

UNION OF THE COMOROS

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ASSEMBLY OF THE UNION

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LAW No. 06

**Establishing the Finance Law of the
Union of the Comoros for 2006**

**Pursuant to the provisions of Article 27 of the Constitution of the Union of the Comoros
of 23 December 2001, the Assembly has discussed and adopted the following Law:**

Article 1: Taxes and charges, as well as other proceeds and revenue, apply throughout the territory of the Republic for the benefit of the State budget, public institutions and the autonomous islands, pursuant to the laws and regulations in force and the provisions of this Finance Law.

Article 2: The internal government revenue for the general budget is fixed at KMF 24,400 million, in accordance with Annex 1 to this Law.

Article 3: Government revenue directly transferred to the autonomous islands and paid into their own accounts opened in the books of the Central Bank shall be composed of the following taxes and charges:

- operating licences;
- the single professional tax (TPU);
- the tax on built and leased property (IPBL);
- registration fees;
- the tax on diesel motor vehicles;
- road tax;
- parking charges;
- proceeds from the sale of fiscal stamps for administrative documents;
- tax on insurance contracts;
- inheritance tax:
- tax on leases;
- environmental taxes;
- land tax;
- tax on performances and events;
- fines and convictions;
- hotel tax;
- revenue from government boards in the autonomous islands;
- other domain income.

Article 4: Own revenue is determined at KMF 1,271.34 million, broken down as follows:

- ANJOUAN: KMF 459.54 million
- MWALI: KMF 62.80 million
- NGAZIDJA: KMF 749.00 million

Article 5: The income to be shared between the Union and the autonomous islands shall be paid into a special account opened in the books of the Central Bank of the Comoros and shall be composed of the following taxes and charges:

- import permits;
- permits for alcoholic beverage outlets;
- tax on various profits (IBD);
- tax on salaries;
- consumption tax;
- general income tax (IGR);
- tax on property income (IRVM);
- IBD advance (AI);
- single import tax (TUI);
- specific single tax (TUS);
- tax on tobacco and alcohol and additional levies;
- internal tax on petroleum products (TIPP) and additional levies;
- special tax on perfumery and cosmetics products;
- internal consumption tax on rice and additional levies;
- administrative fees for visas and leases;
- proceeds from the sale of fiscal stamps for travel documents and national identity cards;
- dividends from Central Bank companies, State-owned companies and public institutions;
- financial income and income from privatization;
- fishing rights;
- other fines in a list to be determined by the Minister of Finance;
- income from ship registration;
- single administrative charge;
- income from the Union's exclusive domain;
- royalties on containers and other goods in transit through all national ports.

Article 6: The revenue to be shared is determined at KMF 23,128.66 million, to be assigned to charges as follows:

- non-budgeted resources: KMF 1,717 million;
- public debt and international contributions: KMF 3,703.29 million;
- pensions: KMF 1,163.89 million;
- supply of services: KMF 550.20 million;
- funds paid into the Comorian Pension Fund: KMF 250 million;
- highway maintenance fund: KMF 220 million; and fund for new drilling and water supply: KMF 100 million.

After deduction of the above charges, the remaining amount shall be divided as follows, pursuant to the organic law determining shares:

- Union: KMF 5,904.10 million or 37.5%;
- Ngazidja: KMF 4,313.93 million or 27.4%;
- Anjouan: KMF 4,046.28 million or 25.7%;
- Mwali: KMF 1,479.96 million or 9.4%.

Article 7: Before the revenue is shared among the aforementioned accounts, the following levies shall be deducted from the special account of revenue to be shared in order to finance the expenditure below:

- external debt and contributions: 17.5%; 17.3%;
- pensions: 5.5%;
- supply of services: 2.6%; 2.8%.
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While awaiting adoption of the law on collection and securitization of customs revenue, the provider responsible for inspecting goods shall be present throughout the territory.

