.

Individuals

1. Tax year – The year of assessment in Swaziland is the 12-month period ending on 30 June.
2. Tax filing – Each taxpayer must file a return. Spouses are not permitted to file joint returns.
3. Filing and payment – Individuals must submit their annual income tax returns by 31 October. An extension may be granted upon application to the SRA. The employer withholds tax on salary income under the PAYE system.
4. Penalties – The late filing or non-submission of a tax return will attract a penalty of an amount equal to twice the tax chargeable for the relevant year of assessment.

Value added tax (VAT)

1. Filing and payment – The VAT return and payment must be made monthly within 20 days of the end of the VAT period.
2. Reverse charge – The VAT system provides for a reverse charge mechanism for services imported from foreign suppliers. Under the reverse charge, the Swaziland purchaser must calculate the VAT and remit the tax to the SRA.
3. Penalties – Failure to submit a return may result in a fine not exceeding SZL 10 000, imprisonment for a period of up to three years or both.

General Investment Information

Investment Incentives

Swaziland has established the Swaziland Investment Promotion Authority (SIPA) to attract foreign investment. Applications for business licenses, work permits and foreign exchange approvals are processed by the SIPA.

Tax incentives

Capital allowances:

- Plant and machinery used in a manufacturing process: A 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 of construction of a new hotel or enhancements to an existing hotel is deductible in the year in which it is incurred. There is an additional 4% annual allowance.
- Buildings (and improvements) used to house manufacturing plant and machinery (industrial buildings): A 50% initial allowance in the first year of use and an additional 4% annual allowance.
- Employee housing allowance: To construct dwellings for employees, an allowance of 20% may be claimed in the first year and 10% in each of the succeeding eight years.

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. (This allowance must be approved by 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,” including a 10% corporate income tax rate for 10 years and an exemption from WHT on dividends for the same period.

Exchange Controls

Swaziland is a member of the Common Monetary Area (CMA) with Lesotho, Namibia and South Africa. In broad terms, it constitutes a single exchange control area. As a member of the CMA, monetary developments in Swaziland reflect the monetary policy pursued and implemented by the South African Reserve Bank. 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, work permits may be granted to investors and skilled personnel.

Trade Relations

Memberships

- South African Customs Union (SACU)
- South African Development Community (SADC)
- World Trade Organisation (WTO)
- World Customs Organisation (WCO)
- Common Market for Eastern and Southern Africa
- African, Caribbean and Pacific Group of States (ACP)

Swaziland has bilateral investment protection agreements with Egypt, Germany, Taiwan, Mauritius and the UK.

Interest and Currency Exchange Rates

Monetary policy rate

Bank rate 7% (Mar 2018) (Source: Central Bank of Swaziland)

Currency

Lilangeni (SZL, divided into 100 cents)

ZAR 1 = SZL 1.00 (March 2018) (Source: Oanda)

USD 1 = SZL 11.83 (March 2018) (Source: Oanda)

EUR 1 = SZL 14.59 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

GDP USD 4.030 billion
(2017) (Source: IMF)

GDP USD 4.019 billion
(2017 forecast) (Source: IMF)



Rate of Inflation

6.9%
(2017 average) (Source: IMF)

5.3%
(2018 forecast) (Source: IMF)

Notes

1. South African bank notes, but not coins, are 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.



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Income Tax – Individuals

Taxable income (TZS)	Rate
0 – 170 000	0%
170 001 – 360 000	9%
360 001 – 540 000	TZS 17 100+20% of the excess over TZS 360 000
540 001 – 720 000	TZS 53 100+25% of the excess over TZS 540 000
Over 720 000	TZS 98 100+30% of the excess over TZS 720 000

Notes

1. Basis – Residents are taxed on worldwide income. Non-residents are subject to tax only on Tanzania-source income.
2. Residence – An individual is considered resident in Tanzania for tax purposes if the individual:

- Has a permanent home in Tanzania and is present in Tanzania at any time during the tax year
 - Is present in Tanzania for 183 days or more during the tax year
 - Is present in Tanzania during the tax year, and in each of the two preceding tax years, for periods averaging more than 122 days per year
 - Is an employee or an official of the government of Tanzania posted abroad during the tax year.
3. Taxable income – Individuals get taxed on the value of any benefit or advantage arising from employment. Income derived by an individual conducting a business is taxed in the same way as income of a company. The total income of a person is the sum of the person's chargeable income for the year of income from each employment, business and investment.
 4. Exempt income – Medical expense coverage, health insurance premiums and onsite meals provided by an employer to its employees on a non-discriminatory basis do not form part of taxable employment income.
 5. Deductions and allowances – No personal allowances are available; however, a deduction is allowed for retirement contributions made to approved retirement funds.
 6. Rates – The individual tax rates are progressive from 0% to 30%. Non-resident individuals generally are subject to a fixed tax rate of

20% on their total income from a source in Tanzania. However, non-residents are taxed on their Tanzania-source employment income at a rate of 15%, which is a final tax. In addition, certain payments made to non-residents are subject to final withholding taxes (see “Withholding Taxes,” below).

Income Tax – Companies

	Rate
Standard corporate rate	30%
Newly listed companies on the Dar es Salaam Stock Exchange	25%
Companies with newly established plants for assembly of vehicles and boats	10%
Alternative minimum tax rate on turnover	0.3%

Notes

1. Basis – Residents are taxed on worldwide income. Branches of foreign corporations are taxed in the same way as resident companies, with an additional tax levied on branch profits. A branch is considered an extension of a foreign incorporated company and, from a tax perspective, a branch is deemed to be a permanent establishment (PE) of a non-resident person. A PE is treated as a separate but associated person to its head office for income tax purposes. Consequently, the PE is treated as a resident person in Tanzania.
2. Residence – A company is resident if it is incorporated under the Tanzanian Companies Act or if, at any time during the tax year, management and control of its affairs are exercised in Tanzania.
3. Taxable income – Taxable income includes profits derived from the operation of a business, capital gains, dividends, interest and royalty income, etc. Interest on bonds issued by the East African Development Bank (EADB) that are listed on the Dar es Salaam Stock Exchange is exempt.
4. Deductions – All expenditure incurred wholly and exclusively in the production of income from any business or investment generally is deductible. This is subject to specific exceptions for items such as capital

expenditure, personal or domestic expenditure, income tax, bribes, fines and dividends.

5. Losses – Subject to continuity-of-ownership and same-business tests, losses may be carried forward indefinitely. The carryback of losses generally is not permitted. Special rules apply to long-term contracts and to mining and petroleum operations. Companies having three consecutive years of tax losses will be taxed at 0.3% on their turnover for the third year.
6. Foreign tax credit – Foreign tax paid may be credited against Tanzanian tax on foreign-source income, but the credit is limited to the amount of Tanzanian tax payable. Excess credits may be carried forward.
7. Group relief – There is no group relief in Tanzania.
8. Rate – The standard corporate tax rate is 30%. Certain payments made to non-residents are subject to final withholding taxes (see “Withholding Taxes,” below). Certain payments to residents also are subject to withholding taxes, which may be a final tax. Capital gains are taxed at the regular corporate tax rate, with an instalment payment due before title to the investment asset can be transferred (10% for residents and 20% for non-residents). Newly listed companies with at least 30% of their equity ownership issued to the public are taxed at a reduced corporate tax rate of 25% for three consecutive years from the date of listing. Companies with newly established plants for assembling motor vehicles, tractors, fishing boats and “out boat engines” and that have concluded a performance agreement with the government are taxed at a reduced rate of 10% for five consecutive years from the commencement of production.
9. Branch taxation – The repatriated income of a local PE of a non-resident person is subject to a withholding tax of 10%, in addition to the imposition of the 30% income tax on taxable branch profits.
10. Alternative minimum tax – An alternative minimum tax of 0.3% of turnover applies in the third year of losses for companies having three consecutive years of tax losses.
11. Extractive industry taxation – Special rules apply to the extractive (e.g. mining and oil and gas) industry.
12. Other – 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 values.

Withholding Taxes (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents (and for residents in certain cases, as noted below) and the rates may be reduced under an applicable tax treaty):

Payments	Residents	Non-residents
Dividends		
- Paid by listed company	5%	5%
- Paid by unlisted company	5%/10%	10%
Interest	10%	10%
Royalties	15%	15%
Insurance premiums	0%	5%
Pensions		
- Lump sums commuted	10%	15%
- Annuities	15%	15%
Mining		
- Management and technical service fees	5%	15%
Rents		
- If in excess of TZS 500 000 per annum	10%	10%
- Aircraft	10%	10%
Service fees	5%	15%
Annual directors' fees	15%	15%
Government payments		
- Suppliers of goods to the government	2%	0%

Money transfer agent commissions ⁶	10%	0%
Retirement funds' investment income	10%	10%

Notes

- General – Tax withheld must be paid to the tax authorities 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 WHTs on payments for technical services to mining companies, payments to residents for dividends, payments of interest on deposits from a financial institution to an individual and payments of rent to an individual are final taxes. Payments made to a non-resident without a Tanzanian PE also are considered final. Annual directors' fees is 15% final WHT which applies on fees paid to directors who are board members.
- Dividends – The WHT is 5% on dividends paid to a resident company controlling 25% or more of the shares of an unlisted payer company; otherwise, the WHT is 10% on dividends paid by an unlisted company to a resident.
- Service fees – A 5% WHT applies on service fees paid by a resident (including a PE) to another resident. 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 from Tanzania-source income; following the changes brought by the Finance Act 2016, the WHT now applies regardless of the place of performance of the services.
- Government payments – All supplies of goods by a resident corporation to a resident corporation whose budget is wholly or substantially financed by the government are subject to WHT of 2%, irrespective of whether a tax identification number is held by the supplier.
- Retirement funds' investment income – A 10% WHT applies on dividends, interest and rent paid to approved retirement funds. This withholding tax is an advance tax that can be offset against the corporate income tax payable by the funds.
- The relevant law is not explicit; however, if a non-resident agent receives a commission, the same rate likely would apply as for a resident agent.

Tax Treaties

Tanzania has concluded tax treaties with a number of countries. The following table shows the WHT rates on dividends, interest and royalties under Tanzania's tax treaties:

Treaty	Dividends	Interest	Royalties
Canada	10%	10%	15%
Denmark	10%	10%	15%
Finland	10%	10%	15%
India	10%	10%	15%
Italy	10%	10%	15%
Norway	10%	10%	15%
South Africa	10%/20%	10%	10%
Sweden	10%	10%	15%
Zambia	0%	10%	15%

Notes

1. The dividends WHT rate may be reduced if certain levels of shareholdings are held. It applies to Canada, India and Sweden.
2. A preferential rate of 10% applies under the South Africa treaty where the beneficial owner holds at least 15% of the capital of the company paying the dividends.
3. The 0% rate under the Zambia treaty applies only if the dividend payment is taxed in the recipient's country of residence; i.e. the normal rate would apply.
4. All of the tax treaties above (except for the treaty with Italy) provide that no WHT can be levied on branch profits.

Anti-Avoidance Rules

Transfer pricing

The Income Tax Act provides that where transactions between associated persons are not at arm's length, the tax authorities

have the discretion to make adjustments to taxable income. Similar rules apply where an arrangement exists between parties to allocate income in such a way as to reduce the overall tax payable, whether or not the arrangement is between associated companies.

Transfer pricing regulations require taxpayers to have a transfer pricing policy in place when filing their corporate tax returns and to furnish the tax authorities with the policy when requested to do so. The regulations largely follow the United Nations and OECD guidelines. However, where inconsistencies exist, the Tanzania transfer pricing regulations prevail.

Thin capitalisation rules

According to the Income Tax Act, the total amount of interest that an "exempt controlled resident entity" may deduct for corporate tax purposes may not exceed the amount of interest equivalent to a debt-to-equity ratio of 7 to 3. An entity is an exempt controlled resident entity if it is a resident and 25% or more of the underlying ownership of the entity is held by entities exempt under the second schedule to the Income Tax Act, approved retirement funds, charitable organisations, non-resident persons or associates of such entities or persons.

Controlled foreign corporations (CFCs) and controlled foreign trusts

Residents are taxed on the undistributed income of CFCs and controlled foreign trusts. A CFC or controlled foreign trust means a non-resident corporation or trust 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 corporation or trust. The ownership threshold for association is 50% or more; however, there are other relevant factors as well.

A CFC/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.

Employment-Related Taxes

Payroll tax

Under the Pay As You Earn (PAYE) system, income tax on an employee's employment income is required to be withheld at source by a resident employer (which includes a PE) at the time the income is paid to the employee (normally on a monthly basis). PAYE for resident employees is deducted at the statutory personal income tax rates, with a top marginal rate of 30%. For non-resident employees, a flat rate of 15% applies.

A Skills and Development Levy (SDL) is payable by the employer at a rate of 4.5% of cash emoluments paid to employees, following the 0.5% reduction provided by the Finance Act 2016.

A Workers Compensation Fund has been established, with an additional levy payable by employers at 0.5% or 1% of the total wage bill for a given period for public and private employers, respectively.

Social security

There are several approved retirement funds; however, the rules are similar for the different funds. Contributions at 20% of wages are imposed under the governing legislation, with the duty to remit the contribution *prima facie* falling on the employer. However, the employer has the right to recover up to 10% of the contribution from the employee (via deduction from wages).



Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	18%

Notes

1. Taxable transactions – VAT is levied on the supply of most goods and services in Tanzania, with exceptions for certain goods and services eligible for “zero-rating” or a VAT exemption.
2. Rates – The standard rate of VAT is 18%. Exports of goods and services are subject to a zero rate of VAT, subject to set conditions.
3. Registration – There are four triggers for VAT registration: reaching a TZS 100 million threshold of turnover from taxable supplies; providing designated services, irrespective of turnover; being an “intended trader”; and carrying on business in Tanzania as a non-resident, which requires registration by appointing a VAT representative.

Customs and excise duties

Tanzania generally has adopted the East African Community (EAC) Customs Management Act and Common External Tariff, although differences may exist for Tanzanian customs purposes. Customs and excise duties are levied on a range of goods, at various rates. Duties and taxes on importation of goods are payable within 30 days from the date of assessment.

Other Taxes

Inheritance/estate tax

There is no inheritance or estate tax in Tanzania.

Stamp duty

Stamp duty of TZS 500 per acre applies to transfers of agricultural land. A maximum rate of 1.5% applies to transfers of immovable property. A 1% stamp duty applies to share transfers. There is an exemption from stamp duty on transfers

of ownership of assets to Special Purpose Vehicles (SPVs) for the purpose of issuing asset-backed securities.

Property tax

Property tax is levied at flat rates on the property value by the municipal or city councils. Applicable rates vary depending on the size, use and location of the property.

For the Dar es Salaam region, property tax currently is levied at 0.15% on residential property and 0.20% on commercial property. Tax on unvalued property is levied at flat rates of TZS 10 000 and TZS 50 000 for normal houses and multiple story houses, respectively. The levies are collected by the Tanzania Revenue Authority.

Business license fees

The business license fees per annum depend on several factors, including the size of the business, the nature of the business and the shareholding. The fees range from USD 15 to USD 10 000.

Railway development levy

A 1.5% levy applies to the cost, insurance and freight (CIF) value of all imports, except exempted goods under the EAC Customs Management Act.

