Africa and Incentives

2025 KPMG Africa Tax Summit

Agenda

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Trends

Global

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Competition

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Diversity

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Compliance

Africa

1

Re-evaluation

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Priority sectors

3

Investment-focused zones

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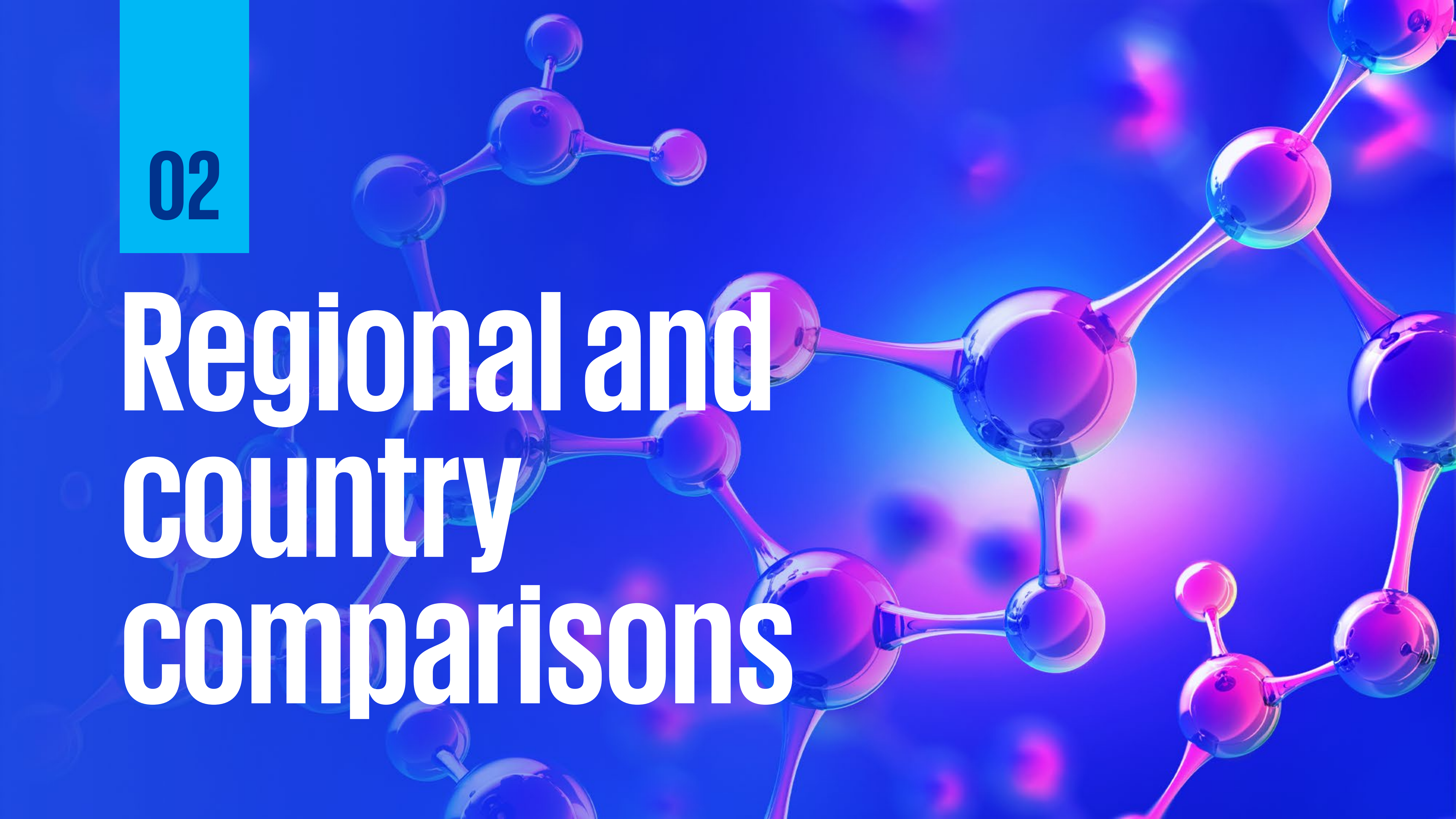
02

