Senegal

Dakar	+221 338 49 65 05	Thiaba Camara Sy	tcamarasy@deloitte.sn
	+221 338 49 65 05	Daouda Niang	dniang@deloitte.sn
	+221 338 49 65 05	Pape Massaer Cissé	MasCisse@deloitte.sn
	+33 1 40 88 28 12	Bruno Messerschmitt*	bmesserschmitt@deloitte.fr

* Head of Tax – French Africa Cluster

Senegal

Note
Senegal's current Tax Code was published on 1 January 2013.

Income Tax
Residents

Residents are subject to tax on worldwide income.

Income Tax Rates for Resident Individuals		
Taxable Income as exceeds	But does not exceed	Rate
XOF	XOF	%
0	630 000	0%
630 000	1 500 000	20%
1 500 000	4 000 000	30%
4 000 00	8 000 000	35%
8 000 000	13 500 000	37%
13 500 000 +		40%

Notes:
1. Basis – A resident is taxed on worldwide income, while a non-resident is taxed on Senegal-source income only.
2. Residence – An individual is considered resident in Senegal for tax purposes if his/her permanent place of dwelling, centre of interests, or centre of business, is located in Senegal, or if he/she stays in Senegal for more than 183 days in any 365-day period.

3. Rates – The annual tax liability is computed by applying the progressive income tax rates on the aggregation of net taxable income from various categories of income. A 30% lump sum deduction is available when determining the taxable base for employment income tax purposes. The deduction is capped at XOF900 000. Tax deduction applies on the total amount of tax due as follows:

Number of shares	Rate (%)	Minimum (XOF)	Maximum (XOF)
1.0	0%	0	0
1.5	10%	100 000	300 000
2.0	15%	200 000	650 000
2.5	20%	300 000	1 100 000
3.0	25%	400 000	1 650 000
3.5	30%	500 000	2 030 000
4.0	35%	600 000	2 490 000
4.5	40%	700 000	2 755 000
5.0	45%	800 000	3 180 000

4. The overall individual income tax burden may not exceed 40% of the taxable income.
5. Taxable income – Taxable income is defined as income from all sources (i.e. wages and salaries; proceeds from agricultural, commercial or non-commercial activities; income from real estate property etc.). Taxpayers with income other than salaries are required to declare the total amount of their incomes once a year.
6. Deductions and allowances – Different abatements and allowable deductions apply to each category of income.
7. Filing status – Joint-filing is not permitted. Spouses are required to file separate tax returns.
8. Relief from double taxation is available through tax treaties (DTAs) to which Senegal is signatory.

Non-Residents

A non-resident is taxed on Senegal-source income only. Non-residents become liable to tax from the day they begin carrying on a trade, business, profession, or vocation, in Senegal. DTAs have been concluded with a number of countries and double taxation relief applies to such income.

Employment Income

*Benefits in Kind**

Benefits in kind are taxable according to the following scales published by the tax administration:

* CFA Franc (XOF).

- Accommodation (per month):

Per room in Dakar area	33 500
Other major city	20 000
Rest of the country	13 500

- Domestic servants (per month):

Watchman, gardener	61 700
Cooker	92 500
Others	35 600

- Water: 10 500 per month.
- Electricity: 30 200 per month.
- Food: real value.
- Company car: 26 000 or 77 500, depending on horsepower.
- Telephone: 67 000 per month.
- Others benefits in kind are taken into account at their real value.

Pay-As-You-Earn (PAYE)

Since Senegal uses a PAYE system, whereby Personal Income Tax (PIT) is withheld by the employer on the wages of their employees, it is the employer's liability to file monthly PIT returns and to pay the corresponding tax.

Companies

Income Tax Rates for Companies	
Rate of Tax	
Standard corporate rate	30%

Notes:

1. Residence – An entity is generally deemed to be a resident of Senegal if its registered office, Permanent Establishment (PE) or centre of activity is located in Senegal.
2. Basis – A resident corporation is subject to tax on its worldwide income, while a non-resident is taxed on Senegal-source income only.
3. Rates – The standard corporate tax rate is 30%, with a 15% rate applying to companies with "Free Exporting Enterprise" status.
4. Chargeable income – Corporate income tax (CIT) is imposed on net profits. Taxable profits are determined after deduction of allowable expenses and charges.
5. Losses – Tax losses may be carried forward for three years. The carryback of losses is not permitted.
6. Dividends – Dividends received from a company, other than a subsidiary, are taxed as income after a 60% tax abatement on the gross amount of the dividends.
7. Foreign tax credit – Senegal tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.
8. Participation exemption – An amount equal to 5% of dividends received by a resident parent company from its subsidiary, is included in the taxable base (considered expenses incurred), unless the actual expenses incurred by the parent company are less than 5% of dividends received. In that case, only the actual amount is included in the taxable base.
9. Holding company regime – A holding company may, in some conditions, benefit from an exemption for dividends received.
10. Controlled foreign companies (CFCs) – There are no specific CFC rules, but measures exist to prevent international tax evasion.
11. Senegal also has an Alternative Minimum Tax (ATM). The annual minimum tax is levied at a fixed rate of 0.5% on the annual turnover (excluding taxes) realised during the previous tax year. The minimum tax amount ranges between XOF500 000 and XOF20 million. This applies to all companies, resident and non-resident.

