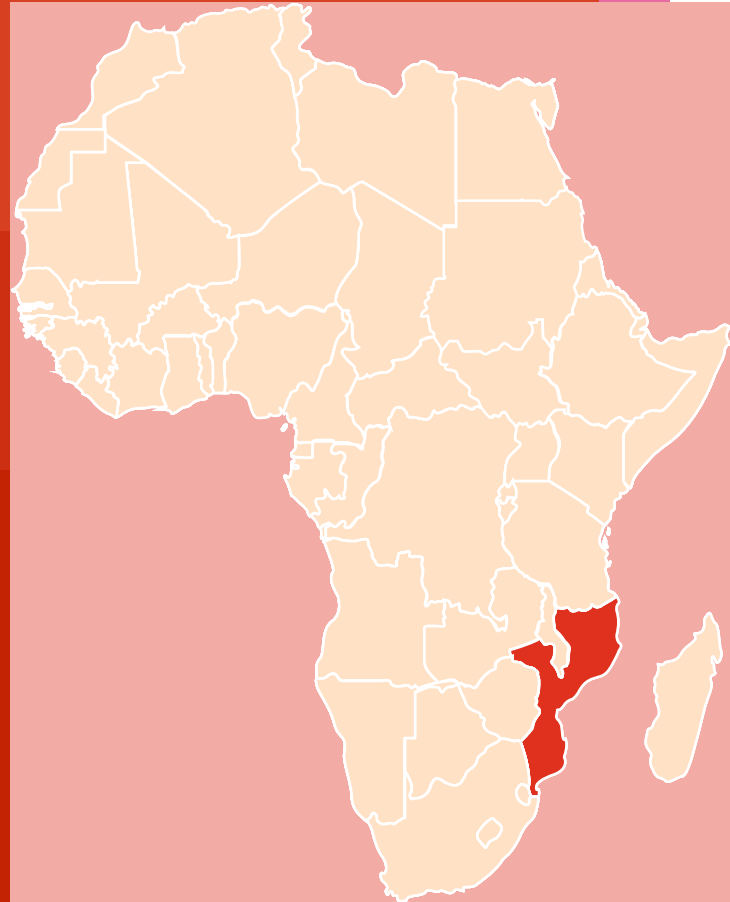


Mozambique
Individual taxation
2014

18 June 2014



Agenda

1. Tax Residency in Mozambique (domestic and international)
2. Taxation (resident vs non-resident)
3. Changes on CIRPS for 2014
4. Legal requirements
5. Taxpayer number and additional information
6. Social Security

Agenda

7. Taxation of remuneration items
8. Payroll procedures
9. Income tax withholdings (new rules for 2014)
10. Payment and filing of income tax withholdings
11. Tax rates for 2014
12. Reporting obligations - individuals

Tax residency in Mozambique

Main rules – domestic legislation

An individual is deemed to be tax resident in Mozambique, if:

Tax resident

He/she stayed in the country for more than 180 days, consecutive or in aggregate, during the calendar year;

Tax resident

Stayed less than 180 days but holds a residence in the country, under circumstances indicating intent to continue occupancy on a regular / permanent basis;

Tax resident

He/she is a member of the crew or vessel or of an airplane registered in Mozambique.

Tax residency in Mozambique

Double tax residency

If an individual is considered tax resident in two or more countries, for the same period of time, double tax treaties need to be analysed (if applicable).

Double tax treaties signed with Mozambique:



