The Country and its institutions

Area, Population and Climate

Located in Central Africa at the very heart of the Gulf of Guinea, Gabon is a coastal country with a strategic opening on the Atlantic Ocean. Bordering Cameroon and Equatorial Guinea in the North and the Republic of Congo in the Southeast, Gabon is a small country of a total land area of 267,667 square kilometers with abundant natural resources such as oil, wood, manganese and iron. Situated on the equator, the country has an equatorial tropical climate (i.e. always hot and humid) boosted by an extensive rainforest system covering almost 85% of the territory. Gabon has a population of approximately 2 million inhabitants.

International Affiliations

The country is a member of the African Union (AU), the United Nations (UN), the Economic and Monetary Community of Central Africa (CEMAC), the Economic Community of the Central African States (CEEAC), the Organisation Africaine de la Propriété Intellectuelle (OAPI), the Commonwealth, the Inter-African Conference of the Insurance Markets (the ICIM), the Organisation for the Harmonisation of Business Law in Africa (OHADA), the United Nations Educational Scientific and Cultural Organization (UNESCO), the World Tourism Organization (WTO) and the World Trade Organization (WTO).

The Government and Political Climate

Gabon is independent from France since August 17, 1960 and the country enjoys political stability. The President is elected at universal suffrage for a seven-year (7) term with no term limits. The executive power is also composed of the Prime Minister, head of government appointed by the President, and the Council of Ministers appointed by the Prime Minister in consultation with the president. The legislative branch, represented by a Parliament, is a bicameral system with an upper house; the Senate and a lower house the National Assembly (“Assemblée Nationale” in French). The judicial branch consists of a Supreme Court, a Constitutional Court and subordinate courts such as the court of appeal, or military martial courts.

Country’s Administrative organization

On an administrative level, Gabon is divided into 9 provinces.

— Estuaire G1 – Libreville is the county town of G1 and also the capital city of the country. It is the largest city in terms of infrastructures and population.
— Ogooué Maritime G8 – Port-Gentil is considered the economic capital and the oil industry center of the country.
— Moyen Ogooué G3 – Lambaréné, famous for the Albert Schweitzer’s Hospital built during colonization.
— Haut-Ogooué G2 – Franceville
— Ngounié G4 – Tchibanga
— Nyanga G5 – Mouila
— Ogooué-Ivindo G6 – Makokou
— Ogooué-Lolo G7 – Koulamoutou
— Woleu-Ntem G9 - Oyem
**Brief economic preview**

The country’s economy essentially developed around its abundant natural resources. The economy largely depended on timber and manganese until oil was discovered offshore in the early 1970s. The economy was then reliant on oil for about 45% of its Gross Domestic Product “GDP”, about 60% of revenues, and 80% of exported goods for 2018, although some fields have passed their peak production. Despite the monopoly of the oil sector, the timber industry remained an important and reliable source of profits. Indeed, the country has huge reserves of quality wood and timber exports are the second source of income and accounts for approximately 7% of Gross National Product.

**Emerging Gabon policies**

Since it gained its independence from France in 1960, Gabon’s economy largely depended on the exploitation of natural resources such as timber, manganese and uranium until oil was discovered offshore in the early 1970s.

Since 2010, the country has embarked on important political and economic reforms to transform Gabon into a newly developed country by 2025, strengthening and diversifying the economy around three pillars:

— Green Gabon to sustainably develop the country’s natural resources: 22 million ha of forest, 1 million ha of arable land, 13 national parks, 800 km of coastline;

— Industry Gabon to develop local processing of primary materials, export of high value-added products;

— Services Gabon to develop the Gabonese workforce to become a regional leader in financial services, ICT, green growth, tertiary education and health.

Those reforms which include the setting up of a one-stop shop for investors and businesses, along with means for improved collaboration between the government and private sector, have helped in this regard, supporting headline growth forecast at 2.6% in 2018.
Business attractiveness

Investment incentives

Tax incentives
The new Investment Code provides and guarantees the freedom of enterprise and property ownership, transparency of business law, transparency of social law, non-discrimination between nationals and foreigners, free conversion of local currency and free transfer of profits in accordance with CEMAC foreign exchange regulations, and taxation at international standards.

The Code grants numerous incentives such as the exemption of eligible companies from corporate income tax or the tax on non-commercial profits (as the case may be), business license duty and trading license duty. There is also exemption from VAT and reduction on custom duties.

Special Economic Zones (SEZs)
More favorable advantages have been laid with respect to investment in Special Economic Zones. These incentives subject to specific requirements could include exemption from CIT (10 years) and reduced rate of 10% from the 11th year, exemption from Capital gain specific disposals (25 years), exemptions from withholding taxes (25 years).

