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Overview of the Overall Tax System in Senegal

National Taxes

At the national level, Senegal's tax structure rests on the following main taxes: (1) the corporate income tax imposed on net profits from industrial, commercial, and agricultural activities realized during the previous year by companies and other legal entities. The corporate income tax is levied at a general rate of 33 percent, with a 15 percent tax rate levied on export processing enterprises under special regime. (2) The minimum presumptive tax on enterprises ("*impôt minimum forfaitaire sur les sociétés*") is a fixed amount levied annually on enterprises falling within specified ranges of profit and turnover. (3) The individual income tax consists of a proportional tax and a graduated tax. The proportional tax is levied on each category of income while the graduated tax applies to the taxpayer's total income. The graduated income tax is a progressive tax featuring 10 tax brackets with rates ranging from 0 to 50 percent. (4) The single general contribution or SGC ("*contribution globale unique*") is levied on enterprises whose turnover does not exceed CFAF 50 million.¹² It was created by the reform Law n° 2004-12 of February 4, 2004 with the main objective to bring economic activity out of the shadow economy. Revenues from the single general contribution are allocated among the State and sub-national governments as follows: 60 percent for local governments and 40 percent for the state (Eyoh and Stren eds. 2007).¹³ (5) Employer's payroll taxes are imposed on the amount of wages, salaries, and allowances paid. Payroll taxes are levied on Senegalese nationals at a rate of 3 percent while foreigners pay payroll taxes at a rate of 6 percent. (6) Finally, the value-added tax (VAT) is levied on all business relating to an economic activity at a single rate of 18 percent (IMF 2005).

Unfortunately, data on government's total general revenue derived from taxes is not available to the public in Senegal.

¹² For enterprises whose turnover does not exceed CFAF 50 million, the Single General Contribution is levied in lieu and stead of five previous taxes: tax on revenue, minimum presumptive tax, business license fees, VAT, and the payroll tax (IMF 2005).

¹³ http://www.uael.sn/article.php?id_article=450, accessed on January 10, 2009.

Sub-National Taxes

In Senegal, there are three categories of taxes that are classified as local taxes:

1. Individual taxes

They include a fiscal minimum tax (“*impôt du minimum fiscal*”), a charge representative of the fiscal minimum tax (“*taxe représentative de l’impôt du minimum fiscal*”), and a rural tax (“*taxe rurale*”).

The fiscal minimum tax is levied on persons of 14 years old and upwards falling under one of the five categories described in article 201 of the General Tax Code (hereafter GTC). The fiscal minimum tax varies from CFAF 600 to CFAF 12,000. The charge representative of the fiscal minimum tax is levied at source on a pay-as-you-earn basis (“*retenue à la source*”) on all people living in Senegal and falling under one of the four categories described in article 207 of the General Tax Code. This tax varies from CFAF 900 to CFAF 18,000. Finally, the rural tax is a poll tax fixed at the rate of CFAF 1,000 (i.e. approximately \$2 or €1.5 rates, exchange rates as per January 14, 2009) per person per year (Juul 2006).

2. Property taxes

They consist of a tax on improved property or tax on buildings (“*contribution foncière des propriétés bâties*”); a tax on unimproved property (“*contribution foncière des propriétés non bâties*”); and a surtax on unimproved or insufficiently improved land (“*surtaxe sur les terrains non bâtis ou insuffisamment bâtis*”). These taxes will be examined in detail in the fourth section of this report.

3. Professional taxes

They include business taxes (“*patentes*”) and license fees (“*licences*”).

The business tax is levied annually on any individual engaged in trade, industry, or a professional activity. It is composed of a fixed tax according to turnover, number of staff, and value of equipment; and a proportional levy that applies to the rental value of premises (GTC art. 242). License fees are levied annually on all individuals or companies engaged in the selling of alcoholic beverages (GTC art. 275).

