

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

Mozambique Tax Pocket Guide 2025

FISCAL OVERVIEW OF MOZAMBIQUE IN 2025

Mozambique's fiscal landscape has undergone transformations in the first quarter of 2025 marked by a challenging economic and political context, further complicated by post-election protests that have impacted the country's stability. In this scenario, fiscal changes have been introduced, aiming to address the rising cost of living and the promotion of economic development and regional integration.

One of the key measures implemented was the extension of the Value Added Tax (VAT) exemption until December 31, 2025, applicable to transactions involving essential products such as sugar, edible oils, soaps, raw materials, intermediate products, parts, equipment, and components carried out by the national sugar industry.

At the same time, Mozambique has advanced in its integration into the African Continental Free Trade Area (AfCFTA), following the government's approval of its tariff offer in August 2024. The final decision regarding the implementation of preferential tariffs was expected during the Extraordinary Summit of African Heads of State and Government in the first quarter of 2025.

In parallel, the Mozambican Tax Authority has begun taking significant steps toward the implementation of the Standard Audit File for Tax (SAF-T), a standard developed by the OECD. The first phase of implementation is scheduled for May 2025, focusing on invoicing information. Broader testing and compliance verification are expected by June 2025.

In this context, Mozambique's fiscal system continues to evolve, adapting to the demands of a globalized economy and the internal goals of sustainable development.

This guide provides a comprehensive summary of the current fiscal scenario, serving as an essential reference for navigating the Mozambican market, with a focus on the tax obligations governing economic activities in the country. Understanding these dynamics is crucial to ensuring tax compliance and optimizing business strategies in an ever-changing environment.

The tax calendar in Mozambique is from January to December, coinciding with the calendar year, however, the taxpayer may, if so desired, adopt a tax period different from the calendar year, provided that this fact is duly justified and communicated to the Tax Authorities, and when the entity is more than 50% owned by a group that adopts a tax year different from the calendar year. We refer below to the tax calendar in Mozambique.

Tax	Obigations	Deadlines					
VAT- Value Added Tax	Submission of VAT returns (Form A)	Credit returns must be submitted by the 15th day of the following month to which the transaction refers					
		Payment and Nil returns must be submitted by the last day of the following month to which the transactions refer					
CIT- Corporate Income Tax	CIT Withholding tax filling – IRPC (Form 39)	Up to the 20th day of the following month to which the transactions refer					
	Annual Corporate Income Tax Filling and payment – (Form 22)	Must be submitted and paid by May 31st or by the 5th month following the end of the fiscal year, if a fiscal year other than the calendar year is adopted					
	Tax and accounting information filling – (Form 20H & 20I)	By March 31st of each year					
	Provisional Tax Payment	<table border="1"> <tr> <td>1st installment</td> <td>By May 31st of each year*</td> </tr> <tr> <td>2nd installment</td> <td>By July 31st of each year*</td> </tr> <tr> <td>3rd installment</td> <td>By September 30th of each year*</td> </tr> </table>	1st installment	By May 31st of each year*	2nd installment	By July 31st of each year*	3rd installment
1st installment	By May 31st of each year*						
2nd installment	By July 31st of each year*						
3rd installment	By September 30th of each year*						

Tax	Obligations	Deadlines	
CIT- Corporate Income Tax	Special Provisional Payment	1st installment	By June 30th of each year**
		2nd installment	By August 31st of each year**
		3rd installment	By October 31st of each year**
	Submission of Form 20 and respective annexes		By the last day of June each year
	Annual Transfer Pricing Income Statement – (Form 20 Annex I)		By the last day of June each year
PIT- Personal Income Tax	PAYE & Withholding tax filling – IRPS (Form 19)	Up to the 20th day of the following month to which the transactions refer	
Social Security	Return filling and payment	Up to the 10th day of the following the month to which the transactions refer	
Employee Nominal List	Submission of the Nominal List	By April 30th of each year	
Municipal Taxes	Economic Activity Tax	1st installment	By March 31st of each year
		2nd installment	By June 30th of each year
		3rd installment	By September 30th of each year
Vehicle Tax	-	By March 31st of each year	

** For taxpayers who adopt a tax period different from the calendar year, in which case they must make their provisional payments in months 5, 7 and 9 of the respective tax period, using payment Form M/39.

** In the case of entities that opt for a tax period different from the calendar year, the installments of the special Provisional payment will take place in months 6, 8, and 10 of the respective tax period.

The current corporate tax rate in Mozambique is 32%, applicable to both domestic and foreign companies.

Furthermore, the general rate of Corporate Income Tax (IRPC) for agricultural, livestock, aquaculture and transport activities, has changed to 10%, until 31 December 2025.

Furthermore, the income of entities without headquarters or effective management in Mozambique and with no permanent establishment are taxed at the single flat rate of 20%, except for income derived from interest of external financing for agricultural projects, which is exempt from taxation until 31 December 2025.

