KPMG

Mergers & Acquisitions (M&A) in Africa

2025 KPMG Africa Tax Summit

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Doing deals in Africa

Introduction

> Africa currently accounts for 2–3% of the global M&A market value.

Dealmaking in Africa has stabilized in 2024, ending the downward trend that followed the post-pandemic peak in 2021. Larger-than-usual deals are the primary drivers of this stabilization, even as deal volume remains significantly below historical levels.

During the first nine months of 2024, the total value of deals in Africa rose by 36% compared with the same period in 2023, outpacing the global increase of 10%. However, the number of deals on the continent held steady year over year, compared with the global reduction of 13%. Together, these figures point to a significant rise this year in the average deal size across Africa

Private capital played a significant role in African dealmaking throughout 2024.

“Source: [2024 M&A Report], [Boston Consulting Group], [2024]”

Top drivers for M&A in Africa

Attractive valuation

Attractive Valuation has been the main driver for recent deals in Africa.

“African IT and fintech companies have emerged as major investment magnets, with their strong valuations drawing considerable foreign interest.

Notable examples include Flutterwave, Paystack, and Chipper Cash, all of which have raised substantial funding from global investors.”

Physical assets / natural resources

Africa possesses a significant share of global mineral reserves

Mineral deposits in Africa have become a key factor in global commercial deals, with cobalt and lithium in the Congo, gold refineries in Ghana and South Africa, and lithium reserves in Nigeria attracting significant attention.

Large workforce /customer base

The World Bank has noted over the next three decades, the region will experience the fastest increase in the working age population of all regions, with a projected net increase of 740 million people by 2050.

The main challenge and attraction is equipping Africa’s large and rapidly growing work force and customer base with technology and skills to accelerate economic ascendancy.

Other drivers: *Domestic distribution channels , Regional distribution channels, IP/Technology, Bolt-on acquisition, Restructuring potential, ESG/ Impact investing*

“Source: [Doing Deal in Sub-Saharan Africa], [KPMG Nigeria], [2024]”

Mergers and Acquisitions Life Cycle in Africa

Concept, design and fundraising

- Jurisdiction considerations
- Tax impact on Funding model
- Pre-deal tax structuring
- Contract negotiation assistance

Investments Acquisition

- Tax due diligence on potential investments
- Tax impact on implementation of acquisitions
- Tax modelling assistance
- Tax Structuring

Investment Maintenance

- Fund/Portfolio Company Compliance/Fund calculation
- Investor certificates
- Tax impact of carry
- Portfolio diagnostic review

Realising Value

- Preparation of investment for disposal
- Vendor Assist/Vendor Due diligence
- Tax considerations on disposal of investments
- Base cost of investments

Multi-disciplinary Team:
Legal
Tax
Financial
Accounting
Forensics
Disputes

02

Recent M&A tax trends in Africa

Recent tax trends in M&A & Group structuring in Africa

I. Indirect transfer/“offshore share sale” taxation on local assets

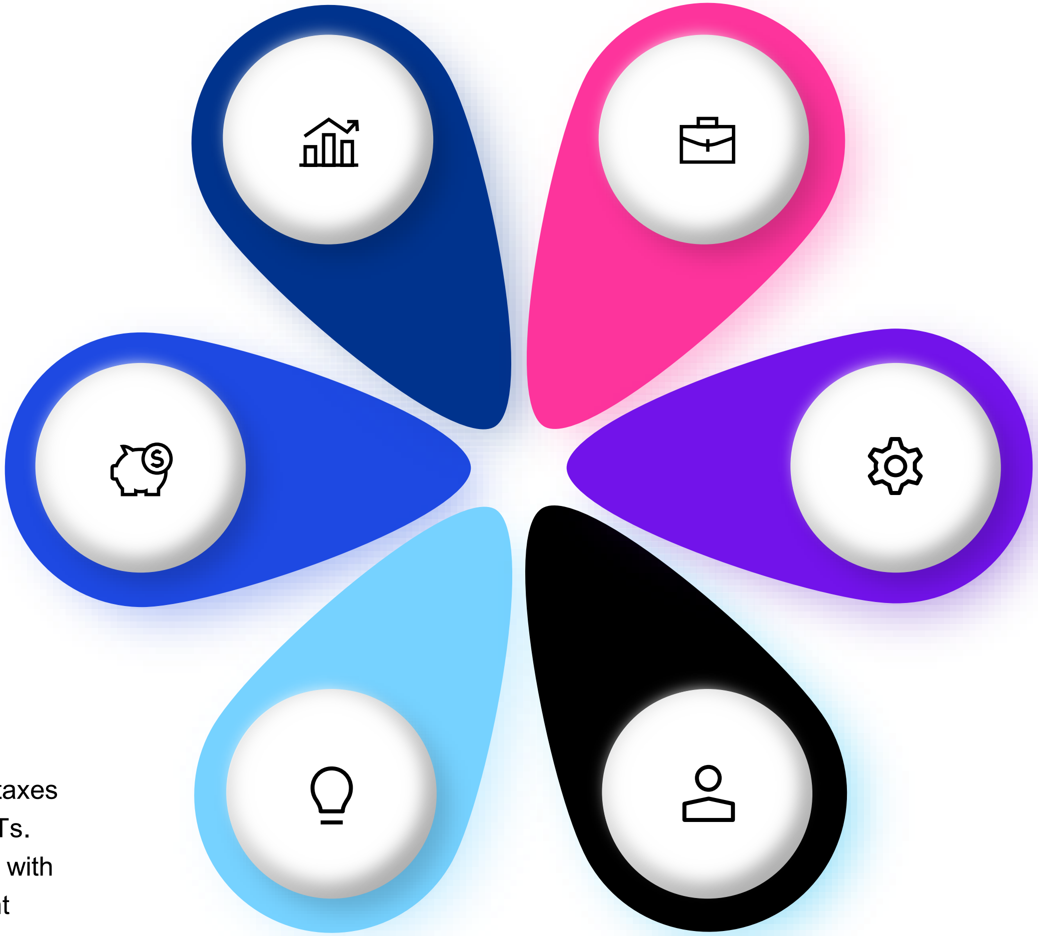
Several Africa countries such as Tanzania, Kenya, Mozambique, Nigeria have embedded taxation of indirect transfer of ownership and asset into their tax code. Taxing gains when foreign investors sell offshore interests that derive value from in-country assets.

