


금세기 최대의 주재국
천연가스 개발 관련 법규, 프로젝트 등

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Natural Gas

Natural Gas Business Guide in Mozambique



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Preface

Last November, visit of Mozambican President Your Excellence Filipe Jacinto Nyusi to the Republic of Korea and his one on one meeting with the President of the Republic of Korea Your Excellence Moon Jae-in marked a new phase of business relations between the two countries. Diplomatic relations between the Republic of Mozambique and the Republic of Korea date back 28 years, specifically from August 11th 1993.

Since then, these two countries have been credible business partners that have always sought mutual benefits from their cooperation. Mozambique's undeniable potential, rich reserve of mineral and energy resources makes it both an attractive business partner and an investment destination. This is one of the reasons why the Mozambican President urged his counterpart to invite the Korean companies to invest in Mozambique.

The 2022 Mozambique Gas Business Report intends to be a reliable guide to learn about business opportunities in Mozambique's natural gas projects from upstream to the downstream. The guide brings investment information in the gas sector as well as the good practice and bad practice. The “good and bad practice” are reflections of cases of success and failure of investment in the gas sector in Mozambique.

The 2022 Mozambique Gas Business Report provides resourceful information on gas projects data, the key players and shareholders involved in the gas industry in Mozambique.

This guide also elucidates the “abc” of doing business in Mozambique from the legal framework from how to establish a company to how the tax law works in Mozambique.

The 2022 Mozambique Gas Business Report is not a finished product, but a work in progress as much information is updated constantly in the gas sector, especially with discoveries of new gas reserves in some cases. This business guide might contain unintentional errors therefore; the readers are kindly requested to contribute to better this business guide experience.

The 2022 Mozambique Gas Business Report was only possible due to collaboration and support of many. A special gratitude to; KOTRA for sponsoring the guide, to Director General of KOTRA Maputo for his tireless effort and leadership during the production of this guide, to the Ministry of Mineral Resource and Energy of Mozambique (MIREME) for providing relevant data and to all other institutions and people not mentioned here that directly or indirectly contributed to make this business Guide a reality.

February 2022

KOTRA Maputo Staff in Mozambique



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Mozambique Gas Development History

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I. Mozambique Gas Development History

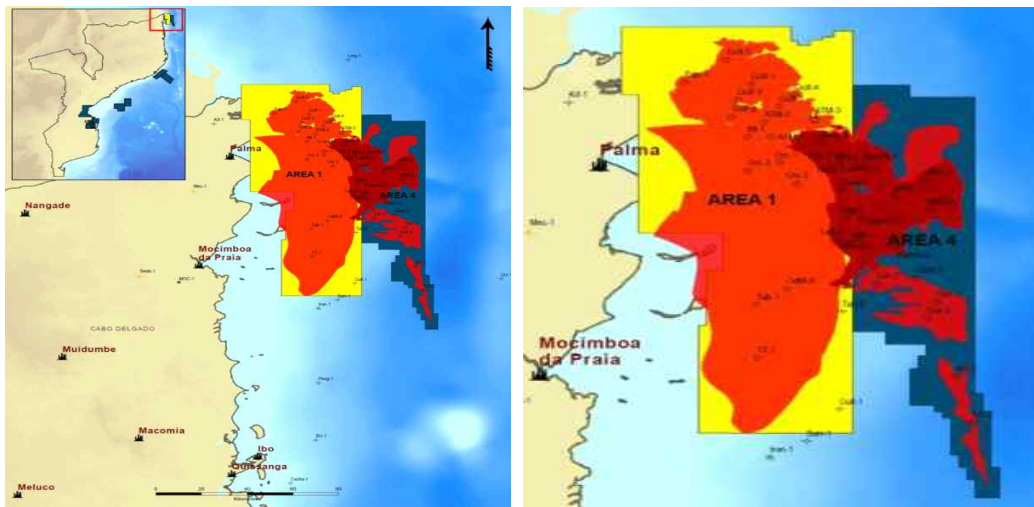
1 North Of Mozambique

1. Rovuma Basin 1 (85 TCF)

In December of 2006 Anadarko concession was awarded as Exploration and production concession contract (EPCC) as a result of the second Mozambique Licensing round. The concessionaires of this area include in this exploration phase.

