KPMG

Senegal Country Profile

Africa Tax Centre: 2020 Fiscal Guide

July 2021

2020 Key tax factors for efficient cross-border business and investment involving Senegal

SFA Member State

Yes.

Double tax treaties and reduced rates

Country	Dividends	Dividends	Interest	Royalties
	Individuals, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
Belgium	15	15	15	10
Canada	16	16	20/16 <1>	15
France	15	15	15	15
Italy	15	15	15	15
Lebanon	10	10	10	10
Malaysia	5 /10<3>	05/10<3>	10	10
Mauritania	**	**	*	*
Mauritius	*	*	*	*
Morocco	10	10	10	10
Norway	16	16	16	16
Portugal	16	16	16	16
Qatar	*	*	*	*
Spain	10	10	10	10
Tunisia	**	**	**	*
United Kingdom of Great Britain and Northern Ireland	5/8/10<2>	5/8/10<2>	10	3,1
WAEMU members	10	10	15	15

*	dividends, interests and royalties paid by a company which is resident of a contracting state to a resident of the other contracting state are only taxable in that other state according to the laws of that state
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***	WAEMU means West African Economic and Monetary Union Treaty; the states members concerned by the treaty are Benin, Burkina Faso, Ivory-Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo
<1>	20% on state bonds and 16% on other interest.
<2>	5% of the gross amount of the dividends if the beneficial owner is a company which directly holds at least 25% of the capital of the company paying the dividends; 8% of the gross amount of the dividends if the beneficial owner is a pension plan established in the other State; 10% of the gross amount of the dividends, in all other cases.
<3>	5 per cent of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) that directly holds at least 10 per cent of the capital of the company paying the dividends; and 10% on other dividends.
<4>	5 per cent of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) that directly holds at least 25 per cent of the capital of the company paying the dividends; 10 per cent of the gross amount of the dividends, in all other cases.

Most important forms of doing business Limited Company and Limited Liability Company (GmbH).

Legal entity capital requirements

Type of company	AUSCGIE requirements
SCS	No minimum capital requirement.
SNC	No minimum capital requirement.
SARL	According to Article 311 of the UA, "unless otherwise provided for in national law, the provisions to the contrary, the share capital must be at least one million (1,000,000) CFA francs.
S.A.	The minimum share capital of the SA is set at ten million (10,000,000) CFA francs.
S.A.S.	No minimum capital requirement.

Residence and work permits

Work permits are required for foreign individuals wishing to take up employment and residence in Senegal.
Visa of entry is required for all foreigners except people originating from ECOWAS member states, Mauritania and Morocco.

Corporate tax compliance requirements

According to Article 30 of Senegalese General taxes Code
(1) The companies and legal persons referred to in Article 4 shall declare the amount of their taxable profits or deficits for the preceding year by 30 April each year at the latest.
(2) Companies and legal persons carrying on their activities both in Senegal and abroad must, in addition, declare each year or for each financial year, by 30 April at the latest, to the competent tax department, the amount of their total profit made both in Senegal and abroad.
Article 31
(2) The enterprises and organizations covered by the accounting framework known as SYSCOHADA must attach the accounting documents referred to in Article 8 of the Uniform Act of the Organization for the Harmonization of Business Law in Africa (OHADA) on the Organization and Harmonization of Accounting of Companies, subject to the reservations provided for in Articles 11 and 13 of the said Uniform Act, namely :
- the balance sheet;
- the profit and loss account
- the cash flow statement
- the notes to the accounts ;
- the supplementary statistical statement.

Corporate income tax rate

Article 36. of the Senegalese General Tax Code.
The rate of corporation tax is set at 30% of taxable profits. Any fraction of the taxable profit less than one thousand francs is disregarded.

Tax rates

Resident companies	
Corporation tax	
– standard	30%
– rate for hydrocarbon activities	30%
Capital gains tax	30%
Dividends	10%

Resident individuals	
Income tax	0% - 40%
Capital gains	30%
Dividends	10%
Interest	16%
Royalties	Taxed as ordinary income
Fees	Taxed as ordinary income

Non-resident individuals	
Corporation tax	Same as residents
Capital gains	Same as residents
Dividends	10% *
Interest	16% *
Royalties	20% *
Fees	20% *

