

Newsletter

No. 03-2025 – Quarter 3rd

Publication of October 9, 2025

wts global



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tax & legal

Benin – Ivory Coast – Guinea – Senegal – Togo

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EDITORIAL

Dear readers,

As we enter the final quarter of 2025, Senegal, like many African countries, finds itself at the crossroads of profound economic, fiscal, and technological changes. Between the intensification of national budgetary reforms, the rise of regional compliance requirements, and the emergence of new challenges related to digital and energy sovereignty, public and private actors must more than ever combine strategic vigilance and operational agility.

The rationalization of public spending and increased revenue mobilization, driven by the recent amended finance law, are accompanied by strengthened control mechanisms and a greater need for efficiency, effectiveness, and simplification of Senegalese tax law. These requirements impose tax compliance, which is no longer simply a regulatory imperative. It is becoming a competitive advantage, even a tool for economic legitimacy.

In this context, Law No. 17-2025 of September 18th, 2025, amending the General Tax Code, at the heart of this issue, introduces major changes to the Senegalese tax system: taxation of games of chance, extension of stamp duty to all cash payments, introduction of new taxes on money transfers, increase in excise duties, etc.

Our experts will decipher the essence of the new tax measures for you and indicate some priority actions to take depending on your sector of activity.

But this national dynamic is part of a broader movement. Internationally, control over tax exemption regimes, particularly in the oil and gas sectors, is becoming an increasingly tense issue, sometimes even leading to international arbitration.

So many strong signals towards the country's recovery of its sovereignty which, it must be remembered, cannot be decreed, it is built through an efficient normative and organizational system, in particular taxation, regulation, and control of financing needs.

This newsletter, beyond the monitoring tool it embodies, is intended to be a space for reflection, anticipation, and dialogue. We invite you to take ownership of its content, challenge it, and share it.

At the house of **FACE Africa tax & legal**, our action always pursues a clear objective: to enable you to decide with confidence in a constantly changing environment.

Enjoy reading everyone!

El Hadji Sidy DIOP, CEO

Article No. 1: Taxation at the heart of sovereignty and the economic and social transformation of Senegal?

The Economic and Social Recovery Plan nicknamed “**Jubbanti Koom**,” presented by Prime Minister Ousmane SONKO, embodies a profound ambition for Senegal: to definitively turn the page on an old model and build a new one, paving the way for assertive sovereignty and sustainable development. Beyond budget projections, this plan constitutes a genuine roadmap for systemic transformation in which taxation plays a significant role, not only in helping to restore public finances, but also in driving inclusive growth and strengthening national sovereignty.

1. Strategic directions and key fiscal measures

To achieve this sovereignty, **one of the main strategies is to reduce tax rates while broadening the tax base.** The principle is clear, according to the Prime Minister: “**The best tax is one that is not heavy but is based on a very broad base.**” This approach is also supported by social actors, who see it as an essential condition for strengthening national solidarity and increasing government resources.

At the same time, **the government is committed to simplifying procedures and taxes**, which are often considered complex, even by tax experts. The aim is to make it easier for citizens to understand and comply with the rules. Efforts have already been made in this direction and will be stepped up, through the modernization of the administration and the digitization of procedures.

To mobilize domestic resources, which will finance 90% of the Recovery Plan, several tax loopholes and levers have been identified:

- ✓ the exploitation of tax loopholes in the digital sector risk.
- ✓ optimization of land revenues.
- ✓ the application of fines and fees if necessary.
- ✓ the recycling of state-owned assets and the exploitation of natural resources.
- ✓ exploring private equity.
- ✓ the establishment of taxation environmental.
- ✓ the use of sustainable, green, blue financing, and “gender bonds.”
- ✓ rationalization of subsidies.

The plan anticipates that these efforts will generate **1,062 billion CFA francs in tax revenue over the**

period (274 billion in the first year, 444 billion in the second, and 344 billion in the third), representing a significant contribution to the total projected resources, estimated at 5,667 billion CFA francs.

