



# TAXES IN AFRICA

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# Senegal




 **Capital city :**  
Dakar

 **Language :**  
French

 **GDP/capita**  
2019 :  
USD 1,522

 **Telephone code :**  
+221

 **Area :**  
196,722 km<sup>2</sup>

 **Political system :**  
Presidential  
republic

 **Currency :**  
Franc CFA  
(XOF)

 **National days :**  
4 April

 **Population :**  
16,209,125

 **ISO Code :**  
SEN



## 1. Corporation tax (IS)

### 1.1 Tax base

The taxable profit forms the base for corporation tax.

Taxable profit is determined based on the book profit, corrected in accordance with the tax regulations.

### 1.2 Residence and non-residence

Subject to the provisions of international agreements relating to double taxation, corporation tax is owed on profit made in Senegal, that is to say profit derived from companies that operate in Senegal.

### 1.3 Frequency and declaration

Companies or legal entities that are liable for corporation tax are required to declare their taxable profit or loss in the previous year no later than on 30 April of each year. The declaration is generally submitted on a form given by the tax authorities or using the e-tax system for large corporations.

Regarding the terms of payment, corporation tax is to be paid no later than on 15 June of the year following the closing of each fiscal year. However, early payment is required in two provisional instalments calculated on the basis of the earlier tax, on 15 February and 30 April respectively.

### 1.4 Taxable income

The taxable income is calculated on the basis of the book profit, after reinstating charges that are not tax-deductible and deducting the items that are not liable for corporation tax.

For charges to be deductible, they must:

- be incurred in the direct interest of the company or part of the normal management of the company;
- correspond to effective charges and be supported by sufficient substan-

- be reflected by a reduction of the net assets of the company;
- be included in the charges of the financial year during which they are incurred;
- contribute to revenue that is not exempted from income tax.

Besides, the lawmakers have also defined rules specific to the deductibility of some types of charges. Some examples are the conditions relating to head office costs, gifts and donations granted and also expenses for studies and surveys incurred with a view to setting up an establishment in a foreign country.

### **Head office costs**

For companies operating in Senegal that have their head office in another country, the share of the deductible head office costs is calculated, subject to international agreements, in proportion with the overall turnover of the same companies, but may not exceed 20% of the book profit made in Senegal before deducting the share of head office costs.

### **Gifts and donations**

Payments to organisations, foundations, charities or organisations recognised to be in the public interest as identified by the order of the Minister for Finance may be deducted subject to the limit of 0.5% of the turnover.

### **Expenses for studies and surveys incurred with a view to setting up an establishment in another country**

Expenses for studies and surveys incurred with a view to setting up an establishment in another country for the purpose of sales or an information office and the charges borne for the operating of said establishment during the first three years may be deducted while determining the net taxable profit of those years.

## **1.5 Group income and group agreements**

Each company remains liable for corporation tax on its profit. However, in order to avoid double taxation of income, the general tax code has provided for two favourable regimes for companies. These include the regime for income from participating interest and the regime of subsidiaries and parents

### **Regime of subsidiaries and parents**

Subject to the conditions applicable to each of the points below, an exemption applies to:

- gross income paid by the subsidiary to the parent;
- income from holding companies;
- debt remission between companies.

### **Participating interest regime**

When the income from participating interest is not eligible for the subsidiaries and parents regime, the participating company is only liable for corporation tax on said income in respect of a representative share of 40% of the gross income from the participating interest.

## **1.6 Capital gains**

Capital gains from the disposal of assets during operation are not included in the taxable profit of the year during which they are made.

In order to benefit from that favour, the company must commit to reinvesting in non-financial assets in companies set up in Senegal owned by it before the expiry of three years from the close of the year an amount equal to the amount of the capital gains added to the cost of the transferred assets.

Besides, capital gains made on the sale of renovated or restored buildings in locations identified by decree are also exempted from corporation tax.

