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A Guide to Doing Business
in Democratic Republic of Congo

A member of mgiworldwide

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Table of contents

About Democratic Republic of Congo (DRC)

The DRC is a land of multiple potentials and investment opportunities.

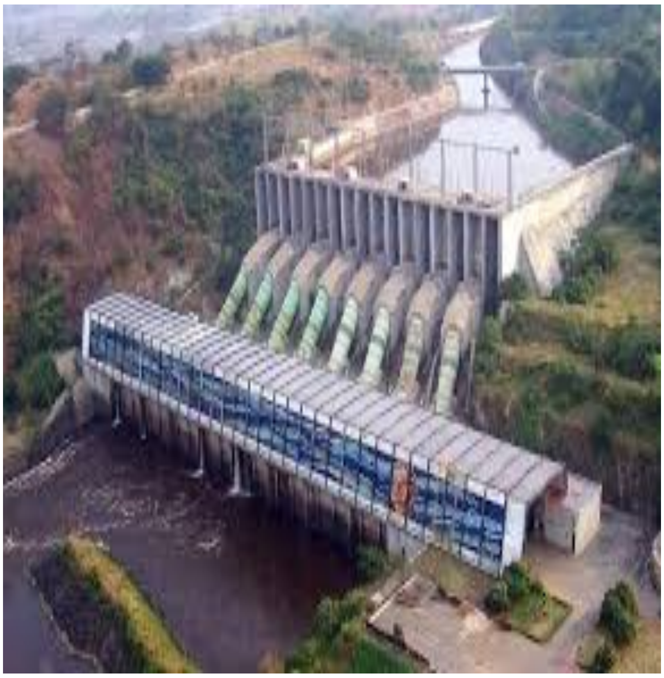
With basic infrastructure currently undergoing total rehabilitation and modernisation throughout the country; a thriving economy; abundant, skilled and cheap labour; and an increasingly favourable and reassuring political environment; the Democratic Republic of Congo (DRC), offers an attractive business environment.

DRC is arguably the largest market in the heart of Africa.

Fast facts

- **Area:** 2,345,409 sq km (2nd biggest African country, 4 times larger than France)
- **Total population (2016):** 81,331,050 (1st French-speaking country, 4th most populous)
- **Capital:** Kinshasa, population nearly 12 million (14 and a half million inhabitants in 2015)
- **Main** cities: Kinshasa, Lubumbashi, Matadi, Boma, Kinsangani, Goma, Mbuji Mayi, Kikwit, Mbandaka, Tshikapa, Kolwezi, Bukavu, Mwene-Ditu, Matadi
- **Currency:** Congolese franc (CDF)
- **Official** language: French
- **National** languages: Lingala, Kikongo, Swahili, Tshiluba

  From 320 to 450 languages and dialects (according to the classifications of linguists).



DRC in the sub-region

DRC is strategically located in Central Africa, promoting the expansion of its market to its 9 neighbouring countries with about 250 million potential consumers. The country belongs to several sub-regional markets: the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (CEEAC), and the Economic Community of the Great Lakes Countries (CPGL) and is crossed by several Transport Corridors: North, Central, South and West.

It is the second largest country in Africa, by area, after Algeria and the fourth most populous country in Africa (behind Nigeria, Ethiopia and Egypt). It is also the most populous French-speaking country. This huge territory (4 times the size of France) corresponds to the Congo River basin and shares borders with nine countries: the Republic of Congo (Congo Brazzaville), the Central African Republic, South Sudan, Uganda, Rwanda, Burundi, Tanzania, Zambia and Angola.

As part of the process of improving the business climate, DRC is, with the help of development partners, engaged in a broad programme of structural reforms that includes reducing red tape and delays, reducing the costs of operations, transparency of administrative procedures and legal and judicial security in investor affairs.

