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CORPORATE INCOME TAX CODE (IRPC)

As amended by Decree 61/03 of 19 December

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CHAPTER I

Incidence

Article 1

Nature of the tax

Corporate Income Tax (IRPC) is a direct tax on income obtained during the taxation period by liable persons in the terms of the present Code, even when such income is obtained by illegitimate means.

Article 2

Liable persons

1. The following persons are liable to IRPC:
 - a) Commercial companies or civil companies in commercial form, co-operatives, public enterprises and all other corporate persons ruled by public or private law that have their head office or effective management in Mozambican territory;
 - b) Entities without juridical personality, who have their head office or effective management in Mozambican territory, whose income is not taxable under Individual Income Tax (IRPS) or Corporate Income Tax (IRPC) directly in the hands of individual or corporate persons;
 - c) Entities, with or without juridical personality, whose head office or effective management is not situated in Mozambican territory, under the conditions specified in articles 4 and 5 of this Code, whose income obtained in such territory is not subject to IRPS.
2. Paragraph 1, sub-paragraph (b) includes *hereditas jacens*, corporate persons which have been declared invalid, associations and civil companies without juridical personality, as well as commercial companies or civil companies in commercial form before they are definitively registered.
3. For the purposes of the present Code, corporate persons and other persons whose head office or effective management is situated in Mozambican territory are considered to be residents.

Article 3

Permanent establishment

1. A permanent establishment is considered to be any fixed place of business through which a commercial, industrial or agricultural activity is totally or partially carried out.

2. The notion of permanent establishment mentioned in the previous paragraph includes, in particular:
 - a) A place of management, branch, office, factory, workshop, mine, oil or gas well, quarry or other site of extraction of natural resources located in Mozambican territory.
 - b) A construction, installation or assembling site or yard, when its duration or the duration of the works or the activity is longer than six months.
3. In the case of subcontracts, a subcontractor is considered to have a permanent establishment at the site if it carries out activity there for the same period of time as mentioned in sub-paragraph (b) of the previous paragraph.
4. Co-ordination, inspection and supervision activities related to the establishments mentioned in paragraph 2, sub-paragraph (b) and in paragraph 3, as well as installations, platforms, drilling platforms or boats used for prospecting and exploitation of natural resources, are also permanent establishments under the conditions mentioned there.
5. For the purposes of calculating the period mentioned in paragraph 2, sub-paragraph (b), and paragraph 3, in the case of construction, installation and assembling sites, the period runs individually for each site, from the beginning of the activity, including preparatory work, and temporary interruptions, the fact that the works were commissioned by different persons and subcontracts are of no relevance.
6. A permanent establishment is also considered to exist when a person, who is not an independent agent for the purposes of paragraph 7, acts in Mozambican territory on behalf of an enterprise and possesses and usually exercises powers of agency and to sign contracts that bind the enterprise, within the scope of the enterprise's business.
7. An enterprise is not considered to have a permanent establishment in Mozambican territory simply by virtue of the fact that its business is carried out there through a broker, commission merchant or other independent agent, as long as such persons are acting in the ordinary course of their business and carry the business risk concerned.
8. Without prejudice to paragraph 2, sub-paragraph (b), and paragraph 3 of the present article, the notion of "permanent establishment" does not include activity of a preparatory or auxiliary nature, such as:
 - a) Premises used exclusively for storing, exhibiting or delivering merchandise belonging to the enterprise;

- b) A store of merchandise belonging to the enterprise, held exclusively for storing, exhibiting or delivering it;
 - c) A store of merchandise belonging to the enterprise, held exclusively for processing by another enterprise;
 - d) Fixed premises maintained exclusively for purchasing merchandise gathering information for the enterprise;
 - e) Fixed premises maintained exclusively for carrying out, for the enterprise, any other activity of a preparatory or auxiliary nature;
 - f) Fixed premises maintained exclusively for carrying out any combination of the activities mentioned in sub-paragraphs (a) to (e), as long as the resulting combined activity of these premises is of a preparatory or auxiliary nature.
9. For the purposes of the imputation foreseen in article 6, shareholders and members of entities mentioned there that do not have a head office or effective management situated in Mozambican territory are considered to obtain such income through a permanent establishment located there.

Article 4 **Objective incidence**

1. IRPC is charged on:
- a) Profit of commercial companies or civil companies in commercial form, co-operatives, public enterprises and the other corporate persons or entities mentioned in article 2, paragraph 1, sub-paragraphs (a) and (b) whose principal activity is of a commercial, industrial or agricultural nature;
 - b) The combined income, corresponding to the algebraic sum of the different categories of income considered for IRPS purposes, of those entities mentioned in article 2, paragraph 1, sub-paragraphs (a) and (b) whose principal activity is not an activity of a commercial, industrial or agricultural nature;
 - c) The profit imputable to the permanent establishment located in Mozambican territory of an entity, with or without juridical personality, who does not have a head office or effective management situated in Mozambican territory and whose income obtained there is not subject to IRPS;
 - d) Different categories of income considered for IRPS purposes, obtained by entities mentioned in the preceding sub-paragraph who do not have a permanent establishment situated in Mozambican territory or have one but the income is not imputable to it.
2. For the purposes of the dispositions of the previous paragraph 1, profit consists of the difference between the value of net assets at the end and

at the start of the taxation period, corrected as foreseen under the present Code.

3. The profit imputable to a permanent establishment for the purposes of paragraph 1, sub-paragraph (c), includes any nature of income obtained through such establishment, as well as all other income obtained in Mozambican territory from activities that are identical or similar to those carried out through the aforesaid permanent establishment, in the hands of the entities mentioned there.
4. For the purposes of the present Code, it is considered that activities of a commercial, industrial or agricultural nature consist of the carrying out of economic operations of a business nature, including provision of services.

Article 5 **Extent of the tax obligation^(*)**

1. Corporate persons and other entities whose head office or effective management is situated in Mozambican territory are subject to IRPC on their entire income, including income obtained overseas.
2. Corporate persons and other entities that do not have their head office or effective management in Mozambican territory are only subject to IRPC in relation to the income obtained there.
3. For the purposes of the previous paragraph, income obtained in Mozambican territory includes income imputable to a permanent establishment located there, as well as the following income obtained otherwise than under those conditions:
 - a) Income regarding immovables located in Mozambican territory, including gains from their transfer for valuable consideration;
 - b) Gains originating from the transfer for valuable consideration of shareholdings in entities whose head office or effective management is located in Mozambican territory, or other transferable securities issued by entities whose head office or effective management is there, or shareholdings or other transferable securities when, these conditions being absent, the payment of such income is imputable to a permanent establishment located in Mozambican territory;
 - c) The income listed below, where the residence, head office or effective management of the person paying is situated in Mozambican territory or where payment is imputable to a permanent establishment located there:

^(*) As amended by Decree 61/03 of 19 December.

- i) Income originating from intellectual or industrial property as well as from the supply of information about an experience in the industrial, commercial or scientific sectors;
 - ii) Income derived from the use or cession of the use of agricultural, industrial, commercial or scientific equipment;
 - iii) Other income from investments;
 - iv) Remuneration obtained by persons in their capacity as members of organs of corporate persons and other entities;
 - v) Winnings from social amusement games, namely: lotteries, raffles and betting machines and sums or winnings from any draws or other games foreseen in Law nr. 9/94 of 14 September;
 - vi) Agency commissions from the entering into of any contracts;
 - vii) Income derived from other services rendered or used within Mozambican territory.
- d) Income from the activities of entertainment or sports professionals in Mozambican territory, except where it is proved that such entertainment or sports professional does not control, directly or indirectly, the entity to which the income is paid.
4. Income listed in sub-paragraph (c) of the previous paragraph is not considered as income obtained in Mozambican territory when it is paid by a permanent establishment located outside that territory in respect of an activity carried out through such permanent establishment.
5. For the purposes of the present Code, Mozambican territory also includes zones where the Republic of Mozambique has sovereignty, according to Mozambican and international law, in relation to prospecting, exploration and exploitation of natural resources on the seabed, the subsoil and the overlying waters.

Article 6

Fiscal transparency

1. The chargeable amounts determined in the terms of the present Code for the companies indicated below, whose head office or effective management is situated in Mozambican territory, will be imputed to the shareholders and be incorporated into their taxable income for IRPS or IRPC purposes, as appropriate, even if no profits have been distributed:
- a) Civil companies not incorporated in a commercial form;
 - b) Firms of professionals;
 - c) Property holding companies, the majority of whose share capital belongs directly or indirectly to a family group for more than 180 days

of the company year, or whose share capital belongs, on any day of the company year, to no more than five members none of whom is a corporate person ruled by public law.

2. The imputation mentioned in the preceding paragraph will be ascribed to the shareholders or members according to the terms of the act of incorporation of the entity in question or, in the absence of information, equally among them.
3. For the purposes of paragraph 1:
 - a) Civil companies not incorporated in a commercial form are incorporated associations of persons who do not intend to carry out acts of commerce and are ruled by civil law;
 - b) A firm of professionals is one incorporated to carry out a professional activity mentioned in the list referred to in article 134 of the IRPS Code, where all members are professionals in the particular field, provided that, if they were to be considered individually, the members would be covered by the self-employed income category for IRPS;
 - c) A property holding company is a company whose activity is limited to administering assets and other values held as reserve or for enjoyment, or to purchasing real estate for housing for its members, or a company that carries out other activities as well but whose gains regarding the said assets, values or real estate, on average over the last three years, consist of over 50% of its average total gains over the same period of time;
 - d) A family group consists of persons united by marital ties or adoption as well as by kinship or affinity reckoned in a straight line or laterally up to and including the 4th degree.

Article 7

Taxation period

1. IRPC is due for each financial year, which corresponds to the calendar year, save as foreseen in paragraph 3 of the following article and without prejudice to the exceptions foreseen in the present article.
2. Companies and other entities subject to IRPC may adopt an annual taxation period other than the one set in the previous paragraph, when this would be justified by reason of the type of activity they carry out, which period shall be maintained for five subsequent financial years at least, as long as it has been duly authorised by the Minister of Planning and Finance.
3. In relation to companies and other entities subject to IRPC that do not have a head office or effective management situated in Mozambican territory

but have a permanent establishment there, they may adopt an annual tax period other than that determined in paragraph 1, by notifying the Tax Administration Authorities expressly, and this period will run from the end of the financial year in which the notification was given and shall be maintained for five subsequent financial years, at least.

4. However, the taxation period may be shorter than one year in the following situations:
 - a) In the case of beginning of an activity, when the taxation period runs from the date on which the activity is initiated or on which the income originating the tax liability begins to accrue and the end of the financial year;
 - b) In the case of cessation of an activity, when the taxation period runs from the beginning of the financial year to the date on which the activity ceases;
 - c) When the conditions that originate tax liability occur and end in the same financial year, in which case it is the period that has actually run;
 - d) In a financial year in which, in accordance to paragraphs 2 and 3, a taxation period other than the one that was generally followed is adopted, in which case it runs from the beginning of the calendar year to the day immediately before the start of the new period.
5. The taxation period may be longer than one year for companies and other entities in liquidation, when it shall run for as long as the liquidation runs, provided it does not exceed three tax years in the terms of the present Code.
6. The limit specified in the previous paragraph may be extended when a reasoned request is made to the Tax Administration Authorities.
7. For the purposes of the present Code, the cessation of an activity takes place:
 - a) In relation to entities with a head office or effective management situated in Mozambican territory, on the date when liquidation ends, or the date of merger or division, in relation to companies that cease to exist as a result of these events, or on the date when the head office or effective management ceases to be located in Mozambican territory, or on the date of acceptance of an inheritance in abeyance or the date when it becomes an estate in escheat, or the date when the conditions for liability to tax cease to exist;
 - b) In relation to entities that do not have a head office or effective management situated in Mozambican territory, on the date when they cease totally to carry out their activity through a permanent

establishment or when they cease to obtain income in Mozambican territory.

Article 8 Taxable event

1. The taxable event consists of a liable person obtaining income from whatever source or origin.
2. The taxable event is considered to occur on the last day of the taxation period.
3. The provision of the previous paragraph excludes the following income that is not imputable to a permanent establishment located in Mozambican territory:
 - a) Gains resulting from the transfer of immovables for valuable consideration, in which case the taxable event is considered to occur on the date of the transfer;
 - b) Gains resulting from the transfer for valuable consideration of shareholdings in entities whose head office or effective management is situated in Mozambican territory, or of other transferable securities mentioned in paragraph 3, sub-paragraph (b) of article 5, in which case the taxable event is deemed to occur on the date of the transfer;
 - c) Income subject to definitive withholding at source, in which case the taxable event is considered to occur on the date when the obligation to withhold arises.

CHAPTER II Exemptions

Article 9 State, Municipalities and Social Security Institutions

1. The following are exempt from this tax:
 - a) The State;
 - b) Municipalities and municipal associations or federations, when they carry out non-profit making activities;
 - c) Legally recognised social security institutions as well as social welfare institutions;

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2. The exemption mentioned in sub-paragraphs (a) and (b) above does not include public and state enterprises, which are subject to taxation under the terms of the present Code.

Article 10 **Public utility associations**

1. The following are exempt from IRPC:
 - a) Duly recognised entities of public, social or cultural benefit, when their objective is not of a commercial, industrial or agricultural nature;
 - b) Duly recognised public utility associations as mentioned in Law nr. 8/91 of 18 July, in respect of the direct exploitation of social amusement games as mentioned in Law nr. 9/94 of 14 September, buffets, restaurants, crèches and similar services, publishing or marketing of books or other publications, where these are intended exclusively to complement the pursuance of their main objective.
 - c) Mere public utility associations that pursue predominantly scientific or cultural, charitable, assistance or benevolent purposes, in respect of the direct exploitation of social amusement games mentioned in Law nr. 9/94 of 14 September, buffets, restaurants, crèches and similar services, where these are intended exclusively to complement the pursuance of their main objective.
2. The exemptions foreseen in sub-paragraph (c) above will be recognised by dispatch of the Minister of Planning and Finance on the application of the interested parties, which dispatch will define the ambit of the exemption in accordance with the objectives pursued by the entity concerned.

Article 11 **Cultural, recreational and sporting activities**

1. Income derived directly from the carrying out of cultural, recreational and sporting activities is exempt from IRPC when this income and corporate property are destined to serve the purposes for which they were created and are in no event to be distributed directly or indirectly to the members.
2. The exemption mentioned in the previous paragraph only applies to associations that have been legally established to conduct those activities under the conditions established there.
3. For the purposes of the exemption mentioned in paragraph 1, income from any commercial, industrial or agricultural activity carried out in association with the activities referred to in paragraph 1, even where they are auxiliary to such activities, is not considered as income from those activities.

Article 12
Co-operatives

1. Farming, handicraft and cultural co-operatives are subject to a 50% reduction in the general rate of IRPC.
2. The exemption mentioned in the previous paragraph does not extend to income subject to withholding of IRPC at source.

Article 13
Other exemptions

1. Income originating directly from an activity subject to Special Tax on Gaming under Law nr. 8/94 of 14 September is also exempt from IRPC in the terms of the law.
2. Interest on government bonds issued to finance a Budget or State Treasury deficit.
3. Companies and other entities to which the transparency rules under article 6 apply are not liable to IRPC.

Article 14
Withholding at source

The exemptions specified in articles 10, 11 and 12 of the present Code do not cover income subject to withholding at source paid to the entities mentioned in those articles.

