

Creating value for your business through people*

International Assignment Services
Taxation of International Assignees

Chad



Country: Chad

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Additional Country Folios can be located at the following website: www.pwc.com/ias/folios

Introduction: International assignees working in Chad

This booklet is intended to assist foreign nationals sent to work in Chad with their tax planning. It gives a broad background to taxation in Chad and other important aspects to be considered by a foreign national working in Chad on a temporary basis.

This booklet is not intended to be a comprehensive guide. It merely attempts to give an overview of the issues involved. Accordingly, professional advice should be sought before making important decisions.

For further information or assistance please contact us at our office listed in appendix D.

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Step 1: Understanding basic principles

The scope of taxation in Chad

1 An individual will be taxable in Chad if:

- His tax residence is located in Chad;
- He receives Chad income.

The tax year

2 The tax year runs from January 1st to December 31st.

Method of calculating Chad tax

3 Each category of income is combined and, after deduction of allowances, is taxed at progressive rates.

4 Taxation is calculated in consideration of the family status of the tax payer through a tax portions system. The taxable income will be divided by the number of tax portions granted to the taxpayer (1 for a bachelor, 2 for a married person, 2.5 for a married person with one dependent child, etc. up to 5).

5 There is an annual calculation for the total income of the taxpayer. However, some categories of income may lead to withholding taxes during the year.

Husband and wife

6 Married taxpayers are generally required to file a joint income tax return stating their worldwide income (husband, wife and dependent children).

Residence

7 As a prerequisite, there are no international double tax conventions apart from the UDEAC-CEMAC double tax treaty.

8 Article 2 GTC defines the notion of tax residency:

Shall be deemed to have his **tax residence in Chad**, notably:

- The natural person that has at his disposal a dwelling place as an owner, an usufructuary or a tenant for a minimum of a 1-year period of time;
- The natural person, not having a dwelling place such as here above described, that leaves more than 183 days in Chad; and
- The natural person that has the center of his economic interests in Chad.

9 Therefore, the following distinction shall be operated to determine the income subject to taxation:

- The person is a tax resident in Chad: he will be taxable under Personal Income Tax on **his worldwide income**;

- The person is not tax resident in Chad: he will be subject to Personal Income Tax on the **income stemming from his activities in Chad**.

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Step 2: Understanding the Chad tax system

Taxation of employment income

10 Employment income is taxable in Chad (article 37 GTC):

- When the employee is tax resident in Chad, notwithstanding the fact that his remunerative activities are performed outside Chad **OR** the employer is not established in Chad;
- When the employee is not tax resident provided that his remunerative activities are performed in Chad **AND** the employer is established in Chad.

11 Employers withhold personal income tax from employees' salaries each month.

12 The taxable income is composed of the salaries, allowances, premiums and benefits in kind perceived by the employee after deduction¹ of:

- Certain payments made by the employer for pension and retirement purposes limited to 2% of the gross salary;
- The employee's social security contributions; and
- Special allowances allocated to cover expenses inherent to the job insofar as they are effectively used for the intended purpose. This exemption is limited to 15% of the employee's gross salary.

13 Benefits in kind are taxable for personal income tax according to their actual value. The benefits in kind listed below are however assessed according to the following rates calculated on the salary or to their actual value if inferior:

- Housing - 15% ²
- Electricity - 4%
- Water - 2%
- Vehicle - 8%
- Food - 25% ³
- Gas - 1%
- Telephone - 3%
- Furniture - 5%
- Housekeeping/Guarding - 4%

Interest income

14 Interest income shall be combined with the other categories of income for annual personal income tax calculation.

Capital gains

15 Capital gains are taxable in Chad.

16 Their taxation will depend on the duration of the possession of the goods and the rate will depend on the nature of the goods. Some exemptions have been provided by the General Tax Code.

Other

17 The following incomes are also taxable in Chad and will be combined in order to determine the annual amount of tax:

- Rental income;
- Industrial and commercial income;
- Agricultural income;
- Non-commercial income; and
- Movable assets income.

18 Social security contributions are assessed on salaries, incidental salaries, allowances, bonus, premiums and compensations. The social security contributions are due by both the employer (12.5% of the gross salary with an upper limit at XAF 500,000) and the employee (2% of the gross salary with an upper limit at XAF 500,000). The social security contributions due by the employee are deductible from his taxable income and are monthly withheld by the employer.