City service levy (CSL)

Municipal councils are empowered to administer and collect a CSL from companies operating in their municipalities. CSL is chargeable at 0.3% on turnover.

Tax Administration and Compliance

Tax is administered in Tanzania by the Tanzania Revenue Authority.

Companies

1. Tax year – The tax year is the calendar year. A different tax year may be approved by the tax authorities.
2. Consolidated returns – Consolidated returns are not permitted.
3. Filing and payment – For calendar-year taxpayers, an estimated income tax return and payment of the first instalment of self-assessed income tax are due by 31 March of each year. Additional instalment payments of income tax are due on 30 June, 30 September and 31 December. A final return of income and final payment of income tax are due on 30 June of the following year. Withholding taxes are payable within seven days after the end of a calendar month.
4. Penalties – Penalties and interest apply for failure to comply with the various provisions of the tax laws, including failure to maintain proper documentation.
5. Rulings – A person may apply for a private or class ruling to understand the tax authority's position on the application of a tax law to an arrangement.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Married couples are taxed separately.
3. Filing and payment – An estimated income tax return and payment of the first instalment of self-assessed income tax are due by 31 March of each year. Additional instalment payments of income tax are due on 30 June, 30 September and 31 December. A final return of income and final payment of income tax are due on 30 June of the following year.
4. Penalties – Penalties and interest apply for failure to comply with the various provisions of the tax laws, including failure to maintain proper documentation.

Value added tax

1. Filing and payment – VAT is payable and monthly returns are due on the 20th day of the month following the supply.
2. Penalties – Penalties and interest apply for failure to comply with the various provisions of the tax laws, including failure to maintain proper documentation.

General Investment Information

Investment Incentives

General incentives

The Public Private Partnership Act provides room for the private sector to invest in public infrastructures and operate them with a view to providing public services at a reasonable cost, while, at the same time, addressing the public's economic and social needs. In addition, the government will continue to enhance the capacity of employees and other stakeholders at different levels, which likely will be achieved through training, including training from local government authorities and representatives from the private sector.

Tanzania Investment Centre (TIC)

The TIC was established to act as a “go to” centre for investors and to coordinate, encourage, promote and facilitate foreign direct investments in Tanzania. One of the eligibility criteria for the centre is a minimum capital threshold of USD 100 000 or USD 500 000 for locals and foreigners, respectively. Upon successful application and acceptance, the TIC will issue a company a certificate of incentives, including tax incentives (see “Tax incentives,” below). The TIC also is tasked, among other things, to do the following:

- Initiate and support measures that enhance the investment climate in the country
- Collect, collate, 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
- In consultation with government institutions and agencies, identify investment sites, estates or land together with associated facilities for the purposes of investors and investments in general
- Assist investors in obtaining all necessary permits, licenses, approvals, consents, authorisations and registrations and with 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
- 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 export processing zone
- Provide and disseminate up-to-date information on benefits or incentives available to investors.

Strategic investor incentives

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” or the “special strategic investor.” A special strategic investor is one whose investment is at least USD 300 million, while a strategic investor is one whose investment is at least USD 20 million for local investors, and at least USD 50 million for foreign investors.

To qualify for special strategic investor status, the investment also must fulfill the following requirements:

- The investment’s capital transactions must be undertaken through registered local financial institutions
- The investment must generate at least 1 500 jobs for locals, with a satisfactory number in senior positions
- The investment must have the capacity to generate significant foreign exchange earnings, produce significant import substitution goods or supply important facilities necessary for development in the social, economic or financial sector.

Export Processing Zones (EPZ)

The EPZ scheme provides for the establishment of export-oriented investments within designated zones, with a view to fostering international competitiveness for export-led economic growth. Operators in an EPZ can 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:

- Access to the export credit guarantee scheme
- Exemption from payments of corporate tax, and from WHT on dividends, interest and rent, for a period of 10 years
- Reduction/remission of customs duty, VAT and any other tax payable on raw materials and goods of a capital nature
- 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
- Exemption from pre-shipment or destination inspection requirements
- On-site customs inspection of goods
- 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 apply)

- Entitlement to an automatic immigration quota of five persons
- Treatment of goods destined for the EPZ as transit cargo
- Exemption from VAT on utility and wharfage charges
- Guarantees on foreign exchange transferability.
- Various concessions on land apply to EPZs, SEZs (see above) and non-government organisations.
- The TIC regime provides for certain tax reliefs and concessional tax rates that may be accessed by a TIC-qualifying investor under various laws (see above).

Special Economic Zones (SEZ)

The SEZ regime in Tanzania applies to investments that produce goods and services for the local market. An investment falling short of qualifying for the EPZ scheme most likely will be eligible for this regime. Depending on whether investors are: (i) zone developers (category 1); (ii) suppliers producing and selling into an SEZ (category 2); or (iii) certain other investors (category 3), the investor may be eligible for some of the benefits granted to EPZ investors (category 1 and 2), exemptions from taxes and duties on any capital goods and materials used for purposes of development in SEZs (category 1), exemptions from stamp duty (category 1), a 10-year property tax exemption (category 1), an exemption available from WHT on interest on foreign-source loans (category 2) or investor entitlements that mirror those of EPZ investors (category 3).

Tax incentives

- A 50% “wear and tear” allowance in respect of plant and machinery used for manufacturing or fish farming and hotel equipment is allowed in the first year of the asset’s use.
- 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 remediation of damage caused by natural resource extraction
 - Research and development (R&D) expenditure.

Exchange Controls

Tanzania does not have exchange controls in respect of capital inflow and overseas remittances. A maximum travel allowance of USD 10 000 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 (BOT). However, transfers of shares between residents and non-residents ordinarily are considered as an internal matter of the company and the entire process is governed by the articles of the company, although financial institutions require approval from the BOT before the transfer. Additionally, all transfers require a clearance certificate from the tax authority to confirm that tax has been paid or that there is no tax payable. 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

- Southern African Development Community,
- East African Customs Union
- African Growth and Opportunity Act beneficiary country

Interest and Currency Exchange Rates

Monetary policy rate

Bank rate: 9% (Aug. 2017) (Source: Bank of Tanzania)

Current rate: 18.46%

(Source: Bank of Tanzania monthly economic review-Sept. 2017)

Currency

Tanzania's currency is the Tanzanian Shilling (TZS), which is divided into 100 cents.

ZAR 1 = TZS 189.50 (March 2018) (Source: Oanda)

USD 1 = TZS 2 247.451 (March 2018) (Source: Oanda)

EUR 1 = TZS 2 770.96 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 47.43 billion
(2017 estimate) (Source: Tradingeconomics)

USD 56.09 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

USD 20 949.31 billion
(Dec. 2017) (Source: Dar es Salaam Stock Exchange)



Rate of Inflation

4.10%
(2017 average) (Source: Tradingeconomics)

4.4%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (XOF)	Rate
0 – 900 000	0%
900 001 – 4 million	7%
4 000 001 – 6 million	15%
6 000 001 – 10 million	25%
10 000 001 – 15 million	30%
Over 15 million	35%

Notes

1. Basis – Residents are taxed on their worldwide income. Non-residents are taxed as residents when they have spent at least six months in Togo and have a tax domicile in Togo; otherwise, non-residents are taxed only on Togo-source income.
2. Residence – The concept of a non-resident is not defined in Togolese law. Domicile is based on the main place of residence or the fact that an

individual has a dwelling at his/her disposal in the country.

3. Taxable income – Taxable income includes industrial and commercial profits, non-commercial profits, employment income (including benefits in kind), capital gains and income from land, securities and other assets.
4. Exempt income – Exempt income includes capital gains reinvested in fixed assets under certain conditions, statutory family allowances, family pension supplements, wages to apprentices, military invalidity pensions, war pensions and so forth.
5. Deductions and allowances – A deduction of a percentage of net wages is allowed that covers contributions for public health insurance, social security and certain other deductions. Interest on loans for the acquisition of a building or for building repairs in Togo is deductible for the first 10 years of the loan. Gifts, donations and subsidies are deductible up to a maximum of 1% of taxable income. Deductions are allowable for dependent relatives, as well as for certain expenses relating to real property.
6. Rates – The tax rates are progressive and range from 7% to 35% (with the first XOF 900 000 being exempt). When annual earnings exceed XOF 15 million, the following formula is used in the calculation of the income tax: $\text{Tax} = (\text{Taxable income} - \text{XOF } 15 \text{ million}) \times 0.35 + \text{XOF } 3 \text{ 017 000}$, i.e. progressive rates apply up to 35%. Non-residents

who spend more than six months in Togo during the fiscal year are taxed at the same rate as residents.

7. Capital gains generally are taxed as normal earnings and are included in the tax base individual's and taxed at the normal progressive rates. However, to ensure tax collection, the tax code requires the purchaser to withhold the tax before payment to the seller. The rate is 3% if the transaction involves the sale of immovable property and 2% on the sale of shares. The tax withheld may be used as a credit to set off the individual's final annual income tax liability.
8. Other – A supplementary tax on income is levied on individuals, calculated as 25% of the personal income tax payable, with a minimum of XOF 6 000 (even if no personal income tax is payable) and a maximum of XOF 200 000. The minimum is XOF 1 500 for employees.

Income Tax – Companies

	Rate
Standard corporate rate	28%

Notes

1. Basis – All companies registered in Togo must pay tax on Togo-source income.
2. Residence – There is no definition of residence. Entities are subject tax on Togo-source income.
3. Taxable income – Companies are taxed on industrial and commercial profits, non-commercial profits and income from land, securities and other assets. There is no specific tax on capital gains in Togo; capital gains realised by companies on the sale of assets/real estate are treated as taxable income, with some exemptions and reliefs available. Capital gains on the sale of immovable property located in Togo are treated as part of business income for non-residents.
4. Deductions – Expenses and costs incurred for the purpose of operating the business generally are tax deductible, including the following: rents, personnel and labour costs, direct and indirect remuneration paid in respect of work, interest paid to shareholders, royalties, management fees, technical assistance fees and costs of research paid by a Togolese company or a permanent establishment of

a foreign company in Togo. Depreciation and amortisation deductions are available, calculated on the basis of the normal wear and tear of the assets used in business activities.

5. Losses – Losses that are incurred during a given financial year are deductible up to 50% of the taxable profits of a subsequent year. The remaining losses that are not deductible may be carried forward without limit. The carryback of losses is not allowed.
6. Foreign tax credit – Togo does not provide for unilateral tax relief. However, a tax treaty may provide bilateral relief.
7. Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 28%. The minimum tax (discussed below) is due from a loss-making company. Capital gains from the sale of shares or bonds in resident companies are subject to withholding tax at rates of 5% and 3%, respectively; the tax on gains from the sale of bonds is a final tax. Non-resident companies without a branch or permanent establishment in Togo are subject to a final withholding tax on Togo-source income; the default rate is 15%, unless otherwise provided (see under "Withholding taxes, below).
9. Branch taxation – Branches of foreign companies are subject to the same rate as domestic companies, but a withholding tax rate of 13% also applies on branch profits.
10. Alternative minimum tax – Companies and corporate bodies liable for corporation tax are subject to a minimum fixed tax contribution (IMF) based on 1% total turnover in the previous financial year. The IMF does not apply to non-residents.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	7%/3%	13%
Deemed dividends	13%	13%
Interest	6%-13%	6%-13%
Royalties	5%/10%	20%
Rents	12.5%	12.5%
Capital gains	3%/2%/5%	3%/2%/5%
Management/ professional fees	5%/10%	20%
Fees of contractors or professionals	5%/10%	20%

Notes

1. Dividends – Dividends generally are taxed at a 13% rate, but the rate is 7% if the payer company is a listed company within the West African Economic and Monetary Union (WAEMU).
2. Deemed dividends – Deemed dividends are non-deductible shareholder expenses and any expenses are disallowed for corporate income tax purposes during a tax audit.
3. Interest – The standard rate is 6% for interest payments (including deemed interest payments) to legal entities and 13% for payments to individuals. However, long-term government bonds are taxed at 0%, medium-term government bonds are taxed at 3% and fixed-yield investments, corporate bonds and certain other interest are taxed at 6%.
4. Royalties – The rate is 5% on payments to a resident registered with the tax administration, and 10% on payments to a resident without a tax registration number.

5. Capital gains – Capital gains generally are subject to income tax in the same way as other taxable income, but certain gains are subject to withholding tax. Capital gains from the sale of shares or bonds in resident companies are subject to withholding tax at rates of 5% and 3%, respectively; the tax on gains from the sale of bonds is a final tax for residents as well as non-residents. Management/professional fees and fees of contractors or professionals are subject to a 5% rate on payments to a resident registered with the tax administration, and 10% on payments to a resident without a tax registration number.

Tax Treaties

Togo has concluded tax treaties with the following countries/ bodies:

Treaty	Dividends	Interest	Royalties	Mng/ technical service fees
France	15%	D	D	D
WAEMU*	10%	15%	15%	-

* WAEMU members include Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo.

Anti-Avoidance Rules

Transfer pricing

Togo introduces transfer pricing rules in the general tax code. Thus, the law requires as condition of deductibility of any kind of commercial or financial transactions intervened between affiliated or controlled companies that they should be evaluated in accordance with the OECD arm's length principle. With the Financial Act 2018, any kind of commercial or financial transaction which intervened between controlled or associate company should be determined in accordance with the arm's length principle.

Thin capitalisation rules

There are no specific thin capitalisation rules, but Togo's general tax code provides the rules under which interest paid to shareholders in respect of loans granted to the company will be deductible from the corporate income tax base. The deduction for interest paid is limited to an amount computed by reference to the annual average rate provided by the West African central bank, plus at least three percentage points. Additional restrictions may apply in certain cases.

Employment-Related Taxes

Payroll tax

Payroll tax in Togo is imposed at 3% on the gross salary and is paid by the employer on a monthly basis.

Employers withhold personal income tax on employment income under the pay-as-you-earn (PAYE) system and remit it to the government no later than 15 days after the payment of the salary.

Social security

Employers must make monthly social security contributions of 17.5% of their employees' monthly gross salary. The employee contribution is 4% of gross remuneration.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	18%

Notes

1. Taxable transactions: All legal entities or persons that carry out taxable transactions in Togo must pay VAT, even if the entity is situated outside Togo. Imports are subject to VAT.

2. Rates – The standard VAT is 18%. Companies that supply certain services, including financial, insurance, medical and transport services, are exempt from VAT.
3. Registration – The VAT registration threshold is XOF 60 million per year. Voluntary registration is possible if the threshold is not met. Foreign companies must appoint a fiscal representative in Togo if they wish to provide goods and services in the country.

Customs and excise duties

Customs duties

Togo is a member state of the WAEMU, and the applicable customs rates are specified by the community regulations. The customs value of a majority of imported goods is subject to customs duties ranging from 0% to 20%.

Excise duties

Excise duties are levied on certain goods at the following rates:

Product	Rate
Coffee	10%
Tobacco products	45%
Soft drinks, excluding mineral water	2%
Beer	15%
Other spirits	45%

Other Taxes

Inheritances and donations

There are a few specific rules, such as registration duties, that apply on gratuitous transfers of real estate and movable assets.

