

Chandrawat  
& Partners

# Doing Business in Republic of Congo



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# INTRODUCTION

The Republic of Congo (“Congo-Brazzaville”), located in Central Africa, covers 342,000 km<sup>2</sup>. Its population of 5.7 million people is largely young, with 47% being under the age of 18. More than half of the population lives in its two main cities – Brazzaville and Pointe-Noire. The country is one of the least densely populated in Africa, with 14.8 inhabitants per square kilometer.

Covered mainly by tropical forests, the Republic of Congo also has one of the largest areas of tropical peatlands, a fragile ecosystem that removes carbon from the atmosphere and stores it, thus helping to slow global warming. The oil sector accounts for about half of the country’s gross domestic product (“GDP”) and 80% of its exports, making it the third largest producer in Sub-Saharan Africa. The country also has a wealth of mineral resources that remain largely untapped.



# ECONOMIC OVERVIEW

Economic activity in Congo is estimated to have increased by 1.5% in 2022. The economic growth rate in 2022 was not strong enough to reduce the poverty rate. The proportion of the population living below the international extreme poverty line increased slightly from 52.0% in 2021 to 52.5 % in 2022.

Overall inflation remained contained in 2022 at 3%. However, food prices increased by 6.2% in 2022, worsening food insecurity in Congo. Although Congo remains in debt distress due to arrears, higher oil prices, improved debt management, and debt restructuring agreements helped restore the sustainability of public debt.

“GDP” is forecast to grow at a rate of 3.5% in 2023 and 3.6% on average in 2024-2025. This outlook is subject to downside risks, including volatile oil prices and unsteady oil production, an intensification of Russia’s invasion of Ukraine and related spillovers, weaker-than-expected global demand, a further tightening of global or regional financial conditions, and adverse weather conditions.





# FOREIGN DIRECT INVESTMENT (“FDI”) POLICY



The Republic of the Congo welcomes foreign direct investment (“FDI”) in most sectors, with a particular emphasis on the oil sector, which accounts for over 90% of “FDI” inflows. The government has expressed a need to attract investment outside of the petroleum sector.

To encourage investment, the Republic of Congo offers incentives through the Congolese Investment Charter. Potential investors who believe their investment will bring substantial benefits to the Congolese economy can apply for preferential tax and customs treatment through the Ministry of Finance’s national committee on Investments. The committee, chaired by the minister of finance and including the minister of economy and industrial development, the minister of planning, and the minister of budget, reviews applications annually.

The Republic of Congo has also established Presidential Decree No. 2004-30, which defines the requirements for foreign and national companies to benefit from incentives offered by the Congolese investment charter. These incentives include support for export, reinvestment of profits in the Republic of Congo, incentives for businesses in remote difficult-to-access areas, and incentives for social and cultural investment.

# KEY SECTORS

The key sectors of business in the Republic of Congo include:

- **Oil and hydrocarbon sector:** The hydrocarbon sector dominates the Congolese economy accounting for about 42% of gross domestic product (“GDP”) 80% of total exports, and 60% of domestic revenues. The country is one of the largest producers of oil in Sub-Saharan Africa.
- **Services sector:** The services sector is the second-largest sector in the economy, contributing to about 33% of “GDP”. This includes a range of services such as finance, telecommunications, transportation, and tourism.
- **Agriculture, forestry, and fishing:** This sector represents about 6% of “GDP” in the Republic of Congo. The country has large tracts of underexploited land, providing opportunities for agricultural development.
- **Mining:** The Republic of Congo has a wealth of mineral resources, including cobalt, copper, gold, coltan, diamond, tin, and tungsten. The mining sector attracts top mining companies from around the world, particularly due to the increasing demand for minerals used in electric vehicles and electronic batteries.
- **Manufacturing:** The manufacturing sector in the Republic of Congo is relatively small-scale averaging around 6.5% of “GDP”. However, there are opportunities for growth and development in this sector.
- **Infrastructure:** The development of infrastructure, including roads, buildings, and energy sources, presents significant business opportunities in the Republic of Congo.



# ADVANTAGES OF DOING BUSINESS

There are several advantages of doing business in the Republic of Congo, which Includes:

- **Abundant natural resources:** The Republic of Congo is rich in natural resources, particularly in the hydrocarbon and mining sectors. The country has large reserves of oil, cobalt, copper, gold, coltan, diamond, tin, and tungsten.
- **Favourable climate for agriculture:** The country has ample land and a favorable climate for growing crops such as cassava, maize, and palm oil.
- **Strategic location:** The Republic of Congo is strategically located in Central Africa, making it a potentially attractive market for American companies.
- **Large population:** The country is the fourth most populous in sub-Saharan Africa, providing a large consumer market.
- **Friendly and hardworking people:** Expats doing business in the Republic of Congo will find the Congolese to be friendly and welcoming. They generally take pride in their work and are hardworking.

