Staying informed

AfriTax

Quarter ended 30 June 2018
Issue 37

Greetings

At the PwC Africa Desk in Johannesburg, we are committed to helping our clients to access, and keep up with, the diverse obligations incurred by their African operations. ***AfriTax****, our quarterly newsletter, provides a snapshot of the most significant recent tax and regulatory changes in Africa from the previous quarter.*

We trust you will find this publication useful, and look forward to receiving your comments.

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In this issue

Recent events

Doing Business in Africa seminars

In the months of May and July 2018, PwC featured its flagship seminar on Doing Business in Africa, in both Cape Town and Johannesburg. The countries focused on at these sessions were Tanzania and Uganda, and Malawi and Zimbabwe respectively.

The seminars were facilitated by PwC's in-country specialists and they provided varying insights on the intricacies of doing business in their respective countries. This included discussions on recent developments and trends in their economies, the investment landscape and the impact of key regulations, among other issues. Participants also had opportunities to schedule free private consultations to address their key business concerns.

The Doing Business in Africa seminar series is an initiative of the PwC Africa Desk in Johannesburg, which is a strategic hub and centre of excellence dedicated to supporting your business operations in Africa.

*Please **click here** to find out more or to enquire about participating at the Doing Business in Africa series.*

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Country Tax Updates

Angola

New decrees for the oil and gas sector

Presidential Decree No. 258/17, of 27 October 2017, and recent legislative publications approved the Interim Plan consisting of a set of diplomas (or rules) for the oil and gas sector, with impact on upstream activities. These diplomas come into force on their dates of publication.

- *Presidential Decree No. 91/18, of 10 April 2018*, which establishes the rules and procedures for the abandonment of wells and the decommissioning of oil and gas facilities in the Angolan territory.
- *Presidential Legislative Decree No. 5/18, of 18 May 2018*, which establishes the legal regime for additional research activities in the areas of development of petroleum concessions. The decree revokes the previous Presidential Decree No. 211/15, which referred to Areas of Target Development.

This decree creates an exceptional regime for additional research activities to be carried out in the Development Areas in order to maximise the geological potential of the existing Blocks Development Areas, thereby promoting the development of additional resources.

- *Presidential Legislative Decree No. 6/18, of 18 May 2018*, defines the incentives and procedure for adjusting contractual and fiscal terms applicable to Qualified Marginal Areas. This decree revokes the previous Presidential Legislative Decree No. 2/16, of 13 June.

The decree describes the concept of marginal discovery, the applicable tax incentives, as well as procedures for marginal discovery statement.

- *Presidential Legislative Decree No. 7/18, of 18 May 2018*, establishes the legal and fiscal regime applicable to the activities of prospecting, research, evaluation, development, production and sale of natural gas in Angola.

This decree, in addition to making reference to natural gas rights and the possibility of extending periods and longer terms than are usually established for the exploitation of crude oil, establishes the tax regime applicable to the activities carried out under this legislation.

- *Presidential Decree No. 86/18, of 18 April 2018*, which updates the rules and procedures applicable to public tenders in the oil and gas sector, revoking the former Presidential Decree No. 48/06, of 1 September 2006.

The core focus of the decree is to simplify the relationship between the state-owned oil and gas company, the Angolan national concessionaire, and the operators. This being the case, there is no longer a pre-qualification phase to allocate oil blocks for the candidate companies.

Please click here for more information

New customs tariff

On 9 May 2018, a new customs tariff was approved by the Presidential Legislative Decree No. 3/18, which entered into force as of 7 August 2018. This new customs tariff includes a reduction of the consumption tax and customs duties as follows:

- Malt beer: consumption tax is reduced to 30% (formerly, 60%);
- Tobacco: consumption tax is reduced to 30% (formerly, 80%); and
- Sheep and goat meat: customs duties are reduced to 10% (formerly, 20%).

This new decree also provides an exemption from consumption tax and customs duties on raw materials for the agriculture sector, including wheat, rye, oats, barley, medicines, paper and cardboard products.

The exportation of goods not produced in Angola is subject to customs duties at the rate of 20% computed on the customs value; however, the exportation of goods covered by the customs regime applicable to the petroleum and mining sector is an exception.

Competition law

On 10 May 2018 the Competition Law was approved. It introduces a set of principles and rules aimed at safeguarding healthy competition between economic agents in a market. Compliance will be supervised by the Competition Regulatory Authority, which is yet to be constituted. This law applies to all public and private companies, cluster of enterprises, cooperatives, business associations and other entities.

Amongst other measures mentioned, the following are highlighted:

- *Restrictive competition practices*: prohibition of practices resulting in abuse of dominant position, abuse of economic dependence and prohibited collective practices (e.g. anti-competitive agreements, concerted practices).
- *Control of companies concentration*: control of acts resulting in a decisive influence on a company's activity, such as acquisition of share capital, property rights, execution of contracts resulting in the acquisition of a dominant position in the resolutions and decisions of a company's statutory boards.

The law also provides for the establishment of a sanctions regime, applicable in the event of non-compliance with the competition rules.

Legal models and forms

Executive Decree No. 40/18 of 9 April 2018 approved the printed legal models and forms of the withholding tax schedules referred to by the General Tax Code, Corporate Income Tax Code, Investment Income Tax Code, Employment Income Tax Code and the Real Estate Income Tax Code.

The following monthly returns referred to in the aforementioned decree may be delivered in digital format:

- Consumption Tax – Services rendered;
- Consumption Tax – Production;
- Real Estate Income Tax – Rental Income;
- Stamp Tax.

Please click here for more information

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Congo Brazzaville

Budget highlights – 2018 Finance Act

Threshold for deductibility of cash expenses

The 2014 Finance Act had erroneously removed Article 113 of the GTC, relating to the non-deductibility of expenses greater than XAF500,000 and paid in cash. The 2018 Finance Act restored the non-deductibility of such expenses from taxable profits. Expenses below XAF500,000 which are paid in cash remain non-deductible from taxable profits.

Penalty for non-compliance with transfer pricing requirements

The sums invoiced by a foreign company that are considered as not reflecting arm's length conditions must now be reintegrated in the financial year results of Congolese companies, for a third (1/3) of their amount.