Taxation

Resident vs. Non-resident

Residence is relevant for Mozambican individual income tax taxation

32%

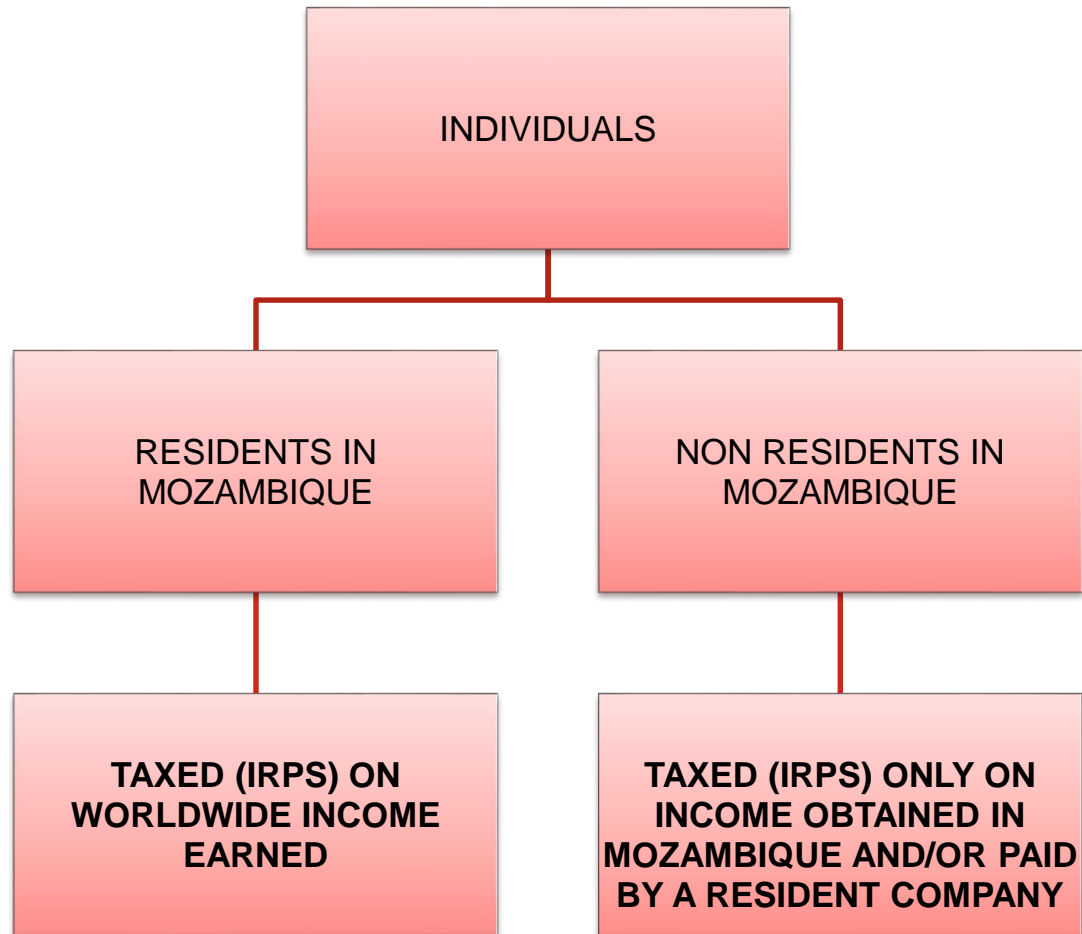
Residents are taxed on their worldwide income at rates varying from 10% to 32%

20%

Non residents are taxed on income arising in Mozambique or paid by resident entities usually at a flat rate (employment income – 20%)


Taxation

Resident vs. Non-resident



Changes on the income tax legislation (IRPS)

- Lei n° 20/2013 de 23 de Setembro
- Decreto n° 56/2013 de 27 de Novembro



Applicable to
income obtained
in 2014 onwards

Main changes on Income Tax Law (IRPS)

- ❖ Married taxpayers



File an individual tax return (per spouse)

- ❖ All type of investment income



Taxed at flat rates (final taxation) – withheld at source

Main changes on Income Tax Law (IRPS)

❖ Employment income



Taxed separately from the other types of income (rental, capital gains, etc.)

❖ Taxation of employment income



Final taxation through monthly income tax withholdings (new table, new rules of application)

Legal /labour requirements

Legal requirements

Requirements applicable to foreign employees in Mozambique

- ✓ Obtain “Autorização de Trabalho” from the Labour Authorities;
- ✓ Obtain approval for labour contract from the Labour Authorities (stamped copy);
- ✓ Obtain valid work visa;
- ✓ Obtain taxpayer number in Mozambique (NUIT).