Local tax reform is also a major project, led jointly by the Ministries of Urban Planning and Finance. It aims to definitively resolve the financial viability of local authorities by increasing local taxation and transfers from the State. Currently, Senegal has a transfer rate of less than 5%, well below those observed in Mali (12%) or Morocco (20%). The objective is to increase this rate, in line with Act IV of decentralization and the development of territorial hubs.

2. Other complementary measures for a healthy financial base

In addition to these reforms, the government is implementing structural measures to clean up public finances and ensure better management:

- ☞ **Fight against corruption and transparency:** Adoption of four transparency laws and reactivation of the National Public Debt Committee.
- ☞ **Optimization of public spending:** Reduction in the size of the state (CFA 50 billion over 3 years), dissolution of costly bodies, creation of a central purchasing body, renegotiation of contracts, and savings on projects to avoid overcharging.
- ☞ **Tax expenditures and collection:** Limitation of tax exemptions deemed excessive (estimated loss of 300 billion CFA francs/year) and collection of 1.7 trillion CFA francs in tax debt, with the use of cross-agreements.
- ☞ **Formalization of the informal economy:** Establishment of platforms to encourage migration to the formal sector and broaden the tax base.
- ☞ **Support for the domestic private sector:** Facilitation of access to land and financing, preference given to local businesses, and protection of domestic production through taxes and surcharges on certain imports.

In short, **the “Jubbanti Koom” Plan uses taxation as a strategic tool for profound transformation.** The aim is to send a positive signal to international financial markets, mobilize external financing on more favorable terms, and accelerate growth

through productivity and employment with a medium-term target of 6.5%, thereby laying the

foundations for a sovereign, fair, and prosperous Senegal.

Article No. 2– Recent tax reforms in Senegal: What to remember from Law No. 17-2025 amending the General Tax Code

To strengthen domestic revenue mobilization and support the fiscal consolidation trajectory, Senegal adopted Law No. 17-2025, amending several provisions of Law No. 2012-31 of December 31, 2012, on the General Tax Code (CGI). This reform affects several strategic sectors such as gambling, money transfer services, excise duties on alcohol and tobacco, and vehicle importation. It has a direct and immediate impact on the activity of the economic operators concerned.

1. Unprecedented taxation of the gambling sector

The law establishes:

- ☞ a 20% tax on the income of gambling and entertainment operators.
- ☞ a 20% withholding tax on winnings paid to players.

This applies to all organizers of gambling, including sports and horse racing betting, whether they operate as a primary or secondary activity.

The collection and payment of the tax are conducted by the public entity holding the monopoly, according to precise procedures which should be confirmed by regulation.

2. Extension of stamp duty to all cash payments

Stamp duty on receipts, previously applicable only to payments exceeding 100,000 FCFA, is now:

- ☞ Fixed at 1% on all cash payments, with no threshold or ceiling.
- ☞ Except for acquisitions of products exempted by order of the Minister of Finance (list awaiting publication).

This measure directly impacts retailers, distributors, service providers, and liberal professions managing cash flows. It impacts everyone, including, at the lowest level, the stay-at-home parent during her domestic supplies. However, it faces an objective limitation: a dominant informal sector, which makes it impossible to apply to any potential legal or actual debtor.

3. Innovative implementation of a money transfer tax (TTA)

Any money transfer transaction that leaves a trace (mobile money, electronic transfer, wire transfer,

postal transfer, card payment, etc.) is now subject to:

- ☞ **A tax of 0.5%,**
- ☞ **Capped at 2,000 FCFA per transaction.**

Are exempt, among others:

- ☞ Cash deposits.
- ☞ Cash withdrawals ≤ 20,000 FCFA / 24 hours.
- ☞ Bank transfers.
- ☞ Fund transfers within a distribution network and their partners, by payment service provider companies,
- ☞ Transfers and transfers made by the State and local authorities or on their behalf.
- ☞ Transfers for salary or scholarship payments, regardless of the status of the sender or beneficiary.

4. Added charge on payments received via money transfer.

Merchants and businesses with merchant codes will now be charged:

- ☞ 0.5% on each amount reissued via transfer platforms,
- ☞ No ceiling or threshold.

The collection is conducted by the money transfer operator.

