



Agência para a Promoção
de Investimento e Exportações

INVESTMENT GUIDE FOR MOZAMBIQUE

Agroprocessing and light manufacturing sectors



FOREWORD

Foreword

Since the turn of the millennium, Mozambique's trade, and economy in general, has grown steadily as a result of a range of macroeconomic reforms in late 1980s and contributions from the agriculture and manufacturing sectors of the economy. Agriculture sector is the highest contributor to the country's GDP after services and at the same time, it is the largest employment sector. Manufacturing sector, though not accounting for as many jobs, is the third-highest contributor to the GDP. To reach the next level of economic growth and to fight poverty, both these sectors require efforts to attract and facilitate foreign direct investments.

This investment guide has been developed with the purpose of boosting foreign direct investments in the agro-processing and light manufacturing sectors of Mozambique's economy. The intention here is to not only promote Mozambique (and its policies) in order to make a case to encourage investments, but also provide potential investors with the information on the procedures that they will need to undertake in order complete their investment transactions as seamlessly as possible.

We anticipate the information provided in this investment guide will encourage and strengthen greater investment in the agroprocessing and light manufacturing sectors. We acknowledge the support of International Trade Centre (ITC), Partnership for Investment and Growth in Africa (PIGA) and the Government of United Kingdom through UKAID for their support in developing these profiles. This initiative will benefit Mozambique's Agency for Investment and Export Promotion (Apiex) tremendously in the promotion of the applicable sectors and their value chains effectively.

Lourenço Sambo

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e Exportações (APIEX)



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The views expressed in this report are those of the authors and do not represent the official position of the International Trade Centre, Agency for Investment and Export Promotion in Mozambique and the Government of the United Kingdom. The images used in this profile may not always reflect accurately the country context.

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ACRONYMS AND ABBREVIATIONS

APIEX	Agency for Investment and Export Promotion
EIA	Environmental impact assessment
FDI	Foreign direct investment
GAZEDA	The Office for Accelerated Development Economic Areas
GDP	Gross domestic product
IFTZ	Industrial free trade zone
INSS	National Institute of Social Security
IRPC	Corporate income tax
MITESS	Ministry of Labour, Employment and Social Security
SADC	Southern Africa Development Community
SEA	Simplified environmental assessment
SEZ	Special economic zone
SISA	Property transfer tax
VAT	Value added tax

COUNTRY OVERVIEW

COUNTRY OVERVIEW

The Republic of Mozambique is strategically located in Southern Africa, bordering the United Republic of Tanzania, the Republic of Malawi, the Republic of Zambia, the Republic of Zimbabwe, the Republic of South Africa and the Kingdom of Swaziland. A rich country like Mozambique opens the doors to those interested in investing, producing and exporting. The country boasts ample arable land, with many natural resources such as water, energy, gas and mineral resources, deep seaports and a relatively large potential pool of labour.

Mozambique's climate is tropical and, being in the southern hemisphere, the country has reversed seasons compared with Europe and North America, with a hot and rainy season from November to March and a dry season the rest of the year, with a cooler break from mid-May to mid-August.

The weather is pleasant and sunny during winter, although in the southernmost provinces such as Inhambane, Gaza and Maputo the temperature can drop and it might get cold at night, especially in the inland. From June to October, it rains very little in almost every region of the country, although some brief showers are possible along the central part of the coast, from Quelimane to Beira. During summer, the centre and north of the country experience humid air currents, while the south benefits from rainfall due to the high temperatures and humidity.

Mozambique's provinces are divided into districts, administrative posts, localities and municipalities. It comprises of 11 provinces, including the capital city, Maputo, called 'Maputo City Province', which has provincial status, and Cabo Delgado, Gaza, Inhambane, Manica, Maputo, Nampula, Niassa, Sofala, Tete and Zambézia. The first provincial elections took place in 2009. Each province has several districts, administrative posts, localities and municipalities, the number of which depend on the size of the province. One of those municipalities, which represent the local government, is chosen to be the capital of the province. All municipalities are governed by the following bodies: (i) Municipal Assembly, (ii) the President of the Municipal Council and (iii) the Municipal Council.

Mozambique was a Portuguese colony for centuries and only became independent from the Portuguese Republic in 1975, but then fell into 16 years of civil war between two local parties, the Mozambique Liberation Front (FRELIMO) and Mozambican National Resistance Movement (RENAMO). After the end of the civil war in 1992, RENAMO maintained its armed militias and occasionally parts of the centre of the country still witness active conflict between its militia and Mozambique's armed forces. However, peace talks between the two parties gained force in 2017, with President Filipe Nyusi meeting RENAMO leader, Afonso Dhlakama, in August 2017. Working groups are developing recommendations on decentralization and military affairs for endorsement by parliament, set for 2018. Meanwhile, in September 2017, the ruling party's congress marked an important political milestone in the run-up to municipal (2018), presidential, legislative and provincial (2019) elections.

FRELIMO and RENAMO remain the country's main political forces, followed by the Mozambique Democratic Movement (MDM). FRELIMO won the most recent presidential elections, which took place in 2014, with its leader, Filipe Nyusi, taking presidency. Despite the fact that FRELIMO achieved a comfortable majority in parliament, the two main opposition parties, RENAMO and MDM, have both gained ground.

Despite the political tension, most visits to Mozambique are trouble-free: tourism areas are secured by law enforcement and city centres are relatively safe. The people are kind and helpful if one needs any assistance.



Basic Statistics: Mozambique*

Capital:	Maputo
Other important cities:	Beira and Nampula
Population:	28 million (2016)
Adult literacy rate (ages 15 and older):	58.8%
Labour force participation rate (ages 15 and older):	79.1%
Area:	812,379 sq. km (313,661 sq. miles)
Languages:	Portuguese (official), several indigenous languages
Major religions:	Christian, indigenous beliefs, Muslim
Life expectancy:	50 years (men), 52 years (women)
Currency:	Metical (MZN), currently corresponding to \$0.01640 ¹
Total gross domestic product (GDP) in 2015:	\$31.2 billion
Gross domestic product (GDP) per capita in 2015:	\$1,116
GDP growth in 2016:	4.3%
Average inflation rate in 2016:	18.58%
Foreign direct investment inflows in 2016:	25.3% of the GDP
Total government revenue in 2016:	\$2.6 billion

Source: UN, World Bank and the International Monetary Fund (IMF)

¹ On 6 February 2018.

STEP 1

STEP 1: ANALYSING THE BUSINESS OPPORTUNITIES

1.1. WHY INVEST IN MOZAMBIQUE?

1.1.1. Recovering economy

a) Gross domestic product

Mozambique's gross domestic product (GDP) growth declined to 4.3% in 2016, mostly due to fiscal tightening, a major slowdown in foreign direct investment, the debt crisis and logistical constraints related to the internal military conflict between RENAMO and Mozambique's armed forces.² Other factors include traditional export earnings dropping as a result of a reduced global demand and the El Niño drought affecting agricultural production.

However, the Mozambican economy is starting to show signs of recovery. According to the economic indicators presented in World Bank's Mozambique Economic Update of July 2017, in the first quarter of 2017, Mozambique's GDP growth picked up to 2.9%, which represents almost more than double the growth rate of the preceding quarter.

b) Foreign direct investment

Mozambique is an important destination country for foreign direct investment (FDI) in Southern Africa due to its abundant natural resources and access to sea, which

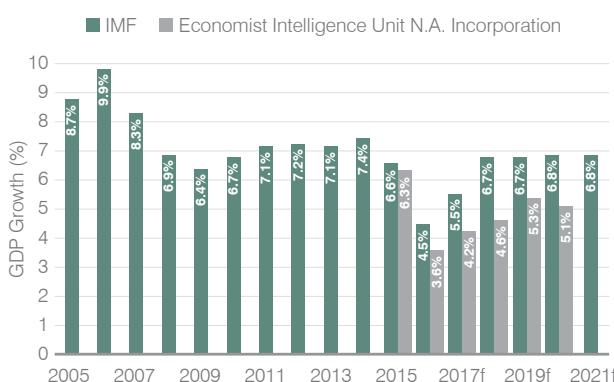
provides a significant advantage compared to its land-linked neighbours. Mozambique's opportunities are just too big to ignore: investments made in the oil and gas sector ripple through the remaining economic sectors and government, foreign investors and donors have a main focus on the agricultural scenery.

Mozambique's FDI reached more than \$6 billion in 2013 and more than \$4.9 billion in 2014. In 2015, FDI decreased significantly, reaching only \$3.87 billion. Its decline continued in 2016 due to the difficulties faced by the major investor countries and the decline in the global prices of oil, reaching \$3.09 billion in that year. Despite the decline in FDI in 2016, the United Nations Conference on Trade and Development (UNCTAD) reports that foreign investors remain optimistic about the attractiveness of Mozambique's raw materials sector. This is evidenced by important investment projects: at the end of 2016, the Italian company Eni decided to invest \$8 billion in offshore gas exploration, while ExxonMobil bought shares in Eni for several billion USD.

The government has consistently implemented reforms, maintained sound economic policies and put in place a privatization programme for public companies that offers great opportunities for foreign investors. That said, the country's business climate still needs improvement according to the World Bank, which ranked Mozambique 137th out of 190 in its 2017 Doing Business report.

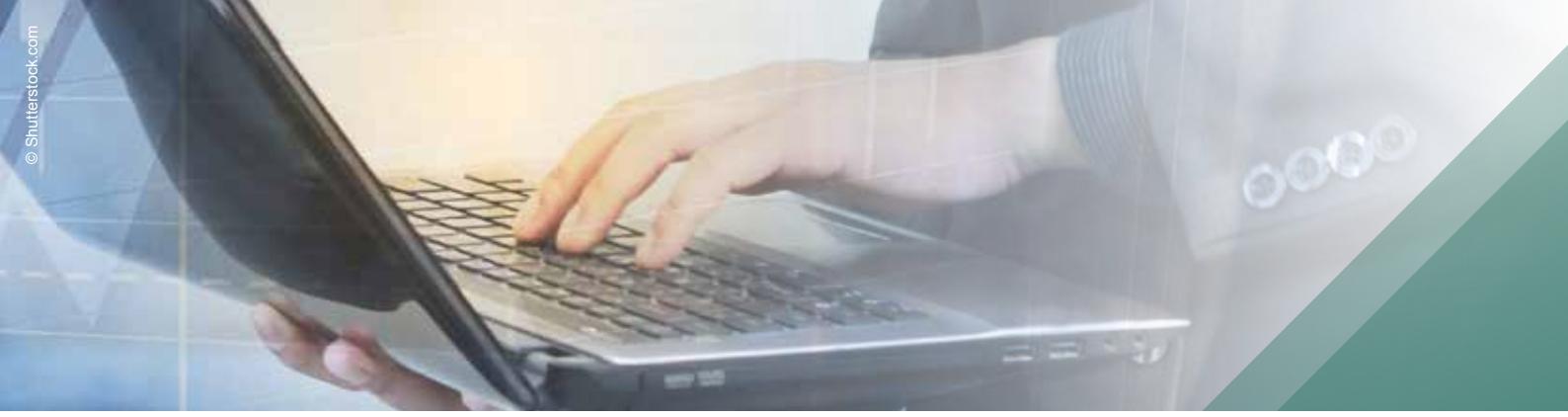
Foreign investment has been driving Mozambique's economy, with the main players being the United States of America, South Africa and the People's Republic of China, as well as the Portuguese Republic, the Federal Republic of Germany, the Kingdom of Saudi Arabia, the United Kingdom of Great Britain and Northern Ireland, the Republic of Italy and many other countries. In 2016, the Investment Promotion Centre (now called Agency for Investment and Export Promotion) registered a volume of foreign investment that reached 25.3% of GDP. The current increase of foreign direct investment mostly comes from

FIGURE 1 Mozambique's GDP growth and forecasts (%) (2005–2021)



Source: IMF & Economist Intelligence Unit N.A. Incorporation, 2016.

² African Economic Outlook (AEO), 2017.



the extractive industry and related industries, agriculture, agroprocessing and infrastructure. In order to apply for an investment project, the minimum FDI to be carried out by the foreign investor, resulting from equity investment, must be of MT 2.5 million (approximately \$40,000 at the current exchange rate of \$1 to MT 62). Alternatively, a foreign investor must fulfil one of the requirements set out below:

I. Generate an annual turnover of no less than MT 7.5 million (approximately \$121,000) from the third year of activity;

II. Present annual exports of goods or services of a minimum of MT 1.5 million (approximately \$24,000);

III. Create and maintain direct employment for at least 25 national employees, registered in the national social security system from the second year of activity.

FDI may assume, either individually or cumulatively, any of the following forms (provided it is quantifiable in monetary terms): (i) freely exchangeable foreign currency (e.g. equity), (ii) equipment and respective accessories, materials and other imported goods, and (iii) the assignment, under certain circumstances, of rights to use patented technologies and trademarks (with the exception of that minimum FDI that must result from equity investment in order to be eligible for an investment project).

Indirect foreign investment, in turn, may assume, individually or cumulatively, any of the following forms: (i) loans, (ii) shareholder loans, (iii) supplementary capital contributions, (iv) patented technology, (v) technical processes, (vi) industrial secrets and designs, (vii) franchising, (viii) trademarks, and (ix) technical assistance and other forms of access to the use or transfer of technology or trademarks, whether on an exclusive basis or restricted licensing by geographical area or commercial areas of activity.

The distinction above is relevant for the purpose of applying for an investment project with the Mozambican Government, which basically translates into entering into an agreement with the government, whereupon, after fulfilment of certain conditions, the investor is granted a package of rights (e.g. the repatriation of funds abroad and tax/Customs benefits), which we have outlined below.

Investors may opt from a variety of means to invest in Mozambique, the most common being to meet the minimum equity investment amount, which provides the

project with funds to run operations in Mozambique. All types of loans (including shareholder loans) generally fall under the recently approved legislation (**please see Annex VI**) subject to prior approval by the Central Bank, hence requiring that the investor provides certain documents and awaits approval prior to being allowed to take out a loan.

However, several exceptions apply and no prior authorization is required in the following cases: i) shareholder or intercompany loans free of interest rate and with a repayment date of at least three years, and ii) shareholder or intercompany loans in which the interest rate is lower than the base lending rate for the relevant currency, the repayment period is at least three years and the loan amount does not exceed \$5 million.

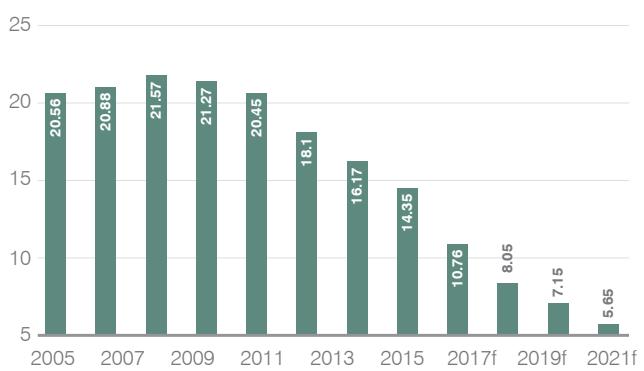
Also, financial loans contracted abroad by resident entities to an amount of up to \$5 million are pre-authorized, to the extent that certain requirements are met. All those exceeding this threshold still require the prior approval.

c) Inflation

The monetary policy affected the deceleration of inflation from mid-2017 onward, as indicated in figure 2.

According to the Bank of Mozambique, the decrease indicated in figure 2 is a result of the drop in product prices, which was accomplished due to rigid measures implemented by the bank since October 2016, when the inflation showed a tendency of skidding.

FIGURE 2 Mozambique's inflation evolution (2017)



Source: <https://pt.tradingeconomics.com/mozambique/inflation-cpi>.



The Bank of Mozambique understands that moving forward still requires prudence in the conduct of monetary policy, as the level of domestic public indebtedness remains high and represents a risk factor for inflation projections. The collection of public revenues below expectations, in the context of suspension of external support to the budget and high internal indebtedness, requires a more robust fiscal consolidation.

d) Monetary policy

The metical is more stable now after steadily depreciating in the first ten months of 2016. A strong monetary policy (including the establishment of annual thresholds for payments abroad using international bank cards, and the fixing of higher reference interest rates) was put into place and resulted in the metical gaining 28% against the US dollar in the last nine months.

The monetary policy remains tight and represents a relevant adjustment in the external sector. Mozambique's reference lending rate is amongst the highest in Sub-Saharan Africa and the average commercial bank lending rates in the region are high (30%) for much of the private sector. Despite this, finance and business services account for almost 10% of the national economy, with banks being the main driving force in the financial sector, which has been the second-fastest growing sector in Mozambique after the extractive industry, with an average growth of 22% over the past 10 years. The Mozambican banking sector comprises 19 banks, of which the largest four are majority foreign owned and make up 90% of the sector's total assets. Of the four major banks, two are subsidiaries of Portuguese banking groups and two are subsidiaries of a South African and British banking group.

Smaller firms experienced growth and dynamism when Mozambique saw resource-driven growth acceleration. According to World Bank's Mozambique Economic Update of July 2017, the number of firms in the country's formal sector has doubled since 2002, and these businesses now employ twice as many workers as in 2002. Small and medium-sized enterprises' share of the economy is still growing, a phenomenon that bodes well for overall productivity growth.

While extractive and other large industries and manufactures, such as cement, aluminium and agroprocessing, are showing some resilience, the rest of the private sector faces reduced growth in demand, higher costs and more difficulties finding access to credit. As such, Mozambique's overall ongoing economic downturn is likely to have a disproportionately negative impact on emerging micro, small and medium-sized enterprises.

e) Interest rates

As indicated previously, commercial banks' interest rates on loans and advances have been high (between 30% and 40%), but, since 2007, the Bank of Mozambique has been implementing measures aiming at reducing interest rates. These measures include maintaining the marginal lending rate of 23.25% and the deposit rate by 16.25%, and intervening in the market in order to ensure compliance with the monetary base established for March 2017 of MT 96,506 million.

The Bank of Mozambique also introduced the single reference exchange rate principle on 3 April 2017, which results from the average exchange rate applied by banks in their dealings with customers. Commercial banks are required to report their exchange rates three times a day.

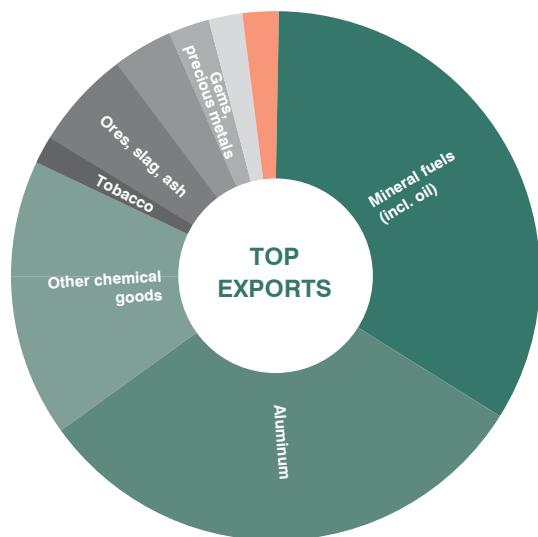
f) Trade statistics

Mozambique shipped \$3.4 billion worth of goods around the globe in 2016, up by 56.2% since 2009 when the Great Recession kicked in and up by 5% from 2015 to 2016. The country's top 10 exports are highly concentrated, representing 91.2% of the overall value of its global shipments. Based on statistics from the International Monetary Fund's World Economic Outlook Database, Mozambique's total GDP amounted to \$35.3 billion in 2016, with exports accounting for approximately 9.5% of total Mozambican economic output.³

Mozambique's top five export markets are South Africa, the Republic of India, the Kingdom of the Netherlands, Italy and the Kingdom of Belgium, whilst the top import markets are South Africa, China, the Netherlands, India and Portugal.

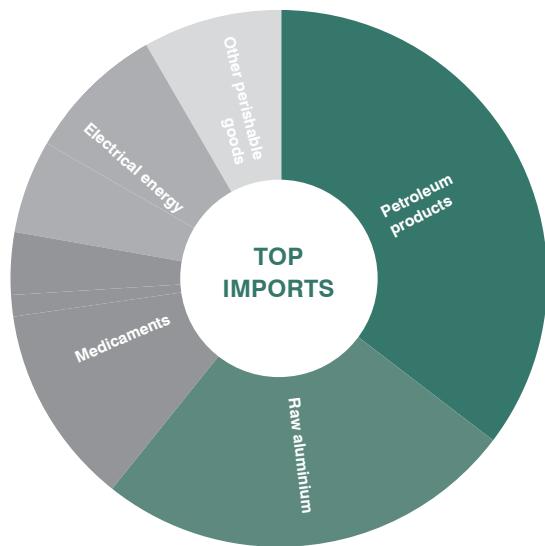
³ Source: <http://www.worldstopexports.com/mozambiques-top-10-exports/>.

FIGURE 3 Main exports from Mozambique (2016)



Source: <http://www.worldstopexports.com/mozambiques-top-10-exports/>.

FIGURE 4 Main imports from Mozambique (2016)



Source: <https://atlas.media.mit.edu/en/profile/country/moz/>.

