

The Tax System of Guinea-Bissau

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The Evolution of Tax System in Guinea-Bissau

Since its founding, Guinea-Bissau's tax system has exhibited characteristics of a diversified model and a variety of tax types due to the influence of multiple factors, mainly reflected in the following aspects:

- The historical and political influences and policy choices
- The socio-economic structure restricted by the level of development

Continuation

For historical reasons, it can be said that Guinea-Bissau's current tax law system still largely follows the tax system framework of the colonial period, although the country has implemented a number of reform measures (...).

- The taxation on income and property is still based on a classified income tax levied according to different sources of income, with a comprehensive income tax superimposed on it, thus maintaining a mixed tax system.
- Over the years, this system has undergone many changes, which have profoundly affected the country's fiscal situation, especially in the field of taxation, the relative proportion of specific taxes, and the positioning of the tax system's own functions.

Continuation

- After independence, especially since the country experienced a coup in the 1980s, due to the narrowing of the tax base and the paralysis of state-owned enterprises, the collection level of fiscal revenue has declined seriously.
- Although the nationalization movement and the asset confiscation policy expanded the national assets, they also led to the shrinkage of income taxes, especially capital gains taxes (profits and interest) and private property taxes. This situation, coupled with the outflow of merchants and the disintegration of private business networks, became one of the key driving forces for promoting structural reforms before the multi-party system reform.
- The military and political conflict that broke out on June 7, 1998, exacerbated the lagging state of national development, paralyzed the production system and had a profound impact on taxable income.
- The expansion of the informal market has triggered a large amount of speculative behaviors regarding the sources of income, making it impossible for the government to tax various types of income accurately and fairly.
- The current system systematically encourages large-scale tax evasion and tax fraud. Among them, the excessively high proportion of the informal economy and the insufficient informatization level of the tax system and key economic fields are the important roots leading to this phenomenon.

The reform from 1983 to 1993

The main objective of the above-mentioned reforms is to adapt the systems left over from the colonial period to the national conditions of Guinea-Bissau, while taking into account certain particularities.

However, this reform merely remained at the nominal and peripheral levels and did not bring about any substantive changes. Because it fundamentally fails to touch the core of the system based on the inefficient, unfair and tax fraud and tax evasion classified income tax system;

In the field of direct taxes, the main changes are as follows:

The Professional Tax Code Adopted by Decree No. 23/83 of August 6, 1983

Reform content:

- ✓ Began to adopt a single tax schedule to uniformly calculate tax on all work income.
- ✓ Abolished the distinction between private sector employees and civil servants.
- ✓ Implemented a tax identification number registration system for industrial tax taxpayers.
- ✓ Simplified the supplementary declaration obligations of withholding units at the source.
- ✓ Established the verification standards for taxable income of freelancers.
- ✓ Decree No. 4/84 of March 3, 1984 amended Article 27 of the Code, adjusting the tax rate brackets of the occupational tax.

The Industrial Tax Code Adopted by Decree No. 39/83 of December 30, 1983

Reform Highlights:

- Integrated the itemized taxation system for income from industrial and commercial activities, and established three categories of taxpayer levels (Class A/B/C).
- Levied income tax on non-residents who conduct business activities in Guinea-Bissau for less than 6 months.
- Established a tax registration coding system for industrial tax taxpayers.
- This amendment revised paragraph a) of Article 2 of the National Reconstruction Tax Regulations adopted by Decree No. 43/75 of August 2, 1975, adjusting the per capita tax amount from 600 Guinea-Bissau Pesos to 1,000 Pesos.

Reform contents in 1993:

- Decree No. 33/93 of August 10, 1993 reduced the tax categories to two groups (Class A and Class B).
- Revised the administrative appeal procedure for the verification results of taxable income.
- Implemented a prepaid tax system.
- Optimized the tax collection efficiency for Group B taxpayers.

