Publications

Investing in Mozambique

I. Country Financial and Tax Summary

- Double Taxation Treaties: Mauritius, Italy, Portugal, Macau, South Africa, United Arab Emirates, India, Vietnam and Botswana.
- Main Interest Rate: 1,75% (taxa de facilidade permanente de depósito) subject to financial market variations.
- Currency: Metical (MZN/MT) €1 approx. 40 MZN/MT
- French Accounting Model (IFRS)
- Corporate Income Tax rate: 32%
- Social Security contributions: employer 4% of salary – employee 3% of salary
- Dividends, Royalties and Interest: 20% withholding tax
- Personal Income Tax: progressive rates vary between 10% and 32%
- Personal Local Tax: 1% to 4% on the national minimum wage (all residents aged 18 to 60)
- VAT Rate: 17%
- Real Estate Transfer Tax: 2% rate (10% for "tax haven residents")
- Stamp Duty: rates vary up to 10% depending on the reality/act
- Municipal Real Estate Tax: 0,4% (habitation); 0,7% (commercial) on declared or tax value of the property
- Inheritance Tax: 2% to 10% depending on the level of kinship

II. Foreign Investment

Mozambique strongly encourages private investment in the following sectors: Agriculture; Fisheries and aquaculture; Industry; Tourism and hotels; Public infrastructures; Mineral resources; Energy.

A legal presence can take the form of a (i) branch of a foreign company, or (ii) a local company. A branch of a foreign company has full legal capacity to enter into business contracts, hire employees and is, in general, subject to Angolan law in the same terms as a locally incorporated company.

A local company can be organized in basically three forms: (a) as a private limited liability company by quotas, (b) as a private limited liability company by shares, or (c) as a private limited liability company as a sole shareholder company.

Requirements for eligibility to external remittance of profits and the re-export of invested capital:

- Minimum value of foreign direct investment using the equity capital of a foreign investor is set at two million five hundred thousand Meticals (2,500,000.00Mts); or,
- Investment project generating an annual sales volume that is not less than three times two million five hundred thousand Meticals (2,500,000.00Mts), as from the third year of operations; or,
- Registering annual exports of goods or services with a value equivalent to one million five hundred thousand Meticals (1,500,000.00Mts); or,
- Creating and maintaining from the second year of operations at least twenty five Mozambican employees registered with the social security system.

Foreign direct investment projects must be submitted to the Mozambican institution governing investment promotion, i.e. Centro de Promoção de Investimentos (“CPI”) or Special Economic Zones Offices (“GAZEDA”), as the case may be.

An investment project proposal may be submitted either in English or Portuguese, must describe the intended investment and contain namely the following information:

- Name of the investors’ legal representative who shall guarantee the liaison with CPI or GAZEDA.
- Copy of the identification documents of each investor;
- Certificate of the company registration or company name certificate;
- Topographic plan or drawing of the proposed location for implementation of the project.

CPI and GAZEDA have seven working days, to undertake the necessary consultation with the Ministries that have regulatory supervision of the sector that applies to the project, as well as with other State Institutions in order to secure the approvals regarding the project proposal.

The authorisation proposal shall include the ministerial decree containing the specific terms of the authorisation relating to the project. CPI or GAZEDA, shall have the duty to notify the decision to the investment projects proponents within fourty-eight hours. Rejection may lead to a new submission or appeal.

The implementation of an authorised project shall begin within one hundred and twenty days from the above notification of the authorisation, unless a different time period is fixed in it.

III. Incentives

Under the Code of Fiscal Benefits (Law No. 4/2009, of 12th January), incentives may be granted to investments considered eligible under the Investment Law. Incentives may be in the form of duties and tax exemptions, credits or deductions, VAT exemptions, taxable income reductions and accelerated real estate depreciation.

Special incentives may also be granted to projects of special importance for the national economy as follows.

A. Industrial free zones

i. Customs duties exemption on the import of:

- Construction materials, machinery, equipment, accompanying spare and accessory parts and other goods used in the licensed Industrial Free Zones activity;
- Goods and merchandise to be used in the implementation of projects and activities which have been authorised under the terms of the Industrial Free Zones Regulation.

Please note VAT exemptions under this regulation apply to both import and internal purchases.

ii. Corporate income tax (IRPC) exemptions:

- Full exemption during the first ten years of the project;
- 50% reduction in the following 5 years;
- 25% reduction for the remaining lifespan of the project.

B. Infrastructures corporate income tax exemptions:

- 80% reduction during the first five years of the project;
- 60% reduction in the following five years;
- 25% reduction from year 11 until year 15 of the project.

C. Special Economic Zones:

- Full IPRC exemption during the first five years of the project; • 50% IPRC reduction in the following 5 years;
- 25% IPRC reduction for the remaining lifespan of the project.

D. Rapid Development Zones (which include the Zambezi River Valley; Niassa Province; Nacala District; lha de Moçambique; Ibo Island):

- Exemption on customs duties and VAT on import goods of certain categories including spare parts and accessories;
- Investment tax credit of 20% for five years on the total investment realized; any portion not used in the respective tax year may be carried forward and used in the following five years;
- Training costs expenditures are considered as fiscal costs and may be deducted.

IV. Guarantees

- Protection of property rights and assets;
- Repatriation of profits;
- No restrictions on borrowing or payment of interest abroad;
- No restrictions on the transfer of dividends abroad;
- Resort to international arbitration.

V. Foreign Tax Credit

Mozambique applies the ordinary foreign tax credit as an unilateral method for the avoidance of double taxation of income obtained abroad by resident companies and permanent establishments of non-resident companies. The tax credit shall be the lowest value between: (i) the tax paid abroad on corporate income; and (ii) part of the income tax, as computed before the deductions are given, which is attributable to the income that may be taxed in Mozambique. Unused credits may be carried forward for the following 5 years.