

Doing business in Côte d'Ivoire

2012 Africa Oil and Gas Tax Workshop: Sub-Saharan Africa

Paris, France

23–24 February 2012

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Côte d'Ivoire is located in west Africa



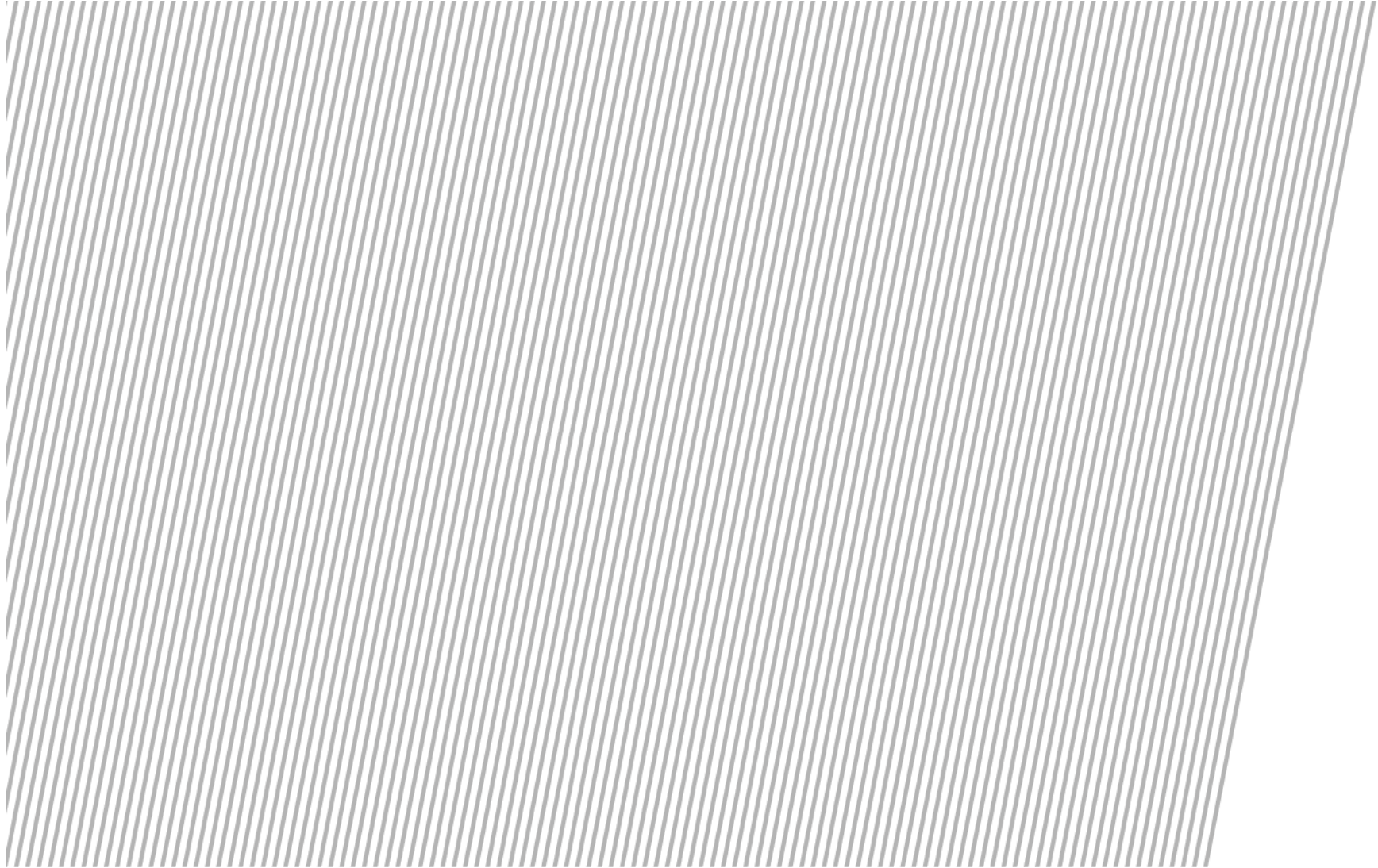
Côte d'Ivoire upstream

- ▶ Oil resources were discovered in the 1970s, but the sector has grown rapidly since the mid-1990s and is becoming strategic for the country's economy.
- ▶ Some figures:
 - ▶ Oil proven reserves: 250 million barrels (January 2010)
 - ▶ Oil production: 60,000 to 100,000 barrels per day

Côte d'Ivoire upstream

- ▶ First oil producer in the West African Monetary Union (WAMU) zone
- ▶ Ranked 55th on the world producers list
- ▶ Focus is on refining rather than producing
- ▶ Last production sharing contract (PSC) signed on 19 December 2012

Recent and expected legislative changes



Recent and expected legislative changes

► Goals of changes:

- An improved system of information available to the Ivorian tax administration on incomes, physical and financial flows in the oil and gas sector
- Optimization of the oil tax system yield
- An increased rate of the Côte d'Ivoire shares in PSC (from 10% to 30%)
- More experienced stakeholders (majors) in the Ivorian basin
- Ivorian tax services that are more specialized in the oil and gas sector (sub-direction of oil services has been created)
- Arrangements relating to admission to simplified regime
- Fixing of amounts and conditions of rights relating to certain operations in oil contracts
- Introduction of penalties for failure to submit declarations of division in PSCs' production and sales of petroleum products (extended in 2011 to Petroci, Ivorian National Oil Company [NOC])
- Tariff applicable to all contracts signed with the State (financial law 2012) as per article 67 of the General Tax Code (GTC)
- 45-day delay to Petroci to reverse state portion of revenue to the tax authorities (formerly a 90-day delay)

Recent and expected legislative changes

- ▶ Arrangements relating to admission to simplified tax regime (STR):
 - ▶ Receipt from trade register sufficient evidence to be admitted to STR (activities performed for less than six months in Ivory Coast)
 - ▶ Tax registration and deregistration to be performed by a local representative of the subcontractor
 - ▶ Compliance obligations fall under PSC holders (returns and payment)