In Senegal's tax system, most of the above mentioned local taxes are assessed, levied, and collected by the central government and their proceeds are largely, if not totally, transferred to local governments (AIIDS 2001). Only the following taxes and charges are collected at the local level, specifically at the commune level: fiscal minimum tax; charge for the use of public places; and advertizing charges (Sylla 2008 int.).

Property-Related Taxes in Senegal

Property-related tax refers to any tax on the ownership, occupation, or transfer of "property", whether immovable (i.e. real property) or movable or personal property (e.g. vehicles, books, and jewelry), whether tangible (e.g. vehicles and land) or intangible property (shares and rights). Property-related taxes include value-added tax (VAT), real property transfer taxes, stamp duties, capital gains tax, estate tax, death duties or succession tax, gift or donations taxes, and, in general, annual (recurrent) property and land taxes in the strict sense.

In Senegal specifically, the national government levies the following property-related taxes: property transfer tax called "*Droits d'enregistrement*"; capital gains tax ("*Taxe de plus-value immobilière*"); death and gift duties ("*Droits sur les successions, donations et legs*"); stamp duties ("*Droits de timbre*"); tax on vehicles ("*Taxe sur les véhicules à moteur*"); special tax on company owned vehicles ("*Taxe spéciale sur les véhicules de sociétés*"); and value-added tax (VAT).

Property Transfer Tax

The property transfer tax or "*Droits d'enregistrement*" is levied on company creation and company mergers; on capital increases, transfer of shares, and transfer of securities; on the sale, lease, exchange, and mortgage of real estate; on the sale and lease of movable property; and on selected transactions, namely transfer of goodwill, financial claims, and sales at auction. It is composed of a proportional rate and a fixed rate. The proportional rate varies between 0.2 percent and 15 percent depending on the transaction involved. For instance, a proportional rate of one percent is levied on the amount of capital over CFAF 10 million. The fixed rate varies between CFAF 2,000 and CFAF 25,000 according to the type of transaction. For example, a fixed amount of CFAF 25,000 is imposed on enterprises with capital under CFAF 10 million. In addition, duties ranging

from CFAF 2, 000 to CFAF 32,000 are provided for various acts (GTC arts. 408-732; Law n° 2004-12 of February 6, 2004).

Capital Gains Tax

The capital gains tax, also called “*Taxe de plus-value immobilière*” is a tax levied on capital gains derived from the sale of improved and unimproved property and the sale of rights over such property (“*droit réel immobilier*”). Specifically, the tax is imposed on the portion of capital gains which is not the result of the owner’s doing. The seller or the owner of the property is subject to this tax.

Capital gains in this context are defined as the difference between, on the one hand, the transfer price or market value of either the property in question or the right over the property and, on the other hand, the acquisition price. In computing the taxable capital gains, any costs of construction, reconstruction, expenses on the improvements or repairs are added to the acquisition price (GTC arts. 884-900; Law n° 2004-12 of February 6, 2004). Additionally, after the fifth year of holding the property, the acquisition price will be increased by 1 percent annually; and by 2 percent each year after a 15-year ownership period. Capital gains as above defined are taxed at a tax rate of 15 percent.¹⁴

The following capital gains are exempt of the “*taxe de plus-value immobilière*”: capital gains realized from (a) transfer of government buildings; (b) transfer of administrative public property; (c) public enterprises; (d) companies with public participation specialized in habitat improvement; (e) and finally public and private groups and organizations whose acquisitions are exempt of property transfer tax (GTC arts. 884-900; Law n° 2004-12 of February 6, 2004).

Death and Gift Duties

Death and gift duties or “*Droits sur les successions, donations et legs*” are levied on the net value of property transferred by inheritance or *inter vivos* in Senegal. Tax rates applied vary between 3 percent and 50 percent, depending on the relation of the beneficiary to the deceased or to the donor. For property transferred by inheritance, there

¹⁴ See <http://www.globalpropertyguide.com/Africa/Senegal/Taxes-and-Costs>, accessed on January 10, 2009.

is a global deduction of CFAF 150 million, and for property transferred by *inter vivos*, there is a global deduction of 50 percent (GTC arts. 523-554; Law n° 2004-12 of February 6, 2004).

