



Mozambique Fiscal Guide 2017/18

Tax



Income tax

Basis of taxation

A residence basis of taxation is applied in Mozambique to the worldwide income of resident companies and individuals. Non-residents are taxed on income from a Mozambican source.

A company is deemed to be resident in Mozambique if its legal seat or place of effective management is in Mozambique:

An individual is deemed to be resident in Mozambique if he/she **(1)** resides in Mozambique for more than 180 days in a fiscal year; **(2)** occupies a residence in conditions that indicates an intention to continue occupying the residence on a regular basis; **(3)** is a public employee working outside Mozambique on a mission or function for the Republic of Mozambique; **(4)** is a member of a crew of a ship or aircraft working for a Mozambican resident entity.

Rates of tax

Resident companies	
Corporate income tax	
Standard rate on taxable business income	32%
Capital gains	Incorporated in the taxable business income.
Dividends	20% * withholding tax Exempt if paid to another local company in which the shareholding is at least 20% for a period of at least 2 years.
Bank interest	20% ** withholding tax No withholding tax if paid to a resident financial institution.
Royalties	20% ** withholding tax
Fees	No withholding tax
Rents	20% ** withholding tax No withholding tax if obtained by real estate companies managing their own property.
Industrial Free Zone operators and enterprises	Exemption in the first 10 years, 50% reduction in the general rate from the 11 th to the 15 th year, 25% reduction in the remaining years of the project.
Isolated Free Zone enterprises	Exemption in the first 5 years, 50% reduction in the general rate from the 6 th to the 10 th year, 25% reduction in the remaining years of the project.
Special Economic Zone operators	Exemption in the first 5 years, 50% reduction in the general rate from the 6 th to the 10 th year, 25% reduction in the remaining years of the project.
Special Economic Zone enterprises	Exemption in the first 3 years, 50% reduction in the general rate from the 4 th to the 10 th year, 25% reduction in the general rate from the 11 th to the 15 th year
Production tax	
Production tax on mining exploration	1.5%-8% (depending on the nature of the mineral)
Production tax on oil exploration	10%
Production tax on gas exploration	6%

* Partial withholding tax credited on assessment at standard rate

** Withholding tax credited on assessment

Resident individuals	
Personal income tax on worldwide income	0%-32% as per individual income tax tables below
Capital gains:	
- Immovable property	Only 50% taxable at individual tax rates as per the individual income tax tables below
- Intellectual/industrial property works and know-how that is not from the original creator	Only 50% taxable at individual tax rates as per the individual income tax tables below
- Company's share participants and other movable rights	Between 55% and 100% taxable, depending on ownership period.
Dividends	20% * withholding tax
Dividends of stock listed on the Mozambican Stock Exchange except debt securities	10% * withholding tax
Bank interest	10% * (for term deposits) and 20% (for other) - withholding tax
Royalties (intellectual/industrial property works and know-how)	20% ** withholding tax
Fees	20% ** withholding tax
Rents	14% ** withholding tax

Non-resident (companies & individuals)	
Standard rate on taxable business income of a permanent establishment	32% final tax
Individual employment income tax	20% * withholding tax
Income tax on immovable property income and capital gains	32% final tax
Dividends	20% * or 10% * (for stock listed on the Mozambican stock exchange) withholding tax
Interest	20% * or 10% * (for some titles listed on the Mozambican stock exchange) withholding tax
Royalties	20% * withholding tax
Fees	20% * or 10% * (for international transport; telecommunication services; electrical infrastructures on rural areas; preparation of vessels for fishing and coasting activities and some Oil&Gas or Mining related services) withholding tax
Rents	20% ** withholding tax

* Final withholding tax

** Withholding tax credited on assessment

Monthly individual tax table (employment income – withholding tax final rates)

Chargeable income (monthly)	(1) = Fixed tax amount per bracket					(2) = Tax rate applicable to income exceeding the lower bracket limit
	0 dependents	1 dependent	2 dependents	3 dependents	4 dependents	
Up to 20,249.99	-	-	-	-	-	0%
From 20,250 MZN – 20,749.99 MZN	0	-	-	-	-	10%
From 20,750 MZN – 20,999.99 MZN	50	0	-	-	-	10%
From 21,000 MZN – 21,249.99 MZN	75	25	0	-	-	10%
From 21,250 MZN – 21,749.99	100	50	25	0	-	10%
From 21,750 MZN – 22,249.99	150	100	75	50	0	10%
From 22,250 MZN – 32,749.99 MZN	200	150	125	100	50	15%
From 32,750 MZN – 60,749.99 MZN	1,775	1,725	1,700	1,675	1,625	20%
From 60,750 MZN – 144,749.99 MZN	7,375	7,325	7,300	7,275	7,225	25%
Above 144,750 MZN	28,375	28,325	28,300	28,275	28,225	32%

- Tax Liability = (1) + (2), an amount of income comprised on the tax bracket above the lower limit.
- (0) Means that (1) is not due but (2) should be assessed / (-) means that either (1) or (2) are due.
- The monthly withholding tax from employment income is final and therefore, there should be no additional tax payable or refundable at the end of the year

Annual individual tax rates table (other income)

Taxable income - Annual (MT000's)	Rate (%)	Less flat-rate rebate (MT000's)
up to 42	10	-
42 – 168	15	2.1
168 – 504	20	10.5
504 – 1 512	25	35.7
Over 1 512	32	141.54

The mandatory deduction allowed for individual taxpayers is MT 225.000.