Recent and expected legislative changes

Main points of the reform

- ▶ Reform based on an increased role of the State in the sector and a rationalization of the oil incomes:
 - ▶ Increase of the oil production by the development of the oil fields and effective realization of the working programs
 - ▶ Preference for the majors to guarantee the implementation of average manpower
 - ▶ Investment plan in the downstream

Recent and expected legislative changes

Main points of the reform

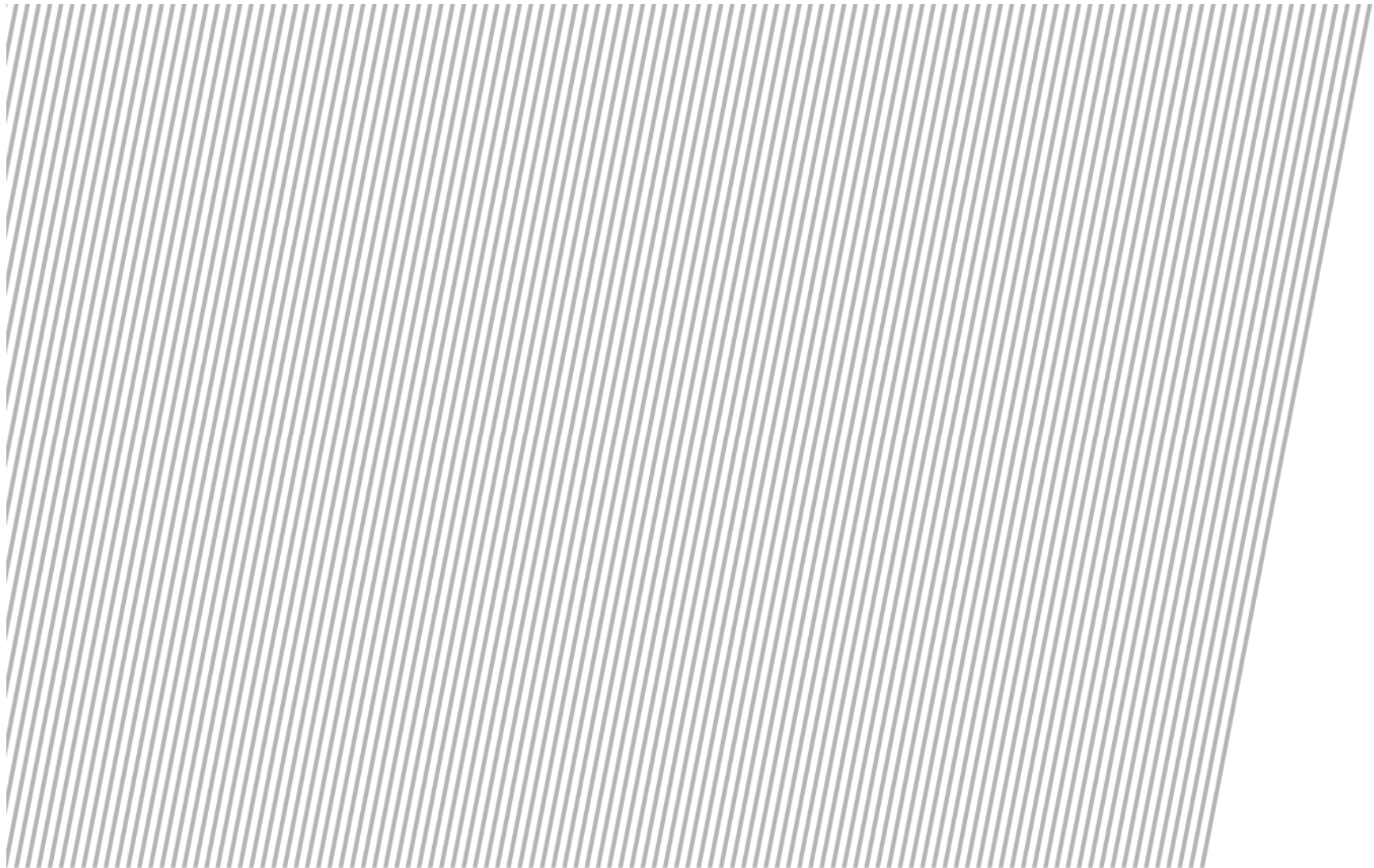
- ▶ Key events in 2011:
 - ▶ 9-10 June 2011: Discussions related to a strategic document took place during the seminar on mines and energy in Yamoussoukro
 - ▶ 20 December 2011: The Minister of Mines and Energy submitted a 20-year strategic development plan to the Ivorian Prime Minister (not yet published)
 - ▶ Two documents were drafted for each sector (mines, hydrocarbons and energy)
 - ▶ Document 1 includes a diagnostic analysis of strengths, weaknesses and competitiveness, as well as a development plan
 - ▶ Document 2 outlines awaited investments through card projects

Recent and expected legislative changes

Main points of the reform

- ▶ 47 projects identified in the hydrocarbon sector for a global provisional cost of USD14billions
- ▶ Contribution of the private sector estimated at USD13,7billions which would constitute 98.3% of the planned investments

