A brief overview to help navigate the Senegal – UK Tax Convention

Tax treaties between nations set up processes to deal with taxation of individuals and entities that have interests that are subject to taxation in more than one country.

Senegal and the United Kingdom (UK) signed a tax convention on 26 February 2015 for the avoidance of double taxation as well as the prevention of tax evasion. It will come into effect once it has passed ratification procedures in both countries.

To which taxes does the Senegal – UK Tax Convention apply?

The convention covers taxes on **income** and **capital gains**. It has a wide application, including taxes imposed on total income and on elements of income, as well as taxes on gains from the sale of property and assets.

The convention applies to the following specified taxes and will also apply to any identical or substantially similar taxes that are imposed in the future.

Senegal taxes	UK Taxes
Income tax on companies	Income tax
Minimum income tax on companies	Corporation tax
Income tax on individuals	Capital gains tax
Capital gains tax on developed and undeveloped land	

To whom does the Senegal – UK Tax Convention apply?

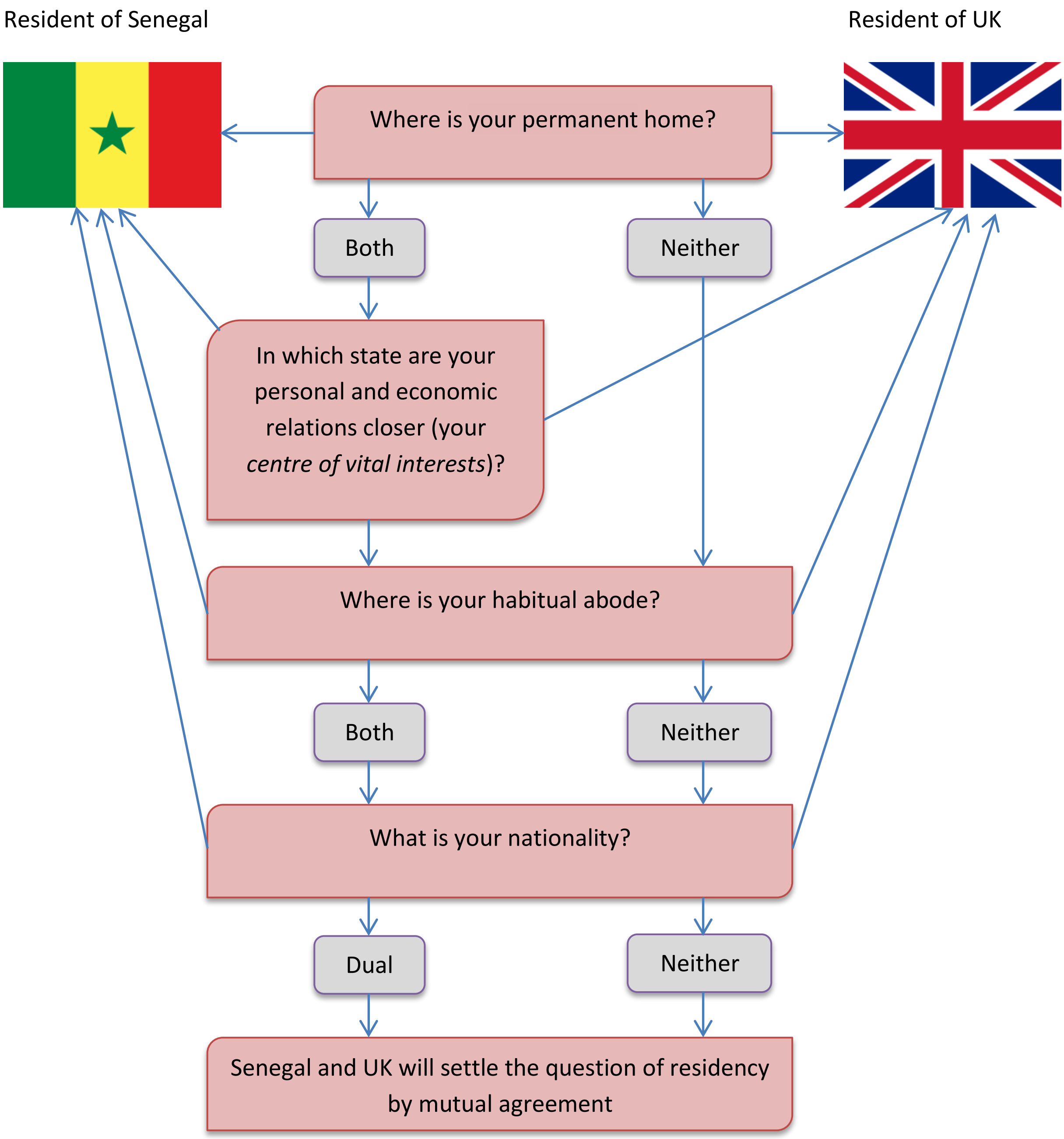
The tax convention sets out how a "resident" of Senegal or the UK will be taxed in either Senegal or the UK, or both. The tax convention first sets out the method for determining the residency of the individual or entity and then describes how taxes will be levied in the state of residency or in the other state.