5. Increase in excise duties on alcohol and tobacco.

This increase can be summarized as follows:

Products concerned	Old rate	New rate
Imported alcohol and alcoholic liquids	50%	65%
Locally produced alcoholic beverages	25%	40%
Tobacco and related products	70%	100%

These adjustments aim to discourage alcohol and tobacco consumption while strengthening behavioral taxation and could lead to an immediate increase in consumer prices.

6. Extension of the specific tax on imported vehicles

The specific tax on vehicles, previously limited to certain categories, is now extended to all cars

imported into Senegal, regardless of age, engine, or use (professional or private).

The practical arrangements for liquidation and collection should be specified by the Customs Administration.

Note: **Several measures are effective immediately**, including those relating to:

- tax rates.
- automatic deductions made by intermediaries.
- stamp duty on cash payments.

However, for the specific tax on passenger vehicles, certain operational details are still pending.

7. What businesses should anticipate?

Our recommendations are summarized in the following table:

Recommended action	Target audience
Ensure that they are either directly affected or indirectly impacted.	The actors and their tax advisors
Review of billing and collection systems	Traders / distributors
Update contracts/promotional offers	Gaming Operators / Money Transfer Operator
Pass on or absorb the additional tax cost on sensitive products	Importers / distributors
Audit the impact on cash flow and margins	All sectors

Article No. 3: Tax and customs exemptions in oil and gas contracts: between incentives, litigation, and international arbitration

As many African countries accelerate the exploitation of their natural resources, extractive taxation is a decisive issue, at the intersection of economic sovereignty, tax justice, and public revenue management.

In this landscape, tax and customs exemptions granted to oil and gas companies play an ambivalent role. On the one hand, they provide leverage to attract investors into a risky and costly sector. On the other, they deprive the state of essential resources and quickly become a source of tension when they lack precision.

These exemptions concern taxes such as corporate income tax, VAT, customs duties, and certain local taxes. Specifically, they most often target the research and development phases, which are considered the riskiest. While their implementation often raises numerous difficulties, unclear clauses, differing interpretations, and disputed durations are all factors that transform simple tax disagreements into disputes, sometimes leading to international arbitration.

In Senegal, the issue is particularly sensitive. The 1998 Petroleum Code, by providing for broad exemptions in its context, opened the way to multiple interpretations. This example illustrates the constant tension between two imperatives often perceived as contradictory: ensuring attractiveness for foreign investors and preserving state tax revenues.

This raises a key question: **How do the scope and interpretation of exemptions in the extractive sector fuel litigation and encourage recourse to international arbitration?**

This reflection is essential. It is a pretext that not only clarifies the legal and contractual framework of exemptions but also analyzes their economic effects and their implications for the governance of natural resources. It thus sheds light on a recurring dilemma for producing countries: finding a balance between welcoming foreign capital and protecting public interests.

The article will therefore be structured around two axes: first, understanding the logic and the contours

of tax and customs exemptions (I); then, analyzing how their application often becomes a source of litigation, often settled before an international arbitrator (II).

1. Tax and customs exemptions: A double-edged sword.

Tax exemptions in the extractive sector are a double-edged sword: they stimulate investment while exposing the state to fiscal risks. Their analysis helps us understand the issues involved, illustrated by the Senegalese case, where we observe the transition from a very generous regime, illustrated by the 1998 Code, to stricter supervision under the 2019 Code.

1.1. The exemptions follow an incentive logic based on the upstream risk borne by investors.

The main justification for tax and customs exemptions is the need to offset the high risks associated with the upstream phases (research, exploration, and development). They serve as a strategic lever to attract foreign capital, reduce entry costs for operators and boost sectors considered strategic.

However, if these incentives are not framed by mechanisms of economic justification, traceability, and control, they can weaken the tax base and accentuate imbalances in the sharing of rent.

The exemption system is based on three pillars:

- ☞ **domestic law**, which sets exemptions to support investment (e.g., Senegalese Petroleum Code of 1998).
- ☞ **oil contracts**, where tax and stabilization clauses are negotiated to secure operators.
- ☞ **and international instruments** (tax treaties and BITs¹), providing additional legal protection against arbitrary measures.

In material sense, the exemptions concern corporate tax, VAT, customs duties, withholding taxes, as well as various depreciation mechanisms.