1.1.2. Labour system

Labour legislation is directed at facilitating investment and business development, and it is seen as more ample, liberal and flexible than previous legislation, although it meets, among others, the principles of right to work, stability in employment and at the workplace, and non-discrimination. The Labour Law Act applies to the legal labour relations established between employers and employees, domestic and foreign, of every branch of activity and whose activity is carried on in the country. The Act also applies to those constituted between public-law legal entities and their employees, except those whose relationship is governed by specific legislation (state employees and persons employed by municipalities).

The Labour Law Act defines an employment contract in broad terms, considering it one whereby the employee undertakes, for remuneration, to provide an activity to the employer, under the management and authority of the latter. An employment contract is presumed to exist whenever a person carries on an activity that is remunerated and does

so without the express opposition of the beneficiary thereof or when the employee is economically dependent on the beneficiary. A provision of services contract that, though conducted with autonomy, puts the provider in a position of subordination to the beneficiary of the economic activity is considered to be an employment contract.

Note that the application of the labour law can depend on the classification of the employer as (i) large enterprise, if it employs more than 100 employees, (ii) medium enterprise, if it employs between 10 and 100 employees, or (iii) small enterprise, if it employs up to 10 employees. For this purpose, the number of employees corresponds with the existing average number during the preceding calendar year and, in the first year of activity, the number at the date of its commencement is taken into account.

Detailed information on labour matters, including the minimum wage, social security systems and labour dispute resolution, is provided in Annex X of this profile.

1.1.3. Improving infrastructure and strategic geographical location

The Mozambican economy's growth in the last 10 years is due to large investments in strategic sectors such as mining, precious metals and energy, and the potential projects announced for the use of the hydroelectric potential of the Zambezi Valley, Lúrio Basin, Save and Limpopo, with potential in the transport and logistics infrastructures serving the SADC country and region.

Mozambique has a network of roughly 30,000 km of classified roads, with approximately 20% paved roads, divided into four categories:

- **Primary roads**, connecting the capital cities and main ports (approximately 5,866 km);
- **Secondary roads**, which connect the primary roads and capital cities to the seaports and fluvial ports (approximately 4,792 km);
- **Tertiary roads**, which connect secondary roads, district headquarters and administrative posts with economic enterprises (approximately 12,161 km);
- **Vicinal roads**, connecting the population centres (approximately 6,530 km).

The Government of Mozambique plans to build and rehabilitate roads and bridges over an extension of approximately 3,247 km over the next few years. Mozambique has three road-rail corridors built cross-country to meet the demand of neighbouring countries with indirect or limited access to the sea: 1) the Nacala Logistics Corridor, which includes a deepwater port in Nacala-a-Velha, 2) the Moatize-Macuse Railway Line, including the deepwater port in Macuse in Zambézia Province, and 3) the Beira Corridor, with the new coal terminal in Beira.

Mozambique has several energy infrastructures, namely the North Central of the Cahora Bassa Hydroelectric, Mphanda Nkuwa, Boroma and Lupata, Moamba Major and Massingir hydroelectric power station, Mapai, Pavua, Lúrio and Malema. However, Mozambique still has limited electric supply, which is expected to remain until 2020 due to the increasing demand for electricity and the delays in major water projects in the country. The country's energy production is approximately 2,200 megawatts, mostly originating in Cahora Bassa, but almost all exported to South Africa, with Mozambique maintaining an electricity access rate of only 18% of its population.



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Two major water projects – Cahora Bassa North and Mphanda Nkuwa, both on the Zambezi River – are expected to increase production by 1,745 MW. According to the Director of Electricity of Mozambique, it is expected that the Mphanda Nkuwa power station will be ready by 2019 and Cahora Bassa Norte will also be completed by that time or a year or two later.

Electricity demand in Mozambique, in the order of 1,600 MW, has risen by 15% in recent years, especially in the north, where large mining projects and oil and gas exploration projects are located. Some of these projects, such as those of Brazil's Vale and the Anglo-Australian Rio Tinto, both in coal mining, have announced that they will build coal-fired power stations and can sell power to the national grid.

The Pequenos Libombos dam and the Umbeluzi River supply water to the southern zone. Due to the drought of the last year, this river cannot feed the dams and has been causing severe constraints in Mozambicans' access to water. In Maputo, the largest urban centre in the country, potable water supply is still poor, with approximately half of the population not having access to piped water. In the country's capital, although better than in other urban centres of Mozambique, the coverage rate only reaches 57%, serving a population estimated at 682,076.

According to data from entities related to water supply, the Mozambican capital has 104,863 connections and 254 sources. In major Mozambican cities, supply channels and reservoirs are more than 50 years old and are poorly maintained. As a result, many pipes rupture and the losses that occur when transporting water to homes are high.



1.1.4. Economic and trade cooperation

Mozambique is party to international organizations such as the United Nations (UN), World Trade Organization (WTO), World Health Organization (WHO), International Labour Organization (ILO), United Nations Educational, Scientific and Cultural Organization (UNESCO), Community of Portuguese Language Speaking Countries (CPLP), International Monetary Fund (IMF) and the World Bank (WB), including the Multilateral Investment Guarantee Agency (MIGA).

Also, several double taxation agreements have been put in place between Mozambique and nine other countries so that foreign-sourced income can be protected and international double taxation would be reduced or avoided. Countries party to these agreements are India, the United Arab Emirates, Italy, China, Macau Special Administrative Region, the Republic of Mauritius, Portugal, South Africa, the Socialist Republic of Viet Nam and the Republic of Botswana.

As part of the Southern Africa Development Community (SADC) since 1980, Mozambique, along with the other 14 members, wishes to achieve a joint market and have preferential rates for all trading to take place within such market. Mozambique has preferential Customs duties for goods coming from the SADC region, allowing for easier importation from these countries. Many bilateral agreements relating to foreign investment, training of Mozambican workforce or import/export have been signed throughout the past years with many countries, especially Asian countries, including China.

a) Light manufacturing sector overview

As relates to the transformation of raw or semi-finished raw material into finished products for the direct use of the population, the following exists in Mozambique:

- **Sugar:** It is the second-largest agricultural export after tobacco. In 2014, more than 423,062 metric tons of sugar were produced and 140,000 metric tons of molasses. The sugar industries are located in Maputo, Sofala and Zambézia.
- **Food and beverage industry:** There are several food industries spread throughout Mozambique, transforming fruits and making wheat flour, pasta, candy, condensed milk, sweets and caramels, corn flour and refined cotton oil, etc. In the beverage industry, only beer and soft drinks are being produced in Mozambique.

■ **Footwear and other articles of clothing:** The textile industry is located in Maputo (south), Sofala, Manica (centre) and Zambézia (north).

■ **Tobacco industry:** In the Mozambican province of Tete, tobacco cultivation is one of the most productive activities, as it exceeds the 57,000 ton mark.

■ **Cotton ginning industry and sisal shredding:** The cotton sector is one of the oldest and most significant economic sectors in Mozambique. Its productivity and industrialization is concentrated in Sofala, Cabo Delgado, Niassa and Inhambane. The production of sisal has shown satisfactory levels of increase in the last years, which reinforces the hopes of improvement in the level of activity. Its productivity is concentrated in the centre and north of the country, namely in Sofala, Cabo Delgado, Niassa and Inhambane.

b) Agricultural sector overview

Agriculture in Mozambique consists predominantly of subsistence agriculture (corresponding to around 80% of total area), but several productions are already in place that are economically viable. According to the Economist Intelligence Unit (EIU), Mozambique's agricultural sector is estimated to grow by 3.5% annually until 2020, slowing down when comparing to the yearly 5% registered between 2005 and 2015.

Mozambique enjoys excellent conditions to grow commercial bananas, where 85% of domestic production is consumed locally and 15% is exported, with at least 15 medium and large-scale plantations in the country. Cotton is the third-largest source of agricultural export production income in Mozambique, with 80% of the national production being produced in Nampula, Cabo Delgado, Tete and Zambézia. Mozambique has the potential to produce 900,000 hectares of rice, of which approximately 300,000 hectares are currently used. Rice plays an important role in national food production, which has increased production in Zambézia, Nampula, Sofala, Gaza and Maputo. Tomato is also a key product for the Mozambican diet, being a high-value crop grown mainly by small farmers, with 20% to 60% of domestic demand being provided locally. Eighty per cent of tomatoes are produced in Nampula, Zambézia, Tete, Manica and Sofala. Mozambique is the largest tomato consumer in SADC countries, as 72% of South African tomato exports come to Mozambique. Soybean production has also been growing since its introduction in the 1980s and production has increased at a rate of



approximately 60% annually between 2000 and 2015. It is estimated that more than 50% of the total soybeans consumed in Mozambique is still imported from countries such as South Africa, the Argentine Republic, India and Malawi. Soya production is mainly concentrated in Tete, Zambézia and Manica, where most soy consumption is met by local production. The southern region demands for higher soy consumption due to the presence of the poultry industry.

Despite the country's enormous agricultural potential, average production levels remain low and are susceptible to weather conditions. This is mainly due to the widespread use of traditional agricultural manual methods, low-yield seed varieties and lack of agricultural inputs, technical assistance, infrastructure and market access.

Import and export statistics show that Mozambique is focussed on the exportation of peanuts and green beans (both cultivated in Manica), which go to the European market, especially the British, and exporting organic products produced in selected provinces (Nampula, Cabo Delgado, Manica, Inhambane, Maputo and Sofala), which include cashew nuts, pineapples, mango and piri-piri.

As indicated, cotton is one of the main produces being exported and one of the main sources of income for rural families in central and northern Mozambique who work on the cotton plantations. The production of sugar in the central and southern regions has also established Mozambique as one of the major producers, attracting investors interested in this sector mainly from South Africa and Mauritius. Export volumes have increased in the last 10 years to more than 300,000 tons in 2015, and have surpassed the global trend, with Europe as the main destination, with more than 70% for Portugal.

Mozambique is highly dependent on imports, including that of perishable goods such as live animals, meat for consumption, milk and other dairy products, fresh eggs for consumption, natural honey, fresh tomatoes and their derivatives, various vegetables and fruit for consumption, coffee, edible products of various animals, leguminous or unleavened vegetables, rye, barley, maize, rice, wheat and wheat flour. None of the national productions are enough for the internal demands and many others are not produced or transformed in Mozambique.

1.1.5. Investment guarantees and incentives

Various guarantees and incentives have been established by the investment legislation.

I. Protection of property rights: Guarantee of the security and legal protection of the ownership of assets and rights, including industrial property rights forming part of authorized investments and carried out in accordance with the Investment Law and the Investment Law Regulation;

II. Transfer of funds abroad: Subject to compliance with the applicable requirements (including the applicable foreign exchange provisions), the investor is allowed to transfer abroad funds related to the following operations:

- a) Exportable profits resulting from investments eligible for export of profits under the Investment Law Regulation;
- b) Royalties or other income on indirect investments associated with the assignment and transfer of technology;
- c) Amortisation and interest on loans taken out on the international financial market and applied in investment projects carried out in Mozambique;
- d) Product of compensation for nationalisation or expropriation of property and rights constituting authorized investment, and re-exportable foreign capital invested, irrespective of the eligibility of the respective project for export of profits in accordance with the Investment Law Regulation.

III. Tax and Customs incentives: As per the Tax Incentives Code (Law no. 4/2009 of 12 January), the investor is eligible to benefit from the following:

- a) Exemption from payment of Customs duties and value-added tax on capital goods classified in class K of the Customs Tariff (during the first five years of implementation of the project);
- b) Tax credit for investment – possibility of the investment benefiting from a deduction of 5% or 10%, depending on whether the investment is in Maputo or in the other provinces, on the total investment actually realized, from the corporate income tax (IRPC) assessment, up to a maximum of the assessment itself, in respect of the business carried within the framework of the project (during five tax years);

- c) Accelerated depreciation and amortisation – allows accelerated depreciation of new buildings used in pursuit of the investment project, which consists of a 50% increase of the normal rates legally established for the calculation of the depreciation and amortisation that may be considered as costs in determining the taxable income under IRPC or personal income tax (this benefit is also applicable to rehabilitated buildings and to machines and equipment for industrial and/or agribusiness activities);
- d) Deductions from taxable income and from assessment – possibility of deducting costs with the modernization and the introduction of new technologies and the training of Mozambican workers from the taxable income up to a ceiling of 10% or 5% respectively (during the first five years);
- e) Other expenses considered tax costs – eligible investments for the enjoyment of tax benefits under the Tax Incentives Code may also be considered as costs in the determination of the taxable amount under IRPC, with the following limits:

- A hundred and ten per cent (for investment in Maputo) and 120% (for investments in other provinces) of expenditures incurred in the construction and rehabilitation of highways and railways, airports, postal services, telecommunications, water supply, electricity, schools, hospitals and other works deemed to be of public utility (during five tax years); and
- Fifty per cent of expenditures incurred in the purchase, as own assets, of works considered works of art and other objects representative of Mozambican culture, as well as activities that contribute to its development, under the Protection of Cultural Heritage Law (Law no. 10/88 of 22 December).

The Tax Incentives Code also provides for several specific benefits for investments in sectors of activity, projects and territorial areas directed at: (i) creation of basic infrastructures; (ii) trade and industry in rural areas; (iii) manufacturing and assembly industries; (iv) agriculture and fishing; (v) hotel trade and tourism; (vi) science and technology parks; (vii) major projects; (viii) fast-development zones; (ix) industrial free zones; and (x) special economic zones.

Besides the more detailed information included under Step 11 regarding the benefits granted for those wishing to operate in industrial free trade zones (IFTZs) or special economic zones (SEZs), it is important to clarify that the industrial free zones attract mainly investments for those wishing to carry out industrial activities and will mainly export the result of such industry. The industrial free trade zones (IFTZ) are located in the south (Mozal in Maputo), the centre (Mocuba in Zambézia) and the north (Nacala, Locone and Minheuene – Nampula and Revúboè – Tete). In the centre of the country, in Mocuba, there is potential for the agricultural, livestock, agribusiness and textile industries, etc. In the north, more specifically in Nacala,



Nampula Province, the IFTZ offers conditions for the implementation of textiles and clothing, leather and tannery, civil construction, production of construction material, cement and iron production, industry ceramics, assembly of various machines and production and/or assembly lines of vehicles, locomotives and boats, among others. Also in Nacala, Nampula Province, are the Locone and Minheuene IFTZs, in which investors must export at least 85% of production, taking into account the package of incentives provided by law for this type of business.

In Tete, the industrial free trade zone of Revúboè attracts mainly projects related to the metallurgical industry (in which the construction of a steel factory is planned to be carried out by the company Capitol Iron Steel, Lda), iron/vanadium refinery, rolling stock, railway sleepers and cement, among others.

The Mozambican Government actively pursues an efficient implementation of the tax framework already in force, more recently focussing on the taxation of capital gains that result from the transfer of shares into major projects in the energy sector. In this sector, in 2014, Mozambique published a decree enabling investors to proceed with multi-billion dollar gas liquefaction projects, as it sets out the legal terms of operation and allows for guaranteed financial terms for at least the next 10 years. The Act's publication triggered the launch of massive long-awaited investments in the construction of new liquefied natural gas (LNG) trains and offshore floating facilities for its production.

Acts, deals, transactions and operations of all kinds taking place between residents and non-residents and resulting or possibly resulting in payments to or receipts from foreign countries, or that are classified as foreign-exchange transactions by law, are governed by Law no. 11/2009 of 11 March (Lei Cambial/Foreign Exchange Law). The Foreign Exchange Law also applies to foreign exchange transactions related to foreign investment. For the purposes of the Foreign Exchange Law, services rendered, the transfer of rights and of goods encumbered or sold, when located, produced, used or operated in the country, are deemed to be activities carried on in Mozambique. **Please refer to Annex VI for further details on foreign exchange.**

1.1.6. Special economic zones

Special economic zones (SEZs) have been attracting investment mainly in the trade, tourism and civil construction sectors. These SEZs are located in the south (Beluluane, Maputo), the centre (Mananga-Mungassa-Beira and Mocuba, in Zambézia), and north of the country (Nacala, in Nampula). The Beluluane special economic zone (Southern Mozambique), called Beluluane Industrial Park, initially had the objective of encouraging links with Mozal S.A.R.L., and is Mozambique's largest SEZ, hosting the largest Mozambican company, Mozal S.A.R.L.

The creation of the Beira special economic zone, called Mananga-Mungassa, involved the Mozambican authorities and the Chinese company Dingsheng International Investment. Initially, the project involved the installation of basic infrastructure and services in an area of 217 hectares near the port city of Beira. The Nacala SEZ was established in 2007 and the first years were dominated by the development of infrastructure, including the construction of the international airport inaugurated in December 2014.

The fast-development zones are more attractive to agriculture, as they also encompass larger areas of land. The fast-development zones comprise the Provinces of Tete, Zambézia, Sofala and Manica, all located in the centre and north of the country.

1.1.7. Investment opportunities

The discovery of large natural gas reserves in the Rovuma Basin has positioned Mozambique as an exciting investment opportunity in Africa, reaching an impressive economic growth performance over the past 15 years.

However, not all the opportunities are concentrated in the Rovuma Basin as the Governmental Economic and Social Plan 2017 (implements the Quinquennial Government Plan for 2015–2019) established the following areas as main areas in which to invest:

a) Development of human and social resources

I. In health, increase of professionals across the country and increase in vaccinations;

II. In education, increase of enrolment of students in various segments, hiring of new teachers for all educational subsystems, and opening of primary schools and schools of general secondary education;

III. In water supply, implementation of new household connections and construction of public standpipes to extend the water distribution networks in Maputo, Gaza, Inhambane, Sofala, Manica, Tete, Zambézia, Nampula, Niassa and Cabo Delgado;

IV. In energy, increase of electrified districts, allowing connection of approximately 100,000 new customers, bringing the total number of accumulated National



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Energy Network (the Portuguese company associated with the Mozambican public company, Electricidade de Moçambique, E.P., in developing Mozambique's energy infrastructure) consumers to 1.7 million in 2017 and increasing the population rate with access to electricity to 27.5%. Also the construction of four new petrol stations shall facilitate access to fuel in Niassa, Cabo Delgado, Nampula and Tete;

V. In transportation and communication, 100 buses will be made available to reinforce the public fleet of public transportation. Telecommunication services will be expanded to 50 new locations, the Nacala Port Phase II will be rehabilitated and expanded, the Port of Maputo will be dredged and the process of expansion of digital broadcasting across the country will be concluded.

b) Promoting employment

I. Creation of 282,000 new jobs, of which 49,000 jobs are through public sector initiatives, 12,000 direct admissions into civil service, 191,000 by the private sector and 29,000 for employment abroad.

II. In the agricultural sector, hire 390 extension agents to assist 694,000 producers in production techniques, produce and distribute 17.6 million doses of various vaccines for animal health, produce approximately 779.7 tons of diverse seeds and release 10 varieties of crops adapted to different agroecological regions, and produce 2.8 million tons of cereals, 707 thousand tons of legumes and 12.8 million tons of roots and tubercles.

III. In trade and industry, assist 1,460 and finance 40 entrepreneurs and small and medium-sized enterprises (SMEs) that deal with export, agricultural marketing, rural stores, fishing, aquaculture, poultry and processing, and store 18,000 tons of cereals in the silos.

IV. In the fisheries sector, build three water parks and grant formal credit to 616 projects for activities related to small-scale fishing and to 70 projects for activities related to small-scale aquaculture.

V. In the youth sector, finance 250 projects of income generation within the Fund of Support to Youth Initiatives (FAIJ).



c) Development of social and economic infrastructure

I. Construction of 548 classrooms (518 for primary education; 30 for secondary education), conclude the construction and equipping of two professional technical education institutions in districts in the provinces of Niassa (the Agrarian Institute of Majune) and Cabo Delgado (the Agrarian Institute of Balama), and the rehabilitation and expansion of five professional technical education institutions in Maputo, Cabo Delgado, Pemba, Tete and Nampula.

II. Construction of five district hospitals in Cabo Delgado (Montepuez and Mocimboa da Praia), Niassa (Cuamba, Manica (Machaze) and Inhambane (Jangamo)), expand two district hospitals in Zambezia (Gilé) and Maputo (Manhiça) and proceed with the construction of the Provincial Hospital of Inhambane, as well as the rehabilitation of the health unit 24 de Julho in Beira.

III. Rehabilitate, build and asphalt 500 km of national and regional roads, ensure routine maintenance of 13,000 km, periodic maintenance of 80 km of national and regional roads and maintenance of 1,200 km of district and municipal roads.

IV. Start works of improvements in 120 km of roads throughout the country.

V. Continue construction of 31, rehabilitate three and maintain eight bridges.

VI. Continue the rehabilitation of drainage systems in the City of Beira (Rio Chiveve).

VII. Continue with the construction of the Moamba Major, Gorongosa and Metuchira dams, and rehabilitate the Massingir and Macarretane dams.

d) Sustainability of natural resources and environment, ensuring a democratic state, good governance and power decentralization, and promoting a healthy and stable macroeconomic atmosphere

I. There are plans to allocate 1,000 rights of use and enjoyment of the land (DUAT) for the population that has been occupying land in good faith, create and equip 130 local committees for disaster risk management, map 12 zones of disaster risks, organize 10 fairs to publicize Mozambique's mining geological potential, support national business and carry out the mapping and inventories of mangrove forests.

