

# TAX MEASURES AND CUSTOMS REGULATIONS IN FAVOUR OF INVESTMENT



The Government of the Republic of Benin has embarked on a vast programme to promote Benin as a preferred destination for investors. Under this programme, new laws have been adopted and amendments made to existing laws to improve the business climate and encourage investment.

Several investment promotion mechanisms have been put in place, the most important of which are The **Investment Code**, the **Law on Special Economic Zones (ZES)** and the Law on Development of Micro, Small and Medium Enterprises (MSME).

The Investment Code offers customs and tax exemptions for a period ranging from 5 to 17 years depending on the location of the project and the amount of investment.

The Law on Special Economic Zones offers two (02) types of exemption schemes: the export scheme and the intra-community trade promotion scheme allowing to be granted the community certificate of origin. A first Special Economic Zone with an area of one thousand six hundred and forty (1640) was created in Glo-Djigbé in partnership with ARISE group, specialised in planning, development and exploitation of special economic zones.

## 1

### REASONS TO INVEST IN BENIN

- ▲ **Particularly advantageous geostrategic position**
- ▲ **Gateway to West Africa for investors**
- ▲ **Model of democratic stability in sub-Saharan Africa and in the world** with strong institutions
- ▲ **Country of peace and security**
- ▲ **2nd best ranking of Doing Business in West Africa**
- ▲ **Economic and financial performance acknowledged by the main rating agencies in the world:** Financial rating by Standard & Poor's (B+ stable), Bloomfield Investment (A- stable) and FitchRatings (B+ stable), rating it among the top five highest rated countries in Africa
- ▲ **Member of the West African Economic and Monetary Union (WAEMU) and ECOWAS**, giving it access to a market of more than 200 million inhabitants
- ▲ **Member of the African Continental Free Trade Area (AfCFTA)**
- ▲ **AGOA eligible country**, which allows companies producing in Benin to export duty free to USA.

# 2



## THE INVESTMENT CODE

|  |   |   |
|--|---|---|
| <p><b>SCHEME A</b></p>                             | <p>Investment from 50 million up to 1 billion FCFA</p>  | <p><b>Settlement period:</b> full exemption from import duties and taxes</p> <p><b>Operating Period (5 years nationwide):</b></p> <ul style="list-style-type: none"> <li>• exemption from corporate income tax (IS)</li> <li>• exemption from occupation and business taxes and licences</li> <li>• 50% reduction on employer's contribution on wages</li> </ul>  |
| <p><b>SCHEME B</b></p>                             | <p>Investment from 1 billion to 50 billion FCFA</p>   | <p><b>Settlement period:</b> full exemption from import duties and taxes</p> <p><b>Operating period (Zone 1: 8 years / Zone 2: 10 years / Zone 3: 12 years):</b></p> <ul style="list-style-type: none"> <li>• exemption from corporation tax (IS)</li> <li>• exemption from occupation and business taxes and licences</li> <li>• 80% reduction on employer's contribution on wages</li> </ul>  |
| <p><b>SCHEME C</b></p>                             | <p>Investment over 50 billion FCFA</p>  | <p><b>Settlement period:</b> full exemption from import duties and taxes</p> <p><b>Period of operation (Zone 1: 15 years / Zone 2: 16 years / Zone 3: 17 years)</b></p> <ul style="list-style-type: none"> <li>• exemption from corporation tax (IS)</li> <li>• exemption from occupation and business taxes and licences</li> <li>• exemption from the employer's payment on wages</li> <li>• exemption from registration fees in the event of a capital increase</li> </ul> |
| <p><b>SECTORAL INCENTIVE SCHEME (PRIORITY)</b></p> | <p>Investment eligible for schemes A or B in priority sectors of the Programme of Action of the Government (PAG) (agro-industry, agriculture, electrical energy, digital sector)</p>  | <p><b>For scheme A:</b> possibility to benefit from scheme B</p> <p><b>For scheme B:</b> possibility to benefit from scheme C</p>   |
| <p><b>SECTORAL INCENTIVE SCHEME (PRIORITY)</b></p> | <ul style="list-style-type: none"> <li>• Infrastructure and facilities for tourism, culture, sports, health and education</li> <li>• Infrastructure for the storage of products such as gas, hydrocarbons, chemicals</li> </ul> | <p><b>Investment phase:</b> total exemption from entry fees except for community taxes and levies</p> <p><b>Operating phase:</b> common law regime</p>  |