Allowable annual deductions for individual taxpayers are: 1800MT per taxpayer plus; 600MT when there is one dependent; 900MT when there are two dependents; 1200MT when there are three dependents and 1800MT when there four or more dependents.

Capital gains tax

Individual taxpayers

In the case of individual taxpayers, capital gains refer only to voluntary gains actually realised on:

- o Disposal of immovable property and shares or other rights and securities;
- o Disposal of intellectual and industrial property or know-how if the person disposing of the property is other than the creator;
- o Sale of leasehold or other rights in respect of immovable property; and
- o Transactions involving financial derivative instruments (other than swaps and futures entered into for hedging purposes).

50% of capital gains are taxed in the hands of the individual except for shares and other movable rights and securities where, only a percentage, depending upon the ownership period, is taxed. For non-resident individuals the capital gains from shares and other movable rights and securities are taxed in full, both on direct and indirect disposals.

Corporate taxpayers

In the case of corporate taxpayers, capital gains include both voluntary gains (realised from the disposal of fixed assets or the appropriation of fixed assets for purposes unrelated to the taxpayer's business) and involuntary gains (damages arising from disaster or theft or positive changes in equity which are not reflected in taxable profit defined in balance sheet terms).

Capital gains are taxed as ordinary income in the hands of resident corporate taxpayers. Non-resident corporate taxpayers are taxed on their capital gains in the same manner as non-resident individual taxpayers. Capital gains obtained by a non-resident without a permanent establishment in Mozambique, either on a direct or indirect disposal of Mozambican rights or property, are fully taxed i.e. subject to a final tax rate of 32%.

Oil & Gas and Mining Companies

The divestment on Oil&gas or Mining companies is liable to a specific tax regime (with a few exceptions for investments protected under a stabilization clause). In general terms, capital gains full amount are autonomously taxed at the general rate of 32%. The acquirer and the oil&gas or mining company are

jointly responsible for any missing tax payment regarding capital gains.

Capital losses

Individual taxpayers

Capital losses on the disposal of fixed assets can be set off against capital gains of the same nature obtained in the same year of assessment, and the positive balance (if any) should follow the rules stated for gains as referred above. In the case of a negative balance, no deduction is allowed to other income eventually obtained by the taxpayer.

Corporate taxpayers

Capital losses on the disposal of fixed assets (i.e. voluntary losses) can be set off against the taxable income. However, capital losses derived from involuntary losses (i.e. damages arising from disaster or theft or negative changes in equity which are not reflected in taxable profit defined in balance sheet terms) can only be set off against the taxable base under certain conditions.

Transfer pricing and thin capitalisation rules

Mozambique has transfer pricing and thin capitalisation rules. In terms of the transfer pricing rules, the Tax Authority may make required corrections for determining taxable profit when the transactions between related parties are not at arm's length. There is a specific transfer pricing regime in force since 1 January 2018.

In terms of thin capitalisation, 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 person. Thin capitalisation rules are applied when the debt/equity ratio exceeds. There are specific thin-capitalisation rules for oil&gas and mining activities.

Inheritances and donations

Inheritance and gift tax is levied on gratuitous transfers of property to resident individuals and of Mozambican-sites property to non-residents. With respect to transfers on death, the tax is not charged on the estate but separately on each individual recipient. Tax is calculated on the basis of progressive rates up to 10% depending upon the category of recipient and the value of the inheritance.

Transaction taxes

Value-added Tax (VAT) is charged at a single rate of 17%. An exemption equivalent to zero rate applies to certain transactions (exports/goods in transit, rice, bread, etc.).

Stamp duty and Property Transfer Tax (PTT)

Stamp duty (variable rates) is levied on all acts, deeds, documents, securities, books, papers and other transactions which are not subject to VAT. PTT (SISA) is charged on transfer for consideration of real estate located in Mozambique, options to purchase and long-term leases and subleases. The rate is 2% (10% if the acquiring entity or its shareholders are resident of a tax haven), and some local municipal taxes may also apply, depending on the location of the property.

