



REPUBLIC OF MOZAMBIQUE  
MINISTRY OF INDUSTRY AND TRADE  
INVESTMENT AND EXPORTS PROMOTION AGENCY, IP



# INVESTMENT GUIDE MOZAMBIQUE



*Mozambique*



*Land of Opportunities*



## 2. INVESTMENT OPPORTUNITIES

The Mozambican Government has defined agriculture, industry, infrastructure, energy and tourism as priority and strategic sectors for the country's development.

By defining these sectors as strategic, the government intends to promote growth and diversification of the productive base, job creation and equilibrium of the country's trade balance.



- To **Industry** the Government has assigned the role of economic driver by transforming and adding value to the country's abundant natural resources and thus promoting the diversification and expansion of the supply of locally produced goods and services and, consequently, stimulating exports and substituting imports.



- **Agriculture:** with more than 36 million hectares of arable land and a young and easily trainable workforce, this sector constitutes the backbone of the Mozambican economy by allowing the production of various food and cash crops with a potential of feeding different value chains of the national and international markets.



- **Energy:** this sector is of vital importance since Mozambique possesses natural conditions for the generation of energy for the national market and for the region due to the availability of sustainable energy resources such as rivers, oil and natural gas, coal and sun, among others. The Energy sector offers several investment opportunities, which can be exploited either by national or foreign investors either individually or in public-private partnerships.



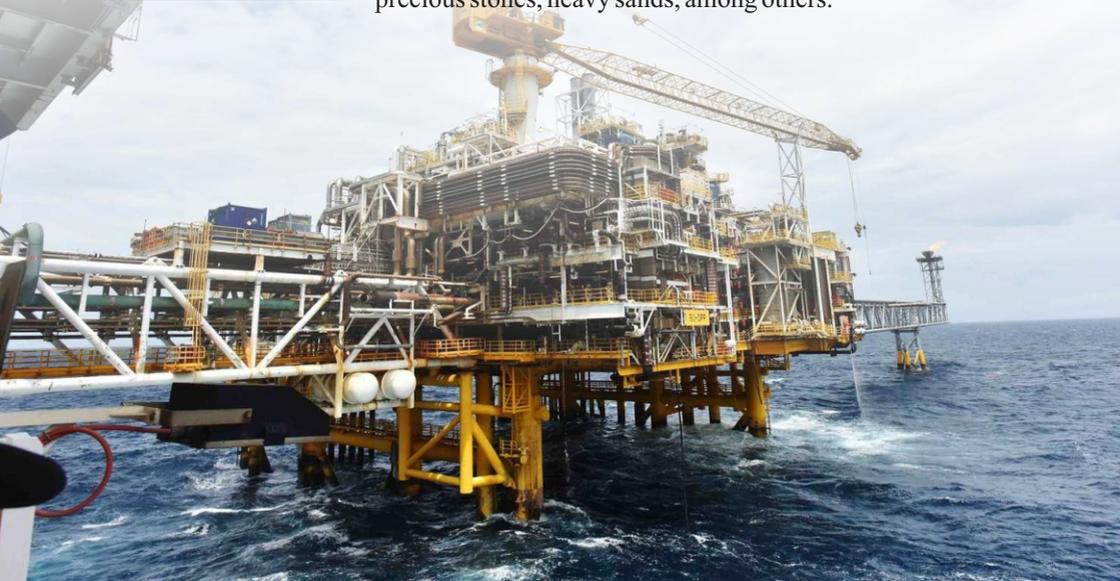
- **Tourism:** this sector offers numerous investment opportunities for high quality historical, cultural, beach, sun, business, parks and nature reserves tourism.



- **Infrastructures:** one of the challenges facing the country is lack of infrastructures, especially roads, bridges, railways, among others, which are vital for the movement of people and goods, given the high cost of building them. Aware of these difficulties, the Government offers multiple investment opportunities for the construction and operation of infrastructures by the private sector, under concession or public-private partnership models.