# TYPES OF BUSINESS

- **Limited liability company (“LLC”):** LLC is the legal entity commonly used by entrepreneurs setting up small businesses in the Republic of Congo. A Congo “LLC” requires at least one director who must have been resident in Congo for at least two years and one shareholder who can be of any nationality and is not required to be ordinarily resident in Congo. This entity requires a minimum share capital of USD 1,100 to complete Congo business setup.
- The “LLC” is required to appoint a statutory auditor only if it fulfils either of the following has a share capital exceeding USD 110,000 or an annual turnover exceeding USD 5275,000 or employs more than 50 permanent staff.
- **Public limited company (“PLC”):** A PLC is an entity recommended for investors intending to establish businesses in Congo needing to finance investment through the issuance of equity. This entity requires at least 1 director who must have been resident in Congo for at least 2 years and 1 shareholder who can either be an individual or a body corporate. Such business entity also requires a minimum share capital of USD 11,000 for Congo Company setup.







- **Simplified joint stock company (“SAS”):** The SAS was established by the Revised Commercial Companies Uniform Act. This type of company gives shareholders and managers far more flexibility than the public limited company, which was the most commonly used vehicle for implementing foreign investments in Africa until now. With the introduction of the SAS, the Organisation for the Harmonisation of Business law in Africa ("OHADA") zone gains a type of company that is better suited for investment operations than those found in other countries with similarly dynamic economies. A SAS can be registered with no minimum share capital requirement and shareholders can be both legal and natural persons.
- **Sole proprietorship:** In the Republic of Congo, a sole proprietorship is known as an "enterprise individual" or an "enterprise en nom propre." It is a business structure where an individual operates a business without forming a separate legal entity. To establish a sole proprietorship, an individual must register business with the appropriate authorities. In the Republic of Congo, the process typically involves obtaining a business license and registering with the Trade and Personal Property Credit Register (“Registre du Commerce et du Crédit Mobilier”).

# HOW TO SET UP A BUSINESS ?



- **Market research:** Conduct thorough market research to identify business opportunities, competition, and potential customers in the Republic of the Congo.
- **Business plan:** Develop a comprehensive business plan that outlines an individual's objectives, target market, marketing strategy, financial projections, and operational details. This plan will be essential when seeking investment or financing.
- **Choose a business structure:** Determine the most suitable legal structure for business, such as a sole proprietorship, partnership, LLC, or corporation. Consider consulting with a local attorney or business advisor for guidance.
- **Business name and registration:** Choose a unique business name and register it with the appropriate authorities. In the Republic of the Congo, an individual will need to register their business with the National Centre for Business Formalities ("Centre National de la Formalité des Entreprises", "CFE") or the General Tax Directorate ("Direction Générale des Impôts", "DGI").



- **Legal requirements:** Familiarize with the legal requirements and regulations for specific industries. Obtain any necessary permits, licenses, or certifications to operate legally in the country.
- **Tax obligations:** Understand the tax obligations for businesses in the Republic of the Congo. Register for taxes, such as value-added tax (“VAT”), income tax, and social security contributions. Consult with a local tax advisor to ensure compliance.
- **Financing and capital:** Determine financing needs and explore available funding options. This may include personal savings, loans from financial institutions, venture capital, or partnerships with local investors.
- **Location and premises:** Secure a suitable location for business operations. Consider factors such as accessibility, proximity to suppliers or customers, and cost. Lease or purchase the premises as per individual’s requirements.
- **Hiring employees:** Understand the labor laws and regulations for hiring employees in the Republic of the Congo. Register employees with the National Social Security Fund (“Caisse Nationale de Sécurité Sociale”, “CNSS”) and adhere to the local labor standards.
- **Operational setup:** Set up the necessary infrastructure, equipment, and technology to support an individual’s business operations. This may include acquiring permits for utilities, establishing communication systems, and implementing necessary software or hardware.
- **Marketing and promotion:** Develop a marketing and advertising strategy to create awareness and attract customers. Utilize traditional marketing methods as well as digital platforms to reach the target audience.
- **Ongoing compliance:** Ensure ongoing compliance with local laws and regulations, including filing regular reports, maintaining financial records, and renewing licenses or permits as required.