## **1.7 Losses**

The tax loss made in the course of the year is deducted from the profit made during the previous year. However, the loss may be carried forward over a maximum period of three years.

That limitation on the carry-forward time does not apply to the depreciation posted during loss-making periods (deferred depreciation allowance).

## **1.8 Exemptions**

The following are exempted from corporation tax:

- farming cooperatives and their unions, covered by the law identifying the overall status of cooperatives;
- mutual farming credit bodies;
- farming insurance or reinsurance companies;
- companies with an analogous status;
- mutual relief companies etc.

## 1.9 Rates

The corporation tax rate is fixed at 30% of the taxable profit. Any fraction of the taxable profit below thousand francs is ignored.

A minimum standard tax of 0.5% of the turnover is owed if a loss is made.

## 1.10 Relief for double taxation

In order to avoid double taxation, Senegal has signed tax agreements with certain countries like France, Morocco, UEMOA countries, Italy etc.

# 2. Tax on the income of natural persons

## 2.1 Tax base

An annual single tax on income derived from Senegal and/or other countries by natural persons has been set up for the benefit of the state of Senegal and is called income tax.

## 2.2 Residence and non-residence

Subject to the provisions of international agreements on double taxation, income tax is owed by any natural person residing in Senegal or holder of income derived from Senegal.

The following are considered to have their tax domicile in Senegal:

- those who have their permanent place of residence or their main place of residence in Senegal;
- those who engage in professional activity, salaried or otherwise, in Senegal, unless they can demonstrate that the activity is carried out on an incidental basis;
- have their centre of economic interest in Senegal.

## 2.3 Frequency and declaration

Like corporation tax, income tax gives rise every year to the payment of instalments charged to the tax owed for said year, on the income of the previous year.

The instalments are due within the first 15 days of the month of February for the

first instalment, and by 30 April for the second one, and are to be paid to the competent collection office. The balance of the tax calculated on the basis of the declared results is to be paid voluntarily by 15 June.

## 2.4 Taxable income

In a single taxation system, the income tax base is characterised firstly by the determination of the taxable income of each category of income and secondly by the determination of the overall net income (RNG).

Indeed, after deducting the common charges, RNG is made up of the total net category income derived from the items stated below. These are:

- income from land generated by immovable property such as undeveloped land, buildings and movable property attached permanently to a building;
- profit or income from industrial, commercial, craft trade, farming or non-commercial activities received by natural persons, namely individual operators and members of assimilated partnerships that have not opted for corporation tax;
- income from securities;
- salaries, pensions and life annuities.

The common charges deductible from the overall income have a personal or family nature and are determined on a limitative basis by the provisions of the general tax code (CGI).

## 2.5 Capital gains regime

Capital gains from immovable property made by natural persons as part of the management of their private assets, possibly liable for capital gains tax, do not attract income tax.

## 2.6 Losses

The fiscal loss of a year is carried forward to the profits of the subsequent years over a period of 3 years.

## 2.7 Exemptions

The following are exempted from tax:

- parties whose net taxable income does not exceed XOF 630,000 for calculating income tax;
- diplomatic and consular employees of foreign nationalities, only to the extent that the countries represented by them grant similar benefits to



Senegalese diplomatic and consular employees, exclusively for income derived from their diplomatic or consular duties.

## 2.8 Reductions and rates

The income tax calculation requires the determination of gross tax and the reduction for family charges.

Determination of gross tax

Taxable income, rounded down to the nearest thousand francs, is based on the following progressive schedule:

<b>Bracket (XOF)</b>	<b>Rates (%)</b>
0 - 630,000	0
630,001 - 1,500,000	20
1,500,001 - 4,000,000	30
4,000,001 - 8,000,000	35
8,000,001 - 13,500,000	37
Over 13,500,001	40

The income tax calculation takes account of the position and family charges of the taxpayer.