- **Mineral Resources:** this sector has been driving the growth of the Mozambican economy with the start of exploration of the enormous reserves of natural gas and oil recently discovered which place the country on the map of the world's largest producers of fossil fuels. This sector offers opportunities not only in the extraction of these resources but also in their transformation and value addition at national level. These resources include gold, rubies, tourmaline, precious stones, heavy sands, among others.



### 3. PROCEDURES FOR COMPANY INCORPORATION AND REGISTRATION

The incorporation of a commercial company in Mozambique, whether a Private Limited Company or a Public Limited Company, is a relatively simple and quick process that essentially consists of the following main formalities:

**Approval of the name** – The name of the company to be incorporated must be approved by the Legal Entities Registry Office (CREL), upon request for name reservation addressed to this department.

- **Act of Incorporation of the Company** – The incorporation of the company can be done by means of a private document signed by the partners (articles of incorporation), and the respective signatures must be recognized in person by the Notary, unless a more solemn form is required, as for example in cases where partners make their contributions through the transfer of real estate to the company, and in these cases the Articles of Association must be signed by public deed. It is within the scope of the company's constitutive act that it adopts its Statutes and, as a rule, elects the members of its governing bodies. The company's articles of association must contain, among other elements, the complete identification of the founding partners, its purpose, headquarters and share capital, essential aspects relating to the functioning of the respective corporate bodies, its structure and other matters considered relevant by the partners. Apart from the mandatory clauses under the provision of Commercial Code, the general rule is the contractual freedom of the parties.

- **Deposit of share capital** – The share capital must be deposited, in Mozambique, in a banking institution, which will issue a document proving the deposit made. The deposited share capital may be transferred after the incorporation of the company and delivery of proof to the banking institution of the deed of incorporation or contract of incorporation, definitive certificate of commercial registration, commercial license, and the government official gazette - *Boletim da República* (BR), containing the publication of the Articles of Association.

- **Official registration and publication** – After incorporation, the company must be registered at the Legal Entities Registry Office (*Conservatória do Registo das Entidades Legais*), and a definitive certificate relating to the company will be issued, attesting to its essential elements (name, headquarters, capital, members, the form of association of the company and members of the Board of Directors). Once the registration of the company's constitution has been completed, CREL sends the public deed or articles of association to *Imprensa Nacional* for its official publication in the BR.

- **Subsequent formalities** – This is followed by the tax registration, licensing of the (commercial/industrial/other) activity with the Ministry of Industry and Commerce or another Ministry responsible for the sector, and the declaration of the commencement of activity, with the Tax Office of the area where the company's headquarters are located. The company and its workers must also be registered with the Provincial Directorate of Labor and the National Institute of Social Security.

## 4. BUSINESS ENVIRONMENT

In order to facilitate investments in the various sectors of activity, Mozambique has a legal framework that promotes and protects foreign and national direct investment, and allows the export or repatriation of capital and dividends linked to the investment made. The government also grants a set of tax benefits to investments depending on their nature and sector of activity.

In order to make the country competitive in attracting investment, the Government has embarked on macroeconomic reforms, with emphasis on fiscal and monetary policy, the commercial code and legislation with impact on business and investment, which has resulted in the simplification of procedures for investing, in the reduction the tax burden and the adoption of the best international practices in investment matters.

In terms of investment guarantees, the following stand out:

- Protection of property rights and other property rights, including intellectual property rights;
- Legal protection of land use and benefit rights, under the terms of the law;
- Transfer of exportable profits abroad; from royalties or other investment remuneration income; capital amortization of interest on loans contracted abroad and applied in the project; of foreign capital invested and re-exportable; proceeds from compensation received as a result of expropriation, nationalization or any other equivalent measures

## 5. CUSTOMS AND FISCAL INCENTIVES

The Mozambican legislation provides for some special tax regimes, as is the case for mining and oil activities, as well as various tax benefits applicable under the Investment Law.

In accordance with the Tax Benefits Code, approved by Law No. 4/2009, of 12 January, the framework of tax incentives includes generic and specific benefits, in the latter case structured by economic activity sectors and special regimes.

