

Legal Framework



For Tax in
Mozambique

No. 2 VAT

Edition II
December
2011



USAID | **SPEED**
FROM THE AMERICAN PEOPLE | For a Better Business Environment

Deloitte.

TABLE OF CONTENTS

1	FOREWORD	1
2	GUIDE FOR USERS	2
3	GLOSSARY	3
4	TIMELINE OF OBLIGATIONS AND RELATED FORMS	8
4.1	Non periodical declarative obligations	8
4.2	Periodical Declarative and Payment Obligations	9
5	INTRODUCTION	10
6	GENERAL PROCEDURES	12
6.1	Applicability	12
6.1.1	When VAT is applicable?	12
6.1.2	Who are taxable persons for VAT purposes?	12
6.1.3	What are taxable transactions within the national territory?	13
6.1.4	When is VAT due and chargeable?	16
6.1.5	Applicability of VAT on leasing of immovable property	18
6.1.6	Frequent Asked Questions	22
6.1.6.1	Are once-off transactions subject to VAT?	22
6.1.6.2	Are supplies of goods free of charge subject to VAT?	22
6.1.6.3	Are staff secondments subject to VAT?	22
6.1.6.4	Is the supply of fixed assets subject to VAT?	22
6.1.6.5	When is VAT chargeable on the partial payments?	22
6.1.6.6	Are consultancy services subject to VAT?	23
6.1.6.7	Are services rendered by a Mozambican resident supplier to a non-resident VAT taxable?	23
6.1.6.8	What is “reverse charge” and when is it applicable?	23
6.2	Exemptions	24
6.2.1	Exemptions classification	24
6.2.2	Simple exemptions (without right to deduct)	25

6.2.3	Complete exemptions (with right to deduct).....	28
6.2.4	Exemption Waiver	29
6.2.4.1	Who can waive the exemption?	29
6.2.4.2	How is the right to waive the exemption exercised?	29
6.2.4.3	How long is the waiver prescription period?.....	29
6.2.5	Frequent Asked Questions.....	29
6.2.5.1	Is a sale of immovable properties subject to output VAT?	29
6.2.5.2	Is a sale of fixed assets acquired from individuals subject to output VAT?	29
6.2.5.3	How can a company obtain a VAT exemption on the temporary import of goods which will be used to add value to locally produced products before they are exported (e.g. Packing materials)?.....	30
6.3	VAT Tax Value	30
6.3.1	Tax value of transactions within the national territory – general rule	30
6.3.2	Tax value on transactions within national territory – special rules	31
6.3.2	Tax value of the importation of goods	32
6.4	Rates	32
6.5	Assessment.....	33
6.5.1	Right to deduct	33
6.5.2	What are the conditions to exercise the right to deduct?	33
6.5.3	What are the exclusions from the right to deduct?.....	34
6.5.4	When does the right of deduction?.....	35
6.5.5	What are the methods to exercise the right to deduct?.....	35
6.5.6	Partial deductions	36
6.5.6.1	Proportionate or pro rata method:	36
6.5.6.2	Actual allocation method:	39
6.5.7	What forms are used to exercise the right to deduct and assess the tax?	40
6.5.8	Frequent Asked Questions	40
6.5.8.1	Is VAT deductible on calls from cellular mobile phones?.....	40
6.5.8.2	What is the valid supporting documentation for input VAT deductions for normal or emergency imports?.....	40
6.5.8.3	Which are the procedures for purchases over the Internet such as anti-virus software, where the invoice is issued outside of Mozambique?	40
6.5.8.4	What are the procedures to follow when goods of small value are sold in Mozambique to a foreigner that intends to export them?.....	41
6.5.8.5	Is Input VAT on vehicle deductible?	41
6.5.8.6	If between two companies payments are usually made through the balance of a current account how VAT is assessed?	42

6.5.8.7	How does a company invoice and account for costs incurred on behalf of other company?	42
6.6	Tax adjustments	43
6.6.1	Frequent Asked Questions	45
6.6.1.1	If an invoice is lost, what are the procedures to follow?	45
6.6.1.2	If an error is detected in a VAT declaration submitted several months ago, what is the procedure to rectify it?	45
7	PROCEDURES APPLICABLE TO SPECIAL SCHEMES.....	46
7.1	Exemption Scheme	46
7.1.1	What are the conditions to apply this scheme?.....	46
7.1.2	What is the required turnover to elect for the exempt scheme?.....	46
7.1.3	Can a taxable person who qualifies for the exemption scheme elect for a normal taxation scheme?	47
7.1.4	How can the taxable person opt for the right to adopt the normal taxation scheme? ..	47
7.1.5	Can the taxable person change schemes whenever he wishes?	47
7.2	Simplified Taxation Scheme.....	48
7.2.1	What conditions apply to this scheme?	48
7.2.2	What is the definition of turnover to elect for this scheme?.....	49
7.2.3	Can taxable persons who qualify for the simplified taxation scheme opt for the normal taxation scheme?	49
7.2.4	How can a taxable person exercise the right to opt for the normal taxation scheme? 49	
7.2.5	Can the taxable person change the scheme whenever he wishes?	49
7.2.6	In case of restart after ceasing operations, can the taxable person be eligible to adopt the simplified taxation scheme?	49
7.2.7	Summary of taxation schemes	50
8	PROCEDURES APPLICABLE TO SPECIFIC SCHEMES.....	51
8.1	Travel Agencies and Tour Operators	51
8.1.1	What conditions apply?	51
8.1.2	Is the supply of travel services undertaken by retail travel agencies but organised by wholesale travel agencies subject to this scheme?	51
8.1.3	What transactions are taxable within the national territory?.....	51
8.1.4	When is VAT due and when does it become chargeable?	51
8.1.5	What is the tax value?	52
8.1.6	Under this scheme, can the taxpayer deduct input VAT from purchases?	53
8.1.7	How is the tax payable assessed?	53

8.1.8	What are the implications when changes are made to the tax value?	54
8.1.9	Is VAT assessed on invoices?	54
8.1.10	Can the invoice issued by the Travel Agent be used by the Client to deduct the input VAT in their respective VAT return?	54
8.1.11	How should records of these transactions be maintained?	55
8.2	Second-Hand Goods	55
8.2.1	Scheme applicable to resellers of second-hand goods	55
8.2.1.1	What is the tax value?	56
8.2.1.2	Can the taxable persons included in this scheme deduct input VAT from the purchases?	56
8.2.1.3	How is the tax assessed?	56
8.2.1.4	Is the VAT assessed on invoices?	57
8.2.1.5	Do the invoices issued by resellers under this scheme give rise to the right to deduct VAT in the books of the Client?	57
8.2.1.6	How should records of these transactions be maintained?	57
8.2.2	Scheme applicable to Auction Houses and Auctioneers	58
8.2.2.1	What is the tax value of these transactions?	58
8.2.2.2	Is VAT assessed on the invoices?	59
8.2.2.3	Do the invoices issued by auctioneers under this scheme allow clients the right to deduct the input VAT?	59
8.2.2.4	How are records of these transactions maintained?	59
8.2.2.5	Other obligations	59
8.3	Civil Works Contracts and Subcontracts	59
8.3.1	How does this VAT scheme apply?	59
8.3.2	When is the tax chargeable?	59
8.3.3	Is this scheme automatically applied?	60
8.3.4	May taxable persons opt for another scheme?	60
8.3.5	When can the right of deduction be exercised?	60
8.3.6	Procedures related to issuing invoices and receipts	60
8.3.7	Procedures related to accounting records	61
9	GOODS IN TRANSIT	62
9.1	Transport Documents	62
9.1.1	What is a transport document?	62
9.1.2	What are goods in transit?	63
9.1.3	Elements that shall be included in the documents of transport	64
9.1.4	Final address of documents of transport	65

9.1.5	Filing system.....	65
9.2	Inspection.....	66
9.2.1	Procedures.....	66
9.2.2	Release of goods and vehicles which were seized.....	67
9.3	Penalties.....	68
10	PROCEDURES APPLICABLE FOR A VAT REFUND.....	69
10.1	Applicability.....	69
10.1.1	Who may request a VAT refund?.....	69
10.1.2	What are the requirements to request a tax refund?.....	69
10.2	Refund request supporting documentation.....	70
10.2.1	What form is used to request a refund?.....	70
10.2.2	What documents support the claim for a refund?.....	70
10.2.3	Which are the main irregularities in the refund processes?.....	71
10.2.4	What are the consequences of the presented irregularities?.....	72
10.2.5	What is the timing of the refund?.....	72
10.2.6	Suppliers Statement format.....	73
11	OBLIGATIONS OF TAXABLE PERSONS.....	76
11.1	Registration of taxable persons – NUIT Number.....	76
11.2	Declarative Obligations.....	76
11.2.1	What is the main objective of the Declaration of Commencement of business?.....	76
11.2.2	What is the main objective of the declaration of alteration of business?.....	76
11.2.3	What is the objective of the declaration of cessation of business?.....	77
11.2.4	What is the main objective of the periodic declaration.....	77
11.2.5	Which are the declarative obligations of taxable persons for a one-off transaction?.....	77
11.2.6	Where are the declarations submitted?.....	78
11.2.7	What are the deadlines to submit the declarations?.....	78
11.3	Payment Obligations.....	79
11.3.1	Who shall assess and pay the tax due?.....	79
11.3.2	Where the tax payment is made?.....	79
11.3.3	How is the tax payment made?.....	79
11.3.4	Is the VAT payable on instalments?.....	79
11.3.5	What documents prove a tax payment?.....	80

11.3.6	What are the authorized means of payment?	80
11.3.7	What are the requirements for each means of payment?	80
11.3.8	What are the exceptions to the utilization of tax credits carried forward from previous period? 80	
11.3.9	What are the procedures for declarations submitted without payment?	80
11.3.10	What are the procedures if the amount assessed is lower than the tax due?	81
11.3.11	What are the procedures if the payment made is higher than the tax due?	81
11.3.12	What are the procedures in case of errors in self-assessment?	81
11.3.13	What are the procedures in case of delay in the assessment or payment of the tax? 81	
11.4	Invoicing obligations	82
11.4.1	What is the difference between an invoice and a tax invoice.....	82
11.4.2	What taxable persons are obliged to issue a tax invoice?	82
11.4.3	What elements must be included in a tax invoice?	84
11.4.4	Procedures relating to goods on consignment.....	87
11.4.5	Obligations arising from the invoice issuance	88
11.4.6	When an invoice with tax included is allowed?	88
11.4.7	Frequent Asked Questions	88
11.4.7.1	If a supplier issues an illegal invoice and refuses to rectify it what are the procedures that the receiver of the invoice must follow to report the supplier?.....	88
11.4.7.2	How can the companies check that suppliers from which they receive invoices have a valid VAT registration completed at ATM and a valid NUIT?	88
11.4.7.3	What are the procedures to order invoices from a printer?.....	89
11.5	Accounting Obligations	89
11.5.1	Accounting systems.....	90
11.5.1.1	Organised accounting system	90
11.5.1.2	Simplified accounting system	91
11.5.2	Centralisation of records.....	93
11.5.3	Accounting support documents	93
11.5.4	Accounting records.....	94
11.5.4.1	VAT Assessment	97
11.5.4.2	Filing System	98
11.5.4.3	Deadlines for accounting records	99
11.5.5	Advisable Checklist	99
12	TAXABLE PERSONS RIGHTS	100
12.1	Claims	100

12.2	Annulment of the tax by the authorities.....	100
12.3	Annulment of the assessment.....	100
13	GENERAL RULES DEFINING FINES AND PENALTIES.....	102
14	LIST OF APPLICABLE LEGISLATION	105
15	REFERENCES.....	107

1 FOREWORD

This manual was undertaken as a result of a request from ACIS – Associação Comercial e Industrial de Sofala in collaboration with GTZ - APSP, with the support of the Sofala Provincial Government, to publish a set of tax manuals which provide necessary advice and information on legal and tax issues to the members of the association.

Under this framework the Value Added Tax (VAT) Manual was prepared. A major concern of ACIS is to provide information to small, medium and large member companies that are uncertain on practical issues of compliance with tax rules during their day-to-day operations.

This manual is intended to be a practical and useful tool to help managers and entrepreneurs decide on the best tax solutions for their specific activity and the size of their business. It will also allow them to run their businesses with a better knowledge of the rights, benefits, and obligations available.

In trying to achieve the goals established for the manual, cases studies were prepared by ACIS. Information and opinions were shared with auditors and relationships were established with the Tax Authorities from whom we received important information that assisted us in obtaining a reasonable understanding and interpretation of VAT matters.

The topics covered in this manual are of a complex nature and the manual is concise. The manual should not be understood, in any manner to substitute the legal documents and should not be used to obtain professional assistance in relation to the complexity of the economic realities underlying the tax system.

This manual is an updated version - [Version VAT 02](#) - containing the amendments to the legislation that impacts on VAT, as required and approved by the Management Committee of ACIS.

Our thanks are due not only to USAID who sponsored the update of this edition but to GIZ – German Technical Cooperation for their support in developing the Legal Framework for Tax sub-series.

The changes in the legislation are as follows:

Decree no. 70/2009, dated 22nd December which approves the Accounting System for the Business Sector in Mozambique, aimed at the adoption of a Chart of Accounts based on International Financial Reporting Standards, and the introduction of certain adjustments in the Chart of Accounts in force approved by Decree no. 36/2006 dated 25 July

- Deliberation dated 9th of March 2011 of the Minister of Finances which regulates the processing of the compulsory accounting books through electronic means.

2 GUIDE FOR USERS

This manual is structured in chapters and sections and is designed to be edited by an unbound leaf folder system. This system should allow the substitution of the outdated pages, when necessary, and allow for changes or additions in legislation by the Tax Authority.

For changes and revisions to the Manual that may be necessary, the following procedures will be followed:

- Any amendments to this version of the manual (VAT 01) will be requested and approved by the ACIS Management Committee, who shall nominate the party responsible for the change;
- After approval by the ACIS Management Committee the electronic version of the manual will be updated by publication on the website and all members will be notified by e-mail about the amendments;
- Each update shall be dated and identified with a specific sequential number;
- The updated manual will be available on the web site to download and all members will be e-mailed a copy;
- The original manual and the amended versions shall be kept electronically and in hard copy, in the ACIS permanent file system.

The manual is presented in Portuguese and in English; however the supporting legislation is only available in Portuguese.

The manual aims to cover the fundamental issues of VAT and uses graphic presentations and practical examples to deliver a user-friendly guide on all aspects of VAT. The manual is comprehensive however it does not deal with all the legal detail associated with VAT and is not intended to be a legal reference.

The supporting legislation is referenced in the text or at the beginning of each chapter to ensure that the legislation can be consulted to allow a more thorough understanding.

The manual can be read in the electronic format or in hard copy, as follows:



The availability of printed versions is the responsibility of the ACIS members. Members need to ensure that they keep the last version of the document. Changes to the original are the responsibility of ACIS.

3 GLOSSARY

Acronyms:

ACIS – *Associação Comercial e Industrial de Sofala* - Commercial and Industrial Association of Sofala

APSP – *Ambiente Propício para o Sector Privado* – An initiative funded by GTZ to promote a sound environment for Private Sector Development

ATM – *Autoridade Tributária de Moçambique* -Mozambique Tax Authority

DAF – *Direcção da Área Fiscal* - Respective Tax Department

DGA – *Direcção Geral de Alfândegas* – General Directorate of Customs, one of the structural units of ATM, with jurisdiction in the entire country for customs matters

DGI – *Direcção Geral de Impostos* – General Directorate of Tax, one of the structural units of ATM, with jurisdiction in the entire country for tax matters

FOB – Free on Board

GTZ – *Deutsche Gesellschaft für Technische Zusammenarbeit* – an international cooperation enterprise for sustainable development with worldwide operations. The federally owned Deutsche GTZ GmbH supports the German Government in achieving its development-policy objectives.

IRPC – *Imposto sobre o Rendimento das Pessoas Colectivas* – Corporate Income Tax

IRPS – *Imposto sobre o Rendimento das Pessoas Singulares* – Individual Income Tax

MPF – Ministry of Planning and Finance

NUIT – *Número Único de Identificação Tributária* – Taxpayer Identification number, attributable under the conditions established in the Regulation approved by Decree 52/2003, dated 24th of December.

PGC – General Chart of Accounts

PGC-PE - *Plano Geral de Contabilidade* – General Chart of Accounts which is applied to Small sized companies

PGC-NIRF - *Plano Geral de Contabilidade* – General Chart of Accounts based on IFRS which is applied to Medium and Large sized companies

RCPR –Regulation of VAT Payment Collection and Refund

RMC – Regulation governing documents that shall accompany goods in transit

SCE – Accounting System for the Business Sector in Mozambique

UGC – *Unidade de Grandes Contribuintes* – Major Taxpayers Unit

VAT – Value Added Tax

VATC – Value Added Tax Code

VATR – Value Added Tax Regulation

Concepts:

Antiques – goods older than one hundred years old, excluding works of art and collectibles.

Auctioneer – a taxable person who in the normal course of business organises a sale of goods by auction, in his own name, but on behalf of a seller based on a sale contract, with a commission.

Collectibles – postage stamps, tax stamps, postage hall-marks, first day envelopes, postage writing pads and similar (used or not, but not in circulation and not to be in circulation), collections and items for collection of botanic zoology, mineralogy or anatomy, with historical, archaeological, palaeontological, ethnographic or numismatic interest.

Commissioner – a person that voluntarily accepts to perform a service and remains under the authority or instructions of the seller; It is assumed that a subordinated relationship is created even if the former applies better knowledge or technical experience than the latter (e.g. an auctioneer).

Consideration – Payment in the form of money or other form of benefit in exchange for an agreed action (e.g. the receipt of goods and/or services). In most cases, the consideration is in the form of cash or cash equivalents received or receivable. When goods or services are exchanged for different good or services the tax value of the transaction shall be calculated by the total value of the goods or services received, adjusted by the amount of any cash or cash equivalent jointly received.

Distance travelled within national territory – routes travelled outside the national territory shall be treated as distance travelled within the national territory if the place of departure and destination are located therein. For these purposes, transport to and from a destination shall be treated as two operations - one for the onward journey and another for the return journey.

Economic activity – relates to production, trade, or service activities, including mining, agriculture, forestry, livestock and fishing activities

Equivalent Document to the invoice - is the document that, not being an invoice is normally used for selling goods and/or services as it contains all elements and requirements of an invoice. Examples of equivalent documents are: Invoice receipt, cash sales receipt (*Venda a Dinheiro*), Debit/Credit Notes, Customs bills, etc.

Fiscal residence:

- For individuals - the physical address of the dwelling within the Mozambican territory;
- For corporations - the physical address within the Mozambican territory of headquarters, or where the effective management and accounting records are located, if it is other than the headquarters;
- For permanent establishments of non-residents - where the effective management and business development are located.

If individuals have different dwellings and it is not possible to identify one as the main residence, the fiscal residence shall be the residence most frequented, or where the main centre of interest is located.

For taxpayers considered as major taxpayers by the Tax Authorities or in other specific cases, the fiscal residence may be different from the general rule applicable to corporations as stated above.

For non-residents who have revenue subject to taxation within national territory but who do not have permanent establishment, the fiscal residence shall be the physical address of the tax representative.¹

Imports of goods – goods are considered to be imported when they enter the national territory. If goods fall under Customs and Special Taxation Schemes (n.1 clause 14 of VATC), the effective date of entry in the national territory to qualify as import is when the goods are introduced for consumption.

Input tax – means the tax paid or payable under the VAT Code by a taxable person to another taxable person on the purchase of goods in the course of business.

Leasing – a contract whereby a party agrees to provide the other party the temporary use of something in return for consideration. Leasing is defined as letting when it deals with immovable items and renting when it deals with moveable items.²

Light vehicle – any vehicle, including a trailer, that is not exclusively used for the transport of goods or used in agriculture, trade or manufacturing. In addition, any vehicle that is also used for the transport of people which does not have more than 9 seats, including the driver's seat.

National territory – the entire land surface, maritime zone and air space delimited by national boundaries.

Non profit bodies – entities without profit objectives that together:

- Do not distribute or make available profits to management and, management have no direct or indirect interest in the financial results;
- Have financial records that cover all the activities and make these records available to the tax authorities, to the point above;
- Charge prices approved by the respective public authorities or, when operations are not subject to approval, charge prices that are below the prices charged for similar operations by tax payers;
- Do not compete directly with taxable persons.

Output tax – the tax paid or payable under the VAT Code on the sale of goods by a taxable person to another taxable person or any other person.

Primary destination – the place mentioned on the transport document for the goods imported into the national territory or, in the absence of such document, the place of the first split of the cargo in the territory of the country.

Renewed goods – goods where the value of materials and the labour costs used in the renewal be higher than the acquisition price of the goods.

Respective Tax Department – (In Portuguese: “Direcção da Área Fiscal competente”, or “Recebedoria de Fazenda competente” or “Serviços Tributários competentes”) – the Ministry of Finance office that is closest to the taxpayers business, headquarters or permanent establishment, or in its absence his residence, taking into account the following:

- For individual or corporate taxpayers residing out of the national territory the respective Tax office shall be:

¹ Art. 3, Decree 52/2003 dated 24 December

² Art.1022 and 1023 from Civil Code

- the office nearest to the place of permanent establishment;
 - the office nearest to the place where the tax representative has his headquarters, permanent establishment, or his residence;
 - in the absence of tax representative or permanent establishment, the headquarter, permanent establishment, or residence of the acquirer.
- For compliance with tax obligations from imports, the respective Tax office shall be the Customs services.

Reseller – a taxable person who, in the normal course of business, buys second-hand goods for resale.

Rural area – area located in the country side out of the scope of a municipality.¹

Second hand goods – moveable used assets, in a condition to be reused, in their current state or after repair. This does not include assets that have been renewed or transformed and will always exclude precious stones and metals (not including coins or artefacts made from those materials).

Seller (in Portuguese “comitente”= committer) – the person that, by free nomination or designation, empowers another person (the commissioner) to perform any service, remunerated or not, on his behalf, permanently or occasionally. It is assumed that a relationship of authority is created (e.g. person who wants his goods auctioned).

Sisa – Conveyance tax on transfer of real state

Supply of goods – means transference of corporeal property for consideration, including:

- Power, gas, heat and refrigeration supply;
- Delivery of goods, under a leasing contract with a clause providing that ownership shall pass, binding both parties;
- Delivery of goods pursuant to a sale contract which provides that ownership shall be retained until full or partial payment of the purchase price;
- Delivery of goods for consignment when the return cannot occur within 180 days;
- Permanent allocation of business assets for the private use of the owner of the business, his staff, or, in general, for purposes other than those of the business and input VAT has been deducted on the purchase. This excludes samples and gifts of small value, with limits which are to be defined by the Tax Authorities. These limits are not established by the Tax Authorities however it is advisable to use reasonable limits and apply them consistently;
- Allocation of goods by a taxable person to an exempt activity as well as allocation of fixed assets (light vehicles, sport boats, helicopters, aircraft and motorcycles) when the input VAT was totally or partially deducted on the purchase;
- Supply of second hand goods sold by taxable persons acting as specialised resellers on these transactions as well as auctioneers that are subject to special rules (articles 47 up to 49 of VAT Regulation).

¹ Art 1, paragraph 1, line r), Regulation for Licensing of the Commercial Activity, in force through Decree 49/2004, dated 17 December.

Although considered as a supply of goods, tax is not due or chargeable on the transfer of a business, a totality of assets or part thereof, whether for consideration or not, when the recipient is, or by virtue of the transfer, becomes a taxable person with an economic activity exclusively with transactions which gives rise to the right of VAT deduction.

Supply of Services – supply of services means any transaction, made for consideration, where there is not a supply or import of goods, including:

- Supply of services free of charge, which are not related to the business activity for the private use of the owner, staff or for third parties;
- The use of goods forming part of the business assets for the private use by the owner, staff, or in general, for purposes not related to the business activity, as well as for use in exempt activities, where the right to VAT deduction has been exercised;
- Transactions made by travel agencies and tours operators which are subject to special rules (articles 38 up to 46 of VAT Regulation).

Tax Invoice – document commonly used in the supply of goods or services by commercial entities. The format is free, but the invoice must contain the items specified in paragraphs n. 5, 7 and 8 of clause 27 of VAT Code and the requirements of the Minister of Planning and Finance dated 01.03.99 must be followed on the printing of the invoice.

Tax infringements – act, action or omission of the taxpayer, tax substitute or tax representative, contrary to the tax law. Crimes, directives not complied with, transgressions or contraventions are considered to be tax infringements.

Transformed goods – goods where certain main characteristics were modified after being subject to a repair.

Works of art – goods made by artists, for example, original paintings and drawings but excluding industrial designs, engravings, prints and lithographs whose production is limited to 200 copies, as well as other art pieces under the scope of sculpture or statuary sculpture but excluding articles of goldsmith and jewellery and ceramic works made and signed by the authors.

4 TIMELINE OF OBLIGATIONS AND RELATED FORMS

The following tables summarise the main submission and payment obligations of the taxable person for VAT purposes:

4.1 Non periodical declarative obligations

Declarations	Timing			Form
	Normal Taxation Scheme	Simplified Taxation Scheme	Exempt Scheme	
Commencement of business	15 days before business commences			M/01
Alterations	15 days, from the date of alteration		If the exemption limit is overcome the taxable person is notified to submit a declaration of alterations within 15 days.	M/03
	(1) During January. It shall be in force by the 1 st of January of the year where the declaration is submitted. If submitted late it shall be in force by the 1 st of January of the subsequent year.	(2) It shall be in force by the 1 st of January of the subsequent year or in the current year if the business is starting-up. After 5 years these may be reversed to the prior scheme through submission of the Declaration of Alterations and it shall be in force by the 1 st of January of the subsequent year.		
Cessation of business	30 days from the date of cessation			M/04

Notes:

- (1) When the taxable persons registered for the normal taxation scheme become compliant with requirements and intend to apply other special schemes.
- (2) When the taxable persons registered for special schemes intend to renounce and elect for the normal taxation scheme.

Declaration	Timing	Form
Once-off transaction	Up to the end of the subsequent month where the operation was finalised	Form E

This declaration shall be accompanied by the means of payment.

4.2 Periodical Declarative and Payment Obligations

Month	Normal taxation scheme		Simplified taxation scheme		Exempt scheme
	Day	Form (1)	Day	Form	
January	31	Form A	31	Form C (2)	Tax persons are not obliged to submit periodical declarations except for when the exemption limit occurs sometime during a year where it shall be necessary to submit a declaration of alterations. In this case the tax shall be due on the transactions undertaken during the subsequent month when the alteration declaration was submitted.
February	28	Form A	28	Declaration related to purchases and/or services rendered	
March	31	Form A			
April	30	Form A	30	Form C	
May	31	Form A			
June	30	Form A			
July	31	Form A	31	Form C	
August	31	Form A			
September	30	Form A			
October	31	Form A	31	Form C	
November	30	Form A			
December	31	Form A			

Notes:

- (1) Form A must be submitted and accompanied by the payment related to the tax due. Form A must be submitted even if there are no taxable transactions in the related tax period. When the information included on Form A requires adjustment, Form B must be used.
- (2) Information reported in the last quarter of the prior year.

5 INTRODUCTION

This manual is addressed to business operators who are subject to VAT.

What is VAT and how it works?

Value-Added Tax (VAT) is an indirect tax. VAT is levied on the supply of goods and services undertaken in the national territory (including importation). The tax applies to all phases of the business cycle, from manufacturing/importation through to the acquisition and supply by retailers. It does not have a cumulative tax effect, as the name indicates, through a particular assessment mechanism.

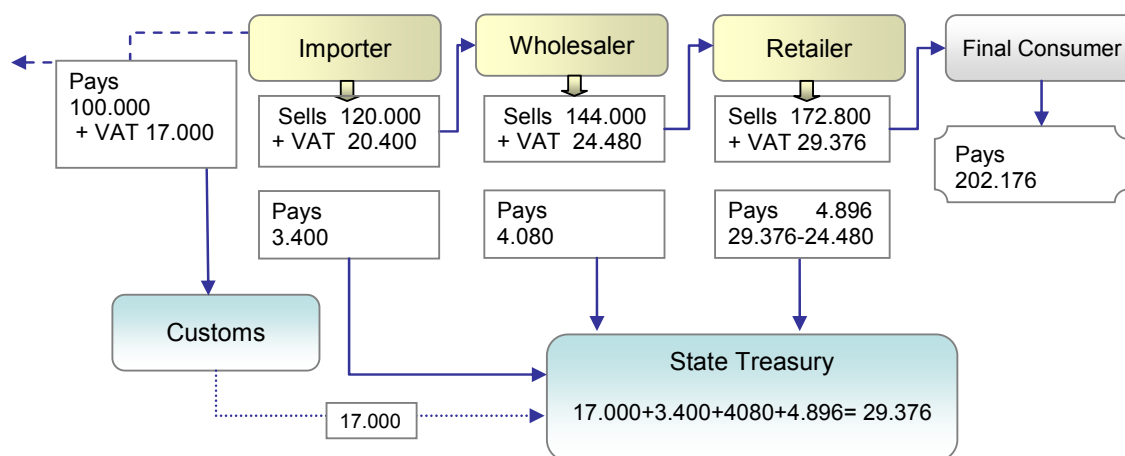
All taxable persons in a business chain have to deliver a fraction of the total tax due by levying the VAT rate on the value added to the supplied good or service until the final user or consumer completes the total VAT due.

