

Tax news

Changes to the Value Added Tax ("VAT") Code

Law 13/2016 of 30 December

The Law 13/2016 of 30 December, which becomes effective as from 1 January 2017, introduces substantial changes to the Value Added Tax ("VAT") Code and republishes it in its updated version. Below, we present a summary of the most relevant changes introduced by this diploma.

The definition of Mozambican territory has been expanded to include areas where Mozambique has sovereign rights over prospecting, research and exploration of natural resources, of the seabed, of its subsoil and the underlying waters.

Electronic services have been added to the list of services rendered by non-resident entities which are subject to reverse-charge of VAT by resident acquiring taxable persons. For reference, the same services will be exempt from VAT when rendered by resident taxpayers to any non-resident entities. Thus, the services rendered electronically are defined as follows:

- Provision of computer sites, website domain, distance maintenance of programs and equipment;
- Provision of programs and their respective updating;
- Provision of images, texts and information and availability of databases;
- Provision of music, films and games, including gambling and cash, and of broadcasts or demonstrations of political, cultural, artistic, sporting, scientific or leisure nature;
- Provision of distance learning services;
- Other similar services.

In defining the tax chargeable factor in imports of goods, the same now occurs at the moment of customs clearance (previously the time was defined as being the numbering of the Documento Único ("DU") or other for the same purpose).

The exemptions from VAT now include the following transfers of goods and rendering of services:

- The transmissions of typewriters with braille keys and printers with braille keys;

- Transmissions of goods to be used as raw materials, intermediate products or components for the manufacture of medicines carried out by establishments integrated in the National Health Service and according to the table attached to the Code;
- Poultry and beekeeping services (now included in agricultural activity);
- Transmission of domestic gas – GPL;
- Transmission of needles and syringes for veterinary use;
- The public passenger transport service;
- The rendering of services in the opening of canals, mowing, drainage, supply of water for irrigation, cleaning of drainage ditches, spraying of land carried out in the framework of an agricultural activity.

The possibility to opt out of the exemption from VAT is now limited to forestry, livestock and fishing activities, leaving out the agricultural activity. Simultaneously, the tax exemption for the agricultural activity now gives rise to the right to deduct and thus become a complete exemption.

The temporary exemptions provided for in Article 9 (13), which are essentially applicable to the sugar, oil and soaps industries, shall now be in force until 31 December 2019.

Exempt transactions relating to transfers of raw materials, intermediate products, parts, equipment and components for the national sugar industry, as well as transfers of goods and services rendered in connection with the agricultural activity of sugar cane production and Intended for the industry, must be verified, as the case may be, by declarations issued by the purchaser of the goods or user of the services, indicating the destination given to them.

The exemption of VAT is now applicable to the imports of the following:

- Typewriters with braille keys and printers for braille keys;
- Goods to be used as raw materials, intermediate products or components for the manufacturing of medicines carried out by establishments integrated in the National Health Service and according to the table attached to the Code.
- Goods and services rendered in connection with the agricultural activity of sugar cane production and intended for the industry.

The following are no longer exempt from VAT:

- The imports of goods resulting from the industrial activity of production of animal feed destined to feeding breeding animals and slaughter for human consumption.
- The acquisition of services related to drilling, research and construction of infrastructures, on the scope of the mining and Oil&Gas activities, in the exploration and evaluation stage.

In the exempt exports and similar operations, the following are now exempt from tax:

- The rendering of services (beyond the transmission, transformation, repairs, maintenance, freight and hire) undertaken in view of the requirements of aircraft of airline companies dedicated mainly to international traffic and its respective load. At the same time, the same services shall no longer be exempt when they relate to warships leaving the country with destination in a foreign port.
- The services rendered destined to diplomatic and consular entities and to international organisations recognised by Mozambique, in terms of the agreements and international conventions celebrated by Mozambique.
- The transmission of tare and packaging, which serve as a wrapping for goods to be exported.

In the determination of the tax base of rendering of services of public works under construction and rehabilitation of roads, bridges, water supply and sanitation infrastructures, rural electrification and agricultural hydraulics, dredging, as well as studies and supervision of the same, to the taxable amount there should be a deduction of 60% for purposes of tax settlement. The definitions of sanitation and agricultural hydraulics were also added to this provision.

Additionally, in the supply of potable water, through the public channel, which price is fixed by Public Authority, the taxable base is 75% of the invoice amount.

In regards to the rules on applications for VAT reimbursement, the following is noticed:

- Reimbursement may be requested if, after 4 months after the period in which the credit has been established, a VAT recoverable in excess of MZN 100,000 persists. However, the taxable person may request reimbursement whenever it is registered in a particular month a claim in excess of MZN 500,000 and must consider sequentially the older credits.
- The Tax Authority may suspend the period for granting reimbursement when, for reasons attributable to the taxable person, it is not possible to determine the legitimacy of the requested reimbursement, for a period of 30 days, from the notification.
- The Tax Authority may also suspend the declared credits, when due to a fact attributable to the taxable person, it is not possible to determine their legitimacy for a period of 3 months, counting from the notification.

The periodic return shall now contain the indication of the first and last order number of the series of invoices issued or other equivalent documents. The deadline for submission of the periodic return shall now be until the fifteenth day of the following month in the case of a periodic return with credits, and for the remaining cases the deadline shall be maintained until the end of the following month.

When issuing invoices or equivalent documents, in addition to the elements already provided for in the previous version of the VAT Code, the Bank Identification Number for which payment to the State is made must be included.

It is stipulated that taxpayers must submit electronically to the Tax Authority the data related to invoices issued in each operation of transmission of goods or rendering of services, using e-invoicing or tax machines.

Taxable persons who are on the VAT exemption regime are required to submit, in duplicate, by the last day of February of each year, to the respective Tax Authority services, a return indicating the purchases and sales or services rendered in the previous year.