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EDITORIAL

Dear readers, customers and partners,

This quarter, FACE Africa Tax & Legal's news is marked by significant progress that we are pleased to share with you. It demonstrates our ongoing commitment to strengthening our expertise, expanding our regional reach, and continuing to support you with rigor and commitment.

On June 14, 2025, we had the honor of receiving the "Cabinet Conseil 2025" award from Senegalese Leaders – LeadSen during the first edition of the Night of LeadSen, preceded by FACE Africa tax & legal's remarkable participation in the high-level panel on governance of the Senegalese extractive sector. This distinction attests to the quality of the advice we provide daily, the tangible impact of our tax and legal analysis on our clients, and our active contribution to discussions on economic governance. This distinction, which is nothing more than an encouragement for us, is thanks to the trust you place in us. This distinction has been awarded to you, our dear clients and partners.

Our regional presence is also strengthening. Following our Dakar office, our offices in Côte d'Ivoire and Benin have officially joined the WTS Global international network. This integration allows us to offer you harmonized coverage of the WAEMU region, ensuring high quality standards and better coordination of your multinational projects. This is a strategic step in our development, serving your regional ambitions.

As an extension of our technical commitment, we are pleased to invite you to two professional seminars organized in Saly, in connection with the reform of the General Tax Code (CGI). The first, scheduled for July 16, 17 and 18, 2025 at the Palm Beach Hotel, will be dedicated to the water and sanitation sector, around the theme: "What solutions to tax issues in the context of CGI reform?" The second will be held on August 8 and 9, 2025 in Saly, also, and will focus, in a context of tax reform, on the specific tax issues of the microfinance sector, a key player in financial inclusion in our region. These two events will bring together public and private experts to discuss the challenges and opportunities specific to each of these strategic sectors.

In this issue, we also look back at our participation in the Life Insurance Show held on May 8 and 9 in Dakar. During the panel discussion on the taxation of this key savings product for African households, we highlighted the crucial role of tax incentives in promoting economic resilience and social inclusion. These in-depth discussions with more than 80 industry stakeholders helped to generate avenues for reflection, which we share with you here.

In this edition you will find in-depth analysis on major current topics:

- **Green taxation and its role in the resilience of Senegal's extractive sector,**
- **An overview of reporting requirements for transfer pricing and country-by-country reporting,**
- **And an update on trends and prospects in life insurance taxation.**

We remain fully mobilized to always reassure you but also to help you transform regulatory constraints into opportunities for resilience and sustainable growth.

The entire FACE Africa Tax & Legal team wishes you an enriching read and is at your disposal to discuss any topics or questions that need clarification.

Article No. 1—What green taxation for the Senegalese extractive sector?

Introduction

Faced with the climate emergency and the transformation of global energy chains, Senegal must reconcile the exploitation of its emerging extractive resources with environmental requirements. Green taxation is emerging as a strategic lever to mitigate environmental externalities, encourage sustainable practices, and mobilize green financing. But what environmental tax policy should be developed for the Senegalese extractive sector?

Rooted in a budgetary logic of addressing environmental issues, green taxation—or environmental taxation—does not benefit from a universal definition. This diversity is explained by the heterogeneity of national tax systems, each reflecting its own economic, social, and ecological priorities. In this context, several international institutions and certain States have developed their own operational definitions. Given the efforts undertaken by the WAEMU in terms of tax harmonization, it would, in our opinion, be relevant for the Union Commission to consider adopting a community definition of environmental taxation adapted to the specificities of its Member States and their sustainable development objectives.

Green taxation, which must be based on the polluter-pays principle, can take the form of carbon taxes, environmental fees, or incentive mechanisms. Inherited from the work of Pigou (1920), green taxation aims to correct negative environmental externalities by imposing greater taxes on polluting activities. In the extractive sector, this means taxing greenhouse gas emissions, methane, deforestation, or water pollution. FERDI, in its 2024 report to the UEMOA Commission,¹ considers that green taxation can generate a double advantage or dividend: a disincentive for harmful practices and an increased mobilization of budgetary resources to finance the ecological transition.

The article aims to take stock of green taxation in Senegal, focusing on the constraints, obstacles, and gaps, and even the structural and institutional inadequacies that hinder the emergence of an effective ecological tax system in Senegal. The aim is then to consider concrete reform proposals, based on regional best practices and international climate requirements, to ultimately build a

sustainable, equitable, and resilient extractive taxation system in Senegal (II).

I. State of play of green taxation in Senegal: Constraints and gaps

Although the new Environmental Code affirms ambitious principles regarding sustainability, the Senegalese tax framework remains timid and limited in terms of progress in this area. This inadequacy hinders the emergence of a genuine green tax system, particularly in the extractive sector, which is nevertheless strategic. Two main areas for improvement stand out: a still deficient tax framework that needs to be improved on the one hand (A), and on the other hand, fragmented governance and institutional capacities that need to be strengthened (B).

A. Green taxation in Senegal: A tax system still insufficient

The adoption of Law No. 2023-15 on the Environmental Code in Senegal marks a turning point in the recognition of the founding principles of modern environmental taxation. This law explicitly:

- affirms the polluter pays principle (art. 5)²,
- introduces an Environmental Protection and Externality Management Fund (Art. 15), and
- authorizes the creation of parafiscal taxes allocated to the environment (art. 16).

These regulatory advances reflect a political desire to provide the country with a legal arsenal that meets sustainability requirements.

However, the practical application of these instruments remains embryonic. To our knowledge, none of the planned provisions have been translated into the General Tax Code (CGI), nor accompanied by implementing decrees specifying the bases, rates and collection methods. This lack of transposition prevents the emergence of incentive taxation based on environmental externalities.