### Tax reduction for family charges

The tax determined in accordance with the aforementioned schedule is reduced for family charges based on the number of units dependent on the taxpayer, based on the table below which determines the rates and the minimum and maximum amounts of the reduction:

<b>Number of units</b>	<b>Rates</b>	<b>Minimum</b>	<b>Maximum</b>
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

However, the tax may not exceed 40% of the taxable income.

This calculation method does not apply to income from securities, which are liable to withholding tax. For the application of the tax reduction for family charges, the number of tax units dependent on the taxpayer are taken into account.

The tax applicable to salary income follows the withholding tax regime. That means that all the taxes to be paid by the employee are directly withheld and paid by the employer.

### **Income tax borne by the employee**

The taxable salary is the total of salaries, allowances, life annuities and benefits of all kinds assessed according to a schedule set in an order, less deductible charges.

Some deductible charges are specific to salary income. While calculating the income tax on salaries (progressive schedule and reduction for family charges), refer to point 2.8.

### **Tax representative of minimum tax (TRIMF)**

TRIMF is owed by any party residing in Senegal and benefiting from public or private salaries, allowances, earnings, pensions and life annuities. Parties who carry out an activity as part of the technical assistance provided by a foreign state or an international body do not come within the scope of application of TRIMF.

TRIMF rates set based on the gross income of the taxpayer can vary from XOF 900 to XOF 36,000.

### **Standard contribution paid by employers (CFCE)**

A standard annual contribution is to be paid by natural persons and legal entities and organisations that pay salaries.

The state and local authorities are exempted from the contribution, as are foreign or international public or para-public organisations.

The base for the standard contribution is made up of the total amount of salaries, including amounts paid as allowances of any type, to the exclusion of those that are paid to refund expenses.

The rate of the standard contribution is 3%.

## 2.9 Social security

### Retirement and Provident Institution of Senegal (IPRES)

For the general regime, the rates are as follows:

- For the employer:  
8.4% of the monthly salary (limited to XOF 360,000);
- For the employee:  
5.6% of the monthly salary (limited to XOF 360,000);

For the managers' regime, the rates are as followed:

- For the employer:  
3.6% of the monthly salary (limited to XOF 1.080.000);
- For the employee:  
2.4% of the monthly salary (limited to XOF 1.080.000);

### Social security fund (CSS):

Contributions to the social security fund are based on the remuneration paid by the employer subject to a monthly limit currently set at XOF 63,000; the minimum base is the minimum wage.

The rates are:

- 7% for the family allowance branch;
- 1%, 3% and 5% for the occupational injuries and diseases branch, based on the main activity of the relevant establishment.

## 2.10 Expatriates

Subject to the provisions of international agreements, withholding tax is applied to the fees paid to individuals residing in foreign countries who do not have a permanent professional location in Senegal.

The amounts in question are those paid to remunerate activity for non-commercial professions or as income assimilated with non-commercial profits.

The withholding tax rate is set to 25% of the net amount of the taxable sums paid to individuals and companies.

The base of the withholding is made up of the gross amount of the taxable

amounts, to which a 20% deduction is first applied.

### 3. Taxes on successions and gifts

N/A

### 4. Wealth tax

N/A

### 5. Value added tax (VAT)

VAT is a tax that applies to all operations carried out for a consideration relating to goods and services consumed or used in Senegal, with the exception of farming activities and salaried activity in the meaning of the labour code.

#### 5.1 Rates

The ordinary rate applicable to VAT is 18%.

It is reduced to 10% for services provided by approved tourist establishments.

#### 5.2 Declaration and payment

For imports, VAT is due at the time of the operative event, that is to say when the customs border is crossed. Indeed, VAT is paid at the same time as the other import duties and taxes.

For the delivery of goods and services, VAT is payable no later than on the 15<sup>th</sup> of the month following the operative event. Parties liable for VAT are required to submit a monthly declaration to the competent collection office of the transactions carried out by them in the previous month, even if they have not carried out any taxable operation.