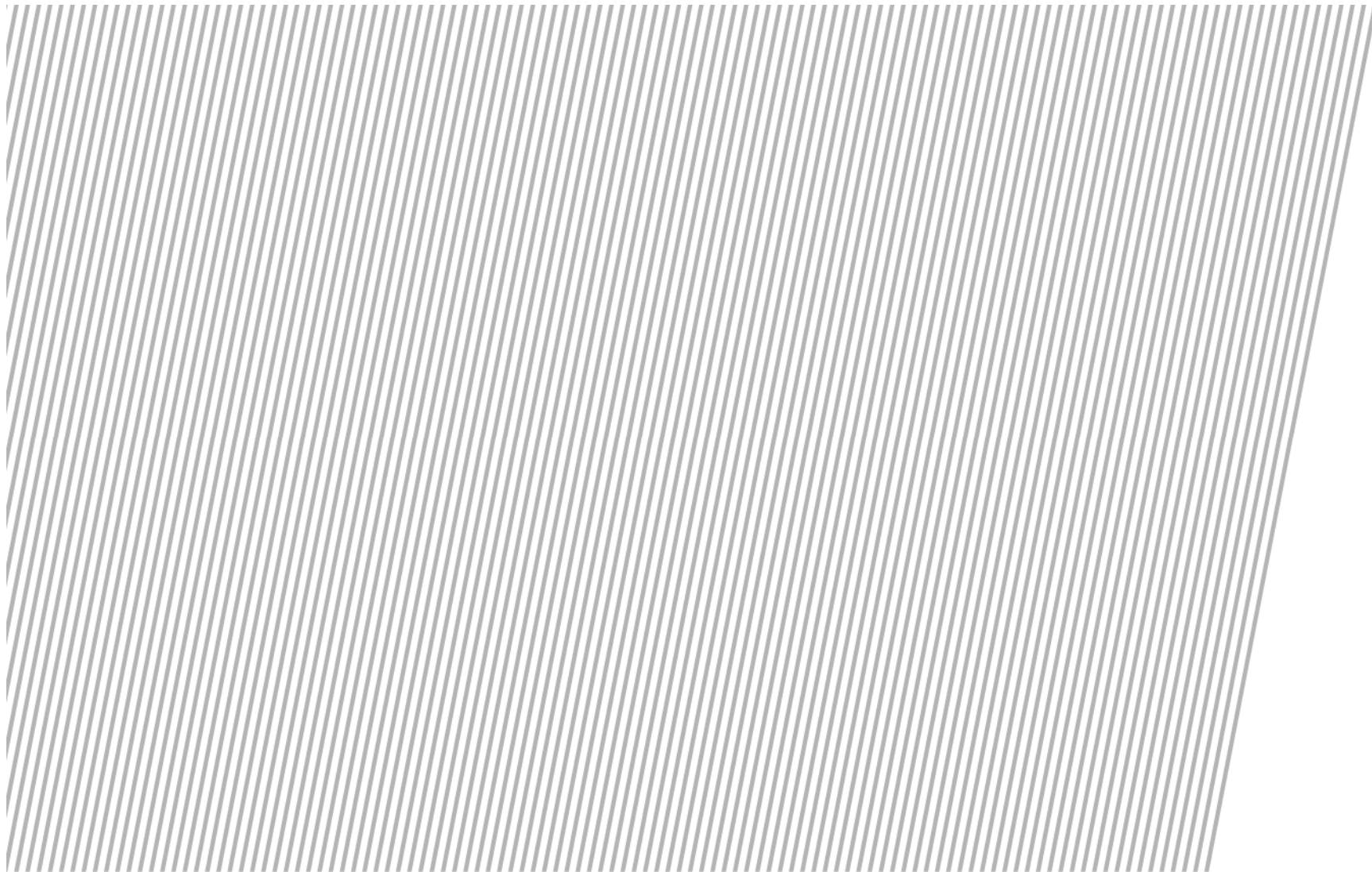
Accounting issues



Accounting issues

- ▶ Subcontractors
 - ▶ Subcontractors face no liability under the STR but must submit returns for corporate income tax (CIT), distribution tax and tax on insurance on a quarterly basis
 - ▶ Monthly submission of salary and payroll tax returns
 - ▶ Contractors
- ▶ Bookkeeping, payroll – SYSCOHADA GAAP
 - ▶ Prepare and maintain in Côte d'Ivoire full and accurate records of all oil operations under the contract
 - ▶ Separate accounting of all oil operations

