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# MAURITANIA

## Tax Booklet

Taxation - Mines - Oil - GTA - Immigration - Free zone





## MAURITANIA BOOKLET 2023

### Taxation, Mining & Oil

EXCO GHA Mauritania, a member of the Exco Afrique and Kreston international networks, is the leader in auditing, statutory auditing, accounting, legal and tax expertise in Mauritania.

The firm was elected Best Audit & Accountancy Services Provider 2020 in Mauritania by the Global Excellence Awards 2020 of INTL magazine (Best Audit & Accountancy Services Provider 2020 - Mauritania).

Created in 1991, Exco GHA Mauritania has a staff of about forty experienced professionals, including four senior accountants, with advanced skills and in-depth knowledge of the local environment.

The partners of the firm, with more than 35 years of experience in the fields of public accounting, auditing and consulting, have an in-depth knowledge of the local and regional economic.

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# MAURITANIAN TAX REGIME

Mauritania has adopted a new General Tax Code, which came into force on January 1, 2020.

One of the major reforms was the institution of (i) a Corporate Income Tax (IS), to replace the Industrial and Commercial Profits Tax (BIC) and the Minimum Tax (IMF) and the Business Profits Tax for Individuals (IBAPP) to replace the BIC, BNC and MFI taxes.

## I. CORPORATE INCOME TAX (CIT)

### 1. The scope of application

Are subject to corporate income tax, the profits and income made by legal entities and assimilated organizations, in particular corporate or assimilated companies whatever their purpose (public limited companies and limited liability companies) and partnerships ((general partnerships, limited partnerships, joint ventures and economic interest groupings. (Art. 1 to 4 of the General Tax Code).

### 2. Corporate tax rates

The tax rate is set at 25% of the taxable profit or 2% of the taxable income if the latter amount is higher than the first, with a minimum of MRU 100,000 for taxpayers subject to the real estate regime (Art. 51 and 52 of the CGI).

### 3. Determining the taxable income

Taxable income or taxable profit is the profit determined on the basis of the result of all operations of all kinds carried out by taxpayers, including in particular the disposal of any asset, either in progress or at the end of operations. (Art 7 to 35 of the CGI).

## II. PERSONAL BUSINESS PROFIT TAX (IBAPP)

An annual tax is levied on the business profits made by natural persons and legal entities not subject to corporation tax, which usually carry out, on their behalf, an activity of a lucrative purpose.

The taxation of personal business income is set according to three regimes:

- the normal real profit regime: turnover excluding tax > MRU 5 million;
- the intermediate real profit regime: turnover excluding tax of between MRU 3 and 5 million;
- the flat-rate regime: turnover of less than 3 million MRU.

### Tax on the IBAPP (art. 87 of the CGI)

- The normal real regime: 30% of the profit or 2.5% of the taxable income if the latter amount is higher than the former with a minimum tax of 125,000 MRU;
- Intermediate real regime: 30% of profits or 2.5% of taxable income if the latter amount is greater than the former, with a minimum tax of 75,000 MRU;
- Flat-rate regime: 3% of the declared turnover.

## III. PAYROLL INCOME TAXES (PIT)

Employees are subject to payroll income Tax (PIT) deducted at source according to the following progressive scale:

- taxable monthly remuneration up to 9,000 Ouguiya: 15 %.
- monthly taxable remuneration greater than 9,000 Ouguiya and less than or equal to 21,000 Ouguiya: 25%.
- monthly taxable remuneration in excess of 21,000 Ouguiya: 40 %.

## IV. VALUE ADDED TAX (VAT)

### 1. The scope of application

Are subject to value added tax (VAT), transactions relating to an economic activity which constitute an import, a supply of goods or a supply of services, carried out on Mauritanian territory for consideration by any natural or legal person subject to the BIC or BNC tax regime. (Art. 209 of the CGI).

## 2. Operative event

- for imports, by crossing the customs cordon ;
- for sales, by delivery; delivery means the handing over to the buyer of the goods which are the subject of the contract;
- for real estate works, by the execution of the works;
- for services, by the performance of services.

## 3. Rates

The rates of value added tax are as follows:

- Standard rate: 16%.
- Zero rate (0%): for exports of goods and services made by a taxable person.

