

Business in Mozambique



Mozambique is a member of the African, Caribbean and Pacific Group of States (ACP), the African Development Bank Group (AfDB), the African Union (AU), the Community of Portuguese Speaking Countries (*Comunidade dos Países de Língua Portuguesa* or CPLP), the Commonwealth of Nations, the United Nations (UN), and the World Trade Organization (WTO).

The Mozambican Government is increasingly improving the business environment for trade and investment by implementing a series of legal, institutional and policy reforms as the country wants to capitalize its great potential for foreign investors seeking to invest in the sectors of oil and gas, mining, constructing, energy, agriculture and tourism.



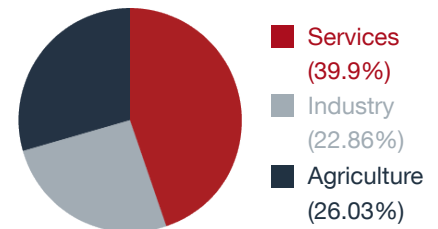
Population

30.83
million

 = 5 million



GDP Breakdown by Sector



Currency

Mozambican
Metical (MT)

Foreign Direct Investment

2.2 billion (USD)

GDP Growth (est. 2021)

2.3%

Business Climate

Mozambique, with Portuguese being its official language, is located on the southeastern coast of Africa, bordered by Tanzania, Malawi, Zambia, Zimbabwe, South Africa and Eswatini, with a long Indian Ocean coastline in the east. The country is strategically located with access to the sea, offering a significant advantage compared to the land-locked neighboring countries, which are dependent on Mozambique to access the global market. Mozambique has a strong economic link to South Africa.

The nominal Gross Domestic Product (GDP) of Mozambique is USD \$14.02 billion, which registered the first contraction in 28 years by an estimate of 0.5% in 2020.

The largest sectors in Mozambique are the services, which account for 39.9% of the total GDP, agriculture accounting for 26.03% of the GDP, being the main pillar of the country's economy, and the industry sector contributing an estimated 22.86%. Major Mozambican industries include aluminum, coal, petroleum products, food, beverages and tourism. Mozambique holds the third-highest proven reserve of natural gas in Africa, with reserves of an estimated circa 100 trillion cubic feet.

Mozambique is a member of several treaties regarding intellectual property such as the Paris Convention, the Nice Agreement on Classification of Marks, Madrid Agreement and the Madrid Protocol, the WTO/TRIPS, the Berne Convention and ARIPO (Harare Protocol), which provides legal protection of trademarks, patents, designs and copyrights.

The Bank of Mozambique is the country's central bank, and it controls all the foreign investment and the inward and outward payments.

International Trade

Trade Agreements

As a member of the Southern African Development Community (SADC), Mozambique ratified the organization's trade protocol aiming to liberalize intra-regional trade by creating mutually trade agreements, thus improving investment and productivity in the region and eliminating trade tariffs on certain goods.

The country has signed several bilateral trade agreements and a preferential trade agreement (PTA) with Malawi and Zimbabwe, allowing free trade of goods originating in the countries with some exceptions. Another PTA was signed with Indonesia, allowing exemption and reduction of tariffs on trade in goods and elimination of non-tariff barriers to trade in goods, increase and diversification of exports, value addition and investment attraction.

Under the terms of the Cotonou Agreement, certain Mozambican products enjoy a reduced or duty-free entry into the EU member nations under the Everything but Arms arrangement.

Mozambique also signed the economic partnership agreement between the member states of the Southern African Customs Union (SACU) and Mozambique, on the one hand, and the United Kingdom of Great Britain and Northern Ireland, on the other hand.

According to the African Growth and Opportunity Act (AGOA) and the Generalized System of Preferences (GSP), a wide range of Mozambican products receive a duty-free entry in the U.S.

Free Trade Zones

In Mozambique, there are only industrial free zones (IFZs), which in contrast with special economic zones, are located in closed regions, only host industries and firms operating in IFZs have to export at least 70% of their total production. There are five IFZs including Beluluane in Maputo Province, Locone, Minheune and Mocuba in Nampula Province, as well as Revúboê in Tete Province.

