

**Chandrawat
& Partners**



DOING BUSINESS IN BENIN

A comprehensive guide

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Introduction

Benin is officially known as the Republic of Benin. It is a diverse and vibrant country which is located in West Africa. Benin offers a fascinating glimpse into the continent's past and present. Benin spans in an area of approximately 112,622 square kilometers and has a diverse landscape consisting of coastal plains, rolling hills, plateaus and the Niger River Basin.

Benin is bordered by Nigeria to the east, Togo to the west, Burkina Faso and Niger to the north and the Atlantic Ocean to the south. Its terrain consists of coastal plains, savannahs and plateaus, with the Queme and Niger rivers being the most significant water bodies.

The economy of Benin is essentially agricultural, with the majority of the population which is engaged in subsistence farming. Cotton, palm oil, cocoa, maize and yams are some key agricultural products of Benin. Benin is also known for its bustling informal sector, with vibrant markets and cross-border trade. Although Benin's economic system is classified as mixed, agriculture for subsistence and underdeveloped industries point to a traditional economy where the distribution of resources is centered on kinship and archaic practices. The Economic Community of West African States ("ECOWAS") includes Benin as a member.

Benin is a multi-party democracy with regular elections and a relatively stable with political environment. There have been challenges faced by the Benin in terms of governance, corruption and socio-economic development.

From the powerful Kingdom of Dahomey to the present-day Republic of Benin, the Benin has experienced the significant changes and it continues to navigate the challenges of the modern world. Benin remains an important player in the region and offers ample opportunities for exploration and growth.



Economic overview



The subsistence sector of Benin's economy, which includes cotton, textiles, oil, and regional trade, is extremely important.

Agriculture and both formal and informal reexports or trade in transit with Nigeria continue to be the mainstays of Benin's economy. The growth rate was accelerated by the production of cotton and other agricultural goods and services.

For the third year running, fiscal policy has been expansionary, and the deficit for 2022 is expected to be significant at 5.6% of GDP, down from 5.7% in 2021, despite the minor narrowing. Public debt increased significantly during the course of three years, reaching 41.2% of GDP in 2019 and 52.8% in 2022, a rise of 11.6 percentage points of GDP.

Benin's economy has grown rather steadily over the last ten years, with a typical yearly increase in GDP of about 5%. Construction, telecommunications, and other industries, as well as agriculture, have all contributed to this rise. An ongoing International Monetary Fund programme that delivers \$638 million in funding is anticipated to be beneficial for budgetary policy.

Foreign Direct Investment Policy

The Beninese government began a comprehensive programme of economic and political transformation in 1989. Increasing foreign direct investment (“FDI”) inflows into Benin were also a result of a better investment climate. However, numerous unresolved structural issues still prevent Benin from fully realizing its full potential for the purpose of FDI attraction.

Benin's net inflows of foreign direct investment as a percentage of GDP were 0.24252% in 2021, according to data gathered by the World Bank from reliable sources for its collection of development indicators. The World Bank provided the current values, historical statistics, forecasts, and estimates for Benin's foreign direct investment, total outflows (% of GDP), and World Development Indicators (“WDI”) as of July 2023. The government of Benin has put in place a number of policies to encourage investment. These include establishing a single corporate registration desk, a uniform regulatory structure for public-private partnerships, and various tax incentives to encourage private investment.

There are some strong points which are considered to invest in Benin: --

- Location of the nation and Economic Community of West African States (“ECOWAS”) and The West African Monetary and Economic Union (“UEMOA”) membership.
- Political stability lowered red tape for investors,
- While the Industry Free Zone offered advantageous tax and customs benefits.
- The economy has also been continuously expanding.
- A variety of business incentive measures (such as the battle against corruption or the establishment of Special Economic Zones) are intended to enhance the business climate
- Increase the availability of business and investment possibilities.