II. Institutional capacities will be strengthened by training 5,000 public administration professionals, local leaders and members of document evaluation committees at various levels, implementing alternative means to imprisonment in 74 districts and extending the Government Electronics Network (GovNet) to 15 more districts.

III. In order to ensure a sustainable macroeconomic environment, the government will implement actions that guarantee the sustainability of public debt. These include prioritizing the management of the current loan portfolio, reducing investments through credits and opening of budgetary space for indebtedness in generation projects income rather than consumption, and promotion and financial expansion through credit lines to four new institutions of financial intermediation commercial banks. Also included are promotion of special financing lines geared to the development of economic activities in the Zambezi Valley, encouraging the participation of companies in the stock exchange, and improved efficiency in the provision of social security services, setting 26,000 pensions for state employees and agents.

ADVANTAGES

1.2. ADVANTAGES OF INVESTING IN MOZAMBIQUE

a) Protection for investors

TABLE 1 Country comparison for the protection of investors⁴

INSTALLED CAPACITY MW	Mozambique	Sub-Saharan Africa	United States	Germany
Index of Transaction Transparency*	5.0	5.0	7.0	5.0
Index of Managers' Responsibility**	4.0	4.0	9.0	5.0
Index of Shareholders' Power***	6.0	5.0	4.0	8.0
Index of Investor Protection****	4.3	4.3	6.5	6.0

Note: * The greater the index, the more transparent the conditions of transactions.

** The greater the index, the more the manager is personally responsible.

*** The greater the index, the easier it will be for shareholders to take legal action.

**** The greater the index, the higher the level of investor protection.

Source: <https://en.portal.santandertrade.com/establish-overseas/mozambique/investing-3> – Doing Business – latest available data.

⁴ <https://en.portal.santandertrade.com/establish-overseas/mozambique/investing-3>.

SWOT ANALYSIS

1.3. SWOT ANALYSIS FOR INVESTING IN MOZAMBIQUE

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> One of the leading FDI destinations in Africa Abundant natural resources, including mineral and hydro-carbon deposits Fertile soil Rich in mineral resources Great potential for tourism Growing market Geographically well positioned to export to Asian markets Guarantees to investors and investment incentives Favourable climatic conditions One of the biggest FDI recipients in Africa throughout the past years Functioning legal system No limitation on foreign ownership of local companies 	<ol style="list-style-type: none"> Political instability Bureaucracy, pervasive influence of the political elites and widespread corruption Underdeveloped market Workforce lacks training and specialized know-how
OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> The discovery of large natural gas reserves in the Rovuma Basin has positioned Mozambique as an exciting investment opportunity in Africa, reaching an impressive economic growth performance over the past 15 years Investment zones and industrial parks: special economic zones and industrial free trade zones (for exports) in which investors can invest Investment is taking place across the country relating to extraction of mineral resources (gems, graphite, coal and heavy sands (ore), among others High agricultural potential. Many energy supply sources are underdeveloped (renewable and non-renewable) 	<ol style="list-style-type: none"> Political risks <ul style="list-style-type: none"> Interrupted armed conflicts between RENAMO and FRELIMO. Peace talks between the two parties gained force in 2017, with President Filipe Nyusi meeting RENAMO leader, Afonso Dhlakama, in August. Working groups are developing recommendations on decentralization and military affairs for endorsement by parliament, set for February 2018. Economic risks <ul style="list-style-type: none"> In the aftermath of the \$1.4 billion hidden-debt disclosure in 2016, Mozambique became Africa's most indebted country and was classified to be in debt distress and in restricted default, by rating agencies and by the International Monetary Fund (IMF).

Cultural risks

As a former colony and recently independent country, Mozambique has its challenges with cultural differences. Investors should recognize differences in language, social values, and ideas of status, decision-making, attitudes towards time, use of space, body language, manners and ethical standards, as such differences can lead to misunderstandings when doing business. The official language is Portuguese, which is the language spoken at the public governmental entities, but there are at least 12 recognized local dialects spoken by the population.

Due to the high increase of and dependence on foreign investment, Mozambique welcomes all foreign players, as long as they respect local culture and the way of conducting the business and achieving its objectives. Generally, there isn't much space for adapting to international standards and demands, which may be restricting in some cases. Mozambicans are known for their great amiability and generosity as long as there is mutual respect.

INVESTOR PERCEPTIONS

"Mozambique has taken remarkable economic strides in recent years, fuelled in part by foreign direct investment."

– Roger Pruneau, MIGA's Vice President for Underwriting (2002)

"We at MIGA look forward to continuing to help Mozambique sustain that growth and foreign investment through our guarantees program and technical assistance."

– Roger Pruneau, MIGA's Vice President for Underwriting
(see: <https://www.miga.org/Lists/General/CustomDisp.aspx?ID=154&ContentTypeld=0x0100A8B57A37D4E66D42BD3171DEFD939B69>)

**"According to the World Bank, in 2013 Mozambique was the second biggest recipient of FDI in Africa with almost \$6.7 billion. The most dynamic economic sectors are:
a) extractives; b) financial services; c) construction;
and d) transport and communication."**

– <https://www.gov.uk/government/publications/exporting-to-mozambique/doing-business-in-mozambique-mozambique-trade-and-export-guide>

**"Special Report – Investing in Mozambique –
If president Filipe Nyusi can conclude a lasting peace,
spur investor confidence and help ensure that enough
gas is flowing by the early 2020s, he will have gone
a long way towards helping Mozambique achieve its
fragile potential."**

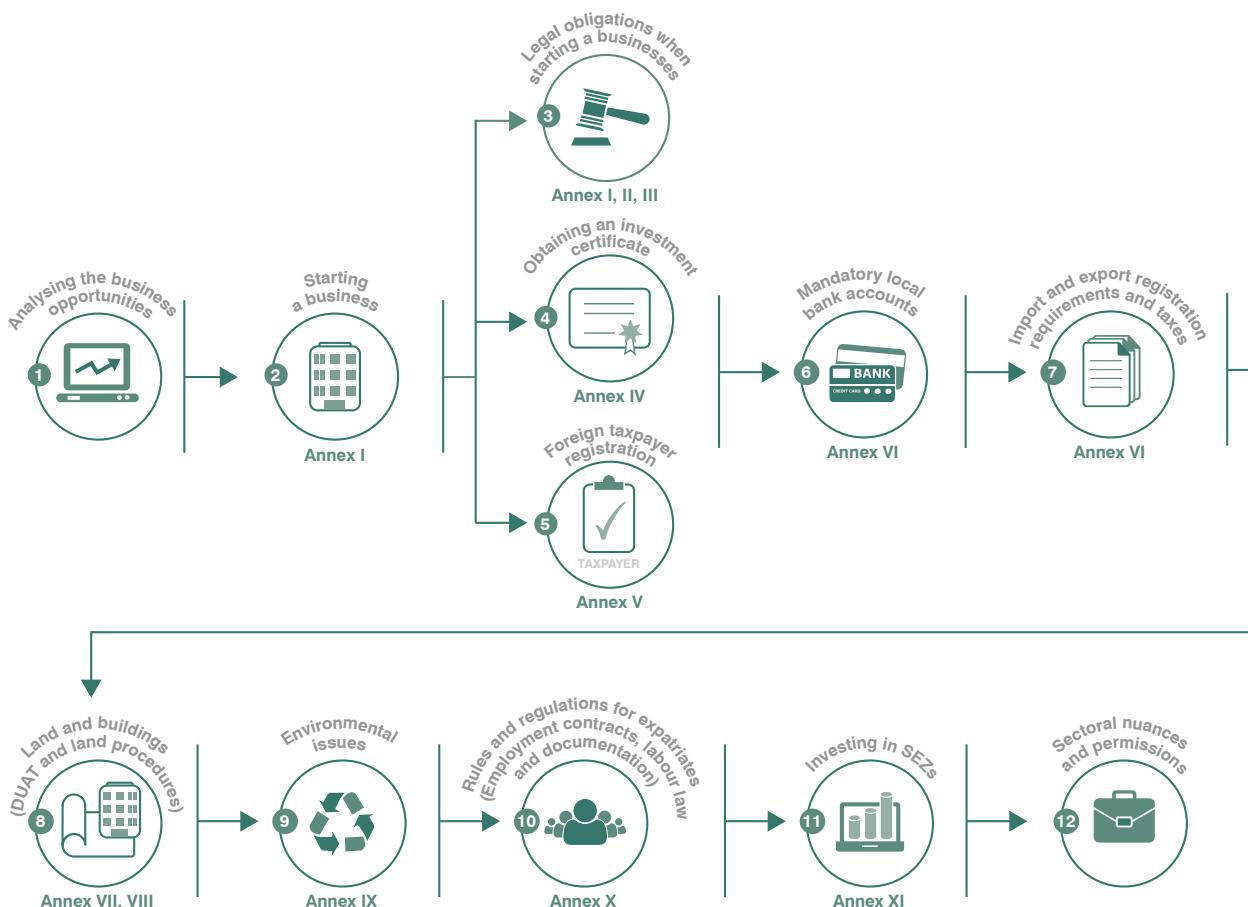
– <https://www.ft.com/reports/invest-mozambique>

"Today we say: Mozambique is back as a prosperous economy. Foreign investment is safe"

– Mozambican President Filipe Nyusi during the 11th Biannual Business EUA-Africa in Washington in June 2017
(see: <http://observador.pt/2017/06/14/presidente-da-republica-de-mocambique-apela-a-confianca-dos-investidores-estrangeiros-no-pais/>)

STEP 2

In order to complete a successful investment transaction, an investor may be required to follow the procedures outlined in the workflow diagram below:



STEP 2: STARTING A BUSINESS

Mozambique ranks 124 (from 1 to 190) regarding starting a business according to the World Bank Report – Doing Business 2018. This is mainly justified by the lack of automation in the business registration process.

Besides the incorporation of a branch, the main forms of business in Mozambique are companies, which may take the following forms:

- 1. Company by quotas** (*Sociedades por Quotas – LDA*);
- 2. Company by shares** (*Sociedade Anónima de Responsabilidade Limitada – SA*);
- 3. Sole shareholder** (*Sociedade Unipessoal por Quotas – SUQ*).

The main difference between an SA and LDA company (which are those allowing for more than one shareholder) is that, whilst a LDA company is a limited liability company normally adopted for medium-sized and small-sized investments and is often chosen for its simple structure, the SA company is a limited liability company typically tailored for large investments. It is generally created in situations involving a significant number of shareholders since it has a more complex structure.

There are no minimum share capital requirements in Mozambique. The Commercial Code states that the capital of a company (whether SA or LDA) shall be such an amount as is fit to pursue the company's business purposes.

There are no local rules in place requiring that companies reserve a certain percentage of their shareholdings for local partners. Nonetheless, certain regulations may set out specific rules on share ownership in connection with specific business sectors. This is the case of the Petroleum Law, which sets forth that the state shall have the right to participate in any petroleum operations being pursued by any legal entity.

There are no restrictions regarding directors' nationality and the law does not require company directors to be Mozambican residents. However, from an operating standpoint, it is advisable that at least one director resides in Mozambique. Any person can be appointed director, whether or not he or she is a member of the company.

All companies must have a director, chairman and secretary of the General Assembly (which is the corporate body formed by the shareholders), appointed from the shareholders themselves or a third party, and an audit body, in

case of the SA. An LDA company does not demand an audit body unless it has 10 or more shareholders.

Companies organized or operating in Mozambique will also be subject to general tax filing obligations, including an annual tax return and an annual account and fiscal report, which may ultimately trigger the need to pay the tax assessed by the relevant tax authority. Said entities must maintain accounting records in Mozambican meticais (MT). These accounting records must be organized in accordance with the Mozambican General Accounting Plan (Plano Geral de Contabilidade). The financial statements (balance sheet and income/profit and loss statements) should be signed by an accountant registered with the Ministry of Finance (for a list of accountants, please refer to: <http://www.ocam.org.mz>).

See annex I for the procedure for starting a local company, annex II for the procedure for business name reservation, and annex III for the procedure to obtain an industrial/business permit.

2.1 Investor FAQ

INVESTOR FAQ

Will a branch office be allowed to set up operations or is company formation mandatory? Yes, it will be. Thus, company formation is not mandatory, as a general rule.
What about partnerships? Partnerships are not expressly foreseen in the Mozambican legal system.
Do these rules differ across sectors or nature of activity (manufacturing vs trading vs importing for domestic sale, etc.) or are they uniform? The rules to register a company or a branch are the same regardless of the nature of activity. However, this is not the case for obtaining operating licences, as rules differ from licence to licence and according to the sector of activity.
Will a new company formed only by foreigners get 'national' treatment or are local partners required? Companies formed by foreigners generally have the same treatment in comparison with companies with local shareholders. Nonetheless, there are some areas, such as oil and gas and public procurement, where companies formed by locals have priority.
Can company formation be done online or is the physical presence of promoters/authorized representatives required? The physical presence of promoters/authorized representatives is required.
Who can be the authorized representatives? Anyone indicated by the company by means of a power of attorney.
What are the know your customer (KYC) rules? It is a process by which banks obtain information on the identity (depending on the type of client: if an individual, the passport any other identity documents; if a legal entity, a commercial certificate) and address of their customers. This process helps to ensure that bank services are not misused. Mozambique's money laundering and financing of terrorism law provides some KYC rules that banks must follow. In general, the banks follow KYC rules on the opening of accounts.
What registrations/licences are thereafter possible online? None so far. All registrations must be made by means of physical presence.



2.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none"> ■ Capital contributions may be in cash or in kind. At least 50% of nominal value of quotas in cash must be paid up on the date of incorporation. The remainder may be paid within a maximum of three years. ■ When the contributions of share capital is in kind, the company must indicate experts to evaluate the property and determine its value. ■ Unless the articles of association state otherwise, the rights and obligations of each member, including the rights to dividends, are equivalent to the percentage of the share capital represented by its quota. ■ Limited liability companies must incorporate a legal reserve corresponding to 20% of the share capital. A sum representing no less than 20% of the company's annual net profits must be allocated to the creation or reinstatement of a legal reserve, until such reserve reaches the aforementioned legal minimum threshold. ■ All documents issued abroad must be certified by a notary or entity with identical competencies in the country of origin. These documents must also be validated by the Ministry of Foreign Affairs of the country of origin, certified by the consular services of the Embassy of Mozambique in the country of origin or in the nearest country where there is a Mozambican Consulate, validated by the Ministry of Foreign Affairs and Cooperation of Mozambique and translated into Portuguese by a sworn (certified) translator. 	<ul style="list-style-type: none"> ■ The company cannot change its head office without making the amendment with the Legal Entities Registrar Office and Ministry of Industry and Commerce. ■ Amendments to articles of association must be registered within three months, or are subjected to fines.

2.3 Relevant legislation⁵

- I. Commercial Code approved by Decree Law no. 2/2005 of 27 December, with amendments introduced by 2/2009 of 24 April
- II. Legal Entities Registry Code approved by Decree Law no. 1/2006 of 3 May
- III. Regulations of Commercial Activities Licensing approved by Decree no. 34/2013 of 2 August

⁵ Available on non-official website: <https://www.acismoz.com/legislacao-traduzida/>.



STEP 3

STEP 3: LEGAL OBLIGATIONS WHEN STARTING A BUSINESS

3.1 Relevant documentation⁶

a) Declaration for the commencement of tax activities

Where to go? Mozambique Revenue Authority.
What to do? <ul style="list-style-type: none">■ Retain a duly registered accountant (for a list of accountants, refer to: http://www.ocam.org.mz/);■ Declare the commencement of activities for tax purposes, up to 15 days prior to the start of activities.
What are the documents and information required? <ul style="list-style-type: none">■ Specific form duly completed and signed by an accountant and applicant's representative;■ Copy of operating licence(s).
How much time will it take? Three days on average.
What are the costs? Free of charge.
What will you obtain? The Mozambique Revenue Authority will only acknowledge receipt of the communication if you stamp and put the receipt date on it.
What is the next step? Submit the relevant tax returns and pay taxes due (please refer to Step 4).

b) Declaration of commencement of activities for labour purposes

Where to go? The Ministry of Labour, Employment and Social Security (MITESS).
What to do? Submit the relevant communication, up to 15 days prior to the start of activities
What are the documents and information required? <ul style="list-style-type: none">■ Communication letter;■ Copy of operating licence(s);■ Copy of declaration of commencement of activity for tax purposes, acknowledged as received by the Mozambique Revenue Authority.
How much time will it take? One day.
What are the costs? Free of charge.
What will you obtain? MITESS will only acknowledge receipt of the communication if you stamp and put the receipt date on it.
What is the next step? <ul style="list-style-type: none">■ Enrol the company and employees in the social security system;■ Submit a nominal list of employees to MITESS on an annual basis;■ Submit an application for working hours schedule approval in MITESS;■ Purchase books for the registration of overtime and the registration of exceptional work;■ Purchase employee files and complete them with the required information;■ File relevant documents and information in files mentioned in previous point;■ Purchase work cards, complete them and submit for approval of MITESS;■ Have internal regulations duly approved by the relevant authorities.⁷
<p>The three steps fully described herein a) declaration of commencement of activities for tax purposes; b) for labour purposes; and c) enrollment with the INSS are the three first major steps to start operating.</p> <p>Then the submission of the below additional documents are tasks and although necessary, which are not described in details as associated with few straightforward procedures.</p>

⁶ Available from <https://www.inss.gov.mz/?Itemid=1062>.

⁷ Only mandatory for companies with more than 10 employees.



c) Enrol the company and employees in the social security system

Where to go? National Institute of Social Security (INSS).
What to do? Submit the application to enrol the company and employees in the social security system.
What are the documents and information required? <ul style="list-style-type: none"> ■ Application letter; ■ Copy of operating licences; ■ Copy of declaration of commencement of activities for tax purposes; ■ Copy of employees' identification documents.
How much time will it take? Fifteen days on average.
What are the costs? Free of charge.
What will you obtain? A document attesting to the registration with the identification numbers in the social security system.
What is the next step? Make the social security deductions on a monthly basis, submit the relevant returns and pay said deductions.

3.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none"> ■ The company must register with the social security system 15 days after its start of activity; ■ The employees must be registered with the social security system 30 days after being hired; ■ The company must notify the INSS of every dismissal of employees; otherwise, it will have to continue paying the respective tax as if such employee is still employed. 	<ul style="list-style-type: none"> ■ The company can't operate without filing the commencement of activities form under penalty of being subject to fines or closure; ■ The company shall not withhold payment of INSS in relation to foreign employees prior to obtaining the relevant exemption certificate due to the enrolment of such employee in a foreign social security system.

3.3 Relevant legislation

- I. Social Security System Law approved by Law no. 4/2007 of 7 February
- II. Labour Law approved by Law no. 23/2007 of 1 August

⁵ Available at <https://www.inss.gov.mz/?Itemid=1062>

TAX

STEP 4

STEP 4: FOREIGN TAXPAYER REGISTRATION

4.1 Types of taxes

a) Direct taxes

INDIVIDUAL INCOME TAX (IRPS)

Individual income tax is levied on incomes earned worldwide by residents of Mozambique (whom are all national or foreign citizens who remain resident in Mozambique for at least 180 days a year). Non-residents in Mozambique pay IRPS on incomes earned in Mozambique. According to Mozambican law (and as an agent that carries out the activity), agriculture and light manufacturing are classified as second category IRPS income. There are five IRPS income categories.

- I. First category – employment incomes
- II. Second category – business and professional income
- III. Third category – capital income and capital gains
- IV. Fourth category – real estate income
- V. Fifth category – other incomes

CORPORATE INCOME TAX (IRPC)

This tax is applicable to companies with a head office or effective management in Mozambique; i.e. with a tax residence in the country, which engages in industrial, commercial or services (economic activities in general). Companies and similar entities that are tax residents in Mozambique are liable for this corporate tax, which is levied on taxable profits, calculated according to the tax law rules.

The standard rate applicable to taxable profits assessed at year end is 32%. A 35% fee is applied when there are expenses that are not properly documented, or are illegal or confidential.¹⁰

SIMPLIFIED TAX FOR SMALL TAXPAYERS (ISPC)

Applicable to individuals and corporate entities engaged in industrial, commercial or services activities (economic activities in general), with an annual turnover of up to MT 2,500,000.

The tax is levied at MT 75,000 yearly or at 3% of each trimester's turnover.¹¹

b) Indirect taxes

VALUE ADDED TAX (VAT)

Value added tax (VAT) is levied on the supply of goods or services carried out in the national territory by a taxpayer and on the importation of goods. It is a general multi-phase tax on consumption that is ultimately borne by the final consumer. The tax liability is determined by the difference, in a given period, between VAT on sales (output VAT) and VAT on purchases (input VAT). Some transactions are VAT exempt under certain conditions and limits stated in the law.

