



TAX AND INVESTMENT FACTS

A GLIMPSE AT TAXATION AND INVESTMENT IN BURKINA FASO

Elites MCI SARL (WTS Burkina Faso) is a Burkinabè tax and legal firm providing tax and legal services to resident and non-resident companies operating in Burkina Faso.

Services rendered by WTS Burkina Faso include, but are not limited to the following:

- Tax and Legal General Advisory
- Tax and Legal Assistance
- Tax and Legal Assistance during Tax Audits and Investigations
- Tax Structuring
- Tax Incentives Management
- Undertaking Fiscal Feasibility Studies on Large Projects such as Mining Companies and Big Plants
- Legal and Fiscal Studies
- Training
- Global Expatriate Services
- Tax Health Check

Regarding the experience of the tax experts and tax practitioners working in the firm, the firm is very specialized in managing disputes with the tax administration, leading tax health check and tax structuring. The tax solicitors in our firm also provide tax dispute resolution and litigation.

WTS Burkina Faso is a member of the WTS Alliance which is a global network of selected consulting firms represented in more than 100 countries worldwide. Within our service portfolio we are focused on tax, legal and consulting. In order to avoid any conflict of interest, we deliberately refrain from conducting annual audits. Our clients include multinational groups, national and international medium-sized companies, non-profit organizations and private clients.

Tax Specialists

Marie Herman Zougrana
zmarie.herman@elitesmci.com
+226 70 21 48 26

Meryam Saran Ouedraogo
ouedtour.meryam@elitesmci.com
+226 70 17 47 41

Maître Ambrose Farama
maitreambrose.farama@elitesmci.com
+226 25 36 28 49

TABLE OF CONTENTS

| | |
|---|----|
| A. INCOME TAXES IN BURKINA FASO | 5 |
| B. CORPORATE INCOME TAX | 5 |
| 1. Income Liable to Tax | 5 |
| 2. Taxable Persons | 5 |
| 3. Residence Rule | 6 |
| 4. Allowable Expenses | 7 |
| 5. Capital Allowances | 9 |
| 6. Reserves | 14 |
| 7. Carry Over of Losses | 14 |
| 8. Disallowable Expenses | 14 |
| 9. Rate of Tax | 15 |
| 10. Minimum Tax | 15 |
| 11. Corporate Provisional Income Tax | 15 |
| 12. Tax Incentives | 16 |
| 13. Withholding Taxes | 20 |
| C. PERSONAL INCOME TAXES | 22 |
| 14. Commercial, Industrial and Agricultural Businesses Profit Tax (BIC) | 22 |
| 15. Non-commercial Profit Tax (BNC) | 24 |
| 16. Employees Income Tax (IUTS) | 26 |
| 17. Rental Income Tax (IRF) | 29 |
| D. OTHER INCOME TAXES | 30 |
| E. CROSS BORDER TRANSACTIONS | 32 |
| 18. Permanent Establishment | 32 |
| 19. Branch Profit Tax | 33 |

| | | |
|-----------|---|----|
| 20. | Double Tax Treaty (DTT) | 33 |
| 21. | Transfer Pricing Regulation | 33 |
| F. | INVESTMENT GUARANTEES | 36 |
| 22. | General Guarantees | 36 |
| 23. | Free Transferability of Capital, Revenue, and Profits | 37 |
| 24. | Stability Agreement | 37 |
| G. | OTHER DIRECT TAXES | 38 |
| H. | INDIRECT TAXES | 39 |
| I. | STAMP DUTIES | 42 |
| 25. | Registration Fees | 42 |
| 26. | Tax on Insurances | 43 |
| J. | OVERALL TAXATION | 44 |
| K. | ADMINISTRATIVE MATTERS | 46 |
| 27. | Furnishing of Tax Returns, Offences and Penalties | 46 |

A. INCOME TAXES IN BURKINA FASO

There is no unitary taxation system for income in Burkina Faso. Therefore, each income regarding its origin is submitted to a specific income tax.

We then have:

- Corporate income tax (IS)
- Commercial, industrial and agricultural businesses profit tax (BIC)
- Non-commercial businesses profit tax (BNC)
- Employees income tax (IUTS)
- Rental income tax (IRF)
- Stocks and securities income tax (IRVM)
- Receivables, deposits and guarantees income tax (IRC)
- Real estate capital gain tax (TPVI)
- Mining permits transactions income tax

B. CORPORATE INCOME TAX

1. Income Liable to Tax

Corporate income tax is levied on the total profit or income earned by companies, other legal entities (legal persons) and assimilated institutions operating in Burkina Faso. Therefore, income of a resident or non-resident legal person is liable to income tax if that person is operating in Burkina Faso.

2. Taxable Persons

Taxable persons to corporate income tax can be classified in three (3) categories:

- (a) Taxable persons in regard of their legal form:
 - i. Private limited companies and public limited companies;
 - ii. Private companies, sleeping partnership (limited partnership), joint ventures and economic interest group¹;
 - iii. Cooperative firms, associations, institutions, and legally assimilated entities.

¹ The partners of these companies can make the choice to be submitted to personal income tax.

- (b) Taxable persons in regard of their businesses:
 - i. Public bodies or institutions, government and its dismemberments institutions, financially independent, and carrying out industrial or commercial businesses, or any lucrative businesses.
 - ii. Funds created by the government or by law and not especially exempted from this tax;
 - iii. Real estate entities carrying out commercial, industrial, artisanal and agricultural businesses.
 - iv. De facto partnerships.
 - v. All other legal persons carrying out lucrative businesses and not submitted to an income tax.

- (c) Entities normally submitted to personal income tax and which can choose to be submitted to CIT:
 - i. Financial syndicates;
 - ii. Professional partnerships.

3. Residence Rule

The Corporate Income Tax Act provides that a company or a legal person operating in Burkina Faso is liable to corporate income tax. The tax is then levied only under the condition that the legal person is operating in Burkina Faso, **regardless of its residence.**

It is admitted that a company resident in Burkina Faso is, of course, considered as operating in Burkina Faso. No definition of “operating in Burkina Faso” or resident company is given by the tax legislation.

However, speaking of legal persons, a definition of their residence can be found in the common law (the companies act included in the treaty and standard acts of the Organisation of Business Law Harmonization in Africa, OHADA).

Within articles 23 and 24 of the OHADA companies act, the residence of a company is the place where it has been registered or where it has its management and control exercised.

A company is then operating in Burkina Faso if it has its registered office located in Burkina Faso, or its management and control exercised in Burkina Faso.

4. Allowable Expenses

(a) General terms for expenses deductibility

Generally, to be deductible, expenses must comply with the following conditions:

- i. Being incurred in the interest of the business i.e. the expenditures must be for the enduring benefit or advantage of the business
- ii. Being real (this excludes fictitious charges) and supported by sufficient documentary evidence
- iii. Implicating a decrease in the net assets of the company. This is to exclude expenditures such as capital expenditures, expenditures with consideration for the extinguishment of debt or liabilities.
- iv. Being booked in the expenses of the fiscal year i.e. the cut off principle and in respect of the accrual basis.
- v. Being paid in respect of a payment method not prohibited by the law. In principle, the method of payment of a transaction is free. Cash payment is allowed for amounts less than 100,000 FCFA.

(b) Specific terms for expenses deductibility

i. Remunerations

- Remunerations paid to the managers of private limited companies holding the majority of the stocks (senior salaried partner), to the sole proprietor of a private limited company, to the managing director (sole equity partner) are allowable to deduction within the condition that these remunerations have been submitted on their respective names to the income tax on profit of Industrial, Commercial and Agricultural Businesses (BIC).
- Employers' contributions to the national private sector workers social security fund (CNSS) incurred for expatriate workers are allowable to deduction within the limit of 20% of their basic salary.
- Holidays travelling expenses of expatriate workers are deductible within the limit of one round trip per year.

ii. Contribution of branches to the functioning of their parent companies

Management fees or head office fees recharged by a foreign parent company to its branch established in Burkina Faso is deductible within the limit of 10% of the taxable profit before taking into account these fees.

