Mozambique Country Profile

Africa Tax Centre: 2020 Fiscal Guide

May 2021

2020 Key tax factors for efficient cross-border business and investment involving Mozambique

Double Tax Treaties

With the following countries, territories and jurisdictions:

South Africa	India	Vietnam	Macau
Portugal	Botswana	Italy	Mauritius
UAE			

Most important forms of doing business

Limited liability company (or SA company), Closely held limited liability company (or LDA company) and branch

Legal entity capital requirements

The Commercial Code does not establish a minimum share capital requirement. However, for certain activities, especially regulated, a minimum share capital is required (for example banking, insurance, security companies, etc).

Residence

A company is resident if either its legal seat or its place of management is in Mozambique. Mozambican companies are considered as tax resident entities and are taxed on their worldwide income. Branches are considered as non-resident entities and are taxed only on taxable income attributable to the branch.

Compliance requirements for CIT purposes

Deadline for filing tax return is May 31 of the following tax year.

Corporate income tax rate

The standard corporate income tax rate is 32 percent.

Withholding tax rates

On dividends, interest and royalties paid to non-resident companies
20 percent (or a reduced rate as per a Tax Treaty).

On fees for services
20 percent or 10 percent, depending on the nature of the service, if work is executed or used in Mozambique (or a reduced rate as per a Tax Treaty)

On other payments
Withholding tax may apply to other payments to residents and non-residents, a case by case analysis is required.

Holding rules

Dividend received from resident subsidiaries
Dividend distributed by a Mozambican subsidiary to its Mozambican holding company will not be liable to withholding tax assuming that the holding company holds 20% or more of the share capital in the local subsidiary paying the dividend, and the participation is hold for more than 2 years (or if less, as long as it will be hold for that period afterwards) – "Mozambican participation exemption".

When the criteria above referred is in place, the holding company may also eliminate from its taxable base for CIT purposes any dividend income received from its Mozambican subsidiary – mechanism for the elimination of the double taxation.

Tax losses	Losses may be carried forward up to 5 years. No carry-back is allowed. Losses carried forward may be lost after a substantial change in the business activity or after a reorganization.
Tax consolidation rules/Group relief rules	Not applicable.
Registration Costs	The costs of incorporation will vary in accordance with the company share capital (as the fees for registration will vary in accordance with same), the cost of publication in the Official Gazette also varies in accordance with the number or words being published. Note also that the license fees for the business license will also vary in accordance with the business license requested.
Transfer duties	On the transfer of shares Capital gains taxation will apply on any direct or indirect transfer of shares in Mozambican companies or assets. CIT at a rate of 32% will apply on gains obtained by residents and non-residents. Residents can benefit from a tapering relief based on period of ownership. Tax Treaty benefits, when applicable, shall be considered as well. On the transfer of land and buildings Capital gains taxation will also apply on the transfer of property located in Mozambique. CIT at a rate of 32% will apply on 50% of the gains obtained by residents and non-residents (with few exceptions). Stamp duties Stamp duty apply on the transfer of property, at the rate of 0.2%. Real estate taxes Property transfer tax applies on the transfer of property, at the rate of 2% (or 10% in some specific cases).
Controlled Foreign Company rules	No cost can be deducted for CIT purposes if paid to an entity resident in a low tax jurisdiction (effective tax rate lower than 60% of the Mozambican rate), unless the taxpayer proves that the operation was effectively implemented and does not have an exaggerated/unjustified amount. Also, may be allocated and taxable in the hands of the Mozambican shareholders, disregarding its effective distribution, the profits obtained by non-resident subsidiaries located on a low tax jurisdiction (effective tax rate lower than 60% of the Mozambican rate), if certain criteria is meet.
Transfer pricing rules	General transfer pricing rules The Mozambican Transfer Pricing Regime (TPR), was published on 6 December and came into effect on January 2018. TPR was created to regulate the correct allocation of profits in transactions between related companies in Mozambique and to provide specific guidance on the preparation of the Mozambican Transfer Pricing file. The TPR is mandatory to all taxpayers who in the previous year have reached an annual net sales and other income of MZN 2,500,000
Thin capitalization rules	Thin capitalization rules apply and impose a debt-to-equity ratio of 2:1. Relief may be granted in case it is proven that the conditions of the debt are market related. Also, Oil&Gas and mining businesses have specific thin capitalization rules in place.
General Anti-Avoidance rules (GAAR)	There are no express general anti avoidance rules in Mozambique, but the Mozambican Tax Authority may consider the “substance over form” general principle when analyzing any transactions.

Specific Anti- Avoidance rules/Anti Treaty Shopping Provisions/Anti- Hybrid rules	As per the Mozambican domestic law, in case a Tax Treaty is used solely with the purpose of avoiding taxes, the Mozambican Tax Authority may disregard the applicability of such Tax Treaty's benefits and correct the taxes due accordingly
Advance Ruling system	The Tax Authority issues non-binding opinions on any tax matters submitted by the taxpayer. The Tax Authority also issues binding opinions on specific transactions, based on a full disclosure of the facts and circumstances of such transactions.
Tax incentives	The tax benefits granted for projects foreseen on the investment law shall be in line with the Tax Benefits Code dispositions and are applicable to all types of investment projects, except oil& gas, mining and some trade activities. These tax benefits are in the form of any or combination of the following: o Deduction from taxable base for CIT; o Accelerated depreciation; o Investment tax credit; o Reduction or exemption of the CIT rate; o Exemption of import taxes. Oil & Gas and mining projects have specific tax benefits foreseen on the special tax regimes applicable to those activities, limited to import duties exemptions for some specific equipment (concessions protected under grandfathering rules may have additional benefits in place).
VAT	The standard rate is 17 percent.
Other relevant points of attention	No.
COVID-19 Resources	An overview of tax developments being reported globally by KPMG member firms in response to the Novel Coronavirus (COVID-19) is available here. For further insight into the potential tax, legal and mobility implications of COVID- 19, please refer to the dedicated KPMG page.

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