In the absence of specific provisions in the General Tax Code (CGI), green taxation remains limited and very little developed.

It should be noted that, beyond the provisions set out in the Environmental Code, Senegal already has several tax instruments with "environmental scope", integrated into

¹Environmental taxation in the WAEMU: report to the WAEMU Commission, Foundation for Studies and Research on International Development (FERDI), 2024.

²Principle which indicates that the polluter must bear the costs resulting from measures taken for the prevention, monitoring, control and restoration of the affected environment (Article 5 of the Senegalese Environmental Code).

the General Tax Code (CGI) or resulting from community integration.

- The ECOWAS Directive on Excise Duties, which came into force in 2023, notably requires the introduction of specific taxes on single-use plastic bags and imported used motor vehicles. These measures are already enshrined in the General Tax Code, particularly in Articles 408 et seq., which specify the regime applicable to environmental excise duties.
- Furthermore, specific taxes on petroleum products are also in force, linked to their environmental and health externalities.
- In terms of incentives, the CGI provides accelerated depreciation of equipment and tools with an anti-pollution function, as well as a VAT exemption on equipment intended to produce renewable energies, in accordance with Article 361 of the CGI. This exemption applies to a list of equipment established by joint decree of the Minister responsible for renewable energies and the Minister responsible for finance.

These tax instruments, although still underutilized, constitute a still insufficient but useful foundation for building a more structured and incentive-based green tax system. Indeed, it should be noted that Senegal currently has neither a carbon tax nor specific taxes aimed at discouraging pollution, limiting damage resulting from the exploitation of natural resources, or correcting the negative externalities specific to extractive industries.

Existing environmental tax instruments, such as taxes on waste or plastic bags, remain limited to marginal sectors and do not address the main sources of ecological impact of the extractive sector (greenhouse gas emissions, soil degradation, water pollution, destruction of biodiversity).

We note with astonishment that the Senegalese extractive sector, despite its high ecological impact, continues to be governed by traditional taxation (royalties, royalties, corporate tax), without integrating the tax instruments provided for by the environmental code. This obliges us to recall that legal innovation is only worthwhile if it is followed by effective regulatory implementation.

According to the FERDI 2024 report, Senegal stands out for its relative inertia in the fiscal transposition of its

³ <https://finances.gouv.tg/budgetisation-verte-incluant-le-changement-climatique-et-lenvironnement/#:~:text=Le%20Togo%20seul%20pays%20de%20l'Afrique%20de%20l'ouest%20francophone%2C%20C%3%A0%20impl%20la%20budg%20A9tisation%20verte.&text=Le%20Togo%20s'est%20ainci%20engag%20dan>

environmental ambitions. Indeed, it obtained a score of 43.3 on the Environmental Performance Index (EPI), ranking it second to last among the WAEMU countries, just ahead of Togo. This result highlights the country's still insufficient efforts in environmental management and underlines the urgent need to strengthen economic instruments, particularly fiscal ones, to improve the ecological impact of public policies.

Pollution taxation is a key pillar of environmental taxation in the WAEMU region. Although several countries, such as Senegal and Côte d'Ivoire, are considering introducing a carbon tax, none of them have yet introduced a tax directly based on greenhouse gas emissions, other than taxes on petroleum products.

The contrast with some neighboring countries is striking. Even Togo, which is not a champion in transposing directives, has adopted a national environmental taxation strategy and includes taxes on industrial emissions and water resources in its tax code.³ Benin is implementing a revised Environmental Code which includes an environmental certification system linked to tax incentives.⁴

B. Governance to be improved and normative capacity to be strengthened

In addition to the lack of fiscal translation, green taxation in Senegal appears to suffer from significant institutional fragmentation. The Ministry of the Environment, the DGI, the Ministry of Finance, PETROSEN, and COS-PETROGAZ would benefit from intervening within a concerted framework and a common steering mechanism. Similarly, no intersectoral coordination committee on green taxation has, to our knowledge, been established, unlike Togo, which has, for this purpose, created an Interministerial Committee on Environmental Taxation, attached to the Ministry of the Budget.

Furthermore, tax and environmental administrations are not yet equipped with technical tools, robust measurement, control and traceability systems to calculate emissions, trace environmental flows, audit externalities or estimate the ecological costs of extractive projects. This makes it difficult to develop reliable ecological tax bases, a condition essential to the legitimacy and effectiveness of any polluter-pays and incentive-based tax system. Indeed, as FERDI has pointed out: "without a rigorous measurement and verification system, any ecological tax base remains theoretical."

Another major obstacle to the introduction of green taxation is the social equation. In the context of persistent

⁴ https://www.moged.ifdd.francophonie.org/index.php/fr/content_page/item/203-l-environnement-dans-la-constitution-du-benin

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https://www.moged.ifdd.francophonie.org/index.php/fr/content_page/item/203-l-environnement-dans-la-constitution-du-benin

energy subsidies and sensitivity to pump prices, any new tax will be passed on to consumer prices and may be perceived as a political risk. As a reminder, protest movements took place in Nigeria and Kenya following the increase in fuel taxes. This calls for careful consideration of any green reform in terms of social equity and public education: targeted social transfers, visible investments in essential services.

Green taxation is often perceived as an additional burden, especially if it is not accompanied by compensation mechanisms (social transfers, targeted subsidies, investments in green infrastructure).

Issues of socio-economic acceptability must be considered. Indeed, the introduction of new taxes with environmental aims often arouses political and social resistance, particularly in the context of energy inflation and tensions over purchasing power.

Furthermore, the introduction of new levies in the extractive sector may raise concerns about disincentives to investment if it is not clearly regulated, predictable, and harmonized at the regional level. This concern is particularly acute in the context of tax competition between WAEMU countries.

