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Burkina Faso

Capital city :
Ougadougou

Languages :
French, Moré, Diula, Peul

GDP/capita 2023 :
USD 2,550

Telephone code :
+226

Area :
274,400 km^2

Political system :
Republic

Currency :
Franc CFA (XOF)

National day :
11 December

Population :
23,543,454

ISO Code :
BFA

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Burkina Faso

1. Corporation tax (IS)

The tax legislation of Burkina Faso differentiates between three company tax regimes, based on their turnover, size and legal form:

- micro-enterprises contribution (CME);
- simplified regime (RSI);
- standard regime (RN: based on actual profits).

1.1 Tax base

Companies and entities under the ordinary law regime that are liable for corporation tax are taxable for the totality of their profit or income.

Public institutions, state bodies and local governments that enjoy financial independence and engage in industrial or trading activities are also taxable.

In addition, there is a regime for taxing small entities on profit and loss, based on turnover according to the sector of activity.

1.2 Residence and non-residence

A company is liable for corporation tax in Burkina Faso if it is operated in Burkina Faso or if it has a permanent establishment in the country.

However, some entities are exempted from corporation tax, such as:

- consumer cooperatives;
- non-commercial public establishments or local governmental agencies;
- mutual farming credit branches and mutual savings and credit institutions;
- farming cooperatives and non-profit organisations;
- securities investment companies and those managing portfolios in respect of the share of benefits derived from the net income of the portfolios or capital gains made from the sale of shares and securities.

1.3 Tax year and filing

The annual tax declaration of a company relates to the profit of the previous year, or generally 12 months, unless the business is wound up or transferred during the year.

New companies set up before 30 June are required to close their first accounting year on 31 December of the same year. Those set up after that date may close their first year on 31 December of the following year. Tax is then based on the profit made during that period.

Tax is paid by the taxpayer along with the declaration. Three provisional instalments are to be paid during the year, i.e. the first by **15 July**, the second by **15 October** and the third by **15 January**. These are deducted from the tax owed by the taxpayer for the year in question and the balance is paid when the tax declaration is filed, no later than on **30 April** of the year following the year in which the income is earned.

Financial statements and packages are to be filed in three copies or electronically at the office of the relevant tax department. Tax is paid by bank transfer for a payment receipt.

1.4 Taxable income

The taxable profit from each accounting period is determined on the basis of the revenue surplus over the deductible expenses of the year; non-tax-deductible expenses are reinstated and other non-taxable income is deducted.

There is a limit on the deductibility of charges when they are considered to be excessive or sumptuary by the tax authorities.

Provisions made in order to face losses and contingencies that are clearly specified and that are made likely by events under way are deductible, providing they have been effectively posted in the accounts of the year and stated in the statement of provisions.

Provisions are only deductible when the company demonstrates that the asset has become entirely unrecoverable. Self-insurance provisions made by a company cannot be deducted from its taxable profit. The same applies to the provision for paid leave and for retirement pay.

Head office costs are deductible up to 10% of the overheads from the taxable profit. Besides, payments made in foreign countries are deductible within the dual limit of 5% of the turnover excluding taxes and 20% of the overheads of the paying company, providing they correspond to actual operations.

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1.5 Group income and grouping arrangements

The tax regime in Burkina Faso does not contain provisions for the taxation of group companies and/or group agreements. In view of the principle of territoriality, income and profit earned abroad are taxed on the basis of the tax agreements with the countries in which the income is earned. Dividend received from a resident company is fully exempt after withholding tax of 25%.

1.6 Capital gains

Capital gains are not taxed separately, other than in respect of real property (TPVI) or mining if the taxpayer commits in its declaration to reinvest in its companies in Burkina Faso before the end of a period of three years. Otherwise, all capital gains attract corporation tax at the rate of **27.5%**.

Tax on income from securities (IRVM) applies to all civil and commercial companies and to dividend, interest, bonds and borrowings, and also to company founders' shares, directors' fees etc.

Its rate is:

- **6%** for interest and other bond income;
- **12.5%** for other income such as dividend.

