



**Mozambique Tax
Newsletter
2018**

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1. Income Tax

1.1 Business Income

Mozambican residents are taxed on their worldwide income, whereas non-resident entities are taxed on their-Mozambique sourced income.

1.2 Income Tax Calendar

The Income Tax Calendar is from January to December. Companies may adopt a different calendar year, provided that this fact is duly justified, and when the entity is more than 50% owned by a group adopting a different tax year.

1.3 Rates

1.3.1 Resident Companies

Resident Companies

Corporate Income Tax	
Standard Rate	32%
Tax-free operators and enterprises (Industrial Zones)	Tax exemption during the first 10 years, 50% reduction of general tax rate from 11th to 15th Year, 25% reduction during the remaining years of the project's Operations.
Tax-free operators and enterprises (Special Zones)*	Tax exemption during the first 5 years, 50% reduction of general tax rate from 6th to 10th year, and 25 % reduction during the remaining years of the project's operations.
Special Tax on Mining exploration	3% - 10% (Over and Above Standard rate)
Special Tax on Oil exploration	10% (Over and above standard rate)
Special Tax on Gas exploration	6% (Over and Above Standard rate)
Capital Gains	Incorporated on taxable business income
Bank Interest	20% (withholding created on payment) No Withholding if paid to a resident credit institution.
Dividends	20% (no withholding if paid to another local company in which shareholding is at least 2 years)
Royalties	20% (withholding created on payment)
Fees	No withholding tax
Rent	20%

**Special Zones: Where the state allocates certain tax exemptions with the aim of boosting trade and development.*

1.3.2 Resident Individuals

Resident Individuals

Individual Tax Rate

Individual Income Tax	10%-32%
Capital Gains:	
Immovable Property	Only 50% taxable at individual tax rates
Intellectual/Industrial Property works and know how	Only 50% taxable at individual tax rates
Dividends	20% (Withholding created on payment)
Dividends in the Mozambican Stock Exchange	10% (withholding tax created on payment)
Bank Interest	10% (for term deposits)
Royalties	20% (withholding tax created on payment)
Fees	20% (withholding tax created on payment)
Rent	14% (withholding tax created on payment)

1.3.3 Non Resident

Non-Resident

Corporate Income Tax	32%
Individual Income Tax	20%
Capital Gains On Disposal of Shares	32%
Dividends	20%
Royalties	20%
Fees	20% (10% if international telecommunications and transportation services)
Rent	32%

Note that: Dependent income is taxed at specific rates to the extent that income is made available to the respective holders. Dependent income is the income obtained under the direction, supervision and roof of the service requester. E.g. Salaries and all other benefits related to it are considered as dependent income.

For the table below Signal:

(-) Means that there are no taxes to be withheld nor does the coefficient

(0.00) means that only apply the coefficient

1.3.4 Dependent Income Withholding Tax (IRPS) Table

limit of gross monthly wage	Value of IRPS to be retained relative to the lower limit of gross salary, by number of dependents (MZN)					Coefficient applicable to each additional unit of the lower limit
	Number of Dependents	0	1	2	3	
To 20,249.99	-	-	-	-	-	-
From 20,250.00	0.00	-	-	-	-	0.10
To 20,749.99						
From 20,750.00	50.00	0.00	-	-	-	0.10
To 20,999.99						
From 21,000.00	75.00	25.00	0.00	-	-	0.10
To 21,749.99						
From 21,250.00	100.00	50.00	25.00	0.00	-	0.10
To 21,749.99						
From 21,750.00	150.00	100.00	75.00	50.00	0.00	0.10
To 22,249.99						
From 22,250.00	200.00	150.00	125.00	100.00	50.00	0.15
To 32,749.99						
From 32,750.00	1,775.00	1,725.00	1,700.00	1,675.00	1,625.00	0.20
To 60,749.99						
From 60,750.00	7,375.00	7,325.00	7,300.00	7,275.00	7,225.00	0.25
To 144,749.99						
From 144,750.00	28,375.00	28,325.00	28,300.00	28,275.00	28,225.00	0.32
To Forward						

1.3.5 Individuals Generic Income Tax Rate

Taxable Income MZN	Rate	Less Flat Rebate MZN
Up to 42.000,00	10%	MZN -
42.000,00-188.000,00	15%	MZN 2,100.00
168.000,00-504.000,00	20%	MZN 10,500.00
504.000,00-1.512.000,00	25%	MZN 35,700.00
Over 1.512.000,00	32%	MZN 141,540.00

1.4 Tax losses

The time limit to carry forward any unrelieved loss, applicable both to individuals and companies is 5 years. However, where the company has incurred loss but has turnover, the company is required to pay in advance tax of 0.5% on turnover. The minimum tax charge on turnover is MZN 30,000 and maximum is MZN 100,000 and it is payable in three equal instalments.

1.5 Foreign Tax Relief

Foreign-sourced income, gross of tax paid, is included in taxable income. Foreign income tax suffered can be set off against the IRPC. Mozambique Double Tax Treaties also apply the ordinary credit method. The tax credit is restricted to lower of:

- Income tax suffered abroad and;
- Mozambique Income Tax payable on that foreign income.