Article 8: The remaining revenue to be shared shall be divided between the Union and the autonomous islands on a daily basis according to the following breakdown:

Entity	Share	Amount in KMF millions
Union	37.5%	5,904.10
Ngazidja	27.4%	4,313.93
Anjouan	25.7%	4,046.28
Mwali	9.40%	1,479.96

The Treasury's pension fund account shall be credited with an amount of KMF 250 million.

Article 9: An account for the operations of the Assembly of the Union of the Comoros shall be opened in the Central Bank's books. It shall be credited from the account of the Union of the Comoros. An order by the Minister of Finance and Budget, following consultation with the bureau of the Assembly of the Union, shall determine the terms of implementation for this Article.

Article 10: Primary current expenditure shall amount to KMF 21,399.00 million.

Article 11: Interest and amortization of the external debit are estimated at KMF 1,095 million and KMF 2,367 million, respectively, in accordance with Annex 3. Interest and amortization of the statutory advances of the Central Bank of the Comoros are estimated at KMF 95 million and KMF 150 million, respectively.

Article 12: The external revenue for the budget already identified amounts to KMF 10,816.9 million, broken down as follows:

- Grants: KMF 7,714.50 million
- Loans: KMF 3,102.40 million

An estimated amount of KMF 1,200 million of these resources shall be earmarked for externally financed projects and technical assistance.

Article 13: Expenditure for the infrastructure and investment budget, classified into three sections, is estimated at KMF 20,536.70 million, broken down as follows:

- from internal resources: KMF 1,628.00 million;
- from external financing obtained: KMF 9,616.90 million;
- from financing to be sought: KMF 9,291.80 million.

Article 14: Total spending under the government budget for which financing has already been obtained has been determined at KMF 35,172.00 million.

Article 15: The budget's overall balance excluding external financing has been determined at KMF -10,772.00 million.

The overall balance including external financing has been determined at KMF -3,058.00 million.

Article 16: Authorizations for programmes amounting to KMF 108,379.4 million, of which KMF 21,692.9 million is to be sought, have been given under the Public Investment Programme for the 2006-2008 sliding period.

GENERAL PROVISIONS

Article 17: Article 44.1 of the General Tax Code is hereby amended as follows:

- the 0% rate applies to import and domestically to staple goods, which shall be defined by an order by the Ministers responsible for the economy and budget following consultation of the Ministers of the autonomous islands concerned;
- the 3% rate applies to the supply of water, services by private schools and the sale of tickets for domestic travel;
- the 5% rate applies to telephone services, prepaid electricity cards, catering, banking and the sale of tickets for overseas travel;
- the 10% rate applies to imports, production, processing and services, together with sale and resale;
- the 25% rate applies to casinos' activities.

Article 18: The single administrative charge is earmarked for customs services.

The single administrative charge comprises a rate of 3% of the c.i.f. value of the imports. The goods concerned and the breakdown of the charge shall be defined in orders by the Minister responsible for the budget.

TAXATION OF IMPORTS

Article 19: The single import tax (TUI) is based on the c.i.f. value and comprises four bands, namely 0%, 15%, 25% and 30%. The products subject to the *ad valorem* tax shall be defined in an order by the Minister responsible for the budget.

The specific single tax (TUS) is levied according to weight, volume and unit. The products subject to the specific tax shall be defined in an order by the Minister responsible for the budget.

Article 20: Taxation of grouped containers is determined as follows:

PRODUCTS	AMOUNT
20-ft container	1,800,000
Customs fee	1,450,000
Chamber of Commerce fee	75,000
Administrative charge	150,000
Import permit	50,000
Pension fund	75,000
40-ft container	3,225,000
Customs fee	2,700,000
Chamber of Commerce fee	100,000
Administrative charge	200,000
Import permit	110,000
Pension fund	115,000

This category does not include containers carrying tobacco, alcohol, pareos and chiromanis, as well as those containing a single product or over 200 kg of superior quality rice per container.