The Urban Real Estate Tax Adopted by Decree No. 5/84 of March 3, 1984

Reform Content:

- Only made partial adjustments to the property registration system in the tax base list, and at the same time simplified the property value assessment and tax settlement procedures.
- Reforms implemented in accordance with Decree No. 34/93 of August 10, 1993:
 - Created an installment payment mechanism: those whose real estate tax payable exceeds 15 million Guinea-Bissau Pesos can apply for installment payment.
 - Clarified the verification standards for taxable income of non-rented properties.

The Supplementary Tax Adopted by Decree No. 7/84 of March 3, 1984

Reform Content:

Decree No. 12/88 of February 22, 1988 stipulates that the scope of taxation covers the global income of natural persons and legal persons in each tax year. Except for the rural real estate tax, all classified income tax items are applicable to this regulation.

The Capital Gains Tax Code Adopted by Decree No. 8/84 of 1984

Reform Content:

The introduction of the Capital Gains Tax Code replaced the old interest tax, aiming to maintain the consistency of the tax system and ensure that all taxable incomes - even small amounts - cannot evade tax collection and management.

The Tax Procedure Code Adopted by Decree No. 10/84 of 1984

Reform Content:

- Abolished the Tax Enforcement Code adopted by Decree No. 38088 of December 12, 1950 and the Tax Dispute Regulations attached to Legislative Decree No. 1375 of December 18, 1946.
- Optimized the procedural links of tax collection and management procedures.
- Protected the basic rights of taxpayers.
- Abided by the principle of legality.

Indirect Taxes

The taxation method for the production of spirits has been reformed: previously, in accordance with the specific tax rate stipulated in Decree No. 12/78 (May 20), consumption tax was levied at both the production and consumption stages; later, it was changed to the presumptive output tax calculation method, that is, taxation is levied based on the verified production capacity of enterprises and known production and operation data.

This reform was due to the difficulty in accurately calculating the actual output of various production enterprises and the weak supervision over them.

The period of tax system reform (1997-2006)

The core task of this reform was to introduce a consumption-stage taxation system, which was realized by creating two tax types with independent tax item characteristics: the General Sales Tax (IGV) and the Special Consumption Tax (IEC).

- The General Sales Tax adopts a limited multi-stage collection model.
- As of 2024, three tax rates are implemented: 10%, 15%, and 19%.
- Special Consumption Tax (IEC):
 - Levied on specific commodity categories, including alcoholic beverages, non-alcoholic beverages, tobacco products, fuels, automobiles, perfumes, and weapons.
- The stamp duty was established by Decree No. 20/80 of May 10, 1980, and the tax rate table was replaced by Decree No. 25/88 of June 13, 1988.

Property Tax

- Property transfer tax (By Decree No. 160-B of April 30, 1920, a uniform tax rate of 5% was applied to the transfer of real estate)
- Inheritance and Gift Tax (Decree No. 160-B of April 30, 1920), this tax applies to all acts of permanently or temporarily transferring assets of any value, type or nature through free means. A variable tax rate system is adopted based on the value of the transferred assets and the kinship between the transferor and the transferee, but it is uniformly levied at a rate of 5%

Introduction of New Tax Types

The national fiscal budget for 2021

- Democratic tax (levied in conjunction with professional tax, adopting a progressive tax rate: 500-20,000 CFA francs for employed individuals; 500-3,000 CFA francs for retired individuals)
- Tax on audio-visual equipment (The taxable object is household electricity. The collection standard is 3% of the monthly electricity bill amount, with a cap of 1,000 CFA francs per month)
- Sustainable urban development fee (for financing urbanization projects, taxable scope: production and sale of building materials such as cement, steel, and metal roofing panels, tax rate: AD valorem 2%)
- Telecommunications Special Tax (Taxable objects: digital services and paid telecommunications services, fixed tax rate: 3.5 CFA francs per unit, tax rate: 5%.

