



# Main Reforms within Mozambique Revenue Authority 2015 - 2018

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# PRESENTATION OUTLINE

1. Reforms Background (2015-2018)
2. Reforms in the Strategic Plan and Institutional Governance
3. Tax Reforms
4. Reforms in Natural Resources Taxation
5. Agreements to Avoid Double Taxation
6. Taxation of Value-Added Taxes and Capital Gains
7. Results Achieved

# 1. REFORMS BACKGROUND (2015-2018)

1. The Mozambique Revenue Authority's main mission is to collect revenue in a fair and transparent manner in order to fund public expenditure and protect the economy and society
2. To that end, MRA has been implementing a number of reforms as follows:
  - Strategic plan and institutional governance;
  - Increase in collection of state revenue;
  - Broadening of the tax system; and
  - Promotion of ethics and institutional integrity.

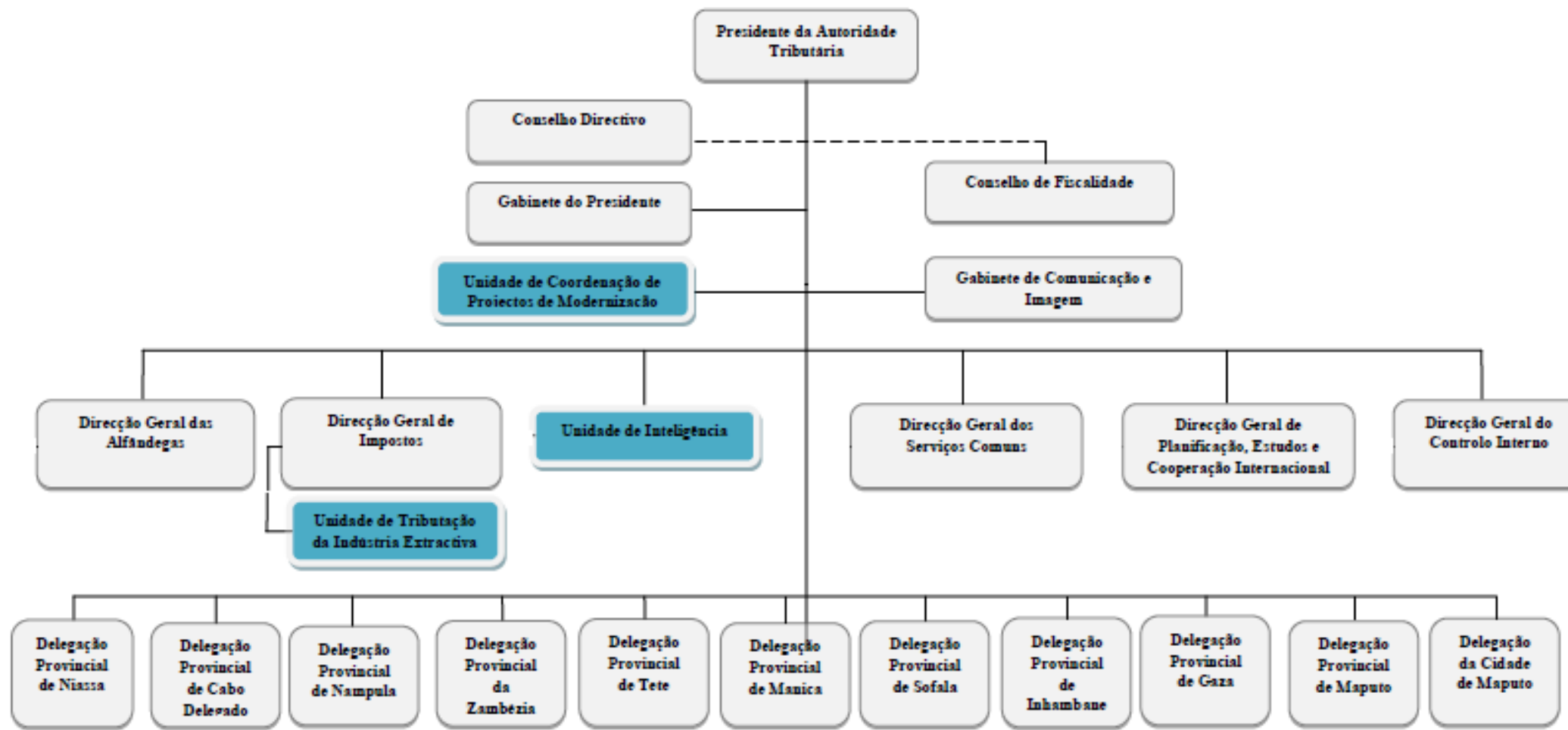
## 2.1 STRATEGIC AND GOVERNANCE REFORMS

From the strategic plan, we identify:

Strategic Objective	Priority
<b>Modernize MRA physical and technological infrastructure</b>	Improvements in the MRA technological infra-structure (Data Center)
<b>Develop competencies and staff motivation focused on results</b>	Human capital development
<b>Improve efficiency in revenue collection management</b>	Implementation of e-tax , covering all taxes and streamlined with banks.
<b>Increase safety and speed in flow of people and goods</b>	Construction, refurbishing and inspection of infrastructures an the OSBP (Ressano Garcia) and upgrading of Ponta de Ouro to the category of a Customs delegation.
<b>Intensify audits and inspections as well as the fight against illicit trade through a risk-based approach</b>	Implementation of a fuel marking mechnism
	Operationalization of fiscal gadgets (SGMF)
	Set up a dog unit
	Strengthen audits and inspections

## 2.2 STRATEGIC AND GOVERNANCE REFORMS

Organizational structure is under review to conform it to the current taxation challenges



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## 2.3 STRATEGIC AND GOVERNANCE REFORMS

**Broadening the tax system through three main vectors:**

- **Strengthening the tax awareness and customs literacy campaigns has contributed to the broadening of the tax base;**
- **Better connecting the tax administration to the taxpayers by building new tax offices; and**
- **Simplification of taxation procedures through legislative reform measures and implementation of POS technologies.**

## 2.4 STRATEGIC AND GOVERNANCE REFORMS

### Boosting Internal Controls:

- Deployment of competent and motivated staff;
- Design of an anti-corruption strategy aimed at fighting corruption in its different specifications within the organization; and
- Strengthen inspections and raise anti-corruption awareness among the staff.