Regional and country comparisons



Southern and Northern Africa

Zambia

- Multi-facility economic zone incentive

Zimbabwe

- Farming incentive

Mozambique

- Creation of basic infrastructure

Mauritius

- Research and development incentive

Botswana

- Special economic zones

Namibia

- Youth internship allowance

South Africa

- Global business services incentive

Libya

- Investment sectors

Morocco

- Industrial acceleration zones

Eastern Africa

- **What it is**: Corporation tax exemptions granted to qualifying investors. (UG – US 10M and KE – KES 10 Bn)
- **Objective**: Attract local and foreign investment, promote exportation and value addition and create employment.
- **Access**: Through applications to national investment promotion agencies. UIA, KIA and location in Special Economic Zones and Export Processing Zones
- **Requirements**: Submission of feasibility studies, business plans, and proof of capital.
- **Qualification**: Granted upon meeting the minimum set requirements and setup or operation in the said zones.

Tax holidays

Eastern Africa (cont.)

- **What it is**: Deductions or faster depreciation allowances on investments in assets like machinery, buildings or technology.
- **Goal**: Promote reinvestment, technology adoption, and long-term projects
- **Access**: Claimed annually in corporate income tax returns
- **Requirements**: Asset purchase records, valuation, and proof of business use.
- **Qualification**: Investors in manufacturing, infrastructure, and other sectors that have purchased capital equipment and machinery.

Capital allowances / accelerated depreciation

Eastern Africa (cont.)

- **What it is**: Deferment or refund of VAT on eligible inputs and export products.
- **Goal**: Encourage export competitiveness and lower cost of production
- **Access**: Apply through tax authority using VAT Refund/exemption procedures
- **Requirements**: Exemption certificate, Tax Compliance certificate, Export and Import documentation
- **Qualification**: VAT registered Entities, Meeting the minimum requirements i.e cost of machinery for VAT deferment. Priority sectors can include agriculture, technology, manufacturing.

VAT exemptions and deferment on importation of machinery or other inputs

Eastern Africa (cont'd)

- **What it is**: Relief from paying import duty on machinery, equipment, and raw materials.
- **Goal**: Reduce setup costs and encourage industrialization & production capacity
- **Access**: Applications processed by customs in collaboration with investment authorities
- **Requirements**: Project approval, investment license, and evidence of intended industrial use and Import documents.
- **Qualification**: Manufacturers and investors in designated priority sectors like health sector, Agriculture, Tourism, leisure and Hospitality.

Import Duty exemptions on importation

Eastern Africa (cont'd)

- **What it is**: Exemption from stamp duty on loan agreements, mortgages, and security documents.
- **Goal**: Lower cost of financing and improve access to credit for investors
- **Access**: Apply through revenue or investment authorities at loan registration
- **Requirements**: Loan documentation, investment license, and project approval.
- **Qualification**: Businesses undertaking recognized investment projects.

Stamp Duty exemptions

West Africa (Ghana) - Incentives

1. Locational incentives

- **Objectives:** Encourage investment outside regional capitals (Accra and Tema) through reduced corporate tax rates (geographic location), thus promoting regional economic diversification and development.
- **Ease of access:** Applicable automatically based on registered business location.
- **Period:** As long as business continues to operate within specified location.
- **Sector:** Mainly for manufacturing and agro-processing enterprises. Tax rate ranges from 18.5% to 25%

2. Stability agreements and protection clauses

- **Objectives:** Protect investors from adverse changes in fiscal terms, tax rates, royalties and regulations during investment period, providing long-term certainty and encouraging capital-intensive investments.
- **Ease of access:** Negotiated and formalized between Government and investors.
- **Period:** Duration of agreement, typically long-term.
- **Sector:** Mainly mining, oil & gas industries.

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West Africa (Ghana) – Incentives (cont'd)

3.VAT reforms

- **Objectives:** Streamline tax admin and alleviate tax burden by eliminating cascading VAT effects and removing COVID-19 levy, GETFund, NHIL levies from VAT. Exempts customs duties and VAT on approved imports for production and agriculture.
- **Ease of access:** Currently under discussion and review. Once enacted, will be automatically applicable to all VAT-registered businesses.
- **Period:** Bill is anticipated to be presented to Parliament late 2025, with active reform consultations ongoing among Ministry of Finance, Ghana Revenue Authority and IMF.
- **Sector:** Broad-based VAT reform affecting all sectors.