Regional tax competition poses a risk of relocating investments to more lax jurisdictions. FERDI therefore calls for the development, at the WAEMU level, of a community framework for environmental taxation, like the harmonization directives for VAT and customs duties.

Senegal now has the legal foundation to build an ambitious green tax system. However, the lack of concrete tax implementation, institutional fragmentation, weak technical capacity and resources, and social sustainability issues are hampering the operationalization of this project. A coordinated, regional, and progressive approach, inspired by neighboring experiences, could initiate a shift toward a more equitable and resilient extractive taxation system.

II. Reform prospects for a green, optimal and harmonized extractive tax system

Senegal would benefit fully from a dual reform dynamic: on the one hand, the establishment of a coherent, resilient and incentive-based green tax framework (A); on the other hand, a strategy of regional harmonization and mobilization of climate financing (B), an essential condition for a sustainable extractive transition aligned with international standards.

A. Towards the establishment of a coherent and incentive-based green tax framework

To address the identified weaknesses, Senegal would benefit from moving towards a green tax system that fully integrates environmental objectives. Key recommendations include:

Recommendation 1: The introduction of a progressive carbon tax on extractive industries to internalize the environmental costs associated with greenhouse gas emissions.

This mechanism could be inspired by the Colombian model, where a carbon tax differentiated by energy source has been applied since 2017. In 2023, its price is set between 4.60 and 5.80 USD/ton, depending on the type of fuel, with an annual indexation on inflation +1% (World Bank, 2022).

Recommendation 2: The articulation of the different legal frameworks (Environmental Code, Petroleum Code, Gas Code, Mining Code and CGI) around a common tax base integrating environmental externalities. This would include the creation of targeted carbon taxes, royalties on water and biodiversity, mandatory environmental clauses in production sharing contracts and mining agreements.

Recommendation 3: Integration of binding climate clauses into oil and gas contracts (CPP), in accordance with the commitments arising from the Paris Agreement, in particular Articles 6 (cooperation mechanisms) and 13 (transparency and monitoring).

These clauses should be contractualised, measurable and

⁵Cordonier Segger, M.-C. (2020). Advancing Climate Commitments through Green Contract Clauses in Trade and Investment Agreements. In D. French & L. Rajamani (Eds.), *Legal Aspects of Climate Change Adaptation and Mitigation* (pp. 231–256). Cambridge University Press.

⁶The legal and fiscal framework must ensure that contracts and licenses for extractive activities are publicly accessible. This includes the publication of contracts, licenses and their terms, as well as information on the beneficial owners of the entities involved.

monitored environmental objectives, periodically revisable, legally enforceable against rights holders.

They could include green clauses which, as **M.-C. Cordonier Segger** points out, are in trade or extractive agreements "an expanding normative tool for making climate commitments a reality."⁵

Extractive contracts may provide:

- an ongoing environmental assessment,
- emission reduction targets,
- ecological compensation mechanisms.

Recommendation 4: The introduction of specific environmental charges relating to industrial consumption of water, deforestation, coastal exploitation, chemical pollution.

These instruments aim to implement the principle of extended polluter responsibility (PREP), as recognized in European and African environmental law and defined in the new Senegalese Environmental Code.

Recommendation 5: Strengthening transparency and green tax governance, beyond the publication of environmental tax revenues in finance laws, guarantee their traceability, and their allocation to ecological transition or resilience projects. Indeed, as defended by FERDI (2024) which insists on this point: "Green taxation only gains legitimacy if the resources mobilized are allocated in a visible and equitable manner to transition or resilience projects"

The requirements of the EITI Standard: Requirements 2.1 (b)⁶, 3.4⁷ and 6.4 (d)⁸ of the EITI 2023 Standard agree with this:

In summary, the 2023 EITI Standard aims to promote transparency and accountability in the extractive sector by requiring the disclosure of key information on contracts, licenses, greenhouse gas emissions, and social and environmental payments.

Under the proposed incentive reforms, Senegal would benefit from:

Recommendation 6: Introduce tax credits for extractive companies investing in: decarbonization (electrification

⁷Countries must disclose greenhouse gas emissions associated with extractive activities. This includes emissions data, emissions estimates, and mitigation measures implemented.

⁸Countries must disclose social and environmental payments made by extractive companies, including contributions to social and environmental funds. The requirement specifies that these payments must be disclosed in a transparent and detailed manner.

of operations), wastewater treatment, and carbon offset projects.

Recommendation 7: Offer partial tax exemptions on environmentally friendly equipment's (filters, solar panels, water reuse systems). For example: Kenya has exempted solar and thermal equipment from VAT (since 2016). Morocco, in its 2020 finance law, applies accelerated depreciation for equipment linked to the circular economy.

Recommendation 8: Establish a tax bonus-penalty mechanism or system⁹indexed on the environmental performance of companies based on an ecological compliance score.

Thus, projects with low environmental impact would benefit from royalty reductions; projects with high impact would be subject to a proportional penalty.

Recommendation 9: Establish green tax zones in extractive regions with tax benefits for companies involved in site rehabilitation, biodiversity preservation and green job creation.

Recommendation 10: Allow tax deduction of voluntary environmental expenditures incurred by extractive companies based on enhanced impact assessments (EIAs), monitoring and ecological compensation systems. In South Africa, these expenses are considered deductible expenses if they appear in the EIA reports¹⁰validated.

The South African example shows that the introduction of explicit environmental tax deductions is possible and legally viable. Senegal could draw inspiration from this example to:

- Create specific provisions in its (new) General Tax Code,
- Define clear thresholds and procedures for deducting EIA, monitoring, or compensation expenses, and
- Encourage companies in the extractive sector to invest in the preservation of natural environments, with appropriate tax governance.