VAT assessment consists of a taxable person having the right to deduct input tax paid on acquisitions. In addition, the taxpayer has the obligation to charge output tax on supplies and the assessment of the VAT is made by an off-set process for each determined tax period.

Taxpayers in the business chain become a debtor of the State through the VAT charged on supplies/sales (A) and a creditor of the State through the input tax on purchases. (B). The tax assessed is equal to the difference between (A) and (B). If (A) exceeds (B) the taxpayer will be a debtor to the State. If (B) exceeds (A) the taxpayer will be a creditor to the State.

$$\text{VAT assessment} = A (\text{Sales} \times 17\%) - B (\text{Purchases} \times 17\%)$$

Example:



As shown in the example, each taxable person in the business chain has executed the following operations:

- Calculated output VAT on sales;
- Deducted input VAT on purchases (The first one in the importation and the remaining in the subsequent acquisitions);
- Assessed the VAT to pay to the State by off-setting the input and output VAT, and;
- At the end of the chain the total tax is assessed by the last supplier and paid in full by the final consumer.

The VAT Code approved on 31 December 2007 and a related Regulation approved on 26 February 2008 outlines the following general and specific taxation schemes for specific business activities. These activities will be further discussed in this manual.

Taxation Schemes:

- Normal taxation scheme;
- Special taxation schemes:
 - Exempt Scheme;
 - Simplified Taxation Scheme.

Specific Schemes:

These schemes are applicable to specific business activities and deal with aspects of taxation specific to the nature of that business. The following schemes exist:

- Travel Agencies and Tours Operators Scheme;
- Second-hand goods Scheme;
- Auction Houses and Auctioneers Scheme;
- Special Scheme of chargeability applicable to Civil works contractors and subcontractors.

Exclusion for applying VAT

Please note that on 1st of January 2009 it was enforced a new tax – **Simplified Tax for Small taxpayers (*Imposto Simplificado para Pequenos Contribuintes - ISPC*)** through the Law 5/2009. This tax has the objective to reduce the costs of compliance with tax obligations and inspection through the simplification of procedures aiming the enlargement of the tax base.

This new tax is applicable optionally by the individual or corporate taxable persons who undertake commercial, industrial, or agricultural activity, including services rendered, in the national territory with a turnover equal or lesser than 2.500.000,00 Meticals and are not obliged to maintain regular accounting systems as required for income tax purposes.

Thus, for taxpayers who elect ISPC there is no place to value added tax on the supply of goods and services and they have not to comply with the Code and regulations of VAT.

6 GENERAL PROCEDURES

6.1 Applicability

6.1.1 When VAT is applicable?

- On the supply of goods and services by taxable persons, for consideration in the national territory;
- On the importation of goods.

art.1 VATC

6.1.2 Who are taxable persons for VAT purposes?

art. 2 VATC

Taxable persons are individual persons or juristic entities that:

- carry on, for profit, or not-for-profit economic activity, on an independent and regular basis,
- carry out, on an independent basis, any taxable transaction which is subject to Corporate Income Tax (IRPC) or Individual Income Tax (IRPS) rules (whether resident or not);
- meet the above criteria and acquire the following services from non-residents:
 - Transfers or permission to use, copyrights, licences, trademarks and similar rights;
 - Advertising;
 - Telecommunication;
 - Consultants, engineers, lawyers, economists and accountants, consultancy bureaux in all fields, including organization, research and development;
 - Data processing and supply of information;
 - Banking, financial, insurance and reinsurance operations;
 - Staff secondment;
 - Services of agents who act in the name and on behalf of another, in the supply of the services referred therein;
 - Obligation to refrain from exercising, in whole or in part, a business activity or right referred therein;
 - Hiring out of moveable corporeal property, including the financial leasing thereof.
- Import goods;
- Unduly mention VAT on an invoice or equivalent document.

Schematically:

Relating to its intervention in the economic activity:	Residents in the national territory	Develop activities of production, trading or services.
	Independent	
	On a regular basis	
	Profit or not-for profit	
Relating to goods or services supplied:	Residents or non-residents in the national territory	Carry out any taxable transactions subject to IRPC or IRPS, including importation of goods as well as when they unduly charge third parties on VAT through an invoice or equivalent document.
	Independent	
	On a regular and reliable basis	
	Profit or not-for-profit	

The State and other bodies governed by public law shall be taxable persons for VAT only when they have significantly¹ developed an economic activity (examples: Telecommunications, transports, water, gas and power supply, etc).

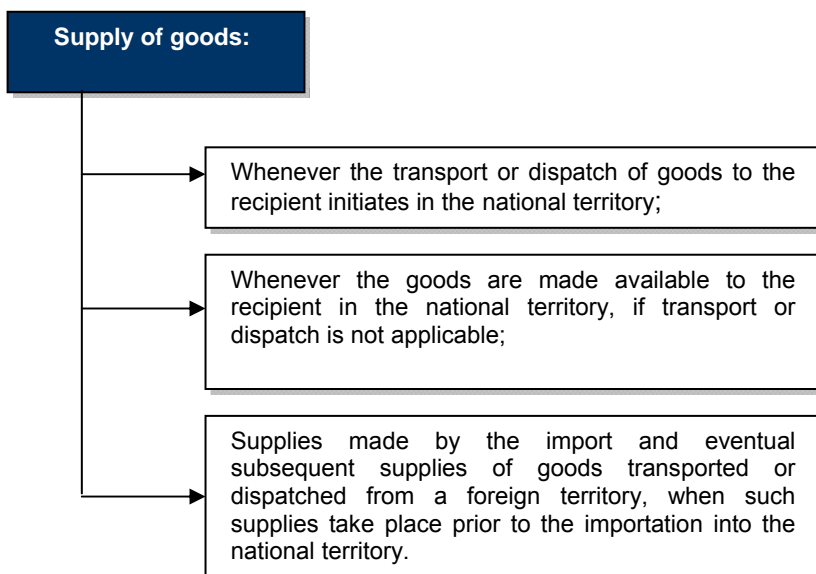
6.1.3 What are taxable transactions within the national territory?

art.6 VATC

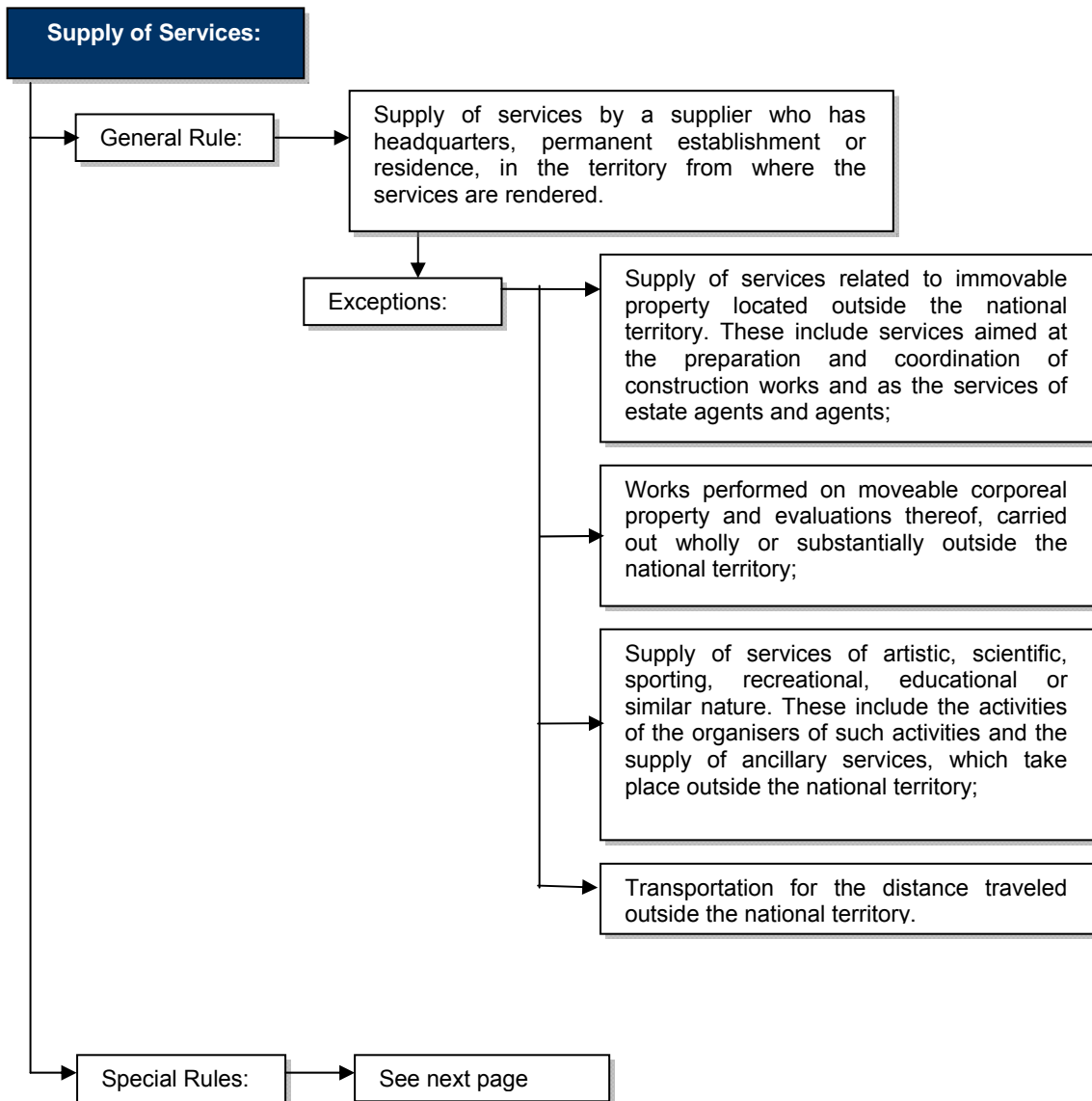
The supply of goods and services including imports are subject to VAT if undertaken within national territory.

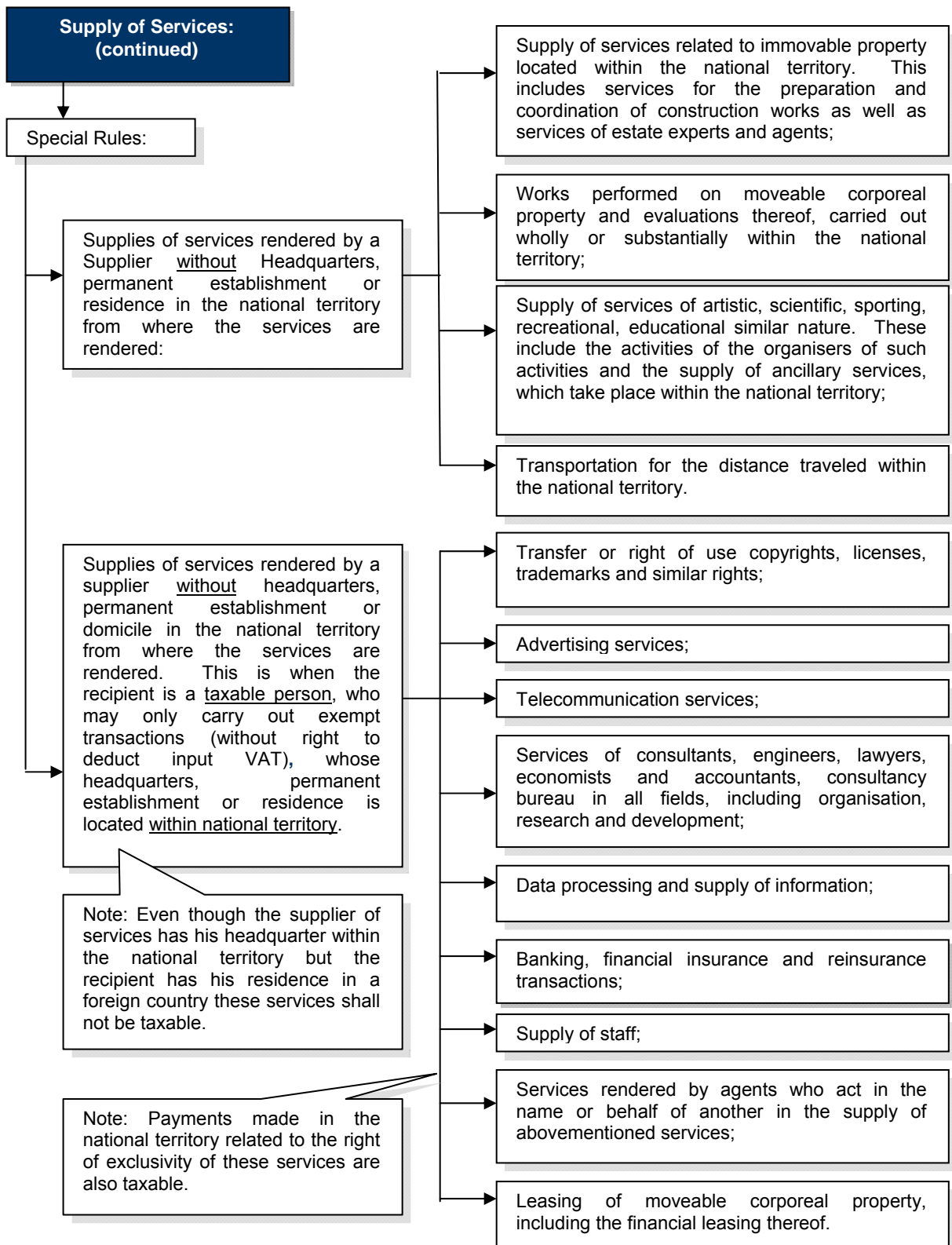
It is necessary to understand where the transactions are located to determine whether they are under the applicability scope.

The following diagrams present the **rules for location of transactions within the national territory** to determining the tax applicability and its exceptions:

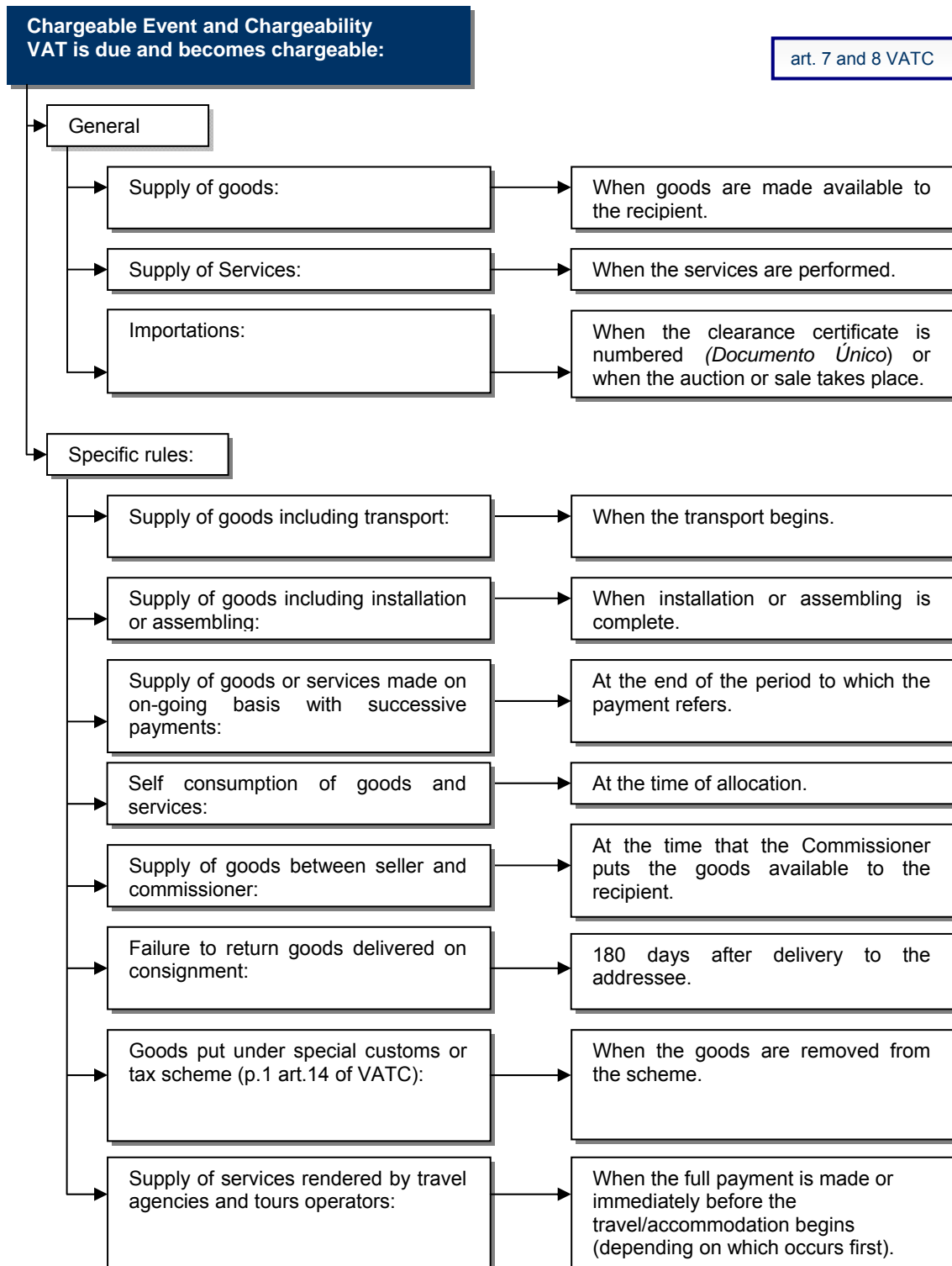


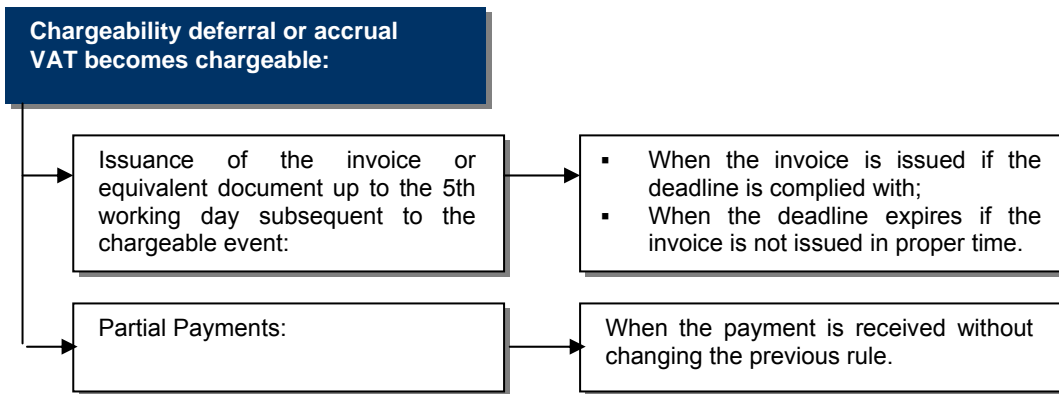
¹ The VAT Code does not provide a definition for the meaning of “significantly”.





6.1.4 When is VAT due and chargeable?



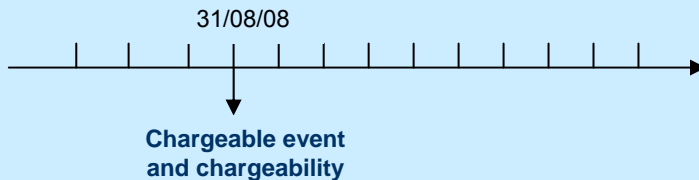


For civil works contractors and subcontractors there is a special tax chargeability scheme (See section 8.3 of this manual).

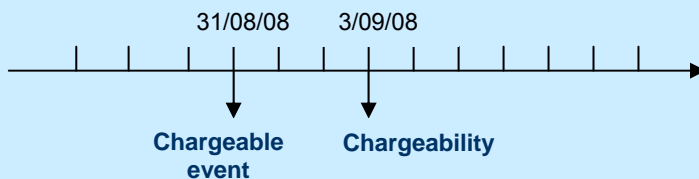
Example:

Company A sold goods on 31 August 2008 and:

- On that date the goods were delivered to the client with the respective invoice:



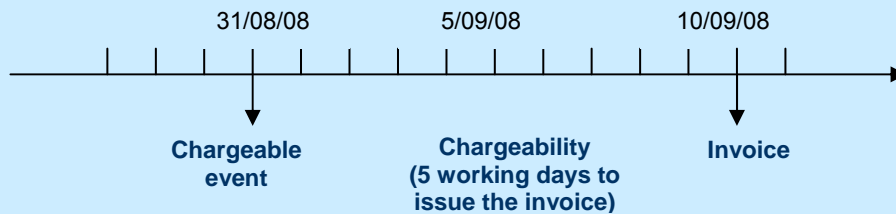
- On that date the goods were delivered to the client but the invoice was only issued on 3 September 2008:



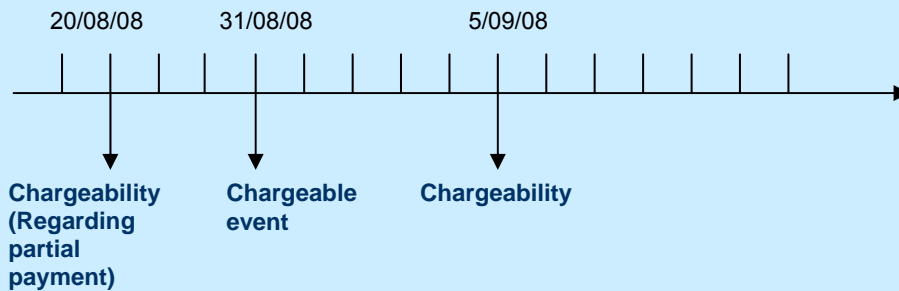
...Example continued:

Company A sold goods on 31 August 2008 and:

- On that date the goods were delivered to the client but the invoice was only issued on 10 September 2008:



- If the goods were delivered on 31 August 2008 and invoiced on 5 September, and a partial payment was received from the client on 20 August 2008:



6.1.5 Applicability of VAT on leasing of immovable property

One of the main changes introduced by Law 32/2007, dated 31st December is that the leasing of immovable property is now subject to VAT, except for leasing of the following:

- Dwellings;
- Commercial, industrial and services in immovable property located in rural areas.

If an immovable property is leased for a purpose other than as a dwelling and it is located in an urban area, VAT is due. If the lessor is a private individual, he shall be required to be registered for VAT purposes, by filing a commencement of activities declaration (form M/01).

For VAT applicability purposes, we will look at the taxation scheme where the taxable person (lessee) is registered, e.g.:

- Exemption scheme;
- Simplified taxation scheme;
- Normal taxation scheme.

The following 3 scenarios are presented, for each taxation scheme:

SCENARIO 1: Lessor registered for the VAT exemption scheme
(Turnover $\leq 750\,000$ MT / year)

Amounts expressed in MT

Data:	
A. Monthly rent	37.500
B. Annual turnover : 12 x A	450.000
Monthly invoice:	
A. Rent	37.500
C. VAT (exempt)	0
D. Total (A+C)	37.500
Receipt:	
D. Total (A+C)	37.500
E. Withholding tax: 20% x [A- (30% x A)]	5.250
F. Total payable by the lessee to the lessor: D-E	32.250

Notes:

A – Monthly rent established by lessor.

B – For calculation of turnover the lessor has immovable leasing as his single activity. The lessor annual turnover is equal or less than 750.000 MT, and the normal taxation scheme was not elected, then the exempt scheme will apply.

C– In exempt scheme the lessor does not charge VAT to lessee. The VAT exemption status should be detailed on the face of the invoice or equivalent document - “IVA – Regime de Isenção” (VAT – Exemption Scheme). Under this scheme lessor cannot to deduct any VAT charged by suppliers, and does not pay VAT to the State.

E – If lessee has accounting records organised in accordance with the legal requirements they withhold 20% of the rent. If the lessor is a taxable person subject to IRPS they benefit from a reduction of 30% of the rent for maintenance and repairs, in accordance to article 48 of IRPS Code. The withholding tax is therefore applicable on the rent less the 30% deduction (i.e. 14% of the amount of rent).

F – Lessee pays 32.250 MT to the lessor and pays 5.250 MT to the State. The cost for lessee is 37.500 MT.

SCENARIO 2: Lessor registered for the simplified VAT taxation scheme
(750 000 MT < Turnover ≤ 2 500 000 MT/ year)

Amounts expressed in MT

Data:	
A. Monthly rent	75.000
B. Annual turnover : 12 x A	900.000
Monthly invoice:	
A. Rent	75.000
C. VAT	
D. Total (A+C)	75.000
Receipt:	
D. Total (A+C)	75.000
E. Withholding tax: 20% x [A- (30% x A)]	10.500
F. Total payable by the lessee to the lessor: D-E	64.500

Notes:

A – Monthly rent established by lessor

B – For the calculation turnover the lessor has the immovable leasing as his single activity. The lessor has annual turnover exceeding 750.000 MT but equal or less than 2.500.000 MT and the normal taxation scheme was not elected, then the VAT simplified taxation scheme will apply.

C– Under the simplified taxation scheme the lessor does not charge VAT to lessee. The lessor shall pay tax to the State each quarter at the rate of 5% on sales. The VAT is not assessed on the invoice; however it is included in the amount of the invoiced rent, as it is a cost for the lessor. This matter should be disclosed on the face of the invoice or equivalent document - “IVA – Não confere direito à dedução” (VAT – Not conferring the right of deduction). For a lessee who is a taxable person for IRPC purposes this scenario is not favourable because an additional amount of rent is paid and the corresponding VAT is not deductible as it is included as part of the rent.

E – Whenever the lessee has accounting records organised in accordance with legal requirements he shall withhold 20% of the rent. If the lessor is a taxable person subject to IRPS they will benefit from a deduction of 30% of the rent for maintenance and repair expenses, in accordance with article 48 of IRPS Code. The withholding rate is applicable on the rent after the deduction of 30%, i.e. 14% is charged on the amount of rent.

F – Lessee pays 64.500 MT to the lessor and pays 10.500 MT to the State. The cost for lessee is 75.000 MT.

SCENARIO 3: Lessor registered for the normal VAT taxation scheme
(Turnover > 2 500 000 MT/ year)

Amounts expressed in MT

Data:	
A. Monthly rent	212.500
B. Annual turnover : 12 x A	2.550.000
Monthly invoice	
A. Rent	212.500
C. VAT	36.125
D. Total (A+C)	248.625
Receipt	
D. Total (A+C)	248.625
E. Withholding tax: 20% x [A- (30% x A)]	29.750
F. Total payable by the lessee to the lessor: D-E	218.875

Notes:

A – Monthly rent established by lessor

B – For calculation of turnover it was assumed that the lessor has immovable leasing as his single activity. The lessor has annual turnover exceeding 2.500.000 MT therefore the normal taxation scheme will apply.

C– Under the normal taxation scheme the lessor assesses VAT on the invoice to the lessee. The lessor has the right to deduct input VAT on purchases and pays 17% VAT to the State.

E – Whenever the lessee has accounting records organised in accordance with legal requirements he shall withhold 20% of the rent. If the lessor is a taxable person subject to IRPS they benefit from a reduction of 30% of the rent for maintenance and repair expenses, in accordance with article 48 of IRPS Code. The withholding rate is therefore applicable on the rent after deduction of 30%, i.e. 14% is charged on the amount of rent.

F – Lessee pays 218.875 MT to the lessor and pays 29.750 MT to the State. The cost for lessee is 212.500 MT, as input VAT is deductible, if the lessee is a taxable person with right to deduction.

6.1.6 Frequent Asked Questions

6.1.6.1 Are once-off transactions subject to VAT?

art. 2 VATC

If an individual or a juristic person that does not carry on business activities, but performs, on an independent basis, any taxable transaction that meets the criteria of applicability of IRPS or IRPC, this transaction is subject to VAT.

6.1.6.2 Are supplies of goods free of charge subject to VAT?

art. 3 VATC

Supplies of goods free of charge are taxable if input VAT on the purchase was deducted. However, samples and gifts (within a limit not yet established by the authorities) are not taxable, even though the right of VAT deduction was exercised.

6.1.6.3 Are staff secondments subject to VAT?

art. 4 VATC

Staff secondments are considered as a supply of services. The amount paid by the recipient to the supplier is taxable for VAT purposes, even if the secondment is charged at cost (e.g., salaries, plus social charges).

6.1.6.4 Is the supply of fixed assets subject to VAT?

art. 3 & 9 VATC

As a general rule, supplies of fixed assets are subject to VAT; however, supplies of the following capital goods are exempt:

- Capital goods allocated exclusively to an exempt activity, where the input VAT was not deducted for the acquisition;
- Capital goods purchased without the right of deduction.

Notwithstanding the supply of capital goods is subject to VAT, exceptions are considered for the supply of capital goods that are wholly or partially included in fixed assets which are able to create an independent business, when the acquirer is, or intends to be, by reasons of the acquisition, a taxable person who undertakes transactions giving rise to the right of deduction.

6.1.6.5 When is VAT chargeable on the partial payments?

art. 8 VATC

Partial payments for goods and services not yet supplied or rendered are VAT chargeable at the moment the consideration is received.

When the invoice is issued the taxable person shall:

- Deduct from the invoice amount the partial payment previously received and VAT will be charged on the difference, when the VAT was charged in the partial payment, or;
- Apply VAT on the total invoice amount and simultaneously issue a credit note corresponding to the partial payment actually received (with VAT), referring to the invoice and document relating to the partial payment. In this case the taxable person shall adjust the tax referred to in the credit note.

