

## Chad

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### A. At a glance

Corporate Income Tax Rate (%)	40 (a)
Capital Gains Tax Rate (%)	40 (b)
Branch Tax Rate (%)	40 (a)(c)
Withholding Tax (%)	
Dividends	20 (d)(e)
Interest	20
Royalties from Patents, Know-how, etc.	25
Fees for Technical Services, Professional Activities and All Other Services Paid Abroad	25 (f)
Certain Payments to Resident Individuals	20 (g)
Rent under Leases Paid to Individuals	15/20 (h)
Branch Remittance Tax	20 (i)
Net Operating Losses (Years)	
Carryback	0
Carryforward	3

- (a) The minimum tax equals 1.5% of turnover. For further details, see Section B.
- (b) In certain circumstances, the tax is deferred or reduced (see Section B).
- (c) An optional final withholding tax is available for CIE Petroleum Contractors and Subcontractors (foreign companies that have entered into subcontracts with oil companies registered in Chad). The rate of this final withholding tax is 12.5% of the net amount of the contract.
- (d) This withholding tax also applies to directors' allowances, nondeductible expenses and adjustments or reinstatements following a tax reassessment.
- (e) This withholding tax applies to residents and nonresidents.
- (f) This withholding tax applies to payments by Chadian resident companies to nonresidents.
- (g) This withholding tax applies to payments made to individuals in the self-employed professions, trade intermediaries, door-to-door salespersons and representatives of the law (attorneys, bailiffs and notaries).
- (h) The withholding tax rate is 15% for payments made to residents and 20% for payments made to nonresidents.
- (i) The income subject to tax corresponds to a portion of the distributions made by the head office company. This portion is determined by applying to the distributed amount a percentage corresponding to the ratio of the profits realized by the Chadian branch and the total head office profits.

**B. Taxes on corporate income and gains**

**Corporate income tax.** Chadian companies are taxed on the territoriality principle. As a result, Chadian companies carrying on a trade or business outside Chad are not taxed in Chad on their foreign-source profits. Chadian companies are those registered in Chad, regardless of the nationalities of their shareholders or where they are managed and controlled. Foreign companies with activities in Chad are subject to Chadian corporate tax on Chadian-source profits.

**Tax rates.** Under the General Tax Code, the standard corporate income tax rate applicable to all companies is a flat rate of 40% of taxable income. Corporate income tax is calculated by applying the tax rate to taxable income, which is based on income reported in the audited financial statements.

Oil and gas contractors are subject to higher rates.

The minimum tax is paid on a monthly basis at a rate of 1.5% of the turnover of the previous month. The payment must be made by the 15th day of the month following the month of realization of the turnover.

Sales made by wholesale dealers to individuals are subject to withholding tax at a rate of 4%. Wholesale dealers must pay the amount due to the tax authorities by the 15th day of the following month. Purchases made by companies from individuals are also subject to withholding tax at the same rate.

Profits realized in Chad by branches of foreign companies are subject to a branch withholding tax of 20% levied on a percentage of the distributions made by the branch, which corresponds to the profits realized in Chad after corporate income tax.

Newly incorporated companies or new businesses conducted by existing companies can be exempt from corporate income tax for five years if they satisfy the following conditions:

- The newly incorporated company or new business must be created after 1967 and must be operating in specific sectors, which are the industry, mining, agriculture, forestry and real estate sectors.
- The newly incorporated company or new business must demonstrate a particular interest for Chad development.
- The newly incorporated company or new business must not compete in any way with existing companies.
- The newly incorporated company must have a regular accounting conducted in Chad.

If the above-mentioned conditions are met, the application can be submitted to the Ministry of Finance and Budget.

**Capital gains.** Capital gains are taxed at the regular corporate rate. Capital gains include gains on the sale of real estate, corporate shares and business assets. However, the tax can be deferred or eliminated in the event of a merger under certain conditions.

For a business that is totally or partially transferred or discontinued (such as through a liquidation or sale of the business), only one-third of the net capital gains is taxed if the event occurs more than five years after the beginning or purchase of the business,

and only one-half of the gains is taxed if the event occurs within the five years following the beginning or purchase of the business.

**Administration.** The fiscal year runs from 1 January to 31 December.

Companies must file income tax returns by 31 March of the year following the fiscal year. Late returns are subject to a penalty of 1.5% per month, up to 50% of the tax due. An additional penalty of 100% or 150% applies in case of bad faith or in case of fraud discovered through a tax audit. Corporate income tax must be paid by the deadline for filing tax returns. Late payments are subject to a penalty of 2% per month of delay, excluding the application of an additional penalty.

**Dividends.** Dividends paid to resident individuals in Chad are subject to a 20% withholding tax. Resident individuals must include the gross dividend in taxable income, but they receive a corresponding 20% tax credit to prevent double taxation. Dividends received by resident companies are included in their taxable income and are subject to corporate income tax at the regular rate of 40%. Dividends paid to nonresidents are subject to a final 20% withholding tax.

