

Sage in Africa

# Madagascar

# Taxation Summary 2023

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# Introduction

## Tax year

The Madagascar income tax year of assessment is the calendar year ending 31 December.

## Revenue Service

The Madagascar Revenue Authority is called Direction Générale des Impôts. Their website can be located at <http://www.impots.mg/en>

## Official currency

The official currency of Madagascar is the Malagasy Ariary(MGA).

## Official language

The official languages of Madagascar are French and Malagasy.

# Tax Residency

## Resident

Individuals resident in Madagascar are liable for tax in Madagascar on their worldwide income and are subject to withholding tax on salaries, known as 'Impôt sur les Revenus Salariaux et Assimilés (IRSA).

Individuals meet the residency provisions if:

- they have a dwelling in Madagascar at their disposal either as owners, usufructuaries or tenants
- their principal residence is in Madagascar

## Non-Resident

Non-residents are only taxable on locally sourced income unless foreign sourced income is transferred to Madagascar.

# Gross income

Employment income includes salary, wages, leave pay, overtime pay, allowances, bonuses, commissions, personal cost reimbursements and all benefits in kind.

# Fringe Benefits

Benefits in kind are valued as per the rates below:

- Company car – 15% of actual costs including monthly insurance, maintenance and repairs and fuel paid or accounted for by the employer
- Housing – 50% of the actual rental value including security, electricity, housekeeping etc.
- Phone – 15% of the monthly cost incurred by the employer is regarded as being for personal use and is therefore included in taxable income

*The cumulative value of benefits in kind cannot exceed 20% of the employee gross cash earnings, being gross cash less exempt income.*

# Exempt income

The below income items are exempt from tax:

- The first 20 hours of overtime
- Notice of termination for dismissal
- Termination benefits for economic reasons

- Damage and interest in unfair dismissal through a court decision
- Housing made available to displaced employees
- Traveling expenses for annual leave granted to displaced workers
- Expenses incurred for the transport of night shift workers
- Medical expenses borne by the employer directly on behalf of the employee
- Canteen allowance per day limited to MGA 2.000 for temporary employees and MGA 6.000,00 for permanent employees

# Deductions

The below are deductible for tax purposes:

- Employee contributions to CNaPS are fully tax deductible
- Retirement contributions are also deductible, limited to 10% of the employee's gross cash earnings
- Employee contributions to health insurance are fully tax deductible
- Alimony payment for dependent kids supported by a court order are fully tax deductible

# Rebates

Employees earning in excess of MGA 350 000 are entitled to a tax reduction of MGA 2 000.00 per dependent per month. This rebate does not override the requirement for a minimum tax withholding of MGA 3 000.00 per month; i.e. the minimum tax cannot be less than MGA 3 000.00.

# Tax table

## Monthly filing-Normal employees

| Taxable income per month (MGA) | Tax rate % | Tax payable (MGA)   |
|--------------------------------|------------|---------------------|
| 0.00-350,000                   | 0%         | 3,000               |
| 350,001-400,000                | 5%         | 3,000               |
| 400,001-500,000                | 10%        | 10,000              |
| 500,001-600,000                | 15%        | 15,000              |
| Above 600,001                  | 20%        | Excess of threshold |

There is a minimum monthly tax of MGA 3 000.00.

This does not apply to negative income earners.

There is no special tax rate for expatriates.

## Monthly filing-Special Tax Regime employees

Certain employees, the list of which is decided upon by the Minister responsible for tax regulations, earn income at a unit-rate rather than an hourly-rate. Unit-rate remuneration is used for task-based temporary workers, usually in the industrial sector, whose remuneration is based on the number of units produced or specific operations carried out by the worker as opposed to number of hours worked.

These employees are taxed monthly on their gross remuneration as per the below table:

| Taxable income per month (MGA) | Tax rate % |
|--------------------------------|------------|
| 0.00-700.00                    | 2%         |
| 700.01-2,000.00                | 4%         |
| 2,000.01-Above                 | 10%        |

Traditionally, these employees are not under a contract of employment and hence will not receive other benefits and remuneration; just a wage income based on output.

## Monthly filing-Retired employees

Finance Law 2021 incorporates a change to Article 01.03.02. that states that income received by retired employees that is in excess of a year's salary will be taxable.