In 2007 Mozambique issued an offshore exploration license to American-based operator Anadarko. Dubbed the "Area 1 block" within the Rovuma Basin the exploratory drilling proved fruitful revealing 480ft of natural gas in February of 2010.

< Mozambique Rovuma Basin 1 >



(Source:INP¹⁾)

The Area1 hosts the Prosperidade and Golfinho/Atum, Orca, Tubarao e Tubarao Tigre complexes at an average water depth of 1,600m.

Golfinho-Atum

discovery Area (1630 sq.km) The Golfinho-Atum field includes two gas reservoirs estimated 35 Tcf gas in-place Oligocene Fan 1 and Oligocene Fan 2 discovered in the well Golfinho-1 in 2012 and appraised 2012-2015 by more than 15 wells. The Plan of Development (PoD) for Golfinho/Atum was approved in 2017. Production is expected to start in 2023 with construction of onshore LNG facilities in Afungi in the Palma district in Cabo Delgado province.

Prosperidade Complex

Discovery Area((430 sq.km) Nearly 45 Tcf in-place between Area 1 and Area 4.

Orca

Discovery Area (1,357 sq.km) assessment ongoing Paleocene and Cretaceous reservoirs partly shared reservoirs with the Tubarão Tigre Discovery Area and with a joint Total estimate of nearly 10 Tcf gas in-place.

1) www.inp.gov.mz

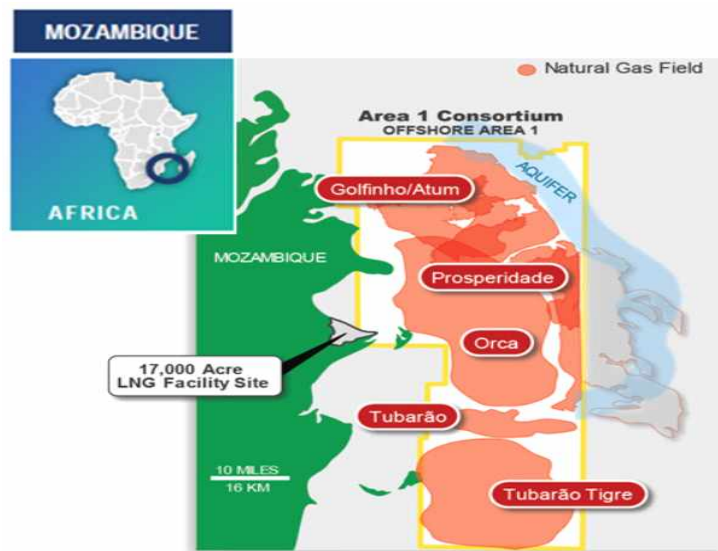
Tubarão Tigre

discovery Area (1,254 sq.km) assessment ongoing (Cretaceous reservoirs).

Tubarão

Discovery Area (308 sq.km) assessment ongoing Eocene reservoir with an estimate of nearly 2 Tcf gas in-place.

< Location of complexes in Rovuma Area1 >



(Source:Mitsui ²⁾)

Approximately 85 Tcf of recoverable natural gas has been discovered in the offshore Area 1. The results to date of the drillship testing(DST) program in the Prosperidade and Golfino/Atum complexes demonstrate the outstanding flow characteristics of the reservoirs. Area 1 and Area 4 both zones were to be produced onshore on Afungi peninsula and original design was for 10 LNG trains. Currently only Mozambique FID(Final Investment Decision) of LNG project with 2 trains has been committed.

< Projects in course in Rovuma Basin 1 >

Field Name	LNG Project	Facility Type	Capacity (MMTPA)	Reserves (Tcf)	IRR	Year Online
Golfino-Atum Complex	Mozambique LNG (Phase 1)	Subsea system	12.88	18	14%	2023
Prosperidade	Mozambique LNG (Phase 2)	Subsea system	24	31.5	16%	2029

* MMTPA(Million Metric tonne Per Annum)

** TCF(Trillion Cubic Feet)

Operator And Shareholders Area 1.