4. GIPC reforms (Removal of minimum capital requirement)

- **Objectives:** Facilitate foreign investment by removing minimum capital requirement, easing market entry barriers.
- **Ease of access:** Reform process currently in progress and will extend to foreign investors upon implementation.
- **Period:** Anticipated implementation 2025/2026 upon legislative approval.
- **Sector:** May apply to all foreign direct investment sectors - yet to be clarified.

West Africa (Ghana) – Incentives (cont'd)

5. VAT exemptions for equipment and infrastructure

- **Objectives:** Exempts import VAT, NHIL, and GETFund levies on machinery, etc and parts imported for manufacturing, road construction and production use.
- **Ease of access:** Importers submit requisite documentation to Ghana Revenue Authority and exemptions are granted at point of customs clearance, contingent upon classification of eligible equipment, to facilitate ease of access.
- **Period:** Exemptions apply continuously as long as imports qualify.
- **Sector:** Primarily targeting manufacturing, construction, infrastructure development and agro-processing sectors engaged in importing equipment or materials critical to production.

West Africa (Nigeria) - Incentives

1. Economic development incentive

- **Objectives:** Promote impactful and scalable investments in priority sectors through performance-based tax relief scheme that replaces Pioneer Status Incentive.
- **Ease of access:** Applicants must apply through Nigerian Investment Promotion Commission (NIPC) and demonstrate eligibility through qualifying activities and minimum capital investment. Submissions include comprehensive investment plans, economic impact assessments and proof of capital deployment.
- **Period:** 5 years
- **Sector:** Sector-targeted, industries with strong multiplier effects: Manufacturing, Infrastructure and Services

2. Research and development tax incentive

- **Objectives:** R&D tax incentive promotes innovation and industrial competitiveness by encouraging local value addition, technology development and reducing reliance on imported raw materials.
- **Ease of access:** Companies must demonstrate defined R&D strategy, proof of innovation spending, use of local raw materials and active collaboration with Nigerian research institutions or universities.
- **Period:** Annual deductions and credits available for qualifying R&D expense
- **Sector:** Available across all sectors.

West Africa (Nigeria) – Incentives (cont'd)

3. Export processing zones & free trade zones

- **Objectives:** Export Processing Zones (EPZ) & Free Trade Zones (FTZ) offer tax benefits to promote export businesses. New Nigeria Tax Act removes automatic tax exemptions for FTZs selling into Nigeria, but companies exporting from zones remain exempt from all taxes on approved activities.
- **Ease of access:** Companies must operate within designated zones and obtain approval from Nigeria EPZ Authority or Oil & Gas Free Zones Authority.
- **Period:** Indefinite exemption from taxes while operating in zone, provided sales are exclusively for export.
- **Sector specific:** Entities carrying out approved activities within zone

4. Small and medium enterprises tax reliefs

- **Objectives:** To support small businesses and reduce compliance burden.
- **Ease of access:** Small and medium enterprises (SMEs) with turnover below ₦50 million and fixed assets below ₦250 million are eligible to enjoy full exemption from Companies & Capital Gain Tax, WHT and Development Levy.
- **Period:** Indefinite exemption from taxes.
- **Sector specific:** Available to qualifying companies.