As general assumptions for obtaining and recognizing tax benefits, the recipient must meet the following conditions:

- Completion of the tax registration process by obtaining the respective Single Tax Identification Number (NUIT);

## 6. FISCAL SYSTEM

The Mozambican Tax System includes the following taxes:

### **National Taxes**

#### **(i) Direct taxation (on wealth):**

- Personal Income Tax (IRPS);
- Corporate Income Tax (IRPC);
- Inheritance and Donation Tax;
- and - Special Gambling Tax.

#### **(ii) Indirect Taxation (on expenditure):**

- Value Added Tax (VAT);
- Customs Duties;
- Specific Consumption Tax (ICE);
- Tax on onerous transfers of real estate and property rights (SISA);
- Stamp Duty

### **Municipal Taxes:**

- Personal Municipal Tax (IPA);
- Municipal Property Tax (IPRA); and
- Economic Activities Tax (TAE).

## Corporate Income Tax (IRPC)

This direct tax is levied on the income (profit) of corporate entities, even if arising from illegal acts. Corporate persons and other entities with headquarters or effective management board in Mozambican territory are subject to IRPC, with regard to all their income, including those obtained outside Mozambique. Corporate persons and other entities that do not have headquarters or effective management board in Mozambican territory are only subject to IRPC in relation to income obtained in Mozambique.

There are no IRPC exemptions, with the exception of the State itself, and non-profit entities

### Taxable Income

The **taxable Income** consists of the algebraic sum of the net income for the year and the positive and negative changes in equity recorded in the same tax period with the necessary corrections made under the terms of the law.

The normal tax period corresponds to the calendar year. However, by request made to the Ministry of Finance, it is possible to obtain authorization for the use of a tax period different from the normal one, which will also imply compliance with tax obligations within different periods.

The taxable profit attributable to a permanent establishment (branch) is calculated in the same way and according to the same rules, with the necessary adaptations, as if it were a company incorporated under Mozambican law.

The taxable profit attributable to non-residents is calculated by applying the respective withholding rates (between 10% and 20%) or by the different types of income subject to taxation in terms of Personal Income Tax (IRPS), as the case may be.

The law establishes some rules regarding the prices of transfers under capitalization, which grant the tax authority broad powers of correction and adjustment of the tax base.

The IRPC rate is 32%. As a general rule, income paid to non-resident entities is taxed at a rate of 20%, except income derived from the provision of telecommunications services and international transport, as well as income resulting from the assembly and installation of equipment carried out by such entities, which are taxed at the rate of 10%.

In these terms, and by way of example, contracts for the provision of services entered into with non-resident entities or individuals, interest due on third-party loans or supplies, as well as dividends paid to nonresident partners or shareholders are taxed at the rate of 20%.

### **Value Added Tax (VAT)**

VAT is levied on transfers of goods and provision of services carried out for consideration in Mozambican territory, and on imports of goods.

The VAT rate is 17%. For the monthly calculation of the tax due to the State, the taxable person deducts, from the tax paid on their sales, the tax incurred on their acquisitions.

In general, there are no VAT exemptions, with the exception of the State and other legal persons governed by public law, when they carry out public good activities, even if costly, and with the exception of taxable persons who, because of not obliged to keep organized accounts nor practicing import and export operations, have not reached in the previous year a sales volume higher than 750,000.00 MT (US\$11,645.00).

There are, however, exemptions applicable (objectively) to the transmission of some goods and certain provision of services, notably essential goods, among others.

### **SISA**

SISA is levied on transfers, for consideration, of the property right or related figures of this right, on immovable property. The general the SISA rate is 2%. However, if the purchaser is resident in a territory with a more favorable tax regime than the Mozambican, the rate will be 10%.

## Stamp Duty

Stamp Duty is levied on all documents, contracts, books, papers and acts as provided for in the General Table of the Stamp Duty Code.

The rates are provided both in Meticaís, for each act/document, and in percentages levied on such acts/documents.