VAT is chargeable on partial payments only when the related supply of goods and services are taxable transactions.

For example:

art. 9 & 13 VATC

- Partial payments related to export goods are exempt due to the

exemption defined for exportation;

- Advances made relating to a contract of promise of sale and purchase of an immovable property is exempt, as the transaction is subject to SISA (transfer duty) and not taxable for VAT purposes.

6.1.6.6 Are consultancy services subject to VAT?

art. 3 & 6 VATC

Supply of services is taxable in the country where the supplier has their headquarters, permanent establishment or residence, or from where the services are rendered. Consultancy services are VAT taxable transactions if the supplier has residence in Mozambique.

Some consultancy services referred to in Section 6.1.2 of this manual are not taxable in Mozambique, if the supplier is a Mozambican resident and the acquirer is resident abroad.

6.1.6.7 Are services rendered by a Mozambican resident supplier to a non-resident VAT taxable?

Services rendered by a resident supplier to a non-resident are not VAT taxable whenever:

art. 6 VATC

- The acquirer is a VAT taxable person and the rendered service is included in section 6.1.2 of this manual;
- Services are related to immovable property located abroad;
- Services are rendered outside of the national territory;
- For transport services the distance travelled outside of the national territory.

Example:

A Mozambican company (company A) performs market research studies and is contracted by a South-African company (company B) to perform a feasibility study of a hotel in Tete.

In this case the rendered services are covered by section 6.1.2 of this manual and the services are contracted and paid by a non-resident, therefore VAT is not applicable.

If during the project the payment is now paid from a subsidiary of that company B, resident in Mozambique with headquarters in Maputo the services are invoiced with output VAT.

6.1.6.8 What is “reverse charge” and when is it applicable?

art. 2, 6 & 26 VATC

Reverse charge is when the liability of tax assessment and payment reverts to the acquirer. As a general rule, this liability falls on the supplier of goods and services.

The acquirer is liable to assess and pay VAT if a resident taxable person acquires services mentioned in the Section 6.1.2 of this manual and the supplier has no headquarters, permanent establishment or residence in the national territory. If this acquirer is a taxable person with right of deduction the financial effect is nil as this tax is payable and deductible in the same tax period.

In this manner the collection of tax is preserved where the non-resident suppliers have not nominated legal representatives for compliance with their tax obligations.

6.2 Exemptions

A situation which gives rise to an exemption means that the **assessment is not made** and consequently the **tax is not paid**.

6.2.1 Exemptions classification

Exemptions are classified as follows:

▶ Type of transactions:

- Domestic transactions;
- Importation;
- Exportation.

▶ Exemptions effect:

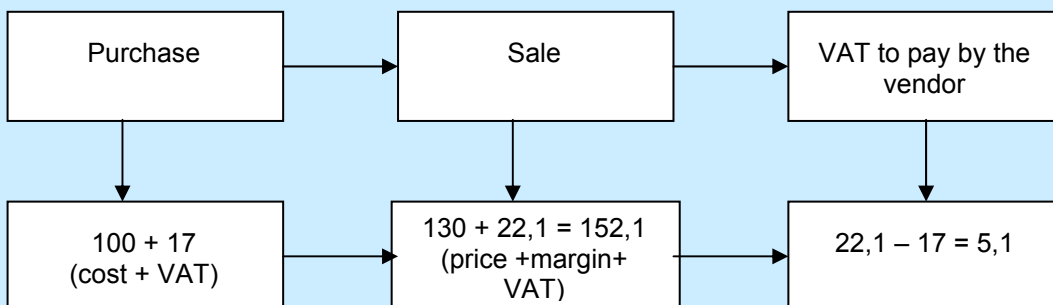
- Simple exemptions – output tax is not charged on sales and input tax is not deducted on purchases;
- Complete exemptions – output tax is not charged on sales and input tax is deducted on purchases, resulting in a VAT refund.

▶ Exemption purposes:

- Objective exemptions – the exemption is independent of the taxable person and it applies to the designated goods (domestic or imported);
- Non objective exemptions – the exemption applies to the taxable person independently of the goods supplied.

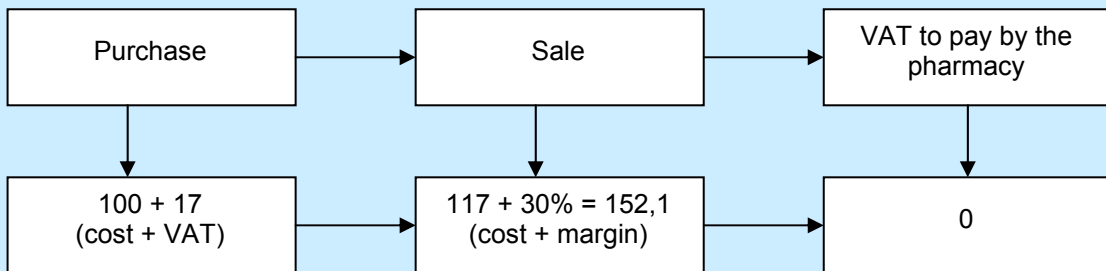
Example of tax assessed in a taxable transaction:

The company Fashion acquires lady's clothes for retail. The gross margin is 30%. For a sale of a shirt the transaction is as follows:



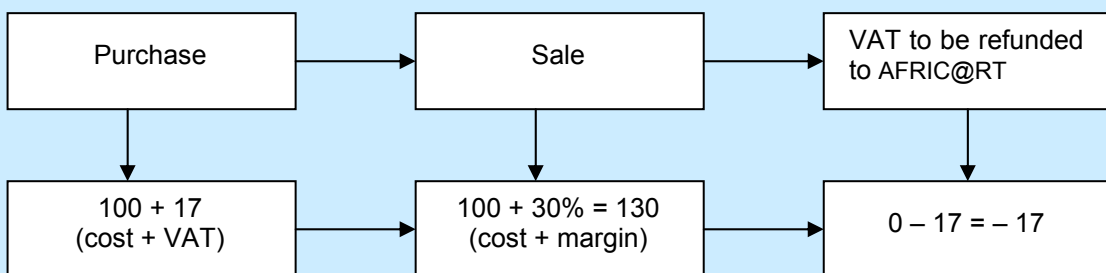
Example of tax assessed in an exempt transaction, without right to deduct tax:

The pharmacy *Cura Tudo* supplies a medicine to a client. The gross margin applied is 30%



Example of tax assessed in an exempt transaction with right to deduction (zero rated):

The company AFRIC@RT buys arts and crafts to export to South Africa. Gross margin used is 30%. A sculpture was exported:



6.2.2 Simple exemptions (without right to deduct)

art. 9 VATC

In this Section the main simple exemptions are summarised and classified by:

- Type of transactions (domestic transactions, imports, exports);
- Economic activity (whenever possible and adequate);
- Validity period, when the exemption is temporary;
- Exemption purposes (Objective and Non objective).

► **Domestic transactions**

▪ **Health Sector:**

Objective	Non Objective
<ul style="list-style-type: none"> - Wheelchairs and similar vehicles, apparatus, artefacts and other prosthetic materials designed for use of disabled and blind people and to aid hearing; - Supplies of human organs, blood and milk; - Medicines and pharmaceutical goods designed for therapeutic, disease prevention purposes and other materials for hygienic, medical and surgery purposes; - Mosquito nets. 	<ul style="list-style-type: none"> - Medical and health services undertaken by hospitals, clinics, and other similar establishments; - Transportation of injured and sick people in ambulances or other appropriate vehicles by duly authorised bodies.

▪ **Non profit bodies:**

Non Objective
Supply of goods and services for social security and social assistance. In addition supply of goods and services by public or non-profit bodies whose purposes and objectives are of a social, political, associative (labour and trade), religious, philanthropic, recreational, sporting, cultural and civic nature. These bodies must be recognised by respective authorities.

▪ **Education:**

Non Objective
Supply of goods and services for the purpose of teaching undertaken by public and private establishments that are part of the national teaching system and recognised by the respective Ministry. In addition professional training and related services (accommodation, food and teaching materials) undertaken by public bodies, and tuition given privately by teachers covering school or higher education.

▪ **Financial operations:**

Non Objective
Banking, insurance and reinsurance transactions as well as related services performed by insurance brokers and other insurance agents.

▪ **Real Estate:**

Non Objective
<ul style="list-style-type: none"> - Leasing of immovable property for dwelling purposes. In addition leasing of trade, manufacturing and office premises for immovable properties located in rural areas. - Transactions subject to Sisa, even if they are exempt there from.

▪ **Agricultural, forestry, livestock and fishing business:**

Objective	Non Objective
<ul style="list-style-type: none"> - Equipment, seeds, animals for breeding, fertilizers, pesticides, herbicides, fungicides, nets, fishhooks, and other fishing utilities; - Supply of medicines for veterinary purposes. 	<ul style="list-style-type: none"> - Supply of goods and services related to these activities, including processing activities which are carried out by the producer as an ancillary activity.

▪ **Games of chance and luck:**

Non objective

The practice of games of chance and luck, the respective commissions thereon and all transactions subject to the special taxation on gaming, including tickets for access to gaming premises.

▪ **Arts and culture:**

Objective

Supply of newspapers, magazines and books considered to be of a cultural, educational, technical or recreational nature.

Non Objective

The transfer of copyrights and rights (by the author) to use intellectual Works of the authors, their heirs or legatees.

▪ **War Materials:**

Objective

Supply of goods and services of war materials, quarters, and uniforms for use by the National Defence and Security Forces Security. These goods and services should be supplied only by establishments recognised by the respective Ministry.

▪ **Others:**

Objective

Supply, at face value of postage stamps and stamped values and the sales commission thereon.

Non Objective

- Public refuse collection services;
- Supplies relating exclusively to an exempt activity or supplies which did not give rise to a right of deduction. Also, supplies where the tax was not deductible on acquisition (See Section 6.5.3).

► **Temporary exemptions up to 31 December 2010**

Objective

- Supplies of sugar;
- Acquisition of raw materials, intermediate materials, spare parts, equipment and components used by the national sugar industry;
- Goods to be used as raw materials in the edible oil industry and soap as described on annex II of VATC.

Non Objective

Supplies of edible oils and soaps.

► **Importation**

art. 12 & 14 VATC

Objective

- The final importation of goods, the supply of which (within the national territory) would qualify for an objective exemption;
- Goods exempt from customs duties;
- Imported goods in transit, temporary or drawback schemes, which are completely exempted of customs duties.
- Gold imported by the Bank of Mozambique;
- Vessels and aircraft for the transport of passengers and cargo;
- Fire Engines for the Fire Brigade;
- Goods imported under customs control, destined for locations with special

Non Objective

- Goods placed on board for consumption on maritime vessels and aircraft used for international transport;
- Works of art by the artist or their heirs or legatees;
- Importation by immigrants, civilian or military employees of the State, students and scholarship holders. This will be in the same proportion that they benefit from the exemption or reduction of the customs duties;
- Capital goods classified under Class K of the Customs rates list. These incorporate the investments authorised by the

economic zone, free zone, free warehousing arrangements (while they remain under such regimes);	Investment Law; - Materials and capital goods imported for development projects funded by the United Nations. The projects must have been applied for and received approval from the Minister of Finance.
---	--

6.2.3 Complete exemptions (with right to deduct)

In this Section the main complete exemptions are summarised and classified by:

- Type of transactions (domestic transactions, imports, exports);
- Validity period, when the exemption is temporary;
- Exemption purposes (Objective and Non objective).

art.13 VATC

► Exportation

Non objective)

All exports, related operations and international transport.

art. 12 VATC

► Importation

Non objective

The cost of services which are included in the taxable base of the imported goods, such as packaging, transport and insurance incurred up to the first place of destination of the goods in the national territory.

art. 9 & 14 VATC

► Domestic transactions

Objectives	Non Objectives
<ul style="list-style-type: none"> - Supplies of certain food products (maize meal, rice, bread, iodated salt, powdered milk for babies up to one year old, wheat, wheat flour, fresh and refrigerated tomatoes, potatoes, onions and frozen mackerel); - Supplies of paraffin (for lamps), jet fuel, communal bicycles and condoms. 	<ul style="list-style-type: none"> - Supply of goods and services (under customs control) destined for special economic zones, free zones, free warehousing or shop arrangements. This applies as long as they are not consumed in these zones and the goods remain under such regimes. Also included are goods in transit, drawback or goods subject to temporary importation arrangements; - Acquisition of goods to offer to national institutions of public interest and relevant social aims or to lessen the effect of natural disasters; - Supplies of goods resulting from the activity to produce food to feed animals destined for human consumption.

► **Temporary exemptions (up to 31 December 2010)**

Non objectives

- Supply of goods (by the respective factories) of raw materials for the edible oil and the soap industry;
- Supply of goods and services in the industrial production of sugar cane.

6.2.4 Exemption Waiver

art. 11 VATC

Under the Exemption Waiver, the taxpayer can charge the output tax on sales and deduct the input VAT on purchases when the VATC allows this.

6.2.4.1 Who can waive the exemption?

Taxable persons who supply goods and services within the scope of agricultural, forestry, livestock and fishing businesses can waive the exemption.

6.2.4.2 How is the right to waive the exemption exercised?

The right shall be exercised by presenting a Declaration of Change (form M/03) or, if in a start-up phase, the Declaration of Commencement of Activities (form M/01). This form should be presented to the respective Tax Department and the waiver will become effective from the 1st of January of the subsequent calendar year, unless the taxable person commences business during the course of the year when the waiver is effective immediately.

6.2.4.3 How long is the waiver prescription period?

Once a taxable person has exercised the right of exemption waiver he must remain within the scheme for a period of at least 5 years. At the end of this period, he can continue under the exemption waiver. If the taxpayer wants to change to the exempt scheme they must present a new Declaration of Change to the respective Tax Department before the end of the abovementioned period.

6.2.5 Frequent Asked Questions

6.2.5.1 Is a sale of immovable properties subject to output VAT?

art. 9 VATC

Sale of immovable properties is exempt from VAT as the transaction is subject to Sisa tax.

6.2.5.2 Is a sale of fixed assets acquired from individuals subject to output VAT?

art. 9 VATC

Sales of fixed assets are normally subject to output VAT. A sale will be exempt in cases where the input VAT could not originally be deducted (e.g. In the case of light vehicles). If a fixed asset is acquired from an individual, where input VAT is not charged, the subsequent sale of that fixed asset will be subject to output VAT.

If a light vehicle is acquired from a taxable person (e.g. a Car Dealership), the subsequent sale of this vehicle will be exempt (i.e. No output VAT charged) because the initial input VAT was never deducted.

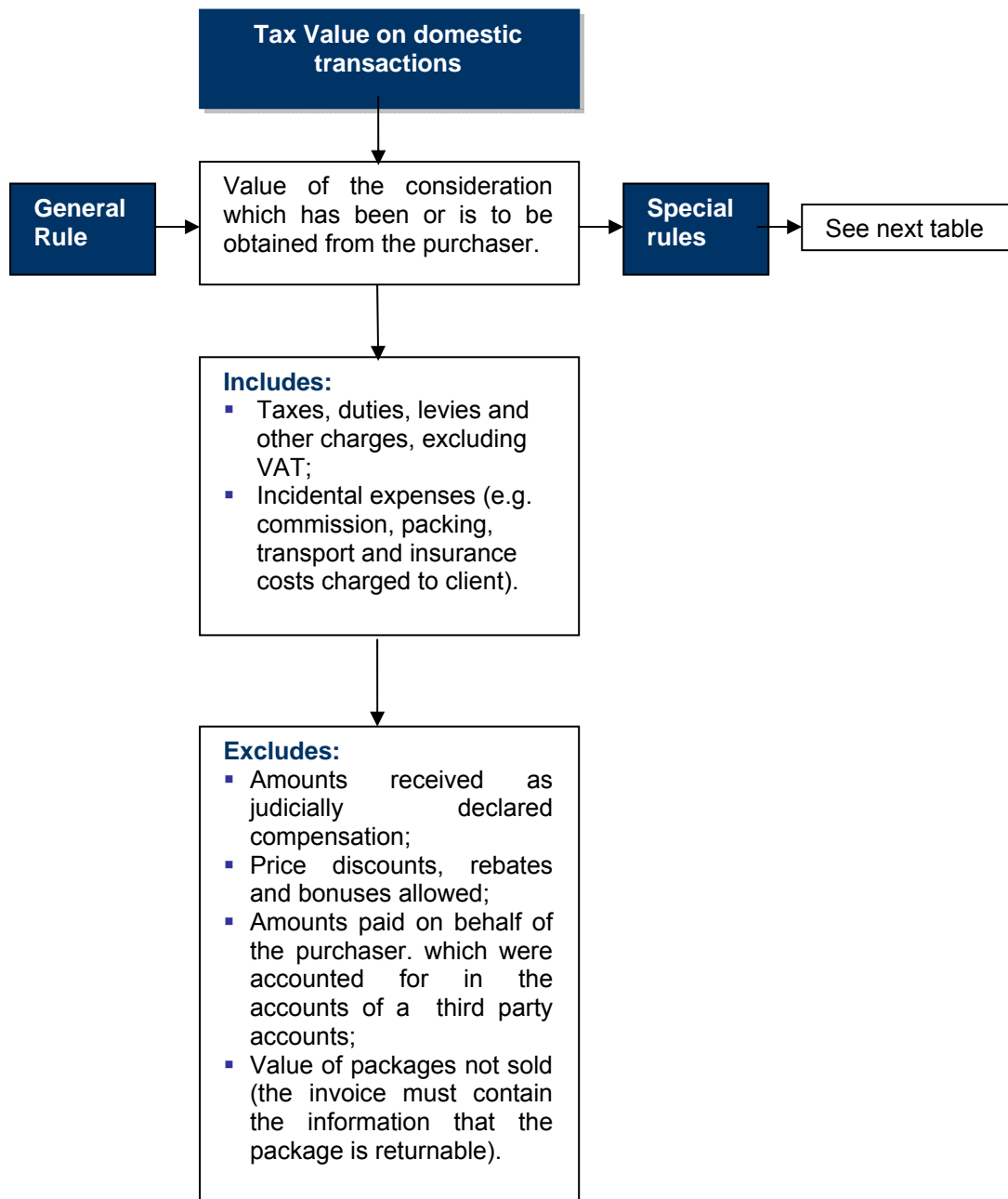
6.2.5.3 How can a company obtain a VAT exemption on the temporary import of goods which will be used to add value to locally produced products before they are exported (e.g. Packing materials)?

For the temporary import of goods (e.g. packing materials) a deposit or a bank guarantee is due. The amount of the deposit or guarantee is the amount of tax that would have been assessed had the goods been imported. This deposit or guarantee will be when it is proven that the goods are finally exported.

6.3 VAT Tax Value

6.3.1 Tax value of transactions within the national territory – general rule

art. 15 VATC

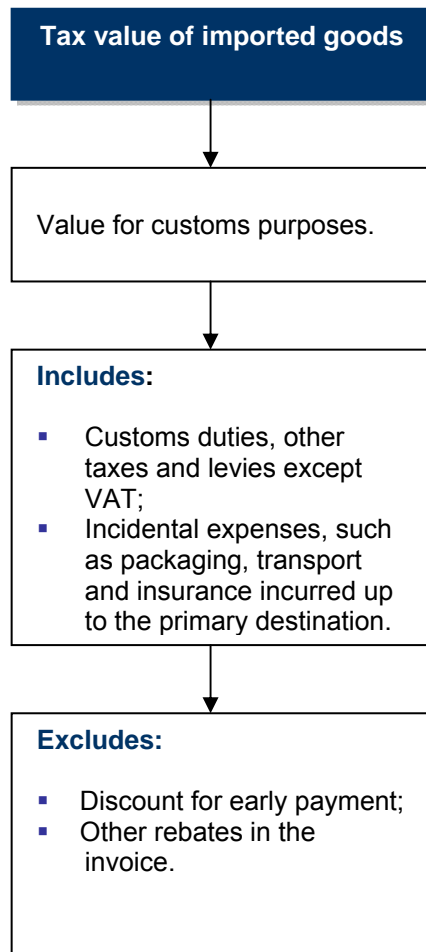


6.3.2 Tax value on transactions within national territory – special rules

Domestic transactions – Special Rules	Tax value
Goods delivered on consignment and not returned within a period of 180 days:	The amount specified on the invoice.
The permanent allocation of goods for private use of the owner or supply of goods free of charge. In addition the allocation of goods by a taxable person to an exempt activity or the allocation of fixed assets of a certain type (light vehicles, sport boats, helicopters, aircraft, motorcycles, etc.) where the tax on these assets was wholly or partly deducted:	The purchase price of the goods or, in the absence of a purchase price, the cost price, determined at the time of supply.
The use of goods of the business for the private use by the owner or the staff or in exempt activities, and services rendered free of charge by the business for the private purpose of the owner or the staff:	The normal value of the services.
Supply of goods and services in the pursuance of acts of public authorities:	The indemnity or any other form of compensation.
Supply of goods between committer and commissioner or between commissioner and committer, respectively:	The sale price agreed on by the commissioner, less the commission and the purchase price, plus the commission.
Supply of second-hand goods undertaken by taxable persons:	The difference between the sale and purchase price, excluding VAT (the application of the general rule can be elected for).
Supply of second-hand goods at an auction, in accordance with article 49 of the VAT Regulation (Special Rules for Auction Houses):	The amount invoiced to the purchaser less: <ul style="list-style-type: none"> ▪ Net amount paid by the auctioneer to the committer (awarded price – commission), and ▪ Tax payable and due by the auctioneer for the supply of the goods.
Supply of goods arising from auctions, judicial, administrative sales, or settlement of contracts of agreement:	The amount for which the goods were auctioned or sold or the normal value of the goods supplied. Where the consideration is less than the normal value of the goods or services the Tax Administration make an adjustment.
Supply of fuel where the price is determined by the Public Authorities and executed by the vendors:	The amount of consideration, including taxes and other incidental expenses, excluding the Fuel Tax.
Supply of power where the price is determined by the Public Authorities and executed by the vendors:	62% of the invoiced amount.
Supply of services where the price is determined by aeronautical levies:	85% of the invoiced amount.
Supply of services, of public works namely construction and rehabilitation of roads, bridges and infrastructures for water supply:	40% of the invoiced amount.

6.3.2 Tax value of the importation of goods

art. 16 VATC



6.4 Rates

The VAT rate is 17%.



Note - in the simplified tax scheme VAT is calculated at 5% of quarterly sales. (See section 7.2 of this manual).

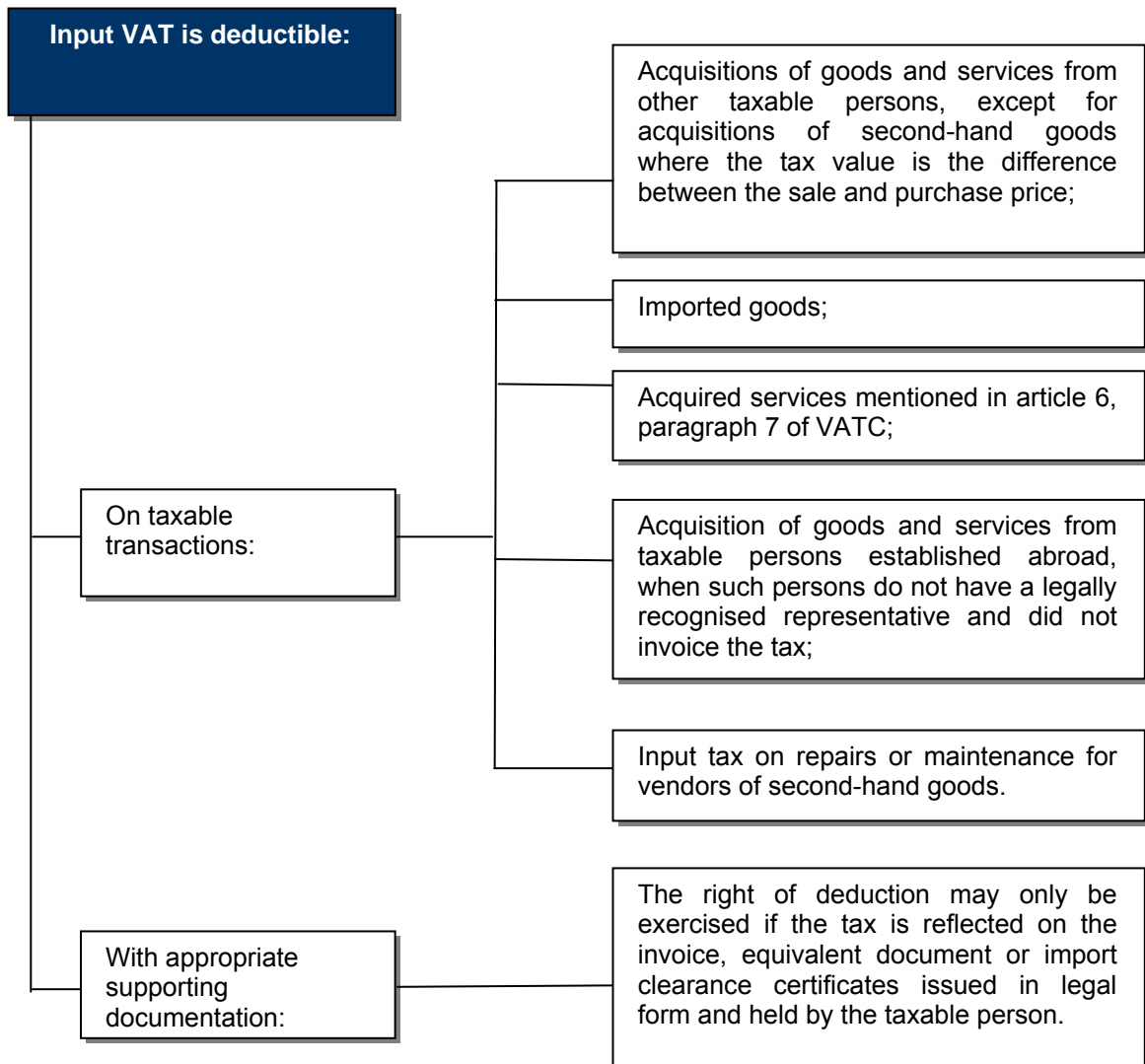
6.5 Assessment

art. 18 VATC

Taxable persons will assess output VAT by adding the VAT rate to the tax value of the transactions which are subject to output tax.

Taxable persons will deduct from the output tax, the input tax charged on purchases. The VAT due to the State is the difference between the output tax and input tax.

6.5.1 Right to deduct



6.5.2 What are the conditions to exercise the right to deduct?

art.19 VATC

A taxable person may deduct input VAT on goods and services acquired, imported or purchased for the purpose of the following transactions:

- Supply of goods and services which are subject to output VAT;
- Operations which benefit from complete exemption;

- Operations undertaken abroad which would be taxable if undertaken within the national territory (e.g. Services rendered related an asset located outside of the national territory).

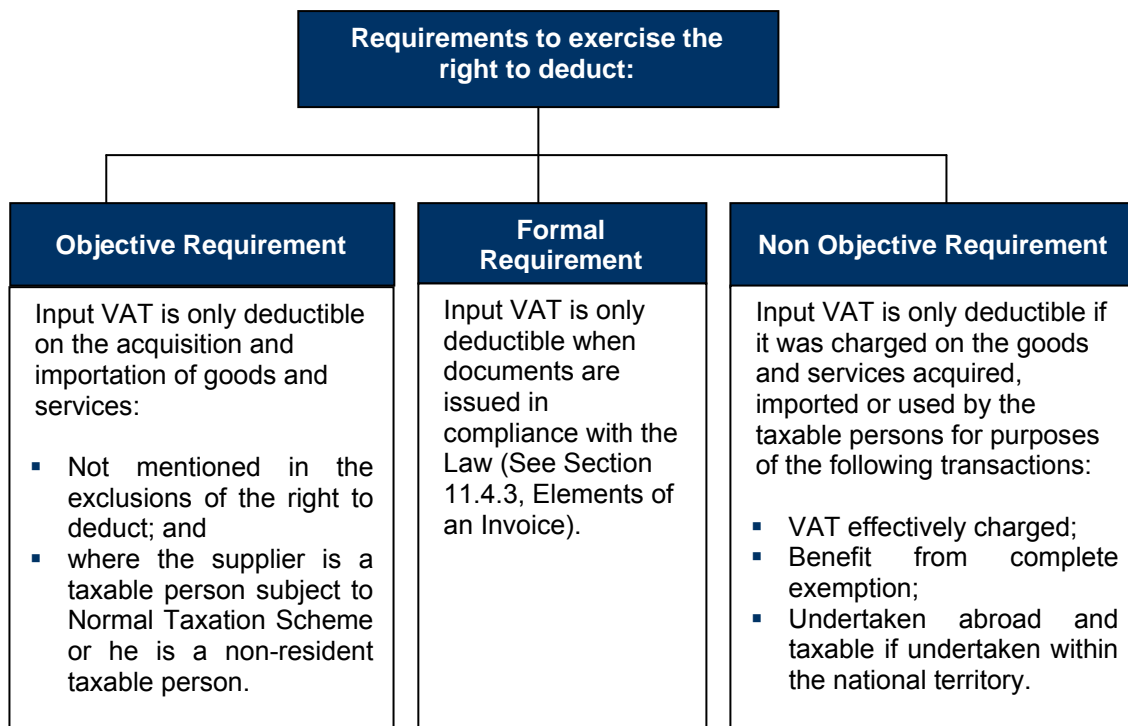
6.5.3 What are the exclusions from the right to deduct?