Oil & Gas
The new regulatory framework, developed in collaboration with the IMF and the University of Houston, recognized for its expertise in the field, will correct the rigidity imputed to the law in force since 2014. Among the new provisions of the code are the drastic drop in tax rates, a minimum royalty rate of 7% for conventional offshore oil and 4% for gas. These rates would be set at 5% for oil and 2% for deep and ultra-deep waters. In addition, the durations of the substantial elements of the contracts that would be extended and referred to free negotiation. Another major change is the outright elimination of corporate income tax.

Mining
According to Gabon’s Mining Code, companies operating in this sector may benefit from the following:
— Exemption from distribution taxes
— Exemption from business licenses and property taxes
— A specific VAT regime providing either the exoneration from payment or reimbursement of VAT paid;
— Subject to certain conditions found in mining conventions, exemption from the payment of CIT and PIT
— Stable tax clause for five years of production
**Business attractiveness (cont.)**

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Resident individuals

<table>
<thead>
<tr>
<th>Category</th>
<th>Taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income tax</td>
<td><strong>progressive</strong>; Between 5% and 35%. 30% for business income</td>
</tr>
<tr>
<td>Capital gains</td>
<td>Part of business income</td>
</tr>
<tr>
<td>Dividends</td>
<td>20%</td>
</tr>
<tr>
<td>Interest</td>
<td>15%</td>
</tr>
<tr>
<td>Employment income (Complementary tax on wages)</td>
<td>5%</td>
</tr>
<tr>
<td>National Housing Fund</td>
<td>2%</td>
</tr>
<tr>
<td>Training levy</td>
<td>0,5%</td>
</tr>
</tbody>
</table>

*Final tax withheld at source (rate may be varied by applicable tax treaty)

Capital gains tax

Capital gains are not taxed separately as such but are included in ordinary income and subject to corporate income tax. Capital gains arising from the disposal of fixed assets and shares are normally included in taxable income. Rollover relief for gains is granted where the taxpayer invests a sum equal to the amount of the gain in the acquisition of a similar asset within 3 years from date of sale. For shares, the relief applies only to significant long-term holdings exceeding 3 years. Subject to certain conditions, capital gains arising from a merger or partial business transfer are exempt. Likewise, capital gains arising from the sale of shares held directly or indirectly in a Gabonese company are subject to corporate income tax.

Transfer pricing and thin capitalisation rules

Gabon introduced transfer pricing rules in April 2009. Consequently, any transaction (expenses, grants, and waiver to fair profits) that is not considered to be in the normal course of business may be regarded as non-deductible and become taxable as revenue. Intercompany transactions must be made at arm’s length, otherwise the Tax Administration is empowered to make reassessments and collect taxes on profit indirectly transferred abroad. In the beginning of each tax year, each company must submit to the Tax Administration documents detailing:

— Intergroup relationships;
— Pricing methods for intercompany operations;
— Type of activities carried out; and
— Treatment of intergroup transactions.
As from the year from the tax year ended 31/12/17, Gabonese under the control of group companies are requested to submit the following transfer pricing documentation:

— A Master File
— A Local File
— A Country by Country Report, subject to group criteria of MEUR 750 of turnover

Since the finance law for fiscal year 2018, the Gabonese legislator has strengthened the thin capitalization rule by specifying the conditions for deductibility of interest paid for loans granted by partners or shareholders to related companies. Therefore, the deductibility of interest related to the repayment of such borrowings will be limited, firstly in relation to the amount of equity and, secondly, in relation to gross operating income.

For this purpose, Article 11-II-2-a of the General Tax Code specifies that the interest paid to shareholders on account of the amounts they leave or make available to the company in addition to their capital shares, irrespective of the form of the company, shall be allowed as a deduction within the limits of those calculated at the rate of advances from the Central Bank (2.95%) plus two points.

However, in the case of shareholders owning directly or indirectly at least 25% of the share capital or voting rights of the company, this deduction is only possible to the extent that:

— the sums made available do not exceed, for all such shareholders, one and a half times the amount of the shareholders’ equity. Otherwise, interest on the excess portion is not deductible;
— the interest paid to such shareholders does not exceed 25% of the profit before corporate tax and before deducting such interest and amortization taken into account in determining the profit. Otherwise, the excess interest is not deductible.