Mozambique's (unique) VAT rate is 17%.

SPECIFIC CONSUMPTION TAX (ICE)

It is levied on certain goods, produced locally or imported, including alcoholic beverages, manufactured tobacco, beauty products, clothes, flowers, pearls, diamonds, gemstones, gold, platinum, jewellery, vehicles, motorcycles, some airplanes and boats, and weapons, at an ad valorem rate of between 15% and 75%. Cigars, cigarettes and alcoholic beverages are levied at a fixed amount per unit (e.g. vodka is levied at a rate of MT 120 per litre, and cigars at a rate of MT 300 per thousand units).

PROPERTY TRANSFER TAX (SISA)

It is only applicable to non-municipal areas and is levied on paid assignment of real estate ownership (or similar) at a rate of 2%.¹²

NATIONAL RECONSTRUCTION TAX (IRN)

It is only applicable to non-municipal areas and is levied on residents (local or foreign) between 18 and 65 years old, who obtain IRPS or IRPC incomes, even if exempt. The amount varies from MT 10 to MT 40.

¹⁰ Please take note that Mozambique's double taxation agreements network comprises Portugal, Italy, Mauritius, United Arab Emirates, South Africa, Botswana, India, Macau and Viet Nam.

¹¹ In the first year of activity, the tax rate is reduced by 50% (i.e. annual amount of MT 37,500 or at a 1.5% rate).

¹² It can be 10% in cases where the purchaser or its shareholders reside in a country where the income tax rate is 19.2% or less.

c) Municipal taxes

PERSONAL MUNICIPAL TAX (IPA)

It is only applicable to municipal areas and is levied on residents (local or foreign) between 18 and 60 years old. The amount due varies from 1% to 4% of the highest minimum wage, in force in June.

MUNICIPAL SISA

It is only applicable to municipal areas and is levied on paid assignment of real estate ownership (or similar), at a rate of 2%.

4.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none">Settle and pay within the timeframes established by law under penalty of paying a fine for non-compliance (penalty fee ranging from MT 3,000 to MT 2,500).	<ul style="list-style-type: none">Don't fail to comply with the law.

For the procedures to register as foreign taxpayer for the above-mentioned taxes, please see annex V.

4.3 Relevant legislation¹³

- I. Law no. 15/2002 of 26 June – establishes bases for the implementation of the new system of income tax
- II. Law no. 2/2006 of 22 March – approves the general tax law
- III. Law no. 33/2007 of 31 December – approves the personal income tax code
- IV. Decree no. 8/2008 of 16 April – approves the regulation of the personal income tax code
- V. Law no. 34/2007 of 31 December – approves the corporate income tax code
- VI. Decree no. 9/2008 of 16 April – approves the regulation of the corporate income tax code
- VII. Law no. 5/2009 of 12 January – creates the tax on small contributors income
- VIII. Decree no. 14/2009 of 14 April – approves the tax on small contributors income regulation
- IX. Law no. 32/2007 of 31 December – approves the value added tax code
- X. Decree no. 7/2008 of 16 April – approves the regulation of the value added tax code
- XI. Law no. 17/2009 of 10 September – approves the specific consumption tax code
- XII. Decree no. 69/2009 of 11 December – approves the regulation of the specific consumption tax code
- XIII. Decree no. 6/2004 of 1 April – approves the stamp tax code
- XIV. Law no. 28/2007 of 4 December – approves the tax code on succession and donations
- XV. Decree no. 21/2008 of 27 June – approves the regulation of the tax on succession and donations tax code
- XVI. Decree 46/2004 of 27 October – approves the immovable assets transfer tax code
- XVII. Decree no. 4/87 of 30 January – approves the national reconstruction tax code
- XVIII. Decree no. 19/2002 of 30 July – approves the vehicle tax regulation
- XIX. Law no. 27/2014 of 23 September – approves the specific regime of taxation and fiscal benefits of petroleum operations
- XX. Law no. 28/2014 of 23 September – approves the specific regime of taxation and fiscal benefits of mining activity
- XXI. Decree no. 28/2015 of 28 December – approves the regulation of the specific regime of taxation and fiscal benefits of mining activity
- XXII. Decree no. 56/2003 of 24 December – approves the regulation of the fuel tax
- XXIII. Law no. 1/2008 of 16 January – defines the financial, budgetary and patrimonial regime of local authorities and the municipal tax system
- XXIV. Decree no. 63/2008 of December 30 – approves the municipal tax code
- XXV. Decree no. 46/2002 of 26 December – approves the general regime of tax offenses

¹³ Available from <http://www.at.gov.mz/por/Legislacao>.

STEP 5

STEP 5: OBTAINING AN INVESTMENT CERTIFICATE

5.1 Foreign investment overview

Up to 2017, the Investment Promotion Centre (CPI) was responsible for the approval of foreign investment projects, whilst the entity responsible for projects taking place in special economic zones (SEZs) or industrial free trade zones (IFTZs) was the Office for Accelerated Development Economic Areas (GAZEDA). In 2016, the Mozambican Government decided to extinguish CPI and GAZEDA as well as IPEX (the Promotion for Exportation Agency) and merge them, creating the APIEX. In practice, there hasn't been any material change in the procedures and each request shall be submitted to the establishment in which each entity used to operate (now all named APIEX).

It is important to note that the Investment Law and Regulations do not apply to investments carried out in the areas of prospecting, research and production of oil and gas, mining of mineral resources, public investments financed by funds from the General State Budget or investments of an exclusively social nature. Therefore, any project to be carried out in one of the previously mentioned sectors shall be subject to a separate analysis.

For the procedure to obtain an investment certificate, please see annex IV.

5.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none"> ■ For purposes of export of profits and re-export of the invested capital, the status of a foreign investor will remain in force indefinitely, for as long as the terms and conditions that contributed to the award of this status remain unchanged. Therefore, once the investors understand that they won't be able to comply with the terms of authorization (such as the investment amount or even in those cases where the investment carried out exceeds that initially indicated), they must request an amendment of the terms of authorization in order to prevent a breach of contract with the APIEX. 	<ul style="list-style-type: none"> ■ Not complying with the deadline set for the start of the implementation of the project may result in the revocation of the authorization. ■ Suspending the implementation or operation of the company for a continuous period of more than three months without prior communication to the relevant authority may also result in a revocation of the authorization. ■ Breaching the Investment Law and its regulations or any of the conditions established in the respective authorization or other applicable legal instruments may also result in the revocation of the authorization.

5.3 Relevant legislation⁹

- I. Law 3/93, of 24 June – Investment Law
- II. Decree 43/2009 of 21 August – Investment Regulations
- III. Decree 60/2016 of 12 December (as amended by Decree 48/2017 of 11 September) – approves the APIEX
- IV. Decree 48/2013 of 13 September – amendment to Investment Regulations
- V. Ministerial Order 202/2010 of 24 November – SEZ and IFTZ Tax and Custom Special Regime
- VI. Law 4/2009 of 12 January – Tax Incentives Code
- VII. Decree 56/2009 of 7 October – Tax Incentives Code Regulations

⁹ Available at http://www.gazeda.gov.mz/m/index.php?option=com_content&view=article&id=340&Itemid=186&lang=pt.

STEP 6

STEP 6: MANDATORY LOCAL BANK ACCOUNTS

6.1 Overview

The implementing company of the investment project (even if an investment authorization was not obtained) must open a bank account with a Mozambican commercial bank. It is important to clarify that, whilst opening of bank accounts in local currency has no limitations, bank accounts in foreign currency are subject to the previous authorization of the Central Bank, as further explained in **Annex VI**.



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6.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none"> ■ Register all amounts transferred into Mozambique from abroad. ■ Notify the Bank of Mozambique of any modification of the terms included in the letter approving the respective application. 	<ul style="list-style-type: none"> ■ The conduct of foreign exchange operations without the authorization of or registration with the Bank of Mozambique is punishable by fines, and the goods or monetary instruments used or obtained in the course of illegal foreign exchange transactions are forfeited to the state. Other accessory penalties may also be applied. ■ Transferring amounts into a Mozambican bank account whilst it is not fully operational or if authorization by the Central Bank hasn't been granted in relation to FDI may result in the funds not being available to the holder and subject to attainment of the respective authorization or conclusion of the process.

6.3 Relevant legislation¹⁴

- I. Law 11/2009 of 11 March – Foreign Exchange Law
- II. Decree 83/2010 of 31 December – Foreign Exchange Regulations
(In force until December 2017, given that it has been revoked by Decree 49/2017 of 11 September)
- III. Order 4.GBM.2011 of 10 August, approved by the Bank of Mozambique – foreign currency bank accounts

¹⁴ Available on http://www.bancomoc.mz/fm_pgLink.aspx?id=137 and http://www.bancomoc.mz/fm_pgTab1.aspx?id=8.



REGISTRATION

STEP 7

STEP 7: IMPORT AND EXPORT REGISTRATION REQUIREMENTS

The import and exports of goods are subject to control by Customs and must be carried through the ports, airports and other Customs offices duly authorized for the purpose.

7.1 Import of goods – requirements

Local or foreign investors wishing to import goods to Mozambique must submit the following documents to tax authorities:

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

After obtaining a business licence, the companies whose scope of business includes sale of goods with import and export must generally request an import and export card from the Ministry of Industry and Commerce.

To Import goods, it is advisable to coordinate with a duly registered clearing agent, since the documents must be submitted through the electronic system, which only a duly registered clearing agent can use. After analysing the documents, the tax authorities notify the applicant to pay the tax due in 10 business days.

After entry of the goods in the country, the applicant has 25 days to collect the goods, after which it is considered abandoned and reverses in favour of the state.

7.2 Export of goods – requirements

Local or foreign investors wishing to export goods from Mozambique must submit the following documents to tax authorities:

- a) **Customs declaration (DU)**
- b) **Import and export card**
- c) **Original commercial invoices**
- d) **Packing list**
- e) **Document proving ownership of goods**
- f) **Certificate of origin or EUR 1, if demanded in the country of destiny**
- g) **Any licence required, depending on the goods**
- h) **Special licence for goods such as animals, hazardous substances and minerals**
- i) **Application for assistance in the packaging of the goods, if necessary**

7.3 Import and export taxes

On the import and export of goods, the following taxes may be levied:

- i) **Customs duties**
- ii) **Excise duties**
- iii) **Surcharges**
- iv) **Value added tax**
- v) **Customs service fee**
- vi) **Overvaluation fee**

Companies operating in a free trade zone are exempt from custom duties and VAT provided that the imported goods and merchandise are destined for the activity approved under the Industrial Free Trade Zone Regulation.



STEP 8

STEP 8: LAND AND BUILDINGS

8.1 Right of use and enjoyment of the land (DUAT)

Where to go?

- Relevant municipality, if the plot is located within the municipal area; and
- Provincial Directorate of Agriculture, if the plot is located outside the municipal area.

What to do?

Submit the application to obtain the DUAT (*Direito de Uso e Aproveitamento de Terra*), which is the right to use and benefit from land.

What are the documents and information required?

In relevant municipality

- Copy of applicant's legal entity's registration certificate
- Copy of applicant's articles of association
- Draft of project location
- Summary of the project that the applicant intends to carry out

In Provincial Directorate of Agriculture

- Copy of applicant's legal entity's registration certificate
- Copy of applicant's articles of association
- Draft of project location
- Summary of the project that the applicant intends to carry out
- Descriptive memory/report of the project
- Opinion issued by district administrator, preceded by consultation with the local community
- Public notice and proof of its affixation at the district's head office for a period of 30 days

How much time will it take?

It's unpredictable, because the relevant authorities may take further actions to confirm that there is no other title issued for the required spot or space.

What are the costs?

It depends on the location.

What will you obtain?

A document attesting the DUAT.

What is the next step?

Perform the project.

8.2 Land procedures

Mozambique's real estate market attracts the attention of many players. This sector's activity is centred in the capital. The fact that demand continues to exceed supply ensures significant profit margins and identifies Mozambique as a centre of opportunities for this market, whether the residential market or the building of office spaces.

In accordance with Mozambican legislation, land is owned by the state and cannot be sold or otherwise disposed of or encumbered. Nevertheless, the law provides for a lesser real right known as the use and enjoyment of land right (*Direito de Uso e Aproveitamento de Terra/DUAT*), which allows use of the land. The DUAT may be held by Mozambican natural and corporate persons, as well as by local communities (groups of families and individuals living in a village or territorial constituency smaller than a village, which aims to safeguard common interests through the protection of residential areas, agricultural areas, sites of cultural importance, pastures, water sources and expansion areas). The DUAT acquired by the local community is governed by joint-ownership principles. Foreigners may also be DUAT holders provided they have an approved investment project and meet the following conditions: (i) if natural persons, they have resided at least five years in Mozambique; (ii) if corporate persons, they are incorporated or registered in Mozambique.

Acquisition of the DUAT can take place in three ways:

- Occupation by natural persons and local communities, according to customary norms and practices, provided they do not contravene the constitution;
- Occupation by Mozambican natural persons who, in good faith, have been using the land for at least 10 years; or
- Authorization of an application lodged by natural or corporate persons.

In urbanized areas, acquisition of the DUAT may also take place in the following ways:

- **Draw** – of plots or parcels located in areas of basic urbanization (this method is for Mozambicans only);
- **Public auction** – of plots or parcels located in fully or intermediately urbanized areas intended for the construction of residential, commercial and services buildings (the opening bid cannot be lower than the value of the urbanization charge);

- **Private negotiation** – between local state and local government authorities and those submitting projects related to setting up industrial and agro-livestock facilities and supermarkets, construction of housing at the initiative of co-operatives or associations, and residential construction associated with major investment projects.



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8.3 Additional queries

What are the various permissible forms and land consents?

Under Mozambican law, the land belongs to the state. Therefore, an entity (either Mozambican or foreigner) cannot be the owner of the land, but may be granted the DUAT for a 50-year renewable period. The holder of the DUAT becomes the owner of any building, premises or other immoveable assets built on the land to which the DUAT relates and may thus sell/assign the immoveable property built on the land, by means of a public deed. With the sale of the immoveable property, the DUAT relating to the land on which said property is implemented is automatically assigned to the purchaser/assignee of the property.

Land assignment process until final legal possession

The assignment of DUAT occurs automatically with the assignment of the property implemented on the relevant land to which the DUAT refers. The assignment of the property must be made through a notarial deed and must be registered with the Real Estate Registrar office. It is subject to municipal property tax.

Land use permissions

The land use permission is included in the DUAT.

Existence and availability of industrial estates, manufacturing zones and SEZs

The government can create free manufacturing zones and SEZs. Thus far, the Nacala SEZ (Nampula Province), Mocuba SEZ (Zambézia Province) and Manga-Mungassa's SEZ (Sofala Province) have been created. In these zones, the process of access to land is the same described above, but the entity responsible for authorizing investment in free manufacturing zones and SEZs must support investors to get the necessary authorization for land use.

8.4 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none"> ■ The DUAT can be freely transmitted with the transfer of property; ■ The owner of DUAT can divide the land upon authorization of the issuing entity. 	<ul style="list-style-type: none"> ■ The land may not be sold or otherwise disposed of, nor may it be mortgaged or subject to attachment.

8.5 Relevant legislation¹⁵

- I. Land Law approved by Law no. 19/97 of 1 October
- II. Land Law Regulations approved by Decree no. 66/98 of 8 December
- III. Urban Land Regulation approved by Decree no. 60/2006 of 26 December
- IV. Rules on licensing private building work approved by Decree no. 2/2004 of 31 March
- V. Investment Law approved by Law no. 3/93 of 24 June 24
- VI. Tax Benefits Code approved by Law no. 4/2009 of 12 January

¹⁵ Diplomas are not available online, only the respective references on <http://www.mitader.info/sobre-nos/politicas/?area=Terras>.



STEP 9

STEP 9: ENVIRONMENTAL ISSUES

9.1 Detailed overview

According to the Environment Law, enacted by Law no. 20/97 of 1 October and amended by Law no. 16/2014 of 20 June, the use and management of the environment and its components must be carried out correctly, with a view to materializing a system of sustainable development in Mozambique. The Environment Law aims to prevent environmental damage through environmental licensing.

Activities that, by their nature, location or size, are likely to have significant impact on the environment are subject to licensing and registration, to be made according to the regime established by the government, which is set out in Decree no. 54/2015 of 31 December, which approved the Regulation on the Environmental Impact Assessment Process (hereinafter Regulation). The issuance of the environmental licence is based on an environmental impact assessment (EIA) of the activity proposal and precedes the issuance of any other legally required licences for each case.

For the definition of the type of EIA procedure to be conducted, the activities described in the Regulation fall within four categories:

I. Category A+ activities – Activities that, due to their complexity, location or irreversibility and magnitude of possible impact, deserve not only a high level of social and environmental vigilance, but also the involvement of experts in EIA processes. This category includes activities with the following characteristics and locations:

- a) Physical and economic displacement of families that does not correspond with the pre-defined resettlement model in the Regulation on the Resettlement Process Resulting from Economic Activities;
- b) Activities located in areas with a high biodiversity value;
- c) Activities with irreversible potential impact prior to the application of mitigation measures in areas where human activity has not substantially modified the native ecological functions and species composition of the area;
- d) Activities whose location is in conservation and protected areas and in their buffer zones, with the exception of activities proposed by the managing entity of said conservation area, when intended to improve its management;

- e) Activities whose implementation directly affects coral reefs and primary dunes, mangroves, wetlands and seagrass whenever the affected area exceeds 1 ha;
- f) Populated areas where the concerned activity may involve high levels of pollution or other disturbance that significantly affects local communities;
- g) Zones of unique scenery;
- h) Native forests;
- i) Zones containing animal or plant species, habitats and endangered ecosystems.

This category includes: (i) the treatment and manufacture of dangerous substances classified as carcinogenic, mutagenic or toxic; (ii) the manufacture of products using genetically modified organisms and their derivatives; (iii) manufacture of pesticides; (iv) nuclear power plants; (v) processing and storage of radioactive waste; (vi) extraction and processing of ores; (vii) extraction, storage, transportation, processing and production of hydrocarbon derivatives; and (viii) underground and surface storage facilities for combustible gases.

II. Category A activities – Activities that significantly affect living beings and environmentally sensitive areas and their impacts are of longer duration, intensity, magnitude and significance. This category includes activities related to or located in areas with the following characteristics:

- a) Areas and ecosystems recognized as having special protection status under national and international law, such as small islands, eminent erosion zones, areas exposed to desertification, areas of archaeological, historical and cultural value to be preserved, protection areas of sources and sources of supply, and ground-water reservoirs;
- b) Populated areas that imply the need for reassignment, such as regions subject to high levels of development or where conflicts exist in the distribution and use of natural resources, areas along water courses or areas used as a source of water for community consumption, zones containing valuable resources such as aquatic, mineral and medicinal plants, etc., and areas prone to natural disasters.

For the agroprocessing and light manufacturing sectors, the A Activities category includes the following activities.

A ACTIVITIES CATEGORY

Forest exploration	<ul style="list-style-type: none"> ■ Exploration, parcelling and exploitation of native vegetation cover with individual or cumulative areas greater than 100 ha; ■ All deforestation activities with more than 50 ha, reforestation and afforestation of more than 250 ha.
Agriculture	<ul style="list-style-type: none"> ■ Activities of parcelling for agriculture of more than 350 ha with irrigation and of 1000 ha without irrigation; ■ Conversion of agricultural land for commercial, urban or industrial purposes; ■ Conversion of equivalent areas or more than 100 ha of uncultivated agricultural land for more than five years for intensive agriculture; ■ Introduction of new exotic crops and species; ■ Irrigation systems for areas of more than 350 ha; ■ Intensive livestock activities of more than: <ul style="list-style-type: none"> 1. 50,000 poultry per year; 2. 1,500 pigs or 100 breeding sows per year; and 3. 500 bovine animals per year or individual or cumulative area less than or equal to 1,000 ha. ■ Extensive livestock activities of more than: <ul style="list-style-type: none"> 1. 500 cattle per year or individual or cumulative area less than or equal to 2,000 ha (4 ha per animal); 2. 2,000 animals per year (small ruminants – goats and sheep). ■ Aerial or field spraying in individual or cumulative areas exceeding 1,000 ha.
Fisheries	<ul style="list-style-type: none"> ■ Industrial fishing activities involving increased pressure on fishery resources; ■ Aquaculture activities with more than 100 tons of production per year.
Textiles, leather, wood and paper	<ul style="list-style-type: none"> ■ Manufacture of paper and paperboard of a capacity exceeding 20 tons per day; ■ Washing, bleaching, mercerizing or dyeing of fibres and textiles having a capacity of 10 tons or more per day; ■ Construction of tanneries with a capacity exceeding 12 ton per day; ■ Installations for the production and treatment of pulp with a capacity of 40 tons or more per day.
Treatment and disposal of solid waste and effluents	<ul style="list-style-type: none"> ■ Storage, transport, treatment and disposal of hazardous industrial waste; ■ Sanitary landfills with a capacity of more than 150 000 inhabitants; ■ Storage, transportation, treatment and disposal of hospital waste, central, general, provincial, district and clinics with maternity and general surgery services; ■ Sewage and sewage treatment facilities with a capacity of more than 150 000 inhabitants; ■ Cemeteries with an area greater than 50 ha; ■ Incinerators of waste treatment and others.

