

# Corporate Taxation in Mozambique

Key issues to consider on DTT application

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# Transaction with non-resident entities

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## WHT rates

- ✓ Dividends, interest, royalties and services: 20%
- ✓ Telecommunications and international transportation services, and assembling and installation performed by non-resident entities: 10%

## Double Tax Treaties

Formal requirements for the application of DTT are required

WHT	Portugal	South Africa	UAE	Mauritius	Italy	Macau	India	Botswana	Vietnam
Dividends	10%	8%/15%	0%	8%/10%	15%	10%	7.5%	0%/12%	10%
Royalties	10%	5%	5%	5%	10%	10%	10%	10%	10%
Interest	10%	8%/0%	0%	8%/0%	10%	10%	10%	10%	10%

## Examples

- ✓ *Need to deal with foreign taxpayers, often unfamiliar with your domestic system*
- ✓ *Need to accommodate differences between treaty and domestic law rules and concepts*
- ✓ *Lack of papers prepared by MRA or tax courts on the interpretation of rules*
- ✓ *Need to accommodate differences between one treaty's provisions and another's*
- ✓ *Need to coordinate with treaty partners*
- ✓ *Need to deal with logistical issues (language, distance, tax clearance certificates, time, etc.)*

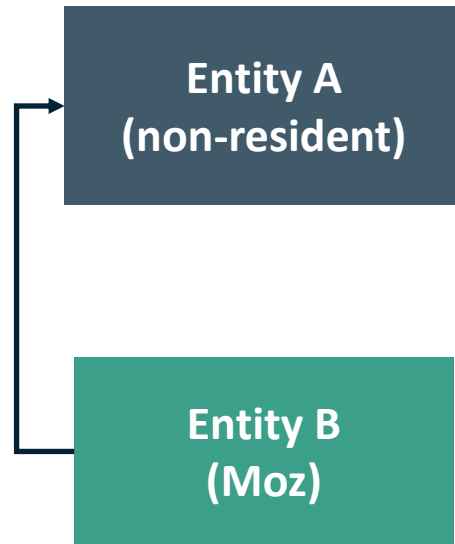
# Practical issues

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## Concept of royalties

Payment of  
services  
and/or  
royalties



*“Payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films and films, tapes or discs for radio or television broadcasting), any patent, trademark, design or model, computer program, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience”*

### HOWEVER

MRA always tries to qualify any service payment to overseas as a royalty

## When pay the WHT?

Payment date / Due date / Invoice Date / when the income is computed?

## Transactions with branches

Overheads / administrative costs charged to branches:

- ✓ Tax deductibility of the cost;
- ✓ Should they be subject to WHT?



Discrimination on taxation implies:

- ✓ Double Taxation on taxpayers
- ✓ Higher costs when comply with the tax rules
- ✓ Delay on the reimbursement of taxes

## Concept

*The term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.*

*Includes: “a building site or construction, installation or assembly project, or supervisory activities in connection therewith only if the site, project or activity lasts more than 6 month”*

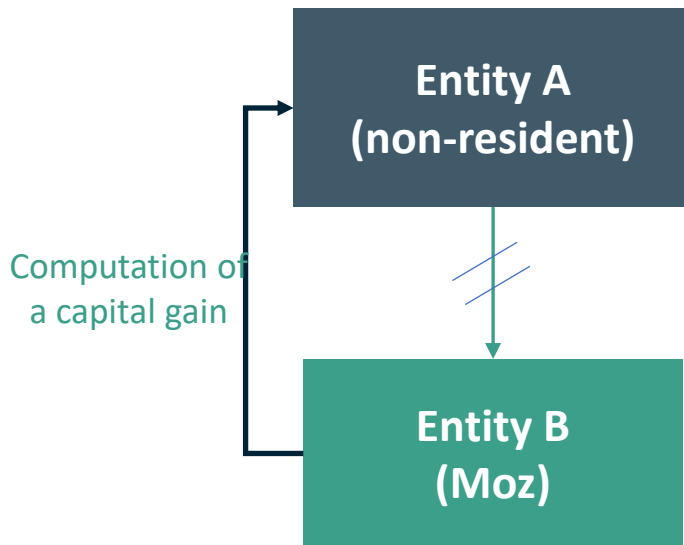


## Issues:

- ✓ Can an agreement signed for more than 180 days trigger a PE in Mozambique? Specific issues on DTT signed with RSA.
- ✓ Can we apply the DTT on agreements signed with branches?



## Capital gains taxation



### DTT possible wording:

- ✓ Gains from the alienation of shares shall be taxable only in the Contracting State of which the alienator is a resident.
- ✓ Gains from the alienation of shares of a company the property of which consists directly or indirectly principally of immovable property situated in a Contracted State may be taxed in that State.
- ✓ Gains from the alienation of shares of a company the property of which 50% consists directly or indirectly of immovable property situated in a Contracted State may be taxed in that State.

### Issues:

- ✓ MRA always tries to tax any kind of capital gain in Mozambique, irrespectively of the DTT wording
- ✓ What should be considered as immovable property?
- ✓ How the 50% ratio is computed?

## Rule

- ✓ Payments to foreign entities are allowed, provided tax obligations have been satisfied
- ✓ So, a tax clearance certificate should be obtained
- ✓ DTI forms must be gotten to apply DTT provisions



## Issues:

- ✓ Time consuming process
- ✓ Queries on the scope of the services and time of the agreements
- ✓ Some countries are refusing the certification of Moz DTI
- ✓ MRA are not accepting tax residence certificates issued by foreign revenue authorities

# CONTACTS

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