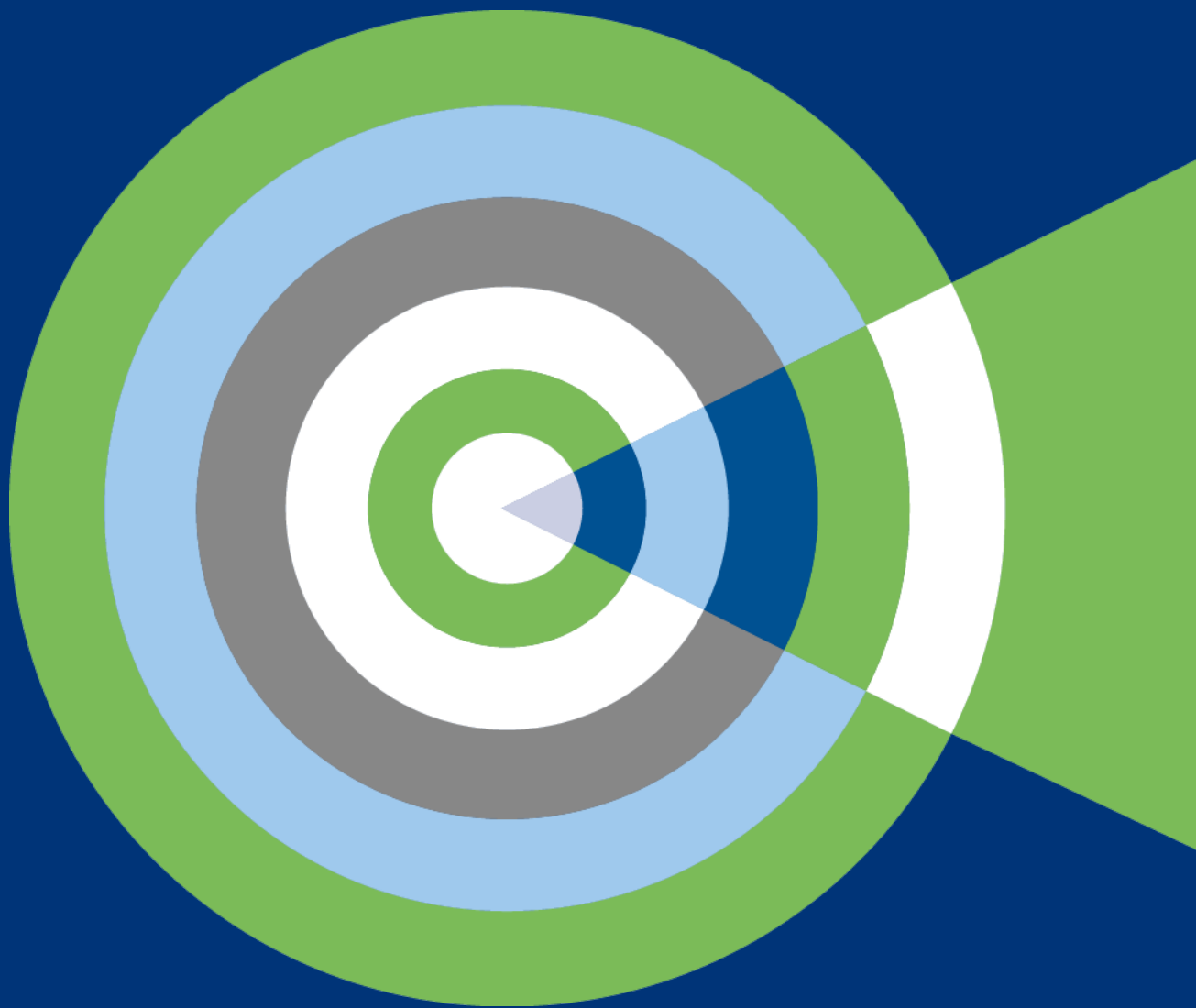


# DOING BUSINESS

IN MOZAMBIQUE

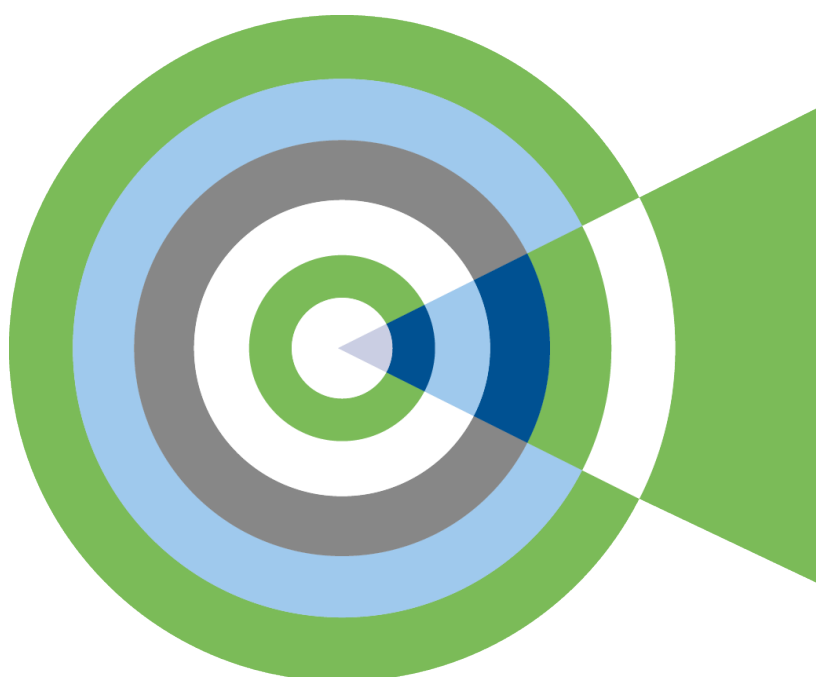


The network  
for doing  
business

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## CONTENTS

1 – Introduction	3
2 – Business environment	4
3 – Foreign Investment	11
4 – Setting up a Business	14
5 – Labour	19
6 – Taxation	21
7 – Accounting & reporting	24
8 – UHY Representation in Mozambique	26



# 1 – INTRODUCTION

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UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Mozambique has been provided by the office of UHY representatives:

## UHY AUDITORES E CONTABILISTAS CERTIFICADOS, LIMITADA

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at August 2023.

We look forward to helping you do business in Mozambique.

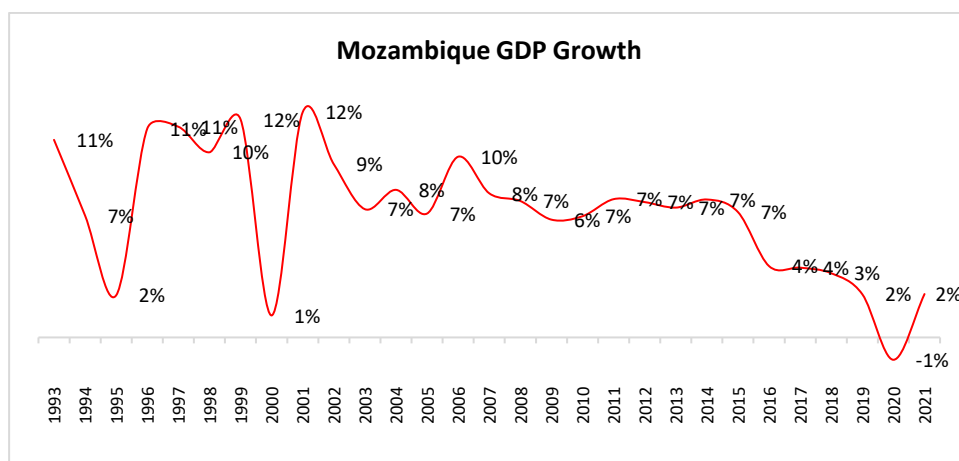
## 2 – BUSINESS ENVIRONMENT

### BACKGROUND

Mozambique gained its independence from Portugal on June 25<sup>th</sup>, 1975. In first phase the country adopted socialism as economic model, but in mid 80s with assistance of Bretton wood institution such as IMF and World Bank, the country undertook major reform to open its economy.

The adoption of the market oriented economy was followed by the end of civil war in 1992, which paved way form a rapid reconstruction of socio and economic infrastructure, attraction of foreign direct investment and macroeconomic stability that allowed Mozambique to experience a period of rapid growth. Accordingly, to national figures, between 1993 and 2015, the average economic growth was almost 8%.

Nevertheless, in the last five years Mozambique has suffered several economic crises caused by various phenomena with emphasis on the discovery of the hidden debts that caused an abrupt inflection in the growth process of our economy starting in 2016. This crisis was followed by the insurgency in Cabo Delgado that erupted in late 2017, the cyclones Idai and Kenneth that struck the centre and north of the country in March and April 2019 respectively, and more recently the COVID 19 pandemic whose impact caused in 2020 the first contraction of Mozambique's economy in almost 30 years. As result the growth process sharply reduce to an average rate of 2.4% per year from 2016, reaching a negative variation of 1.23% in 2020.