# TAXATION



Taxation for businesses in the Republic of Congo is as follows:

- **Personal income tax (“PIT”):** The Republic of Congo taxes its residents on their worldwide income and taxes non-residents on their Congolese income. An individual domiciled in the Republic of Congo, whether of Congolese or foreign nationality, is liable for PIT on one's worldwide income. The PIT rates in the Republic of Congo are progressive, ranging from 30% to 40% based on income levels.
- **Corporate income tax (“CIT”):** The standard CIT rate in the Republic of Congo is 30%. However, certain industries, such as mining and petroleum, may have specific tax regimes and rates.
- **Value added tax (“VAT”):** The Republic of Congo imposes a VAT on the supply of goods and services, as well as on imports. The standard VAT rate is 18%. Certain goods and services may be subject to reduced rates or exemptions.



- **Withholding tax:** Withholding tax is applicable on various types of income, such as dividends, interest, and royalties. The withholding tax rate on dividends, interest, and royalties is generally 20%. However, specific rates and exemptions may apply based on tax treaties or domestic regulations.



- **Stamp duty:** Stamp duty is levied on various transactions, such as the transfer of real estate, the issuance of certain documents, and the execution of contracts. The rates and applicability of stamp duty vary depending on the nature of the transaction.
- **Property tax:** Property tax is levied on the value of real estate properties. The property tax rate in the Republic of Congo is 0.5% of the property's value.

# ACCOUNTING STANDARDS

International Financial Reporting Standards (“IFRS”) standards are required for all listed companies and companies making a public call for capital. All other companies are permitted, but not required, to use IFRS standards.

Accounting regulation bodies of republic of Congo is OHADA and Permanent Accounting Council of the Democratic Republic of Congo (“CPCC”).

According to article 8 of the Accounting act of the OHADA, companies must publish a balance sheet, a profit and loss account, a statement of cash flows and notes to the financial statements. All listed companies and companies making a public call for capital must use “IFRS” standards for their financial statements





# EMPLOYMENT AND LABOUR LAW



The Labor Code is the primary legislation governing employment and labor relations in the Republic of Congo. It covers various aspects of employment, including working hours, wages, leave entitlements, termination of employment, and collective bargaining.

## **Working hours:**

According to the Labor Code, the legal working hours of employees or workers may not exceed forty-five hours per week and eight hours per day. Overtime work is allowed but must be compensated at a higher rate.

**Minimum requirements:**

The Labor Code sets out the minimum requirements that employers must meet for employees. This includes provisions related to wages, working conditions, and social benefits. Employers are required to provide fair wages, safe working conditions, and access to social security benefits.

**Collective bargaining:**

The Labor Code recognizes the right to collective bargaining and the formation of trade unions. Workers have the right to join or form trade unions to protect their interests and negotiate with employers.

**Termination of employment:**

Employers are generally required to provide notice or compensation to employees in case of termination. The specific details and conditions for termination, such as valid reasons for dismissal and the length of the notice period, may be outlined in the Labor Code or other relevant regulations.

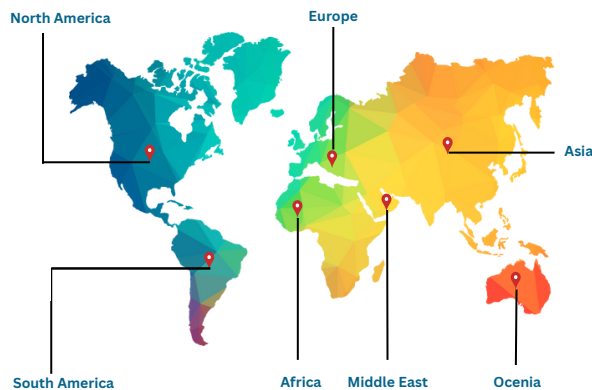




# HOW WE CAN HELP ?

- Our team of professionals can conduct comprehensive market research to help businesses understand their target audience, industry trends, and potential competitors.
- Our experts can help set clear objectives, outline actionable steps, and identify opportunities for growth and expansion.
- Our team can conduct risk assessments to identify potential threats and vulnerabilities within a business. They can then recommend risk mitigation strategies to safeguard against adverse events.
- Our team offers advice on the optimal legal form for an enterprise, such as a corporation, partnership, limited liability company ("LLC") or sole proprietorship. Our team describes the legal and tax implications of each option and assists in picking the best option based on objectives and circumstances.
- Our team can investigate and identify any licenses, permissions or registrations required for the client's specific area or industry. The business assists with the application process and ensures that the organization complies with all legal criteria.

## SERVING CLIENTS WORLDWIDE



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