TAX ON SALARIES

Article 21: A tax on income called the tax on salaries is hereby created in the Union of the Comoros on wages, emoluments, public or private salaries.

Article 22: Wages, emoluments and salaries are taxable unless they are specifically exempt under a special provision:

- a. if the beneficiary is domiciled in the Comoros while his paid activities are exercised outside the Comoros or the employer is domiciled or established outside the Comoros;
- b. if the beneficiary's customary residence is not in the Comoros but the paid activity is exercised in the Comoros.

Article 23: The following shall be exempt from this tax:

2 – Wages and salaries of foreign diplomatic or consular officials, but only to the extent that the country they represent grants reciprocal benefits to diplomatic or consular officials representing the Comoros;

3 – Wages and salaries of corporals, brigadiers and soldiers paid daily, as well as quartermasters and equivalent sailors called up for their period of legal service provided that they have no resources other than their pay.

Article 24: The taxable monthly salary includes the gross amount of the wages, emoluments, salaries and other allowances of any kind.

The net amount of taxable income shall be determined by deducting the following from the gross amount:

- a. deductions by the employer as pension or social security contributions;
- b. payments made personally by the employee with a view to constituting a pension or an alienated capital pension plan.

The total of the amounts allowed for deduction pursuant to subparagraphs (a) and (b) above may under no circumstances exceed 6% of the gross amount of the salary.

- c. expenses incurred by the work or job if these are not covered by special allowances.

The deduction for work-related expenses shall be calculated at a flat rate depending on the gross income, after subtracting the deductions or payments indicated in subparagraphs (a) and (b) above. It is fixed at 30% of the amount of the income.

Article 25: The tax on salaries shall be calculated by applying the following progressive rates to the taxable base:

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|-------|----|---------------------------------|
| • 5% | "" | KMF 150,001 to KMF 500,000; |
| • 10% | "" | KMF 500,000 to KMF 1,000,000; |
| • 15% | "" | KMF 1,000,001 to KMF 1,500,000; |
| • 20% | "" | KMF 1,500,000 to KMF 2,500,000; |
| • 25% | "" | KMF 2,500,000 to KMF 3,500,000; |
| • 30% | "" | KMF 3,500,000 and over. |

Article 26: If the employer is domiciled or established in the Comoros, the tax on salaries shall be deducted at source for the government budget at the time the wages, emoluments or salaries are paid.

Taxpayers domiciled in the Comoros who receive wages, emoluments or salaries from employers domiciled or established outside the Comoros shall declare their income from salaries spontaneously each month. They shall calculate and pay the corresponding monthly deductions under the same conditions and within the same time-limits as those imposed on employers.

Article 27: Any delay, omission or shortcoming noted in the declaration shall make the taxpayer liable to the same penalties as those provided in Articles 14.14 to 14.17 of the General Tax Code.

GENERAL INCOME TAX

Article 28: Article 12.1 of the General Tax Code is hereby amended as follows:

"For each taxpayer liable to the general income tax, the following are the various sources of income to be used to calculate the tax:

- earnings from liberal professions;
- earnings from trade, industry and handicrafts;
- income from real estate or land;
- income from investment and capital or equivalent income;
- income from mining;
- earnings from functions or offices;
- income from any capital or any profitable activity not cited above."

Article 29: Article 12.2 of the General Tax Code is hereby amended as follows:

"Tax shall be determined according to the total amount of net income available to each taxpayer.

This net income shall be determined taking into account the property and capital owned by the taxpayer, the non-salaried professions he exercises and earnings from any profitable transactions he undertakes.

Benefits in kind are determined at 10% for accommodation and other benefits at 7% for all gross taxable emoluments. Benefits in kind consisting of food shall always be estimated at their actual value."