### Other taxes

<table>
<thead>
<tr>
<th>Business license duty</th>
<th>Any domestic company which carries on a trade, business or profession not included in the list of exemptions set out in the GTC is liable to business license duty. A graduated scale applies depending on the type of activities carried out.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special real estate tax on rents</td>
<td>Tax levied on rental value of various types of properties. Rate is 15%.</td>
</tr>
</tbody>
</table>
Double tax relief and tax treaties

No unilateral double taxation relief is granted under domestic tax law in respect of foreign taxes paid. Bilateral relief is provided under tax treaties Gabon has signed with some countries.

In this regard, Gabon has signed a multilateral tax treaty with the CEMAC members, which were formerly members of the Central African Economic and Customs Union (UDEAC). Gabon has also entered into the African Malagasy Common Organization (OCAM) multilateral tax treaty, as well as tax treaties with Belgium, Canada, France and Morocco. The withholding rates under these multilateral treaties and the treaties with Belgium, Canada and France are listed in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Belgium</th>
<th>Canada</th>
<th>France</th>
<th>Morocco</th>
<th>CEMAC*</th>
<th>OCAM**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Interests</td>
<td>15%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Royalties</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

*CEMAC: Central African Economic and Monetary Union (Cameroon, Tchad, Centre-Afrique, Gabon, Congo, Equatorial Guinea)

Transaction taxes

Value added tax (VAT) is levied on transactions carried out in the Gabon for consideration by persons who, either regularly or occasionally, purchase goods for resale or render services. As from the Finance Bill 2016, taxable supplies will now include transactions on immovable property carried out by real estate professionals.

VAT is levied only in respect of business activities that are carried on in Gabon at a standard rate of 18%. Different rates apply to milk, petroleum products or tobacco. Certain specified supplies are exempt from tax.

Customs duty

As a member state of the Central African Economic and Monetary Union (CEMAC), Gabon applies the customs rates specified in the community regulations. Customs duties are levied on the customs value of most imported goods at rates ranging from 5% to 30%, depending on their classification.
Other Key Tax & Regulatory Matters

**Stamp and transfer duty**

Stamp duties are levied on documents drawn up in Gabon and on those drawn up abroad where they might be produced as evidence in legal proceedings in Gabon. Fixed fees apply for paper documents and a percentage rate for negotiable and non-negotiable instruments.

Transfer duty applies to the sale of immovable property situated in Gabon at a rate of 6% and increased to 8% where the assets are located in Libreville or Port-Gentil. The rate is applied to the price indicated in the transfer deed. The transfer of shares and other securities is subject to registration fees at a rate of 3%.

**Limitation of review**

In Gabon, omissions in the tax base, misstatements and inaccuracies or tax errors can be reviewed and adjusted by the tax authorities until the end of the fourth (4) year following that in respect of which the tax is due.

**Accounting rules**

From an accounting perspective, like other OHADA member countries, Gabon has adopted, since January 2001, the OHADA accounting system provided for by the OHADA Uniform Act Relating to Accounting. Under the Act, companies operating in Gabon are required to keep their local accounts in accordance to the OHADA Generally Admitted Accounting Principles (GAAP). Likewise, companies are requested by the General Tax Code to prepare their domestic corporate income tax returns based on a set of accounts prepared according to OHADA accounting system.

**Currency Exchange controls and rates**

The XAF is linked to the euro (€) at a current fixed exchange rate of 1€ / 655.957 FCFA. Transfers within the CFA zone are not restricted. There is a free repatriation of capital and dividends Communauté Financière Africaine Franc (XAF) is currently used in six 6 Central African States (CFA).

**Residence and work permits**

A visa is required to work in Gabon and is valid for a maximum of three months. An extension is required to stay longer. To get a visa, a company letter (stating a specific mission), and a confirmation of itinerary from a travel agent, must be provided.

To apply for work permits, the procedure is initiated by the employer in Gabon while the applicant is outside the country. The work permit has a validity of two (2) years and is renewable as long as the employer is able to prove that there is no Gabonese employee available for the same job position.

As regards to residency card, the employee may apply for it in Libreville at the immigration administration. The residency card has a validity of two (2) years for all foreign employees and is renewable as long as the employee has a valid work permit.
Languages
The official and commercial language is French.

Official holidays
— New year’s Day – 1 January
— Easter Monday – (variable)
— National Women’s Day – (Variable)
— Labour day – 1 May
— Pentecost – (Variable)
— Add al Fitiri, End of Ramadan – (variable)
— Festival of the Assumption – 15 August
— National holiday – 16 August
— National holiday – 17 August
— Add el kebir, Feast of Sacrifice – 22 September
— All Saints’ Day – 1 November
— Christmas Day – 25 December

Every time the National holiday or Labour day falls on a Sunday, the day after will be a holiday.
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