# Senegal

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## A. At a glance

| | |
|---|---|
| Corporate Income Tax Rate (%) | 30 (a) |
| Capital Gains Tax Rate (%) | 30 (b) |
| Branch Tax Rate (%) | 30 (a) |
| Withholding Tax (%) | |
| Dividends and Nondeductible Expenses | 10 (c) |
| Directors' Fees | 16 |
| Interest | 6/8/16/20 (d) |
| Royalties from Patents, Know-how, etc. | 20 |
| Payments to Nonresidents for Certain Services and Activities | 20 (e) |
| Branch Remittance Tax | 10 (f) |
| Net Operating Losses (Years) | |
| Carryback | 0 |
| Carryforward | 3 |

(a) If the company does not derive a taxable profit for a given year, minimum tax applies. The minimum tax equals 0.5% of the turnover of the preceding tax year. For example, the minimum tax for 2013 is determined based on the annual turnover for 2012. The minimum tax may not be less than XOF500,000 or more than XOF5 million.

(b) In certain circumstances the tax is deferred or reduced (see Section B).

(c) See Section B for special rules applicable to certain dividends, and see Section C for a list of nondeductible expenses.

(d) The 6% rate applies to interest on long-term bonds. The 8% rate applies to bank interest. The 20% rate applies to interest on deposit receipts. The 16% rate applies to other interest payments.

(e) This tax applies to technical assistance fees and other types of remuneration paid to nonresident companies and nonresident individuals that do not have a permanent establishment in Senegal. The rate is 15% for payments to French individuals or corporations.

(f) This rate may be modified by a tax treaty. See Section B.

## B. Taxes on corporate income and gains

**Corporate income tax.** Senegalese companies are taxed on the basis of the territoriality principle. As a result, companies carrying on a trade or business outside Senegal are not taxed in Senegal on the related profits. Foreign companies developing activities in Senegal are subject to Senegalese corporate tax on Senegalese-source profits only.

**Tax rates.** The corporate income tax rate is 30%. The minimum tax (*impôt minimum forfaitaire*, or IMF) payable equals 0.5% of the annual turnover. The minimum tax may not be less than XOF500,000 or more than XOF5 million.

Unless otherwise stipulated in a double tax treaty, the profits realized in Senegal by branches of foreign companies that have not been reinvested in Senegal are deemed to be distributed and are accordingly subject to a 10% withholding tax.

**Capital gains.** Capital gains are generally taxed at the regular corporate rate. The tax, however, can be deferred if the proceeds are used to acquire new fixed assets in Senegal within three years or in the event of a merger (or other corporate acquisition).

If the business is totally or partially transferred or discontinued, only one-half of the net capital gain 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 gain is taxed if the event occurs five years or more after the business was begun or purchased.

Capital gains on sales or transfers of land and buildings are also subject to land tax (see Section D).

**Administration.** The tax year is the calendar year. Companies must file their tax returns by 30 April of the year following the tax year.

Corporate tax must be paid in two installments (each equal to one-third of the preceding year's tax) by 15 February and 30 April. The 15 February installment may not be less than the amount of the minimum tax. The balance must be paid by 15 June.

Late payments are subject to interest at a rate of 5% of the tax due. Each additional month of delay results in additional interest of 0.5%.

**Dividends paid.** Dividends paid are subject to a 10% withholding tax.

Dividends distributed by a Senegalese parent company that consist of dividends received from a Senegalese subsidiary that is at least 10% owned are not subject to dividend withholding tax on the second distribution.

**Foreign tax relief.** In general, foreign tax credits are not allowed; income subject to foreign tax that is not exempt from Senegalese tax under the territoriality principle is taxable net of the foreign tax. However, the tax treaty with France provides a tax credit for French tax paid on dividends.

## C. Determination of taxable income

**General.** Taxable income is based on financial statements prepared according to generally accepted accounting principles and the rules contained in the Accounting Plan of the Organization for the Harmonisation 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 partially deductible or nondeductible:

- Foreign head-office expenses, of which the deduction is limited to 20% of Senegalese taxable profits before deduction of foreign head-office expenses (unless otherwise provided for by tax treaties)
- The amount of interest paid to shareholders in excess of three percentage points above a standard annual rate set by the central bank and the amount of interest on loans in excess of the capital stock amount
- Certain specific charges over specified limits
- Taxes, penalties and gifts

**Inventories.** Inventory is normally valued at the lower of cost or market value.

**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 are related to clearly specified losses or to expenses that are probably going to be incurred and if they appear in the financial statements and in a specific statement in the tax return.