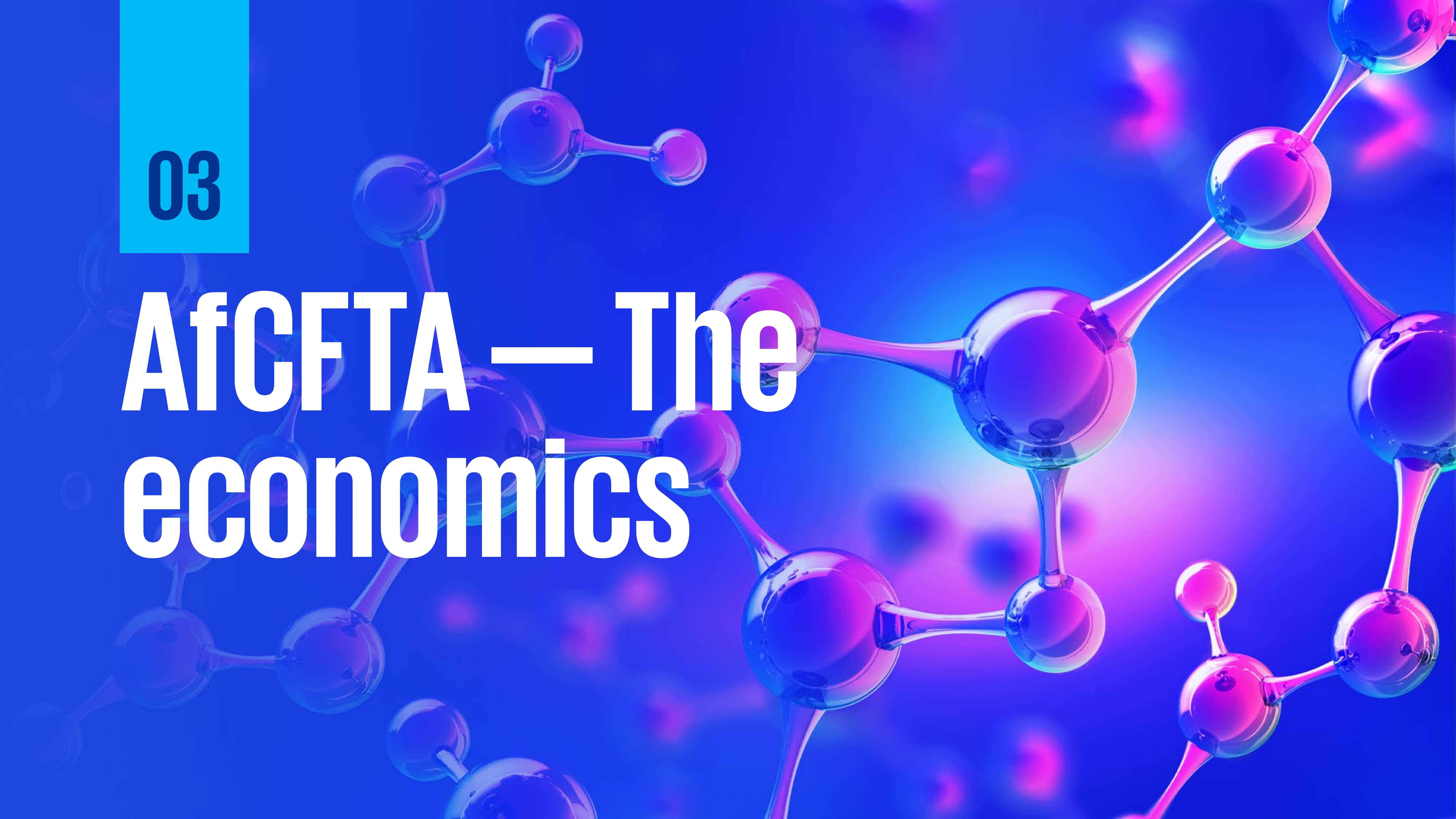
West Africa (Nigeria) – Incentives (cont'd)

5. Road infrastructure development and refurbishment investment tax credit

- **Objectives:** To enable private sector participants to fund eligible road projects and recover costs via tax credits against future CIT liabilities.
- **Ease of access:** Participants apply through Federal Ministry of Finance and FIRS
- **Period:** A period of 10 years - set to expire in January 2029
- **Sector:** Not sector-specific

03

AfCFTA — The economics



African Continental Free Trade Area

- **Problem statement**
  - The African continent is made up of 54 independent countries, many languages, cultures and groupings over vast area
    - China 9.6 million km^2, Africa 30.4 million km^2 (or 31%)
    - China 1.4 billion, average age 39.6 years, while Africa has 1.5 billion, average age 19.3 years
  - Many small markets
    - # Countries population over 100m – 4: Nig (236m), Eth (134m), Egy (118m), DR Congo (112m)
    - # Countries population over 50m, under 100m – 5: Tanz (71m), SA (65m), Ken (58m), Sudan (52m), Uganda (51m)
    - # Countries population over 10m, under 50m – 23
    - # Countries below 10m - 22
  - Insufficient / incompatible infrastructure
  - Many landlocked African countries
  - Trade history facilitated movement of goods and services between African countries and Europe but not between African countries