## Double Taxation Agreements in force

Mozambique currently has signed Double Taxation Agreements with Portugal, Italy, Mauritius, United Arab Emirates, South Africa, Macau Special Administrative Region of the Republic of China, Botswana, Vietnam and India.

## 7. ACCESS TO LAND (LAND USE RIGHTS)

For investors interested in investing in certain sectors of the economic activity in Mozambique, access to land is essential.

According to the Constitution and Land Law, land in the Republic of Mozambique is property of the State and, therefore, cannot be alienated, mortgaged or pledged.

The Land Use Right - *Direito de Uso e Aproveitamento da Terra* (DUAT) is understood to be the right that singular and corporate persons (national or foreign) and local communities acquire over land, with the requirements and limitations of the land legislation.

The Land Law establishes the terms under which the constitution, exercise, modification, transmission and termination of the Land Use Right are operated. The Regulation of the Land Law is applicable to zones not covered by the areas under the jurisdiction of Municipalities that have Municipal Registration Services, with the exception of article 45 of the aforementioned Regulation, which is applicable throughout the national territory. In turn, the Urban Land Regulation is applicable to city and town areas and legally existing areas and human settlements or population clusters organized by an organization plan. With regard to foreign singular persons, these can only be holders of the DUAT provided that they have resided in Mozambique for at least 5 years and provided they have an approved investment project.

Foreign corporate persons can only be holders of the DUAT provided that they have an investment project duly approved under the legislation on investment and are constituted or registered in Mozambique and obtain a formal authorization under the terms of the law. It is considered a foreign corporate person any company constituted under Mozambican or foreign legislation (in the case of representation offices), whose share capital is more than 50% (fifty percent) held by foreign citizens, companies or institutions.

It should be noted that in areas of public domain – those of partial and total protection – DUAT cannot be acquired, only special licenses for certain economic activities can be acquired. The regime of special licenses, due to lack of a specific regulation in the Mozambican legal system, follows in analogous terms the rules laid down for the DUAT, with the necessary adjustments, namely with regard to the duration periods and the competent authorities for issuing them.

The constitution, modification, transmission and extinction of the DUAT are subject to registration with the Land Registry Office

## 8 REGIME FOR HIRING FOREIGN TECHNICIANS

The hiring of foreign labor in Mozambique can be carried out through different legal regimes that vary according to the justification given for such a need. Under the terms of the current legal regime applicable to the hiring of foreign labor, there are 4 (four) legal mechanisms to be considered for establishing an employment relationship with foreign workers, namely:

1. Hiring under the Short-term Work Regime;
2. Hiring through the Quota System;
3. Hiring under the Investment Project Regime; and
4. Hiring under the Work Permit Regime

In addition to the mechanisms for hiring foreign labor mentioned in the previous paragraph, the following special hiring regimes apply in certain regions or to certain sectors of activity, and must be taken into account:

- Contracting regime applicable to Special Economic Zones and Industrial Free Zones;
- Contracting regime applicable to the Oil and Mining sectors; and
- Contracting regime applicable to the Liquefied Natural Gas Project in Areas 1 and 4 of the Rovuma Basin.

Decree No. 37/2016, of 31 of August, defines the mechanisms and procedures for hiring citizens of foreign nationality, and applies to the hiring of foreign citizens by national and foreign employers.

Therefore, the legal regime established by Decree No. 37/2016, of August 31, applies to the hiring of foreign labor, except for labor hired to operate in the Rovuma Basin Gas Projects, in the Special Economic Zones, in the Industrial Free Zones and in the oil and mining sectors, which are subject to a specific regime, as described above. Under the quota regime, the application of the right to hire a certain number of foreign workers depends on the total number of national workers within the company. The higher the number of national workers in the company, the higher the number of foreign workers permitted.

This hiring regime is not subject to authorization by the Ministry of Labor. However, the employer must inform the Ministry of the act of hiring the foreign worker within 15 (fifteen) days after entering the country, along with proof that the permitted quota has not been exceeded.