Source: INE, 2022

A part of the geo strategic location providing an ideal gateway to both regional and international market, Mozambique has rich and diverse natural resources. And it has access to preferential market, namely SADC, USA, European Union, China e India.

## POPULATION

Accordingly, to the latest data, Mozambique has about 30.1 million habitants' mainly Young work force, with rich historical cultural heritage along the country. 57,6% is the share of the working population.

## GEOGRAPHY

Mozambique with an area of 799 380 Km<sup>2</sup> is in the southern Africa region. It has strategic location with an extensive coastline, of more than 2,700 km with ease access to international markets.

It serves as gateway for the hinterland countries, such as Malawi, Zimbabwe, Zambia, Eswatini (Swaziland), Botswana and RDC.

Mozambique has 11 provinces, including Maputo city the capital.

## CURRENCY

Metical.

Exchange rate, 2021 MT/USD= 64

## LANGUAGE

Portuguese is the official language. The country has more than 20 native language, with the most spoken primary languages in Mozambique; include Makhuwa, Changana, Nyanja, Ndau, Sena, Chwabo, and Tswa

## MAJOR EXPORTS

In 2021 major export came from extractive industry (mineral coal, heavy sands, natural gas, rubies, sapphires and emeralds), followed by the manufacturing industry (aluminum and aluminum cables) and electric power. In agricultural the main were vegetables, bananas, cotton tobacco, sugar and cashew nuts.

The main destinations of Mozambican exports are the Netherlands, South Africa, India and China.

## MAJOR IMPORTS

Intermediate goods such as fuel, construction materials, raw aluminium, electrical energy, cement, and oils and lubricants

Consumer goods - cooking oil, rice, automobiles, wheat, medicines and reagents.

The main origins of imports of goods are South Africa, China, India, United Arab Emirates and Singapore.

## EDUCATION – PRIMARY AND SECONDARY

According to government data, in 2021 the number of pupils in public primary education was 7,081,905. The Pupil-to-Teacher ratio in 1st grade Primary Education (public daytime education) was set at 64. And the Net Schooling Rate at age 6 in 1st grade is 71.2%, with 70.4% for girls.

In public secondary education, the number of students was 1,039,691.

## TERTIARY EDUCATION

In 2021 the number of students in higher education was 242.52. According to Census 2017, the percentage of the population by level of higher education completed, indicated that 90% had a bachelor's degree, 8% a master's degree, and 2% a doctorate level. Although the number of master's degrees and doctorate is expanding, the bachelor's degree has still the most share of student in tertiary education.

## HEALTH CARE SYSTEM

Despite remarkable advances, the health care system is characterized by unequal progress, namely the persistence of high maternal mortality rates (289 per 100,000) and infant mortality rates (65% per 1000 live births), the weight of communicable diseases in deaths (65%).

Health care is also affected by the impact of climate change that have greatly contributed to the frequent occurrence of public health emergencies, aggravating the vulnerability of the population.

Infant and child mortality has been decreasing substantially as result of socioeconomic development and the implementation of health promotion programs, disease prevention, and the expansion of health services and health units, which in 2020 accounted for 1739 in country. As result, life expectancy increased to 55.7 years.

## COMMUNICATIONS

The communications sector is seeing remarkable growth. According to data from the regulatory authority, the number of mobile telephone service subscribers in 2019 raised to 14,734,364. As for the fixed telephone service, a downward trend is observed, having stood at 80,791 subscribers in 2019.

The mobile Internet service has been showing a strong upward trend, as the market is reacting positively to the evolution of mobile phone data services, migrating from voice service to mobile Internet service. The market tends to consume the communications services provided on the Internet platform, and as a result, the volume of data traffic of 2019 rose to 64 billion mega bites.

## BANKING AND FINANCIAL SERVICES

The Mozambican financial sector is dominated by banking, which by the end of 2021 was composed of 19 banks, with 646 branches distributed in 94 of the country's 154 districts. There are also in operation, nine micro-banks, eight savings cooperative societies as well as the Mozambique Stock Exchange, where the securities of six companies are listed, with an overall capitalization equivalent to about 8% of GDP.

Mozambique has made progress in terms of banking of the population in the last two decades. By 2014, the country had 24% of people covered by formal financial services, up from 6% in 2005. Nevertheless, it is still a challenge to raise the levels of access to financial services by the population, especially in rural areas, if we consider that currently about 90% of the services are in the urban area.

According to data from the Bank of Mozambique (2021), measured by the ratio number of accounts by the adult population, the level of banking in the Mozambican economy stood at 36% in 2016 (16.9% in 2012), a period in which the ratio of accounts in electronic money institutions stood at 76.2% (17.5% in 2012).