Input tax cannot be deducted for the following expenses:

art. 20 VATC

- Acquisition, manufacture, importation, leasing, including financial leasing, use, transformation and repair of light vehicles, sporting boats, helicopters, aircraft and motorcycles (except for when the sale or use of goods relate to the main business activity of the taxable person);
- Fuels (not for resale) for motorised vehicles, except for diesel fuel, where 50% of the tax is deductible. For the following vehicles, 100% of the tax on Diesel is deductible:
 - Heavy passenger vehicles;
 - Vehicles licensed for public transport of passengers, excluding rental cars;
 - Machinery consuming diesel that is not registered;
 - Tractors used exclusively or predominantly for agricultural activities.
- Transportation and travel costs of taxable persons and their staff;
- Accommodation, food, beverage and tobacco and hospitality expenses. These include hosting persons who are not related to the business (except for the accommodation and food costs incurred by travelling business persons acting in their own name and in the course of their business.);
- Telephone communications, except for those related to fixed telephones maintained by the taxable person;
- Entertainment and luxury, being costs which are not normal expenses of the business.

In summary, the cumulative requirements to exercise the right to deduct are as follows:



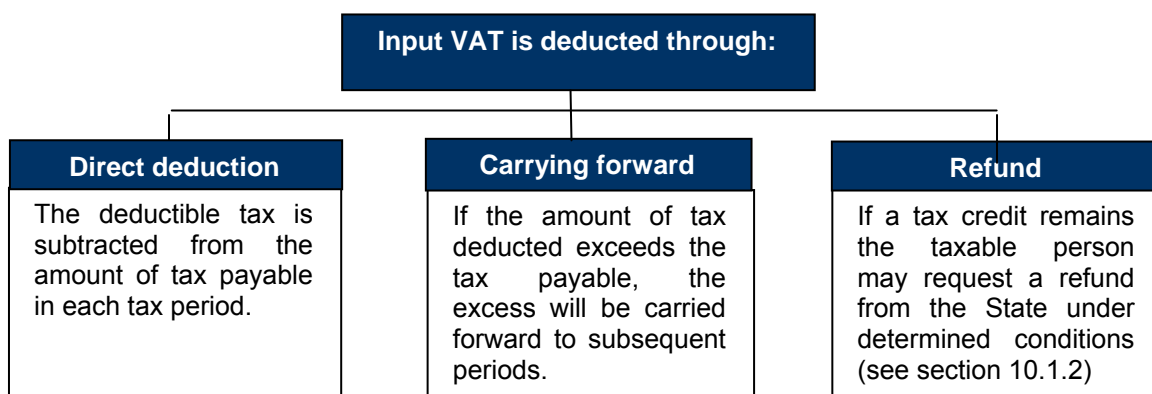
It is advisable that the supplier proof of the NUIT for validity verification purposes shall be requested from each supplier whenever a new relationship is established to be kept on a file in order to exhibit whenever requested by the Tax Authority as for confirmation of tax deductions or refund purposes.

6.5.4 When does the right of deduction?

art. 21 VATC

The right of deduction arises at the time when the deductible tax becomes chargeable (see section 6.1.4. of this Manual)

6.5.5 What are the methods to exercise the right to deduct?



6.5.6 Partial deductions

art. 22 VATC

Taxable persons who carry out taxable and non-taxable transactions are assessed under one of the following methods:

- Proportionate or pro rata method;
- Actual allocation method.

If one of the activities carried out (which gives rise to the right of deduction or not), is an insignificant part of the total turnover of a company, the taxable person may apply to the Ministry of Finance to consider this activity as non-existent.

If an activity which does not give rise to a deduction is approved by the Ministry of Finance as insignificant, VAT may be fully deducted, as it is assumed that the main activity gives rise to the right of deduction.

Example:

FLORÃO buys cotton from local producers for export purposes. At the beginning of the agricultural season, the company distributes seeds, on credit basis, to the producers. At the end of agricultural season, the company buys the cotton from the producers recovering the value of the distributed seeds by paying the net value of the cotton. The activity of the seeds distribution corresponds to 1% of the turnover.

The company carries out two types of transactions:

- Exempt transactions without right of deduction (simple exemption): seeds distribution;
- Exempt transaction with right of deduction (complete exemption): cotton export.

The company has 3 options for VAT deduction purposes:

- Apply the pro-rata method, where the VAT on purchases shall be deductible at 99%;
- Apply the actual allocation method (since previously communicated to DGI) meaning that input VAT related to distribution of seed was not deducted;
- Request from MF that the seeds distribution be considered non-existent due to the insignificance of the activity in relation to the total turnover generated by the main activity. If this is approved by the Ministry of Finance company can deduct fully the input VAT on their purchases.

6.5.6.1 Proportionate or pro rata method:

This method is used when taxable persons acquire goods and services for taxable transactions (with right to deduct) and non-taxable transactions (without the right to deduct). The proportionate method is also applied if there is no accounting support which provides evidence of the input and output tax for each type of transaction.

Under this method, input tax on purchases can be deductible in the same proportion as the annual amount of transactions in respect of which the tax is deductible.

The percentage is obtained in the following turnover formula:

$$\% = \frac{\text{Annual amount (VAT excluded) of taxable transactions (transactions giving the right to deduct)}}{\text{Total supplies (taxable and non-taxable)}} \times 100$$

where:

- The denominator includes transactions which are tax exempt;
- Fixed assets, immovable and financial transactions considered as incidental to the business are not included in the numerator and denominator;
- The percentage is rounded up to the hundredth (%).

The deductible proportion, calculated provisionally on the basis of the preceding years transactions shall be adjusted, according to the transactions of the current year and disclosed in the declaration for the final period of the current year.

Taxable persons who commence business, or substantially alter the existing business, may effect deductions based on an estimated deductible proportion, which should be included in the declarations of commencement or alteration of the business.

Example of proportionate or *pro rata* method:

XPTO undertakes VAT transactions, which give rise to the right of deduction and exempt transactions, which do not give rise to the right of deduction. During 2007 XPTO recorded the following sales:

2007 Sales	Value
Taxable goods	100.000
Exempt goods	40.000
Exports	20.000
Fixed Assets	5.000

Calculation of provisory *pro rata* for the year 2008:

$$\frac{100.000 + 20.000}{100.000 + 20.000 + 40.000} \times 100 = 75\%$$

Example (continued)

During 2008, the same company undertakes the following transactions:

2008 Sales	Value	Output VAT
Taxable goods	140.000	23.800
Exempt goods	35.000	-
Exports	12.000	-
Total	187.000	23.800
2008 Purchases	Value	Input VAT
Taxable goods	100.000	17.000
Taxable services	10.000	1.700
Fixed assets	15.000	2.550
Total	125.000	21.250

During 2008, the company made the following deductions based on the provisory *pro rata* rate:

17.000 X	75%	= 12.750
1.700 X	75%	= 1.275
2.550 X	75%	= 1.913
Total of deductions:		15.938

At the 2008 year end, the company will proceed with the following adjustments:

Calculation of the 2008 final *pro rata*:

$$\frac{140.000 + 12.000}{140.000 + 12.000 + 35.000} = 0.813 = 81\%$$

Adjustments:

1 – Input VAT	21.250
2 – Deducted VAT (provisory <i>pro rata</i> 75%)	15.938
3 – Deductible VAT (final <i>pro rata</i> 81%)	17.213
VAT to recover (2-3)	-1.275

During 2008, the company has deducted input VAT based on a *pro rata* rate lower than the final *pro rata* rate. There is therefore VAT to recover from the authorities and the last 2008 monthly VAT return will be reduced by 1.275.

If the *pro rata* applied was higher than the final one, the company will add the VAT payable as an adjustment.

Example (continued)

Calculation of the paid VAT during 2008:

1 – Paid output VAT	23.800
2 – Deducted input VAT (provisory <i>pro rata</i> 75%)	15.938
3– Adjustments	1.275
IVA to pay (1-2-3)	6.587

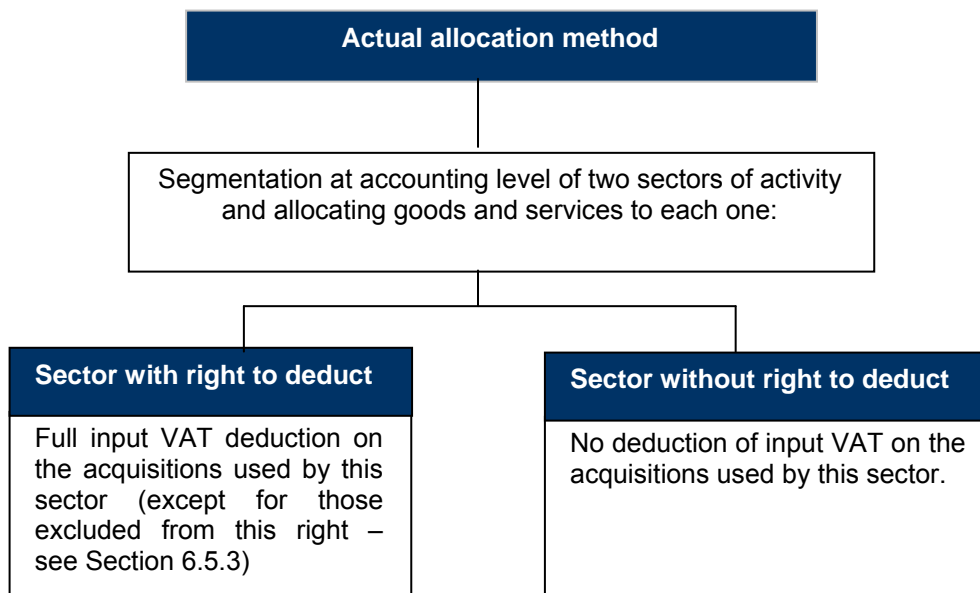
6.5.6.2 Actual allocation method:

art. 22 VATC

The actual allocation method can be adopted:

- By the taxable person provided that he gives prior notice to the Tax Department, or
- The method can also be imposed by the tax authorities when:
 - The taxable person carries on distinct economic activities;
 - The application of proportionate method would lead to a significant distortion in the calculation of taxation.

This method allows full deduction of input VAT charged in the acquisitions of taxable transactions that confer the right to deduct and completely exclude the right to deduct from acquisitions which do not confer the right to deduct, as summarised as follows:



Procedures for indirect costs (general charges of administration)

Administration costs are usually common expenses of different activities (taxable and exempt) and it is not correct to allocate them to a single activity.

This is not mentioned in the VAT Code and related Regulation and the most reasonable procedure to deduct input VAT on these charges is to apply the proportionate or *pro rata* method.

6.5.7 What forms are used to exercise the right to deduct and assess the tax?

The assessment of deductible input tax is disclosed in the Periodic Declaration, Form A. When a Periodic Declaration has been submitted and needs to be altered, a Substitution Periodic Declaration should be completed.

6.5.8 Frequent Asked Questions

6.5.8.1 Is VAT deductible on calls from cellular mobile phones?

art. 23 VATC

Input tax from telecommunications expenses through fixed telephone lines, where the contract is entered into with the taxable person, is deductible. Input VAT on the acquisition of services related to cellular mobile phones is not deductible (As per article 19, (currently article 20) paragraph 1, line e) of VAT Code)¹

However, if the cellular phone lines are fixed in a communication apparatus (PBX), input VAT is deductible.

6.5.8.2 What is the valid supporting documentation for input VAT deductions for normal or emergency imports?

For importation of goods VAT is assessed and paid through a specific document:

- *Documento Único*, or
- *Documento Único Abreviado* – for imports with a FOB value equal or less than 37.000 MT or for urgent spare parts a without limit on value.

These documents are acceptable for VAT purposes. There a *Documento Único Simplificado* which is for personal luggage goods and is not applicable for commercial use.

6.5.8.3 Which are the procedures for purchases over the Internet such as anti-virus software, where the invoice is issued outside of Mozambique?

To record a cost of software in the accounting records of the acquirer the invoice should be in the name of the company even if payment is made by a personal credit card. The company shall auto assess the VAT, and calculate and pay the corresponding VAT at the rate of 17%.

If the acquirer carries out transactions with the right of VAT deduction the VAT on this software is deductible.

¹ In *Direcção Geral de Impostos, Perguntas mais frequentes em sede do IRPS, IRPC e IVA* issued by *Autoridade Tributária de Moçambique* (Tax Authority of Mozambique) – page14

6.5.8.4 What are the procedures to follow when goods of small value are sold in Mozambique to a foreigner that intends to export them?

There are no different rules for the sale of goods, independent of the value, when made to a national or foreigner customer in relation to the invoice issuance. The only difference is if the goods are sold in a duty free shop and they are free from taxes.

There is no system for VAT refunds for tourists not residence in Mozambique for the tax paid on purchases made on goods to be exported by them.

If samples of small value¹ are being sold the supply is not subject to output VAT for national and foreigner customers.

6.5.8.5 Is Input VAT on vehicle deductible?

The Law defines various categories of vehicle:

- Light vehicles - meaning, any vehicle, including the trailer, that is not fully dedicated to the transport of goods, to be used in agriculture, trade or manufacturing, or if used for the transport people has not more than 9 seats including the driver's seat. VAT related to acquisition, leasing or repairs on these types of vehicles is not deductible.
- A vehicle, other than a light vehicle defined as above. VAT related to acquisition, leasing or repairs on these vehicles is deductible.

VAT is only deductible on 50% of diesel expenses. However, expenses with diesel are fully deductible for the following vehicles:

- Heavy passenger vehicles;
- Public transport vehicles, excluding rental cars;
- Machines consuming diesel that are not registered vehicles;
- Tractors used exclusively or predominantly for cultivating operations related to agricultural activity.

If company permanently allocates a commercial vehicle (registered in the company name) to a manager who uses it to perform their functions at work the input VAT related to acquisition and repairs of this vehicle are deductible.

¹ Limits are to be defined by the Tax Authorities. While these limits are not established by the Tax Authorities it is advisable to use reasonable limits and apply them consistently.

6.5.8.6 If between two companies payments are usually made through the balance of a current account how VAT is assessed?

Example:

A printer purchases paper from a stationery shop to print books of invoices. These invoice books subsequently sold to the stationery shop. The payments are made on the basis of the balance on the current account. The supplies are accompanied by delivery notes.

Printer accounting information for the month:	Amounts in MT		
Purchases of paper during the month	5.000		
Sales of books of invoices	3.000		
Amount to pay to the stationery shop	2.000 + VAT		
Printer procedures at the end of month	Consideration	VAT	Total
To issue and record a monthly sales invoice with output VAT	3.000	510	3.510
To receive and record a monthly purchase invoice with input VAT	5.000	850	5.850
To proceed with the monthly payment based on the balance of transactions	2.000	340	2.340

The printer will pay (5.000 - 3.000) + VAT to the stationery shop. Invoices must however be raised for each of the taxable transactions.

6.5.8.7 How does a company invoice and account for costs incurred on behalf of other company?

Example:

A consultancy firm with headquarters in Maputo was contracted by a company resident in Beira and it was agreed that travel expenses of the consultancy firm should be paid by the client. The consultancy firm made the reservations and paid for air tickets for the travel to Beira. The company intends to reclaim this amount from the client. VAT Code states that for amounts paid in name and on the account of third parties, and accounted for in the **accounts of third parties** cannot assess VAT on this amount for and charge it to the client.

The expenses will be invoiced at cost and accompanied by the original documentation, proving the respective payment.

6.6 Tax adjustments

If the taxable amount of a transaction changes after the invoice or the equivalent document has been issued, the taxable person must issue a new invoice or equivalent document.

Where the taxable amount is reduced, the amount of consideration and tax assessed shall be disclosed at the time when the new document is issued, if it is intended that the tax be adjusted.

The following table identifies situations where a tax adjustment is allowable and presents the various deadlines for the adjustment:

Situation	Reasons	Adjustment made by the supplier	Condition for the adjustment	Deadlines	Adjustment made by the acquirer (if taxable person)	Deadlines
Transaction is annulled or the tax is reduced after being accounted for.	Invalidity, termination, rescission or reduction of the contract, or return of goods, or the granting of price rebates, or discounts.	The supplier of goods and services may deduct the corresponding tax.	Proof that the acquirer acknowledged the adjustment or was reimbursed by the tax.	By the end of the tax period subsequent to that in which the circumstances that gave rise to the annulment or reduction of the tax occurred.	Compulsory adjustment to the input tax already deducted.	By the end of the tax period subsequent to the time of reception of the adjusted document (issued by the supplier).
Inaccurate invoice after accounting records are completed.	Calculation mistakes leading to under-assessed tax payment.	Compulsory adjustment.		By the end of the tax period subsequent to that to which the adjusted invoice refers. (without any penalty).	Optional adjustment.	Within one year counted from the time the deduction was made.
	Calculation mistakes leading to over-assessed tax payment.	Optional adjustment.	To have a proof that the acquirer had acknowledged the adjustment or that was reimbursed by the tax.	Within one year.	Compulsory adjustment to the input tax already deducted.	By the end of the tax period subsequent to the time of reception of the adjusted document (issued by the supplier).

VALUE ADDED TAX MANUAL

Situation	Reasons	Adjustment made by the supplier	Condition for the adjustment	Deadlines	Adjustment made by the acquirer (if taxable person)	Deadlines
Misstatement in the accounting records or entries and subsequently on the compulsory periodic declarations of the taxable person.	Material misstatements on records or calculations leading to underpaid tax.	Compulsory adjustment.		By the end of the tax period subsequent to that to which the adjusted invoice refers. (Without any penalty).	Optional adjustment.	Within one year counted from the time deduction was made.
	Material misstatements on records or calculations leading to overpaid tax.	Optional adjustment.		Within one year (or during the 5 subsequent years counted from the tax period to which the misstatement refers, after approval from DGI).	Compulsory adjustment	By the end of the tax period subsequent to that to which the adjusted invoice refers. (without any penalty)
Bad debts	As a result of execution, bankruptcy or insolvency.	The supplier of goods and services may deduct the corresponding tax ¹	Communicate to the acquirer that the tax was annulled, in order to correct the deduction made.		Compulsory adjustment to the input tax already deducted	

¹ Without prejudice to the obligation to pay the tax in respect of debts recovered, in whole or in part, during the tax period in which the recovery takes place, without regard to the period of limitation.

6.6.1 Frequent Asked Questions

6.6.1.1 If an invoice is lost, what are the procedures to follow?

If an invoice is lost, the purchaser can request a copy from the supplier. If printed invoices from an authorised printer are being used, the supplier can produce a photocopy of the former original and state that it is a copy, authenticating it by means of a signature, stamp or other applicable means. For invoices processed by a computer the software should automatically issue a copy, which shall be also authenticated by the supplier as above.

If the copy invoice is received outside of the tax period to which it relates, VAT can be deducted by the acquirer, during the subsequent tax periods up to one year, starting from the moment where the right to deduct occurred, or up to five years if authorised by DGI.

6.6.1.2 If an error is detected in a VAT declaration submitted several months ago, what is the procedure to rectify it?

Correction of the error is compulsory if the tax paid is lower than that due, and the correction may be performed without any penalty until the end of the subsequent period.

Correction is option all if the tax paid is higher than the tax due. The correction can only be done within the period of one year, which in the case of the right to deduction, is counted from the beginning of the respective right.

The adjustment to be performed by the taxable person is:

- Compulsory when the tax paid is lower than the tax due, and the correction may be performed without any penalty until the end of the subsequent period and performed in the declaration form A (adjustments field). After this period compensatory interest shall be due at the interbank interest rate (MAIBOR 12 months), plus a 2%, and a fine will be imposed ranging from 100 to 200% of the tax due. The adjustment of the VAT periodical declaration is performed through the VAT declaration, form B.
- Optional if the tax paid is higher than the tax due and it can only be performed in the declaration form A (adjustments field) within the period of one year, which in the case of the right to deduction, is counted from the beginning of the respective right, or up to five years when authorised by DGI.

7 PROCEDURES APPLICABLE TO SPECIAL SCHEMES

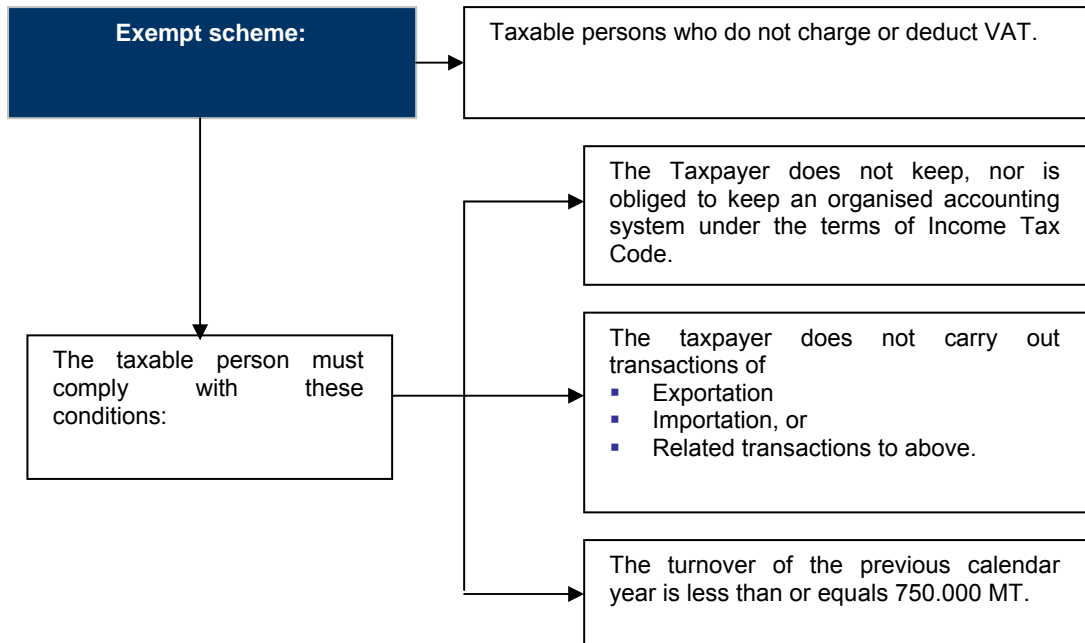
art. 35 & 36 VATC

7.1 Exemption Scheme

The exemption scheme is simpler than the normal scheme and is applicable to taxable persons operating a small business (turnover ≤ 750.000 MT), where the normal scheme and the related obligations would be difficult to apply.

Under this scheme taxable persons do not charge output VAT on their sales of goods and services. These are treated as exempt transactions. Such taxpayers are not entitled to deduct the tax on their purchases and imports even though these are subject to the tax.

7.1.1 What are the conditions to apply this scheme?



7.1.2 What is the required turnover to elect for the exempt scheme?

The turnover required to elect for the exempt scheme is the amount (exclusive of VAT) which was used to assess the taxable income for Individual or Corporate Tax purposes. Where the taxpayer is exempt from Corporate or Individual Income taxes and there is no taxable income as a result of this, the amount to consider is an amount which assumes that the taxpayer was not exempt from the said taxes.

Taxable persons, who carry out exempt transactions and taxable transactions, determine their turnover (for the purposes of the exempt scheme) only on the amount of the taxable transactions.

Example:

A pharmacy *CURA TUDO*, trades in medicines and beauty products (shampoos, hydrating creams, cosmetics, etc.) and has the following turnover:

- Medicines (exempt activity without the right to VAT deduction): 3.000.000 MT
- Beauty products (taxable activity with right to VAT deduction): 700.000 MT

Pharmacy *CURA TUDO* has a total turnover which exceeds 750.000 MT, but may be subject to the Exemption Scheme as the turnover of the taxable activities does not exceed 750.000 MT.

If the business is in the first year of activities, the turnover shall be based on a forecast for a complete calendar year. This forecast will be included in the commencement of business declaration once it is validated by the National Directorate of Taxes.

Example:

A vendor of goods forecasts a monthly turnover of 50.000 MT. In his commencement of business declaration, relating to the period from 01-07-08 a 31-12-08, the annual turnover shall be 600.000 MT (12 x 50.000) as opposed to 300.000 MT (6 x 50.000).

7.1.3 Can a taxable person who qualifies for the exemption scheme elect for a normal taxation scheme? art. 37 VATC

A taxable person who qualifies for the exemption scheme may renounce this scheme and elect for the normal taxation scheme.

7.1.4 How can the taxable person opt for the right to adopt the normal taxation scheme?

The Taxpayer presents a declaration on the M/03 form (alteration of business) to the respective Tax Department. The change will become effective from the 1st of January of the subsequent calendar year, unless the taxable person commences business during the course of the year, in which case the right shall become effective on the start of business.

7.1.5 Can the taxable person change schemes whenever he wishes? Art. 37 & 38 VATC

No. Once the taxable person has exercised his right to opt for the normal taxation scheme he must remain within this scheme for a period of at least five years.

At the end of the five year period, the Taxpayer can return to the exempt scheme. They must notify the Tax Administration by presenting the declaration of alteration to the respective Tax Department, before the ending of the period, of business. The change will become effective from the 1st of January of the year following the end of the period.

The taxable person may decrease the period of five years if they meet the requirements of applicability (e.g., turnover not exceeding 750.000 MT during the preceding year). In this case they shall submit a declaration of alteration of business with evidence of the turnover.

The declaration must be submitted to the respective Tax Department during the month of January and will become effective from the 1st of January of the year of its submission. In case of

late submission, the declaration shall become effective from 1st of January of the subsequent year.

In all cases where there is a change from an exempt scheme to a taxation scheme, and vice-versa, the National Directorate of Taxes may adopt such measures as it deems necessary, to ensure that the taxable person neither benefits nor is unjustly prejudiced.

7.2 Simplified Taxation Scheme

art. 42 VATC

The simplified taxation scheme is a scheme between the exempt scheme and taxable scheme. This scheme is applicable to taxable persons that do not fall under the exempt scheme (due to their turnover), but under the taxable scheme would have difficulties arranging the administrative structure to comply with the obligations of the tax system.

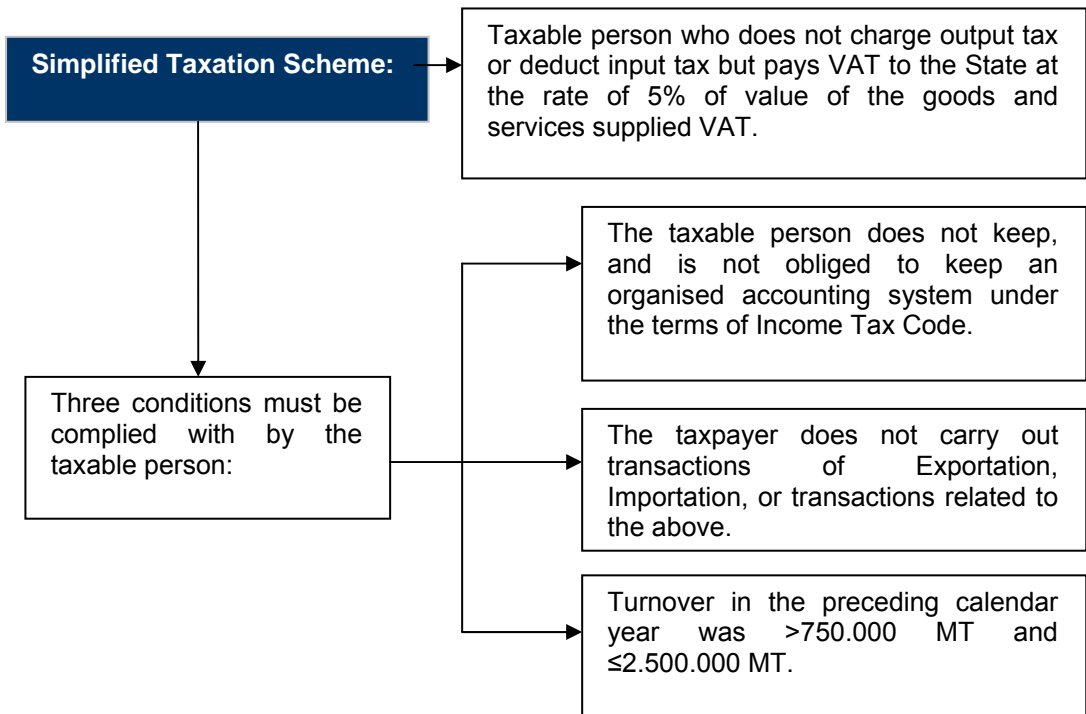
This scheme is similar to the exempt scheme and taxable persons do not charge output VAT on sales of goods and services and are not entitled to deduct input tax on their purchases/imports. The difference in this scheme is in the tax payment.

Under the exempt scheme there is no VAT payment. Under the simplified scheme the taxable person shall pay tax to the State on the basis of the following formula:

$$5\% \times \text{value of the goods and services supplied}^*$$

* Except for capital goods that have been used in the course of the business

7.2.1 What conditions apply to this scheme?



7.2.2 What is the definition of turnover to elect for this scheme?

The annual turnover to elect for this scheme shall be the amount of turnover for income tax purposes.

Taxable persons who carry out exempt transactions and taxable transactions may determine the turnover based only on the amount of the taxable transactions.

If a business is starting up, the turnover shall be established on a forecast for a calendar year. This forecast will be included in the commencement of business declaration (form M/01) once it has been validated by the National Directorate of Taxes.

7.2.3 Can taxable persons who qualify for the simplified taxation scheme opt for the normal taxation scheme?

art. 43 VATC

Taxable persons who qualify for simplified taxation scheme may renounce their right to this scheme and elect for normal taxation.