INCOME TAX

Taxable income in Mozambique includes profits earned by companies and other business entities that are either resident in the national territory or derive income from it. This income is adjusted for positive and negative equity variations not reflected in the accounting net result, with tax adjustments applied as required under the Mozambican Corporate Income Tax Code.

COSTS AND LOSSES ACCEPTED FOR TAX PURPOSES

Costs or losses are recognized as deductible for tax purposes if they are proven to be directly and necessarily incurred for the purpose of generating taxable income or gains, or for maintaining the income-producing asset or activity.

The corporate income tax framework provides a comprehensive delineation of allowable and non-allowable deductions, including specific provisions that define the scope, nature, and limitations of such deductions.

Disallowed or excessive deductions may result in adjustments to the tax base during tax audits, potentially leading to additional tax liabilities, penalties, or interest.

WITHHOLDING TAX

Payments made by a resident entity in Mozambique to a non-resident, pertaining to specific categories of income derived within the national territory, are subject to Withholding Tax (WHT) under the Corporate Income Tax (IRPC) regime at a standard rate of 20%.

The obligation to withhold tax is triggered at the earliest of the following events, depending on the circumstances:

- The date of payment for the service rendered;
- The date the income becomes available to the recipient;
- The date of maturity of the underlying obligation; or
- The date the cost is recognized in the accounts.

Withholding tax must be settled with the Mozambican tax authorities prior to the transfer of funds to the non-resident entity.

The 20% withholding tax generally functions as a provisional payment toward the final tax liability. However, for income earned by non-resident entities without a permanent establishment in Mozambique, the 20% flat rate constitutes the final tax liability.

The withholding tax is applied at flat rates of 10% or 20%, depending on the nature of the income and the applicable provisions of the Mozambican tax code, as outlined below:

INCOME SUBJECT TO 10% WHT

Telecommunications, international transportation services, as well as the assembly and installation of related equipment and the maintenance and freights of aircraft	10%
Transmission and distribution of electricity in rural areas, as part of public rural electrification projects	10%
Shares listed on the Mozambique Stock Exchange, with exceptions	10%
Income from chartering marine vessels to carry out fishing and cabotage activities	10%
Income from securities issued on the ESM (except interest on treasury bills and debt securities)	10%

INCOME SUBJECT TO 20% WHT

- Intellectual or industrial property, including services related to know-how in industrial, commercial or scientific areas; use of equipment; capital and real estate income (including rental); remuneration of company statutory bodies;
- Gambling prizes, contests and raffles; contract intermediation; rendering of services.

INTERNATIONAL DOUBLE TAXATION AGREEMENTS

Mozambique has entered into Double Tax Treaties (DTAs) with various countries. Under the provisions of each DTA, the applicable tax rates may vary depending on the type of income and the jurisdiction through which the services are rendered, as detailed in the table below:

Country	Dividends	Interest	Royalties	Capital Gains
Portugal	10%	10%	10%	0% *
Italy	15%	10%	10%	0%
Mauritius	8/ 10/ 15% **	8%	5%	0%
EAU	0%	0%	5%	0% *
South Africa	8/ 15% ***	8%	5%	0%
Macau	10%	10%	10%	0%
Vietnam	10%	10%	10%	0% *
Botswana	0/ 12% ****	10%	10%	0% *
Índia	7,5%	10%	10%	0% *

* If the shares sold are from a company whose value consists of more than 50% real estate, the capital gains are taxed in Mozambique.

** 8% for dividend payments by a subsidiary resident in Mozambique held 25% or more by its Mauritian parent company; 10% for dividend payments by a subsidiary held less than 25% in Mozambique to its Mauritian parent company; 15% in all other cases.

*** 8% for dividend payments by a Mozambique resident subsidiary 25% or more owned by its South African parent company; 15% in all other cases.

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

Corporate Income Tax Rates

Standard rate	32% and 10% for agricultural, livestock, aquaculture and transport activities, until 31 December 2025.
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 financial institution resident in national territory.
Royalties	20% withholding tax.
Taxes	No withholding tax.
Rentals	20% withholding tax. There is no withholding tax if obtained by real estate companies that manage their own assets.
FTZ operators and companies	Exemption in the first 10 years, 50% reduction in the general rate from the 11th to the 15th year, 25% reduction in the remaining years of the project.
FTZ Companies	Exemption in the first 5 years, 50% reduction in the general rate from the 6th to the 10th year, 25% reduction in the remaining years of the project.
EEZ Operators	Exemption in the first 5 years, 50% reduction in the general rate from the 6th to the 10th year, 25% reduction in the remaining years of the project.
ZEE Companies	Exemption in the first 3 years, 50% reduction in the general fee from the 4th to the 10th year, 25% reduction in the general fee from the 11th to the 15th year.

THIN CAPITALIZATION

Companies are subject to thin capitalization rules under the following conditions:

When a taxpayer's debt to a related non-resident entity exceeds twice the amount of its equity, and a special relationship exists between the parties, any excess interest paid is non-deductible for tax purposes.