This clearly means that branches are considered as permanent establishments in Burkina Faso for income tax purpose.

iii. Payments made by residents taxpayers to non-residents

All transactions payable by resident taxpayers to businesses resident in a country with a privileged or non-cooperative fiscal regime will be deductible in the calculation of corporate income tax if the debtors (the resident taxpayers) give the proof that the transactions are not fictitious and do not appear abnormal or exaggerated. The taxpayer has to prove the transaction has been made at arm's length.

iv. Insurance premiums

- Health insurance premiums paid to local insurance companies are deductible within the limit of 5% of the payroll and under the condition that the insurance contracts cover all the employees or a category of the employees.
- Insurance premiums paid to West Africa Economic and Monetary Union countries to provide retirement, death or disability allowances; under the condition the insurance contracts cover all the employees or a category of the employees.

v. Interests

- Interests paid to partners are deductible within the limit of the legal interest rate in force in Burkina Faso, plus two points.
- When the beneficiary of the interests is neither a partner nor a credit institution, they are deductible within the limit of the legal interest rate.

For these above situations, the deductibility of the interests is both submitted to two conditions:

- The registered capital of the company shall be fully paid up
- The debt generating the interests must not exceed twice the amount of the registered capital

vi. Hotels and restaurant fees

Restaurants and hotels charges are deductible within the limit of 0.5% of the turnover, VAT and other taxes excluded.

vii. Gifts and donations

Gifts and items designed specifically for advertising are deductible respectively within the limit of 0.1% and 0.2% of the turnover, VAT and other taxes excluded.

Donations to sports and cultural associations, or to philanthropic, educational, scientific and social organizations, with recognized public utility by the competent authority, are deductible within the limit of 0.3% of turnover VAT and other taxes excluded.

5. Capital Allowance

Capital allowance can be claimed if the following conditions are met:

- (a) The movable and immovable concerned with is registered in the assets of the company.
- (b) The movable or immovable must be registered in the name of the company, this to exclude amortizations practiced by a tenant on rented movable and immovable.
- (c) The allowance must be recorded in the accounts of the assessable year;
- (d) The amount of the capital allowance must be determine with rate or duration in accordance with the table below or otherwise, within the limits of those generally accepted in accordance with the habit of each type of business or trade.
- (e) The starting point for the calculation of depreciation consists of the date of its first use. Depreciation is calculated prorata temporis i.e. in proportion to the period from the date of first use at the end date of the fiscal year.
- (f) The depreciation must be calculated in accordance with the method defined by the law. Generally, capital allowance is determine on a straight line basis, but sometimes, degressive or accelerated depreciation may be accepted.

| Assets | Duration of Use | Depreciation Rate |
|--|-----------------|-------------------|
| Constructions | | |
| Construction in solid materials | 20 years | 5% |
| Commercial, industrial, garages, warehouses, workshops | 20 years | 5% |
| Cabins processing | 20 years | 5% |
| Facilities waterfalls, dams | 20 - 50 years | 2 - 5 % |
| Water towers | 25 - 50 years | 2 - 4 % |
| Pipes | 10 - 20 years | 5 -10% |
| Plants | 20 years | 5% |
| Residential houses | 20 years | 5% |
| Lime kilns, plaster | 10 years | 10% |
| Electric ovens | 10 years | 10% |
| Removable or temporary buildings | 5 years | 20% |
| Machinery and Equipment | | |
| Steam boilers | 20 years | 5% |
| Cement tanks | 20 years | 5% |
| Cardboard and paper machinery | 20 years | 5% |
| Hydraulic presses | 20 years | 5% |
| Presses, compressors | 10 years | 10% |
| Oil tanks | 10 years | 10% |
| Heavy transformers high power | 10 years | 10% |
| Turbines and steam engines | 10 years | 10% |
| Mechanical mixers, mixers | 5 years | 20% |
| Excavators | 5 years | 20% |
| Thunderbolts, brewery vats, distillation and winemaking | 10 years | 10% |
| Purification equipment, sorting | 10 years | 10% |
| Rolling devices, spin | 10 years | 10% |
| Lightweight machine tools, lathes, jointers, planers, drills | 5 years | 20% |

| | | |
|--|---------------|----------|
| Transmission lines electric power | 5-10 years | 10 - 20% |
| Apparatus for cutting wood | 5 years | 20% |
| Equipment factories including machine tools | 5 years | 20% |
| Pneumatic hammers | 5 years | 20 % |
| Punches | 5 years | 20% |
| Fixed plant equipment | 3 years | 33.33% |
| Small tools (hand tools) | overheads | |
| Software with a value less than 1,000,000 FCFA | overheads | |
| Public Works Equipment and Buildings | | |
| Heavy equipment (bulldozers, scrapers, rollers etc) | 10 years | 10% |
| Small machines (tarring truck, sprinkler truck etc.) | 5 years | 20% |
| Transport machineries | 5 years | 20% |
| Concrete towed or self-mobile | 5 years | 20% |
| Welder: Fixed | 10 years | 10% |
| Welder: mobile or intended to be carried | 5 years | 20% |
| Transportation Vehicles | | |
| Large cranes | 10 – 20 years | 5 - 10% |
| Transport wagons | 20 - 40 years | 2,5 - 5% |
| Railway routes | 20 - 50 years | 2 - 5% |
| Lifting vehicles | 5 – 10 years | 10 - 20% |
| Aircraft and naval units | 5 years | 20% |
| Transportation drums (beer and wine) | 5 years | 20% |
| Metal transport drums | 5years | 20% |
| Containers | 5 - 10 years | 10 - 20% |
| Automobile tourism vehicles | 3 years | 33.33% |
| Light commercial motor vehicles | 3 years | 33.33% |
| Motor vehicles for goods transport | 3 years | 33.33% |

| | | |
|--|-----------|--------|
| Auto transport materials in common | 3 years | 33.33% |
| Tractors | 5 years | 20% |
| Carts | 4 years | 25% |
| Tractors used by forest | 4 years | 25% |
| Equipment, Furniture, Fixtures and Installation | | |
| Fixtures, furnishings, equipment | 10 years | 10% |
| Office furniture and other | 10 years | 10% |
| Furniture (beds, chairs, tables, cabinets etc.) | 5 years | 20% |
| Office equipment | 5 years | 20% |
| Materials camps (tents, stoves, beds) | 2 years | 50% |
| Safes and armoured cabinets | 20 years | 5% |
| Computer machine (server) | 4 years | 25% |
| Computer Equipment | 2 years | 50% |
| Software which price is equal to or greater than 1,000,000 CFA | 3 years | 33.33% |
| Other Equipment | | |
| Extinguishers | 5 years | 20% |
| Telephone systems (standard, etc) | 10 years | 10% |
| Fixed health facilities | 10 years | 10% |
| Mobile sanitation facilities | 5 years | 20% |
| Tarpaulins and flexible protection | 3 years | 33.33% |
| Billboards and signs (light or others) permanently fixed | 3 years | 33.33% |
| Lawn mowers | 5 years | 20% |
| Mechanical Lawn mowers | overheads | |
| Appliances | | |
| Central Air Conditioning | 10 years | 10% |
| Other conditioners, fixed fans, etc. | 5 years | 20% |

| | | |
|---|--------------|----------|
| Mobile fans, humidifiers, etc. | 2 years | 50% |
| Time clocks and similar | 5 - 10 years | 10 – 20% |
| Refrigerators, coolers and similar | 5 years | 20% |
| Washing machines | 5 years | 20% |
| Material of Hotels and Catering | | |
| Bedding | 3 years | 33.33% |
| Ranges | 10 years | 10% |
| Silverware | 5 years | 20 % |
| Decorative Landscaping | 5 years | 20% |
| Carpets, curtains, draperies | 4 years | 25% |
| Cooking ranges | 5 years | 20% |
| Lingerie | overheads | |
| Glassware, tableware, kitchenware | overheads | |
| Plastics (Molding) | | |
| Compression presses | 10 years | 10% |
| Transfer presses | 10 years | 10% |
| Heaters or ovens | 5 years | 20% |
| Tablet presses | 5 years | 20% |
| Injection molding machines | 5 years | 20% |
| Machines to gel, Beading | 5 years | 20% |
| Forming machines vacuum | 5 years | 20% |
| Machines metalized | 5 years | 20% |
| Welding and cutting | 5 years | 20% |
| Moulds | 5 years | 20% |
| Materials Subjected to the Action of Chemicals | | |
| Washing machines, diffusers | 5 years | |
| Product Recovery Devices | 5 years | |
| Laundry appliances | 5 years | |
| Cooking Appliances | 5 years | |

| | | |
|--|--------------|--------|
| Materials fishing and hunting | | |
| Materials fishing and hunting | 5 - 10 years | 33.33% |
| Other Assets | | |
| Animals registered capital (producer's parents, plowing, etc.) | 5 years | 33.33% |

6. Reserves

Reserves are deductible for the income tax calculation if these following conditions are met:

- (a) The reserve is duly recorded in the books of the assessable
- (b) The losses or charges they're supposed to cover are clearly specified
- (c) The charges they're supposed to cover are, regarding the current events probable. Probability is different from eventuality (mere possibility) and certainty
- (d) The reserves are mentioned in the special statement for reserves to be attached with the year financial statements

Reserves made by Insurances and banks companies ("technical reserves"), banks and mining companies are submitted to additional and specific terms.

