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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

Madagascar has a population of around 27.58 million people, with a GDP per capita (PPP) estimated at USD 1,640 by the IMF (2021), one of the lowest in the world. The country is classified as low-income by the World Bank, with 75% of the population living on less than USD 1.90 per day in 2019 (latest data available). The country's human capital index (0.39 in 2020 - World Bank) is also one of the lowest worldwide and it has the world's fifth-highest rate of chronic malnutrition, with 47% of children under five years suffering from stunting (UNICEF, 2021). Men earn significantly higher wages and business profits than women. Income inequality levels are not too evident in the country.

The Malagasy consumers are relatively young: according to data by the CIA, the proportion of children below the age of 14 is 38.86%, 20.06% of the population is between 15 and 24, 33.02% between 25 and 54, while only 8.07% are 55 or older; and it is equally split between men and women (2020 est.).

Most of the population lives on the eastern half of the island, on the central highlands and the eastern coastline. The urban population was only 38.5% of the total in 2020 (CIA World Factbook), although the country has seen a process of urbanization in recent years. In 2019, the rate of access to electricity was just 15%, one of the lowest in the world (World Bank, latest data available).

Classic credit has not developed much among the Malagasy population. However, micro-credit is used by a large number of farmers or small business owners. It was developed in the 1990s in Madagascar and it continues to progress. For more information, visit the site of [Micro-finance in Madagascar](#).

Consumer Behaviour

For Malagasy consumers, brand loyalty is the most important purchase driver and loyalty levels are much higher in Madagascar than in other Sub-Saharan countries. Affordability is the second most important purchase driver, while low prices or deals may encourage trial. Proximity and availability are also very important.

Generally, Malagasies have a limited budget, thus food and grocery purchases account for almost 40% of monthly household spending (also considering that many people are active in subsistence farming). The majority of people, around 75%, still shops at kiosks (according to the latest data available from a Nielsen survey).

The majority of Malagasies are very family-oriented and many live in a joint family. A family-driven communication can thus be effective in this market (also considering that a woman's opinion is very important in household matters).

TV and radio are the most popular sources of information and entertainment, thus companies should focus on these means for their advertisement (reaching around 90% of the potential consumers - latest survey from Mediatrie). On the other hand, newer forms of advertising (like social media) would have a lower impact, as internet access in the country is still limited.

IMPORTING & DISTRIBUTING

Import Procedures

The following documents are required to import goods in Madagascar:

- bordereau de suivi des cargaisons (BSC) (cargo tracking note). The BCS needs to be electronically submitted either by the exporter or forwarding agent before the goods have been shipped.
- commercial invoice
- bill of lading/airway bill
- packing list
- certificate of origin
- original and copy of the certificate of tax registration for the first operation
- certificate of insurance
- according to the category of goods or services being brought into the country, further authorisations from supervising departments might be requested.

All perishable foods must be labelled in French or English before the sale of the product, with the following information:

- origin of the product
- sell-by or use-by date
- list of ingredients
- recommended storage method
- name and registration number (as applicable) of the manufacturer
- intended use of the product (as applicable).

Distribution market players

Although there are no exact figures about retail market share, the main supermarket chains in Madagascar include:

- Leader Price
- Carrefour (Jumbo & Score Supermarkets)
- Shoprite
- Shop Liantsoa
- Supermaki (belongs to the Jumbo & Score group)

OPERATING A BUSINESS

Type of companies

Limited Liability Company (SARL)

Number of partners: minimum one shareholder and one director (which may be of any nationality), maximum

100. It must have a resident representative.

Capital (max/min): No minimum capital required.

Shareholders and liability: liability is limited to the shares

Limited Company (SA)

Number of partners: minimum one shareholder and one director, which may be of any nationality. It must have a resident representative.

Capital (max/min): MGA 10 million (MGA 2 million in case of a single shareholder)

Shareholders and liability: liability is limited to the extent of the shareholders contributions

Single Member Limited Company (SA Unipersonnelle)

Number of partners: one natural person

Capital (max/min): No minimum capital required.

Shareholders and liability: liability is unlimited

Setting Up a Company	Madagascar	Sub-Saharan Africa
Procedures (number)	5.0	7.5
Time (days)	8.0	21.3

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

The minimum wage was MGA 200,000 per month in 2019 (ILO, latest data available).

However, the vast majority of the population is active in the informal sector, so does not necessarily benefit from the legal minimum salary.

Average Wage

Salaries in Madagascar differ drastically between different jobs. Visit VotreSalaire.org to consult the average wages for the type of profession (in French).

Social Contributions

Social Security Contributions Paid By Employers:

18% of monthly salary of which:

- 13% for the National Pension Fund (capped to a monthly maximum of 13% of eight times the legal minimum salary)
- 5% for the statutory health organization

Social Security Contributions Paid By Employees: 2% of the monthly salary of which:

- 1% to the National Pension Fund
- 1% to the statutory health organization

Both capped at a monthly maximum of 1% of eight times the legal minimum wage.