Special relationship between a resident and a non-resident entity, for the purposes of thin capitalization rules, is established when:

- The non-resident entity directly or indirectly holds at least 25% of the resident entity's share capital.
- The non-resident entity, despite holding less than 25%, exercises significant influence over the management of the resident entity.
- Both entities are under common control by a third party through a direct or indirect shareholding.

Tax adjustment

Interest and other payments on loans granted by shareholders to a company are non-deductible when they exceed the applicable reference rate plus two percentage points.

Exemptions

Thin capitalization rules do not apply if the taxpayer demonstrates, through adequate documentation, that—considering the nature of its activities, company size, and other relevant factors—it could have secured comparable financing under similar terms from an independent entity.

TRANSFER PRICING

Transactions between related parties must be conducted under market conditions, meaning under terms and conditions that would be agreed upon between independent entities in a normal market situation.

Scope of Application

The Transfer Pricing regime applies to:

- Corporate and individual taxpayers resident or domiciled in Mozambique who conduct transactions with related parties, whether resident or non-resident;
- Permanent establishments in Mozambique that engage in related-party transactions with non-resident entities;
- Permanent establishments in Mozambique that engage in related-party transactions with other permanent establishments of the same entity located outside Mozambican territory;
- Entities conducting transactions with jurisdictions under a clearly more favorable tax regime;
- Transactions intermediated by third parties not classified as related parties but involving related parties abroad.

Tax Documentation

Taxpayers must maintain organized documentation to substantiate:

- Compliance of transactions with the arm's length principle;
- The selection and application of an appropriate transfer pricing method, ensuring a high level of comparability with transactions between independent entities.

Declaration and Tax Obligations

In the annual accounting and tax information return, the taxpayer must indicate:

- The existence or absence of transactions with related parties;
- The entities involved and the transaction amounts per product or service;
- Whether any transfer pricing adjustments were made;
- The transfer pricing method adopted.

Exemption from Obligation

Taxpayers with net sales revenue and other annual income below 2,500,000.00 MT are exempt from compliance with the documentation requirements.

GENERAL RULE

Personal income tax is levied on the income received by any person who is deemed to be a resident for tax purposes or who receives income from sources located in Mozambique.

- Resident in the national territory are all individuals who, in the years to which the income relates: reside in Mozambique, continuously or intermittently, for more than 180 days;
- Are present in Mozambique for less than 180 days, but maintain a permanent residence therein, in circumstances that indicate an intention to remain permanent.
- Perform public duties in the service of the State of Mozambique abroad; or are crew members of ships and aircraft operated by companies having their registered office or effective management in Mozambique.

*** Personal Income Tax payable resident in Mozambican territory is levied on all their income, including that obtained outside that territory. In the case of non-residents, the tax is levied only on income obtained in Mozambican territory.**

TAX BASE

The PIT Code unequivocally states that all economic advantages provided to the employee arising from the employment or equivalent relationship are considered remuneration and taxed as employment income.

EMPLOYMENT INCOME

Employment income includes salary, and any fringe benefits attributed to the employee, derived from :

- Remuneration under an employment or similar contract;
- Work performed under a contract for the provision of services, under the effective authority and direction of the acquirer;
- The performance of public service;
- Pre-retirement and other benefits granted through the National Social Security system upon retirement.

Fringe benefits

The concept of fringe benefits includes any rights and benefits not included in the base salary, attributed to the employee by virtue of the employment relationship and which constitute an economic advantage for the employee.

The fringe benefits must be quantified in Meticaís and according to the following rules:

At the official price	Through the official acquisition quotation	At market value, under competitive conditions
-----------------------	--	---

TAXATION OF EMPLOYMENT INCOME

Taxation of employment income is directly linked to the tax residence of the income beneficiary. There are two main methods of taxation of Personal Income Tax:

- Withholding at a flat rate of 20% - if the beneficiary does not stay in the country for more than 183 days or earns income as a service provider to the entity that must withhold tax.
- Withholding Tax under PAYE basis (with a final progressive rate up to 32%) – applicable to resident employees, which depends on the amount of the income obtained and the number of dependents of the employee, as per the table below:

Limit		Number of Dependents					Rate
Minimum	Maximum	0	1	2	3	4	
-	20 249,99	-	-	-	-	-	0%
20 250,00	20 749,99	-	-	-	-	-	10%
20 750,00	20 999,99	50,00	-	-	-	-	10%
21 000,00	21 249,99	75,00	25,00	-	-	-	10%
21 250,00	21 749,99	100,00	50,00	25,00	-	-	10%
21 750,00	22 249,99	150,00	100,00	75,00	50,00	-	10%
22 250,00	32 749,99	200,00	150,00	125,00	100,00	50,00	15%
32 750,00	60 749,99	1 775,00	1 725,00	1 700,00	1 675,00	1 625,00	20%
60 750,00	144 749,99	7 375,00	7 325,00	7 300,00	7 275,00	7 225,00	25%
144 750,00	144 750,00	28 375,00	28 325,00	7 300,00	28 275,00	28 225,00	32%