The Tax system reform for the 2021/2022 fiscal year

The General Tax Law

The General Rules for the Imposition of Penalties on Tax and Customs Offenses

The Value-Added Tax

The Special Consumption Tax

The General Tax Law

With the adoption of the General Tax Law, Guinea-Bissau has launched a new round of tax system reform. The motivation for this reform lies in the fact that the current legal provisions are seriously outdated - some regulations were formulated in the early days of the country's independence, others originated from the colonial period, and some legal sources can even be traced back to the early 20th century. These legal texts are outdated in terms of solutions, technical specifications, and terminology systems. They not only cause difficulties for tax authorities in interpreting and enforcing the law but also create legal ambiguities, hindering the establishment of a transparent and mutually trusting relationship with taxpayers. The General Tax Law consists of two parts: the first part focuses on the structure of the tax system, clearly defining the basic concepts of tax law, the principles of legal application, and the structure and operation mechanism of tax legal relations.

Continuation

The second part focuses on tax procedural norms, establishing the basic principles and general rules for the interactive relationship between tax authorities and taxpayers, and stipulating the main administrative remedies that taxpayers can take to protect their own rights and interests.

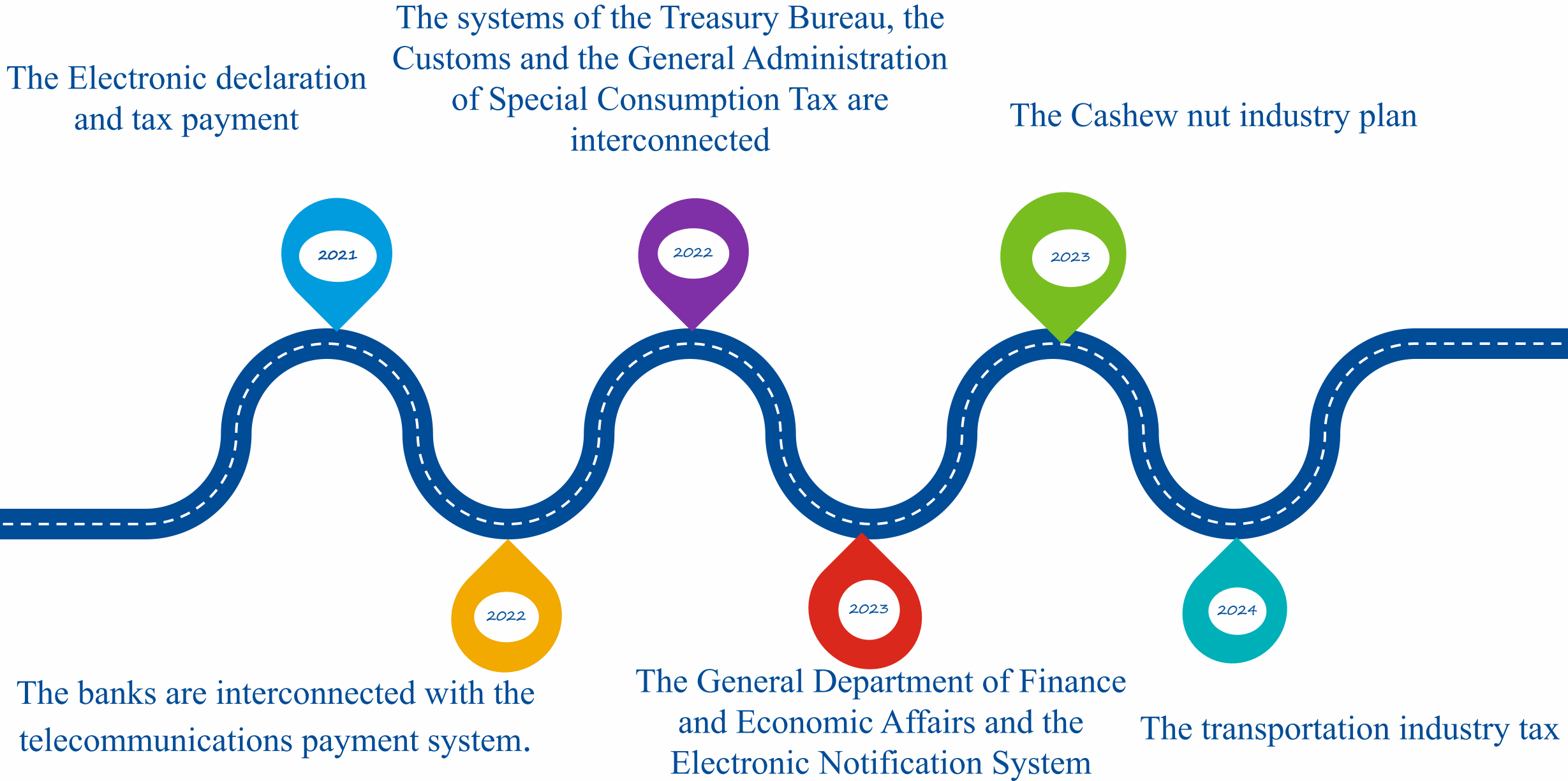
The Tax Violation Handling System

The regulation of tax violation matters is undoubtedly one of the areas most in need of reform in Guinea-Bissau's tax system, and it is also the link that needs priority revision when launching the tax system reform process. In China's legal system, there is still a lack of specialized legal documents for systematically regulating and coordinating the handling of tax violation matters.



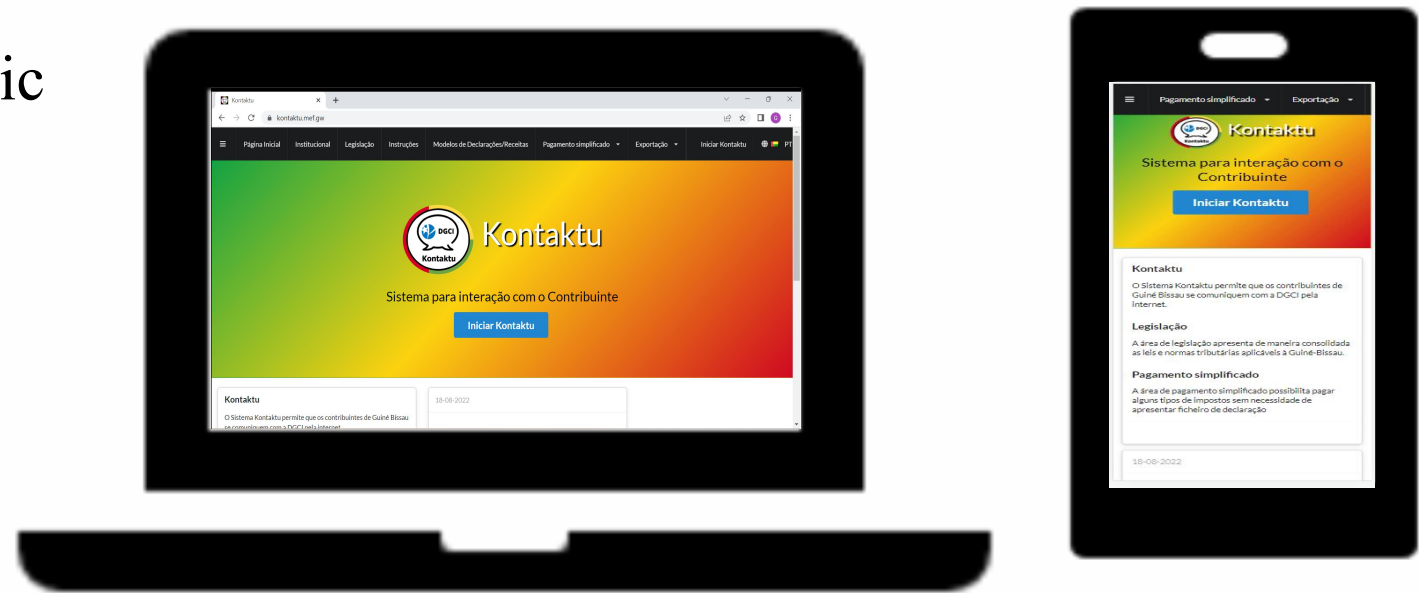
The digital transformation initiative of the General Tax Authority of Guinea-Bissau