7. Carry Over of Losses

A loss incurred in a basis period can be carried forward a period of four years after the year in which the loss was incurred. This period is extended for firms under Investment act and mining act.

8. Disallowable Expenses

Are generally disallowed, expenses which do not meet the general terms for expenses deductibility enumerated above.

Disallowable Expenses are notoriously non-deductible expenses:

- (a) Remunerations paid to members of board of directors out the scope of their employment contract and allowances payable to the members of the company's board of directors as established by the article 432 of Organisation for African Business Law Harmonization (OHADA)

- (b) Fictitious allowances awarded to managers or senior executive partners in companies they're working for
- (c) The amounts of fines, forfeitures, penalties and surcharges of any kind charged to violators of tax, customs, and social security law, violators of prices regulation, traffic, and consumption, and, in general, the laws and regulations of the State, are not deductible from the taxable profit
- (d) Reserves made for self-insurance
- (e) Reserves made for workers holidays fees
- (f) Reserves for taxes
- (g) Reserves for probable exchanges losses.

9. Rate of the Tax

The rate of the CIT is a single proportional rate of 27.5%. For mining companies, the rate is reduced of 10 points and for companies submitted to Strategy developed by the government to attract investors in order to accelerate economic growth for sustainable Development Act (SCADD Act), the rate is 15% at operating time.

10. Minimum Tax

Under Excepted the first year of assessment, companies are chargeable to a minimum tax. This minimum tax to be levied and paid shall be 0.5% of the turnover of the company for the year. This minimum anyway cannot be less than 1,000,000 FCFA for companies submitted to "Real Normal Tax Regime"² or less than 300,000 FCFA for companies submitted to "Real Simplified Tax Regime".

11. Corporate Provisional Income Tax

During the year of assessment of the tax, the companies are submitted to the

² For tax purpose, IRS is making the difference between taxpayers holding books and whose businesses real economic performances can be mastered, and taxpayers not holding books. The first category is imposed under "real tax regime" (self-assessment regime) and the second is generally assessed under some criteria determined by the IRS.

The real tax regime is divided in two compartments depending generally on the level of the turnover and sometimes on the kind of the business carried out. The high category is called Normal Tax Regime and the other one, Simplified Tax Regime.

payment in advance of their corporate income tax.

This advance is obtained by applying the rate of 75% on the total of the corporate income tax paid for the previous year.

12. Tax Incentives

(a) Common Tax Law Tax Incentives

Taxpayers taxable to tax on profits (Corporate Income tax and Tax on profit of natural persons businesses), investing in Burkina Faso all or part of their taxable income in that State may, under the conditions set out below, be granted a reduction of income tax.

- i. Investments made in the form of:
 - Construction, improvement or extension of built buildings;
 - Creation or development of industrial, mining, agricultural and forestry businesses, including mechanization and transportation equipment, handling and public works, but excluding vehicle, aircraft and pleasure boats;
 - acquisition of building land for the construction enumerated above provided that the buildings are built entirely in the three years following the acquisition;
 - subscriptions of shares or bonds issued by public real estate companies established in Burkina Faso for the purpose of social housing promotion.
- ii. The purchase of second use equipment already existing in Burkina is not eligible for this fiscal regime.
- iii. Are also ineligible, the purchases of residential houses furniture's office machines, and interior fittings.
- iv. The amount of the investment cannot be less than ten million (10,000,000) CFA francs.
- v. The investment must be completed within three years from 31st December of the year in which the program has been presented hereinafter provided.
- vi. The investments must be shown in business plan providing all

necessary information on the nature, extent and cost of planned investments.

(b) Specific Laws Tax Incentives

To attract investors in Burkina Faso, some specific acts has been voted by legislators on 1995 and on 2003. These acts aim at the promotion of productive investments that will contribute to the economic and social development of the country.

Indeed, on December 1995, the first investment act has been enforced. The domain of application of this act was large and was covering production, conservation, transformation of raw materials or sub-finished products into finished products, services delivery.

After seven years of application, it was evident that this general investment act was not suitable with especially mining businesses. Therefore, in 2003 a special investment act was voted to cover only mining businesses.

Recently, to boost in a very short duration the economic growth, another act has been voted in 2012 named SCADD³. SCADD was applicable only for businesses created between 2012 and 2015.

The table below summarises and compares the main advantages established by these three investments Acts.

i. Research or Investment Phase:

| TAXES | INVESTMENTS ACT | MINING ACT | SCADD ACT |
|-----------------------|-----------------------------|-----------------------------|-----------------------------|
| Customs Duties | $5 + 2.5 = 7.5\%$ | $5 + 2.5 = 7.5\%$ | $0 + 2.5 = 2.5\%$ |
| Value Added Tax (TVA) | Exemption on some purchases | Exemption on some purchases | Exemption on some purchases |
| Business License Tax | No exemption | Exemption | Exemption |

³ The SCADD is defined as a Strategy developed by the government to attract investors in order to accelerate economic growth for sustainable Development.

| | | | |
|---|--------------|---|--------------|
| Mort main Property Tax (TBM) | No exemption | No exemption on legal basis but exemption on the practice | Exemption |
| Employer's and Apprenticeship Tax (TPA) | No exemption | Exemption | Exemption |
| Corporate Income Tax (IS) | No exemption | No exemption but generally no profit because there's no sales | Exemption |
| Corporate Income Tax Advance | No exemption | Exemption | Exemption |
| Receivables, Deposits and Guarantees Income Tax (IRC) | No exemption | No exemption | Exemption |
| Stock and Securities Income Tax (IRVM) | No exemption | No exemption | No exemption |

ii. Building or Construction Phase

| TAXES | MINING ACT |
|---|-----------------------------|
| Customs Duties | $0 + 2.5 = 2.5\%$ |
| Value Added Tax (TVA) | Exemption on some purchases |
| Business License Tax | No exemption |
| Mort main Property Tax (TBM) | No exemption |
| Employer's and Apprenticeship Tax (TPA) | No exemption |
| Corporate Income Tax (IS) | No exemption |
| Corporate Income Tax Advance | No exemption |
| Receivables, Deposits and Guarantees Income Tax (IRC) | No exemption |
| Stock and Securities Income Tax (IRVM) | No exemption |
| Carry Over of Losses | Common regime |

iii. Mining or Exploitation Phase

| TAXES | INVESTMENTS ACT | MINING ACT | SCADD ACT |
|---|--|---|--|
| Customs Duties | Common rate | $5 + 2.5 = 2.5\%$ | $5 + 2.5 = 7.5\%$ |
| Value Added Tax (VAT) | No exemption but possibility of tax refund on export sales | No exemption but possibility of tax refund on export sales | No exemption but possibility of tax refund on export sales |
| Business License Tax | Exemption from proportional fee for 5 to 7 years | Exemption during the half of the duration of the mining with a maximum of 7 years | Exemption during the first 7 years |
| Mort main Property Tax (TBM) | No exemption | Exemption during the half of the duration of the mining with a maximum of 7 years | Exemption during the first 7 years |
| Employer's and Apprenticeship Tax (TPA) | Exemption from 5 to 7 years | Exemption during the half of the duration of the mining with a maximum of 7 years | Exemption during the first 7 years |
| Corporate Income Tax (IS) | No exemption | Profit is taxed at the rate of 17.5% (common rate minus 10%) | Exemption during the first 7 years. After this period the rate is 15% while the common rate is 27.5% |
| Corporate Income Tax Advance | No exemption | No exemption | Exemption during the first 7 years |
| Receivables, Deposits and Guarantees Income Tax (IRC) | No exemption | No exemption | |

| | | | |
|--|--|--|------------------------------------|
| Stock and Securities Income Tax (IRVM) | No exemption | Taxation at the rate of 6.25% (half of the common rate) | Exemption during the first 7 years |
| Carry Over of Losses | Extension of the duration of deductibility of the deficit from 2 to 4 years after the common period of 4 years | One year extension if the deficit is not due to amortisation | Common regime |

