

Tax Alert

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Nº 1/2014

Notice from Tax Authorities regarding IRPS modifications that enter into force January 2014

On January 1, 2014 the Mozambique Tax Authority's Office of Communication and Image issued a Notice which is transcribed as follows:

"On January 1, 2014, the Mozambique Tax Authority's Office of Communication and Image published a Notice. Within the reform of the tax system, aimed at simplifying procedures for tax compliance and widening the tax base, it was necessary to update and adjust the provisions of the Tax Code on Individual Income Tax (IRPS), approved by Law 33/2007 of the 31st of December. The government approved Law n. 20/2013 of September 2013, which is highlighted as follows:

- *Employment income shall not be included with other categories of income, being withheld definitively at source, that is, there will no longer be an additional payment or reimbursement;*
- *Investment income received by residents and the resulting isolated acts of withholding tax shall be withheld, giving rise to additional payment or refund;*
- *For other income with additional payment or reimbursement, the minimum limit of taxation shall be 500.00 MT;*
- *The death subsidy shall be exempt from IRPS taxation;*
- *For married couples, each spouse shall individually submit their own tax return;*
- *The non-taxable minimum becomes a fixed annual amount of 225,000.00 MT.*

This Law applies to earnings from January 1, 2014 onward, for purposes of withholding tax, calling attention to the debtor entities of income required to make withholding tax pursuant to Article 29 and 30 of the IRPS Regulation Code, which shall proceed to affect compliance with the provisions of this Law.

For incomes earned in 2013 the previous norms and procedures apply to the present Law, obligating the taxpayer to proceed to deliver the declaration to the respective tax areas by March 31, 2014, where there may be additional payments or refunds due.

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Withholding tax table referred to in article 65 – Law n° 20/2013 September 23

Ranges for Limits on Gross Monthly Salary	Value of Personal Income Tax to Withhold for the Lower Limit of the Gross Salary, by Number of Dependents (Meticais)					Applicable Coefficient for Each Additional Unit of the Lower Limit of the Gross Salary
	0	1	2	3	4+	
Up to 20,249.99	-	-	-	-	-	-
From 20,250.00 to 20,749.99	0.00	-	-	-	-	0.10
From 20,750.00 to 20,999.99	50.00	0.00	-	-	-	0.10
From 21,000.00 to 21,249.99	75.00	25.00	0.00	-	-	0.10
From 21,250.00 to 21,749.99	100.00	50.00	25.00	0.00	-	0.10
From 21,750.00 to 22,249.99	150.00	100.00	75.00	50.00	0.00	0.10
From 22,250.00 to 32,749.99	200.00	150.00	125.00	100.00	50.00	0.15
From 32,750.00 to 60,749.99	1,775.00	1,725.00	1,700.00	1,675.00	1,625.00	0.20
From 60,750.00 to 144,749.9	7,375.00	7,325.00	7,300.00	7,275.00	7,225.00	0.25
From 144,750 onward	28,375.00	28,325.00	28,300.00	28,275.00	28,225.00	0.32

NOTE: the "-" signifies that there is no withholding tax, nor is the coefficient applied (0.00) signifies that only the coefficient applies.

Example of application of the withholding tax table

A tax payer with no dependents, receives a monthly salary of 25,000.00 MT:

$$\begin{aligned}
 &\text{Salary} = 25,000.00 \\
 &\quad - \underline{22,250.00} \text{ (Limit on gross monthly salary)} \\
 &\quad = 2,750.00 \\
 &\quad \quad \underline{\times} \quad 0.15 \text{ (Applicable coefficient)} \\
 &\quad = 412.50 \\
 &\quad \quad \underline{+200.00} \text{ (Value to withhold per number of dependents)} \\
 &\quad = \mathbf{612.50 \text{ monthly withholding tax}}
 \end{aligned}$$

Explanatory note

Calculation of withholding at source

In the IRPS withholding tax table, this wage (25,000.00) falls in the monthly gross salary range of 22,250.00 to 32,749.99 MT, with a lower limit of 22,250 MT. As the taxpayer has no dependents, the value of personal income tax to withhold for the lower limit of the gross salary is 200.00 MT and the applicable coefficient for each additional unit of the lower limit is 0.15.

The difference between the wages of the taxpayer (25,000.00 MT) and the lower limit of the framework (2,250.00 MT), corresponds to the additional amount in the salary of 2,750.00 MT (25,000.00 MT – 22,250.00 MT = 2,750.00 MT) multiplied by a coefficient that is equal to the additional amount of tax to withhold from 412.50 MT (2,750.00 MT x 0.15 = 412.50 MT).

The amount of tax to withhold from 200.00 MT is added to the 412.50 MT resulting with a value of 612.50 MT (200.00 MT + 412.50 MT = 612.50 MT) to withhold tax by the taxpayer.

The following links provide a computer application to calculate the retention of IRPS:

- **Download application**

www.at.gov.mz/Aplicativo_IRPS/Aplicativo_IRPS.zip

- **Download user manual**

http://www.at.gov.mz/Aplicativo_IRPS/manual.pdf

- **Download of excel template for uploading batch data**

http://www.at.gov.mz/Aplicativo_IRPS/template.xls

- ***Furthermore, a CD containing the application and instruction of use, as well as Law n°20/2013 of September will be available in the DAF's."***

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Note that the withholding at source tax table published in this Notice has an alteration in relation to the table approved by Law No. 20/2013 of September 23, published in the Government Gazette, Series I, No. 76.

For a monthly salary above 144,750.00 MT and three dependents, the value is 28,275.00 MT instead of 27,275 MT as published in Law No. 20/2013. Comparing the same salary situation, but with two or four dependents, we concluded that the discrepancy is due to a typo, whereby we recommend that 28,275.00 MT is applied instead of 27,275.00 MT.

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