- **Result**
- **High production and transport costs (limited economies of scale)**
- **Large area and insufficient infrastructure add to costs and decrease competitiveness**
- **Demographics also need to be considered to determine actual market, which can be way smaller**
- **Reduced competitiveness**

African Continental Free Trade Area (cont'd)

The African Continental Free Trade Area (AfCFTA)

- African Union trade agreement that came into force on 30 May 2019
- Signed by 54 African AU member countries
- Aims to create a single continental market for goods and services and increase intra-African trade
- Encourage the free movement of people and capital

Benefits

- Creates a far larger market for goods and services and allows greater economies of scale
- Reduces costs of trade and barriers to trade
- Can attract talent to areas of specific activity - technology, food, manufacturing, clothing and textiles, pharmaceuticals, tourism
- Acceleration of technological diffusion
- Shared infrastructure expansion (power pools, rail, ports, road etc)
- Encourages network effects
- Allows far more specialization in countries, sectors, products etc.
- More benefits of trade accrue to African continent

US tariffs on Africa (AGOA members)

Original tariffs imposed by the US administration on African countries were apparently broadly based on Africa's tariff and non-tariff barriers.

- Ranged from 60% for Lesotho, 57% for Madagascar, 50% for Mauritius, 47% Botswana and 42% for Angola, 31% for South Africa to 10% for Namibia.
- Around 20% elsewhere

Final tariffs on Africa saw a general reduction to 15% for most African countries, zero tariffs for some and 30% for South Africa

- Relatively good news for Africa
- But disruption already felt – US firms cancelled orders from many countries. Lesotho -50%, Botswana -80% etc

Exports to the US represent just over 5% of Africa's total export value

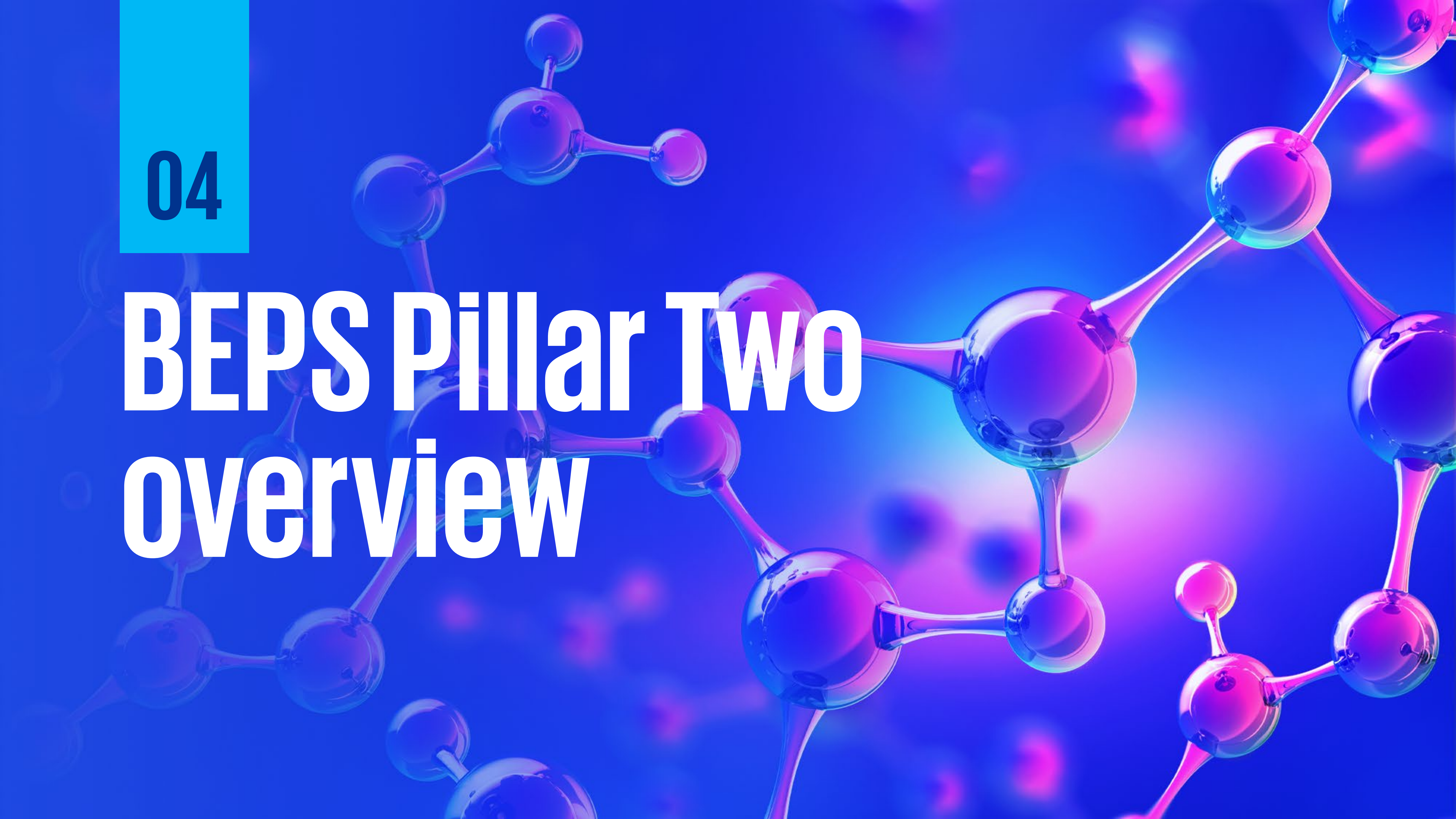
- Total export value has been declining, but growing with the US