III. Category B activities – Activities that do not significantly affect living or environmentally sensitive areas compared to category A activities. The following activities are covered in this category:

- a. Wood processing plant;
- b. Factory for processing of paints and varnishes;
- c. Factory for food and beverage processing with production of more than 10 tons per day;
- d. Storage areas of scrap more than 5 ha;
- e. Cashew nut processing plant;
- f. Breeding of poultry with capacity between 1,000 and 1,500 animals per year;
- g. Transformation or removal of indigenous vegetation in areas between 100 and 200 ha without irrigation;
- h. Production and processing of juices;
- i. Industrial production of concrete. This type of activity should be located in industrial parks or in areas located at a minimum distance of 6 km from housing areas;
- j. Industrial production of blocks of cement, kerbs and paves;
- k. The production of milk and milk products;
- l. Industrial flour processing;
- m. Production and processing of wicks;
- n. Ceramic industry;
- o. Slaughterhouses;
- p. Fish processing industry;
- q. Industrial carpentry;
- r. Manufacture of cigarettes, cigars and the like;
- s. Dredges for maintenance of the navigational conditions, provided they do not exceed the previously achieved background dimensions;
- t. Maintenance and reconstruction of coastal erosion works;
- u. Activities in conservation areas proposed by the conservation management entity, aimed at improving its management.

IV. Category C activities – Activities that have negligible, insignificant or minimal negative impacts. There are no irreversible impacts in this category and the positive ones are superior and more significant than the negative ones. This category includes:

- a. Irrigation systems with an individual or cumulative area of between 50 ha and 100 ha;
- b. Production of plastic bags with a thickness of more than 30 micrometres;
- c. Domestic carpentry and joinery;
- d. Factories of biscuits, pastas and sweets;
- e. Bakery industry;
- f. Fruit and vegetable preservation industry – production of 300 tons per day or less;
- g. Manufacture of fibre, particleboard and plywood panels;
- h. Intensive livestock activities (poultry <1,000 animals per year);
- i. Manufacture of toilet paper and napkins;
- j. Zinc sheet bending.

Category A+ activities are subject to an EIA and the supervision by independent expert reviewers with proven experience, and category A activities are subject to an EIA. Both these categories are also subject to an environmental pre-viability and definition of scope study (hereinafter EDPA) to define the scope of the environmental impact assessment, through the selection of the

environmental components that might be affected by the activity under review and to be targeted by the EIA.

Category B activities are subject to a simplified environmental assessment (hereinafter SEA). Category C activities are not subject to any form of environmental assessment, only to the presentation of a Good Environmental Management Procedures, to be prepared by the project proponent and approved by the entity that oversees the area of EIA.

Before preparing the environmental impact assessment, the terms of reference (ToR) must be prepared and submitted for approval. They constitute the guidelines for the undertaking of the said assessments. The ToR must include a description of the specialized studies identified as necessary during the EDPA and to be carried out during the EIA for category A+ and category A activities. It must also include the methodology for the evaluation of ecosystem services provided, the description of viable alternatives identified and to be investigated in the EIA, and additional information or requirements. Furthermore, the ToR must mention the methodology for identifying and assessing environmental impacts, in particular the impacts on climate change and vulnerability to climate change and biodiversity, including residual and social impacts in the construction, operation and deactivation phases.

For the procedure to obtain the Environmental Impact Assessment Licence, please see annex IX.

9.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none"> ■ DO submit the request for the environmental impact assessment and environmental licence on time; ■ DO comply with the deadline of two years after the issuance of the licence to start your activity. 	<ul style="list-style-type: none"> ■ DON'T breach the conditions laid down in the respective environmental licence or the applicable legal instruments, since it may result in the revocation of the licence; ■ DON'T begin your activity without an environmental licence; ■ DON'T make the payment of the environmental licensing fee before the approval of the Environmental Installation License.

9.3 Relevant legislation¹⁶

- I. Law no. 20/97 of 1 October – Environmental Law
- II. Decree no. 56/2010 of 22 November – Environmental regulation for petroleum operations
- III. Decree no. 25/2011 of 15 June – Regulation on the environmental audit process
- IV. Decree no. 54/2015 of 31 December – Regulation on the environmental impact evaluation process
- V. Decree no. 18/2004 of 2 June – Regulation on environmental quality and emission of effluents

¹⁶ Available on non-official website: <http://www.impacto.co.mz/legislacao-ambiental/>.

STEP 10

STEP 10: RULES AND REGULATIONS FOR EXPATRIATES

10.1 Employment contracts, labour law and documentation

All citizens who enter Mozambique should use official borders and bear a valid passport with a valid visa. For work purposes, expatriates should hold a work visa and the passport should be valid for more than six months.

Employment contracts entered into with a foreign citizen must comply with the following:

- Be in writing;
- Be concluded for a renewable fixed term not exceeding two years;
- In the event of termination of employment for any reason, the employer must give notice of that fact to MITESS and to the National Migration Services within 15 days.

The Labour Law allows the hiring of foreign employees, governed by the principle of equal treatment and opportunities. This principle does not preclude the duty imposed on employers, domestic and foreign, to create conditions for the integration of Mozambican employees in jobs of greater technical complexity and management and administration positions in the company, and the possibility that, for specific reasons, including public interest, the Mozambican State may reserve certain functions or activities solely for Mozambicans.

Under these general rules, hiring foreigners may be performed through one of the following routes:

- I. Hiring under the quota system – work permit;**
- II. Short-duration hiring;**
- III. Hiring with authorization (outside the quota system) – work permit.**



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Hiring under the quota regime is undertaken within the available quota applicable to the employer, with a minimum limit of one foreign employee: (i) in large companies,¹⁷ equivalent to 5% of all employees; (ii) in medium companies,¹⁸ equivalent to 8% of all employees; and (iii) in small companies,¹⁹ equivalent to 10% of all employees. Employment authorization is not required when hiring under investment projects. The employer simply needs to inform MITESS about the hiring of the employee or employees in question within 15 days of their entry into the country.

The short duration hiring comprises cases of employers who wish to admit expatriate workers for a period of less than 30 days, extendable up to 90 days a year. Hiring outside the quota system is not such a straightforward process as the one under the quota system.

¹⁷ I.e. companies with more than 100 employees.

¹⁸ I.e. companies with 11 to 100 employees.

¹⁹ I.e. companies with up to 10 employees.

Where to go?
<ul style="list-style-type: none"> ■ For hiring an expatriate or obtaining a work permit (under the quota system): MITESS. ■ For hiring an expatriate or obtaining a work permit (outside the quota system): MITESS. ■ Short-duration hiring: MITESS. ■ For work visa: Mozambican Consulate with jurisdiction over applicant's country ■ For residence visa: Mozambican Consulate with jurisdiction over applicant's country ■ For residency permit (DIRE): National Migration Services in the province in which the employee is going to work
What to do?
<ul style="list-style-type: none"> ■ Execute/sign the work contract before leaving the country of origin; ■ After obtaining the work permit, apply for a work visa and travel to Mozambique with the relevant documents, which are issued in the country of origin; ■ Once in Mozambique, obtain the residency permit (DIRE), in accordance with work visa validity.
What documents and information are required?
<p>For hiring an expatriate or obtaining a work permit (under the quota system)</p> <ul style="list-style-type: none"> ■ Application; ■ Certified copy of passport (all pages) of the relevant expatriate employee without any valid visa for Mozambique; ■ Copy of the relevant employment contract or the document that evidences the existence of a contractual relationship; ■ Certificate of academic or technical-professional qualifications of the expatriate to be hired and document evidencing his or her professional experience; ■ Certificate of academic equivalence issued by the Ministry of Education and Culture; ■ Clearance certificate issued by National Institute of Social Security confirming that the employer has no outstanding debts; ■ Clearance certificate issued by the Mozambique Revenue Authority confirming that the employer has no outstanding taxes; ■ List of workers, approved by MITESS; and ■ Evidence of payment of a fee in the amount of five minimum salaries in force for the relevant industry.
<p>For hiring an expatriate or obtaining a work permit (outside the quota system)</p> <ul style="list-style-type: none"> ■ Application; ■ Certified copy of the full passport (all pages) of the relevant expatriate employee without any valid visa for Mozambique; ■ Copy of the relevant employment contract or the document that evidences the existence of a contractual relationship; ■ Certificate of academic or technical-professional qualifications of the expatriate to be hired and document evidencing his or her professional experience; ■ Certificate of academic equivalence issued by the Ministry of Education and Culture; ■ Clearance certificate issued by National Institute of Social Security confirming that the employer has no outstanding debts; ■ Clearance certificate issued by the Mozambique Revenue Authority confirming that the employer has no outstanding taxes; ■ List of workers, approved by MITESS; ■ Opinion of the relevant union body of the sector of activity approving the hiring of such worker; and ■ Evidence of payment of a fee in the amount of 10 minimum salaries in force for the relevant industry.
<p>For short-duration hiring</p> <ul style="list-style-type: none"> ■ Application; ■ Certified copy of the passport (all pages) of the relevant expatriate employee without any valid visa for Mozambique; ■ Certified copy of company's operating licence; ■ Reason for request; ■ Evidence of payment of a fee in the amount of five minimum salaries in force for the relevant industry.

	<p>For a work visa</p> <ul style="list-style-type: none"> ■ Application; ■ Copy of the work permit; ■ Certified copy of the employment contract; ■ Criminal record (issued for this purpose in employee's country of origin) issued for no longer than 90 days; ■ Certified copy of company's operating licence; ■ Certified copy of company's commercial certificate; ■ Letter from the company requesting the issuance of the visa, duly signed and stamped (company stamp); ■ Certified copy of the employee's passport (all pages), without any valid visa; ■ Evidence of payment of the respective fee.
	<p>For residence visa</p> <ul style="list-style-type: none"> ■ Application; ■ Copy of the work permit; ■ Certified copy of the employment contract; ■ Criminal record (issued for this purpose in employee's country of origin) issued no longer than 90 days before submission; ■ Certified copy of company's operating licence; ■ Certified copy of company's commercial certificate; ■ Letter from the company requesting the issuance of this visa, duly signed and stamped (company stamp); ■ Certified copy of the employee's passport (all pages), without any valid visa; ■ Evidence of payment of the respective fee.
	<p>For obtaining a DIRE</p> <ul style="list-style-type: none"> ■ Application; ■ Certified copy of the employment agreement; ■ Copy of the work permit; ■ Certified copy of the employee's passport (all pages), with work visa obtained in the country of origin; ■ Letter from the employer, proving the employment relation between the employer and employee; ■ Criminal record (issued for this purpose in employee's country of origin) issued no longer than 90 days before submission; ■ Original passport; ■ Clearance certificate issued by National Institute of Social Security confirming the employer has no debts; ■ Clearance certificate issued by the Mozambique Revenue Authority confirming the employer has no outstanding taxes; and ■ Evidence of payment of the relevant fee.
	<p>Additional documents required for expatriate's family members</p> <ul style="list-style-type: none"> ■ Certified copy of marriage certificate (in case of husband or wife); ■ Criminal record (issued for this purpose in employee's country of origin) issued no longer than 90 days before submission; ■ Certified birth certificate (all pages) issued no longer than 90 days before submission, obtained in the country of origin – for children; ■ Letter from school attesting that the child is studying there – applicable for children.
	<p>How much time will it take?</p> <ul style="list-style-type: none"> ■ Hiring an expatriate or obtaining a work permit: 15 days ■ Hiring an expatriate or obtaining a work permit (outside the quota system): 15 days ■ Short-duration hiring: 5 days ■ Work visa: 15 days ■ Residence visa: 15 days ■ Residency permit (DIRE): 15 days

What are the costs?

	<p>For hiring an expatriate and obtaining a work permit</p> <ul style="list-style-type: none"> a. Companies operating in the non-financial services sector: MT 27,625 b. Companies operating in the financial services sector: MT 52,000 c. Companies operating in the construction sector: MT 27,180 d. Companies operating in the agriculture sector: MT 18,210 e. Companies operating in the fishing sector: MT 23,075 f. Companies operating in the mining sector: MT 34,815 g. Companies operating in the production and distribution of electricity, gas and water: MT 36,430
	<p>For hiring an expatriate or obtaining a work permit (outside the quota system)</p> <ul style="list-style-type: none"> a. Companies operating in the non-financial services sector: MT 55,250 b. Companies operating in the financial services sector: MT 104,000 c. Companies operating in the construction sector: MT 54,360 d. Companies operating in the agriculture sector: MT 36,420 e. Companies operating in the fishing sector: MT 46,150 f. Companies operating in the mining sector: MT 69,630 g. Companies operating in the production and distribution of electricity, gas and water: MT 72,860
	<p>For short-duration hiring</p> <ul style="list-style-type: none"> a. Companies operating in the non-financial services sector: MT 5,525 b. Companies operating in the financial services sector: MT 10,400 c. Companies operating in the construction sector: MT 5,436 d. Companies operating in the agriculture sector: MT 3,642 e. Companies operating in the fishing sector: MT 4,615 f. Companies operating in the mining sector: MT 6,963 g. Companies operating in the production and distribution of electricity, gas and water: MT 7,286
	<p>For work visa</p> <ul style="list-style-type: none"> a. MT 8,750
	<p>For residence visa</p> <ul style="list-style-type: none"> a. MT 8,750
	<p>For residency permit (DIRE)</p> <ul style="list-style-type: none"> a. MT 14,400 (for nationals from the Community of Portuguese Language Speaking Countries (CPLP)²⁰) b. MT 19,200 (for nationals from the rest of the world)
	<p>What will you obtain?</p> <ul style="list-style-type: none"> ■ For hiring an expatriate or applying for a work permit: work permit ■ For hiring an expatriate or applying for a work permit (outside the quota system): work authorization ■ For short-duration hiring: work permit for short duration ■ For work visa: visa ■ For residence visa: visa ■ For residency permit (DIRE): the DIRE
	<p>What is the next step?</p> <ul style="list-style-type: none"> ■ For hiring an expatriate or obtaining a work permit: obtain a work visa ■ For hiring an expatriate or obtaining a work permit (outside the quota system): obtain a work visa ■ For short-duration hiring: obtain a business visa ■ For work visa: obtain the DIRE ■ For residence visa: obtain the DIRE ■ For residency permit (DIRE): obtain the tax registration number (NUIT)
	<p>See Annex I for information about how to get a tax identification number.</p>

²⁰ Community of Portuguese Language Speaking Countries.



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10.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none">■ DO organize the company and all relevant documents for its commencement of activities before starting to hire people for its operations;■ DO seek expert assistance for complying with legal obligations;■ DO organize the work permit process while the employee is still in his country of origin;■ DO ask the employee for two criminal records (one for work visa purpose and other for the DIRE).	<ul style="list-style-type: none">■ DON'T hire any expatriate while he or she is in Mozambique for other purposes;■ DON'T round up the number of workers in calculation of quota availability for hiring an expatriate (in hiring under the quota system, the hiring is undertaken within the available quota applicable to the employer: (i) in large enterprises, 5% of all employees; (ii) in medium enterprises, 8% of all employees; and (iii) in small enterprises, 10% of all employees).

10.3 Relevant legislation

- I. Law no. 5/93 of 28 December (legal framework for foreign citizen in Mozambique)
- II. Decree no. 108/2014 of 31 December (regulation of Law no. 5/93 of 28 December)
- III. Decree no. 37/2016 of 31 August (general rules on hiring foreigners)
- IV. Law no. 23/2007 of 1 August (Labour Law)

For more detailed information on labour and social security rules, please see annex X.

STEP 11

STEP 11: INVESTING IN SEZS

11.1 Brief overview of SEZs in Mozambique

The Investment Law and Regulations provide for a particular regime regulating investments carried out in SEZs and IFTZs, which are created by the Council of Ministers, given the specific set of benefits applicable to this area along with the benefits already discussed in Step 4, resulting from the state's policies of developing and attracting more investment to certain areas that present great potential, taking into account the location and resources, etc.

In order to better understand how to approach each zone, it's important to understand the main difference between SEZs and IFTZs. In general terms, SEZs are zones of general economic activity, geographically delimited

and governed by a special Customs regime in which goods entering, circulating, transforming and leaving Mozambican territory are totally exempt from any tax, Customs or foreign exchange obligations. It is, therefore, an economic zone for the promotion of private investment in Mozambique. Although very similar to SEZs, IFTZs differ in that they are located in closed regions, where investors shall install their industrial units. Another difference is that those operating in the SEZ are obliged to export 70% of their total production.

For more detailed information on investing in special economic zones, please see annex XI.

11.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none">DO notify the authorities in case of any change to the initially agreed terms of investment.	<ul style="list-style-type: none">DON'T fail to deliver the taxes due to the government;DON'T fail to submit the mandatory annual statement indicating the benefits that the investor used to the Mozambique Revenue Authority;DON'T fail to comply with the conditions imposed in the order of granting the tax benefits.

11.3 Relevant legislation²¹

- I. Law 3/93 of 24 June – Investment Law
- II. Decree 43/2009 of 21 August – Investment Regulations
- III. Decree 60/2016 of 12 December (amended by Decree 48/2017 of 11 September) – approves the APIEX
- IV. Decree 48/2013 of 13 September – Amendment to Investment Regulations
- V. Ministerial Order 202/2010 of 24 November – SEZ and IFTZ Tax and Custom Special Regime
- VI. Law 4/2009 of 12 January – Tax Incentives Code
- VII. Decree 56/2009 of 7 October – Tax incentives code regulations

²¹ Available on http://www.gazeta.gov.mz/m/index.php?option=com_content&view=article&id=340&Itemid=186&lang=pt.

STEP 12

STEP 12: SECTORAL NUANCES AND PERMISSIONS

12.1 Areas for foreign direct investment

SECTORS WHERE FOREIGN DIRECT INVESTMENT IS FREELY WELCOMED

In principle, foreign direct investment is welcomed in all sectors, provided that the activity to be performed is legal. There are some sectors of activity in which private investors gain specific benefits from tax incentives, namely:

- I. Agriculture and fisheries;
- II. Hotel trade and tourism; and
- III. Manufacturing.

SECTORS WHERE FOREIGN DIRECT INVESTMENT IS SUBJECT TO RESTRICTIONS OR SPECIAL CLEARANCES

Foreign direct investment is generally approved under the Investment Law and Regulations, but these are not applied to investments in the areas of prospecting, research and production of oil and gas, mining or public investments financed by funds from the General State Budget or investments of an exclusively social nature.

Please see Step 4 for steps for approval of FDI.

SECTORS WHERE FOREIGN DIRECT INVESTMENT IS PROHIBITED

Foreign direct investment is welcomed in all sectors, except private security services

12.2 Dos and don'ts

DO	DON'T
<ul style="list-style-type: none"> ■ For purposes of export of profits and re-export of the invested capital, the status of a foreign investor will remain in force indefinitely, for as long as the terms and conditions that contributed to the award of this status remain unchanged. Therefore, once the investors understand that they won't be able to comply with the terms of authorization (such as the investment amount or even in those cases where the investment carried out exceeds that initially indicated), they must request an amendment of the terms of authorization in order to prevent a breach of contract with the APIEX. 	<ul style="list-style-type: none"> ■ Not complying with the deadline set for the start of the implementation of the project may result in the revocation of the authorization. ■ Suspending the implementation or operation of the company for a continuous period of more than three months without prior communication to the relevant authority may also result in a revocation of the authorization. ■ Breaching the Investment Law and its regulations or any of the conditions established in the respective authorization or other applicable legal instruments may also result in the revocation of the authorization.

12.3 Relevant legislation²²

- I. Investment Law approved by Law no 3/93 of 24 June;
- II. Tax Benefits Code approved by Law no. 4/2009 of 12 January.

²² Available on http://www.gazeta.gov.mz/m/index.php?option=com_content&view=article&id=340&Itemid=186&lang=pt.



ANNEXES



ANNEX I: STARTING A BUSINESS

a) Partnerships

There are no partnerships as such in Mozambican legal framework.

b) Limited liability companies

WHERE TO GO?

- Legal Entities Registrar Office;
- Public notary;
- Legal Entities Registrar Office (only one office in the capital city, Maputo); and
- Mozambique Revenue Authority (*Autoridade Tributária de Moçambique*), which is a department of the Ministry of Finance, with offices scattered throughout the country (for more information, visit <http://www.at.gov.mz/>).

WHAT TO DO?

In Legal Entities Registrar Office

- Obtain the reservation of company name.

In public notary

- Execute and legalize each shareholder's resolutions (when legal entities) and powers of attorney pertaining to the incorporation of a company in Mozambique;
- Execute and legalize the incorporation deed or private incorporation document.

In Legal Entities Registrar Office

- Register the incorporation upon presentation of requested documents and payment of due fee;
- Publish the articles of association upon presentation of the incorporation deed or private incorporation document and payment of due fee.