Capital gains tax	In principle, capital gains are taxed as ordinary business income. The following special regimes are applicable: Capital gains from a disposal of fixed assets Deferment of taxation for a disposal of fixed assets occurs in the course of continuing operations of the company. The following conditions must be fulfilled to qualify for deferment: – Capital gains should originate from the transfer of ownership; – Transfer should occur during continuing operations; – Transfer should relate to the fixed assets; and – The company must provide an affidavit to reinvest an amount equivalent to the capital gains in Senegal. Partial taxation for disposal on cessation of operations: – Half of the capital gains arising from the disposal of fixed assets at the end of the activity or partial disposal of the activity; and – A third of the capital gains arising from a transfer or disposal happening less than five years after setting up the business or the purchase of the activity. Capital gains on a sale of shares, except those from transactions resulting from the transfer of shares after merger or partial transfer of activity There is tax exemption in the case of a partial transfer of activity and this depends on the condition that the beneficiary of the partial transfer is located in the country.
Local Economic Contribution (CEL)	CEL/Rental Value (CEL VL) Due by all owners (or occupants - in the case of a professional tenant) whether or not carrying on an activity taxable to the tax authorities, all premises, installations and fittings similar to buildings as well as land used in the context of a taxable activity. Applicable rate: o 20% for premises, installations and land recorded as assets in the taxpayer's balance sheet; o 15% for premises rented or occupied free of charge.
CEL/Value Added (CEL-VA)	Due by any company carrying on a commercial, industrial or professional activity on January 1st of the tax year on the added value it has generated during the year preceding that of taxation. Applicable rate: o Application of a rate of 1% on the declared value added. o The minimum rate allowed varies according to the sector of activity between 0.075 and 1.5% on turnover.
Local Economic Contribution (CEL): Special regime	Operators of port facilities are subject, as part of their local economic contribution, to a single tax of 1.5% of their turnover in the year preceding the year of taxation. However, port facility operators remain taxable on the contribution to the rental value of premises located outside the port area, excluding facilities for ship security.
Registration fee	Registration fees are due on real estate transactions at a rate of 5 %. A rate of 2% is due on leasing contracts for business use.
Investment information	Investment rules There are various tax incentives put in place to stimulate investment. These are as follows: • Tax treatment provided for by the Investment Code. • New enterprises and extension projects: — Custom duty exemptions (three years); — VAT suspension (three years); and — The tax credit of 40% for eligible investment but it is capped to 50% of the tax profit and should be applied within 5 years from the investment Special regime is applicable to approved export firms: — Approved export firms are obliged to export 80% or more of their turnover. The benefits of this regime remain valid for a period of 25 years and can be renewed. The corporate tax rate is 15%; — Exemption from customs duties and duty stamps on utilitarian vehicles and tourism vehicles and means of transportation clearly intended for production; — Exemption from taxes based on salaries paid by companies; — Exemption from all registration and stamp duties when registering a company and modifying its Articles of Association; — Exemption from patent fee, property tax on constructed and unconstructed property, and from the licence fee; and — Exemption from the taxes on Income for Stocks and Shares drawn by the firm on the dividends distributed.

Exchange control	Senegal has exchange control restrictions or limitations only with non-ECOWAS member states. There is free movement of money and capital between ECOWAS member states. If the destination of the money is not an ECOWAS state, a resident can freely carry out current payments through intermediaries (which are the Central Bank of West Africa, the post office, the authorized intermediary and registered operators of manual exchange) after showing evidence of the nature and validity of the transaction. All other payments abroad must be made with the approval of the finance minister. Each authorization request must come with supporting documents. In case of transfers not exceeding CFA 300, 000 no supporting documents are required.
Annual budget announcement	The Minister of Finance generally announces the annual budget and taxation proposals on 31 December each year.
Trade and bilateral agreements	Senegal is a member of the Economic Community of West African States (ECOWAS), UEMOA (WAEMU) and a signatory to the ACP-EU Partnership Agreement.
Transfer pricing rules	Annual Declaration Content of the declaration. General information on the group of affiliated companies. General description of the activity deployed, including changes during the financial year. List of the main intangible assets held by one or more affiliated companies and used by the reporting company and the State or jurisdiction in which the company that owns the assets is located. A general description of the group's transfer pricing policy and changes during the financial year. Specific to the reporting company. A description of the activity carried out, including changes during the financial year. A summary statement of transactions with affiliated companies. Information on loans and borrowings with affiliated companies. Information on transactions with affiliated companies that are subject to prior pricing agreements or tax rewrites concluded with another State or jurisdiction. Additional declaration country by country Legal entities established in Senegal that meet the following criteria: - prepare consolidated financial statements; - own or control, directly or indirectly, one or more legal entities established outside Senegal or have branches there; - achieve an annual consolidated turnover, excluding tax, of four hundred and ninety-one billion (491,000,000,000,000) francs or more during the financial year preceding the one to which the declaration relates; • not be owned by a legal entity or entities located in Senegal and required to file this declaration, or established outside Senegal and required to file a similar declaration pursuant to foreign regulations. • Frequency • Within twelve months of the end of the financial year (i.e. by the 31st of the year following the end of the financial year) • Content of the declaration • A declaration of economic, accounting and tax aggregates, as well as information on the location and activity of the entities constituting it, subscribed in dematerialized form.
Thin capitalization rules	In terms of the general tax code, thin capitalization rules are applied to interest paid to shareholders on loans and deposits (including all advances). Interest paid is deductible for corporate tax purpose provided: The rate of interest does not exceed the Central Bank discount rate plus 3%; and The amount of the loan or deposit/advance granted to the company does not exceed its paid up share capital.
General Anti-Avoidance rules (GAAR)	To combat tax evasion, Senegal has entered into a dozen tax treaties with other countries (including Belgium, Canada, France, Mauritius, Italy, Morocco and Norway) and benefits from the WAEMU Regulation on the avoidance of double taxation of financial flows between WAEMU member states.

