



TAXES IN AFRICA

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2nd EDITION

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Burundi



 **Capital city :**
Gitega


 **Area :**
27,834 km²

 **Population :**
11,844,520

 **Language :**
French, Kirundi,
English


 **Political system :**
Republic

 **GDP/capita**
2019 :
USD 272

 **Currency :**
Burundian franc
(BIF)

 **ISO Code :**
BDI

 **Telephone code :**
+257

 **National day :**
1 July

1. Corporation tax

1.1 Tax base

Companies and entities liable for corporation tax are taxed on their profit (taxable income) determined according to the national Burundian chart of accounts, which is very close to IFRS standards.

Differences between the taxable income and book profit before tax are very limited and are almost exclusively accounted for by allowances for provisions. The conditions applied for deduction are those that would apply to final losses. Provisions for debts are only deductible for banks, providing the regulations of the central bank are strictly applied.

1.2 Residence and non-residence

A company is liable for corporation tax in Burundi if it has a permanent establishment in Burundi (resident entity).

To do so, it must have the following in Burundi:

- its registered office;
- or a permanent establishment;
- a fixed place of business;

Some entities are however exempted from corporation tax, such as:

- companies that benefit from the advantages of the investment code, when they operate in priority industries that have been duly identified in specific laws, after approval from the investment promotion agency (API);
- non-profit organisations recognised as such by the authorities;
- public authorities;
- farming cooperatives;
- mutual societies.

1.3 Frequency and declaration

Annual tax declarations of companies cover periods identical to their financial year, that is generally 12 months.

The tax declaration must be filed with the tax authorities no later than three months after the end of the financial year.

The balance of tax owed is paid when the annual declaration is filed.

Instalments equal to a quarter of the tax of the previous year are paid on 30 June, 30 September and 31 December of the year in progress.

1.4 Taxable income

The taxable result is very close to the book result of the company. However, some adjustments need to be made.

There are limits on the deduction of charges concerning:

- the personal share in mixed expenses (use of vehicles, telephone costs etc.);
- fines and penalties;
- private expenditure;
- gifts to non-profit organisations that exceed 1% of profit and any gifts to a profitable organisation;
- depreciation resulting from the revaluation of assets.

Provisions are only deductible when the entity can demonstrate that the asset has become fully unrecoverable. Only banks and credit institutions are allowed to make deductible provisions without providing evidence other than the proper application of central bank regulations.

Entities that operate in areas identified by the authorities may be exempted from corporation tax, after approval of a special application.

1.5 Group income and group agreements

There is no specific regime for groups of companies in Burundi. Each entity is taxed separately. On the other hand, dividend received from a resident company is totally exempted, providing it has led to the payment of a final withholding of 15%.

1.6 Capital gains

Capital gains, whether derived from the disposal of immovable property or the

disposal of securities, attract corporation tax at the normal rate, along with other income.

1.7 Losses

Tax losses are deductible over the five following financial years.

If the number or value of the capital is modified by 25% or more, outside the Burundian stock market, losses are lost.

1.8 Exemptions

Financial income (dividend and assimilated income) from subsidiaries is exempted (providing the distributing company has opted for the 15% final withholding). There is no condition of percentage or time of holding of capital.

1.9 Rates

The tax rate is fixed at 30%, subject to a minimum of 1% of the turnover if the taxable profit is below 1/30th of the turnover.

1.10 Relief for double taxation

Burundi has signed agreements to avoid double taxation of the income of resident companies, essentially with countries belonging to the East African Community.

Tax paid abroad on income derived from other countries, may be deducted from the tax payable in Burundi providing the income is included in the tax base applicable in Burundi.

2. Tax on the income of natural persons

2.1 Tax base

Natural persons are liable for tax on income derived from Burundi or other countries, including:

- income from salaried employment;
- business income;
- capital gains;
- other capital income.

Tax agreements between countries limit double taxation of income derived from outside Burundi.

2.2 Residence and non-residence

The natural persons liable for income tax are:

- those who are tax residents in Burundi;
- those whose principal occupation is in Burundi;
- those who have invested capital in Burundi.

2.3 Frequency and declaration

The tax declaration of natural persons is to be sent to the tax authorities no later than on 31 March of the following year.

The declaration is not required for taxpayers who have only received income liable to withholding tax (income from salaried employment, dividend etc.).

2.4 Taxable income of natural persons

- Income is divided into two broad categories:
 - Income from salaried employment;
 - Income from capital, including capital gains and dividend;
- Income tax is applied to the net amounts of salaries.
- Capital income includes two main categories:
 - Dividend on shares and income from fixed-yield investment products, remunerated by interest (bank investment, treasure bonds etc.) which attract a 15% final withholding;
 - Capital gains on the disposal of immovable property and financial assets are also taxable at the rate of 15%.