Stamp duty

The amount of the stamp duty varies depending on the relevant act.

Capital duty

A registration duty of 2% applies per contribution of capital on the formation of a company or the increase of existing capital.

Transfer tax

A transfer of immovable property is subject to a registration duty of 5% (2% registration duty, 2% prefectural tax and 1% local council tax).

Property tax

A property tax on developed land is levied at 15% on the assessed rental value of buildings.

Fuel tax

A tax on fuel consumption is levied at rates ranging from XOF 0 to XOF 60 per litre, depending on the type of fuel.

Tax Administration and Compliance

Tax is administered in Togo by the Togo Revenue Authority.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – 30 April of the subsequent fiscal year for the previous year.
3. Filing and payment – Annual returns must be filed by 30 April following the end of the tax year. Instalment payments must be made during the fiscal year on 31 January, 31 May, 31 July and 31 October. Any balance due must be paid by 30 April of the subsequent year.
4. Penalties – A maximum penalty of XOF 150 000 applies for failure to comply with the tax rules.
5. Rulings – While there is no statutory requirement to issue binding rulings, the tax authorities may provide an advance discussion on the interpretation of the tax legislation.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Spouses are taxed separately. However, a single return for the total income of a household may be requested.
3. Filing and payment – If an individual only has employment income, the employer withholds tax under the PAYE system and remits the tax to the government by 31 January of the year following the tax year. If the individual derives other income, he/she must submit an annual return by 31 March of the year following the tax year. An individual must make advance payments of tax on other income by 31 January, 31 May, 31 July and 31 October of each year.
4. Penalties – Penalties for failure to comply with the tax rules vary, up to a maximum of XOF 150 000.

Value added tax

1. Filing and payment – VAT returns and payments are due on the 15th day of the month following the date of the relevant transactions.
2. Penalties – The penalty applicable in the case of non-compliance with the relevant invoicing requirements is 50% of the amount of the invoice.

General Investment Information

Investment Incentives**Tax incentives**

The Investment Code offers a variety of tax and customs incentives under two systems (the “declaration system” and the “agreement system”), including certain tax exemptions, reduced tax rates and customs duties and special deductions. To qualify

for the incentives, the taxpayer must invest over USD 100 000 (under the declaration system) or over USD 1.2 million (under the agreement system), and Togo nationals must have priority for the majority of permanent jobs to be created. The duration of some exemptions varies depending on the system (24 months under the declaration system and 36 months under the agreement system), and available incentives vary depending on the phase of the investment/operations.

Certain incentives are available to companies authorised to establish in the export processing zone or that enjoy export processing zone status, including certain tax exemptions and reduced tax rates and customs duties. Other special incentives are offered in respect of certain types of activities, the use of technological inventions, certain investment areas, etc.

Exchange Controls

The freedom to transfer funds is guaranteed in conformity with WAEMU regulations.

Expatriates and Work Permits

The employer must pay fees to the labour administration to obtain a work permit for a foreign employee that is to be hired to work in Togo. The fee is 45% of the employee's monthly salary. The employment contract must be submitted to the labour administration for authorisation and the contract period cannot exceed four years, including any renewal period.

Trade Relations

Memberships

- West African Economic and Monetary Union (WAEMU)
- Economic Community of West African States (ECOWAS)
- Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA)
- World Trade Organisation (WTO)

Interest and Currency Exchange Rates

Monetary Policy Rate

Rate of marginal lending rate: 4.5%

(Source: *Banque Centrale des Etats de l'Afrique de l'Ouest*)

Currency

Togo's currency is the CFA Franc (XOF), which is pegged to the euro at a fixed rate. It is the currency used by eight independent states in West Africa: Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Sénégal and Togo.

ZAR 1 = XOF 44.85 (March 2018) (Source: Oanda)

USD 1 = XOF 531.91 (March 2018) (Source: Oanda)

EUR 1 = XOF 655.957 (Fixed Rate) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 4.40 billion
(2017 estimate) (Source: Tradingeconomics)

USD 4.35 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

Not available. There is no stock market in Togo.
(Source: GSE)



Rate of Inflation

-1.6%
(2017 average) (Source: Tradingeconomics)

1.33%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income that exceeds TND	Does not exceed TND	Rate
0	5 million	1%
5 000 001	20 million	27%
20 000 001	30 million	29%
30 000 001	50 million	33%
50 000 001	-	36%

Notes

1. Basis – Residents are subject to tax on worldwide income. Non-residents are subject to tax on most Tunisian-source income only under tax treaties. In other words, a non-resident is subject to Tunisian income tax at the normal graduated rates on income received from 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).

2. Residence – An individual is resident in Tunisia if he/she has a permanent residence in Tunisia or is present in Tunisia for at least 183 days in the relevant calendar year.
3. Taxable income – Income tax is assessed on the total annual income derived from Tunisia or abroad if the foreign income was not subject to tax in the source country. Non-residents are subject to income tax in Tunisia.
4. Deductions and allowances – Life insurance payments and grants to the National Employment Fund. Family allowances are available.
5. Rates – Personal income tax rates are progressive from 0% to 36%. Non-resident individuals are subject to the same rates as Tunisian residents and may be subject to certain WHTs as well. According to the Financial Act of Management 2018, a 1% social solidarity contribution is added to the personal income tax rates.
6. Professional fees – The deduction of professional fees of 10% capped to TND 2 000 per year.

7. Foreign recruitment – Companies may recruit foreign management up to 30% of the total number of the management staff until the end of the third year following the year the company is established, or starting from the date of effective production at the election of the company. This limit is reduced to 10% starting from the fourth year from the relevant date. In all cases, however, the company is allowed to recruit up to four foreign management staff.

Income Tax – Companies

Companies	CIT rates	CIT rate (including social solidarity contribution)	Minimum contribution TND
Standard corporate rate	25%	26%	200
Banking and financial institutions, insurance and reinsurance, factoring, telecommunications and mutual insurance companies (the rate will increase to 35% beginning in FY19);	25%	26%	200
<ul style="list-style-type: none"> Large commercial areas; automotive dealerships; franchises of a foreign brand (The rate of 35% will be applicable from FY19, and the actual rate remains 25% for FY18.) 			
Companies with annual turnover (excluding tax) not exceeding:			
<ul style="list-style-type: none"> TND 1 million for companies that engage in sale and processing activities; TND 500 000 for companies operating in the service sectors and non-commercial professions 	20%	21%	200
Companies newly listed on Tunisian stock exchange (TSE)	15%	16%	200
Exporting, agricultural, health, handicraft companies and education activities	10%	11%	100
Companies exempt from CIT or that benefit from full deduction of profits	0%	0%	200
Companies operating in hydrocarbons sector	50%-75%	-	-

Notes

1. Newly created companies are exempt from corporate income tax if they obtain a certificate of investment between 2018 and 2019; and commence activities within two years of obtaining the certificate.
2. Basis – Tunisia operates a territorial system, under which all income derived in the country is subject to tax. Worldwide revenue may be subject to Tunisian tax based on provisions in an applicable tax treaty.
3. Residence – Tunisia does not have a definition of residence for tax purposes.
4. Taxable income – Profits derived from the operation of a business in Tunisia or abroad are subject to tax, after the deduction of allowable expenses.
5. Deductions – Deductions are allowed for expenses for depreciation or amortisation, reserves, rents for premises and equipment, wages and all necessary costs incurred in operating the business.
6. Losses – Net operating losses may be carried forward for up to five years. Losses resulting from depreciation may be carried forward indefinitely. The carryback of losses is not permitted.
7. Foreign tax credit – Tunisia does not provide for a unilateral foreign tax credit.
8. Group relief – There is no provision allowing for any group relief or the transfer of losses between members of a group.
9. Rate – The normal corporate income tax rate is 25%. A 35% rate applies to certain banking and financial institutions, investment companies, insurance and reinsurance companies; factoring companies; and telecom companies. A 50%-75% rate applies to companies operating in the hydrocarbons sector. A lower rate of 10% applies to agricultural, health, handicraft and export companies, and education activities. According to the Financial Act of Management 2018, a 1% social solidarity contribution is added to the corporate income tax rates.
10. Branch taxation – A branch of a foreign company is subject to the same accounting and tax obligations as a domestic company. However, a 5% branch profits tax applies to the after-tax profits of a branch of a foreign company where funds are repatriated.
11. Holding company regime – None.
12. Corporate groups – If 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 the group regime, the following requirements must be met:

- The parent company must be listed on the Tunisia Stock Exchange
- The financial statements of the companies in the group must be certified by an external legal auditor
- The group companies must have the same fiscal year and accounting period and
- All companies in the group must be subject to corporate income tax.

Exceptional cyclical contribution

The financial law for 2018 provides introduces an “exceptional cyclical contribution” to the state budget. This contribution, which is mandatory for the banks and financial institutions and for insurance and reinsurance companies, is equal to:

- 5% of the profits used to calculate the corporate income tax payable in 2018, with a minimum of TND 5 000 and
- 4% of the profits used to calculate the corporate income tax payable in 2019, with a minimum of TND 5 000.

The cyclical contribution is not deductible from the tax base. The contribution must be paid by the deadline for filing the corporation tax return.

Capital Gains Tax (CGT)

Capital gains derived by companies are taxed as ordinary income and are subject to the corporate income tax rate applicable to the company.

Capital gains derived by individuals are taxed as ordinary income at a rate of 15% if the seller holds property for less than 10 years, and 10% if the property is held for longer than 10 years.

Withholding Tax (WHT)

The WHTs are set out below. The tax is a final tax for non-residents.

	Residents	Non-residents
Dividends	10%	10%/25%
Interest	20%	20%/25%
Royalties (See Note 3)	-	-
Professional fees	5%	15%/25%
Payments exceeding TND 1 000	1.5%	n/a
Other	15%	15%/25%

Notes

1. Dividends paid to resident individuals and non-residents are subject to a 10% WHT. The WHT is final for amounts that exceed TND 10 000 and deductible in calculating personal income tax if the amount is under TND 10 000.
2. Interest payments made to non-residents generally are subject to a 20% WHT unless the rate is reduced under a tax treaty.
3. Royalties: Royalties are not defined according to the common law, the definition are provided from the double taxation treaty.
4. The higher rate of 25% applies where payments are made to a company resident in a tax haven.
5. Professional fees paid to non-residents generally are subject to a 15% WHT unless the rate is reduced under a tax treaty. This rate is reduced to 2.5% for wholly exporting companies.
6. The WHT on payments exceeding TND 1 000 is not applicable to non-residents not established in Tunisia. The 1.5% rate is reduced to 0.5% for companies exclusively engaged in exports.
7. The WHT rate is increased to 25% if the payments are made to an entity established in a tax haven.
8. Premium and compensation granted to members of boards, assemblies and committees of limited companies are subject to a 20% WHT, which may be deducted in computing taxable income.



Tax Treaties

Tunisia has concluded tax treaties with the following countries:

Country	Notes	Dividends	Interest	Royalties
Austria		10%/20%	10%	10%/15%
Belgium		5%/15%	5%/10%/0%	11%
Cameroon		12%	15%	15%
Canada		15%	15%	15%/20%
China		8%	0%/10%	5%/10%
Czech Republic		10%/15%	12%	5%/15%
Denmark		15%	0%/12%	15%
Egypt		10%	10%	15%
Ethiopia		5%	0%/10%	5%
France	1	-	0%/12%	0%/5%/15%/20%
Germany		10%/15%/Up to 27%	0%/10%	10%/15%
Hungary		10%/12%	0%/12%	12%
Indonesia		12%	0%/12%	15%
Iran		10%	0%/10%	8%
Italy		15%	0%/12%	5%/12%/16%
Jordan	1	-	-	-
Kuwait		10%	0%/2.5%/10%	5%
Lebanon		5%	0%/5%	5%
Luxembourg		10%	7,5%/10%	12%
Mali		0%/5%	5%/10%	
Malta		10%	0%/12%	12%
Mauritius Islands		0%	0%/2.5%	2.5%
Netherlands		0%/20%	0%/7.5%/10%	7.5%/11%

Norway		20%	12%	5%/15%/20%
Pakistan		10%	13%	10%
Poland		5%/10%	12%	12%
Portugal		15%	15%	10%
Qatar	1	0%	-	5%
Romania	1	12%	0%/10%	12%/4%
Saudi Arabia		5%	2.5%/5%	5%
Senegal	1	-	-	-
South Africa		10%	5%/12%/ 0%	10%/ 12%
South Korea		15%	0%/12%	15%
Spain		5%/15%	5%/10%	10%
Sudan		0%/5%	0%/10%	5%
Sultanate of Oman		0%	0%/10%	5%
Sweden		15%/20%	12%	0%/5%/15%
Switzerland		10%	10%	10%
Syria		0%	10%	18%
Turkey		12%/15%	10%/0%	10%
United Arab Emirates		0%	0%/2.5%/5%/10%	7.5%
United Kingdom		12%/20%	10%/12%	15%
United Maghreb Arab	1	-	-	-
United States of America		14%/20%	15%	10%/15%
Yemen		0%	10%/0%	7.5%
Burkina Faso		8%	5%	5%
Hellenic republic		10%	15%	12%
Serbia		10%	10%	10%
Vietnam		10%	10%	10%

Notes

1. Taxation in the country of source and according to its legislation.

Anti-Avoidance Rules**Transfer pricing**

If the price in a related party transaction does not correspond to a market price, the tax authorities may adjust the price. There is no benchmarking basis to fix the market price or the market margin, so transfer pricing policies should be supported by documentation.

Employment-Related Taxes**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.

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 contribution is 16.07% in addition to a work accident contribution rate, which depends on the sector and ranges from 0.4% to 4%.

Indirect Taxes**Value added tax (VAT)**

VAT Category	Rate of VAT
Standard rate	19%

Notes

1. Taxable transactions – VAT is charged on the taxable supply of goods and services in Tunisia, and on the import of goods.
2. Rates – The standard VAT rate is 19%, with reduced rates of 13% and 7%. Certain supplies are exempt or zero-rated.
3. Registration – VAT registration is required at the time a company is established in Tunisia.

Customs and excise duties

The import of goods into Tunisia is subject to import or customs duty at rates ranging from 0% to 30%.

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, based on the sales price or customs value for imported goods. The advance on importation is 15%. It is an advance paid on the moment of importation which is deducted from the CIT calculation.

Import duties

VAT rates apply as discussed above under VAT. Excise duty applies at rates and sums resumed in the consumption duties table. Customs at rates and pricing apply as detailed in the Customs Code.

Other Taxes

Inheritances and donations

Inheritance and gift tax is due at rates ranging from 2.5% to 35%, depending on the degree of succession.

Capital duty tax

A registration duty is levied on the contribution of capital or an increase in capital, at TND 150 per formation or increase.

Stamp duty

Stamp duty is levied on most 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. The stamp duty on the bills is TND 0.600.

Land transfer tax

The transfer of immovable property located in Tunisia is subject to a registration duty of 5% and a duty on registered or unregistered real estate at a rate of 1%.

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 may be applied individually or cumulatively depending on the nature of the transfer and the identity of the parties. In addition, a complementary duty may be imposed at a rate of 2% on immovable property that is valued between TND 500 000 to TND 1 million, and 4% if the value of the property exceeds TND 1 million.