Withholding Taxes (WHTs)

The WHTs are set out below. For non-residents the WHT is a final tax:

WHT Rates			
	Note	Residents	Non-Residents
Dividends	1	10%	10%
Interest	2	16%	16%
Royalties	3	20%	20%
Technical service fees	4	20%	20%
Other (Value Added Tax (VAT))	5	18%	18%

Notes:

1. Dividends – Dividends paid to a non-resident company are subject to a 10% WHT, unless the rate is reduced under a DTA.
2. Interest – Interest paid to a company, or individual, is subject to a 16% WHT, unless the rate is reduced under a DTA. The rate is 8% for interest on a bank or stockbroker account, and 20% on interest on cash vouchers.
3. Royalties – Royalties paid to a foreign entity are subject to a 20% WHT, unless the rate is reduced under a DTA.
4. Technical service fees – Technical service fees paid to a foreign entity are subject to a 20% WHT, unless the rate is reduced under DTA.
5. Other – In certain cases, VAT (at 18%) can be applied on branch remittances.

Maximum WHT Rates once a DTA is applied

WHT on payments to countries with which Senegal has a DTA are as follows:

Type of Income	France	Canada	Belgium	Italy	Norway	Morocco	Tunisia	Mauritania	UEMOA	China/Taiwan	Egypt	Indonesia	Kuwait	Libya	Mauritius	Qatar	India
Dividends	15%	16%	15%	15%	16%	10%	10%	10%/16%	10%	10%	10% (Senegal) 15% (Egypt)	10%	0%	10%	0%	0%	10%
Interest	15%	16%	15%	15%	16%	10%	16%	16%	15%	15%	15%	15%	0%	10%	0%	0%	10%
Royalties	15%	15%	10%	15%	16%	10%	0%	20%	15%	12.5%	15%	15%	20%	10%	0%	0%	10%
Technical service fees	0%	15%	10%	15%	16%	10%	0%	20%	15%	12.5%	15%	15%	20%	10%	0%	0%	10%

Capital Gains Tax (CGT)

Companies

Capital gains are treated as operating profits and included in the CIT base.

Individuals

Capital gains are taxable either at source by a notary in the case of a real estate transaction, or based on the taxpayer's declaration.

Anti-avoidance

Transfer Pricing

In terms of Senegal's Tax Code, a regulation regarding transfer pricing applies whereby tax authorities are entitled to reintegrate to the taxable profits of Senegal resident companies, or branches of foreign companies, the profits indirectly transferred to non-resident related companies. Two companies are considered related if: (i) one of them has a direct or indirect minimum holding of 50% in the capital of the other, or exercises de facto control over the other company; or (ii) a third party has a direct or indirect minimum holding of 50% in the capital of both companies, or exercises de facto control over both companies. However, the related company requirement does not apply where the transaction involves companies incorporated in a low tax jurisdiction or in non-cooperative states or territories.

The documentation requirements apply to Senegal resident companies that fulfil one of the following criteria: (i) an annual turnover (excluding taxes) equal to or exceeding XOF5 billion; (ii) direct or indirect holding of more than 50% of the capital or voting rights of a company that meets the first criterion; or (iii) companies in which more than 50% of the capital is owned, directly or indirectly, by a legal entity that meets the first criterion.

The documentation requirements consist of two main categories of information: (i) general information on related companies; and (ii) specific information on the audited company itself.

Specific payments to non-resident persons will not be allowed as deductible expenses for income tax purposes, when the recipient is subject to a privileged tax regime, or based in a non-cooperative country.

Thin Capitalisation

While Senegal does not have specific thin capitalisation rules, limits are imposed on interest paid to partners on funds provided by them to a company. The maximum interest rate is the lending rate of West African States Bank (BCEAO), plus 3 points at the time the interest payment is due. Further, the loan may not exceed the amount of the share capital and the capital must be paid in full.