13. Withholding Taxes

Withholding Tax on Importations and Local Purchases of Goods

| TAXABLE TRANSACTIONS | EXEMPTIONS | RATE AND ASSESSMENT BASIS | WHT DEDUCTIBILITY |
|--|--|--|--|
| Importation of goods and sales of goods by importers or traders to natural or legal persons submitted to the payment of businesses income tax. | <p>Goods on transit.</p> <ul style="list-style-type: none"> - Importations and local purchases made by businesses exempted from businesses income tax. - Importations and sales made by some specific companies. - Importations and purchases made by businesses registered at big enterprises compartment by the Tax office. | <ul style="list-style-type: none"> - 5% on the all tax included amount of importations made by small businesses registered as shown by the tax office. - 1% for importations on the all tax included amount of made by non-small businesses and non- registered at big enterprises compartment. - 2% for local sales on the all tax included amount of. | As an advance on their businesses income tax, this tax is coming to deduction for businesses income tax purpose except for small businesses. |

| | | | |
|--|--|--|--|
| | | This last rate is coming to 1% for cement, sugar, cola nut, wheat flour and 0.2% hydrocarbons. | |
|--|--|--|--|

Withholding Tax on Local Services Providers

| TAXABLE TRANSACTIONS | EXEMPTIONS | RATE AND ASSESSMENT BASIS | WHT DEDUCTIBILITY |
|--|--|---|---|
| Payments made for local services providers in return of the services they have provided to resident persons, i.e. services provided by natural or legal persons resident in Burkina Faso to taxpayers resident in Burkina Faso | <ul style="list-style-type: none"> - Services provided by enterprises registered at the big enterprises compartment as shown by the tax office. - Services which amounts, all taxes includes are less than 50,000FCFA. | <ul style="list-style-type: none"> -Common rate 5% on the all taxes included amount. -1% for constructions works. -25% for local suppliers not registered at the tax office (without a Tax Identification Number: IFU) | As an advance on their businesses income tax, this tax is coming to deduction for businesses income tax purpose except for small businesses |

Withholding Tax on Foreign Services Providers

| TAXABLE TRANSACTIONS | EXEMPTIONS | RATE AND ASSESSMENT BASIS | WHT DEDUCTIBILITY |
|---|---|---|-------------------|
| Payments made for foreign services providers in return of the services they have provided to resident persons, i.e. services provided by natural or legal | - Common rate 20% applicable on the amount payable, including non-cash benefits and any other expenses incurred by the client for the | <p>Suppliers resident in countries who have signed a DTT.</p> <p>Currently three DTT are available in Burkina Faso:</p> <ul style="list-style-type: none"> -DTT with France; -DTT with Tunisia; | Not deductible |

| | | | |
|--|---|--|--|
| persons non-resident in Burkina Faso to taxpayers resident in Burkina Faso | supplier - 10% on the same assessment basis for payments made by mining companies registered in Burkina Faso to foreign suppliers of mining services | -DTT with West African Economic and Monetary Union (WAEMU) (Benin, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo). | |
|--|---|--|--|

C. PERSONAL INCOME TAXES

As there's no unitary taxation system of incomes earned by individuals, each income depending on its source, is submitted to a specific income tax.

14. Commercial, Industrial and Agricultural Businesses Profit Tax (BIC)

(a) Income Liable to Tax

Commercial, industrial and agricultural businesses income tax is levied on the total income earned by businesses operated by natural persons (individuals) in Burkina Faso. Are supposed to be liable to the tax too, the total profit or income related to the business carried out in Burkina Faso

(b) Taxable Persons

Taxable persons to BIC comprise:

- i. Natural persons (individuals);
- ii. Legal persons which didn't make the choice to be submitted to CIT; and
- iii. Partners of private companies, limited partnership, joint ventures, de facto partnership, and economic interest group by choice.

(c) Residence Rule

An individual business is considered as carried out in Burkina Faso if one of these below conditions is met:

- i. The natural person carrying out the business is registered at the trade and personal property credit register (RCCM);
- ii. The economic centre of the business is located in Burkina Faso.

Therefore, the income tax is levied on the simple basis the business is carried out in Burkina Faso regardless the residence of the natural person.

(d) Allowable Expenses

- i. General terms for expenses deductibility (cf. CIT)
- ii. Specific terms for expenses deductibility

Expenses incurred for both private and professional purpose: For such expenses, the taxpayer is requested to break down the global amount in order to distinguish the private part and the professional part. When this distinction is made, only the deduction of the professional part is allowed.

When the distinction is not made, only the deduction of 2/3 of the global amount will be allowed.

Remuneration paid to spouse: Remuneration paid to spouse really working in the firm is an allowable expense within two conditions:

- firstly, this remuneration must not be exaggerated in comparison with the remuneration other employees of the firm under similar position
- secondly, the spouse must be registered at workers social security fund in Burkina Faso

(e) Rate of the Tax

Gradual rate per tranche

| TRANCHE OF INCOME | RATE |
|---------------------------|-------|
| 0 to 500,000 FCFA | 10% |
| 500,001 to 1,000,000 FCFA | 20% |
| Beyond 1,000,001 FCFA | 27.5% |

(f) Minimum Tax

Excepted the first year of assessment, taxpayers are chargeable to a minimum tax. This minimum tax to be levied and paid shall be 0.5% of the turnover of the business for the year. This minimum anyway cannot be less than 1,000,000 FCFA for companies submitted to "Real Normal Tax Regime" or less than 300,000 FCFA for companies submitted to "Real Simplified Tax Regime". The minimum chargeable is payable monthly for taxpayers under "Real Normal Tax Regime" and by quarter for taxpayers under "Real Simplified Tax Regime"

15. Non Commercial Profit Tax (BNC)

(a) Income Liable to Tax

Non-commercial profit tax is levied on income earned by:

- Professions: Constitutes a profession, a business in which intellectual activity or skills play the leading role and which consists in the personal practice, independently, of a science or an art. Members of professions who bring their collaboration to colleagues without being in a subordinate position are considered themselves as practicing a profession;
- Duties and offices whose holders do not have the quality of traders (notaries offices, legal offices, etc);
- All other occupations and sources of profit not subject to a special income tax.
- In addition to the revenues derived directly from the practice of professions referred to above, taxable income also includes:
 - Revenue from stocks transactions by individuals;
 - Copyright revenue received by artists, writers and composers or by other beneficiaries and their heirs or legatees;
 - Non-wage income of athletes;
 - Income received by the inventors;
 - Income received by organizers of shows;
 - Any other income from ancillary basis to pursue a non-commercial activity received by non-registered persons.

(b) Taxable persons

Taxable persons are taxable persons, natural persons who are carrying out non-commercial businesses enumerated above.

Taxable persons are also liable to this income tax, professional partnerships members and private schools, operated by natural persons.

- (c) Residence rule (cf. BIC)
- (d) Allowable expenses

Where the taxable income is defined on accrual basis for BIC, the taxable income in BNC is defined on cash accounting basis.

General terms, for expenses deductibility

The general terms for the deductibility of expenses is nearly the same like with BIC within the additional condition the expenses have been really paid (cash accounting basis).

Specific terms for expenses deductibility

- i. Insurance premiums paid to provide retirement, death or disability allowances, gifts and donations and capital allowances under the same condition like for CIT.
- ii. Health insurance premiums paid to local insurance companies in the name of the holder of the profession are deductible within the limit of 0.5% of the total expenses of the fiscal year.
- iii. Remuneration paid to spouse within the same condition like for BIC.
- iv. Private expenses and expenses incurred for voluntary work are not allowed.

- (e) Rate of the Tax

Gradual rate per tranche

| TRANCHE OF INCOME | RATE |
|---------------------------|-------|
| 0 to 500,000 FCFA | 10% |
| 500,001 to 1,000,000 FCFA | 20% |
| Beyond 1,000,001 FCFA | 27.5% |

- (f) Minimum Tax

50,000 francs for private nursing practice;
200,000 francs for maternity clinics;

500,000 francs for educational institutions of "Real Normal Tax Regime"
200,000 francs for educational institutions of "Real Simplified Tax Regime";
1,000,000 francs for other occupations in the "Real Normal Tax Regime",
and
300,000 for those in the "Real Simplified Tax Regime"

16. Employees Income Tax (IUTS)

(a) Income Liable to Tax

Salaries, wages and non-cash benefits, except, non-cash benefits incurred by the Government and its dismemberments are liable to IUTS.