Originally the project led by American Oil & Gas company Anadarko and the national hydrocarbon company ENH.

2) https://www.mitsui.com/jp/en/release/2019/1228889_11219.html

Currently the French company Total is an operator of Area 1 which includes Mitsui E&P Mozambique Area 1 Ltd, ENH, BPRL Ventures Mozambique, Beas Rovuma energy, ONGC Videsh Ltd, Oil India Ltd and PTTEP Algeria.

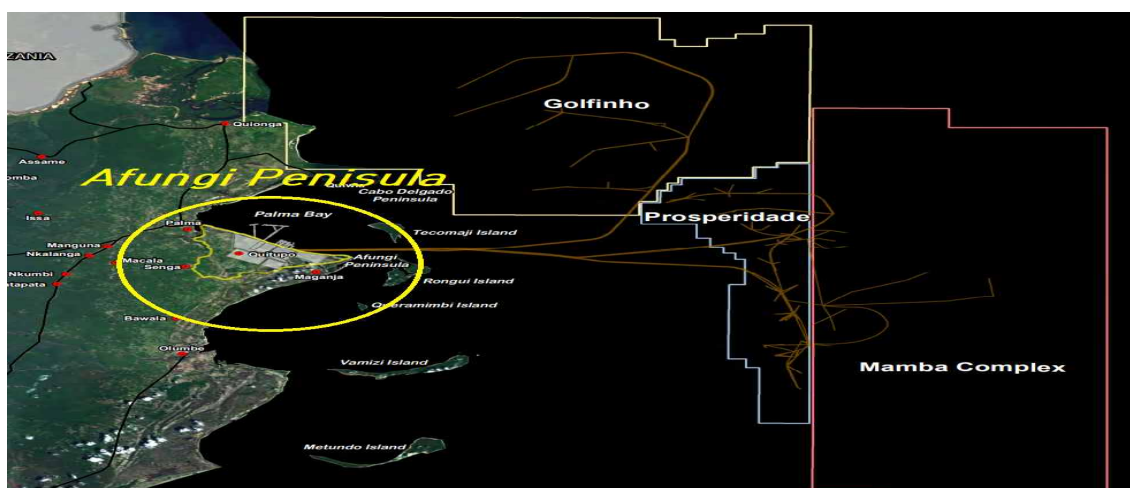
Rovuma Area1 Operator & Partner	
Original	Present
<ul style="list-style-type: none"> • Anadarko (85%, US, Operator) • ENH (15%, Mozambique) 	<ul style="list-style-type: none"> • Total (26.5%, France, Operator) • Mitsui (20%, Japan) • ENH (15%, Mozambique) • BPRL (10%, India) • Beas Rovuma Energy (10%) • ONGC Videsh Limited(10%) • PTTEP (8.5%)

Mozambique LNG Project

The first phase of the project called “Mozambique LNG Project” is designed to produce over 13 million tons of LNG a year. The project comprises the Golfino-Atum (Dolphin and Tuna) gas field development in the offshore Area 1 Block of the deep-water Rovuma Basin. the construction of two trains a 12.88Mtpa(million tonnes per annum) onshore liquefied natural gas facility on the Cabo delgado coast of Mozambique.

The environmental impact assessment (EIA) for the Area 1 Mozambique LNG project was carried out between 2011 and 2014. The Mozambican Ministry of Coordination of Environmental Affairs (MICOA, currently named Ministry of Land and Environment-MTA) approved the EIA report in June 2014 while the concessions to design build and operate the marine facilities for the project were secured from the Government of Mozambique in July 2017. The Government of Mozambique gave the final approval for the Area 1 Mozambique LNG development plan in March 2018. The LNG plant will be constructed in Afungi Peninsula in Palma where will be connected with subsea gas pipe line.

< Location of Afungi Peninsula >



(Source:Total Energies ³⁾)

The Contracted EPC by Total is a Join Veture named **CCS JV** which includes Three companies namely Saipem, Chiyonda and MCDormott Saipem provided its drillship for conducting the exploration and drilling operation at the Coral field.

