

Equatorial Guinea's New Tax Law: A Step Towards Economic Growth and Investment Attraction

In a move aimed at modernizing its tax system and boosting investment, Equatorial Guinea has introduced a significant overhaul of its tax legislation with the passage of Tax Law No. 1/2024. This reform seeks to make the tax system more business-friendly, simplify compliance procedures, and enhance revenue collection for the government. Here's a breakdown of the key provisions under the new tax regime.

1. Corporate Income Tax (CIT) Reduction

One of the most notable changes in the new tax law is the reduction in the Corporate Income Tax (CIT) rate. The CIT rate has been lowered from 35% to 25%. This change is designed to stimulate investment by making it more attractive for both local and foreign businesses to operate in Equatorial Guinea. The reduction in corporate taxes aligns the country with global trends aimed at creating a more conducive environment for business growth.

2. Introduction of Minimum Income Tax (MIT)

A new Minimum Income Tax (MIT) has been introduced at a rate of 1.5%. This tax will be paid twice a year, with the first payment due by July 15th (covering the period from January 1st to June 30th) and the second by January 15th of the following year (covering the period from July 1st to December 31st). While this change is expected to enhance the country's fiscal position, it may also increase the administrative burden on companies, requiring them to ensure compliance with more frequent declarations.

3. Personal Income Tax (PIT) Simplification

The reform also brings simplification to the Personal Income Tax (PIT) system. The rate for high earners is now capped at 25%, applicable to individuals with annual incomes exceeding 20,000,000 XAF. This change reduces the complexity of the tax structure, benefiting individuals who earn higher salaries, while also ensuring that the tax system remains progressive and equitable.

4. Withholding Tax (WHT) in the Hydrocarbon Sector

Equatorial Guinea's oil and gas sector, one of the country's most significant sources of revenue, is also affected by the new tax law. Withholding Tax (WHT) has been adjusted to 3% for resident entities, while non-resident entities will face a higher rate of 10%. This targeted approach aims to improve cash flow for local companies and reduce operational costs for foreign companies.



operating in the country. The goal is to encourage local participation in the sector and stimulate the economy.

5. Dividend Taxation

The taxation of dividends remains largely unchanged under the new law. Resident entities will continue to face a 10% tax on dividends, while non-resident entities will be taxed at 15%. This aligns with international standards and maintains Equatorial Guinea's competitiveness as an investment destination for foreign companies.

6. Tax on Business Profits for Individuals

Another significant change is the taxation of individual business profits. Individuals who regularly engage in profitable economic activities will now be subject to a 25% tax on their business profits. This is applicable to individuals who derive their income from economic activities but excludes income that is already taxed under other categories.

7. Tax Administration and Compliance

The tax reforms also focus on improving tax administration and compliance. The introduction of semi-annual tax payments, clear guidelines for corporate tax, and the simplification of personal income tax brackets all aim to reduce the complexity of compliance for businesses and individuals. Additionally, businesses are encouraged to leverage modern tax systems and digital platforms to ensure timely and accurate reporting.

8. Impact on Foreign Investment

These tax reforms are expected to have a profound impact on the country's ability to attract foreign investment. The reduction in corporate income tax and the introduction of a more predictable and transparent tax system will make Equatorial Guinea a more attractive destination for multinational companies and investors looking for stability and growth opportunities in Central Africa.

Conclusion

Equatorial Guinea's new tax law represents a major step forward in the country's efforts to modernize its fiscal system, create a more attractive investment environment, and promote sustainable economic growth. The reduced corporate tax rates, the introduction of the Minimum Income Tax, and simplified personal income tax structures are all designed to stimulate business activity, encourage investment, and improve government revenues.



As businesses adapt to the new tax law, it is important to stay informed and ensure full compliance with the updated provisions. The reforms are set to position Equatorial Guinea as a more competitive and economically dynamic nation, both within Africa and on the global stage.

Here's a brief chart summarizing the key components of Equatorial Guinea's new tax law:

- **Corporate Income Tax (CIT):** 25%
- **Minimum Income Tax (MIT):** 1.5%
- **Personal Income Tax (PIT):** 25% for individuals earning over 20,000,000 XAF annually
- **Withholding Tax (WHT) in the Hydrocarbon Sector:** 3% for residents, 10% for non-residents
- **Dividend Tax:** 10% for resident entities, 15% for non-residents
- **Business Profit Tax (Individuals):** 25% on business profits for individuals engaged in economic activities