CHAPTER III
Determination of the chargeable amount

SECTION I
General Provisions

Article 15
Rules that define the chargeable amount

1. For the purposes of the present Code:
 - a) In relation to the corporate persons and entities mentioned in paragraph 1, sub-paragraph (a) of article 4, the chargeable amount is obtained by

- deducting tax losses, ascertained under the terms of the present Code, from the taxable profit determined according to articles 17 *et seq.*
- b) In relation to the corporate persons and entities mentioned in paragraph 1, sub-paragraph (b) of article 4, the chargeable amount is obtained by deducting the common costs and other costs imputable to non-exempt income subject to tax, according to article 50, from total income determined in the terms of the present Code;
 - c) In relation to non-resident entities that have a permanent establishment in Mozambican territory, the chargeable amount is obtained by deducting from taxable profits imputable to that establishment, determined in the terms of the present Code, tax losses imputable to the permanent establishment ascertained in accordance with this Code, with the required adaptations, including those preceding the cessation of activity due to its head office or effective management ceasing to be located in Mozambican territory, to the extent that they are imputable to it;
 - d) In relation to non-resident entities that obtain income in Mozambican territory that is not imputable to a permanent establishment located there, the chargeable amount consists of income from the different categories determined according to article 52.
2. The terms of sub-paragraphs (a), (b) and (c) of the previous paragraph do not apply when taxable profits are to be determined using indirect methods, including the simplified system, under the terms of articles 53 *et seq.*, and also when the simplified bookkeeping system foreseen in article 109 is opted for.
 3. The corrections foreseen in articles 58 *et seq.* are applicable to the determination of the chargeable amount of corporate persons and other entities mentioned in sub-paragraphs (a), (b) and (c) of paragraph 1 of the present article, when the case requires,.
 4. Fiscal benefits that may be conferred under the terms of the Fiscal Benefits Code, approved by Decree 16/2002 of 27 June, will also be deducted when determining the chargeable amount.

Article 16

Methods of determination of the chargeable amount

1. The declarative method, in which, as a rule, the chargeable amount is determined on the basis of the taxpayer's income declaration, subject to control by the Tax Administration Authorities.

2. If there is no declaration, the Tax Administration Authorities have authority to determine the chargeable income, where such determination is required.
3. Taxable profits may be determined by indirect methods under the terms of Section V of the present Chapter.

SECTION II

Resident corporate persons and other entities whose principal activities are commercial, industrial or agricultural

SUBSECTION I

General rules

Article 17

Determination of taxable profit^(*)

1. Taxable profits of corporate persons and other entities mentioned in paragraph (1), sub-paragraph (a) of article 4 consist of the algebraic sum of the net profit for the financial year and the positive and negative patrimonial variations verified in the same period but not reflected in the net profit, determined on the basis of accounts and subject to the corrections that may be required under the terms of the present Code.
2. For the purposes of the dispositions of the previous paragraph, net surpluses of co-operatives are considered as net profit for the financial year.
3. To ascertain the net profits mentioned in paragraph 1, accounting records shall:
 - a) Be organised according to the General Accounting Plan and other legal provisions in force for the respective activity sector, without prejudice to observance of the terms of the present Code;
 - b) Reflect all transactions carried out by the liable person; and
 - c) Be organised so that the results of operations and patrimonial variations subject to the general IRPC system can be distinguished clearly from the rest.
4. The provisions of the present article are not applicable to liable persons covered by the simplified system for determining taxable profit foreseen in article 54.

^(*) As amended by Decree 61/03 of 19 December.

5. Liable persons who are not obligated to keep organised accounting records and opt for the simplified bookkeeping system shall determine their taxable profit based on the records and rules set forth in article 109.
6. Interest and other forms of remuneration derived from instruments listed on the Mozambique stock Exchange, as well as those derived from Monetary Authority Instruments (TAMs) issued by the Bank of Mozambique for monetary purposes, do not count towards taxable profits.

Article 18 **Periodisation of taxable profit**

1. Income and costs and other positive or negative variations in taxable profit are imputable to the financial year to which they refer, according to the principle of specialisation of financial years.
2. Positive or negative components considered as pertaining to previous financial years are only imputable to the financial year when they were unforeseeable or patently unknown on the closing date of the accounts of the financial year in which they should have been imputed.
3. For the purposes of the principle of specialisation of financial years:
 - a) Gains relating to sales are generally considered as having been realised, and the corresponding costs sustained, on the date of delivery or dispatch of the corresponding goods or the date on which ownership is transferred, if earlier;
 - b) Gains relating to the provision of services are generally considered as having been realised, and the corresponding costs sustained, on the date when the service ends, except as regards services that consist of more than one act or ongoing or successive services, in which case they shall be carried to income to the extent proportional to the services carried out
4. Reservation of ownership clauses are not considered for the purposes of sub-paragraph (a) of the previous paragraph, because sales with reservation of ownership are assimilated to leases containing a transfer of ownership clause that is binding on both parties.
5. Gains and costs from activities of a pluri-annual nature may be divided into periods taking into consideration production cycles or construction time.
6. The part of the costs related to pluri-annual forestry operations borne during the production cycle which corresponds to the percentage represented by the extraction in that financial year, of the total production

of the same product, and not considered in previous financial years, will be updated by applying the coefficients contained in the diploma mentioned in article 45.

Article 19 **Pluri-annual works**

1. Income relating to works whose production cycle or construction time exceeds one year can be determined in the following ways:
 - a) Using completion percentage criteria; or
 - b) Using works completion criteria.
2. The use of the completion percentage criteria is obligatory:
 - a) When there is partial invoicing of the price set for the carrying out of public or private works on a contractor basis, even if such works are not successive in nature and have reached a degree of completion that corresponds to the amounts invoiced; and
 - b) In the case of works carried out on own account and sold in fractions, as they are being completed and delivered to purchasers, even if the exact total cost of the works is not known.
3. For the purposes of the works completion criteria, the work is considered as completed:
 - a) If the degree to which the work is finished is equal to or greater than 95% and the price has been established by contract or the sale price is known;
 - b) When, in cases of public works on a contractor basis, provisional receiving of the work occurs under the terms of legislation in force.
4. For the purpose of the previous paragraphs, the degree to which a work is completed is determined by the relationship between the total costs already incorporated into the work and the sum of those costs and the estimated costs to complete the work.
5. In cases where the income in relation to works is ascertained according to the previous paragraphs, where the total costs required for completion have not yet been incurred, the part of the gains that corresponds to the estimated costs to be incurred may be considered as advance revenue.
6. Enterprises involved in pluri-annual works shall adopt the same criteria to ascertain income from works that are identical in nature, and shall maintain the method adopted to ascertain the income from works until the

end of such works, unless previous authorisation has been granted by the Tax Administration Authorities.

Article 20 **Income or gains**

Income or gains are considered as those derived from operations of any nature resulting from a normal or occasional, basic or merely auxiliary activity, in particular those resulting from the following:

- a) Sales or provision of services, discounts, bonuses, reductions, commissions and brokerage fees;
- b) Income from real estate;
- c) Financial income, such as interest, dividends and other shares of profits, discounts, agios, transfers, exchange rate differences and premiums on bond issues;
- d) Remuneration received for the carrying out of corporate functions;
- e) Income from assets or values maintained as reserves or for enjoyment;
- f) Income from industrial property and other similar income;
- g) Provision of scientific or technical services;
- h) Realised capital gains;
- i) Indemnification received for whatever reason;
- j) Subsidies or grants for operations.

Article 21 **Positive patrimonial variations**

1. Positive patrimonial variations that are not reflected in the net income for the financial year also contribute to establishing taxable profits, except:
 - a) Contributions of capital, including share premiums, as well as any cover for losses provided by holders of capital;
 - b) Potential or latent capital gains, even if expressed in the accounts, including legally allowed revaluation reserves;
 - c) Patrimonial increases subject to gift tax and inheritance tax;
 - d) Contributions, including shares in losses, made by an associate to an owner as part of a joint venture or share association agreement.
2. Positive patrimonial variations that are to be reflected in the taxable result are, specifically, among others, gains resulting from the sale of shares of equity capital and subsidies received other than in relation to assets.

Article 22

Costs or losses

Costs and losses are considered as those that are proved to be essential for realising the income and gains subject to tax or for maintaining the source of income, in particular, the following:

- a) Costs in respect of the production or acquisition of any goods or services, such as those in respect of the materials used, manpower, power supply and other general expenses of manufacturing, conservation and repairs;
- b) Costs with distribution and sales, including transport, advertising and placing of merchandise;
- c) Costs of a financial nature, such as interest paid on capital invested in operations, discounts, agios, transfers, exchange rate differences, costs with credit operations, debt collection and issuing of shares, bonds and other securities, and repayment premiums;
- d) Costs of an administrative nature, such as remuneration, expense allowances, pensions and retirement supplements, consumer goods, transport and communication, rent, litigation, insurance, including life insurance and other “Life” operations, contributions for savings-pension losses, contributions to pension funds and any other complementary social security schemes;
- e) Costs with analyses, rationalisation, research and consultancy;
- f) Fiscal and para-fiscal charges that the taxpayer is subject to, without prejudice to article 43;
- g) Reintegration and depreciations;
- h) Provisions;
- i) Realised capital losses;
- j) Indemnification resulting from events that cannot be insured for.

Article 23

Non-deductible costs^(*)

1. The following are not accepted as costs or losses:

- a) Illegitimate expenses, in particular, those originating from conduct that can be charged as a violation of Mozambican law, especially criminal law, even if such conduct occurs outside the territorial scope of application of such law;
- b) Rents from finance leasing, in relation to the lessee, as regards the part of the rent used to reduce the finance.

^(*) As amended by Decree 61/03 of 19 December.

2. Personal health and accident insurance premiums are not accepted as costs, nor are amounts expended on life insurance and other “life” operations, contributions to pension funds and any complementary social security schemes, except when these are covered by the dispositions of articles 37 and 39 of the present Code and are considered as employment income for the purposes of the IRPS Code.

Article 24

Negative patrimonial variations

1. Negative patrimonial variations that are not reflected in the net profit for the financial year also contribute to establishing taxable profit, under the same conditions as specified for costs and losses, except for:
 - a) Those that consist of gifts or are not related to the activity of the taxpayer subject to IRPC;
 - b) Potential or latent capital losses, even if they are expressed in the accounts;
 - c) Outgoings, in money or in kind, in favour of holders of capital, by way of remuneration on or reduction of capital, or the distribution of assets;
 - d) Payments made by a business owner to an associate under a joint venture arrangement.
2. Negative patrimonial variations in respect of rewards and other remuneration for work rendered by members of company bodies and employees, by way of a share of profits, may form part of the taxable profits for the financial year to which the profit that is shared refers, as long as the amounts are paid or made available to the beneficiaries by the end of the subsequent financial year.
3. Notwithstanding the provisions of the previous paragraph, negative patrimonial variations in respect of rewards and other remuneration for work of members of company's body of directors, by way of a share of profits, do not form part of the calculation of taxable profits when the beneficiaries hold, directly or indirectly, at least 1% of the share capital and the amounts in question are more than double the monthly remuneration earned in the financial year to which the profit that is shared refers, and the excess is assimilated, for tax purposes, to distributions of profits.
4. For the purposes of verifying the percentage established in the previous paragraph, the beneficiary is considered to hold a share of the company's capital indirectly when the owner of the share is the spouse, ascendants or descendants to the 2nd degree, and rules on equating ownership as set out in the Commercial Code and other commercial legislation also apply, with the required adaptations.

5. If the requirement specified in paragraph 2 is not met, the assessment to IRPC for the following financial year will be increased by the IRPC that was not assessed as a result of the deduction of rewards that were not paid or made available to the beneficiaries in the period established there, together with the corresponding penalty interest.

Article 25

Lease back of assets

1. If an asset that is the subject of a finance lease is delivered to the lessor and subsequently leased back to the lessee, there shall be no assessment of profit for tax purposes as a result of such delivery, and the asset will continue to be depreciated by the lessee for tax purposes, under the regime that he had been following until then.
2. In the case of a sale of goods followed by a finance lease of those goods by the vendor, the following shall be observed:
 - a) If the goods were part of the vendor's fixed assets, paragraph 1 applies, with the required adaptations;
 - b) If the goods were part of the vendor's stock, no tax result will be ascertained as a consequence of the sale, and the goods will be registered as fixed assets at their original acquisition or production cost, and this is the value to be considered for the purposes of the relevant depreciation.

SUBSECTION II

Stock value metrics

Article 26

Stock value metrics

1. The values of stock to be considered in the income and gains to be taken into account in determining the profit for the financial year are the ones resulting from the application of criteria using:
 - a) Actual acquisition and production costs;
 - b) Standard costs ascertained in accordance with appropriate technical and accounting principles
 - c) Sale prices deducted from the normal profit margin;
 - d) Special value metric methods for basic or normal stock.

2. When the use of standard costs produces significant discrepancies the Tax Administration Authorities may make the appropriate corrections, taking into account the field of application thereof, the amount of sales and of final stocks and the degree of stock rotation.
3. Sale prices are taken to be those contained in official information or those which the enterprise last used under ordinary conditions, or those which are current at the end of the final year, as long as they are deemed suitable or are subject to indisputable control.
4. The criteria mentioned in paragraph 1(c) will only be accepted in activity sectors where calculating the acquisition cost or the production cost is extremely cumbersome or cannot be done with reasonable accurateness, and the profit margin can be replaced by a deduction not exceeding 20% of the sale price, if the profit margin is not easily determined.
5. The special value metric methods mentioned in paragraph 1(d) require authorisation by the Tax Administration Authorities, requested in an application that indicates what criteria are to be adopted and the reasons that justify them.

Article 27
Change of value metric criteria

1. The criteria adopted for measuring stock values shall be followed uniformly over consecutive financial years.
2. However, such criteria may be changed when the changes would be justified for reasons of an economic or technical nature and are accepted by the Tax Administration Authorities.

SUBSECTION III
Reintegration and depreciation regime

Article 28
Items that may be reintegrated or depreciated

1. Reintegrations and depreciations of fixed depreciable assets, which continually lose value as a result of their utilisation, the passage of time, technical progress or any other causes, are allowed as costs.
2. Mere fluctuations that have an effect on property values do not make such items qualify as depreciable assets.

3. Save for duly justified reasons accepted by the Tax Administration Authorities, fixed assets are only considered as depreciable after they have begun functioning.
4. The reintegration and depreciation of depreciable fixed assets may be deducted as costs of the financial year to which they refer, by the owner of the assets or, in cases of leasing, by the party who assumes the risk of loss or deterioration of the asset.

Article 29

Methods of calculating reintegrations and depreciations

1. As a rule, reintegrations and depreciations for the financial year shall be calculated by the straight-line method.
2. Reintegration and depreciation methods other than the one indicated in the previous paragraph may be used when the nature of the depreciation or economic activity of the enterprise would justify this, after prior acknowledgement by the Tax Administration Authorities.

In relation to fixed corporeal assets, use of the diminishing value depreciation method is not allowed:

- a) In the case of buildings, light passenger and multi-purpose vehicles, except when they are utilized by enterprises running public transport businesses or intended for rental as part of the ordinary activity of the enterprise that owns them, furniture and social equipment;
 - b) When fixed corporeal assets were not acquired in a state of use, whereupon the use of the straight-line method is compulsory.
3. The same reintegration and depreciation method shall be utilized in relation to each fixed corporeal asset from the moment when the asset starts being used until it has been completely reintegrated or depreciated, disposed of or rendered useless.