Despite the progress achieved, there is still a great disparity in terms of access, availability, and use of financial services among the various segments of the population, with most of it concentrated in the urban area of the country with emphasis on Maputo City. Between 2012 and 2016, the overall Financial Inclusion Index (IIF) expanded by 6.8% while the restricted (encompassing the country's districts excluding Maputo City) by only 1%.

Even in urban areas, there are constraints in the access and use of formal financial services, which pushes some to informal savings and credit systems, such as the “xitique” (informal savings in groups).

In this sense and aiming to give a boost to the process of expanding financial services to the excluded population, the Financial Sector Development Strategy 2013-2022 and the Financial Inclusion Strategy 2016-2022 were approved, which, among other goals, foresee the implementation of actions to increase the levels of financial inclusion and reach 40% of the population with access to physical or electronic financial services by 2018 and 60% by 2022.

In parallel, Mozambique is witnessing the advent of mobile banking (M-Pesa, M-kash, e-Mola) that has the potential to reach low-income families and integrate them into the formal financial system by providing access to a variety of banking services, including credit facilities, savings, funds transfer and payments. Likewise, banks and other operators in the financial system are providing online applications that allow them to access and carry out operations that were previously only carried out at the branches.

### TRANSPORTATION LINKS

The development corridors in Mozambique are an important and major focus of state operations to reposition the country's economy. This role was particularly reinforced in the post-Civil War period.

Given their geostrategic location, the corridors have always been very promising in terms of stimulating the country's economic growth, via infrastructural investment, looking at a perspective of responding to demand from countries in the region.

Similarly, by their nature and objectives, development corridors have evolved from transport corridors that link the country to the hinterland, with the aim of promoting national and international trade, through the provision of efficient transport and logistics systems; coordinated investments through a common policy framework; and anchor investment projects, often linked to extractive industries.

These corridors, primarily centered on road and rail networks linked to ports, are based on integrated investments in physical infrastructure as well as the establishment of policies, regulations, and institutions to govern sustainable trade and investment along the corridor.

From this perspective, the development corridors in Mozambique, especially the Maputo, Beira, and Nacala Development Corridors, play a very important role in the process of economic and social development, contributing greatly to attracting investment and the consequent revenue collection from cross-border or international trade and beyond, involving the domestic private sector to this end.

Also promote coordinated investments through a common policy framework; and anchor investment projects, often linked to extractive industries and/or mega-projects.

In Mozambique the corridors serve the countries in the region as follows:

- Maputo Development Corridor, which serves the provinces of Gauteng, Mpumalanga and Limpopo of the Republic of South Africa, as well as the Kingdom of Eswatini;
- Nacala Development Corridor, internally, covers the provinces of Tete, Zambézia, Niassa, Nampula and Cabo Delgado and internationally stretches to Zambia and Malawi;
- The Beira Development Corridor, traditionally considered the one responsible for the connection between the Port of Beira and the Republic of Zimbabwe, also extending to the Republics of Malawi and Zambia. It also establishes the connection of the interior of Mozambique with Botswana and the Democratic Republic of Congo.



Source., JICA, 2021

Recognizing this potential, and to create the conditions to make our development corridors more competitive, large investments, both public and private, have been made, along with the improvement of the legal framework aimed at improving the business environment.

## LAND AND BUILDING

### *Land user rights*

The Government of Mozambique issues land-user rights called DUATs (Right to use the land) for up to 50 years. It is possible to renew it for an additional period of 50 years.

DUAT acts as a typical land title deed except that it cannot be mortgaged, capitalized and is not easily transferable.

Only incorporated or registered companies can get DUATs.

Foreign investors must get an authorization by the administration to acquire a DUAT. Furthermore, to get/use the land, investors must reach an agreement with affected communities. This may involve the execution of a resettlement program.

In Special Economic Zones, the process of access to land follows general rules except that the organization in charge of authorizing investment in the zone must formally support the investor.

### *Building and construction permits*

Depending on the location of the project, the construction permit might be delivered by the district or the municipality.

## HOLIDAYS IN

- 1st January - New Year's Day
- 3 February - Mozambican Heroes' Day
- 7 April - Mozambican Women's Day
- 1 May - Workers Day
- 25 June - Independence Day
- 7 September - Victory Day
- 25 September - Armed Forces of Mozambique Day
- 4 October - Day of Peace Agreements
- 25th December - Family Day

<https://www.cia.gov/library/publications/resources/the-world-factbook/>

<http://data.worldbank.org/country/>

## 3 – FOREIGN INVESTMENT

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The Mozambican economy sustained an increase in public resources allocated for the construction of structuring infrastructures, as well as by the greater participation of the private sector through national direct investment (NDI), foreign direct investment (FDI), and public-private partnerships (PPPs).