3) https://mzlmg.totalenergies.co.mz/sites/g/files/wompond2311/f/atoms/files/chapter_1-_lng_final_eia_sept_2014_eng.pdf

The contract has been executed by Total E&P Mozambique Area 1 a wholly owned subsidiary of Total which operates Offshore Area 1 and acts as front-runner of a Venture including with 26.5% participating interest alongside. Contractors engaged in the development of the complex include Technip FMC, Van Oord, Oceaneering, Allseas, Cameron and others.



The Infrastructure Finance Details August 2020

The US\$14.9 billion in project debt with an 18-year tenor is to be provided mainly by ECAs and development finance institutions;

- US Exim Bank-US\$ 4.7billion loan
- JBIC-US\$ 3billion laon
- Thai Exim Bank-US\$150 million loan
- African Development Bank-US\$400 million loan
- NEXI-US\$2 billion loan guarantee
- UKEF-US\$1 billion loan guarantee
- SACE-US\$950 million loan guarantee
- ECIC-US\$800 million loan guarantee
- Atradius-US\$640 million loan guarantee

Twenty-one other banks are taking part in the financing with a combined Total of US\$1.35 billion in uncovered debt. Proximo identified 18 of these banks and various loan amounts. The prospects which began it all for Mozambique's nascent hydrocarbon industry Offshore Area 1 covers around 2.6 million acres in the Deepwater Rovuma Basin. Collectively known as the Prosperidade Complex the block is estimated to hold recoverable resources in the region of 18 Tcf of natural gas.

Summarized Project Information Mozambique LNG Project - Area 1

Project title	Mozambique LNG project
Owner	Rovuma basin Area1 operator (total) and partner
Volume	USD\$ 20 billion
Funding source	African Development Bank, UK Export Finance, Export Import Bank of the United States, Italy's SACE, the Netherland's Atradius, the Export Credit Insurance Corporation (ECIC)
Project milestone	2010: First discovery of Area 1 2014: Government passes LNG Decree Law 2015: Reserves certified, 12.88 MMTPA 2018: Plan of development approved 2019: FID US\$20B committed, and Total becomes Operator 2024: First LNG cargo (expected)

General information	the LNG project consists of the construction of two Natural Gas Liquefaction (LNG) trains with a Total nameplate capacity of 12.88 MMTPA, as well as all necessary associated infrastructure, storage tanks and export jetty facilities
Period	48 months
ECP	CCS JV- saipem(Italia), Chiyonda(Japan) and MCDormott(USA)

Prosperidade Field - Mozambique LNG Project (Phase 2)

The Mamba-Prosperidade North field has been discovered by Anadarko in 2010. The average resource of North field estimate is about 18 Tcf of gas in situ submitted by Total and Eni.

Since the reservoirs extend between adjacent Area 1 and Area 4 it will require the approval of unity agreement which has already been submitted by the Government of Mozambique.

Current Situation In Area 1/ Security Concern

The insurgency had caused Total to suspend work on the gas project in January. Total announced on 22nd March 2021 that it has halted all operations on US\$ 20 billion investment in a LNG project in northern Mozambique as a result of the extremist rebel insurgency in Cabo Delgado.

The announcement came just over a month after the rebels attacked Palma just a few Km from Total's gas project. The rebels' assaulted Palma on 24th March. The attack lasted for five days during which more than 80 people were killed banks were robbed and buildings destroyed.

Some 50,000 people fled Palma. The insurgency had caused Total to suspend work on the gas project in January. But just hours later the rebels attacked Palma forcing Total to abruptly close the project again.

On April 2, Total withdrew all of its staff from the project site. Total confirms the withdrawal of all Mozambique LNG project personnel from the Afungi site. This situation led Total as operator of the Mozambique LNG project to declare force majeure.

The declaration aims to mitigate the negative effects from contracts and costs in goods and services which cannot be delivered or used during this period in which activities are suspended.

