

Fact Sheet: Mozambique



In this fact sheet, we have summarised answers to frequently asked questions about this country in one document for you. This information is not economic data, but rather statements on a wide range of practical topics that influence business activities with and in the country. In this publication you will find basic information on:

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Trade

Foreign trade transactions in Mozambique are highly regulated and require various documents and administrative steps by the authorised customs authorities via air, water or land. For this, it is advisable to contact an authorised customs dispatch agent (Câmara dos Despachantes Aduaneiros de Moçambique, www.cda-mz.org).

Imports

In order to be able to import goods into Mozambique, the following documents must be available:

- Customs declaration (DU)
- Import and export card (for investors)
- Original commercial invoices
- Bill of lading
- Certificate of origin (if applicable)
- Other relevant documents, such as authorization for exemption, notice of arrival, phytosanitary certificate and veterinary activities licence.

If an investor's core business relates to import/export, he needs an import/export card from the Ministry of Industry and Trade (MIC: www.mic.gov.mz) in addition to the business license. The involvement of a clearing agent is necessary, as only they have access to the electronic system (Janela Unica) Mcnet (www.mcnet.co.mz) to handle the import process. All payments must be made within 10 days.

Exports

- In order to be able to export from Mozambique, the following documents must be available:
- Customs declaration (DU)
- Import and export card
- Original commercial invoices
- Packing list
- Document proving ownership of goods
- Certificate of origin or EUR 1, if demanded in the country of destiny
- Any licence required, depending on the goods
- Special licence for goods such as animals, hazardous substances and minerals
- Application for assistance in the packaging of the goods, if necessary

Costs incurred are generally:

- Customs duties
- Excise duties
- Surcharges
- Value-added tax
- Customs service fee
- Overvaluation fee

There are **special economic zones (SEZ)** that provide for special tax and foreign trade regulations and can enable cost reductions.



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A good overview of the relevant legislation and customs rates can be found on the website of the "Autoridade Tributária" responsible for customs: <http://www.at.gov.mz/index.php/eng/Customs-Procedures>.

For special products, such as foodstuffs, dangerous substances, weapons, etc., additional regulations and requirements apply as relating to the export and import of such products.

Another good source of information on foreign trade and the HS codes used, etc. is the website of the electronic foreign trade service provider MCNET (www.mcnet.co.mz).

In accordance with WTO rules, in some cases a "Preshipment Inspection" is necessary, which is carried out in Mozambique by the privately-owned company INTERTEK (www.intertek.com/contact/ema/mozambique).

Since 2017, Mozambique has been part of the **European Partnership Agreement (EPA)** with the EU. The EU website provides detailed information on the facilitation and tariff rates in force with Mozambique. (<https://madb.europa.eu/madb/indexPubli.htm>)

Mozambique is also a member of the SADC zone and the Commonwealth. There is a double taxation agreement with South Africa, but not with Germany. However, Germany has an investment protection agreement with Mozambique.



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Labour Laws, Visa Regulations and Immigration

Labour law in Mozambique is governed by the following legislation:

- I. Law no. 23/2007, 1. August (Labour law);
- II. Decree no. 75/99, 1. October (Labour regulations for special economic zones);
- III. Decree no. 45/2009, 14. August (Regulation of labour inspections).

The Ministry of Labour and Social Affairs (Ministerio de Trabalho e Seguranca Social - MTSS) and its respective provincial delegations are responsible for labour and visa-related topics:

Av. 24 de Julho, Maputo

Tel: 258-21-312011

Fax: 258-21- 311025

Website: <https://www.mtess.gov.mz>

It is recommended to seek legal advice when concluding employment contracts and to include an "arbitration clause". The corresponding private labour arbitration centre CAL - Centro de Arbitragem Laboral, works very efficiently and can help avoid lengthy and often non-transparent judgements by the overburdened labour courts.

The Labour law is considered to be employee-friendly and regulates in detail issues such as social standards, holiday and sick leave issues, etc. A sector-specific minimum wage is also set annually, which fluctuates around 100 USD. Furthermore, there are frequent "labour inspections" at the workplace to check compliance with the legal regulations.

For **foreign workers**, the general Labour Code (Law No. 23.2007 of 1 August 2007) provides for special regulations, which are regulated by the following decrees:

- Decree No. 37/2016, 31 August 2016, and
- Decree No. 63/2011, 7 December 2011, the latter applies to all employment relationships.

Labour law provides for equal treatment of foreign and national workers, although the employment of foreign workers is strictly regulated, quite bureaucratic and burdensome. There are three regimes under which foreigners can be employed:

The Quota System

- There is a special quota of partly-automatic approval of foreign workers:
 - For companies with more than 100 employees it is 5%.
 - For companies with between 11 and 100 employees 8%.
 - For companies with 10 and less, 10%.
- Special regulations may apply for special investment projects and special zones. Furthermore, short-term appointments for 30-90 days can be applied for.
- Employment outside the quota system requires a complicated application and verification process of the need for an expatriate, which is usually considered extremely difficult and complicated.