II. Tax-neutral reorganization regimes

A growing number of African countries offer rollover/deferral relief for qualifying mergers, ,intra-group asset transfers, and liquidations, usually with anti-avoidance checks

III. Capital gains on shares and digital assets

African countries are increasingly introducing taxes on digital assets like cryptocurrencies and NFTs. Likewise, the taxation of share disposals often with thresholds or rollover provisions has significant implications for exits, earn-outs, and equity swaps



IV. Interest-deductibility and acquisition-debt limits

Many jurisdictions such as Mozambique, Botswana, South Africa , Nigeria, cap interest deductions (often at ~30% of EBITDA) and/or have specific rules for acquisition/reorg debt and related-party funding

V. E- Invoicing/Fiscalization

Several African tax administrations (such as Nigeria, Kenya) are moving toward mandatory e-invoicing and real-time VAT reporting to curb evasion, improve audit trails, and boost revenue mobilisation.

VI. Information sharing amongst Tax Authorities

African countries are increasingly strengthening cooperation through automatic exchange of information (AEOI) and cross-border tax data sharing under OECD and Global Forum frameworks

Key challenges in M&A & group structuring in Africa

- Valuation and price expectations
- Existing regulatory/legal obstacles
- Transparency issues/ lack of information when completing due diligence
- Managing political volatility
- Identifying a suitable target
- Length of transaction

Recent development in M&A & group structuring in West Africa

1

Controlled Foreign Company rules

The Nigeria Tax Act, 2025 (NTA, 2025) introduces CFC rules to counter profit shifting. Where a foreign subsidiary of a Nigerian company retains profits that could have been distributed without adversely affecting its operations, those profits will be deemed distributed and taxed in Nigeria

2

Taxable profits of non-residents

Non-resident companies who have a taxable presence in Nigeria will now be subject to minimum tax based on the percentage of their earnings before interest and tax (EBIT) to the total income generated from Nigeria. In any case, tax payable by such companies cannot be less than the withholding tax (WHT) rate applicable to the income, or 4% of the income.

3

Introduction of minimum Effective Tax Rate (ETR)

The NTA also adopts a top-up tax mechanism aligned with the OECD's BEPS Pillar 2 framework. If a foreign subsidiary of a Nigerian company (or a group member) pays less than the minimum ETR of 15%, the Nigerian parent must pay the shortfall. This provision discourages the use of low-tax jurisdictions for profit shifting and ensures a fairer allocation of taxing rights to Nigeria

Source: [KPMG in Nigeria], [2024]

Recent development in M&A & group structuring in West Africa (cont'd)

4

Chargeable gains and assets

Gains from selling shares in Nigerian companies are not taxable if the sale proceeds are less than ₦150 million, and the chargeable gain does not exceed ₦10 million within 12 consecutive months

5

Explicit provision for tax asset transfer

The NTA allows for the transfer of unutilised capital allowances, unabsorbed losses, and unutilised withholding tax credits from merging entities to the surviving entity in the event of a merger. Unutilised capital allowances shall be available for use by the surviving entity.

6

Restriction on the tax exemption status of free zone entities

The restrictions provide that the profits of an entity operating within an Export Processing Zone (EPZ) are exempt from tax, subject to certain conditions, such as limiting total sales to the customs territory to no more than 25% of the entity's total sales. However, effective from 1 January 2028, an entity will be fully liable to tax in respect of sales to the customs territory regardless of the percentage of sales.

