Mozambique

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A. At a glance

Corporate Income Tax Rate (%)	32
Capital Gains Tax Rate (%)	32
Branch Tax Rate (%)	32 (a)
Withholding Tax (%)	
Dividends	10/20 (b)
Interest	20
Royalties	20
Technical Services	10/20 (c)
Branch Remittance Tax	0
Net Operating Losses (Years)	
Carryback	0
Carryforward	5

(a) Income earned by nonresident companies or other entities without a head office, effective management control or a permanent establishment in Mozambique is generally subject to withholding tax at a rate of 20% (see Section B).

(b) The 10% rate applies to dividends paid on shares listed on the Mozambique Stock Exchange.

(c) The 10% rate applies to fees paid with respect to the rendering of telecommunication services and associated installation and assembling of equipment, international transport services, aircraft maintenance, freight services, and the chartering of fishing vessels and vessels used in coasting activities.

B. Taxes on corporate income and gains

Corporate income tax. Corporate income tax (IRPC) is levied on resident and nonresident entities.

Resident entities. Resident entities are companies and other entities with their head office or effective management and control in Mozambique. Resident companies, including unincorporated entities, whose main activity is commercial, industrial or agricultural, are subject to IRPC on their worldwide income, but a foreign tax credit may reduce the amount of IRPC payable.

Nonresident entities. Companies and other entities operating in Mozambique through a permanent establishment are subject to IRPC on the profits attributable to the permanent establishment.

Companies and other entities without a permanent establishment in Mozambique are subject to IRPC on income deemed to be obtained in Mozambique.

Tax rates. The standard corporate income tax rate is 32%.

Income earned by nonresident companies or other entities without a head office, effective management control or a permanent establishment in Mozambique is generally subject to withholding tax at a rate of 20%. However, the rate is reduced to 10% for income derived from the rendering of telecommunication services and associated installation and assembling of equipment, international transport services, aircraft maintenance, freight services, and the chartering of fishing vessels and vessels used in coasting activities. Income that is subject to a 20% withholding tax includes, but is not limited to, the following:
- Income derived from the use of intellectual or industrial property and the providing of information in the industrial, commercial or scientific sectors
- Income derived from the use of, or the assignment of, rights to industrial, commercial or scientific equipment
- Income from the application of capital
- Income from the rendering of any services realized or used in Mozambique

Tax incentives. Mozambique offers various tax incentives to investors, which are summarized below.

The tax incentives described in the following three paragraphs are available for five tax years beginning with the tax year in which the company commences activities within the scope of an investment project approved by the Investment Promotion Centre.

Companies implementing investment projects benefit from the following main incentives:
- Tax credit for investment that ranges from 5% to 10%, depending on the location of the project
- Tax deductions ranging from 5% to 10% of the taxable income for investments with acquisition of state-of-the-art technology and training of Mozambican employees
- Tax deductions of up to 110% of investments for the construction and rehabilitation of public infrastructure
- Accelerated depreciation of buildings and equipment by increasing the normal rates by 50%

Companies implementing investment projects are also exempt from import duties and value-added tax on the importation of equipment classified as Class K in the Customs Manual.

Special tax incentives may be granted to the following projects:
- Projects in agriculture and tourism
- Projects with respect to basic infrastructure
- Projects located in Special Economic Zones
- Projects located in Industrial Free Zones
- Manufacturing

Special tax rules apply to manufacturing units that intend to operate under an Industrial Free Zone (IFZ) regime or in a Special Economic Zone. The main requirements for the IFZ regime are that at least 70% of production is exported and that a minimum of 250 workplaces are created. The government establishes the Special Economic Zones, which provide benefits similar to those of IFZs.

Capital gains. Capital gains derived by resident entities are combined with the other income of the taxpayer and taxed at the end of the financial year. Capital gains derived by nonresident entities are also taxable in Mozambique at a rate of 32%. Gains derived from direct or indirect transfers between two nonresident entities of shares or other participation interests or rights involving assets located in Mozambique are considered to be derived in Mozambique, regardless of the location of the transaction.

Administration. The tax year is the calendar year. However, companies may apply to the tax authorities for a different year-end if more than 50% of the company is held by entities that adopt a different financial year and if the different year-end is justified by the type of activity of the company.

Companies must make two types of provisional payments of corporate income tax. The two types are known as advance payments and special advance payments. The advance payments are made in three equal monthly installments in May, July and September of the tax year to which the tax relates. The total amount of these payments equals 80% of the tax assessed in the preceding year. The special advance payments are made in three equal monthly installments, in June, August and October. They equal the difference between 0.5% of the company's turnover and the total of advance payments made in the preceding tax year. The minimum amount of the special advance payments is MZN30,000, while the maximum amount of such payments is MZN100,000. Companies that have adopted a tax year other than the calendar year make advance payments in the 5th, 7th and 9th months of the tax year and make special advance payments in the 6th, 8th and 10th months of the tax year.

