





## INTRODUCTION

# Senegal Fiscal Guide

## 2013/2014

## Income tax

### Business income

Companies domiciled in Senegal are subject to corporate tax on their worldwide income, whilst non-resident companies are in general subject to tax on income derived within the country. A company is liable to a minimum tax in the year which it makes a loss or where its taxable income does not result in any corporate tax. The minimum tax payable is based on the turnover realised by the company and it is payable on or before 15 February following the financial year when all companies will be making their first payment for corporate tax.

The minimum tax is due on turnover made before tax, realised in the preceding year of the year of taxation; the tax is set at a rate of 0.5% of the turnover. In any case, the amount due cannot be less than 500 000 XOF or greater than 5 million XOF (West African CFA Franc).

Branches are taxed in the same manner as companies in Senegal. Profits made by branches not reinvested in Senegal are deemed to be shared as dividend and are subjected to 10% tax.

### Rates

Resident companies	
Corporation tax	
» Standard	30%
» Rate for hydrocarbon activities	30%
Capital gains tax	30%
Dividends	10%
Resident individuals	
Income tax	0% – 40%
Capital gains	30%
Dividends	10%
Interest	16%
Royalties	Taxed as ordinary income
Fees	Taxed as ordinary income



Non-resident individuals	
Corporation tax	Same as residents
Capital gains	Same as residents
Dividends	10% *
Interest	16% *
Royalties	20% *
Fees	20% *

\* Final tax.

## Capital gains tax

In principle, capital gains are taxed as ordinary business income. The following special regimes are applicable:

### Capital gains from a disposal of fixed assets

» Deferment of taxation for a disposal of fixed assets occurs in the course of continuing operations of the company.

The following conditions must be fulfilled to qualify for deferment:

- » Capital gains should originate from the transfer of ownership;
- » Transfer should occur during continuing operations;
- » Transfer should relate to the fixed assets; and
- » The company must provide an affidavit to reinvest an amount equivalent to the capital gains in Senegal.

Partial taxation for disposal on cessation of operations:

- » Half of the capital gains arising from the disposal of fixed assets at the end of the activity or partial disposal of the activity; and
- » A third of the capital gains arising from a transfer or disposal happening less than five years after setting up the business or the purchase of the activity.

### Capital gains on a sale of shares, except those from transactions resulting from the transfer of shares after merger or partial transfer of activity

There is tax exemption in the case of a partial transfer of activity and this depends on the condition that the beneficiary of the partial transfer is located in the country.

## Transfer pricing

The tax provisions include a documentary obligation to transfer pricing in Senegal. Companies established in Senegal must hold at the disposal of the Tax Administration, documentation to justify the pricing policy in respect of transactions of any kind carried out with associated companies established abroad. This obligation applies to Senegalese companies if:

- a) They have an annual turnover greater than or equal to CFA5 billion francs taxes;
- b) They hold at the end of the year, directly or indirectly, more than half the capital or voting rights of another company established or incorporated in or out of Senegal that satisfies the condition mentioned in point a); or
- c) More than half of their capital or voting rights is held at the end of the exercise, directly or indirectly, by a company that satisfies the condition mentioned in point a).

## Thin capitalisation rules

In terms of the general tax code, thin capitalisation rules are applied to interest paid to shareholders on loans and deposits (including all advances). Interest paid is deductible for corporate tax purpose provided:

- » The rate of interest does not exceed the Central Bank discount rate plus 3%; and
- » The amount of the loan or deposit/advance granted to the company does not exceed its paid up share capital.

## Transaction taxes

Value added tax (VAT) is levied at a rate of 18% on transactions (supply of goods and services) in Senegal by persons who, either regularly or on a casual basis, purchase goods for resale or carry on activities other than those relating to agriculture. All activities except banking, insurance, education and farming activities are included in the scope of the tax.

VAT payers who are non-resident are required to appoint a resident representative to be responsible for the payment of the VAT obligations and payments.

# Registration fee

Registration fees are due on real estate transactions at a rate of 10% . A rate of 5% is due on leasing contracts for business use.

# Double tax treaties and reduced rates

Country	Dividends Individuals, companies	Dividends Qualifying companies	Interest	Royalties
Belgium	15%	15%	15%	10%
Canada	16%	16%	20%/16% <1>	15%
France	15%	15%	15%	15%
Italy	15%	15%	15%	15%
Mauritania	**	**	*	*
Morocco	10%	10%	10%	10%
Norway	16%	16%	16%	16%
Qatar	*	*	*	*
Tunisia	**	**	**	*
Mauritius	*	*	*	*
WAEMU members ***	% 105	10%	15%	15%

<1> 20% on state bonds and 16% on other interest.