To do this, several reforms and restructurings have been undertaken with the aim of facilitating and supporting the creation of businesses, including:

- The creation of the National Agency for Investment Promotion (Law No. 004/2002 of February 21, 2002 on the Investment Code)
- The Single Business Creation Window Enterprises, created to provide multiple services in record time to investors
- Replacing the sales tax with a Value Added Tax

National institutions

The Democratic Republic of Congo is a parliamentary democracy with two chambers: the National Assembly and the Senate.

The regime is semi-presidential with a President of the Republic elected for five years.

State power is highly decentralised with 26 provinces.

The country's institutions are:

- The President
- Parliament
- The Government
- Courts

Social and economic council

Established in December 2014, the Economic and Social Council is a technical institution supporting the state in economic matters.

Its mission is to provide a framework for participants in socio-economic life, to give advice that can guide the Government's actions in economic and social fields, with a view to improving the quality of daily life of the population.

This institution is called upon to give advisory opinions on economic and social issues submitted to it by the President of the Republic, the National Assembly, the Senate and the Government.

It can, on its own initiative, draw the attention of the government and the provinces to reforms that it believes will promote the economic and social development of the country.

New customs, tax and legislation on investments

The Democratic Republic of Congo is firmly committed to a policy of appealing to both domestic and foreign capital for the development of the national economy. To this end, several incentives have been taken by the Government of the DRC to encourage economic operators to invest in different sectors of national life. This commitment was materialized by the publication of the Investment Code, the Mining Code and the Forest Code, which provide for general and specific investment benefits.

The Investment Code was promulgated by Act 004 of 21 February 2002, which sets out the general rules for direct investors, both domestic and foreign, materialized in the DRC, and provides specific provisions for SMEs and PMIs. An instrument containing tax and customs incentives for private, public and mixed economy investments to revive the Congolese economy.

All sectors of activity are covered by the Code, with the exception of mining and hydrocarbons, banks, insurance, arms and explosives production, military activities and commercial activities.

The duration and economic zones affected by customs, tax and para fiscal benefits for investments approved in the Investment Code are as follows:

Benefits	Duration	Economic Region	Economic city	Comments
Investment Code	3 years	Economic Zone A	Kinshasa	Customs, tax and para-tax benefits
Investment Code	4 years old	Economic Zone B	Central Congo, Lubumbashi, Liasi, Kolwezi	Customs, tax and para-tax benefits
Investment Code	5 years old	Economic Zone C	Remaining cities	Customs, tax and para-tax benefits

Socio-economic presentation

Employment and Social Security

Legal framework

- Act No.015/2002 of October 16, 2002 under the Labour Code (Articles 203 to 207)
- Order-Law No.74/098 of June 6, 1975 protecting the national workforce

1. Pre-hires in DRC

- Statement of vacancies at the National Employment Office (ONEM)
- A worker's employment must be the subject of a written and defined-term or indeterminate employment contract. This contract explicitly specifies the nature and class of employment, the rate of pay, the benefits to which workers are entitled, and other mandatory clauses imposed by the Labour Code
- Presentation by the candidate before the commitment, of all the documents that will be requested by the Company to build his file
- After a worker is hired, the employer must report it to the Ministry of Labour (N.B.: posteriori and not priori declaration)

2. Conditions for dismissal of agents

Legal framework

- Act No.015/2002 of October 16, 2002 under labour code (Articles 61 to 78)
- Departmental Order No. 11/74 of 19 September 1974 reviewed by Ministerial Order No. 025/95 of 31 March 1995 relating to the dismissal of workers

How to proceed

- In the event of a breach of the obligations imposed on him by the employment contract, as well as the applicable legal and regulatory provisions, the worker is liable to disciplinary sanctions dictated by the company regulations.
- Before the decision of any sanction, the offending worker must be given the opportunity to provide his explanations. The penalty will only be taken when proof of wrongdoing is established.
- Any dismissal must be justified by a valid reason related to the worker's suitability or conduct or based on the company's operational necessities.
- Any dismissal must be reported to the Ministry of Labour

Labour

Individual dismissal

Where dismissal is motivated and based on the company's operational necessities, it can only be pronounced after the advice of the trade union delegation followed by the express and written authorization of the Inspector of Spring Labour. In the case of termination of contract on the grounds of fitness or discipline, the dismissed worker must be immediately replaced so that the total number of employees does not change. The sanction will then be notified in writing to the worker.