B. Regional harmonization of green taxation

⁹OECD (2021), Environmental Tax and Subsidy Reform.

¹⁰Environmental Impact Assessment (EIA)

¹¹Green bonds are debt securities issued by entities (companies, local authorities, governments) to finance projects that have a positive impact on the environment. These projects can include renewable energy, energy efficiency, sustainable water and waste management, or low-carbon transportation.

and mobilization of green financing

We believe that any ambitious (environmental) tax reform in Senegal would benefit from:

- **Support regional initiatives, at the WAEMU or ECOWAS level, to:**
 - promote a coordinated ecological transition among member states,
 - avoid harmful effects of tax competition.
- **Harmonize the main environmental tax instruments, in particular:**
 - taxes on hydrocarbons,
 - duties on polluting vehicles,
 - levies on plastic packaging.

This approach is supported by FERDI, which calls for the creation of a community benchmark for environmental taxation, drawing inspiration from precedents of harmonization of VAT or customs taxation.

This regionalization would also open access to new international climate financing. A robust green tax system would strengthen Senegal's credibility with donors and multilateral institutions, such as the Green Climate Fund (GCF), the IMF through its Resilience and Sustainability Facility (RST), and bond markets through the issuance of green bonds.¹¹

For example, Morocco raised nearly \$1 billion through green bonds in 2020, based on a coherent and audited climate budget framework.¹² Rwanda, for its part, obtained support from the IMF through the RST (resilience and sustainability) in 2022¹³, thanks to the clarity of its budgetary commitments on climate.

Conclusion

Green taxation is now an essential lever for reconciling economic development, climate justice, and sustainable management of natural resources. Analysis of the Senegalese case reveals a paradox: a promising legal framework, embodied by the new Environmental Code, but its implementation remains limited at the fiscal and institutional levels. By drawing inspiration from regional experiences and the recommendations formulated by FERDI, Senegal can initiate an ambitious fiscal transition

¹² <https://ebrdgeff.com/morocco/fr/green-financing-tops-ebrds-2021-investments-in-morocco/#:~:text=D%C3%A9but%202020%2C%20le%20Maroc%20avait,durable%20et%20d'efficacit%C3%A9%20%C3%A9nerg%C3%A9tique.>

¹³ <https://www.lefigaro.fr/flash-eco/le-fmi-va-debloquer-310-millions-de-dollars-pour-le-rwanda-20221007>

based on transparency, ecological responsibility, and intergenerational equity.

At a time when the country is in a phase of oil and gas exploitation, such a reform is no longer a choice but a strategic necessity. It would not only better regulate the environmental impacts of extractive activities but also capture additional resources to finance the energy transition, strengthen climate resilience, and ensure sustainable governance of subsoil revenues.

In this perspective, it is imperative that the ongoing reform of the General Tax Code (CGI) fully consider environmental taxation issues. The integration of green tax provisions into the CGI would constitute a strategic step forward, legally translating Senegal's climate commitments and strengthening the coherence between tax policy, sustainability, and sectoral governance.

It is therefore essential that this tax reform does not become a missed opportunity: it must lay the foundations for a modern and equitable green tax architecture, aligned with the ecological imperatives of the 21st century. If well designed and effectively implemented, green taxation could become a real lever for economic and environmental sovereignty for Senegal.

Article No. 2– Transfer pricing: Overview of documentary and reporting obligations

In the international context of the fight against fraud and tax evasion, driven in particular by Action 13 of the final report "BEPS" (Base Erosion and Profit Shifting) of the Organization for Economic Co-operation and Development (OECD), many countries have, in recent years, strengthened the documentary and reporting obligations incumbent on companies, the main ones being transfer pricing documentation and Country by Country Reporting (CbCR).

According to the OECD definition, transfer pricing is "the price at which an enterprise transfers tangible goods, intangible assets, or provides services to associated enterprises."

They are defined more simply as the prices of transactions between entities of the same group and residents of different States: they assume intragroup transactions and the crossing of a border.

I. Transfer pricing: a documentation requirement increasingly taken on board by the taxpayers concerned

Although Senegal is not a member of the OECD, it has adopted its principles and incorporated them into its legislation. Thus, regarding intragroup transactions, the General Tax Code (CGI) requires documentation proving compliance with the transfer pricing policy.

Indeed, Article 638 of the General Tax Code (amended by Law No. 2018-10 of March 30th, 2018) regulates the obligation for companies established in Senegal to have supporting documentation for their transfer pricing policy.

Any legal entity established in Senegal must make detailed documentation available to the tax authorities as soon as an accounting audit is initiated. This documentation must justify the pricing policy applied to transactions of all kinds carried out with related companies established abroad.

This obligation applies if one of the following conditions is met:

- The company has an annual turnover excluding tax or gross assets of at least five billion (5,000,000,000) francs.
- At the end of the financial year, the company holds, directly or indirectly, more than half of the capital or

voting rights of a company (based in Senegal or abroad) which itself meets the turnover or gross asset condition mentioned above.

- At the end of the financial year, more than half of its own capital or voting rights are held, directly or indirectly, by a company which meets the turnover or gross assets condition mentioned above.

The transfer pricing documentation consists of a master file, which aims to provide an overview of the organization of the group in question, and a local file, which aims to provide information to analyze the arm's length nature of the international intragroup transactions of the company being audited.

A. The Main File or Master file

The information to be reported in the master file is divided into five categories: organizational structure, description of the multinational group's area(s) of activity, intangible assets of the multinational group, inter-company financial activities of the multinational group, and financial and tax positions of the multinational group.

