



Taxation in Africa: Comparative Analysis Vs Development Index

Africa Taxation at Glance

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Presenter

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Content page

01

Composition of Tax types in Africa

02

An Overview of Taxation in Africa

03

Different Tax Rates Across Africa

04

Key Macroeconomic Indicators

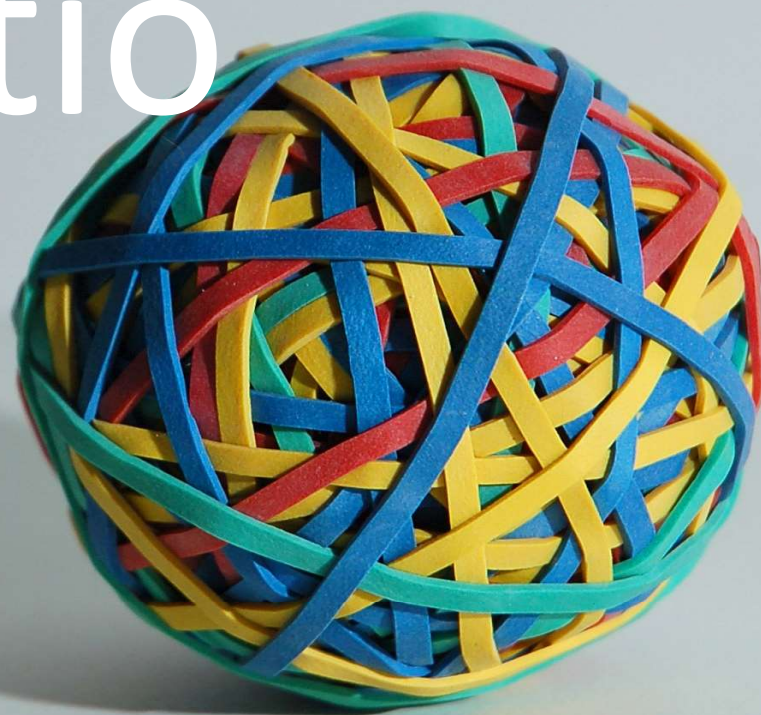
05

Tax Rates vs Economic Growth / Development





Composition of Tax Types in Africa



Composition of Tax Types in Africa

Corporate
Income Tax

Personal
Income Tax
(PAYE and
Social security

Payroll tax/SDL

Value-Added Tax,
Customs and
Excise duty

Other taxes
(stamp duty,
CGT, transfer
taxes, property
tax, etc

Exceptional taxes
(inheritance
taxes, net wealth
/ net worth taxes



An Overview of Taxation in Africa

An Overview of Taxation in Africa - Corporation Tax

Residents are taxed on the basis of worldwide income and non-residents are taxed on the basis of income sourced in that particular country. **Except Botswana, DRC Congo, Djibouti, Morocco.**

- ☐ Tax year is usually the accounting period. **Except Algeria, Guinea, Ivory Coast.**
- ☐ Corporation tax is a tax placed on the taxable profits of limited companies and other organizations such as clubs, societies, associations, and unincorporated entities.
- ☐ Burundi can apply either 30% on taxable profits or 1% of turnover, whichever is higher.

An Overview of Taxation in Africa - Corporation Tax

□ Corporate tax rates in African countries ranges from 15% to 35%. While the majority of the African countries charge at 30% including all the East African countries (Tanzania, Kenya, Uganda, Rwanda and Burundi).

- Four African countries charge corporate tax at a rate of 35% including; Chad, Democratic Republic of Congo, Zambia and Equatorial Guinea.
- Botswana – Non-resident is taxed at 30%, while resident is taxed at 22% & Malawi, non-resident is taxed at 35%, while resident is taxed at 30%

An Overview of Taxation in Africa - Corporation Tax

Other countries have multiple tax rates

	Reduced rates	Standard rates	Extractive sector rates
Algeria	19% & 23%	26%	N/A
Botswana	15%	22%	N/A
Chad	25%	35%	40% - 75%
DRC	N/A	35%	30%
Congo - Brazzaville	7.7%	30%	N/A
Egypt	N/A	22.5%	40.55%
Ethiopia	N/A	30%	25%
Ghana	22%	25%	35%
Namibia	18% to 32%	32%	35% to 55%
Nigeria	20%	30%	Up to 85%

An Overview of Taxation in Africa - Personal Income Tax

- ❑ Residents are taxed on the basis of worldwide income and non-residents are taxed on the basis of income source in that particular country. **Except Angola, Burundi**
- ❑ Employer withheld and remit on behalf of employees. **No exception.**
- ❑ This is a tax imposed on a person's taxable income at specific rates. This is a common tax to all African countries and to the world at large.
- ❑ Personal tax charged in Africa countries ranges from 0% to 50%. A number of African countries charge a rate of 35% including Algeria, Cameroon, Equatorial Guinea, Ethiopia, Gabon, Sierra Leone, Tunisia and Swaziland.

An Overview of Taxation in Africa - Personal Income Tax

- ❑ A number of African countries also charge personal tax at a rate of 30% including ; Congo, Gambia, Kenya, Lesotho, Malawi, Rwanda, Tanzania.
- ❑ Libya, South Sudan, Mauritius and Angola have the lowest personal taxes among the African countries, charging 10%,15%,15% and 17% respectively.
- ❑ Social Security tax (employer maximum 27% - Algeria).
- ❑ SDL/Payroll tax e.g. Tanzania (4.5%), Algeria (2%), Benin, Burkina Faso (4%) Ivory Coast (2.8% local, 12% of expatriates).

An Overview of Taxation in Africa - Indirect taxes

- ❑ VAT (5% - Nigeria, N/A to Libya and 20% - Madagascar, Morocco, S. Sudan.
- ❑ Export of services or goods is zero rated supplies.
- ❑ In addition to VAT, other countries such as Cameroon (10%), Congo Brazzaville (5%), Ghana (2.5%) have surcharges.
- ❑ Other countries have lower VAT rates, e.g. Lesotho (8%, 9% vs 15%), Algeria (9% vs 19%), Angola (2% vs 10%), Burundi (10% vs 18%).

