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## BUSINESS ENVIRONMENT

### THE CONSUMER

#### Consumer Profile

With over 32.8 million Mozambicans (IMF, 2021), 65.48% of whom are below 25 years old (CIA World Factbook, 2020 est.), and a high GDP growth, the Mozambique marketplace holds significant potential. According to the IMF, in 2021, the GDP per capita based on PPP for Mozambique is Int\$ 1,290 (from USD 416.51 in 1998). However, low-income consumer segments dominate Mozambique. In fact, the benefits of such growth - largely driven by a series of megaprojects - have been mainly confined to resource boom enclaves and urban areas, only benefiting a small minority of Mozambicans, leaving most of the rural population in a similar situation to that of a decade ago.

Although six out of ten Mozambicans live in rural areas, the urban population growth is faster than the rural population growth. Currently, women are more numerous than men (51.4% against 48.6%, respectively in 2019 - World Bank, latest data available).

#### Consumer Behaviour

Mozambicans tend to shop at traditional trade points such as kiosks, tabletops, container stores and open markets. In bigger cities, especially the capital Maputo, shopping malls are becoming more popular, as they are not only seen as a place to shop, but also an entertainment location.

Mozambican consumers are keen to try new products, with affordability being the key purchase factor.

According to a survey by Nielsen, Mozambicans are not willing to pay more for customized products, they believe that they should have limited desires, and prefer spending time at home with family to going out with friends. Mozambicans, the youth, in particular, can feel strongly that traditional values and cultural pressures inhibit them from leading a free lifestyle.

The e-commerce market is still in its infancy in Mozambique, as the vast majority of the population does not have access to credit or debit cards and therefore cannot shop online. The lack of reliable shipping services to locations outside of the major cities is another factor that hampers e-commerce's growth.

#### Consumers Associations

[Association for the Defense of Consumers of Mozambique](#)

## IMPORTING & DISTRIBUTING

#### Import Procedures

Some documents are required to import to Mozambique:

- Import license
- Commercial invoice
- Packing list
- Bill of Entry
- Certificate of Origin
- Transport document (road manifest, AWB or Bill of Lading).
- Cargo release order
- Delivery order
- Inspection report
- Payment receipts

No import taxes, aside from tariffs and VAT, are imposed, except on sugar and some luxury items. All importers must be licensed by the National Directorate of Trade, which is part of the Ministry of Industry and Commerce. Registration is straightforward and has not been used as a non-tariff barrier.

### Distribution market players

The main international retailers in Mozambique are:

- Massmart (Walmart)
- Pick n Pay
- Shoprite
- Spar

## OPERATING A BUSINESS

### Type of companies

#### Limited Liability Company (LLC or LDA)

**Number of partners:** At least 2 (may be individuals or other companies, foreigners or nationals), up to a maximum of thirty. In some cases can be also established by a single shareholder, that has to be an individual.

**Capital (max/min):** There is no legal requirement as to the amount of share capital. The share capital is divided into "quotas", which are nominative.

**Shareholders and liability:** Shareholders are jointly and severally liable for the whole of the share capital contributions. Claims of creditors are limited to the assets of the company for its debts.

#### Public Limited Company (SA)

**Number of partners:** Minimum of 3 shareholders, who may be natural or corporate persons, nationals or foreigners.

**Capital (max/min):** The amount of share capital must be appropriate to carry out the corporate objective, though there is no minimum legal requirement. The entire share capital must be fully subscribed and 25% of the capital must be paid up at the time of incorporation. Capital is divided into shares, which may be nominative or bearer shares, represented by certificates of shares.

**Shareholders and liability:** The liability of each shareholder is limited to the value of the shares subscribed,

and claims of creditors are limited to the assets of the company.

### Limited Partnership

**Number of partners:** At least two, individuals or other companies, foreigners or nationals.

**Capital (max/min):** There is no legal requirement concerning the amount of share capital.

**Shareholders and liability:** There are two types of partners: capitalist shareholders (who limit their liability to the value of the contribution that they paid up) and industry shareholders (who do not contribute to the share capital, but merely participate in the company with their work and are exempt from any liability for the debts of the company)

Setting Up a Company	Mozambique	Sub-Saharan Africa
Procedures (number)	10.0	7.5
Time (days)	17.0	21.3

Source: *Doing Business* - Latest available data.

### Cost of Labour

#### Minimum Wage

In Mozambique, [minimum wages varied from one branch of activity to another](#) in 2019, here are a few examples :

- For state employees and agents: MZN 4,467.75 (around EUR 56.64).
- For mining companies: MZN 9,254 (around EUR 117.31).
- For agriculture, livestock, hunting and forestry sector: MZN 4,390 (around EUR 55.65).
- For financial services, banks and insurance sector: MZN 12,760.18 (around EUR 161.76).