Foreign Direct Investment (FDI)

In the last few years, Mozambique has been implementing reforms aimed at attracting more business to the country, with one of the main actions being the creation of the Investment and Export Promotion Agency (APIEX). Most business areas can be operated by foreign investors with the exception of some areas concerning national security and other areas that provide preferential treatment to national investors.

The Government of Mozambique grants various benefits and incentives which include tax and custom duties exemptions, free remittance of funds, and the possibility of hiring more foreign workers than those permitted by law, in certain activities.

The country is strategically located with access to the sea, offering a significant advantage compared to the land-locked neighboring countries.



Tax Regime

The main taxes applicable in Mozambique are:

- **Personal Income Tax**

Personal income tax (PIT or IRPS) is applied to the resident taxpayer and is subject to tax on worldwide income. On the other hand, a non-resident taxpayer is only subject to Mozambican sourced income.

The income of an individual is taxed under separate categories depending on the type of income obtained such as employment income, business and professional income, capital income and capital gains, real-estate income and other income.

There are specific deductions for each income category and global deductions to taxable income such as health, education and other expenses.

- **Corporate Income Tax**

In Mozambique, national and foreign legal entities are subject to tax on their profits. Mozambican resident legal entities are taxed on their worldwide income. Non-resident legal entities will only be taxed on Mozambican sourced income. The law also allocates to the permanent establishment income derived directly by non-residents.

Corporate income tax (CIT) also states that capital gains will be taxed in Mozambique in the case of such gains being derived from the direct or indirect transmission of shareholding between non-resident entities that involve assets located in Mozambican territory.

Regarding the taxation of non-resident entities, the taxation is made through withholding tax at a rate of 20%, as long as such income is deemed to be Mozambican sourced.

- **Value-Added Tax**

The Value-Added Tax (VAT) Code rules taxable entities are:

- Individuals or legal entities resident or with permanent establishment or representation in the national territory that in an independent and habitual character, do exercise, with or without a profit aim, production, trade or services activities, including extraction activities, agricultural, forestry, livestock and fisheries
- Individuals or legal entities, not exercising an activity, conduct, also independently, any taxable transaction provided that it meets the real incidence of PIT or CIT
- Individuals or legal entities not resident and without permanent establishment or representation, yet independently, carrying out any taxable transaction, provided that the transaction is related to the performance of its business activities wherever it occurs or when, regardless of that connection, such an operation meets the real incidence of PIT or CIT
- Individuals or legal entities that according to customs legislation, carry out imports of goods; individuals or legal entities that in an invoice or equivalent document unduly mention VAT
- The Mozambican state and other public law legal entities, except when they carry out operations within its powers of authority, even if there is a payment; or operations for the people without payment

Establishing a Business

There are no differences between the forms or business structures available for foreigners and Mozambican nationals or companies.

Foreign investors may set up a business in Mozambique through the incorporation of a commercial company or setting up other legal forms for business representation.

The types of commercial companies are partnerships, capital and industry companies, limited partnerships, private limited liability companies (*Sociedade por Quotas*), and limited liability share companies (*Sociedade Anónima*). The predominant forms of commercial companies being private limited liability companies and companies limited by shares.

The other legal forms for business representation that a foreign investor or companies may opt, area branches, agencies, delegations and others.

Employment Affairs

In Mozambique, the employment of a foreign national has limitations.

The foreign national can be hired under:

- **Quota System:** Companies are able to employ foreign nationals by communicating with the Ministry of Labor, providing it complies with the applicable quota and the time limits. The number of foreign employees permitted depends on the average number of employees.
- **Short-Term Employment/Labor Regime:** The employee may not exceed 90 days without prior authorization and this period may be extended to a maximum of 90 days per year.
- **Investment Projects Duly Authorized:** Investment projects approved by the competent authority may be granted an additional quota for the hiring of foreign nationals if so requested and justified by the investor.
- **Employment Authorization:** Foreign workers apply for a work permit addressed to the Ministry of Labor.

The minimum wage in Mozambique is MZN 4,691, which is equivalent to EUR 63.

Maternity Leave

Female employees receive paid maternity leave of 60 days.

Paternity Leave

Male employees are entitled to one day of paid leave.

Retirement

The retirement age is 60 years for men and 55 years for women.

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Updated: November 3, 2021

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