Penalty for incorrect declarations submitted by oil companies

Each omission or inaccuracy made by oil companies in their quarterly declaration of oil subcontractors employed, or in their monthly declaration of remunerations paid to subcontractors and taxes withheld on these remunerations, is now subject to a fine of XAF10,000.

Institution of a new method to assess land taxes on developed and undeveloped properties

The cadastral value of developed residential properties is now equal to the price per square metre multiplied by the surface of the developed area. For undeveloped properties, the cadastral value is now equal to the price per square metre, multiplied by the land area.

Fine on oil subcontracting companies for incomplete declarations

Oil subcontracting companies which produce annual declarations of remunerations paid (DAS 2) which are nil or incomplete are now also subject to a fine of 150% of the monthly average corporate income tax paid during the past financial year.

*Please **click here** for more information*

Digital submission of returns in the extractive sector

From July 2018, the tax returns of oil, forestry and mining companies in Congo will be made online via a digital platform. These extractive companies will have to submit their returns through the new SYSCORE system (*'Système de conciliation des recettes extractives'* in French).

These returns shall also now be made monthly and no longer annually.

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Equatorial Guinea

Revision of operating requirements for foreign oil companies

In a bid to promote and secure foreign investment in the country, the State has revised the operating requirements for foreign oil companies in Equatorial Guinea as follows:

- Foreign companies intending to carry out activities in Equatorial Guinea for a limited period (a maximum of three months in one calendar year) may do so under authorisation of the Ministry of Mines and Hydrocarbons. This authorisation may be renewed twice, at the end of which time the company must register a resident entity in the country.
- The obligation to have a local shareholder or partner has been cancelled for all companies except those operating in the oil sector.
- Legal persons investing in Equatorial Guinea shall domicile their accounts in local banks

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Gabon

Incentives for creation of local employment

In order to encourage the creation of local jobs, a special programme called *'Contrat Aidé'* ('Assisted Contracts' in English) has been launched.

According to this contract, employers who can prove the creation of new temporary or permanent employment as from the beginning of 2018, within a number of conditions, may benefit from one or more of the following:

- Financial aid, in terms of an employment subvention;
- A tax credit, to be imputed on the Corporate Income Tax of the company, equivalent to all or a part of the social insurance contributions paid on behalf of the new employees.

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Ghana

Local content requirements in the electricity supply industry

The Electricity Commission Regulations (L.I 2354) compel businesses operating in the electricity supply industry to comply with the defined percentages of Ghanaian equity ownership, utilisation of local human and material resources, and services in their businesses (including wholesale power suppliers, renewable energy operators and electricity distributors).

Wholesale power suppliers and renewable energy operators must have local ownership of 15% from their onset, and must grow this ownership to 51% over 10 years.

Electricity distributors must have local equity ownership of 30% upon start-up and 51% over 10 years.

Introduction of fiscal electronic device

According to the Use of Fiscal Electronic Device Act 966 of 2018, the Government intends to introduce a fiscal receipt system to replace the manual VAT invoices that VAT-registered persons currently issue for the supply of taxable goods and services.

This fiscal receipt will be issued by a Fiscal Electronic Device (FED). According to the Government, the FED will maximise revenue collection by ensuring that the Ghana Revenue Authority (GRA) is able to promptly monitor and verify sales transactions.

Please click here for more information

Introduction of automatic exchange of financial account information

The Standard for Automatic Exchange of Financial Account Information Act, 2018 (Act 967), has been passed. It imposes an obligation on financial institutions to report information regarding certain financial accounts of an individual or entity to the GRA, and conduct due diligence with respect to those financial accounts.

The financial institutions are therefore required to comply with requirements in the Act, as Ghana intends to enforce this in order to fulfil its international obligations to exchange financial account information from the year 2018.

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Kenya

Budget Statement 2018

In his Budget Statement 2018 delivered to the National Assembly on 14 June 2018, the Cabinet Secretary to the National Treasury ('CS') introduced the following changes:

Business tax

A presumptive tax of 15% has been introduced on the value of a single business permit or trading licence fee, for any resident business whose turnover does not exceed KES5m in a year of income. This tax shall replace the 3% Turnover Tax.

Value-added tax

- Exemption of equipment used in the construction of grain storage facilities from VAT.
- Extension of VAT exemptions in the animal husbandry sector, to cover materials used to make animal feeds.
- Exemption from VAT on parts imported or purchased locally for the assembly of computers.

Tax administration

- The CS clarified that capital gains tax on transfer of property applies to general insurance companies and not to life insurance companies.
- The CS proposed a deduction of 30% on electricity costs incurred by manufacturers, subject to certain conditions to be set by the Ministry of Energy.
- The CS has extended the deadline for tax amnesty to 30 June 2019 for income earned up to 31 December 2017. The tax amnesty applies to people who repatriated taxable income into Kenya.
- Introduction of a late payment penalty of 20% and an increase in the late payment interest from 1% to 2%.
- The government is proposing to establish a National Social Housing Development Fund (the Fund). The CS proposed the employer's contribution to the Fund to be 1% of the employee's gross monthly earnings capped at KES5,000 and matched by the employee's contribution of 1%. The change is effective 1 October 2018.

Excise

- Increase in excise duty rate on kerosene from KES7,205 per litre to KES10,305 per litre.
- Increase in excise duty on private passenger motor vehicles whose engine capacity exceeds 2,500cc for diesel and 3,000cc for petrol-powered vehicles from 20% to 30%.
- Introduction of a Robin Hood tax of 0.05% on transfer of sums of money, in excess of KES500,000, through banks and other financial institutions.
- Increase in excise duty on fees charged on money transfer services by cellular phone service providers from 10% to 12%.

Click here to find out more on Budget 2018

Tax Laws (Amendment) Act, 2018

The Tax Laws (Amendment) Act as of 25 July 2018 has introduced some new provisions and amendments as discussed below:

Betting, lotteries and gaming industry

- A 20% withholding tax ("WHT") in gaming winnings has been introduced. This tax shall be withheld at source at the time of payment of winnings to a resident or non-resident.
- The definition of "winnings" has been restricted in the Income Tax Act ("ITA") to the difference between payouts made to punters and stakes placed by the punters in a set month.