2. Rovuma Basin 4 (85 TCF)

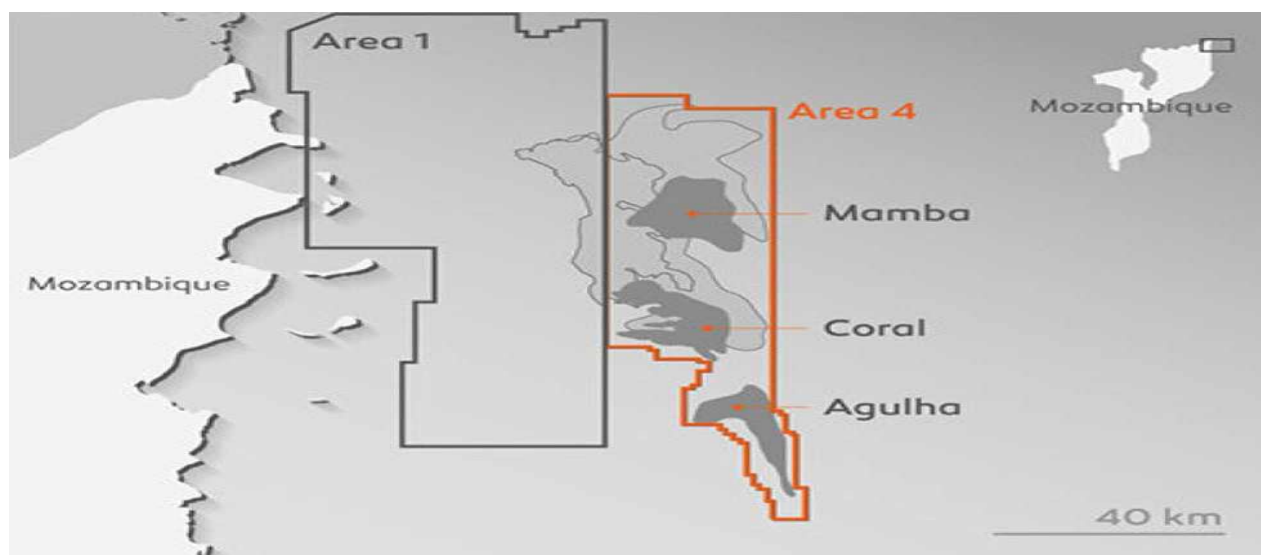
The Area 4 was awarded to Eni in the second offshore licensing round in the deep offshore (1500-2600 m water depth) the northern part of the Cabo Delgado Province in the Rovuma sedimentary basin. The EPCC was signed 20th December 2006 with the effective date on 01 February 2007. The contract was split in three exploration periods totaling 8 years (4+2+2 years). The Area 4 hosts the Mamba, Coral, Agulha complexes. The Total estimated reserve is around 85 Tcf of which 51 Tcf is connected with Area 1.

According to Area4 Operator MRV, the Basin has 6 main complexes called Mamba (51 TCF), Coral (16 TCF), Mamba 385E (11 TCF), Mamba 505E (3 TCF), Mamba 505N(1 TCF) and Agulha (3 TCF). The complexes belong to Area 4 are located further from onshore than Area 1.

<Rovuma Basin 4 – Type and Reserve of each complex>

	Complex	Type	Reserve (TCF)
1	Mamba	Joint development zone	51
2	Coral	Independent zone	16
3	Mamba(385E)		11
4	Mamba(505E)		3
5	Mamba(505N)		1
6	Agulha		3
Total			85

<Location of Complexes in Area 4>

(Source:Galp⁴)

Initially 6 LNG project has been design to develop Area 4. Coral project has divided in 2 phase such as Coral South FLNG and Coral North FLNG with capacity of 3.7mmta respectively. Also there will be 3 more subsea system onshore. The LNG project has been designed with total 6 trains. Only first two project is in course at this moments.

< LNG Prokects in Rovuma Basin 4 >

Project	Type	Capacity (mmta)	Status
Coral South FLNG	Independent	3.7	On-going
Onshore 1-2 Train (Mamba Complex)	Independent	10	Hold
Onshore 1-2 Train	Joint development	5	Hold
Onshore 3-4 Train	Joint development	5	-
Coral North FLNG	Independent	3.7	-
		27.4	

4) https://www.galp.com/corp/es/sobre-nosotros/que-hacemos/upstream_old/e-p-en-mozambique

Operator And Shareholders - Area 4

The Mozambique Rovuma venture called MRV, the former Eni East Africa a joint venture owned by ENI, Exxon Mobil and CNPC is driving Rovuma Basin 4. The composition of share is Eni 35.7%, ExxonMobil 35.7% and CNPC 28.6%. Eni is taking responsibility of offshore project (Coral South FLNG) meanwhile Exxon is in charge of onshore project (Rovuma LNG).