Key Sectors

Textile Industry-

Due to the substantial amount of cotton grown in the nation, Benin is one of the top producers of textiles. There are numerous textile factories in Benin that contribute to economic development; some of them are focused on producing textiles for export. One of the biggest employers in Benin, this sector offers enormous prospects at all levels, from design to production and marketing. About 30% of those working in the cotton industry are employed by textile businesses

Agriculture Industry-

Benin's agricultural industry provides employment for over seventy percent of the country's population and accounts for 35% of its GDP and 80% of its export earnings. The nation requires a cutting-edge and sustainable agriculture industry to meet the fast-growing need for food production and economic growth. It entails using cutting-edge farming methods and sustainable farming practices.

Oil Industry-

The Saga Petroleum Company's Seme offshore oil field saw the start of Benin's oil production in 1982. However, while not being the country's top producer of petroleum, this industry greatly increased the country's foreign profits. While exporting 1.27 million barrels of oil in 1990, the Seme oil field produced 1.35 million barrels in 1991.

Benin has a reserve of 44 million barrels of oil. The nation does not, however, have a refinery to import and export refined petroleum products. Benin has natural gas deposits as well, although no production has yet begun. As a result, it mostly depends on imports to satisfy domestic demand.



Advantages of doing business



Strategic location- With a connection to a market of more than 350 million people, Benin acts as an access point to the Western African continent. Due to its close proximity to Nigeria, Africa's largest economy, there are numerous trade and investment prospects.

Political stability- In comparison to a number of African countries, Benin enjoys a stable political climate. It has a democratically elected administration with a track record of peaceful transfers of power, creating a welcoming environment for business and lowering political risks.

Economic growth- In recent years, Benin's economy has grown steadily. In order to boost trade and investment prospects, the government has launched economic reforms, including luring foreign investment and enhancing the business environment.

Favorable Investment climate- Benin has taken number of steps to entice foreign investment. In order to promote investment in high-priority industries like manufacturing, energy and infrastructure, it provides incentives, including tax reductions, exemptions, and customs advantages.

Infrastructure development- The government of Benin is making investments in electricity, ports, highways, and other infrastructure projects. These upgrades strengthen logistics, promote trade and offer a strong framework for corporate operations.

Natural resources- Natural resources such as limestone, phosphates, oil, natural gas, and agricultural products are abundant in Benin. These resources offer potential for investment in industries including mining, agriculture and energy sector.

Young and growing workforce- A sizable portion of the population in Benin is under 30 years old, making it a young country. This demographic advantage offers firms the chance to access the nation's workforce by providing a pool of skilled and reasonably priced labor.

Regional Integration Initiatives- The Economic Communities of West African States (“ECOWAS”) and the African Continental Free Trade Area (“AFCFTA”) are two regional integration projects in which Benin actively participates. These encourage commerce, lower trade barriers and boost regional economic cooperation.

Supportive Investment policies- Benin has put in place business-friendly regulations, such as streamlined administrative processes, the defense of ownership rights and initiatives to fight corruption. The administration is putting forth efforts to significantly enhance the business environment and draw in foreign direct investment.



Types of Companies

Sole proprietorship in Benin- A sole owner is a person responsible for managing their own commercial enterprise. That person is regarded as a company's only manager and is accountable for both the company's earnings and obligations. A sole proprietorship allows small business owners to begin a business without taking formal legal action through the state. Additionally, there is no minimum capital requirement in Benin to launch a sole proprietorship.

Benin Limited Liability Company (“SARL”)- The Limited Liability Company (LLC, locally known as Société a Responsibilitie Limitee (“SARL”) in Benin is commonly used by entrepreneurs setting up small and medium sized businesses in Benin.

The Benin Public Limited Company(“SA”)- The Benin Public Limited Company (“PLC”) is recommended for entrepreneurs intending to make a significant. A Benin Société Anonyme (“SA”) is also required by law to seek the services of a notary public and to appoint a statutory auditor at incorporation.



The Benin Branch- The Benin Commercial Act allows foreign legal entities looking to do business in Benin to set up branch offices. A Benin branch office should not be considered a separate legal entity.

The Benin representative office- Foreign companies are also allowed to setup permanent establishments in the form of representative offices in Benin. A Benin representative office is only permitted to conduct market research and to promote activities of the parent company.

Minimum eligibility criteria for company registration

Sole proprietorship-

There is no minimum capital required to start a sole trading business in Benin.