Intellectual Property

National Organisations

The **OMAPI** (Malagasy office of industrial property) (Office Malgache de la Propriété Industrielle - in French)

Regional Organisations

Madagascar is a **member of WIPO**.

International Membership

Member of the WIPO (World Intellectual Property Organization)

Signatory to the Paris Convention For the Protection of Intellectual Property

TAX RATES

Consumption Taxes

Nature of the Tax

Value Added Tax (VAT) - Taxe sur la valeur ajoutée (Local name)

Tax Rate

20%

Reduced Tax Rate

A 5% reduced rate applies to sales of locally produced pasta products and imports and sales of butane gas and their containers.

Exports are zero-rated.

Certain items are exempt from VAT, including lth profession; import and sale of contraceptives and condoms; import and sales of newspapers and periodicals, excluding revenue from advertising; import and sales of stamps and legal currency; sales of gold to the Central Bank of Madagascar for the constitution of the national gold reserve; import and sales of books, brochures and educational and academic nature; import and sales of corrective lenses; import and sales of inputs exclusively used for agriculture; import and sales of potato seed, corn seed, wheat seed and soybean seed; import and sale of breeding animals, agricultural materials and equipment, materials and equipment for the food industry, public sports equipment and equipment for the production of renewable energy; air and sea transport of people and goods to and from abroad; sale of maize and sale of flour and edible oil made by local industries; import and sales of wheat, rice, paddy, fluorine and iodine; milk and supplements dietetics for infants and young children; wheelchairs and other invalid vehicles; medical materials, equipment and consumables; etc.

Other Consumption Taxes

Excise duties are levied on certain products imported to or manufactured in Madagascar at rates varying between 5% and 325% or at fixed amounts per litre or per unit: tobacco, alcohol, lighters and certain services including telephone communications.

0.5% of the cost, insurance, and freight (CIF) value of goods, is applicable on the importation of goods ("Gasynet fee").

Corporate Taxes

Company Tax

5% of 70% of turnover, with a minimum tax of MGA 16,000 to MGA 150,000 depending on the sector.

A reduction of 2% of the amount of purchases of goods and equipment subject to regular invoices is applicable.

In any case, tax due cannot be less than 3% of the turnover

Tax Rate For Foreign Companies

All residents (all persons working in Madagascar or owning a company) must pay taxes on their Malagasy and foreign incomes.

Capital Gains Taxation

Capital gains are taxed as ordinary income. Capital gains realised from the sale of shares held in a company of which the entire or partial value is derived from goods located in Madagascar, or from rights thereof, are subject to tax at a rate of 20%.

Main Allowable Deductions and Tax Credits

The rates of depreciation vary from 5% to 33%.

Interest expenses, charitable contributions (capped at 0.5% of annual turnover), payments to foreign affiliates and taxes in relation to business in Madagascar are deductible (except for corporate income tax). Moreover, exemptions for public organizations, associations and non-governmental organizations apply. Provisions for doubtful debt can be deducted in case of an amicable or judicial settlement.

Half of the difference between the total benefits in kind and the value of benefits in kind included in the tax base of salary income tax are deductible expenses.

Accumulated loss can be carried forward for five financial years, whereas the carryback of losses is not allowed.

For companies with an annual turnover of less than MGA 200 million, a tax reduction of 2% of the amount of purchases of goods and equipment subject to regular invoices is applicable. However, tax due cannot be less than 3% of the turnover.

Other Corporate Taxes

Real estate ownership tax is imposed annually at the rate of 5% to 10% on the rental value of the property.

Registration fees are applicable at rates ranging from 0.5% to 5%, depending on the nature of the transaction.

Insurance contracts are taxed at a rate ranging from 3% to 20% of the insurance premiums.

A payroll tax is levied at a rate of up to 20% on the total taxable remuneration of employees, including salaries, allowances, and benefits in kind. Employers contribute up to 13% of eight times the legal minimum salary per employee for social security ("*Caisse Nationale de Prévoyance Sociale*"), plus 5% of the total amount of taxable remuneration for health contributions.

Several local taxes (also called para-fiscal taxes) are levied, including:

- Civil protection tax: MGA 5,000 per domestic animal or bladed weapon ("*arme blanche*")
- Advertising tax: MGA 30 to MGA 30,000/square metre

- Residence tax for development: MGA 5,000
- Tax on antennas, relays, or masts: MGA 600,000
- Tax on pylons: MGA 1 million
- Tax on mineral waters: MGA 5/litre
- Tourist tax (or stay tax): MGA 500 to MGA 2,000 per night/room
- Tax on radio and television games: MGA 10/sms; MGA 20/call
- Tax on entering parties, shows, and various events: 3% to 5%
- Tax on water and/or electricity: 10%.

Other Domestic Resources

Directorate-General for Taxation

Consult [Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

The list of tax treaties signed by Madagascar.

Withholding Taxes

Dividends: 10%; Interests: 0% (interest paid to banks and foreign financial institutions)/20% (financial loan interest or "*Impôt sur les revenus des capitaux mobiliers*"); Royalties: 10%.