However, taxpayers governed by the simplified actual regime file quarterly declarations. The business carried out for a quarter is declared no later than on the 15<sup>th</sup> of April, July, October and January.

# 6. Other taxes

## 6.1 Land contribution on built properties (CFPB)

### Taxable properties

CFPB is owed on built properties such as houses, works, factories and generally all buildings in brick, steel or wood that are permanently fixed to the ground.

The properties exempted from CFPB include:

- buildings for use as schools that do not produce income from land;
- buildings occupied by the owner as their main place of residence, as regards the share of the rental value that does not exceed XOF 1,500,000. This exemption only applies to a single building;
- commercial or industrial installations and premises that are recorded as assets in the balance sheet of companies liable for the local economic contribution etc.

### Tax rate

The rate of the land contribution on built properties is 5%. That rate applies to the rental value of properties on 1 January of the year of taxation.

### Declaration and payment

CFPB is owed for the whole year by the owner or the superficiary owner on 1 January of the year of taxation.

## 6.2 Land contribution on unbuilt properties (CFPNB)

### Taxable properties

CFPNB is owed on undeveloped land, registered or otherwise, on which are erected constructions that are not joined to the ground, particularly land occupied by quarries, mines and bogs, ponds, salt works and salt marshes.

The exemptions from CFPNB include:

- all undeveloped land used by merchants or industry for the normal and rational operating of their trade or industry, particularly undeveloped land depending on plots already built in part and used for trade, industry, mining or quarrying, including if the land is used on a non-permanent basis;

- land that makes up the immediate appurtenances of standard buildings intended for housing etc.

### **Tax rate**

The rate of the land contribution on unbuilt properties is 5%. The base is equal to the market value determined in the land register on 1 January of the year of taxation.

### **Declaration**

CFPNB is owed for the whole year based on the status on 1 January by the owner, possessor or holder of the property.

## **6.3 Tax surcharge on unbuilt or inadequately built land**

Independently from the land contribution, the Dakar region and regional capitals apply a tax surcharge on unbuilt or inadequately built land.

Land may be exempted from the surcharge if it is covered by an absolute and general building ban under the laws and regulations, their topographical location, and those that are covered by a temporary or conditional ban resulting from a particular provision of the local authorities that is out of the control of the owner.

For the tax surcharge, the rate varies from 1% to 3% depending on the market value of the land and the locality.

## **6.4 Local economic contribution (CEL)**

### **Field of application**

The local economic contribution is owed by all parties who engage in Senegal in trade, industry, a profession and are also governed by a tax regime based on actual profits.

Individuals who are salaried in the meaning of the labour code do not come within the field of application of the CEL.

The local economic contribution includes a contribution based on the rental value of the premises used for the taxable professions and a contribution on the added value created during the year before the year of taxation.

## **Contribution on the rental value of professional premises (CEL VL)**

- Declaration obligations

For preparing the CEL VL, the taxpayer is required to file a land declaration on a form provided by the tax authorities by 31 January of the year of taxation at the latest.

- Tax rate

The tax rate applicable to the premises that are rented or occupied free of charge is 15%.

For premises, land and installations that are recorded as assets in the balance sheet of the taxpayer, the rate is 20%.

## **Contribution on added value (CEL VA)**

- Declaration obligations

Companies which, on 1 January of the year of taxation, engage in an activity that attracts the local economic contribution are liable for a contribution on the added value generated during the year prior to taxation. However, companies that are part of the decentralised financial systems sector are exempted from the contribution on added value.

- Tax rate

The rate of the contribution on added value is 1% of the added value created during the previous year.

CEL VA may not be below a minimum amount equal to 0.15% of the turnover of the year before the year of taxation. However, that minimum amount is reduced to 0.075% of the turnover for taxpayers in low-margin sectors or those in which the prices are regulated.

# **7. Foreign income**

N/A

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