Benin Limited Liability Company Société a Responsibilitie Limitee(“SARL”)-

A LLC requires at least 1 director and 1 share holder who can be of any nationality and must not be resident in Benin.

The Benin Public Limited Liability Société Anonyme (“SA”)-

This entity requires at least 3 directors and 1 shareholder who can either be an individual or a corporate body. A SA also requires a minimum share capital of US\$18,000 to complete Benin company setup.

The Benin Branch-

The branch must appoint at least 1 director of any nationality to represent the company in Benin.

The Benin representative office-

There is no minimum capital required to start a Benin representative office business in Benin.



How to Setup Business?



Sole proprietorship in Benin:-

There are following steps to follow to get register in sole proprietorship in Benin:-

- The first important step is to register a trade name in a company.
- To open a dedicated bank account for all the business transactions and to deposit proprietorship's capital.
- To obtain a business license to get registered in business and the registration fee for commercial registry is West African CFA franc ("XOF")12,000 and for the business license is XOF 5,000
- To do tax registration so that All new businesses must declare their operation to the tax authorities within twenty days of starting the business activity. And the documents required for the tax registration are:-
 - 1.Fiscal number (IFU)
 - 2.Number of employees
 - 3.Business license (carte du commerçant)

Benin Limited Liability Company Société a Responsibilitie Limitee(“SARL”)-

- To choose a unique company name
- To find a notary public to notarize the instrument of incorporation
- To create an in-country bank account and depositing share capital
- To file all documents with the Guichet Unique de Formalisation des Entreprises ("GUFE")
- To register with the commercial registry, tax authority, the Labor Directorate, and the Directorate of Commerce
- To return to the bank to show your official registration and activate your account
- To register with social security at least three months within incorporation
- To declare existence to the tax authority within 20 days of the start of the business activity
- To submit the fiscal number (IFU), the number of employees, and the “carte du commerçant”
- To go through a tax agency for a site visit to ensure the address is correct

The procedure for setting up of a business for The Benin Public Limited Liability Société Anonyme (“SA”), The Benin Branch and The Benin representative office are same as Benin Limited Liability Company Société a Responsibilitie Limitee(“SARL”



Taxation



Sales tax rate- In Benin, a tax levied against customers based on the cost of particular goods and services is known as the sales tax rate. And Benin's sales tax rate is 18%.

Value Added Tax- Benin charges a Value Added Tax (VAT) of 18% on all goods and services, with the exception of salaries and work related to agriculture, and collects customs taxes at the point of importation.

Standard corporate tax- In Benin, the regular corporate tax rate is 30%; however, industrial businesses are liable for a lower rate of 25%. Companies involved in oil research and exploration, as well as the production and sale of hydrocarbons, are subject to a variable corporation tax rate of between 35% and 45%.

Withholding tax- Any additional payments made to non-residents are subject to a 12% tax withholding on profits; this tax is assessed on the total amount received for all actions performed involving a resident of Benin. Capital gains made on the sale of bonds by a citizen or nonresident are subject to a 5% withholding tax.

Real property tax- In Benin, owners of the real property located in the "main" towns are subject to an annual real property tax of 6% of the rental value for developed property and 5% for undeveloped property. An "additional tax" rate of 6% is payable by the tenant of leased property.