In terms of public investment, the need to increase the provision of public goods and services and the building of infrastructure necessary for the country's development resulted in an increase in the volume of public investment from 11.5% of GDP in 2008 to 15.7% of GDP in 2013. However, in last 5 years the public resources allocated to investment declined to 8% in 2020 as result of the reduction of external aid.

The evolution of public investment is in line with the government programs implemented that guide public investment to programs that contribute to the increase in production and productivity in agriculture and fisheries, employment generation, and human and social development.

On the private investment side, it has been dominated by FDI complemented by IDN and PPP's. Thus the country has experienced in recent years a considerable increase in FDI flows, rising from USD 427.4 million (5.1% of GDP) in 2007 to USD 5,935.1 million (37.8% of GDP) in 2013, and essentially driven by large-scale projects that account for over 90% of FDI flows. In 2020, FDI inflows reached USD 3,034.6 million (21.6% of GDP).

FDI in Mozambique was more representative in the form of mega-projects, linked to the exploitation of natural resources involving capital-intensive projects.

In this grouping, the following projects stand out among others:

- Moatize and Benga coal production
- Moma heavy sands in Nampula
- Rovuboe coal mines in Tete,
- Ncodezi coal project,
- Chibuto heavy sands
- Prospection and exploration of hydrocarbons in the Rovuma Basin

In recent years the aim has been to mobilize resources to ensure the diversification of the economy, promoting investment in sectors such as manufacturing tourism and renewable energies.

Amongst the main source of FDI in Mozambique are the United Arab Emirates, Mauritius, South Africa, the Netherlands, Italy and China.

In term of the legal framework, the entire Mozambican legal system is anchored in the Constitution of Mozambique (2004). In 1993, the Mozambican Government approved the Investment Act and in 2009 its Regulation (as well as the Code of Fiscal Benefits (law 4/2009 of 12 January) to foster and promote both national and foreign investments in the country, granting various benefits and incentives.

Mozambique enables guarantees to foreign investment such as:

- Legal protection of all property rights, including intellectual and industrial property.
- Equitable compensation in case of expropriation.
- Free remittance of funds abroad:
  - Exportable profits.
  - Royalties and other similar payments.
  - Amortization of loans and payment of interest on loans
  - The proceeds of any compensation paid in conformity with the protection of property rights; and
  - Invested and re-exportable foreign capital.

To benefit from the fiscal benefits, the entity must comply with the following general prerequisites:

- Tax registration, namely acquisition of a person tax identification number (NUIT);
- Have organized books and accounts in compliance with the General Accounting Plan and the requirement of the Corporate Income Tax (IRPC) and Personal Income Tax Code (IRPS)
- Not have committed any infraction of tax nature, as provide under the terms of La 2/2006 of 22 March (tax infraction law).

Additionally, Mozambique approved its Competition Law (Law no 10/2013 of April 11) and its respective Regulation (Decree no. 97/2014 of January 31) although competition legislation had already been in force since 2013, it was only very recently that its implementation began, with the operationalization of the Competition Authority (ARC).

The competition law prohibits agreements and anti-competitive practices. Also is prohibited abusive conduct practiced by undertakings in a dominant position as well as the abusive exploitation.

## 4 – SETTING UP A BUSINESS

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### TYPES OF PARTNERSHIP

Decree-Law 2/2005 of 27 December, which approved the Mozambican Commercial Code, makes it possible for Mozambican or foreign individuals to set up business in Mozambique in one of six different ways:

- (i) general partnership, using the names of the partners, for example, John and Bide, Limited;
- (ii) limited partnership;
- (iii) capital and industry partnership;
- (iv) quota company;
- (v) single person quota company; and
- (vi) share company.

Foreign investors that wish to carry on a commercial activity in Mozambique may choose between a range of commercial vehicles such as the company types listed above and other forms of commercial representation including branches in the form of agencies or delegations.

Investors tend of to establish their business by setting up a 'quota company' or a 'share company' or by registering one of the types of foreign commercial representation listed above.

#### QUOTA COMPANIES

Limited liability quota companies – must be held by a minimum of two quota holders and a maximum of thirty. The only exception to this is the single person quota company which may be set up by a single quota holder who must be a private individual.

The quota holders may set the capital at a level that is adequate for the company to carry on its activity as the law does not establish a minimum. The capital must correspond to the sum of the nominal values of the each of the quotas and must be expressed in the Mozambican currency (the Metical/ MZN).