Value added tax

- The following zero-rated VAT supplies are now exempt supplies:
  - The transfer of a business as a going concern ("TOGC") by a registered person to another registered person. Howeverm VAT incurred by the transferor in the transfer, eg on transferred inventory, cannot be caimed as an input tax;
  - Articles of apparel, clothing accessories and equipment specially designed for safety or protective purposes for use in registered hospitals and clinics or by county government or local authorities in firefighting;
  - Taxable goods supplied to marine fisheries and fish processors;
  - Milk and cream, not concentrated nor containing added sugar or other sweetening matter;
  - Maize (corn) flour, ordinary bread and cassava flour, wheat or meslin flour and maize flour containing cassava flour by more than ten per-cent in weight;
  - Goods imported by passengers arriving from places outside Kenya; and
  - Taxable goods for emergency relief purposes for use in specific areas and within a specified period, supplied to or imported by the Government or its approved agent, an NGO or a relief agency.
- Electric accumulators, medication and related raw materials or inputs still maintain their zero rating.

Draft Income Tax Bill ('ITB') 2018

There has been a deliberate move over the last five years to modernise the major tax laws, and the Government has recently published a draft Income Tax Bill ('ITA'), 2018.

The key proposed changes reflected in the draft ITB are as follows:

Tax rates

- The application of a company tax rate of 30% to resident companies, as well as non-resident companies with a permanent establishment in Kenya
- For taxable company income in excess of KES 500 million, a tax rate of 35% shall apply.
- The introduction of a tax on repatriated profits (at a rate of 10%).
- Changes in the corporate tax rate for Export Processing Zones enterprises, as follows:
  - increase in the tax rate for the first ten years from the date of first operation from 0% to 10%;
  - reduction in the tax rate for the next ten years from 20% to 15%.

Withholding tax exemption for dividends

Where a Kenyan resident company receives dividends from a company in which its shareholding is 25% or more, such dividends will be exempt from tax. The previous threshold was 12.5%.

Compensating tax on redistribution of dividends income

- Dividends received will now be considered to be untaxed income and any further distribution of such dividends may trigger additional tax even though the subsidiary had already paid corporate tax. (Previously companies got a tax credit for dividends paid out by a company from dividends received from its subsidiaries.)
- Under the ITB, such dividends received will now be considered to be untaxed income and any distribution of such dividends may trigger additional tax, even though the subsidiary had already paid corporate tax.
- This section will also in effect tax dividends received from a non-resident entity that were not accrued or derived from Kenya and hence not subject to tax in Kenya.

Thin capitalisation

- A change in the thin capitalisation ratio from 3:1 to 2:1.
- A reduction in the shareholding threshold in determining when thin capitalisation would be applicable, from 25% to 20%.

Withholding charges

- A withholding tax of 5% has been introduced on insurance premiums payable to non-residents.
- The withholding tax on service fees charged by oil and gas subcontractors has been increased from 5.625% to 10%.
- The withholding tax on rent and leases of property by non-residents has reduced from 30% to 20%.
- A withholding tax of 20% has been introduced on commissions paid to non-resident agents in respect of horticultural products exported from Kenya and commissions paid by resident air transport operators to a non-resident agent.
- A withholding tax of 20% has been introduced on fees paid to a non-resident in respect of rents and leases of rolling stock and locomotives.

Others

- The investment deduction allowance of 150% (in respect of expenditure on building and machinery, subject to certain conditions) has been reduced to 100%.
- The gross tax payable by non-resident broadcasters has increased from 5% to 10%.
- Demurrage charges charged by transporters (and in particular non-resident ship owners) are now subject to withholding tax at 20%.

Click here to view the Tax Alert on the draft ITB 2018

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Mauritius

Budget highlights 2018

In the wake of the Action Plan on Base Erosion and Profit Shifting (BEPS Action Plan), the 2018-2019 Budget has introduced significant tax reforms. The key reforms are recapped below:

Corporate tax

- Abolition of the deemed Foreign Tax Credit regime available to GBC1 companies.
- Introduction of an 80% exemption regime on certain categories of foreign source income.
- Disallowance of foreign tax credits on income, where the 80% exemption has been claimed.
- Repealing of the tax exemption for corporations with an investment banking licence, subject to exemptions.
- Extension of the 3% corporate tax rate to companies engaging in the international buying and selling of goods which are shipped directly from the exporting country to the importing country.
- Double deduction for employers on capital expenditure incurred on a crèche for the benefit of the employees.
- Investment tax credits of 5% over three years for companies importing foods in semi-knocked down form, on the acquisition of new plants and machinery (excluding motor cars). This is subject to a minimum local value-add of 20%.

Value-added tax (VAT)

- Effective 1 October 2018, the deferral of payment of VAT by registered persons on the importation of capital goods (plant and machinery) will be allowed. This deferred VAT shall be paid on submission of the VAT return for the period in which the tax is deferred.
- Cancellation of VAT registration shall trigger the payment of any tax due, including tax on any capital goods exceeding Rs100,000 forming part of the assets of the business and used for own consumption.
- Introduction of a special levy on banks, amounting to
  - 5.5% for banks with leviable income under Rs1.2bn,
  - 4% for banks with leviable income in excess of Rs1.2bn.

Leviable income is defined as a sum of net interest income and other income from banking transactions with residents, before deducting expenses. This tax is paid to the director-general within five months from the end of the accounting period.

Click here to download the Mauritius Finance Bill 2018

Click here to learn more about the 2018 Mauritius Budget

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Nigeria

Senate proposes substantial changes to the Companies and Allied Matters Act

On 15 May, the Nigerian Senate passed the Companies and Allied Matters Act Bill 2017 (Bill) to replace the Companies and Allied Matters Act 2004 (CAMA). Once the Bill receives the President's assent, it will become the principal law for the formation and management of legal entities in Nigeria.