Where a retired employee is receiving income from an employer, and such income exceeds the salary for the 12 months prior to retirement, the entirety of such income will be taxable.

Salary is basic salary plus cash allowances, excluding benefits-in-kind and company contributions.

# PAYE Administration and Compliance

## Monthly filing

Personal income tax withheld from employees will be paid over to the relevant tax authority by the 15<sup>th</sup> of the month following withholding.

## Annual filing

There is no annual filing requirement in Madagascar.

# Social security

The social security fund in Madagascar is known as the National Fund for Social Welfare (CNaPS).

## Who qualifies as an employee?

Every person receiving a wage shall be liable to contribute to CNaPS, with the exception of non-

residents.

## Who qualifies as an employer?

Every person or organisation who pays a wage to an employee.

## What is the base income for contribution?

Gross cash earnings, excluding all benefits in kind, reimbursement of expenses, salissure indemnité(soiling allowance) and familie indemnité(family allowance). The minimum base is the legal minimum wage of the applicable sector (i.e. employees earning less than the minimum wage must contribute to CNaPS at this base); the maximum base is eight times the legal minimum wage.

## Employer obligations for CNaPS purposes

The Employer must register with the National Fund for Social Welfare (CNaPS) within 15 days of opening the company or hiring of the first paid employee.

## Employee obligations for CNaPS purposes

The employee must furnish the employer with their CIN(Carte d'Identité Nationale) number.

## Contribution rates

From 1 January 2023, the minimum monthly remuneration including the minimum wage is MGA 250 000; the value of the index point for calculating minimum entry and seniority salaries by professional category is:

- agricultural sector: MGA0.8745; and
- non-agricultural sector: MGA0.7688; (for category M1-1A)

The minimum hiring salary is set at:

- agricultural sector: MGA 242 200; and
- non-agricultural sector: MGA 238 800;

Employee - 1% of base income; *contribution* subject to a monthly ceiling of MGA 19 104 for the Non-Agricultural sector and MGA 19 376, for the Agricultural sector.

Employer - 8% or 13% of base income; *contribution* subject to a monthly ceiling of MGA 248 352 for the Non-Agricultural sector and MGA 251 888 classified as per below:

8% ER portion (agricultural sector) composed of:

- 4.5% for Old Age, Disability, and Survivors pension
- 1.25% for Occupational accidents and diseases
- 2.25% for Family Allowances

13% ER portion (non-agricultural sector) composed of:

- 9.5% for Old Age, Disability, and Survivors pension
- 1.25% for Occupational accidents and diseases
- 2.25% for Family Allowances

## Filing requirements

The CNaPS declaration and accompanying payment is to be submitted quarterly within 1 month following the end of the quarter.

## Retirement age

The retirement age for social security contributions is 60 years. Should an employee attain this age whilst still employed, they may elect to not continue contributing to the social security.

# Other payroll related statutory contributions

## Health insurance

A private organisation is required to register their employee on a medical health scheme or a

corporate health organization such as OSTIE, AMIT or FUNHECE.

Contributions to the organization are *usually* 1% for the employee and 5% for the employer.

[Note: There are other funds whose contribution is more than 1% and 5% respectively. Nonetheless, the maximum contribution must not exceed such % applied against the maximum base belonging to the applicable sector.

E.g. where the % is 2% and 7% respectively, the maximum contributions in the Non-Agricultural sector are limited to 38 200.00 and 133 728.00.]

The income base for this contribution is gross cash earnings, excluding all benefits in kind, reimbursement of expenses, salissure indemnité (soiling allowance) and familie indemnité (family allowance), subject to the legal minimum wage and maximum base of eight times the legal minimum wage.