An Overview of Taxation in Africa - Indirect taxes

- ❑ Other countries have higher VAT rates, e.g. Angola (20% or 30% vs 10%) and Mauritania (18% vs 16%).
- ❑ Customs duty – rates range from 0% to 35%
- ❑ Excise duty – Applicable to all African countries except Libya

An Overview of Taxation in Africa - Other Taxes

- ☐ Withholding tax (WHT): Different rates for residents and non-residents **except Angola**. Higher rates for WHT is 24% - Algeria for Royalties and technical services for non-residents. Kenya 30% for non-residents - rent
- ☐ Other taxes: Stamp duty, capital gains tax (Except Benin), Transfer tax, Real property tax
- ☐ Inheritance tax e.g. Algeria, Angola Burkina Faso, Congo – Brazaville, Djibouti, Ivory Coast, Madagascar, Mozambique
- ☐ Net wealth/net worth taxes - Algeria

An Overview of Taxation in Africa – Other tax matters

□ Anti-Avoidance Rules – Transfer pricing

- More than 20 countries have TP documentation requirements – notably Kenya, Tanzania, Cameroon, Zimbabwe, Angola.
- Recently Rwanda has introduced TP documentation requirements
- African countries with most notable transfer pricing developments include South Africa, Nigeria and Kenya, who are already implementing BEPS Action 13, Country by country reporting.
- No TP rules for certain countries such as Djibouti, Mozambique, Libya

An Overview of Taxation in Africa – Other tax matters

❑ Double Taxation Agreement (DTA)

- Majority with South Africa, European Countries and Mauritius
- Angola, Djibouti – Not concluded or negotiated any treaties
- Maximum WHT rate for tax treaties is 25% (interest - Benin) Royalties - Egypt
- Minimum WHT rate for tax treaties is 0% (usually management fees – (Burkina Faso and other countries), (Tanzania and Zambia)

An Overview of Taxation in Africa – Other tax matters

☐ Thin cap rules

- A few countries - TZ, KE, Mozambique
- No thin cap rules – Angola, Algeria, Uganda (applying restrictions based on EBITA, Benin, Burkina Faso (shareholder interest restricted), Equatorial Guinea, Morocco

☐ Turnover taxes – Tanzania, Ethiopia, Malawi, Gambia (1% or 2%)

☐ Exchange controls – restrictions

An Overview of Taxation in Africa – Other tax matters

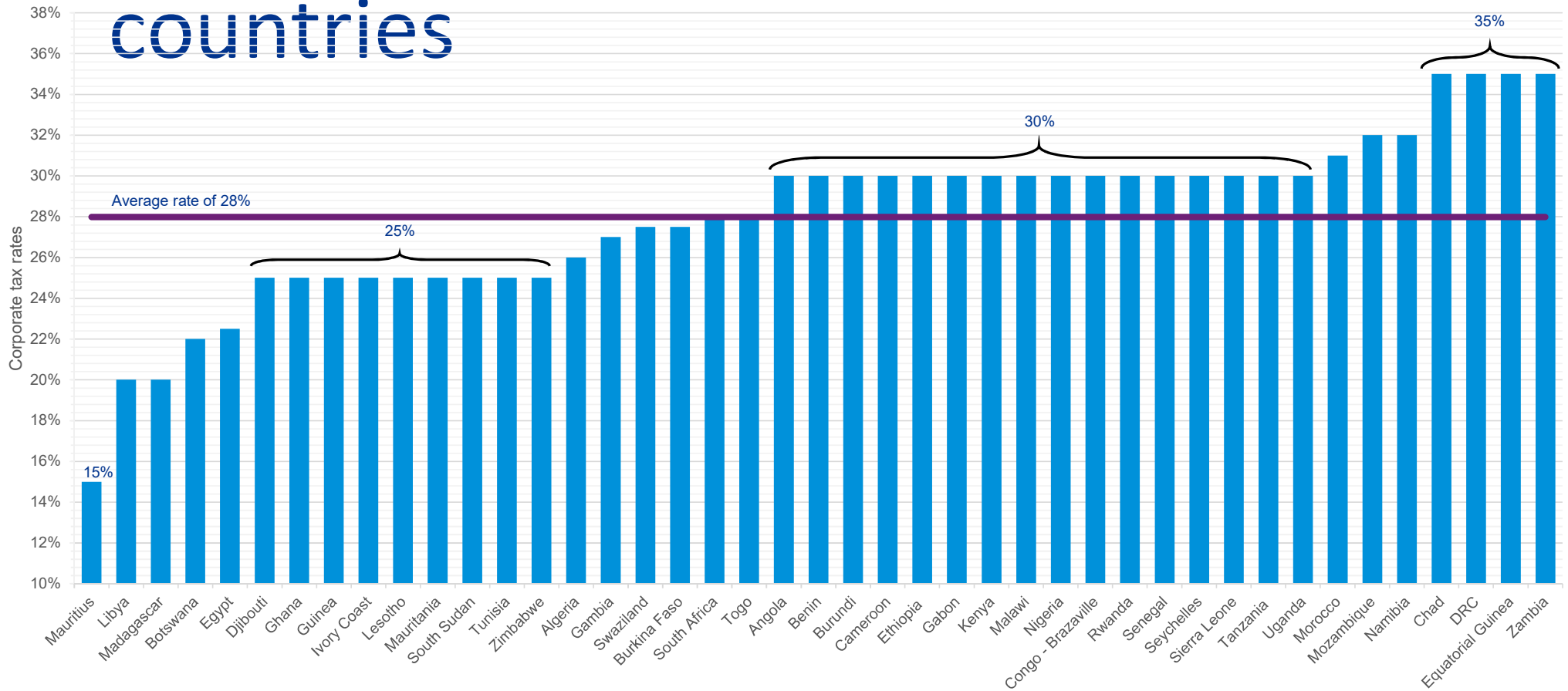
- ❑ Losses – some countries have limitation usually 3 years (Angola, Benin) four years (Burkina Faso, Cameroon) and five years (Libya, Kenya, Botswana). However, other countries such as TZ and Nigeria, losses can be carried indefinitely.
- ❑ Foreign tax credits – Not available (Angola), restricted unless provided under DTA (KE) or domestic law (e.g. TZ, Botswana)



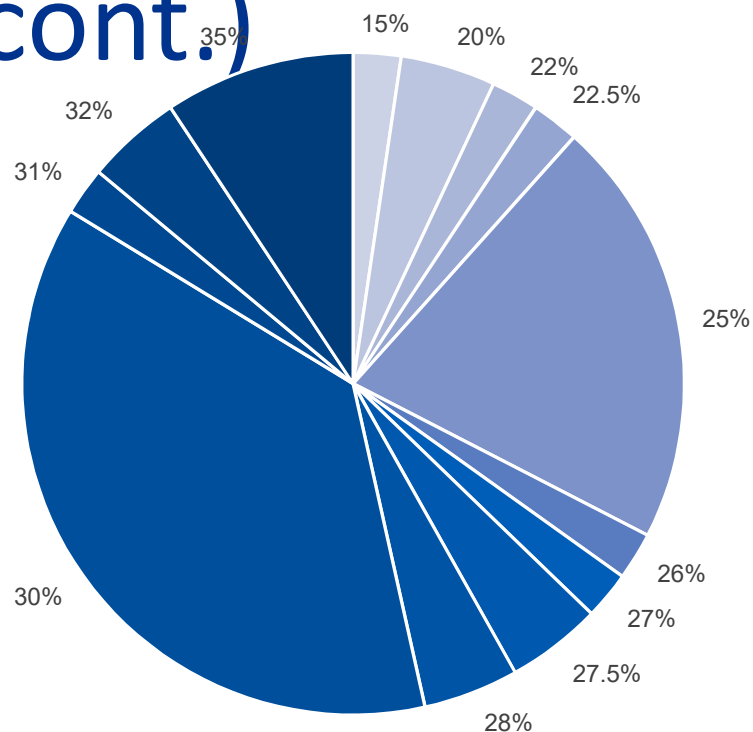
Different Taxation Rates across African



Corporate tax rates across African countries



Corporate tax rates across African countries (cont.)