Other

A tax on industrial, commercial or professional establishment is due at a rate of 0.1% of the export turnover or 0.2% of local turnover.

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 and Compliance

Tax is administered in Tunisia by the *La Direction Générale des Impôts* (General Directorate of Taxes).

Companies

1. Tax year – The tax year is the calendar year, although a company can request another 12-month period.
2. Consolidated returns – A group of companies may opt to file a consolidated tax return, provided approval is obtained from the Ministry of Finance and certain requirements are met.
3. Filing and payment – The tax return must be filed before the 25th day of the third month following the end of the tax year. Advance payments of tax must be made before the 28th day of the sixth, ninth and twelfth months following the end of the year, with each payment equal to 30% of the corporate income tax liability of the previous year. Advance tax paid may be credited against the final corporate income tax liability for the year.
4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.
5. Rulings – Rulings are not granted on the tax consequences of transactions.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Married couples are assessed separately. Joint returns are not permitted.
3. Filing and payment – Individuals carrying out a trade must file a return by 25 April, and service providers and those carrying on an industrial activity or a non-commercial profession by 25 May. Salaried employees and pensioners must file

by 5 December. Individuals deriving income from movable capital, land and foreign sources, must file an annual return by 25 February.

4. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.

Value added tax

1. Filing and payment – Filing and payment is made on a monthly basis.
2. Penalties – Penalties are imposed for the late submission of a tax return, and interest is charged for the late payment of tax.

General Investment Information

Investment law

An Investment Code that applies as from 1 April 2017 offers more guarantees to foreign investors and provides more protection to intellectual property. The code offers a beneficial system for exports and offshoring services, including the following:

- Tax exemption up to 10 years for some investments
- 10% tax on exports
- Open recruitment of foreign competencies, up to 30% of executives for three years
- Financial incentives up to one-third of the project costs and
- Full coverage of social and employer costs for certain investments for up to 10 years.

Exchange Controls

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

Expatriates and Work Permits

Pre-arrival procedures

Any foreigner, except Union du Maghreb Arabe (UMA) nationals, who wish to work in Tunisia must have an employment contract and a residence card that allows the individual to work in the country. The employment contract must be valid for at least one year and may be renewed once (except in the case of foreigners working in companies that operate in Tunisia within the framework of the Realisation of Development Projects). Foreigners can be recruited only if there are no Tunisian citizens with the relevant skills.

Employment visas

Entry visas are not required for most European countries, except for individuals who come to Tunisia to work. The latter individuals must apply for a residence card from the relevant regional police offices. This procedure is not required for UMA nationals.

Trade Relations

Memberships

- World Trade Organisation
- OECD

Interest and Currency Exchange Rates

Monetary policy rate

Key interest rate: 5% (Feb 2018)

Money market rate: 5.62% (Feb 2018)

(Source: Central Bank of Tunisia)

Currency

The Dinar is the official currency of several countries, including Algeria, Iraq, Jordan, Libya and Tunisia. The currency symbol for the Tunisian Dinar is TND.

ZAR 1 = TND 0.20 (March 2018) (Source: Oanda)

USD 1 = TND 2.39 (March 2018) (Source: Oanda)

EUR 1 = TND 2.94 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 42.10 billion
(2017) (Source: Tradingeconomics)

USD 41.66 billion
(2018 forecast) (Source: Tradingeconomics)



**Market
Capitalisation**

TND 21 852 million
(2017) (Source: BVMT)

USD 8 791 566 160
(2017) (Source: BVMT)

Tunindex*
TND 6 281 83
(2017) *The Tunindex is a major stock market index that tracks the performance of all companies listed on the TSE.



**Rate of
Inflation**

6.9%
(2017 average) (Source: Tradingeconomics)

5.5%
(2018 estimate) (Source: Tradingeconomics)



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Income Tax – Individuals

Annual chargeable income (UGX)	Resident tax rates	Non-resident tax rates
0 – 2 820 000	Nil	10%
2 820 001 – 4 020 000	10% of excess over UGX 2 820 000	10%
4 020 001 – 4 920 000	120 000 + 20% of excess over UGX 4 020 000	402 000 + 20% of excess over UGX 4 020 000
4 920 001 – 120 000 000	300 000 + 30% of excess over UGX 4 920 000	582 000 + 30% of excess over UGX 4 920 000

Over 120 000 000

300 000 + 30% of excess over UGX 4 920 000 + additional tax of 10% of excess over UGX 120 million

582 000 + 30% of excess over UGX 4 920 000 + additional tax of 10% of excess over UGX 120 million

Notes

1. Basis – A Uganda 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. A short-term non-resident individual (i.e. a person who is resident for less than two years) is liable to tax only on Uganda-source income or income from employment exercised or services rendered in Uganda. A sole proprietor is taxed in the same way as an individual.
2. Residence – 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 a tax resident.

3. Taxable income – Income includes any profits; gains; dividends; interest; and non-monetary benefits, advantages or facilities obtained through gainful means. Benefits in kind provided to an employee by an employer (e.g. motor vehicles, housing, certain meals and entertainment, certain loans and other property or services) are taxable to the employee at scale rates or the actual cost to the company, subject to a market value test.
4. Exempt income – Exemptions apply for certain employment income, employee benefits and capital gains:
 - Employment income – The foreign employment income of a resident is exempt from tax in Uganda if tax has been deducted and remitted on the income to the tax authorities in the country of employment. Employment income of an individual in the public service of the government of a foreign country is exempt, subject to certain conditions. An exemption is available for employment income of persons employed by; the Uganda People's Defense Force, the Uganda police, the internal or external security organisation or Uganda prisons service. Emoluments payable to an employee of the East African Development Bank also are exempt.
 - Employee benefits – Exempt employee benefits include the following: life insurance premiums (only where the employer is a tax-paying entity); contributions to retirement funds and medical expenses paid for by an employer (other than a tax-exempt employer); any allowance payable outside Uganda to a person working on a Ugandan foreign mission; the cost of passage to Uganda in respect of an appointment, and from Uganda in respect of termination of employment, for a non-Ugandan citizen employee recruited outside Uganda solely for the purpose of serving the employer; the value of meals provided by the employer on premises operated by or on behalf of the employer solely for the benefit of employees, where meals are available to all full-time staff on equal terms; *per diems*, i.e. allowances that do not exceed or are unlikely to exceed expenses for accommodation, travel or meals while undertaking travel in the course of performing employment duties; and any benefit where the total value of benefits in a month does not exceed UGX 10 000.
 - Capital gains – Non-business assets are not subject to capital gains tax, except gains derived from the sale of shares in a private limited

liability company. No gain or loss arises on transfers between spouses, transfers that form part of a divorce settlement, disposals where the proceeds are reinvested in a similar asset within one year of the disposal and transfers of assets to a trustee or a beneficiary upon the death of the taxpayer.

5. Deductions and allowances – See “Exempt income,” above, for certain non-taxable employee benefits. Local service tax is an allowable deduction when computing an employee's income through the “pay as you earn” (PAYE) system. A deduction is allowed for 20% of the rental income of an individual.
6. Rates – Personal income tax is imposed at progressive rates from 0% to 40%. Rental income for individuals and individual partners of a partnership is taxed separately at 20% on 80% of the gross income over UGX 2.82 million. The taxable profit from self-employment income is taxed as business income, using the annual individual rates.
7. Local tax – Local service tax is payable to the local authorities at specific rates based on the individual's income, with the maximum tax being UGX 100 000. See “Employment-Related Taxes,” below.

Income Tax – Companies

Basic rate

30%

Notes

1. Basis – For all companies, income accruing or derived from Uganda (i.e. Uganda-source income) is taxable. Small businesses are subject to tax based on their turnover (see “Indirect taxes,” below). The profits of a partnership, including a firm carrying on a trade or profession, are taxable at either the partnership or the partner level. The partners in the partnership are taxable whether they are companies or individuals.
2. Residence – A company is resident in Uganda for tax purposes if it is incorporated or formed under the laws of Uganda, or exercises its management and control or undertakes the majority of its operations in Uganda at any time during the tax year.
3. Taxable income – Chargeable income is gross income earned during the year, less total allowable deductions. Gross income comprises both business income and property income. Business income includes any

income (of a revenue or a capital nature) from carrying on a business, such as gains on the disposal of business assets or the cancellation of business debts, amounts derived as consideration for a restriction on the capacity to carry on business, gross proceeds from the disposal of trading stock, the value of gifts given in the course of business relationships and interest derived from trade receivables or from the business of lending money. Property income includes dividends; interest; annuities; natural resource payments; rent; royalties; any payment derived from the provision, use or exploitation of property; and income from sports betting and pool betting. The taxation of dividends is described below, and interest is subject to withholding tax, with some exceptions (see "Withholding tax," below). The withholding tax deducted from the interest due to a resident individual by a financial institution is a final tax. In all other cases, interest will be subject to further tax, with a credit being granted for the withholding tax deducted.

4. Exempt income – Exempt income includes the following: income of a listed institution; income of any local authority; income of an exempt organisation, other than property income and rent from an exempt organisation and business income not related to the core existence of the organisation; income of the government of Uganda and the government of any other country; income of the Bank of Uganda; income of a collective investment scheme; income of an investor compensation fund (established as per section 81 of the Capital Markets Act); income derived from the operation of aircraft; income derived from the exportation of finished consumer goods for a period of ten years by a person that has been issued a certificate of exemption; and income of a person carrying on agro-processing that has been issued a certificate of exemption. Income of Savings and Credit Cooperative Organisations (SACCOs) is exempt from tax for a period of 10 years effective from 1 July 2017, and income of the Bujagali Hydro Power Project is exempt from income tax for a five-year period effective from 1 July 2017.
5. Deductions – Deductions may be available for the following:
 - Specific bad debts written off, if they are trade debts and all reasonable steps have been taken to pursue payment
 - Capital allowances
 - The acquisition of a depreciable asset costing less than UGX 1 million
 - Certain expenses for meals, refreshment or entertainment in the performance of an employee's duties
 - The cost of training or tertiary education not exceeding five years for a Ugandan citizen or a permanent resident of Uganda

- Charitable donations of no more than 5% of chargeable income to exempt organisations
 - Repairs to property used in the production of income
 - Losses on the disposal of business assets
 - Interest on debt obligations incurred in the production of income
 - 2% of income tax payable, for a private employer that proves to the Uganda Revenue Authority (URA) that 5% of its full-time employees are persons with disabilities and
 - An initial allowance, reinstated at 50% on eligible property outside a 50 kilometre radius from Kampala and 20% on industrial buildings.
6. Certain expenses may not be deducted, including expenses of a capital nature, income tax payable in Uganda or in a foreign country, donations in excess of 5% of chargeable income and donations to non-exempt organisations; and expenditure above UGX 5 million in a single transaction on goods and services from a supplier with no taxpayer identification number.
 7. Losses – Trading losses, inclusive of capital losses, may be carried forward indefinitely and offset against future trading income. Where there has been a change of 50% or more in the underlying ownership of a company, compared to its ownership in the previous year, losses cannot be deducted from the income of the new company, unless for a period of two years after the change or until the assessed loss has been exhausted, the company:
 - Continues to carry on the same business as before and
 - Does not engage in any new business or investment after the change that is designed to reduce the tax payable on the income of the new business or investment.

Assessed farming losses cannot be deducted from any other income in the year the loss is incurred and may be offset only against future farming income. Losses incurred on the completion of a long-term contract may be carried back. Special rules apply to mining and petroleum companies (see below).
 8. Dividends – Dividends received from a resident company by a resident or a non-resident person are subject to withholding tax at 15% on the gross payment. 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. Foreign-source dividends are taxable; any withholding tax deducted is allowed as a credit against the company's tax for the year. Taxable dividends also include dividends paid

to a financial institution on its ownership of redeemable shares in the company paying the dividend, and dividends paid by a resident company as part of a dividend-stripping arrangement.

9. Capital gains – Taxable capital gains arise on the disposal of qualifying assets held by a company. The gain is the excess of the 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.
10. Foreign tax credit – A foreign tax credit is available where the foreign income also is taxable in Uganda. The credit may be used in the year in which it arises to offset Ugandan tax payable on such income; otherwise, the taxpayer loses the credit. The amount of the foreign tax credit may not exceed the tax payable in Uganda on the foreign income, and is calculated by applying the average Ugandan tax rate to the taxpayer's net foreign income.
11. Group relief – There are no group relief provisions.
12. Rate – The standard corporate income tax rate is 30%. Rental income is taxed separately; all expenses incurred in deriving the income are allowed as a deduction and the chargeable income is taxed at the corporate tax rate of 30%. Businesses with gross turnover not exceeding UGX 150 million are subject to the small business taxpayer rates on their turnover, unless an election is made (see "Indirect taxes," below).
13. Branch taxation – Branch remittances are subject to a 15% tax, in addition to the normal 30% rate.
14. Mining companies – Mining companies are taxed at rates of 30% on their mining activities. Where a licensee has a loss carried forward for more than one year, the loss of the earliest year is allowed as the first deduction in a particular license area. Special depreciation rules apply.
15. Petroleum companies – Losses in a contract area may be carried forward to offset income in that contract area until the loss is fully utilised or the petroleum operations in the contract area cease. Special depreciation rules apply.

Withholding Tax (WHT)

Certain payments made to residents and non-residents, whether corporate or individual, are subject to WHT (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty). These tax rates are set out below:

Payment	Resident	Non-resident
Dividends	10%/15%	15%
Interest	0%/15%/20%	15%
Royalties	N/A	15%
Management fees	6%	15%
Professional fees	6%	15%
Imported goods	6%	N/A
Goods and services provided to government bodies and other designated persons	6%	N/A
Rents or premiums	N/A	15%
Natural resources	N/A	15%
Uganda-source service contracts	N/A	15%
Shipping, air transport, cargo road transport	N/A	2%
Cable, radio, optical fiber or satellite communication	N/A	5%
Public entertainment, sportspersons' fees	N/A	15%
Non-resident mining or petroleum contractor services	N/A	10%
Re-insurance premiums	N/A	10%

Notes

1. Dividend payments are subject to a WHT of 15% both for residents and non-residents. The rate of WHT for dividends paid to resident individuals from listed companies is 10%.
2. Interest paid to a resident is subject to 15% WHT (20% on treasury bill interest). No WHT applies, however, on interest paid by an individual; interest paid to a financial institution; and interest paid by a company to an associated company.
3. Any payment to a Uganda resident 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 or in aggregate of UGX 1 million for the supply of goods or materials of any kind or any service is subject to a 6% WHT. The Commissioner of the URA can exempt resident taxpayers who are regularly compliant from the payment of the 6% WHT on goods and services (upon application and confirmation of an acceptable compliance record for at least three years).
4. Payments under Uganda-source service contracts to Uganda residents are exempt from WHT if paid to an entity or professional listed on the URA exemption list. The list is updated every six months.
5. There has been a reintroduction of withholding tax at 15% on winnings of sports or pool betting.
6. A non-resident contractor who derives a fee for the provision of services to a licensee in respect of mining or petroleum operations is liable to pay a non-resident contractor withholding tax at the rate of 10%. The licensee is required to withhold this tax from the contractor at the earlier of the time the licensee credits the service fee to the account of the non-resident contractor or the time that the fee is actually paid.