Article 30: Article 11.5 of the General Tax Code is hereby amended as follows:

"The following shall be exempt from tax:

1. - Persons whose taxable income does not exceed KMF 150,000;
2. - Wages and salaries of foreign diplomatic or consular officials, but only to the extent that the country they represent grants reciprocal benefits to diplomatic or consular officials representing the Comoros;

3 – Wages and salaries of corporals, brigadiers and soldiers paid daily, as well as quartermasters and equivalent sailors called up for their period of legal service provided that they have no resources other than their pay.

4 – Taxpayers who have no income other than that liable for the tax on salaries."

SPECIAL TAX ON ALCOHOLIC BEVERAGES

Article 31: An excise tax on alcoholic beverages called the special tax on alcohol (TSA) is hereby created in the Union of the Comoros. This tax shall apply to alcoholic beverages for domestic consumption.

Article 32: This special tax shall be applied on the customs value plus import duties and taxes, except for consumption tax.

The TSA shall be 200% for tariff headings 22-03 to 22-06 and 230% for tariff headings 22-07 to 22-08, and applied as follows:

- for imports, on the customs value plus import duties and taxes, except for consumption tax;
- at the domestic level, on the ex-factory price, except for consumption tax.

The tax shall be levied at the Customs by the Directorate-General of Customs on behalf of the National Tax Directorate. At the domestic level, the tax shall be collected and transferred by the producer.

The criteria for declaration, control and collection of the tax, as well as the obligations and penalties, shall be those applicable to the consumption tax.

SPECIAL TAX ON TOBACCO

Article 33: A special tax on tobacco (TST) is hereby created in the Union of the Comoros. This tax shall apply to tobacco, whether imported or manufactured in the Union of the Comoros, and intended for domestic consumption.

Article 34: The rate of this tax rate shall be 230% applied as follows:

- for imports, on the customs value plus import duties and taxes, except for consumption tax;
- at the domestic level, on the ex-factory price, except for consumption tax.

The tax shall be levied at the Customs by the Directorate-General of Customs on behalf of the National Tax Directorate. At the domestic level, the tax shall be collected and transferred by the producer.

The criteria for declaration, control and collection of the tax, as well as the obligations and penalties, shall be those applicable to the consumption tax.

SPECIAL TAX ON NON-ALCOHOLIC BEVERAGES

Article 35: A special tax on non-alcoholic beverages (TSBNA) is hereby created in the Union of the Comoros. This tax shall apply to non-alcoholic beverages, whether imported or manufactured in the Union of the Comoros, and intended for domestic consumption.

Article 36: The rate of this tax shall be 10% applied as follows:

- for imports, on the customs value plus import duties and taxes, except for consumption tax;
- at the domestic level, on the ex-factory price, except for consumption tax.

The tax shall be levied at the Customs by the Directorate-General of Customs on behalf of the National Tax Directorate. At the domestic level, the tax is collected and transferred by the producer.

The criteria for declaration, control and collection of the tax, as well as the obligations and penalties, shall be those applicable to the consumption tax.

SPECIAL TAX ON PERFUMERY AND COSMETIC PRODUCTS

Article 37: A special tax on perfumery and cosmetic products is hereby created in the Union of the Comoros. This tax shall apply to perfumery and cosmetic products, whether imported or manufactured in the Union of the Comoros, and intended for domestic consumption.

Article 38: The rate of this tax shall be 25% applied as follows:

- for imports, on the customs value plus import duties and taxes, except for consumption tax;
- at the domestic level, on the ex-factory price, except for consumption tax.

The tax shall be levied at the Customs by the Directorate-General of Customs on behalf of the National Tax Directorate. At the domestic level, the tax is collected and transferred by the producer.

The criteria for declaration, control and collection of the tax, as well as the obligations and penalties, shall be those applicable to the consumption tax.

Article 39: The products subject to the flat-rate tax are not subject to the special taxes determined in Articles 35 and 37 when leaving the customs.

SPECIAL TAX ON CEMENT

Article 40: A special tax on cement is hereby created in the Union of the Comoros. This tax shall apply to cement, whether imported or manufactured in the Union of the Comoros, and intended for domestic consumption.