Africa's main exports to the US are Oil, Precious metals, Vehicles, Clothing and textiles and Cocoa

The US is most dependent on Africa's exports of Ores, slag and ash, Ship and boat building, Cocoa, Lead, Fertilizer and Oil seeds

- Still only maximum of one fifth of their total supply.

Africa's exports most exposed to US tariffs in following sectors: Lead, Other natural commodities, Carpets and rugs, Textiles, Ship & boat building and Clothing



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BEPS Pillar Two overview

BEPS Pillar Two — Background and overview

Existing incentives in Africa may no longer be efficient in Pillar Two environment

Status of adoption across Africa

Nigeria

- Nigeria Pillar Two recently enacted: IIR that is aligned to the GloBE Rules and a DMTT, not aligned to GloBE Rules – deviations from GloBE Rules in in-scope threshold (circa. ZAR232 million/ EUR11 million) as well as calculation of ETR;
- Effective from January 2026 (FY typically 1st January to 31st December).

Mauritius

- Mauritius first announced the introduction of DMTT in 2022
- Mauritius Government announced in recent budget that Mauritius DMTT will apply to income derived from 1st July 2025 (as opposed to a FY commencing on or after this date). Mauritius' budget year typically runs from 1 July to 30 June.
- Uncertainty as to the application of Mauritius DMTT to a company with a different FY to 1 July to 30 June.
- Legislation enacted in August 2025

South Africa

- Global Minimum Tax legislation enacted December 2024 with retrospective effect from 1 January 2024
- Recent SARS Communique

Status of adoption across Africa

Kenya

- DMTT included in the Kenya Tax Laws Amendment Bill 2024 that came into force on 27 December 2024.
- Timing of Kenya DMTT still uncertain as publication of their DMTT Regulations is still awaited.