Value Added Tax (VAT)

VAT	
Standard rate	18%

Notes:
1. All economic activities are within the scope of VAT, including activities of independent professionals. The main exemptions relate to healthcare, education, banking, insurance and reinsurance, farming and transportation. Banking transactions are subject to the tax on financial transactions (*Taxe sur les operations fiancières*). The standard single rate in Senegal is 18%. Banking transactions are subject to a 17% tax.
2. All corporate businesses are required to register. Non-resident VAT payers are required to appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of other VAT related obligations.
3. VAT returns and payments are due on the 15th of the month following the date of the relevant transactions.

Special Contribution on Mining Products and Concrete Production

Introduced by the Finance Act, 2014, this special contribution is payable upon the sale or delivery of locally produced items. For imported items, it is payable upon their use date in Senegal. The tax base is the total price before VAT. The general rate is set at 3%. For gold, rates are 4% for 2014, 3% for 2015, and 2% for 2016.

Tax on Telecom Sector

Introduced by the Finance Act, 2014, the tax is applicable on the before-tax net revenue of the telecom service provider, at the rate of 1%.

Customs and Excise Duties

Senegal customs operates under the authority of the Ministry of Finance. Payment of taxes and duties are performed through a customs and excise bond. The customs and excise bond is handled by the Treasury.

Import Duties

- In January 2000, Senegal put into effect a new tariff scheme that conforms to the common external tariff (CET) scheme agreed on by member nations of the West African Economic and Monetary Union (WAEMU). Under this tariff structure, Senegal has four simple tariff rate categories: (i) 0% on cultural and scientific goods, agricultural inputs, and capital goods and computer equipment not available from local production; (ii) 5% on raw materials, crude oil, and cereals for industry; 10% on semi-finished products, intermediate goods, (iii) diesel and fuel oil; and (iv) 20% on consumer goods, capital goods and computer equipment available from local production and vehicles. There also exists an array of other import tariffs with a maximum combined rate of 52%. VAT at 18% applies to all imports.
- In 1982, Senegal abolished its import licensing system, opening the market to all countries on an equal basis. Previously, only products from the Franc Zone and the European Union (EU) could be imported without a licence. Certain import restrictions exist on agricultural and industrial products that support the Senegalese economy.

Miscellaneous Taxes

Stamp Duty

Stamp tax is levied on cash transactions based on the amount of the transaction.

Capital Duty

The initial capital duty is 1% of capital if the amount of capital is higher than XOF100 million, and XOF25 000 in all other cases. The tax on a capital increase is 1% of the amount of the increase, with 3% surtax in the case of contributions of real property.

Real Property Tax

Tax is charged at 5% of the value of real property other than factories and industrial premises, and 7.5% of the value of factories and industrial premises.

Transfer Tax

The tax rate depends on the nature of the transfer. For example, the rate on transfers of real property and goodwill is 10%, and the rate on transfers of shares is 1%.

Inheritance/Estate Tax

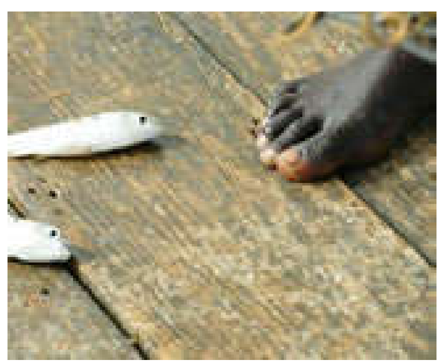
Deeds of pure and simple acceptance of succession or legacy, are imposed on the fixed amount of XOF25 000. Inheritance tax is imposed at a 3%, or 10% rate, depending on the degree of relationship.

Real Estate Tax

Property tax is due at a 5%, or 7.5% rate.

Net Wealth/Net Worth Tax

None.



Payroll Tax

The payroll tax is 3% of taxable gross salary.

Other Taxes

- A business licence tax is comprised of a fixed annual payment and a proportional duty, with the amounts and rates fixed according to the nature and size of the business activity.
- Specific taxes are levied on the sale of petroleum products, alcohol and tobacco as follow:

Nature of Tax	Rates
Cosmetic products (including perfumes) and tourism vehicles with an engine capacity equal to or higher than 13 horsepower	10%
Tea and coffee	5%
Low-price cigarettes	40%
Tax on petroleum products	XOF21 665 per hectolitre for super fuel; XOF19 847 per hectolitre for ordinary fuel; XOF3 856 per hectolitre for fuel used on canoes; and XOF10 395 per hectolitre for gas oil

Social Security

Social security is supported by the employer, with an annual ceiling for contributions of XOF756 000. The rate for family benefits is 7% and that for industrial accidents ranges from 1% to 5%, depending on the line of business. National retirement fund contributions are paid by both the employer (60%) and the employee (40%). The rate of contributions for the general scheme is 14%, with an annual ceiling of XOF3.072 million. The contribution rate for the executives' scheme is 6%, with an annual ceiling of XOF9.216 million. Executive personnel must contribute to both schemes.