Article 30

Reintegration and depreciation quotas

1. For the purposes of applying the straight-line method, the annual reintegration and depreciation quota deductible as costs for the financial year is determined by applying the reintegration and depreciation rates to the following values:
 - a) Acquisition cost or production cost;
 - b) Value resulting from revaluation under tax legislation;

- c) Real value, on the date when the assets which are the subject of evaluation for this purpose are first entered in the books, when the acquisition cost or production cost is unknown, which value may be subject to correction for tax purposes if it appears overstated.
2. The reintegration and depreciation rates for fixed assets shall be contained in a specific complementary diploma.
3. In relation to fixed assets for which reintegration or depreciation rates have not been established, such rates as the Tax Administration Authority considers reasonable, taking the estimated useful life into account, will be accepted.
4. In relation to assets acquired in a state of use, or major repairs and improvements to depreciable assets, the corresponding depreciation rates are calculated using the straight-line method, based on the estimated useful life of either of them.
5. In the year when the assets are first used, taxpayers may opt for a reintegration and depreciation rate deducted from the annual rate, in accordance with the previous paragraphs, corresponding to the number of months counting from the month in which the said assets began functioning.
6. In the case mentioned in the previous paragraph, in the year in which the same assets are disposed of, rendered useless or reach the end of their useful lives, only reintegrations and depreciations corresponding to the number of months up to the month previous to that in which such events occur will be accepted.

Article 31

Reintegrations and depreciations not allowed as costs

The following are not allowed as costs:

- a) Reintegration and depreciation of assets that are not depreciable;
- b) Reintegration and depreciation of immovable assets, in the part that corresponds to land or is not depreciable;
- c) Reintegration and depreciation that exceeds the limits established in the previous articles;
- d) Reintegration and depreciation beyond the maximum useful life of the asset;
- e) Reintegration of light passenger vehicles or multi-purpose vehicles, in the part that corresponds to their acquisition or revaluation value in excess of 800.000.000,00 MT, as well as pleasure boats, helicopters

- and tourism aircraft and all expenses related to them, provided that such assets are not committed to enterprises operating public transport services or are not for rental within the ordinary business of the enterprise that owns them;
- f) Reintegration of assets whose realisation value has been reinvested, under the terms of article 46, in the part corresponding to the deduction imputed to them in terms of paragraph 6 of the same article.

SUBSECTION IV Rules on provisions

Article 32 Tax deductible provisions^(*)

1. Only the following provisions may be considered for the purposes of article 22, sub-paragraph (h):
 - a) Those whose purpose is to cover doubtful debts, calculated based on the sum of the debts resulting from the ordinary course of business at the end of the financial year;
 - b) Those destined to cover losses in stock values, within the limits of the losses that are in fact observed;
 - c) Those destined to cover obligations and charges derived from court actions in progress for events that would lead to their inclusion in the costs of the financial year;
 - d) Those established, in keeping with the discipline imposed by the Bank of Mozambique, by enterprises subject to its supervision, as well as those established, in conformity with the discipline imposed by General Insurance Inspectorate of Mozambique, by enterprises subject to its supervision, including the legally established technical provisions;
 - e) Those established by enterprises exploiting the petroleum extraction industry for the purpose of replacing deposits.
 - f) Those established by enterprises in the extraction industry sector for the purpose of meeting costs of landscape and environmental rehabilitation at the places where the operation was carried on, after the operation has ceased, under the terms of the applicable legislation.

2. The provisions mentioned in sub-paragraphs (a) to (d) of the previous paragraph which should not subsist because the events to which they refer have not occurred, and those that are used for purposes other than those expressly foreseen in this article, shall be considered as income for the respective financial year.

^(*) As amended by Decree 61/03 of 19 December.

Article 33
Provision for doubtful debts^(*)

For the purpose of establishing the provision mentioned paragraph 1, sub-paragraph (a) of the previous article, a rate of 1.5% will be applied, with an accumulated limit of 6%, of the value of debts resulting from the normal course of business of the enterprise at the end of the financial year.

Article 34
Provision for devaluation of stocks

1. The provision mentioned in article 32, paragraph 1, sub-paragraph (b) corresponds to the difference between the acquisition or production cost of inventory on the balance sheet at the end of the financial year and the respective market price on the same date, when the latter is less than the former.
2. For the purposes of the previous paragraph, it is understood that the market price is the replacement cost or sale price, according to whether the goods were acquired for production or are destined for sale.
3. For liable persons carrying out publishing activity, the annual accumulated provision shall correspond to the loss of value of publisher's stock comprising copyright works and additional materials, provided that two years have elapsed since the respective publication, which for this purpose will be considered to correspond to the legal filing date of each edition.
4. The depreciation of the publisher's stock shall be evaluated based on particulars contained in records that demonstrate the movement of works included in such stocks.
5. This provision may be used only in the financial year in which the loss takes effect.

Article 35
Provision for the replacement of deposits

1. The provision mentioned in article 32, paragraph 1, sub-paragraph (e) shall not exceed the lowest of the following values:

^(*) As amended by Decree 61/03 of 19 December.

- a) 30% of the gross value of sales of petroleum produced in concession areas and sold during the financial year to which the provision refers;
 - b) 45% of the chargeable amount that would have been assessed in the absence of the provision.
2. The provision shall be invested in petroleum prospecting or exploration in Mozambican territory in the three financial years subsequent to the year in which the provision was established or reinforced.
 3. The provision shall be reinstated if it is used for purposes other than those for which it was established or if its use takes place outside the time limit mentioned in the previous paragraph.
 4. The establishment, reinforcement or reinstatement of a provision has the nature of a fiscal correction to the net profit for the financial year, and its acceptance for tax purposes is conditional upon there being no distribution of profits of an amount equal to the accumulated balance of the provision not yet used under the terms set out in paragraph 2.

SUBSECTION V

Rules on other charges

Article 36 **Bad debts^(*)**

Bad debts shall only be considered directly as costs or losses for the financial year to the extent that this results from execution, bankruptcy or insolvency proceedings.

Article 37 **Social utility outlays^(*)**

1. Costs or losses for the financial year are also considered to include expenses incurred in the optional maintaining of crèches, nurseries, kindergartens, canteens, libraries and schools, prevention and medical care and medication for patients infected with AIDS, as well as other social utility outlays that are recognised as such by the Tax Administration Authorities, undertaken to benefit the enterprise's personnel and their families, as long as they are general in character and do not have the nature of employment income or, if they do, it is difficult or complex to individualise them for each beneficiary.

^(*) As amended by Decree 61/03 of 19 December.

2. Costs with health and personal accident insurance contracts, life insurance contracts, contributions to pension funds and other similar funds or to any other complementary social security schemes, which guarantee, exclusively, retirement benefits or retirement, invalidity or survival allowances in favour of the enterprise's employees, are also considered costs or losses for the financial year, up to a limit of 10% of personnel expenses recorded as remuneration, wages or salaries for the financial year.
3. The limit established in the previous paragraph will be raised to 20% if employees are not entitled to Social Security pensions.
4. For the purposes of the limits established in paragraphs 2 and 3, no account shall be taken of current amounts of costs with the pensioners already existing in the enterprise on the date of the insurance contract or of their integration into complementary social security schemes foreseen in the respective legislation, and these amounts, calculated actuarially, shall be certified by the insurers or other competent entities.

Article 38

Health, personal accident and life insurance and pension funds^(*)

In the cases contemplated in paragraphs 2 and 3 of the preceding article, the prerequisites established therein are taken to have been satisfied provided that the following conditions are met cumulatively, with the exception of subparagraphs (d) and (e), in relation to health, personal accident or life insurance which insures exclusively against risks of death or invalidity

- a) The benefits shall be established for the permanent employees of the enterprise generally or as part of collective employment regulations for the professional categories in which these employees are included;
- b) The benefits shall be established following objective and identical criteria for all employees, even if they do not belong to the same professional category, unless it is in pursuance of collective employment regulations;
- c) Without prejudice to the provisions of article 37, paragraph 4, all of the premiums and contributions mentioned in paragraphs 2 and 3 of that article shall not exceed, annually, the limits established therein applicable to the case, and the surplus will not be considered as a cost for the financial year;
- d) At least two thirds of the benefits on retirement, invalidity or survival shall effectively be paid as a monthly monetary payment for life, without prejudice to the redemption of life annuities that are being paid, which

^(*) As amended by Decree 61/03 of 19 December.

- were not established judicially, under the terms and conditions established in regulations issued by the respective supervisory entity and provided that there is proof that the respective presuppositions have been met by the liable person;
- e) The provisions of the general social security scheme shall be followed in relation to retirement age and persons entitled to the corresponding benefits, without prejudice to special social security schemes, schemes foreseen in collective employment regulations or other special legal schemes that may be applicable to the case;
 - f) The management and disposal of the amounts spent shall not be controlled by the enterprise itself and the insurance contracts shall be made with insurance companies that have a head office, permanent establishment or effective management situated in Mozambican territory, and the pension funds or similar funds shall be established in accordance with national legislation;
 - g) They shall not be considered as employment income under article 3, paragraph 1 of the IRPS Code.

Article 39 **Costs with pensioners**

1. Provisions to cover the pension liabilities contemplated in article 37, paragraph 2, in respect of personnel on active duty as at 31 December of the year previous to the year in which the insurance contracts were made or in which the pension funds were joined, for service previous to that date, shall likewise be allowed as costs under the terms and conditions foreseen in articles 37 and 38, and if those liabilities exceed the limits established in article 37, paragraphs 2 and 3 but are not twice such limits, then the excess will also be allowed as costs, yearly, for an amount corresponding to a maximum of one seventh of such excess, without prejudice to such excess being considered in those limits, and the actual value of those liabilities shall be certified by insurers, pension fund management companies or other competent entities.
2. Supplementary contributions to cover liabilities for pension costs, when paid consequent to an alteration of the actuarial presuppositions on which the initial calculation of those liabilities was based, shall also be allowable as costs or losses under the following terms, provided they have been duly certified by competent entities:
 - a) In the financial year in which they are paid, within a maximum time limit of five years, reckoned from the year in which the alteration to actuarial presuppositions occurred;
 - b) In the part not exceeding the accumulated amount of the differences between the values of the limits established in article 37, paragraphs 2 and 3, relating to the period consisting of the 10 financial years

immediately previous or, if shorter, the period that runs from the financial year of the transfer of liabilities or of the last alteration in the actuarial presuppositions, and the values of the contributions paid and allowed as costs in each of those financial years.

3. For the purposes of sub-paragraph (b) of the previous paragraph, supplementary contributions to cover liabilities with pensioners shall not be considered, nor shall contributions that may come to be paid to cover past liabilities in terms of paragraph 1 be taken into account for calculating those differences.

Article 40

Procedures in cases of non-compliance

1. In the event of non-compliance with the conditions established in paragraphs 2 and 3 of article 37 and in article 38, with the exception of those established in sub-paragraphs (c) and (g) of the latter, the IRPC corresponding to premiums and contributions considered as costs in each of the previous financial years, in terms of this article, shall be added to the IRPC assessed for that financial year, aggravated by an amount that is the result of applying, to the IRPC corresponding to each of those financial years, the product of 10% multiplied by the number of years elapsed since the date on which each of those contributions or premiums were considered as costs, and, in the event of a surrender in favour of the employer, that part of the surrender value that corresponds to the capital investment shall not be considered as income for the financial year.
2. In the case of surrender for the benefit of the employer, the provision of the previous paragraph will not apply if, for the transfer of liabilities, life insurance contracts are made with other insurers, who have their head office, effective management or permanent establishment located in Mozambican territory, or if contributions are made to pension funds established in accordance with national legislation, in which, simultaneously, the entire surrender value is invested and the conditions established in this article continue to be observed.
3. In the case of surrender for the benefit of the employer, the provisions of paragraph 1 may also not apply if it is demonstrated that there are excess funds originating from the termination of employment contracts, with the prior approval of the Tax Administration Authorities.

Article 41

Donations in the context of patronage

Donations made by taxpayers in money or in kind are also considered as costs or losses for the financial year, up to a limit of 5% of the chargeable amount of the preceding year, if the beneficiaries:

- a) Are associations formed under Law nr. 8/91 of 18 July and its regulations, and other associations or public or private entities that have no religious or party proselytism purposes and develop non-profit making activities within the scope of Law nr. 4/94 of 13 September;
- b) Are private, individual or corporate persons who carry out or support activities within the scope of Law nr. 4/94 of 13 September, without profit for their members or owners.

Article 42 **Donations to the State and other entities**

The whole of donations made to the State, including local administration bodies and municipalities, are considered as costs or losses for the financial year.

Article 43 **Non-deductible charges for tax purposes^(*)**

1. The following charges are not deductible for the purposes of determining taxable profit, even when they have been accounted as costs or losses of the financial year:

- a) Tax on corporate income (IRPC) and any other tax falling directly or indirectly on profits;
- b) Tax and any other charges falling on third parties that the enterprise is not authorised to bear;
- c) Fines, penalties and other charges for the commission of offences of whatever nature, which are not contractual in origin, including penalty interest;
- d) Compensation for events the risk of which is insurable;
- e) 50% of costs with expense allowances and compensation for an employee travelling in his own vehicle in the service of the employer, which are not invoiced to clients and are registered in the accounts on whatever basis, except the part that is chargeable to IRPS in respect of the respective beneficiary.
- f) 80% of representation expenses, registered in the accounts on whatever basis;
- g) Charges that are not properly documented and expenses of a confidential or illegitimate nature;

^(*) As amended by Decree 61/03 of 19 December.

- h) Amounts due for hiring light passenger or multi-purpose vehicles without drivers, in the part that corresponds to the depreciation value of such vehicles which, under sub-paragraphs (c) and (f) of article 31 are not allowed as costs;
 - i) Fuel expenses, in the part that the liable person does not provide evidence that they relate to assets belonging to the enterprise or used by it under a lease, and that the normal consumption levels related to the corporate purpose of the enterprise are not exceeded.
2. In relation to firms of professionals subject to the fiscal transparency rules, the limitation specified in the IRPS Code also applies to costs related to the use of light passenger or multi-purpose vehicles, so that only 50% of such costs are deductible.
 3. Representation expenses include, namely, costs incurred with receptions, meals, travel, tours and shows offered in the country or overseas to clients or suppliers or any other persons or entities.
 4. 50% of costs related to light passenger vehicles, specifically, rental or hire payments, repairs and fuel are not deductible for the purposes of determining taxable profits, with the exception of vehicles that are used in public transport services or are hired out in the ordinary course of the liable person's business, and without prejudice to the provisions set out in sub-paragraph (e) of article 31 and paragraph 1, sub-paragraphs (h) and (i) of the present article.