1.6 Corporate Group Tax

In Mozambique, there is no regulation on the taxation of group companies, which means that each company is taxed as a separate entity.

1.7 Branch Profit

In Mozambique, you can have as many branches in the different provinces but their separate income tax returns are centralized through the main office and only one tax return is submitted for the entire group.

1.8 Social Responsibility

There is no mandatory social responsibility rules in Mozambique.

1.9 Social Security (INSS)

Social security contributions are payable by employers (4%) and employees (3%) on the monthly remuneration of the employees of the business.

1.10 Capital Gains Tax

1.10.1 For individuals

Capital is the gains realized on:

- a) Disposal of immovable property or shares and other legal rights (even if it is leasehold);
- b) Disposal of know how or intellectual and industrial properties (Not applicable if the person disposing is the creator);
- c) Transactions involving financial derivatives (Swaps and promise Contracts are not applicable).

And is taxed at 50% if in hand of the individual. If it involves shares or other securities, they are taxed as per table below:

Ownership Period	Taxable Amount
Less than one year	100%
12 to 24 months	85%
24 to 60 months	65%
more than five years	55%

1.10.2 For Corporations

For Local corporations Capital gains are taxed under the rules that are applicable to resident companies on their normal income, and non-resident corporations are taxed under the rules applicable to resident individuals. Shares and trading securities are taxed at 32%.

1.11 Transfer pricing and thin capitalization rules

1.11.1 Transfer Pricing Rules

In Mozambique there is a transfer pricing regime and applies to taxpayers (including Stable establishment) of Corporate Income Tax and Income Tax of Singular Persons domiciled in the Mozambican territory who have an annual turnover equal to or higher to MZM 2,500,000.00, that carry out transactions with related parties. In addition, these regulations apply to taxpayers who carry out transactions with entities incorporated in a country with a low tax jurisdiction, or a privileged tax regime.

Main principles of transfer pricing legislation

The main principle is arm's length, the terms and conditions of a transaction involving a company and its related party shall not be different from those normally would be agreed between independent entities, and otherwise the company will have to make corrections as if it were independent entities.

In Mozambique, five internationally recognized methods are used as the basis to establish transfer prices of a Company, which are:

- Method of the comparable market price,
- Method of the resold retail price,
- Increased cost method,
- Method of fractioning profits,
- Net operating margin method

Mozambican legislation provides for an interquartile range, which represents the acceptable part of prices or profit margins obtained by applying one of the methods of determining transfer prices. If the relevant financial indicator falls outside the interquartile range, the price or profit margin used by the independent parties will be considered the median less or more 5% (depending on whether the price or the profit margin is below or above the first or third quartile).

There are also provisions applicable to commodity transactions, cost sharing arrangements and intra-group services.

Taxable persons who are subject to this regime should maintain and provide information on the general view of the taxpayer's business operations, functions, assets and risk analysis, information on comparable data used, as well as details of the analysis performed.

1.11.2 Capitalization Rules

Generally, indebtedness is considered excessive when the amount of the debt is more than twice the value of the concerned holding in the equity capital of the liable corporation. Thin capitalization rules are applied when the debt/equity ratio exceeds 2:1.

1.12 International Double Taxation Conventions

Mozambique has double taxation treaties with the following countries: Portugal, Italy, Mauritius, United Arab Emirates, Macao, South Africa, India, Botswana and Vietnam.

Pais	Dividends Tax Rate	Interest Tax Rate	Royalties Tax Rate	Management Fees Tax Rate	Capital Gains Tax Rate
Italy	15%	10%	10%	0%	0%
Mauritius	8% (if held at least 25% by Mauritius company) 10% (if held for less than 25% by Mauritius Company) 15% for all the other cases (Limits established by Tax Authorities of each country)	8%	5%	0%	0%
Portugal	10%	10%	10%	0% 10%(for technical fees related to softwares)	0% (Note:in case the shares sold are from a company whose value is constituted with more than 50% of immovable property, the capital gains are taxed)
UAE	0%	0%	5%	0%	0% (Note:in case the shares sold are from a company whose value is constituted with more than 50% of immovable property, the capital gains are taxed)
South Africa	8% (25% or more owned subsidiary in Mozambique) 15% (less than 25% owned subsidiary in Mozambique)	8%	5%	0%	0%
Macao	10%	10%	10%	10%	0%
Vietnam	10%	10%	10%	10%	0% (Note:in whose the shares sold are from a company whose value is constituted with more than 50% of immovable property, the capital gains are taxed)
Botswana	0% (25% or more owned subsidiary in Mozambique) 12% (less than 25% owned subsidiary in Mozambique)	10%	10%	10%	0% (Note: in case the shares sold are from a company whose value is constituted with more than 50% of immovable property, the capital gains are taxed)
India	7.5%	10%	10%	10%	32%

2. Inheritances and donations

Inheritances and donations are taxable for both residents and non-residents, depending on the degree of kinship, at the following rates:

Degree of kinship	Rate
Descendant, spouse and ascendant	2%
Brothers and sisters to the third degree	5%
Between any other persons	10%

3. Transaction Taxes

3.1 VAT-Value Added Tax (IVA)

VAT rate in Mozambique is 17% on provision of goods and services.