## V. REGISTRATION AND STAMP DUTY

- Proportional duties applicable to acts and transactions relating to companies :

Formation and continuation of company	0%
Contribution, merger	1% à 3%
Capital increase by incorporation of reserves	10%
Sale of shares	2%

- Proportional duties applicable to acts and transactions relating to real estate

Building transfer	1% à 2%
Leases	3 % à charge du propriétaire et de 2% à charge du locataire payable par le propriétaire
Transfer of leasehold rights	15%
Exchange of real estate	5%

- Proportional duties applicable to acts and transactions relating to movable property :

Sale of goodwill	10%
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## VI. OTHER TAXES

- Tax on income from movable capital (IRCM) (dividends, interest on loans, etc.): 10%
- Property income tax: 10%;
- Land tax on built-up property
- Apprenticeship tax: 0.60% on all remuneration paid to employees during the year.
- License: scale from MRU 30,000 to MRU 500,000
- Motor Vehicle Tax
- Royalties and domain rights
- Financial Transaction Tax (TOF):14%
- Special Insurance Tax: 0.1%; 5% and 10%.
- Withholding tax on services rendered by non-residents: 15%.
- Registration and stamp duty;
- Withholding tax on services rendered by residents: 2.5% on amounts paid to taxpayers exercising a liberal profession and subject to the IBAPP.

## VII. FISCAL PROCEDURES

### 1. Tax audit procedures

- A document control based on the financial statements filed and cross-checks. It is carried out from the receipt of the tax packages filed by 31 March of each year.
- An on-the-spot control consisting of a visit by the inspectors to the office of the taxpayer or his representative.
- It may be one-off, general or unannounced.
- The limitation period is three years.

### 2. Fiscal and administrative sanctions

Checks can result in tax reminders, with penalties ranging from 25% to 80%

## VIII. Specific regime

Law N°2012-52 on the new Investment Code repealed Law 2002 - 03 of 20 January 2002 which instituted the franc points regime as the only exceptional tax regime in Mauritania. Investors now have the choice between:

- the PME regime, the purpose of which is to support small and medium-sized enterprises,
- the Free Zone regime for companies with high export potential,
- the Development Poles regime outside Nouakchott to promote the establishment of businesses in the so-called disadvantaged regions,
- the establishment agreement regime.

## IX. TAX BENEFITS

### 1. The scope of application

Derogating regimes from the General Tax Code have been put in place to encourage economic activity in certain specific sectors or to promote establishment in certain regions of the country.

### 2. Tax benefits

The main exemptions concern customs duties, VAT and corporate tax

### 3. Specific regimes

The different investment incentive regimes are as follows:

- The Investment Code: the Export Free Zone, the development zones outside Nouakchott, the Establishment Agreement and the small and medium size company Regime.
- The mining code: approved mining companies benefit from an exemption from corporate tax for a period of 36 months. Also, subcontractors of companies benefiting from a convention with the State can benefit from exemption from VAT, license tax, municipal taxes,
- The Crude Oil Code: oil companies benefit from many advantages. Thus, they are exempted from IRCM, apprenticeship tax, tax on business. Subcontractors of oil companies for contracts of less than 12 months can benefit from a simplified tax regime (STR). In this case, they are only subject to corporate income tax and payroll income tax at a rate of 4% each.
- Externally financed public contracts: these are contracts financed by lenders. In this case, a duty and tax credit mechanism has been set up for VAT and import duties and taxes.



## THE FAVOURABLE TAX REGIMES OF THE INVESTMENT CODE

Tax and customs incentives stemming from Law No. 2012-52 of 31 July 2012 on the Investment Code, as amended by Law No. 2016-12 of 13 April 2016 and Law No. 2019-002 of 22 January 2019, have been adopted to encourage and promote investment in Mauritania.

Thus, after the presentation of the process of obtaining the investment certificate (I), the different regimes offered by the code will then be analysed separately, with their respective specificities (II).

### I. PROCEDURE FOR OBTAINING AN INVESTMENT CERTIFICATE

Any investor wishing to benefit from the regimes of the investment code must submit an application to obtain an investment certificate to the one-stop shop, providing all the information on his project.

Thus, the one-stop shop must respond in writing to the investor within a period of time which may not exceed ten (10) working days from the date of submission of the application. If no reply is received within this period, the investment certificate is deemed to be granted.

Refusal to issue an investment certificate must be in writing and must state the reasons for the refusal and must expressly state that the application does not comply with the conditions required for eligibility for the special benefits granted under the Investment Code.