SUBSECTION VI

Realised capital gains and capital losses

Article 44

Concept of capital gains and capital losses

1. Realised capital gains or capital losses are considered to be the gains or losses made in relation to fixed assets when they are transferred for valuable consideration, in whatsoever form, and also those derived from loss or damage or resulting from the permanent appropriation of the said assets to purposes that are alien to the business purposes.
2. Capital gains and capital losses consist of the difference between the realisation value net of costs inherent thereto and the acquisition value, after deduction of amounts for depreciation or reintegration, without prejudice to article 46, paragraph 6.
3. The realisation value is considered to be:

- a) In the case of an exchange, the market value of the goods or rights received, with the addition or subtraction, as the case may be, of the money to be received or paid;
 - b) In the case of expropriation or damage to property, the amount of the corresponding indemnification;
 - c) In the case of property appropriated permanently to purposes alien to the purposes of the business, the market value;
 - d) In cases of merger or division, the value under which the items are recorded in the accounts of the entity to which the items are transferred as a result of the merger or division;
 - e) In cases of sale of debt instruments, the transaction value net of interest accruable from the last maturity date or the date when the security was issued, first placed or endorsed, if no maturity date has occurred, up to the transfer date, as well as of the difference, corresponding to these periods, between the repayment value and the issue price, in the case of securities whose remuneration is composed totally or partly of that difference;
 - f) In all other cases, the value of the respective valuable consideration given.
4. In the case of an exchange of future goods, their market value shall be the value on the date of the exchange.
 5. A promise to buy or sell or exchange shall also be considered as a transfer for valuable consideration, as soon as there is delivery of the goods.
 6. The following are not considered as capital gains or capital losses:
 - a) The result obtained consequent upon delivery by a lessee to the lessor of goods subject to a finance lease;
 - b) The result obtained from the transfer for valuable consideration, or the permanent appropriation in terms of paragraph 1, of debt instruments whose remuneration is composed totally or partly of the difference between the repayment or amortization value and the issue price, first placement price or endorsement price.

Article 45

Monetary adjustment of capital gains and capital losses

1. The acquisition value adjusted in accordance with paragraph 2 of the previous article shall be updated by applying the currency devaluation coefficients published for this purpose by dispatch of the Minister of Planning and Finance, when at least two years have elapsed between the

acquisition date and the realisation date, and the adjustment value shall be deducted for the purposes of determining taxable profit.

2. The monetary adjustment referred to in the previous paragraph does not apply to financial investments, with the exception of investments in immovable property and capital.
3. When, in terms of the special regime foreseen in articles 66 to 68, shareholdings received have to be given the same value as that with which the old shareholdings were registered, the acquisition date of the former shall be considered to be the date corresponding to the latter, for the purposes of paragraph 1.

Article 46 **Reinvestment of realisation values^(*)**

1. The positive difference between capital gains and capital losses realised on the transfer for valuable consideration of corporeal fixed assets, or as a result of indemnification for accidental damage to such assets, does not add to taxable profits for the financial year to which they refer when the realisation value corresponding to the totality of such assets is reinvested in the acquisition, manufacturing or construction of corporeal fixed assets before the end of the third financial year subsequent to the year of the realisation.
2. If only part of the realisation value is reinvested, the corresponding proportional part of the difference mentioned in the previous paragraph does not contribute to taxable profit.
3. Investments in which the provisions mentioned in article 35 have been used do not benefit from the regime referred to in the previous paragraphs.
4. For the purposes of paragraphs 1 and 2, taxpayers shall mention their intention to reinvest in the declaration mentioned in article 102, paragraph 1, sub-paragraph (b), for the financial year in which the realisation occurs, and shall provide evidence of the reinvestments in that declaration and in the declarations for the next three financial years.
5. If the reinvestment is not actually carried out, the IRPC that is not assessed by virtue of the terms of paragraph 1, together with corresponding penalty interest, shall be added to the IRPC assessed for the third financial year following the year of the realisation, or, if there is no IRPC to be assessed, then the declared tax loss shall be adjusted accordingly.

^(*) As amended by Decree 61/03 of 19 December.

6. The positive difference between capital gains and capital losses not taxed in terms of paragraph 1 shall be deducted from the acquisition cost or the production cost of corporeal fixed assets in which the realisation value was reinvested, for the purposes of the respective depreciation or to determine any profit chargeable to IRPC regarding the same.
7. The deduction mentioned in the previous paragraph shall be made in the proportion that the value of each asset in which the reinvestment was made bears to the total value to be reinvested.
8. The Minister of Planning and Finance may, if the interested parties so request by the end of the financial year to which the capital gains refer, authorise an extension of the time limit for reinvestment to the end of the fourth financial year after the year of realisation, if the realisation period of the investment would justify it, in which case the provisions of the previous paragraphs apply, with the required adaptations.

SUBSECTION VII

Deduction of previously taxed profits

Article 47

Elimination of double economic taxation of distributed profits

1. For the purposes of determining taxable profits of commercial companies and civil companies in a commercial form, co-operatives and public enterprises having their head office or effective management located in Mozambican territory, these may deduct from their taxable base income corresponding to profits distributed by entities that have their head office or effective management in such territory, which are subject to and not exempt from IRPC or subject to the Special Tax on Gaming, in which the liable person directly holds not less than 25% of the capital, and as long as this shareholding has been owned by the liable person for a continuous period of two years previous to the date of on which the profits were made available or, if held for a shorter time, as long as the shareholding is kept for the time needed to complete the said period.
2. The provisions set out in the previous paragraph are also applicable to income from shareholdings in which the technical reserves of insurance companies and mutual insurance societies have been invested as well as income from venture capital companies, independently of the percentage of the shareholding and the period for which it has been owned.

3. The provisions of paragraph 1 are also applicable to holding companies, in the terms of the respective legislation, and to other types of companies, as well as to an associate in a joint venture who is incorporated as a commercial company or civil company in commercial form, co-operative or public enterprise, with its head office or effective management in Mozambican territory, independently of the value of its contribution, in relation to income that has already been taxed, distributed by the associate-owner in the joint venture residing in Mozambican territory.

SUBSECTION VIII **Deduction of losses**

Article 48 **Deduction of tax losses**

1. Tax losses ascertained in a certain financial year in terms the preceding provisions shall be deducted from taxable profits, if there are any, from one or more of the following five years.
2. In financial years when taxable profits are ascertained by indirect methods, tax losses are not deductible, even if they are within the period mentioned in the previous paragraph, but this does not affect the deduction, within that period, of losses that have not already been deducted.
3. When corrections are made to tax losses declared by the taxpayer, the deductions made shall be changed accordingly, but there shall be no annulment or assessment of IRPC, including additional assessment, if more than six years have elapsed since the year to which the taxable profit refers.
4. In the case of a taxpayer that benefits from a partial exemption from or reduction of IRPC, tax losses sustained in the respective operations or activities will not be deductible, in each financial year, from the taxable profits from other operations or activities.
5. When the period mentioned in article 7, paragraph 4, sub-paragraph (d) is shorter than six months, it does not count for the purposes of the time limit set out in paragraph 1.
6. Tax losses in respect of the companies mentioned in article 6, sub-paragraph 1 shall be deducted solely from taxable profits of those same companies.
7. The provisions of paragraph 1 of this article will cease to apply if, at the end of the taxation period in which the deduction is made, the corporate

purposes of the entity to which it relates have been altered or the nature of its previous activity has been modified substantially.

SECTION III

Corporate persons and other resident entities whose principal activities are not commercial, industrial or agricultural

Article 49

Determination of total income

1. The total taxable income of corporate persons and entities mentioned in article 4, paragraph 1, sub-paragraph (b) is composed of the algebraic sum of net income from the various different categories determined in accordance with the IRPS Code, and the provisions of the present Code apply to the determination of taxable profits.
2. The provisions that, for IRPS purposes, allow income to be imputed to years other than the year in which it was received are not applicable to the determination of total income mentioned in the previous paragraph.
3. Tax losses ascertained in relation to commercial, industrial or agricultural activities and capital losses may only be deducted, for the purposes of determining total income, from income from the respective categories in respect of one or more of the five following years.

Article 50

Common and other costs

1. Costs proved to be indispensable for obtaining income, which have not been taken into account in determining total income in terms of the previous article and are not linked specifically to obtaining income that is exempt from or not liable to IRPC shall be deducted, in whole or in part, from such total income, for the purposes of determining the chargeable amount, in accordance with the following rules:
 - a) If they are only linked to the obtaining of liable and not exempt income, they shall be deducted in full from total income;
 - b) If they are linked to the obtaining of liable and not exempt income, as well as to income that is exempt or not liable, the part of the common costs that is imputable to the liable and not exempt income shall be deducted from total income.

2. For the purposes of sub-paragraph (b) of the previous paragraph, the part of common costs that is to be imputed shall be determined by apportioning those costs between the sum of the gross liable and not exempt income and the non-liable or exempt income, or according to other criteria considered more suitable and accepted by the Tax Administration Authorities, and this apportionment shall be shown on the income declaration.
3. Income not liable to IRPC includes, specifically, fees paid by associates in accordance with articles of association, as well as subsidies received for the purposes of financing the realisation of corporate objectives.

SECTION IV Non-resident entities

Article 51 Taxable profits of a permanent establishment

1. Taxable profits imputable to permanent establishments of companies or other non-resident entities are determined by applying the provisions of Section II, with the required adaptations.
2. General administration charges that are imputable to a permanent establishment in accordance with accepted apportionment criteria and within limits that the Tax Administration Authorities consider reasonable, may be deducted as costs in determining taxable profits, and the said criteria shall be justified on the income declaration and applied uniformly over various financial years.
3. Without prejudice to the provisions of the previous paragraph, in cases where charges cannot be imputed to a permanent establishment on the basis of its use of goods and services to which the general charges relate, the following are admitted as apportionment criteria:
 - a) Turnover;
 - b) Direct costs;
 - c) Corporeal fixed assets.

Article 52 Income not imputable to a permanent establishment

Income that is not imputable to a permanent establishment located in Mozambican territory obtained by non-resident companies and other non-

resident entities is determined in accordance with the rules established for the corresponding categories for IRPS purposes.

SECTION V

Determination of taxable profit by indirect methods

Article 53

Application of indirect methods

1. Taxable profits will be determined by indirect methods when any of the following circumstances occur:
 - a) The absence of organised accounting records or book-keeping provided for in article 109, as the case may be;
 - b) Failure or delay in book and record keeping as well as irregularities in the execution and organisation thereof;
 - c) Refusal to exhibit accounting records and other legally required supporting documents, as well as the concealment, destruction, misuse, falsification or adulteration thereof;
 - d) Existence of various accounting systems for the purpose of concealing the truth from the Tax Administration Authorities;
 - e) Errors or inaccuracies in the accounting of transactions or strong indications that the accounts do not reflect the exact patrimonial situation and the profits really obtained.
2. The application of indirect methods because of anomalies and inaccuracies in the accounts may only take place when it is not possible to prove and quantify directly and accurately the elements that are indispensable for determining the chargeable amount in keeping with the provisions of Section II of the present chapter.
3. Delays in the execution of accounts or records and the failure to exhibit them immediately will result in the application of indirect methods only if they have not been regularised within the time limit prescribed for this purpose.
4. The period mentioned in the previous paragraph shall not be shorter than 15 nor longer than 30 days and shall not affect sanctions applicable for violations that may have been committed.

Article 54

Simplified system for determining taxable profit

1. Resident liable persons whose principal activity is commercial, industrial or agricultural are subject to the simplified system for determining taxable

profit, with the exception of those required to keep organised accounting records and whose total turnover for the financial year preceding that in which the system is applied was not greater than 1.500.000.000,00 MT and those who have not opted to use the simplified book-keeping system as established in article 109 or the determination of taxable profit foreseen in Section II of the present Chapter.

2. In the year of the beginning of activity, inclusion into the simplified system occurs, all other requisites having been met, according to the estimated total annual income, as set out on the beginning of activity declaration, if the election mentioned in the previous paragraph is not exercised.
3. Taxable profit is ascertained by applying the basic technical-scientific indicators defined for the different economic sectors, to be determined under the terms of paragraph 4.
4. The indicators mentioned in the previous paragraph shall be approved by dispatch of the Minister of Planning and Finance and, until they have been determined, taxable profit is ascertained by applying a coefficient of 0,20 to the value of sales of merchandise and products and a coefficient of 0,30 to other income.
5. In the absence of the indicators mentioned in paragraphs 3 and 4, technical criteria are established in the same way and these, weighing the relative importance of actual components of costs of the different business and professional activities, allow income from such activities to be accurately subsumed under the relevant accounting categories for fixing the coefficients applicable under the terms of the previous paragraph.
6. For the purposes of paragraph 4, the coefficient of 0,20 indicated there applies to the accommodation, catering and beverages sector.
7. The option to use the general system for determining taxable profit shall be formalised by the liable person:
 - a) In the beginning of activity declaration;
 - b) In the declaration of alterations mentioned in articles 103 and 104, by the end of the third month of the taxation period in which the application of the system begins.
8. The option mentioned in the previous paragraph is valid from the beginning of the new taxation period, after submission of the declarations foreseen in the previous paragraph, as applicable.

9. The simplified system ceases to apply when the limit on total annual turnover mentioned in paragraph 1 is exceeded for two consecutive financial years, in which case the general system for determining taxable profit applies, starting from the year following that in which this fact occurs.
10. The baseline values necessary for ascertaining taxable profit are susceptible to correction by the Tax Administration Authorities in general terms, without prejudice to the provisions of the final part of the previous paragraph.
11. In the event that baseline values are corrected as mentioned in the previous paragraph, using indirect methods in accordance with article 53, then the provisions of article 55 *et seq.* are applicable, with the required adaptations.

Article 55 **Indirect methods**

1. Determination of taxable profit by use of indirect methods is done by the Head of the Tax Department in the area in which the liable person has its head office, effective management or permanent establishment and will be based on all the particulars available to the Tax Administration Authorities and, in particular, on:
 - a) Mean gross or net profit margins on sales and provisions of services or purchases and supplies of third party services;
 - b) Mean rates of return on capital investments;
 - c) Technical coefficients regarding the consumption or use of raw materials or of other direct costs;
 - d) Particulars and information declared to the Tax Administration Authorities, including those relating to other taxes, as well as those obtained from enterprises or entities that have dealings with the liable person.
2. The particulars mentioned in the previous paragraph shall be established by ministerial diploma issued by the Minister of Planning and Finance.

Article 56 **Notification to liable persons**

1. Liable persons shall be notified of the taxable profit determined by indirect methods, with an indication of the facts that gave rise to it, as well as the criteria and calculations underlying the determination.
2. The notice mentioned in the previous paragraph shall be given in the terms of the Regulation on Tax and Contributions Disputes.

Article 57
Revision of taxable profit

1. Liable persons may request the revision of taxable profits determined by indirect methods under the same terms as foreseen under article 123 of the present Code.
2. Taxable profits determined by indirect methods may be revised during the three years subsequent to the year in which the corresponding act of taxation took place, when, in the light of concrete elements discovered subsequently, a grave or notorious injustice to the detriment of the State or of the taxpayer has been found and the revision has been authorised by the Tax Administration Authorities.
3. The provisions of articles 55 and 56 of the present Code are applicable to the case foreseen in the previous paragraph.

SECTION VI
Common and miscellaneous provisions

SUBSECTION I
Corrections for the purposes of determining the chargeable amount

Article 58
Transfer prices

1. The Tax Administration Authorities may make such corrections as are required for determining taxable profit when conditions other than those that would normally have been agreed to between independent parties have been established, by virtue of a special relationship between the taxpayer and another person, whether subject to IRPC or not, as a result of which the profit ascertained on the basis of accounting records differs from that which would have been ascertained in the absence of such relationship.
2. The provisions of the previous paragraph shall also be observed when the profit, ascertained based on accounting records in relation to entities that do not have their head office or effective management situated in Mozambican territory, differs from that which would have been ascertained in the case of a distinct and separate enterprise carrying out identical or similar activities, under identical or similar conditions, completely independently.

3. The provisions of paragraph 1 shall also apply to persons who concurrently carry out activities that are and that are not liable to the general IRPC regime, when identical deviations are verified in relation to such activities.
4. When the provisions of paragraph 1 apply in respect of a person liable to IRPC by virtue of a special relationship with another person that is also liable to IRPC or to IRPS, then appropriate adjustments shall be made to the determination of taxable profit of the latter in order to reflect the corrections made to the determination of taxable profit of the former.