Tax Treaties

Uganda has concluded tax treaties with a number of countries. The following table shows the WHT rates on dividends, interest and royalties under Uganda's treaties.

Treaty partner	Dividends	Interest	Royalties
Denmark	10%/15%*	10%	10%
India	10%	10%	10%
Italy	15%	15%	10%
Mauritius	10%	10%	10%
Netherlands	0%/5%/15%*	10%	10%
Norway	10%/15%*	10%	10%
South Africa	10%/15%*	10%	10%
United Kingdom	15%	15%	15%
Zambia	0%	0%	0%

* The lower rate applies where a specific holding requirement is met.

The treaty rate will apply if an entity seeking to obtain treaty benefits:

- Is the beneficial owner of the income under the terms of the treaty and
- Has economic substance in its country of residence.

Anti-Avoidance Rules**Transfer pricing**

The commissioner is granted powers to recharacterise income or transactions between related parties using the anti-avoidance provisions where the commissioner is of the opinion that the transactions do not reflect an arm's length relationship. Any company with cross-border transactions with associated parties must have a fully documented transfer pricing policy in place to demonstrate the arm's length pricing of the transactions (following OECD guidelines). This also applies to companies having domestic transactions with associated parties in excess of UGX 500 million per year in the aggregate.

Related party transactions for transfer pricing purposes have been extended to include employment relationships.

Thin capitalisation

A foreign controlled resident company is considered to be thinly capitalised if the ratio of its interest-bearing debt to its equity contribution exceeds 1.5:1. Where a company is thinly capitalised, any interest charges arising on the debt in excess of the 1.5:1 ratio are not tax deductible. Equity includes unrealised revaluation reserves and non-interest-bearing debt.

Employment-Related Taxes

Payroll tax

A PAYE system applies, under which employers are required to register and deduct tax instalments from their employees' salary or other employment income. The PAYE deducted is remitted to the URA, and reported on the PAYE tax return filed by the employer. The employee credits the PAYE against its tax liability upon submission of the annual tax return at the end of the tax year. Penalties apply where the employer fails to deduct or remit PAYE, or deducts and remits incorrect amounts.

Social security

National Social Security Fund (NSSF) contributions are charged at a rate of 15% of monthly salary, wages or cash allowances. Employers and employees contribute 10% and 5%, respectively. The 10% contribution by the employer is an allowable deduction from the employer's gross income.

Local service tax (LST)

LST is an annual tax collected by the local authority (e.g. the district, municipality, division or city council) where the taxpayer resides (for at least six months) from persons with gainful employment.

LST is levied on the salaries/wages of employees remaining after deducting PAYE. Employers have a statutory duty to determine and deduct LST from the salaries and wages of their employees based on the rates specified (maximum of UGX 100 000/USD 40 per annum). LST is an allowable deduction for employees when computing PAYE.

LST is deducted in four equal instalments in the first quarter of the fiscal year (1 July to 30 June) and remitted by the 15th day of the month following the LST month. However, the employer can opt to deduct the LST in one lump sum and remit it by 15 November.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	18%

Notes

1. Taxable transactions – VAT is levied on the sale of goods and the provision of services. VAT also is chargeable on the import of non-exempt goods and services.
2. Rates – The standard VAT rate is 18%. Wheat grain is now standard rated. Zero-rated supplies include exported goods and services and specified imported goods, particularly those used in agriculture, health and education. Certain transactions are exempt, and exempt supplies have been expanded to include the following: animal feed and premises, crop extension services, irrigation works, sprinklers and ready-to-use drip lines, deep-cycle batteries and composite lanterns, menstrual cups and agriculture insurance premiums or policies.
3. Registration – Compulsory registration applies to a person making, or expecting to make, taxable supplies of UGX 37.5 million or more in a three-month period, or UGX 150 million or more in a 12-month period. A business must have an office or registered office in Uganda before it can be registered for VAT, or must appoint an agent to assume its VAT responsibilities and obligations. Licensees engaging in mining and petroleum operations, persons undertaking the construction of a petroleum refinery or petroleum

pipeline and persons engaged in commercial farming can voluntarily register. 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. These organisations and individuals may recover any VAT expenses in the conclusion of activities for official purposes.

4. Reverse-charge mechanism – Credit from self-assessed reverse-charge VAT on imported services is not permitted for offset, but is available for licensees and contractors engaged in mining and petroleum operations and persons supplying business process outsourcing services.

Turnover tax (presumptive tax)

The turnover tax is referred to as “presumptive tax” for small businesses with annual gross turnover above UGX 50 million but not exceeding UGX 50 million, which are subject to tax based on their turnover, as follows:

Annual gross turnover (UGX)	Tax payable (UGX)
50 000 001 – 75 000 000	Lower of 937 500 or 1.5% of turnover
75 000 001 – 100 000 000	Lower of 1 312 500 or 1.5% of turnover
100 000 001 – 125 000 000	Lower of 1 687 500 or 1.5% of turnover
125 000 001 – 150 000 000	Lower of 2 062 500 or 1.5% of turnover

Turnover tax (local taxes)

Local taxes of UGX 100 000 to UGX 500 000 annually apply to small businesses with annual gross turnover above UGX 10 million but not exceeding UGX 50 million, and the rates vary depending on the taxpayer's business and whether the relevant local authority in the taxpayer's location is a division, municipality, town or trading centre. Separate tables are provided below for each type of local authority.

Kampala City and Division of Kampala

Business trade	Tax on turnover between UGX 35M-UGX 50M	Tax on turnover between UGX 20M-UGX 35M	Tax on turnover between UGX 10M-UGX 20M
General trade	500 000	400 000	250 000
Carpentry/metal	500 000	400 000	250 000
Garages (motor)	550 000	450 000	300 000
Hair and beauty	550 000	400 000	300 000
Restaurants or bars	550 000	450 000	300 000
Drug shops (encompassing the former category of “clinics”)	500 000	350 000	250 000
Others	450 000	300 000	200 000

Municipalities

Business trade	Tax on turnover between UGX 35M-UGX 50M	Tax on turnover between UGX 20M-UGX 35M	Tax on turnover between UGX 10M-UGX 20M
General trade	400 000	300 000	150 000
Carpentry/metal	400 000	300 000	150 000
Garages (motor)	450 000	350 000	200 000
Hair and beauty	450 000	350 000	200 000
Restaurants or bars	450 000	350 000	200 000
Drug shops (encompassing the former category of “clinics”)	400 000	300 000	150 000
Others	400 000	300 000	150 000

Towns and trading centres

Business trade	Tax on turnover between UGX 35M-UGX 50M	Tax on turnover between UGX 20M-UGX 35M	Tax on turnover between UGX 10M-UGX 20M
General trade	300 000	200 000	100 000
Carpentry/metal	300 000	200 000	100 000
Garages (motor)	350 000	250 000	100 000
Hair and beauty	350 000	250 000	100 000
Restaurants or bars	350 000	250 000	100 000
Drug shops (encompassing the former category of "clinics")	300 000	200 000	100 000
Others	300 000	250 000	100 000

Customs and Excise Duties

Ordinarily, goods imported into Uganda are subject to customs duties (import duty, excise duty, WHT, VAT and environmental levy). Import duty rates generally are 0% for raw materials and capital equipment, 10% for intermediate/semi-finished goods and 25% for finished goods, with higher rates for certain products (including tobacco products). The East African Community contracting member states impose common tariffs on goods originating from outside the community. Customs is governed by the East-African Community Customs Management Act.

Variable rates apply for some excisable goods, based on higher of the specific rate or the ad valorem rate for the goods, as follows:

- Malt beer: Higher of 60% or UGX 1 860 per litre
- Beer with at least 75% local raw material by weight: Higher of 30% or UGX 700 per litre

- Beer produced from barley grown and malted in Uganda: Higher of 30% or UGX 950 per litre
- Spirits made from locally produced raw materials: Higher of 60% or UGX 5 000 per litre
- Other wines: Higher of 60% (reduced from 80%) or UGX 6 000
- Fruit juice and vegetable juice, except juice made from at least 30% of pulp from fruit and vegetables grown in Uganda: Higher of 13% or UGX 300 per litre and
- Non-alcoholic beverages not including fruit or vegetable juices: Higher of 13% or UGX 240 per litre.

Some changes have occurred in specific duty rates from 1 July 2017:

- Duty on other spirits is increased from 70% to 80%
- Duty on assembled and imported furniture is increased from 10% to 20% and
- Duty on locally manufactured "soft cap" cigarettes is increased from UGX 50 000 to UGX 55 000 per 1 000 sticks.

Other Taxes

Inheritance and estate tax

There is no inheritance tax or estate tax in Uganda.

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.



Tax Administration and Compliance

Tax is administered by the Uganda Revenue Authority (URA).

Companies

1. Tax year – A company may adopt a year of income different from the normal fiscal year (July to June) with the consent of the commissioner.
2. Consolidated returns – Consolidated returns are not permitted. Each company in a group must file its own return.
3. Filing and payment – A provisional return must be filed within six months of the commencement of the company's accounting year and, if necessary, a company must 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. The Minister of Finance has been empowered to issue estimates of rent for purposes of assessing rental tax in a specific area for persons failing to file a return or filing a misleading return.
4. 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 a penalty of 2% of the greater of the gross tax liability or UGX 200 000 per month applies when a return is filed late. Other civil and criminal penalties may arise in specific circumstances.
5. Penal tax – A "penal tax" of UGX 50 million or UGX 20 million has been introduced for failure to provide records in respect of transfer pricing within 30 days of a request from the tax authorities or for failure to provide any other information requested, respectively.
6. Interest capping – Interest capping has been introduced, so that the total interest due from a taxpayer cannot exceed the

aggregate of the principal tax and penal tax due. Any excess outstanding interest that was due and payable as of 30 June 2017 will be waived.

7. 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.

Individuals

1. Tax year – The normal tax year runs from 1 July to 30 June.
2. Filing and payment – For individuals receiving income not subject to PAYE or other WHT, quarterly provisional returns must be filed. Individual taxpayers are required to file a provisional return before the end of the first quarter (third month of the year) and make payments on a quarterly basis. 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. by 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.
3. Penalties – The penalty for late returns for individuals is the same as for corporations, i.e. the higher of 2% of tax payable or UGX 200 000 per month. The penalty for late payment is 2% of tax payable per month outstanding, calculated as simple interest. The penalty on an employer or withholding agent for late filing of PAYE or WHT returns for an individual is UGX 300 000 upon conviction, and the penalty for late payment is 2% of tax payable per month outstanding, calculated as simple interest.

Value added tax

1. Filing and payment – Monthly VAT returns must be filed by the fifteenth day of the following month, together with any outstanding amount.

2. Penalties – A penalty of the higher of UGX 200 000 or compound interest of 2% applies for late returns. The penalty is 2% of tax payable per month outstanding, calculated as compound interest, for late payment.

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 annual 5% industrial buildings allowance is granted to factories, hotels and hospitals.
- Amortisation is available for intangible assets over their ascertainable useful life.
- Wear-and-tear allowances of 20% to 40% apply to most assets.

Non-cash incentives

Export incentives

- The foreign exchange regime is fully liberalised and exporters are entitled to retain 100% of foreign exchange earnings accruing from their export transactions
- Uganda's exports qualify for preferential tariff rates in the Common Market for Eastern and Southern Africa and the East African Community. In addition, Ugandan products enter the European Union and US markets duty and quota-free under the Cotonou Agreement and the African Growth and Opportunity Act initiatives, respectively

- All exports of goods and services are zero-rated. However, exporters are required to be VAT-registered and can reclaim VAT expended on all inputs used in the process of producing and processing exports. There are no duties charged on exports
- “Duty drawback” is available for 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% of duties paid on materials inputs imported to produce for export
- Manufacturers may seek a customs license to hold and use imported raw materials intended for manufacture for export in secured places without payment of taxes
- Other incentives are available for export-oriented investment projects.

Other investment incentives

The Financial Institutions Act has been amended to provide for new financial products, such as Islamic banking and agency/mobile banking.

Exchange Controls

Although foreign exchange repatriations from Uganda are not restricted, any person seeking to repatriate funds in excess of UGX 50 million must obtain a tax clearance certificate from the URA. As from 1 July 2016, the requirement that persons transferring more than UGX 50 million from Uganda to a place outside Uganda obtain a tax clearance certificate from the URA was repealed.

Expatriates and Work Permits

There are no expatriate concessions available in Uganda. Expats/non-residents are taxed only on income derived from sources in Uganda.

Work permits

- Individuals may apply for seven classes of work permits, depending on the type of work they are employed to perform in Uganda. Applicants who are East African nationals (Burundi, Kenya and Rwanda) are exempt from paying visa fees for all classes.
- Class A is for individuals employed by the government for diplomatic services and for government contractors, including government tertiary institutions.
- Class B applies to individuals seeking to establish or become involved in the business of agriculture or husbandry in Uganda.
- Class C is applicable to those seeking to establish a business prospecting for minerals or mining in Uganda.
- Class D is designed to attract investors and business people who wish to invest in Uganda. An applicant for this work permit is not required to have a Ugandan investment partner. The applicant's family may be included on the work permit application, subject to certain requirements.
- Class E is applicable to individuals seeking to establish a manufacturing business in Uganda.
- Class F is applicable to individuals intending to carry out a profession in Uganda.
- Class G is designed for individuals who intend to work in Uganda on either a paid or an unpaid basis, including employees within an international group that are seconded to Uganda by their employers (otherwise known as an intracompany transfer).

Visa fees

Visa fees are as follows:

- Single entry visa is USD 50
- Multiple entry visas; 6 months to 12 months; USD 100
- 24 months is USD 150
- 36 months, USD 200 depending on the class of work the individual will be employed to perform. Applicants that have applied to government and diplomatic services pay lower fees from USD 150 to USD 900 for the same periods. as quoted by Directorate of Citizenship and Immigration.

For most visa classes, copies of the following primary documents are required:

- Passport (bio-data page)
- Recent passport-size photo
- Security bond, if applicable for the employment
- Clearance letter from Interpol or relevant authority in the home country
- Non-refundable prepayment of USD 800, or USD 1 500 if the permit is for more than six months
- Trading license
- Certified bank statement (for the last three months) and
- Income tax clearance certificate from the home country.

Trade Relations

Memberships

- Cotonou Agreement
- East African Community
- African Growth and Opportunity Act beneficiary country

Interest and Currency Exchange Rates

Monetary Policy Rate

Central bank rate: 9.5% (Jan 2018)

Lending rate: 21.42% (Nov 2017)

(Source: Bank of Uganda)

Currency

Ugandan Shilling (UGX)

(1/100 shilling = a cent)

ZAR 1 = UGX 306.38 (March 2018) (Source: Oanda)

USD 1 = UGX 3 639.44.17 (March 2018) (Source: Oanda)

EUR 1 = UGX 4 487.20 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 26.39 billion
(2017 estimate) (Source: Knoema)

USD 28.48 billion
(2018 forecast) (Source: Knoema)



Market Capitalisation

UGX 27 649.48 billion
(12 Jan. 2018) (Source: Uganda Securities Exchange)



Rate of Inflation

5.5%
(2018 average) (Source: IMF)

5.1%
(2017 forecast) (Source: IMF)



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Income Tax – Individuals

Taxable income (ZMW)	Rate
0 – 3 300	0%
3 301 – 4 100	25%
4 101 – 6 200	30%
Over 6 200	37.5%

Notes

1. Basis – Zambia operates a source-based system of taxation. Every person receiving income from a source within, or deemed to be within, Zambia is liable to income tax in Zambia on that income.
2. Residence – An individual is resident in Zambia 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.
3. Taxable income – Taxable income includes employment income (defined broadly), annuities, business income, interest, royalties and property income.