(b) Taxable Persons

Taxable persons are:

- i. An employee in Burkina Faso receiving his salary from a private or public firm or from the government of Burkina Faso
- ii. All employees resident in Burkina Faso, even if the business is carried out of Burkina Faso, or the employer is non-resident or is established out of Burkina Faso
- iii. Non-resident employees within the two following conditions:
 - the activity is carried out in Burkina Faso
 - the employer is resident in Burkina Faso or is established in Burkina Faso
- iv. Employees on holiday whose salaries are still paid by their employer in Burkina Faso
- v. An employee or official of the government of Burkina Faso posted in a foreign country where he is not submitted to an income tax regarding international treaties

(c) Residence Rule

The main rule is if an employment business is carried in Burkina Faso, the salaries paid by the employer are liable to the tax.

But it is also accepted that resident employees are also liable to the tax regardless the geographic location of the business or the employer.

Is a resident employee:

- An employee who has his permanent home in Burkina Faso;
- An employee who has his permanent home outside Burkina Faso but is present in Burkina Faso for a period, or periods amounting in aggregate to 183 days or more in any twelve-month period that commences or ends during the year of assessment.

(d) Deductions and Exemptions Allowed

i. Deductions allowed:

- Amounts withheld by the employer as a representative of the employee contribution to social security fund within the limit of 8% of the basic salary, included the seniority premium.
- Standard rebate of 20% or 25% of 8% of the basic salary (seniority premium included), as a representative of the expenses incurred by the employee to win his revenue (20% for senior executives or managers, and 25% for other categories).

ii. Partial Exemptions

- the rent or housing allowance, and related benefice in kind within the double limit of 20% of the gross salary (contribution to social security fund excluded) and 50,000 FCFA
- the function compensation or allowance within the double limit of 5% of the gross salary (contribution to social security fund excluded) and 30,000 FCFA
- the transportation allowance within the double limit of 5% of the gross salary (contribution to social security fund excluded) and 20,000 FCFA

iii. Total Exemptions

- family allowances, family assistance allowances and any other related compensation
- civil and military pensions
- allowance for military and civil honorific distinction, MP's emoluments
- dismissal compensations, compensations for retirement
- In case of reciprocity, the consulates and embassies official remunerations.

(e) Rate of the Tax

Gradual rate per tranche

| TRANCHE OF INCOME | RATE |
|-------------------------|--------|
| 0 to 30,000 FCFA | 0% |
| 30,100 to 50,000 FCFA | 12.10% |
| 50,100 to 80,000 FCFA | 13.9% |
| 80,100 to 120,000 FCFA | 15.7% |
| 120,100 to 170,000 FCFA | 18.4% |
| 170,100 to 250,000 FCFA | 21.7% |
| Beyond 250,000 FCFA | 25% |

(f) Personal Tax Relief

| NUMBER OF DEPENDENT PERSONS | TAX RELIEF RATE |
|-----------------------------|-----------------|
| 1 | 8% |
| 2 | 10% |
| 3 | 12% |
| 4 | 14% |
| 5 | 16% |
| 6 | 18% |
| 7 | 20% |

Can be considered as dependent person for tax relief, within the condition they don't have their personal income:

- Minor children, disabled children or children aged under 25 when they are students;
- Under the same conditions as above, orphan children
- Unemployed spouse.

17. Rental Income Tax (IRF)

(a) Income Liable to Tax

The following are liable to rental income tax:

- i. Income from house property
- ii. Income from the rental of display law, the concession of exploitation of quarries permits and assimilated
- iii. The income of undeveloped properties of any kind including land occupied by mining and quarrying.

(b) Taxable Persons

All the persons beneficiaries of the revenues enumerated above are taxable to rental income tax (*natural and legal⁴ persons*).

(c) Residence Rule

The tax on the income derived from immovable located in Burkina Faso.

But if the income is earned by a resident, the revenue is liable to the tax even if the immovable is located out of Burkina Faso.

For residence rule please cf. CIT and IUTS.

⁴ To avoid double taxation, rents obtained by taxpayers assessable to IS (corporate income tax) are exempted from this tax. The exemption is dropped when the beneficiary is exempted from IS. Are also exempted from the tax the rental income of hotel accommodation and assimilated.

For other taxpayers submitted to BIC or BNC (natural persons commercial and non-commercial businesses income taxes), the rents from lands, houses and building registered in the assets of the balance sheet, or allocated to professional use, are assessable to BIC or BNC at their amount net of rental income tax (cf. rental income tax act, Title I-2-1).

(d) Deductions and Exemptions Allowed

For the taxable income determination, revenues earned by a landlord which total amount is not over than 20,000 FCFA is exempted from the tax.

Also, a rebate of 50% is applicable on the taxable amount.

(e) Rate of Tax

Gradual rate per tranche

| TRANCHE OF INCOME | RATE |
|---------------------|------|
| 0 to 100,000 FCFA | 18% |
| Beyond 100,000 FCFA | 25% |

D. OTHER INCOME TAXES

Stocks and Securities Income Tax (IRVM)

| TAXABLE PERSONS | TAXABLE INCOME | RATE OF THE TAX |
|---|---|---|
| Any natural or legal person receiving interests or dividends from legal persons submitted to CIT ⁵ | <ul style="list-style-type: none"> - Dividends - Securities income - Interests on loans of Public limited companies, private limited companies and other legal persons liable to CIT | <ul style="list-style-type: none"> - Common rate: 12.5% with a reduction of 50% for the dividends paid the first three accounting (or fiscal) years - 6% for the revenue of bonds issued in Burkina Faso. |

⁵ A natural person submitted to both this tax and BIC, will, for BIC purpose, only take into account the revenue of his stocks or loans net of the tax because this tax is retained by the legal person when paying the dividend or the interest. But a legal person submitted to both this tax and IS, will, for IS purpose, treat the tax paid as an advance of its corporate income tax (art. 60 of the Corporate Income Tax Act).

Receivables, Deposits and Guarantees Income Tax (IRC)

| TAXABLE PERSONS | TAXABLE INCOME | RATE OF THE TAX |
|---|--|---|
| Natural and legal persons beneficiaries of interests on loans, deposits and guarantees ⁶ | Interests and all other income from loans, deposits, cash surety-bonds, current accounts, savings bonds. | Common rate: 25%. 12.5% for accounts and deposits recorded in the books of credit and financial institutions |

Real Estate Capital Gain Tax (TPVI)

| TAXABLE PERSONS | TAXABLE INCOME | RATE OF THE TAX |
|--|--|-----------------|
| Natural and legal persons ⁷ | The capital gain obtained by making the difference between the sale price or compensation received for the expropriation on the one hand and the acquisition price or the market value of the estate when the estate is transferred as a gift on the other hand. | 10% |

Mining Permits Transactions Income Tax

| TAXABLE PERSONS | TAXABLE INCOME | RATE OF THE TAX |
|--|--|-----------------|
| Natural and legal persons ⁸ | - The capital gain obtained by making the difference between the sale price of the permit or the market value of the permit on the one hand and the acquisition price on the other hand; | 20% |

⁶ All taxpayers submitted both to businesses income tax (IS, BIC or BNC) may take into account, for their business income tax purpose, the revenue net of the IRC paid before, because the IRC is retained by the debtor when paying the interest.

⁷ The taxable persons already taxable to IS, BIC or BNC are exempted from this tax to avoid double taxation (art. 182-2° of the Tax Code).

⁸ The taxable persons already taxable to IS, BIC or BNC are exempted from this tax to avoid double taxation (art. 182-2° of the Tax Code).

| | | |
|--|--|--|
| | - For income from other forms of transactions on mining permits, the assessment basis consists in the price charged. | |
|--|--|--|

E. CROSS BORDER TRANSACTIONS

18. Permanent Establishment

Companies and other legal persons, whose registered office is outside of Burkina Faso, are subject to tax at their principal place of business in Burkina Faso, according to the results of operations they have performed.

Business carried by natural person resident outside Burkina Faso is also liable to income tax in Burkina Faso when the business is carried out in Burkina Faso.

Therefore, a foreign business (company or business carried out by a natural person) is liable to income tax in Burkina Faso if it has a permanent establishment in Burkina Faso.

Is considered as a permanent establishment, any fixed place of business where the company is wholly or partly carried on.

The fixed place of business means any premises, site, equipment or facility, established in a particular place, more or less permanently used for the exercise of business activities.

However, with regard to the construction site, there is a permanent establishment when it lasts more than six (06) months.