More specifically, the transfer pricing documentation includes:

- A schematic presentation of the legal and capital structure of the group, with the location of the operational entities and an overview of the activity, including developments during the financial years audited.
- A description of the field(s) of activity of the group of related companies:
 - o The main sources of profit,
 - o The supply chain for the five most important goods or services (and those exceeding 5% of turnover),
 - o Significant intra-group service agreements (excluding R&D), with service providers and the transfer pricing rules applied,
 - o The main geographic markets,
 - o A functional analysis of the roles, risks, and assets of the group's entities,
 - o Major reorganizations, acquisitions, or disposals of assets during the financial year.
- Intangible assets of the related group of companies:
 - o The group's strategy for developing, owning and operating these assets,
 - o The list of significant intangible assets and their legal owners with associated costs,

- Intragroup agreements relating to intangible assets (cost allocation, R&D, licenses),
- The transfer pricing policies applied to these assets,
- Transfers of significant intangible assets during the financial year, with details of the entities, countries concerned and counterparties.
- Intercompany financial activities of the group of related companies:
- The group's overall financing method and main agreements with third parties,
- An identification of entities playing a central role in financing, with their country of incorporation and effective management,
- A transfer pricing policy governing intragroup financing.
- The financial and tax situation of the group of related companies
- The consolidated financial statements of the group for the relevant financial year (if available),
- A brief description of unilateral advance pricing agreements and foreign profit allocation tax rulings.

B. The local file or Local file:

The local file includes in particular:

- Organizational structure and area(s) of activity: this involves presenting the company's governance (organizational chart, line managers and their location), its detailed activities and the strategy followed. Any reorganizations or transfers of intangible assets that have had an impact should also be mentioned, as well as the company's main competitors.
- Transactions with related companies: a description of intra-group transactions (sales, services, loans, guarantees, licenses, etc.) is awaited, along with the corresponding financial flows by type of transaction and by country. The following must also be specified: the related entities concerned, their functions and risks, contractual agreements, transfer pricing methods applied (with justifications), assumptions made, comparables used, any adjustments, as well as foreign tax agreements relating to these transactions.
- Financial information: annual financial statements (audited or not), elements allowing the transfer pricing data to be linked to the company's accounts, as well as financial data tables used for the analysis of comparables, with the corresponding sources,

are required.

II. Transfer pricing: a simplified annual declaration

The annual transfer pricing declaration concerns all companies subject to the documentary obligation.

It must be filed simultaneously with the income statement, as provided for in Article 30 of the General Tax Code (CGI). The filing deadline is April 30 of year N+1.

The statement includes general information about the group of associated companies and its transfer pricing policy, as well as information specific to the company reporting regarding the activity carried out, the methods of determining transfer prices and the aggregated amount by category of transactions carried out with related entities of the Group.

III. Transfer pricing: Country-by-country reporting (CbCR) to understand Senegal's share of the global value added created by a multinational company

This reporting, combined with "transfer pricing documentation", allows the tax administration to understand the geographical distribution country by country of the added value and other economic, accounting and tax aggregates of multinational groups.

A single country-by-country report, grouping together the data of all entities in the group, must be filed within twelve months of the end of the financial year concerned, by the parent company of the group or by an entity designated as a substitute entity.

More specifically, the information collected mainly concerns the following country-by-country figures: related/unrelated turnover, profit before tax, corporate tax paid/due, number of employees, share capital, retained earnings and tangible assets.

The obligation to file this declaration falls to any legal entity that meets the following conditions:

- It establishes consolidated accounts.
- It owns or controls, directly or indirectly, one or more legal entities or has branches established outside Senegal
- It achieved a consolidated annual turnover, excluding taxes, greater than or equal to 492 billion (492,000,000,000) XOF during the financial year preceding the one to which the declaration relates

- It is not held by one or more legal entities located in Senegal and required to file this declaration or established outside Senegal and subject to a similar declaration under foreign regulations.

IV. Transfer pricing: dissuasive sanctions applicable to taxpayer breaches

Failure to comply with reporting obligations results in the application of the following sanctions provided for in Article 667 III of the CGI:

- Failure to file the annual transfer pricing declaration within the prescribed time limit is punishable by a fine of ten million (10,000,000) francs¹⁴.
- Failure to file, or filing incompletely or inaccurately, the country-by-country report within the specified time limit shall be punishable by a fine of twenty-five million (25,000,000) CFA francs.¹⁵
- Failure to respond or a partial response to the formal notice results, for each financial year audited, in the application of a fine equal to 0.5% of the amount of the transactions concerned by the documents or supplements not made available to the administration after this formal notice.¹⁶

V. Transfer Pricing: News on the Draft Directive of the European Union (EU) and its impact on the Senegal?

On September 12th, 2023, the European Commission submitted a proposal for a Transfer Pricing Directive to the Member States of the European Union to harmonize rules and enable common practice. Its entry into force was scheduled for January 1, 2026; however, the Ecofin report of June 24, 2024, on tax issues addressed to the European Council, indicates that the copy will need to be revised to gain the support of all Member States. The Commission's proposal must be unanimously approved by all Member States of the European Union within the Council before it can enter into force.

In order to simplify the applicable regulations, reduce the risk of double taxation and lower the cost of compliance for groups, the Transfer Pricing Directive aims to integrate the arm's length principle into EU law, harmonize the main transfer pricing rules, and create the possibility for the Commission to establish, within the EU, common

rules on specific transfer pricing issues within the framework of OECD recommendations.

Although Senegal is not a member of the OECD or the European Union, the implementation of this European Transfer Pricing Directive could still have indirect repercussions on subsidiaries of European groups located outside the EU. Indeed, the harmonization of rules within the European Union could encourage multinational groups to adopt more uniform transfer pricing policies worldwide, including in their subsidiaries located in non-member jurisdictions. Moreover, if local tax administrations, such as that of Senegal, align with OECD transfer pricing standards, they could be led to pay particular attention to the practices of European groups, particularly regarding the documentation and justification of intragroup transactions.