# 3

## THE LAW ON SPECIAL ECONOMIC ZONES

|                   |   |
|-------------------|---|
| CUSTOMS PROCEDURE | <b>EXPORT SCHEME</b> <ul style="list-style-type: none"><li>• Total exemption from customs duties</li><li>• Simplified procedure for transfers of imported goods to SEZ</li></ul>  |
|                   | <b>INTRA-COMMUNITY TRADE PROMOTION SCHEME</b> <ul style="list-style-type: none"><li>• Exemption from customs duties on machinery, materials, equipment, accessories and spare parts related to the production programme</li><li>• Simplified procedure for transfers of goods and imported goods to SEZ</li><li>• Benefit from the Community scheme certificate</li></ul>           |
| TAX SYSTEM        | <ul style="list-style-type: none"><li>• Exemption from all taxes: corporate tax, dividend tax, VAT, property tax on built and unbuilt properties, registration and transfer tax, employer's contribution on wages, all withholding taxes.</li><li>• Freedom to repatriate income</li><li>• Freedom to distribute dividends</li><li>• Refund of VAT credits within 30 days</li></ul> |
| TRADE SYSTEM      | <ul style="list-style-type: none"><li>• No licensing or quota setting for imports</li><li>• Freedom to sell in the customs territory</li><li>• Freedom to transfer funds through licensed financial institutions</li></ul>  |
| SOCIAL PLAN       | <ul style="list-style-type: none"><li>• Freely negotiated employment contract</li><li>• Facilitation of the issuance of entry visas and economic residence cards</li></ul>  |



The administrative authority is represented by the Investment and Export Promotion Agency which organises the one-stop window for formalities and administrative procedures for all actors intervening in the SEZ.

# 4

## OTHER ADVANTAGES BENIN OFFERS TO INVESTORS

### ▲ Access to public procurement

- Reservation of an annual quota of public contracts for Micro, Small and Medium Enterprises (MSMEs), through the Finance Act.
- Allocation of a preferential margin of 5% to any offer submitted by MSMEs (cumulative with the WAEMU community preferential margin of 15%)

### ▲ Repayment of Government debts within 60 days maximum.

- ▲ **Subcontracting and co-contracting:** allocation of a preference margin up to 5% for any subcontracting commitment with an MSME, of at least 30% of the contract value

### ▲ Taxation

- Exemption from occupation and business taxes in the first year
- Exemption from import duties and taxes on professional equipment necessary for MSME's activities
- Exemption from import duties and taxes on professional equipment including packaging necessary for the activities of MSMEs that process local raw materials
- Tax incentives to private promoters of business incubators, craftsmen and craft enterprises, and Approved Management Centres
- Total exemption from corporation tax in the event of profits reinvestment for a maximum period of 5 years
- Clearing of advance payments on corporation tax (AIB) paid to the customs
- Possibility of benefiting from the Investment Code
- Setting up tax payment facilities: moratoriums/payment schedules, suspension of proceedings, surtax remission and tax relief

### ▲ Reduction of the tax rate applied to dividends

- 5% versus 7% applied to the proceeds of regularly distributed shares of listed companies
- 5% versus 10% applied to the proceeds of shares regularly distributed to non-resident partners in Benin

- ▲ **Tax scheme applicable to contracts performed under public-private partnership contracts:** freely negotiated when drafting the contract.



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