03

Deal considerations

Deal considerations - Tax due diligence

01

Diverse tax system

Africa’s tax landscape is highly diverse and fragmented, making cross-border transactions complex to structure.

With over 50 countries, each jurisdiction maintains its own corporate income tax rates, VAT or sales tax regimes, capital gains rules, and sector-specific levies.

This patchwork of rules means that an M&A deal involving multiple African jurisdictions often requires country-by-country analysis, significantly increasing transaction costs and timelines

02

Value determinant

Unlike commercial or operational risks, tax exposures can have an immediate and material impact on valuation, purchase price, and the buyer’s willingness to proceed.

Buyers face the risk that adverse rulings or settlements could materialize after closing, disrupting integration plans and eroding projected synergies.

Enforcement has become tougher many tax authorities are under fiscal pressure and scrutinise M&A transactions for “leakage.”

03

Incentives and sector-specific rules complexity

Many African countries use tax holidays, free zones, and pioneer status regimes to attract investment, but the rules, eligibility conditions, and stability of these incentives differ widely

The uncertainty around whether such incentives will survive post-closing, or whether reforms (such as Nigeria’s 2025 Tax Reform Acts) will alter their benefits, makes tax due diligence indispensable.

04

Typical areas of TDD in Africa

Corporate income tax compliance – CIT filings, transfer pricing, tax holidays/incentives.

Indirect taxes – VAT/GST compliance, recovery rights, customs duties

Withholding taxes – on dividends, royalties, management fees, interest.

Capital gains tax (CGT) – on share sales and asset transfers.

Tax disputes & audits – history of audits, open assessments, litigation

Navigating local regulatory landscapes in African transactions

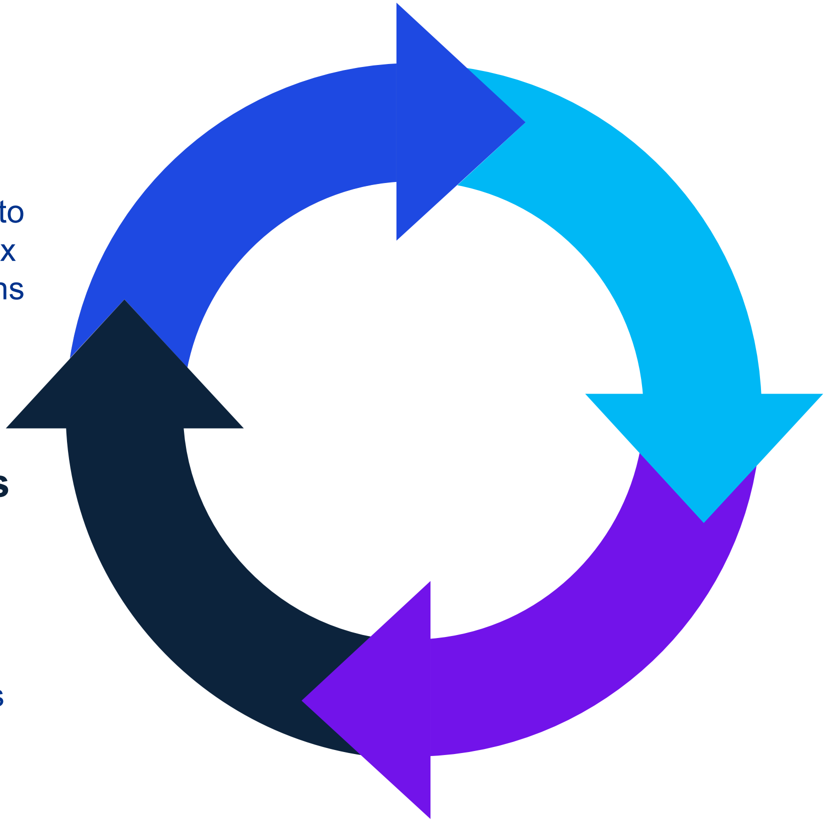
Successfully executing M&A requires navigating regulatory landscape, diverse legal systems, evolving tax regimes, and strict sector-specific rules mean that navigating compliance is essential both to unlock growth opportunities and to manage transaction risks.

Understand regulatory diversity

Every jurisdiction has unique tax rules, company law, and sector regulations that must be mapped into deal structures. Also, inclusion of tax indemnity in purchase considerations to safeguard legacy/unknown liabilities

Foreign exchange controls

Foreign-exchange rules in Nigeria and Ghana require repatriations to be routed through authorised channels and supported by documentary evidence. These rules are pertinent to exit consideration.



Engage early with regulators

Key approvals (CBN in Nigeria, SEC in Ghana, competition authorities in Kenya, South Africa and across Africa) often take time; early engagement helps avoid deal delays.

Political & regulatory volatility

Frequent tax and policy changes (e.g., Nigeria's 2025 tax reforms) mean investors must build flexibility and protections into deal documentation.

KPMG is ready to assist through the deal cycle

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