The participation exemption regime may exempt up to 90% of the dividends received from a 50%-owned subsidiary if the parent company and the subsidiary have their registered offices in a Central African Economic and Monetary Community (Commission de la Communauté Économique et Monétaire de l'Afrique Centrale, or CEMAC) member state. The CEMAC member states are Cameroon, Central African Republic, Chad, Congo (Republic of), Equatorial Guinea and Gabon.

**Foreign tax relief.** In general, foreign tax credits are not allowed. The income of residents and nonresidents subject to foreign tax that is not exempt from Chadian tax under the territoriality principle is taxable, net of the foreign tax.

### C. Determination of trading income

**General.** Taxable income is based on financial statements prepared according to generally accepted accounting principles and the Organization for the Harmonization of Business Law in Africa (L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires, or OHADA) standard statements.

Business expenses are generally deductible unless specifically excluded by law. Expenses that are not deductible include the following:

- Head office overhead, research costs, and technical, financial and administrative assistance fees paid to nonresidents that exceed 10% of taxable profits before their deduction. This limitation does not apply to technical assistance fees related to the assembly of a factory, which are deductible in their entire amount.
- Rent expenses for movable equipment paid to a shareholder that manages the company in fact or by right and holds, directly or indirectly, more than 10% of the capital.
- Interest paid to shareholders in excess of the central bank annual rate plus two points.

- Commissions and brokerage fees for services on behalf of companies located in Chad that exceed 5% of purchased imports and sales of exports.
- Amounts set aside for self-insurance.
- Certain specific charges (such as contributions other than those for retirement paid to a foreign social security organization, which are deductible up to 15%, and health insurance premiums paid to companies located abroad), gifts, subsidies and penalties (to some extent).
- Expenses paid to local suppliers without reference to a Chadian tax identification number.
- Disallowed expenses, such as personal expenses, family expenses, nonbusiness-related expenses, provisions for redundancy for economic purposes and for self-insurance and unsupported expenses.

**Inventories.** Inventory is normally valued at the acquisition cost or at the lower of cost or market value. Cost must be determined on a weighted-average cost-price method. The first-in, first-out (FIFO) method is also generally acceptable.

**Provisions.** In determining accounting profit, companies must establish certain provisions, such as a provision for a risk of loss or for certain expenses. These provisions are normally deductible for tax purposes if they provide for clearly specified losses or expenses that are probably going to occur and if they appear in the financial statements and in a specific statement in the tax return.

Insurance companies may deduct technical provisions provided by the Conférence Interafricaine des Marchés d' Assurance (CIMA) Code to the extent that the General Tax Code does not contain any limitation for such deduction.

Credit institutions may deduct provision for bad debts. Such deduction is limited to 25% for the first year, 50% for the second year and 25% for the third year, if the concerned debt is not covered by a guarantee. If the bad debt is covered by a real guarantee, the deductibility is limited to 15% for the first year, 30% for the second year, 30% for the third year and 25% for the fourth year.

**Capital allowances.** Land and intangible assets, such as goodwill, are not depreciable for tax purposes. Other fixed assets may be depreciated using the straight-line method at rates specified by the tax law. Accordingly, if the rates used for accounting purposes are greater than the prescribed rates, the excess is disallowed for tax purposes.

**Relief for tax losses.** Losses may be carried forward for three years. However, losses attributable to depreciation may be carried forward indefinitely. Losses may not be carried back.

**Groups of companies.** The Chadian tax law does not provide for the fiscal integration of Chadian companies equivalent to a consolidated filing position.

#### **D. Other significant taxes**

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax, on transactions carried out in Chad; certain transactions are exempt	
Standard rate	18
Exports	0
Business license; rate varies depending on the amount of turnover	Various
Registration duties, on transfers of real property or businesses	3 to 15
Social security contributions on an employee's annual gross salary, limited to XAF6 million	
Family allowances, paid by employer	7.5
Old age, disability and survivor's pension; paid by Employer	5
Employee	3.5
For job-related accidents; paid by employer	4
Inclusive tax; on gross salary and effective value of benefits in kind; paid by employer	7.2
Training tax; on gross salary and effective value of benefits in kind; paid by employer	1.2

### E. Foreign-exchange controls

Exchange-control regulations exist in Chad for financial transfers outside the franc zone, which is the monetary zone including France and its former overseas colonies. A CEMAC rule (No. 0200/CEMAC/UMAC/CM, dated 29 April 2000) applies to all of the CEMAC countries.

### F. Treaty withholding tax rates

Chad has a limited tax treaty network. Chad has only entered into the CEMAC multilateral tax treaty, dated 13 December 1966. Under this treaty, the following are the withholding tax rates.

	Dividends %	Interest %	Royalties %
Cameroon	20 (a)	20 (a)	– (b)
Central African Republic	20 (a)	20 (a)	– (b)
Congo (Republic of)	20 (a)	20 (a)	– (b)
Equatorial Guinea	20 (a)	20 (a)	– (b)
Gabon	20 (a)	20 (a)	– (b)
Non-treaty countries	20	20	25

- (a) Payments from a Chadian source are subject to withholding tax under Chadian domestic tax law.
- (b) Withholding tax is not levied. The income is subject to tax in the state of the recipient.