KPMG publishes inaugural Africa Incentive Survey

At the KPMG Pan African Tax Conversation, which took place earlier this month in Cape Town, the group released its inaugural Africa Incentive Survey (2016), which contains useful informati for business across 28 countries on the continent, representing 81% of Africa's US $2.4 trillion GDP and home to three-quarters of Africa's 1.2 billion population.

This Survey can be regarded as a guide that will help both local and foreign investors understand the landscape of incentives offered by African countries. All countries surveyed offer a range of enhanced tax incentives, ranging from accelerated allowances for capital expenditure, special allowances for investmen in certain industry sectors (such as manufacturing, infrastructure, tourism) as well as tax holidays ranging from 3 to 10 years.

At least 21 of the 28 countries surveyed offer incentives relating to Special Economic Zones, which appea to be a feature of industrial development initiatives in African countries. More than a third of the 28 countrie surveyed offer incentives related to traditional manufacturing, with South Africa, Nigeria and Morocco being notably the only three countries in Africa that offer cash grants in addition to tax incentives, all of which require prior approval by government agencies.

Trevor Hoole, chief executive, KPMG in Southern Africa says that the release of the Africa Incentive Surve is a clear indication of how Africa is rising. “I believe that the Survey is an invaluable guide and if you’re looking to understand the various incentives available in Africa, this is the perfect roadmap for you,” says Hoole.

Mohammed Jada, head: R&D Tax and Incentives, KPMG Africa desk, notes that the countries participating in the survey achieved a 9% average growth in their GDP for the period 2012 to 2014, whilst their populations have grown by 43.2 million to just under 870 million people (source http://data.worldbank.org/country).

“There is a growing trend of trade regionalism in the world and within Africa, to enter into more bilateral and multilateral trade agreements globally. The proposed Tripartite Free Trade Area (TFTA), which would cove 26 (out of 54) African countries is aimed at creating the biggest free-trade area on the African continent.

“This may be our answer to the range of Free Trade Agreements that have been concluded within Asia, th EU and most recently the Trans Pacific Partnership (TPP) involving the US and 12 countries across the Pacific Rim. The potential for Africa to capitalise on trade within the continent is not to be missed, given th growing size of the population in Africa (about 18% of the world’s population).”

The TFTA will result in consolidating the three significant trade blocks: the East African Community (EAC), the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

The Survey has a wealth of information for any investor in Africa and contains useful summary tables for quick reference, with detailed information provided on incentives offered by each country participating in th survey as well as valuable local “Good to Know” facts from the KPMG network of tax professionals across Africa.