A company is deemed to have a permanent establishment in Burkina Faso where a natural or legal person has the power to act, as usual, on his behalf, by entering into contracts on its behalf, even when the company does not have a fixed place of business in Burkina Faso.

There are also permanent establishment if that person does not have that power and that it usually keeps in the country a stock of goods for delivery on behalf of the company.

Activities consisting of preparatory or auxiliary operations do not constitute permanent establishments in that these operations are not generating products and are not identical to the company's object.

However, when a fixed place of business conducts preparatory or auxiliary activities identical to the company's operations, they will be considered to be made by a permanent establishment.

A fixed place of business is considered a permanent establishment when used for the delivery of goods.

Is deemed to have a permanent establishment in Burkina Faso an insurance or reinsurance company when it collects premiums or insures risks situated in the country, through an employee or agent which acts in the ordinary course of business, provided that it has not broker status, commission agent or any other agent of independent status.

19. Branch Profit Tax

Branches are considered as permanent establishments in Burkina Faso for income tax purpose.

A branch of a natural person will be submitted to personal income tax (BIC) where a branch of a legal person will be submitted to CIT.

Management fees or head office fees recharged by a foreign parent company to its branch established in Burkina Faso is deductible within the limit of 10% of the taxable profit before taking into account these fees.

20. Double Tax Treaty (DTT)

To avoid double taxation on income, Burkina Faso has DTTs with France, Tunisia and West Africa Economic and Monetary Union (WAEMU). WAEMU comprises Benin, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo).

21. Transfer Pricing Regulation

(a) Principles of Transfer Pricing Control

Provisions have been inserted in the tax law to give power to tax authorities to control transfer pricing. Three provisions in the Corporate Income Tax Act (article 21, 22 and article 82) and another one in the Tax Procedures Book (article 4).

- i. Article 82 of the Corporate Income Tax Act: Principle of Transfer Pricing Control by Tax Authorities

This article provides that, for the assessment of the corporate income tax payable by companies in Burkina Faso which depend on companies outside of Burkina Faso (the head office is out of Burkina Faso) or by companies in Burkina Faso which have the control of companies outside of Burkina Faso (the head office is, in this case, in Burkina Faso), profits, indirectly transferred by any means, will be taken into the taxable profits.

The same treatment will be applicable for companies under the control of a company or a group which also have the control of companies outside of Burkina Faso. Especially constitute indirect transfers of profits:

- The increase of purchases costs (purchases overpriced);
- The decrease of sales value (sales under-priced);
- The payment of excessive royalties or the payment of royalties without consideration;
- Loans without interests or with high or low interests rate;
- Unjustified debts abandonments;
- Advantages out of proportion with the service provided.

The matter with this provision is how to prove some transactions are made at inappropriate prices.

To make things easy for the Tax officials, another article has been inserted in the Tax Procedures Book which transfers the charge to prove that transactions are made on market prices or at arm's length to the taxpayers.

- ii. Article 4 of Tax Procedures' Book: Obligation for the Taxpayer to Justify or to Produce Support for the Transactions made with Associated Companies

Indeed, when, during a tax field audit or tax investigation, the tax authorities have gathered evidences suggesting, a firm has made an indirect transfer of profits within the meaning of Article 82 of the Corporate Income Tax Act, they may request from the taxpayer information and documents specifying:

- The kind of relations existing between the associated

- companies;
- The methods used to determine their transactions prices;
- The businesses carried out by the companies;
- The fiscal regime of these transactions for the companies outside of Burkina Faso.

With the year 2015 finance act, it has been added in the article 53 and 54 of the Tax Procedures Book an extension of the duration of the possibility for the tax authorities to check transactions which incur transfer pricing.

Generally, the tax authorities have the possibility to go three years back to check that a taxpayer has been well assessed; From now on, for transfer pricing matters, they can go three and an half years back.

(b) Corporate Income Tax Act and Transfer Pricing Control

i. Limitation of the Deductibility of Management or Head Office Fees (Article 21 of CITA)

When a foreign company opens a subsidiary (a branch) in Burkina Faso, the management or head office fees charged by the head office to the subsidiary are deductible from the corporate income tax assessment basis under a limit. The deductible amount cannot exceed 10% of the taxable profit of the tax period.

ii. Limitation of the Deductibility of Payments to Foreign Suppliers Resident in Tax Havens or Non-cooperative Countries (Article 22 of CITA)

All transactions payable by resident taxpayers to businesses resident in a country with a privileged or non-cooperative tax regime will be deductible in the calculation of corporate income tax if the debtors (the resident taxpayers) give the proof that the transactions are not fictitious and do not appear abnormal or exaggerated. The taxpayer has to prove the transaction has been made at arm's length. In this case the question is how a country may be considered as a tax haven or non-cooperative. The article gives also the answer.

A country may be considered as a tax haven if the standard rate of

its income tax is lower by more than the half of the standard rate of income tax in Burkina Faso.

A country may be considered as uncooperative when it doesn't comply with international transparency and information exchange standards in tax matters between tax authorities. A list of so called countries shall be yearly published by the ministry of finances

iii. Limitation of the Deductibility of Interests (Article 28 of CITA)

The introduction of this article is to fight against transfer pricing manipulation by the mean of thin capitalization.

This certainly due to the fact that the tax authorities have noticed that some companies are heavily financed by debt instead by equity. In such situations, the proportion of the company capital is more of debt than equity.

The taxpayers generally make this choice (debt financing) because of interests on loan are deductible for corporate income tax calculation whereas dividends are not.

To combat or reduce transfer pricing manipulation through thin capitalization, the article 28 of the CITA provided that, when the beneficiary of the interests is, neither a partner, nor a credit institution, the interests are deductible within the limit of the legal interest rate.

For these above situations, the deductibility of the interests is both submitted to the two conditions:

- The registered capital of the company shall be fully paid up
- The debt generating the interests must not exceed twice the amount of the registered capital

F. INVESTMENTS GUARANTEES

22. General Guarantees

- (a) Natural or legal entities established in Burkina Faso can apply for any

- type of rights useful for their activities.
- (b) They cannot be subject to discrimination of any kind regarding legislation because of their nationality.
 - (c) They can be members of professional organizations to defend their rights like any Burkinabe employer or employee.
 - (d) Foreign companies will have the same protection given to Burkinabe companies in matters of trade and intellectual property.

23. Free Transferability of Capital, Revenue, and Profits

Foreign companies have the right to:

- (a) Import any funds acquired or borrowed abroad and needed for the course of their businesses;
- (b) Transfer abroad funds intended to repay debts contracted abroad in capital and interest, pay foreign suppliers for goods and services needed for their businesses;
Transfer abroad dividends and capital yields invested as well as yield from liquidation or realization of their assets;
- (c) Access freely currencies at the market rate and freely convert national currency into any other currencies.

They may be authorized by the Minister of Finances to open with an intermediate bank agreed locally or abroad a foreign exchange account for their mines. Operation of foreign account shall be subject to regular in force.

They may also, on request, obtain with the Central Bank of West African States (BCEAO) on the one hand, the opening of a domicile account to collect the revenue generated by their businesses and on the other hand, the opening of an account for external payments for the various payments of financial commitments abroad.

The expatriate workers have also the right to transfer their salaries, including social security contributions and pension fund to their home country, after paying the local taxes and contributions available, in the currency of their choice.

24. Stability Agreement

Companies under investments acts (common investment act, mining act or SCADD act) are protected generally by the law or a deed between them and the government by which they are not submitted to changes introduces in the future by the government.