INDIVIDUAL - RESIDENT TAX RATES

Self-employment income (service provision)	20%
Intellectual or industrial property income	20%
Income from the use of agricultural or industrial equipment	20%
Real Estate Income	20%
Income from agency commissions	20%
Interest on time deposits	10%
Income from shares listed on the Mozambique Stock Exchange	10%
Income from debt securities classified as MSE	20%
Other capital income (e.g. dividends) or derived from swap transactions	20%
Professional artists and athletes	10%

INDIVIDUAL - NON-RESIDENT TAX RATES

Other income not mentioned above and related to services rendered Residents	20%
Intellectual or industrial property income	20%
Other capital income (e.g. dividends)	20%
Real Estate Income	20%
Interest on treasury bills, debt securities issued on the ESM and liquidity swaps between banks	20%

REGISTRATION

Under the regulation and law of mandatory social security, the employers are required to register all the employees working for them, whether Mozambicans or expats resident in Mozambique. However, the registry obligation above does not apply to the expat's resident in Mozambique, if they prove that they are covered/ contributing social security scheme in another country.

To be exempted, a request must be made to the Mozambican National Social Security Institute to confirm that the document supplied by the employee suffice as proof of contribution to social security in another country.

RATES AND CONTRIBUTIONS BASIS

The monthly social security contribution is levied on remuneration paid to employees on a regular basis.

- The monthly contribution is 7%, of which 4% is borne by the employer and 3% by the employee.

As per the Note nº246/INSS/GAB-DG/432/2024, issued by the National Social Security Institute, additional payments relating to profit-sharing, dividends, holiday pay and similar payments are not included in the contribution base and therefore not used in the pension calculation.

REFUND

Foreign employees can apply for a refund of their paid contributions (3%) when they leave the country indefinitely (and before they are entitled to retirement benefits).

The right to request reimbursement of contributions expires one year after the date of payment of the last contribution.

Highlights on the updated Compulsory Social Security Regulation

- Mandatory social security now covers maternity and paternity leave for employees and self-employed workers.
- Maternity benefit is 90 days of leave.
- The paternity benefit is for seven days and is applied with the specifications of the sick pay payment scheme.
- Paternity benefit can be extended to 60 days in the event of the death or incapacity of the mother, provided the requirements set out in the Regulation are met.

FOREIGN EXCHANGE REGULATION

The right of investors to repatriate capital, dividends and other distribution profits from approved foreign investment projects is guaranteed under the Investment Law.

Foreign investors are required to register all imports of goods or money with the Central Bank.

Resident entities are now allowed to hold funds in foreign currency.

Foreign Exchange Regulation

1 The Investment Project

- Foreign Direct Investment must register with the Central Bank.
- The right of investors to repatriate capital, dividends and other distribution profits from approved foreign investment projects is guaranteed under the Investment Law.
- Foreign investors are required to register all imports of goods or money with the Central Bank.

Repatriation of Capital, Dividends and Loan Repayments

- Repatriation of capital, dividends and repayment of loans is permitted provided that registration and the necessary pre-approvals are in place in accordance with the above.
- Financial statements must be audited by independent auditors to allow repatriation of dividends.

2 Foreign Loans

- Foreign loans from shareholders or third parties must be pre-approved and registered with the Central Bank.
- Interest rates on such foreign loans must be "reasonable" and must take into consideration transfer pricing policies.
- Normally, details of foreign loans and interest repayments should be included in the financial feasibility study submitted to the Investment Promotion Center (CPI) for approval.
- The receipt of funds under the loan must be registered with the Central Bank.

Payment of Non-Resident Suppliers' Invoices

- It is considered as a current transaction and is held at the commercial bank.
- For invoices older than one year, the commercial bank may face challenges in paying suppliers.

CAPITAL AND OTHER FOREIGN EXCHANGE OPERATIONS LIBERALIZATION

The following capital operations do not require authorization from Central Bank:

- direct foreign investment;
- investment abroad, up to a maximum amount equivalent to USD 1,000,000.00 (one million United States Dollars) per calendar year;
- investment in real estate in Mozambique;
- transactions in securities and other instruments traded on the over-the-counter capital market in Mozambique;
- credits linked to the transaction of goods or the provision of services;
- export of Metical notes and coins for numismatic purposes and public display, by resident or non-resident entities, up to the equivalent of USD 250.00 (two hundred and fifty United States dollars);
- loans and financial credits, carried out in accordance with the conditions set out in articles 6 and 7 of the Notice (n.º 4/GBM/2024 of 21 March);
- guarantees related to current transactions;
- other guarantees where at least one of the following circumstances applies:
 - ✓ it is provided for a period of 1 year or less;
 - ✓ it is provided in favor of a non-resident or on behalf of a resident under a transaction that has been previously authorized by Central Bank;
 - ✓ is provided on behalf of a non-resident for any purpose, if it is counter-guaranteed by a deposit of the same amount, due on first demand.