### II. THE REGIME PROPOSED BY THE INVESTMENT CODE

Obtaining the investment certificate entitles investors to one of the following favourable tax regimes:

- SME regime ;
- Special Economic Zones regime (Pôle de Développement Pays (outside Nouakchott) and Zone Franche);
- Establishment agreement regime.

#### A. The SME regime

##### 1. Eligibility requirements

This regime applies to any investment between MRU 5,000,000 and MRU 20,000,000 and generating at least 10 direct jobs..

##### 2. Benefits

##### ■ During the three-year installation phase :

- Payment of 3.5% import tax excluding any other duty or tax payable at the customs cordon on capital goods, the list of eligible products of which is fixed by order of the Minister of Finance;
- Exemption from the tax on financial transactions (TOF) on the proceeds of loans for initial investment or expansion of activities contracted with banks and financial institutions, within the framework of medium and long-term financing agreements.

##### ■ During the operational phase:

- Payment of 3.5% import tax excluding any other duty or tax payable at the customs cordon on capital goods, the list of eligible products of which is fixed by order of the Minister of Finance, as well as on spare parts recognisable as being intended for them;
- Industrial inputs are subject to the tariff rates throughout the approval period;
- Income tax at the standard rate is applicable. Losses will be carried forward over the next five years and depreciation is deemed to be deferred in the loss-making period.

## B. Special Economic Zone regime

### 1. Export Processing Zones

#### a. Tax benefits

Companies that have invested at least 50 million Ouguiya and generate at least 50 permanent jobs in the free zones and that justify an export potential of at least 80% are exempted:

- Any tax based on personnel costs, excluding the employer's contribution;
- From any communal tax. This exemption is replaced by a single communal tax which may not exceed an annual amount of 500,000 MRU.

Nevertheless, they are subject to the collection of the CIT at the rate of the common law regime.

#### b. Customs benefits

- Total exemption from customs duties and taxes on the import of capital goods, equipment and commercial vehicles intended for production;
- Exemption from export duties and taxes.

### 2. Development Poles outside Nouakchott

#### a. Eligibility requirements

Any company established in a Development Pole outside Nouakchott may claim the special advantages granted under the Investment Code under the following conditions:

- Establishment of an industrial, agricultural or product processing company;
- The amount of the investment level equal or superior to MRU 5 million and generating at least 10 permanent jobs;
- In the case of new businesses, the planned investment must lead to the creation of a new activity.

#### b. Benefits

##### ■ During the 3 (three) year installation period:

Payment of 0% import duty excluding any other duty or tax payable at the customs cordon on capital goods, the list of eligible products of which is fixed by Order of the Minister of Finance.

##### ■ During the operational phase

#### - Customs benefits :

Exemption from payment of import tax duty excluding any other duty or tax payable at the customs cordon on capital goods including the list of eligible products;

#### - Tax benefits :

New businesses and extensions of existing businesses if the extension generates at least 10 additional permanent jobs benefit from a total exemption from IS within the first 8 years.

## C. Settlement agreements

Significant investments in the fields of agriculture, livestock, fisheries, industrial and manufacturing units, renewable energy production, hotels and tourism outside Nouakchott may be the subject of Establishment Agreements, under the conditions set out in the Investment Code.

The conditions of installation as well as the specific advantages to be granted are defined within the framework of an agreement negotiated with the competent departments in relation with the Ministry of Economic Affairs and Development and the Ministry of Finance.

The Establishment Agreements are granted for a period of twenty (20) years.

Taxes such as VAT, PIT, CIT and tax on business "patente" cannot be exempted.



## THE TAX AND CUSTOMS REGIME APPLICABLE TO SUBCONTRACTORS INVOLVED IN THE CONSTRUCTION OF THE ROSSO BRIDGE

Following the signature of the Additional Act on the GTA project, Senegal and Mauritania signed again, on 18 February 2020, an agreement governing the tax and customs regime applicable to subcontractors involved in the Rosso Bridge construction project.

This agreement replaces the tax and customs provisions which would normally be applicable in both States, in particular international conventions, laws or regulations. Indeed, the tax administrations of both States are responsible for «the assessment, control, litigation and collection of taxes and duties» due by the subcontractors involved in the execution of the bridge construction project. The taxes, duties and fees payable by the project's subcontractors are then divided 50% for each State.

