KPMG ACOR TAX

African Tax Matters

Quarterly newsletter

Q1 2018 - 1st edition

Dear reader,

Welcome to the first edition of African Tax Matters. We are very excited to introduce this first quarterly African Tax Matters with the purpose of giving you an easy-to-read overview of relevant updates to the African tax landscape.

Africa is rising and it is time to understand its potential and surrounding tax landscape. Historically Africa has been perceived as a continent with unstable political foundation, macroeconomic instability and kept foreign direct investments from flowing into the continent. The time has changed. Public and private investors seem to share a new common understanding of doing business in Africa – Africa is now more broadly perceived as an investment opportunity with a vast growth and profit potential.

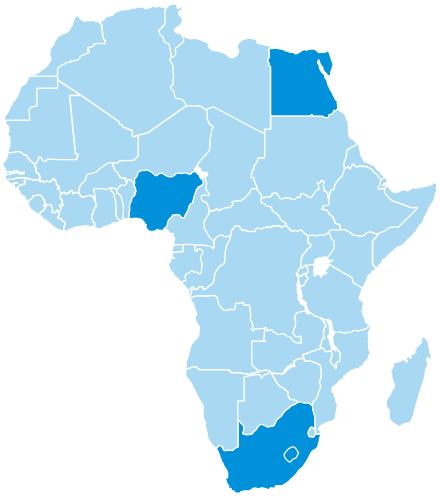
The tax landscape of the individual countries are still far from being fully developed, but a majority of the countries have adopted tax regimes to build on fairness and transparent legislation, making it more attractive to invest in Africa. It is worth mentioning that the tax landscape within the African continent has been subject to dramatic changes, all which to a certain extend have been impacted by the BEPS action points which indicate certain African countries' commitment to a timely and consistent implementation of the BEPS minimum standards.

This quarterly newsletter will contain news updates about the developing tax regimes, new or amended tax rules, incentives and at other times particular hot tax topics with a more in-depth view and analysis. Moreover, the purpose of this newsletter is to shred light on the vast tax aspects in connection with the significant business potential for Danish public and private investors in Africa.

We wish you a pleasant reading.

KPMG Acor Tax Team

■ = African countries covered in this newsletter



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Sources: KPMG Tax News Flash

Africa from a macroeconomic perspective

The African continent contains a total of 54 countries and is the second largest continent on earth covering more than 20% of the world's entire landmass. In comparison, the size of Africa is equal to the landmass of the US, India, China and most of Europe put together.

Over the last few decades, the African population has experienced a significant increase and is projected to further increase from 1.3 billion (in 2018) to 2.4 billion in 2050, resulting in an enormous workforce at a low to moderate cost level compared to the western civilization.

Furthermore, the African consumers are in growth. According to McKinsey Global Institute, at this moment one third of the African population is categorized as the middleclass. The rapidly growing workforce combined with a rising middle class with additional resources will positively affect the level of both export and import across the African continent and is predicted to take Africa to the next level of the global economic scale.

Danish opportunities in Africa

In 2016 the Danish export of goods to the African continent amounted to DKK 9.5 billion, which constitutes only 1.5% of the Danish export in total. Denmark's exports to the Africa continent are significantly lower than other European countries, taking into account the population figure. However the analysis from Dansk Industri shows that the Danish exports to Africa have increased by 45% since 2010. This further emphasizes the potential in Africa.

At this moment, Danish exports to Africa are mainly driven by South Africa, Egypt, Morocco, Nigeria and Algeria.

Relevant tax news for quarter 1, 2018.

South Africa

Tax News – National budget 2018

According to the National Budget, the Treasury aims to bring in an additional R36 billion of tax revenue. As a result hereof, South Africa will for the first time since 1993 increase its Value added tax rate from 14% to 15%. The increased rate of VAT is effective from 1 April 2018. Certain industries may have specific challenges with respect to the transition to the 15% rate of VAT because of the nature of supplies, the timing of supplies, and the applicable transitional rules.

Among the provisions in the budget are the following tax and revenue raising proposals: increase tax rate on luxury goods, estate duty tax, donation tax rate and fuel levies.

Read more here

Tax News – R&D tax incentives

The South African Government is seeking to improve the administration and implementation of its R&D tax incentive. The initiative include measures to simplify the administration of the tax incentive and clarify uncertainty on what is considered eligible R&D or eligible R&D activities.

Among others, clarifications relating to the definition of innovative activity, software development for internal use etc. is focused on being clarified.

Read more here

Sources: KPMG Tax News Flash

Tax News – Unemployment Insurance

South Africa has introduced new contribution requirements to the unemployment insurance fund (UIF). The changes concern expatriate employees who intends to return to their country of origin.

Effective as of 1 March 2018, employers should have amended their payrolls in order to remit a total contribution of 2% (1% contributed by the employee and 1% contributed by the employer).

The contribution is capped at a maximum of R148.72 per month for employees earning R148.72 per month or more.

Read more here

Egypt

Tax News – R&D tax incentives

The government in Egypt has implemented changes to its tax incentive schemes. The changes introduce among others a "Special Free Zone Incentive" that allows companies formed under the free zone to be exempt from all taxes, fees, custom duties and VAT. Minor fees of 1-2% may apply on commodities storage and manufacturing.

Further, certain project contracts and facility agreements including lands related to the respective projects may be exempt from stamp taxes and registration fees.

Read more here

Nigeria

Tax News – National budget 2018

The Nigerian budget proposal for 2018 indicates a focus to increase the nations tax base rather than increasing tax rates, as the proposal did not include suggestions to change the income tax rates or impose new taxes, besides an indicated increase in the VAT rate on luxury goods from 5% to 15%. In an effort on increasing the nations tax base and, thus, the current tax to gross domestic product ratio of 6% to 15% (considered to be one of the lowest in the world), The Ministry of Finance implemented the Voluntary Assets and Income Declaration Scheme (VAIDS) which according to The Ministry already has recorded some success.

Read more here

Exchange of tax information

Arising from the necessity to make available reliable tax statistics and analyses pertaining to African tax administrations, with a view to improving the efficiency and effectiveness of member country taxation, the African Tax Administration Forum (ATAF) launched in 2016 the African Tax Outlook (ATO), an African flagship publication.

The ATO publications bring together valuable, practical and relevant descriptive and analytical information on tax issues in four broad categories: 1) tax bases, 2) tax structure, 3) revenue performance and 4) tax administration.

During ATO's yearly publication, the 3rd ATO edition, 5 new countries joined, bringing the total participating countries to 26 in 2018, compared to the original 15 countries in 2016.

Read more here

Sources: KPMG Tax News Flash

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