4. Exempt income – Taxable income under ZMW 3 300 is exempt, as are dividends from companies listed on the Zambian stock exchange and unlisted companies.
5. Deductions and allowances – No rebates are available; however, an annual tax credit is available for persons with a disability (ZMW 3 000 per year).
6. Rates – The individual income tax rates are progressive from 0% to 37.5%. The employer deducts tax monthly on a pay-as-you-earn (PAYE) basis and is responsible for remitting it by the 10th day of the month following the month of deduction. The same rates apply to non-residents with respect to employment and business income earned in Zambia; in addition, certain payments made to non-residents are subject to withholding tax (see “Withholding tax,” below).
7. Local tax – The local authorities are permitted to add a 2% levy on the income of resident individuals, up to ZMW 15 annually.

Income Tax – Companies

	Rate
Basic rate	35%
Mining operations	30%
Public benefit organisations' income from commercial activities	15%
Farming	10%

Notes

1. Basis – Resident companies are taxable on income received or accrued from an actual or deemed Zambian source.
2. Residence – A company or similar corporate entity is tax resident if it is incorporated in Zambia, or if the place of effective management of the person's business or affairs is in Zambia for the year.
3. Taxable income – Taxable income comprises profits derived from the operation of a business in Zambia, including capital gains (with certain exceptions). Foreign-source dividends and interest are taxable in Zambia.
4. Deductions – Expenses that are incurred wholly and exclusively for the business generally may be deducted.
5. Losses – Losses may be carried forward for up to five years for offset against future income from the same source. The carryback of losses is not permitted. Losses incurred by mining companies and companies operating in the energy sector may be carried forward for up to 10 years for offset against future income.
6. Foreign tax credit – A foreign tax credit is available for tax incurred on foreign income taxable both at source and in Zambia. The credit is limited to the attributable tax, calculated according to a statutory formula where the denominator is the total taxable and exempt income.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The basic corporate rate is 35%. A one-year discount of 2% is granted to a newly listed company on the Zambian (Lusaka) stock exchange (7% if 33% of the shares have been taken up by Zambians). The 35% tax rate also applies to profits derived by banks. A special

regime applies to mining companies (see below). A 10% rate applies to companies engaging in agricultural activities, including agro processing and non-traditional exports. A 15% rate applies to public benefit organisations carrying out business activities. Businesses with gross annual sales/turnover of ZMW 800 000 or less may be subject to the turnover tax, in lieu of the corporate income tax (see under Indirect Taxes, Value added tax).

9. Surtax – A 5% surtax is levied on profits exceeding ZMW 250 million earned by operators in the mobile telecommunications sector.
10. Branch taxation – Branches of foreign companies are subject to the 35% basic corporate tax rate, as well as a 15% tax on repatriated earnings.
11. Presumptive tax – Presumptive tax is levied on businesses operating buses, mini buses and taxis that have turnover of up to ZMW 800 000 per annum. The rates are progressive from ZMW 900 to ZMW 10 800, based on the seating capacity of the vehicle.
12. Mining tax regime – A special regime applies to mining companies. Such companies are taxed at a rate of 30% on their mining activities (35% on income from mineral processing). Dividends paid by mining companies carrying on the mining of base metals are subject to withholding tax at a rate of 0%. Capital expenditure deductions for mining equipment, plant, machinery and other capital expenditure may be claimed at a rate of 25% per annum from the year the asset is brought into use.



Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the tax is a final tax for non-residents and the rate may be reduced under an applicable tax treaty):

Payment	Residents	Non-residents
Dividends	15%	15%
Interest	15%	15%
Royalties	15%	20%
Commissions	15%	20%
Rental of real property	10%	10%
Management or consultant fees	15%	20%
Public entertainment fees	-	20%
Payment or distribution of branch profits	15%	15%
Payments to non-resident contractors	-	20%

Notes

1. The WHT 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. Tax withheld will be treated as a credit against the income tax assessed.
2. Commission payments made to non-residents are deemed to arise from a source within Zambia and, therefore, are taxable in Zambia irrespective of where the services were physically rendered. As a result, commission payments for services that are physically rendered outside Zambia will suffer WHT on payments from Zambia.

Tax Treaties

Zambia has concluded tax treaties with a number of countries. The following table shows the WHT rates on dividends, interest and royalties under Zambia's tax treaties:

Treaty partner	Dividends	Interest	Royalties
Canada	15%	15%	15%
China	5%	10%	5%
Denmark	15%	10%	15%
Finland	5%/15%*	15%	15%
France	15%	15%	15%
Germany	5%/15%*	10%	10%
India	5%/15%*	10%	10%
Ireland	7.5%	10%	10%
Italy	5%/15%*	10%	10%
Japan	D	10%	10%
Kenya	D	D	D
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%	5%
Switzerland	5%/15%*	0%	0%
Tanzania	0%	15%	15%
Uganda	15%	15%	15%
United Kingdom	5%/15%*	10%	5%

* The lower rate applies where a specific holding requirement is met.

Anti-Avoidance Rules

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.

Thin capitalisation rules

Interest in excess of a debt-to-equity ratio of 3:1 is disallowed for mining companies.

General anti-avoidance rule

Where the tax authorities consider that the main purpose of a transaction or series of transactions is the avoidance or reduction of liability to income tax, they can direct that adjustments be made.

Employment-Related Taxes

Payroll tax

The employer deducts tax monthly on a PAYE basis and is responsible for remitting it within 10 days of the end of each month.

Social security

Employers must match employees' contributions to the National Pension Scheme Authority (NAPSA). Employee contributions to the NAPSA are capped at the lower of 5% of annual basic salary or ZMW 11 940 per annum.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	16%

Notes

1. Taxable transactions – VAT is charged on the taxable supply of goods and services in Zambia, and on the import of goods.
2. Rates – The standard VAT rate is 16%. Exports and international transport are zero-rated, and certain transactions are exempt. Input tax paid on purchases to produce exempt supplies is not recoverable.
3. Registration – Companies and individuals dealing in taxable supplies and with turnover exceeding ZMW 800 000 per annum are required to register for VAT. Voluntary registration is possible if turnover is under ZMW 80 000.
4. Reverse-charge mechanism – VAT at the standard rate also is levied on services provided by foreign suppliers to customers in Zambia, by means of a reverse charge. The corresponding input VAT is not reclaimable, which means that the Zambian customer effectively bears the foreign company's VAT. The reverse charge applies only in cases where the non-resident supplier has not appointed a local tax agent to act on its behalf.

Turnover tax

Turnover tax is charged on gross annual sales/turnover of ZMW 800 000 or less of any person carrying on a business, except for businesses providing consultancy services and partnerships.

The turnover tax rate is progressive, with the lowest rate being ZMW 100 plus 3% of monthly turnover above ZMW 3 000, and the highest being ZMW 1 025 plus 3% of monthly turnover above ZMW 20 800.

Customs and excise duties

The import of goods into Zambia is subject to import or customs duty. All goods are categorised based on whether they are raw materials, intermediate goods or finished goods, and are taxed at rates ranging from 0% to 25% on the cost, insurance and freight value (or the value for duty purposes).

Goods may be temporarily imported into Zambia tax-free under a temporary import permit. In practice, permits are granted

up to a maximum period of 12 months. Upon importation, the importer must provide security for the goods imported under temporary permits. This is refundable upon exporting the goods within the period of the permit.

Excise duties are levied on specific classes of goods manufactured in, or imported into, the country (including mobile phone airtime) by reference to the value using pre-determined rates contained in the Harmonised Commodity Description and Coding System, plus the customs duty payable on the goods.

Other Taxes

Inheritance and donations tax

There is no estate duty or donations tax in Zambia.

Stamp duty

Stamp duties are charged on various documents and transactions at nominal or *ad valorem* rates.

Skills development levy

Employers are required to withhold 0.5% of gross emoluments, payable to the Zambia Revenue Authority by the 10th day of the month following the month of withholding.

Property transfer tax

Property transfer tax is charged at 5% on the realised value of land, shares or intellectual property being transferred, and at 10% in respect of a mining right or an interest in a mining right. The tax is payable by the transferor. "Property" includes land (as well as buildings), shares issued by a company in Zambia that is not listed on the Lusaka Stock Exchange (LUSE) and mining rights. The realised value is the price at which the shares, intellectual property or land, at the time of transfer, reasonably could 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 an internal group reorganisation.

Effective from 1 January 2018, property transfer tax will be charged on a transfer of shares issued by a company incorporated outside Zambia where that company directly or indirectly owns at least 10% of a company incorporated in Zambia (i.e. on indirect transfers of the stock of a Zambian company). The tax must be charged and collected by the Zambian-incorporated company. An exemption applies if the shares being transferred are in a company listed on the LUSE.

Carbon tax

An annual carbon tax on motor vehicles is charged.

Tax Administration and Compliance

Tax is administered by the Zambia Revenue Authority.

Companies

1. Tax year – The tax year is the calendar year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Final income returns are due by 21 June of the year following the tax year, with the balance of tax due paid at the time the return is filed. Quarterly provisional tax payments are due on a current-year basis by 10 April, 10 July and 10 October, and by 10 January of the following year.
4. 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% above the Bank of Zambia discount rate. In addition, all late payments (provisional or final) are subject to a penalty of 5% of the tax due per month. The penalty for late filing of returns is ZMW 600 per month for companies. The penalties for

negligence, willful default and fraud for businesses subject to company income tax are 17.5%, 35% and 52.5%, respectively. For businesses subject to the turnover tax system, the penalties for negligence, willful default and fraud are 1.5%, 3% and 4.5%, respectively.

5. Rulings – It is not possible to obtain an advance ruling in Zambia, except for customs duty valuation purposes.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Each taxpayer must file a return. Joint returns with spouses are not permitted.
3. Filing and payment – An individual with no employment income whose other income exceeds the personal tax-exempt threshold must make quarterly provisional tax payments based on current-year income estimates. The tax return is due by 21 June following the tax year.
4. Penalties – Various penalties apply for late filing or failure to file.

Value added tax

1. Filing and payment – Registered suppliers must submit monthly VAT returns to the tax authorities within 18 days of the end of the month and account for the excess of output VAT over input VAT. The Commissioner General of the Zambia Revenue Authority may appoint a taxpayer as an agent to withhold VAT on payments made to taxable suppliers of goods and services. A tax agent that withholds VAT is required to submit the VAT schedule showing the withheld VAT to the Zambia Revenue Authority by the 16th day of each month, as from 1 January 2018.
2. Penalties – Late payments of VAT attract additional tax of 0.5% of the amount due per day, as well as interest charged at the Bank of Zambia discounted rate plus 2%. Penalties also apply for late registration or failure to use a cash register (for retailers).

General Investment Information

Tax Incentives

Capital allowances

Various allowances are granted, including the following.

- Capital expenditure deductions – 25% per annum for mining equipment, plant, machinery and other capital expenditure, available only as from the year that the asset is brought into use
- Farm works and improvements allowance – 100% for assets used in clearing or prevention of soil erosion, farm dwellings with an original cost of not more than ZMW 10 million and other permanent works
- Accelerated capital allowances – 50% per annum on machinery, plant and equipment used exclusively for manufacturing, tourism or leasing
- Accelerated capital allowances – 100% per annum on machinery, plant and equipment used exclusively and directly in farming or agro-processing
- Plant, machinery and commercial vehicles – 25% per annum, based on the original cost
- Investment allowance – 10% for capital expenditure on industrial buildings used for manufacturing and
- Initial and annual allowance for industrial building – 10% initial allowance for first year and 5% annual allowances for hotels and buildings used for manufacturing purposes.

Agriculture

Income is taxed at a reduced rate of 10% (except for cotton lint)

- Dividends paid out of farming activities are exempt from tax for the first five years from the commencement of business
- VAT deferral is granted on the import of some agricultural equipment and machinery. VAT is not paid

- There is no import duty on irrigation equipment, and reduced duty rates apply on imports of other farming equipment.

Manufacturing

- A refund of Zambian VAT is granted on the export of Zambian products by non-resident businesses under the Commercial Exporters Scheme
- Guaranteed input tax claims are granted for two years before the commencement of production
- Income from chemical manufacturing of fertilisers is taxed at a reduced rate of 15%
- Import duty is suspended (no time limited provided) on machinery, equipment and capital goods for the assembly of motor vehicles, trailers, motorcycles and bicycles.

Tourism

- A refund of VAT is granted for non-resident tourists and visitors on selected goods
- No import VAT applies on goods temporarily imported into the country by foreign tourists.

General incentives

- Import VAT relief is granted for VAT-registered businesses on imports of eligible capital goods (i.e. VAT deferral) completely
- A zero rate of VAT applies on exports of taxable products
- A VAT refund is expected to occur within 30 days of submission of adequately supported claims
- VAT relief is granted for a transfer of a business as a going concern
- Services are treated equally for VAT purposes, irrespective of the domicile of the supplier (i.e. reverse-charge VAT applies)
- Cash accounting for VAT is available for members of the Association of Building and Civil Engineering Contractors and for businesses registered in anticipation of commencing trading activities

- Voluntary VAT registration is available for businesses whose turnover is below ZMW 800 000 per annum, subject to the conditions stated above
- The interest component of finance leases is exempt from VAT
- Income from non-traditional exports is taxed at a reduced rate of 15%.

Concessions for companies operating under the Zambia Development Agency Act

- Profits derived in designated zones are 100% exempt from income tax for five years from the date the approved investment commences operations
- An exemption from tax on dividends is granted for five years from the date the approved investment commences operations. WHT on dividends is paid out. The deferred VAT is not paid
- A 0% import duty rate applies on raw materials, capital goods and machinery (including trucks and specialised motor vehicles) for the first five years from the date the approved investment commences operations
- Deferral of VAT is granted on machinery and equipment (including trucks and specialised motor vehicles)
- Improvement allowance for commercial and industrial buildings – 100%.

Further concessions for developers and investors in the multi-facility economic zone (MFEZ) and industrial parks include:

- No WHT applies on management fees, consultancy fees and interest repayments to foreign contractors
- Supplies to developers in the MFEZ and industrial parks are zero rated
- Foreign suppliers to the MFEZ and industrial parks are exempt from reverse-charge VAT
- An exemption from customs duty applies on equipment and machinery imported for the development of the MFEZ and industrial parks.

Exchange Controls

There are no foreign exchange controls in Zambia.