Customs duty

The import of goods or equipment into Mozambique is liable to Customs Duties, at a rate that can vary between 0% and 20%, and to VAT, at a rate that can be 0% or 17%. The specific import charges should be computed for each specific item, based on a case by case analysis, as per the Customs tariffs schedule.

Generally, there are favorable import rates applicable to goods/equipment produced in South Africa or in other countries from the Southern African Development Community – SADC (Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe). Please note that in order to apply those favorable tax rates, it would be necessary to obtain a Origin Certificate from the relevant authorities.

The import of some specific goods may also be liable to Excise Duties, namely in what refers to light vehicles (below 5 tons), which are liable to a tax rate than can be within 30% to 35%.

Other taxes

Property Municipal Tax

The Property Municipal Tax is due on the official evaluation amount of the property (as per the property registration records) or, if that information is not available, on the amount declared by the owner (subject to correction if it is proven that it differs from its market value). The tax rates are 0.4% for accommodation facilities and 0.7% for other facilities.

The Property Municipal Tax is only due on urban property, which includes any property with a building or other permanent constructions on it. The Property Municipal Tax is due on an annual basis in relation to the previous year (considering the owner of the property as of 31 December of the previous year), and should be paid in 2 installments, in January and in June. The liquidation of the tax should be a responsibility of the municipal services.

Municipal Property Transfer Tax

The Municipal Transfer Tax replaces, within the municipalities area, the Property Transfer Tax above referred, being the applicable rules similar on both. However, at the Municipal Property Transfer Tax dispositions is not foreseen the special rate of 10% if the acquiring entity or its shareholders are resident of a tax haven (whereby only the general 2% tax rate is foreseen).

Personal Municipal Tax

Personal Municipal Tax is levied on all residents national and foreign individuals (with fiscal domicile) in the respective Municipality, aged between 18 and 60 years.

The Personal Municipal Tax amount in force annually at each municipality is calculated by applying the rates on the highest minimum national salary at 30 June of the previous year, according to the classification of the Municipalities. The rates may vary between 1% and 4%.

In the case of Personal Municipal Tax taxpayers who are simultaneously taxpayers of the PIT (employment income), the tax is collected by withholding the amount on the respective salaries processed by the employer.

Municipal Tax on Vehicles

Municipal Tax on Vehicles is levied on the use and enjoyment of vehicles registered with the competent services in the Mozambican Territory or, irrespective of the registry or inscription, as soon as one hundred and eighty days have elapsed as from the date of entry in the same territory, the same are in circulation or are used in normal utilization conditions: light and heavy vehicles less than twenty five years old; passenger motorbikes with or without a sidecar car and less than fifteen years old; motorized aircraft for private use and recreational boats with engine for private use.

The taxpayers of the Municipal Tax on Vehicles are the owners of the vehicles. The Municipal Tax on Vehicles is annual and, for light vehicles, the tax may vary between 50 MZN and 4,400 MZN, depending on the specific type of vehicle.

Double tax treaties and reduced withholding rates

Mozambique has established DTT's with some jurisdictions which may reduce or waive the taxation of Mozambican source income applied as per the domestic legislation.

The DTTs celebrated by Mozambique have a common structure, based on the OECD/UN Model Convention, but each one has its specificities. Therefore, a case by case analysis is always required.

The application of the DTTs is dependent on the fulfillment of certain formalities.

Country	Dividends	Interest	Royalties	Services	Capital Gains
Italy	15	10	10	0 (g)	0
Mauritius	8/10/15 (a)	8	5	0 (g)	0
Portugal	10	10	10	0/10 (e)	0 (b)
UAE	0	0	5	0 (g)	0 (b)
South Africa	8/15 (c)	8	5	0 (g)	0 (b)
Macau	10	10	10	10	0
Vietnam	10	10	10	10	0 (b)
Botswana	0/12 (d)	10	10	10	0 (b)
India	7.5	10	10	10	(f)

(a) 8% for dividend payments by a 25% or more owned subsidiary in Mozambique to its Mauritius parent company; 10% for dividend payments by a less than 25% owned subsidiary in Mozambique to its Mauritius parent company; 15% in all other cases.

(b) In case the shares sold are from a company which its value is constituted with more than 50% of immovable property, the capital gains are taxed in Mozambique.

(c) 8% for dividend payments by a 25% or more owned subsidiary in Mozambique to its South Africa parent company; 15% in all other cases.

(d) 0% for dividend payments by a 25% or more owned subsidiary in Mozambique to its Botswana parent company; 12% in all other cases.

(e) Technical fees related with software assistance are subject to 10% withholding tax; 0% in all other cases.

(f) The exemption on capital gains is very limited (shares disposal would not be exempt from taxation in Mozambique).

(g) Even if it is not clearly stated on the DTT's dispositions, the services should be considered as business profits, as per the comments to the Model Convention of OECD/UN.

