Chad

A. At a glance

Corporate Income Tax Rate (%)	35 (a)
Capital Gains Tax Rate (%)	35 (b)
Branch Tax Rate (%)	35 (a)(c)
Withholding Tax (%)	
Dividends	5/10/20 (d)
Interest	5/20/25 (e)
Royalties from Patents, Know-how, etc.	7.5/25 (f)
Fees for Technical Services, Professional Activities and All Other Services Paid Abroad	7.5/25 (g)
Certain Payments to Resident Individuals	20 (h)
Rent under Leases Paid to Individuals	15/20 (i)
Branch Remittance Tax	5/10/20 (j)
Net Operating Losses (Years)	
Carryback	0
Carryforward	3

(a) The minimum tax equals 1.5% of turnover. For further details, see Section B.
(b) In certain circumstances, the tax is deferred or reduced (see Section B).
(c) An optional final withholding tax is available for CIE Petroleum Contractors and Subcontractors (foreign companies that have entered into subcontracts with oil companies registered in Chad). The rate of this final withholding tax is 25% of the net amount of the contract.
(d) This withholding tax also applies to directors' allowances, nondeductible expenses and adjustments or reinstatements following a tax reassessment. This withholding tax applies to residents and nonresidents. The 5% and 10% rates apply to transactions between Chad and Central African Economic and Monetary Community (Communauté Économique et Monétaire de l'Afrique Centrale, or CEMAC) countries.
(e) The rate of this withholding tax is 20% if the relevant interest is paid to a resident and 25% if it is paid to a nonresident. The 5% rate applies to transactions between Chad and CEMAC countries.
(f) The 7.5% rate applies to transactions between Chad and CEMAC countries.
(g) This withholding tax applies to payments by Chadian resident companies to nonresidents. The 7.5% rate applies to transactions between Chad and CEMAC countries.
(h) This withholding tax applies to payments made to individuals in the self-employed professions, trade intermediaries, door-to-door salespersons and representatives of the law (attorneys, bailiffs and notaries).
(i) The withholding tax rate is 15% if the beneficiary of the landlord is a tax resident and 20% if the beneficiary is a tax nonresident.
(j) The income subject to tax corresponds to the net profit after corporate income tax. The 5% and 10% rates apply to transactions between Chad and CEMAC countries.

B. Taxes on corporate income and gains

Corporate income tax. Chadian companies are taxed on the territoriality principle. As a result, Chadian companies carrying on a trade or business outside Chad are not taxed in Chad on their foreign-source profits. Chadian companies are those registered in Chad, regardless of the nationalities of their shareholders or where they are managed and controlled. Foreign companies with activities in Chad are subject to Chadian corporate tax on Chadian-source profits.

Under the 2020 Finance Law, income tax in Chad is imposed on undertakings deemed to be operating in Chad, which are the following:

- Undertakings headquartered in Chad or with an effective management office in Chad
- Undertakings that have a permanent establishment in Chad
- Undertakings that have a dependent representative in Chad

The profits of undertakings that do not fulfill the conditions referred to above are taxed in Chad if they carry out activities that form a full business cycle in Chad.

Tax rates. Under the General Tax Code, the standard corporate income tax rate applicable to all companies is a flat rate of 35% of taxable income. Corporate income tax is calculated by applying the tax rate to taxable income, which is based on income reported in the audited financial statements.

Oil and gas contractors are subject to higher rates.

The minimum tax is paid on a monthly basis at a rate of 1.5% of the turnover of the previous month. The payment must be made by the 15th day of the month following the month of realization of the turnover.

Sales made by wholesale dealers to individuals are subject to withholding tax at a rate of 4%. Wholesale dealers must pay the amount due to the tax authorities by the 15th day of the following month. Purchases made by companies from individuals are also subject to withholding tax at the same rate.

Profits realized in Chad by branches of foreign companies are subject to a branch withholding tax of 20% levied on the net profit after corporate income tax.

Newly incorporated companies or new businesses conducted by existing companies can be exempt from corporate income tax for five years if they satisfy the following conditions:

- The newly incorporated company or new business must be operating in specific sectors, which are the industry, mining, agriculture, forestry and real estate sectors.
- The newly incorporated company or new business must demonstrate a particular interest for Chad development.
- The newly incorporated company or new business must not compete in any way with existing companies.
- The newly incorporated company must have a regular accounting conducted in Chad.

If the abovementioned conditions are met, the application can be submitted to the Ministry of Finance and Budget.