Many provisions of the Bill seek to improve the ease of doing business. The Bill seeks to:

- Automate the company registration processes.
- It also recognises electronic signatures, share transfer registers and electronic notices for meetings.
- The Bill largely reflects global best practices by introducing Limited Liability Partnerships and Limited Partnerships. This creates more options for corporate structures.
- In addition, companies can now have a single shareholder and/or director. This makes setting up businesses more attractive.
- However, the Corporate Affairs Commission (CAC) would have more powers to determine fines by way of Regulations.

Nigeria automates processing of business permits and expatriate quota

Nigeria's Ministry of Interior is launching an online portal for the online processing of permits, including business permits and expatriate quotas.

As of 7 May 2018, the initial pilot run of the e-platform kicked off with expatriate quota applications to determine success before a wide-scale implementation.

Guidelines for CbC reporting in Nigeria

Following the release of Nigeria's Country-by-Country (CbC) Reporting Regulations ('the Regulations') in June 2018, the Federal Inland Revenue Service (FIRS) has issued the following complementary information:

- guidelines for CbC reporting ('the Guidelines');
- template for annual CbC notification; and
- guidance (to its staff and the general public) on the appropriate use of information disclosed in CbC reports.

Groups headquartered in Nigeria will be required to prepare and file a CbCR with the FIRS annually. Prior to this, they will be required to notify the FIRS that they are the party with the responsibility for filing the CbCR. The CbCR is to be filed based on the template prescribed by the Regulations and in line with the CbC Guidelines issued by the FIRS.

*Please click **here** and **here** for more information*

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Senegal

Budget highlights 2018

The 2018 Finance Law brought about a number of changes, which are summarised below:

Incentives for companies in the renewable energy sector

Incentives, including the following, have been provided for companies in the renewable energy sector:

- For companies only carrying out local manufacturing of goods used in the production of renewable energy, a 30% reduction in the tax base for corporate income tax purposes.
- An exemption from VAT on the supply by manufacturers of renewable energy as well as material used in the production of renewable energy.

The list of approved goods and materials eligible for the incentives above shall be fixed by a ministerial circular to be issued subsequently.

Modifications to excise duties

The following modifications have been elaborated by Service Note No. 1530, following their introduction in the 2018 Finance Law:

- Extension of the 10% tariff previously applicable only to vehicles of 10 horsepower or above, to all vehicles used for tourism;
- Introduction of a tax of 3 FCFA per gram on plastic bags produced in or imported into Senegal;
- Introduction of a 5% tax of on gaseous non-alcoholic drinks, with the exception of water;
- Introduction of a 5% tax on fruit or vegetable juices (excluding concentrates), presented in packaging of 25kg or more, destined for industrial use; and
- Increase of excise duties on tobacco from 45% to 50%.

Transfer pricing declarative obligations

A number of new transfer pricing reporting obligations have been put in place, for legal persons established in Senegal, who:

- realise annual turnover before tax or gross income of at least XOF5bn;
- hold directly or indirectly at the close of the financial year, more than half of the capital or voting rights of a company established or constituted in Senegal, or out of Senegal and fulfilling criterion 1; and
- have more than half of their capital or voting rights held by a company fulfilling criterion 1.

Such companies must submit transfer pricing documentation at the same time as their returns at the end of the year.

This obligation applies to the fiscal year that began on 1 January 2017. The transfer pricing returns must therefore, in theory, be submitted alongside the 2017 tax returns. However, the deadline for submission of these returns has been extended to 31 October 2018. Failure to submit said documentation will attract a XOF10m penalty.

Corrective Finance Law

In July 2018, a corrective Finance Law, which establishes new taxes, has been published. Key changes include.

Special contribution to the telecommunications sector

This special contribution replaces the special levy on the telecommunications sector and contribution to economic development. It is fixed at the rate of 5%, and due by all authorised telecommunication network providers who provide their services to the public.

Levy on insurance companies

This is a tax levied on authorised insurance companies. It is applicable at the rate of 1% of turnover before tax of the companies targeted.

Export duties on gold

Export duties at the rate of 4% shall be applicable to all types of gold exports, including gold-plating, whether unprocessed or semi-processed. Exemptions shall apply to gold exchanged between national or international monetary authorities and approved financial institutions.

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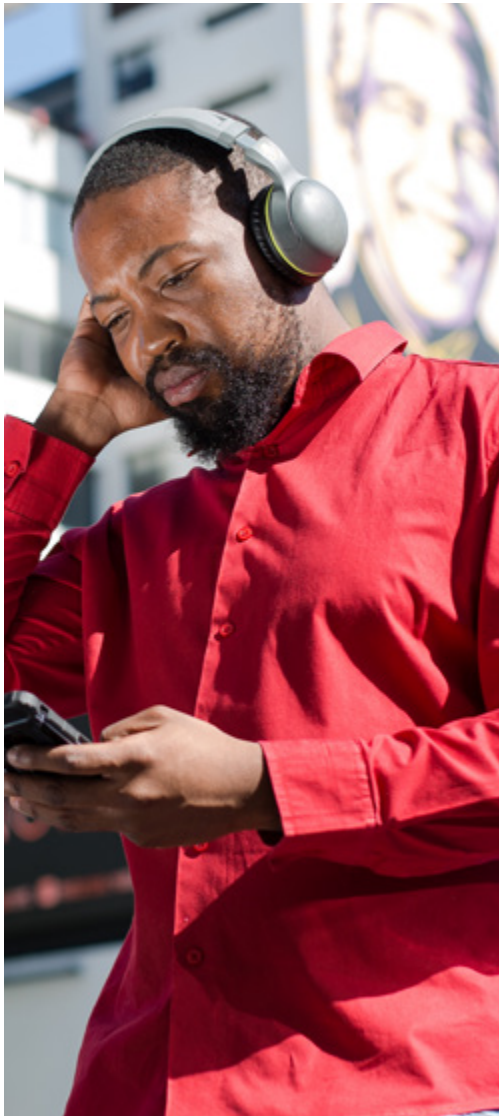

Rwanda

New income tax law

Rwanda has enacted a new income tax law, which came into effect in April 2018. It has repealed the former Income Tax Law No. 16/2005 on direct income tax, as well as all Ministerial orders and Commissioner General's rules which are contrary to the new law.

