



**MGI Qualex**

Ready to serve you in Madagascar and Internationally

# A Guide to Doing Business Madagascar

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## About Madagascar

Located south of the equator, in the Indian Ocean, Madagascar is the fifth largest island in the world (587,295 km<sup>2</sup>) after Australia, Greenland, New Guinea and Borneo. Madagascar is part of the African continent, and the Mozambique Channel separates it from East Africa. The country is surrounded by other islands and archipelagos including Mauritius, Seychelles, Mayotte, Comoros and Reunion.

Its capital is Antananarivo and the country's currency is the Ariary (MGA).

- Madagascar's economy is essentially based on agriculture. About 80% of the inhabitants of the island are farmers. Agricultural products, particularly cloves, vanilla, cocoa, sugar, pepper and coffee, are among Madagascar's biggest exports. Madagascar produces the second largest vanilla harvest in the world.
- Madagascar has a large herd of zebus, which provides the main meat consumed in the country.
- Madagascar has significant gold, nickel, cobalt and ilmenite reserves, as well as a sapphire deposit in the south of the island.
- Shrimp fishing, devoted mainly to export, represents the strongest fishing activity on the island.
- Tourism is one of the most important economic activities for Madagascar. It is one of the main sources of foreign currency in the country. Tourism focuses on the country's natural parks. The fauna and flora of Madagascar are the best preserved in the world. The Big Island is home to many endemic species including all lemur species.
- Madagascar's banking system is fully privatized. The Central Bank of Madagascar lists 11 territorial banks, 7 financial establishments and 29 microfinance institutions. Of the 11 local banks, only 4 are deposit banks with a relatively dense branch network. The others are essentially investment banks.

## Fast Facts

- **Area:** 587,295 km<sup>2</sup>, fifth largest island in the world after Australia, Greenland, New Guinea and Borneo
- **Total population:** 26,955,737 inhabitants (2020)
- **Capital:** Antananarivo, population nearly 3,209,933 (2018)
- **Currency:** Ariary (MGA)
- **Language:** Malagasy, French



# Business legal forms

The most common legal forms in Madagascar are:

- **Sole proprietorship** (EI: Entreprise Individuelle)
- **Limited liability company** (SARL: Société à Responsabilité Limitée)
- **Public limited company** (SA: Société Anonyme)



Sole proprietorship (EI: Entreprise individuelle)	Public limited company (SA: Société anonyme)	Limited liability company (SARL: Société à responsabilité limitée)
<ul style="list-style-type: none"> <li>• Personal and business assets are combined</li> <li>• It is not possible to transform a sole proprietorship into a commercial company</li> <li>• In case of business failure, personal assets can be seized to repay debts</li> </ul>	<ul style="list-style-type: none"> <li>• The capital must be greater than MGA 10,000,000 if there are several shareholders, and MGA 1,000,000 if there is only one shareholder.</li> <li>• Shareholders are only liable for social debts up to the amount of their contributions</li> <li>• The rights of shareholders are represented by shares</li> <li>• The management is ensured either by a board of directors, or by the general administrator according to the statutes</li> <li>• The appointment of an auditor is mandatory</li> </ul>	<ul style="list-style-type: none"> <li>• No minimum capital is required and can be set up by a single person</li> <li>• Management is provided by a manager who may be a partner, or a third party appointed by the partners</li> <li>• The appointment of an auditor is optional except in the following cases:</li> <li>• The annual turnover is greater than MGA 200,000,000                             <ul style="list-style-type: none"> <li>- The permanent workforce is over 50</li> <li>- Capital is greater than MGA 20,000,000</li> </ul> </li> </ul>

## There are other legal forms:

**General partnership** (SNC: Société en Nom Collectif) : Partnership formed by traders (2 minimum) who have unlimited liability towards the company.

**Simple Limited Partnership** (SCS: Société en Commandite Simple): Company with 2 types of partners, the general partners who are the managers with unlimited liability and the limited partners who are contributors of capital, liable only up to the amount of their contributions.