Dividends. Dividends are subject to a 20% withholding tax, except for dividends on shares listed on the Mozambique Stock Exchange, which are subject to a 10% final withholding tax.

Foreign tax relief. Foreign-source income derived by resident entities is taxable in Mozambique. However, foreign tax may be credited against the Mozambican tax liability up to the amount of IRPC allocated to the income taxed abroad. Foreign tax credits may be carried forward for five years.

C. Determination of trading income

General. Taxable income is determined according to the following rules:

- For companies with a head office or effective management control in Mozambique that are mainly engaged in commercial, agricultural or industrial activities, taxable income is the net accounting profit calculated in accordance with Mozambican generally accepted accounting principles, adjusted according to the tax norms.
- For companies with a head office or effective management control in Mozambique that do not mainly engage in commercial, industrial or agricultural activities, taxable income is the net total of revenues from various categories of income as described in the Individual Income Tax (IRPS) Code, less expenses.

Expenses that are considered essential for the generation of profits or the maintenance of the production source are deductible for tax purposes. Nondeductible expenses include, but are not limited to, the following:
- Undocumented expenses (taxed separately at a rate of 35%)
- 50% of the rent paid by a lessee that is intended to be applied towards the purchase price of the leased asset
- Interest on shareholders loans that exceeds the Maputo Inter-Bank Offered Rate (MAIBOR) for 12 months plus 2%

Premiums paid for health, accident and life insurance and contributions to pension funds and other complementary social security schemes are deductible for tax purposes up to 10% of the salary fund. If the employees do not have the right to social security pensions, this limit can be increased to 20%.

Inventories. Inventories must be valued consistently by any of the following criteria:
- Cost of acquisition or production
- Standard costs in accordance with adequate technical and accounting principles
- Cost of sales less the normal profit margin
- Any other special valuation that receives the prior authorization of the tax authorities

Changes in the method of valuation must be justifiable and acceptable to the tax authorities. Any profits resulting from such a change are taxable.

Provisions. Provisions for the following items are deductible up to amounts considered reasonable by the tax authorities:
- Doubtful accounts as a percentage of accounts receivable
- Inventory losses
- Obligations and expenses that are subject to a judicial process
- Other provisions imposed by the central bank or General Insurance Inspection (the body that inspects insurance activities) for specific activities

Depreciation. In general, depreciation is calculated using the straight-line method. Maximum depreciation rates are fixed by law for general purposes and for certain specific industries. If rates below 50% of the official rates are used, the company cannot claim total allowable depreciation over the life of the asset. The following are some of the maximum straight-line depreciation rates fixed by law.

Asset	Rate (%)
Commercial buildings	2
Industrial buildings	4
Motor vehicles	20 to 25
Plant and machinery	10 to 16.66

Relief for losses. Tax losses may be carried forward for five years. No carryback is allowed.

Groups of companies. Mozambican law does not contain any measures allowing the filing of consolidated returns.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax	17
Tax on specific consumption; levied on specified goods at the production stage and on imports of such goods; specified goods include vehicles and luxury goods; maximum rate	75
Social security contributions, on monthly salaries and wages; paid by	
Employer	4
Employee	3
Import duties	2.5 to 25
Property transfer tax (SISA); payable by purchaser of immovable property	2

E. Foreign-exchange controls

The central bank controls all transfers of capital (including direct investments) and payments into and out of Mozambique. An authorization from the central bank is required for the maintenance of local foreign-currency bank accounts. Service agreements with nonresident entities are subject to registration with the central bank. Loan agreements with nonresident entities are subject to the prior approval of the central bank.

In general, the repatriation of profits, dividends and proceeds from the sale or liquidation of an investment is permitted for approved foreign-investment projects if the investment has been registered and compliance with other requirements exists.

F. Treaty withholding tax rates

	Dividends %	Interest %	Royalties %
Botswana	10/12/15 (b)	10	10
India	7.5	10	10
Italy	15	10	10
Macau SAR	10	10	10
Mauritius (a)	8/10/15 (b)	8	5
Portugal (a)	10	10	10
South Africa	8/10/15 (b)	8	5
United Arab Emirates (a)	0	0	5
Vietnam	10	10	10
Non-treaty countries	20	20	20

(a) These rates apply to an effective beneficiary of the income that does not have a permanent establishment in Mozambique.

(b) The 8% (10% under the Botswana treaty) rate applies if the effective beneficiary of the dividends is a company that holds at least 25% of the share capital of the company distributing the dividends. The 10% (12% under the Botswana treaty) rate applies if the effective beneficiary of the dividends is a company that holds less than 25% of the share capital of the company distributing the dividends. The 15% rate applies to other dividends.