G. OTHER DIRECT TAXES

Business Licence Tax

| TAXABLE PERSONS | TAXABLE ASSESSMENT BASIS | RATE OF THE TAX |
|---|--|---|
| Natural and legal persons carrying out independent businesses i.e. employees are not concerned with the tax | The tax comprises two fees: - a fixed fee calculated on the basis of turnover of the year preceding its calculation - an ad valorem fee calculated on the basis of the rental value of the business assets | - The fixed fee is set on a table in accordance with the turnover and the kind of activity carried on. - The ad valorem fee is obtained by applying the rate of 8% on the rental value of the business assets. |

Employers and Apprenticeship Tax

| TAXABLE PERSONS | TAXABLE ASSESSMENT BASIS | RATE OF THE TAX |
|--|---|-----------------|
| Natural or legal persons employing workers | Salaries, wages and non cash benefits except non cash benefits incurred by the Government and its dismemberments. | 3% |

Mortmain Property Tax

| TAXABLE PERSONS | TAXABLE ASSESSMENT BASIS | RATE OF THE TAX |
|---|--|---|
| Public limited companies, private limited companies & other legal persons | Rental value of the real estate property | 10% for buildings in solid materials 2,5% for buildings in non-solid materials |

H. INDIRECT TAXES

| TAXABLE PERSONS | TAXABLE TRANSACTIONS | RATE OF THE TAX |
|---|---|---|
| Value Added Tax | | |
| Natural or legal persons carrying out independently businesses which turnover is equal or superior to 50,000,000 FCFA | <ul style="list-style-type: none"> - importations - sales - constructions work - services - Self delivery of goods or services | 18% |
| Tourism Development Tax | | |
| <ul style="list-style-type: none"> - Hotels - Airline companies | Businesses carried out by hotels and airline companies | <ul style="list-style-type: none"> - 2000 FCFA per ticket for domestic flights. - 3000 FCFA per ticket for international flights. - 1000 FCFA per person per day for guests of three stars or over three stars hotels or assimilated. - 700 FCFA per person per day for guests of two stars hotels or assimilated. - 500 FCFA per person per day for guests of one star hotels or assimilated. |
| Tax on Beverages | | |
| - Local producers of beverages | <ul style="list-style-type: none"> Importation of beverages Local sales of beverages by the producer | <ul style="list-style-type: none"> - Alcoholic beverages other than beer: 30% - Beer : 25% - Non-alcoholic beverages: 10% |

| | | |
|---|--|---|
| - Importers of beverages or their customs agents | Exemptions: - wines for mass - alcoholic medical products - local fruit or vegetables juices - beverages locally manufactured for exportation only | For beverages locally produced, the tax basis is the turnover, VAT excluded. For imported beverages the tax basis is the custom value of the goods. |
| Tax on Tobacco Cigarillos and Cigarettes | | |
| Local tobacco manufacturers, or importers of tobacco, cigarillos and cigarettes | Local production and importation of tobacco, cigarillos and cigarettes | - low end products: 17% - upscale products: 30% - other products : 25% For local products, the tax basis is the turnover, VAT excluded. For imported products the tax basis is the custom value of the goods. |
| Tax on Telecom Operators | | |
| Telecoms operators established in Burkina Faso | Turnover all taxes excluded | 5% of the turnover all taxes excluded |
| Tax on Coffee and Tea | | |
| Importers of coffee and tea | Importation of coffee or tea | 10% on the custom value of the imported goods |
| Tax on Cola | | |
| Importers of cola | Importation of cola | 10% on the custom value of the imported goods |
| Grazing Tax | | |
| Owners of sheep and goats in transit in Burkina Faso, or their customs agents. | Cattle sheep and goats in transit in Burkina Faso | - For cattle: 2,500FCFA per animal - For sheep and goats: 150 FCFA per animal |

| TAXABLE PERSONS | TAXABLE TRANSACTIONS | RATE OF THE TAX |
|--|---|--|
| Tax on Licence for Pubs and Bars | | |
| Natural or legal person owners of licence to open public spaces for sales and consumption of beverages, restaurants included. | Sales for consumption on public spaces of beverages | The amount payable is between 12,000 FCFA and 150,000 depending on the geographic location of the bar, pub or restaurant. |
| Tax on Games of Chance | | |
| Natural or legal person owners of firms where people can go for games of chance | Games of chances except those developed by the national company of lottery (LONAB) | The rate is 5% applicable on the turnover or on the gross revenue of the games proposed to the public |
| Specific Tax on Perfumery and Cosmetic Products | | |
| <ul style="list-style-type: none"> -Local producers of perfumeries and cosmetics -Importers of perfumeries and cosmetics or their customs agents | Importation of perfumeries and cosmetics Local sales of perfumeries and cosmetics by the producer ⁹ Exemptions: <ul style="list-style-type: none"> - perfumeries and cosmetics locally manufactured for exportation only | <ul style="list-style-type: none"> - For goods locally manufactured, 10% on the turnover VAT excluded. -For imported goods, 10% on the custom value of the imported goods. |

⁹ Retailers or dealers of local beverages are submitted to a tax different from this tax as shown below.

I. STAMP DUTIES

25. Registration Fees

(a) Fixed Fees

| DEED | FEES |
|--|-------|
| Proprietorship certificate | 4,000 |
| Assignment, subrogation, retrocession of lease of any kind of assets | 4,000 |
| Full acceptance of succession, legacy or community | 4,000 |
| Outright renunciation of succession, leg or community | 4,000 |
| Inventories of furniture, movables and securities | 4,000 |
| Inventory closing | 4,000 |
| Deeds of bailiff and assimilated persons | 4,000 |
| Prized for furniture | 4,000 |
| Wills and other donations | 4,000 |
| Assignments of property and business property | 4,000 |
| Deeds exempted from stamp duties | 4,000 |
| Adjudication for false bidding | 4,000 |
| Marriage contract dealing with the regime adopted by the bride and the groom | 4,000 |
| Onerous deed of sale or transfer of aircraft, ship or boat | 4,000 |
| Property disposals made by leasing companies | 4,000 |
| Contract by which a mining permit holder assigns partially or totally his rights and obligations | 4,000 |

(b) Ad Valorem Fees

| DEED | FEES |
|---|------|
| Professional leases | 5% |
| Residential leases | 3% |
| Lease of movables for unlimited time | 7% |
| Lease for life and unlimited lease of real estate | 15% |
| Assignment of lease right or a promise of lease benefit | 15% |
| Marriage contract | 0.5% |
| Real estate exchange | 5% |

| | |
|--|------|
| Assignment of business property | 10% |
| Shares and portion of undivided property acquired by bidding | 7% |
| Public Procurements or Public contracts | 3% |
| Sharing of movables and immovable property between co-owners | 0.5% |
| Sharing back of movables | 7% |
| Constitution of pension, onerous pension and divestiture transport | 1% |
| Sales of other deeds of property or usufruct of immovable property | 8% |
| Sales of other deeds of property or usufruct of movable property | 7% |

(c) Progressive Fees

| RELATIONSHIP DEGREE | RATE APPLICABLE TO PORTION OF NET SHARE BETWEEN: | | | | |
|--|--|------------------------|-------------------------|--------------------------|-------------------|
| | 1 to 2,000,000 | 2,000,001 to 5,000,000 | 5,000,001 to 10,000,000 | 10,000,001 to 50,000,000 | Beyond 50,000,000 |
| Direct relatives and between spouses | 0% | 0% | 1% | 2% | 5% |
| Between brothers and sisters and 3 rd degree relatives | 0% | 7% | 10% | 15% | 20% |
| Between 3 rd degree relatives and non-relatives persons | 10% | 15% | 20% | 30% | 40% |

26. Tax on Insurances

(a) Insured Persons

| TAXABLE TRANSACTIONS | RATE OF THE TAX | TIME LIMIT FOR FILING TAX RETURN |
|---|--|--|
| Any insurance contract and life annuity | 8% for transport insurance 20% for fire insurance 0,25% exportation credit insurance | Tax collected during a month is payable within the 20 days of the following month. |

| | | |
|--|---|--|
| | <p>12% various risk insurance and liability of public transport of persons and goods, taxis included</p> <p>10% for civil motorcars liability insurance</p> | |
|--|---|--|

J. OVERALL TAXATION

We have already said Burkina Faso income tax system is a not a unitary tax system. But it is a self-assessment tax system. This therefore means for each income, a specific income tax and for a taxpayer earning different incomes, many tax returns to fill and many checks to lead by tax authorities.

Some businesses carried out by generally natural persons and scarcely by legal persons are difficult to control by tax authorities regarding various reasons: lack of books, low instruction level of their leaders, low level of the businesses for which holding books attracts more costs than advantages, etc.

To make things easier for both taxpayers and tax office, tax authorities sometimes opt for a very simple system of taxation called overall taxation system for such small businesses and firms. In such a system, the taxpayer is submitted to a single tax with generally no self-assessment tax.

Each year, generally at the beginning of the year, the tax officers by a notice, inform the taxpayer of the amount of tax he is submitted for the current year: that is, micro firms' contribution.

Some taxpayers are submitted to an overall tax based on their livestock: that is livestock sector 'contribution.

And at least, we have beverage sector' contribution which is a tax levied on sales of beverages sellers who are out of the scope of businesses income profit tax, and beverage tax we dealt with above.