Capital operations and other foreign exchange operations not indicated in the Notice ((n.º 4/GBM/2024 of 21 March) are subject to the authorization regime set out in the Notice on Rules and Procedures for Carrying Out Foreign Exchange Operations.

REPATRIATION AND CONVERSION OF REVENUE FROM EXPORT OF GOODS, SERVICES AND INCOME FROM INVESTMENT ABROAD

The repatriation of income from the export of goods, services and income from investment abroad by residents must be carried out within 90 days of:

- of shipment, in the case of the export of goods;
- receipt of the price or fees arising from the provision of services; or
- receipt of income, in the case of investment abroad.

With regards to conversion of revenue from export of goods, services and income from investment abroad, the following should be considered:

- Income from the export of goods and services and income from investments abroad must be converted into national currency at 30% of the amount received.
- The conversion referred to in the previous paragraph must be carried out at the time of receipt, at the spot exchange rate in force.

The following income are not subject to the conversion referred:

- those resulting from the payment of rents by non-resident entities for the use of real estate belonging to residents, located in national territory, when such payment is made to accounts domiciled in the national banking system;
- those relating to the payment of remuneration arising from employment or on account of services rendered by residents to embassies, diplomatic or consular representations and equivalent established in Mozambique.

Income from credits and loans granted abroad is treated in the same way as income from investments abroad. The repatriation of revenue from the export of goods, services and investment income abroad must be made in foreign currency, by bank transfer, to a bank authorized to operate in the Republic of Mozambique.

GENERAL RULE

Are subject to Value added tax (VAT):

- supply of goods and rendering of services carried out in an onerous way, by a taxpayer acting as such and as long as they are located in the national territory;
- Import of Goods.

The VAT rate is 16% for most taxable transactions under the normal VAT regime. There is also a reduced VAT rate of 5% applicable to some transfers of goods and services in the area of health and education, as detailed below:

- The provision of medical and sanitary services and the operations closely related to them, carried out by private hospital establishments, clinics, dispensaries, and similar;
- The rendering of services that have teaching as their object, as well as the transfer of goods and the rendering of related services, when these are rendered by private establishments integrated within the National System of Education and recognized by the Ministry that oversees the area of Education;
- The provision of services which have as their object professional training, as well as the transmissions of goods and related services, such as the supply of lodging, food and education material, when performed by private entities;
- Services consisting of personal lessons on school or higher education subjects;

For transactions subject to the reduced rate of VAT (5%), the value of the transfer of goods and services is the value of the consideration obtained or to be obtained from the purchaser, the recipient or a third party for these transactions.

VAT EXEMPTIONS

VAT exemptions may be full (or “zero-rate”) or partial. Full exemptions allow an economic agent to recover in full the VAT on goods and services already acquired, while they exempt goods sold or services provided by that economic agent from VAT. This group includes exports of goods and services related therewith, the import and sale of ships and aircraft for use in international trade and other services related to transportation and distribution. The law also provides for the possibility of an economic agent setting up a storage depot, allowing him to store and handle goods under the full-exemption mechanism.

A broad range of operations may qualify for partial exemptions, such as financial services, insurance (in both cases, whenever subject to the stamp duty), education when carried out by public establishments integrated into the National Education System and recognized by the Ministry that oversees the area of Education, health (carried out by public institutes).

VAT DEDUCTION

The taxpayer is entitled to deduct the VAT incurred in operations subject and not exempt from VAT, that are necessary to carry out taxable activities. The deduction of the input VAT depends on the fulfilment of certain conditions, namely, the invoices or equivalent documents underlying the operations should be issued in the name of the taxpayer and meet the other legal requirements, as well as the period when the invoices have been issued.

VAT CREDIR AND REFUND

VAT credit assessed in a return can be carried forward to the following month. Taxpayers in a VAT credit position may request a VAT refund to the tax authorities, if that certain conditions are met. The VAT refund is not automatic, as the Tax Authorities evaluate its accuracy through the analysis of several information submitted by the taxpayer.

VAT ON SERVICES PROVIDED BY NONE-RESIDENTS

When the Mozambican entity acquires services from non-resident entities, without a permanent establishment or a tax representative in Mozambique, dependent on the type of services, it will be subjected to VAT.

We point out below the services considered as subject to VAT :

- Services rendered and related with a real estate located in Mozambican territory and leasing of movable tangible assets;
- Transfers and assignments of copyrights, patents, licenses, trademarks and similar rights;
- Advertising and telecommunications services;
- Services of consultants, engineers, consultancy, lawyers, accounts and other similar services, as well as data processing and the supplying of information;
- Placement of staff / secondment of staff and services of intermediaries which act on behalf of other persons in providing the services listed above;
- Services performed by electronic means, such as:
 - ✓ Website supply, web-hosting, distance maintenance of programs and equipment;
 - ✓ Supply of software and updating thereof;
 - ✓ Supply of images, texts and information and making database available;
 - ✓ Supply of music, movies and games, including games of chance and gambling games, and of political, cultural, artistic, sporting, scientific and entertainment broadcasts and events;
 - ✓ Supply of distance teaching;
 - ✓ other similar services.