### Undertaking Strategic Projects:

- Set up a unit for modernization and strategic projects oversight.

# 3.1 TAX REFORMS

1. Oversight Strengthening since 2016 – VAT tax inspection campaigns and specialized audits for internal taxes (Income Tax);
2. Implementation of e-tax project:
  - NUIT module
  - Queue management
  - Payment via Bank
  - Taxpayer Portal



## 3.2 TAX REFORMS

### 3. Optimization of VAT refunds payment:

- Adoption of Net VAT (2015) and its inclusion in the state budget;
- Setting up of a budget line (16% of the collected VAT); and
- Year-based principle – priority goes to the ongoing requests.

### 4. Achievements made in introducing fiscal gadgets – now on pilot.

### 5. Adoption of risk management and tax litigation measures.

# 4.1 REFORMS IN TAXATION OF EXTRACTIVES

1. **Unit for Taxation of Extractive Industry** set up with the following functions:
  - Undertake risk analysis;
  - Undertake inspections and specialized audits;
  - Participate in proposal design for law and regulation review with impact in the extractive industry;
  - Provide clarification and ensure the uniform enforcement of specific legislation; and
  - Prevent and fight tax evasion in the extractive sector.

# 4.2 REFORMS IN NATURAL RESOURCES TAXATION

## 2. Legislation Reform:

- **2017 – Review – Taxation of oil operations and mining activities aiming at:**
  - ✓ **Adjust it to the international best practices in the sector;**
  - ✓ **Congregate all relevant tax matters;**
  - ✓ **Allow for an easy consultation and interpretation of the legislation;**
  - ✓ **Ensure an enabling business environment;**
  - ✓ **Ensure efficient tax action through mobilization of additional revenue.**
- **Regulation of the transfer pricing in 2017 – setting the rules and methods for an arm's length approach for transactions between related parties.**

# 4.3 REFORMS IN NATURAL RESOURCES TAXATION

**Both 2014 and 2017 reviews have allowed for:**

- **Clarifying the *royalty*;**
- **Updating the tax rate on mining production;**
- **Regulating the oil production-sharing mechanism;**
- **Providing the terms of fiscal stability attributed to the enterprises;**
- **Updating the list of goods that operators may import under customs exemptions regime;**
- **Adoption of specific norms on Income Tax;**
- **Setting up of a RRT so as to ensure the equitable sharing of the extraordinary direct benefits.**

# 5.1 AGREEMENTS TO AVOID DOUBLE TAXATION

COUNTRIES	DIVIDENDS	INTEREST	ROYALTIES	Remuneration for technical work
PORTUGAL	10	10	10	NOT APPLIED
MAURITIUS	8, 10 e 15	8	5	Nao aplicavel
ITALY	15	10	10	Nao aplicavel
UNITED ARAB EMIRITES	0	0	5	Nao aplicavel
SOUTH AFRICA	8 e 15	8	5	Nao aplicavel
MACAU	10	10	10	10
BOTSWANA	0 e 12	10	10	Nao aplicavel
INDIA	7.5	10	10	Nao aplicavel
VIETNAM	10	10	10	10

## 5.2 AGREEMENTS TO AVOID DOUBLE TAXATION

- **Updating of the Stable Establishment Concept**
- **Establishment of uniform rates for dividends, interest and royalties, set at 10%.**
- **Include in the concept of royalty the computer software, secret formula or process, or the right to use industrial, commercial or scientific equipment.**
- **Taxation at source of remuneration for technical work.**
- **Taxation at source of all rights resulting from the extraction of natural resources existing in Mozambique, from the provision of services to the capital gains resulting from participatory interest transactions.**
- **Inclusion of the Articles on Limitation of Benefits.**

**\*9 DTAs**

# 6.1 TAXATION OF CAPITAL GAINS

**The capital gains tax regime is divided in two parts, namely:**

**“2.1 Taxation of capital gains from the extractive industry. This is included in the tax regimes for oil and mining operations. Gains resulting from the direct or indirect free or onerous sale of oil rights located in Mozambican territory are considered as capital gains. Gains obtained by resident and non-resident entities in Mozambique are taxed autonomously, at a general rate of 32%. The tax due must be paid within 30 days of the date of the transfer of the oil rights.”**

## **6.2 TAXATION OF CAPITAL GAINS**

**2.2. Taxation of capital gains from other sectors. The system for taxing the capital gains of the other business sectors is included in the Taxes on the Income of Individuals and Legal Persons. The gain in this case is taxed depending on the holding period of the shares. Shareholders are taxed on 100% of the gain, when they own that share for periods less than 12 months, declining to 55% if the shares are owned for more than 60 months.**



# 7. RESULTS ACHIEVED

Níveis de realização da receita do Estado (2015-2018)

120.00%  
100.00%  
80.00%  
60.00%  
40.00%  
20.00%  
0.00%

	2015	2016	2017	2018
Real. RT (%)	99.49%	106.95%	108.50%	99.91%
Peso UTIE nas RF (%)	6.42%	4.06%	6.55%	5.12%
Racio fiscal	26.89%	25.78%	25.18%	22.45%

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