3.2 Stamp and transfer duty

3.2.1 Seal Tax

In Mozambique stamp duty is charged on acts, security books, deeds, documents papers that are VAT excluded. This duty is paid at variable rates or amounts.

3.2.2 Transfer Tax (SISA)

Is charged on transfer of rights on Mozambique real estates, land and buildings.

	Rate
Residents	2%
Non-residents	10%

4. Municipal taxes

Mozambique has municipal taxes on real estate properties, cars, economic activities, improvements contributions. Municipal taxes fall under the following categories:

- Autarchic Personal Tax;
- Municipal Property Tax;
- Municipal Vehicle Tax;
- Autonomous SISA Tax;
- Contribution to Improvements;
- Fees and Licenses for Economic Activities;
- Fees for the Provision of Services;

Note that as Municipality Taxes are specific to each Municipality we have not tabled them in this Newsletter.

5. Monthly Submission and Payment dates

Day of the month	Obligations
10 th	Payment of Social Security Contribution (INSS)
20 th	Payment of Amounts Withheld at Source, under IRPS and IRPC
15 th	Submission of the VAT Decree Model A, in cases where the taxable person has a tax credit
Last Day Working day of the Month	Submission of the VAT declaration model A, which declares the sales of the previous month and payment of the appropriate VAT due.
	Submission of the declaration, by entities subject to ICE, regarding goods produced in the country for storage under the customs procedure, together with payment of the tax due.

6. Inward Investments

Mozambique offers tax incentives for inward investment projects which are registered with CPI (Investments Promotion Centre) x, and those projects may qualify for exemptions and tax incentives.

Those incentives are given to companies operating in the following sectors:

- construction of basic infrastructures
- trading activities in rural areas
- manufacturing industry
- agriculture and fisheries
- hotel and tourism
- science and technology
- rapid development zones
- industrial free zones
- mining
- petroleum
- public infrastructure and large scale projects (over US\$500.000) projects

7. Exchanges Control

A foreign exchange x control regime is applicable in the country. All foreign direct investments, as well as inwards and outwards payments into and out of the county are subject to the control of the Mozambique Central Bank.

8. Residence and work permits

Expatriates must apply and hold work permits which are valid for a maximum period of 2 years, residence permits are valid for one year.

9. Annual Budget announcement

The government announces the annual budget proposal for following year during the last quarter of the current year for approval in the month of December of the said quarter.

10. Trade and Bilateral agreements

The Southern African Development Community (SADC) is currently implementing the organization's trade protocol. SADC member states have agreements to eliminate trade tariffs on certain goods. AGOA/GSP – Under the African Growth and Opportunity Act (AGOA) and the Generalized System of Preferences (GSP), a wide range of Mozambican products receives duty-free entry to the United States.

EU – Under the terms of the Cotonou Agreement, certain Mozambican products currently enjoy reduced tariffs or duty-free entry into European Union (EU) member states under an Everything but Arms (EBA) arrangement.

Other Bilateral Trade Agreements – Mozambique has entered into a preferential trade agreement with Malawi in December 2005. This agreement was an update of a similar agreement signed by the Portuguese colonial authorities with Malawi prior to Mozambican independence. It allows for free trade of goods originating in the two countries, excluding beer, certain soft drinks, tobacco, sugar,

vegetable oil, chickens and eggs, office equipment, petroleum products, weapons, ammunition, and explosives.

The Mozambique-Malawi agreement has simpler rules of origin than those outlined in the SADC Trade Protocol. Mozambique is still finalizing a preferential trade agreement with Zambia.

11. Economic Statistics

US\$ exchange rate	MZN 61.08
GDP Growth (December 2016)	3.80%
Prime Interest Rate (June 2017)	27.75%
Inflation (Average until April 2017)	22.13%

12. Travel Information

Visa requirements	Visa is issued to foreigners who require a Visa (e.g. for the purposes of Investment, Culture & Sports, studies, residence, visitor, business, and tour). Citizens of South Africa, Swaziland, and Tanzania do not need a Visa.
Flights	There regular flights to Portugal, Kenya, Doha and daily flights to Johannesburg.
Inoculations	In Mozambique there is no mandatory vaccination requirement

13. Currency

The Mozambican official currency is the Metical (MZN).

14. Languages

Mozambique's official language is Portuguese, however other maternal languages such as Changana, Emakhuwa are also widely used. English is commonly spoken at school and in the official and financial business sectors.

15. Official Public Holidays

- 1st January (New Year)
- 3rd February (Heroes day)
- 7th April (Mozambican women day)
- 1st May (Worker's day)
- 25th June (Independence day)
- 7th September (victory day)
- 25th September (Armed Forces and revolution day)
- 4th October (peace say)
- 25th December (Family day)

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