7.2.4 How can a taxable person exercise the right to opt for the normal taxation scheme?

The taxpayer must submit a declaration of alteration of business (form M/03) to the Tax Department nearest to the place where the business is carried. The change shall become effective from the 1st of January of the subsequent calendar year, unless the taxpayer commences business during the course of the year, in which case the right shall become effective at the start of business.

7.2.5 Can the taxable person change the scheme whenever he wishes?

art. 44 VATC

No. Once the taxable person has exercised his right of election to the normal taxation scheme he must remain within this scheme for a period of at least five years.

If, at the end of such period, he wishes to return to the simplified taxation scheme, he shall notify the Tax Administration by submitting the declaration of alteration of business (form M/03). This declaration must be submitted to the respective Tax Department, before the end of the period and which shall become effective from the subsequent 1st of January.

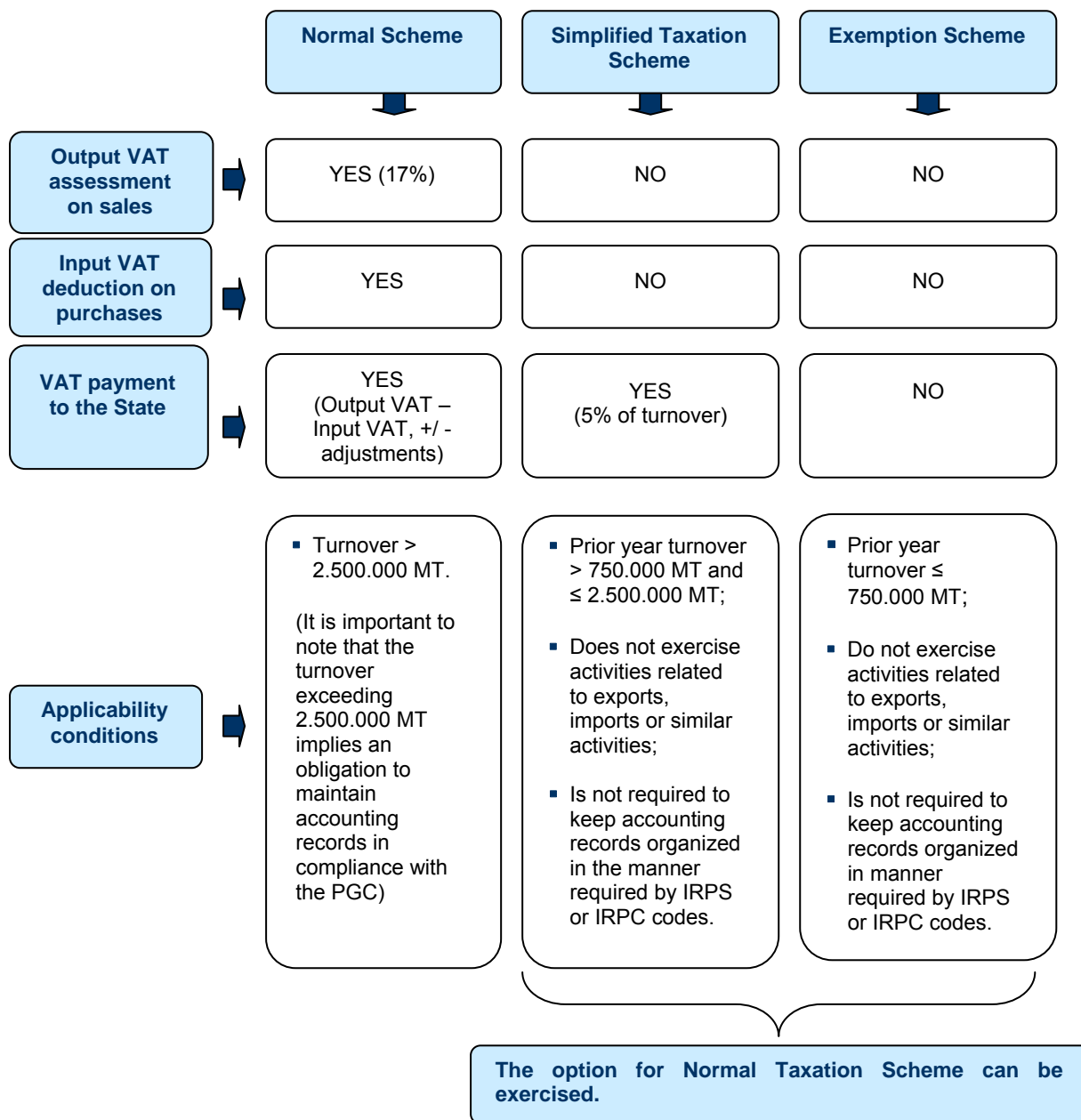
The taxable persons can decrease the period of 5 years when they meet the requirements of applicability (e.g. turnover exceeding 750.000 MT and not exceeding 2.500.000 MT in the preceding year). The taxpayer must submit a declaration of alteration of business with evidence of the turnover. The declaration must be submitted to the respective Tax Department during the month of January and shall become effective from the 1st of January of the year of submission. In the case of late submission, the declaration shall become effective from 1st of January of the subsequent year.

If there is a change from the simplified taxation scheme to the normal taxation scheme and vice versa, the National Directorate of Taxes may adopt such measures as it deems necessary, to ensure that the taxable person neither benefits nor is unjustly prejudiced.

7.2.6 In case of restart after ceasing operations, can the taxable person be eligible to adopt the simplified taxation scheme?

No. If the taxable person is in the normal taxation scheme when business ceases, and commences the same or a new business during the twelve months subsequent to the cessation he may not adopt the simplified taxation scheme.

7.2.7 Summary of taxation schemes

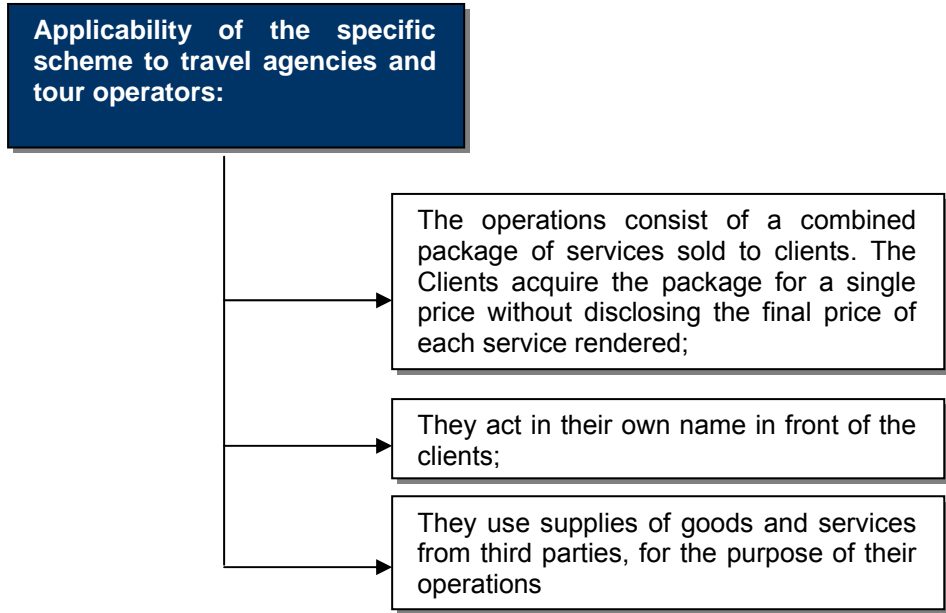


8 PROCEDURES APPLICABLE TO SPECIFIC SCHEMES

8.1 Travel Agencies and Tour Operators

8.1.1 What conditions apply?

art. 37 VATR



All three points need to be complied with otherwise this scheme may not be applicable.

If travel or tours are performed jointly with a company’s own resources and the resources of third parties, the scheme is only applicable to the part where third parties resources were used.

8.1.2 Is the supply of travel services undertaken by retail travel agencies but organised by wholesale travel agencies subject to this scheme?

Supply of travel services to clients by retail travel agencies which are organised by wholesale travel agencies is not subject to this specific scheme and is subject to the normal taxation scheme. If the retail agencies add services, in addition to those organised by the wholesale agencies, providing these are not merely ancillary or complementary and present a new package of services to the client in their own name, these shall be considered part of this specific scheme.

8.1.3 What transactions are taxable within the national territory?

art. 39 VATR

Operations are considered to be undertaken in the national territory and levied therein when they are undertaken by travel agencies and tour operators with headquarters or a permanent establishment in the national territory from which the services are rendered.

8.1.4 When is VAT due and when does it become chargeable?

art. 40 VATR

VAT is due and becomes chargeable when the service is considered complete. This means is the earlier of the date when the full payment is made or immediately before the travel or accommodation begins (See Section 6.1.4 – Deferral or accrual chargeability).

Occurrence of travel is considered when the first service is rendered to the client.

8.1.5 What is the tax value?

The tax value is the gross margin of the services which is calculated as follows:

art. 41 VATR

Consideration due or paid by the client
(excluding VAT)

(-)

Effective cost (including input VAT),
charged on the supply of goods and
services by third parties for the direct
benefit of the client

(=)

Gross margin

The services which do not directly benefit the client include those services which are not to be directly rendered to the client during travel, namely:

- Purchase and sale of foreign currency;
- Advertising and promotion;
- Telephone, telex, fax, correspondence and similar cost incurred by the travel agency or tour operator;
- Commissions paid by selling agencies.

The gross margin is calculated in for each tax period. For the periods where the deductible costs (for the calculation of the gross margin) are higher than the respective amount received as consideration, the excess is carried forward to the subsequent period.

art. 42 VATR

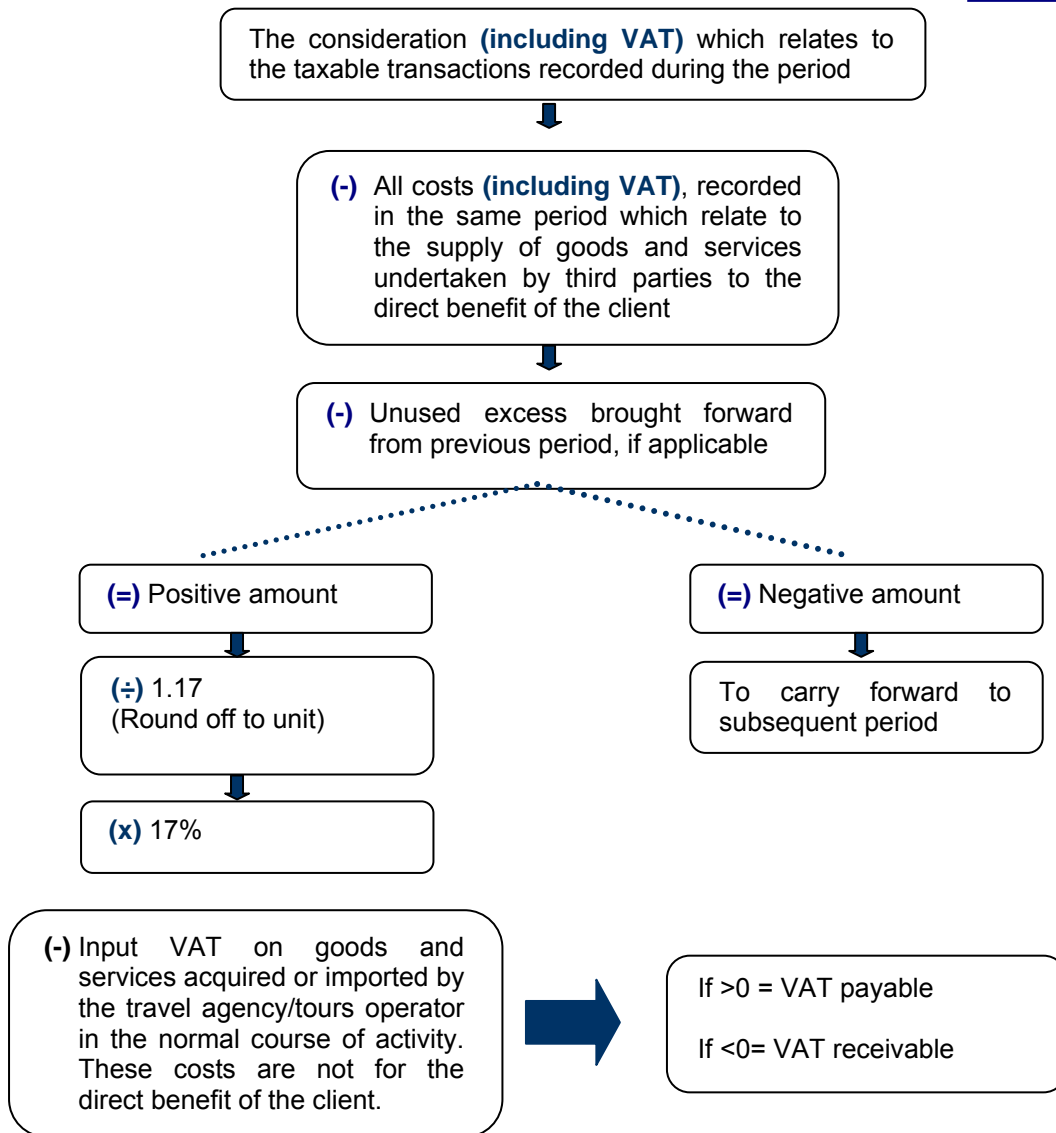
8.1.6 Under this scheme, can the taxpayer deduct input VAT from purchases?

Input tax is not deductible when it relates to the supply of goods and services undertaken by third parties for the direct benefit of the client.

Other input VAT on the acquisitions and imports, in the normal course of business of the Agency, is deductible by the Agency as these values relate to goods and services other than those provided by third parties for the direct benefit of the clients.

8.1.7 How is the tax payable assessed?

art. 43 VATR



Example of VAT assessment in the travel agencies:

The company "Travel Dreams" sold 20 travel packages during August 2008 for 500.000 MT. The acquisition costs during the same period including those already sold and not yet sold were 420.000 MT. Running cost of the company (water, electricity, telephone, stationery, etc) were 7.000 MT.

VAT assessment related to the month of August:

A	Sales of travel packages (VAT included)	500.000
B	Purchase of travel packages (VAT included)	420.000
C	Margin (A-B)	80.000
D	Margin without VAT (C/1.17)	68.376
E	VAT excluded from margin (Dx17%)	11.624
F	VAT to deduct from running costs (7.000x17%)	1.190
G	VAT to pay (E-F)	10.434

Note:

A – The travel package include: air ticket, insurance, transfer and lodging.

8.1.8 What are the implications when changes are made to the tax value?

art. 44 VATR

When changes occur in the cost of acquisition of goods and services undertaken by third parties for the direct benefit of the client, and the consideration paid or to be paid by the client remains the same, the excess tax is due to be paid by the taxable person. Inversely, the client will not be reimbursed the difference.

When the services were effectively rendered and an increase in consideration is passed to the client, there the tax payable can be adjusted using the formula previously presented (See 8.1.7).

8.1.9 Is VAT assessed on invoices?

art. 45 VATR

Invoices issued by taxable persons relating to the transactions regulated by this scheme do not need to contain a VAT breakdown and the VAT is not disclosed. Invoices may however contain the expression "**VAT included**".

8.1.10 Can the invoice issued by the Travel Agent be used by the Client to deduct the input VAT in their respective VAT return?

The invoices issued by taxable persons under this scheme **never give clients the right to deduct** input VAT.

8.1.11 How should records of these transactions be maintained?

art. 46 VATR

The transactions undertaken by travel agencies and tour operators under this tax scheme should be recorded in specific accounting records¹ which provide evidence of the tax value or gross margin.

8.2 Second-Hand Goods

This scheme (also known as a special margin scheme) is applicable to:

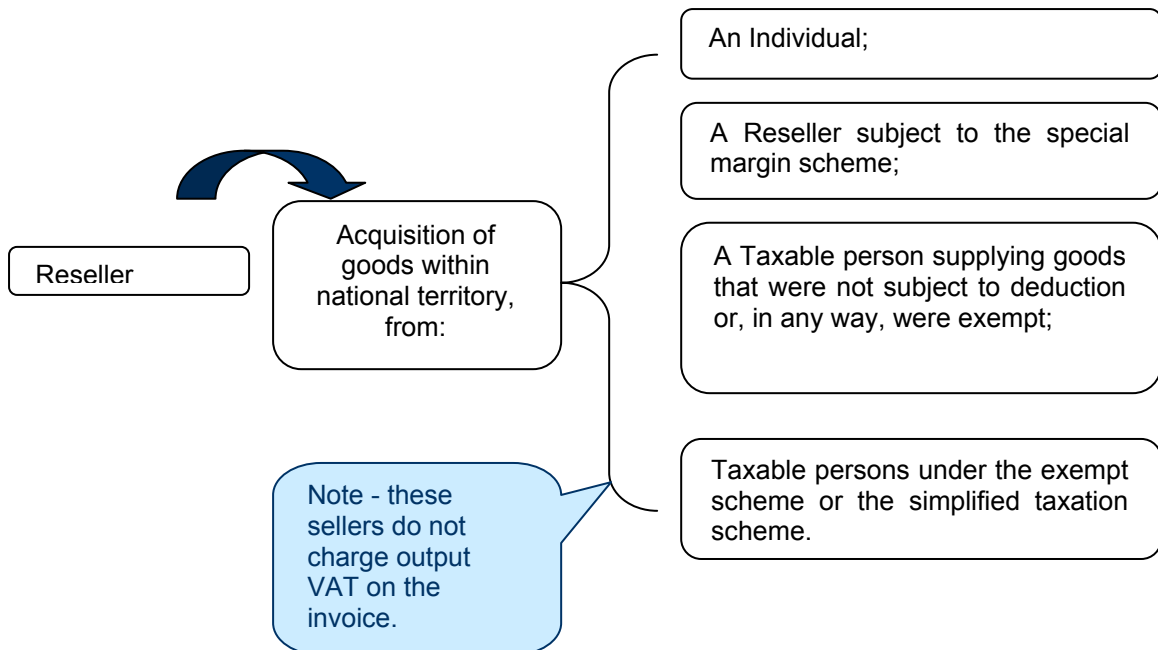
art. 47 VATR

- Taxable persons who, in the course of their normal business, acquire second-hand goods for resale (**Resellers**), including works of art, collectibles and antiques. The taxpayers did not elect for the normal taxable scheme;
- Taxable persons (**Auctioneers**) who, in the course of their normal business, put second-hand goods up for sale, in their own name. Such goods are sold on behalf of a seller in accordance with the terms of a sales contract based on commission, with a view to selling the goods on auction.

8.2.1 Scheme applicable to resellers of second-hand goods

art. 48 VATR

The following conditions must be complied with in order to ensure that this scheme is applicable to second-hand goods acquired by a reseller for resale.



¹ In the VAT Code it is required that these accounting records shall be registered in specific Form. This Form has not yet been approved.

8.2.1.1 What is the tax value?

The tax value is obtained from each transaction and is calculated as follows:

art. 48 VATR

Consideration due or paid by the client (VAT excluded) for a single unit
(-) Purchase price of single unit for resale
(=) Margin

The **margin is calculated individually for each unit supplied** and a purchase price in excess of the sales price cannot affect the tax value of other transactions.

The Tax Administration determines a margin when the purchase price is not duly justified and/or there are sufficient indications to believe that the purchase price does not reflect the market price.

8.2.1.2 Can the taxable persons included in this scheme deduct input VAT from the purchases?

The right of deduction of input VAT is restricted to repairs, maintenance and other supplementary services used for the goods under this special scheme.

8.2.1.3 How is the tax assessed?

Margin obtained on the sale undertaken in the national territory
(÷) 1.17 (round off to currency unit)
(x) 17%
(-) Input VAT on repairs, maintenance and other services directly imputable to the sale
(=) Tax payable

Exports (as detailed in article 13 of VATC) of second-hand goods subject to this special margin scheme are exempt from tax.

Example of VAT assessment for resellers of second-hand goods:

The company "Good Prices" purchases used cars from individuals to resell

	Data:	Amounts in MT
	Purchase price of a vehicle	190.000
	Cost of repairs (VAT excluded)	10.000
	VAT assessment:	
A	Sale price of the vehicle (VAT included)	225.000
B	Purchase price	190.000
C	Margin (A-B)	35.000
D	Tax value (C / 1,17)	29.915
E	Output VAT (D x17%)	5.085
F	Input VAT to deduct (Cost of repairs x 17%)	1.700
G	VAT payable (E-F)	3.385
	Gain obtained:	
=	225.000 - (190.000+10.000+3.385)	21.615

8.2.1.4 Is the VAT assessed on invoices?

Invoices issued by taxable persons for transactions defined by the specific margin scheme do not contain a VAT breakdown and the VAT is not disclosed. The invoices may include the expression **“VAT – Second-Hand Goods”**.

8.2.1.5 Do the invoices issued by resellers under this scheme give rise to the right to deduct VAT in the books of the Client?

The invoices issued by resellers under this scheme **never give clients the right to deduct** input VAT.

8.2.1.6 How should records of these transactions be maintained?

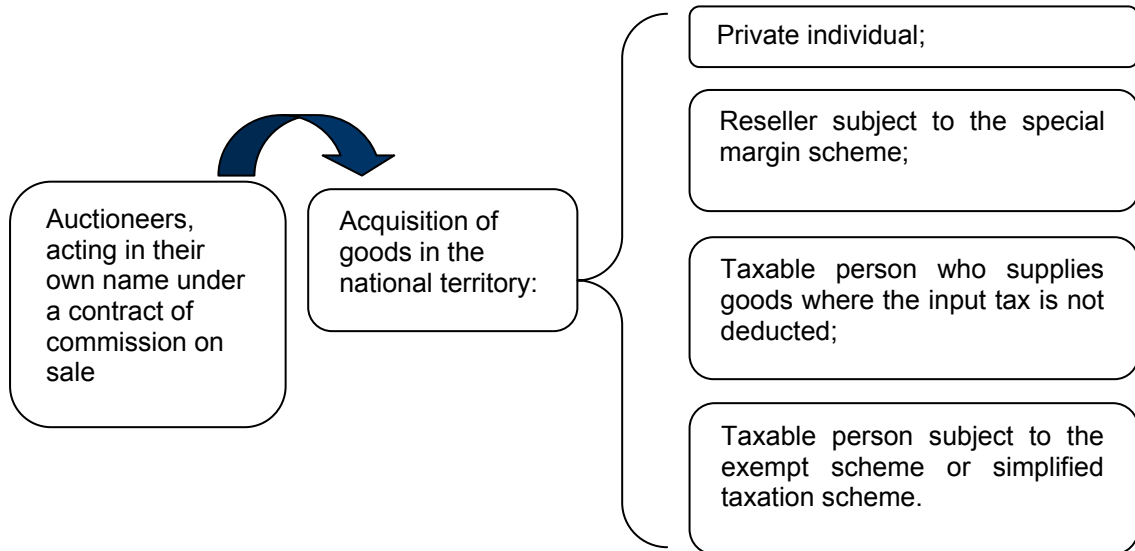
Resellers or auctioneers undertaking transactions under this specific margin scheme should maintain accounting records in an appropriate manner to provide evidence of compliance with the conditions described in Section 8.2.1, as well as of the tax value or gross margin.

Separate accounting records must be kept when in the course of normal business the taxable persons apply the normal taxation scheme and the specific margin scheme simultaneously.

8.2.2 Scheme applicable to Auction Houses and Auctioneers

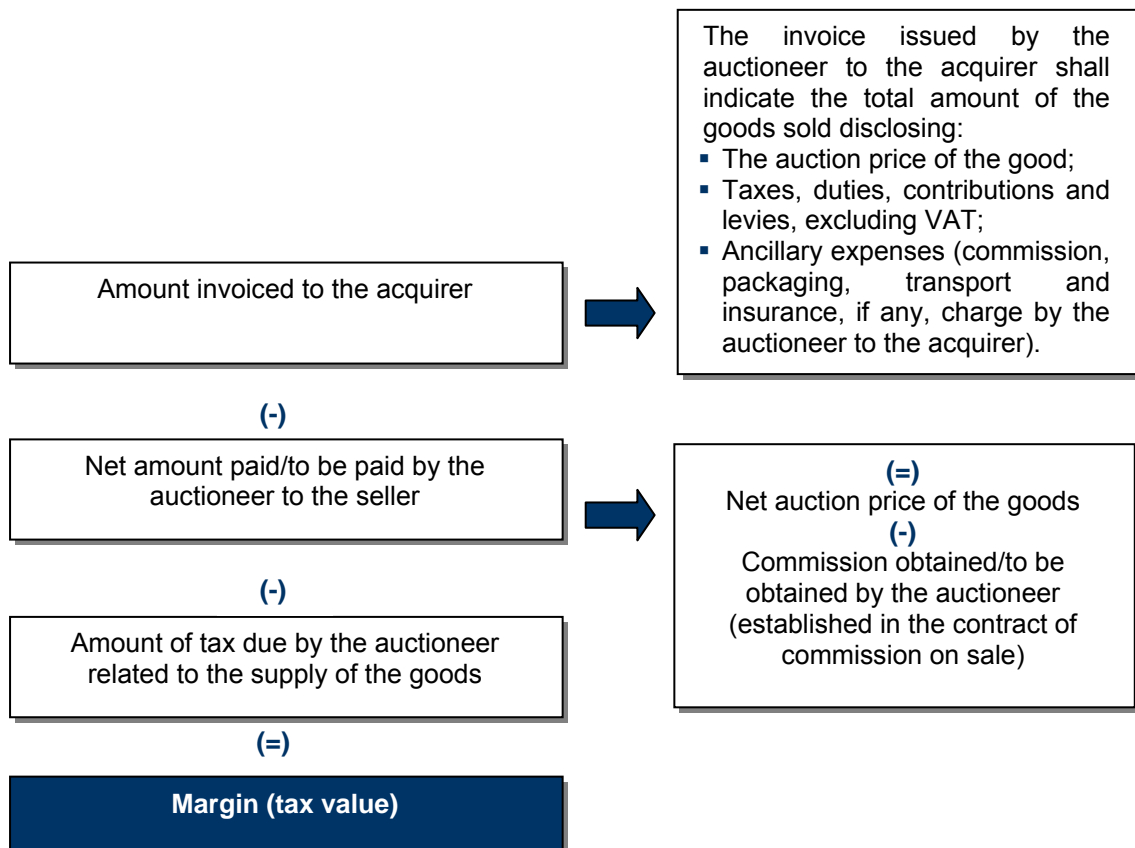
art. 49 VATR

The following conditions must be complied with in order to ensure that this specific scheme is applicable.



8.2.2.1 What is the tax value of these transactions?

The tax value of the goods sold by auctioneers is the margin obtained from the following calculation:



8.2.2.2 Is VAT assessed on the invoices?

Invoices or equivalent documents, issued by auctioneers shall not contain a VAT breakdown even though VAT is assessed and included in the invoiced amount. The invoices may include the expression "**IVA — Regime específico de vendas em leilão**" (VAT – Specific Auction Sales Scheme).

8.2.2.3 Do the invoices issued by auctioneers under this scheme allow clients the right to deduct the input VAT?

The invoices issued by taxable persons such as auctioneers under this scheme **never give clients the right to deduct** input VAT.

8.2.2.4 How are records of these transactions maintained?

Auctioneers undertaking transactions under the specific margin scheme should maintain specific accounting records and appropriate accounts with third parties adequately supported and indicating:

- Amounts received/ to be received from the acquirer;
- Amounts to reimbursed/to be reimbursed to the seller.

8.2.2.5 Other obligations

Auctioneers who have acquired goods by auction, through a contract of commission shall deliver a report to the seller within **five working days** after the auction sale. The report should include the following:

- The contractual parties
- The awarded price less the commission obtained or to obtain from the seller.

This report substitutes the invoice that the seller, in the condition of a taxable person, should deliver to the auctioneer.

8.3 Civil Works Contracts and Subcontracts

8.3.1 How does this VAT scheme apply?

Decree 27/2000,
10th October – art. 1

This scheme is applicable to civil works contracts and subcontracts where the owner of the work is the State, and includes services at central and local level.

8.3.2 When is the tax chargeable?

Decree 27/2000,
10th October – art. 3

The tax becomes chargeable when the **total or partial payment** is received, including the VAT in the invoice or equivalent document issued by the supplier of the goods and services.

With regard to civil works subcontracts it is assumed that the complete payment occurs **on the last day of the month subsequent to the month when the main contract was paid in full**. This applies even if retentions made to guarantee the quality of works remain unpaid. The contractor shall communicate to the subcontractor the date of the receipt of the total price of the civil works contract, but the tax is chargeable and is not dependent on this communication.

The tax is still due when the total or partial payment of the taxable transactions is made prior to the performance of the taxable operations.

8.3.3 Is this scheme automatically applied?

In accordance with section 8.3.1, if the taxable persons meet the applicability requirements of the scheme, it is automatically applied and no request or communication to the Tax Authority is required.

8.3.4 May taxable persons opt for another scheme?

Taxable persons who do not intend to apply this scheme may opt for the general rules described in section 6.1.4 of this manual.

Decree 27/2000,
10th October – art. 4

The option by the normal scheme will be exercised for all the civil works contracts and subcontracts via an application to the respective Tax Department. Once the application is approved by the Tax Department it will be in force from the month subsequent to that of the approval. If a notice of decision is not given by the Tax Department within thirty days, from the date of the receipt of the application by the Tax Department, the approval can be considered as tacitly approved.