Expatriates and Work Permits

A holder of an investment license that invests at least USD 250 000 and employs at least 10 local individuals will be entitled to a self-employment or residence permit, and to assistance in obtaining work permits for up to five expatriate employees.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)
- African Growth and Opportunity Act beneficiary country
- China Special Preferential Agreement

Interest and Currency Exchange Rates

Overnight lending facility rate

16.25% (Jan 2018) (Source: Bank of Zambia)

Bank of Zambia policy rate

10.25% (Jan 2018) (Source: Bank of Zambia)

Currency

Zambian Kwacha (ZMW) – The currency code for the Zambian Kwacha changed from ZMK to ZMW on 1 January 2013, and the currency value was divided by 1 000.

ZAR 1 = ZMW 0.81 (March 2018) (Source: Oanda)

USD 1 = ZMW 9.56 (March 2018) (Source: Oanda)

EUR 1 = ZMW 11.84 (March 2018) (Source: Oanda)

Key Economic Statistics



GDP
(approximate)

USD 19.55 billion
(2017 estimate) (Source: Tradingeconomics)

USD 16.81 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

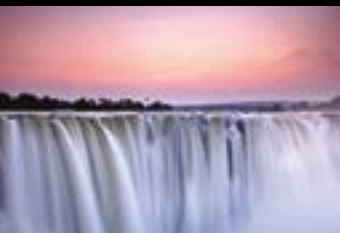
ZMW 63.246 million
(Feb 2018) (Source: Lusaka Stock Exchange)



Rate of Inflation

6.2%
(2017 average) (Source: Tradingeconomics)

6%
(2018 forecast) (Source: Tradingeconomics)



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Income Tax – Individuals

Taxable income (USD)	Rate*
0 – 3 600	0%
3 601 – 18 000	20%
18 001 – 36 000	25%
36 001 – 60 000	30%
60 001 – 120 000	35%
120 001 – 180 000	40%
180 001 – 240 000	45%
Over 240 000	50%

* The above rates do not include the AIDS levy of 3% on the tax payable

Notes

1. Basis – Individuals (both residents and non-residents) are subject to tax only on Zimbabwe-source income and on certain income where source is deemed to be from within Zimbabwe.

2. Residence – An individual is a resident if he/she is ordinarily resident and resides in Zimbabwe for at least 183 days in a year of assessment. The definitions of the terms “residence” and “ordinarily resident” are not defined in the tax legislation but have been established by practice. Typically, persons who habitually reside in Zimbabwe are considered ordinarily resident.
3. Taxable income – Taxable income includes employment income and benefits arising from employment at deemed values. Taxable benefits also include loans to employees where the interest rate on the loan is less than the LIBOR rate plus 5%, and amounts received by employees pursuant to share option schemes (see “Other”, below). Taxable income includes any Zimbabwe-source interest that is not subject to withholding tax (WHT), foreign dividends and interest where the Zimbabwe tax exceeds the foreign tax paid, rental income and trade income. There are various circumstances where income is deemed to be from a Zimbabwean source. Subject to certain exemptions, taxable income includes capital gains from a source within Zimbabwe arising from the sale or deemed sale of specified assets, namely, immovable property and marketable securities and, with effect from 1 January 2017, certain rights over tangible or intangible property. Rollover relief applies to the disposal of a principal private residence and vacant residential land, and to transfers between spouses. Income from employment may not be set off against losses incurred in business activities, and vice versa.

4. Exempt income – Individuals who receive a bonus or performance-related award accruing in respect of employment are entitled to an exemption of USD 1 000 per year; elderly taxpayers (i.e. taxpayers that are at least 55 years of age) receive exemptions of up to USD 3 000 per year for each of the following categories of income: (i) rental income; (ii) interest from financial institutions; and (iii) interest from discounted securities. Pension income received by elderly taxpayers is also exempt. Gains accruing to a person whom at the time of sale is 55 years or over is exempt from capital gains tax from the disposal of a principal private residence, as are amounts by which the fair market price 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 exceeds the actual price at which they were sold.
5. Deductions and allowances – The following are deductible from the income of an employee: contributions made to an approved pension fund or a retirement annuity fund (subject to specific limitations and an aggregate limitation of USD 5 400 per year); professional subscriptions; and personal credits of specified amounts. Certain employment-related benefits attract special treatment. Special exemptions and credits apply to individuals over 55 years of age, particularly on pension income (see “Exempt income”).
6. Rates – The individual income tax rates applicable to residents and non-residents in respect of Zimbabwe-source employment income are progressive from 0% to 50%. An AIDS levy (surat) imposes an additional 3% tax on the income tax payable. Taxable income accruing to an individual from any trade or investment is taxed at a flat rate of 25% (plus the additional 3% AIDS levy). A 15% rate applies on the taxable income of individual holding a temporary employment permit for employment with a licensed investor having a qualifying degree of export-orientation (as defined in the Taxes Act). WHT applies on capital gains (see “Withholding tax,” below). Income earned by an individual from mining operations is subject to a rate of 25.75% (including the 3% AIDS levy).
7. Other – Where share options were granted by an employer prior to, but exercised by the employee on or after, 1 February 2009, a final tax of 5% on the gross amount is levied. For shares granted after that date, tax is imposed on the gain on the disposal of the shares on the date of exercise.

Income Tax – Companies and Trusts

Companies	Rate
Basic rate	25%
AIDS levy – based on tax payable	3%
Rate including AIDS levy	25.75%
Special income tax rates	
Foreign interest and dividends	20%
Pension funds	15%
Export manufacturing companies	15%-20%
Mining operations – companies and mining trusts (including AIDS levy)	25.75%
Special mining lease operations	15%
Income tax holiday rates	
BOOT*/BOT**arrangement operations:	
– First five years	0%
– Second five years	15%
Licensed investor in a Special Economic Zone (with effect from 1 January 2017)	
– First five years	0%
– After five years	15%
Electricity Generation Projects	
– First five years	0%
– After 5 years of its operation	15%
Exporting manufacturing company (see below)*	

* BOOT – build, own, operate, and transfer

** BOT – build, operate, and transfer

Notes

1. **Basin** – Companies are taxed on Zimbabwe-source income. With effect from 1 January 2017, a foreign company is subject to tax in Zimbabwe if it carries on business in Zimbabwe through a permanent establishment (PE), and will be subject to tax in Zimbabwe on income arising directly or indirectly through or from the PE and on investment income from property or rights used by, or held by or for, the PE.
2. **Residence** – A company is resident in Zimbabwe if its central management and control is situated in Zimbabwe.
3. **Taxable income** – Taxable income includes all income received or accrued from sources within Zimbabwe, including capital gains from the sale of certain specified assets (immovable property, marketable securities and, as from 1 January 2017, certain tangible and intangible property rights). Taxable income includes any Zimbabwe-source interest that is not subject to WHT, foreign interest and dividends where the Zimbabwe tax exceeds the foreign tax paid, rental income and trade income. Foreign-source income such as rental income and business profits is not taxable. Residents are, however, taxed on foreign-source dividends and interest. Dividends paid by one resident company to another resident company are exempt. With effect from 1 January 2018, any prepaid income received for goods and/or services is proportionately allocated for income tax purposes to the year of assessment in which the goods and/or services are used.
4. **Deductions** – Expenditure or losses incurred in the production of income or for the purposes of trade (to the extent not of a capital nature) are allowable as a deduction, with the exception of specific prohibited deductions. Costs of software acquisition and development qualify for capital allowances at 25% per year over four years. A double deduction is granted on expenditure incurred to develop export markets. With effect from 1 January 2018, expenditure that relates to prepayments of income for goods, services or benefits is allowable in the year in which the related benefits are realised.
With effect from 1 January 2018, an “anchor” farmer is allowed an additional 50% deduction on expenditure incurred for providing technical and support services to a smallholder farmer. An anchor farmer is defined as a person engaged in commercial farming who provides agronomic advice and marketing opportunities to a group of smallholder farmers.
5. **Losses** – Assessed losses are deductible against taxable income and can be carried forward for a maximum of six years. Certain capital losses may offset capital gains and may be carried forward indefinitely. Tax losses of mining companies do not expire. The carryback of losses is not permitted.
6. **Foreign tax credit** – Where foreign-source income is taxable in both the source country and in Zimbabwe, a credit for the foreign tax suffered, up to the amount of the applicable Zimbabwean income tax, will be allowed.
7. **Group relief** – There is no group relief in Zimbabwe.
8. **Rate** – The basic rate of corporate tax is 25%, with an additional AIDS levy (surtax) of 3% of the income tax payable. WHT applies on capital gains (see “Withholding taxes,” below). Presumptive taxes are levied on certain informal traders, small-scale miners, transport operators, hair salons and operators of water-borne vehicles, among others. (See the above table for additional rates.)
9. **Branch taxation** – Branches of foreign companies are subject to the same rates as domestic companies. No WHT applies on branch profit remittances paid out of after-tax profits. However, payments made by a branch from Zimbabwe to another country, for expenditure incurred outside Zimbabwe in connection with, or allocable to, its carrying on of any trade within Zimbabwe (for example, allocable foreign head office expenses of a technical, administrative, managerial or consultative nature), are subject to a 15% WHT (see “Withholding taxes,” below).
10. **Alternative minimum tax** – No alternative minimum tax applies in Zimbabwe.
11. **Mining regime** – Special rules apply to mining companies and operations.
12. **Export manufacturing company regime** – Export manufacturing companies are granted a tax concession in the form of reduced income tax rates based on the level of exports (see “Investment incentives,” below).

Withholding Tax (WHT)

The WHT on various types of payments are as follows (the tax is a final tax for non-residents, and the rate may be reduced under an applicable tax treaty):

Payments	Residents	Non-residents
Dividends distributed by:		
– A company listed on the Zimbabwe Stock Exchange (ZSE)		10%
– Any other resident company		15%
Group allocable expenditure remittances		15%
Interest from:		
Deposits with financial institutions	15%	0%
Bankers acceptances and other discountable items:		
– Instruments	15%	0%
– Treasury bills	15%	0%
– Fixed-term deposits	5%	0%
Fees and royalties		15%
Non-executive director fees	20%	20%
Contracts for sales/services	10%	
Freelance property and insurance agent commissions	20%	20%
Artiste/entertainer fees		15%
Capital gains	1%,5%,20%	1%/5%/15%

Notes

- General – Various dates apply for purposes of remitting tax withheld to the Zimbabwe Revenue Authority (ZIMRA), depending on the type of payment. Failure to pay, or late payment of taxes, may result in the imposition of penalties of up to 100%. Interest on unpaid tax is levied on late payments 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.
- Dividends – 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 and interest – Where a taxpayer is over 55 years of age, a percentage of the tax withheld from dividends and interest may be refunded, depending on the amount of tax withheld.

Amount withheld (USD)	Refunded
Up to 600	100%
601 to 720	75%
721 to 840	50%
841 to 960	25%

- Fees and royalties – Exemptions may apply in respect of export market development fees. With effect from 1 January 2017, a licensed investor in a Special Economic Zone is required to withhold tax on royalties paid to non-residents.
- Group allocable expenditure remittances – Subject to certain exemptions, a non-resident individual, partnership or company that 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 (for example, foreign head office expenses), is required to withhold tax at a rate of 15% on such remittances and pay the tax within 10 days from the date of remittance.
- Capital gains – The rate of WHT on capital gains is as follows: on immovable property, 15% of the sales proceeds; on unlisted marketable securities, 5% of the sales proceeds; and on marketable securities that are listed securities, 1% of the sales proceeds (this is a final tax).

7. Effective 1 January 2018, 10% withholding tax does not apply to the purchase of auction or contract tobacco that is subject to the tobacco levy.
8. The WHT is only charged to foreign artistes. For residents, it is regarded as income from trade and investments and therefore subjected to income tax.

Tax treaties

Zimbabwe has concluded tax treaties with the following countries:

Country	Dividends ¹	Interest	Royalties	Fees
Bulgaria	10% ¹	10%	10%	10%
Canada	10% ¹	15% ²	10%	10%
China	2.5%/7.5%	7.5%	7.5%	0%
France	10% ¹	10%	10%	10%
Germany	10% ¹	10%	7.5%	7.5%
Kuwait	0%/5%/10%	0%	10%	10%
Malaysia	10% ¹	10%	10%	10%
Mauritius	10% ¹	10%	15%	0%/15% ⁴
Netherlands	10% ¹	10%	10%	10%
Norway	15% ¹	10%	10%	10%
Poland	10% ¹	10%	10%	15%
South Africa	5%/10%	5%	10%	5%
Sweden	15% ¹	10%	10%	10%
United Kingdom	5% ¹	10%	10%	10%
Zimbabwe	Listed 10% Unlisted 15%	N/A	15%	15%

Notes

1. Only on shareholding or voting power, by a company, of at least 25%; otherwise the rates remain as in (1).
2. Therefore Zimbabwe's rate, being lower, remains at 10%.
3. Not applicable on DTAs hence Non-residents' tax on remittances remains at 15% in all cases.
4. Both rates are specified. Exemption in Zimbabwe appears to depend on there being liability in Mauritius.
5. These are local provisional taxes not included in DTAs. The withholding taxes are used as a credit against final tax payable except for the WHT on CGT on sale of listed shares and resident tax on interest which are final taxes.
6. Note that the domestic law in respect of foreign interest was repealed, therefore the DTA interest rates above do not apply.
7. Agreements with the following countries are pending: Democratic Republic of Congo, Indonesia, Namibia, Seychelles, Singapore, Switzerland, Tanzania, Thailand, Tunisia and Zambia.

Transfer pricing

A transfer pricing framework applies from 1 January 2016, which broadly follows the OECD guidelines or UN Manual as relevant sources of interpretation. Where a person engages directly or indirectly in a controlled transaction (a transaction with an associate), the amount of taxable income derived by the person must be consistent with the arm's length principle, i.e. it must be determined on similar conditions that would apply between independent parties dealing at arm's length under comparable circumstances.

Documentation supporting the arm's length nature of intercompany transactions must be prepared and maintained to enable the Commissioner General of ZIMRA to ascertain whether a transaction was conducted in accordance with the arm's length principle. Typically, the supporting documentation must contain a detailed functional analysis and economic analysis, including information on the process used for selecting the

most appropriate transfer pricing method and the application of the method to demonstrate the arm's length nature of the transaction and the appropriate arm's length price.

Permissible transfer pricing methods include the traditional transaction methods (comparable uncontrolled price, resale price and cost plus methods) and profit-based methods (transactional net margin method and profit split method). Any other method may be applied subject to the Commissioner General satisfaction that none of the approved method can be reasonably applied and such other method yield a result that is consistent with what would have been achieved by independent parties.

Ordinarily transfer pricing rules apply to transactions between foreign related parties; however, in line with Zimbabwe's anti-avoidance legislation, domestic transactions are subject to transfer pricing rules as well. Additionally the principles also apply where a person resident in Zimbabwe engages in a transaction with a person (whether related or a third party) resident outside Zimbabwe in a jurisdiction considered by the Commissioner General to provide a tax benefit in relation to the transaction.

Thin capitalisation rules

Zimbabwe's 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. Equity is defined as issued and paid up capital, unappropriated profits, reserves, realised reserves and interest free loans from shareholders.

With effect from 1 January 2018, interest on debts sourced from a local financial institution or from any other local source

is excluded from the thin capitalisation rules. However, the exclusion does not apply where the parties are related.