Investment information

Investment rules

Entities intending to develop commercial or industrial activities are required to obtain a licence from the regulatory authority for each specific activity. Regulations define the conditions, procedures and requirements for licensing, including import and export activities and representation offices. The timing for processing licences depends on the type of license required.

Investment proposals submitted to the Investment and Export Promotion Agency (APIEX) must describe the intended investment value and activity to enable APIEX to assess its viability and impact on the domestic economy.

The proposal must be accompanied by:

- Identification of each investor, including bank references;
- For each corporate investor, documentation including its certificate of incorporation, latest annual report and any other documents illustrating its business activity; and
- Draft charter of the company to be incorporated in Mozambique.

APIEX will draft the terms of the authorisation, including business form to be adopted, import and export regime, number of local employees and training programmes to be adopted for them, tax incentives to be granted and regime on profit remittances and other relevant conditions.

Investment incentives

General

The general incentive scheme for a APIEX issued investment authorisation includes:

- Exemption from customs duties and VAT for qualifying equipment.
- Basic investment credit against the entity's tax liability equal to 5% of the relevant investment costs incurred over a five-year period in new tangible fixed assets (with a few exceptions). Unused credit may be carried forward for five years. Increased credits of 10% are offered for investment performed out of Maputo province.
- A five-year investment deduction limited to 10% of taxable income for investment in modern technology equipment, 10% in respect of training of Mozambicans in modern technologies and 5% for

expenses in training Mozambicans in other approved areas

- Accelerated depreciation allowance of an increase of 50% of the applicable rate, for expenditure on new or restored buildings and equipment used in the industrial and agro-industrial sectors.
- A 5-year deduction equal to 110% of expenditure incurred on construction or restoration of infrastructure and public utility works nationwide (120% if incurred outside Maputo).

Specific

- A combination of exemptions from customs duties, reduced tax rates, investment credits, accelerated depreciation allowances, is available under:
 - Agriculture and fishery;
 - Hotel and tourism;
 - Public infrastructure and large-scale (over US\$500 000 000) projects;
 - Rapid development zones;
 - Industrial-free zones;
 - Oil&Gas and Mining.

Exchange control

The Mozambique Central Bank controls all transfers of direct investments and inward and outward payments. In general, remittance of profits and repatriation of proceeds from the sale or liquidation of an investment in Mozambique is permitted for duly approved foreign investment projects.

Foreign investors with approved investments are entitled to transfer abroad up to the whole amount of the profits accruing each financial year, provided tax obligations have been satisfied. Remittances may only be affected through the local banking system upon presentation of tax clearance from the Ministry of Finance.

Residence and work permits

All foreign citizens are required to obtain work permits. Residence permits will only be granted to individuals with valid work permits and their immediate family respectively.

All resident foreign citizens are required to obtain permanent resident permits.

Annual budget announcement

The Minister of Finance generally presents the Budget Proposal for the following tax year, during the last quarter of the year for approval in December.

Bilateral trade and agreements

Membership – WTO, Community of Portuguese-Language Countries (CPLP), ACP-EU Partnership Agreement, SADC and OPIC.

Investment protection agreements (BIT) in force with Algeria, Belgium and Luxembourg, China, Cuba, Denmark, Finland, France, Germany, Great Britain, Indonesia, Italy, Mauritius, The Netherlands, Portugal, Singapore, South Africa, Sweden, Switzerland, United Arab Emirates, USA, Vietnam.

BIT signed but not in force, Egypt, India, Spain, and Zimbabwe.

Economic statistics

Prime interest rate (Overall lending April 2018)	18%
US\$ Exchange Rate (April 2018)	62.5
Inflation (April 2018)	3%
GDP	4.5%

Travel information

Visa requirements	Nationals of South Africa, Swaziland and Tanzania do not require visas for entry into Mozambique for tourism. Visas are issued at most border posts for citizens that do not have a Mozambican Embassy in their home countries. If travel into Mozambique is for business purposes (i.e. meetings), a business visa will be required.
Flights	There are regular flights to Portugal, Kenya, and Qatar and daily flights to and from Johannesburg.
Inoculations	There are no regulations for any obligatory vaccination.

Currency

The Metical (MT or MZM), which is equal to 100 centavos.

Languages

Portuguese is the official language, however several languages such as Changana, Ronga, Shona, Sena Machuabo, Nyanja and English, are also predominantly spoken.

Official holidays

- 1 January (New Year's Day)
- 3 February (Heroes' Day)
- 7 April (Mozambican Women's Day)
- 1 May (Workers' Day)
- 25 June (Independence Day)
- 7 September (Victory Day)
- 25 September (Armed Forces and Revolution Day)
- 4 October (Peace and Reconciliation Day)
- 10 November (Maputo City Anniversary)
- 25 December (National Family Day)

Thank you

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