As mentioned, companies that employ more than 100 (one hundred) workers, classified by the Law as large companies, have a quota of 5% (five percent) of the total number of workers with the aim of hiring foreign workers. Medium-sized companies, which employ between 11 (eleven) and 100 (one hundred) workers, have a share of 8% (eight percent) of the total number of their labour force. Small companies, which employ up to 10 (ten) workers, are entitled to 10% (ten percent) of the total number of workers. Companies with less than 10 (ten) workers may hire at least 1 (one) foreign worker. With regard to investment projects that have been approved by the Government, there is the possibility of obtaining a quota higher than that legally established for hiring foreign workers. The Regulations of the Investment Law in force list the investment projects that must be authorized by the Government, and which can, therefore, benefit from a higher quota than the one that would be entitled, through a communication in the general regime of quotas.

## 9.ACCESS TO PREFERENTIAL MARKETS

Within the scope of economic cooperation, regional integration and trade, Mozambique has benefitted from several preferential systems of access to markets, with emphasis on the following:

- a) SADC market, through the Protocol on Trade in the SADC region
- b) European Union market, through the EU/SADC Economic Partnership Agreement
- c) American market, through the African Growth Opportunity Act (AGOA)

In terms of access to multilateral preferential markets, it is also important to highlight opportunities for access to the Market of Developed Countries through the Generalized System of Preferences “Everything But Arms”.

Mozambique also benefits from bilateral preferential systems, with emphasis on the markets of China, India and Indonesia.

The main requirements for accessing the aforementioned markets are:

- a) Being an operator of foreign trade;
- b) Having a certificate of origin;
- c) Using the Single Electronic Window.

### ACCESS TO THE AMERICAN MARKET

Businesses can take advantage of and use the opportunities available in the American market (AGOA) and export:

- Free of quotas and customs duties
- Products in more than 8000 tariff lines

### ACCESS TO MULTILATERAL PREFERENTIAL MARKETS

Businesses can take advantage and use the opportunities available in the multilateral preferential markets

- Between Mozambique - SADC Free Trade Area countries + Continental Free Trade Area of Africa: Export all products free of quotas and customs duties
- Between Mozambique - Member States of the Economic Partnership Agreement of the European Union + United Kingdom of Great Britain and Northern Ireland: Export all products free of quotas and customs duties.
- Between Mozambique and Developed Countries through the Generalized System of Preferences “Everything But Arms-EBA”: Export all products free of quotas and customs

## 9.1 SADC TRADE PROTOCOL (SADCCP)

### Advantages of the SADC Trade Protocol

- Free movement of goods (tariff exemption)
- Improved business climate through simplification of procedures and elimination of barriers to trade
- Reduced costs of the commercial and industrial activities (boosting national industry through the acquisition of raw materials and production equipment at zero tariffs, increasing competitiveness).
- Product diversification and price reduction
- Increased job opportunities.



### SADC countries implementing the SADC Trade Protocol

South Africa, Botswana, Comoros, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia, Zimbabwe. Angola is still in the process of preparing the ratification of the protocol).



### Rules of origin

- Wholly produced/obtained (products that are produced or manufactured in a Member State using materials from the region are considered to originate in the SADC region).
- Sufficiently transformed or processed - the transformation of a product into a new one that is significantly different.
- Proof of origin (documentation).

### Procedures to Benefit from the SADC Free Trade Area

One needs to be:

- Foreign Trade Operator.
- To have the Certificate of Origin.
- To use the Single Electronic Window



## 9.2 The EPA is a Trade and Development Agreement

### whereby:

- Mozambique and the EU agreed to remove customs duties on a wide range of products, with a greater openness of the European Union in favor of Mozambican products.
- It gives Mozambican exporters the opportunity to improve their competitiveness in EU markets.

### When does a product qualify for preferences?

- Being included in the EU Tariff Elimination Plans (EPA) or Mozambique's Tariff Elimination Plans (APE).
- Complying with the rules of origin (EPA)
- Being accompanied by the certificate of origin and other relevant documentation, as appropriate.