Value added tax (VAT) is levied at a reduced rate of 5% for certain operations and at the general rate of 16% on transactions of goods or services performed within the national territory and on imports (the entry of goods or services into the national territory).

VAT RATE	VAT REGIMES	VAT DEDUCTION	VAT CREDIT
General rate of 16% and reduced rate of 5%.	Normal VAT regime	The deduction of VAT on suppliers' invoices must be made within 90 days and the requirements laid down by law must be met.	The VAT credit can be used to directly offset the VAT payable of future periods.
	Zero-rated VAT regime		VAT credits are to be considered according to the criterion of expiration.
However, in some transactions the tax base may vary to the extent that it is less than 100%.	Exemption regime		VAT credit can be refunded at the taxpayer's request.
	Simplified regime		



VAT ON INVOICES* FROM NON-RESIDENT SUPPLIERS (VAT REVERSE CHARGE)

Services from non-resident entities are subject to VAT if they fall into the following categories:

- Copyrights
- Advertising services
- Telecommunications and service provision

INVOICES

According to the provision of the law, invoices must be issued within 5 days after the tax becomes due.

Invoices can be issued manually or generated through computerized means, as follows:

- Computer-generated invoices must be issued by a system previously authorized by the Tax Authorities.
- Copies of the invoices should be kept with the supplier of the services or goods.

CREDIT NOTES

Credit notes must be duly signed by the customers, acknowledging the credit.

Failure to comply with this provision above, the cancellation of the sale will be ignored, and the sale will continue to be taxed under VAT and Corporate Income Tax.

For the Services listed above, the acquirer of the services is automatically appointed as a tax substitute if the service provider does not have a tax representative. As a tax substitute, the acquirer of the services is obliged to account for the inherent VAT.

*The list is more extensive, which we can share further through our contacts.

Mozambique's Investment Law grants tax and customs benefits depending on the amount, location, and sector of investment.

The current incentive framework includes:

GENERIC TAX INCENTIVE

1. Investment Tax Credit

Investments in most acquisitions of new tangible fixed assets used in operations under the Investment Act can be deducted from the tax payable by 5% to 10%.

2. Accelerated Depreciation

This refers to new real estate used in the activity of the companies authorized under the Fiscal Incentives Code. It will consist of a 50% increment to the normal rate set by law.

3. Modernization and Introduction of New Technologies

The amount invested in specialized equipment for development activities authorized under the Investment Act can benefit from a tax deduction up to a maximum of 10% of taxable income during the first 5 years.

4. Professional Training

Expenses relating to vocational training are deductible from taxable income during the first 5 years up to a maximum of 5% of taxable income. When the vocational training is for the use of technologically advanced equipment, the allowable income tax deduction is a maximum of 10% of taxable income.

5. Tax-deductible Expenses

110 or 120 percent, depending on the province, of the value of expenses in the construction and rehabilitation of roads, railroads, airports, post offices, telecommunications, water supply, electricity, schools, hospitals and other works considered of public utility, subject to prior authorization.

SPECIFIC TAX INCENTIVE

Creation of basic infrastructure - Projects of public utility - Exemption from payment of customs duties and VAT on the importation of goods classified as class "K" (capital goods) in the customs tariff, including the accompanying spare and accessory parts. Incentives regarding Corporate Income Tax (IRPC), namely:

- 80% reduction in the 32% IRPC rate during the first five fiscal years.
- 60% reduction in the IRPC rate from the 6th to the 10th year.
- 25% reduction in the IRPC rate from the 11th to the 15th year.

INCENTIVES UNDER THE MINING AND PETROLEUM LAW

Companies conducting mining operations in Mozambique can apply for the following benefits:

- A five-year exemption from customs duties on imports of equipment, apparatus, materials and spare parts for prospecting and exploration, mineral production and export of mineral resources (class K capital goods and comparable to class K).
- Tax stability clause can be negotiated for a period of 10 years. In this case, starting in the 11th year of production, an additional 2% will be due to the Production Tax.

PRODUCTION TAX

Production Tax is levied on the value of the quantity of mineral products extracted, concentrates and mineral water derived from a mining activity in Mozambican territory, regardless of the sale, export or other disposition of such mineral products. The valuation of the product is derived from either the last sale price or the international market reference price in instances where a sale has not been recorded. The applicable rates can be found in the table below:

Product	Rates
Diamonds	8%
Precious metals (gold, silver and platinum) and precious stones	6%
Semi-precious stones and heavy sands	6%
Base minerals, coal, ornamental rocks, and other mineral products	3%
Sand and stone	1.5%

There is a 50% reduction in the production tax rate for all mining products used to develop local industry:

- The holder of the mining product license, in case of marketing of the mining product in the domestic market without proof of payment of Production Tax, is obliged to pay the corresponding tax.
- The export of the mining product is only allowed after payment of the Production Tax due.