Au sense temporal, they target the research and development phases, sometimes extended in a contested manner to the exploitation phase.

In Senegal, Article 48 of the 1998 Petroleum Code established a near-total exemption, criticized for its

¹Bilateral Investment Treaty. This is an agreement between two states to protect and promote investments made by nationals or

companies of one in the territory of the other, particularly against the risks of expropriation or discriminatory treatment.

opacity and budgetary cost. Faced with these constraints, FERDI and the EITI Committee, supported by experts (Bouterige & Laporte, 2024)², recommended in the future to limit exemptions to goods not available locally, to make them conditional on a cost-benefit analysis and to systematically publish the titles issued.

These recommendations were incorporated into the 2019 Petroleum Code, which now governs exemptions with:

- ☞ the issuance of a title by the Ministry of Finance.
- ☞ their limitation to the research and development phases.
- ☞ and a joint technical control of the administration concerned.

These new measures in force under the 2019 code aim to reconcile attractiveness for investors and preservation of public revenue, while reducing areas of uncertainty generating litigation.

1.2. The case of Senegal: Between fiscal generosity and controlled reform

Senegal perfectly illustrates the tensions between attractiveness and fiscal sovereignty. Under the 1998 Petroleum Code, contract holders benefited from almost total exemptions (corporate tax, VAT, customs duties, business license, registration fees, local taxes), creating a quasi-extraterritorial tax system. This generosity, in a context of a lack of commercial discoveries at the time, aimed to compensate for the lack of interest in Senegal and attract international majors. However, it has been criticized for its high budgetary cost, the lack of conditionality and control, as well as for the opacity of the system, which generated legal uncertainty.

According to EITI reports, in 2021, the total amount of exemptions (391 billion FCFA) significantly exceeded the actual revenues from the extractive sector (223 billion FCFA). Of these exemptions, 126 billion FCFA specifically concerned oil and gas projects, and 24 billion FCFA corresponded to customs relief, which resulted in a net shortfall for the State.

With the changing Senegalese context, the 2019 Petroleum Code marked a break with the past by

strictly regulating exemptions as production approaches (GTA, Sangomar):

- ☞ establishment of an exemption certificate issued by the Ministry of Finance.
- ☞ limitation of exemptions to research and development phases.
- ☞ strengthened institutional control (Hydrocarbons, Customs, DGID, DGCPT).

This reform reflects the shift from a logic of almost unconditional generosity to a regulated approach, aimed at reconciling attractiveness for investors and budgetary concerns.

The effectiveness of the new incentive scheme under the 2019 oil code, which has not yet attracted the targeted investors, will depend on the ability of the administrations to evaluate it without complacency but also to make the necessary clarifications and adjustments.

It will also depend on transparency in the publication of titles and the political will to resist pressure from companies.

2. Tax exemptions in the oil sector: a breeding ground for disputes and arbitration.

Tax exemptions, a driving force behind the attractiveness of the extractive sector, are also a recurring source of disputes between states and investors (A). To reconcile legal certainty and revenue preservation, several countries, including Senegal, are now strengthening the supervision and monitoring of these incentives (B).

2.1 Causes of dispute: ambiguities, instability, and divergent interpretation

Tax exemptions, intended to secure investment, quickly become a source of confrontation between states and investors. Disputes often revolve around three sensitive issues: the ambiguity of the texts, the instability of the regimes, and the contradictory interpretations of the administrations.

First, the ambiguity of the clauses opens the way to divergent interpretations. Article 48 of the 1998 Senegalese Code is an illustration: some operators believed that the exemption covered all present and future taxes, while the tax administration defended a restrictive interpretation. These divergences

²<https://ferdi.fr/dl/df-xxQwFh5eBshJffW2BzDGiHd8/presentation-fiscalite-extractive-itie-senegal-yannick-bouterige-et.pdf>

resulted in numerous questionable and contested adjustments. The pending nature of this case in our jurisdiction prevents us from saying more currently.