The names of the quota holders in this type of company must expressly appear in the articles of association, in the commercial certificate and in any subsequent agreement made or resolution passed. In this type of company the liability of the quota holders is limited to the value to which each of them has subscribed and the liability of the company towards its creditors is limited to the assets of the company alone.

If a legal entity is appointed to the position of director, this entity must appoint an individual to exercise the duties of director in their own name. As to supervision, this is done by an audit committee with 3 or 5 members or by a sole auditor that must be a registered auditor or audit company.

The corporate bodies of the quota company are the general assembly (the decision-making body) and the board of directors (the management body). The quota holders may also establish an audit committee or appoint a sole auditor and, if it does so, it must observe the requirements laid down in the rules for share companies (Sociedades Anónimas).

All the quota holders must attend the general meetings and, as a general rule and in the absence of any provision to the contrary, resolutions are by a simple majority of the votes cast by the quota holders present at the meeting. The company is managed by one or more directors who may be from outside the company.

The duties of the directors come to an end upon dismissal or resignation without prejudice to the provisions of the articles of association or the provisions of the appointment of the director.

## SHARE COMPANIES

The share company (Sociedade Anónima) (SA), –is the form that is usually adopted by larger companies. Its essential characteristic is a more complex organic structure and that fact that dealing with the share capital is more flexible because there are no special formalities for the transfer of shares.

Share companies must have at least three shareholders who may be Mozambican or foreign individuals or legal entities. There is an exception when the State, directly or through a state company or legally equivalent entity, is a shareholder, in which case these entities may be the sole shareholder.

The liability of shareholders towards third parties is limited by the value of the shares to which they have subscribed. Companies that wish to set up in Mozambique must bear in mind that the value of the share capital must always be adequate to achieving the corporate object and must always be expressed in the Mozambican currency.

Commercial law does not establish a minimum for the share capital. In this type of company, the capital is represented by nominative or bearer shares and the nominative shares may be book-entry or registered.

The corporate bodies of share companies are the general assembly, the board of directors and a supervisory body/person – an audit committee or a sole auditor. Management is done by one or more directors who may be from outside the company.

### Public-Private Partnerships (PPP's)

The use of Public-Private Partnerships (PPP's) is an option that governments have been using to enable and implement public projects through the involvement of the private sector, with a view to increasing quality and efficiency in the provision of public services.

In order to guide the contracting process, implementation and monitoring of PPP, Large Dimension Projects (PGDs), Business Concession (CEs), Mozambique approved:

- the Law No. 15/2011, of August 10;
- the Decree no. 16/2012 of June 4 that is the General Regulation of Law 15/2011, and
- the Regulation of Small-Scale PPP and CE.

### Types of Projects Covered by Law 15/2011

Public Private Partnership (PPP) the latter undertakes before the public partner to make the necessary investment and exploit the respective activity for the efficient provision of services or goods that it is up to the state to guarantee their availability to users

Projects of Large Dimension (PGD) the investment undertaking authorized or contracted by the government whose value frequently exceeds the amount of twelve thousand and five hundred thousand meticais (12,500,000.00 MT) as of January 1, 2019

Business Concession (CE) - Projects that aim at prospecting, researching, extracting and/or exploring natural resources or other resources or national assets.

### **Procedure to set up a company**

Regardless of the type, commercial companies must meet a set of requirements before beginning their activity, including:

- a) Approval of the name of the company and indication of the company type to be adopted. To be approved by the Mozambican Legal Entities Registry Office (Conservatória do Registo da Entidades Legais/CREL), upon an application being made to reserve the name;
- b) Identification document or commercial certificate for an individual or legal entity respectively, of the quota holders or shareholders that will compose the corporate structure of the company. A recent reform of the Commercial Code (Decree no. 1/2018 of May 4) allows partners to sign the articles of association without the presence of a notary.
- c) Resolutions approving the incorporation of the company formally passed by shareholders that are legal entities;
- d) Powers of attorney stating the name of the company to be incorporated if the future shareholders cannot travel to Mozambique to sign the documentation necessary to the process of incorporating the company;
- e) The articles of association setting out the rules that will govern the operation of the company. These must include the name of the members of the first board of directors and the audit committee (if applicable);
- f) Execution of the deed of incorporation, commercial registration and publication of the articles of association in the official gazette (Boletim da República)
- g) Tax registration (obtaining the single tax identification number (Número Único de Identificação Fiscal – NUIT);

- h) Licence for the specific activity of the company. The application for this must be filed together with a plan and detailed description of the property where the company will carry on business, as well as the respective tenancy agreement and/or assignment of the space that gives the right to occupation or the registration ownership;
- i) Declaration of Commencement of Activity (Declaração de Início de Actividade) which may be made at any time after receiving the business licence.