SURFACE TAX

The surface tax is an annual tax levied on the area of mining activity and, in the case of mineral water, on the mining title. This tax is payable by both holders and non-holders of mining titles who carry out mining activities in the national territory. The surface tax is calculated on the basis of the number of hectares of the area under license or, in the case of mineral water, per mining title. Taxpayers subject to the surface tax are exempted from the annual land use and exploitation fee in respect of the area of the mining title.

INCOME TAX

Companies, holders of mineral rights, granted under the mining law, must assess taxable income and organize their accounting records autonomously, which means that each mineral title must have a specific/individual tax registration number.

The following are considered as profits or gains derived from mining activity:

- Revenue from the sale or disposal of the product extracted from mining operations.
- Compensation received for any loss or destruction of mineral or mineral products and resulting from insurance or other source.
- Amounts received for the sale of information relating to mining activity or mining assets.

TAX - DEDUCTIBLE COST

The following are considered as costs and losses arising from mining activity:

- Treatment and processing of the mining product.
- Transportation costs to the delivery point.
- Resettlement of the populations, as approved by the person responsible for the mining activity in said sector.
- Vocational training of the Mozambican workers.
- Costs of signing the concession contract, with the exception of any bonus associated with the acquisition.
- Financial security provided in cash in the form of a bank guarantee or insurance and costs related to the closure of the mine.
- Mine closure.
- Other fiscally acceptable costs.

MINING TAX - WITHHOLDING TAX

A taxpayer that hold a valid license to conduct mining activities as defined by law and pays income to non-residents derived from mining-related services, regardless of where they are held, must withhold tax at a flat rate of 10% of the gross amount paid.

Tax on mining activity - Gains obtained by non-residents, with or without a permanent establishment, resulting from the onerous or gratuitous alienation of the mining title, are subject to 32% tax. When the beneficiary of the income is a non-resident without a permanent establishment, the acquirer is jointly and severally liable for the payment of the tax.

The companies' tax and accounting declarations must be filed separately for each mining title, and it is not permitted to offset losses assessed in a given mine or concession agreement area against gains assessed in another area.

IRRM- INCOME TAX

The Mining Resource Rent Tax (MRRT) is a direct tax on the net cash flow of a mining project. The tax is payable by mining title holders and is applicable to mining projects that have accrued net revenues (cash earnings) during a fiscal year.

A new tax called the Mining Resource Rent Tax (MRRT) has been introduced, which is a direct tax on the net cash flow of a mining project from the time these developments exceed a pre-tax rate of return of 18%. The tax is payable by mining titleholders and is applicable to mining projects that have accrued net revenues (cash earnings) during a fiscal year.

The tax rate for the IRRM is 20%.

The taxpayer must file the annual return for the IRRM on the same date as the annual return for the IRPC.

- The taxpayer must file the annual declaration for the IRRM on the same date as the annual declaration for the IRPC.
- The taxpayer must keep detailed records of assets in use in its mining records in accordance with applicable law.
- Mining activities are also subject to other general taxes (i.e. corporate income tax, VAT, etc.).

PRODUCTION TAX

The Petroleum Production Tax is levied on the value of the quantity of petroleum products extracted within Mozambican territory. The value of the oil produced is based on the average balanced prices sold by the producer and its contractors in the month in which the production tax takes place. The rates are:

- Crude oil: 10%.
- Natural gas: 6%.

Companies, holders of petroleum rights, granted under the petroleum law, must assess taxable income and organize their accounting records autonomously (meaning that each concession contract must have a specific/individual tax registration number).

Taxes specific to mining and petroleum activities are not accepted as costs for tax purposes.

Under the new Law, there is a 50% reduction of the above taxes when oil and gas production is designated for use by local industry.

INCOME TAX

Petroleum exploration activities are also subject to other general taxes (i.e. corporate income tax, VAT, personal income tax).

Capital gains from the direct or indirect sale of oil and gas rights are taxable for IRPC purposes.

When the beneficiary of the income is non-resident, without a permanent establishment, the acquirer is jointly and severally liable for the payment of the tax.

When capital gains are obtained by a non-resident, with or without a permanent establishment, they are taxed at 32%.

Companies, under the terms of the oil and gas law, benefit, for a period of five years from the date of approval of the development plan, from exemption from customs duties due on the importation of equipment for use in petroleum operations, as classified in Class "K" of the Customs Tariff.

TAX - DEDUCTIBLE COST

The following costs will be tax deductible:

- Operating costs (including handling of collection , storage and transportation of Petroleum from the oil depot to the point of delivery).Costs related to the signing of the Concession Contract (except acquisition bonuses).
- Service costs related to petroleum operations.
- Costs related to the training of Mozambican employees.
- Cash contributions to the fund for closure and decommissioning and demobilization costs.
- General and administrative expenses capped at a percentage of total costs incurred ranging from 1.5% to 5%, depending on the level of costs incurred.