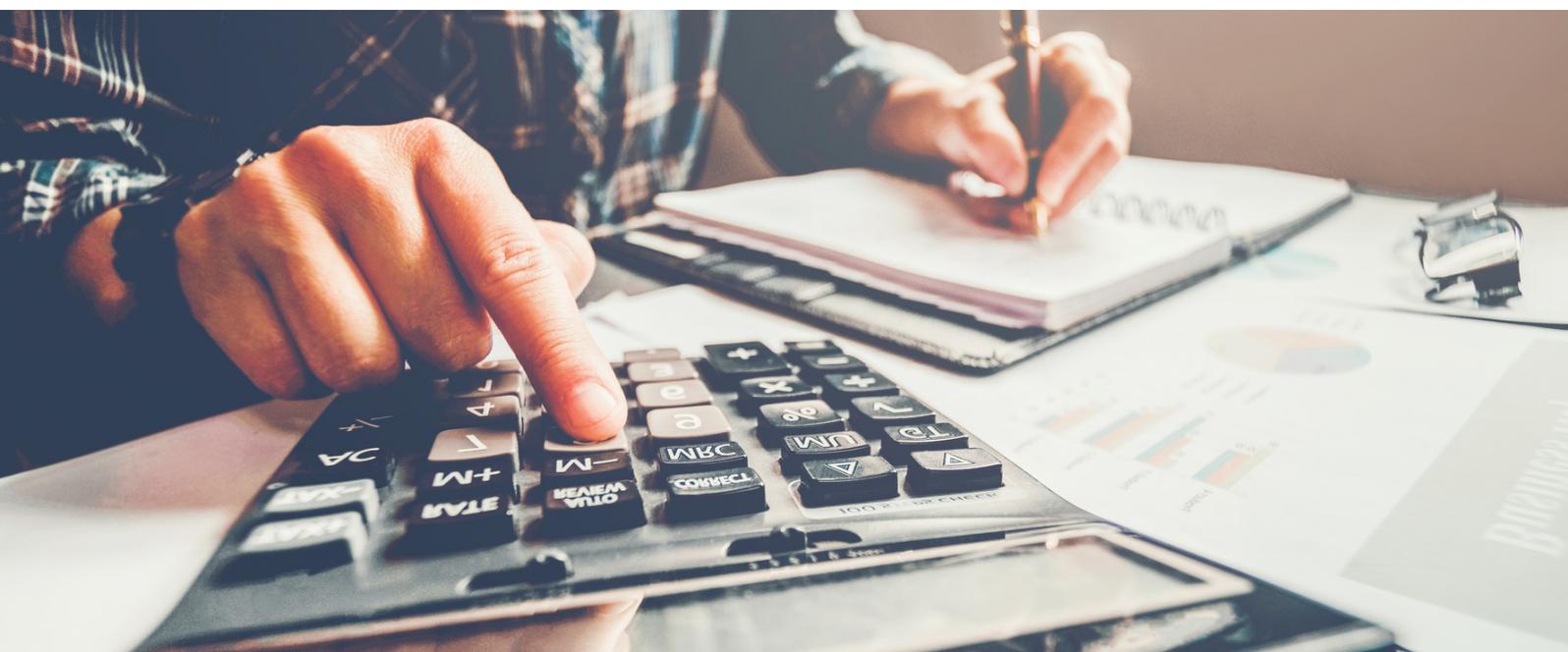
Accounting Standards

International Financial Report Standards is the standard accounting system in Benin. (“IFRS”) mainly specify that companies must maintain their records and report their expenses and income. They were developed in order to produce a universally recognized accounting language for use by shareholders, auditors, regulators and other stakeholders.

The standards are meant to help investors and businesses make informed financial assessments and decisions by bringing uniformity to accounting language, practices and statements. Public enterprises with headquarters in 167 jurisdictions, including all of the European Union's member states along with Canada, India, Russia, South Korea, South Africa and Chile, are required to apply IFRS.

IFRS has established regulations that must be followed.

- Statement of Financial Position- The methods in which the elements of the balance sheet are presented are affected by IFRS.
- Statement of Comprehensive Income- A statement of profits and losses and an account of other income, which includes property and equipment, may be included in this or they may be presented separately.
- Statement of changes in equity- This statement, which is often referred to as a statement of retained earnings, details the change in the company's earnings or profit for the specified financial period.
- Statement of Cash flows- This report breaks out the company's financial activities for the specified time period into three categories: operations, investment, and financing.



Employment and Labor Laws



Constitution of the Republic of Benin 1990- Benin is considered as a constitutional democracy and the constitution remains the highest-ranking law in the country's legal order. The constitution from 1990 recognises the right to work and guarantees fair compensation, not to mention social security. It also guarantees equal access to education and employment, the right to strike, and freedom of association.

Labor code, 1998- The labor Code from 1998 regulates individual and collective labor issues such as trade unions and employers' organizations, working conditions, and wages. It also governs the following institutions: Labor Court, Labor Administration and Inspection, National Labor Council, Joint National Commission on Collective Bargaining Agreements, and Salaries and National Commission for Occupational Safety and Health.

