

TAX

2021 STATE BUDGET LAW

VdA EXPERTISE



February 2021

The 2021 State Budget of Equatorial Guinea was enacted by way of Law 9/2020, of 22 December 2020.

Having as background the worldwide fight against COVID-19 and its impact on the national economies, the 2021 Budget Law is aimed at creating the proper conditions for a strong and sustainable growth, keeping in line with CEMAC's strategy. The main goals of the 2021 Budget Law may be outlined as follows:

- Continuing the reduction of the macroeconomic imbalances (at a time Country's resources are directed to strengthen the social sector, mitigating the impact on the less fortunate and fighting against the Pandemic);
- Address the financial sector's weaknesses;
- Promote economic diversification; and
- Foster good governance and transparency.

Accordingly, the need to (i) rationalize and contain spending and (ii) improve the collection of non-oil revenues is highlighted in the 2021 State Budget Law.

The most significant changes introduced by the 2021 State Budget Law are the following:

- **Minimum Income Tax:** after many years set at 3%, the Minimum Income Tax rate is now reduced to 1.5%;
- **Withholding Tax – Services:** the withholding tax rate applicable to services rendered by non-resident suppliers (individuals or legal entities) is set at 15%;
- **Withholding Tax (income from movable capital):** Income from movable capital obtained by non-resident individuals remains subject to 25% corporate income tax withholding. Resident individuals are subject to progressive withholding rates. For resident legal entities a withholding rate of 10% is applicable.
- **Registration Duties on Public Contracts:** the 2% registration fee applicable to public contracts awarded during year 2020 was reduced to a 0.5% for 2021;
- **Hotel stay fee:** an hotel stay fee of 1,000 CFA francs per day and per "star" applies to promote the tourism sector; and
- **Ministry of Labour, Employment Promotion and Social Security ("MoL") Fees:** supressing a void left by the 2017 Fees Law (on fees chargeable by EG administrative authorities according to the sector of activity), which failed to include a section on the fees chargeable by the MoL, the 2021 Budget Law establishes several fees that may be charged by the MoL, including for the registration of companies and employment contracts at the MoL and the issuance of different types of work permits for foreign workers.

The 2021 Budget Law applies as of the 1st of January 2021, which, considering its date of enactment/publication, appears not to be entirely consistent with the General Tax Law in force in Equatorial Guinea (whereby "tax provisions enter into force 20 days after being published in the State's Official Gazette or in any other official publication replacing it, without prejudice to being publicized by the national media"). However, since the General Tax Law and the 2021 Budget Law have the same standing (both are enacted by the Parliament), the 2021 Budget Law's should prevail.

Contacts



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