**Civil Society** (SC: Société Civile): Partnership with at least 2 partners whose activity is

purely civil and thus does not include any act of commerce (sale, purchase resale, rental, transport or banking operations, etc.)

**Economic Interest Grouping** (GIE: Groupement d'intérêt Economique): Duly formalized group of companies that join together for non-commercial activities, each company has unlimited liability

**Foreign Law Company** (SDET: Société de Droit Etranger): Branch or liaison office or agency of a company of foreign origin.

# Taxation

The Malagasy tax system is based on the **declarative system** which allows the taxpayer not only to declare their turnover, income or taxable profit, but also to calculate or liquidate the taxes or duties due and pay them to the tax center.

Taxpayers must have their **tax registration number** allowing them to carry out all tax obligations with the managing tax center. It should be noted that the tax system in Madagascar is updated annually.



The following diagram summarizes the tax categories in Madagascar:



# Taxation

## Taxes on wage income and similar

### Income tax

Are subject to income tax:

- Companies whose annual turnover exceeds MGA 200,000,000
- Resident independent consultants if their income exceeds MGA 200,000,000
- The majority managers of a limited liability company
- The co-managers if they are majority shareholders
- The managing partner of limited liability companies with a single shareholder

The rate applied is 20%, calculated on the tax result of the year.

**Tax result = Accounting result – Tax deductions + Additions of non-tax deductible expenses**

The filing of the declaration must be made no later than the 15th day of the fifth month following the end of the financial year.

### Synthetic tax

This tax is levied on the income of liberal professionals and companies whose gross annual income does not exceed MGA 200,000,000. The rate applied is 5%, calculated on the turnover.

### Taxes on wage income

The State deducts it from the earnings and allowances of private sector employees and civil servants, embassy and consulate staff, employees of international organizations, etc.

Progressive rates are applied according to the table below:

Income bracket	Rate
Less than 350,000	0%
Between 350,000 and 400,000	5%
Between 400,000 and 500,000	10%
Between 500,000 and 600,000	15%
greater than 600,000	20%

### Taxes on real estate capital gains

This is a fee that the tax administration levies on the gains generated by a concession of real estate. The rate is 20%, calculated on the difference between the sale price and the cost price. The cost price is set at 25% of the sale price.

### Investment income tax

It is a tax that the State levies on interest on current accounts, loans, investments and cash certificates, but also on other obligations of any company holding a Malagasy Tax Identification Number.



# Taxation

## Value added tax

Value Added Tax (VAT) is a tax on turnover, collected by companies and paid into the state coffers. The VAT rate applied in Madagascar is 20%. However, that of exports of goods and services is 0%. A company can be subject to IR without being subject to VAT.

Companies making at least an annual turnover excluding tax of MGA 400,000,000 are obligatorily subject to VAT. New companies planning to make a turnover of more than MGA 400,000,000 upon their creation can be subject to VAT according to their choice.

The person subject to VAT is required to submit the declaration no later than the 15th of the month following the tax period.

The calculation of the VAT to be paid is as follows:

**VAT payable = VAT collected – VAT deductible**

The VAT collected is made up of the amount of VAT mentioned in the taxpayer's invoices for the sale of goods or services.

On the other hand, deductible VAT is the sum of the VAT shown in purchase invoices.

The resulting tax may consist of either a VAT payment or a VAT credit.

## Property taxes

For the calculation of property tax on bare land, land is classified into 6 categories according to its use, the tax is obtained by applying a rate per hectare voted for 4 years by the municipal council.

Property tax on built properties is between 5 to 10% of the rental value of the building.

## Public procurement tax

This is a tax directly withheld by the public accountant, it is equivalent to 8% of the value of the public market.

This tax is in full discharge of VAT and income tax.

## Withholding VAT

Services performed by a supplier with no establishment in Madagascar are subject to this tax. The VAT collected is to be paid by its local accredited representative. Otherwise, the beneficiary of the service must repay the corresponding tax.