Taxation



Taxation

Tax planning structure

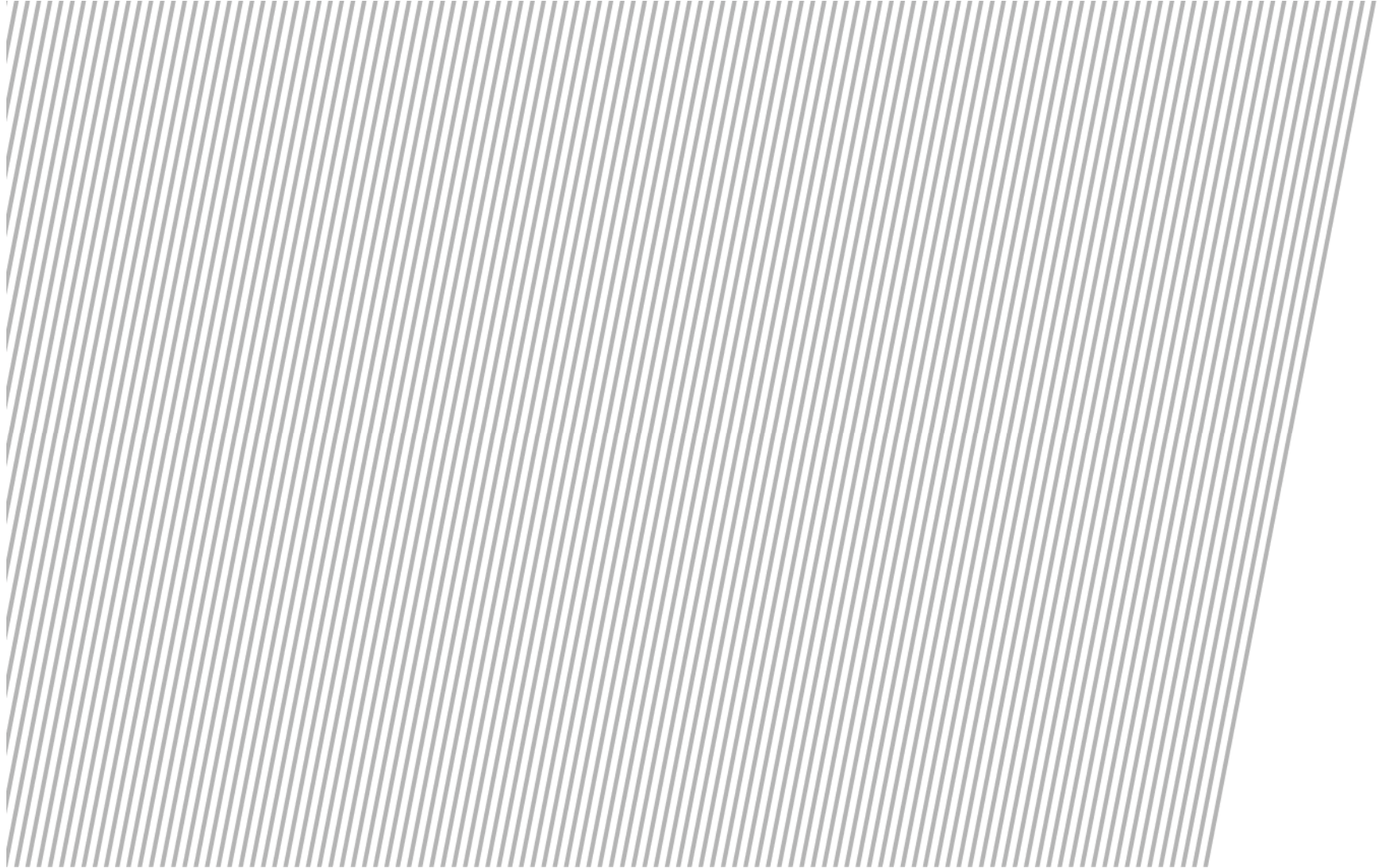
- ▶ Three different tax regimes apply to oil services providers in Côte d'Ivoire:
 - ▶ STR for PSP providing services through a branch in Côte d'Ivoire. An application must be filed in order to benefit from the STR.
 - ▶ Common tax regime applicable to residents who do not qualify for the simplified tax regime and who perform operations through a permanent establishment in Côte d'Ivoire
 - ▶ Withholding tax regime applicable to PSP with no permanent establishment in Côte d'Ivoire

Taxation

Tax administration issues

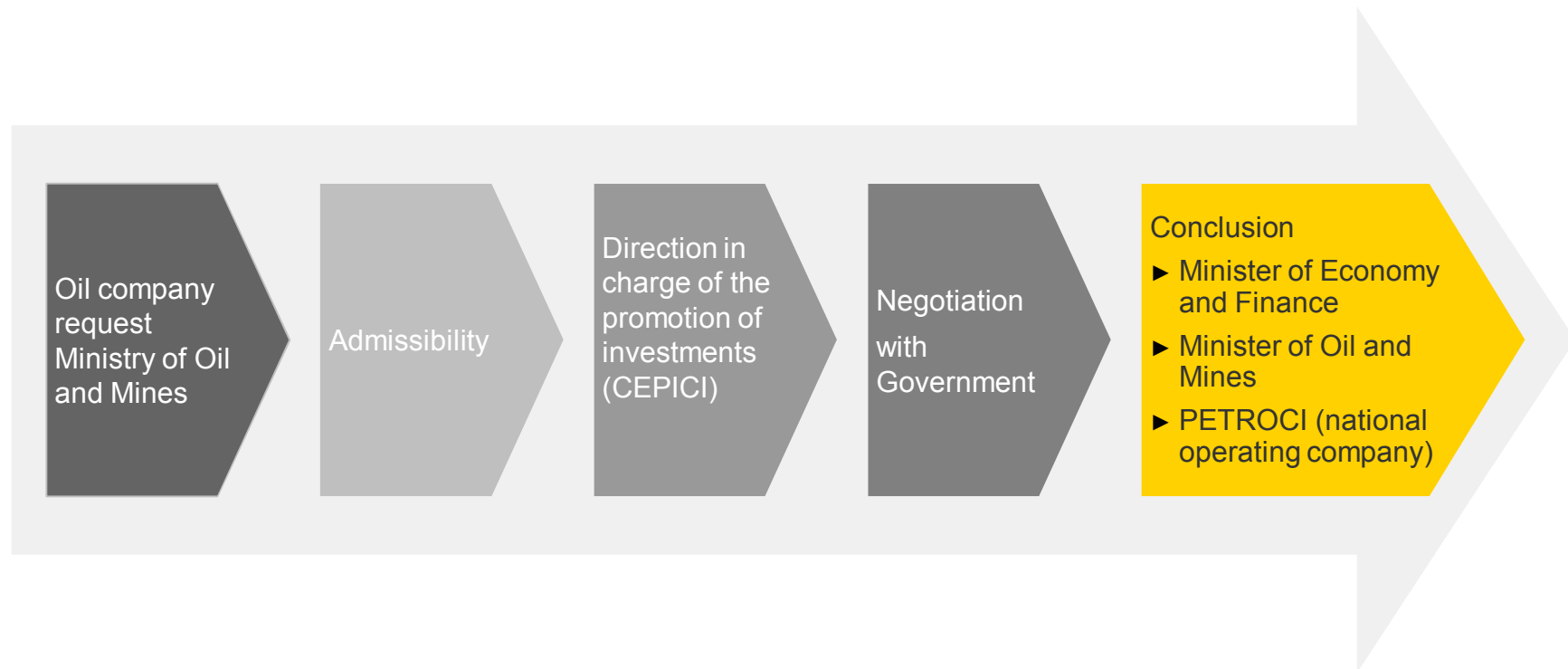
- ▶ Tax authorities are entitled to perform the following procedures:
 - ▶ Audit without prior notification
 - ▶ Request for obtaining clarifications and/or supporting documents
 - ▶ Temporary suspension of tax examination from January 2011 to December 2011
 - ▶ Resumption of tax examination from 13 January 2012
 - ▶ Statute of limitation for a tax audit is three years