The new law covers: personal income tax, corporate income tax, withholding tax and capital gains tax.

It also provides new interpretations for a number of tax principles, such as: permanent establishment, source of taxable income and employee.

*For a detailed breakdown on the provisions of this new tax law, **please click here**.*

Budget 2018

Economy

Rwanda's 2018/2019 Budget was published in June 2018. Key changes introduced include the following:

Tax changes

Corporate tax

- Reduction of the taxing threshold for small business from Rwf50m to Rwf20m.
- Tightening of restrictions on the deductibility of expenses – the deduction of management, technical and royalty fees has been capped at 2% of the company's turnover.
- Income sourced from Rwanda' now includes:
  - income from the sale of direct and indirect shareholding in a Rwandan company; and
  - income from services performed abroad by a non-resident, for the benefit of a Rwandan company.

Customs duties

Transportation

Import duties have been changed as follows:

- Reduction from 10% or 25% to 0% for road tractors, semi-trailers, motor vehicles for transport of goods with gross weight exceeding 20 tons, and buses for transportation of 50 or more persons.
- Reduction from 25% to 10% for road tractors, semi-trailers, motor vehicles for transport of goods with gross weight between 5 tons and 20 tons, and buses for transportation of 25-50 persons.

Information technology

- Import duty of 0% instead of 25% on telecommunication equipment.

Basic goods

- Import duty of 0% instead of 25% on electronic transaction devices (smart cards, ATM cards, POS cards and their operating machines).

*Please **click here** to download Rwanda's Budget Highlights*

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South Africa

Fixed non-compliance penalties on transfer pricing documentation

The SA Revenue Service ('SARS') has indicated that the failure by a SA-resident Tier 1 company to submit a Country-by-Country report ('CbCR'), Master file ('MF') or Local file ('LF') return within 12 months from the final day of the group's 'Ultimate Parent Entity's' financial year end will be an instance of non-compliance that will, in terms of sections 210(1) and 211 of the SA Tax Administration Act ('the TAA'), attract a financial penalty of up to R16,000 per month.

SA's CbC regime applies to financial years of multinational groups commencing on or after 1 January 2016. This means that the first CbCR, MF and LF returns are due to be submitted throughout the course of 2018.

*Please **click here** for more information*

SARS releases Service Charter

SARS released its long-awaited Service Charter ('the Charter') on 1 July 2018 (the start of the 2018 Tax Season). The previous charter was released in 2007.

The purpose of the Charter is to inform taxpayers regarding what they can expect from SARS, as well as their rights and obligations vis-à-vis SARS and the payment of tax. Importantly, taxpayers can hold SARS accountable for not adhering to its service delivery agreements stated in the Charter.

It must be noted that any applicable legislation will take precedence over the Charter where there is conflict between the two.

*For more information on the Service Charter, please **click here**.*

Draft Taxation Laws Amendment Bill released for public comment

On 16 July 2018, the draft Taxation Laws Amendment Bill, 2018 ('TLAB') and the draft Tax Administration Laws Amendment Bill, 2018 ('TALAB') were released by the National Treasury ('Treasury') and the South African Revenue Service ('SARS') for public comment.

These draft Bills generally reflect proposed legislative amendments that will ultimately give effect to proposals announced in the annual Budget in February this year.

*For more information on the Draft Bill, please **click here**.*

SARS diesel refund scheme

The refund scheme provides relief from the Fuel and Road Accident Fund levies. This relief is available to primary producers in mining, farming forestry and other defined sectors in terms of the Customs and Excise Act 1964.

***Click here** to read more about the SARS diesel refund scheme*

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Tanzania

Budget 2018

The 2018 Budget speech in Tanzania highlighted the following key tax changes:

Tax amnesty - December 2018 deadline

- A full tax amnesty has been announced by the Minister. This amnesty began in July 2018 and runs for a period of six months, ending in December 2018.
- Tax declared under the amnesty programme will have full remission of interest and penalties.

Corporate income tax

The CIT rate has been reduced for new investors in the pharmaceutical and leather industries. This rate has decreased from 30% to 20%, applicable for a period of five years (2018/19 to 2022/23).

Value-added tax (VAT)

The following goods have been newly exempted from VAT:

- packaging materials produced specifically for use by local manufacturers of pharmaceutical products; and
- imported animal and poultry feed additives.

Customs duties

The following goods have been subject to changes of customs duty rates or applicable levies:

- The rate applicable to paper used to manufacture exercise books and textbooks has been reduced from 25% to 15%.
- Inputs used to manufacture pesticides, fungicides, insecticides and acaricides shall benefit from a duty remission of 0%.
- Stay of application of the EAC-CET levy on electronic fiscal devices used to collect Government revenues and a duty rate of 0%, applicable for one year.
- Increase of customs duties on consumption sugar, from 25% to 35%.
- Exemption on various types of motor vehicles used for tourist transportation (sightseeing buses, overland trucks) imported by licensed tour operators and meeting specific conditions.

Excise duties

An increase of 5% applicable to excise duties on non-petroleum products has been introduced. However, this increase shall not apply to fixed tariffs on locally manufactured products, including alcohol, soft drinks and tobacco.