Tax Administration

Corporations

- Tax year – The tax year is the calendar year that ends on 31 December.
- Consolidated returns – Consolidation is necessary when a company established in Senegal controls other companies or exerts a notable influence on such companies.
- Filing requirements – A tax return must be filed by 30 April of the following year.
- Penalties – Penalties apply for late filing, late payment, failure to file, and filing an incorrect return. The amount of the penalty depends on the nature of the tax and/or violation.

Individuals

- Tax year – Calendar year that ends on 31 December.
- Filing and payment – A taxpayer whose only source of income is salary, with tax withheld and paid by the employer, is exempt from the obligation to file a tax return. All other tax residents must file their own returns. Returns must be filed by 31 January or before 1 May of the following year, depending on the type of income. Payment of tax must be made upon receipt of a tax notice.
- Penalties – Penalties apply for late filing, late payment, failure to file and filing incorrect returns, with the amount depending on the nature of the tax and/or violation.

General Investment Information

Investment Incentives

General Incentives

- Incentives are granted under several laws, including the Tax Code, the Investment Code, Mining Code, Petroleum Code, Environment Code, Free Zone Law, Free Exporting Companies Law, etc. Investments valued higher than XOF250 billion are entitled to particular advantages negotiated directly between the investor and the ministry in charge, subject to non-objection from the Prime Minister.

The Tax Code

- Tax deductions from the taxable profits are granted to enterprises which invest more than XOF100 million in the creation or the extension of a business in specific sectors. The deduction rates are as follows: 40% of the investment's value for the creation of a new business; and 30% of the investment's value for the extension of an existing business.
- The deduction is capped at 50% of the taxable profits for enterprises created in Dakar and at 70% for enterprises created in other regions.
- A 50% tax deduction from the taxable profits is granted to enterprises which export more than 80% of their production or services. Mining and oil companies are excluded from this measure.

Tax Incentives

- Tax incentives are automatically granted to investment projects meeting fulfilling criteria defined by the law.
- The Investment Code also provides exemptions from income tax, other taxes, and duties, which are to be phased out progressively over the next few years.
- Other tax incentives include: the right to remit income and capital, and the opportunity to participate in government contracts.

Other Incentives

- Stock exchange – The *Bourse Regionale des Valeurs Mobilieres* (BRVM) was opened in September 1998, to serve as a regional financial market for the member states of the West African Economic and Monetary Union (UMOEA), which includes Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. By the end of the 1990s, the BRVM had 35 listed companies. Listing requirements include: a share capital of XOF200 million – XOF500 million; 15% – 20% public ownership; five annual reports; and a balance sheet. The BRVM has computerised trading with satellite links.
- Openness to foreign investment – The Government welcomes foreign investment. There is no discrimination against businesses conducted or owned by foreign investors. In fact, there are no barriers regarding 100% ownership of businesses by foreign investors in most sectors.
- Senegal encourages investment from abroad, especially from developed countries. The main investment incentives are provided by the Investment Code. The following sectors may benefit from the Investment Code:
  - Agriculture, livestock, fisheries, and activities related to manufacturing, storage, and packaging of vegetables, aquatic or animal products.
  - Manufacturing production or transformation activities.
  - Mineral substance extraction or processing activities.
  - Tourism and related activities.
  - Cultural activities.
  - Services provided in the field of health, education, tele-service, air and maritime transport, port, airport and railway infrastructure works.
  - Realisation of commercial centre, industrial park, touristic zone, cyber village and artisan centres.

To be eligible to the Investment Code, the investor should project either to invest an amount up to at least XOF100 million for extension of business, or to create a new activity. Specific conditions of eligibility exist for small and medium-sized companies. A formal application must be submitted near to the National Agency of Investment (APIX). The approval is issued within 10 days. During the investment period, a qualifying enterprise enjoys, amongst others, exemption from import duties and suspension of import VAT.

New companies may benefit from exemption from the payroll costs, deduction by the company of 40% of the amount invested, assuming that this deduction is limited to 50% of the taxable profits of the year.