Contractor regime specifics



Contractor regime specifics

PSC negotiations



Contractor regime specifics

Framework

- ▶ Provisions:
 - ▶ PSC
 - ▶ Ivorian general tax code (GTC)
 - ▶ Ivorian oil code
- ▶ Provisions of the GTC apply to the contractor except where otherwise stated by the PSC

Contractor regime specifics

Summary of tax obligations

Taxes	Due	Comments
CIT	Yes	Except in certain PSCs
Withholding tax (WHT)	Yes	Position of tax administration subject to changes
WHT on leases	Yes	
Land tax	No	Except on private properties
Taxes on wages	Yes	Only employees' part
National contribution employees	Yes	
Superficiary taxes (taxes levied on the surface granted to the contractor to explore)	Yes	Exemption in some PSCs

Contractor regime specifics

Full tax exemption principle

- ▶ Full exemption of all taxes
- ▶ Exception: corporate income tax (common rate 25%) on the net profits from the oil operations:
 - ▶ Full exemption of corporate income tax in some PSCs
 - ▶ However, income tax return liability

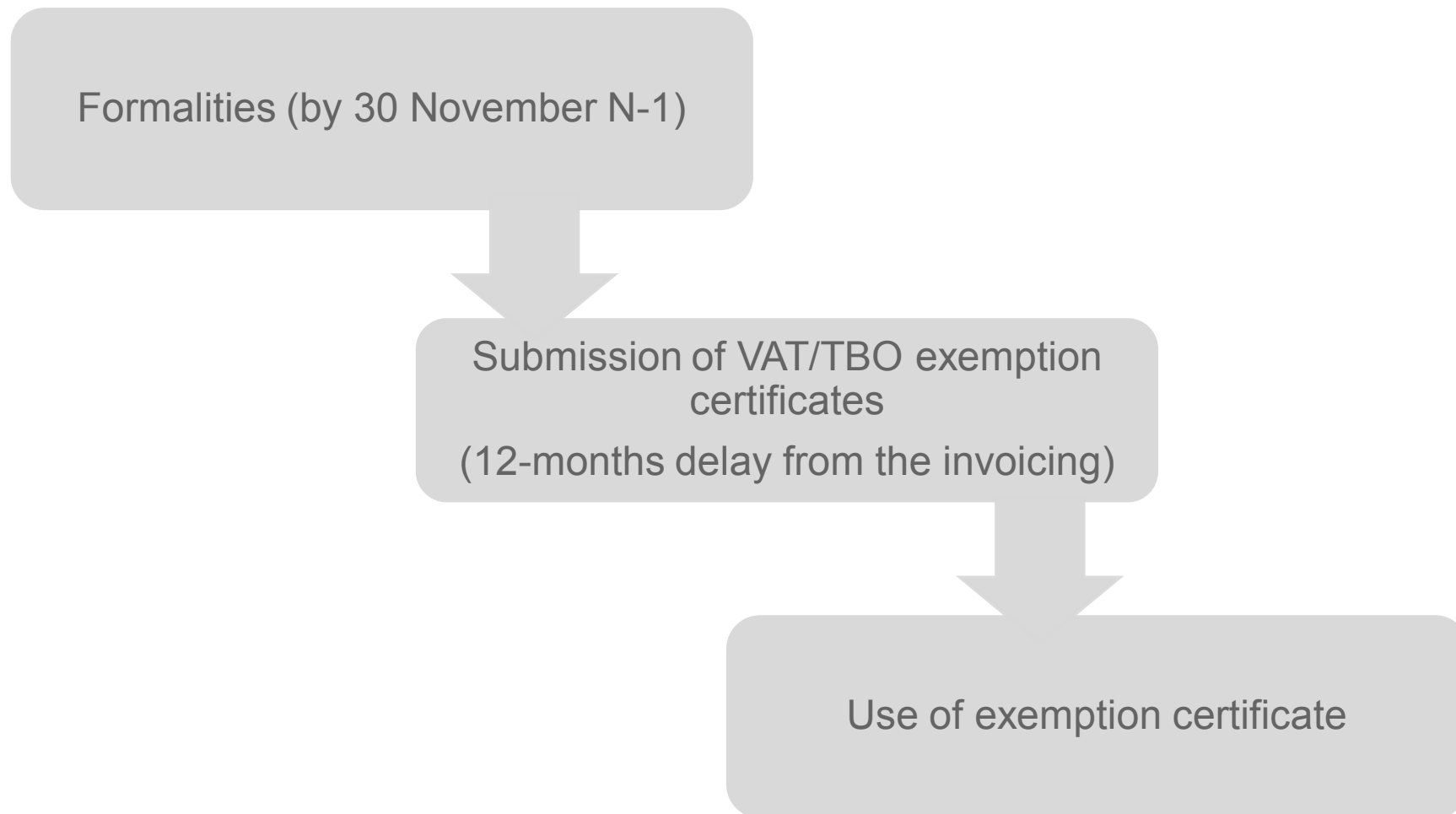
Contractor regime specifics

Tax exposure

- ▶ CIT:
 - ▶ Deductible costs/recoverable costs
 - ▶ Capital gains
- ▶ WHT:
 - ▶ On amounts paid to foreign service providers
 - ▶ Rates (common rate – 20%, with tax treaty – 10%)
 - ▶ Full exemption under some new PSCs
- ▶ Business license tax:
 - ▶ Exemption under the PSC
- ▶ Value added tax (VAT):
 - ▶ Exemption for the supply of goods and services in direct link with the oil operations
 - ▶ Subject to VAT exemption certificates procedure

Contractor regime specifics

VAT (exoneration certificates procedure)