¹⁴Law No. 2018-10 of March 30th, 2018

¹⁵Law No. 2023-18 of December 15th, 2023

¹⁶Law No. 2022-19 of May 27, 2022

Article No. 3: Insurance Sector: Taxation as a lever for the development of life insurance in Senegal

Introduction:

Life insurance is a key pillar of long-term savings in Senegal. However, despite its potential, its penetration rate – barely 0.53% of GDP in 2023 – remains modest compared to many African countries. According to FSSA data, Life insurance turnover is 109 billion in 2024 compared to 182 billion FCFA for Non-Life. Individual retirement savings represent 27% compared to Group savings, which is 73% in 2024. However, in all mature insurance markets, life insurance far outpaces property and casualty insurance. For example, in 2023, the Life sector represented \$42.975 billion of insurance premiums on the African continent, compared to \$20.588 billion for the non-life sector. This same trend is observed in France where life insurance will account for more than 56% of total market premiums in 2024.

Therefore, the trend observed in the Senegalese market, like other markets in the CIMA zone, combined with the low penetration rate, highlights the challenges that still need to be addressed to make life insurance a real driver of economic and social growth.

Among these challenges, taxation occupies a prominent place as an instrument of economic and social policy. The current tax framework certainly offers several advantages that contribute to supporting the development of this insurance segment, although it is still very modest.

However, in the context of tax reform of the General Tax Code (CGI) of Senegal, this article aims to reflect on and highlight the major changes that would benefit from being made to the current tax framework for life insurance to enable it to better play its role as an instrument of economic sovereignty, social inclusion and financing of national infrastructure.

Such changes derive their relevance from the state of the tax framework considering the limits of which they were formulated (1).

I. Incentives of the current tax framework for life insurance

To encourage the growth of life insurance and strengthen the financial protection of households, the Senegalese legislator previously introduced attractive measures into the General Tax Code which, in substance, are as follows:

A. Exemption from TCA and VAT on life insurance premiums

As in all countries in the CIMA zone, life insurance contracts are exempt from TCA and VAT. Indeed, Article 540 provides total exemption from the tax on insurance agreements (TCA) for life insurance contracts and similar products.

In addition, Article 361 of the French General Tax Code exempts "insurance and reinsurance transactions" from VAT, which includes life insurance premiums. This exemption covers the amount excluding tax of the premiums invoiced but entails for the insurer the waiver of the right to deduct the VAT incurred on its own purchases.

These two exemptions are intended to make the cost of life insurance more accessible for policyholders.

B. Deductibility from corporate tax (IS) and income tax (IR) of supplementary pension insurance contributions up to a limit of 10% of gross taxable salary

Article 9 of the CGI establishes the deductibility of insurance premiums or contributions paid to insurance companies approved and established in Senegal or to the West African Monetary Union Pay-as-You-Go Retirement Fund with Savings (CRRAEUMOA) relating to supplementary retirement pensions paid during the financial year in the form of an annuity or capital, provided that they do not exceed 10% of the beneficiary's gross taxable salary.

For individuals, Article 55 of the CGI allows the deduction of voluntary payments for pension provision, up to a limit of 10% of the total amount of salaries, wages, allowances, emoluments and benefits in kind. In addition, life insurance premiums remain deductible, up to a limit of 5% of the net income referred to in Article 57, with the maximum authorized deduction being set at 200,000 FCFA increased by 20,000 FCFA per dependent child.

C. Corporate tax deductibility of IFC insurance premiums

Pursuant to the provisions of Article 9 of the General Tax Code (CGI), insurance premiums paid to approved insurance companies established in Senegal to cover statutory end-of-career, death or retirement benefits of its employees acquired during the financial year are deductible from taxable profits.

The contract must, in addition, benefit exclusively the employees of the company, as a whole or one or more categories of employees.

This deductibility is arranged as follows by the CGI:

- Regarding premiums intended to cover statutory end-of-career, death or retirement benefits: the deduction relates to benefits acquired during the financial year in question.
- Regarding insurance premiums paid and intended to cover statutory end-of-career, death or retirement benefits acquired in previous financial years that the company wishes to outsource: the corresponding charge will be spread over 5 financial years.

It will therefore only be deductible in fractions of 20% per financial year over the 5 financial years (including financial year N) in accordance with the provisions of a) of paragraph 6 of article 9 of the CGI. However, it should be noted that the tax authorities consider that the deductibility of this charge, although extended to premiums paid from 1 January 2013, is limited to provisions made before 2004.

On this point, the tax administration limited itself to 5 financial years from January 1, 2013.

The question is whether companies that had not outsourced their IFC from 1 January 2013 could, if they were to do so, benefit from the deductibility of their bonuses paid in fractions of 20% per financial year over the following 5 financial years?

On this issue, regulations and tax doctrine seem to remain silent.

Finally, it should be noted that if the company decides not to outsource the management of statutory end-of-career benefits, it will lose the benefit of the preferential regime described above. In other words, the provisions set aside to meet its social security liabilities in terms of IFC will not be deductible from the taxable income of their year of establishment.

D. Deductibility of technical provisions set up by life insurance companies

Since the reform of the CGI in 2012, tax regulations allow the deductibility of technical provisions set up by Life and Non-Life insurance companies from corporate tax. For Life insurance companies, mathematical provisions, provisions for participation in surpluses, management provisions and all other provisions authorized by the Regional Insurance Control Commission (CRCA) are then deductible.

These technical provisions are deductible from taxable income under Article 11 of the CGI, if they are constituted

in accordance with the requirements of the CIMA regulations.