(Source: the Mozambican law firm ABCC, latest data available)

#### Average Wage

High skilled labour wages in Mozambique averages MZN 28,471 per month in 2021 (WageIndicator).

### Social Contributions

Social Security Contributions Paid By Employers: 4% of covered earnings.

Social Security Contributions Paid By Employees: 3% of covered earnings.

### Intellectual Property

#### National Organisations

The [Industrial Property Institute \(IPI\)](#).

#### Regional Organisations

The [African Regional Intellectual Property Organization \(ARIPO\)](#)

## TAX RATES

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### Consumption Taxes

#### Nature of the Tax

Value Added Tax (VAT) - Imposto sobre o Valor Acrescentado (IVA)

#### Tax Rate

17%

#### Reduced Tax Rate

Certain goods and services are exempt from VAT, including banking, financial, insurance and reinsurance; medical, sanitary, garbage removal, educational, funeral and ambulance transport services; education and related goods; non-profit organizations or public entity services and goods (including social assistance, sports and cultural activities, guide services at museums and state-owned parks); goods for the disabled; human organs and blood; milk; medicine and other pharmaceutical products; supplies for nurseries, homes for abandoned or disabled children and the aged, rehabilitation centres, and similar public and non-profit entities; services by the state or non-profit entities; cultural, educational or technical newspapers, magazines and books; supply of staff by religious or philosophical entities; stamps; gaming and betting; alimentary oil and soaps; sugar and certain sugar industry products; public transportation services.

Zero-rated supplies include exports and international transport; certain basic foodstuffs (maize, bread, etc.); illuminating paraffin and jet-fuel; products from activities of production of rations for animal feed for human consumption; farming goods and services for sugarcane production; goods to be used as raw material in alimentary oil and soap industry; mosquito nets, common bicycles and condoms.

#### Other Consumption Taxes

Excise duties are levied on certain goods, including tobacco (75%), alcoholic beverages (40%, 55% for wine of fresh grapes), cosmetics, cloths (30%), airplanes without engines (35%), boats (35%), etc.

A municipal vehicles tax is levied on the use of light and heavy vehicles less than 25 years old, motorcycles less than 15 years old, aeroplanes, and boats for private use, with rates varying depending on the type of fuel, engine capacity, period of registration, and weight.

### Corporate Taxes

#### Company Tax

32%

#### Capital Gains Taxation

Capital gains are considered normal income and are taxed at the corporate tax rate. If a taxpayer reinvests the sale proceeds within three tax years following the year of the sale, the gain may be deferred until the end of the third year. However, if the taxpayer does not realise the reinvestment, the tax that was not assessed during the

three-year period will be charged, along with compensatory interest.

Capital gains in the extractive industry are calculated based on the difference between the amortization value and the acquisition value, deducting charges for the valuation of assets and disposal expenses, being taxed in full and separately at a rate of 32%.

### **Main Allowable Deductions and Tax Credits**

Goodwill should be regarded as an intangible asset for tax amortisation purposes. Interest and other financial costs are generally deductible unless the tax authorities consider that the interest rate applicable in one transaction is higher than the rate applicable in the market, with the exceeding amount being subject to taxation.

Provisions for depreciation of stock; ongoing judicial procedures; bad debts (up to 1.5% of the provision per year); credit institutions/insurance companies; reconstruction of mines; and rehabilitation of land are deductible. Charitable contributions are deductible up to 5% of the previous year's taxable income (or in full for donations to the government).

Taxes are generally deductible (except for corporate income tax), and fines and penalties are not.

Losses may be carried forward for a period of five consecutive years, while the carryback of losses is not allowed. Payments to non-residents are generally allowed as deductible expenses.

### **Other Corporate Taxes**

Other taxes include:

- stamp duties (0.03% to 50% on the amount of the transaction, or MZN 0.50 to MZN 5,000)
- property transfer taxes (SISA), levied at 2% (10% if the beneficiaries live in a tax haven)
- municipality tax on real estate from 0.4% (for housing purposes) to 0.7% (for office purposes or mixed activities)
- Surface tax on entities undertaking a mining activity in the country (MZN 85,000)
- municipality tax on economic activities, levied on commercial or industrial activities (rates vary according to the sector, location and size of the premises)
- municipal vehicles tax, levied at varying rates according to the type of fuel, engine capacity, period of registration, and weight
- social security contributions paid by the employer are equal to 4% of the employee's gross salary, without any ceiling
- payroll taxes between 0% and 32% of the salary has to be withheld at source by the employer.

### **Other Domestic Resources**

[Mozambique Tax Authority](#)

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

### **Double Taxation Treaties**

#### **Countries With Whom a Double Taxation Treaty Have Been Signed**

[List of tax conventions signed by Mozambique](#)

**Withholding Taxes**

Dividends: 20%/10% (shares listed on the Mozambique stock exchange); Interests 20%; Royalties 20%