*Please **click here** to read the 2018 Budget Bulletin*

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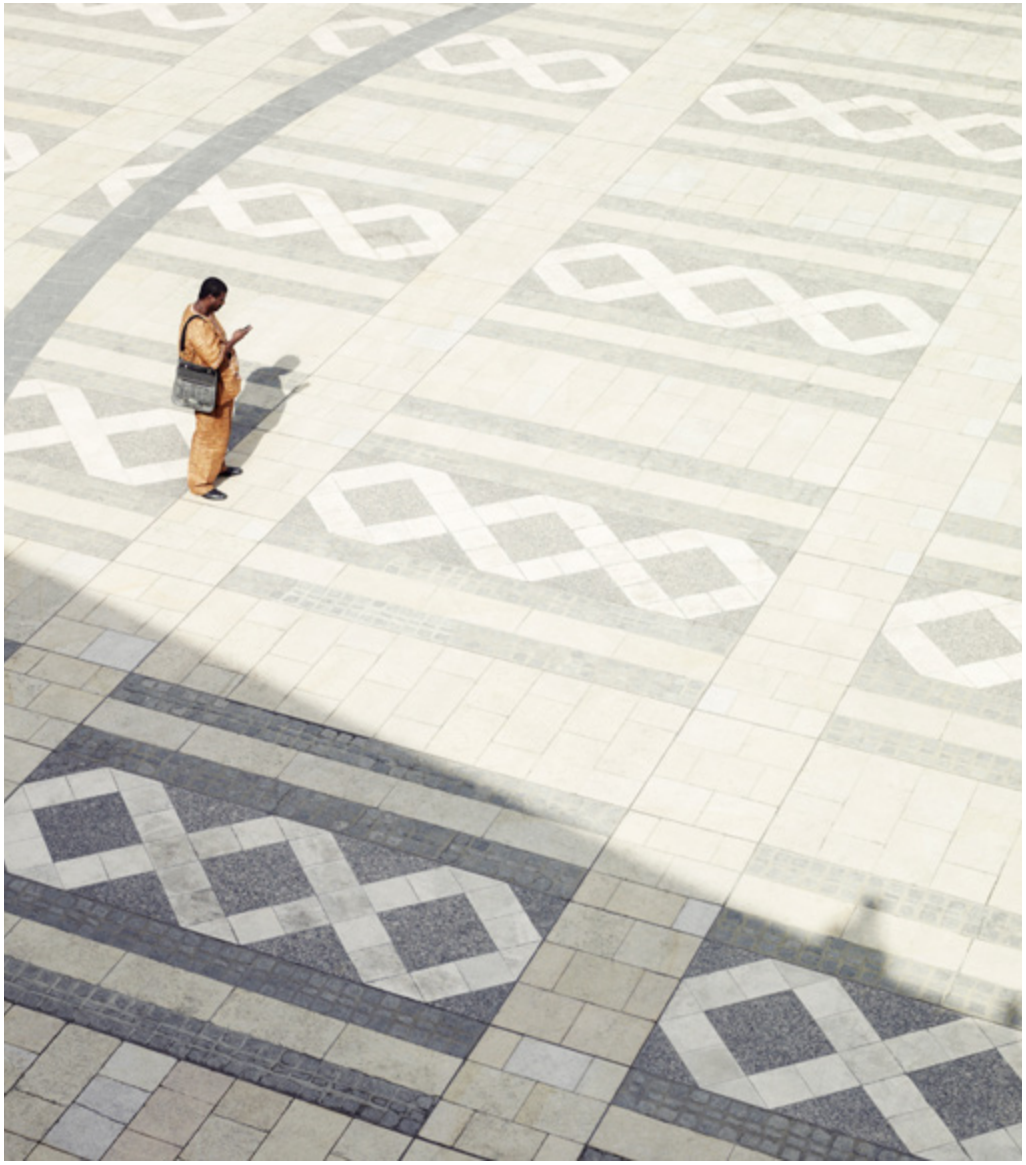

Uganda

Income tax (Amendment) Bill 2018

The Income Tax Bill ('ITB') 2018 proposes several tax changes highlighted below:

Income tax

Exemption of income of developers of industrial parks or free zones

Income of developers of industrial parks or free zones whose capital investments exceed US$200m will be exempted from income tax for a period of ten years from the date of commencement of the construction.

Foreign operators in an industrial park or free zone whose capital investment exceeds US$30m will be exempt from income tax, for five years from the date of commencement of business.

Carry forward of tax losses

The proposed new tax of 0.5% on the gross income of a taxpayer who has carried forward tax losses for seven consecutive years has been rescinded. This therefore results in taxpayers being allowed to carry over their assessed losses indefinitely without penalties.

Limitation of deductibility of interest

The ITB proposes to limit the deductibility of interest on debt owed by a taxpayer who is a member of a group to 30% of the EBITDA.

Excess interest may be treated as incurred in the next year of income, and carried forward for not more than three years. This proposal effectively repeals the thin capitalisation rules in Section 89.

Value-added tax

Introduction of withholding VAT

Designated persons are now required to withhold 100% of the VAT on the payments for taxable supplies; it is no longer 50% as initially proposed. Designated persons will be listed by the Minister at a later date.

Amendment of the definition of electronic services

The definition of electronic services has been widened so that there is no longer a restriction with regard to services provided on or through a telecommunication service.

Excise duty

Airtime on landlines and public pay phones

The excise duty on landlines and pay phones has been increased from 5% to 12%.

Excise duty on mobile money

- There is a new excise duty on mobile money transactions that comprise receipts, payments and withdrawals.
- There has been an increase in the excise duty rate for mobile money services from 10% to 15%.

Click here to read more about the Income Tax Bill 2018

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Update on double-tax treaties with African countries

This section provides an update on double-tax treaties with African countries. The table below highlights some of the treaties.

Treaty countries and dates	Withholding Tax Rates		
	Dividend (%)	Interest (%)	Royalties (%)
Algeria – Netherlands *Signed: 11 May 2018* *Not yet in force*	5/15%[1]	8%	5/15%[2]
Ethiopia – Malta *Signed: 17 April 2018* *Not yet in force*	5%[3]	5%	5%
Kenya – Singapore *Signed: 12 June 2018* *Not yet in force*	5%	10%	10%
Cape Verde – Senegal *Signed: 30 April 2018* *Not yet in force*	Details not yet available		
Republic of Congo – Morocco *Signed: 1 May 2018* *Not yet in force*	Details not yet available		
Zambia – India *Signed: 11 April 2018* *Not yet in force*	Details not yet available		
Zimbabwe – United Arab Emirates *Signed: 18 June 2018* *Not yet in force*	Details not yet available		

[1] a) 5% of the gross amount of the dividends if the beneficial owner is a company which holds directly or indirectly at least 10% of the capital of the company paying the dividends; b) 15% of the gross amount of the dividends in all other cases.

[2] a) 15% of the gross amount of the royalties paid for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematographic films, or films, tapes and other means of image or sound reproduction; b) 5% of the gross amount of the royalties in all other cases.