E. Income tax exemption (IR) on retirement insurance premiums paid by the employer for the benefit of the employee

Under the terms of Article 167 of the CGI, contributions or additional payments from the company and insurance premiums are exempt from income tax within the limit of the amounts allowed for deduction in accordance with b) of 1 and 6 of Article 9 referred to above.

Thus, the advantage provided by the payment by the employer of retirement and death insurance premiums is exempt from income tax up to 10% of gross taxable income.

However, if this ceiling is exceeded, the surplus must be reincorporated into the taxable base of the income tax of the beneficiary employee for the financial year in which they were paid.

F. Exemption from IRC for products attached to capitalization bonds or contracts as well as to investments even when the contract is terminated by dismissal, early retirement or disability of the beneficiary

Pursuant to the provisions of Article 103 of the CGI, products attached to capitalization bonds or contracts as well as to investments of the same nature and subscribed to with insurance companies established in Senegal or abroad are exempt from IR, regardless of the duration of the contract, when it is terminated by the dismissal of the beneficiary of the products or their early retirement or disability.

In short, even if these different incentive measures remain beneficial for the life insurance sector, it must be recognized that today the taxation of the said sector presents distortions which would deserve to be removed within the framework of the current tax reforms.

II. Recommendations for making taxation a real lever for the development of life insurance in Senegal

When analyzing the current tax framework for life insurance, both in terms of its incentive dimension and its weaknesses, the main reforms that, in our opinion, should be made to tax regulations can be understood as follows:

A. In terms of Local Economic Contribution (CEL)

The insurance sector was the most impacted by this reform (an increase estimated at more than 300% was noted according to the Senegalese Federation of Insurance Companies (FSSA)).

☞ Under the CEL-VL

The inclusion in the tax base of all premises and land, whether used or not for the needs of the activity, has led to an increase in the amount of CEL-VL to be paid by both Life and Non-Life insurance companies.

Recommendation: Limit the CEL-VL tax base to only assets used by the insurance company for the needs of its activity as provided for in article 332 of the CGI.

☞ For the CEL-VA

For the products to be considered to determine the added value of insurance companies, "premiums and contributions" are at the top of the list.

However, the ambiguity on this point lies in the lack of precision regarding the net or gross nature of the amount of premiums to be considered. Indeed, the general operating account of insurance companies is broken down between gross and net reinsurance operations.

Thus, in the absence of precision of the net or gross nature of the amount of premiums to be reported, certain auditors tend to consider the gross premiums at the time of tax audits.

Recommendation: Provide greater precision to the provisions of Article 336 of the CGI in the sense of indicating that it is the net premiums and contributions that must be considered as is the case for technical provisions.

B. Regarding the Levy on Insurance Companies (PCA)

After several years of application, it seemed important to the profession to take stock of this levy which constitutes an additional burden for insurance companies.

Not only does the weight of this levy significantly increase the tax burden on insurance companies, but the most worrying aspect is the attempt by certain tax auditors to subject financial products, as well as reinsurance and co-insurance commissions, to the PCA on the grounds that they are part of the insurance companies' turnover. This is an opportunity to recall that, in the insurance sector,

the concept of turnover refers to premiums issued net of cancellations.

Recommendation: Stick to the sectoral definition of the notion of turnover to impose on the PCA only the premiums issued net of cancellations which from the point of view of the insurance industry constitute the turnover of an insurance company.

Limit the PCA base to the turnover made up of premiums from the "provident" branch and exclude those from the "savings" branch.

C. Regarding the taxation of supplementary pensions

The deductibility of premiums paid to life insurance companies is limited to 10% of the beneficiary's gross taxable salary. Capital, due to supplementary pension contracts with a term of at least 10 years must be subject to a final withholding tax at the rate of 7.5%. This tax results in the taxation of both income and capital.

Recommendation: Raise the deductibility ceiling for life insurance contributions to 50% of gross taxable salary and apply the withholding tax only to the interest portion of savings accumulated and not to the capital portion.

D. In terms of taxation of products attached to capitalization bonds or contracts as well as investments of the same nature

These products carry a 16% withholding tax regardless of the duration of the contract, whereas in most countries (Morocco, Ivory Coast), they are subject to a sliding scale which promotes long-term savings.

Recommendation: Reduce the IRC rate on these products proportionally to the duration of the contracts, for example:

- 8% for contracts of less than 3 years.
- 5% for contracts lasting between 3 and 8 years; and
- 1% for contracts lasting more than 8 years.

E. Regarding tax deductibility of IFC contributions

The Legislation Directorate of the DGID considers that it is the premiums covering the acquired rights of IFC contracts signed before January 1st, 2013, which can be deducted at a rate of 20% from this date and that this tax

advantage should disappear after five (05) years, therefore in 2018.

Recommendation: Establish the tax deductibility of rights acquired after 2013 in fractions of 20% from the year in which the company chooses to outsource the management of its staff's IFCs.

Conclusion:

Ultimately, the potential of life insurance in Senegal remains immense, provided that the tax framework is refined and harmonized. On the one hand, clarifying rules and aligning them with international standards would encourage savings and diversify the subscriber base. On the other hand, intelligent product structuring and the use of digital tools would optimize insurers' competitiveness while increasing financial inclusion. Thus, through these legislative, financial, and technological levers, life insurance could truly become a driver of sustainable development, serving households and the national economy.