If the taxable persons intends to return to the chargeability special scheme they can apply in the same manner described above.

8.3.5 When can the right of deduction be exercised?

The right of deduction arises when the deductible tax is chargeable. Under this scheme this occurs when the contract or subcontract price is paid.

Decree 27/2000,
10th October – art. 6

The input tax deduction is only exercised when the taxable person obtain a receipt proving that the payment was made (for contracts or subcontracts) and that they are included in the periodic declaration related to the tax period of the receipt.

8.3.6 Procedures related to issuing invoices and receipts

Invoices related sales under this scheme will be numbered in accordance with a special series, duly referenced and may include the expression "**IVA exigível e dedutível no pagamento**" (VAT chargeable and deductible on payment)

The issuance of a receipt for a total or partial payment under this scheme is compulsory. The receipts shall be numbered according to a special series and shall contain:

- VAT rate applicable;
- Reference to the related invoice, when applicable;
- Date of issue which will be the same date the consideration was received.

The receipt shall be issued in duplicate, the original receipt is sent to the client and the copy is filed by of the supplier.

It is compulsory to issue a receipt related to the consideration received with a later date than where the tax became chargeable. The receipt shall contain the date when the tax became chargeable (the last day of the subsequent month where the main contract was totally paid).

It should be noted that when payments are made for civil works contracts and subcontracts the tax is considered as included in the receipt for the purpose of collection from the acquirer.

8.3.7 Procedures related to accounting records

Transactions covered by this special scheme shall be recorded in an appropriate manner to provide evidence of:

- The value of civil works contracts and subcontracts net of tax;
- The related tax amount, disclosing the amount which is not yet chargeable.

The records of the transactions shall be performed in a manner ensuring the ability to calculate the tax due at each tax period related to the consideration received.

For accounting purposes, invoices and receipts shall be sequentially numbered, in one or more series, adequately referenced, applying the same organisation for the duplicates, as well as for all annulled or cancelled documents. These cancelled documents will contain a reference to the substitute invoices, if applicable.

9 GOODS IN TRANSIT

Decree 36/2000, of 17th of October (RMC) governs the documents that accompany goods in transit. This aims to establish rules to control and monitor goods in transit in order to ensure compliance with general VAT¹ obligations.

GENERAL RULE: All goods in transit shall be accompanied by 2 copies of the transport documents.

The provisions established in the RMC are not applicable to goods in transit under customs control, and customs transit in particular, where the transport document is the customs bill.

9.1 Transport Documents

9.1.1 What is a transport document?

art. 1 & 3 RMC

The transport document is:

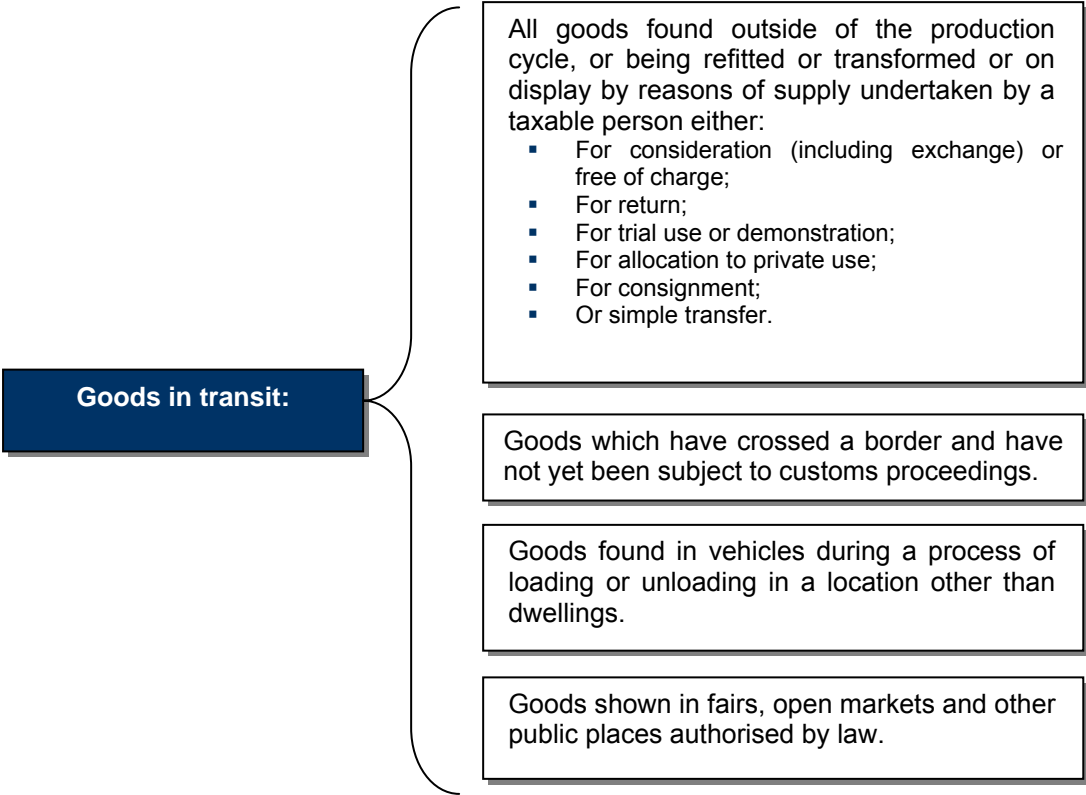
- Invoice;
- Delivery Note;
- Receipt/Sales voucher;
- Return Note;
- Transport Note;
- Other equivalent document;
- Customs bill.

In case of mobile vendors and vendors in fairs or markets transporting goods for retail purposes, the transport document shall be replaced by acquisition invoices.

¹ Art. 30 of VAT Regulation

9.1.2 What are goods in transit?

art. 2 RMC



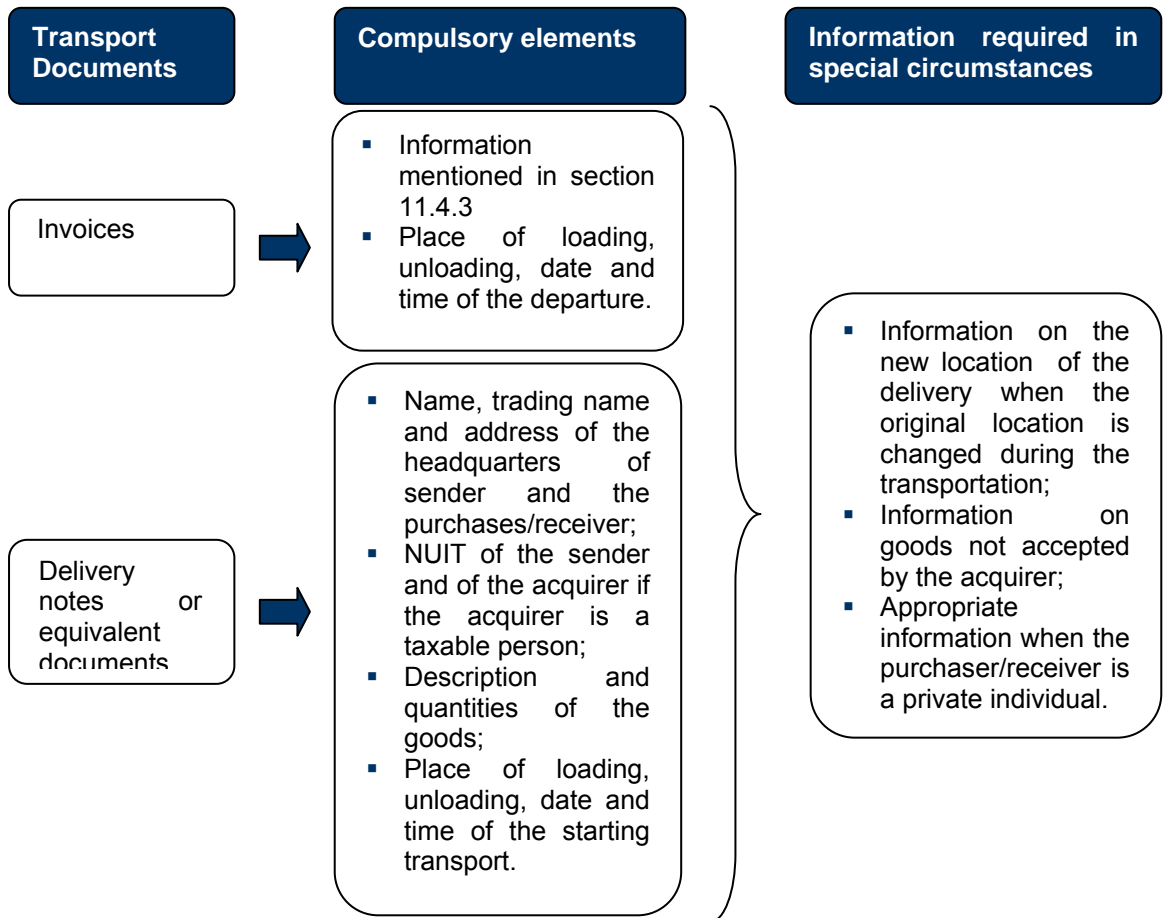
The following goods are not covered by this regulation and the requirement to have a transport document in respect of them is waived:

- Goods for private and domestic use by the owner;
- Goods supplied by retailers and delivered to the final consumers. This excludes construction materials which are transported in goods transport vehicles;
- Capital goods registered as a fixed asset;
- Goods for display purposes provided to salesmen for marketing. In addition, gift samples of small value¹ and all publicity material, which are not to be used for sale;
- Movies and publicity material to be presented in theatres. This is delivered by the distributor and the packaging identifies the content and NUIT of the sender;
- Vehicles with a final registration.

¹ Amount not regulated

9.1.3 Elements that shall be included in the documents of transport

art. 3 & 4 RMC



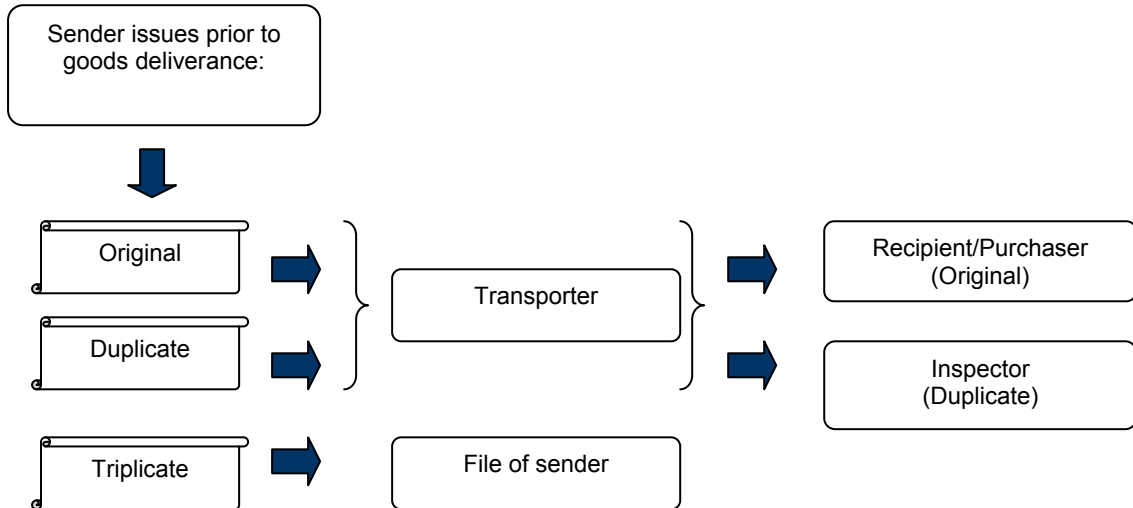
The transport documents shall be **printed in triplicate** using forms printed by authorised printers. The forms may be processed by computer if the taxpayer has previously communicated this to the respective Tax Department. If the forms are processed by computer, the form must contain the words "**processado por computador**" (processed by computer). Forms shall be sequentially numbered by a printer, from one or more series duly referenced.

Whenever goods are addressed to several addresses/recipients that were not identified at the moment of departure, the following procedures will be followed:

- Issuance of the document of transport for the total transported goods (before departure);
- During transportation, and at the moment of each delivery, a delivery note shall be issued, in duplicate and will refer to the original transport document (the copy shall be used to justify the deliveries made).

9.1.4 Final address of documents of transport

Art5 RMC



art. 6 RMC



Transporters will always request from the sender the original transport document and one copy.
 In the case of imported goods or goods to be exported, the transporter shall take all customs required documentation instead of the transport document referred to above.

9.1.5 Filing system

art. 5 RMC

Originals and triplicates of the transport documents will be kept in file up to the end of the second year subsequent to their issue. In addition the duplicates which were not collected during transport must be kept for 10 years if they support the accounting records.

If the transport documents are processed by a computer, these must be kept in good order, up to the end of the fifth year subsequent to their issue. They must be kept with the electronic support related to the application for analysis and reporting, without prejudice to the requirement to keep these for 10 years where they are also used to support accounting records.

9.2 Inspection

9.2.1 Procedures

Art. 9RMC

The following entities are entitled to monitor compliance with this regulation:

- General Directorate of Tax (*Direcção Geral de Impostos*);
- General Directorate of Customs (*Direcção Geral de Alfândegas*);
- Police of the Republic of Mozambique.

The main inspection procedures are as follows:

Art. 2, 9, 10, 11 & 12RMC

- To open packaging, luggage, and any other containers, even if this is against the will of the owner or transporter. The exception is if the containers were closed and sealed by Customs. If the goods are subject to rapid impairment (i.e. goods with short lives) or are dangerous to the public, such goods shall be duly identified with a label or accompanied by a declaration of the nature of the goods. In the latter case, the inspector will not open the containers/packaging unless there is a suspicion that the contents do not match the accompanying transport documents.



When there is a breach of tax or customs legislation, the subsequent procedure shall follow the normal terms prescribed in the Regulation on Disputes concerning Contributions and Taxes or the customs legislation.

- Goods in transit will be seized together with the vehicles used to transport them in the following circumstances
- Inexistence of transport documents, or transport documents not issued in accordance with the law;
- Failure to promptly exhibit the transport documents;
- Smuggling, misconduct or any other crime of a Customs nature;
- Failure to present proof of the source of the goods when there is a suspicion of the following acts:
 - The owner or transporter declares that the goods are not coming from a taxable person;
 - Transported goods are excluded from the scope of the current regulation.
- If the goods are seized, the procedures are as follows:
 - A notice of seizure (in duplicate) will be issued. The original of the notice is delivered DAF/UGC located nearest to where the contravention took place. The duplicate of the notice will be delivered to the trustee of the goods and the vehicle against a receipt. When the trustee is not the driver of the vehicle or the transporter, the latter shall receive a triplicate of the note;

- Whenever the sender is not the transporter he must be receive notice of the detention within three working days.
- If the offender does not accept the seizure of the goods and submits the missing transport documents (original plus copy) with the respective fine, (benefiting from a 50% of reduction), within 15 days of the goods and vehicle being detained, a notice shall be issued. DAF/UGC shall communicate the matter to the officer who performed the seizure.
- Whenever the Director of DAF/UGC verifies that:
 - There was no basis for the seizure of the goods or such seizure was insufficiently supported;
 - Proof of the source of goods is provided;the notice of seizure deed shall not be issued and the notice will be filed after a hearing from the officer who performed the seizure, if necessary.
- This decision taken by the Director of DAF/UGC may be changed by the General Director of Tax, within a period of 30 days. The case shall be maintained for the purpose of payment of fines still due, but the release of the seized goods and the vehicle shall be considered. Any decision shall be communicated to the officer who seized the goods.

9.2.2 Release of goods and vehicles which were seized

Art. 13 RMC

Release of the transported goods and the related vehicle shall occur only when:

- Fines are paid, along with any expenses which arose during the seizure. In addition, the missing transport documents must be submitted (original and copy or, in case of loss, a second copy or photocopy);
- Payment security is submitted, through cash deposit or bank guarantee, which shall ensure the payment of fines and detention expenses;
- A decision for the case to be discharged is undertaken by the court.

9.3 Penalties¹

Art. 10 RMC

Contraventions	Fines (in Meticais)		
	Sender	Transporter	When the sender is the owner of the transport vehicle
<ul style="list-style-type: none"> ▪ Failure to exhibit DT²; ▪ Inaccuracies or omissions in the DT. 	2.500 – 50.000	2.500 – 75.000 ³	5.000 – 100.000
<ul style="list-style-type: none"> ▪ Lack of NUIT of the purchases/recipient; ▪ Lack of information on the DT about purchaser not being a taxable person. 	500 – 35.000	500 – 35.000	1.000 – 70.000
<ul style="list-style-type: none"> ▪ Lack of information on the DT about changes in the destination, or non-acceptance, or partial acceptance. 		500 – 35.000	
<ul style="list-style-type: none"> ▪ Inaccuracies on DT; ▪ False indication that the receiver is a private individual instead of a taxable person. 	500 – 35.000		
<ul style="list-style-type: none"> ▪ Refusal to exhibit or hiding, destroying or, or faking DT; ▪ Printed DT by non-authorized printer. 	7.500 – 175.000 by the offender without prejudice of criminal proceeding if applicable		

Failure to maintain transport documents on file for the prescribed period (see section 9.1.5 - Filing), is punished with a fine of between 500 and 35.000 MT, chargeable to the addressee or acquirer of the good.

1 In “Manual de Fiscalização de Mercadorias em Circulação”, Maputo, October 2007, page 25, 26 and 27, edited by Autoridade Tributária de Moçambique, Tax Authority of Mozambique. The fine amounts are still in force as per information obtained from the Taxpayer Support Services.

2 DT – Document of transport

3 Applicable to the transporter of goods, except for inaccuracies regarding goods in transit identification (description and quantities) when the transport is undertaken by vehicles licensed for public transport of passengers or goods or subcontractors to supply similar services.

10 PROCEDURES APPLICABLE FOR A VAT REFUND

A VAT refund is a reimbursement from the State of an existing tax credit. The credit relates to a determined tax period, where input tax credits exceed the output tax payable¹.

VAT refunds are regulated by the VAT Code (VATC) and by the Regulation of VAT Payment Collection and Refund (RCPR)².

10.1 Applicability

10.1.1 Who may request a VAT refund?

Taxpayers subject to the normal taxation scheme may request a VAT refund. The following are therefore included³:

- Those who undertake taxable transactions and are not VAT exempt;
- Those who undertake exempt transactions which give rise to the right of deduction of input tax (complete exemptions);
- Those who undertake mixed transactions, i.e., taxable and exempt transactions where part of these transactions do not give rise to the right of deduction;
- Those who have elected for an exemption waiver.

10.1.2 What are the requirements to request a tax refund?

Art. 21 VATC & art. 22 RCPR

Taxpayers may request a tax refund where one of the following conditions are verifiable:

12 months subsequent to the tax period in which the excess began, the taxpayer still has a tax credit of over 50.000 MT;

The taxpayer person ceases to carry on the business;

The taxpayer changes the business exclusively to operations which do not give rise to the right of deduction, or the taxpayer elects for a taxation scheme other than the normal taxation scheme;

Tax credit exceeds 50.000 MT; *

Tax credit exceeds 5.000 MT if requested by:
Exporters or taxable persons undertaking similar operations;
Taxable persons undertaking exempt transactions which give rise to deduction, and represent 75% of the total sales

* Despacho do Ministro do Plano e Finanças, de 1 de Junho de 1999. Este valor carece de actualização depois da entrada em vigor do novo Código do IVA (Lei n.º32/2007, de 31 de Dezembro), pois torna redundante a primeira condição.

¹ In "Manual de Reembolso do IVA", November 2007, Ministério das Finanças – Autoridade Tributária de Moçambique, page.2

² This Regulation is in force through the Decree 77/98 dated 29 December and updated by Decrees 16/99 and 29/2000, dated 27 April and 10 October, respectively

³ In "Manual de Reembolso do IVA", November 2007, Ministério das Finanças – Autoridade Tributária de Moçambique, page.3

10.2 Refund request supporting documentation

10.2.1 What form is used to request a refund?

Art. 14 RCPR

The refund request is submitted through the periodic declaration (Form A). This Form is filed and details the tax credit which is intended to be refunded. (Field 23 of the declaration).

Whenever a refund is requested, the taxable person is no longer allowed to deduct the tax credit, in subsequent declarations. This situation continues until there is a communication of the decision on the claim.



Where the taxpayer is resident, the periodic declaration will be submitted to the respective Tax Department, within the prescribed deadlines:

- by the last day of the subsequent month to which the transactions set out refer,
- or, in case of cessation of business, within 30 days counting from the date of cessation

10.2.2 What documents support the claim for a refund?

Art. 21 & 22 RCPR

The periodic declaration (Form A) where the refund is claimed is supported by the following documentation:

- Photocopy of the last 3 periodic declarations, when the amount to be refunded is part of credits from prior tax periods;
- Comments justifying any adjustments¹ made during the tax period to which the credit relates, highlighting:
 - Type of transaction;
 - Identification of the taxable person to whom the adjustment was made;
 - The amount of the adjustment and the related basis of the applicability.

These comments are waived when adjustments are lower than 250 MT in each declaration and 2.500 MT in the total adjustment.

- A statement of suppliers, as per the approved form (see section 9.2.6). This must show the total amount of supplies from each Supplier, for the period relating to the tax credit;
- A copy of the Trial Balance (Ledger accounts only) for the period relating to the tax credit;
- In the case of imports, copy of final "*Documento Único*" issued by the respective customs department;
- In the case of exports, copy of final "*Documento Único*" issued by the respective customs department and certified by the bank.

¹ All adjustments made benefiting State or taxable person

All documents shall be signed by the taxable person, or the legal representative.

For any claim for a refund, the Tax Authorities may request a deposit, bank guarantee, or other adequate guarantee of payment, since the tax credit exceeds 50.000 MT, which shall be maintained until the tax credit is approved by Tax authorities, but not for a period of more than one year.

When a tax refund exceeding 5.000 MT is claimed by:

- Exporters or other taxable persons undertaking similar operations; and
- Taxable persons undertaking exempt transactions giving rise to deduction, which represent 75% of the total sales within the tax period,

in addition to the abovementioned documents, the indication of a bank account confirmed by the VAT Central Services and by the respective bank is also required, for refund transfer purposes.

10.2.3 Which are the main irregularities in the refund processes?

Depending on the irregularity the claim may be:

- Suspended, or
- Denied.

The most frequent irregularities leading to **suspension** are¹:

- Remittance of incomplete files;
- Lack of approved format for the suppliers statement;
- Lack of certification of export bill “Documento Único” by the bank;
- Remittance of unreadable photocopies of “Documento Únicos”;
- Lack of comments for the adjustments made in field 09 of table 05 of the Periodic Declaration (Form A);
- Failure to present accounts in Portuguese and in *Meticais*;
- Supporting documentation, not signed by the taxable persons or legal representatives (e.g. Trial Balance, suppliers statements, and comments on adjustments made);
- Different information provided in different document sources (Periodic Declaration, Trial Balances and Suppliers Statement);
- Failure to describe the fixed assets, stocks or other acquired goods and services.

The most frequent irregularities leading to **denial** are²:

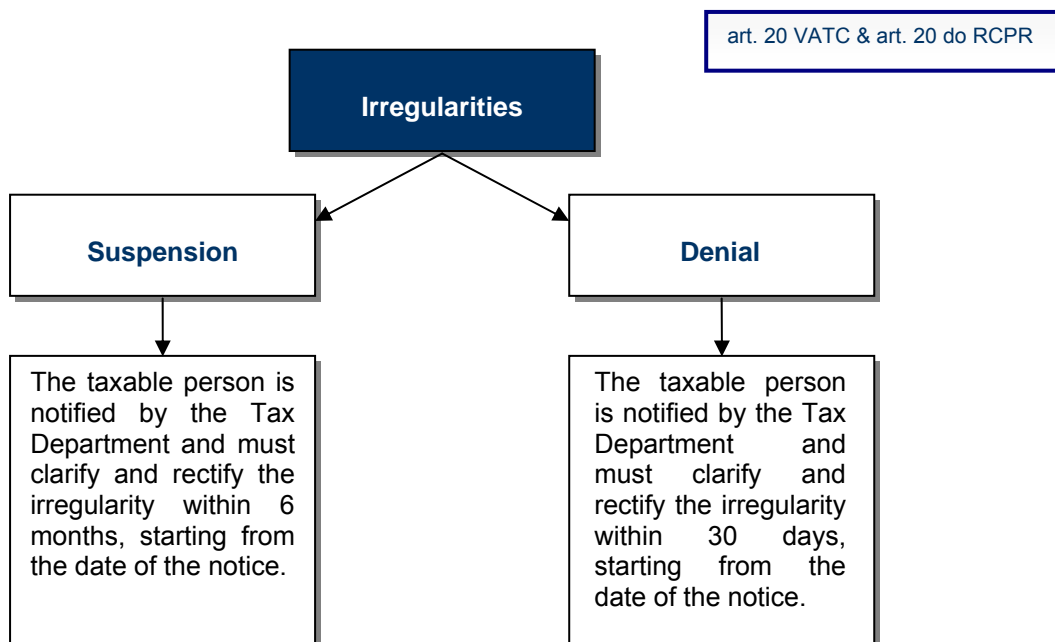
- Tax deducted from invoices issued without complying with the legal requirements;

¹ Ministério das Finanças – Autoridade Tributária de Moçambique, Manual de Reembolso do IVA, November 2007, pages 7,8 and 9.

² Ministério das Finanças – Autoridade Tributária de Moçambique, Manual de Reembolso do IVA, November 2007, pages 10,11 and 12

- Input tax that is deducted on invoices issued by suppliers without NUIT, or by suppliers not properly registered, or where activities have been suspended or ceased during the period to which the claimed refund refers;
- Inclusion invoices which relate to prior tax periods in the statement of the suppliers;
- Periodic declarations with items that have been erased;
- Remittance of unreadable photocopies of the “*Documento Únicos*”;
- Lack of information which gives rise to confirm the right to refund;
- Failure to comply with the calculation of the apportionment through the proportionate or actual allocation methods when activities give rise to mixed transactions (taxable and exempt transactions giving or not giving rise to the right of deduction);
- The claim does not exceed 50.000 MT.

10.2.4 What are the consequences of the presented irregularities?



If the taxpayer has regularized all noted irregularities, and does not agree with the decision, they may appeal through:

- The Head of the respective Tax Department within 15 days after the date of notice;
- Contentious appeal, where the legal formalities have been dispensed with.

10.2.5 What is the timing of the refund?

Refunds shall be reimbursed by the respective Tax Authority within:

- 45 days counted from the date of the claim of amounts greater than 5.000 MT when is claimed by:
 - Exporters or other taxable persons undertaking similar operations, and

art. 21 VATC
art. 21 & 22

- Taxable persons undertaking exempt transactions giving rise to deduction, which represent 75% of the total sales within the tax period;
- 30 days counted from the date of the claim for remaining cases.

Compensatory Interest shall be paid to the taxpayer **under his request** when a delay occurs and the delay is attributable to the tax authorities. The interest is added to the refund.

Whenever it is not possible to verify the legitimacy of the claim for reasons attributable to the taxpayer, the Tax Authority may suspend the timing for refund purposes.

10.2.6 Suppliers Statement format

The format of the supplier statement is not yet officially approved. However, accordingly to instructions received from the Tax Authority, the following example of the statement¹ shall be used.

¹ In Manual for VAT Refund, dated November 2007, issued by the Tax Authority of Mozambique,

VALUE ADDED TAX MANUAL

Example of supplier statement format:

Company: (Name of the company requesting the refund)

Month: September 2008

Description	No.	Invoice		Supplier		Invoice d amount	VAT		Notes
		Date	No.	Name	NUIT		Input	Deductible	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Fixed assets:									
Computer	1	01/09/08	190242	Company A	40012234	30.000	5.100	5.100	
Desk	2	15/09/08	50	Company B	40065432	5.000	850	850	
Air conditioner appliance	3	21/09/08	10982	Company C	4002457	28.000	4.760	4.760	
<i>Sub total</i>						63.000	10.710	10.710	
Stock:									
Fuel for heavy vehicles	4	01/09/08	24390	Company D	4000256	5.000	850	425	50%
Fuel for passenger vehicles	5	18/09/08	24392	Company D	4000256	2.000	340		w.r.d*
Food expenses	6	20/09/08	21014	Company E	4000128	1.200	204		w.r.d*
<i>Sub total</i>						8.200	1.394	425	
Other goods and services:									
Tires for heavy vehicles	7	02/09/08	8230	Company F	4000560	6.000	1.020	1.020	
Stationery	8	10/09/08	2508	Company G	4001234	3.500	595	595	
Lubricant oils	9	30/09/08	8360	Company F	4000560	320	54	54	
<i>Sub total</i>						9.820	1.669	1.669	
Importation									
Generators	10	01/09/08	530	Custom of...		630.000	107.100	107.100	
Tires for heavy vehicles	11	05/09/08	604	Custom of...		3.500	595	595	
Spare parts for heavy vehicles.	12	13/09/08	346	Custom of...		500	85	85	
<i>Sub total</i>						634.000	107.780	107.780	
<i>Total</i>						715.020	121.553	120.584	

*without right of deduction

The Suppliers Statement will contain the following information:

- (1) **Description of acquired goods and services:** The goods and services will be subdivided according to fixed assets, stock, other goods and services and imports. Descriptions shall be clear in a manner that enables the legitimate evaluation of the right to deduct (example: Regarding fuel it is always necessary to disclose if it will be used for heavy vehicle for cargo or passengers);
- (2) **Number:** It is a sequential reference number for each of the attached documents;
- (3) **Invoice date:** the statement shall only contain invoices relating to the period in question;
- (4) **Invoice number;**
- (5) **Supplier name;**
- (6) **Supplier NUIT:** It is recommended that the taxpayer requests the supplier to confirm the NUIT number, to ensure it is valid;
- (7) **Invoice amount:** value of supplied goods and services excluding VAT (tax value);
- (8) **Input VAT:** tax charged on the acquired goods and services;
- (9) **Deductible VAT:** tax deductible in accordance with the rules and conditions of the right to deduct
- (10) **Observations:** Additional information allowing the legitimate evaluation of the right to deduct



Verify that the deductible VAT sub-totals for fixed assets, stock, other goods and services and imports are equal to:

- The amounts reported in the periodic declaration (Form A) in the month related to the Statement (fields 05, 06, 07, and 08 respectively) and
- The balances presented in the Trial Balance.

