



# Mozambique

## Fiscal Guide 2015/2016

**Tax**



INTRODUCTION

Mozambique  
Fiscal Guide  
2015/2016



## Income tax

### Business income

The residence basis of taxation is applied in Mozambique to the worldwide income of resident companies, individuals and entities. 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.

### Rates

Resident companies	
<b>Corporation tax</b>	
– Standard rate	32%
– Tax-free zone operators and enterprises (industrial zones)	Exemption in the first 10 years, 50% reduction of general tax rate from 11 <sup>th</sup> to 15 <sup>th</sup> year, 25% reduction in remaining years of the project.
– Tax-free zone operators and enterprises (special zones)	Exemption in the first 5 years, 50% reduction of general tax rate from 6 <sup>th</sup> to 10 <sup>th</sup> year, 25% reduction in remaining years of the project.
Special tax on mining exploration	1.5% - 8% (depending on the nature of the mineral). 50% reduction in case the minerals are used in the domestic market.
Special tax on oil exploration	10% (50% reduction in case the minerals are used in the domestic market)
Special tax on gas exploration	6% (50% reduction in case the minerals are used in the domestic market)
Capital gains	Incorporated in the taxable business income.
Dividends	<ul style="list-style-type: none"> <li>• 20% *</li> <li>• Exempt if paid to another local company in which the shareholding is at least 20% for a period of at least 2 years.</li> </ul>
Bank interest	<ul style="list-style-type: none"> <li>• 20% **</li> <li>• No withholding if paid to a resident credit institution.</li> </ul>

\* Final withholding tax

\*\* Withholding credited on assessment

Resident individuals	
Individual income tax on worldwide income	10% – 32% ***
Capital gains:	
– immovable property	Only 50% taxable at individual tax rates ***
– intellectual/industrial property works and know-how of original creator	Only 50% taxable at individual tax rates ***
– corporate right and securities	Between 55% and 100% taxable, depending on ownership period.

\*\*\* Monthly Individual Income Tax Rates - Employment Income



<b>Resident individuals (continued)</b>	
Dividends	20%*
Dividends of stock in the Mozambican Stock Exchange local – WHT deducted at source	10%**
Bank interest	10% (for term deposits) and 0% (for current accounts).
Royalties	20%**
Fees	20%**
Rent	14%**
Dividends	20%*

<b>Non-resident companies</b>	
Corporate income tax	32%*
Individual income tax	20%*
Capital gains on shares	32%
Dividends	20%*
Interest	20%*
Royalties	20%*
Fees	20%* or 10%* for international telecommunications and transportation services and electrification of rural areas
Rent	32%* Annual Individual's Income Tax Table (Other Income)***

\* Final withholding tax

\*\* Withholding credited on assessment

\*\*\* Annual Individual Income Tax Table (Other Income)

<b>Taxable income - Annual (MT000's)</b>	<b>Rate (%)</b>	<b>Less flat-rate rebate (MT000's)</b>
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.

\*\*\* Monthly Individual Income Tax Rates - Employment Income

<b>Chargeable Income (Monthly)</b>	<b>(1) = Fixed tax amount per bracket</b>					<b>(2) = Tax rate applicable to income exceeding the lower bracket limit</b>
	0 dependent	1 dependent	2 dependent	3 dependent	4 dependent	
Up to 20,249.99	-	-	-	-	-	0%

## \*\*\* Monthly Individual Income Tax Rates - Employment Income (continued)

Chargeable Income (Monthly)	(1) = Fixed tax amount per bracket					(2) = Tax rate applicable to income exceeding the lower bracket limit
	0 dependent	1 dependent	2 dependent	3 dependent	4 dependent	
From 20,250 MZN – 20,749.99 MZN	0	-	-	-	-	10%
From 21,750 MZN – 21,999.99 MZN	50	0	-	-	-	10%
From 21,000 MZN – 21,249.99 MZN	75	25	0	-	-	10%
From 21,250 MZN – 21,749.99 MZN	100	50	25	0	-	10%
From 21,750 MZN – 22,249.99 MZN	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.