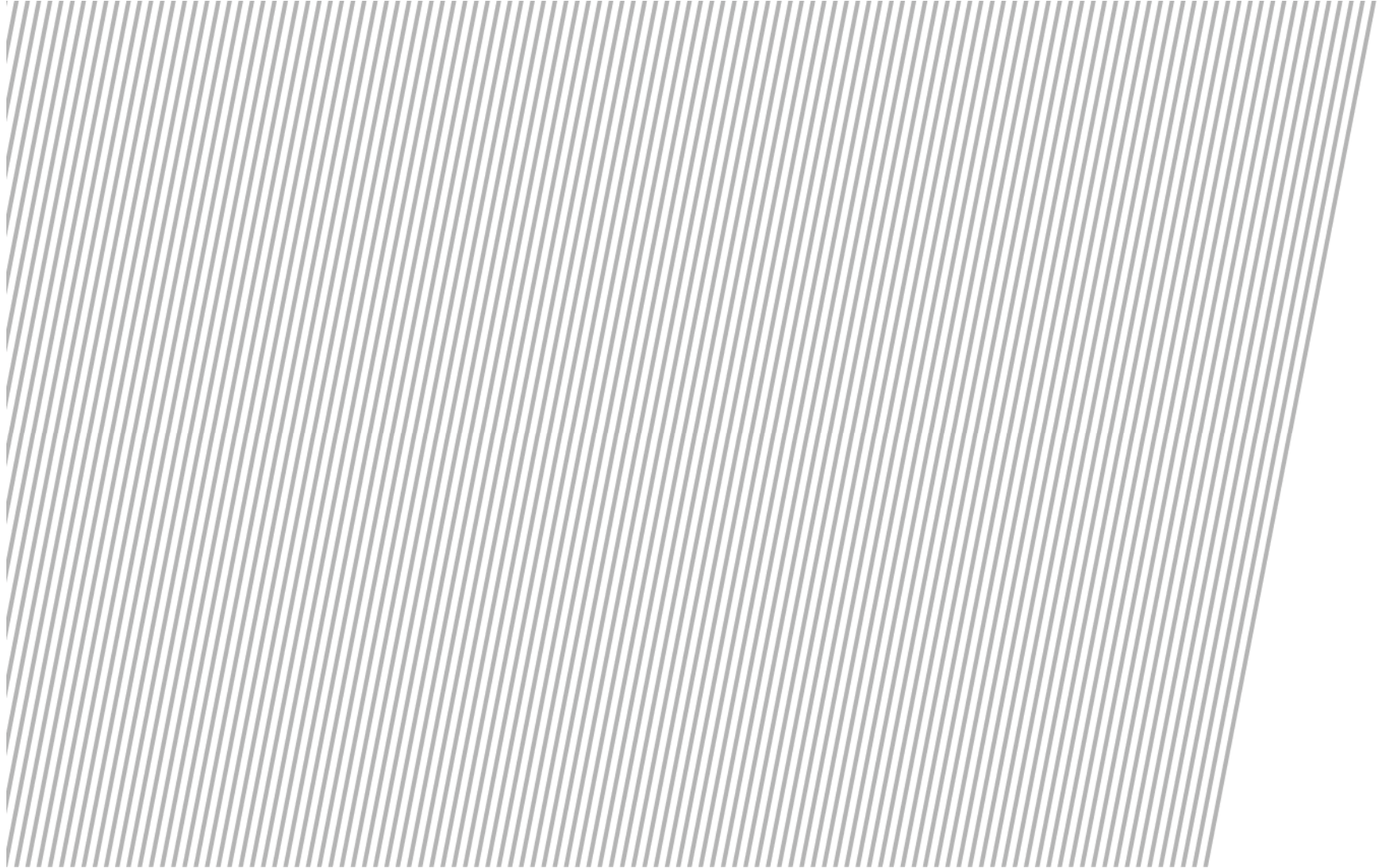


Contractor regime specifics

Additional taxes and contributions

- ▶ Bonuses:
 - ▶ Signature bonus (within 30 days of PSC signature)
 - ▶ Production bonus: fixed amount in million USD due when a certain level of crude oil is produced
- ▶ Royalties
- ▶ Taxes:
 - ▶ Apprenticeship tax (0.4%)
 - ▶ Additional tax for training (1.2%)
- ▶ Social security contributions:
 - ▶ Family allowance (5.75% of salary up to XOF70,000)
 - ▶ Work-related accident (2% to 5% of salary up to XOF70,000)
 - ▶ Retirement (4.8% of salary up to XOF1,647,315)

Subcontractor regime specifics



Subcontractor regime specifics

- ▶ Subcontracting contract:
 - ▶ Contract by which a subcontractor commits to perform for a party to the contract, all or part of the oil operations subject to the relevant PSC, with a workforce subcontractor hires.