Secondly, regulatory instability fuels tensions. When a state reforms its petroleum code to impose tighter controls on exemptions, companies invoke fiscal stability clauses and take the matter to arbitration. This was the case in *Occidental Petroleum v. Ecuador*, where the challenge to customs exemptions led to a record compensation payment of \$1.7 billion. Similarly, in Chad, the retroactive imposition of taxes on ExxonMobil in 2016 triggered a diplomatic crisis and renegotiation. In Mauritania, Kosmos Energy also challenged certain tax measures, although the dispute did not result in formal arbitration.

Finally, the divergences of interpretation between national administrations reinforce legal uncertainty: this is recognized by Hydrocarbons³ can be challenged by Customs or the Tax Department. Companies exploit these contradictions to defend their interests, which increases the number of disputes.

In this context, international arbitration becomes the preferred outcome. Most oil contracts contain arbitration clauses (ICC, ICSID), and investors also rely on bilateral investment treaties to invoke international standards such as “fair and equitable treatment.”

Thus, the cases of *Occidental v. Ecuador*, *Kosmos/Tullow in West Africa*, and more recently *Woodside v. Senegal (2025)* show that tax exemptions are now at the heart of international disputes, revealing their highly strategic and political dimension.

2.2 More rigorous supervision of tax exemptions is necessary to prevent disputes.

Faced with recurring disputes related to exemptions, several African states have undertaken to strengthen the contractual and institutional

framework to secure their revenues and avoid abusive exploitation of tax advantages.

Nigeria, through its Petroleum Industry Act (PIA), illustrates this development: exemptions are strictly regulated by the NNPC⁴ and the FIRS⁵, while stability clauses are limited in time, to preserve the State's fiscal flexibility.

Congo-Brazzaville, despite an incentive regime, requires prior control by the Ministry of Hydrocarbons before any exemption is validated.

In Mauritania, these must be expressly contractualised and validated by decree, even if their interpretation sometimes remains controversial.

Conversely, Chad, which long lacked validation mechanisms, has experienced costly disputes, such as the one against ExxonMobil in 2016.

These experiences demonstrate that the legal certainty of exemptions relies on a coherent articulation between tax law, contractual law, and extractive governance mechanisms. They also reveal the need to draft clear, revisable clauses accompanied by institutional monitoring mechanisms. This logic led to the correction of the excesses of the 1998 Senegalese Code, which offered almost unlimited exemptions, but remains perfectible in terms of traceability, budgetary control, and inter-institutional coherence.

To go further, Senegal could draw inspiration from these models by strengthening the contractual review clause, more strictly regulating fiscal commitments in production sharing agreements (PSAs) and ensuring strict consistency with the provisions of the Petroleum Code. The establishment of an inter-institutional steering committee on extractive taxation—bringing together the DGID, the DGD, PETROSEN, COS-PETROGAZ, and the relevant ministries—appears to be a relevant solution. This mechanism would make it possible to centralize the assessment of exemption requests, measure their budgetary

³A term used to describe all organic compounds consisting exclusively of carbon and hydrogen, primarily crude oil, and natural gas. In the extractive sector, it encompasses the exploration, production, transportation, refining, and marketing of these energy resources.

⁴There is Nigerian's Nigeria's national oil company, a state-owned enterprise that was converted into a limited liability

company in July 2022. It is responsible for the exploration, production, refining, and marketing of the country's oil and gas resources, and plays a key role in Nigeria's economic and energy development.

⁵In Nigeria, FIRST refers to the First (FIRST E&P), a privately held integrated energy company.

impact, and ensure their alignment with national development priorities. By strengthening the legitimacy and transparency of tax incentives, it would help reduce the risk (especially for the future) of litigation and restore a balance between attractiveness for investors and state sovereignty.

In conclusion, the reconciliation between legal security for investors and fiscal sovereignty of States requires:

- ☞ clearly specified and regulated tax exemptions,
- ☞ stable but balanced clauses,

- ☞ effective dispute resolution mechanisms,
- ☞ and transparent governance.

On a more global level, regional tax harmonization, if implemented effectively and operationally, also constitutes a key lever for limiting competition between States and strengthening their negotiating power in the face of multinationals, thus ensuring the development of a more efficient extractive sector.



FACE Africa tax & legal

CALENDRIER DES OBLIGATIONS FISCALES ET SOCIALES

4^{EME} TRIMESTRE 2025



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