1.7 Losses

If any loss is made during a year, it is considered to be an expense of the following year, and if that is not sufficient, it may be carried forward up to the 5^{th} year following the one in which the loss was made.

1.8 Exemptions

Entities that have an investment project that is in line with and eligible under the Investment Code can benefit from exemptions from corporation tax. Thus, taxpayers liable for income tax which invest all or part of their taxable profit in Burkina Faso can benefit from a tax reduction, providing the value of the investment is at least XOF 500,000.

Newly founded companies are exempted from the minimum flat tax for their first year of operation.

1.9 Rates

Corporation tax is due at the proportional rate of **27.5%** and applies without any relief to the taxable profit of companies. The rate is **reduced to 17.5%** for mining companies that are being operated.

However, in the event of a loss, a minimum flat tax is applicable at the rate of 0.5% on the turnover exclusive of tax, but that minimum may not be below XOF 1,000,000 for the standard regime and **XOF 300,000** for taxpayers under the simplified regime.

Members of approved small business management centres benefit from a 50% reduction of the flat tax.

1.10 Relief for double taxation

Tax agreements signed by Burkina Faso provide for the avoidance of double taxation. Thus, nationals of the signatory countries are exempted from tax in the host country if they can prove that they are regularly taxed in their country of origin.

1.11 New Obligations

- Declaration of beneficial owners

Companies, regardless of their form and activities, must keep an up-to-date register of their beneficial owners, as part of the fight against money laundering and terrorist financing in Burkina Faso.

Pre-existing companies and those created after 1 January 2022 are required to file the declaration on the identity of their beneficial owners within the time limit set for the income tax return. All changes in the beneficial ownership of the company must be declared within the same period.

Failure to declare or false declaration of the beneficial owners of companies is punishable by a fine of XOF 500,000.

- Companies with an annual turnover or gross assets equal to or greater than XOF 1,000,000,000 are required to submit, by 31 May at the latest, an annual transfer pricing declaration for the financial year ended 31 December of the previous year, using a tax administration form.

- Any company operating in Burkina Faso with an annual turnover or gross assets of XOF 1,000,000,000 or more, or:

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- which directly or indirectly holds the majority of the share capital or voting rights of an enterprise operating in or outside BF,
- the majority of whose share capital or voting rights are held, directly or indirectly, by a qualifying undertaking, must keep documentation to justify the pricing policy applied in transactions of any kind with affiliated enterprises operating in or outside Burkina Faso.

2. Income tax of natural persons

There is no general income tax in Burkina Faso. The country applies the schedule system. Salaries are liable for the single tax on salaries (IUTS), the income of natural persons who are traders attracts tax on industrial, commercial and agricultural profit (IBICA), while that of the professions attracts tax on non-commercial profit (IBNC). Any income without its own schedule is taxed under the IBNC system.

However, tax agreements between states make it possible to limit the double taxation of income earned outside Burkina Faso.

2.1 Tax base

The income of natural persons includes:

- Income from salaried employment;
- Business income;
- Capital gains;
- Other capital income.

2.2 Residence and non-residence

Tax on the income of natural persons is paid by:

- Individuals who are domiciled or habitually reside in Burkina Faso, regardless of their nationality;
- Individuals who reside outside Burkina Faso but are paid by an employer residing or operating in Burkina Faso;
- Employees of the state and governmental bodies serving in a foreign country where they are exempted from income tax.

Taxpayers who have a habitual residence in a state that has entered into an agreement with Burkina Faso and who can demonstrate that they are taxed on all their income are not taxable, in order to eliminate double taxation.

Amounts paid in return for a service of at least XOF 50,000 to individuals residing in Burkina Faso give rise to withholding tax as follows:

- **5%** for registered non-employee taxpayers and the reduced rate of 1% for work on real property and public works.

- **25%** for non-employee individuals who are not registered in Burkina Faso.

Service providers who do not reside in Burkina Faso pay **20%** withholding tax, subject to the tax agreement.