Subcontractor regime specifics

STR conditions

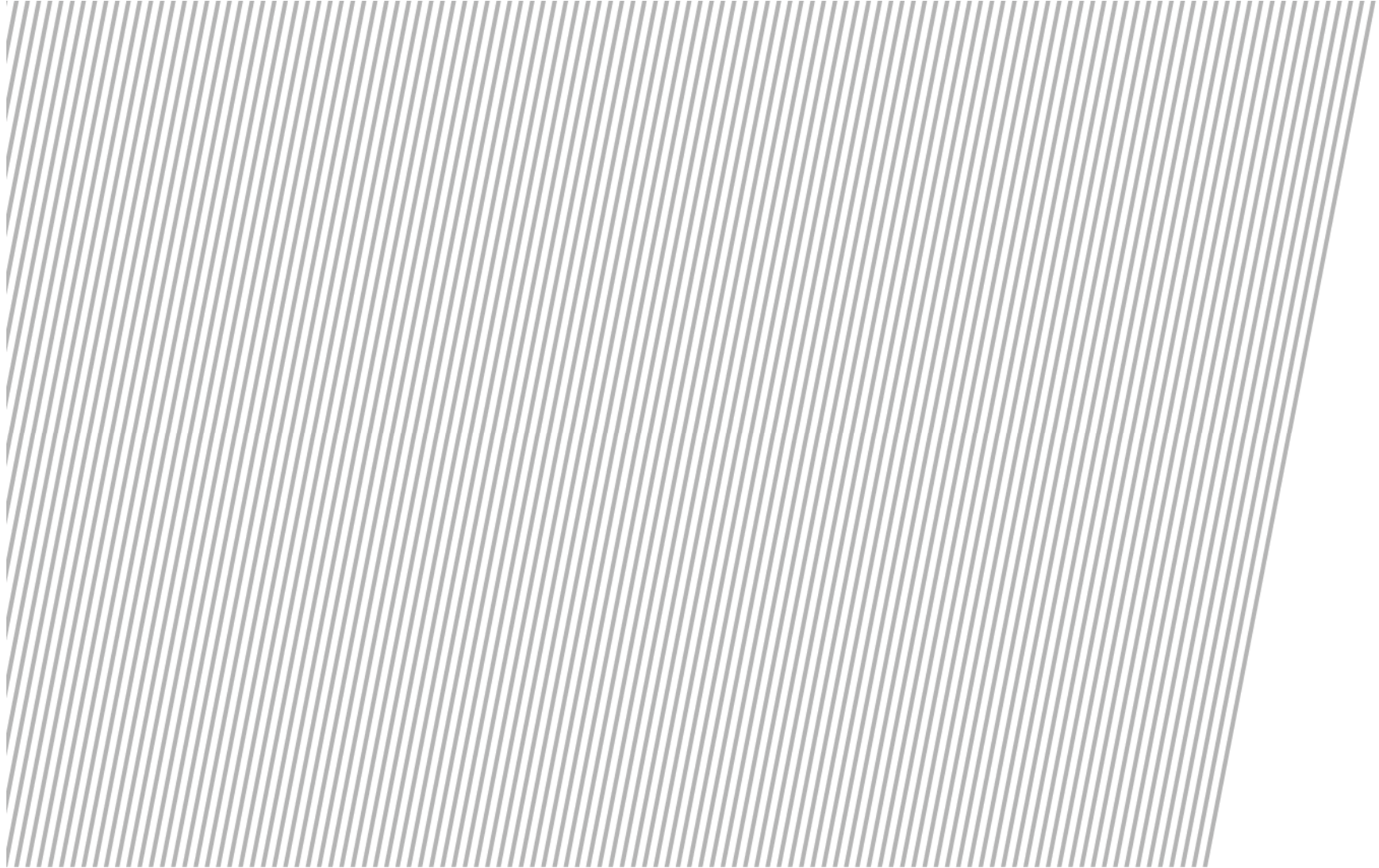
- ▶ Conditions required to benefit from the STR:
 - ▶ Be a foreign company registered as a branch in Côte d'Ivoire
 - ▶ Enter into a service contract with an oil company or its subcontractors
 - ▶ Use equipment requiring significant investment to award the services contract
- ▶ STR covers CIT, distribution tax, tax on insurance premiums and taxes on wages
- ▶ Taxes are calculated on the basis of the turnover realized by the subcontractor in Côte d'Ivoire
- ▶ STR is optional and definitive

Subcontractor regime specifics

Tax rates under STR

Taxes	Tax base	Rate	Effective rate (on gross turnover)
CIT	10% of turnover	25%	2.5%
Distribution tax	5% of turnover	12%	0.6%
Payroll tax:			
▶ Expatriate employees	8% of turnover	12%	0.96%
▶ Local employees	2% of turnover	2.8%	0.056%
Income tax on salaries:			
▶ Tax on salary and wages	8% of turnover	1.5%	0.12%
▶ General income tax	8% of turnover	10%	0.8%
▶ Expatriate employees	2% of turnover	1%	0.2%
▶ Local employees	8% of turnover	2.5%	0.02%
Tax on insurance premiums	100% of turnover	0.1%	0.1%
Total			5.356%

HR issues



HR issues

Recent changes

- ▶ Social reform
(January 2012)

HR issues

Local staff

Allowance	Rate	Taxpayer
Family allowance	5.75% with a XOF70,000 ceiling basis	Company
Work-related accident	Between 2% and 5% with XOF70,000 ceiling basis	Company
Retirement pension	Global rate for 2012: ▶ 12% with XOF1,647,315 ceiling basis (6.6% for company and 5.4% for salaried) Global rate from January 2013: ▶ 14% with XOF1,647,315 ceiling basis (7.7% for company and 6.3% for salaried)	Salaried + company