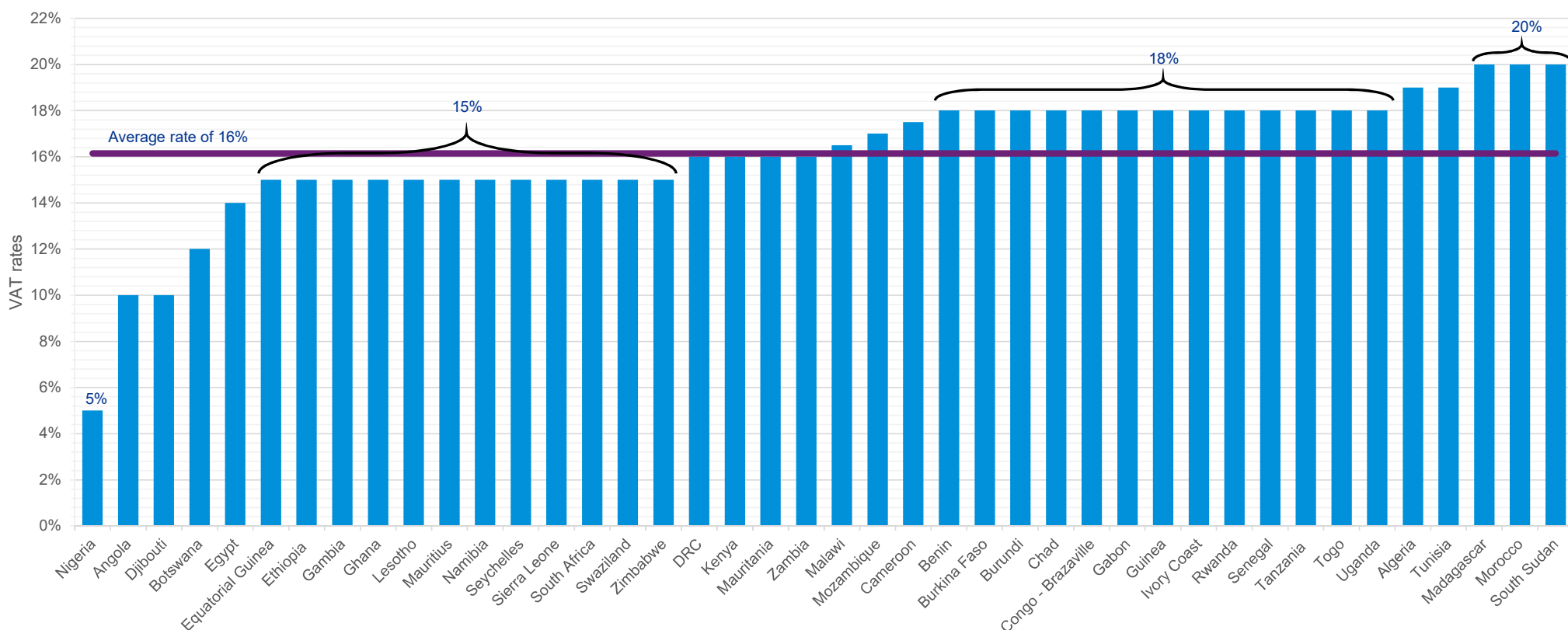


Corporate tax rates	15%	20%	22%	22.5%	25%	26%	27%	27.5%	28%	30%	31%	32%	35%
No. of Countries	1	2	1	1	9	1	1	2	2	16	1	2	4



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VAT rates across African countries



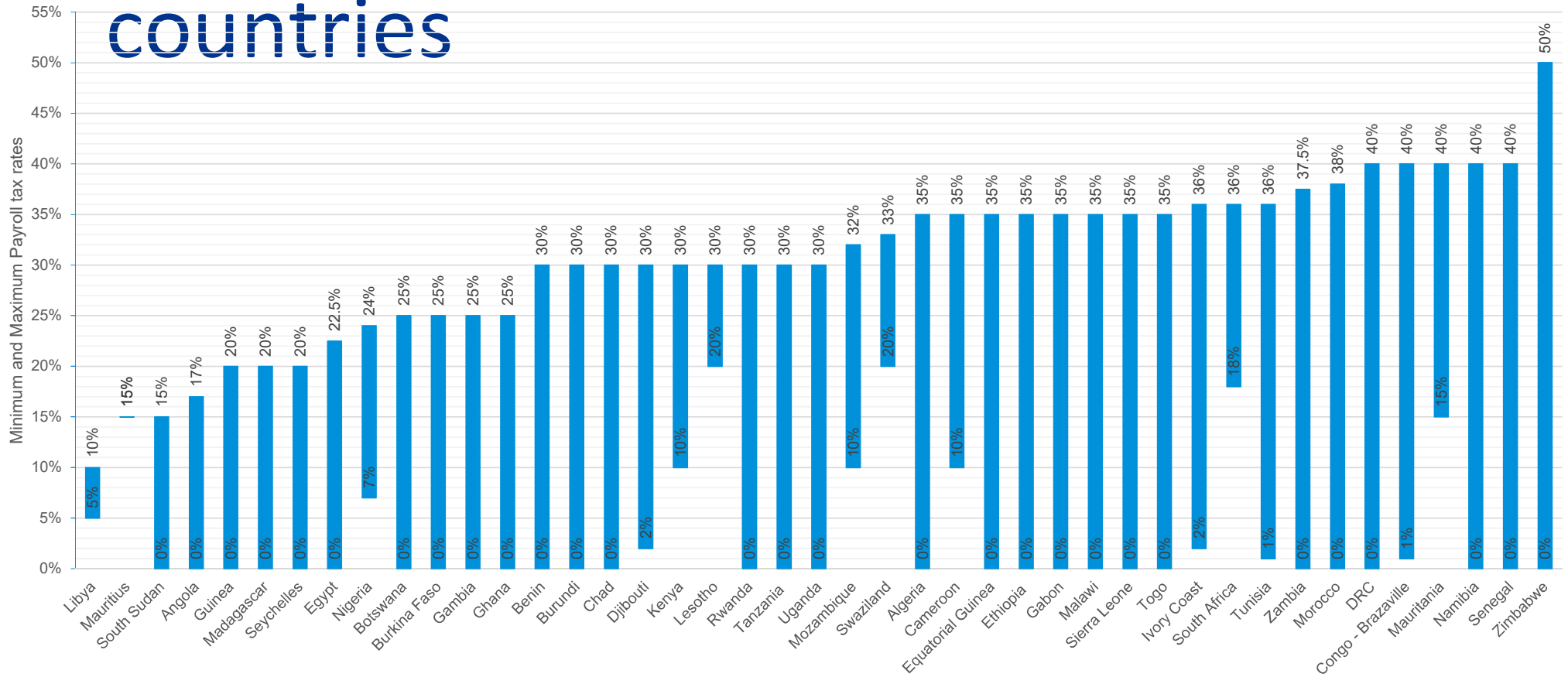
NB:

*LIBYA does not have VAT



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Payroll taxes across African countries