Mass dismissal

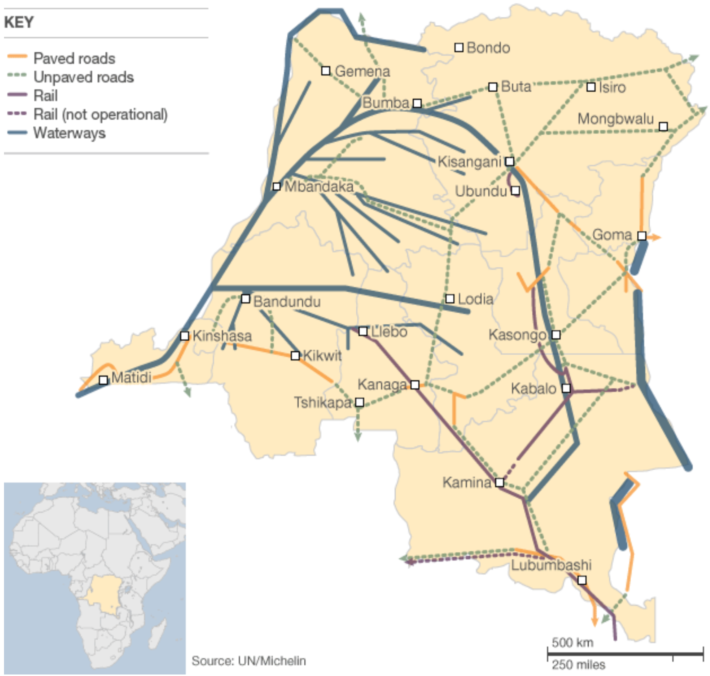
Mass dismissal is subject to prior approval by the Minister of Labour. The designation of the workers to be dismissed is based on the criteria set out in Ministerial Order No. 12/CAB. MIN/TPS/116/2005 of 26 October setting out the terms of workers' dismissal. In all cases, the final count and the certificate of termination of service will be given to the worker within the allotted time.

How expatriates are employment and dismissed

- Any employer who proposes to hire an expatriate worker must first submit the job offer to the National Employment Office "ONEM"
- The employer will also have to file the application of the expatriate candidate to the National Commission for the Employment of Foreigners in order to allow the said Commission to rule on the application for commitment and the granting of the work card for foreigners
- The Commission's rejection of the application to renew the work card for foreigners implies the dismissal of the expatriate concerned