\* Dividends, interests and royalties paid by a company which is resident of a contracting state to a resident of the other contracting state are only taxable in that other state according to the laws of that state.

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\*\*\* WAEMU means West African Economical and Monetary Union Treaty; the states members concerned by the treaty are Benin, Burkina Faso, Ivory-Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo.

- › VAT suspension (three years); and
- › The tax credit of 40% for eligible investment but it is capped to 50% of the tax profit and should be applied within 5 years from the investment.
- » Special regime is applicable to approved export firms:
  - › Approved export firms are obliged to export 80% or more of their turnover. The benefits of this regime remain valid for a period of 25 years and can be renewed. The corporate tax rate is 15%;
  - › Exemption from customs duties and duty stamps on utilitarian vehicles and tourism vehicles and means of transportation clearly intended for production;
  - › Exemption from taxes based on salaries paid by companies;
  - › Exemption from all registration and stamp duties when registering a company and modifying its Articles of Association;
  - › Exemption from patent fee, property tax on constructed and unconstructed property, and from the licence fee; and
  - › Exemption from the taxes on Income for Stocks and Shares drawn by the firm on the dividends distributed.
- » Reduction tax for export:
  - › Industrial, agricultural and teleservices companies that export at least 80% of their production are allowed to deduct 50% of their taxable income in the calculation of income tax. To receive this discount, companies must prove the export is effective and the repatriation of the revenues into Senegal;
  - › Indirect exports are excluded in the determination of the turnover; and
  - › Mining and oil companies are excluded from this provision.

# Exchange control

Senegal has exchange control restrictions or limitations only with non-ECOWAS member states. There is free movement of money and capital between ECOWAS member states.

If the destination of the money is not an ECOWAS state, a resident can freely carry out current payments through intermediaries (which are the Central Bank of West Africa, the post office, the authorised intermediary and registered operators of manual exchange) after showing evidence of the nature and validity of the transaction. All other payments abroad must be made with the approval of the finance minister. Each authorisation request must come with supporting documents. In case of transfers not exceeding CFA 300 000 no supporting documents are required.

# Investment information

## Investment rules

There are various tax incentives put in place to stimulate investment. These are as follows:

Tax treatment provided for by the Investment Code.

- » New enterprises and extension projects:
  - › Custom duty exemptions (three years);

## Residence and work permits

Work permits are required for foreign individuals wishing to take up employment and residence in Senegal.

Visa of entry is required for all foreigners except people originating from ECOWAS member states, Mauritania and Morocco.

## Annual budget announcement

The Minister of Finance generally announces the annual budget and taxation proposals on 31 December each year.

## Trade and bilateral agreements

Senegal is a member of the Economic Community of West African States (ECOWAS), UEMOA (WAEMU) and a signatory to the ACP-EU Partnership Agreement.

## Economic statistics

Prime Interest Rate (December 2013)	3.50%
US\$ Exchange Rate (February 2014)	482 000
Inflation (December 2013)	0.4%
GDP (2012)	3.7%

## Travel Information

Visa requirements	Visas are compulsory for all foreign nationals travelling into Senegal, except nationals from ECOWAS, Mauritania and Morocco (effect 1 July 2013)
Flights	Flights into Dakar daily Yellow fever vaccinations are compulsory. Typhoid, Hepatitis A, Hepatitis B, Tetanus, Polio, Meningitis, Malaria and Cholera are recommended

## Currency

The currency used in Senegal is the Franc of the Financial Community of Africa (FCFA which is equal to 100 centimes).

## Languages

The official language is French but a large number of African languages are also spoken, such as Wolof.

## Official holidays

- » 1 January (New Year's Day)
- » 13 January (Prophet Mohammed's Birthday)
- » 4 April (Independence Day)
- » 21 April (Easter Monday)
- » 1 May (Labour Day)
- » 29 May (Ascension Day)
- » 9 June (Whit Day)
- » 28 July (End of Ramadan)\*
- » 15 August (Assumption)
- » 4 October (Feast of Sacrifice)
- » 25 October (Tamkarit: Islamic New Year)
- » 1 November (All Saints Day)
- » 3 November (Tamkharit: Ashura)
- » 25 December (Christmas Day)
- » Magal of Touba day ( national holiday) \*

\*To be confirmed depending on the sighting of the moon.

## Contact us

### **Ndiaga Sarr**

**Partner**

**T:** 221 33 849 27 05

**E:** ndsarr@kpmg.sn

### **Marie Ba**

**Partner**

**T:** 221 33 849 27 27

**E:** mba@kpmg.sn

**[kpmg.com](http://kpmg.com)**

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