Article 59

Payments to entities residing in countries with favourable tax regimes

1. Amounts paid or due, on whatever basis, to individual or corporate persons residing outside Mozambican territory and subject to a tax regime that is clearly more favourable shall not be deductible for the purposes of determining taxable profits, unless the liable person can prove that such charges correspond to transactions that were actually carried out and that they are not extraordinary or of an exaggerated amount.
2. An individual or corporate person is considered as being subject to a tax regime that is clearly more favourable when, in the territory where they reside, they are not subject to income tax or, in relation to the amounts paid or due mentioned in the previous paragraph, are subject to an effective tax rate equal to or less than 60% of the rate in article 76, paragraph 1.
3. For the purposes of the previous paragraph, liable persons shall, at the request of the Tax Administration Authorities, provide evidence to prove that effective tax rate.
4. The proof to which paragraph 1 refers shall be provided after notice to the liable person, which shall be given at least 30 days in advance.

Article 60

Imputation of profits of companies residing in countries with favourable tax regimes

1. Profits obtained by companies residing outside Mozambican territory and subject there to a regime that is clearly more favourable, are imputed to shareholders residing in Mozambican territory, in proportion to their shareholding and independently of distributions, provided that the shareholder directly or indirectly holds a shareholding of at least 25%, or at

least 10% where more than 50% of a non-resident company's capital is held, directly or indirectly, by resident shareholders.

2. The imputation mentioned in the previous paragraph is made on the basis of assessment relating to the financial year in which the end of the taxation period of the non-resident company falls, and corresponds to the profit obtained by such company, after deduction of income tax due on such profits according to the tax regime applicable in the State in which that company resides.
3. For the purposes of paragraph 1, a company is considered as being subject to a tax regime that is clearly more favourable when in the territory where it resides, such company is not subject to income tax or is subject to an effective tax rate equal to or less than 60% of the rate foreseen in article 76, paragraph 1.

Article 61 **Under-capitalisation**

1. When a liable person's indebtedness to an entity not residing in Mozambique with whom there is a special relationship, as defined in this article, is excessive, the interest on the part considered to be excessive is not deductible for the purposes of determining taxable profit.
2. A special relationship is considered to exist between a liable person and a non-resident entity when:
 - a) The non-resident entity directly or indirectly holds at least 25% of the capital of the liable person;
 - b) The non-resident entity does not hold that share of the capital but, in fact, exercises significant influence on the management;
 - c) The non-resident entity and the liable person are controlled by the same entity, by virtue of such entity directly or indirectly holding shares in their capital.
3. The existence of a special relationship for the purposes of paragraph 1 is equated to the liable person's indebtedness to a third party not residing in Mozambique where one of the entities mentioned in the previous paragraph has given surety or a guarantee.
4. Indebtedness is excessive when the amount of the debt to each of the entities mentioned in paragraph 2, with reference to any date in the taxation period, is more than twice the value of the corresponding holding in the equity capital of the liable person.

5. For the purposes of calculating indebtedness, all forms of credit are considered, whether in cash or in kind and whatever the form of remuneration agreed on, granted by the entities mentioned in paragraph 2, including credits arising from commercial operations, when more than six months have elapsed since the respective maturity date.
6. For the purpose of calculating equity capital, issued and paid up share capital is added to other items classified as such by the accounting regulations in force, excluding those which translate potential or latent capital gains or losses, in particular, those arising from revaluations not authorised by a specific diploma on fiscal matters or from the application of the balance sheet equivalence method.
7. The provisions of paragraph 1 will not be applicable if the coefficient established in paragraph 4 is exceeded and the liable person demonstrates, taking into account the type of activity, the business sector, the size of the enterprises and other relevant criteria, that he could have obtained the same level of indebtedness under similar conditions from an independent entity.
8. The evidence mentioned in the preceding paragraph shall be presented within 30 days after the end of the taxation period in question.

Article 62

Corrections in cases of tax credits and withholding at source

1. In determining the chargeable amount subject to tax:
 - a) When there is income that gives rise to a tax credit for double economic taxation on distributed profits under article 80, the amount of the tax credit shall be added to the aggregated income;
 - b) When there is income obtained in a foreign country which gives rise to a tax credit for international double taxation under the terms of article 81, such income shall be considered, for taxation purposes, as a gross amount before deduction of income tax paid in a foreign country.
2. When IRPC has been withheld at source on income aggregated for the purposes of taxation, the amount to be considered in determining the chargeable amount shall be the corresponding gross amount before deduction of tax withheld at source.

SUBSECTION II

Transformation of companies

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Article 63
Applicable regime

1. The transformation of a company, even if it involves the dissolution of the previous company, does not entail a change in the taxation regime that was being applied up to then nor does it have any IRPC consequences, save as foreseen in the following paragraphs.
2. In the case of a civil company not incorporated in commercial form being incorporated in any one of the forms foreseen in the Commercial Code and other commercial legislation, the regime foreseen in article 6, paragraph 1 is applicable to the taxable profit for the period that runs from the start of the financial year in which the transformation takes place until the date of the transformation.
3. For the purposes of the previous paragraph, in the financial year in which the transformation occurs, the profit for the period before and after the transformation shall be determined separately, and losses ascertained under the terms of the present Code occurring before the transformation may be deducted from the taxable profits of the company resulting from the transformation until the end of the period mentioned in article 48, paragraph 1, reckoned from the financial year to which such losses refer.

Article 64
Special regime applicable to mergers and divisions of resident companies

1. The regime established in this article is applicable to the merger and division of companies that have their head office or effective management in Mozambican territory, as long as all of the following conditions are met cumulatively:
 - a) The company to which the assets and liabilities of the merged or divided companies are transferred has its head office or effective management in this territory;
 - b) The assets and liabilities that are transferred are registered in the accounts of the company mentioned in the previous sub-paragraph at the same value as they had in the accounts of the merged or divided companies;
 - c) The value mentioned in the previous sub-paragraph is the result of applying the provisions of the present Code or of revaluations carried out under tax legislation.
2. In the determination of taxable profits of merged or divided companies, no profit or loss arising from the transfer of assets or liabilities resulting from

the merger or division is considered, and the provisions constituted and allowed for tax purposes with respect to debts, stock and liabilities and charges that are the subject of the transfer are not considered as income or gains for the purposes of article 32, paragraph 2.

3. In determining the taxable profit of the company to whom the assets and liabilities of the merged or divided companies are transferred:
 - a) The gains or losses pertaining to the transferred assets and liabilities are ascertained as if no merger or division had occurred;
 - b) The reintegration and depreciation of fixed assets transferred is effected according to the regime that was being applied by the merged or divided companies;
 - c) The provisions that were transferred from the merged or divided companies are subject, for tax purposes, to the regime that was applicable to them in these companies.
4. When the company to which the assets and liabilities of the merged or divided companies are transferred has a holding in the capital of these companies, capital gains or losses that may result from the termination of such holding as a result of the merger or division do not contribute to taxable profits.
5. An operation whereby a company transfers the assets and liabilities that make up its net worth to a company that holds all title to its share capital is equated with a merger.
6. For the purposes of paragraph 2, the company transferring the assets and liabilities by reason of the merger or division shall include, in the tax documentation file mentioned in article 115, a declaration issued by the company to which such assets and liabilities were transferred stating that the transferee shall adhere to paragraph 1, sub-paragraphs (b) and (c), and paragraph 3.
7. The special regime laid down in this article ceases, in whole or in part, when it is concluded that tax evasion was the main objective or one of the main objectives of the operations to which paragraph 1 refers.
8. The provisions of the previous paragraph may be considered as having occurred, namely, in cases where the intervening companies do not have the whole of their income subject to the same IRPC taxation system or when the operations were not carried out for valid economic reasons, such as restructuring or rationalising the activities of the participating companies, in which case, the corresponding additional assessments to tax shall be made.

SUBSECTION III
Contributions of assets and exchanges of shares in Mergers and Divisions

Article 65
Special regime for contributions of assets

1. Article 64 applies, with the required adaptations, to contributions of assets, provided that, the prerequisites mentioned therein having been met, in the subsequent determination of capital gains or capital losses in respect of the shareholdings received in exchange for the contribution of assets, such holdings are considered as having the net accounting value that the contributed assets and liabilities had in the accounts of the company that is effecting the contribution of assets.
2. For the purposes of the previous paragraph:
 - a) Contribution of assets - an operation whereby a company transfers, without being dissolved, one or more branches of its activity to another company in exchange for holdings in the capital of the transferee company;
 - b) Branch of activity - the group of assets and liabilities which from an organizational point of view constitute an autonomous economic unit, that is, an entity capable of functioning by its own means, which may include the debts incurred for its organisation and functioning.

Article 66
Regime applicable to shareholders of merged or divided companies

1. In the case of a merger to which the special regime established in article 64 applies, no gains or losses resulting from the merger shall be assessed to the shareholders of the merged companies, as long as the value attributed to the new shareholdings in the company's accounts is kept the same as the value with which the old shareholdings were registered.
2. The provisions of the previous paragraph does prevent the shareholders of the merged companies from being taxed on cash amounts that may be allocated to them as a result of the merger.
3. The stipulations in the previous paragraphs are applicable, with the required adaptations, to shareholders of companies that are the subject of a division to which the special regime set out in article 64 applies.

Article 67
**Mergers, divisions and transfers of shares involving corporate persons
other than companies**

1. The relevant parts of the provisions of articles 64 and 66 apply, with the required adaptations, to legally effected mergers and divisions of liable persons that are subject to IRPC, reside in Mozambican territory and are not companies, and to their respective members.
2. The provisions of article 65 are also applicable, with the required adaptations, to contributions of assets involving a corporate person that is not a company, under the conditions mentioned in the previous paragraphs.

Article 68
Exchanges of shares

1. For the purposes of the present article, share exchange is considered to be an operation whereby a company (the acquiring company) acquires a shareholding in the capital of another company (the acquired company) such that it obtains a majority of the voting rights in that company in exchange for the issue to the shareholders of the latter company, in exchange for their securities, of securities representing the capital of the former company, and, if appropriate, a cash payment of not more than 10 % of the nominal value or, in the absence of a nominal value, of the accounting par value of the securities delivered in exchange.
2. The issue of securities representing the capital of the acquiring company to the shareholders of the acquired company as a result of the share exchange does not give rise to any taxation of those shareholders, provided they attribute to the securities received a value for tax purposes that is the same as the registered value of the old securities, determined in accordance with the provisions set out in the present Code, which securities shall be registered in an account that is independent from other shares that may be held in respect of the same entity.
3. The provisions of the previous paragraph only apply when all of the following conditions are met cumulatively:
 - a) The acquiring company and the acquired company are residents in Mozambican territory;
 - b) The shareholders of the acquired company are persons or entities residing in third States when the securities received are representative of the share capital of an entity residing in Mozambican territory.

4. The provisions of paragraph 2 does not prevent the shareholders from being taxed on cash amounts that might be allocated to them in terms of paragraph 1.
5. Article 64, paragraph 7 applies, with the required adaptations, to this article.
6. For the purposes of the previous paragraphs, the shareholders of the acquired company shall include the following particulars in the tax documentation file mentioned in article 115:
 - a) Declaration containing a description of the share exchange operation, the date on which it was carried out, the identity of the intervening parties, number and nominal value of shares transferred and received, the accounting value with which the shares transferred were registered, cash amounts received, profit or loss that would have been included in the basis of assessment had the regime foreseen in the present article not applied and calculation demonstrations;
 - b) Declaration by the acquiring company that it came to hold the majority of voting rights in the acquired company as a result of the share exchange.

SUBSECTION IV

Liquidation of companies and other entities

Article 69

Companies in liquidation

1. In relation to companies in liquidation, taxable profits are determined with reference to the whole period of liquidation.
2. For the purposes of the previous paragraph, the following shall be observed:
 - a) Companies being dissolved shall close their accounts with reference to the date of dissolution, with a view to determining taxable profits corresponding to the period running from the commencement of the financial year in which the dissolution occurs up to the date of the dissolution;
 - b) During the period in which the liquidation runs until the end of the financial year immediately following the end of the liquidation, respective taxable profits shall be determined annually, which determination will be provisional in nature and will be corrected based on the taxable profit determination for the whole liquidation period;

- c) The profit mentioned in sub-paragraph (a) and the profit mentioned in the first part of sub-paragraph (b) shall be determined separately in the financial year in which the dissolution occurs.
3. When the liquidation period exceeds three years, the taxable profit determined annually in the terms of sub-paragraph (b) of the previous paragraph ceases to be provisional.
 4. Losses that precede the dissolution and are still deductible in terms of article 48 on the date of the dissolution may be deducted from the taxable profit corresponding to the whole of the liquidation period, if this does not exceed three years.
 5. The provisions of the previous paragraphs apply, with the required adaptations, to company liquidations arising from declarations of nullity or annulment of the respective incorporation contract.

Article 70 **Liquidation result**

In determining the result of the liquidation, if assets are distributed among shareholders, the realisation value of such assets shall be considered as being the respective market value.

Article 71 **Distribution result^(*)**

1. The value attributed to each shareholder as a result of the distribution of assets on dissolution, reduced by the acquisition price of the corresponding shareholdings, shall be aggregated for the purposes of taxation of those shareholders in the financial year in which such values are placed at their disposal.
2. In the aggregation for the purposes of taxation of the difference mentioned in the previous paragraph, the following shall be observed:
 - a) When the difference is positive it is considered as investment income up to the limit of the difference between the value attributed and the value which, based on the accounts of the liquidated company, corresponds to contributions in actual fact made for paying up share capital, and any excess is a taxable capital gain;

^(*) As amended by Decree 61/03 of 19 December.

- b) When the difference is negative it is considered as a capital loss, deductible only when the liable person held the shareholdings for the three years immediately preceding the date of winding up.
3. When the conditions specified in article 47 have been met, the difference considered as investment income under sub-paragraph (a) of the previous paragraph shall be deducted for the purposes of determining taxable profits.
4. In relation to shareholders of companies covered by the fiscal transparency regime under article 6, the value attributed to them in the distribution shall further be reduced by that part of the liquidation result which, for taxation purposes, has been imputed to them, as well as their share of the profits retained by the company during the financial years in which the company was subject to that regime.

Article 72

Liquidation of corporate persons other than companies

The provisions of the preceding article apply, with the required adaptations, to the liquidation of corporate persons other than companies.

SUBSECTION V

Formation of companies with business assets of an individual

Article 73

Special tax neutrality regime

1. When the regime established in the IRPS Code relating to the transfer of business property to pay up the share capital of a new company is applicable, the assets and liabilities transferred shall be recorded in the accounts of the receiving company with the values ascribed to them in the accounts of the individual.
2. In determining the taxable profit of the company mentioned in the previous paragraph, the following shall be observed:
 - a) The results relating to the property making up the assets transferred are ascertained as if no transfer had occurred;
 - b) Reintegration and depreciation on fixed assets are effected in accordance with the regime that was being applied for the purposes of determining the taxable profit of the individual;
 - c) Provisions that are transferred are, for tax purposes, governed by the regime that was applicable to them for the purposes of determining the taxable profit of the individual.

3. In cases where share capital is paid up as a result of the transfer of the whole of the assets and liabilities dedicated to an individual's business or professional activity, as foreseen in paragraph 1, then, providing that the conditions specified in the IRPS Code are all met, tax losses relating to the individual's commercial, industrial or agricultural activity, which have not yet been deducted from taxable profits, may be deducted from the taxable profits of the new company before the end of the period mentioned in article 48, reckoned from the financial year to which the losses refer, up to a maximum of 50% of each of the said taxable profits.