The Digital Tranformation of the Tax Adiministration of Guinea - Bissau -Tax Service Platform



The Digital Tax Service platform

Tax data declaration, electronic tax payment and interactive verification tools



Taxpayer Services — Declaration

主页

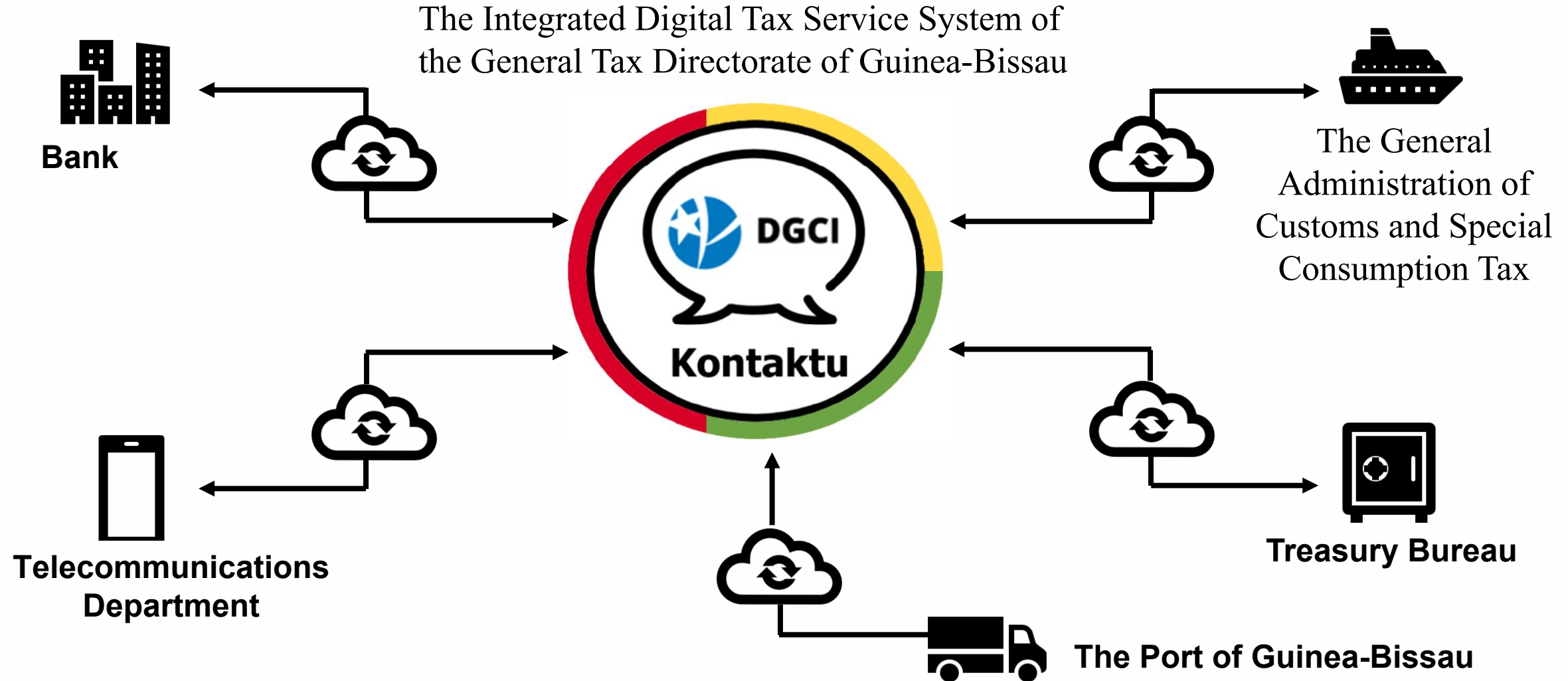


Modelos de Declarações/Receitas Tax Return Forms and Income Voucher Templates

Nome da Declaração/Receita	Versão	Período de tributação até	Baixar
Tax Return Forms and Income Names	Version	Taxation Period	Download
DECIRF	3.0	11/2021	
DECIRF	3.1		
DIGV	2.0		
DRE	2.0		
DTC	1.0		

DIREÇÃO-GERAL DAS CONTRIBUIÇÕES E IMPOSTOS DA GUINÉ-BISSAU		Declaração de Contribuição Industrial (DCI) (SISTEMA NORMAL)	
Quadro 01. Identificação do Sujeito Passivo		Quadro 02. Período de tributação e tipo de declaração	
01. NIF		02. Período de Tributação (data inicial e final):	a
Nome		03. Tipo de Declaração:	☒ Primeira declaração ☐ Declaração de substituição
Quadro 03. Apuramento do Resultado Tributável			Valor
AA	Resultado Líquido do Exercício Antes do Imposto (anexos A, D e E)	04	0
VERBAS A ACRESCER			
AB	(+) Impostos não dedutíveis (exceto o imposto sobre o resultado do exercício)	05	
AC	(+) Despesas além dos limites legais	06	
AD	(+) Amortizações além dos limites legais	07	
(DCI-SN)-folha principal Anexo A -Demonstração Financei Anexo B -Incentivos Fiscais Anexo C-Antecip e Pagtos de CI Anexo D - Bancos Ar			

Automated Data Exchange



Advantages

1. One of the most modern and simple solutions in Africa.
2. The services of the General Tax Directorate are available online at all times.
3. Facilitates taxpayers to fulfill their obligations.
4. Strengthens the supervision of tax revenue by Guinea-Bissau's General Tax Directorate and the State Treasury .
5. Improves the transparency of tax administration.
6. Enhances tax compliance and strengthens the ability to collect revenue.
7. Realizes automatic interaction with the fiscal electronic management system, the integrated public financial information system, and banks.
8. With or without the support of the International Monetary Fund, Guinea-Bissau's General Tax Directorate can optimize and upgrade the existing solutions.
9. Uses open-source and free software solutions.
10. Put into operation since July 2021, with strong growth potential.

The Revenue Variation Statement for the Fiscal Year of 2024/2025

THE Analysis of Year-on-year Changes in Tax Revenue in the First Half of 2024 (Classified by Tax Type)