¹ Article 40 of the General Tax Code.

² When the personnel benefits from luxury housing (with garden or not), the amount to be taken in account is the actual cost. The tax administration has however still not defined the "luxury" notion.

³ Rate fixed at 25% with a maximum of XAF 50,000 per month for each person that is 15 years old or more and XAF 25,000 per month for each person that is less than 15 years old.

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Step 3: What to do before you arrive in Chad

Work permit/visa

19 A request to the National Office for the Employment Promotion for a work permit shall be filed by the employer before concluding a labor contract with a foreigner.

20 In order to be in compliance with both the labor and immigration authorities, all expatriates working in Chad must hold the following legal documents:

- An employment authorization that cannot exceed a **1-year period of time** ("autorisation d'emploi" in French);
- A work permit ("permis de travail" in French);
- A resident card ("carte de séjour" in French);
- A long-term visa and a return visa ("visa long séjour et visa retour" in French);
- A labor contract concluded for a limited duration to be stamped by the National Office for the Employment Promotion. The employment contract cannot start before this stage.

21 The delivery of these legal documents is interconnected and therefore, their duration will not exceed a 1-year period (renewal possible).

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Step 4: What to do when you arrive in Chad

Registration

22 There is no need to register for tax and social security purposes since this will be handled by the employer.

23 It is however necessary to register to the immigration services within three days after the arrival in Chad.

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Step 5: What to do at the end of the year

Tax return

24 Employers withhold payroll taxes from employees' salaries each month and pay the corresponding amount of tax to the Treasury. Prior to January 1st of each year, each employee must deposit, by using the forms provided by the tax authorities, an individual declaration of all income received during the past year. In addition to his salaries, the employee (and his family members, if applicable) must declare all income from property, movable assets, services rendered, etc., when applicable. The taxpayer shall then pay additional taxes if the installment payments (withholding taxes on employment income or other income) are insufficient to cover the amount of tax due.

25 The non-depositing exposes the employee to an arbitrary tax reassessment notice issued by the tax administration (Article 93 of the General Tax Code).

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Step 6: What to do when you leave Chad

Departure

26 The assignee leaving Chad shall file a tax return reporting all income earned during the period between January 1st (or the date of his arrival in Chad) and the date of his departure.

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Appendix A: Individual income tax rates

Individual income tax rates for 2008

Personal Income Tax is calculated according to a schedule given by the General Tax Code. This is a progressive rates system and, for each bracket, the rate is applied to the corresponding part of the taxable income as shown in the table below:

Annual income over (XAF)	Not over (XAF)	Tax Rate
0	300,000	20%
300,000	800,000	25%
800,000	1,000,000	30%
1,000,000	1,500,000	40%
1,500,000	2,000,000	45%
2,000,000	3,000,000	50%
3,000,000	6,000,000	55%
6,000,000	and above	60%

The annual personal income **on salary income** is calculated as follows:

1 The taxable income is calculated after deduction of:

- Social security contributions;
- A standard deduction of 40%.

2 The net amount determined:

- Is the base of a tax credit amounting to 4% of this amount;
- Is divided by the number of tax portions (based on the family situation and the fact that the dependent persons are tax residents in Chad).

3 The amount calculated is then submitted to the above schedule and multiplied by the number of tax portions in order to obtain the final taxation. The tax credit is then deducted.

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Appendix B: Individual key rates and limits

Individual key rates and limits for 2007

	Employees contributions	Employer's contributions
Old age, disability and death pension	2% of gross salary limited to XAF 500,000 per month	4% of gross salary limited to XAF 500,000 per month
Family and Maternity	-	6% of gross salary limited to XAF 500,000 per month
Industrial accident and occupational disease	-	2.5% of gross salary limited to XAF 500,000 per month
Total social security contributions	2% of gross salary limited to XAF 500,000 per month (upper limit: XAF 10,000)	12.5% of gross salary limited to XAF 500,000 per month (upper limit: XAF 62,500)

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Appendix C: Double-taxation agreements

Countries with which Chad currently has double-taxation agreements:

Cameroon	Congo Brazzaville	Gabon
Central African Republic	Equatorial Guinea	

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Appendix D: Chad contacts and offices

Contacts

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Chad

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