Act No. 98-019 of 21 March 2003 on the Code of Social Security- Since the adoption of Act No. 98-019 of March 2003, the social security system functioned by the National Social Security Fund ("NSSF"). The Act establishes a general social security scheme for workers in the formal sector covered by the Labor Code and a special regime for the self-employed, farmers and those working in the informal economy. The legislation does not tie social security to non-working persons.

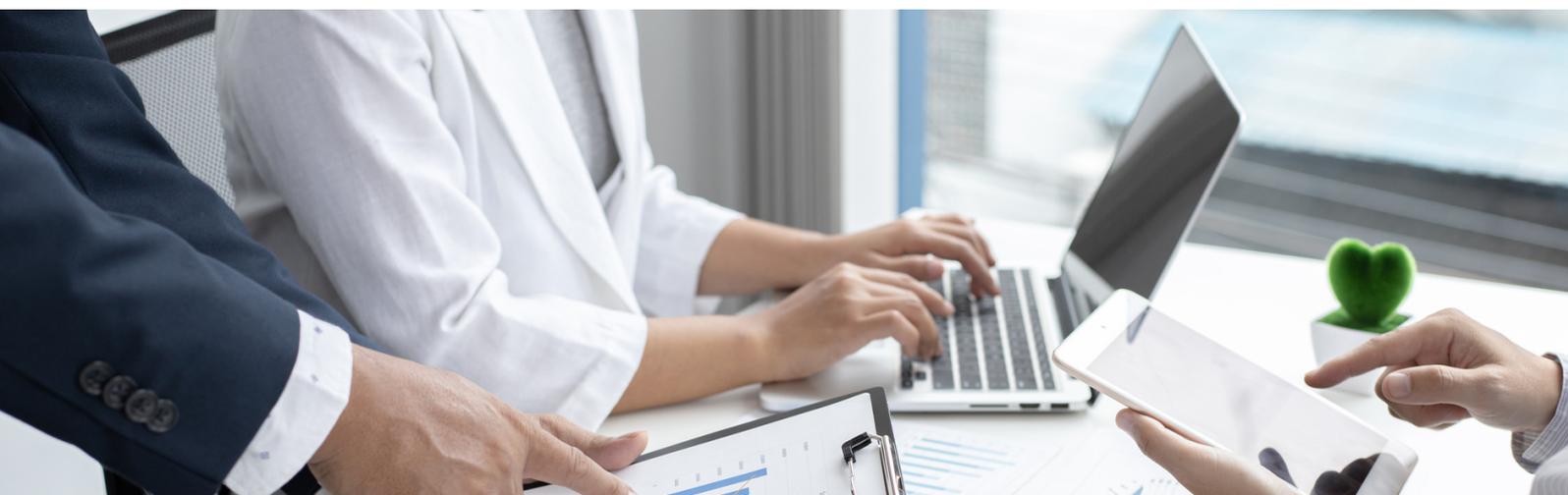
Hiring, Workforce Placement and Termination of the Employment Contract- In order to hire employees legally in Benin, applicants must either do it themselves or work with an Employment agency like World Expansion. The hiring companies in Benin must record the employment contracts in writing, even when the terms were discussed orally between the employer and employee. There are two types of termination of employment in Benin such as Fixed-term employment and Indefinite period employment.

Employment Policies

- **Work and wages-** The employee's and his or her family members' living expenses must be covered by the minimum salary. Additionally, it must be in reasonable relation to the average salary level and the standard of living of other social groupings. Paying wages on a regular, weekly, fortnightly, or monthly basis is required.
- **Compensation-** Overtime work is to be avoided. Any job completed over a period of at least seven hours, including the time from midnight to five in the morning, is referred to as night work. If a worker has to work on a national or religious holiday or a weekly rest day, he or she should be entitled to compensation.
- **Annual leave/ Holidays-** A worker has the right to a minimum of 21 days of paid annual leave in a row. Religious and national holidays are excluded. For every 17 days a worker worked or was entitled to be paid, collective agreements must include a minimum of one day of yearly leave with full pay. During federally recognized public holidays and other national holidays, an employee should be entitled to compensated time off.
- **Employment Security-** This point will measure the security or even the flexibility or precariousness of an employment relationship. A worker must be given a fair amount of time on probation to pick up new abilities. During the probationary phase, a newly hired employee may be let go without facing any repercussions.
- **Maternity and work-** A minimum of 14 weeks should be allotted for maternity leave. An employee should be eligible for free medical treatment and midwifery care throughout her pregnancy and while she is on maternity leave. A worker's pay during maternity leave should be at least two-thirds of their prior compensation. An employee should be shielded from termination or any other kind of discrimination while on maternity leave