In Mozambique Revenue Authority (*Autoridade Tributária de Moçambique*)

- Obtain a tax identification number.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

In public notary

- Subscribers' identification documents (passport, residence permit or Mozambican identification document) and the documents to be legalized.

In Legal Entities Registrar Office

- Name reservation certificate;
- Shareholders' identification (if individuals);
- Certificate of incorporation, by-laws and a certified copy of the minutes of the relevant corporate body meeting of the shareholder-to-be (if legal entities), approving the incorporation of a Mozambican company and its terms – if and where applicable;
- Power of attorney in favour of the person(s) who will execute the incorporation deed in representation of a shareholder – if and where applicable;
- Incorporation deed or private incorporation document;
- Appointment of the directors of the Mozambican company to be incorporated.

In Mozambique Revenue Authority (*Autoridade Tributária de Moçambique*)

- Commercial certificate;
- Directors' identification documents.

HOW MUCH TIME WILL IT TAKE?

Once all documents issued abroad are duly certified/legalized at the relevant foreign entities and by the Mozambican diplomatic representation of country of origin, 30 days on average.

WHAT ARE THE COSTS?

In public notary

- If signed in Mozambique, it depends on the number of signatures, the nature of the documents and the location of signatures (the documents can be signed in public notary or in another local as indicated by the parties).

In Legal Entities Registrar Office

- A fee is due to the Legal Entities Registrar Office for the registration of limited liability companies and it varies according to the amount of share capital.

For example, if the share capital is MT 10,000, the fee due is of MT 1,490 or for share capital of MT 10,000,000 the fee due is of MT 22,650;

- To publish the articles of association in the official gazette, the amount varies according to extension of incorporation deed or private incorporation document; each 25 lines is charged at MT 925,00.

In Mozambique Revenue Authority (*Autoridade Tributária de Moçambique*)

- Free of charge.

WHAT WILL YOU OBTAIN?

In public notary

- Incorporation deed or private incorporation document duly legalized.

In Legal Entities Registrar Office

- Commercial certificate;
- Articles of association published in the official gazette.

In Mozambique Revenue Authority (*Autoridade Tributária de Moçambique*)

- Tax registration number (NUIT).

WHAT IS THE NEXT STEP?

To obtain operating and other relevant licence(s).

c) Branch of a foreign company

WHERE TO GO?

- Ministry of Industry and Commerce (*Balcão de Atendimento Único – BAU*);
- Legal Entities Registrar Office; and
- Mozambique Revenue Authority (*Autoridade Tributária de Moçambique*). It is a department of the Ministry of Finance, with offices scattered throughout the country (for more information, visit <http://www.at.gov.mz/>).

WHAT TO DO?

- Obtain branch's licence with Ministry of Industry and Commerce (*Balcão de Atendimento Único – BAU*);
- Registration of the branch with the Legal Entities Registrar Office; and
- Obtain a NUIT with the Mozambique Revenue Authority.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

For the branch licence with the *Balcão de Atendimento Único (BAU)*, which operates under the Ministry of Industry and Commerce

- Certified copies of the articles of association of the company that intends to register a branch;

- Certified copy of the certificate of incorporation of the company that intends to register a branch;
- Board (or other relevant body) resolution of the company that intends to register a branch;
- Power of attorney granted by the company that intends to register a branch, appointing an attorney to represent them in the branch registration process;
- Power of attorney granted by the company that intends to register a branch appointing a local representative (i.e. anyone as indicated by the company); and
- Certified copy of local representative's identity document.

For the registration of the branch with the Legal Entities Registrar Offices

- Branch's licence;
- Certified copies of the articles of association of the company that intends to register a branch;
- Certified copy of the certificate of incorporation of the company that intends to register a branch;
- Board (or other relevant body) resolution of the company that intends to register a branch; and
- Power of attorney granted by the company that intends to register a branch, appointing an attorney to represent them in the branch registration process.

For obtaining branch's NUIT

- Branch's Legal Entities Registration Certificate; and
- Branch representative's identity documents.

How much time will it take?

The registration of the branch may take 45 days on average.

What are the costs?

Roughly MT 40,000.

What will you obtain?

- Branch's licence;
- Commercial certificate; and
- NUIT.

What is the next step?

Obtain operating licence(s).

d) Wholly foreigner-owned company

All the steps referred to in annex I apply.

e) Joint venture with a national company

All the steps referred to in annex I apply.

f) Joint venture with national citizens

All the steps referred to in annex I apply.



ANNEX II: BUSINESS NAME RESERVATION

WHERE TO GO?

Legal Entities Registrar Office.

WHAT TO DO?

Obtain the reservation of company name by submitting the relevant form duly completed and paying the fee of MT 200.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Relevant form (with a simple request indicating the name to be reserved and activity of the company that will use such name) duly completed, with the applicant's personal data.

HOW MUCH TIME WILL IT TAKE?

Two hours on average.

WHAT ARE THE COSTS?

MT 300.

WHAT WILL YOU OBTAIN?

Certificate of company name reservation.

WHAT IS THE NEXT STEP?

Execute the company incorporation deed.

ANNEX III: INDUSTRIAL PERMIT

WHERE TO GO?

Ministry of Industry and Commerce (Balcão de Atendimento Único – BAU).

WHAT TO DO?

Submit the application to obtain the operating licence(s).

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

- Copy of applicant's commercial certificate;
 - Copy of applicant's representative's identification documents;
 - The minimum amount of investment;
 - Copy of applicant's tax identification number (Número Único de Identificação Tributária – NUIT); and
 - Where applicable, copy of the power of attorney granting powers to the signatory of the relevant application.

HOW MUCH TIME WILL IT TAKE?

Fifteen days on average.

WHAT ARE THE COSTS?

MT 6,000.

WHAT WILL YOU OBTAIN?

Operating licence(s).

WHAT IS THE NEXT STEP?

Submit a declaration for the commencement of tax activities (up to 15 days prior to the date of the start of the activities).



ANNEX IV: OBTAINING AN INVESTMENT CERTIFICATE

WHERE TO GO?

Under the Mozambican Investment Law (Law no. 3/93 of 24 June) and Investment Act Regulation (Decree no. 43/2009 of 21 August, as amended), a foreign investor may apply for an investment project (i.e. an investment certificate) through a company or a branch registered in Mozambique with the Agency for Investment and Export Promotion (APIEX), which operates under the tutelage of the Ministry of Trade and Industry. (See Step 2 for more detailed information.)

WHAT TO DO?

Foreign investors (individuals and companies) must comply with certain requirements and procedures, such as the minimum amount to be invested in Mozambique, to be eligible for an investment project with APIEX. This step is one of the first to be taken; deciding whether an investment of at least MT 2.5 million is going to be carried out through equity or any of the other modalities will be met (generating a certain amount of annual turnover, present a certain amount of annual exports or hire at least 25 Mozambicans).

The investment project or investment contract will be registered in the name of the implementing company (if a company has already been incorporated in Mozambique) or under the company name that was already reserved (if the company is still in the process of being incorporated – in this case, for APIEX, the delivery of the company name reserved at the Legal Entities Registrar Office is sufficient).

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

The investment project proposal shall be presented in triplicate to APIEX, including for projects that will be located in SEZs or IFTZs and were previously submitted to the GAZEDA.

The application includes submitting the official form duly completed in either English or Portuguese (which used to be available in electronic format, but, given the recent changes in the structure, resulting in the creation of APIEX, the websites are not yet operational and it shall now be requested at the respective establishments), accompanied by the required documents for its analysis, namely:

- I. Copy of the applicant's identification document;
- II. Commercial registration certificate or reservation of corporate name of the implementing company;

- III. Plan or drawing of the location where the project will be implemented or the respective lease agreement; and
- IV. Copy of the commercial representation licence (only when the project implies the establishment of a foreign commercial representation).

The application form is divided in the following sections:

- I. Name of project;
- II. Details of project's representative;
- III. Project summary (i.e. description of type of project, sector of activity, location of project, brief description of project and land ownership);
- IV. Project sponsors (i.e. identification of project proponents, name of implementing company and share capital distribution);
- V. Financing of project (i.e. total investment value and proposed sources of financing);
- VI. Technical details of project (i.e. description of the main infrastructure, technology to be used, details of products to be produced, raw material inputs and sources, chemical products to be used, quantity and sources of water and electricity, fuel, raw material inputs, destination of final goods, labour requirement, salary and level of skill, and environmental information);
- VII. Investment breakdown schedule, which shall reflect the implementing company's financial plan for the first five years of implementation (or for a lesser period); and
- VIII. Tables to be completed to request exemption from Customs duties, detailing the goods to be imported.

The information provided by the applicant shall be as complete as possible (being only necessary to fill in the applicable fields) and, despite being an estimate that the foreign investors commit to (especially in relation to the amount of investment), it shall be as true as possible. Note that, since the information provided to APIEX is an estimate, at any time it is allowed to request an amendment to the terms and conditions initially proposed and approved.

Lastly, APIEX may always, during the analysis period of the proposals submitted and taking into account the nature and dimension of the project, request additional information deemed relevant to their decision.



HOW MUCH TIME WILL IT TAKE?

The analysis of the proposals submitted by the applicants usually takes between two and four weeks, even though the law establishes different timelines (such as three to five business days or 30 business days for higher investments – which may be the time taken despite the investments not fulfilling such requirement).

The APIEX should then notify the applicants within 48 hours after a decision has been made by the competent committee informing if it has been approved or not.

WHAT ARE THE COSTS?

The APIEX charges a fee for each investment project, calculated on the total amount to be invested by the foreign investors, at a rate of 1/1000, e.g. if the total investment amounts to \$200,000, the fee due will be \$200. This fee is paid after conclusion of the analysis of the proposal by APIEX and prior to the issuance of the Terms of Authorization, further detailed below.

WHAT WILL YOU OBTAIN?

Once APIEX has approved the investment project proposal, it will issue the Terms of Authorization (in Portuguese, Termos de Autorização), which details the following:

- I. Identification of the project proponents;
- II. Project name and scope of business;
- III. Identification of the implementing company;
- IV. Location;
- V. Amount and means of investment;
- VI. Benefits and guarantees;
- VII. Number of national workforce and foreign workforce to be employed;
- VIII. Deadline and conditions for the commencement of the operations;
- IX. Any other conditions that may be relevant.

The Terms of Authorization (which is an agreement with the Mozambican Government) shall be archived at the company's head office.

WHAT IS THE NEXT STEP?

Once the investment project proposal is approved and the Terms of Authorization are issued, its implementation must occur within 120 days (unless another deadline has been set in the authorization). The foreign investor must also register the direct foreign investment with the Bank of Mozambique within 90 days of the date of authorization by the relevant authority or of the actual entry of the amount of the investment, in order to comply with the foreign exchange legislation.

- For doing so, the investor must submit a letter to the Central Bank, accompanied by the respective bank slip, which contains the transfer of funds and a duly completed form.



ANNEX V: FOREIGN TAXPAYER REGISTRATION

a) Direct taxes

INDIVIDUAL INCOME TAX (IRPS)

WHERE TO GO?

The annual IRPS return shall be submitted to the relevant Revenue Authorities branch, in the IRPS payment section, taking into account the residency of the taxpayer or his or her representative. The same is applicable to the payment of the tax due, although it can be also made through authorized banks (which are all commercial banks duly licensed to operate in Mozambique). According to Mozambican law (and as an agent that carries out the activity), agriculture and light manufacturing are classified as income of the second category of IRPS.

WHAT TO DO?

Submit two copies of the IRPS annual return up to April of the following year to which the incomes refer. Payment of the tax due shall be made up to May of the following year to which the incomes refer and is paid in one instalment.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Besides the above-mentioned IRPS return, present the signed documents proving incomes and amounts withheld at source by whoever made payments to the IRPS taxpayer.

HOW MUCH TIME WILL IT TAKE?

On the same day of the submission of the tax return and of payment of the tax (if due).

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

One copy of the IRPS annual return acknowledged as received by the Mozambique Revenue Authority. A receipt will be issued by the Mozambique Revenue Authority for the payment.

WHAT IS THE NEXT STEP?

File the copy of the IRPS annual return and the tax payment receipt in a safe place for at least 10 years.

There is no modern system that allows the taxable person to verify his or her tax situation. The confirmation of the fulfilment of the tax obligations can be done through the physical receipts stored or through the request for a certificate of discharge, which is issued by the tax authority.

ONLINE AND OFFLINE MODES

Submission of the return cannot be made online yet. Payment of the tax can, however, be made online (i.e. online bank transfer), although the Mozambique Revenue Authority require proof of the transfer by means of a hardcopy of the transfer slip, duly signed by the relevant bank clerk and stamped by the bank, meaning that one has to go to the bank to get said hardcopy.

CORPORATE INCOME TAX (IRPC)

WHERE TO GO?

The annual IRPC returns shall be submitted in the relevant Mozambique Revenue Authority branch, considering the residency of the taxpayer or his or her representative. The same applies to the payment of the tax due, although it can be also made through authorized banks.

WHAT TO DO?

Submit two copies of the following annual returns:

- Up to the end of May (or up to the 5th month following the end of the tax year, provided that it is different from the civil year) (please note that the law establishes that companies and other entities subject to IRPC may adopt an annual tax period different from the calendar year when justified by the type of activity and the date of the declaration of the beginning of the activity), submit the annual income return; and
- Up to the end of June (or up to the 6th month following the end of the tax year, provided that it is different from the civil year), submit the annual income return on tax and accounting information.



- Submit on a monthly basis (up to the 20th of the following month) a withholding tax return to the Mozambique Revenue Authority and pay the relevant amounts withheld.

Payment of tax must be made as follows:

- Up to the end of May (or up to the 5th month following the end of the tax year, provided that it is different from the civil year);
- Three advance on-account payments, due in May, July and September (or on the 5th, 7th and 9th month of the tax year, provided that it is different from the civil year);
- Three special advance payments, due in June, August and October (or on the 6th, 8th and 10th month of the tax year, provided that it is different from the civil year).

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Please refer to the previous point – ‘What to do?’.

HOW MUCH TIME WILL IT TAKE?

On the same day of the submission of the tax return and payment of the tax (if due).

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

One copy of the relevant returns acknowledged as received by the Mozambique Revenue Authority. A receipt will be issued by the Mozambique Revenue Authority for the payment.

WHAT IS THE NEXT STEP?

File the copy of the said returns and receipts in a safe place for at least 10 years.

ONLINE AND OFFLINE MODES

Submission of the return cannot be made online yet. Payment of the tax can however be made online (i.e. online Bank transfer) although the Revenue Authorities require a proof of the transfer by means of a hardcopy of the transfer slip, duly signed by the relevant Bank clerk and stamped by the Bank, meaning that one shall go to the Bank to get said hardcopy.

SIMPLIFIED TAX FOR SMALL TAXPAYERS (ISPC)

WHERE TO GO?

The returns shall be submitted to the relevant Mozambique Revenue Authority, considering the residency of the taxpayer or his or her representative. The same applies to the payment of the tax due, although it can be also made through authorized banks.

WHAT TO DO?

Submit the relevant payment returns every three months (April, July, October and January). Payments shall also be made on the said months, although (if the option goes for the payment of the annual tax amount of MT 75,000) it may be paid in one go in April.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Please refer to the previous point – ‘What to do?’.

HOW MUCH TIME WILL IT TAKE?

On the same day of the submission of the returns and payment of the tax.

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

One copy of the relevant returns acknowledged as received by the Mozambique Revenue Authority and proving the payment made.

WHAT IS THE NEXT STEP?

File the copy of the said returns/receipts in a safe place for at least 10 years.

ONLINE AND OFFLINE MODES

Submission of the return cannot be made online yet. Payment of the tax can however be made online (i.e. online bank transfer), although the Mozambique Revenue Authority require proof of the transfer by means of a hardcopy of the transfer slip, duly signed by the relevant bank clerk and stamped by the bank, meaning that one must go to the bank to get said hardcopy.

b) Indirect taxes

VALUE ADDED TAX (VAT)

WHERE TO GO?

The returns shall be submitted to the relevant Mozambique Revenue Authority branch, considering the residency of the taxpayer or his or her representative. The same applies to the payment of the tax due, although it can be also made through authorized banks.

WHAT TO DO?

Submit, on a monthly basis (up to the last day of the following month), the relevant tax return and, if applicable, pay the tax so assessed (difference between input and output VAT).

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Please refer to the previous point – ‘What to do?’.

HOW MUCH TIME WILL IT TAKE?

On the same day of the submission of the returns and payment of the tax.

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

One copy of the relevant return acknowledged as received by the Mozambique Revenue Authority and a receipt proving the payment made.

WHAT IS THE NEXT STEP?

File the copy of the said returns and receipts in a safe place for at least 10 years.

ONLINE AND OFFLINE MODES

Submission of the return cannot be made online yet. Payment of tax can, however, be made online (i.e. online bank transfer), although the Mozambique Revenue Authority require proof of the transfer by means of a hard-copy of the transfer slip, duly signed by the relevant bank clerk and stamped by the bank, meaning that one must go to the bank to get said hardcopy.

SPECIFIC CONSUMPTION TAX (ICE)

WHERE TO GO?

The payment returns and payment of tax due shall be submitted to the relevant Customs/Mozambique Revenue Authority.

WHAT TO DO?

Submit the relevant return and pay the tax assessed.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Please refer to the previous point – ‘What to do?’.

HOW MUCH TIME WILL IT TAKE?

On the same day of the submission of the returns and payment of the tax.

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

One copy of the relevant return acknowledged as received by the Mozambique Revenue Authority and a receipt proving the payment made.

WHAT IS THE NEXT STEP?

File the copy of the said returns and receipts in a safe place for at least 10 years.

ONLINE AND OFFLINE MODES

Submission of the return cannot be made online yet. Payment of tax can, however, be made online (i.e. online bank transfer), although the Mozambique Revenue Authority require proof of the transfer by means of a hard-copy of the transfer slip, duly signed by the relevant bank clerk and stamped by the bank, meaning that one must go to the bank to get said hardcopy.

PROPERTY TRANSFER TAX (SISA)

WHERE TO GO?

The payment return and payment of the tax due shall be submitted to the relevant Mozambican Revenue Authority branch.

WHAT TO DO?

Submit the relevant return and pay the tax assessed.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Besides the ones mentioned in the previous point under ‘What to do?’, whichever document that is deemed relevant for the authorities to determine the tax amount due (e.g. draft of the assignment deed or real estate certificate issued by the Mozambican Revenue Authority).

HOW MUCH TIME WILL IT TAKE?

Payment of the tax shall be made up to the 1st working day after the tax assessment.

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

One copy of the relevant return acknowledged as received by the Mozambican Revenue Authority and a receipt proving the payment made.

WHAT IS THE NEXT STEP?

Use the relevant return acknowledged as received by the Mozambican Revenue Authority and a receipt proving the payment made, in order to execute relevant documents

for the assignment of real estate ownership. Also file the copy of the said returns and receipts in a safe place for at least 10 years.

ONLINE AND OFFLINE MODES

Submission of the return cannot be made online yet. Payment of tax can, however, be made online (i.e. online bank transfer), although the Mozambican Revenue Authority require proof of the transfer by means of a hard-copy of the transfer slip, duly signed by the relevant bank clerk and stamped by the bank, meaning that one must go to the bank to get said hardcopy.

NATIONAL RECONSTRUCTION TAX (IRN)

WHERE TO GO?

Local and provincial authorities.

WHAT TO DO?

Pay, once in a year (any time during the year), by presenting an identity card (or other relevant document) proving residence in a non-municipal area.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Please refer to the previous point – ‘What to do?’.

HOW MUCH TIME WILL IT TAKE?

As a general rule, on the same day.

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

A receipt proving the payment made.

WHAT IS THE NEXT STEP?

Keep the receipt in your possession throughout the year it refers to. After that, file the copy of the said receipt in a safe place for at least 10 years.

ONLINE AND OFFLINE MODES

Payment of tax cannot be made online.

c) Municipal taxes

PERSONAL MUNICIPAL TAX (IPA)

WHERE TO GO?

Relevant municipal revenue authorities.

WHAT TO DO?

Pay, once in a year (any time during the year), by presenting an identity card (or other relevant document) proving residence in a non-municipal area.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Please refer to the previous point – ‘What to do?’.

HOW MUCH TIME WILL IT TAKE?

In general, on the same day.

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

A receipt proving the payment made.

WHAT IS THE NEXT STEP?

Keep the receipt in your possession throughout the year it refers to. After that, file the copy of the said receipt in a safe place for at least 10 years.

ONLINE AND OFFLINE MODES

Payment of tax cannot be made online.

MUNICIPAL SISA

WHERE TO GO?

The payment return and payment of the tax due shall be submitted to the relevant municipal revenue authorities.

WHAT TO DO?

Submit the relevant return and pay the tax assessed.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Besides the ones mentioned in the previous point under ‘What to do?’, whichever document that is deemed relevant for the authorities to determine the tax amount due (e.g. draft of the assignment deed or real estate certificate issued by the Mozambican Revenue Authority).

HOW MUCH TIME WILL IT TAKE?

Payment of tax shall be made by the 1st working day after the tax assessment.

WHAT ARE THE COSTS?

Free of charge.

WHAT WILL YOU OBTAIN?