Thus, each State notifies the project's implementing body, which is the joint management unit of the project set up by the States, through its tax administration, of the service authorised to receive tax declarations and the related payments.

## I. LEGAL FRAMEWORK FOR SUBCONTRACTING - FORMALITIES

### 1. Legal framework

The provisions of this agreement shall apply to the companies entrusted with the execution of the joint contracts of the ROSSO bridge construction project as well as to the subcontractors of the first and second degree.

A first-level subcontractor is a company authorised by the executing body to sign a contract with the contractor for the execution of part of a joint contract.

On the other hand, second-level subcontractors are any natural person, legal entity or permanent establishment that signs a contract with the first-level subcontractor for the supply of goods or services for the project operations.

### 2. Formalities

Legal persons under Senegalese and Mauritanian law or permanent establishments in Senegal and Mauritania, holders of a common contract and subcontractors of the first degree must be registered with the tax authorities of both countries.

Joint project contracts must be submitted for registration in each country, in 5 copies, within one month of the date of approval of the contract by the Joint Project Management Unit.

In addition, invoices issued by suppliers must be submitted to the tax authorities of both countries for approval.

Applications for exemption certificates must be approved by the Project Executing Agency prior to submission to Customs.

## II. THE TAX REGIME

The Convention has provided for the various taxes, duties and fees to which companies falling within the scope of the Convention are subject, and which are listed as follows:

- Corporate tax ;
- Withholding tax on third-party payments ;
- Registration fees.

However, the agreement has provided for tax benefits to be granted to subcontractors involved in the bridge construction project.

### 1. Corporate tax

Legal entities under Mauritanian and Senegalese law or permanent establishments in Senegal and Mauritania, holding a contract under common law as well as their subcontractors of the first degree are subject to corporate tax at the rate of 3.5% of the turnover.

The corporation tax return must be filed by 31 January of the year following the taxable turnover. This declaration is filed in triplicate in each country against discharge from the tax authorities.

These companies are also subject to all accounting, documentary and reporting obligations, in accordance with the common law standards applicable in Mauritania or Senegal. Consequently, they may be subject to a tax audit in all the formats provided for by the respective common law of the two States.

Moreover, the employees of the companies referred to above are subject to tax on salaries and wages in accordance with the regulations in force in both States. However, individuals subject to tax on salaries and wages and resident in Mauritania or Senegal are exempt from this tax for the amounts due on their salaries and wages outside the project in these two countries.

Thus, a list of the staff of these companies must be filed and approved by the project management unit for payroll tax returns.

### 2. Withholding tax of third-party payments:

Legal entities under Mauritanian and Senegalese law or permanent establishments in Senegal and Mauritania, holders of a contract under common law as well as their subcontractors of the first degree are required to make a withholding tax on payments made to any natural person, legal entity or establishment in remuneration of services of any kind provided or used for the execution of the project.

However, the withholding does not apply to sums paid to first-tier subcontractors. Also exempted from this levy are subcontractors of the second degree who sign contracts exclusively for deliveries or supplies.

The rate of withholding tax on sums paid to subcontractors under foreign law as well as those under Mauritanian or Senegalese law registered after 31 December 2018 is set at 20% of the amount of remuneration due to the service provider.

This rate is set at 5% of turnover for subcontractors under Mauritanian and Senegalese law registered before 1er January 2019.

The withholding tax is only applicable to the provision of services, excluding the supply of goods, if they are invoiced separately.

### 3. Registration fees

The joint contracts for the execution of the bridge construction project are subject to registration at the rate of 0.5% on the pre-tax contract price in each country. However, the shares of the joint contracts financed in the form of grants are excluded from the tax base.

## III. TAX AND CUSTOMS BENEFITS

The financial operations necessary for the implementation of the project are exempt from the tax on financial operations (TOF) in Mauritania and from the tax on financial activities (TAF) in Senegal.

The insurance contracts specific to the project are also exempt from the tax on insurance agreements in Senegal and from the tax on insurance in Mauritania.

The supply of goods and services to the companies referred to in point II.1 above, insofar as they relate directly and exclusively to the realisation of the work, are exempt from VAT in both States.

In addition, materials and equipment imported into Mauritania or Senegal and intended exclusively for the construction of the works, which are the subject of the joint contracts, are exempt from import duties and taxes.