### Capital Gains Tax ("CGT")

#### Individual taxpayers

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

- Disposal of immovable property and shares or other rights and securities;
- Disposal of intellectual and industrial property or know-how if the person disposing of the property is other than the creator;
- Sale of leasehold or other rights in respect of immovable property; and
- 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 marketable securities where, only a percentage, depending upon the ownership period, is taxed.

#### Corporate taxpayers

## Capital Gains Tax ("CGT") (continued)

### Corporate taxpayers (continued)

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 individual taxpayers. Capital gains derived from the sale of marketable securities of a resident company by a non-resident without a permanent establishment in Mozambique are fully taxed i.e. subject to 32%.

## 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

Mozambique has transfer pricing and thin capitalisation rules. In terms of the transfer pricing rules, the Tax Administration Authorities may make required corrections for determining taxable profit when the transactions between related parties are not at arm's length.

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 person. Thin capitalisation rules are applied when the debt/equity ratio exceeds 2:1.

## 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 and transfer duty

Stamp duty (variable rates) is levied on all acts, deeds, documents, securities, books, papers and other transactions which are not subject to VAT.

Transfer Tax (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% for some non-residents), and some local municipal taxes may also apply, depending on the location of the property.

## Double tax treaties and reduced withholding rates

Country	Dividends %	Interest %	Royalties %	Management fees %	Capital gains %
Italy	15	10	10	0	0
Mauritius	8/10/15 *	8	5	0	0
Portugal	10	10	10	10*****	0**
UAE	0	0	5	0	0**
South Africa	8/15***	8	5	0	0
Macau	10	10	10	10	0
Vietnam	10	10	10	10	0**
Botswana	0/12****	10	10	10	0**
India	7.5	10	10	10	*****

- \* 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; and 15% is applicable in all other cases.
- \*\* 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.
- \*\*\* 8% for dividend payments by a 25% or more owned subsidiary in Mozambique, to its South Africa parent company; and 15% is applicable in all other cases.
- \*\*\*\* 0% for dividend payments by a subsidiary that is 25% or more owned in Mozambique, to its Botswana parent company; and 12% is applicable in all other cases.
- \*\*\*\*\* Technical fees related with software assistance are subject to 10% withholding tax; and 0% is applicable in all other cases.
- \*\*\*\*\* The exemption on capital gains is very limited (shares disposal would not be exempt from taxation in Mozambique).

## 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 Promotion Centre (CPI) must describe the intended investment value and activity to enable CPI 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.

CPI 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 incentive scheme

The general incentive scheme for a CPI-issued investment authorisation includes:

Exemption from customs duties 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. Unused credit may be carried forward for five years. Increased credits of 10% and 20% are offered in certain specified provinces;

Exemption from customs duties for qualifying equipment (continued):

- A five-year investment deduction limited to 15% 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 at twice the applicable rate, for expenditure on new or restored buildings and equipment used in the industrial and agro-industrial sectors;
- A 10-year deduction equal to 150% of expenditure incurred on construction or restoration of infrastructure and public utility works nationwide (120% if incurred in Maputo); and
- A three-year 50% reduction in the applicable rate of transfer tax for purchase of immovable property for industrial, agro-industrial or hotel activities.

### Specific incentive schemes

A combination of exemptions from customs duties, reduced tax rates, investment credits, accelerated depreciation allowances, transfer tax reductions is available under:

- Agriculture and fishery;
- Hotel and tourism;
- Public infrastructure and large-scale (over US\$500 000) projects;
- Rapid development zones;
- Industrial-free zones;
- Mining; and
- Petroleum.

### 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.

### Trade and bilateral agreements

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

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



## Economic statistics

Prime interest rate (December 2015)	10.75%
US\$ exchange rate (December 2015)	48.37%
Inflation (December 2015)	4.4%
GDP (December 2015)	8.1%

## 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, Zimbabwe 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 Makua-Lomwe, Swahili 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)





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