



Madagascar

Fiscal Guide 2015/2016

Tax



INTRODUCTION

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Income tax

Business income

Resident companies are taxable on their Madagascar-sourced income and their worldwide passive income. Non-residents are taxed only on Madagascar-sourced income (i.e. all profits or income relating to property which they own, activities which they carry on and profit-making transactions which they carry out in Madagascar). A company is deemed resident if it is incorporated or has its seat in Madagascar.

An individual is deemed to be resident in Madagascar where:

- the individual has a dwelling in Madagascar which he owns or rents;
- the individual does not have a dwelling in Madagascar but has a habitual abode there; or
- the individual lives outside Madagascar and continues to receive income from an enterprise or entity which he owns in Madagascar.

An individual resident in Madagascar will be subject to personal income tax on his worldwide income. An individual who is not resident in Madagascar will be subject to tax only on Madagascar-sourced income.

Tax year

Tax year is freely determined by each company but, generally, it is on a calendar basis– i.e. 1 January to 31 December.

The date of filing depends on the financial year of the company involved:

- For enterprises liable to IR (income tax): Enterprises whose financial year coincides with the calendar year: before 15 May of the following year at the latest
- Enterprises with a financial year ending 30 June: before 15 November of the same year at the latest
- Enterprises with a different financial year: within the 4 months following the close of the financial year (at the latest the 15th day of the 4th month following the date of closing)
- For an Individual with only employment income, tax (known as IRSA) on employment income is withheld at source and is final.
- An individual with non-employment income but exercising an independent activity and whose annual turnover exceeds Ariary (Ar) 20 000 000 must file an annual return of income from the previous year.
- He is liable to IR even if he does not have employee.
- An individual or company exercising independent activities (farming, trade, crafts, services, liberal profession, senior managing partner), generating an annual turnover less than Ar20 000 000 must file an annual return of income for the previous year. This tax is named synthetic tax "IS"

Date of filing: Before 31 March of each year

Rate: 5% of the annual turnover

Rates

Resident corporate income tax IR	20%
Non-resident corporate income tax IRI (Impôt sur les revenus intermittents)	20% (Standard Rate) Non-resident companies without a permanent establishment in Madagascar are subject to a final withholding tax at the rate of 10% on Malagasy source income
Resident individuals:	
1. Salary up to MGA 250,000	0%
2. Salary > MGA 250,000	20%
3. Non-employment income	20%



Withholding taxes

Dividends paid to non-resident companies	0%
Interest paid to non-resident companies	20%
Royalties paid to non-resident companies	10%
Technical and management fees derived by non-resident companies	10%
Income paid to a non-resident individual	10% (if no PE) & 20% (if PE)

Capital Gains Tax

Capital gains are taxed as part of business income for resident companies except capital gains from immovable property which are taxed at 20%. Capital gains are taxed as ordinary income for non-resident companies.

Inheritances and donations

Inheritance tax is levied in the form of registration duty on transfers of property. Generally, the registration duty in respect of inter vivos transfers is fixed at a rate of 6% of the total value of the asset.

Value Added Tax (VAT)

VAT is compulsory for companies and individuals with an annual turnover exceeding or equal to Ar200 million.

Individuals and companies with an annual turnover less than Ar200 million may opt to be liable for VAT.

Rate: 0% on export of goods and services
Common law rate:20%

Stamp and transfer duties

There is no stamp duty in Madagascar.

