



**UNION OF THE COMOROS**

*Unity – Solidarity - Development*



Directorate-General of Taxation

**MINISTRY OF FINANCE, THE BUDGET  
AND THE BANKING SECTOR**

.....  
**DIRECTORATE-GENERAL OF TAXATION**  
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## **NOTE BY THE DIRECTORATE-GENERAL OF TAXATION ON THE INTRODUCTION OF VALUE ADDED TAX**

Several years ago, Comoros began a process of regional and international integration. This process seeks to make Comoros a Member of the World Trade Organization, as well as a member of regional organizations such as COMESA, SADEC and ZELECAF, etc.

Such forms of integration provide a number of benefits that are not described here, but will also entail certain changes in terms of the mobilization of resources by the Comorian tax authorities.

The integration of Comoros as a Member of the World Trade Organization entails the dismantling of certain taxes and charges levied at the customs cordon. Some of these taxes and charges were for the benefit of the Directorate-General of Taxation.

They include:

- Import trade tax
- The miscellaneous profits tax (IBD) advance payment
- Consumption tax (TC)
- Other taxes and charges

The integration of Comoros into regional and subregional organizations will inevitably lead to a drop in customs revenue as a result of the elimination of customs duties and taxes on goods from member countries of those organizations.

It is clear that dismantling certain taxes and charges at the customs cordon following accession to the WTO will result in foregone revenue. Therefore, the elimination of customs duties and taxes following Comoros' accession to regional and subregional organizations must be offset by domestic taxation. In other words, the Directorate-General of Taxation must cover these duties and charges.

Furthermore, while fiscal pressure is very low - around 7%-8% - it is very much felt by taxpayers. Economic operators are right in considering income tax rates to be very high compared to regional rates.

In this light, the foregone revenue mentioned above can only be offset by improving the yield from existing domestic taxes and charges.

Among these improvements, the Directorate-General of Taxation considers the transition from consumption tax to value added tax to be vital.

However, the aforementioned improvement is only possible if there is first an improvement in consumption tax. To this end, the Directorate-General of Taxation has recently increased the scope of consumption tax. This involved narrowing down the list of staple goods exempt from consumption tax; in other words, generalizing consumption tax. Order No. 23-006-MFBSB dated 21 February 2023 was issued for this purpose.

This generalization of consumption tax has begun to deliver results and the Directorate remains confident that it will inevitably improve the yield from this tax.

On this basis, the Directorate-General of Taxation hopes to continue these efforts by introducing value added tax.

The Directorate-General of Taxation is aware of the complexity of introducing value added tax and believes that certain requirements must be met beforehand; these are outlined in the following steps:

- Improve the yield from consumption tax by extending its scope.
- Raise the threshold for payment of consumption tax so as to focus only on taxpayers whose value added tax would be significant.
- Prepare legislative or regulatory texts on consumption tax and have them adopted by the Assembly.
- Prepare a practical handbook that explains the new tax provisions on value added tax.
- Provide capacity building for Directorate-General of Taxation officials and users given the complex and technical nature of consumption tax.

## **Action Plan on the implementation of value added tax (VAT) in the Union of the Comoros**

<b>Description</b>	<b>Action to be taken</b>	<b>Time frame</b>
Implementation of VAT	Extend the scope of the consumption tax	Done at the end of 2023
	Prepare the law	First half of 2024
	Prepare a practical handbook on the new tax provisions relating to value added tax	Second half of 2024
	Hold consultations with all actors	Second half of 2024 and

	throughout the territory	first half of 2025
	Provide training for officials from the Directorate-General of Taxation at the national level	Second half of 2025 and first half of 2026
	Campaign to raise awareness among all stakeholders in the three islands (private sector, civil society and public administration)	Second half of 2026
	Submit the law to the National Assembly for adoption	October 2026 session
	<b>Effective implementation</b>	<b>January 2027</b>