An individual or a company will be considered a resident of Senegal or the UK if she/he/it is liable to tax in that state by reason of **domicile, residence, place of management place of incorporation or any other criterion of a similar nature**.

If, by using this definition, an entity that is not an individual would be considered a resident of both Senegal and the UK, then the countries will endeavor to determine the state of residency by mutual agreement.

For individuals, the chart the following page explains how residency will be determined if, by using the definition, the individual would be considered a resident both countries.

Determining the residency of an individual under the Senegal – UK Tax Convention



Some of the general principles of the Senegal – UK Tax Convention

Below are some of the general principals contained in the tax convention. This table provides a snapshot of the overarching tax allocations made in the convention. Please note that the convention also outlines specific exceptions to the general principals below and particular calculations of apportionment in some cases, so this table must be treated as an overview only and not as legal advice.

Income from **immoveable property** situated in the non-resident state	This income (such as from letting the property) may be taxed in the **non-resident state.**
Business profits of an enterprise	These profits are taxed in the **state of residency of the enterprise**, unless the business is carried out by a permanent enterprise in the non-resident state. In that case, the portion of the profits **attributable to the permanent enterprise** will be taxable in the non-resident state.
Profits from operating **ships and aircraft** in international traffic	These profits are taxable by the state where the **effective management** of the enterprise is situated.
Profits from **associated enterprises** resident in different states.	In specified circumstances, profits of associated enterprises in different states may be **taxed in the other state**.
Dividends paid by a company that is resident in one state to a resident of the other state.	These dividends may be **taxed in either state**, but there are limits to how much tax can be paid in one state if the **beneficial owner** is a resident of the other state.
Interest arising in one state and paid to a resident of the other state.	This type of interest may be **taxed in either state**, but there are limits to how much tax can be paid in one state if the **beneficial owner** is a resident of the other state.
Royalties arising in one state and paid to a resident of the other state.	Royalties such as these may be **taxed in either state**, but there are limits to how much tax can be paid in one state if the **beneficial owner** is a resident of the other state.
Capital Gains derived by a resident of one state where the property that is the source of the gains is located in the other state.	Capital Gains derived by a resident of one state from the sale of certain types of property in the other state, may be **taxed in the non-resident state** in certain circumstances. Otherwise it will be **taxed in the state of residency** of the person alienating the property.
Employment Income earned by a resident of a state for work undertaken in the other state.	In general, income from employment may be **taxed in the state that the employment takes place**. However, a resident of one state can only be taxed for employment that is carried out on the other state if certain requirements are met, relating to time spent in the non-residency state and the residency of the employer.

Directors' Fees earned by a resident of one state for membership on the board of a company that is resident in the other state.	Taxes on these Director's fees will be payable in the country of the **company's residence**.
Income directly earned by a resident of one state for **artistic, entertainment of sports work** undertaken in the other state**.**	In general, income from artistic pursuits may be taxed in the **state where the work was performed**. Activities undertaken as part of cultural exchanges supported by public funds are exempted from this rule.
Pensions	Pensions are only taxable in the **state of residency** of the recipient of the pension.
Government Income	Income paid by the government of a state can only be **taxed by that government**, unless the person receiving the income meets particular residency requirements of the other state.

Double Taxation

The tax convention also contains a **double taxation provision**. This states that if a resident of one country derives income that, in accordance with the convention, may be taxed in the other country, then that will be allowed as a deduction. This ensures that even if tax is required to be paid in both jurisdictions, no particular item will be taxed twice.

For further information or advice, please contact:

Mouhamed Kebe
mhkebe@gsklaw.sn

Papa Massal Sow
m.sow@gsklaw.sn

Louisa Gibbs
l.gibbs@gsklaw.sn

GENI & KEBE
47, Boulevard de la République
BP 14392 | Dakar, Sénégal
T. +221 338 21 19 16 | +221 33 822 46 36
F. +221 33 842 62 75
info@gsklaw.sn