Transfer duties

House-letting	1% of the total rent
Professional/commercial lease	2% of the total rent
Estate exchange	4%
Formation and extension of companies, capital increase	0.5%
)Company dissolution	Ar10 000
Estate sale	5% based on the Finance Law 2015 and the Amending Finance Law 2015
Car sale	2% for utility vehicles
Share transfer	5% for private cars based on the Finance Law 2015

Other taxes

Visa duties

- Stay ≤ 1 month	Ar60 000 based on the Finance Law 2016
- 1 month > stay ≥ 2 months	Ar100 000
- 2 months > stay ≥ 3 months	Ar140 000
- 3 months > stay ≥ 3 years	Ar150 000

Visa duties (continued)

- 3 years > stay \geq 5 years	Ar200 000
- Stay > 5 years and permanent visa	Ar250 000
- Extension of visa	Ar80 000
- Visa for Final exit	Ar80 000

Resident card duties

Resident card for visa > 3 months to 6 months	€91.47
Resident card for visa > 6 months to 1 year	€228.67
Resident card for < 2 years visa	€381.12
Resident card for 2 to 3 years' visa	€533.57
Resident card for 3 to 5 years' visa	€609.80
Resident card for 5 to 10 years' visa	€838.47
Resident card for permanent visa	€228.67

Double tax treaties

Country	Dividend	Interest	Royalties
France	15% and 25%	15%	10% or 15%
Mauritius	5% and 10%	10%	5%

Investment information

Investment rules

Any individual or entity, Malagasy or foreign, is free to invest in Madagascar– subject to the provisions applicable to certain activities which have specific regulations– such as banking, insurance, mining, petroleum, telecommunications, medical, paramedical and pharmaceutical activities.

Investment incentives

- For export activities, a set of financial, tax and social incentives measures is offered (free zone status, export company)
- Extension of activities eligible to the free zone status: design and software development, telemarketing and telecommunications and banking offshore
- New measures authorising foreign access to real estate
- The lifting of custom duties and taxes on capital goods and some essential products like rice
- The establishment of the Economic Development Board of Madagascar (“EDBM”) to simplify administrative procedures for company formation and investment
- Import liberalisation.

Exchange controls

Since 2004, Madagascar has adopted a floating exchange rate. Exchange rate parity varies every day, depending on the volume of transactions in the currencies interbank market.

Operations not subject to prior authorisation (requiring only a transfer declaration to a local bank): opening of foreign currency account, short term foreign currency loan, allocation of foreign currencies to resident passengers, transfer abroad of profits after taxes, expatriate, allowances and savings, etc.

Operations subject to the authorisation of the Ministry of Finance: capital operations such as operations relating to stock transfers, sale of business and assets, etc.

Occupation permits

Expatriate workers may apply for and obtain occupation permits– provided all information/documents required are submitted. The duration of the occupation permit depends on the length of their Malagasy employment contract, but not exceeding 2 years.

Finance Act adoption

The Finance Act is generally adopted between September and November for the tax year commencing 1 January thereafter. A correcting Finance Act may be adopted during Parliament's sessions in May or in September.

Trade and bilateral agreements

Membership: WTO (World Trade Organisation), COI (Indian Ocean Commission), COMESA (Common Market for Eastern and Southern Africa), SADC (Southern African Development Community), CBI (Cross Border Initiative), IOR-ARC (Indian Ocean Rim Association for Regional Cooperation) and ACP-EU Cotonou Agreement.

Economic statistics

Prime Interest rate	Average of 13%
Inflation (Oct 2015)	7.4%
GDP per capita (Jan 2014)	USD 265,25

Travel information

Visa requirements

Any person wishing to stay more than 1 month in Madagascar must apply for a visa.

Flights

These are limited but some well-known airlines do fly to Madagascar. Major ones are Air Madagascar, Air France, Kenya Airways and Air Mauritius.

Currency

The Ariary (Ar)

Languages

The official languages are Malagasy, French and English.

Official holidays

Fixed dates:

- 1 January (New Year's Day)
- 8 March (Women's International Day – only for women)
- 29 March (Commemoration of the events of 29 March 1947)
- 1 May (Labour Day)
- 26 June (Independence Day)
- 6 July (Ide A1-Fitr 1er SHAWAL 1437 H only for Muslims)
- 15 August (Assumption)
- 12 September (Ide A1-Adha 10 Zol-HIJA 1437 H only for Muslims)
- 1 November (All Saints' Day)
- 25 December (Christmas).

Variable dates: Easter Monday, Whit Monday, and Ascension.





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