One copy of the relevant return acknowledged as received by the Mozambican Revenue Authority and a receipt proving the payment made.

WHAT IS THE NEXT STEP?

Use the relevant return acknowledged as received by the Mozambican Revenue Authority and the receipt proving the payment made, in order to execute relevant documents for the assignment of real estate ownership. Also file the copy of the said returns and receipts in a safe place for at least 10 years.

ONLINE AND OFFLINE MODES

Submission of the return and payment cannot be made online yet.



ANNEX VI: BUSINESS ACCOUNT REQUIREMENTS

WHAT TO DO?

The process of opening a bank account for the company begins with an application letter to the commercial bank, which will then trigger the completion of several forms and provision of the applicant's information, which may vary from bank to bank, but is generally related to the following:

- I.** Who will be the signatories and provide for signatures;
- II.** Company's taxpayer number;
- III.** Signatories' taxpayer numbers;
- IV.** Company's updated commercial certificate;
- V.** Company's licence;
- VI.** Company's by-laws published in the official gazette;
- VII.** Power of attorney issued in favour of the signatories or minutes of the company's corporate body meeting in which such signatories were appointed; and
- VIII.** The signatories' identification documents.

In case of bank accounts in foreign currency, an application must be submitted to the Central Bank by the applicant directly or through his or her commercial bank. It is concluded through the submission of a specific form duly completed in which the applicant must indicate the following:

- I.** Name of applicant/account holder;
- II.** Taxpayer number;
- III.** Address;
- IV.** Type of account;
- V.** Type of payments that can be credited in such account, among: (i) exportation of goods revenues; (ii) exportation of services revenues; (iii) payment of cross-border loans; (iv) foreign direct investment; (v) revenues of investment abroad; (vi) revenues in the country – rents and salaries, etc., and (vii) others;
- VI.** Initial amount to be deposited;
- VII.** Justification for the opening of such account; and
- VIII.** Other relevant information.

The applicant's identification documents must also be delivered to the Central Bank and no fee is due. The Central Bank has to decide within 15 days of receipt of all the information requested to the applicant. After obtaining the approval of the Central Bank, the applicant shall notify the commercial banks (if the application process hasn't been intermediated by such bank) in order to conclude the process of opening a bank account in foreign currency.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Please refer to the previous point – 'What to do?'.

HOW MUCH TIME WILL IT TAKE?

The opening of bank accounts in local currency, in case of individuals, may take up to two business days, whilst for companies it usually takes up to two weeks. For bank accounts in foreign currency, a period of 15 business days (to obtain the Central Bank approval) shall be added to that time.

WHAT ARE THE COSTS?

Once the bank account is opened, the holder shall receive a letter indicating the bank account number, NIB (bank identification number) and IBAN (international bank account number), along with the requested bank cards or chequebook.

In relation to the mandatory investment levels, please refer to Step 1, as a minimum foreign investment is only mandatory to be eligible for an investment project approved by the APIEX. Also, the investment to be made, as better explained in Step 1, may be in cash or in equipment.

INWARD REMITTANCE PROCEDURES

All transactions, acts, deals and operations of all kinds (i) taking place between residents and non-residents and resulting or that may result in payments to or receipts from foreign countries or (ii) that are classified as foreign exchange transactions by law, are governed by the Foreign Exchange Law (Law no. 11/2009 of 11 March) and subject to the limitations and procedures described below. The Foreign Exchange Law also applies to foreign exchange transactions related to foreign investment.

Note that all foreign exchange transactions are subject to registration with the Central Bank, but not all require prior authorization such as foreign exchange transactions classified as current transactions.

The following foreign exchange transactions require approval of the Bank of Mozambique:

- I.** Acquisition and sale of gold and silver coins;
- II.** Export of gold, silver, platinum and other precious metals in bar, ingot or other not-worked form;
- III.** Opening and using accounts by non-residents in domestic currency, when related to capital transactions;
- IV.** Opening and using accounts in foreign currency or in units of account used in international settlements or payments;
- V.** Granting credit to residents in foreign currency, including by means of discounting bills, promissory notes, invoice statements, expressed or payable in domestic or foreign currency, where one party is a non-resident;
- VI.** Purchase and sale of foreign credit securities;
- VII.** Transactions denominated in foreign currency in units of account that involve or may involve total or partial settlement of capital transactions carried out between residents and non-residents;
- VIII.** Transactions denominated in domestic currency in units of account that involve or may involve total or partial settlement of capital transactions carried out between residents and non-residents;
- IX.** Transfer to and receipt from abroad of monetary instruments or means of payment;
- X.** Exchange rate arbitrage; and
- XI.** Import, export or re-export of foreign currency or other means of payment as well as bills of exchange, promissory notes and invoice statements, shares or bonds, whether domestic or foreign, or coupons and public debt securities.

Other capital transactions that require prior authorization by the Bank of Mozambique include the following:

- I.** Foreign direct investment;
- II.** Real estate investment;
- III.** Transactions involving participation units of collective investment undertakings;
- IV.** Opening and using bank accounts with financial institutions abroad;
- V.** Credits related to the transaction of goods or provision of services;
- VI.** Financial loans and credits;
- VII.** Guarantees;
- VIII.** Transfers in execution of insurance contracts;
- IX.** Transactions on securities and other instruments traded on the money and capital;
- X.** Markets;
- XI.** Physical import and export of monetary instruments; and
- XII.** Personal loans.

THE NEW FOREIGN EXCHANGE REGULATIONS

Current transactions include all payments or receipts in foreign currency that are not for the purpose of transfer of capital. This includes payments due in connection with foreign trade, remittances for family expenses, transfers abroad of the income generated by capital transactions previously approved by the Bank of Mozambique (including dividends from foreign direct investment, interest, dividends and other capital gains on portfolio investment, interest on loans, including shareholders' loans, and income from other forms of capital investment) and other current obligations, under the terms of the newly enacted Foreign Exchange Regulation (Order no. 20/GBM/2017 of 27 December 2017).

The Central Bank is responsible for analysing all applications relating to the importation of funds from abroad and whenever transactions fall under those that require an authorization, the applicant must submit a request to the Central Bank requesting a prior authorization before proceeding with the importation of funds.

The applicant shall justify the request and submit the supporting documentation that, despite varying from case to case, usually includes the identification documents of the parties involved, proof of financial capability and, in some cases, clearance certificates from the tax authorities and Mozambique National Institute of Social Security (INSS) with respect to local vehicles. The Central Bank shall analyse the requests within 15 business days and do not charge any fee for it.

WHAT WILL YOU OBTAIN?

Upon approval of the application, the foreign investor will receive a letter with the Central Bank's decision. If the letter allows it, it will provide reference numbers of the applicant and parties involved with the Central Bank to be used in any correspondence and a registration request related to that application. If denied, the letter will demand that some requirements are met and suspend approval subject to the fulfilment of the Central Bank's indications.

WHAT IS THE NEXT STEP?

After obtaining the respective authorization (when applicable) and the funds have been transferred into Mozambique, a registration procedure must be complied with within 90 days of the entry of the funds in the country by completing a form and presenting the supporting documentation.

While the previous foreign exchange regulations established that this registration should be carried out by the intervening parties directly with the Central Bank, according to the new legal regime, the applicant shall submit the documentation and necessary information to the commercial bank that intermediated the respective transaction and the bank shall request the registration of the funds with the Central Bank.

The foreign exchange registration procedure includes:
(i) collecting all information about the foreign exchange transaction, including the identity of the parties, the nature, amount, purpose and legitimacy of the transaction; (ii) electronic or manual processing of the information; (iii) the filing of copies of supporting documents; and (iv) the issue of the Foreign Exchange Registration Bulletin (Boletim de Importação de Capitais Privados – BICP).



ANNEX VII: CONSTRUCTION AND BUILDING PERMITS

a) Building (approval of the construction project)

WHERE TO GO?

- Relevant municipality (according to the location of the works);
- District administration (according to the location of the works).

WHAT TO DO?

Submit an application to obtain the approval of the project.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

- Application letter;
- Copy of the DUAT title;
- Architecture project;
- Topographic plan;
- Statement of responsibility of the author of the project.

HOW MUCH TIME WILL IT TAKE?

60 days.

WHAT ARE THE COSTS?

It depends on the location and dimension of the project.

WHAT WILL YOU OBTAIN?

A document attesting the approval of the project.

WHAT IS THE NEXT STEP?

Apply for a building permit.

b) Building permit

WHERE TO GO?

- Relevant municipality (according to the location of the works);
- District administration (according to the location of the works).

WHAT TO DO?

Submit an application to obtain a building permit.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

When the construction is carried out by a building contractor

- Copy of the authorization of the project;
- Estimated costs of the project, subscribed by project's technical officer;
- Declaration of commitment issued by the building contractor.

When the construction is carried out directly by the applicant

- Copy of the authorization of the project;
- Map of the covered areas and estimated costs of the project, subscribed by project's technical officer;
- Declaration of commitment issued by project's technical officer;
- Declaration of commitment of the project monitoring by the applicant.

HOW MUCH TIME WILL IT TAKE?

15 days.

WHAT ARE THE COSTS?

It depends on the estimated costs of the project (as stated in the application).

WHAT WILL YOU OBTAIN?

A building permit.

WHAT IS THE NEXT STEP?

Perform the works and renew the building permits whenever required.



c) Use licence

WHERE TO GO?

- Relevant municipality (according to the location of the works);
- District administration (according to the location of the works).

WHAT TO DO?

Submit an application to obtain usage permit.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

Application letter.

HOW MUCH TIME WILL IT TAKE?

45 days.

WHAT ARE THE COSTS?

It depends on the type of building.

WHAT WILL YOU OBTAIN?

A usage permit.

WHAT IS THE NEXT STEP?

Perform the registration of the property.

ANNEX VIII: PROPERTY REGISTRATION THROUGH THE REAL ESTATE REGISTRAR OFFICE

WHERE TO GO?

Real Estate Registrar Offices.

WHAT TO DO?

Submit an application to register the property.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

- Application letter;
- Certificate of upgrading issued by the entity that authorized the construction;
- Certificate of confrontation, issued the entity that authorized the construction;
- Applicant's registration certificate.

HOW MUCH TIME WILL IT TAKE?

15 days.

WHAT ARE THE COSTS?

It depends on the type of property, the estimated costs and location of the same.

WHAT WILL YOU OBTAIN?

Certificate of property registration.

ANNEX IX: ENVIRONMENTAL IMPACT ASSESSMENT LICENCE



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WHERE TO GO?

The relevant authority for environmental licensing is the Environmental Impact Assessment Authority (the Ministry of Land, Environment and Rural Development (MITADER), through the National Environmental Impact Assessment Directorate), at a central level, or before respective Provincial Directorate for Coordination of Environmental Action, at local level.

WHAT TO DO?

To begin the environmental licensing and environmental impact assessment process, the interested parties must submit a request.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

The request must be submitted by filling in the respective form, accompanied by the following documentation:

- I.** Descriptive report of the proposed activity and the pre-project;
- II.** Justification of the activity;
- III.** Legal framework of the activity;
- IV.** Brief biophysical and socioeconomic information of the project area and impact of the activity;
- V.** Current land use in the area of activity;
- VI.** The Available Preliminary Environmental Information Sheet, in the form of the required annex, duly filled in;
- VII.** Provisional DUAT of the area available for the development of the project;
- VIII.** Operating plan.

All information regarding the assessment process must be written in Portuguese.

It should be noted that activities susceptible to carrying environmental impacts are subject to an environmental pre-evaluation in order to define the scope of the environmental assessment or the liminal refusal of the proposal.

The environmental licensing process consists of three stages, namely:

- I.** Issuance of the provisional environmental licence, after the approval of the EDPA – this being optional;
- II.** Issuance of the environmental installation licence, after the approval of the EIA or SEA and presentation of the approved resettlement plan, if there is such need;
- III.** Issuance of the environmental operation licence, after the verification of full compliance with the EIA and full implementation of the resettlement plan, in cases where it is necessary.

HOW MUCH TIME WILL IT TAKE?

The Environmental Impact Assessment Authority shall observe the following deadlines for reporting decisions:

- I.** Environmental pre-evaluation – up to eight working days;
- II.** ToR – up to 15 business days;
- III.** EDPA and TdR – up to 30 working days for category A activities and 45 working days for category A+ activities;
- IV.** Environmental management plan – up to 30 working days;
- V.** Any addendum – up to 30 working days;
- VI.** SEA – up to 30 business days;
- VII.** Environmental impact assessment – up to 45 working days for category A activities and 60 working days for category A+ activities.

The deadlines indicated above are counted from the date of registration of the documentation in the respective relevant body and are interrupted whenever additional information is requested and retaken until they are duly submitted by the proposer to the Environmental Impact Assessment Authority. In exceptional cases, the Environmental Impact Assessment Authority may extend the time limits set out above for a period to be determined according to the specificity and complexity of the cases.



WHAT ARE THE COSTS?

For the purposes of instructing the process, the proponent must pay a fee in the amount of MT 1,000.

For environmental licensing, fees are payable in the terms and values indicated below:

- I.** Licensing of category A+ activities – 0.30% of the investment value of the activity;
- II.** Licensing of category A and B activities – 0.20% of the investment value of the activity;
- III.** Licensing of category C activities – 0.02% of the investment value of the activity for projects with an investment value exceeding MT 5,000,000, and a unit value of MT 1,000 for projects with investment up to MT 5,000,000;
- IV.** Licensing of temporary concrete plants, located within the construction area – 200 minimum wages applicable to the public sector (the minimum wage applicable to the public sector is MT 5,525).

Note that the payment of the environmental licensing fee is only made after the approval of the environmental installation licence.

WHAT WILL YOU OBTAIN?

When the activity's environmental viability is proven, the relevant body shall notify the interested party to pay the relevant fees within 90 days of the date of receipt of the notification. After receipt of proof of payment of the relevant fees, the Environmental Impact Assessment Authority issues the environmental licence, within 15 working days.

The Environmental Licence expires two years after its issuance if the activity has not actually started. The provisional environmental licence and environmental installation licence are valid for two years, while the environmental operation licence is valid for five years, renewable for an equal period.

WHAT IS THE NEXT STEP?

After receiving the environmental licence, the investor may proceed with the request for any other legally required licences.



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ANNEX X: LABOUR AND SOCIAL SECURITY RULES

DO THE RULES AND REGULATIONS ON LABOUR AND SOCIAL SECURITY DIFFER BETWEEN TRADING/SERVICE OUTFITS AND MANUFACTURING OUTFITS?

The labour and social security rules don't differ between trading/service outfits and manufacturing outfits. The rules on health and safety are as follows:

Health and safety policies

The company should create and develop adequate means for protecting workers' physical and mental integrity and improving working conditions, such as:

- Provide good physical, environmental and moral working conditions;
- Inform of the risks of the job;
- Instruct on proper compliance with rules on hygiene and safety at work (usually, this is specified in the company's internal regulations);
- Take all adequate precautions to ensure that all work posts, as well as their means of access and exit, are safe and free of risks for the safety and health of workers;
- Provide protective equipment and appropriate work clothing in order to prevent the risk of accidents or detrimental effects on health.

First aid

The company must offer, either directly or through a third party contracted for this purpose, a service for the provision of first aid in cases of accident, sudden illness, poisoning or indisposition. This is also applicable to companies that employ fewer staff, but whose activities are hard, unhealthy or involve a high degree of risk to which the employees are permanently exposed.

Provide the injured or ill employee with first aid and suitable transport to a medical centre or hospital where the employee can be treated. Bear the costs resulting from the funeral of an injured employee. An employee who has to be transported within the country to an establishment far away from his or her home shall be entitled, at the expense of the employer, to be accompanied by a family member or another person providing direct assistance.

Medical examination of employees

Carry out regular examinations of the company's employees in order to check: (i) whether employees possess the required conditions of health and physical fitness for the work stipulated in their contract; (ii) whether any employee is carrying a contagious disease that may put other employees' health in danger; (iii) whether any employee is suffering from a mental disease that makes his or her employment in the assigned job unadvisable.

Accidents and diseases

Report to the General Labour Inspectorate the occurrence of any work accident or occupational illness, as well as the consequences thereof to the employer. Collect, organize and communicate to the General Labour Inspectorate (on a quarterly basis) data relating to diagnosed occupational diseases and accidents at work that have caused inactivity of the injured person for a period exceeding one working day. This communication must be sent up until the 10th day of the month following the end of the quarter. It must include the date and place of the occurrence, causes of the accident or occupational illness, the nature and extent of the injury, part of the body injured and number of days of absence due to inability to work.

Factory air

Prevent air pollution in workplaces by eliminating all gases, vapours, fumes, fog or dust produced during industrial operations. Fume ducts (stacks) should usually be elevated at least to 0.50 metres above the highest roof coverings. Exits shall have a distance of more than 1.50 metres from any habitation compartments and must offer easy access for cleanliness. In confined workplaces, the air circulation must be conditioned to prevent employees being exposed to nuisance currents and ensure that the speed of such currents does not exceed 15 metres per minute at normal temperature, and 45 metres per minute in an overheated environment.

General safety

Protect employees against harmful temperatures, moisture and heat irradiations. All heating sources must be isolated and, whenever necessary, fire resistant shields must be placed.

Personal protection

Provide appropriate clothing and foot protection for employees working outside the plant, for protection from bad weather and excessive sun exposure. Adopt appropriate medical preventive actions to avoid heatstroke in employees subject to infrared irradiations, such as the provision of salty drinks and protection of any uncovered body parts with appropriate creams and heat isolators. Warn employees exposed to ultraviolet irradiations in prejudicial levels, verbally and in writing, of the inherent dangers and advise them of the appropriate means of protection. These works are forbidden to women under the age of 21 and to men under the age of 18.

Fire

Adopt fire prevention measures and preserve employees' health. Equipment and installations that present high risk of fire must, whenever possible, be constructed in a way that any fire can be isolated. Have adequate fire extinguishment equipment in good working condition and train employees to operate said equipment correctly. Fire extinguishment equipment shall be checked regularly and in accordance with the respective instructions.

Smoking

Smoking, lighting or holding matches or any other objects producing flames or sparks is prohibited in places for storage and handling of explosives, inflammable or burnable substances.

Personal protection

Provide eye protection equipment (adjusted to the face shape) to employees performing services that might damage the eyes through projection of fragments, heat, caustic materials, dust or dangerous fumes, or if they are exposed to intensive light or dangerous radiation. The eye protectors must have an appropriate optic quality, be resistant and be kept clean. The eyeglasses must be individual.

Hazardous substances

Provide running water or containers with appropriate neutralizing solutions available to employees, whenever manipulating corrosive liquids. Corrosive liquids spilt shall not be absorbed with shreds, sawdust or other organic materials. It must be washed with water or neutralized with adequate substances.

Dos and don'ts

DO	DON'T
<ul style="list-style-type: none">■ DO the declaration of commencement of labour activities after declaring the commencement of fiscal activities;	<ul style="list-style-type: none">■ DON'T agree to do any payment out of official fees, or it can be seen as corruption;■ DON'T go directly to the court in case of disputes regarding the execution of a contract; try to solve it before the Mozambican General Labour Inspectorate or Labour Mediation and Arbitration Commission;■ DON'T forget to submit the declaration of commencement of labour activities after declaring the commencement of fiscal activities.

DO THEY DIFFER BETWEEN PROVINCES, URBAN AREAS AND NON-URBAN AREAS?

The labour and social security rules don't differ between provinces, urban areas and non-urban areas. The law is for general application. However, if the company has branches, one must comply with all the obligations mentioned in Step 3.

IMPLICATION REGARDING SEZ OUTFITS

The number of expatriates in each operator or company in SEZs and IFTZs should be as high as 15% of the total personnel. This limitation excludes leadership positions, which will be occupied according to the level of expertise and required qualifications.

The commencement of activities by expatriates in the operators and companies of SEZs and IFTZs may take place before official permission and, in this case, the contract should be entered into with a termination condition. The use of the strategy obliges the employer to submit a request to the incumbent entity at the labour administration, requesting contract permission for a maximum of 45 days to be counted from the date of work commencement by the expatriate.

If the work permission is refused, the date when the refusal is issued should be regarded as the date of the contract resolution and all the foreign worker's rights regarding the time of contract signature should be respected.

The work position for workers (15% of the total personnel) should not last for as much as seven years, to be counted from the date of work commencement. After seven years, permission will be granted for three permanent positions, through grounded request. At the end of the seven years, positions for expatriates should conform to the general regime.

Request for work permission for expatriates in IFTZs are free of charge.

For information on commencement of activities for labour and the enrolment of the company and employees in the National Institute of Social Security, please see Step 3.

Relevant legislation²³

- I. Law no. 23/2007 of 1 August (Labour Law);
- II. Decree no. 75/99 of 1 October (Labour regime for the industrial free zones);
- III. Decree no. 45/2009 of 14 August (Regulation of the general inspectorate of labour).