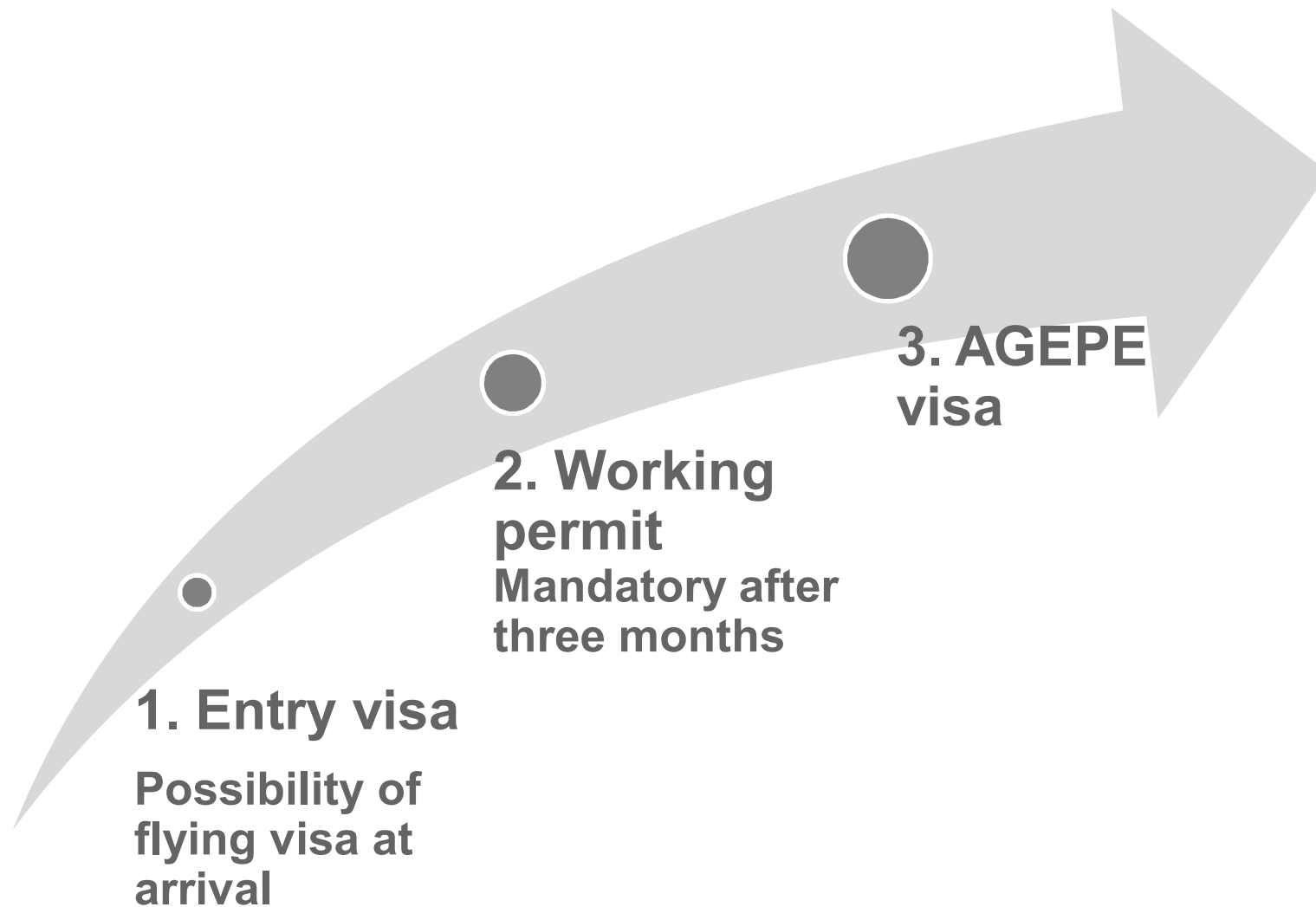
HR issues

Local staff

- ▶ Taxes payable (as compensation) for services rendered by Ivorian administrations (Article 17.8, PSC)
 - ▶ Apprenticeship tax (0.4%)
 - ▶ Additional tax for training (1.2%)
 - ▶ Family allowance (5.75% with a maximum basis of XOF70,000)
 - ▶ Workman's compensation (2% to 5% with a ceiling basis amount of XOF70,000)
 - ▶ Retirement (4.8% with a ceiling basis amount of XOF1,647,315)
 - ▶ Until 31 March, to Social Security Administration
 - ▶ Individual annual declaration of wages for the period of 1 January to 31 December of the previous year
 - ▶ Health expenses: included in the basis of article 17.8 PSC as per note of the head of Social Administration

HR issues

Expatriate staff



HR issues

Entry visa (required documents)

- ▶ Copy of the employee passport
- ▶ Mission order with accommodation details
- ▶ Letter of the local employer explaining the link with the foreign company
- ▶ Objective reasons for the demand (example: no Côte d'Ivoire embassy in the foreign country)

HR issues

Secondment

- ▶ Principle: application of Ivorian social rules
Detached expatriate (seconded)
- ▶ Exception: social security France-Côte d'Ivoire
Social contributions are due in Côte d'Ivoire only after two years (to be proven to social authorities)
- ▶ Extension of this treaty to nationals others than French

HR issues

Entry visa (tariff)

- ▶ XOF100,000 due, payable in two parts:
 - ▶ The first payment of XOF80,000 is due before the employee arrives
 - ▶ The second payment of XOF20,000 is due from the employee at the Department of Territory Survey
- ▶ Delivery of the original visa in the passport after this payment

HR issues

AGEPE visa

- ▶ National Agency for Employment Promotion (AGEPE) visa (Ministry memorandum of 14 June 2004)
 - ▶ Principle: expatriates are obligated to work under a local working contract (AGEPE model)
 - ▶ Exemption for general managers and deputies (AGEPE visa without payment)
 - ▶ Rights to be paid at renewal (Administration decision No. 6421 of June 2004) 15

HR issues

Holidays allocation

- ▶ Payment of the holiday allocations in case holidays splitting:
 - ▶ Principle: according to Articles 25.5 to 25.11 of the Ivorian labor code and 71 of the Ivorian collective convention employee's annual leave may be divided, with the employee's agreement, for periods of at least 14 days
 - ▶ Holidays allocation is due for the period of holidays

HR issues

Taxation of rotator's revenues

- ▶ Employer located in Côte d'Ivoire:

Tax treaty	
Up to 6 months	More than 6 months
No taxation	Taxation

- ▶ Activity performed in Côte d'Ivoire:

No tax treaty
Immediate taxation

HR issues

Manpower contract vs temporary work

- ▶ Only the non-remunerated Manpower contract is allowed in Côte d'Ivoire
- ▶ Remunerated Manpower contract (outside temporary work) is prohibited (same regime in Gabon)
- ▶ Article 11.5 of regulation related to temporary work in Ivory Coast

HR issues

- ▶ HR managers should manage following issues:
 - ▶ Working permit (prior to entry Côte d'Ivoire, for three months)
 - ▶ AGEPE Visa (in practice after three months)
 - ▶ The Government is responsible for obtaining (Article 30.3 PSC)
 - ▶ Payment of salary (local currency)
 - ▶ Employment of national workers in a certain percentage (often minimum of 75% of total effective) article 30.1 PSC
 - ▶ Obligation of training for nationals (i.e., people of Petroci and Hydrocarbons Direction)

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EYG no: DW0150

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