2.3 Tax year and filing

The IUTS is sent to the authorities by the employer every month, within the first 10 days of the month following the payment of the remuneration. Payments are to be made no later than on the 15th of the following month.
The declaration is not necessary if the taxpayer has only received income subject to withholding tax (salaries, benefits, dividend etc.).

2.4 Taxable income of natural persons

- The taxable income of natural persons is divided into three broad categories:

  - income from salaried employment;
  - rental income;
  - income from capital including capital gains and dividend.

- Tax on salary income is owed by all employees in Burkina Faso, regardless of their status or nationality. Pay that attracts IUTS includes:

  - salaries;
  - benefits in kind;
  - allowances, with an exemption set out within the law.

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The rate is progressive, by salary income bracket:

Income bracket in XOF	IUTS rate applicable (%)
XOF 0 to 30,000	0.0
XOF 30,100 to 50,000	12.1
XOF 50,100 to 80,000	13.9
XOF 80,100 to 120,000	15.7
XOF 120,100 to 170,000	18.4
XOF 170,100 to 250,000	21.7
Above XOF 250,100	25.0
Other activities	26.0
Other activities	26.0
Other activities	26.0

Tax is reduced on the basis of the number of dependents, from **8% to 14%.**

- **Tax on land revenue (IRF)** applies to income from renting out built or unbuilt property for any purpose. It applies by income bracket after a flat 50% reduction:

Income bracket	Applicable IRF rate (%)
XOF 0 to 100,000	18
Above XOF 100,001	25

- **Dividend from shares** is liable for a final withholding of **12.5%** for the benefit of the state budget.

It should be noted that a single tax has also been introduced on the salaries and wages of French technical assistants and similar staff in accordance with the Franco-Burkinabé cooperation agreement. Its rate is also progressive according to annual income brackets.

2.5 Capital gains

Capital gains made upon the transfer of real property by natural persons are liable for TPVI at the proportional rate of 10% of the difference between the purchase price and the sale price or the expropriation payment.

2.6 Losses

All the losses made from activities can be recovered, over a maximum of the 5th loss-making year.

2.7 Exemptions

Exemptions mainly relate to allowances that are added to monthly income. Thus housing, post and transport allowance is not liable for IUTS within the limits of:

- 20% of gross salary, up to XOF 75,000/month as housing allowance;
- 5% of gross salary, up to XOF 50,000/month as post allowance;
- 5% of gross salary, up to XOF 30,000/month as transport allowance.

Individuals above the age of 60 who receive a pension are exempted from residence tax.

2.8 Reductions and rates

Tax reductions apply to the amount of the IUTS to take account of the number of dependents, and range from 8% to 14%.

2.9 Social security

Welfare contributions are only payable on salaries paid to natural persons. The following must therefore mandatorily be declared to the national social security fund (CNSS):

- any worker, regardless of their nationality, residing in Burkina Faso;
- students and apprentices of schools and vocational training centres.

Social security contributions apply to private companies and apply by branch, at an overall rate of 21.5% distributed as follows:

- **16%** to be paid by the employer, of which 7% for family benefits, **3.5%** for workplace hazards and 5.5% for retirement insurance.
- **5.5%** to be paid by the employee for retirement insurance.

These contributions apply to all remuneration, subject to the limit of XOF 600,000/month. The contribution may not exceed **XOF 33,000.**

The contribution is paid to the national social security fund every month by com-

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panies with at least 20 employees and every quarter by companies with fewer than 20 employees.

Note that the fund does not cover the health risk. Only private insurance companies offer healthcare insurance.

2.10 Expatriates

Foreign employees residing in Burkina Faso are required to contribute for workplace hazards. Those who fulfil retirement pension entitlement conditions may either collect their pension in Burkina Faso or opt for a transfer of the pension to their country of origin.

2.11 Stock options

There are no stock options in Burkina Faso. However, all items of remuneration are liable for the single tax on salaries (IUTS) and social security contributions. Gains derived from the transfer of securities give rise to final withholding tax of **12.5%**.