The applicable rate is 20% deductible from the beneficiary of the service.



# Taxation

## Withholding income tax

Transactions carried out in the waters and territories of Madagascar with non-resident entities, i.e. those that do not have a registered office or place of business in Madagascar, must be declared. The applicable rate is then 10% (5% for Mauritius).

The following transactions are subject to an income tax of 5%:

- Import or export operations carried out by persons or entities having no Tax Identification Number
- Purchases of services or goods made from suppliers who do not have a Tax Identification Number

## Miscellaneous duties and taxes

### Excise duties

The rate varies according to the products, for example:

- Local products to the detriment of imported products are exempt
- The rate is 8% for telecommunications and 5% for the import of new vehicles

### License tax on alcoholic beverages

The tax rate is voted annually by the municipal or communal council between MGA 100,000 and MGA 200,000. A 50% increase is applied for night establishments.

### Annual tax on automatic devices

- Slot machine: MGA 400,000 per device
- Other devices: MGA 100,000 per device

### Registration fees for deeds and transfers

The rate varies according to the nature of the act. The tax base is the price mentioned in the deed or its administrative value.





## About MGI Qualex

MGI QUALEX is an accounting firm created in 2009 in Madagascar.

Our accounting firm will be the trusted advisor you need as a business manager. MGI Qualex offers high quality services in its areas of expertise: chartered accountancy, auditing and consulting. We shall ensure proper performance of all or part of the accounting operations of your business.

### Our expertise



Bookkeeping and financial audit



Statutory audit and advisory



Financial and administrative management



Accounting management for third premises and for foreign companies

### Our strengths

The recognition of our management system by the ISO 9001: 2015 certification and the quality of our services make us a reference firm in Madagascar. With an accurate methodology, a professional management oriented towards customer satisfaction and quality, MGI Qualex is your trusted partner in Madagascar for the efficient management of your accounting.

### Your benefits

#### Cost an effectiveness:

- The expertise of a specialized outsourcing and accounting service provider
- Accounting assistance
- The efficiency of real-time work

#### Flexibility and simplicity:

- Real transparent information since you can check your accounts at any time
- Paper-free convenience

#### Guarantee of success:

- Total control of your accounts
- Reliable financial information



## International reach – makes a difference!

### Our global accounting network, your local contact in the world

MGI Qualex is a member of MGI Worldwide, a Top 20 international accounting network and association of independent audit, tax and accounting firms, which brings together the expertise of almost 9,000 professionals in some 400 locations around the world. Our membership enables us to keep abreast of important new developments, while providing a seamless international service to any of our clients looking for support abroad. Through MGI Worldwide, our firm benefits from connections with people we get to know and trust in all corners of the globe.

We can help you and your operations with a quick phone call to one of our colleagues or a complete service offering – whatever you need to make your international business a success. MGI Worldwide is a quality-controlled network, and, like all member firms, we are subject to review of our quality assurance systems and procedures against international standards.

For more information on MGI Worldwide visit [www.mgiworld.com](http://www.mgiworld.com)

## Our difference

MGI Worldwide member firms offer clients the personal support at partner level that big firms cannot match. Just like their clients our members are business owners who understand the highs and lows of entrepreneurial endeavour.

Typical clients are family businesses, entrepreneurs and fast growth enterprises. Together our personal touch, entrepreneurial approach and global reach all go to make the MGI Worldwide difference.



A member of



We are in **101** countries with **408** offices and **237** member firms connecting **8,619** professionals with over **75** yrs experience

## Contact us

Our team is there to **support** you throughout the life of your business

Your business will be handled by a high-performance, dynamic and **passionate team**

MGI Qualex is your **trusted partner** in Madagascar



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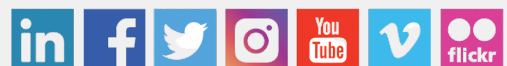
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