Rovuma Area 4 Operator & Partner		
Original	First Exploration phase	Present
<ul style="list-style-type: none"> • Eni East Africa (90%, Italy, Operator) • ENH (10%, Mozambique) 	<ul style="list-style-type: none"> • Eni East Africa (70%, Italy, Operator) • ENH (10%, Mozambique) • Galp (10%, Portugal) • Kogas (10%, Korea) 	<ul style="list-style-type: none"> • Mozambique Rovuma venture (70%, Eni, Exxon Mobil and CNPC) • ENH (10%, Mozambique) • Galp(10%, Portugal) • Kogas (10%, Korea)

Coral South FLNG Project

The Coral discovery is located in the deep waters of Rovuma basin spanning Mozambique's northern border with Tanzania. It lies in water depths ranging between 1,500m and 2,300m, approximately 55km offshore in the western part of Area 4. Situated 150 miles (241.4km) north-east of Pemba the field is approximately 30 miles (48.2km) from the coast of Mozambique in the northern province of Cabo Delgado.

The field was discovered in May 2012 and is a high quality field of Eocene age containing 16Tcf of gas. The plan for development of the Coral discovery was approved by the Government of Mozambique's Council of Ministers on 24 February 2016 and forms the first phase of development. It is also the first project in the Rovuma basin to receive an environmental license.

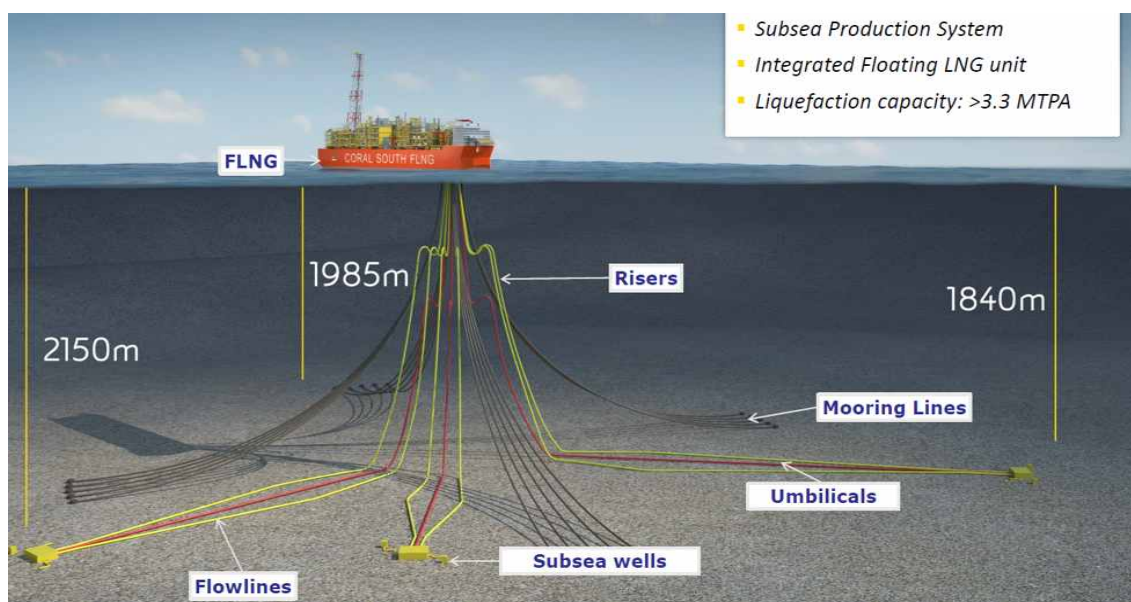
The first phase of development of Coral discovery includes the development of 16 Tcf of gas and is estimated to cost US\$ 10.2 billion.