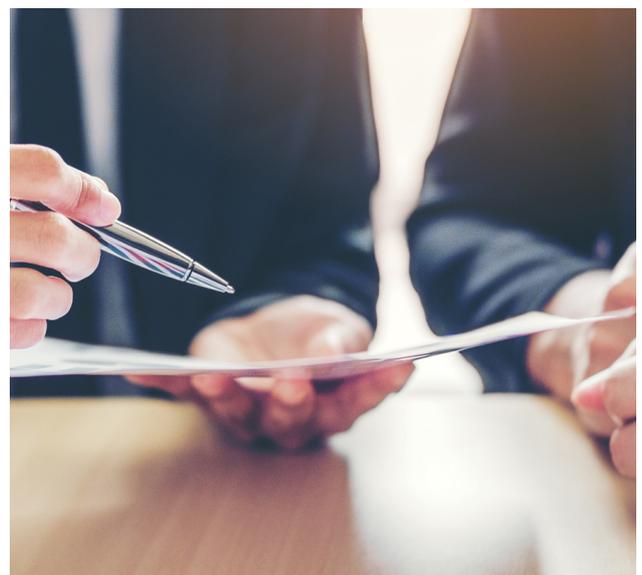
- **Health and Safety-** The employer should guarantee the security of the working environment. Protective gear and other required safety precautions should be given away by the company. Workers must have been instructed on all aspects of workplace safety and health, as well as shown emergency exits. A central, independent, and effective labor inspection system should be in place to ensure worker safety and health.
- **Sick leave and employment injury benefit-** When illness strikes, a worker's right to work and livelihood should be safeguarded. A worker should have the right to free medical treatment while they are ill. Employees and their families should have inexpensive access to the bare minimum of medical care. A worker must be compensated more if they become handicapped as a result of an occupational illness or accident. A worker may get at least 50% of his average wage in the event of a temporary or entire disability, while in the event of a fatal accident, the survivors may receive 40% of the average wage of the departed worker in periodic installments.
- **Social Security-** The pensionable age cannot, under normal circumstances, be raised above 65. If the retirement age is set higher than 65, "due regard" should be given to senior workers' ability to work as well as "demographic, economic, and social standards, which must be statistically demonstrated."
- **Fair treatment-** Regardless of marital status, equal remuneration for labor of comparable value must exist in the workplace for men and women. Discrimination that is motivated by a person's race, color, gender, faith, political views, national origin, or place of birth is also prohibited. There should not be gender-based occupational segregation because everyone has the right to work.
- **Trade Union-** The right to free association includes the right to join a union. Fundamental human rights include this. Employees who participate in union activities outside of work hours may not be penalized for doing so. Trade unions are permitted to freely engage in negotiations with employers in an effort to reach a collective bargaining agreement.



How we can help?

Our team specializes in helping companies do business worldwide. Our team of experts has extensive involvement working with foreign companies and can provide tailored solutions to meet the business needs.

- **Market research and feasibility studies-** Our team of professionals helps to find possible prospects, gauge market demand, and decide whether it would be feasible to start a business in Benin, conduct extensive market research.
- **Business planning and strategy-** Our team of professionals help clients to create a solid company plan and specify their strategic goals. Our team also assists them in developing a plan for the expansion and development of their business, identifying important success elements, and developing efficient methods
- **Market Entry Strategies-** Our team of professionals helps the clients in achieving customer's goals, target market, and industry, advise on the optimal market entry methods. This includes suggestions for market positioning, means of distribution, pricing schemes, and marketing techniques specific to the Beninese market.



SERVING CLIENTS WORLDWIDE



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