#### REPRESENTATION OFFICE/ BRANCH

Foreign entities that wish to carry on activity of an economic nature in Mozambique through representative office must make an application to the Ministry of Industry and Trade (MIC) for the licencing of their branches, subsidiaries, delegations, agencies or other forms of representation that are legally established in Mozambique.

The representations are authorised to carry on activity in Mozambique subject to certain time limits. For example, agencies may operate for the duration of the respective agency agreement but delegations may carry on activity for a period of three years that is renewable.

A branch is deemed to be a permanent establishment of the company and it does not have legal autonomy or personality different to that of the parent company even when registered at the Mozambican Legal Entities Registry Office (CREL).

To simplify and facilitate the process of setting up a company, the Government established the Balcão de Atendimento Único (BAÚ) (One-Stop Shop), through Decree 14/2007 of May 30, to speed up the process of company creation and registration.

In 2014, the Government of Mozambique launched the e-BAU system, an integrated platform for service delivery that aims to connect the one-stop shops and other institution relevant for business start-up.

## 5 – LABOUR

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The labour law was approved in 2007 (law no 23/2007 of August 23) is applicable to employment relationship between employees and employers, national and foreign, of all sectoral activities.

The two most common types of contracts are Fixed term contracts and unlimited duration contract.

The fixed term contract cannot be celebrated for a period exceeding two years, which can be renewed twice.

The fixed term contract may be transformed into an unlimited duration contract when the period of its maximum length is exceeded or when the number of renewals allowed is surpassed.

Investors can recruit foreign workers through the following:

- hiring under the short-term regime, those contract that do not exceed 90 days or 180 days for mining sector and rovuma basin.
- hiring under the quota regime
- hiring under the investment project regime (which is separate from quota regime);
- hiring under the work authorization regime.

Additionally, the following special contracting regime which apply to certain regions or certain sectors of activity must also be taken into account

- Contracting regime applicable to special economic zones and industrial free zone
- Contracting regime applicable to the petroleum and mining sectors
- Contracting regime applicable to the liquefied natural gas project in area 1 and 4 of the Rovuma basin.

Accordingly, the legal regime established in decree no 37/2016 of August 31<sup>st</sup> applies to the hiring of foreign labour, except the workforce hired to operate in the Rovuma basin gas project, in the economic zones, in the industrial free zones and in the petroleum and mining sectors, which are subject to a specific regimes.

The general rule is that an employee works a maximum number of 48 hours a week, and a 8 hours a day, leaving 1 day week of mandatory rest, which in principle should be a Sunday.

The maximum number of hours an employee works a day may be increased to 9 hours if the employer grants the employee an additional half a day rest a week, thus making the maximum number of hours a week increase to 49.5

## 6 – TAXATION

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### INCOME TAX LAW

The Mozambican Taxation System was strengthened by the general tax legislation and the creation of the Tax Authority in 2006. In the same year it was approved the general taxation law

The **Direct Taxation** comprise of (i) *Company Income Tax (IRPC)* at rate of 32% for residents and non-residents, (ii) *Personal Income Tax (IRPS)* which is progressive with minimum rate at 10% and maximum rate at 32% and (iii) *withholding tax* on dividends at rate 20%,

For withholding taxes Mozambique provide for resident company this types of payment, being:

- Dividends with a standard rate of 20%, and a reduced rate of 0% if paid to another local company in which the shareholding is at least 20% for period of at least 2 years.
- Interest with a standard rate of 20%, and a reduced rate of 0% if paid to a resident financial institution (bank interest)
- Royalties with a standard rate of 20%
- Rents with a standard rate of 20% and a reduced rate of 0% if rents obtained by a real state company managing its own property.

For non-resident company, it encompass the following:

- Dividends with a standard rate of 20%, and a reduced rate of 10% for a stock listed on Mozambican stock exchange;
- Interest with a standard rate of 20%, and a reduced rate of 10% for a stock listed on the Mozambican stock exchange;
- Royalties with a standard rate of 20%;
- Fees with a standard rate of 20% and a reduced rate of 10% for international transport, telecommunication services, electrical infrastructure on rural area, preparation of vessels for fishing and coasting activities, and some oil/gas/mining related services
- Rents with a standard rate of 20%.

Organization that do not have their head office or place of effective management in Mozambique are subject to a 10% definitive withholding tax.

About **Indirect Taxation**, applied to expenditures, VAT at rate 17% applied both on domestic transactions and on imports.