SUBSECTION VI

Financial derivatives

Article 74

General rules

1. In the consideration of income or gains and costs or losses related to financial derivatives, except for those foreseen in the next article, the following shall be observed:
 - a) In the case of stock exchange transactions in progress at the end of a financial year, the income or gains and costs or losses will be imputable to that financial year and determined in accordance with the market value on the last day of the same financial year, on the market in which the operation was carried out;
 - b) In the case of non-stock exchange transactions, those income or gains and costs or losses shall be imputable to the financial year in which the corresponding operation is settled, except as to income or gains already realised or costs or losses already sustained in prior financial years.
2. In relation to the transactions mentioned in sub-paragraph (a) of the previous paragraph, whose only purpose is to hedge transactions to be carried out in the subsequent financial year, in a market of a different nature and subject to different value metric criteria, unrealised gains ascertained in one financial year may be deferred for a maximum of two subsequent financial years, to the extent of the losses not yet realised on the hedged instrument.
3. Without prejudice to the provisions laid down in paragraph 5 of the present article, hedging transactions are considered to be those which evidently contribute to the removal or reduction of a real risk arising from a firm undertaking, including future undertakings regarding transactions effected during the financial year or continuing transactions begun in preceding

financial years, or a future transaction very likely to be carried out in the subsequent financial year, regarding a market of a different nature and subject to different value metric criteria, in such a way that an undeniable economic relationship can be observed between the hedged item and the hedging one, and that a high correlation can be quantified between them, so that the gains of the hedging transaction are expected to neutralise, fully or partly, but significantly, the losses that may arise under the hedged one.

4. For the purposes of the preceding paragraph, only those transactions whose value does not exceed the hedging value considered necessary in the light of the correlation between the hedging transaction and the hedged transaction are considered hedging transactions.
5. The following are not accepted as hedging transactions for tax purposes:
 - a) Transactions carried out as hedging ones with a view to hedging risks to be incurred by other persons or entities or by establishments carrying out the transactions whose income is not taxed under the normal taxation system;
 - b) Transactions carried out by investment funds, including funds of funds, venture capital funds, pension funds, insurance companies, credit institutions and other financial institutions, to which the provisions of paragraphs 8 and 9 are also not applicable;
 - c) Transactions that have not been duly identified in an appropriate form.
6. If the requisites referred to in paragraph 3 of the present article are not verified, the transaction is disqualified as a hedging transaction, as of the date of the non-verification of the requisites.
7. If the hedged transaction is not carried out, the tax that was left unpaid by virtue of the provisions of paragraph 2 will be added to the tax amount for the financial year in which the transaction would have been carried out, together with the corresponding penalty interest, or, if no IRPC falls to be assessed, the tax loss declared will be corrected accordingly.
8. Without prejudice to the provisions laid down in paragraph 9 hereof, the deduction of losses ascertained at the end of the financial year, relating to contracts in progress at the end of that year, is limited to the amount that by which they exceed the gains not yet taxed in symmetrical positions.
9. Only costs or losses relating to symmetrical positions that are duly identified in an appropriate form, which shall include the tax documentation file mentioned in article 115, are deductible.
10. For the purposes of the provisions specified in the previous paragraphs:

- a) Symmetrical positions are those in which the values, of capital or income, suffer variations that are correlated in such a way that the risk of variation in the value of one of them is set off by the variation in the value of capital or income from another position, independently of the nature, location or duration thereof;
 - b) Position is understood to mean the holding, directly or indirectly, of contracts relating to financial derivatives, securities, currencies, negotiable instruments, loans obtained or granted, or commitments on such items.
11. If the substance of an operation or set of operations differs from its form, then the timing, source and nature of payments and receipts, income and costs, gains and losses arising from such operation may be re-characterised by the Tax Administration Authorities in order to take such substance into account.

Article 75 Swaps

1. If a swap or forward exchange transaction falls to be assigned or cancelled, with corrective amounts being paid and received, the following shall be observed:
- a) Amounts due shall be considered as income or costs of the financial year in which the contract is cancelled.
 - b) Any equalisation payment that exceeds corrective or terminal payments, foreseen under the original contract, or market prices applicable to transactions with identical characteristics, specifically for the remainder of the term, are not allowed as costs for tax purposes, and the intervening parties are responsible for providing the respective evidence.
2. Costs imputed to the purchase of a contractual position under a pre-existing swap, which exceed corrective or terminal payments foreseen under the original contract, or market prices applicable to transactions having identical characteristics, specifically for the rest of the term, are not allowed as tax costs, and the intervening parties are responsible for providing the respective evidence.

CHAPTER IV Rates

Article 76
General Rate^(*)

1. The rate of IRPC is 32%, except in the cases foreseen in the following paragraphs.
2. Agricultural and livestock activity will enjoy a reduced rate of 10% until 31 December 2010.
3. The taxpayers covered by paragraph 2 of the present this article that carry out other activities, shall discriminate in their declarations the taxable profits from the activities subject to different rates.
4. Charges that are not properly documented and expenses of a confidential or unlawful nature are taxed autonomously at a rate of 35%, without prejudice to the provision of paragraph 1, sub-paragraph (g), of article 43

Article 77
Rates of tax withheld at source

1. Income subject to withholding at source under the terms of article 83 is taxed at the rate of 20%.
2. Income of entities not having their head office or effective management located in Mozambican territory and without a permanent establishment in Mozambique to which such income may be imputed, are taxed at a flat rate of 20%, except for income deriving from the provision of international telecommunications and transport services subject to a rate of 10%.

CHAPTER V
Assessment

Article 78
Competency to assess

Assessment to IRPC is done:

- a) As a rule, by the taxpayer himself, in the Period Declaration mentioned in article 105 and in the Declaration of Substitution foreseen in article 107;
- b) By the Tax Administration Authorities in all other cases.

^(*) As amended by Decree 61/03 of 19 December.

Article 79
Procedure and form of assessment

1. Assessment to IRPC shall be processed as follows:
 - a) When assessment is incumbent upon the taxpayer, it shall be done in the declarations mentioned in sub-paragraph (a) of the previous article and shall be based on the chargeable amount stated there;
 - b) When the periodic income declaration foreseen in article 105 is not submitted, the assessment shall be done by 31 December of the subsequent year or, in the case foreseen in paragraph 2 of the said article, by the end of the sixth month after the expiry of the time limit for the submission of the declaration mentioned therein and will be based on the whole of the chargeable amount determined in the closest year;
 - c) When the assessment is not done under the terms of the previous sub-paragraphs, the basis of assessment will be the information available to the Tax Administration Authorities.

2. The amount determined under sub-paragraph (a) of the previous paragraph shall be subject to the following deductions in the order indicated below:
 - a) In respect of double taxation of distributed profits;
 - b) In respect of international double taxation;
 - c) In respect of fiscal benefits;
 - d) In respect of special advance payments mentioned in article 92;

3. From the amount determined in terms of paragraph 1 with respect to the entities mentioned in article 105, paragraph 4, only amounts in respect of withholding at source may be deducted, when these are in the nature of advance IRPC.

4. The deductions mentioned in paragraph 2 in respect of entities to which the fiscal transparency rules established in article 6 apply will be imputed to the respective shareholders or members under the terms set out in paragraph 3 of article 6 and deducted from the amount determined on the basis of the chargeable amount that has taken into consideration the imputation foreseen in that article.

5. The deductions in the terms of sub-paragraphs (a) to (d) of paragraph 2 shall be allowed up to the amount of the charge to IRPC, and there will be no refund.

6. Only deductions of which the Tax Administration Authorities have knowledge and which may be made in the terms of paragraphs 2 and 3 shall be made from the amount ascertained in the terms of paragraph 1, sub-paragraphs (b) and (c).

7. In cases where the provisions of article 69, paragraph 2, sub-paragraph (b) are applicable, the assessments shall be made annually on the basis of the chargeable amount determined provisionally, and after the assessment corresponding to the chargeable amount relating to the whole liquidation period, the difference ascertained shall be charged or cancelled.
8. The assessment foreseen in paragraph 1 may be corrected, where required, within the time limit mentioned in article 87, and differences ascertained will be charged or cancelled.
9. In cases where the simplified system for determination of taxable profit is applicable or where the simplified book keeping has been opted for, as foreseen in articles 54 and 109 respectively, there shall be no deductions as foreseen in paragraph 2, sub-paragraphs (a) (b) and (c).

Article 80

Tax credit for double economic taxation on distributed profits

1. The deduction mentioned in paragraph 2, sub-paragraph (a), of the previous article is applicable when income corresponding to profits distributed by entities with their head office or effective management located in Mozambican territory, subject to and not exempt from IRPC, is included in the chargeable amount of entities with their head office or effective management in the same territory, in the cases not contemplated in paragraph 1 of article 47.
2. The deduction consists of a tax credit of 60% of the IRPC corresponding to distributed profits included in the taxable base, and may be made up to the amount ascertained under the terms of paragraph 1 of the previous article, which corresponds proportionately to the said profits after the addition of the amount of this credit in the terms of article 62, paragraph 1, sub-paragraph (a).
3. In the case of values attributed by virtue of distribution in the terms of article 71, the deduction mentioned in the previous paragraph is applicable to the difference that, in the terms of the said article, is considered as investment income.
4. The tax credit foreseen in this article may be applied, with the necessary adaptations, to income that an associate earns from a joint venture arrangement, where the income distributed has in fact been taxed, and from a share association agreement.

Article 81
Tax credit for international double taxation

1. The deduction mentioned in article 79, paragraph 2, sub-paragraph (b) only applies when the chargeable amount includes income obtained in a foreign country and corresponds to the smaller of the following amounts:
 - a) Income tax paid in a foreign country;
 - b) The fraction of the charge to IRPC, calculated before the deduction, that corresponds to income that may be taxed in the country in question.
2. When there is a convention signed by Mozambique to eliminate double taxation, the deduction to be allowed by virtue of the previous paragraph may not exceed the tax paid in the foreign country under the terms of the convention.
3. When the deductions mentioned in the previous paragraphs cannot be made by reason of insufficiency of the charge to tax in the year in which the foreign income was included in the chargeable amount, the remainder may be deducted until the end of the five following years.

Article 82
Tax credit for special advance payments

1. The deduction mentioned in article 79, paragraph 2, sub-paragraph (d) is made from the amount ascertained in the periodic income declaration foreseen in article 105 for the year to which it refers or, where this is insufficient, in subsequent years up to a maximum of 3 tax years, after the deductions mentioned in article 79, paragraph 2, sub-paragraphs (a) to (c) have been made, and observing article 79, paragraph 6.
2. In relation to the part not deducted in the terms of the previous paragraph by the end of the time limit provided, the provision of article 79, paragraph 5 shall be observed.

Article 83
Withholding at source^(*)

1. IRPC is subject to withholding at source in respect of the following income obtained in Mozambican territory:
 - a) Income from intellectual or industrial property, as well as the provision of information regarding experience acquired in the industrial, commercial or scientific sector;

^(*) As amended by Decree 61/03 of 19 December.

- b) Income from the use of or the right to use agricultural, industrial, commercial or scientific equipment;
 - c) Investment income not covered by the previous sub-paragraphs and income from real estate, as defined for the purposes of IRPS, when the person liable to pay the income is a person liable to IRPC or when the income constitutes a charge in relation to the commercial, industrial or agricultural activity of persons liable to IRPS under a duty to keep organised accounting systems;
 - d) Remuneration earned by members of corporate bodies of corporate persons and other entities;
 - e) Cash winnings from lotteries, raffles and betting, as well as amounts or prizes attributed in any draws or competitions, defined in the law on social amusement games, Law no. 9/94, of 14 September;
 - f) Income mentioned in article 5, paragraph 3 sub-paragraph (d) of the IRPC Code obtained by entities that do not reside in Mozambican territory, when the person liable to pay this income is subject to IRPC or when such income constitutes a charge in relation to the commercial, industrial or agricultural activity of persons liable to IRPS who are under a duty to keep organised accounting systems;
 - g) Income from agency commissions for concluding any contracts and income from the provision of other services carried out or used in Mozambican territory.
2. For the purposes of the provisions in the previous paragraph, the income mentioned in article 5, paragraph 3, are considered as obtained in Mozambican territory, except for those mentioned in article 5, paragraph 4.
 3. Withholding at source has the nature of advance tax, excepting when the person entitled to real estate income is a non-resident entity without a permanent establishment in Mozambican territory or, having such permanent establishment, the income is not imputable to it, in which case the withholding at source is definitive.
 4. Withholding at source on income subject to IRPC is done at the rates specified in article 77.
 5. The obligation to withhold IRPC at source occurs on the date established for the same obligation in the IRPS Code, or in the absence of such a date, on the date when the income is made available, and the amounts withheld must be paid over to the State in the terms and time limits established in the IRPS Code or complementary legislation.
 6. The withholding at source mentioned in paragraph 1, sub-paragraph (f) shall occur whenever the person entitled to the income mentioned therein does not prove to the person liable to pay the income, before the income is

made available, that it is not directly or indirectly controlled by the entertainment or sports professionals.

Article 84 **Dispensation from withholding at source^(*)**

There is no obligation to withhold IRPC at source when this has the nature of advance tax, in the following cases:

- a) Interest or any other form of remuneration on loans, credit or arrears in payment, accruing to credit institutions subject to IRPC in respect of such interest, even where exempt in relation to such income;
- b) Interest or any accretions to financial credit, resulting from the extension of the maturity date or arrears in payment, when such credit is a result of sales or services provided by corporate persons or other entities subject to IRPC in respect of such interest or accretions, even where exempt in relation to this income;
- c) Profits obtained by entities to which the regime established in article 47 is applicable.
- d) Income mentioned in paragraph 1, sub-paragraphs (b) and (g) of the previous article, when this is obtained by corporate persons or other entities subject to IRPC in respect of such income, even where exempt in relation to such income;
- e) Remuneration mentioned in paragraph 1, sub-paragraph (d) of the previous article when earned by firms of accountants that participate in the bodies indicated in that sub-paragraph;
- f) Real estate income mentioned in paragraph 1, sub-paragraph (c) of the previous article when obtained by companies whose objective is the management of its own real estate and which are not subject to the fiscal transparency rules, in terms of article 6, paragraph 1, sub-paragraph (c);
- g) Income obtained by holding companies from a company in which they have held shares for at least one year and where the shareholding is not smaller than 10% of the share capital carrying voting rights in the company in which shares are held, either alone or in conjunction with shareholdings of other companies in which the holding companies are dominant, resulting from shareholders loans or the acquisition of bonds from those companies;
- h) Interest and other forms of remuneration derived from instruments listed on the Mozambique stock Exchange, as well as those derived from Monetary Authority Instruments (TAMs) issued by the Bank of Mozambique for monetary purposes;

^(*) As amended by Decree 61/03 of 19 December.

- i) Income obtained by pension funds or similar schemes, or from investments in assets representing the technical provisions of entities qualified to conduct insurance activities.

Article 85 **Additional assessment**

1. The Tax Administration Authorities may make an additional assessment whenever, after tax has been assessed, it appears that the tax liability exceeds the assessment by virtue of corrections made in terms of paragraph 8 of article 79 or of a determination of taxable profit by indirect methods.
2. There shall also be an additional assessment, if such is called for, consequent to:
 - a) Revision of the taxable profit under article 57;
 - b) Examination of the accounting records after the corrective assessment mentioned in paragraph 1;
 - c) Total or partial lack of grounds for appeal under article 123;
 - d) Errors in fact or in law or omissions found in any assessment.