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Visa Regulations:

Germans need a visa when entering the country. There are many types of visas, e.g. tourist visa, work visa, study visa and others. Information can be obtained from the embassies and consulates as well as the Migratory Authority (Migração).

More Information on Visa Types:

- <http://www.portaldogoverno.gov.mz/por/Cidadao/Cidadao-Nao-Residente/Migração>

In Germany, visas can be applied for at the Mozambican Embassy in Berlin:

- <http://www.embassy-of-mozambique.de/>, or
- den Honorarkonsulaten in München und Stuttgart: <http://www.konsulat-mz.de/>, or
- in Hamburg: <http://www.mosambik-hamburg.de/index.php> <http://www.mosambik-hamburg.de/>

The websites provide information on the current conditions, costs and deadlines. There are specialised service providers for migration issues in southern Africa who will be gladly named by the AHK Representative in Mozambique.

In South Africa, visas can be applied for at:

- The Mozambique Embassy, Pretoria
Tel: +27-12-401-0300 | Email: highcomm@embamoc.co.za
- The Mozambique Consulate, Johannesburg
Tel: +27-11-484-6427, +27-11-336-1819, +27-11-336-1824 | Email: mozconns@mweb.co.za
- The Mozambique Consulate, Durban
Tel: +27-31-304-0200, +27-31-304-0213
- The Mozambique Consulate, Nelspruit
Tel: +27-13-753-2089, +27-13-752-7396

Taxes and Duties

When a company is established in Mozambique and starts tax-relevant activities, it must be registered with the tax authority (Autoridade Tributaria - AT) (www.at.gov.mz). The Mozambican tax system has direct and indirect taxes, both of which are relevant for companies and traders. Mozambique does not have a double taxation agreement with Germany, but it does with Portugal and South Africa, among others

1. Direct Taxes

Individual Income Tax (IRPS)

IRPS is due on world income for residents (180 days rule). Non-residents are taxed on income earned in Mozambique. The income tax is progressive and recognises 5 types of income:

- 1st category: Wage
- 2nd category: Entrepreneurial income
- 3rd category: Capital income and gains
- 4th category: Income from renting and leasing
- 5th category: Other income

Corporate Tax (IRPC)

IRPC is applicable to companies that have their head office or effective management in Mozambique and engage in economic activities. The general *corporate tax rate is 32% on taxable profits*, determined according to specific legal rules. However, there are a number of special rules, exemptions and concessions, such as in mining, oil and gas extraction, investment promotion rules, special economic zones, etc.

For small businesses, with up to 2,500,000 MT /approx. 35,000 Euro annual turnover, simplified taxation rules apply, which allow 3% to be deducted as a lump sum on turnover as tax without detailed accounting.

2. Indirekte Steuern

Value Added Tax (IVA)

Mozambique operates an accountable value-added tax (IVA). It is applied on the sale of goods and services in the national territory of Mozambique as well as on imported goods. It is a multi-phase tax that is ultimately paid for by the end consumer. Mozambique's VAT also has exceptions and special rules, as well as rebates for selected investments and economic zones. The standard rate is a flat 17%.

Special Consumption Taxes (ICE)

This is levied on certain goods, imported as well as locally produced. It can range from 15 to 75% and is charged on luxury goods as well as tobacco, alcohol, cars, boats, jewellery, etc.



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Real Estate Transfer Tax (SISA)

A land transfer tax of 2% is applied. In addition, there are municipal fees and charges.

It is advisable to consult a tax advisor. APIEX (ex. CPI) is the authorised institution for setting up a company and for information on investment promotion rules. Laws and procedures can be found on the website of the Autoridade Tributaria (www.at.gov.mz/index.php/eng/Legislation/Fiscal-Legislation/Laws). The AHK Representative in Mozambique can support in finding qualified advisors.



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Business Establishment and Investment Incentives

Apart from opening a representative office/branch office, the most common forms of businesses are:

- **Sociedades por Quotas– LDA; ein type of Pty Ltd.**
- **Sociedade Anónima de Responsabilidade Limitada – SA; a type of joint stock company**
- **Sociedade Unipessoal por Quotas – SU), a type of Sole proprietorship**

Both LDA and SA can have more than one shareholder, with the LDA being more suitable for smaller, less complex business structures. There are no minimum capital requirements under the Commercial Code (Codigo Comercial). Furthermore, there are also no regulations that a minimum share must be owned by local business partners. However, there are sector-specific regulations, such as in the oil sector.

Investment projects can be registered with the state investment agency APIEX in order to obtain tax relief or access to special economic zones. Furthermore, major capital transfers should be registered with the central bank (Banco de Mocambique) to ensure their repatriation. In addition, special regulations must be observed, for example for property registration, building licenses, etc.

