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TAX INNOVATIONS OF 2022 FINANCE LAW

EXERCICE

2022



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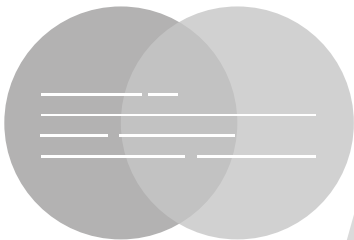
PREAMBLE



The new tax measures contained in the 2022 Finance Law are designed to meet the fiscal consolidation and modernisation objectives of our public finances, as prescribed by the Head of State in his circular n° 001 of 30 August 2021.

These measures seek to revive the economy following its slowdown due to the COVID-19 health crisis. They thus focus on improving the business climate (I) and promoting socio-economic activities (II).

To enable the authorities to finance the ever-increasing public expenditure, this law also includes measures to optimise tax revenues (III).





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However, to meet the budgetary challenges set for the 2022 fiscal year, an amount of FCFA 5 752 400 000, of which over FCFA 3 188 700 000 is expected from tax revenue, the new measures in the 2022 Finance Act mainly involve measures to secure tax revenue (1) and broaden the tax base (2).



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1

IMPROVEMENT OF THE BUSINESS CLIMATE

The improvement of the business climate in the 2022 Finance Law will be achieved primarily through measures aimed at simplifying tax procedures and supporting the activities of legal persons and non-profit associations.

1

Measures to simplify tax procedures

Simplification of procedures for obtaining tax documents, through :

allowing taxpayers to generate their tax clearance certificate during the entire period before the implementation of forced collection measures;

the scrapping of the requirement to certify the attestation of location for online registration, in line with the current reforms on the digitalisation and simplification of tax procedures.



the exemption from the prior issuance of VAT exemption certificates for the acquisition of goods and services listed expressly in sections 122 and 128 of the General Tax Code;

the replacement of the requirement for prior approval by the Director-General of Taxes by a simple validation by the management services for the refund of VAT credits to organisations recognised as being of public interest.



2

Measures to support companies and organisations

These measures mainly concern:

The clarification of the tax regime of non-profit organisations, through :

Confirmation of their exemption from taxes and duties, specifically the business license, the real estate tax, the corporate income tax for non-profit activities carried out by such organisations.

The liability of operations carried out by the said organisations to VAT;

The introduction of a lighter tax regime for commercial activities carried out by these organisations.

The transposition into the Tax Code of the exemption from the SIT provided for by the Petroleum Code for oil companies in the research and development phase, to harmonise the legislation in this field;

The establishment of the principle of transferring tax receivables and debts in the context of company restructuring operations;

The introduction of a symbolic penalty of 15% for taxpayers who voluntarily pay the taxes due after a tax audit, to improve tax collection and reduce tax arrears;

The regulation of the duration of on-the-spot tax audits through the establishment of the date of the beginning of the physical audit operations duly recorded in a report as the starting point for the calculation of the time limits.



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2

THE PROMOTION OF SOCIOECONOMIC ACTIVITIES

Key to the 2022 fiscal policy, the promotion of economic activity is implemented via tax measures to support socio-economic activities, be they permanent or ad-hoc in times of crisis.

1

Permanent support measures

These permanent support measures for companies related to the reduction of the tax burden on natural and legal persons through:

- The reduction from 5 to 3% of the rate of the STR on payments made to contractors for public orders residing abroad;
- The reduction from 15 to 5% of the rate of registration duties on large-scale transfers of company rights, to reduce the cost of company restructuring;
- The reduction of registration duties on transfers by death (successions), to reduce the tax cost of asset transfers;
- The establishment of free registration of donations made to non-profit religious organisations and associations, to reduce the tax burden on these transactions, which are made for charitable purposes;
- The simplification of the conditions for deductibility of losses relating to doubtful debts of credit institutions, through the exemption of the obligation to justify the exhaustion of recovery methods for small debts for which provisions have been made over 5 years;
- The establishment of specific depreciation rates for certain sectors to take into account recent technological developments.
- The extension to apprenticeship contracts of the exemptions from payroll taxes and employers' contributions previously limited to open-ended contracts and pre-employment training courses.



2 Ad-hoc support measures

The 2022 finance law devotes important support measures on the one hand, in favour of companies within the framework of youth employment, certain sectors of activity, and on the other hand, for the economic revival operations of the Economically Disadvantaged Zones (ZES).

These measures include the following:

The exemption from tax reminders and penalties for the period that is not covered by the statute of limitations, for the benefit of taxpayers who voluntarily regularise their situation concerning the tax on real estate income and the property tax during the 2022 fiscal year;

The opening of the possibility of spreading over five (05) years, the taxation of the revaluation surplus for companies that proceed to a free revaluation;

The full deduction, for the determination of corporate tax for the fiscal year ending 31 December 2021, of donations and gifts made by companies in favour of the presidential plan for the reconstruction and development of EDZ;

The granting for seven (07) years of the following facilities to companies in the banana sector:

for companies in the sector located in economic disaster zones (EDZ), exemption from the business license, the company tax and the minimum income tax, VAT and registration fees;

for companies in the sector not located in an EDZ, the 50% reduction in the rate of the advance payment and the minimum corporate tax; and the calculation of the said advance payment on the FOB value.



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3

OPTIMISATION OF TAX REVENUE COLLECTION

In terms of measures to optimise the collection of taxes, no real reform of the tax burden has been implemented.

However, to meet the budgetary challenges set for the 2022 fiscal year, an amount of FCFA 5 752 400 000, of which over FCFA 3 188 700 000 is expected from tax revenue, the new measures in the 2022 Finance Act mainly involve measures to secure tax revenue (1) and broaden the tax base (2).



1

Measures to secure revenue collected

They include :

- The submission to withholding tax of all purchases made from industrialists, importers and forestry operators. This measure is intended to combat fraud whereby some manufacturers disguise sales to traders as sales to individuals, and thus do not pay the withholding tax collected on these sales;
- The introduction of an obligation to keep separate accounts showing the results of each activity.



2

Measures to broaden the tax base

These measures mainly concern:

The introduction of a tax on money transfers based on money transfer and withdrawal operations. The low rate of this tax, 0.2%, i.e. 10 CFA francs for a 5000 FCFA transfer, should ensure that it does not have a significant impact on the cost of transactions.

TAX INNOVATIONS OF THE 2022 FINANCE LAW