### Preferences and benefits

- All products originating in Mozambique benefit from preferential treatment (elimination of customs duties and export quotas) with the exception of arms and ammunition.
- If the product does not appear on the Mozambican tariff elimination schedule, you must contact Mozambique Customs to obtain the current customs tariff.

## 10. ECONOMIC ACCELERATION PROGRAMME (PAE)

Very recently, the Government adopted a package of 20 economic measures aimed at revitalizing the national economy in this post-COVID-19 period. Another important aspect to be mentioned is the revision process of the Investment Law in force since 1993. This revision is intended to adapt this law to the current context and ensure the facilitation and protection of investment. These reforms are aimed at resuming the economic acceleration of our country with a perspective of short and medium term results, creating the foundation of a paradoxical change in the development of Mozambique with an impact on the lives of the population for generations.

The PAE measures are based on two areas of intervention constituting the basis for the recovery of economic growth, the first being fiscal measures and measures to stimulate the economy and, the second, measures to improve the business environment, transparency and governance and acceleration of strategic infrastructure projects.

Among others, we highlight the reform of the Customs Tariff, the VAT Code and the IRPC, aimed at stimulating local production, expanding the tax base, increasing tax revenues and simplifying the process of tax obligations.

### **(I) Tax Incentive Measures for Growth Promotion:**

- Reduction of the VAT rate from 17% to 16%;
- VAT exemption on imports of production factors for agriculture and electrification;
- Reduction of the IRPC rate from 32% to 10%, in agriculture, aquaculture and urban transport;
- Establishment of tax incentives for new investments in key sectors;
- Simplification of capital repatriation procedures;
- Strengthening the supervision of natural resource export operations;
- Promotion of housing and galvanizing the national construction materials industry;
- Allocation of 10% of revenue from natural resources for the development of the provinces where such natural resources are extracted;
- Creation of a Mutual Guarantee Fund;
- Introduction of the obligation to mix imported fuels with bio fuels

## **(ii) Bureaucracy Reduction Measures and Simplification of Procedures for Growth Promotion**

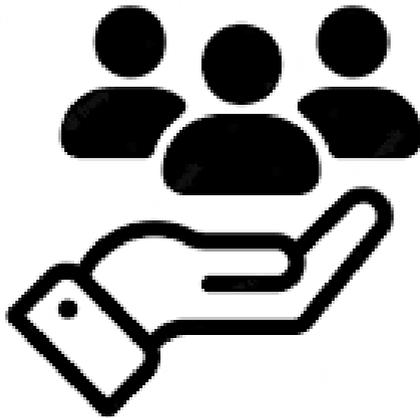
- To improve the competitiveness of national airports and logistics corridors;
- To stimulate the local production of goods purchased on a large scale by the State;
- To review the general visa regime for entering the country, to promote a greater flow of tourists and businessmen;
- To adjust the Labor and Investment Laws in order to make them more attractive to foreign investment;
- To simplify the administrative processes in the relationship between the State, companies and people;
- To reform some elements of the administration of the justice system

## **(iii) Increased Efficiency and Effectiveness of Institutions for Economic Growth**

- To strengthen supervision of social security funds and complementary funds;
- Greater simplification in the architecture of public administration;
- To create and implement the Sovereign Fund of Mozambique;
- To reform the State's internal audit system.



*Welcome to Mozambique*



*Land of Good People*



# APIEX

## MOÇAMBIQUE

### Agência para a Promoção de Investimento e Exportações, IP



#### APIEX IS YOUR ONE STOP SHOP PROVIDING THE FOLLOWING SERVICES:

- \* Company registration
- \* Investment certification
- \* Business licencing
- \* Work and residence permits
- \* Concession of land for investment purposes
- \* Application for fiscal incentives
- \* Registration of foreign capital



#### OUR SPECIALITY:

- \* Investment promotion and facilitation
- \* Export promotion and market access
- \* Project profiles and promotion
- \* Investors' follow up
- \* Market intelligence
- \* Promotion of business opportunities and linkages
- \* Investment protection



#### OUR LOCATION

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