This exemption also covers fuels, utility vehicles, machinery and other equipment intended for the project operations.



# VAT OF NON-ESTABLISHED COMPANIES

Value Added Tax (VAT) is applicable to supplies of goods made in Mauritania.

Services provided in Mauritania and services provided in another country but used or operated in Mauritania are also subject to VAT, in accordance with Article 216 et seq. of the CGI.

Thus, foreign companies established outside Mauritania, and which carry out taxable operations in Mauritania, must declare and pay back the VAT collected and to do so they are subject to specific formalities to meet their obligations.



## I- PROCEDURE FOR THE PAYMENT OF VAT

According to article 221 of the CGI, companies established or domiciled outside Mauritania are required to accredit a representative domiciled in Mauritania to the competent tax department, who undertakes to complete the formalities incumbent on the taxpayer and to pay the VAT on his behalf.

### 1. Accreditation of the representative

The accredited representative must be a VAT taxable person identified in Mauritania.

In order to be valid, the accreditation must:

- be notified to the Director General of Taxes by the foreign company not established in Mauritania;
- be accompanied by a mandate contract signed and dated by the foreign company and its local agent.

The mandate must mention at least :

- the precise identification of the foreign company (name, address, capital, and nature of the activity)
- the civil status of the manager if it is a company;
- identification of the tax representative in Mauritania (name, address and tax number);
- the scope of the mandate: the tax representative must at least draw up tax returns, declare and pay monthly VAT on behalf of the principal and act as the local contact for the tax authorities;
- the date of the beginning of the mandate and the mention that it remains valid as long as the end of the mandate has not been reported to the General Tax Directorate.

### 2. The VAT return

The VAT return due by the person domiciled outside Mauritania and carrying out taxable operations there must be drawn up on a specific monthly VAT return separate from that of the representative with the mention «on behalf of».

The representative must keep copies of the invoices of the foreign company he represents at the disposal of the tax authorities.

## II. APPLICABLE SANCTIONS

In accordance with the provisions of the CGI, the failure to declare VAT and, where applicable, the related penalties, are paid by the client benefiting from the services who is established in Mauritania.

Thus, according to Article L.131 of the CGI, the late filing of VAT returns is sanctioned by a penalty equal to :

- 10% of the amount of duties normally due when the delay is less than two (2) months;
- and 25% when the delay exceeds two (2) months.

Delay in filing a nil or credit value added tax return is punished by a fine of MRU 2,000 per month. The amount of the fine is increased to MRU 10,000 for companies whose turnover in the previous year exceeds MRU 30,000,000.

According to Article L.133 of the CGI, omissions and inaccuracies in VAT declarations are sanctioned by a penalty equal to 40% of the duties at risk.



## **SIMPLIFIED TAX REGIME FOR COMMERCIAL FISHING (RFSPC) IN DEROGATION OF THE SI AND IBAPP (ART 48 BIS NEW)**

In order to promote and support commercial fishing, the Mauritanian state has introduced a simplified tax regime for commercial fishing, similar to the mining and oil sectors.

### **1.Objectives**

The objectives of this regime are to

- Simplify the tax system applicable to commercial fishing;
- Harmonise the provisions of the CGI with the specific legislation on fishing.

### **2. Scope of the CSFR**

The simplified tax regime for commercial fishing applies to companies exporting the following fishery products :

- frozen products ;
- finished products;
- fresh or live products.

The following are excluded from the CSFP.

- Fish meal and fish oil;
- Consignment for the foreign regime;
- Processing and freezing;
- Small pelagic products;
- Shiphandler;
- Free license contracts.

### **3. Place of taxation**

Companies are taxed for all their taxable activities in Mauritania, at the place of their registered office or at the place of their main establishment in Mauritania.

Companies and other legal persons whose registered office is located outside Mauritania are taxed at the place of their principal establishment in Mauritania.

### **4. Scope and modus operandi**

The RFSPC is made through a withholding tax by the marketing authority.

The withholding is in full discharge of all other taxes and income taxes (turnover and profit).

In addition, companies are required to keep separate accounts with a breakdown of common expenses in the case of activities covered by the RFSPC and ordinary law (IS - IBAPP).

### **5. RFSPC rates and scales**

The rate is 1% for artisanal exporters who have processing plants registered as fixed assets and intended solely for processing their own production;

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