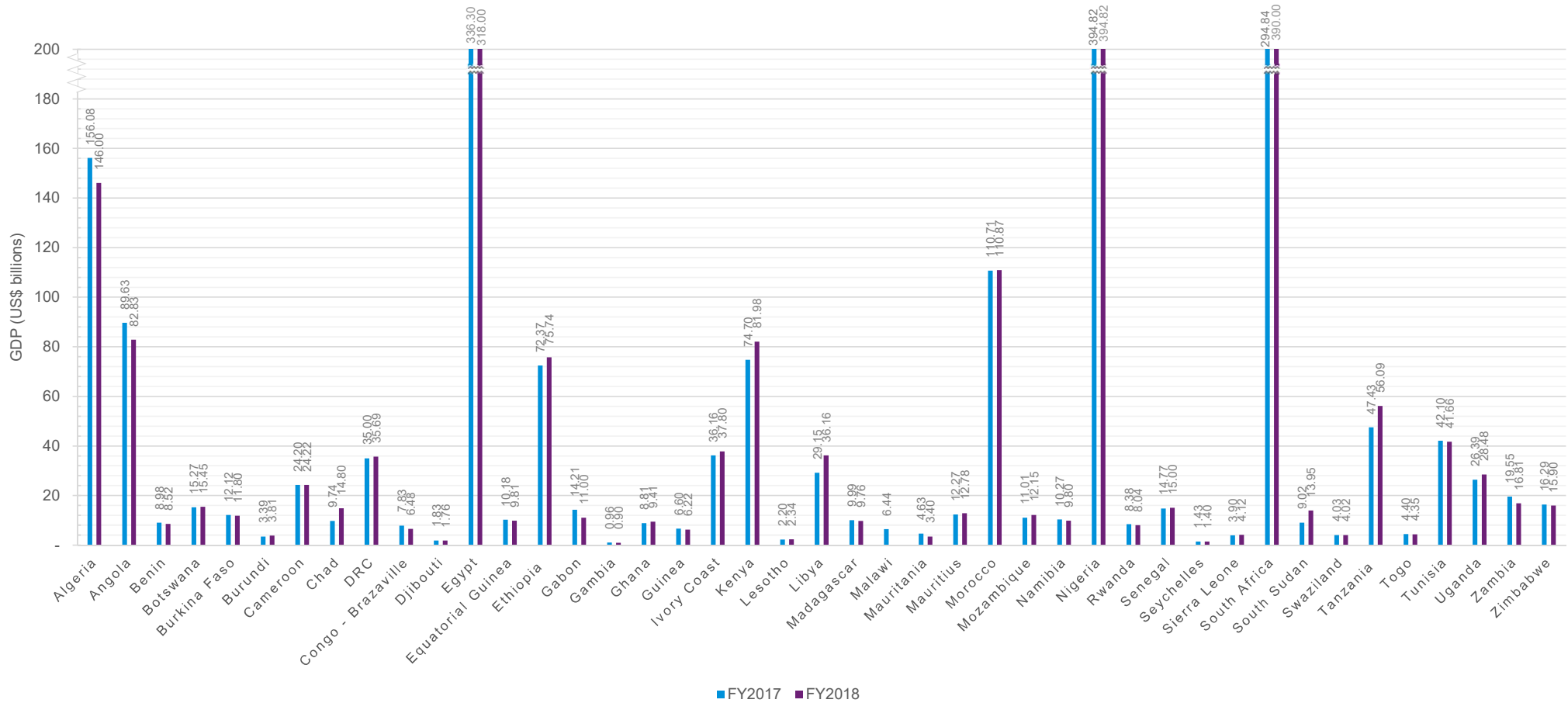




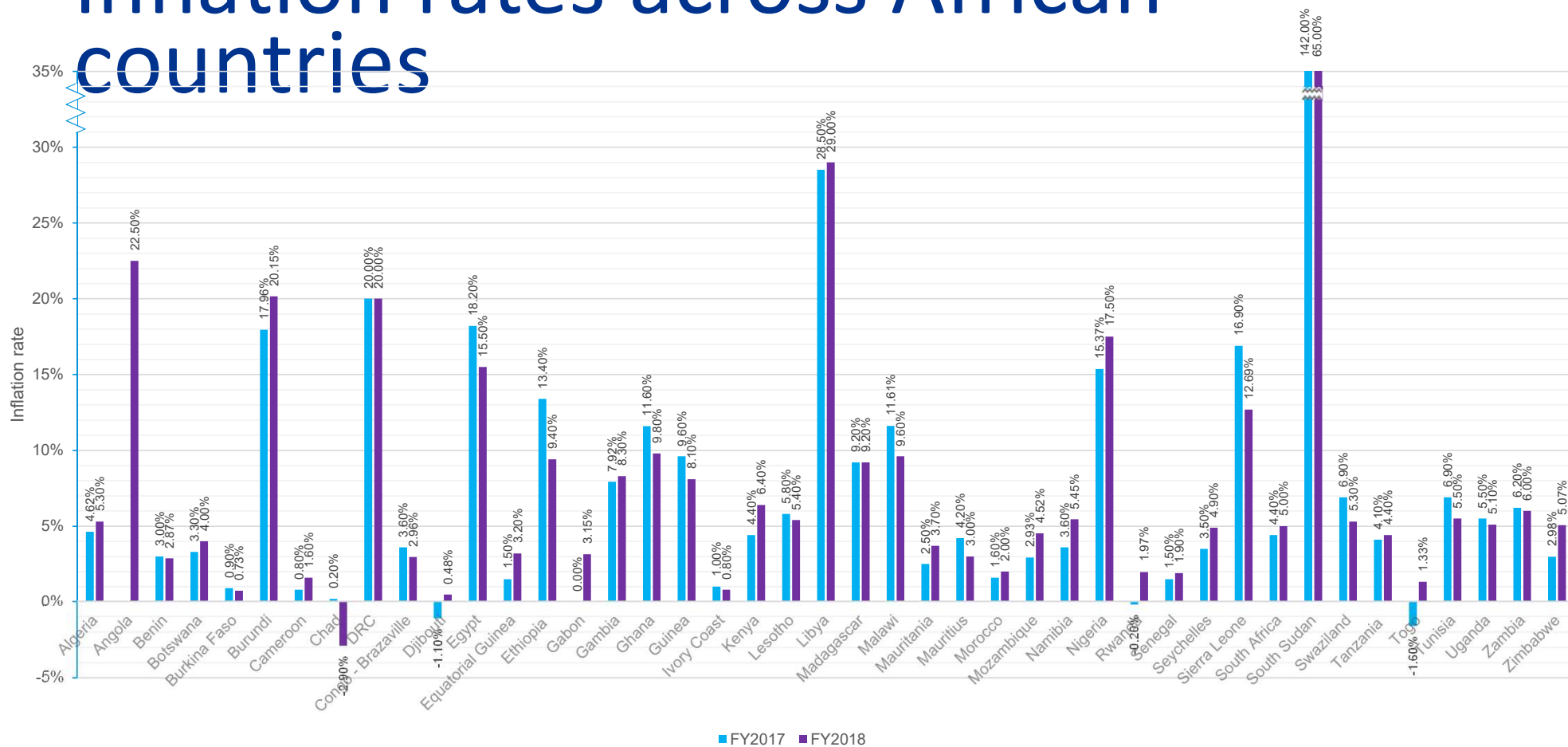
Africa - Key Macroeconom ic Indicators comparison