2.12 Voluntary organisations and partnerships

Non-profit organisations that are legally formed are not taxed. However, those which engage in profitable business are taxed like companies.
De facto companies with for-profit activities are taxed in the name of the shareholders.

2.13 Pensions

Workers who reach retirement age are entitled to old-age pension if they fulfil the following conditions:

- have contributed for at least 180 months;
- have ceased all salaried work.

The amount of the pension is based on the average monthly remuneration defined as a 60^{th} of the total remuneration liable for contributions in the best five years of insurance.
Individuals who receive a pension are exempted from residence tax.

3. Taxes on successions and gifts

In Burkina Faso, inheritance and donations are very poorly regulated. In the case of inheritance, only transfers of ownership of real estate are subject to registration duty at a rate of 15%.

Indication du dégré successoral	Rate applicable to the fraction of the net share between: XOF				
	1 and 2,000,000	2,000,001 and 5,000,000	5,000,001 and 10,000,000	10,000,001 and 50,000,000	Beyond 50,000,000
Indication of the degree of succession	0%	0%	1%	2%	5%
In direct line between spouses	0%	7%	10%	15%	20%
Between brothers and sisters and between 3rd degree relatives	10%	15%	20%	30%	40%
Between relatives from the 4th degree and between non-relatives					

4. Value-Added Tax

All parties liable for VAT must file a VAT declaration for their transactions of the previous month on a tax form with their tax department.

4.1 Rates

There is a single VAT rate in Burkina Faso, in the rate of 18%.

The following are exempted from VAT:

- resale of products as they are by natural persons with an annual turnover that does not exceed XOF 50,000,000;
- exports of goods.

4.2 Declaration and payment

VAT declarations and payments are made no later than on the 15th of each month, to the relevant tax department, for the transactions of the previous month.

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4.3 Distance sales

Distance sales are not regulated by the legislation in Burkina Faso.

5. Other taxes

There is a large number of taxes owed by companies and natural persons. These mainly include local and municipal taxes:

5.1 Employers' and apprenticeship tax

It is levied on all employers. Its rate is 4% for amounts paid to nationals and 8% for amounts paid to foreigners.

5.2 Residence tax

Residence tax is owed by any individual with no distinction of nationality, who resides in Burkina Faso and has a dwelling there for any reason. It is established every year on the basis of the locality of the area and the amenities of the dwelling. That local contribution is owed on each of the residences of the taxpayer in the different localities in Burkina Faso (with the exception of individuals above the age of 60, diplomatic and consular personnel of foreign nationalities etc.).

5.3 Tax on financial activities

It is collected on transactions relating to the trade of securities and cash (with the exception of leasing operations) and is fixed at the rate of **17%**, with a reduced rate of **15%**.

5.4 Business tax

It is owed by all natural persons or legal entities with a non-salaried business activity, with the exception of the state, municipalities, farmers etc. and is made up of a fixed tax calculated on the basis of the turnover of the previous year and a proportional tax calculated on the basis of the rental value of business premises. The tax is annual.

Note that there is a **proportional tax** on public contracts at the rate of 2%, owed by natural persons or legal entities not based in Burkina Faso. It is paid before the contract is registered.

5.5 Property tax

The land tax on built and unbuilt properties is based on all real estate in the private domain of the State, territorial authorities and private individuals. To determine the cadastral value, taxpayers are required to submit a declaration on a tax administration form.

Taxpayers are also obliged to file a declaration with the tax authorities in their area. The return must be filed for the first time by 30 April of the tax year. However, in the event of events that may change the taxpayer's tax situation, the taxpayer must file a return within 90 days of the occurrence of the event.

5.6 Transfer duty for valuable consideration

For the benefit of individuals, a special measure is introduced for the year 2022 to facilitate the transfer of real estate property for housing purposes. In this regard, for real estate whose value does not exceed XOF 20,000,000, the registration fees depend on the location of the commune.

6. Foreign income

Foreign income is taxable within the framework of tax agreements between Burkina Faso and its financial partners. These agreements are aimed at avoiding double taxation.

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