The allocation of general administration and management charges between group companies is restricted to 1% of other deductible expenditure. With effect from 1 January 2017, this extends to the allocation of administration and management charges between associated companies, including between local companies. Any excess payment is automatically deemed to be a dividend subject to WHT.

With effect from 1 January 2017, the general exemption from tax afforded on dividends between resident companies does not extend to deemed dividends resulting from the application of the thin capitalisation rules to interest payments or group administration and management charges.

Employment-related Taxes

Payroll tax

The "final deduction system," which is a Pay-As-You-Earn (PAYE) system, applies in Zimbabwe. 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 within 14 days of employing such person. A similar obligation extends to others (e.g. administrators of pension funds and foreign employers). Employers are required to withhold tax from remuneration in accordance with gazetted tables and remit it to ZIMRA by the 10th day of the following month. The system allows for the refund of excess PAYE or the payment of additional PAYE from employees in appropriate circumstances.

National Social Security Authority (NSSA) contributions

Employers and employees are required to make contributions to NSSA of 3.5% of up to USD 8 400 of the employee's annual pensionable earnings.



Indirect Taxes

Value Added Tax (VAT)

	Rate
Standard rate	15%
Zero rate	0%

Notes

1. Taxable transactions – VAT is payable in respect of a broad range of goods and services supplied by a registered operator or that are imported. For imported goods, VAT is payable on the value for duty purposes plus any duty, excluding surtax.
2. Rates – The standard rate of VAT is 15%. Certain goods and services are zero-rated, and some exemptions apply. A minimum clearance fee of USD 50 is charged per bill of entry. VAT at 20% is payable by the supplier on exportation of beneficiated chrome (chrome-ore and fines).
3. The VAT Act allows for the deferral of VAT payable on certain high-value imported capital goods for a period of up to 180 days. Capital goods is defined as any asset, or any component of an asset, which is of a character subject to capital allowances deduction. Examples of such are articles, implements, machinery and utensils where the goods are converted or disposed of without having used them in the manner that qualified them for the deferral, or where the deferred VAT is not settled when it becomes due, additional tax equal to 100% of the tax due and interest is chargeable. The deferral periods are as follows:

Value of capital good (USD)	Deferment period (days)
100 000 – 1 000 000	90
100 001 – 10 000 000	120
Above 10 000 000	180

4. Registration – The VAT registration threshold is USD 60 000 of taxable supplies per year. A registered operator is a person carrying on a trade continuously. The VAT registration threshold is USD 60 000 per annum. The effect of registration is 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.
5. Zero-rated supplies – Although the supplier of the designated goods and services charges no VAT and therefore has no output tax in that respect, the supplier can claim a deduction of input tax paid. Zero-rating applies to: basic foodstuffs (including bread, milk, sugar, 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.
 6. With effect from 1 December 2010, the cost of fiscalised electronic tax registers and memory devices is zero-rated.
 7. Exemptions – The following operations/services are exempt from VAT: operations under a temporary casino license, 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 and domestic accommodation services. Water and electricity supplies (including electricity imported by ZETDC and sold to local consumers), imports of certain agricultural equipment and imports of certain petroleum products are also exempt.
 8. Exports of unbeneficiated products – Exports of unbeneficiated hides is subject to VAT at a rate of USD 0.75 per kilogram on the supplier of such hides for export or 15% of the gross export amount, whichever is higher. Unbeneficiated hides are raw or untanned animal hides and includes leather. The valuation method (for purposes of VAT) is the highest price in the export market in the prior six months, or the value on the customs bill-of-entry, whichever is higher. An export tax (VAT) on unbeneficiated platinum was due to come into effect on 1 January 2015. This has been further deferred to 1 January 2019, and the export VAT rate inversely decreases with an increase in level of beneficiation.
 9. Prohibited input tax deductions – The export VAT paid on the exportation of unbeneficiated chrome, unbeneficiated hides, and unbeneficiated platinum or raw diamonds is prohibited as an input tax deduction as from 1 January 2014. (Unbeneficiated implies that the raw products have not been processed).

10. VAT withholding – To minimise risk of non-payment and ensure remittance to ZIMRA, VAT withholding applies as from 1 January 2018. Designated agents are appointed to withhold part of the VAT charged (i.e. one-third) to their suppliers and remit the amounts to ZIMRA by the 15th day of the following month. The agent must issue a withholding certificate to the supplier.

Customs and Excise Duties

Customs duty is levied on the importation of certain goods, on the value for duty purposes (VDP). The VDP generally is the landed value of the goods plus VAT, where applicable.

The standard tariff can vary based on special rates under an agreement or trade bloc 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. A tariff search is available on the ZIMRA website.

The rate of excise duty on airtime (including internet) sold by operators of cellular communication systems is 10%. With effect from 1 January 2017, 5% of the excise duty is allocated to the Health Fund levy to fund the purchase of drugs and equipment for government hospitals.

Effective 1 January 2015, duty on motor vehicles imported by safari operators was suspended for a period of months. The duty suspension has been, for the second time, extended for further two additional years beginning 1 January 2018 after the first two year extension which was effective 1 January 2016.

Other Taxes

Estate tax

Estate duty of 5% is levied on the value of the worldwide assets of a deceased individual who was ordinarily resident in Zimbabwe. If the deceased individual was not ordinarily resident, estate duty is levied only on property within Zimbabwe. The blanket exclusion from the dutiable amount for an estate is USD 50 000.

Stamp duty

Stamp duty, which is payable on the 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 based on the value of the property as follows:

Property Value (USD)	Stamp Duty (USD) (per USD 100 of value or part thereof)
Up to 5 000	1
More than 5 000 but not more than 20 000	2
More 20 000 but not more than 100 000	3
Above 100 000	4

Capital duty

None

Property tax

Not applicable

Business license duty

None

Transfer duty

A transfer duty of 1% applies on the transfer of mining claims.

Demutualisation levy

Any issue of shares under a demutualisation scheme (for example, where 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

With effect from 1 January 2018, a flat rate of carbon tax of USD 10 applies for visitors entering Zimbabwe with foreign-registered vehicles.

Intermediated money transfer tax

The 30th Schedule imposes an intermediated money transfer tax on money transfers at a rate of USD 0.05 per transaction. As from 1 January 2018, the tax applies only on transactions exceeding USD 10. Intermediated Money Transfer tax arises where a financial institution mediates the transfer of money, otherwise by cheque, from one person or more to another either physically or automatically or by any other means. No liability arises on transfer of money from one financial institution to another financial institution, if the financial institution is acting on behalf of any of the persons as an intermediary.

Automated financial transactions tax

The automated financial transactions tax is imposed at a rate of USD 0.05 per transaction, including transactions initiated on mobile platforms. As from 1 January 2018, the tax applies only on transactions exceeding USD 10. Automated financial transaction is a transaction where a customer of a financial institution withdraws cash or effects any debit on his account with the institution.

Bookmaker's tax

As from 1 January 2018, bookmaker's tax applies to persons licensed or required to be licensed under the Betting and Totalisator Control Act. The tax is 3% of the gross monthly takings, and is paid not later than the last day of the following month.

Tax Amnesty

A tax amnesty applies as from 1 January 2018, under which participants are absolved from all interest and penalties on unpaid taxes or duties or other tax irregularities for periods before 1 December 2017, provided the principal amounts due are paid by 30 June 2018. Taxpayers also are relieved of any prosecution by the National Prosecuting Authority regarding declared irregularities.

Any person that has unpaid taxes or duties on 1 December 2017 is eligible to apply for the tax amnesty. This applies to tax or duty already known by ZIMRA and recorded on its systems, and to tax or duty that has not been declared to ZIMRA but should have been paid by 1 December 2017.

The amnesty can be withdrawn if, without reasonable grounds, a taxpayer defaults on a payment plan or fails to pay current tax or duty liabilities in full by the due date, or if the taxpayer is found to have made false or incomplete declarations on the amnesty declaration.

Tax Administration and Compliance

Tax is administered in Zimbabwe by the Zimbabwe Revenue Authority (ZIMRA).

Companies

1. Tax year – The tax year is the calendar year. An accounting year other than the calendar year may be used instead, subject to approval by the tax authorities.

2. Consolidated returns – consolidated returns are not permitted in Zimbabwe.
3. Filing and payment – For calendar-year taxpayers, tax returns must be filed by 30 April after the close of the tax year. Income tax is paid quarterly, based on estimated annual taxable income, on 25 March, 25 July, 25 September and 20 December of the assessment year. The commissioner may assign different payment dates upon application by taxpayers with financial year-ends other than the calendar year. Taxpayers are required to submit their returns via ZIMRA's e-filing platform.
4. As from 1 January 2017, "fiscalisation" rules require all registered taxpayers to interface with the ZIMRA serve. This entails linking the registered operator's fiscal devices to ZIMRA server to enable ZIMRA to access information in real time. In addition to meeting fiscalisation requirements, registered operators should register for e-filing. E-filing is an internet platform for submitting tax returns.
5. Penalties – Interest and penalties apply to unpaid taxes, late returns and failure to file returns. 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.
6. Duty to keep records – All persons whose gross income does not consist solely of wages or salaries, are required to keep proper books of accounts in the English language for a period of six years relating to any trade.
7. Rulings – The commissioner may issue an advance tax ruling on any provision in the Income Tax Act.

Individuals

1. Tax year – The tax year is the calendar year.
2. Tax filing – Spouses are taxed separately; joint filing is not permitted.
3. Filing and payment – Employees are not required to file a return if their tax has been paid under the PAYE system.
4. Penalties/duty to keep records – See under “Companies,” above.

Value added tax

1. Filing and payment – VAT payments and returns are due by the 25th day after the tax period.
2. Penalties – Non-compliance with “fiscalisation” rules by registered taxpayers attracts a maximum penalty of USD 25 per point of sale for each day the taxpayer remains in default. See also under “Companies,” above.

General Investment Information

Investment Incentives

Incentives apply equally to domestic and foreign investors. The major goals of incentives include employment creation, small business development, industrial development, export promotion and the uplifting and development 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 tariffs for COMESA and SADC countries.

Tax incentives

- Rebate provisions apply to all manufacturing industries for the rebate or drawback of certain duties applicable to imported goods, raw materials and components used in manufacturing or processing or for export
- 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 asset is first used. During the subsequent three years, the asset is entitled to an accelerated wear-and-tear allowance of 25% each year
- Qualifying small and medium-sized enterprises (SMEs) may elect a capital allowance structure that includes a 50% SIA, and 25% accelerated wear-and-tear allowances in the following two years of assessment
- A qualifying licensed investor in a “special economic zone” may elect a capital allowance structure that includes a 50% SIA, and 25% accelerated wear-and-tear allowances in the following two years of assessment
- Building societies and financial institutions providing mortgage finance are exempt from tax, but only to the extent the receipts and accruals of such financial institutions are attributable to the provision of mortgage finance
- Interest on loans made to small-scale gold miners for mining operations, prospecting or exploratory works in Zimbabwe is exempt
- A double deduction is granted for expenditure incurred to develop export markets.

Export manufacturing companies

Export manufacturing companies are granted a tax concession in the form of reduced income tax rates, based on the percentage of manufactured products exported, as follows:

Export percentage	Corporate rate
30% – 40%	20%
41% – 50%	17.5%
Above 51%	15%

Mining incentives – Capital redemption allowance

Certain tax incentives apply to mining companies, including the following:

- Capital redemption allowance is an allowance given on capital expenditure incurred by a miner. An allowance of 100% of the amount incurred on capital expenditure in the year of assessment is available
- The full capital cost of employee housing for a general miner qualifies for a “capital redemption allowance”
- The capital cost of a unit of employee housing acquired or constructed after 1 January 2018 and used by a holder of a “special mining lease” is restricted to USD 10 000 per unit for purposes of claiming a capital redemption allowance
- The cost of a passenger motor vehicle for purposes of claiming a capital redemption allowance is restricted to USD 10 000.

Indigenisation incentives and regulations

With effect, from 1 January 2018, the indigenisation and empowerment regulations requirement of 51% local ownership apply only to the extractive sector of platinum and diamond and does not apply to all other sectors.

Specific Allowable Deductions in Respect of Indigenisation Transactions

- The amount of any contribution or donation paid to a community share ownership trust or scheme
- The value of the shares of a corporate taxpayer that are loaned 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 on any loan advanced to him/her to purchase shares in the company of which he/she is an indigenous partner.

Exchange Controls

Limited exchange controls are in place, most of which relate to monitoring and registration activities that have largely been passed on to the banking sector with minimal central bank intervention. However, Zimbabwe has been facing severe currency shortages and, accordingly, currency allocations now are being managed on a priority basis.

Individuals and companies are permitted to make payments for goods and services offshore, as well as for servicing external debts. External loans of up to USD 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.



Expatriates, Entrance Permits and Work Permits

Work permits for expatriates generally are available in cases where the relevant expertise is not available locally or where the employment of an expatriate is called for in setting up a new project. Where a business visa is issued, the following activities are permissible:

- Installation and back-up service for machinery purchased outside Zimbabwe by local companies
- Attendance of board meetings
- Assessment of investment opportunities.

Individuals who invest at least USD 1 million in a project approved by the Zimbabwe Investment Authority (ZIA) qualify for permanent residence upon application. Investors who invest at least USD 300 000 in a sole business venture approved by the ZIA, or who invest at least USD 100 000 in a joint venture approved by the ZIA with a *bona fide* Zimbabwean, will qualify for a residence permit for three years, at the end of which permanent residence may be granted subject to immigration approval.

Trade Relations

Memberships

- Southern Africa Development Community (SADC) and
 - Common Market for Eastern and Southern Africa (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

Monetary Policy Rate

Lending rate: 4.5% – 18% (Source: Reserve Bank of Zimbabwe)

Currency

Zimbabwe applies the United States dollar (USD) as its primary transacting and reserve currency. Zimbabwe introduced bond notes in 2016 in an effort to supplement shortages of USD cash.

ZAR 1 = USD 0.08 (March 2018) (Source: Oanda)

GBP 1 = USD 1.39 (March 2018) (Source: Oanda)

EUR 1 = USD 1.23 (March 2018) (Source: Oanda)

Notes

1. Due to liquidity constraints, lending rates on the USD remain high, except in the case of certain special facilities. These rates range from approximately 7% to over 20% in certain instances.
2. With effect from 1 February 2009, the following currencies became legal tender in Zimbabwe: British Pound Sterling (GBP), euro (EUR), United States dollar (USD), South African Rand (ZAR), Botswana Pula (BWP), Indian rupee (INR), Japanese yen (JPY), Chinese yuan (CNY) and Australian dollar (AUD)
3. The US dollar is primarily in use and international cross rates of exchange are applied when transacting with other currencies.
4. Bond notes were introduced in November 2016 as legal tender for transacting. The bond note is pegged at 1:1 with the US dollar.

Key Economic Statistics



GDP
(approximate³)

USD 16.29 billion
(2017 estimate) (Source: Tradingeconomics)

USD 15.90 billion
(2018 forecast) (Source: Tradingeconomics)



Market Capitalisation

USD 4 billion
(31 Dec 2017) (Source: Zimbabwe Stock Exchange)



Rate of Inflation

2.98%
(2017 estimate) (Source: Tradingeconomics)

5.07%
(2018 forecast) (Source: Tradingeconomics)





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