11 OBLIGATIONS OF TAXABLE PERSONS

11.1 Registration of taxable persons – NUIT Number

Decree 52/2003, 24th December

All individuals and corporations receiving income subject to any kind of taxation (even if they benefit from an exemption), are obliged to register at the respective Tax Department. Individuals must present a Form M/05, and corporations must present a Form M/06.

The taxpayer is then allocated a NUIT number. This is a Taxpayer Identification number and it will be used by all taxpayers undertaking all kind of transactions subject to taxation (including those subject to customs duties). All the following transactions fall within the scope of this:

- Licensing of economic activities;
- Transactions with credit institutions, insurers, and other financial institutions;
- Goods importation;
- Issue of invoices, receipts and other equivalent documents; when issued by taxable persons;
- All applications, requests, claims, appeals, declarations, delivery notes, and, in general, all documents delivered or presented to the Tax Authorities.

11.2 Declarative Obligations

Taxable persons are obliged to:

art. 25 VATC

“...submit in the manner and form prescribed in the Law a declaration of commencement, alterations and cessation of business”;

“...submit on a monthly basis a declaration related to the transactions carried out in the course of business during the prior month, setting out the tax due or existing tax credit and the information used to calculate the tax”.

11.2.1 What is the main objective of the Declaration of Commencement of business?

The declaration (Form M/01) shall be completed in full by the taxable person and submitted prior to the commencement of their business (i.e. prior to the start of VAT applicable taxable transactions). The Form provides the Tax Authorities with information about the activities.

art. 25 VATC
art. 19 VATR

This declaration provides the necessary information on the taxation scheme applicable to the taxable persons – Normal taxation scheme, Exempt taxation scheme or Simplified taxation scheme.

This obligation is not applicable to a person who is subject to the tax by virtue of a single taxable transaction known as a one-off transaction.

11.2.2 What is the main objective of the declaration of alteration of business?

art. 19 VATR

This declaration (Form M/03) shall be completed in full by the taxpayer. The declaration provides information to the Tax Authorities on changes in the operating activities (i.e. to those activities declared in the commencement of the business declaration or in another prior declaration of alteration). The declaration shall include:

- Fiscal residence and other contact details;
- Activity;
- Changes on VAT tax schemes;
- Changes in shareholders//Management.

11.2.3 What is the objective of the declaration of cessation of business?

art. 20 VATR

This declaration (Form M/04) will be completed by the taxable persons and provides information to the Tax Authorities on the cessation of an activity, which was the basis for VAT applicability.

Such activity is considered to be ended when:

- VAT applicable transactions have not been undertaken during a period of 2 straight years. It is also assumed that all assets of the company were sold;
- All the assets of the company are written out of the company records by way of sale or allocation to the owner, the staff, or to third parties not related to the company, including any gratuitous allocations;
- By inheritance – if main assets of the business are distributed by the beneficiaries;
- The ownership of the establishment is transferred to another party.

The Tax Authority may decide that activities have ended when there is evidence that the activity is not being exercised and there is no intention to exercise it.

On the cessation of business the taxpayer becomes free of any obligation to VAT and the obligation to maintain books, accounting records and related supporting documentation for a period of 10 years.

11.2.4 What is the main objective of the periodic declaration

art. 15 VATR

The declaration is to be completed by the taxable persons, in respect of transactions carried during the prior month and is based on the accounting records or books. The declarations to be submitted to the respective Tax Department together the payment (if applicable).

To comply with this obligation the following forms will be completed:

- Declaration **Form A** - the normal declaration related to each tax period;
- Declaration **Form B** - the declaration to substitute a previously submitted declaration (when necessary);
- Declaration - the declaration for taxable persons who are registered for the simplified **Form C** taxation scheme.

11.2.5 Which are the declarative obligations of taxable persons for a one-off transaction?

art. 56 VATR


Taxable persons undertaking a once-off transaction and those who incorrectly mention VAT on invoices or equivalent documents shall present a Declaration Form E for the VAT assessment on those transactions.

11.2.6 Where are the declarations submitted?

Declarations of commencement, alterations and cessation of business, as well as periodic declarations will be delivered to the respective Tax Department.

11.2.7 What are the deadlines to submit the declarations?

The following table presents the deadlines for the various declarations:

Taxation Scheme	Declarative Obligations		
	Declaration (forms)	Timing	
Normal Scheme Turnover > 2,500,000 MT	Commencement of business Form M/01	15 days before the date of starting up business	Art. 37 IRPC Regulation
	Alteration Form M/03	15 days counting from the alteration date	Art. 37 IRPC Regulation
	Cessation of business Form M/04	30 days counting from the date of the business cessation	Art. 37 IRPC Regulation
	Monthly basis Form A (Form B for changes of form A)	Up to the last day of subsequent month to which the transactions refer	• The obligation prevails even though taxable transactions do not occur; • The obligation is waived to exempt transactions which do not rise the right to deduct.
Exempt Scheme Turnover =< 750.000 MT	Commencement of business Form M/01	15 days before the date of starting up business	Art. 37 IRPC Regulation
	Alteration Form M/03	15 days counting from the date of DGI notice	When notice is received from DGI to present a declaration of alterations regarding changes in the turnover
	Cessation of business Form M/04	30 days counting from the date of the business cessation	Art. 37 IRPC Regulation
Simplified Taxation Scheme Turnover >750,000 e =< 2.500.000 MT	Commencement of business Form M/01	15 days before the date of starting up business	Art. 37 IRPC Regulation
	Alteration Form M/03	15 days counting from the alteration date	When an increase in turnover creates the obligation of moving to the normal taxation scheme it shall be in force from January of the subsequent year where the turnover increase took place
	Cessation of business Form M/04	30 days counting from the date of the business cessation	Art. 37 IRPC Regulation
	Quarterly Form C	April, July, October and January of the next year	Line b), P. 1 of Art. 49 VATC
Once off transaction	Declaration Form E	Up to end of the subsequent month to which the transaction was concluded	Lines b) and e), P.1 of Art. 2 VATC

11.3 Payment Obligations

The payment of assessed tax consists of submission of the tax due to the State using authorised means of payment.

11.3.1 Who shall assess and pay the tax due?

art.23 VATC

The assessment and payment of the tax due will be made by the taxable persons, as described in Section 6.1.2 of this manual, or by their tax representatives.

If a tax representative is not nominated by non-resident taxable person the liability of assessment and payment is taken by the acquirers of the goods and services.¹

In the above situation mentioned if the acquirer is a taxable person (i.e. undertaking transactions that give the right of deduction), the VAT assessment on behalf of the non-resident supplier is merely a declaration. When they exercise the right of deduction the cash effect is nil, because the tax is not paid to the State.

If the acquirer undertakes exempt transactions, (i.e. not giving rise to the right of deduction) the tax assessed shall be paid to the State.

11.3.2 Where the tax payment is made?

art.6 VATR

The tax is paid to the respective Tax Department where the taxpayer person is registered, or at credit institutions authorized for those purposes.

For payments related to imports the tax is assessed and paid at the point of customs clearance.

11.3.3 How is the tax payment made?

art.7 VATR

The payment should be accompanied by the following declarations:

- Form A – taxable persons registered under the normal scheme
- Form B – for substitute declarations – together with the means of payment of the value corresponding to the tax due;
- Form C – taxable persons registered under the simplified taxation scheme;
- Form E – tax is assessed by the tax authorities for situations where the taxable person performs a one-off taxable operation, or where VAT has been stated inaccurately.

11.3.4 Is the VAT payable on instalments?

“ The payment on an instalment basis is not applicable to amounts which are legally transferred to third parties (article 34, paragraph 2 of Law 15/2002 dated 26 of June and article 148, paragraph 2, of Law 2/2006 dated 22 of March)

VAT cannot therefore be paid on an instalments basis.”²

¹ In accordance with the art. 18 of Law 15/2002, dated 26 June, the nomination of a tax representative is compulsory whenever the taxable person is non-resident, as well as for the resident taxable persons who stays outside of the national territory during a period greater than 180 days

² In “Perguntas mais Frequentes em sede do IRPS, IRPC, e IVA”, page 14, issued by “Autoridade Tributária de Moçambique – Direcção Geral de Impostos”

11.3.5 What documents prove a tax payment?

art.18 VATR

The collecting entity confirms the tax payment through the validation of periodic declaration by a cash register (automatic process to certify the payment) or by stamping the declaration.

11.3.6 What are the authorized means of payment?

art.8 VATR

Payment can be made by the following means:

- Cash in *Meticais*;
- Bank cheques issued to the Finance Treasury (*Recebedor de Fazenda*) or the Customs' Treasury (*Tesoureiro da Alfândega*);
- Cash in the Post (*Vales de correio*);
- Bank transfer.

art. 9 & 17 VATR

11.3.7 What are the requirements for each means of payment?

- Each payment should correspond to a single declaration;
- Payment not corresponding to the declaration is refused;
- Bank cheques should be rounded up, crossed, and issued to the Finance Treasurer (*Recebedor de Fazenda*) or the Customs Treasurer (*Tesoureiro da Alfândega*);
- The NUIT of the taxable person should be written on the back of the bank cheque;
- All payments that do not enable the collection of the tax are considered invalid.



If a bank cheque is returned or bank transfer is refused by the bank due to insufficient funds in the bank account, the taxable person must rectify the situation within a period of 5 days. After this period, the debt is subject to litigation procedures for collection. Independent of the regularization to be made by the taxable person, the respective Tax Department will proceed with the required submission to the court for criminal purposes.

11.3.8 What are the exceptions to the utilization of tax credits carried forward from previous period?

art. 15 VATR

Tax credits carried forward from previous periods may be utilised in subsequent tax periods except for deductions in periodic declarations (Form A) submitted after the deadline (i.e. the end of the subsequent month).

11.3.9 What are the procedures for declarations submitted without payment?

art.10 VATR

If a declaration (Forms A, B, C and E) is submitted in time but payment is not made at same time, the consequences are as follows:

- Within 15 days after the submission of the mentioned declaration, compensatory interest shall be added to the amount due at the interbank interest rate (MAIBOR, 12 months, plus 2%) and fine reduced to half;

- If the additional period as above has expired, the certificate for the tax court is issued in the terms and purposes established in the Code of Tax Executions, without affecting the possible compensation that may be granted in the case there are tax credits of the same nature.

11.3.10 What are the procedures if the amount assessed is lower than the tax due?

When the value of the assessment, is lower than the tax calculated by the tax authorities the shortfall is rectified and the difference is assessed by notice to the taxable person accordingly.

art.11 VATR

11.3.11 What are the procedures if the payment made is higher than the tax due?

When the tax paid is higher than the tax due the difference can be communicated to the taxpayer and can be considered as a tax credit in future declarations, as follows:

art.12 VATR

- The deduction of the tax credits shall be exercised within one year counted from the date of the right of deduction, or five years when authorised by DGI;
- The communication referred to above takes place only when the difference exceeds 100 MT;
- The compensation by deduction of tax credits is performed only after effective reception of the communication to be sent by the tax services.

11.3.12 What are the procedures in case of errors in self-assessment?

The correction of material calculation errors in the accounting records or entries in the books and in the declarations is:

art. 13 VATR
art. 51 VATC

- Compulsory when the tax paid is lower than that due. The correction can be made without any penalty until the end of the subsequent period;
- Optional if the tax paid is higher than the tax due, and it can only be performed within the period of one year, which in the case of the right to deduction, is counted from the beginning of the respective right.

If the taxable person does not proceed with the respective regularization according to the established procedure and deadlines, the tax services should:

- Proceed with additional assessment of the tax due, notifying the taxable person accordingly;
- Consider as not performed any subsequent rectifications, being the difference between the amount paid and the tax due as calculated by the tax services dealt with in the Section 11.3.8 e 11.3.9.

11.3.13 What are the procedures in case of delay in the assessment or payment of the tax?

art. 14 VATR

In cases of delay in the assessment or delivery of part or all of the tax due the value is increased by compensatory interest at the interbank rate (MAIBOR – 12 months) plus 2%. This method uses the rate at the date of payment of the tax without affecting the fine chargeable to the transgressor.

The interest is based on the number of days, starting with the day after the end of the period within which the tax should have been paid to the State, and ending on the day on which the

transgression is considered to have been corrected. The period is also limited by the date of issuance of a certificate to the tax court.

This disposition is not applicable to taxable persons under the simplified tax scheme, without affecting the fine which may be applicable under that scheme, where payments are delayed.

11.4 Invoicing obligations

As a general rule it is compulsory to issue a tax invoice or equivalent document for each supply of goods or services.

art. 25 & 27 VATC

11.4.1 What is the difference between an invoice and a tax invoice

A **tax invoice** is a document which is provided for in the VAT Code and other supplementary legislation to enable taxable persons to claim input tax on their purchases. An invoice will always relate to a taxable supply. The invoice must contain details about the taxable supply and details on the parties to the transaction.

An **invoice** is a document issued by a vendor notifying the purchaser of an obligation to make payment in respect of a transaction (not necessarily a taxable supply). The fact that a taxpayer may have an invoice from the supplier does not mean that they will be entitled to claim input tax thereon.

Some vendors combine the function of the two documents to avoid administrative duplication. Taxpayers who prefer this method should ensure their invoices comply with the requirements of a tax invoice, otherwise their customers will not be allowed to claim the input VAT on their purchases.



All references in this manual to invoices shall be read as referred to tax invoices regulated by VAT Code and supplementary legislation.

11.4.2 What taxable persons are obliged to issue a tax invoice?

art. 2 & 31 VATC

As a general rule, individual or corporate persons that:

- Are resident and carry on a profitable or non profitable economic activity, on an independent and regular basis;
- Residents or non-residents that carry on any taxable transaction subject to Individual or Corporate Income Tax (IRPS or IRPC), on an independent basis.

The obligation to issue invoices is waived for transactions of the following nature:

- Supply of goods by retailers or mobile vendors;
- Supply of goods by automatic dispensing machines;
- Supply of services in where it is normal to issue a receipt, entrance or transport ticket, voucher or other printed document made out to the bearer as proof of payment;
- Other supplies of services with a price not exceeding 100,00MT **and,**

under the following conditions:

- The customer is a private individual who does not use the goods and services for the purposes of a commercial or industrial activity and,
- The transaction is in cash.

The waiver of the duty to invoice does not affect the obligation:

- To issue vouchers for the goods or services supplied, which shall be printed and numbered by authorised printers or stamped by the respective Tax Department;
- To issue an invoice whenever required by taxable persons and keep separate accounting records for this case.

Vouchers resulting from goods or services supplied, by election, can be issued by cash registers, which must be supported by the internal paper roll that summarises the daily sales and discloses the rate and tax assessed.

Decree 28/2000
10th October , art. 1 to 4

The paper roll of the cash register must be kept for the subsequent 5 years.

The VAT Regulation prescribes that the Minister of Finance may apply the waiver of the obligation to issue invoices to other categories of taxpayers who supply public services characterised by their uniformity, frequency and limited value.

art. 22 VATR

Example 1:

Company A purchases stationery for 25.000 MT, paid in cash.

Even though the goods are paid in cash, company A must request a tax invoice (with the suppliers name, address and NUIT number) in order to deduct input VAT and record the cost as a deductible expense for IRPC purposes.

If the purchaser is an individual without economic activity, the retailer is waived to issue a tax invoice even if requested by the individual.

Example 2:

António, an employee of company A purchases a painting from a mobile vendor for display in the meeting room of the company. He pays 1.000 MT cash.

To justify and be reimbursed for the expense António must request a proof of payment. The mobile vendor does not have his activity registered and improvises with a receipt on a piece of paper. The paper declares the amount received the vendor signs it.

For tax purposes this receipt is not valid. If the amount is recorded in the company accounts the cost will be taxed at a rate of 35% (foreseen in the IRPC Code as it is a cost not duly supported).

For transactions to be deductible for IRPC purposes the purchase must be made from duly registered mobile vendors and the invoice must be requested and provided.



Only tax invoices or equivalent documents give rise to the right of VAT deduction and allow the costs to be deductible for IRPC purposes.

Receipts issued by cash registers are not acceptable, if they do not contain all elements required for a tax invoice.

11.4.3 What elements must be included in a tax invoice?

art. 27 VATC

The invoice should contain the following information:

- Sequential Number (printed by an authorised printer, unless processed by a computer);
- Date of issue;
- Indication of original or copies, as applicable;
- Complete identification of the supplier (Name, address, and NUIT - tax identification number of taxable person);
- Complete identification of the recipient (Name, address, and NUIT - tax identification number of taxable person);
- Quantities and description of goods supplied or services rendered;

- Specific note on returnable packaging “not for sale”, if applicable;
- Unit sale price of supplied goods or rendered services, excluding VAT;
- Total price of the goods supplied and services rendered, excluding VAT (taxable amount);
- VAT rate;
- Tax due obtained by applying the rate to the taxable amount;
- Invoices or equivalent documents (other than processed by computer) printed by authorised printers shall contain information by which to identify the printer, namely the trading name, address information, number of the license issued by the Ministry of Finances and tax identification number;
- Reasons for not applying the tax, if this is the case:
 - Exemption Scheme: “*IVA – Regime de Isenção*” (VAT – Exemption Scheme);
 - Simplified taxation Scheme: “*IVA – Não confere direito à dedução*” (VAT- not giving rise to deduction);
 - Scheme applicable to travel agencies and tour operators: “*IVA incluído*” (VAT included);
 - Scheme applicable to second hand goods – “*IVA – Bens em Segunda Mão*” (VAT – second hand goods);
 - Scheme applicable to auctioneers – “*IVA – Regime específico de vendas em leilão*” (VAT – Specific scheme applicable for sales in auction)
 - Special chargeability scheme applicable to contractors and subcontractors of civil works: “*IVA exigível e dedutível no pagamento*” (VAT chargeable and deductible on payment)
 - Supplies of goods and services exempt. It is advisable to mention: “*Isento de IVA ao abrigo do n. ... do art... do CIVA*” (VAT exempt by p... of art...of VATC).

Requirements to comply with the invoice issuing process

- Compliance with deadlines – not later than the fifth business day after the time when the goods were made available to the purchaser or the services were finalised. Where monthly invoices are used, based on delivery notes, the processing thereof may not exceed the fifth business day subsequent to the period to which they relate;
- At least issued in duplicate – original to the client and copy for supplier filing purposes;
- Numbering must be sequential;
- When goods are returned, the invoice shall not be cancelled. In this case an advice or note of return shall be issued reversing the former tax previously invoiced;

- When the taxable transactions are undertaken within the national territory the invoices shall be issued in Portuguese and priced in Meticaís¹. However, a bilingual and double currency invoice is not forbidden.

Invoices processed by computer

If invoices are processed by computer a sequential numbering system must be used and the invoice must contain all the elements mentioned previously.

Invoices processed by a computer shall be communicated to the respective Tax Department² and contain the information “*processada por computador*” (processed by computer)

The respective Tax Department can anytime inspect the software of the invoicing system in order to assure the compliance with the invoicing requirements.

¹ Art 106, p. 5 of Law 2/2006 dated 22 March.

² Deliberation dated 1st March 1999, by the Minister of Planning and Finance.

Sample invoice

<p>Name, address and VAT number of supplier</p> João e Filhos, Lda. Av. Nelson Mandela 172 Chimoio Moçambique Tel: (258-51) 22 369 Fax: (258-51) 22 370 NUIT: 7000069871		<p>Name, address and VAT number of recipient</p> Nome _____ - _____ Endereço _____ - _____ NUIT: _____	
<p>Date of the invoice</p> Data: _____ de _____ de _____ 200_____		<p>FACTURA Nº: 2194</p>	
Quant	Descrição	Preço Unitário	Total MT
10	parafusos	10.00	100.00
Motivo justificativo de não aplicação do imposto			
<p>Reasons for not applying the tax, if this is the case</p> Processado Por Computador		<p>VAT rate</p> Sub-Total 100.00 IVA 17% 17.00 Total 117.00	
Papeleria Popular - Rua XX nº YY Beira / 4000065213 Aut No: 154/MPF/02 50 L 3x50 2000 a 4500			

11.4.4 Procedures relating to goods on consignment

art. 3, 7 & 29 VATC

The tax invoices and equivalent documents shall be issued within five business days after:

- The time when the goods are sent for consignment – **Provisional invoice**;
- The time when, in respect of such goods, the tax becomes due and chargeable – time when the goods were made available to the recipient (not exceeding 180 days) – **Definitive Invoice**

11.4.5 Obligations arising from the invoice issuance

- Proceed with VAT assessment and payment to the State, if this is the case. The assessment and payment to the State of tax shall take place even if the consideration for the supply of goods and services was not received from the client;
- Issuance of a receipt at the time when the client pays the invoice, as a proof of payment.¹ An invoice, as a document issued by a vendor notifying the purchaser of an obligation to make payment in respect of a transaction, without the respective receipt does not constitute evidence that the transaction was paid.



Lack of issuance of the invoice or failure of its issuance in due time, do not eliminate the tax chargeability

11.4.6 When an invoice with tax included is allowed?

art. 28, 30 & 34 VATC

The assessed tax amount shall be added to the invoiced amount. However, in the transactions which are released from the obligation to issue invoices (e.g. retailers) the tax can be included in the sales price.

In that case, the basis of assessment shall be calculated by dividing the total amount of the sale by 117, multiplying the obtained coefficient by 100 and rounding the result to the nearest currency unit.



The requirements for the invoicing process carried out by taxable persons subject to special or specific taxation schemes are dealt in the respective sections of this manual.

11.4.7 Frequent Asked Questions

11.4.7.1 If a supplier issues an illegal invoice and refuses to rectify it what are the procedures that the receiver of the invoice must follow to report the supplier?

The taxpayer who purchased the goods, is jointly liable with the supplier by the respective tax payment, if the invoice or equivalent document contains any inaccuracy related to the name or address of the intervenient parties, nature and volume of the goods sold or services rendered, as well as the price and tax assessed and due.

However, if the purchaser can prove that they have paid the tax due to the Input VAT on illegal invoices is not deductible and it is advisable to change suppliers as this cost is not accepted as a deductible cost for IRPC purposes and a tax of 35% of the invoice amount is made.

11.4.7.2 How can the companies check that suppliers from which they receive invoices have a valid VAT registration completed at ATM and a valid NUIT?

Companies can request from the supplier a copy of the Declaration of Commencement of Activities (Form M/01) or request the information from the respective Tax Department.

¹ Article 106, p. 12, Law 2/2006 dated 22 March.

11.4.7.3 What are the procedures to order invoices from a printer?

- Request the printer to present the license issued by the Ministry of Finance authorising them to print invoices;
- Considering that the format of the invoice is free, the lay-out of the invoice shall be prepared and presented to the printer;
- Provide the printer with all details of the company to be included in the invoice;
- Request from the printer the deliverance of a model for checking purposes if it contains all required elements described in 11.4.3 above and in summary in the following example, prior to the printer proceeds with the print of the complete order.
- Authorise the printer, to print the total order, after introduced all alterations required, if any.

11.5 Accounting Obligations

art. 23 VATR

Taxable persons shall keep accounting records organised in such manner as to provide the information necessary to:

- Calculate tax;
- Control the transactions;
- File the periodic declaration.

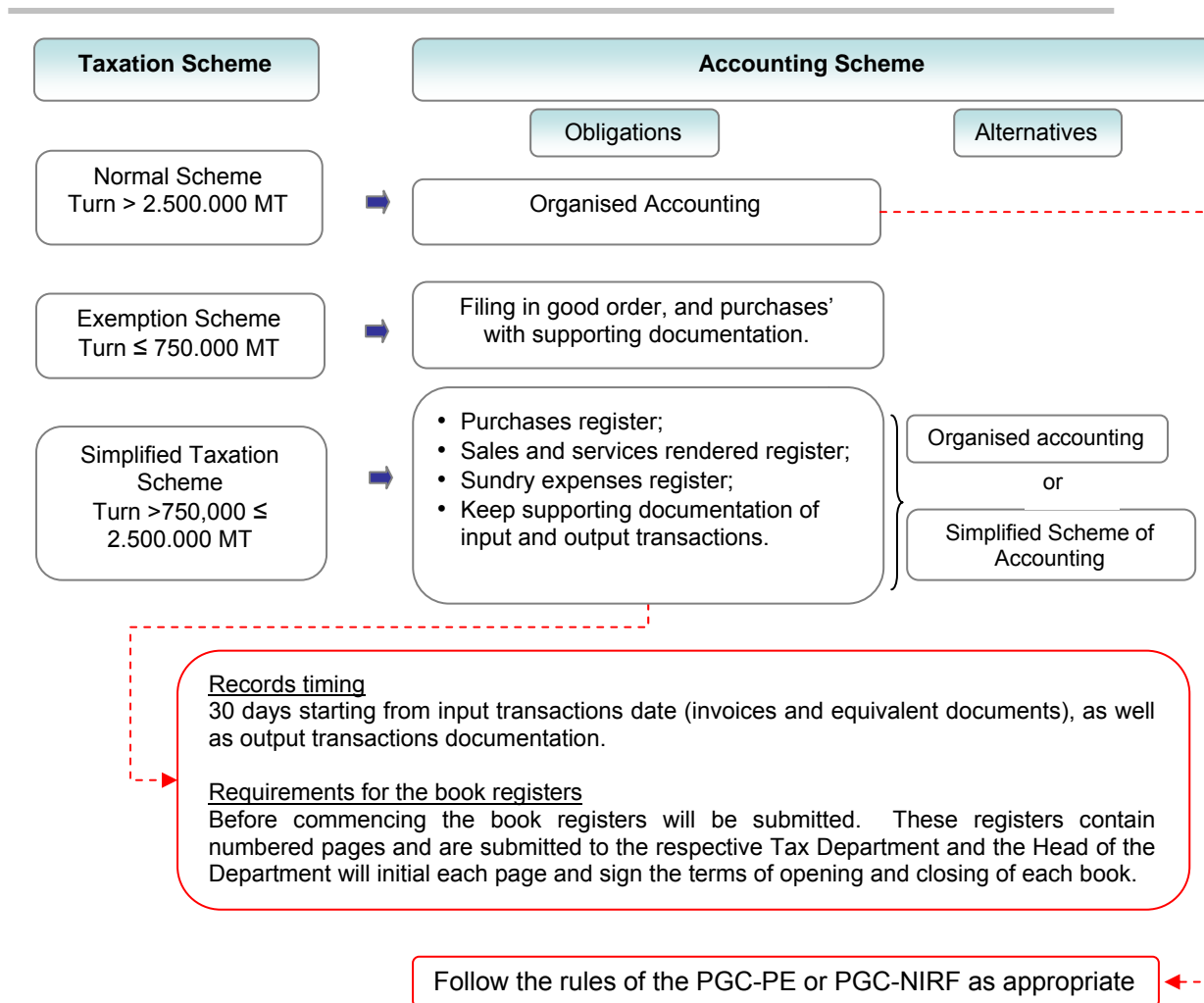
Taxable persons maintain an adequate accounting system for VAT assessment purposes by way of generally accepted accounting practices as determined by the **SCE**¹ or certain accounting books. The taxpayer uses appropriate accounts to record VAT to satisfy the above requirements.

Taxpayers whose turnover exceeds MT 2,500,000 are obliged to maintain an accounting system in accordance with generally accepted accounting practice. Taxpayers whose turnover does not exceed MT 2,500,000 are only obliged to comply with the accounting requirements of the special schemes, which are summarised as follows:

- **Exempt Scheme** – Taxpayers whose annual turnover is equal or does not exceed 750,000 MT. Such taxpayers are obliged to maintain supporting documentation for acquisitions and must make this available for inspection whenever requested;
- **Simplified Taxation Scheme** – Taxpayers whose annual turnover exceeds MT 750,000 MT but is equal or does not exceed 2,500,000 MT are obliged to keep certain accounting books and related supporting documentation.

The following chart presents the accounting alternatives for the taxpayer in accordance with the taxable scheme for which they are registered:

¹ Decree 70/2009 dated 22nd December – Accounting system for the business sector in Mozambique



As illustrated above, taxpayers qualifying for the special tax schemes can elect for the organised accounting scheme or for the simplified accounting scheme as prescribed in Corporate Income Tax Code (IRPC), and described as follows:

11.5.1 Accounting systems

The Corporate Income Tax Code (IRPC)¹ establishes the following accounting schemes:

- Organised Accounting Scheme;
- Simplified Accounting Scheme for entities with or without trading as a principal activity.