General Anti-Avoidance rules (GAAR) (cont.)	Bilateral conventions for the protection and encouragement of investments have also been concluded with Germany, the United States, France, the Netherlands, the United Kingdom, Sweden and Switzerland. Finally, Senegal is a member of ICSID and MIGA and has ratified the New York Convention on the enforcement of foreign arbitral awards
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions/Anti-Hybrid rules	Qualifying participations (at least 5 percent of the equity of the subsidiary) Dividends are not tax-exempt (shift from exemption to credit method), if the foreign corporation derives mainly passive income and the effective corporate tax rate is less than 12,5 percent. CFC rules take precedence. Deductible dividends of foreign subsidiaries If dividends of a foreign subsidiary can be deducted at the level of the subsidiary, they are not tax-exempt at the level of the receiving parent. Restrictions on the deductibility of interest and royalties Interest and royalties paid to foreign related parties are not deductible if the income derived from the interest and royalties is not taxed in the recipient`s state or is subject to a tax rate of less than 10 percent. Hybrid arrangements For hybrid arrangements, provisions from the Directive ATAD 2 were transposed to provide measures against hybrid arrangements which results in a double deduction of expenses or a deduction of expenses without taxation of the corresponding income.
Advance Ruling system	Yes, but limited to certain issues (international tax law, reorganization tax matters, tax groups, VAT and the existence of tax abuse).
IP / R&D incentives	R&D tax credit of 14 percent of the qualifying costs incurred for R&D. For economic years starting before January 1, 2018, the R&D tax credit amounts to 12 percent. Special transitional regulations apply in case the financial year differs from the calendar year.
Other incentives	No.
VAT	Value added tax (VAT) is levied at a rate of 18% on transactions (supply of goods and services) in Senegal by persons who, either regularly or on a casual basis, purchase goods for resale or carry on activities other than those relating to agriculture. All activities except banking, insurance, education and farming activities are included in the scope of the tax. VAT payers who are non-resident are required to appoint a resident representative to be responsible for the payment of the VAT obligations and payments. This rate is reduced to 10% for services provided by approved tourist establishments.

Other relevant points of attention	No.
Mandatory Disclosure Rules Updates	For country specific information and updates on the EU Mandatory Disclosure Rules please visit KPMG's EU Tax Centre's MDR Updates page.
COVID-19 Resources	An overview of tax developments being reported globally by KPMG member firms in response to the Novel Coronavirus (COVID-19) is available here. For further insight into the potential tax, legal and mobility implications of COVID- 19, please refer to the dedicated KPMG page.

Travel information

Visa requirements	The biometric visa required to enter Senegal, instituted on 1 July 2013, was abolished on 1 May 2015. Visas are available on arrival at the airport upon presentation of the traveler's passport.
Flights	Flights into Dakar daily
Inoculations	Yellow fever vaccinations are compulsory. Typhoid, Hepatitis A, Hepatitis B, Tetanus, Polio, Meningitis, Malaria and Cholera are recommended. With the covid-19, there are restrictions for the nationals of certain countries concerning the entry on the Senegalese territory. Special authorizations to embark can be delivered by the diplomatic representations of Senegal under conditions.

Economic statistics

Prime Interest Rate (February 2021)	7.23%
US$ Exchange Rate (April 2021)	545,460
Inflation (December 2020)	2.5%
GDP (2020)	5.2%

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