Labour conditions in Mozambique

Mozambique's labour force participation rate (ages 15 and older) is 79.1% of the total population. According to statistics from the past years, the primary sector, which comprises agriculture, fisheries and mineral extraction, employs 73.1% of the country's economically active population. Another 22.8% of the active population work in the tertiary sector, which brings together transport and communications, trade, finance and services, leaving the remainder to the secondary sector, which includes manufacturing, energy and construction. The majority of the active population (67%) are self-employed, with 18% as family workers without pay and 15% as wage earners.

Under civil law, the age of majority is 21 years. It is at this age that the person acquires capacity for enjoyment and exercise of his rights. Minors can only work if the following conditions are met:

- Minors who have reached the age of 18;
- Minors who have reached the age of 15 years, as long as they are authorized by their legal representatives; and,
- Minors between the ages of 12 and 15, provided that they are authorized in writing by their legal representatives, who may at any time oppose the execution of the employment contract, in which case the validity of the contract is called into question.

Each sector of activity has a trade union centre, but these are not very active in the day-to-day labour market. They are, however, necessary given the mandatory provisions in the law that require its consultation, such as when an employer is hiring foreigners (in some cases) or during a disciplinary proceeding for dismissal. See Table 2 for the minimum wage applicable to the sectors:

TABLE 2 Minimum wages in force in 2017 and valid until April 2018

DESCRIPTION	ACTIVITY	MINIMUM WAGE
1	Agriculture, livestock, hunting and forestry	MT 3,642
2	Fisheries	<ul style="list-style-type: none"> ▪ MT 3,615 – Industrial and semi-industrial sea fishing workers; ▪ MT 3,780 – Kapenta (fish species) fishing workers.
3	Industry and mining activities	<ul style="list-style-type: none"> ▪ MT 6,963.67 – Workers who carry out their activities in large companies; ▪ MT 5,201.60 – Workers working on quarries and sandbars; ▪ MT 4,734 – Workers who develop their activities in the salt flats.
4	Manufacturing industry and bakery industry	<ul style="list-style-type: none"> ▪ MT 5,965 – Workers develop manufacturing activities; ▪ MT 4,335 – Workers engaged in the bakery industry.
5	Production and distribution of electricity, gas and water and for small and medium-sized enterprises	<ul style="list-style-type: none"> ▪ MT 7,286 – Workers engaged in integrated activities in the production and distribution of electricity, gas and water (large companies); ▪ MT 6,002 – Workers at small and medium-sized enterprises.
6	Construction	MT 5,436.70
7	Non-financial services activities	<ul style="list-style-type: none"> ▪ 5,525 meticais – Workers engaged in non-financial services activities; ▪ 5,328 meticais – Employees working in hospitality.
8	Financial services activities	<ul style="list-style-type: none"> ▪ MT 10,400 – Employees working in banking and insurance; ▪ MT 9,240 – Workers working in microfinance, microinsurance, and other entities involved in activities auxiliary to financial intermediation.

²³ Available from <http://www.mitess.gov.mz/documentos-legislacao>.



Housing for foreign nationals

There is no restriction for entering into lease agreements based on nationality and no limitation applies to buying a house in Mozambique. A different regime applies to acquiring a plot that has no construction yet, in which case, whilst foreign companies may do it as long as they have an investment project in place, a foreign individual will need to be residing in Mozambique for more than five years.

Road traffic

Mozambique's capital, Maputo, is the busiest city, as most services and companies have a head office there. The city comprises a centre where the medium and high class lives and the suburbs where the low-income families are located. Between 6:30 and 8:30, it is usual to witness traffic when entering the city, and 16:00 (the public institutions close at 15:30) to 18:00 is the busiest hour given the exit of workers to their homes.

The number of vehicles is rising and the space available for parking is almost non-existent, making necessary solutions such as parking in the streets and being subject to the help of local unskilled and untrained valets.

Labour law

The most important employment statute in Mozambique is the Labour Law (approved by means of Law no. 23/2007 of 1 August 2007). The Labour Law is applicable to employers and employees rendering work in Mozambique regardless of the parties' country of origin and scope of activities. As a general rule, employees are only entitled to work in Mozambique under a Mozambican law employment contract entered into with a Mozambican employer – either a Mozambican company or the Mozambican branch of a foreign company duly registered to do business in the country.

There are two most common types of employment contracts in Mozambique, the fixed-term contracts (where the duration of the contract is fixed) and the unlimited-duration contract (where the duration of the contract is not fixed). 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. There is also the uncertain employment agreement, which is executed for the duration of a specific task and it is not possible to foresee when it will be over. However, as soon as such a task is concluded, the agreement ends.

Employment contracts are required to contain the following clauses:

- Employer and employee's identification;
- Job qualification;
- Place of work;
- Work schedule;
- Duration of the contract and conditions for renewal;
- Amount, form and timing of salary payments;
- Start date, signature date and termination date; and
- Grounds for hiring an employee on a fixed-term basis.

Working hours

The normal period of business is the daily and weekly time schedule when the employer is open for business, including the mandatory rest periods. Employers shall, after prior consultation with the relevant trade union body, establish the normal period of business and submit the daily and weekly schedules to the relevant labour administration office and maintain same visible at the workplace.

The general rule is that an employee works a maximum number of 48 hours a week and eight hours a day, leaving one day a 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 nine hours if the employer grants the employee an additional half a day's rest a week, thus making the maximum number of hours a week increase to 49,5.

Overtime

The labour law sets forth that an employee may be required to work overtime (beyond normal working hours). However, a distinction is made between when such overtime work is rendered during a working day (extra hours) or during the mandatory or complementary rest periods or during holidays (exceptional hours). The main difference is that, while extra hours are limited to a certain number per week, trimester and year and have to be compensated by the payment of an additional 50% per hour if such work is rendered until 20:00 and 100% if it is rendered after 20:00, exceptional hours rendered by an employee have to be compensated both with the payment of an additional 100% per hour and the award of a day's rest within the following three days. It should also be noted that, for the aforesaid purpose, the employer is required to possess books to (i) register the exceptional hours rendered by its employees and (ii) register the extra hours rendered by its employees.



Employee leave

Employees are entitled to vacation leave as follows:

- One day of vacation leave for each month of effective service during the 1st year of employment;
- Two days of vacation leave for each full month of effective service during the 2nd year of employment;
- Thirty days of vacation leave for each full year of effective service from the 3rd year onwards of employment.

Vacation leave includes weekends – i.e. it is 30 consecutive days and not 30 business days. If a national holiday falls on a vacation day, that day is not counted as vacation leave.

For your reference, the national holidays are:

■ 1 January	New Year's Day
■ 3 February	Heroes' Day
■ 7 April	Women's Day
■ 1 May	Workers' Day
■ 25 June	Independence Day
■ 7 September	Lusaka Peace Agreement Day
■ 25 September	Revolution Day
■ 4 October	Day of Peace and Reconciliation
■ 25 December	Family Day

If the employee becomes ill during vacation leave, the period of illness is not counted as vacation leave when a doctor duly certifies the illness during the vacation and the employer is informed immediately.

Vacation leave for employees hired under fixed-term contracts of more than three months and less than one year corresponds to one day for each full month of effective service. The employer and employee may agree in writing to postpone paid vacation up to a maximum of 15 days per 12 months of work. Also, as per the aforesaid provision, an employee may not accumulate more than 60 days of paid vacation in one year. The days in excess shall be deemed to have expired.

Dismissal of employees

Termination of employees (locals or expats) is subject to several requirements, summarized as follows:

- There must be a serious violation of the employee's duties, or certain legal criteria fulfilled (termination for grounds), or the termination is based on needs of technological, management or financial reorganization of business, or is due to the lack of economic conditions for paying salaries (termination for objective reasons);
- A formal termination procedure must be observed. In most cases, this procedure takes the form of disciplinary proceedings. Note that termination with cause does not entitle the employee to any compensation.

Termination of employees without cause or in breach of the applicable statutes may give rise to the following:

- Employees under fixed-term contracts are entitled to receive the salaries they would have received until the end of the contract;
- Employees under unlimited-duration contracts hired after the entering into force of the law, or with a salary amounting to more than 16 minimum wages (regardless of the date of employment) will be entitled to the following compensation:
 - a) Thirty days' salary for each year of employment if the employee's salary amounts to between one and seven minimum wages;
 - b) Fifteen days' salary for each year of employment if the employee's salary amounts to between eight and 10 minimum wages;
 - c) Ten days' salary for each year of employment if the employee's salary amounts to between 11 and 16 minimum wages;
 - d) Three days' salary for each year of employment if the employee's salary amounts to more than 16 minimum wages.

In the event of the termination being disputed, and the employee being successful in legal action brought against the employer, the employee is due compensation in the amount corresponding to 45 paid salary days of work per year and the same may further opt to be reinstated in his or her employment.

Resolution of employment disputes

Employees may challenge the employer's decision by resourcing to the General Labour Inspectorate, by way of requesting mediation between such entity and the employer and employee. If that fails to get a result, they usually resort to courts.

Non-compliance of a mere technicality, for instance, under disciplinary proceedings will probably render the same null and void, making the dismissal extremely vulnerable to a potential lawsuit filed by the employee, which may obtain favourable ruling from the Mozambican courts (in which case the employer will be required to compensate the employee and reinstate him or her).

In general, the Labour Law protects the employee and the courts usually also tend to follow such 'spirit' of the law.

Other rights

As employment relationships are, in part, grounded on the principle of mutual collaboration, which relates to respect and mutual trust between the contracting parties, the Labour Law stipulates, in Articles 54 et sequitur, the rights and duties of employers and employees.

Specifically, employees are granted the following rights:

- To be assured of a job according to their abilities, their technical and vocational preparation, the requirements of the workplace and the national economic development possibilities;
- To be assured of job stability, whilst performing their duties under the terms of their employment contracts, collective labour regulation instruments and the applicable legislation;
- To be treated correctly and respectfully, being punishable by law all acts against the honour, good name, public image, private life and dignity of employees;
- To be paid according to the quantity and quality of their work;
- To compete for access to higher positions according to their qualifications, experience, work results, assessments and requirements of the workplace;
- To be guaranteed daily and weekly rest periods and paid annual holidays;
- To enjoy suitable measures of protection, safety and hygiene at work in order to ensure their physical, moral and mental integrity;
- To benefit from medical and medicinal aid, and to receive compensation for accidents at work or occupational illness;
- Report to the General Labour Inspectorate or authorities with labour jurisdiction whenever their rights are threatened;
- To freely associate in professional organizations or trade unions in accordance with Mozambique's Constitution; and
- To enjoy adequate assistance in the event of disability and old age, in accordance with the law.

The law further states that employers cannot assign works to female employees that might be harmful to their health or their reproductive functions, or dismiss, punish or otherwise cause prejudice to them for reasons of alleged discrimination or exclusion. Additionally, both male and female employees shall be respected and any act against their dignity shall be punished by law, and any employee at the workplace who carries out acts against their dignity shall be subject to disciplinary proceedings.

Additionally, working parents are granted certain rights in respect of maternity, paternity and childcare:

■ Maternity

Female employees are entitled to maternity leave of 60 consecutive days, which may start 20 days prior to the expected delivery date and may be enjoyed consecutively. Such maternity leave is applicable in cases of full-term or premature births, regardless of whether the child survived or not.

Whenever there is a clinical risk to the female employee or to her child that prevents the employee from working, she shall be entitled to leave of absence before the birth, for such period as is necessary to avert the risk (and has been medically prescribed), without prejudice to her maternity leave. Should the mother or baby be admitted to hospital during the period of leave following the birth, said period will be suspended for the duration of the hospitalization, provided that the employee notifies the employer of the hospitalization.

Pregnant (any female employee who informs her employer in writing about her state of pregnancy), parturient (any female employee who is in childbirth and for a period of 60 days immediately following childbirth, provided that she informs her employer in writing about her condition) or nursing (any female employee who is breastfeeding her child and informs her employer in writing about her condition) employees are entitled to the following rights:

- Not perform, during pregnancy and after childbirth, works that are clinically inadvisable in their condition, without any loss of remuneration;
- As of the 3rd month of pregnancy, not perform night work, exceptional work or overtime, or be moved from their usual workplace, unless it is at their request or necessary for their health or the health of the child;
- To interrupt the daily work, for a maximum period of one year, in order to breastfeed the child: for two periods of half an hour each, or for a single one-hour period when their work is performed in a single unbroken shift, without any loss of remuneration in either case;
- Not be dismissed, without just cause, during pregnancy or for one year after the birth.

■ Paternity

Fathers are entitled to paternity leave of one day every two years. Such leave should be taken on the day immediately following the birth, provided that the employee informs his employer of the birth in writing and before or after the date of such birth.



■ Childcare

Working mothers' absences, to take care of their minor children in cases of accident or illness, shall be considered justified absence and shall not result in any loss of rights, except as regards remuneration. Said right is subject to a maximum of 30 days (of absences) per year.

During the rendering of their services, employees are subject to the following duties:

- To go to work regularly and punctually;
- To perform their work with zeal and diligence;
- To respect and treat with propriety and loyalty their employer, their hierarchical superiors, their work colleagues and all other persons who they are in contact or come into contact with in the enterprise;
- To obey the lawful orders and instructions of the employer, the employer's representatives and the employee's hierarchical superiors, and to perform all other obligations arising from the employment contract, except those that are illegal or are contrary to their rights and guarantees;
- To use properly and keep in good condition the work-related property and equipment entrusted to them by the employer;
- To respect professional confidentiality and in no case disclose information regarding the organization, production methods or business of the enterprise or establishment;
- Not to use the workplace or the equipment, property, services or tools of the enterprise for personal or non-work-related purposes without authorization from the employer or the employer's representative;
- To be loyal to the employer, in particular, not to compete with the employer either directly or for the account of a third party, and to contribute to improving the system of safety, hygiene and health at work; and
- To protect the property of the workplace and the production output against any damage, destruction or loss.
- Medical aid, retirement fund and risk benefits insurance.

Although employers may agree to other benefits for their employees, such as medical aid, retirement fund and risk benefits insurance, note that deducting or withholding any amounts from an employee's salary must always be previously expressly authorized (in writing) by said employees. Moreover, the total amount of deductions (including those stipulated by law, e.g. social security and personal income) may not exceed one-third of the employee's monthly salary.

Pursuant to the Labour Law, employers are, in particular, subject to the following duties:

- To respect the rights and guarantees of employees and to comply fully with their obligations arising under the employment contract and the rules that govern it;
- To guarantee the observance of rules on hygiene and safety at work, and to investigate the causes of work accidents and occupational illnesses and take appropriate preventive measures;
- To respect employees and treat them with propriety and politeness;
- To provide employees with good physical and moral conditions at work;
- To pay employees fair remuneration, in accordance with the quantity and the quality of their work;
- To assign employees to occupational grades suited to the tasks and activities they perform;
- To maintain the employee's occupational grade and not to lower it except in such cases as are expressly provided for by law and by collective labour regulation instruments;
- To maintain the same working hours and the same workplace, except in those cases established by law, collective labour regulation instruments and individual employment contracts;
- To allow employees to carry out trade union activities and not to prejudice an employee for performing such;
- Not to compel employees to acquire goods or use services supplied by the employer or by a person designated by the employer; and
- Not to operate refectories, canteens, crèches or any other work-related establishments or supply goods or services to employees, for making a profit.

ANNEX XI: INVESTING IN THE SPECIAL ECONOMIC ZONES

WHAT TO DO?

A foreign investor wishing to develop a project in a SEZ or IFTZ must submit an application to the APIEX requesting a special licence to operate in either a SEZ or an IFTZ, along with the relevant documentation. The APIEX may always, during the analysis period of the proposals submitted and taking into account the nature and dimension of the project, request additional information deemed relevant to their decision.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

- I. Form duly completed;
- II. Promissory lease agreement or of acquisition of immovable asset;
- III. Commercial certificate of implementing company issued by the Legal Entities Registrar Office.

HOW MUCH TIME WILL IT TAKE?

Projects taking place in SEZs shall be decided within 10 business days from the submission of the application whilst those to be developed in IFTZs may take up to four weeks.

WHAT ARE THE COSTS?

The APIEX charges a fee for each investment project, calculated on the total amount to be invested by the foreign investor, at a rate of 1/1,000, e.g. if the total investment amounts to \$200,000, the fee due will be \$200. The fee is paid after conclusion of the analysis of the proposal by the APIEX and prior to the issuance of the respective licence to operate in a SEZ or IFTZ.

WHAT WILL YOU OBTAIN?

After due analysis by the APIEX, a licence is issued for the development of a project in a SEZ or IFTZ, granting the operators a set of advantages within tax, Customs and foreign exchange, given that companies or operators certified to operate in these zones enjoy their own tax and Customs regime.

Depending on the investment area, tax incentives may take the nature of deductions from taxable income, tax deductions, exemptions, reductions of the tax rate and deferred payment of tax.

For SEZs, the certificate of the company authorized to operate in a SEZ shall be valid for 10 years (renewable). For IFTZs, the company authorized to operate shall conclude the project facilities within six months of the authorization granted by the APIEX.

WHAT IS THE NEXT STEP?

The IFTZ operator shall proceed with obtaining the necessary taxpayer number and registration with the INSS, starting and notifying the relevant authorities when the works for the construction of the project facilities are concluded. It shall be subject to periodic inspections. The SEZ operator shall

be subject to periodic inspections whilst all other requirements shall be complied with as mentioned in Annex I.

APPLICABILITY OF PREVIOUS STEPS

Investing in a SEZ or IFTZ requires that the foreign investor follows almost all the steps indicated previously; i.e. incorporating a local vehicle, registering with the tax office and all other relevant authorities (such as the Labour Ministry and National Institute of Social Security), opening a bank account and complying with the procedures applicable to the hiring foreign investors.

The main differences exist in relation to the licensing, land and environmental procedures given that, as indicated above, the licensing is attained following an application to the APIEX and it is not required to be submitted for a separate application to the Ministry of Industry and Trade, as indicated in Annex I.

Given that SEZs and IFTZs are areas created by the Mozambican Government, investors will apply for the right of use and enjoyment of such areas with the support of the APIEX, but following the steps described in Step 8.

The same principle applies in relation to the environmental licences. The Mozambican Government shall firstly, with collaboration of the APIEX, determine the applicable measures that shall be taken in such areas to protect the environment. Such study shall indicate which activities are exempt of the environmental assessment study, as explained in detail in Step 9. Therefore, the foreign investor, with the APIEX's assistance, will only require an environmental licence (following the procedures described in Step 9) if such activities are not listed or exempted of such according to the applicable sectorial legislation.

Investing in a SEZ or IFTZ will trigger a specific pack of benefits relating to tax and Customs duties, as follows:

IFTZ operators shall be exempt from:

- a) Customs duties on importation of construction, machinery, equipment, accessories, spare parts and other goods for the exercise of the activity licensed in the IFTZ;
- b) Customs duties on the importation of goods and merchandise to be used in the implementation of projects and activities for which they have been authorized;
- c) VAT, including that due on purchases made within the country, as provided for in the VAT Code.

Specifically, investing in an IFTZ will also trigger (from the date of issuance of the respective licence) the following IRPC incentives:

- a) Total exemption during the first 10 fiscal years;
- b) Reduction of the rate by 50%, from the 11th to the 15th fiscal year;
- c) Reduction of the rate by 25% for the duration of the project.



ANNEX XII: LIST OF GOVERNMENT ENTITIES AND OTHER WEBSITES IN MOZAMBIQUE

ENTITY	CONTACT DETAILS
APIEX – Maputo office	Rua da Imprensa, no. 332, ground floor
Bank of Mozambique (Maputo)	Av. 25 de Setembro, no. 1695 Tel: +258 21 35 46 00 or +258 21 35 47 00 Website: www.bancomoc.mz/
GAZEDA (now APIEX) – Maputo office	Ahmed Sekou Touré Avenue, no. 2539 Tel: +258 21 321291/2/3 Website: www.gazeda.gov.mz/m/
National Migration Service (SENAMI) – Maputo office	Av. Ho Chi Min
Legal Entities Registrar Office – Maputo office	Av. Samora Machel no. 11 – 2 nd floor
MITADER – Maputo	Rua de Kassuende, no. 167 Tel: +258 823063020 / +258 21492403 Fax: 21490746 Website: http://www.mitader.info/
Ministry of Labour, Employment and Social Security (MITESS)	Tel: +258 21 312 011 Website: www.mitess.gov.mz/
Maputo Municipal Council	Av. Olof Palme, no. 1935, Maputo Website: http://www.cmmmaputo.gov.mz/
One-stop shop (Balcão de Atendimento Único – BAU) – Maputo office	Av Josina Machel, no. 151
Public notary	There are four public notaries in Maputo 2 nd Public Notary (Maputo) Av Ahmed Sekou Touré, no. 2906 1 st floor
Real Estate Registrar Office – Maputo office	Av. Samora Machel, no. 11, 2 nd floor
Mozambique Revenue Authority	Tel: +258 21344200 or +258 21320396 E-mail: linhadocontribuinte@at.gov.mz Website: http://www.at.gov.mz/
National Institute of Social Security – Maputo office	Av. 24 de Julho, no. 3549 Tel: +258 21-403010 or +258 21-403025 or 21-406834 Website: https://www.inss.gov.mz/

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