Summarised below are the characteristics and obligations of each scheme.

11.5.1.1 Organised accounting system

“Commercial companies or civil companies in commercial form, cooperatives, public companies and other related entities that exercise, as their principal activity, industrial or agricultural trade, with headquarters or effective management within the Mozambican territory, as well as entities that, although not having headquarters or

¹ Articles 75 up to 77 IRPC Code

effective management within that territory, have a permanent establishment, are obliged to maintain organised accounting under the terms of the commercial and tax laws...¹

Companies are obliged to apply the SCE (PGC-PE or PGC-NIRF) and the related accounting standards. This obligation does not apply to the financial sector, Banking and Insurance, as they are required to apply specific chart of accounts.

The PGC-PE and PGC-NIRF include the following specific accounts for VAT in Class 4 of its chart of accounts:

4.4.3	Value added tax
4.4.3.1	Input VAT
4.4.3.1.1	Inventories
4.4.3.1.2	Tangible and intangible assets
4.4.3.1.3	Other goods and services
4.4.3.2	Deductible VAT
4.4.3.2.1	Inventories
4.4.3.2.2	Tangible and intangible assets
4.4.3.2.3	Other goods and services
4.4.3.3	Assessed VAT
4.4.3.3.1	General transactions
4.4.3.3.2	Self consumption and gifts
4.4.3.3.3	Special transactions
4.4.3.4	VAT adjustments
4.4.3.4.1	Monthly adjustments in favour of taxable person
4.4.3.4.2	Monthly adjustments in favour of State
4.4.3.4.3	Annual adjustments by calculation of final pro rata
4.4.3.5	VAT assessment
4.4.3.6	VAT assessed by Tax Authorities
4.4.3.7	VAT payable
4.4.3.8	VAT recoverable
4.4.3.9	VAT requested refunds

Other subsidiary accounts may be created in whenever it is necessary to provide more detailed information on transactions (e.g. on exempt sales, sales with VAT included, etc).

11.5.1.2 Simplified accounting system²

This accounting scheme applies to the following entities with a turnover not exceeding 2,500,000 MT:

- commercial companies;
- civil companies in a commercial form;
- cooperatives; and
- other entities.

The main activity of the entity will be commercial, industrial or agricultural and the headquarters or effective management of the entity will be in the Mozambican territory. For these entities, the use of PGC shall not be required, except for public companies, joint-stock companies and partnerships.

The simplified taxation scheme has the following accounting record requirements:

- Register of purchases of goods and/or a register of raw materials and consumer goods;

¹ Code of IRPC – Article 75, paragraph 1

² Art. 76 of IRPC Code

- Register of sales of goods and/or register of finished goods;
- Register of services rendered;
- Register of expenses and other transactions related to capital goods;
- Register of the inventory of goods, raw materials, consumer goods and finished goods as well as all other goods in stock as at 31 December of each year.

The registers recorded shall comply with the following rules:

- Recording of the transactions shall take place within 60 days;
- Amounts received as provision, advance or other aimed to provide for expenses made on behalf of clients shall be recorded in appropriate accounts and carried forward in an appropriate register. These will be considered as revenue of the subsequent year, without exceeding the amount related to the service rendered;
- All records shall be supported by valid documentation;
- Recording of summarised expenses is allowed since subsidiary accounts exist for each client where each transaction is detailed and documented individually.



Before starting to be used the books/registers (with numbered pages) will be submitted to the respective Tax Department, and the Head of the Department will initial each page and sign the terms of opening and closing of each book.

The processing of the mandatory books by electronic means was regulated by deliberation dated [9th March of 2011](#)

If the main activity of the entity is not commercial, industrial or agricultural, the following registers must be maintained¹:

- Register of income. The Register must be organised by the different categories of income as described in the Individual Income Tax (IRPS) Code;
- Register of costs. The Register must be organised so that costs related to each category of income subject to taxation and remaining deductible costs, wholly or in partly, from the total;
- Register of fixed assets as at 31 December that are will give rise to taxable gains under the capital gains category.



These registers do not include income of commercial, industrial or agricultural activities eventually undertaken as ancillary activities.

Prior to use, the Registers and books of inventory and balances must be submitted (with numbered pages), to the respective Tax Department. The Head of the Department will initial each page and sign the terms of opening and closing of each book.

¹ Art. 77 of the IRPC Code

Under the normal taxation scheme there are no differences in the accounting requirements for the IRPC and VAT Codes.

Under the simplified taxation scheme, the VAT Code requires fewer compulsory registers than the IRPC Code (for taxable persons with similar turnovers). To comply with the obligations in both codes the requirements of IRPC Code should be followed.

11.5.2 Centralisation of records

art. 55 VATR

If taxpayers' activities are distributed amongst several places of business, they must centralise their records in one establishment. The recording of the transactions shall comply with the following:

- The centralised records and the supporting documentation shall be kept at the establishment selected for centralisation;
- Records of the transactions of each establishment shall be kept, including transactions between branches;
- The establishment selected for centralisation shall be the same as that identified for the purposes of Income Tax.

11.5.3 Accounting support documents

Transaction cannot be recorded if there is no document to justify the transaction.

External and Internal documents of an entity are typically as follows:

- External Documents - documents received from/issued to outside parties (e.g. invoices, receipts, debit and credit notes, etc.);
- Internal Documents - documents used internally by an entity (payroll, recording vouchers, etc.).

Supporting document requirements

When an external document is handled for recording purposes, it must carefully be reviewed with regard to the legality and validity of the document as follows:

- addressed to the acquirer;
- original and authentic, i.e. there are no evidences of forgery;
- contains the supplier's NUIT (taxpayer identification number);
- contains the recipient's NUIT;
- contains the transaction date;
- does not contain erasures;
- approved by an appropriate manager (proves an internal control procedure);
- contains input or output VAT correctly calculated;

- the information allows the accountant to record the transaction appropriately;
- for goods purchased for stock or fixed assets, it contains evidence of record and control from the appropriate departments;
- If it is cancelled, this is done in such a manner that gives a reasonable assurance that it will never will be reused or duplicated in the accounting records.



The existence of valid supporting documentation is very important in the accounting process. It is fundamental to the right of deduction, and to assess the tax and to avoid penalties in the case of a tax audit.

11.5.4 Accounting records

art. 23, 24 & 26 VATR

The records to be processed by the accounting system must provide evidence in the appropriate accounting categories of the following:

Output transactions (i.e. Sales) – supply of goods and services by taxable persons for business purposes .The records must show the following

- The value of the taxable transaction, exclusive of tax;
- The value of non-taxable or exempt transactions where there is no right to deduct input tax;
- The value of the exempt transactions where there is the right to deduct input tax;
- The amount of tax assessed, with a clear distinction for the following deemed supplies:
 - permanent allocation of business assets for private use (not for business activities);
 - permanent allocation of business assets for the purposes of carrying on an exempt activity;
 - supply of goods or services rendered free of charge for private use (not for business activities);
 - the use of goods for private purposes (not for business activities or for the purposes of an exempt activity);
 - the obligations fulfilled by the acquirer of goods and services for an industrial, commercial or professional activity, performed in the National Territory by non-resident taxpayers without legal representation.

The records shall disclose the following:

- The record of each supply transaction shall take place based on invoices or equivalent documents, and on notes of return issued by their value net of tax in an appropriate subsidiary account of sales (to provide evidence of taxable supplies);
- The amount of VAT shall be recorded in the appropriate accounts as required by the PGC;

- In the case of exempt supplies or supplies that do not give rise to the right of deduction, these should be disclosed in appropriate subsidiary account (ex.: exempt sales)

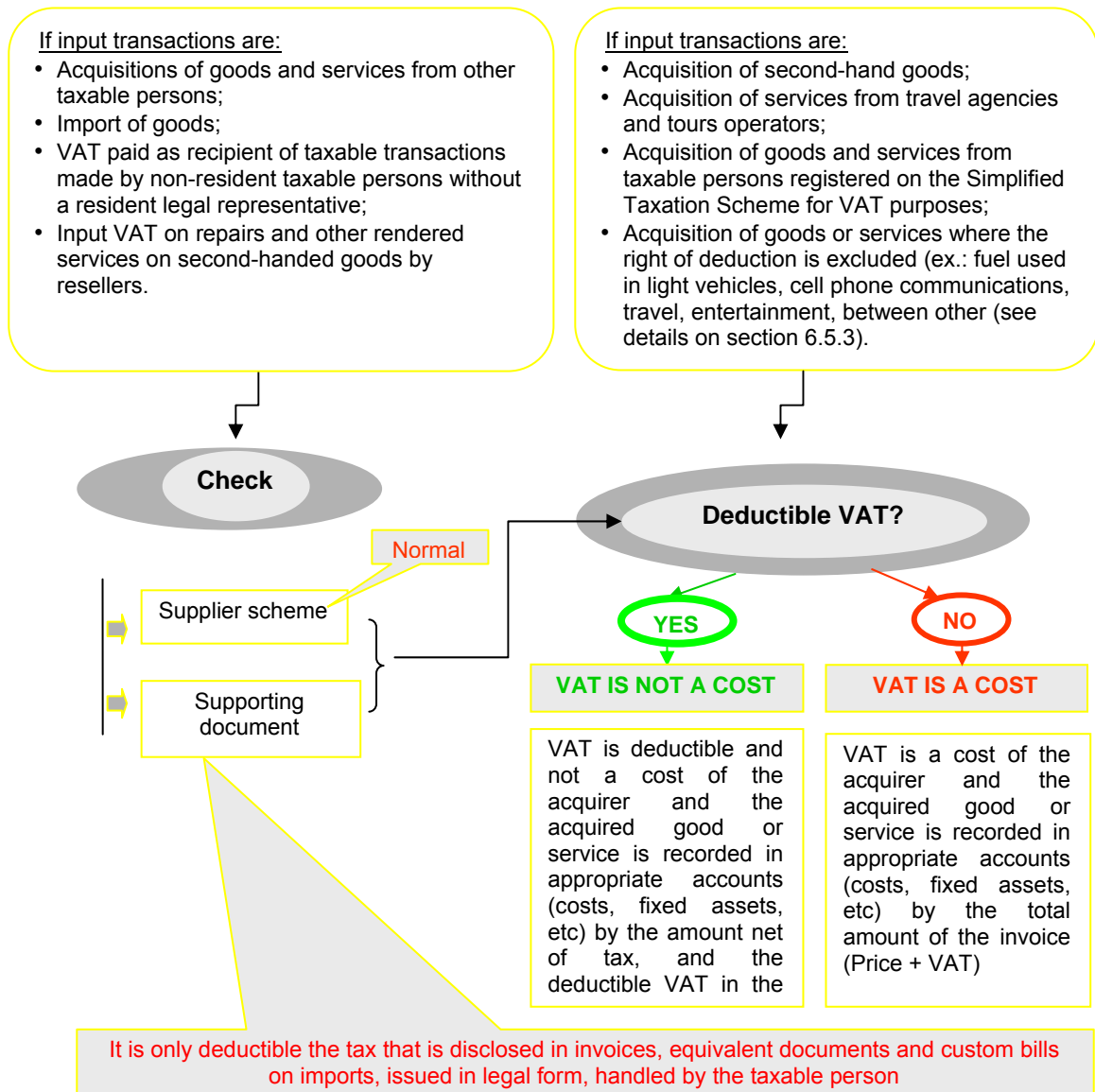
Input transactions (i.e. Purchases) – the import and acquisition of goods and services by the taxable persons in the national territory for business purposes. The records must show the following:

- The value of the taxable transactions with right of partial or full deduction, exclusive of tax;
- The value of transactions where there is no right to a tax deduction
- The value of the purchases of diesel fuel;
- The amount of deductible tax.

Records shall disclose the following:

- Transactions giving rise to the right of deduction;
- Transactions excluded from the right to deduct;
- The quality of related supporting documents;

The following diagram illustrates the way in which documents should be to correctly exercise the right of deduction:



Fixed assets register

Taxable persons who follow an organised accounting system must record their fixed assets (to control the deductions made). The register shall include the following details in respect of each asset:

art. 27 VATR

- The date of acquisition;
- The amount of input VAT;
- The amount of deducted VAT.

Special recording of transactions where the invoicing obligation is waived

This relates to the supply of goods and services undertaken by:

art. 25 VATR

- Retailers;

- Mobile vendors;
- Automatic dispensing machines;
- Suppliers of services, who issue usually a receipt, entrance or transport ticket, voucher or other printed document made out to bearer as proof of payment.
- Other supplies the value of which is less than 100 MT by each transaction.

Such suppliers must keep a special register of the transactions on a daily basis. The register must detail the consideration received in respect of the taxable supplies of goods and services (inclusive of tax). The register must also detail the consideration received in respect of all non-taxable or exempt transactions, whether they are simple or complete, objective or non objective transactions. (See section 6.2.1)

When these suppliers issue an invoice, they shall register the value including tax, unless they process their invoices so that tax can be separately disclosed.

The records referred to above will be shown in the accounting records or entered in the books each taxation scheme they are registered for.

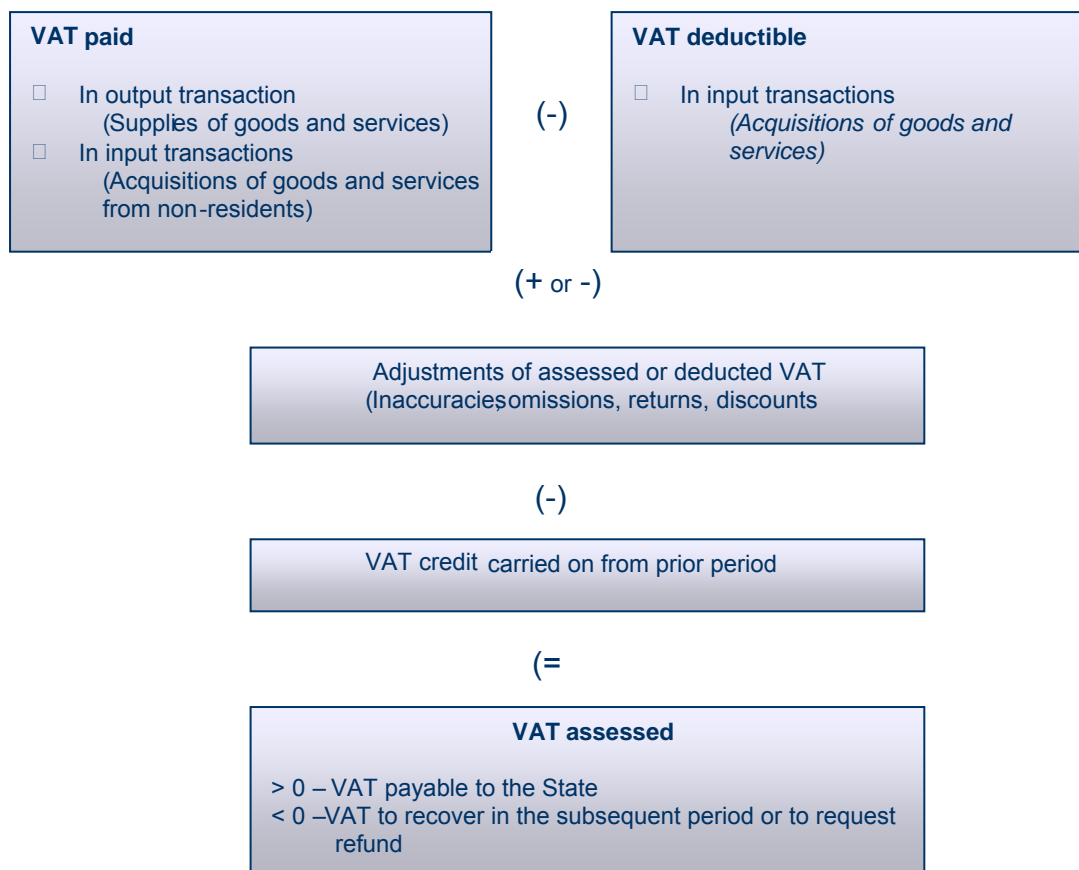
11.5.4.1 VAT Assessment

The VAT assessment at the end of each tax period shall be made by reference to the accounting records or compulsory registers.

The VAT assessment differs depending on the taxable scheme framework of the taxpayers – (Normal taxation scheme and Simplified taxation scheme) – as follows:

Normal Taxation Scheme

Schematically the monthly VAT assessment is described as follows:



Simplified taxation scheme

Under the simplified taxation the tax payable is 5% of the turnover excluding sales of capital goods that have been used in the course of the business.

Under this scheme input VAT is not deductible.

11.5.4.2 Filing System

art. 54 VATR

Taxpayers must file and maintain all books, accounting records and related supporting documentation for a period of 10 years. This requirement extends to output data from a computerised system.

Organization and filing of invoices issued by taxable person

art. 24 VATR

Sales invoices, equivalent documents and credit notes must be sequentially numbered, in one or more suitably referenced series. Copies of invoices must be kept in the same sequence. In addition, and copies of documents that have been cancelled or annulled shall be referenced to those that have replaced them.

Organization and filing of invoices received from suppliers

art. 26 VATR

Purchase invoices, equivalent documents and debt notes shall be suitably referenced. The originals shall be kept in proper sequence. In addition, copies of invoices that have been cancelled or annulled shall be referenced to the invoices that replaced them.

11.5.4.3 Deadlines for accounting records

art. 24 & 26 VATR

Transaction	Records timing	
Output transactions	After the corresponding invoices, equivalent documents or credit notes have been issued:	By the last day of the subsequent month to which the transaction therein refers.
Input transactions	After the corresponding invoices, equivalent documents or debit notes have been received:	

11.5.5 Advisable Checklist

Accounting schemes	Tasks	Reviewed
Normal	Review legality and validity of supporting documentation	
	Review compliance with the requirements for the classification and recording of output transactions	
	Review compliance with the requirements for the classification and recording of input transactions	
	File the input and output documents	
	Assess the VAT payable to the State or the tax credit due	
	Comply with the deadline for registration of transactions	
	Comply with deadline for submission of the monthly declaration	
Simplified Accounting Scheme for entities whose main object is trading	Review legality and validity of supporting documentation	
	Record the compulsory book registers	
	File the input and output documents	
	Assess VAT payable to the State	
	Comply with deadline for registering transactions	
	Comply with the deadline for submission of the quarterly declaration	
Simplified Accounting Scheme for entities whose main object is not trading	Review legality and validity of supporting documentation	
	Record the compulsory book registers	
	File the input and output documents	
	Comply with records deadline	

12 TAXABLE PERSONS RIGHTS

art 50 Law 2/2006, 22 March

Taxpayers' rights are determined by the Law which sets out the general principles and rules of the legal taxation framework of the Republic of Mozambique. The rights are as follows:

“.....

- 1 .not to pay taxes that are not established in harmony with the Constitution;
2. submit claims or hierarchical appeals and to request revisions or submit contentious appeals for any acts or omissions of the tax authorities that were harmful to the legally protected rights or interests. Such claims must be submitted within the time period and the justification established under Law 2/2006, 22 March, in the Law on processes and remaining tax legislation;
3. to clarify with the respective Tax Authorities, the interpretation of the tax laws the most convenient and prudent way to comply with them;
4. to be informed about their correct taxable situation”

12.1 Claims

art. 50 VATR

The right to claim or appeal against an assessment is one of the judicial rights granted to the taxpayer. In addition, tax representatives and persons jointly, severally or secondarily liable to pay the tax have a right to submit a claim against an assessment or to appeal under the terms and justification established under the Regulation on Contentious of the Contributions and Taxes and under Law n° 2/2006 (dated 22 March).

A Judicial protest has the nature of an appeal and aims to totally or partially annul the taxable act.

12.2 Annulment of the tax by the authorities

art. 51 VATR

The Tax Authorities shall annul the tax found undue, whenever for reasons imputable to the tax authorities, the value assessed is greater than the tax due and 5 years not having expired since payment or, if it did not take place, after the date when payment was due.

However,

- The right of deduction or refund of the excess tax paid may be exercised only during the 5 subsequent years after the inception of the right to deduct or the payment of the excess, respectively;
- Annulment does not take place when amount is less than 100.00MT.

art. 52 VATR

12.3 Annulment of the assessment

Once an assessment is annulled by the authorities or by a decision of the court, the amount is reimbursed upon processing the corresponding title of credit.

Interest is allowed when the Tax Authorities are agreeing with the claim or the appeal against the assessment, and an error of fact attributable to the authorities has occurred.

Interest shall accrue on a day to day basis from the date on which the tax was paid until the date of processing the title and shall be added to the amount of credit;

The applicable interest rate is the compensatory rate which is the interbank rate (Maibor 12 months), plus 2% established in article 25 of the Regulation of the Code on IRPC.

13 GENERAL RULES DEFINING FINES AND PENALTIES

Dec 46/2002 26 December

The General Scheme of Tax Offences establishes the penalties applicable to the VAT Code and related Regulation.

Transgressions are formal tax offences divided into innocent and serious offences and the value of the fine is determined based on the following:

- the seriousness of the offence;
- the error of the agent;
- the financial position of the agent;
- the amount of the tax due; and,
- where possible, shall exceed the financial benefit that the agent obtained from practicing the transgression.

In relation to serious offences penalties are applied in addition to the fine as follows:

- Loss of the right to receive subsidies granted by public entities;
- Suspension of tax benefits granted by the tax authorities;
- Temporary loss to the right to participate in fairs, markets, auctions or outbidding and bidding for public works, amongst others;
- Closure of the establishment;
- Loss of licences or concessions and suspension of authorizations;
- Publication of the decision at the cost of the offender.

The following penalties are also applicable: provisions of the Penal Code, Penal Procedures Code and complementary legislation, the Civil Code and the provisions established in the criminal and tax legislation in terms of charging fines.

The following should also be considered:

- Unless an international treaty or convention establishes otherwise, the provisions in the above-mentioned decree are applicable to any offender, independent of their nationality, if the offence takes place in national territory or aboard a Mozambican ship or airplane;
- In terms of liability:
 - Corporate persons are liable for offences committed by corporate bodies or their representatives acting on their behalf and in the corporate interest;
 - The administrators, managers and other persons that perform functions of management are also jointly liable for the fines when the assets of the entity become insufficient to pay the fines;
 - The fulfilment of the sanction applied does not remove the requirement to pay the tax contributions due and corresponding legal fees;

VALUE ADDED TAX MANUAL

- Tax transgression is always punishable even when caused by negligence;

The table below indicates the amounts (maximum and minimum limits) of the fines applicable depending on the tax offence. For companies, these limits are raised to the double:

Infraction	Limits		Decree 46/2002 26 Dec.
	Minimum	Maximum	Articles
Failure to present the accounting records when required to do so by the tax authorities	3,000	1.000.000	23
Failure to pay the tax due	Value of the tax due	two times the value of the tax due (1)	24
Payment of the tax through a manner other than that which is legally established	2,000	10,000	24
Failure to submit or delayed submission of a declaration or/and payment	3,000	65,000	25
Failure or delay to submit supporting documents for the facts, values or situations included in the declaration	3,000	65,000	26
Failure or delay to submit the declaration for commencement, alteration or cessation of activities, autonomous declarations of cessation of alteration of the assumptions made for tax benefits purposes and declarations of company registration	6,000	130,000	26
Failure or delay to submit the declaration of taxpayer registration (NUIT) or related updates	1,500	7,000	26
Omissions or inaccuracies in the presentation or exhibition of documents or declarations other than tax fraud and when there is tax to assess	6,500	350,000	27
Omissions or inaccuracies in the presentation or exhibition of documents or declarations other than tax fraud and when there is no tax to assess	3,250	175,000	27
Omissions or inaccuracies in the declarations for registration or updating registration purposes (NUIT)	500	15,000	27
Failure to keep compulsory accounting books as well as related accounting records and supporting documents	3,000	300,000	28
Failure or delay to submit compulsory accounting books before they have been utilised	1,500	15,000	30
Failure to maintain books, accounting records and related supporting documents during the legal period of time	1,500	15,000	30
Failure or delay to issue receipts and invoices within time limits	5,000	70,000	31
Failure to request issuance of invoices or receipts and do not maintain them during the legal period of time	2,000	30,000	31
Failure to designate representatives to the tax administration with residence, headquarters or effective management in national territory by non-residents entities	3,000	100,000	32

VALUE ADDED TAX MANUAL

Infraction	Limits		Decree 46/2002 26 Dec.
	Minimum	Maximum	Articles
or that are absent for periods longer than six months			
Failure by the tax representative of the non-resident to submit to the tax administration the identification of the manager of the assets or rights when requested	2,000	60,000	32
Printing tax relevant documents on typography which is not authorised by the Minister of Finance, as well as their acquisition	25,000	1,000,000	37
The supply of tax-relevant documents by authorised entities without observance of the legal formalities, as well as their acquisition	25,000	1,000,000	37

(1) The maximum limit is: for companies amounts to 2,500,000.00 MT and for individuals 1,250,000.00 MT.

14 LIST OF APPLICABLE LEGISLATION

Law 32/2007, dated 31st December

Approves new writing of VAT Code revoking Decree 51/98, dated 21st of September, and related changes enforced by Decrees 78/98 and 79/98, both dated 29th of December, Decrees 34/99, 35/99 and 36/99, all dated 1st of June, and other complementary legislation.

Decree 7/2008, dated 16th April

Approves the Regulation of VAT Code and revokes all complementary legislation.

Decree 77/98, dated 29th of December

Approves the Regulation for Collection, Payment and Refund of VAT. Significant part of this regulation is assumed to be revoked by Decree 7/2008, dated 16th of April notwithstanding the provisions regarding VAT refunds shall be still in force hence this issue is not included in the current VAT regulation.

Decree 16/1999, dated 27th of April

Changes article 22 Decree 77/98 dated 29th of December.

Decree 29/2000, dated 1st of October

Changes articles 15, 21 e 23 of Decree 77/98 dated 29th of December.

Decree 27/2000, dated 10th of October

Approves the Special Scheme of VAT chargeability on the civil Works contracting and sub-contracting.

Decree 28/2000, dated 10th of October

Relates to the use of cash registers.

Decree 80/99, dated 1st of November

Relates to the applicability of VAT to the transactions of drinkable water supply.

Decree 26/2000, dated 10th of October

Relates to the supply of services of transport of passengers by road.

Ministerial Deliberation 198/98 dated 30th October

Approves the Regulation of Previous Registration of Operations subject to VAT.

Decree 36/2000 dated 17th of October

Approves the Regulation of the Documents to Accompany Goods in Transit.

Deliberation dated 1st of March 1999 of the Minister of Plan and Finances

Relates to the requirements for authorisation of printing by typographies

Deliberation dated 15th of June 1999 of the Minister of Plan and Finances

Approves the formats of the compulsory accounting books prescribed at the VAT Code.

Deliberation dated 9th March of 2011

Regulates the processing and use of the compulsory accounting books through electronic means.

15 REFERENCES

Constitution of Republic of Mozambique

Approved on 16th of November 2004 published on the I Series, BR (Government Gazette) 51 dated 22nd December 2004.

Decree Law 47344 dated 25th of November 1966

Approves Civil Code

Law 15/2002, dated 26th of June

Basis to implement the new income taxation system.

Law 2/2006, dated 22nd of March

Establishes the principles and general provisions of Mozambican juristic organization applicable to all national and municipal taxes.

Law 33/2007, dated 31st of December

Approves the new writing of the IRPS Code, and revokes Decree 20/2002, dated 30th of July and their changes, and all complementary legislation which does not agree with the new Law.

Decree 8/2008, dated 16th of April

Approves the Regulation of the IRPC Code and revokes all legislation against the decree therein.

Law 34/2007, dated 31st of December

Approves the new writing of the IRPS Code, and revokes Decree 21/2002, dated 30th of July and their changes, and all complementary legislation which is against the new Law.

Decree 9/2008, dated 16th of April

Approves the Regulation of the IRPC Code and revokes all legislation against the decree therein.

Decree 46/2002, dated 26th of December

Approves the General Scheme of Non-Adherence to Tax Legislation.

Decree 36/2006, dated 21st of September

Approves the General Chart of Accounts (PGC).

Decree n° 70/2009, dated 22nd December

Approves the Accounting System for the Business Sector in Mozambique, aiming the adoption of a Chart of Accounts based on International Financial Reporting Standards, and the revokes the Chart of Accounts approved by Decree n° 36/2006 of 25 July

Decree 39/2002, dated 26th of December

Approves Preliminary Instructions and related Customs tariffs.

Decree 49/2004, dated 17th of December

Regulation Licensing Commercial Activity.

Decree 52/2003, dated 24th of December

Approves the Regulation of NUIT.

Ministry of Finance – Tax Authority of Mozambique – VAT Refund Manual – Maputo - November 2007

Ministry of Finance – Tax Authority of Mozambique – Manual of Inspection of Goods in Transit - Maputo - October 2007

Ministry of Finance – Tax Authority of Mozambique – DGI – Frequent Asked Questions regarding IRPS, IRPC and IVA – Maputo

Fernandes, F. Pinto e Fernandes, Nuno Pinto – Code of the Value Added Tax Noted and Commented, 3rd edition – Lisbon - 1995

Fumo, Graça e Magane, Idália –VAT Code Commented – Maputo – July 2004

Agigi, Ibrahim Abdul – Opinion on VAT applicable to Leasing – Maputo – 18th July 2008

Sal & Caldeira – Report on Consultancy to Assess the Legality of Rejections of Claims for VAT Reimbursement by Companies and to support ACIS in Providing Support to its Members – Maputo