The legislation allow tax incentives. There are benefits on Income Tax, such as (i) Investment Tax Credit; (ii) Accelerated Depreciation; (iii) Tax Deductions (Professional Training; Use of new Technology).

Social protection law and compulsory social security regulation define that both the employer and the employee have to pay for the compulsory social security contribution. Currently the employer contributes 4% and the employee 3% of the total remuneration.

#### FISCAL BENEFITS FOR SEZ

For Developers IRPC exemption in the first 5 tax years, 50% reduction in the rate of IRPC from the 6th to the 10th tax year, 25% reduction in the rate of IRPC for the remaining life of the project

For Enterprises - IRPC exemption in the first 3 tax years, 50% reduction in the rate of IRPC from the 4th to the 10th tax year, 25% reduction in the rate of IRPC from the 11th to the 15th tax year.

For service enterprises 50% reduction in the rate of IRPC for a period of 5 tax years.

Oil and mining sector are subject to a specific taxation in accordance of mining law (decree no 15/2017), petroleum law.

#### CUSTOMS LAW

Goods imported in Mozambique are subject to customs tariffs. The rates vary. Import Custom Duties at 2.5% for Raw Material, 5% for capital goods (class K), 7.5% of Semi-finished products (intermediary goods) and 20% for finished products.

The legislation allow tax incentives. In general, there are benefits on Import of Goods, with exemption from customs duties and VAT on the import of capital equipment, spare and accessory parts.

The government of Mozambique has established tax treaties with a number of country to avoid double taxation of income. Botswana, Itália, Índia, Macua, Mauritius, Portugal, South Africa, United Arab Emirates and Vietnam.

## 7 – ACCOUNTING & REPORTING

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The accounting framework is set up in Mozambican General Accounting Plan based on International Financial Reporting Standards (hereinafter referred to PGC-NIRF) which set the principles, rules and procedures that they form the accounting standards applicable in Mozambique to the entities that the government determines through a statute.

The Decree establishing the Accounting System for the Business Sector in Mozambique, which includes:

- The Chart of Accounts for Large and Medium Sized Companies, abbreviated as PGC-NIRF, based on the International Financial Reporting Standards (IFRS).
- The Chart of Accounts for small companies and others, abbreviated as PGC-PE

For the purposes of PGC-NIRF, the following are considered large companies:

- Public companies or companies with a majority of public equity;
- Companies whose equity shares are quoted on the Stock Exchange of Mozambique or those whose shares are listed on any other stock exchange, provided that they have their headquarters in Mozambique;
- Commercial companies, which are of any of the types mentioned in the Commercial Code, which exceed, based on their individual annual financial statements, one of the following categories:
  - Total income and gains equal to or greater than 1275 million Meticaís;
  - Total net assets equal to or greater than 1275 million Meticaís;
  - Average annual number of employees equal to or greater than 500 employees.

The following are considered medium sized companies:

- Those that do not fit in a) and b) above; and
- Commercial companies of any of the types mentioned in the Commercial Code that fall, based on their individual annual financial statements, into one of the following categories:
  - Total income and gains equal to or greater than 500 million Meticaís but less than 1275 million Meticaís;
  - Total net assets equal to or greater than 500 million Meticaís but less than 1275 million Meticaís; or

- Average annual number of employees equal to or greater than 250 but less than 500 employees.

The PGC-PE is mandatory for all companies that fall within the scope of implementation of the Chart of Accounts, approved by Decree No. 36/2006 of 25 July, and not fall into any of the categories described in the paragraphs above.

The Accounting System for the Business Sector in Mozambique does not apply to institutions and companies in the banking and insurance sectors subject to Chart of Accounts for the banking and insurance activities whose are ruled by their own legislation. The banking sector is implementing Financial Reporting Standards (IFRS).

Mozambique introduced International Financial Reporting Standards (IFRS) with the aim of harmonizing accounting processes, allowing comparability of economic and financial information of national and foreign institutions, thus facilitating the connection between them;

The PGC-NIRF entered into force: (a) For large companies, in the year beginning on January 1, 2010; For medium sized companies, the Decree, commenced on 1 January 2011. And The PGC-PE, entered into force on the year beginning on 1 January 2011.

## 8 – UHY REPRESENTATION IN MOZAMBIQUE

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# UHY AUDITORES E CONTABILISTAS CERTIFICADOS, LIMITADA MOZAMBIQUE



## CONTACT DETAILS

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Year established: 0  
Number of partners: 3  
Total staff: 9

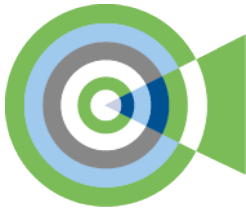
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