3. VARIAÇÃO DAS RECEITAS DO PRIMEIRO SEMESTRE EM RELAÇÃO AO PERIODO HOMOLGO POR CLASSIFICAÇÃO DE TRIBUTOS

CATEGORIAS POR TRIBUTOS The Classification of tax types	2024	2025	DESVIO	
			ABS	%
Imposto sobre Rendas e Rendimentos	22 309,1	20 867,1	-1 442,0	-6,5%
Contribuição Industrial	10 687,8	8 121,3	-2 566,5	-24,0%
Contribuição Predial Urbana - v. Rendimento	320,8	306,8	-14,1	-4,4%
Contribuição Predial Rústica	3 953,7	4 407,2	453,5	11,5%
Imposto Profissional	5 973,5	6 021,8	48,3	0,8%
Imposto de Democracia	968,8	919,3	-49,6	-5,1%
Imosto Complimentar	0,2	0,0	-0,2	-100,0%
Imposto Capital	390,3	1 073,3	683,0	175,0%
Imposto sobre o Consumo	10 115,1	11 918,6	1 803,5	17,8%
Imposto Geral Sobre Vendas-IGV	8 760,6	1 610,5	-7 150,1	-81,6%
Imposto Sobre Valor Acrescentado-IVA	0,0	9 022,6	9 022,6	100,0%
Imposto Especial de Consumo	0,0	0,0	0,0	0,0%
Imposto Especial Sobre Telecomunicação	1 164,4	1 112,9	-51,5	-4,4%
Taxa de Desenvolvimento Urbano Sustentavel	128,0	147,0	19,0	14,8%
Contribuição Audiovisual	62,2	3,7	-58,5	-94,1%
Taxa de Saneamento	0,0	21,9	21,9	100,0%
Imposto de Selo	1 966,8	1 915,7	-51,2	-2,6%
Selo de Verba	1 677,8	1 574,2	-103,6	-6,2%
Estampilha	289,1	340,8	51,7	17,9%
Selo Especial	0,0	0,7	0,7	100,0%
Impostos sobre o Património	54,9	62,9	8,0	14,5%
Sisa	47,6	62,9	15,3	32,1%
Sucessões e Doações	7,3	0,0	-7,3	-100,0%
Transações	0,0	0,0	0,0	0,0%
Contribuição Predial Urbana - v. Rendimento	0,0	0,0	0,0	0,0%
TOTAL DAS RECEITAS TRIBUTÁRIAS	34 445,9	34 764,3	318,3	0,9%
Fundos autônomos	2 061,2	1 736,8	-324,5	-15,7%
Juros,Taxas, Multas e Coimas Diversas	150,5	435,7	285,2	189,5%
TOTAL DAS RECEITAS NÃO TRIBUTÁRIAS	2 211,7	2 172,5	-39,2	-1,8%
TOTAL GERAL	36 657,7	36 936,8	279,1	0,8%

The tax judicial authority adopted by Law No. 9/84 of March 3, 1984

The Tax Judicial Authority Adopted by Law No. 9/84 of March 3, 1984

- Administrative aspect (Tax Dispute Resolution Bureau);
- Judicial aspect (Tax Court);

The powers of the tax judicial authority:

- In accordance with Article 1 of Law No. 9/84 of March 2, it accepts and adjudicates all lawsuits related to tax legal relations, and enforces relevant judgments and other enforceable documents.
- In accordance with Article 2 of Law No. 9/84, cases within the jurisdiction of the General Administration of Customs are not under the jurisdiction of the tax judicial authorities.

The Powers of the Financial Sub-bureau (Article 5)

The powers of the Financial sub-bureau:

- Accept and hear administrative appeal cases related to taxes.
- Accept and form judicial litigation cases.
- Initiate and investigate tax violation cases.
- Initiate tax enforcement procedures and implement relevant enforcement actions, except for the contents specified in paragraph c) of Article 13. (According to the revised version of Law No. 6/95 of May 24, 1995)
- Exercise the functions of the procuratorate in the Tax Court;
- Execute judicial writs issued by Tax Court judges in lawsuits and appeals.

The Taxes and Tax Incentive Mechanisms

The government of Guinea-Bissau has implemented preferential tax policies to create favorable conditions for economic activities, promote employment growth and address major deficiencies in the production sector. According to the Tax Exemption Law No. 2/95 of May 24, 1995, the Investment Code No. 13 of 2011, and the special provisions of the current domestic tax codes, these tax preferences must be in line with the goals of social equity and economic strategy, and follow a transparent and unified rule framework. For this reason, the State Taxation Administration has specially established a tax exemption application review committee and recently set up a tax exemption measurement special committee to be responsible for tracking and statistical accounting of the effects of preferential policies.



The Tax Administration of
Guinea - Bissau.

We walk hand in hand ! Estamos juntos!



Thank all of you for your attention ! DGCI agradece a vossa atenção!