Article 41: The rate of this tax shall be 10% applied as follows:

- for imports, on the customs value plus import duties and taxes, except for consumption tax;
- at the domestic level, on the ex-factory price, except for consumption tax.

The tax is levied at the Customs by the Directorate-General of Customs on behalf of the National Tax Directorate. At the domestic level, the tax is collected and transferred by the producer.

The criteria for declaration, control and collection of the tax, as well as the obligations and penalties, shall be those applicable to the consumption tax.

INTERNAL TAX ON PETROLEUM PRODUCTS

Article 42: The single tax on petroleum products is hereby abolished.

An internal tax on petroleum products (TIPP) cement is hereby created in the Union of the Comoros at the following rates:

- Normal rate: KMF 230 per litre of petrol;
- Reduced rate: KMF 211 per litre of petrol;
- Normal rate: KMF 115 per litre of diesel fuel;
- Reduced rate: KMF 95 per litre of diesel fuel.

TAX ON RICE

Article 43: The single tax on rice is hereby abolished.

An internal tax on rice is hereby created in the Union of the Comoros at the following rates:

KMF 45 for ordinary rice;
KMF 200 for superior quality rice.

The tax shall be levied at the Customs by the Directorate-General of Customs on behalf of the National Tax Directorate. At the domestic level, the tax is collected and transferred by the producer.

The criteria for declaration, control and collection of the tax, as well as the obligations and penalties, shall be those applicable to the consumption tax.

Article 44: Orders for rice are centralized in the ONICOR and fulfilled by means of invitations to tender, following consultation with the Ministers of the Union and the islands concerned.

LICENCE TO IMPORT SUPERIOR QUALITY RICE

Article 45: A licence to import superior quality rice is hereby created in the Union of the Comoros. Prior authorization from the competent authority is required before a licence can be issued.

Licences shall be valid for one year at a cost of KMF 2,000,000 per importer.

The licence fee shall be paid to the competent services before 31 March of the year in question.

Any licence holder who has not paid before 31 March shall be subject to a penalty corresponding to 200% of the fee.

LICENCE TO IMPORT AND SELL ALCOHOLIC BEVERAGES

Article 46: The provisions of Article 20 of Law No. 05-002/AU establishing the Finance Law of the Union of the Comoros for 2005 are hereby amended as follows:

"A licence to import and sell alcoholic beverages is hereby created in the Union of the Comoros. Prior authorization from the competent authority is required before a licence can be issued.

Licences shall be valid for one year at a cost of KMF 3,000,000 for importers, KMF 750,000 for distributors and KMF 500,000 for bars and restaurants.

The licence shall be displayed visibly in the premises where the profession is exercised.

The fee shall be paid spontaneously to the competent authorities before 31 March of the year in question.

Any licence holder who has not paid before 31 March shall be subject to a penalty corresponding to 200% of the fee."

HOTEL AND GUESTHOUSE TAX

Article 47: A special hotel and guesthouse tax is hereby created in the Union of the Comoros. The rate of this tax shall be:

- KMF 1,000 per night and per person in hotels;
- KMF 500 per night and per person in guesthouses.

CERTAIN PROVISIONS OF THE GENERAL TAX CODE CONCERNING TAX COLLECTION PROCEDURES

Article 48: Article 834.2 is hereby amended as follows:

"Irrespective of the publication of roles or responsibilities for tax, the official in charge of collecting taxes shall confirm the tax owed by notifying the taxpayer of the assessment (AMR) five days prior to the reminder letter giving rise to a surcharge of 10%.

If a surcharge has been applied to the tax because of failure to make a declaration or late declaration or the declaration of taxable income and profits is insufficient, the official responsible for tax collection may forward an order to the taxpayer immediately without any prior reminder letter. Seizure may take place ten days after the order."