[3] Dividends: 5% on dividends paid by a company resident in Ethiopia to a resident of Malta who is the beneficial owner and 0% on dividends paid by a company resident in Malta to a resident of Ethiopia who is the beneficial owner.

PwC publications of interest

African tax publications

Synopsis

Synopsis is a monthly journal published by PwC South Africa. The journal provides informed commentary on current developments in the tax arena, both locally and internationally, to assist business executives in identifying developments and trends in tax law and revenue practice.

Please click on the links below to access the latest editions of Synopsis issued this past quarter:

Tax Synopsis – April 2018

Tax Synopsis – May 2018

Tax Synopsis – June 2018

Tax First

Tax First is a monthly newsletter published by PwC Namibia that provides informed commentary on current developments in the local Namibian tax and business arena. The analysis of and comments on new laws and administrative changes assist business executives to identify developments and trends in law and Inland Revenue practice that might impact their businesses.

Please click on the links below to access the latest editions of Tax First issued this past quarter:

April 2018 edition

May 2018 edition

June 2018 edition

HR Quarterly

This is a quarterly journal published by PwC South Africa that provides informed commentary on current developments in the tax and human resources arenas, both locally and internationally. The analysis of and comment on new law and judicial decisions of interest, such as the Regulations of the Immigration Act, assists business executives to identify developments and trends in tax, labour law and revenue practice that might impact their businesses.

*Please **click here** to download this report*

Transfer pricing in Tanzania

Tax authorities around the world have become more focused on transfer pricing, as evidenced by new documentation requirements and increased information exchange. We are also seeing improved audit staff training, increased targeted audit and risk-based inspection activity revolving around substance and transparency, and stricter penalties.

Click here to download the full report

2018 tax facts and figures: Navigating taxation

The 2018 edition of this publication by PwC Ghana provides an overview of the direct and indirect tax regime of Ghana at the time of publication.

*To access the publication, please **click here**.*

Global tax publications

International Tax news

Keeping up with the constant flow of international tax developments worldwide can be a challenge. International Tax News provides a succinct monthly analysis of select legislative changes, case law and treaty news from around the globe.

Please click on the links below to access the last three editions of International Tax News issued this past quarter:

April 2018 edition

May 2018 edition

June 2018 edition

Tax function of the future series

Spotlight: Your tax function – automated and empowered

This tax function of the future series spotlights topics relevant to tax, with a focus on what tax needs to do now to operate successfully in an increasingly complex tax and business environment. This spotlight highlights how small automation tools can yield smart and fast solutions for your tax function's challenges and pain points. It describes the growing automation trend that promises to transform the tax environment. Leading tax functions are embracing this trend, leveraging new available tools to gain efficiencies and expanded capabilities in a quick timeframe.

*To access the publication, please **click here**.*

TP Talks

Episode 26: Your tax function – building trust through transparency

In this podcast, PwC transfer pricing partners discuss why transparency is such a hot topic today, and how tax departments, particularly transfer pricing, are evolving to operate successfully in a world of radical transparency.

*To access the podcast, please **click here**.*

African industry publications

Mining

• Mine 2018: Tempting times

The world's 40 largest mining companies have delivered an impressive financial performance in 2017, increasing revenue by 23% to US$600bn. The report confirms an upswing in the mining cycle, which comes on the back of rising global economic growth and a recovery in commodity prices. Helped by astute cost-saving strategies over the past few years, margins and cash-generating ability has improved significantly, leading to a 126% jump in net profits.

Our 2018 outlook indicates that the Top 40's improved financial performance will continue as companies continue to benefit from this upward momentum in the mining cycle.

*Please **click here** to download this report*

• Battle of the Taxes: Who comes out on top? Australia and Africa compared

In this recent publication, PwC Australia extend the work done in prior years to analyse the tax regimes of four African countries (Ghana, Namibia, Tanzania and Egypt) and compare the return for miners/government from "PwC Gold" (a hypothetical gold mine) based on the respective tax regimes. This year's analysis is extended to compare how Australia (in particular Western Australia) compares to these African countries. In short, the publication highlights the importance of industry and government working together to create prosperity for their respective country.

*Please **click here** to download this report*

Finance

• Financial focus: Journal of financial services in Nigeria

PwC Nigeria's Financial Service Journal brings to the front burner critical issues of the day which have significant impact on the future of the industry, and provides in-depth insights on these current trends in the industry.

The topics covered in this edition include:

- Confronting the big talent challenge in Financial Services
- Nigeria's economic recovery: Defining the evolution of economic growth
- Micro pensions – the new frontier
- Fintech disrupting the FS Landscape
- Tax Amnesty - The implications of the voluntary asset and income declaration scheme on the Financial Services industry
- How internal audit can add value to the Financial Services organisation
- Is the Insurance Industry Fit for growth?
- IFRS 9: Classification and Measurement – practical issues around the business model assessment

*Please **click here** to download this report*

• 2017 Zambia banking industry survey: Cautiously optimistic

With a 100% participation rate from the 17 banks in Zambia, we believe our survey provides comprehensive insight into matters affecting the sector.

The good news is that 2017 was a better year than 2016 for both the Zambian economy and the banking sector. Positive trends in economic indicators coupled with actions by the Bank of Zambia to ease the tight monetary policy environment provided an opportunity for financial institutions to achieve positive growth and strong financial performance.

In this publication, PwC Zambia providing the survey results together with their views on pertinent issues, with the aim to provide banking industry stakeholders with an up-to-date and balanced assessment of the sector.

*Please **click here** to download this report*

Energy

• The Pathway to Recovery: PwC's power and utilities roundtable

The Annual Power and Utilities Roundtable is part of PwC's contribution to the on-going reforms in the Nigerian power sector. It is a forum for key players to discuss the present and the future of a fully privatised Nigerian power sector.

The latest report provides a detailed account of the 2017 edition of the annual PwC Power and Utilities Roundtable. It features details of the discussion papers presented at the event, PwC's viewpoint, as well as the opinions shared by stakeholders in attendance.

The exclusive focus this year was the collaborative determination of a clear Pathway to Recovery for the power sector by its leading stakeholders. Power is a key tenet of enabling economic industrialisation and improving standards of living. These are two key themes of Nigeria's Economic and Growth Recovery Plan. As such, discussions and insights obtained from the sessions are imperative to galvanising Nigeria's continued path to economic development.