DRC's economic potential

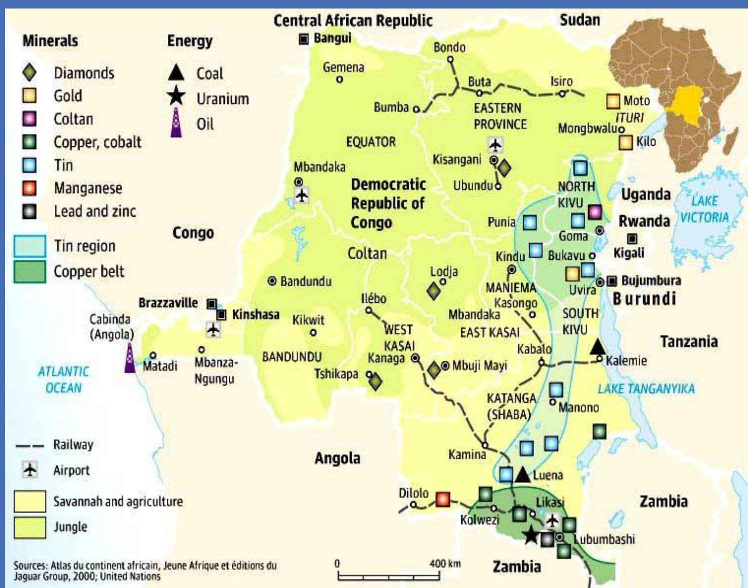
Infrastructure



- **Road network:** 152,320 km including 58,305 km of roads of general interest and 86,615 km of roads of local interest also known as "farm service road". About 2,000 bridges complete this road system and several hundred bins.
- **Closed network:** 5,033 km around three distinct axes (West, Southeast, Northeast).
- **River system:** 16,238 km of waterways.
- Old Infrastructure: 270 airports and airfields, of which some 30 are tarred.
- **Maritime infrastructure:** ports on the Atlantic (Boma, Matadi, oil port of Ango-ango) and the Eastern Lakes (Albert, Edward, Kivu and Tanganyika).

Mining Potential

- **Largest** world cobalt reserve (50%)
- **Second largest** world copper reserve (10% of recorded world total)
- Fourth largest world diamond producer (25% of the world's reserves)
- The Congolese subsoil is among the richest in the world, teeming with innumerable natural resources of an abundance and an incredible variety. These include cobalt, copper, diamond, gold, manganese, tin, uranium, zinc, wolfram, silver, oil, niobium, etc.



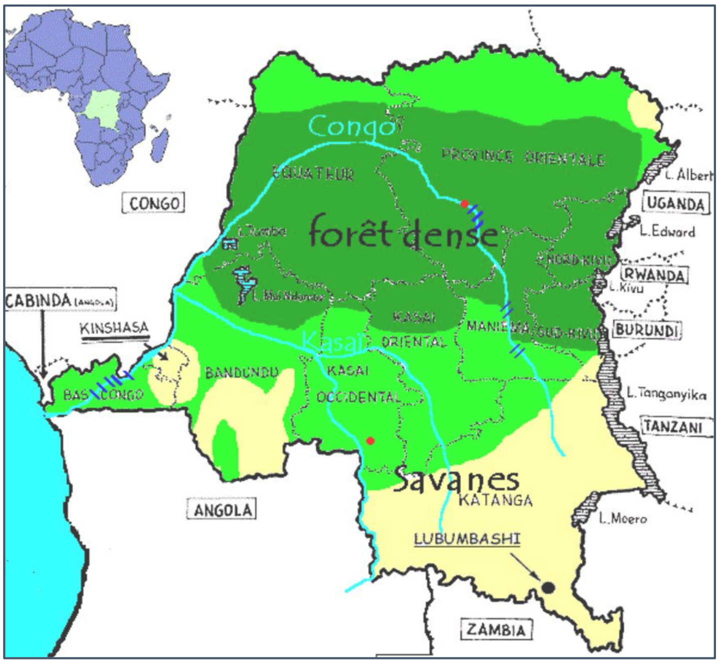
DRC's economic potential

Ecological potential

- **Forest:** With more than 47% of the continent's total equatorial forest, the DRC contains highly sought-after wood species. These include: afromosia, ebony, iroko, kambala,, lifaki, sapelli, tiama, wenge, tola, etc

- **Rivers:** The Congo River is the 2nd most powerful river in the world (after the Amazon) and is 4700km long. The DRC's water system includes many tributaries of the Congo River and large lakes. The DRC has 16% of Africa's drinking water supply.

- **Environment:** The country owns two-thirds of Africa's rainforest and has 135 million hectares of forests with a wide variety of eco-systems and an important biological heritage with endemic species of flora and fauna. Eight national parks, 63 reserves including 5 UNESCO World Heritage sites constitute an important natural heritage.



- **Climate:** DRC has three main climates
  - Equatorial climate
  - Humid tropical climate
  - Dry tropical climate

Climate diversity allows for a wide variety of agricultural production. In addition to the many tropical woods, Congo produces palm oil, coffee, cotton, cocoa, rice, peanuts, sugar cane, cassava, quinquina, pineapples, oranges, lemons, various vegetables and many other temperate crops. Congo is home to the majority of African flora and fauna, and more than half of Africa's forests are concentrated in the Democratic Republic of Congo.