DEPRECIATIONS AND REINTEGRATIONS

The concession holder must reintegrate and amortize all depreciable elements of the tangible and intangible assets, according to the rates indicated below:

Type of Activity	Rates
Research and evaluation expenses	100%
Development Expenses	25%
Petroleum production activities	25%
Petroleum production assets	10%
Premiums paid for the acquisition of participation in a CCPPP	10%
Other assets	10%

Mozambique has signed bilateral Investment Agreements with 28 countries:

Description	Status	Country	Signature date	Effective Date
Mozambique - Turkey BIT (2017)	Signed (not in effect)	Turkey	24/01/2017	
Mozambique - Singapore BIT (2016)	Signed (not in effect)	Singapore	24/08/2016	
Angola - Mozambique ILO (2015)	Signed (not in effect)	Angola	09/11/2015	
Brazil - Mozambique ILO (2015)	Signed (not in effect)	Brazil	30/03/2015	
Japan - Mozambique BIT (2013)	In force	Japan	01/06/2013	29/08/2014
India - Mozambique ILO (2009)	Terminated	India	19/02/2009	23/09/2009
Mozambique - Vietnam BIT (2007)	In force	Vietnam	16/01/2007	29/05/2007
Belgo-Luxembourg Economic Union - Mozambique ILO (2006)	In force	Belgo Luxembourg Economic Union	18/07/2006	01/09/2009
Finland - Mozambique ILO (2004)	In force	Finland	03/09/2004	21/09/2005
Mozambique - United Kingdom ILO (2004)	In force	United Kingdom	18/03/2004	12/05/2004
Mozambique - United Arab Emirates ILO (2003)	Signed (not in effect)	United Arab Emirates	24/09/2003	
Mozambique - Switzerland ILO (2002)	In force	Switzerland	29/11/2002	17/02/2004
France - Mozambique BIT (2002)	In force	France	15/11/2002	06/07/2006

Description	Status	Country	Signature date	Effective Date
Denmark - Mozambique BIT (2002)	In force	Denmark	12/10/2002	30/12/2002
Germany - Mozambique BIT (2002)	In force	Germany	06/03/2002	15/09/2007
Mozambique - Holland BIT (2001)	In force	Holland	18/12/2001	01/09/2004
Mozambique - Sweden BIT (2001)	In force	Sweden	23/10/2001	01/11/2007
Cuba - Mozambique BIT (2001)	In force	Cuba	20/10/2001	26/02/2002
China - Mozambique BIT (2001)	In force	China	10/07/2001	26/02/2002
Indonesia - Mozambique BIT (1999)	In force	Indonesia	26/03/1999	25/07/2000
Italy - Mozambique BIT (1998)	In force	Italy	14/12/1998	17/11/2003
Algeria - Mozambique BIT (1998)	In force	Algeria	12/12/1998	25/07/2000
Egypt - Mozambique BIT (1998)	Signed (not in effect)	Egypt	08/12/1998	
Mozambique - United States of America BIT (1998)	In force	United States of America	01/12/1998	03/03/2005
Mozambique – South Africa BIT (1997)	Signed (not in effect)	South Africa	06/05/1997	
Mauritius - Mozambique BIT (1997)	In force	Mauritius	14/02/1997	26/05/2003
Mozambique - Portugal BIT (1996)	In force	Portugal	28/05/1996	31/10/1998
Mozambique - Zimbabwe BIT (1990)	Signed (not in effect)	Zimbabwe	12/09/1990	

1

Real Estate Transfer Tax (SISA)

- SISA is levied on the transfer of real estate located in Mozambique, purchase options, and long-term leases and subleases. The rate is 2% (10% if the acquiring entity or its shareholders are residents of a tax haven), and some local municipal taxes may also apply, depending on the location of the property.

2

Municipal Vehicle Tax

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

3

Municipal Personal Tax

- Municipal Personal Tax is levied on all national and foreign residents (with tax domicile) in the respective municipality, aged between 18 and 60. The amount of the Municipal Personal Tax in force annually in each municipality is calculated by applying the rates to the highest national minimum wage on June 30 of the previous year, according to the classification of the Municipalities. The rates can vary between 1% and 4%.

4

Expatriates and work permits

- Under the Labor regime, foreign workers are approved to be hired by Mozambican companies under the following circumstances :
- The company has an Investment Authorization that establishes in advance the number of foreign workers it will need.
 - When the company employs at least 100 Mozambican workers, it can hire up to 5% of its workforce as foreigners.
 - When the company employs between 11 and 100 Mozambican workers, it can hire up to 8% of its workforce as foreigners.
 - When the company employs up to 10 Mozambican workers, it can hire up to 10% of its workforce as foreigners.

Sueima Badrú

Head of Tax

M: +258 845 391 315

E: sueima.badru@rsmmz.com

RSM Moçambique

Edifício Millennium Park

Avenida Vladimir Lenine

nº 174 – 11º piso

Maputo – Moçambique

M: +258 844 141 138

www.rsm.global/mozambique

rsm.global/Mozambique

RSM Moçambique, Lda. is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.