

Equatorial Guinea

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A. At a glance

Corporate Income Tax Rate (%)	35 (a)
Capital Gains Tax Rate (%)	35 (b)
Branch Tax Rate (%)	35
Withholding Tax (%)	
Dividends	25 (c)
Interest	25 (c)
Royalties from Patents, Know-how, etc.	10
Payments for Oil and Gas Services	6.25/10 (d)
Branch Remittance Tax	0
Net Operating Losses (Years)	
Carryback	0
Carryforward	3/5 (e)

- (a) The minimum corporate tax is 1% of turnover. See Section B for details.
 (b) In certain circumstances, the tax is deferred or reduced (see Section B).
 (c) This tax is imposed on payments to nonresidents. For residents, the rate is 35%.
 (d) This tax applies to payments for services performed by subcontractors of oil and gas companies. The 6.25% rate applies to residents. The 10% rate applies to nonresidents.
 (e) In general, companies may carry forward net operating losses for three years. However, companies operating in the hydrocarbon sector may carry forward net operating losses for five years.

B. Taxes on corporate income and gains

Corporate income tax. Equatorial Guinea (EG) companies are taxed on the territorial principle. As a result, EG companies carrying on business outside EG are not subject to corporate income tax in EG on the related profits. EG companies are those registered in EG, regardless of the nationality of the shareholders or where the companies are managed and controlled. Foreign companies engaged in business in EG are subject to corporate income tax on EG-source profits.

Tax rate. The corporate income tax rate is 35%.

The minimum corporate tax is 1% of annual turnover for the preceding year. The amount of this tax cannot be less than XAF800,000 (for further details regarding this tax, see *Administration*).

Capital gains. Capital gains are taxed at the regular corporate income tax rate. However, the tax can be deferred if all of the proceeds are used to acquire new fixed assets in EG within three years or in the event of a merger. If the business is totally or partially transferred or discontinued, only one-half of the net capital gains is taxed if the event occurs less than five years after the start-up or purchase of the business, and only one-third of the gains is taxed if the event occurs five years or more after the business is begun or purchased.

Administration. The tax year is the calendar year. Tax returns must be filed by 30 April. The minimum corporate tax must be declared and paid by 31 March of each year. The minimum corporate tax may be set off against the regular income tax payable for the same tax year.

Late payments and late filings of tax returns are subject to penalties. For the minimum corporate tax, the penalty equals 50% of the amount of the tax. For corporate income tax, the following are the penalties:

- XAF200,000 per month of delay for the filing of the return.
- 50% of the amount not declared if the return has a shortfall that exceeds 1/10 of the declared profit. The penalty is increased to 100% in case of bad faith.

Dividends. Dividends paid to nonresidents are subject to a 25% withholding tax.

Resident companies normally include dividends received in taxable income. However, a parent company may exclude up to 90% of the dividends received from a 25%-owned subsidiary.

Foreign tax relief. EG does not provide relief for foreign taxes paid.

C. Determination of trading income

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

Business expenses are generally deductible unless specifically excluded by law. The following expenses are deductible only if they are normal and substantiated:

- Head office overhead and remuneration for certain services (studies and technical, financial or administrative assistance) paid to nonresidents
- Royalties from patents, brands, models or designs paid to a non-Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale, or CEMAC) corporation participating in the management of, or owning shares in, the EG corporation

The following expenses are not deductible:

- Rent expense for movable equipment paid to a shareholder holding, directly or indirectly, more than 10% of the capital

- A portion of interest paid to a shareholder in excess of the central bank annual rate and, if the shareholder is in charge of management, on the portion of the loan exceeding one-half of the capital stock
- Commissions and brokerage fees exceeding 5% of purchased imports
- Certain specific charges, penalties, corporate income tax and individual income tax
- Most liberalities (payments that do not produce a compensatory benefit, such as excessive remuneration paid to a director), gifts and subsidies

Inventories. Inventories are normally valued at cost. Cost must be determined under a weighted-average cost price method.

Provisions. In determining accounting profit, companies must establish certain provisions, such as a provision for a risk of loss 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.

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. The following are the straight-line depreciation rates for major categories of assets.

Asset	Rate (%)
Buildings	5 to 20
Plant and machinery, and transportation equipment	5 to 100
Office equipment	10 to 15

Relief for losses. In general, companies may carry forward net operating losses for three years. However, companies operating in the hydrocarbon sector may carry forward net operating losses for five years. Losses attributable to depreciation may be carried forward indefinitely. Losses may not be carried back.

Groups of companies. EG law does not allow the filing of consolidated tax returns or provide any other form of tax relief for groups of companies. However, the OHADA Uniform Act on Accounting Law contains the principle of consolidated financial statements.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax; imposed on transactions performed in EG that are not subject to the oil and gas sector withholding tax (see Section A)	
General rate	15
Reduced rate	6
Specified products	0
Social security contributions; imposed on salaries; paid by	

Nature of tax	Rate (%)
Employer	21.5
Employee	4.5
Worker Protection Fund and Professional Training Fund; imposed on salaries; paid by	
Employer (on gross salary)	1
Employee (on net salary)	0.5

E. Foreign-exchange controls

The EG currency is the CFA franc BEAC (XAF).

Exchange-control regulations exist in EG for financial transfers in the franc zone which is the monetary zone including France and its former overseas colonies. In the franc zone, transactions from XAF1 million to XAF10 million require a preliminary declaration to the Ministry of Finance. Outside the franc zone, a preliminary authorization from the Ministry of the Economy, Finance and Industry is required for any transaction exceeding XAF10 million.

F. Tax treaties

Equatorial Guinea has entered into the tax treaty of the former Central African Economic and Customs Union (Union Douanière et Économique de l'Afrique Centrale, or UDEAC).