Corporate Tax

Tax management of business creation in DRC

Once you've started your business, you'll need to sign up for a variety of direct and indirect taxes, including:
Corporate tax known as Income and Profit Tax
Employment tax known as income tax or professional income tax
Value added tax (VAT) of 16% domestically and 0% on exports for those subject to it.

However, the stage of business creation and the stage of tax accountability must be distinguished. A company created cannot pay anything if it is not yet operational in terms of its activities.

In doing so, any person or company engaged in a professional activity, whatever the nature, must have a Tax Number (NIF) with the General Directorate of Taxes within fifteen (15) days after the actual start of its activities.

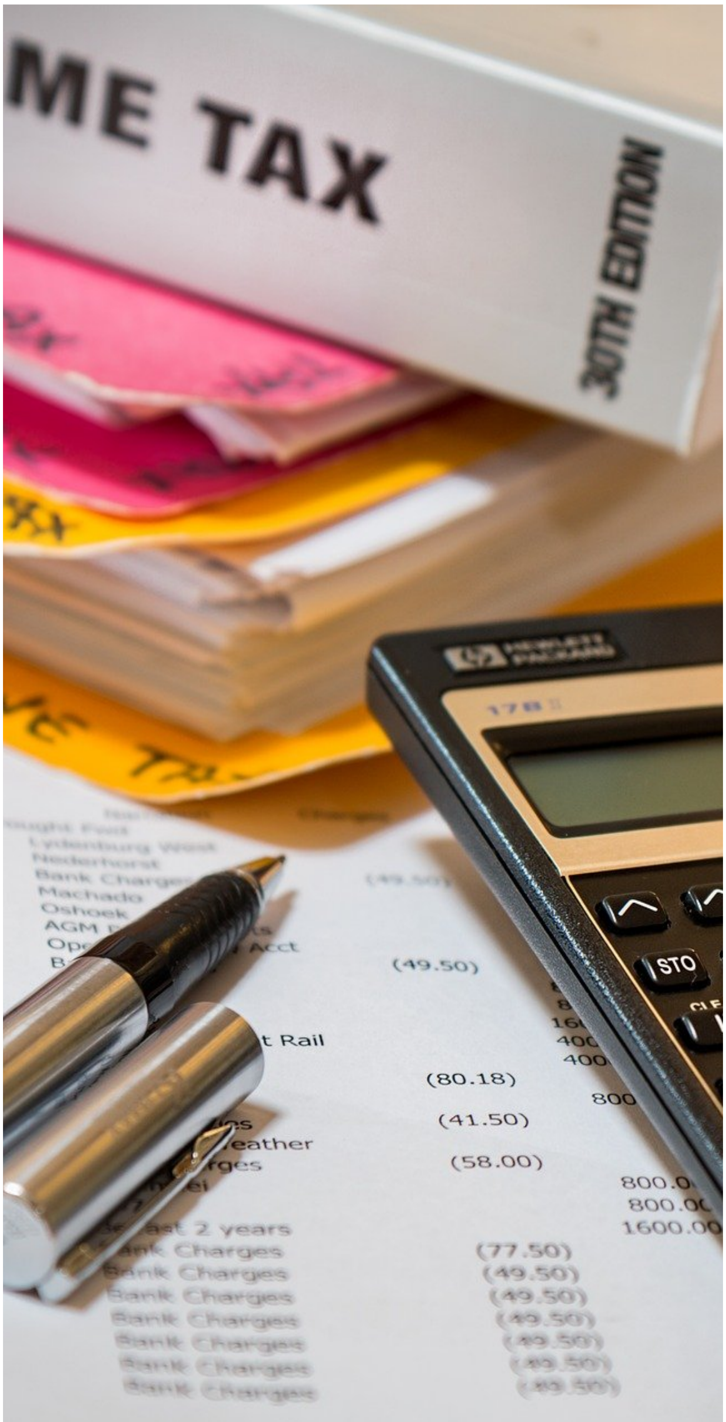
Income tax and profits

A capital company located in the Democratic Republic of Congo is liable for tax on profits and profits at a rate of 30%% from the fiscal year 2019, which rate has been revised downward 35% in previous years.