*Please **click here** to download this report*

Digital

A path to explore! - Ten questions every board should ask about cryptocurrencies

Given the dynamic nature of the market, the evolving legal and regulatory climate, and the sheer volatility of crypto assets (a term often preferred to cryptocurrencies), it can be a daunting task to define the space or even understand the strategic rationale of introducing a cryptocurrency into an organisation. This is especially true for directors and executives who may not be well versed in cryptocurrencies, their limitations, or even the underlying technology – not to mention the regulatory, risk, accounting, data security, and tax considerations that arise when dealing with a new asset class or service offering.

This publication discusses ten questions every board should ask about cryptocurrencies.

*Please **click here** to download this report*

African general interest publications

Cape Town: African city of opportunity

- Is traffic in Cape Town really worse than in Los Angeles?
- Do the city's townships really recycle 40 times less than those in Mumbai?
- Why is transport six times less affordable for the poor than for everyone else in Cape Town?
- Can the city compete with global tech hubs, like London and Singapore, when less than 6% of citizens are university graduates?

Our latest report, Cape Town: African city of opportunity, explores these themes and more by benchmarking the city against 30 other global hubs across a series of 66 indicators relating to quality of life, economics, and the tools – such as human and intellectual capital and city brand– needed to succeed in a changing world.

*Please **click here** to download this report*

General Data Protection Regulations – Mauritius

The EU General Data Protection Regulation (GDPR) took effect on 25 May 2018, creating challenges—and opportunities—for every organisation doing business in the European Union before, during and after the deadline. It requires wide-scale privacy changes in all regulated organisations, and regulators will gain unprecedented powers to impose fines (up to €20m or 4% of annual turnover).

Nevertheless, the GDPR also represents an opportunity to:

- Transform your approach to privacy,
- Harness the value of your data, and
- Ensure your organisation is fit for the digital economy.

This means getting ready now. Not all organisations will be compliant by May 2018, but GDPR regulators will need to see by then that robust plans are in place.

*To read the report and recommendations, please **click here**.*

2018 Global Economic Crime and Fraud Survey – Zambia report with East Africa focus

Globally, the 2018 GECS Report analyses feedback from over 7,000 across 123 countries in 18 languages, making it one of the largest and most comprehensive surveys on economic crimes in the world.

The report compares the survey results in Zambia to those observed in the East African Region (consisting of Kenya, Uganda, Tanzania and Rwanda), Africa and globally, putting them in the context of social, political and economic developments of the last two years.

Results of the survey reveal that 65% of participating organisations in Zambia experienced at least one form of economic crime over the last 24 months. This is a marginal increase from the 61% reported in 2016, is slightly higher than the African average of 62% and significantly higher than the global average of 49%.

*Please **click here** to download the report for Zambia*

Hospitality outlook: 2018-2022

8th Annual edition: Positioning for future growth

This Outlook provides an overview of how the hotel industry in South Africa, Nigeria, Mauritius, Kenya and Tanzania is expected to develop over the coming years. Africa's hotel sector has the potential for further growth over the next five years.

An increase in the number of foreign and domestic travelers, as well as expansion in a number of hotel chains on the continent reinforces the hotel sector's untapped potential for business growth.

Click here to find out more and download the full report

Global general interest publications

Economics in business podcast series

This podcast series by PwC UK explores the outlook for the UK and global economy. Throughout the year, their economists will be sharing their insights and perspectives on key economic events and the implications for business, in short episodes lasting between five and ten minutes.

New episodes will be regularly added to a range of topics, from identifying pockets of opportunity in the global economy to the benefits of female economic empowerment and the potential impact of technology on jobs. Sign up to listen to the podcasts on your desktop or mobile device, using one of the options below.

Global Entertainment & Media Outlook 2018–2022

Trending now: convergence, connections and trust

Today's rapidly evolving media ecosystem is experiencing a new and different wave of convergence. To succeed in the future that's taking shape, companies must reenvision every aspect of what they do and how they do it. It's about having, or having access to, the right technology and excellent content, which is delivered in a cost-effective manner to an engaged audience that trusts the brand. Our new report, Perspectives from the Outlook 2018–2022, is available free to non-subscribers and provides insights into important trends and how companies like yours can respond.

Click here to find out more and download the full report

Managing risks and enabling growth in the age of innovation

2018 Risk in Review Study

How can risk executives embrace innovation while preparing for unknown risks such as self-driving cars commandeered by hackers, data analytics software that unintentionally reflects biases, or autonomous weapons that cause accidental casualties? PwC explores how risk leaders can effectively manage innovation-related risk and, by doing so, drive growth and performance. Key actions include linking an organisation's risk programme to corporate strategy and periodically adjusting risk appetite and tolerances to align with innovation risk.

Please click here to download this report

ADAPT: The five urgent global issues

It has become apparent that the long-term phenomena of the megatrends are already upon us. Governments, organisations and society are all struggling with the near-term manifestations of these trends and looking for answers. We help our clients to focus on these challenges using a framework we have called ADAPT.

The world is complex and difficult to understand, and the risk is that we are paralysed by the complexity. This framework is a way of analysing and thinking about these issues in a way that allows people to take positive action.

Please click here to download the brochure.

Digital fitness

Four steps to building a new culture fuelled by innovation

Our data also shows that companies that prioritise innovation, use cross-functional teams and agile approaches and better understand the human experience financially outperform their peers. PwC's Digital Workforce Transformation helps change the way employees learn, think, interact and solve problems. Here's how.

Click here to find out more and download the full report

PwC Africa Desk

The PwC Africa Desk in Johannesburg is staffed by specialists from across Africa, and works closely and seamlessly with colleagues at PwC offices in other African countries as well as the Africa Desks in New York (USA) and Perth (Australia) to help clients address important issues facing their businesses.

The Africa Desk provides quick responses to specific and generic questions that companies need answered when considering investments in Africa.

Both existing and potential clients seeking to invest in Africa or to restructure their African operations are invited to contact the people listed below.

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