Stamp Duties

Stamp duties or “*Droits de Timbre*” are levied on all documents drawn up for purposes of civil and judicial acts and documents that may be used in legal proceedings. They are four types of stamp duties in Senegal: (a) size stamp (“*timbre de dimensions*”) where the amount payable is determined on the basis of the size of the document. The tax rates vary from CFAF 2,000 to CFAF 8,000. (2) The receipt stamp (“*timbre des quittances*”) where the tax is imposed on receipts of all kinds. Tax rates range from CFAF 20 to CFAF 200. (3) Transport contract stamp (“*timbre de connaissements*”) where the tax is imposed on any bill of lading or any other document listing the transportation of merchandise by waterways. The stamp duty on transport contract varies from CFAF 2,000 to CFAF 16,000. (4) Finally, the check-form stamp (“*timbre des formules de chèques*”) is imposed at a rate of CFAF 25 per form (GTC arts. 733-839; Law n° 96-32 of December 31, 1996).

Tax on Vehicles

The tax on vehicles or “*Taxe sur les véhicules à moteur*” is levied annually on owners of motor vehicles that are licensed and active in Senegal. Government-owned vehicles and other specific vehicles are exempt of this tax (GTC arts. 855-870; Law n° 2004-12 of February 6, 2004). The tax on vehicles varies according to the vehicle’s engine capacity as follows:

Table 1: Tax Rates on Vehicles

Horsepower	Amount (in CFAF)
<i>Rates, Private Vehicles (in CFAF)</i>	
0-8	18,000
9-12	28,000
13-16	80,000
17-19	140,000
20 or more	200,000
<i>Rates, Commercial Vehicles (in CFAF)</i>	
0-8	7,500
9-12	9,000
13-16	15,000
Over 16	30,000
<i>Two- or Three-Wheeled Vehicles (in CFAF)</i>	
0-50 cc	3,000
51-125 cc	9,000
126-300 cc	12,000
Over 300 cc	36,000

Source: GTC arts. 855-870 and Law n° 2004-12 of February 6, 2004. "cc" stands for cylinder capacity (in cubic centimeters).

Special Tax on Company Owned Vehicles

The special tax on company owned vehicles or "*taxe spéciale sur les véhicules de sociétés*", in addition to the tax on vehicle aforementioned, is levied annually on company-owned cars with headquarters in Senegal and on national or communal public institutions engaged in industrial or commercial activities. Tax rates on company owned vehicles are established as follows:

- For vehicles with horsepower up to 4: CFAF 50,000 annually
- For vehicles with a horsepower between 5 and 11: CFAF 100,000 per year
- For vehicles with a horsepower over 11: CFAF 200,000 per year (GTC arts. 871-882).

Value-Added Tax (VAT)

The VAT in Senegal is governed by Law n° 2001-07 of September 18, 2001 and Law n° 2004-12 of February 6, 2004. This tax is assessed on value added and is levied on

all business relating to an economic activity (provision of service, industrial, commercial, noncommercial, and civil activities, craft, extraction, and so on), with the exception of agricultural production and salaried activities. The VAT is also levied on imports and any act of production, but wholesale and retail trade are exempt of the tax. The VAT tax base for imports consists of the c.i.f. value (“*valeur en douane*”) augmented by all other import duties and taxes except the VAT. The VAT rate applied in Senegal is a single rate of 18 percent. Some VAT exemptions and deductions include: exports, administrative services rendered by public entities, sale of buildings, insurance business, and so on (GTC arts. 283-311; Law 2001-07 of September 18, 2001; Law n° 2004-12 of February 6, 2004).

Property-related taxes also include annual property and land taxes in the strict sense. The next section provides an overview of the property tax system as legalized and practised in Senegal.