Highlights of the new mining code of Burkina Faso

The new mining code, voted by the National Transition Council on 26 June, 2015, has been signed by the President of Burkina Faso on 16 July, 2015 and is now in force.

The related mining decrees are yet to be signed, however, they are expected to contain several tax provisions (e.g., royalty rates).

Key tax highlights are:

- Royalty rates are not known yet as the mining decree has not been adopted, but first insights seem to indicate no change of rates, but this is still to be confirmed
- There has been an increase of the CIT (corporate income tax) rate from 17.5% to 27.5% during the exploitation phase
- A local community development fund has been established, to which mining companies will contribute 1% of their monthly turnover during the exploitation phase (details on how this fund will be managed are not known yet and will be addressed in the mining decrees)
- The VAT exemption during the construction phase also applies to the turnkey contract for the construction of the mine
- The tax and customs duties stabilization regime only applies for the life of the mine, as stated in the Feasibility Study, and is limited to 20 years. This excludes the periods of extension of the life of the mine.
Other key highlights are:

► A mining convention is only signed when an exploitation permit is granted and not during the exploration phase — its duration is 20 years (vs. 25 years before), except if renewals are granted
► A technical committee will advise the Ministry of Mines on several matters including; exploitation permit applications, mining convention drafts shared by mining companies, or changes in the development and production plan of the mine proposed by the mining company
► In case of unjustified or unapproved overproduction vs. plan, penalties ranging from 1% to 4% could apply and would be added on top of the royalty rate
► Mining permits and mining conventions, granted or signed before the new mining code, will remain valid for their respective duration.

Mathieu Calame
+225 09 68 88 88
mathieu.calame@ci.ey.com
How EY’s Global Mining & Metals Network can help your business

With a volatile outlook for mining and metals, the global mining and metals sector is focused on margin and productivity improvements, while poised for value-based growth opportunities as they arise. The sector also faces the increased challenges of maintaining its social license to operate, balancing its talent requirements, effectively managing its capital projects and engaging with government around revenue expectations.

EY’s Global Mining & Metals Network is where people and ideas come together to help mining and metals companies meet the issues of today and anticipate those of tomorrow by developing solutions to meet these challenges. It brings together a worldwide team of professionals to help you succeed — a team with deep technical experience in providing assurance, tax, transactions and advisory services to the mining and metals sector. Ultimately it enables us to help you meet your goals and compete more effectively.

Area contacts

Global Mining & Metals Leader
Miguel Zweig
Tel: +55 11 2573 3363
miguel.zweig@br.ey.com

Oceania
Scott Grimley
Tel: +61 8 9429 2409
scott.grimley@au.ey.com

China and Mongolia
Peter Markey
Tel: +86 21 2228 2616
peter.markey@cn.ey.com

Japan
Andrew Cowell
Tel: +81 3 3503 3435
cowell-ndrw@shinnihon.or.jp

Africa
Wickus Botha
Tel: +27 11 772 3386
wickus.botha@za.ey.com

Commonwealth of Independent States
Evgeni Khrustalev
Tel: +7 495 648 9624
evgeni.khrustalev@ru.ey.com

France, Luxembourg, Maghreb, MENA
Christian Mion
Tel: +33 1 46 93 65 47
christian.mion@fr.ey.com

India
Anjani Agrawal
Tel: +91 22 6192 0150
anjani.agrawal@in.ey.com

United Kingdom & Ireland
Lee Downham
Tel: +44 20 7951 2178
ldownham@uk.ey.com

United States
Andy Miller
Tel: +1 314 290 1205
andy.miller@ey.com

Canada
Bruce Sprague
Tel: +1 604 891 8415
bruce.f.sprague@ca.ey.com

Brazil
Carlos Assis
Tel: +55 21 3263 7212
carlos.assis@br.ey.com

Chile
Maria J aviera Contreras
Tel: +56 2 676 1492
Maria.J.aviera.Contreras@cl.ey.com

Service line contacts

Global Advisory Leader
Paul Mitchell
Tel: +61 2 9248 5110
paul.mitchell@au.ey.com

Global Assurance Leader
Alexei Ivanov
Tel: +7 495 228 3661
Alexei.Ivanov@ru.ey.com

Global IFRS Leader
Tracey Waring
Tel: +61 3 9288 8638
tracey.waring@au.ey.com

Global Tax Leader
Andy Miller
Tel: +1 314 290 1205
andy.miller@ey.com

Global Transactions Leader
Lee Downham
Tel: +44 20 7951 2178
ldownham@uk.ey.com

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