

# Tax and policies benefits

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## Tax System

Guinea-Bissau's tax legislation is spread over in several Codes and Regulations. However, a tax reform process is underway to harmonize the entire customs and tax system.

The core of the tax system consists of income tax and value-added tax, and its main taxes are industrial contribution, business tax, property tax, surcharge, sales tax, stamp duty, transaction tax and fuel tax.

Some taxes and fees:

1. Industrial Contribution – 25%;
2. General sales and service tax – 10% and 19%;
3. Social Security:
  - Worker – 8%.
  - Employer – 14
  - Accidents at Work – 2%.
4. Stamp Tax – 0.3% on salaries.

In order to attract foreign investment, Guinea-Bissau has foreseen several tax incentives:

- Exemptions on customs duties for capital goods destined for the realization of the investment;
- Exemptions on the General Tax on Sales and Services for capital goods destined for the realization of the investment.
- These incentives are granted for a maximum period of 3 years;
- Degressive reduction of the industrial contribution for a

maximum period of 7 years;

– Incentives for the professional training of workers.

### Summary table of the main taxes in Guinea-Bissau

| Tax                            | Rate   | Subjective effects  | Objective effects   |
|--------------------------------|--|---|---|
| <b>Industrial contribution</b> | 25%  | Individuals or legal entities holding income from activities subject to taxation by this tax, which have their head office or some form of permanent representation in the country, and those who, residing abroad, carry out actions in the country for which payments or credits are owed to them by resident entities (in the country).  | <ul style="list-style-type: none"><li>• Income derived from the exercise of activities of a commercial or industrial nature, with a business character, including the provision of services that are not subject to Professional Tax;</li><li>• Income derived from the activity of research, development and exploration of liquid or gaseous hydrocarbons</li></ul> |
| <b>Professional Tax</b>        | Employees:<br>variable between 11% and 12%     | All individuals who earn income from work in the territory of the Republic of Guinea-Bissau, even if they do not have their permanent residence there, for work rendered there or for the exercise, even if occasional, in the same territory, of any liberal profession, listed in the table of professions annexed to the Professional Tax Code. Income from work, in cash or in kind, whether it results from subordinate employment relationships, from a contract for the provision of services or from the exercise of a liberal profession on a self-employed basis. |   |
|                                | Self-employed:<br>variable between 10% and 25% |   |   |

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|--|------------|--|--|
| <p><b>General sales and services tax (IGV)</b></p> | <p>10%</p> | <p>Individuals without an employment relationship (self-employed workers) or legal entities that carry out an activity of production, trade, or provision of services of IGV;</p>  | <ul style="list-style-type: none"> <li>• Transfers of movable tangible property made within the national territory, for consideration, by a taxable person acting as such;</li> <li>• Imports of goods;</li> </ul> |
|  |            | <ul style="list-style-type: none"> <li>• Natural or legal persons who, according to customs legislation, import goods;</li> <li>• Individuals or legal entities that, on an invoice or equivalent document, unduly mention IGV;</li> <li>• The State, other legal persons of public law, as well as concessionary companies, when they develop an activity subject to IGV taxation.</li> </ul> <p>Also considered taxable persons are those responsible for paying taxes:</p> <ul style="list-style-type: none"> <li>• All natural or legal persons, as well as transporters, warehousemen and depositaries who are in possession of goods subject to IGV and that are not accompanied by documentation proving their acquisition in the form of law, or their legal entry into the country, with the effective payment of the tax due, if applicable;</li> <li>• Beneficiaries of any nature of services located in national territory, when the provider is located overseas.</li> </ul> | <p>Services in general, rendered in the national territory or to entities established in the national territory, for consideration, by a taxable person acting as such.</p>  |

|                           |  |   |   |
|---------------------------|--|---|---|
|                           |  | <p>Substitute taxpayers are those who, by express legal provision and in addition to having the obligation of the tax due on the operations they carry out, are charged with the assessment and withholding of the IGV relating to clients, namely retailers, or service providers based outside the national territory, in the manner regulated in a specific administrative act, submitted to the Council of Ministers.</p> |   |
| <p><b>Capital Tax</b></p> | <p>25% (except in the case of profits or dividends attributed to shareholders, profits earned on participation accounts, and income from the granting or assignment of patents, where the rate is 10%)</p> |   | <ul style="list-style-type: none"> <li>• Interest on borrowed capital;-</li> <li>Interest on arrears;</li> <li>• Profits or dividends attributed to the partners;</li> <li>• Profits earned on participation accounts</li> <li>• Interest on deposits entrusted to entities legally authorized to receive them;</li> <li>• Interest on supplies;</li> <li>• Royalties;</li> <li>• Interest on current accounts;</li> <li>• Interest on bonds;</li> <li>• Transfer income;</li> <li>• Royalties;</li> <li>• Income from capital</li> </ul> |

# Customs and tax benefits

The granting of incentives under the Investment Code depends on the verification of two cumulative requirements:

- Planned investment equal to or greater than US\$34,000; and
- aimed at the creation of a new activity or company, the renovation of equipment or the expansion, modernization or diversification of existing activities (article 11 of the Investment Code).

However, only projects aimed at at least one of the following will benefit from tax incentives:

- The creation of a new company or activity;
- The expansion, modernization or diversification of already existing activities;
- The renewal of equipment.

## Investment incentives in the investment realization phase

Exemption on customs duties for (i) imports and (ii) General Sales Tax on the acquisition, in the country or abroad, of capital goods intended for the realization of the investment and spare parts up to 15% of the value of the capital goods for which the parts are acquired. As a rule, both incentives have a maximum period of 3 years.

## Incentives in the operation

# phase

This type of incentive is aimed at newly created companies, producers of goods or services, with the exception of banks and other entities of the financial sector. They are granted by degressive reductions of the industrial contribution, for a maximum period of 7 years.

## Incentives for the professional training of workers

The right to be able to deduct, when determining the taxable income of the industrial contribution, twice the expenses of training in specialized courses carried out in deformation institutions accredited by competent entities, in the country or abroad.

### Sources:

- GBI – Guinea Investment promotion Agency – Investment Guide
- GBI – Guinea Investment promotion Agency – Country File (Current economic panorama and summary of the main investment opportunities)