Taxpayer number and additional information

Taxpayer number

A taxpayer number (NUIT) must be applied before payments are made to individuals in Mozambique

- ✓ Completion of form M/01S (personal information);
- ✓ Duplicate (stamped copy for the individual);
- ✓ As resident or non-resident;
- ✓ Tax address in Mozambique or tax representative (appoint);
- ✓ Copy of passport or other identification document;
- ✓ Apply in the local tax office (corresponding to the tax address of the individual)

Taxpayer number and additional information

Additional information

A form M/11 must be completed by the employee and provided to the employer before payments are made to individuals in Mozambique

- ✓ Information necessary to payroll/income tax withholdings;
- ✓ Marital status and familiar situation – identification of the dependent children;
- ✓ Indicate NUIT;
- ✓ Triplicate;
- ✓ Submission of form by the employer to the Tax Authorities.

Social Security

Main principles

Protection to all Mozambican citizens, on a temporary or definitive lack of capacity to work (and their families in case of death of the employee).

Grant coverage on:

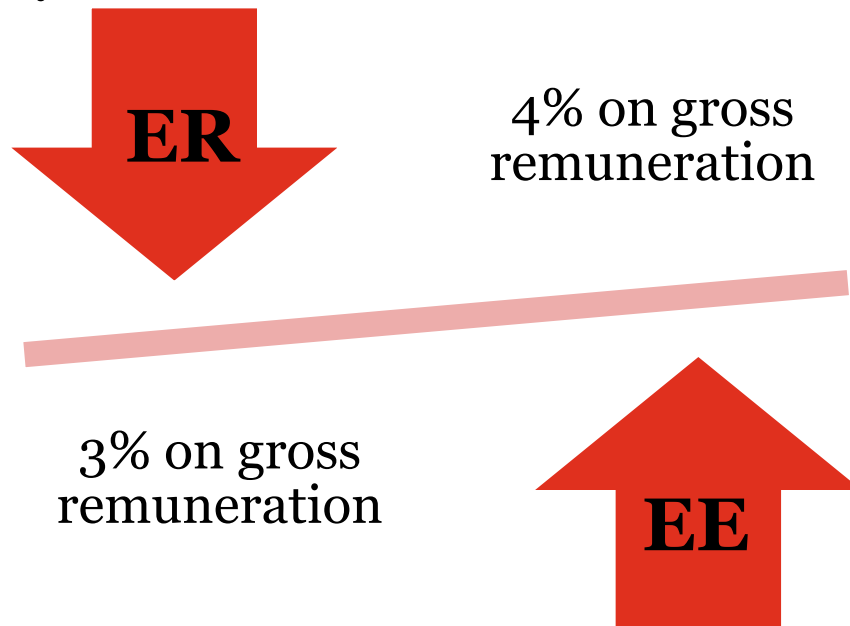
- ✓ Sickness
- ✓ Retirement, invalidity and survival
- ✓ Death
- ✓ Maternity

Social Security

Contribution rates

Contributions must be done in the country where work / activity is performed unless exemption may be claimed

Monthly contributions are due at the following rates for the employee and employer respectively:



Taxation of remuneration items

Income tax (IRPS)

Employment income includes:

- ✓ Remuneration = salaries, gratifications, commissions, allowances or premiums, benefits in kind, etc.
- ✓ Fixed or variable;
- ✓ Based on the labour contract or not (verbal policies).

Taxation of remuneration items

Income tax (IRPS)

Remuneration includes, namely:

- ✓ Remuneration related with work performed
- ✓ Remuneration for exercise of public functions (State)
- ✓ Remuneration for exercise of administration / director functions
- ✓ Pre-retirement remuneration
- ✓ Per diems (“ajudas de custo”) and travel allowances (“pagamento de Km’s”) if > limits for State officers
- ✓ Representation and transportation expenses if not settled by the end of the year (31/12)
- ✓ Gratifications granted due to work performed but not by the employer

Taxation of remuneration items

Income tax (IRPS)

Remuneration includes, namely:

- ✓ Rights, benefits, privileges and any economic benefits
- ✓ Family allowances (if amount higher than the defined limit)
- ✓ Meal allowance (if higher than the established minimum wage)
- ✓ Housing allowance or use of house provided by employer
- ✓ Private use of company car (if there is written agreement to assign the use)
- ✓ Travel and accommodation paid not related to the activity of the company
- ✓ Taxes and legal fees paid for the company's employee

Taxation of remuneration items

Income tax (IRPS)

Income not subject to taxation:

- ✓ Company's contributions to mandatory social security schemes
- ✓ Company's contributions to additional social security schemes (exclusively benefits for retirement, disability or survivor)
- ✓ Use and benefit from social and leisure utilities maintained by the company
- ✓ Professional training offered by the company or other recognized entity
- ✓ Severance payments for termination of labour contract due to company's initiative or worker (just cause)

Payroll procedures

Concepts

Gross income

Income derived by an employee before deductions/withholdings are made.