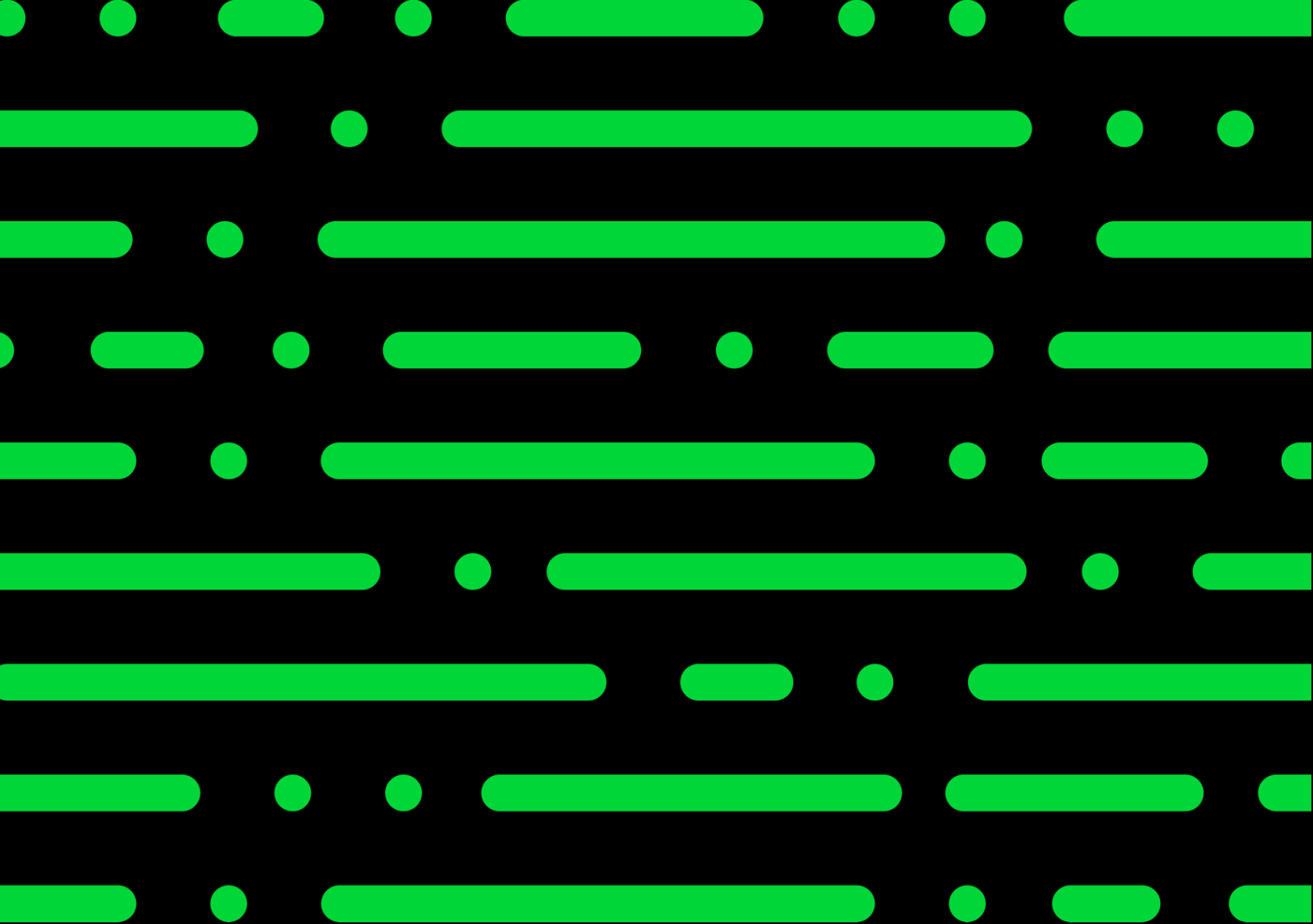
The health insurance declaration and accompanying payment is to be submitted quarterly within 1 month following the end of the quarter.

## Fonds Malgache de Formation Professionnelle (FMFP)

All employers registered with CNaPS are liable for a training fund contribution to FMFP.

Contributions to the organization are 1% of gross cash earnings, excluding all benefits in kind, reimbursement of expenses, salissure indemnité (soiling allowance) and familie indemnité (family allowance). Contribution is subject to a monthly limit of MGA 19 104 for the Non-Agricultural sector and MGA 19 376, for the Agricultural sector.

The FMFP declaration and accompanying payment is to be submitted quarterly within 1 month following the end of the quarter.



**Sage Johannesburg**  
**6th Floor, Gateway West**  
**22 Magwa Crescent**  
**Waterfall 5-lr**  
**Mirdant**  
**2066**  
**[sage.com/en-za](https://sage.com/en-za)**

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