**Participation exemption.** A parent company may exclude from its tax base for corporate income tax purposes 95% of the net dividends received from a subsidiary if all of the following conditions are met:

- The parent company and the subsidiary are either joint stock companies or limited liability companies.
- The parent company has its registered office in Senegal and is subject to corporate income tax.
- The parent company holds at least 10% of the shares of the subsidiary.
- The shares of the subsidiary are subscribed to or allocated when the subsidiary is created, and they are registered in the name of the parent company, or, alternatively, the parent company commits to holding the shares for two consecutive years in registered form.

**Tax depreciation.** Land and intangible assets, such as goodwill, are not depreciable for tax purposes. Other fixed assets may be depreciated. The straight-line method is generally allowed. The following are some of the applicable straight-line rates.

| Asset | Rate (%) |
|---|---|
| Commercial and industrial buildings | 3 to 5 |
| Office equipment | 10 to 15 |
| Motor vehicles | 20 to 25 |
| Plant and machinery | 10 to 20 |

In certain circumstances, plant and machinery as well as other assets may be depreciated using the declining-balance method or an accelerated method.

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

**Groups of companies.** No fiscal integration system equivalent to tax consolidation or fiscal unity exists in Senegal.

## D. Other significant taxes

The following table summarizes other significant taxes.

| Nature of tax | Rate (%) |
|---|---|
| Value-added tax; on goods sold and services rendered in Senegal | 18 |
| Business license tax (*patente*), based on the business rental value of tangible assets and equipment and the number of employees | Various |
| Registration duties, on transfers of real property or businesses | 1 to 10 |
| Land tax, on capital gains resulting from sales or transfers of land and buildings | 10 |
| Payroll taxes paid by the employer for both Senegalese and foreign employees | 3 |
| Social security contributions | |
| Paid by the employer on each employee's annual gross salary, up to XOF756,000 | 1 to 5 |
| Regular pension, paid on each employee's gross salary, up to XOF3,072,000; paid by | |
| Employer | 8.4 |
| Employee | 5.6 |
| Additional pension, paid on an executive's gross salary, up to XOF9,216,000; paid by | |
| Employer | 3.6 |
| Employee | 2.4 |

## E. Miscellaneous matters

**Foreign-exchange controls.** Exchange-control regulations exist in Senegal for financial transfers outside the West African Economic and Monetary Union (WAEMU).

**Transfer pricing.** The Senegalese tax law contains specific transfer-pricing documentation requirements. Transactions between associated enterprises must be documented. Such documentation must include at a minimum a description of the terms of the transactions, the entities involved, a functional analysis and a detailed description of the chosen methodology to determine the applied transfer prices. The documentation must establish how transfer prices were determined and whether the terms of the intercompany transactions would have been adopted if the parties were unrelated. If such information is not available on request in the case of audit or litigation, the tax authorities may assess the taxable income based on information at their disposal.

## F. Treaty withholding tax rates

Senegal has entered into a multilateral tax treaty with the other member states of the WAEMU, which are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. The principal provisions of this tax treaty took effect on 1 January 2010. Senegal has entered into bilateral tax treaties with Belgium, Canada, France, Italy, Mauritania, Mauritius, Morocco, Norway, Qatar and Tunisia.

The rates reflect the lower of the treaty rate and the rate under domestic tax law.

| | Dividends % | Interest % | Royalties % |
|---|---|---|---|
| Belgium | 10 | 16 | 10 |
| Benin | 10 | 15 | 15 |
| Bissau Guinea | 10 | 15 | 15 |
| Burkina Faso | 10 | 15 | 15 |
| Canada | 10 | 16/20 (a) | 15 |
| Congo | 10 | 16 | 0 |
| Côte d'Ivoire | 10 | 15 | 15 |
| France | 10 | 15 | 15 |
| Gabon | 10 | 16 | 0 |
| Italy | 10 | 15 | 15 |
| Mali | 10 | 15 | 15 |
| Mauritania | 10 | 16 | 0 |
| Mauritius | 0 | 0 | 0 |
| Morocco | 10 | 10 | 10 |
| Niger | 10 | 15 | 15 |
| Norway | 10 | 16 | 16 |
| Qatar | 0 | 0 | 0 |
| Togo | 10 | 15 | 15 |
| Tunisia | 10 | 16 | 0 |
| Non-treaty countries | 10 | 6/8/16/20 (b) | 20 |

(a) The 20% rate applies to interest on deposit receipts. The 16% rate applies to other interest payments.
(b) For details, see footnote (d) to Section A.

Senegal has signed tax treaties with China, Lebanon and Taiwan, but these treaties have not yet been ratified.