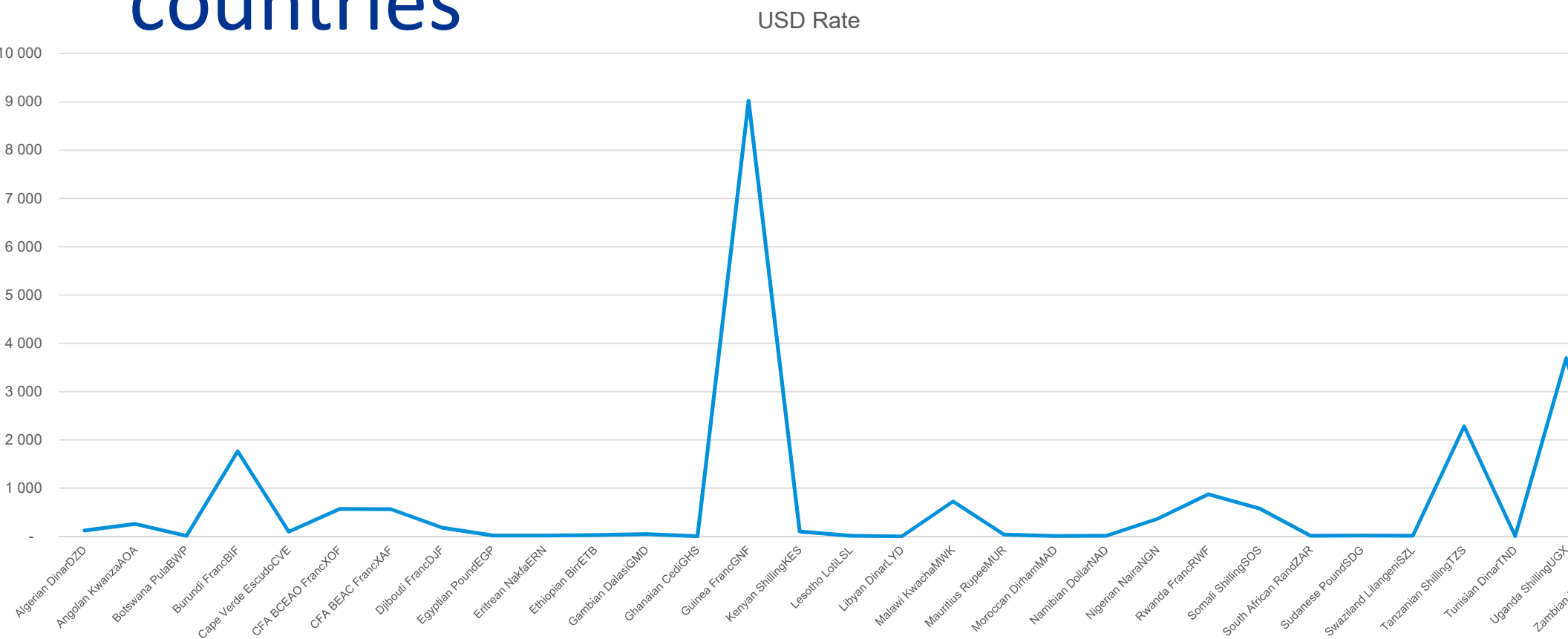
GDP across African countries



Inflation rates across African countries



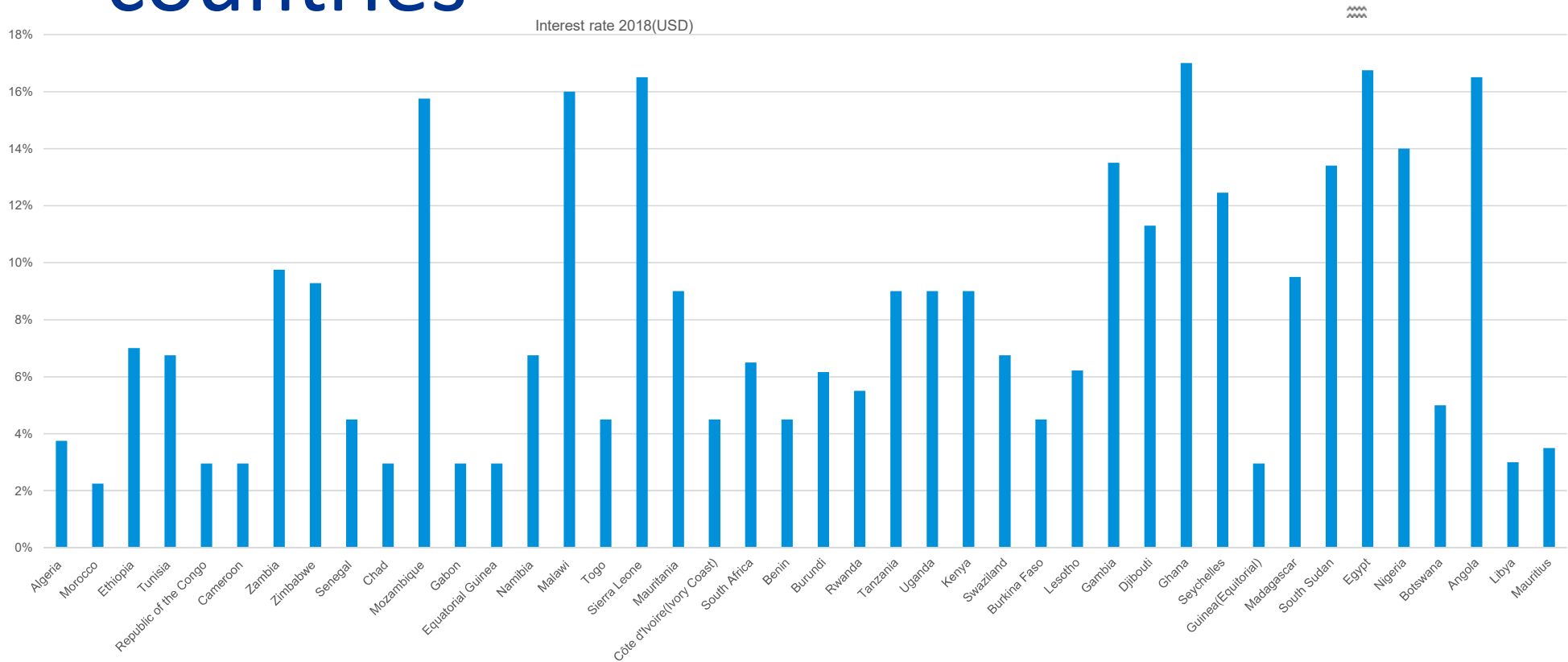
Exchange rates across African countries



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Interest rates across African countries