Article 49: Article 834.3 is hereby amended as follows:

"The terms for applying legal fees arising from an administrative constraint detected three days after notification of the reminder letter by the official responsible for tax collection shall be determined in an order by the Minister responsible for the budget."

Article 50: Article 834.8 is hereby amended as follows:

"The effect of third party notification is to assign the sums payable to payment of privileged taxation upon receipt, irrespective of the date on which even conditional or forward claims which the taxpayer has against the third party actually become due.

Payment shall be made five days after acknowledgement of receipt of the assignment of the sums seized.

If a person receives several notifications in the name of the same debtor simultaneously issued by the accountants in charge of collection and insufficient funds are available, he shall execute these orders in proportion to their respective amounts."

Article 51: Article 43.11, paragraph 3, is hereby amended as follows:

"If the amount of the tax is not paid within ten days, the compulsory collection procedure shall be put into effect by means of dispatch of an order. Ten days after dispatch of this order, seizure may take place."

Article 52: Article 43.14 is hereby completed as follows:

"Paragraph 2 – If the provisions of Article 43.3 are not respected, a procedure for seizure through sequestration shall be initiated by the Tax Directorate after notification of default."

MISCELLANEOUS PROVISIONS

Article 53: Taxpayers, natural or legal persons engaged in an industrial, commercial or service activity in the Union of the Comoros shall keep regular accounts, including as a minimum:

- a principal ledger;
- accounts;
- a subledger of sales and services supplied;
- a subledger with an inventory;
- a subledger of purchases;
- a general balance sheet.

All the aforementioned documents and supporting documents shall be kept and handed over to tax officials under the conditions specified in the General Tax Code.

Article 54: Taxpayers, natural or legal persons engaged in a commercial service activity in the Union of the Comoros with turnover of KMF 20 million or more shall use a cash register for their transactions. An order of the Minister of Finance and Budget shall establish terms for implementation of this Article.

Article 55: Tax returns or accounts documents to be furnished to the tax services shall follow the model attached to the 2006 edition of the national accounting plan.

Article 56: The advance on the IBD and TPU (AIT) is hereby abolished in favour of a tax advance on miscellaneous profits (IBD), to be called the AI.

Article 57: Goods imported from COMESA member countries shall benefit from 0% tax on the basis of reciprocity if the goods meet the rules of origin criteria adopted by those countries.

Article 58: Exemption from customs duties and taxes applies to accompanied luggage of the diaspora provided that they are imports of no commercial value.

An order of the minister responsible for the budget shall establish the terms for implementation of this Article.

PROTECTION MEASURE FOR TOBACCO AND ALCOHOLIC BEVERAGES

Article 59: Travellers are authorized to include a maximum of ten (10) packets of cigarettes and one (1) bottle of alcohol in their luggage.

ENVIRONMENTAL PROTECTION MEASURE

Article 60: It is prohibited to import into the Union of the Comoros passenger or transport vehicles over seven (7) years old or trucks over 10 years old on 1 January of the year in question.

Failure to comply with the preceding paragraph shall entail a fine of KMF 200,000 per vehicle payable by the shipowner or shipping agency.

In addition to the foregoing fine, the shipowner shall re-export the vehicle at his own cost as soon as possible.

An order of the Minister of Finance and Budget shall establish the terms for implementation of this Article.

RETIREMENT FUND

Article 61: A special trust fund called the "Pension Fund" is hereby established:

This fund is replenished daily by:

- 5% of the special tax on tobacco;
- 5% of the special tax on alcoholic beverages;
- 1% on the sale of air and maritime transport tickets.

Article 62: The Minister responsible for the budget is appointed chief authorizing officer for the government budget. These provisions do not apply to credits earmarked for the expenditure of autonomous islands, the Constitutional Court, the Supreme Court and the Assembly of the Union, which are authorized by their respective Presidents or by persons delegated for this purpose.

Discussed and adopted in plenary session
of 5 January 2006

Secretaries

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