Net income

Income derived by an employee after deductions are made (income tax withholdings, social security, union fees, etc.).



Payroll procedures

Procedures

Employer is required to withhold income tax on the gross income, when it is paid or made available:

- ✓ Employment income, fixed or variable (excluding housing allowance and benefit from use of a company car if they are not paid on a regular and fixed amount as well as death allowance);
- ✓ In case of random income, withholdings must be calculated on the sum of income paid during the month;
- ✓ At the tax rates of the table annex to Article 65-A of CIRPS (for tax residents);

Limites dos intervalos Salário bruto mensal	Valor do IRPS a reter relativo ao limite inferior do salário bruto, por número de dependentes (MT's)					Coeficiente aplicável a cada unidade adicional do limite inferior do salário bruto
	0	1	2	3	4	
Até 20.249,99	-	-	-	-	-	-
De 20.250,00 até 20.749,99	0,00	-	-	-	-	0.10
De 20.750,00 até 20.999,99	50,00	0,00	-	-	-	0.10
De 21.000,00 até 21.249,99	75,00	25,00	0,00	-	-	0.10
De 21.250,00 até 21.749,99	100,00	50,00	25,00	0,00	-	0.10
De 21.750,00 até 22.249,99	150,00	100,00	75,00	50,00	0,00	0.10
De 22.250,00 até 32.749,99	200,00	150,00	125,00	100,00	50,00	0.15
De 32.750,00 até 60.749,99	1.775,00	1.725,00	1.700,00	1.675,00	1.625,00	0.20
De 60.750,00 até 144.749,99	7.375,00	7.325,00	7.300,00	7.275,00	7.225,00	0.25
De 144.750,00 até diante	28.375,00	28.325,00	28.300,00	28.275,00	28.225,00	0.32

Payroll procedures

Calculations

Examples

Monthly gross income = 32 000 MT

2 dependents

$$[(32\ 000 - 22\ 250) * 0.15] + 125.00\ \text{MT} = 1\ 462.50 + 125.00 = 1\ 587.50\ \text{MT}$$

Monthly gross income = 205 410.00 MT

4 dependents

$$[(205\ 410 - 144\ 750) * 0.32] + 28\ 225.00\ \text{MT} = 19\ 411.20 + 28\ 225.00 = 47.636,20\ \text{MT}$$

Payroll procedures

Calculations

Examples

Monthly gross income = 21 249 MT

3 dependents

No tax due

Monthly gross income = 21 749 MT

3 dependents

$[(21\,749 - 21\,250) * 0.10] + 0 \text{ MT} = 49.90 + 0 = 49.90 \text{ MT}$

Payroll procedures

Taxation of non-residents - employment income

Employment income paid to non-residents is subject to a flat rate of 20%:

- ✓ On the gross income paid
- ✓ When income is paid or made available
- ✓ Final taxation (no obligation to file a tax return)

Payment and filing of income tax withholdings

Responsibility

Responsibility of the employer (withholdings)

- ✓ Employer is responsible for the payment to the Tax Authorities of the income tax withholdings (correctly withheld);
- ✓ Employee is ultimately responsible for the income tax withholdings which should have been made but not done correctly;
- ✓ Employer is responsible for the payment of interest on the withholdings which should be made (and have not been);
- ✓ In case of non-residents, employer is the first responsible for the income tax withholdings not made.

Tax rates - residents

Taxable income (MT)	Tax rate (%)	Deductible amount (MT)
Up to 42.000	10%	0
From 42.001 to 168.000	15%	2 100
From 168.001 to 504.000	20%	10 500
From 504,001 to 1.512.000	25%	35 700
Above 1.512.001	32%	141 540

Tax rates applicable to business and independent work income , capital gains and rental income.

Reporting obligations – Individual

Annual tax return – deadlines

	For employment income (only)	Other kind of income
Filing season	January to 31 March	January to 30 April

Taxpayers (residents) who receive only income subject to flat rates are not obliged to file an annual tax return.

Questions???



Thank you...

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