Zimbabwe

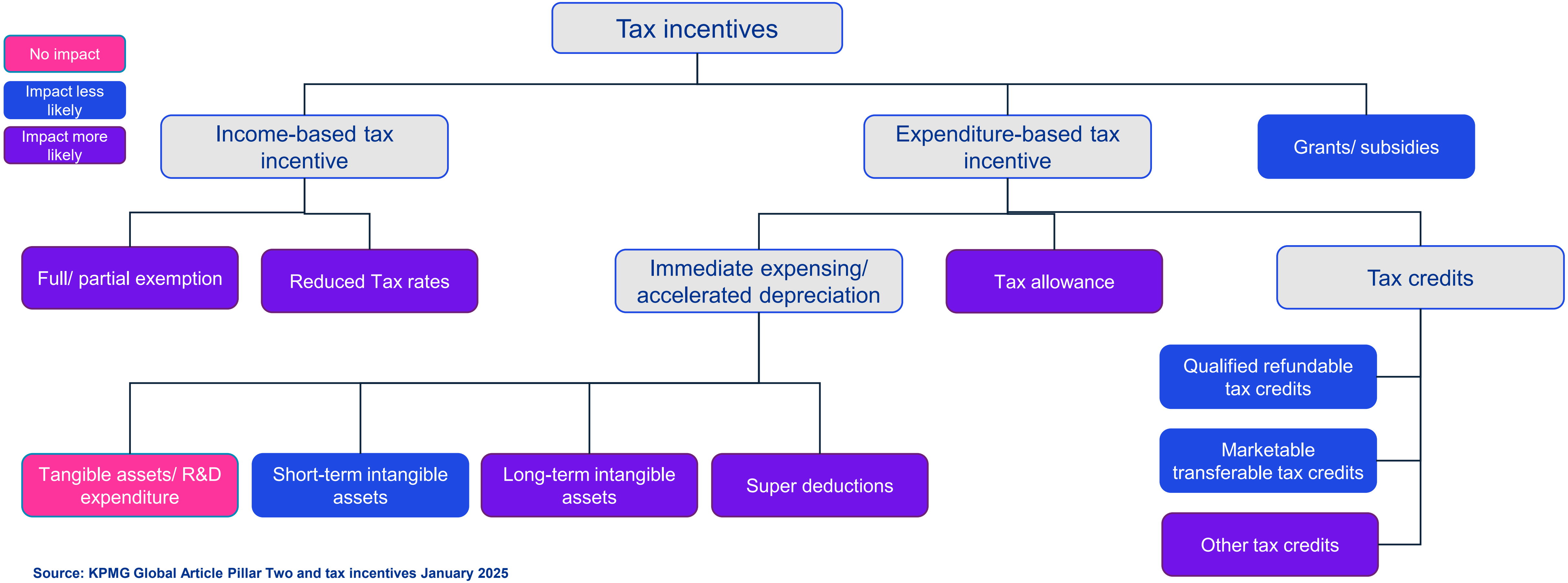
- Zimbabwe’s DMTT was enacted and is effective from 2024
- KPMG colleagues had a recent discussion with Zimbabwe Ministry of Finance;
- Indication was that due to the ambiguity of DMTT legislation that although legislation is enacted it is not being enforced due to its ambiguity, they also have no intention of chasing anyone at this stage;
- No indication that the legislation in its current form will be repealed.
- However, indication that the DMTT legislation will be revised later this year, likely as part of the November/ December 2025 Zimbabwe budgeting process (although there is a mid-term budgeting process at the end of July – unlikely to see any revisions at this stage);
- The revised legislation is likely to be implemented with retrospective effect to ensure Zimbabwe does not lose out to other jurisdictions with an IIR

Incentives: A perspective from Africa

	1	2	3
Implications of incentives	• May reduce effectiveness of traditional tax incentives e.g., tax holidays, reduced rates, permanent benefits	• Risk of top-up taxes where impact of incentives either alone or together with other GloBE adjustments result in ETR < 15%	• Impact on investment decisions and incentive structuring

Pillar Two implications of incentives

Depending on their type and design, existing tax incentives may trigger top-up tax in respect of low-taxed profits, which could offset the benefit of the respective incentive



Source: KPMG Global Article Pillar Two and tax incentives January 2025

Incentives: A perspective from Africa

	1	2	3
Redesign of incentives	• Shift from profit-based to non-tax incentives (grants, infrastructure, accelerated depreciation	• Importance of substance-based carve-outs (payroll, tangible assets)	• Opportunities for compliant incentive design (refundable tax credits, qualified refundable incentives)

Top-up tax & Substance Based Income Exclusion

Top-up tax percentage

Difference between minimum rate of 15% and GloBE ETR of jurisdiction

X

Excess profit

Positive amount, if any: GloBE Income/ Losses all CEs in jurisdiction less SBIE carve -out

SBIE

Eligible Payroll carve out: % of Eligible Payroll Costs

Eligible Tangible Asset carve out: % of Eligible Tangible Assets

SBIE reduces profits to which top-up tax % applies: can significantly reduce top-up tax due to extent income is generated by significant investments in tangible assets and personnel

+

Additional top-up tax

Results from adjustments made to Covered Taxes or GloBE Income or Loss to a prior FY -out

-

QDMTT

QDMTT levied in a jurisdiction will reduce the total top-up tax liability

05

Tools

Digital Gateway | Incentives and Credits Opportunity Navigator (ICON)

Overview

- With increasing regulatory constraints and a fast-shifting incentives landscape, ICON is a solution to identify, manage, and report on credits, grants, and incentives (CGI) on a global scale.
- By providing a comprehensive overview of available incentives, the tool empowers businesses to maximize their potential savings and optimize their financial strategies. The tool's robust reporting capabilities ensure transparency and compliance, making it an asset for any multinational seeking to navigate the intricacy of global incentives.