2.5 Capital gains

Capital gains made by natural persons upon the sale of immovable property attract tax at the fixed rate of 15%. The same rate applies to capital gains on the disposal of securities by natural persons.

2.6 Losses

Business losses (commercial activity) are carried forward over the next 5 years.

2.7 Exemptions

Exemptions mainly relate to smaller incomes and real property (main home).

2.8 Reductions and rates

The tax rate applicable to annual income from employment and business is progressive:

- 0% up to BIF 1,800,000;
- 20% for the income bracket from BIF 1,800,001 to BIF 3,600,000;
- 30% for the income bracket above BIF 3,600,000;

Income tax is withheld at source from employees.

The rate applicable to capital income (capital gains, interest and dividend) is 15%, with no particular reduction.

2.9 Social security

Welfare contributions are only owed on employment income (salaries), to the exclusion of business income received by natural persons.

- Pension contributions

Employers' withholdings as pension contribution are applied to a base with an upper limit of BIF 450,000 per month (that is to say BIF 5,400,000 per year) at the rate of 10%;

- Cover for occupational risks;

Employees contribute on a base with an upper limit of BIF 80,000 per month (annual limit of BIF 960,000) at the rate of 3%.

- Sickness and maternity cover

two regimes exist at the same time. The regime to which public sector employees contribute and a regime to which private sector employees are required to contribute. The contribution rate is 4% of the monthly gross salary, with a limit of BIF 50,000 as withholding.

2.10 Expatriates

There is no special tax regime for expatriates.

2.11 Stock options

There are no stock options in Burundi. It must be noted that all disposals of securities that result in capital gains by a natural person gives rise to taxation at the rate of 15%.

2.12 Associations and partnerships

- non-profit organisations are not taxed;
- organisations with profitable activities are taxed like companies;
- de facto companies with profitable activities are taxed in the name of the shareholders.

2.13 Pensions

Pensions are generally taxed like salaries.

3. Taxes on successions and gifts

3.1 Residence and non-residence

Successions and gifts are the subject of very light regulation in Burundi. The country has too few wealthy parties for sharing during successions. Only transfers of ownership of immovable property give rise to the payment of registration fees.

However, it must be noted that gifts to individuals other than descendants of the owner of the assets are assimilated with transfers when the assets are located in Burundi, whether or not the beneficiary and/or donor resides in Burundi.

3.2 Tax base & rates

Registration fees and tax on any capital gains are payable on the value of immovable property located in Burundi.

Registration fees applied to the value established by an expert appointed by the authorities stand at 5%.

4. Wealth tax

There is no form of wealth tax whatsoever in Burundi.

5. Value-added tax

5.1 Rates

The VAT rates applied are as follows:

- 18% on ordinary goods and services;
- 10% on food products and farming inputs;
- 0% on exports and international transport

Exemptions:

- financial transactions (interest from investment and transfers of movable assets);
- medical care and medical tests;
- school and university teaching activities;
- unfurnished rentals exclusively for the purpose of dwelling;
- transfer of residential buildings and transfer of land in undeveloped areas.

5.2 Declaration and payment

Declarations are monthly, to be filed by the 15th day of the month following the VAT collection period. Payment is to be made when the declaration is filed. VAT on imports is paid at the time when the goods are released for consumption, as are customs duties.

5.3 Remote sales

These forms of sale are not addressed by the legislation of Burundi.

6. Other taxes

These mainly include local and municipal taxes.

6.1 Land tax

Land tax is declared voluntarily to municipalities. The tax is calculated on the basis of the built and unbuilt areas, and also depending on whether the properties are in urban areas. The rates are very low and vary depending on the zone.

6.2 Rental tax

This is a municipal tax that is collected by the tax authorities.

The tax base is determined after deducting costs (actual or standard rate) with allowances depending on the status of the beneficiary (minors, widows, widowers, individuals with disability, pensioners etc.).

The rates applied differ depending on whether the rented property belongs to a natural person, a company or a non-resident:

- Natural persons are taxed in the same brackets and at the same rates as employment income (0% up to BIF 1,800,000, 20% from BIF 1,800,001 to BIF 3,600,000, 30% above BIF 3,600,000);
- For companies, net rental income is taxable at the rate of 30%;
- For non-residents, a 15% withholding applies to the tenant, which has the obligation to make the payment due.

7. Foreign income

Taxes paid in other countries by a taxpayer taxable in Burundi may be deducted from the amounts owed to the tax authorities. The deduction may not be greater than the amount that would have been used if the foreign income had been taxed in Burundi.

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