Tax rates

There are 4 types of taxation or ways to tax:

1. The Common Law scheme with **30%** for **large enterprises,** medium-sized enterprises and small businesses in 1st category.
2. The progressive **revenue** schedule for small **businesses,** particularly small businesses at the rate of:
   - **1%** for sales activities
   - **2%** for service activities
3. The **IBP** of services for non-established individuals or corporations in the DRC at a rate of **14%.**
4. The annual flat-rate tax for **Micro Enterprises** set at 50,000FC.



Payment of corporate tax

Companies pay corporate tax on their profits, but also in the event of a loss-making result in the year they will pay 1% of the declared turnover, which will be deducted from the profits made in the next financial years within the limit of 60% of the tax profit before imputation, as well as the professional losses.

Innovations in the 2018 Finance Act in the context of the current business climate

(update to follow shortly):

1. General Directorate of Taxation

A. Tax measures relating to tax and transfer pricing

Tax	Before 2018	After 2018	Comments
PBI	Common law tax rate 35%	Common law tax rate 30%.	Rate harmonization between the common law regime and the mining regime.
	Deduction only of tax-admitted business losses in a loss-making accounting year.	Deduction of business losses from an accounting year as well as minimum tax paid (1%) deficit result.	Reminder: In the event of a loss-making result for the year, companies under the DGE and ILCs are automatically subject to a minimum tax of 1% of the reported turnover.
IPR	Progressive scale at 10 tranches (0%, 15%, 20%, 22.5%, 25%, 30%, 32.5%, 35%, 37.5%, 40%).	Progressive scale to 4 slices (0%; 15%; 30%; 40%).	Regardless of the rate applied, the net tax cannot exceed 30% of the taxable base.
VAT		Any individual or legal person subject to VAT is now identified by a VAT number whose allocation terms will be determined by an Order of the Minister of Finance.	To this end, all VAT liabilities must take out a declaration of subjection before the start of its activities.
		Any individual or corporation subject to VAT must purchase the electronic billing window connected to the central server of the tax administration in order to trace the transactions related to it.	Any debtor who deliberately corrupts the operation of the electronic device will be subject to payment of a fine of 5,000,000.00 FC and triple in the event of a repeat offence.
Transfer prices		Companies that have relationships with other companies in the group must subscribe within 2 months of filing the IBP, a return containing documentation on the transfer price according to the tax administration model.	This statement should include: -general information about the associated group of companies; -Specific company information; -the presentation of the transfer pricing method used.

B. Tax measures relating to tax and transfer pricing

	Penalties	Before 2018	After 2018
A.	Plate penalties		
1.	Case of statutory taxation or statutory taxation for lack of reporting.	An increase equal to 50% of the amount of tax due for the[1st] offence and 100% in the case of reoffending.	The increase is 50% of the amount of the tax restored and is 100% in case of reoffending.
1.	Case of statutory taxation for incorrect or vague reporting	An increase equal to 25% of the amount of tax due for the[1st] offence and 100% in the case of reoffending.	The increase is 50% of the amount of the tax restored and is 100% in case of reoffending.
B.	Recovery penalties	Before 2018	After 2018
	Cases of late payment of tax and other duties due	In the case of relief or statutory taxation, a late interest is applied at 4% per month of delay.	In the case of relief or statutory taxation, a late interest is applied at 2% per month of delay.
		No ceiling. Recovery rate on delay of up to 300%.	The recovery rate on late payment is now capped at 50% of the tax evaded or automatically reconstituted.

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