Article 86 **Corrective assessments under the fiscal transparency rules**

Whenever, in relation to entities to which the fiscal transparency rules defined in article 6 apply, corrections take place which alter the amounts imputed to each of the respective shareholders or members, the services mentioned in article 78 will promote the corresponding modifications of the assessment of those persons, and the resulting differences will be charged or cancelled.

Article 87 **Lapse of the right to assess**

IRPC may only be assessed up to the end of the fifth year following the taxable event, and the taxpayer must be notified of the corresponding assessment in the same time limit.

Article 88 **Penalty interest^(*)**

1. Whenever, for reasons imputable to the liable person, there is a delay in the assessment of all or part of the tax due or in the delivery of advance

^(*) As amended by Decree 61/03 of 19 December.

tax or tax that should have been withheld in the framework of tax substitution or an incorrect refund is obtained, penalty interest at the interbank rate (12 months MAIBOR) in force on the date of assessment, plus 2%, will be added to the amount of the tax.

2. Penalty interest will also be due in terms of the previous paragraph for late payment or the total or partial failure to make advance payment.
3. Penalty interest is counted daily under the following terms:
 - a) From the end of the time limit for the submission of the declaration until the failure that caused the delay in assessment has been removed or corrected;
 - b) Where the special advance payment mentioned in article 92 has not been made in whole or in part, from the day immediately after the end of the respective time limit until the end of the time limit for the submission of the income declaration or until the date of self-assessment, when this is earlier, and the interest accrued must be paid at the same time;
 - c) Where there is a delay in advance payment, from the day immediately after the end of the respective time limit until the date on which payment is made, and the interest must be paid at the same time;
 - d) From the recognition of an incorrect refund until the date on which the cause of the error has been removed or corrected.
4. There is always understood to be a delay in the assessment when income declarations mentioned in article 105 are submitted outside the established time limits and the tax due has not been fully paid within the legal time limit.
5. When the delay in assessment arises from errors of calculation made in the tax assessment box on the declaration, the penalty interest due as a result of these cannot be counted for a period longer than 180 days.

Article 89 Cancellation

1. The Tax Administration Authorities shall on their own initiative totally or partly cancel tax assessed whenever it exceeds the tax due, in the following cases:
 - a) Consequent to correction of an assessment under paragraphs 7 and 8 of article 79;
 - b) As a result of an examination of the taxpayer's records;
 - c) Owing to determination of the chargeable amount by indirect methods;
 - d) For reasons imputable to the tax services;

- e) For double charge to tax.
- 2. In the case foreseen in sub-paragraph (d) of the previous paragraph, interest will accrue in favour of the taxpayer at a rate equal to that applicable to penalty interest in favour of the State, counted daily from the date of payment of the tax until the date of issue of the credit note, which will include the interest.
- 3. There will be no cancellation when the amount is lower than 100.000,00 MT, or when five years have elapsed since the payment of the tax.

CHAPTER V Payment

Article 90 Payment rules^(*)

- 1. Entities whose principal activities are commercial, industrial or agricultural in nature and non-residents with a permanent establishment situated in Mozambican territory shall pay tax under the following terms:
 - a) In three advance payments, falling due in May, July and September in year to which the taxable profit refers, or in the cases of paragraphs 2 and 3 of article 7, in the 5th, 7th and 9th months of the respective taxation period;
 - b) By the end of the time limit established for the submission of the periodic income declaration, for the difference between the tax calculated there and the amounts paid in advance;
 - c) By the day of submission of the declaration of substitution mentioned in article 107, for the difference between the tax calculated therein and the amounts already paid.
- 2. There shall be a refund to the taxpayer when:
 - a) The value ascertained in the declaration, net of the deductions mentioned in article 79, paragraphs 2 and 3, is negative, for the amount resulting from the sum of the corresponding absolute value with the amount of advance payments;
 - b) The value ascertained in the declaration, net of the deductions mentioned in article 79, paragraphs 2 and 3, not being negative, is lower than the value of the advance payments, for the respective difference.

^(*) As amended by Decree 61/03 of 19 December.

3. The refund will be made when the periodic income declaration is submitted within the legally established time limit, by the end of the third month following the submission.
4. Where the payment mentioned in paragraph 1, sub-paragraph (a) is not made within the time limits indicated therein, penalty interest will begin to accrue immediately and will be counted until the end of the time limit for the submission of the declaration or until the date of payment of self-assessed tax, whichever is earlier, or in the case of simple delay, until the date of advance payment, in which case they must be paid simultaneously.
5. Where the refund is not made within the time limit mentioned in paragraph 3 compensatory interest will accrue on the amount to be refunded at the same rate applicable to penalty interest in favour of the State.
6. The payment mentioned in paragraph 1, sub-paragraphs (b) and (c), and the refund mentioned in paragraph 2 will not be made when the amount is less than 100.000,00 MT.

Article 91 **Calculation of advance payment**

1. The advance payments will be determined on the basis of the tax assessed under the terms of article 79, paragraph 1 in respect of the year immediately previous to the year in which these payments must be made, net of the deduction mentioned in paragraph 2, sub-paragraph (e) of the same article.
2. The advance payments from taxpayers will correspond to 80% of the amount of the tax mentioned in the previous paragraph, divided into three equal parts, rounded up to the nearest 1.000,00 MT.
3. In the case mentioned in article 7, paragraph 4, sub-paragraph (d), the tax to be considered for the purpose of paragraph 1 will be that corresponding to a period of 12 months, calculated proportionately to the tax relative to the period mentioned therein.

Article 92 **Special advance payment^(*)**

1. Without prejudice to the provisions of article 90, paragraph 1, sub-paragraph (a), the liable persons mentioned there are subject to one special advance payment, to be paid in three instalments in the months of

^(*) As amended by Decree 61/03 of 19 December.

July, August and October of the year to which it refers or, where they opt for a taxation period that does not coincide with the calendar year, in the 6th, 8th and 10th months of the respective taxation period.

2. The amount of the special advance payment will be equal to the difference between the value of 0,5% of turnover, subject to a minimum of 10.000.000,00 MT and a maximum of 30.000.000,00 MT, and the sum of advance payments made in the previous year.
3. For the purpose of the provisions in the previous paragraph, the turnover will be calculated on the basis of the value of sales and or of services provided up to the end of the previous year, and may be rectified in the following year if it is found to differ from the amount on which the respective calculation was based.
4. The provisions of paragraph 1 are not applicable in the year in which the activity begins and to liable persons covered by the simplified system for determination of taxable profit provided in article 54.

Article 93 **Limitations on advance payments**

1. When the taxpayer finds from the information at his disposal that the amount of the advance payment already made is equal or greater than the tax that will be due based on the chargeable amount for the year, it may stop making further advance payments, but must send a declaration of limitation of advance payment on the official printed form, duly signed and dated, to the tax services in the area of the head office, effective management or permanent establishment where its accounts are centralised before the end of the period for payment.
2. When the periodic income declaration for the year to which the tax refers shows that, as a result of the suspension of advance payment under the previous paragraph, an amount greater than 20% of the amount that would normally have been paid was left unpaid, then penalty interest will accrue from the end of the period in which each instalment should have been paid until the end of the period for submitting the declaration or the date of payment of self-assessment, if this is earlier.
3. If the advance payment to be made is greater than the difference between the total tax that the taxpayer believes to be due and the payments already settled, the taxpayer may limit the payment to this difference, and the provisions in the previous paragraphs apply, with the required adaptations.

Article 94
Payment of tax

1. The tax due by entities not mentioned in article 90, paragraph 1, who are obliged to submit a periodic income declaration or who make a declaration of substitution will be paid by the expiry of the time limit for submission of the declaration or, in the case of a declaration of substitution, by the date of its submission.
2. When there is to be a tax refund, it shall be done in the terms of article 90, paragraphs 3 and 6.

Article 95
Non-payment of self-assessed tax

When tax has been self-assessed and payment has not been settled by the end of the legal time limit for the submission of the declaration, interest on arrears will begin to accrue immediately and the Tax Administration Authorities will promote the collection of the debt, in the terms of article 96.

Article 96
Payment of tax assessed by the authorities

1. In cases of assessment made by the authorities mentioned in article 78, the taxpayer will be given notice to pay the tax and any interest shown to be due within 30 days from the notification.
2. The notification mentioned in the previous paragraph will be given by registered letter, and will be considered given on the third day after the registration.
3. When the tax is not paid within the time limit established in paragraph 1, interest on arrears will begin to accrue immediately on the value of the debt.
4. Once the time limit foreseen in paragraph 1 has expired and payment has not been made, debt execution proceedings will be commenced.
5. When the assessment mentioned in paragraph 1 gives rise to a refund, this will be effected in the terms of article 90, paragraphs 3 and 6.

Article 97
Minimum limit

There shall be no charge when, by virtue of the assessment made by the competent tax office, the amount assessed is less than 100.000,00MT.

Article 98

Payment methods

1. IRPC shall be paid in the national currency, in cash, by cheque, direct debit, bank transfer, postal order or other means used by postal services and credit institutions and expressly authorised by law.
2. If payment is by cheque, the tax will only be deemed to be paid when the relevant amount is actually received, even though interest on arrears will not accrue for the time between the delivery or dispatch of the cheque and the actual receipt of the amount, unless full collection is not possible by reason of lack of funds.
3. If payment is by postal order, the tax obligation is deemed discharged with its delivery or dispatch.

Article 99

Place of payment

1. IRPC may be paid at authorised banks or at the Receivers of Revenue that operate in the tax offices, when paid within the period of voluntary collection.
2. In the case of compulsory collection, payment shall be made at the Receivers of Revenue of the institution where the relevant execution proceedings are pending.

Article 100

Interest and liability for payment in cases of withholding at source

1. When withholding at source has the nature of advance tax and the entity that should withhold has not done so in full or in part, or having done so, has not delivered the tax or has delivered outside the normal time limits, the entity will be liable to penalty interest on the respective amounts, which interest will accrue, in the latter case, from the day after the day on which payment should have been made up to the date of payment or of assessment and, in the former case, from the date of payment up to the end of the time limit for the submission of the periodic income declaration by the liable person, without prejudice to any liability that may arise in the case.

2. When withholding at source is definitive, the entity responsible for withholding will be liable for penalty interest on amounts not withheld or withheld but not delivered within the legally established time limits, accruing from the day immediately after the day on which payment should have been made up to the date of payment or assessment.
3. In the case of the withholding at source mentioned in paragraph 1, the entity liable to pay the income is liable subsidiarily for the payment of tax that may be shown to be due by the liable person entitled to the income, up to the amount of the difference between the tax that has been deducted and that which should have been deducted.
4. When withholding at source is definitive, the persons entitled the income are subsidiarily liable for the payment of tax, in the amount of the difference mentioned in the preceding paragraph.
5. Penalty interest must be paid:
 - a) Together with the amounts withheld, when these are paid outside the legally established time limits;
 - b) In the case of withholding tax as advance tax, when this has not been done, autonomously within 30 days of the end of the period in which it was due.

Article 101

Liens

For the payment of IRPC relating to the six previous years, the Exchequer enjoys a general lien over movable and immovable assets that are part of the estate of the liable person at the date of the distress or other equivalent action.

Article 102

Obligations to declare

1. Liable persons liable to IRPC, or their representatives, are obligated to submit:
 - a) Declaration of registration, alteration or cancellation in the register of liable persons subject to IRPC, in terms of article 103;
 - b) Periodic income declaration, in terms of article 105;
 - c) Annual declaration giving accounting and tax information, in terms of article 106;

2. The declarations mentioned in the previous paragraph shall be submitted using the official form approved by the Minister of Planning and Finance, and documents and annexes that are mentioned in the said official form shall be appended to and form an integral part of it.
3. Declarations that are not complete, duly filled in and signed will be refused, without prejudice to the penalties established for failure to submit them.
4. When the declarations are not considered to be sufficiently clear, the tax administration services will notify the taxpayers to provide the indispensable clarifications in writing, within a time limit established, which will not be shorter than five days.
5. The obligation mentioned in paragraph 1, sub-paragraph (b) does not extend to entities that do not carry out commercial, industrial or agricultural activity as their principal activity, except when they are subject to any autonomous taxation, and:
 - a) Do not obtain income in the taxation period;
 - b) Do obtain income but enjoy a definitive tax exemption, even where this exemption does not include investment income;
 - c) Only earn investment income in respect of which tax is withheld at source, by way of advance payment, at the same rate as that foreseen in paragraph 2 of article 77.
6. The non-liability to IRPC of entities covered by the fiscal transparency rules in the terms of article 6 does not free them from the obligation to submit the declarations mentioned in paragraph 1.
7. With regard to companies and other entities in liquidation, the declarative obligations that arise after dissolution are the responsibility of the liquidators or of the trustee in bankruptcy.

CHAPTER VII

Auxiliary obligations and inspection

SECTION I

Auxiliary obligations of liable persons

Article 103

Declaration of registration, alterations or cessation

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1. Liable persons shall submit the declaration of registration mentioned in article 102, paragraph 1, in triplicate, to the tax office in the area of their head office, effective management or permanent establishment where the accounts are centralised 15 days before the beginning of activity.
2. Non-resident liable persons who obtain income not imputable to a permanent establishment located in Mozambican territory and in respect of which there is an obligation to submit the declaration mentioned in article 105, are also obligated to submit a declaration of registration in triplicate to the tax office in the area of domicile, head office or effective management or of their representative, within 15 days of the event that gave rise to the entitlement to such income.
3. Regarding corporate persons and other entities mentioned in article 7, paragraph 2, the declaration of registration must include the annual taxation period that they wish to adopt.
4. When alterations are made to any of the particulars contained in the declaration of registration, the taxpayer shall submit the respective declaration of alterations within 15 days of the date of the alteration.
5. Liable persons subject to IRPC shall submit a declaration of cessation within 30 days of the date of cessation of their activity or, in the case of liable persons mentioned in paragraph 3, of the date on which income ceased to be obtained.

Article 104

Verbal declarations of registration, alterations or cancellation in the register

1. When the tax offices mentioned in paragraph 1 or 2 of the preceding article have adequate computer equipment, the declarations mentioned in article 102, paragraph 1 will be replaced by a verbal declarations given by the liable person of all the particulars required for registration, for alteration of the information contained in the register and for cancellation of a registration, and these will be entered immediately into the computer system and confirmed by the declarant after being printed on a standard document.
2. The standard document mentioned in the previous paragraph will replace the declarations mentioned in article 102, paragraph 1, sub-paragraph (a), for all legal purposes.
3. Documentary evidence of the registration of alterations or cessation of persons liable to IRPC, as the case may be, will be the standard document

processed after confirmation of the information by the declarant, authenticated with the signature of the receiving officer and with the signature of the accountant who assumes tax responsibility for the liable person to whom the declaration relates.