Any company operating in the agriculture, industrial or on-line services field, may benefit from the Free Export Company (FEC) regime, provided it exports at least 80% of its turnover out of the UEMOA Zone. The privileges granted under the FEC regime remain valid for a period of 25 years.

FECs may benefit exemption from WHT payable upon distribution of dividends, exemption from payroll taxes payable by employer, exemption from all registration taxes, exemption from business tax, land tax on development or underdeveloped property and licence tax, corporate tax reduced to 15% preferential rate.

- Private ownership rights – In addition to the traditional guarantees offered to investors (e.g. free transfer of capital and income and equal treatment (foreign and domestic private entities are permitted to establish and own business and to engage in most forms of remunerative activity)), other advantages granted cover both a firm's investment and operation.
- Protection of property rights – The Senegalese legal system enforces private property rights. Senegal is a member of the African Organisation of Intellectual Property (OAPI), a grouping of 13 Francophone African countries, which has established among its member states, a common system for obtaining and maintaining protection for patents, trade marks and industrial designs. Senegal has been a member of the World Intellectual Property Organisation since its inception and is a member of the Bern Copyright Convention. Local statutes recognise reciprocal protection for authors or artists who are nationals of countries adhering to the 1991 Paris Convention on Intellectual Property Rights.
- Transparency of regulatory system – The Government of Senegal favours the principles of free competition. Senegal is reforming and developing its regulatory framework as a part of its effort to attract private sector investment.
- Relations between employees and employers are governed by the Labour Code, collective bargaining agreements, company regulations and individual employment contracts. There are two powerful industry associations that represent management's interests: the National Council of Employers (CNP), and the National Employers' Association (CNES). The principal labour unions are the National Confederation of Senegalese Workers (CNTS), affiliated with the former ruling Socialist Party, and the National Association of Senegalese Union Workers (UNSAS), a federation of independent labour unions.

Exchange Controls

There is no limit on the repatriation of profits derived by a company in Senegal. Supporting documentation must be provided for all outbound transfers of currency. Residents are required to transfer any income in foreign currency to an approved intermediary.

Expatriates and Work Permits

Anyone living and working in Senegal must pay PIT. UMOA (West African Monetary Union) and ECOWAS (Economic Community of West African States) member citizens do not require a resident card. Senegal has introduced a visa system. Except for some countries, a visa is required to enter in Senegal. Generally, a mission statement from the employer, identity proofs, employer contacts in home country, and return tickets and a valid travel insurance proof, are required. To stay any longer (up to three months), a resident card is required.

Trade Relations

- CFA Franc Zone – Senegal is a member of the Franc Zone; a territory of defined credit, exchange and monetary relations between France, its former colonies in Africa and Equatorial Guinea. There is no limit to the repatriation of profits generated by a company in Senegal. Residents who must recover their foreign

credits, or transfer their income in foreign currencies, can only do so via an approved intermediary (licenced bank).

- ECOWAS – Senegal is a member of ECOWAS, which promotes economic development. ECOWAS is a market of 200 million consumers in 15 member states: Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal, Togo, Cape Verde, Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone. The principal goals of the organisation are a customs union and eventually, a full common market to promote free movement of people and goods within West Africa.
- Others treaties – Senegal is signatory to the Lome Convention, a trade and aid agreement between the EU and 46 African, Caribbean and Pacific (ACP) states. The convention guarantees duty-free entry to the UE for some commodities produced by ACP states.
- Senegal is also a member of the West Africa Economic and Monetary Union (WAEMU) which includes other countries (Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, and Togo) and a member of the Treaty for the Harmonisation of Business Law in Francophone Africa, also known as the OHADA Treaty.
- Treaties – 11 tax treaties are currently in force.

Interest and Currency Exchange Rates

Monetary Policy Rate
3.500% (last reported 2014) (source: Central Bank)
Currency: CFA Franc (XOF), the common currency of the Zone of the African Financial Community (West African Franc).
US$1 = 525.841 XOF (December 2014)
R1 = 45.49099 XOF (December 2014)
US$1 = 525.611 XOF (2014 average) (source: Oanda)

Notes:
1. R1 = interest rate variable and determined by the TBB (base rate) decided by the Central Bank.
2. The CFA Franc was devalued in January 1994, but remains pegged to the French Franc and the euro (€).

Key Economic Statistics

GDP (approx.)
US$15.881 billion (2014 estimate) (source: IMF)
US$16.853 billion (2015 forecast) (source: IMF)
Market Capitalisation
Not available.
Rate of Inflation
0.710% (2013 average) (source: IMF)
-0.532% (2014 average) (source: IMF)
1.441% (December 2014) (source: IMF)