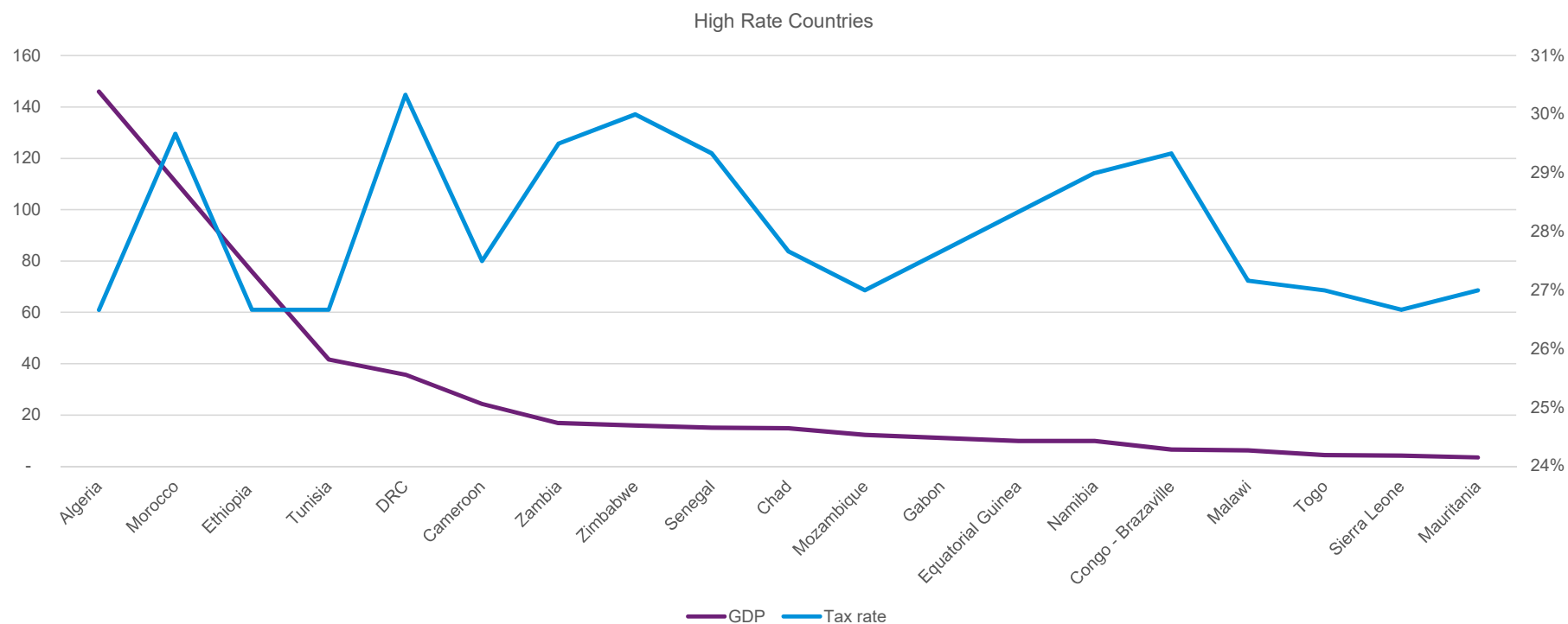




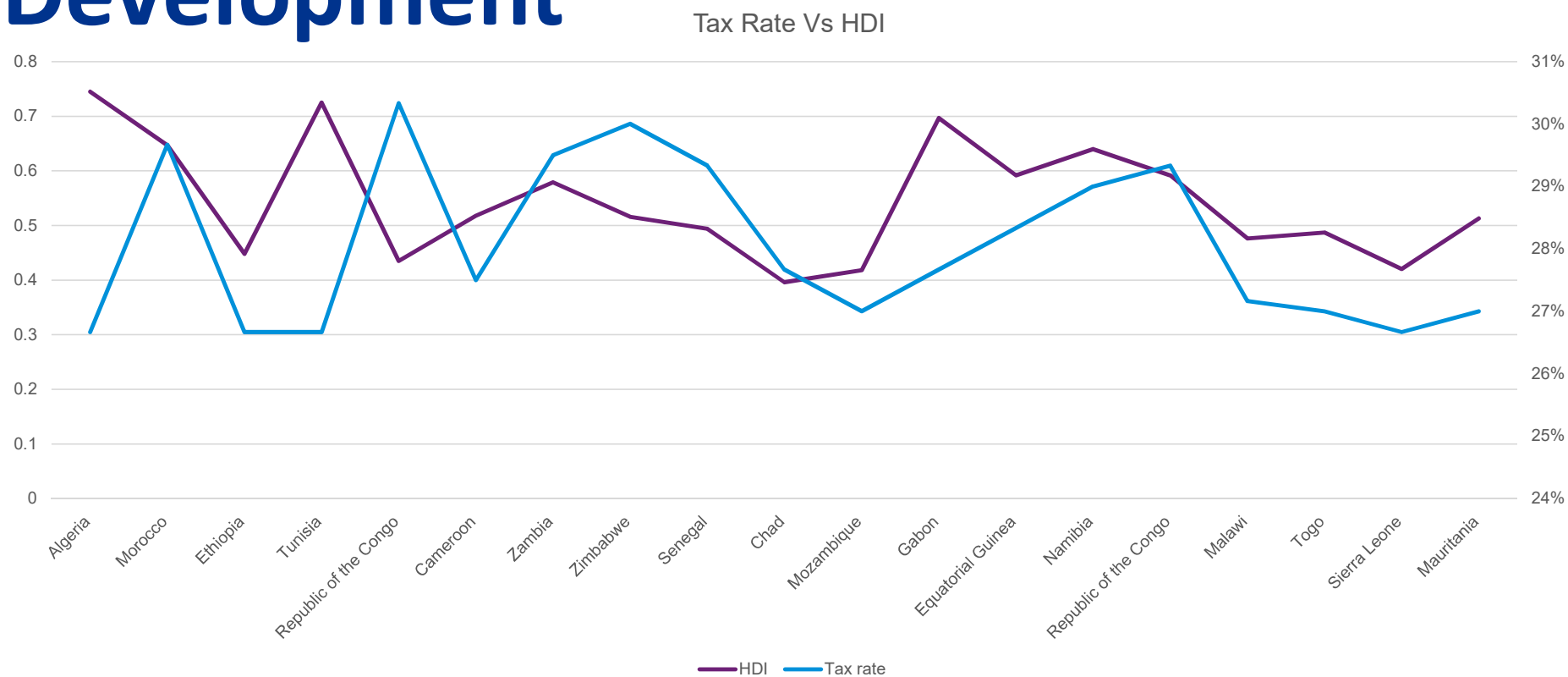
High Tax Rates vs Economic Growth



High Tax Rates Vs Economic Growth



High Tax Rates Vs Economic Development

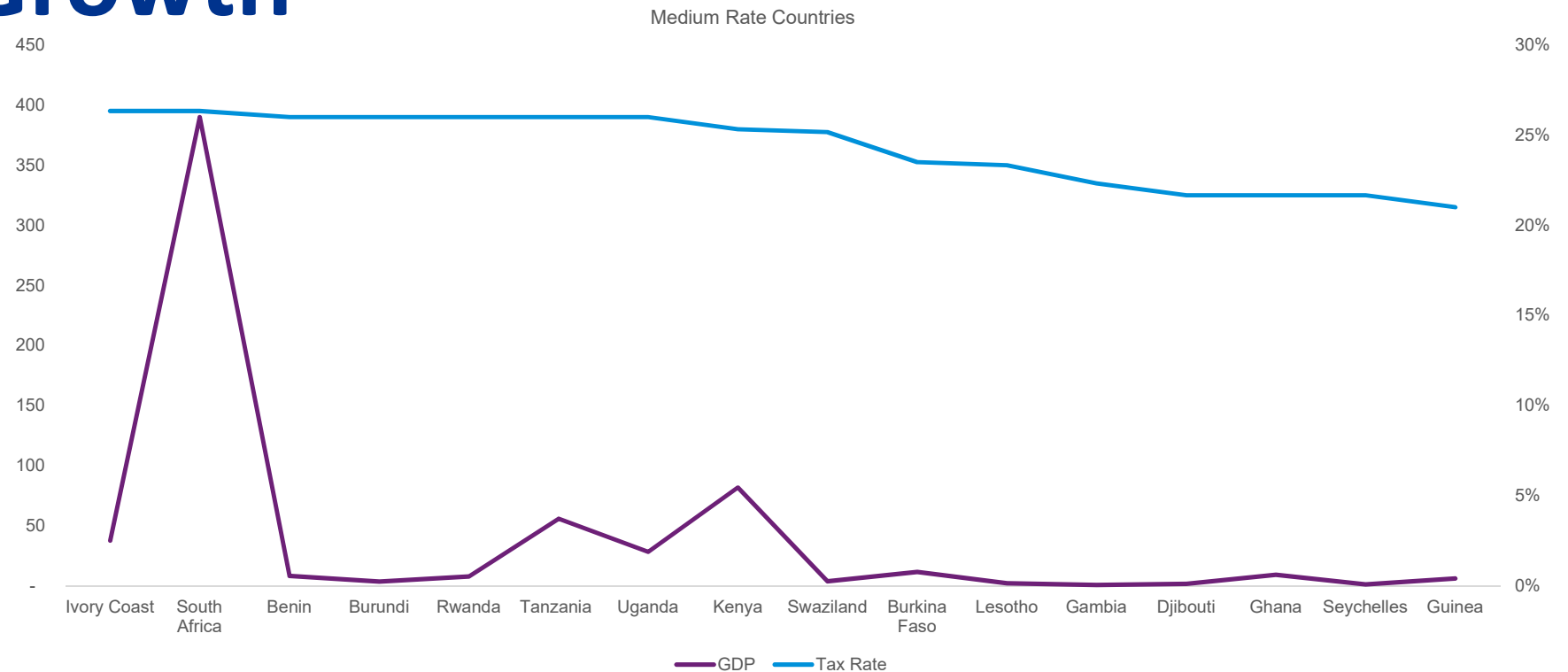




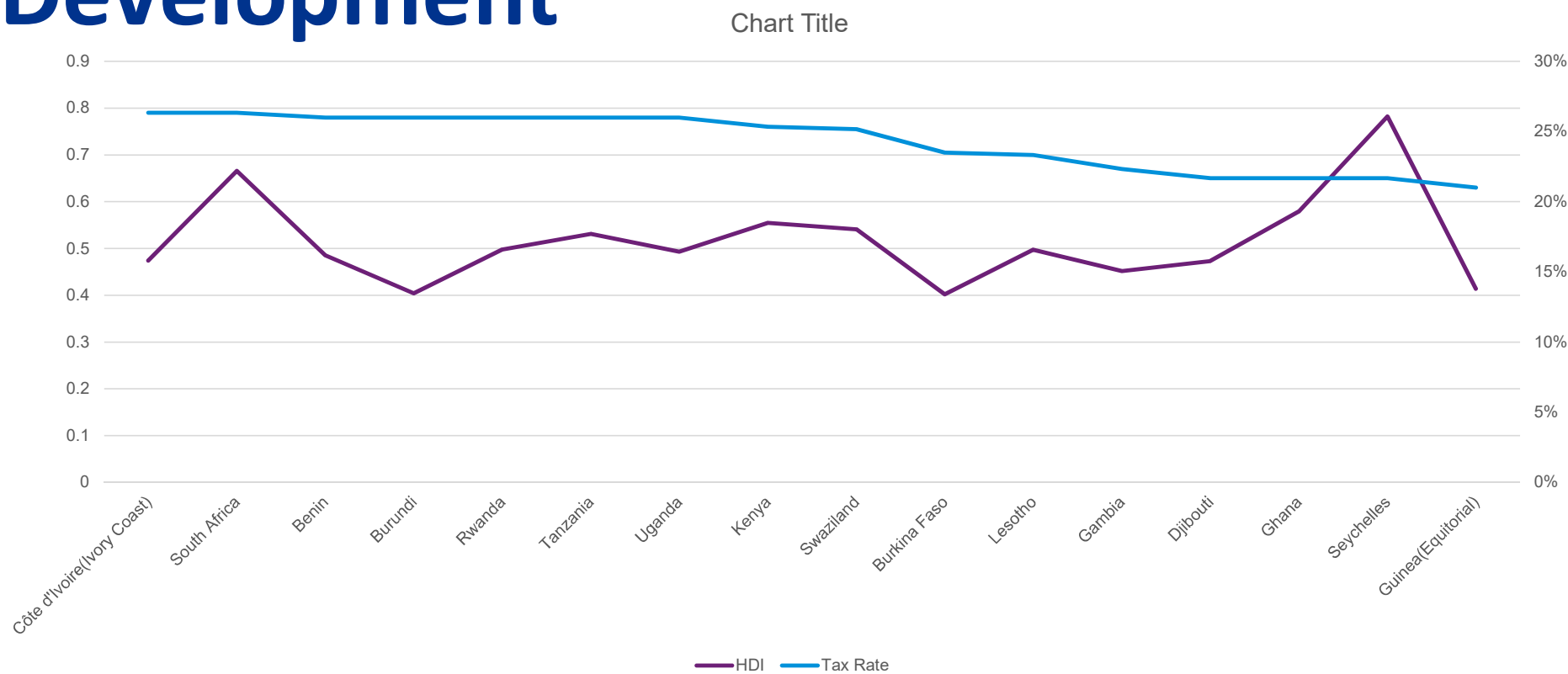
Medium Tax Rates VS Economic Growth



Medium Tax Rates Vs Economic Growth



Medium Tax Rates Vs Economic Development

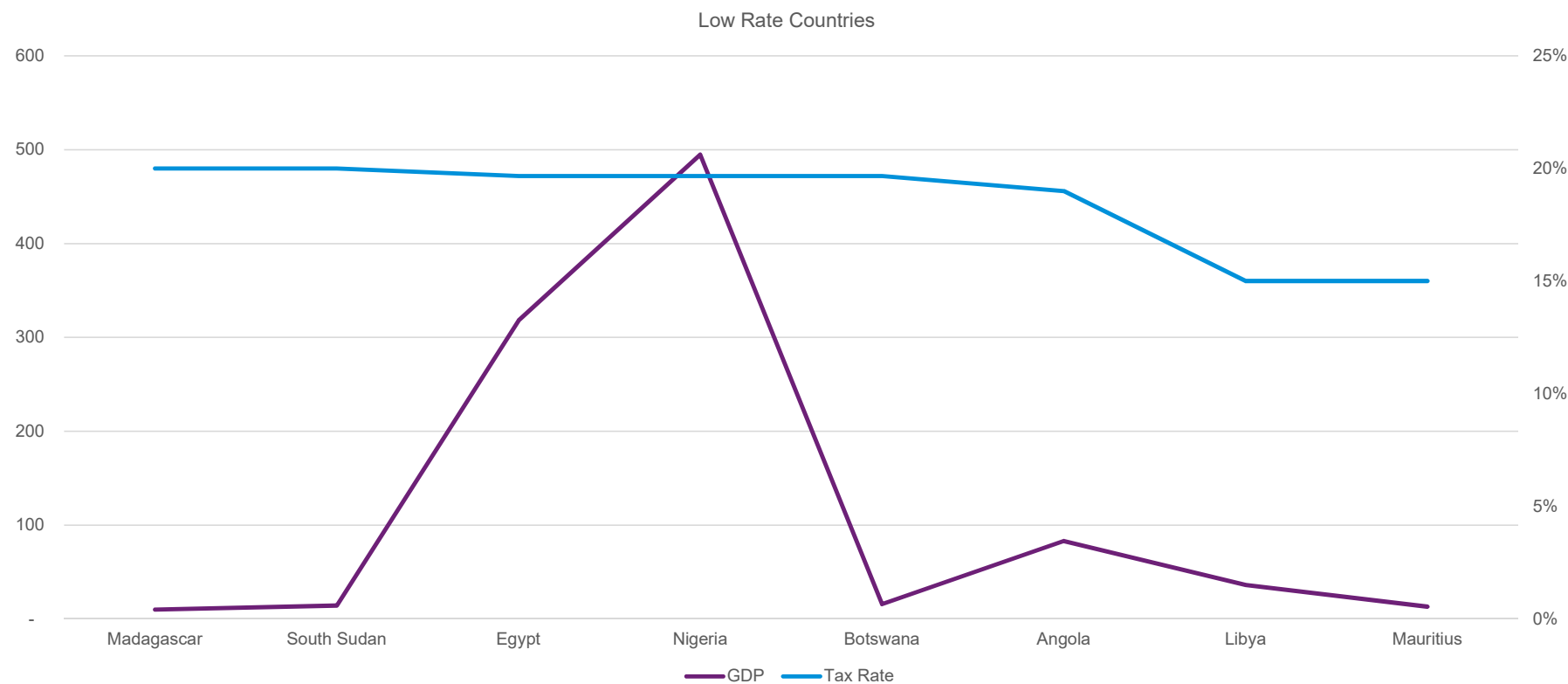




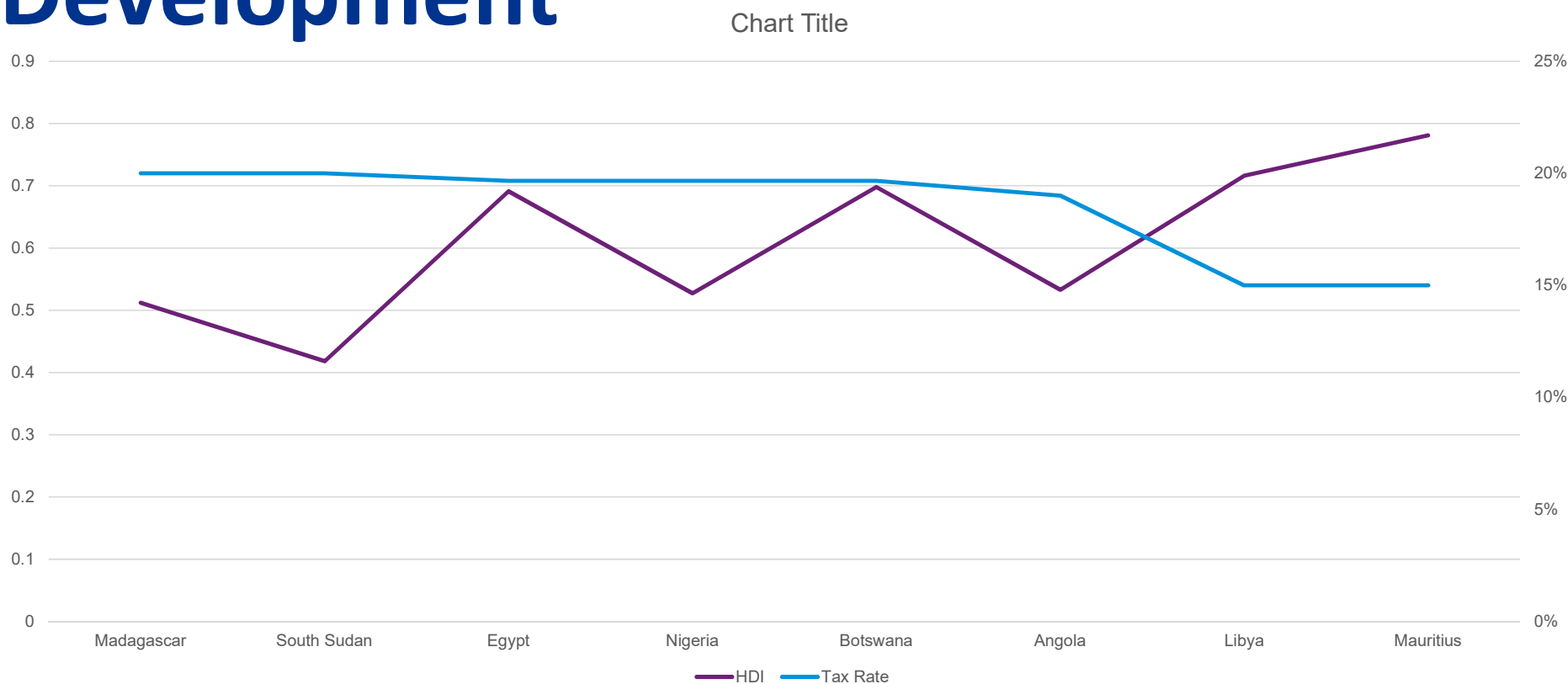
Low Tax Rates vs Economic Growth



Low Tax Rates Vs Economic Growth



Low Tax Rates Vs Economic Development



KEY TAKE AWAYS

- ❑ The tax systems/tax types in Africa are similar.
- ❑ Economic development is determined by economic factors and non economic factors.
- ❑ Economic factors includes; capital formation, natural resources availability, Economic systems, conditions in foreign trade, marketable surplus of agriculture.
- ❑ Non economic factors include; human resources, technical know how and general education, political freedom, social organization, corruption and desire to develop.

KEY TAKE AWAYS

- ❑ The relationship between income tax rates and government revenue can be explained by a *Laffer Curve*.
- ❑ Government tax revenue does not necessarily increase as the tax rate increases.
- ❑ The government will earn more tax income at 1% rate than at 0%, but they will not earn more at 100% than they will at 10%, due to the disincentives high tax rates cause.
- ❑ Thus there is a peak tax rate where government revenue is highest.

Q & A





Thank you

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please Contact Us:

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