In Burkina Faso tax system, these taxes are considered as indirect taxes which payment includes the income tax, VAT, business license tax, and tax on license for bars, pubs and restaurants, employers and apprenticeship tax.

Contribution of Micro-businesses

| TAXABLE PERSONS | TAXABLE TRANSACTIONS | RATE OF THE TAX AND ASSESSMENT BASIS |
|---|--|---|
| Natural persons with a turnover less than 15,000,000 FCFA | <ul style="list-style-type: none"> - Taxpayers submitted to beverage sector contribution. - Taxpayers submitted to livestock sector contribution | The rate varies from 2,000 to 200,000 FCFA per month depending on the level of the activities and the geographic situation of the firm. |

Contribution of Livestock Sector

| TAXABLE PERSONS | TAXABLE TRANSACTIONS | RATE OF THE TAX AND ASSESSMENT BASIS |
|---|---|--|
| Merchants of livestock, poultry and raw skins | Merchants of livestock, poultry and raw skins whose products are intended for domestic consumption and are subject to the contribution of the informal sector | <p>Cattle: 3,000 francs CFA per animal</p> <p>Sheep and goat: 250 CFA francs per animal</p> <p>Poultry: 50 CFA francs per bird</p> <p>Raw skins: 100 CFA francs per kilogram</p> |

Contribution of Beverages Sector

| TAXABLE PERSONS | TAXABLE TRANSACTIONS | RATE OF THE TAX AND ASSESSMENT BASIS |
|--|---|---|
| Natural or legal person retailers or dealers of local beverages. | Manufacturers for the sales of their products to wholesalers and half-wholesalers | The rate is 5% of the gross amount of the purchases made with the local beverages producers |

K. ADMINISTRATIVE MATTERS

27. Furnishing of Tax Returns, Offences and Penalties

| IS (CIT) | BIC | BNC | IUTS | IRF |
|--|---|--|--|--|
| Time Limit for Filing Returns | | | | |
| Within the first four months following the year of assessment. 31st of May for insurance companies | Within the first four months following the year of assessment. | Within the first two months following the year of assessment | For an assessable month, within the first 10 days of the following month. But when the tax amount is less than 2 500FCFA, within the first 10 days of the following quarter of the year | For an assessable month or quarter of the year, the tax is payable within the 10 days of the beginning of the next month or quarter of the year. |
| Failure to Keep Books of Accounts | | | | |
| First offence: 1,000,000 FCFA Over first time: 2,000,000 FCFA | First offence: 1,000,000 FCFA Over first time: 2,000,000 FCFA | First offence: 1,000,000 FCFA Over first time: 2,000,000 FCFA | Non applicable | Non applicable |
| Failure to Furnish a Return | | | | |
| Obligatory assessment and increase of the tax payable at the rate of 25% to 50% with a minimum of 100,000 FCFA | Obligatory assessment and increase of the tax payable at the rate of 25% to 50% with a minimum of 100,000FCFA | Obligatory assessment and increase of the tax payable at the rate of 25% to 50% with a minimum of 100,000 FCFA | Obligatory assessment and increase of the tax payable at the rate of 25% to 50% | 50% of the duties payable |

| IS (CIT) | BIC | BNC | IUTS | IRF |
|---|---|---|-----------------------------------|---|
| Later Furnishing of Return | | | | |
| 200,000 FCFA, Increase of 10% or 25% with a minimum of 50,000 | 200,000 FCFA, Increase of 10% or 25% with a minimum of 50,000 | 200,000 FCFA, Increase of 10% or 25% with a minimum of 50,000 | 25% of the duties payable | 25% of the duties payable |
| Later Payment of The Tax | | | | |
| Increase of 10% plus 1% per month or per part of month | Increase of 10% plus 1% per month or per part of month | Increase of 10% plus 1% per month or per part of month | 25% to 100% of the duties payable | Increase of 10% plus 1% per month or per part of month |
| Decrease of the Assessable Income | | | | |
| Increase of the tax payable at the rate of 25% to 200% with a minimum of 100,000 FCFA | Increase of the tax payable at the rate of 25% to 100% with a minimum of 100,000 FCFA | Increase of the tax payable at the rate of 25% to 200% with a minimum of 100,000 FCFA | 100% of the duties evaded | 50% of the duties evaded |
| Failure to WHT | | | | |
| Non applicable | Non applicable | Non applicable | 100% of the duties evaded | Non deductibility of the rental expenses from the assessable income |

| WHT on Local Sales of Goods | WHT on Local Services Providers | WHT on Foreign Services Providers |
|--|---|---|
| Time Limit for Filing Returns | | |
| For an assessable month, the tax is payable within the 20 days of the beginning of the next month. | For an assessable month, the tax is payable within the 20 days of the beginning of the next month. | For an assessable month, the tax is payable within the 20 days of the beginning of the next month. |
| Failure to Furnish a Return | | |
| Obligatory assessment and increase of the tax payable at the rate of 50% plus 5% per month or per part of a month with a minimum of 500,000 FCFA | Obligatory assessment and increase of the tax withheld at the rate of 200% | Obligatory assessment and increase of the tax withheld at the rate of 200% |
| Later Furnishing of Return | | |
| Increase of the tax payable at the rate of 25% plus 5% per month or part of a month with a minimum of 250,000 FCFA | Increase of the tax payable at the rate of 15% per month or per part of a month | Increase of the tax payable at the rate of 15% per month or per part of a month |
| Later Payment of the Tax | | |
| Increase of 10% plus 5% per month or per part of month | Increase of the tax payable at the rate of 15% per month or per part of a month | Increase of the tax payable at the rate of 15% per month or per part of a month |
| Decrease of the Tax Assessment Basis | | |
| Personal liability to pay the tax due but not withheld with a penalty of 100% | Personal liability to pay the tax due but not withheld Deductibility of the WHT not allowed for income tax calculation | Personal liability to pay the tax due but not withheld Deductibility of the WHT paid not allowed for income tax calculation Penalty of 200% |

| Failure to WHT | | |
|---|--|---|
| Personal liability to pay the tax due but not withheld with a penalty of 100% | Personal liability to pay the tax due but not withheld Deductibility of the WHT paid not allowed for income tax calculation | Personal liability to pay the tax due but not withheld Deductibility of the WHT paid and the amount of the service (on which the WHT has been forgotten) not allowed for income tax calculation Penalty of 200% |

Disclaimer

The content of this publication is strictly for reference purpose and does not constitute legal or professional advice and should not be relied upon as such. Where legal advice is needed, the services of a solicitor should be sought and obtained.

Although reasonable care has been taken in compiling the Tax and Investment Facts, we do not accept responsibility for any errors or inaccuracies contained in the document. This Tax and Investment Facts booklet is also available electronically. If you would like an electronic copy, please visit our website at www.wts.com

WTS – Strong presence in more than 100 countries

Albania • Algeria • Angola • Argentina • Australia • Austria • Azerbaijan • Bahrain • Belarus • Belgium • Bolivia • Bosnia-Herzegovina • Brazil • Bulgaria • Cambodia • Canada • Chile • China • Columbia • Costa Rica • Côte d'Ivoire • Croatia • Cyprus • Czech Republic • Denmark • Ecuador • Egypt • El Salvador • Estonia • Finland • France • Germany • Ghana • Greece • Guatemala • Honduras • Hong Kong • Hungary • Iceland • India • Indonesia • Iran • Ireland • Israel • Italy • Japan • Jordan • Kazakhstan • Kenya • Korea • Kuwait • Kyrgyzstan • Laos • Latvia • Lebanon • Liberia • Libya • Lithuania • Luxembourg • Malaysia • Malta • Mauritius • Mexico • Mongolia • Montenegro • Morocco • Mozambique • Myanmar • Netherlands • New Zealand • Nicaragua • Nigeria • Norway • Oman • Pakistan • Panama • Peru • Philippines • Poland • Portugal • Qatar • Romania • Russia • Saudi Arabia • Serbia • Singapore • Slovakia • Slovenia • South Africa • Spain • Sri Lanka • Sweden • Switzerland • Taiwan • Thailand • Tunisia • Turkey • Turkmenistan • USA • Ukraine • United Arab Emirates • United Kingdom • Uruguay • Uzbekistan • Venezuela • Vietnam

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact WTS to discuss these matters in the context of your particular circumstances. WTS, its partners, directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decisions based on it.



Elites MCI SARL

01 BP 5911 Ouaga 01

Mob +226 70 21 48 26

Office: +226 25 36 28 49

Email: zmarie.herman@elitesmci.com