FACE Africa tax & legal

CALENDAR OF TAX AND SOCIAL SECURITY OBLIGATIONS

3rd QUARTER 2025



Deadline	Nature of the obligation	Services concerned
July 15	Payment of IPRES contributions for the month of March for companies with 20 or more employees or for the first quarter of 2025 for companies with fewer than 20 employees.	IPRES
	Payment of CSS contributions for March for companies with 10 or more employees or for the first quarter of 2025 for companies with fewer than 10 employees.	CSS
	<ul style="list-style-type: none"> – Payment of withholding taxes of 5% on sums paid to third parties on any invoice greater than or equal to 25,000 FCFA for remuneration for services provided during the previous month. – Payment of 5% withholding tax for payments made during the previous month for rents equal to or greater than 150,000 FCFA paid to lessors not subject to the actual tax regime. – Payment of 10% withholding tax on amounts paid by private healthcare establishments as remuneration for services provided by members of the medical and paramedical professions who are not part of their salaried staff. (LFI 2025 Project). – Payment of withholding taxes on salaries (IR and TRIMF) and CFCE for the previous month. – Payment of deductions made from salaries, wages, pensions and life annuities paid by the taxpayer subject to the simplified actual regime and the CGU. – Payment of withholding taxes on royalties paid to service providers established abroad during the previous month. – Declaration and payment of VAT, TAF and specific taxes for the previous month (attach the statement of exempt and endorsed invoices as well as withholding tax certificates where applicable). – Quarterly online declaration of VAT on digital services and commissions received by intermediaries. – VAT declaration by direct suppliers and electronic platform operators through the electronic declaration interface no later than the first 15 days of each month. 	Office of Recovery Tax Services Center

Deadline	Nature of the obligation	Services concerned
	<ul style="list-style-type: none"> - Payment of stamp duty on statement for cash payments. - Quarterly declarations of transactions carried out by taxable persons subject to the simplified actual system (Art.449.4). - Quarterly declaration of sums paid to third parties, natural people, in remuneration for services provided by the latter during the previous quarter. - Quarterly declaration of amounts paid to individuals, as rent, for amounts paid during the previous quarter. - Payment of the levy on insurance companies (PCA) due for the 2nd quarter of 2025. 	
July 21	<ul style="list-style-type: none"> - Final settlement of withholding tax on income from shares and corporate units. If this settlement results in additional tax for the benefit of the Treasury, it is immediately paid. - Payment of withholdings on lots and reimbursement premiums paid during the previous quarter. - Payment of withholding taxes for amounts distributed during the previous quarter (profits, attendance fees and various remunerations). - Declaration and payment of withholding taxes on rents from verbal leases of buildings and businesses for the previous quarter. - Payment of the 2nd installment of the TCA due by insurance companies for the previous quarter. 	Collection office
July 31	<ul style="list-style-type: none"> - Payment of the CEL VA 2025 - Filing of minutes and extracts from the deliberations of boards of directors or general meetings of shareholders or unitholders. 	Municipal collection Tax Services Center
August 18 th	<ul style="list-style-type: none"> - Payment of IPRES contributions for the month of April for companies with 20 or more employees. 	IPRES
	<ul style="list-style-type: none"> - Payment of CSS contributions for the previous month for companies with 10 or more employees. 	CSS
	<ul style="list-style-type: none"> - Payment of withholding taxes of 5% on sums paid to third parties on any invoice greater than or equal to 25,000 FCFA for remuneration for services provided during the previous month. - Payment of 5% withholding tax for payments made during the previous month for rents equal to or greater than 150,000 FCFA paid to lessors not subject to the actual tax regime. - Payment of 10% withholding tax on amounts paid by private healthcare establishments as remuneration for services provided by members of the medical and paramedical professions who are not part of their salaried staff. (LFI 2025 Project). - Payment of withholding taxes on salaries (IR and TRIMF) and CFCE for the previous month. - Payment of withholding taxes on royalties paid to service providers established abroad during the previous month. - Declaration and payment of VAT, TAF and specific taxes for the previous month. - VAT declaration by direct suppliers and electronic platform operators through the electronic declaration interface no later than the first 15 days of each month. - Payment of stamp duty on statement for cash payments. - Spontaneous payment of the balance of the CGU. 	Collection office Collection office
September 1 st	<ul style="list-style-type: none"> - Reporting and remitting IRC withholding taxes on interest or other income paid by banks, insurance companies, credit companies or other businesses during the previous quarter. 	Collection office
September 15	<ul style="list-style-type: none"> - Payment of IPRES contributions for the month of May 2025 for companies with 20 or more employees. 	IPRES
	<ul style="list-style-type: none"> - Payment of CSS contributions for the month of May for companies with 10 or more employees. 	CSS
	<ul style="list-style-type: none"> - Payment of withholding taxes of 5% on sums paid to third parties on any invoice greater than or equal to 25,000 FCFA for remuneration for services provided during the previous month. - Payment of 5% withholding tax for payments made during the previous month for rents equal to or greater than 150,000 FCFA paid to lessors not subject to the actual tax regime. - Payment of 10% withholding tax on amounts paid by private healthcare establishments as remuneration for services provided by members of the medical and paramedical professions 	Collection office

Deadline	Nature of the obligation	Services concerned
	<p>who are not part of their salaried staff. (LFI 2025 Project).</p> <ul style="list-style-type: none"> – Payment of withholding taxes on salaries (IR and TRIMF) and CFCE for the previous month. – Payment of withholding taxes on royalties paid to service providers established abroad during the previous month. – Declaration and payment of VAT, TAF and specific taxes for the previous month (attach the statement of exempt and endorsed invoices as well as withholding tax certificates where applicable). – VAT declaration by direct suppliers and electronic platform operators through the electronic declaration interface no later than the first 15 days of each month. – Stamp duty on statement for cash payments. 	

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- Department of Medium-Sized Enterprises (DME) 11, Avenue Cheikh Anta DIOP, Opposite Dakar Dem Dikk- Tel:33 869 14 08
- CSF of Dakar Plateau: 33, Rue de Thiong- Tel :33 889 20 02
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