ICON Features:

Identification

Opportunity scanning	Opportunity reporting
Capture high-level company data and facts to identify CGI opportunities for current operations and/or future investments.	Curated list of incentives and information to help companies determine which CGI opportunities to pursue.

Benefits

- Identify global incentives based on company profile and activities
- Overview of incentive programs
- Assess impact on overall tax and financial strategies

Top opportunities
(Example of Opportunity Report)

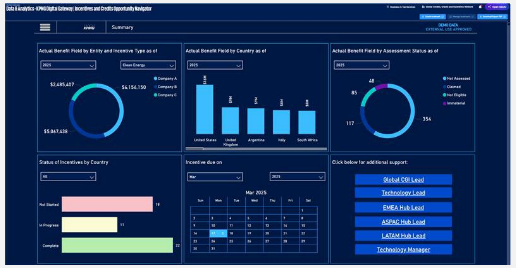
	Credit or incentive	Description of benefit	Above / Below the Line	Other Considerations	Ease of access
1	Research & development tax credit	Tax credit for research & development activities and costs.	Below	Taxable liability required / Pillar 2 Considerations	Low
2	Patent box reduced tax rate	Reduced tax rate for income derived from intellectual property.	Below	IP Considerations / Compliance	Low
3	Funding and grants	Funding and grants for projects of interest	Above	Application Process / Reputational Risk	High
4	Property Tax Abatement	Negotiated incentive with the state	Above	Requires Negotiation / Timely	High
5	EU Funding Opportunities	Research & Innovation Funding	Above	Application Process / Compliance	Medium

Management & reporting

Global visibility	CGI Analytics
Centralized global incentives portfolio with real-time visibility.	Dashboard for global CGI governance providing visibility into total value, trends, comparative analytics, etc.

Benefits

- Report on the value and trends of credits and incentives
- Monitor critical milestones and deadlines
- Contact list for each incentive program
- Track credits previously analyzed



Demo - Client Name

Jurisdiction	Incentive	Description	Benefit	Incentive type	Pillar 2 above/below the line	Ease of access
France	Energy Savings Certificates (CEE) Mechanism	Provides financial support for energy renovation work in office buildings (e.g., insulation, replacing heating/AC systems).	Partnering with an energy provider can subsidize part of the work in exchange for energy savings certificates.	Subsidy	Above	High
France	Industrialisation et Capacités Santé 2030 Call for Projects (France 2030)	Provides a minimum investment of eligible costs for support in industrialization, capacity expansion, or reshoring in the health sector.	Funding rate between 20-30% of eligible costs. The deadline is October 7th, 2025.	Grant	Above	Low
France	Pack Relocalisation – Auvergne-Rhône-Alpes Region (Regional Grant)	Subsidy to support industrial investments that reinforce the territorial presence of strategic activities. Large companies are eligible if located in the region and contribute to maintaining or relocating production capacities.	Funding rate of 10% of eligible costs, maximum of €1.5M. Open call with rolling evaluation.	Grant	Above	Low to Medium
France	French Research Tax Credit (CIR – French RTC) Scheme	National tax incentive to encourage research & development activities in France.	The credit is available for both in-house and outsourced R&D, provided the projects meet the criteria for innovation and have not commenced prior to the application.	Credit	Below*	High
France	ADEME – DECARB FLASH	Provides funding for projects focused on environmental innovation and sustainable development, including renewable energy and waste management.	Funding amounts vary based on project scope and impact. Specific eligibility criteria apply.	Grant	Above	Medium
France	French Intellectual Property (IP) BOX Scheme (cf. exchanges with Charlotte Erard)	Offers a reduced corporate tax rate of 10% on income derived from qualifying intellectual property, including patents, software, and other IP assets.	To qualify, companies must demonstrate a direct link between R&D expenses and the IP asset.	Tax Rate Reduction	Below*	Medium

(*) ETR to be reviewed case-by-case.

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