There are no regulations relating to the nationality of the managing director or chairperson, however there are restrictive provisions in the Labour law for the employment of non-Mozambicans in Mozambique.

There is a tax and accounting obligation in local currency, Meticaís, according to Mozambican accounting regulations (Plano geral de Contabilidade). Financial reports must be certified by a registered accountant. The website provides an overview of the members of the Association of Accountants (<http://www.ocam.org.mz>).

It is advisable to consult a lawyer when setting up a company. Some important steps are detailed here:

- Application for a company name
- All partners must sign the partnership agreement in the presence of a notary
- Opening of a local bank account and payment of the registration fees
- Registration of the company, receipt of the registration certificate and publication of the partnership agreement in the Public Gazette (Boletim da Republica)
- Registration with the Tax Authority (Autoridade Tributaria) and obtaining an individual tax number (NUIT).
- Application for a business license
- Declaration of commencement of business to the relevant authorities (tax authority)
- Enrolment of employees in the National Social Security (INSS).

During the individual steps, certain bureaucratic requirements such as certified documents, translations, powers of attorney, submission of receipts and special documents must be observed, for which a lawyer should advise and prepare accordingly.



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In the World Bank's "Doing Business Ranking", Mozambique has unfortunately been in one of the worst positions for years, with a ranking of around 130. With appropriate advice, however, the complications can be easily overcome. The discussion of upcoming regulations on "local content issues" will make the establishment of a company in Mozambique obligatory if it is intended to participate as a supplier in the larger investments in the oil and gas sector or to be considered for public contracts.

A good source for questions on starting a business is: APIEX Investment Guide for Mozambique, Maputo 2019.

The AHK Southern Africa is able to name suitable lawyers or to establish contacts with APIEX.



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Tips on Doing Business in Mozambique

- Take the time to build personal relationships.
- Business cards are exchanged gladly and often.
- Be aware of hierarchies in your business partner/s.
- Take time socially, for example for "coffees" and a shared meal.
- Be careful with too much directness and personal accusations.
- Remember that people rarely say "no" clearly. A "yes" can also be a maybe.
- Not all Mozambicans speak English, although more so in Maputo.
- Be patient and expect unpunctuality.
- Expect flexible time arrangements. Deadlines are often too optimistic.
- Seek advice and guidance through business networks such as associations, good lawyers and the German Network in Mozambique.
- Avoid corruption from the beginning.
- Plan more time.
- Look for serious, active business partners, not just lobbyists.
- Mozambique is not South Africa. Although geographically close, it is culturally and legally very different and still strongly Portuguese.



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Banking and FOREX

There are 20 fully licensed banks in Mozambique (as of 2022). Their supervisory authority is the central bank "Banco de Mocambique (BM)", which also imposes capital controls and foreign exchange regulations. It has a website that provides valuable, up-to-date information on the regulations in force, interest rates, economic data, etc. (<http://bancomoc.mz>).

The capital market in Mozambique and thus the banking system is relatively small in international terms and, with a GDP of approx. USD 14 billion (2020), is not characterised by high liquidity. The leading banks are "BIM" and "BCI", which are of Portuguese origin, as well as "Standard Bank" and "Barclays/ABSA", which are South African, English and have corresponding international networks. German commercial banks are not represented locally in Mozambique, but they are represented or connected via correspondent banks. They can therefore cover international transfers or foreign trade financing.

Furthermore, there is a stock exchange "Bolsa de Valores de Mocambique (BVM)", which essentially serves the state financing via promissory notes and only trades a few local, private joint-stock companies.

The practice of lending to private enterprises in Mozambique is comparatively low, especially since borrowing rates above 20% incur high costs. External financing in foreign currency is possible, but requires the approval of the central bank and involves a corresponding exchange rate risk, as the local currency, the metical, (plural meticaís) can be subject to considerable fluctuations. The metical is not tradable internationally and the purchase of foreign currency in Mozambique is subject to restrictions.

In Mozambique, the opening of a local bank account is compulsory when setting up a corporation. It is possible to hold foreign currency accounts, for example in euros, USD or rand. If foreign exchange (FDI) is imported when setting up a company or investing, it should be registered with the central bank, which will enable the corresponding repatriation later.

Capital controls and foreign exchange regulations are generally regulated by the laws of the central bank (e.g. Law nº 11/2009 of 11th March), but may, by short-term decrees (e.g. Decree nº 49/2017 of 11th September), be subject to changes. It is advisable to obtain information or advice from the central bank (BM) or the relevant commercial bank. (see also www.mcnet.co.mz/Leis/Sistema-bancario.aspx).

For general statistical information, inflation rates, exchange rate developments etc., the website of the national statistics institute "Instituto Nacional de Estatística (INE)" is also recommended (www.ine.gov.mz).

As part of its service portfolio, the AHK Southern Africa can put you in touch with local banks that offer a range of services for foreign companies.

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The AHK assumes no responsibility for the accuracy or completeness of the information provided here



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