The 2022 Finance Law updated a special tax incentive for newly incorporated companies in the following sectors:
- Agriculture
- Breeding
- Renewable energies
- Information and communication technologies
- Industry
- Tourism
- Mining and exploration
- Fishing
- Hotels
- Industry
- Education
- Water
- Sport
- Transport

These categories of companies benefit from the following for two years or five years from the beginning of their activities:
- 50% reduction of the tax base for corporate income tax
- 50% reduction of the amount of a business license fee
- 50% reduction in the registration fee for deeds
- Exemption or 50% reduction in the taxable base for minimum income tax
- Exemption from or a 50% reduction of inclusive tax
- Exemption from or a 50% reduction of training tax

Also, for agropastoral companies, 25% of the minimum tax base is exempt.

Capital gains. Capital gains are taxed at the regular corporate rate. Capital gains include gains on the sale of real estate, corporate shares and business assets. However, the tax can be deferred or eliminated in the event of a merger under certain conditions.

For a business that is totally or partially transferred or discontinued (such as through a liquidation or sale of the business), only one-third of the net capital gains is taxed if the event occurs more than five years after the beginning or purchase of the business, and only one-half of the gains is taxed if the event occurs within the five years following the beginning or purchase of the business.

Administration. The fiscal year runs from 1 January to 31 December.

Companies must file income tax returns by 30 April of the year following the fiscal year. Late returns are subject to a penalty of 1.5% per month, up to 50% of the tax due. An additional penalty of 100% or 150% applies in case of bad faith or in case of fraud

discovered through a tax audit. Corporate income tax must be paid by the deadline for filing tax returns. Late payments are subject to a penalty of 2% per month of delay, excluding the application of an additional penalty.

Companies that started operating during the six-month period before the prescribed closing date of 31 December can report their first results at the end of the fiscal year following the fiscal year in which they began activities.

At the same time as the filing of the annual tax return, the company is required to submit a transfer-pricing report for all transactions carried out with its head office or affiliate entities located outside Chad. Noncompliance with this transfer-pricing documentation requirement (failure to submit the report or the submission of incomplete or incorrect information) is subject to the following sanctions:

- The rejection of relevant intercompany expenses as deductible costs
- A fine of 5% of the gross amount of the concerned transactions, with a minimum of XAF50 million

Late filing of the transfer-pricing report is subject to a fine of XAF10 million the first month of lateness, XAF 20 million for the second month and XAF25 million for any additional months of lateness beginning with the third month.

The 2022 Finance Law introduced a provision exempting from penalties taxpayers who spontaneously proceed to the regularization of their previous situation regarding taxes, duties and fees before 31 December 2022.

Dividends. Dividends paid to resident individuals in Chad are subject to a 20% withholding tax. Resident individuals must include the gross dividend in taxable income, but they receive a corresponding 20% tax credit to prevent double taxation. Dividends received by resident companies are included in their taxable income and are subject to corporate income tax at the regular rate of 35%. Dividends paid to nonresidents are subject to a final 20% withholding tax.

The participation exemption regime may exempt up to 90% of the dividends received from a 50%-owned subsidiary if the parent company and the subsidiary have their registered offices in a CEMAC member state. The CEMAC member states are Cameroon, Central African Republic, Chad, Congo (Republic of), Equatorial Guinea and Gabon.

Foreign tax relief. In general, foreign tax credits are not allowed. The income of residents and nonresidents subject to foreign tax that is not exempt from Chadian tax under the territoriality principle is taxable, net of the foreign tax.

C. Determination of trading income

General. Taxable income is based on financial statements prepared according to generally accepted accounting principles and the Organization for the Harmonization of Business Law in Africa (L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires, or OHADA) standard statements.

Business expenses are generally deductible unless specifically excluded by law. Expenses that are not deductible include the following:

- Head office overhead, research costs, and technical, financial and administrative assistance fees paid to nonresidents that exceed 10% of taxable profits before their deduction. Local service providers are not subject to this limitation. This limitation does not apply to technical assistance fees related to the assembly of a factory, which are deductible in their entire amount. In addition, if the payments are made in a tax-haven country or territory, the deductible head office overhead cannot exceed 50% of the gross amount reported as a charge. The tax-haven countries and territories are jurisdictions that are defined with reference to the prohibited lists of noncooperative or privileged taxation countries and territories published by the Organisation for Economic Co-operation and Development, the European Union or the Minister of Finance of Chad and that do not have a tax treaty with Chad providing for the mutual exchange of information for tax purposes. The privileged taxation countries or territories are defined as those not applying a tax on companies' revenue or those applying a tax rate lower than half of the Chadian corporate income tax rate under the common regime. Interest paid to the head office with respect to intercompany loans are included in the calculation of head office overhead deductible costs.
- Charges from transactions with related parties, if the appropriate transfer-pricing documentation is not filed.
- Rent expenses for movable equipment paid to a shareholder that manages the company in fact or by right and holds, directly or indirectly, more than 10% of the capital.
- Interest paid to shareholders in excess of the central bank annual rate plus two points.
- Commissions and brokerage fees for services on behalf of companies located in Chad that exceed 5% of purchased imports and sales of exports.
- Amounts set aside for self-insurance.
- Certain specific charges (such as contributions other than those for retirement paid to a foreign social security organization, which are deductible up to 15%, and health insurance premiums paid to companies located abroad), gifts, subsidies and penalties (to some extent).
- Expenses paid to local suppliers without reference to a Chadian tax identification number.
- Expenses paid in cash of XAF500,000 or more.
- Disallowed expenses, such as personal expenses, family expenses, nonbusiness-related expenses, provisions for redundancy for economic purposes and for self-insurance and unsupported expenses.

Inventories. Inventory is normally valued at the acquisition cost or at the lower of cost or market value. Cost must be determined on a weighted-average cost-price method. The first-in, first-out (FIFO) method is also generally acceptable.

Provisions. In determining accounting profit, companies must establish certain provisions, such as a provision for a risk of loss or for certain expenses. These provisions are normally deductible for tax purposes if they provide for clearly specified losses or

expenses that are probably going to occur and if they appear in the financial statements and in a specific statement in the tax return.

Insurance companies may deduct technical provisions provided by the Conférence Interafricaine des Marchés d'Assurance (CIMA) Code to the extent that the General Tax Code does not contain any limitation for such deduction.

Credit institutions may deduct provision for bad debts. Such deduction is limited to 25% for the first year, 50% for the second year and 25% for the third year, if the concerned debt is not covered by a guarantee. If the bad debt is covered by a real guarantee, the deductibility is limited to 15% for the first year, 30% for the second year, 30% for the third year and 25% for the fourth year.

Capital allowances. Land and intangible assets, such as goodwill, are not depreciable for tax purposes. Other fixed assets may be depreciated using the straight-line method at rates specified by the tax law. Accordingly, if the rates used for accounting purposes are greater than the prescribed rates, the excess is disallowed for tax purposes.

Relief for tax losses. Losses may be carried forward for three years. However, losses attributable to depreciation may be carried forward indefinitely. Losses may not be carried back.

Groups of companies. The Chadian tax law does not provide for the fiscal integration of Chadian companies equivalent to a consolidated filing position.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax, on transactions carried out in Chad; certain transactions are exempt	
Standard rate	18
Reduced rate	9
Exports	0
African Union Tax; on imports from outside Africa	0.2
Business license; rate varies depending on the amount of turnover	Various
Registration duties, on transfers of real property or businesses	3 to 10
Social security contributions on an employee's annual gross salary, limited to XAF6 million	
Family allowances, paid by employer	7.5
Old age, disability and survivor's pension; paid by	
Employer	5
Employee	3.5
For job-related accidents; paid by employer	4
Inclusive tax; on gross salary and effective value of benefits in kind; paid by employer	7.5
Training tax; on gross salary and effective value of benefits in kind; paid by employer	1.2

E. Foreign-exchange controls

Exchange-control regulations exist in Chad for financial transfers outside the franc zone, which is the monetary zone including France and its former overseas colonies. A CEMAC rule (No. 02/18/CEMAC/UMAC/CM, dated 21 December 2018) applies to all of the CEMAC countries.

F. Treaty withholding tax rates

Chad has a limited tax treaty network. Chad has only entered into the CEMAC multilateral tax treaty, dated 13 December 1966 and revised in March 2019. Under this treaty, the following are the withholding tax rates.

	Dividends %	Interest %	Royalties %
Cameroon	5/10*	5*	7.5*
Central African Republic	5/10*	5*	7.5*
Congo (Republic of)	5/10*	5*	7.5*
Equatorial Guinea	5/10*	5*	7.5*
Gabon	5/10*	5*	7.5*
Non-treaty jurisdictions	20	25	25

* Payments from a Chadian source are subject to withholding tax under Chadian domestic tax law.