Article 105 **Periodic income declaration^(*)**

1. The periodic income declaration mentioned in article 102, paragraph 1, sub-paragraph (b) shall be submitted annually in duplicate by the last working day in May to the Tax office in the area of the head office, effective management or permanent establishment in which the accounts are centralised or to the directorate of finance in the same area.
2. In relation to the liable persons who adopt a taxation period other than the calendar year under article 7, paragraphs 2 and 3, the declaration shall be submitted by the last working day of the fifth month after the date of the end of that period, and this time limit is also applicable in respect of the period mentioned in article 7, paragraph 4, sub-paragraph (d).
3. In the event of cessation of activity in the terms of article 7, paragraph 5, the income declaration in respect of the year in which such cessation takes place shall be submitted by the last working day of the 30 day period following the date of cessation, which time limit also applies to the submission of the declaration relating to the year immediately previous, when the time limits mentioned in paragraphs 1 and 2 have not yet expired.
4. Entities that do not have their head office or effective management situated in Mozambican territory and that obtain income not imputable to a permanent establishment located there are also under an obligation to submit the declaration mentioned in paragraph 1 to the Tax office in the area of the domicile, head office or effective management of their representative or to the tax directorate of the same area, provided that such income is not subject to definitive withholding at source.
5. In the cases foreseen in the previous paragraph, the declaration shall be submitted in duplicate:
 - a) Regarding income from immovable property, excluding gains from the transfer thereof for valuable consideration, by the last working day in May of the year following that to which the income relates or by the last

^(*) As amended by Decree 61/03 of 19 December.

- working day in the 30 day period following the date on which the acquisition of the income ceased;
- b) Regarding gains resulting from the transfer for valuable consideration of immovable property and to the gains mentioned in article 5, paragraph 3, sub-paragraph (b), by the last working day in the 30 day period following the date of transfer.
6. The particulars contained in the declarations shall conform exactly to those obtained in the accounts or book-keeping records, as the case may be.

Article 106
Annual declaration giving accounting and tax information^(*)

1. The annual declaration giving accounting and tax information mentioned in article 102, sub-paragraph (c) shall be submitted in the terms and with the annexes that are mentioned for that purpose in the respective form.
2. The declaration shall be submitted by the last working day in June to the competent tax office in the respective tax area.
3. With regard to liable persons who adopt a taxation period other than the calendar year, in the terms of article 7, paragraphs 2 and 3, the declaration shall be submitted by the last working day of the 6th month after the date of the expiry of such period, and the information shall relate to the taxation period or for the calendar year ending therein, as the case may be.
4. When the particulars to be mentioned on any of the reports or tables contained in the declaration imply that an extra sheet is necessary, such sheet shall be delivered using magnetic medium or electronic data transfer.

Article 107
Declaration of substitution

When the tax assessed is lower than the tax owed or the declared tax loss exceeds the actual tax loss, a declaration of substitution shall be submitted, even if outside the legally established time limit, and the shortfall shall be paid.

Article 108
Accounting obligations of companies

^(*) As amended by Decree 61/03 of 19 December.

1. Commercial companies or civil companies in commercial form, co-operatives, public enterprises and all other entities who carry out an activity of a commercial, industrial or agricultural nature as their principal activity, with their head office or effective management located in Mozambican territory, as well as entities whose head office or effective management is not located in that territory but have a permanent establishment there, are obligated to maintain organised accounting records in the terms of commercial and tax law, allowing for control over taxable profits, in addition to the requirements mentioned in article 17, paragraph 3.
2. The companies and entities mentioned in the previous paragraph whose turnover in the previous year was equal to or less than 1.500.000.000,00MT may opt to use the simplified book-keeping system, foreseen in article 109, with the exception of public enterprises, public limited companies and incorporated partnerships.
3. In the execution of accounts, the following, in particular, shall be observed:
 - a) All entries shall be supported by documentary proof, dated and available for presentation whenever required;
 - b) The transactions shall be registered chronologically, without amendments or erasures, and any errors shall be subject to regularisation as soon as they are detected.
4. Delays in the execution of accounts in excess of 90 days from the last day of the month to which the transactions relate are not allowed.
5. The account books, auxiliary records and their supporting documents shall be maintained in good order for a period of five years.
6. When the accounts are established using computerised media, the maintenance obligation mentioned in the previous paragraph extends to documentation relating to the analysis, programming and execution of computerised operations.
7. The supporting documents of the accounting books and records that are not original or certified documents may be replaced for tax purposes by microfilm that constitutes a true reproduction and obeys the conditions that may have been established, three years after the year to which they refer and with prior authorisation by the Tax Administration Authorities.

Article 109
Simplified book-keeping for entities whose principal activity is commercial

1. Entities with their head office or effective management located in Mozambican territory carrying out commercial, industrial or agricultural activity as their principal activity, that do not keep organised accounting records under the terms of the previous article, must keep the following compulsory registers:
 - a) A register of purchases of goods and/ or registers of raw materials and consumer goods;
 - b) A register of sales of goods and/or a register of manufactured products;
 - c) A register of services rendered;
 - d) A register of expenditure and transactions linked to capital assets;
 - e) A register of goods, raw materials and consumer goods, manufactured products and other stock as at 31 December each year.
2. Liable persons who do not keep organised accounting records are obligated to keep separate evidence in the respective register of amounts regarding reimbursements of expenditure incurred on a client's account, which, when properly documented, will not affect the determination of income.
3. The bookkeeping mentioned in paragraph 1 shall adhere to the following rules:
 - a) Entries shall be made within a maximum period of 60 days;
 - b) Amounts received by way of provision, advances or otherwise for the purpose of covering expenses for which the client is responsible shall be recorded in a running account and registered in the appropriate book, and these amounts will be considered as revenue for the year subsequent to the year in which they are received, provided, however, that they shall not surpass the final account for the work rendered;
 - c) Entries shall always be supported by documentary proof;
 - d) Without prejudice to the provisions of the previous sub-paragraphs, the registering of expenses may be aggregated, when supported by individual client running accounts in which the relevant amounts are appropriately differentiated and documented.
4. Other compulsory registers may be established for the purposes of ascertaining chargeable income, by dispatch of the Minister of Planning and Finance.
5. Before the books to which this article refers are used, they shall be submitted with numbered pages to the local tax office so that the

memoranda of opening and closure thereof may be signed and their pages initialled, which may be done using a stamp.

Article 110
Simplified book-keeping for entities whose principal activity is not a commercial activity^(*)

1. Entities having their head office or effective management in Mozambican territory, not carrying out commercial, industrial or agricultural activity as their principal activity and which do not maintain organised accounting records in the terms of article 108, are obligated to keep the following registers:
 - a) A register of income, organised by the categories of income considered for the purposes of IRPS;
 - b) A register of charges organised so as to differentiate the specific charges of each category of income subject to tax and the other charges to be deducted, fully or partly, from the total income;
 - c) A register with reference to 31 December of assets likely to generate taxable gains in the category of capital gains.
2. The registers mentioned in the previous paragraph do not cover income from commercial, industrial or agricultural activities that may be carried out as an ancillary activity by the entities mentioned, and where such income exists organised accounting records shall be maintained to allow control over the profits ascertained in the terms of article 108.
3. Before the registers mentioned in paragraph 1 and the inventory, balance sheet and journals corresponding to the organised accounting records in the terms of paragraph 2 are used, they shall be submitted with numbered pages to the to the local tax office so that the memoranda of opening and closure thereof may be signed and their pages may be initialled, which may be done using a stamp.
4. The provisions of paragraphs 3, 4, 5, 6 and 7 of article 108 apply to the book-keeping mentioned in paragraph 1 and to the organised accounting records in the terms set out in paragraph 2.

^(*) As amended by Decree 61/03 of 19 December.

Article 111
Centralisation of accounts or book-keeping

1. The accounting records or book-keeping mentioned in the previous articles shall be centralised at an establishment or premises located in Mozambican territory, in the following terms:
 - a) In relation to corporate persons and other entities domiciled there, the centralisation shall cover transactions carried out in a foreign country;
 - b) In relation to corporate persons and other entities that are not domiciled in Mozambican territory, but have a permanent establishment there, the centralisation shall include only transactions imputed to them under the terms of the present Code, and where there is more than one permanent establishment, it shall cover the transactions imputable to all of them.
2. The establishment or premises where the centralisation mentioned in the previous sub-paragraph is done shall be indicated in the registration declaration mentioned in article 103 and any changes in respect thereof shall be indicated in the declaration of alterations, also mentioned in article 103.

Article 112
Representation of non-resident entities

1. Entities having no head office, effective management centre or permanent establishment in Mozambican territory, but who obtain income in such territory, as well as the shareholders or members mentioned in article 6, paragraph 8, shall designate an individual or corporate person whose residence, head office or effective management are in Mozambique to represent them before the Tax Administration Authorities with respect to their IRPC obligations.
2. The designation referred to in paragraph 1 refers shall be made in the declaration mentioned in article 103, which shall contain the representative's express approval.
3. If the requirements of paragraph 1 are not complied with, then, apart from any sanction that may be applicable, the notices foreseen under the present Code will not be given, without prejudice to the taxpayer being able to obtain the information that such notices would have contained from the taxation service mentioned in article 78 competent for this purpose.

Article 113
Duty of fiscal bodies and other entities to cooperate

State and municipal services, establishments and organisations, including municipalities endowed with administrative or financial autonomy, and associations and federations of municipalities, even if personalised, as well as other corporate persons under public law, public utilities, voluntary organisations and enterprises shall, pursuant of their public duty to cooperate with the Tax Administration, submit a summary statement annually according to regulations to be issued.

Article 114
Obligations of entities under a duty to withhold at source

The provisions in the IRPS Code regarding the obligations of entities liable to pay income who are obligated to withhold the tax in full or in part, with the exception of cases where withholding is at a flat rate under the terms of the IRPS Code, is applicable, with the required adaptations, to entities obligated to withhold IRPC at source.

Article 115
Tax documentation

1. Liable persons subject to IRPC, with the exception exempt persons under article 9, shall keep in good order for a period of ten years a file of tax documents relating to each financial year, which file shall be completed by the end of the time limit for the submission of the declaration mentioned in article 102, paragraph 1, sub-paragraph (c) with accounting and taxation particulars to be defined by dispatch of the Minister of Planning and Finance.
2. The said file shall be centralised in an establishment or premises located in Mozambican territory in the terms of article 111.

Article 116
Guarantee of performance of tax obligations

1. No authority, public department or corporate person of public utility shall follow up or consider petitions regarding income subject to IRPC or associated to the carrying out of commercial, industrial or agricultural activities by persons liable to this tax without proof that the income declaration mentioned in article 105 has been submitted, if the time limit

for submission has expired, or that compliance with such obligation is not required.

2. The proof mentioned in the final part of the previous paragraph shall be given by means of a certificate, exempt from stamp duty, issued by the competent Tax Administration service.
3. Presentation of the documentary proof mentioned in the previous paragraph will be noted on the application, file or record of the petition and such annotation will be dated and initialled by the competent official, who will return the documents to the presenter.

Article 117 **Payment of income to non-resident entities**

No overseas transfers of income subject to IRPC obtained in Mozambican territory by non-resident entities can be made unless it is shown that the tax due has been paid or guaranteed.

Article 118 **General inspection duty**

The National Directorate of Taxes and Auditing and the Tax offices of the tax areas shall supervise compliance with tax obligations under the present Code.

Article 119 **Special inspection duty**

1. Officials of the National Directorate of Taxes and Auditing in charge of tax inspection shall, when properly accredited, have free access to places used for the business of corporate persons and other entities subject to IRPC to examine the books, accounting records and any related documents, including programmes and magnetic media when electronic data processing equipment is used, or to take any other measures considered useful to ascertain correctly the chargeable amount of liable persons.
2. The officials mentioned in the previous paragraph may also carry out the abovementioned examinations and measures in relation to any persons or entities linked to the taxpayer or who maintain economic relations with him.

3. Copies or extracts, in magnetic media, from books, records and documents in the possession of any persons or entities subject to inspection, considered indispensable or useful, may be requested or made.
4. If it is necessary to take copies outside the place where the books, records or documents are situated, these may be removed, against a receipt, for up to 48 hours.
5. The officials mentioned in paragraph 1 may collect such information as is necessary for effective taxation control from official services and departments, and the provisions of the previous paragraph applies.

Article 120 **Register of liable persons**

1. The National Directorate of Taxes and Auditing shall organise a register of liable persons subject to IRPC, based on the declarations of registration and of other information at its disposal.
2. The register mentioned in the previous paragraph shall be maintained up to date taking into account the alterations to particulars previously declared, which alterations shall be mentioned in the declaration of alterations to the register.

Article 121 **Individual files**

1. The competent tax service will organise a confidential individual file for each liable person, incorporating the declarations and other particulars pertaining to that person.
2. Liable persons, through a duly accredited representative, may examine their individual file at the respective tax service.

CHAPTER V **Taxpayers guarantees**

Article 122 **Claims and contestations**

1. Persons liable to IRPC and their representatives or persons that are jointly and severally or subsidiarily liable for the tax, may claim against an assessment or contest it under the terms and on the bases established in

the Regulation governing Tax and Contributions Disputes and other applicable legislation.

2. The faculty mentioned in the previous paragraph is also available with regard to self-assessment, withholding at source and advance payments, in the terms and time limits established in the Regulation on Tax and Contributions Disputes and other applicable legislation, without prejudice to the provisions of the following paragraphs.
3. Claims by persons entitled to income or by their representatives against withholding at source of amounts that were wholly or partly not due shall only occur when the withholding is definitive and shall be submitted within two years counting from the end of the time limit for delivery by the substitute of the tax withheld at source, or from the date of payment or date when the income was made available, if this is later.
4. The contestation of the acts mentioned in paragraph 2 shall be preceded by a claim to the head of the competent Tax office.
5. The entities mentioned in paragraph 1 may also claim and contest the chargeable amount that has been determined and does not give rise to an assessment to IRPC, on the bases and in the terms established in the Regulation on Tax and Contributions Disputes and other legislation applicable to claims and contestations against taxation.
6. When non-contentious or judicial proceedings determine that there has been an error in assessment imputable to the services and the tax has been paid, compensatory interest will be due in favour of the taxpayer at the same rate as penalty interest in favour of the State, counted daily from the date of payment of the tax up to the date of issuance of a credit note in which the interest is included.
7. The faculty mentioned in paragraph 1 is also applicable to special advance payments foreseen in article 92, in the terms and on the bases established in the Regulation on Tax and Contributions Disputes.

Article 123 **Hierarchical appeal**

1. When quantitative corrections are made to the amounts contained in the taxpayer's income declaration that affect the determination of taxable profits, in the terms of the present Code, the taxpayer will be notified of the alterations in the manner established in article 55, paragraph 2, with an indication of the reasons for the alteration.

2. The taxpayer may appeal to the Minister of Planning and Finance against such alterations within 30 days of the notification, and against the decision of the Minister to the courts, in the terms of the applicable legislation.
3. The appeal to the courts foreseen in the previous paragraph will suspend the part of the IRPC in respect of the contested amounts and will contain the respective reasons, under pain of summary rejection, and documents and opinions considered relevant may be attached to it.

CHAPTER IX

Final provisions

Article 124

Receipt of documents

1. When the present Code requires the delivery of more than one copy of declarations or other documents, one copy will be returned to the person submitting the documents, with advice of receipt.
2. In cases where the law determines that a single copy of declarations or other documents shall be delivered, the liable person may hand over an extra copy for the purposes mentioned in the previous paragraph.

Article 125

Sending documents by post

1. Declarations and other documents required under the present Code to be presented at any Tax Administration service may be sent by registered post, with a duly addressed envelope for instant return of duplicates or documents, where appropriate.
2. In the case foreseen in the previous paragraph, date of dispatch is considered to be the date of the Mozambique Postal Service stamp or the date of registration.
3. If mail is misplaced, the Tax Administration Authorities may require a second remittance, which, for all purposes, will be considered as having been sent on the date that the original is proved to have been sent on.

Article 126
Classification of activities

Activities carried out by persons liable to IRPC will be classified, for the purpose of this tax, in accordance with the Mozambican Economic Activity Classification (CAE) of the National Institute of Statistics.

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