Coral South FLNG project is the first LNG project in Mozambique. The floating liquefied natural gas (FLNG) facility will be designed to produce close to 3.4 Mtpa of liquefied natural gas and will be moored in 2,000 meters of water depth in the Area 4 offshore Mozambique.

The KD Consortium comprising KBR and Daewoo Shipbuilding & Marine Engineering Company has been selected to perform front end engineering design (FEED) for the floating LNG facility. The construction of the floating unit which being carried out by the TJS consortium (Technip-JCG-SHI) started in the first quarter of 2018. The initial production of natural gas is scheduled for 2022.

The consortium signed an agreement with BP for the offtake of the volumes produced through the Coral South FLNG for a period of 20 years

< Coral Sul FLNG >



(Source:KOGAS)

Summarized Project Information Mozambique Coral FLNG Project

Project title	Coral FLNG project
Owner	Rovuma Basin Area v4 operator (MRV) and partner ERB(Eni Rovuma Basin) is designated operator
Volume	USD\$ 10.2 billion
Funding source	Korea Eximbank(KEXIM) and Export Credit Agency-covered loans from BPI, Ksure, space and Sinosure
Project milestone	2012: First discovery of Coral field 2014: Plan of Development(PoD) submitted to Government of Mozambique 2016: PoD approved by government of Mozambique 2017: Final Investment Decision(FID) approved 2022: First LNG production
General Information	2022: First LNG production consists of the construction of Floating Liquefied Natural Gas(FLNG) unit with a capacity of 3.4 MPTA <Coral South FLNG Specification> -Life span: 25 years -Size of Floating Unit: 439m x 65m x 38.5m -Weight: 430,000 tons -Storage Capacity: • LNG : 235,000 m ³ • Condensate: 47,000 m ³ - Capacity Caps: 350 people
Period	48 months

Contractor	Upstream	Drill ship	Saipem(Italy)
	Midstream	SPS	G.E. (USA)
		Umbilicals	Aker subsea AS(Norway)
		FLNG	TJS- Technip(France), JCG(Japan), SHI(Korea)

* SPS : Subsea Production System

Ruvuma LNG Project

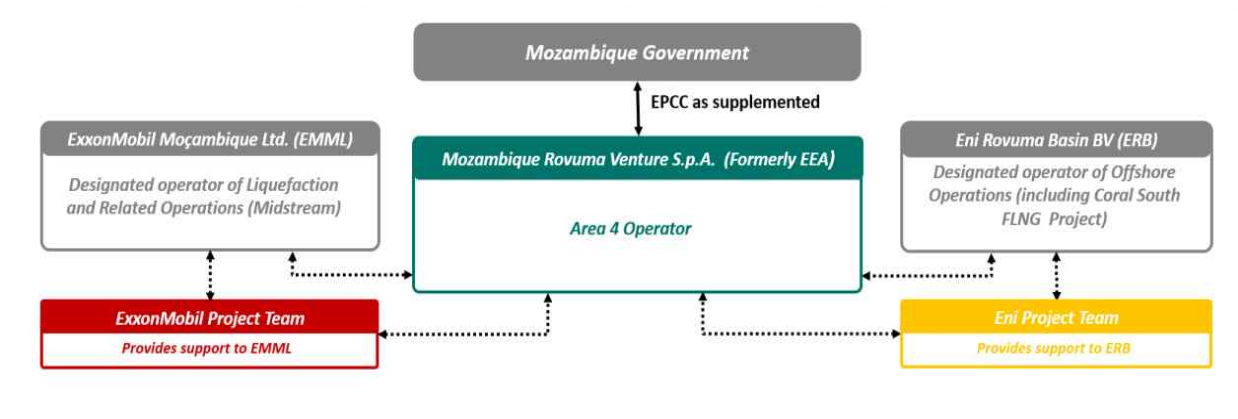
The Rovuma LNG Project consists of a Total of 24 wells to developing and producing upto 12 Tcf. Project will be designed to produce and gather natural gas from offshore deep water in the Rovuma Basin transport the gas onshore to the Afungi Peninsula in Cabo Delgado Province process the gas in onshore LNG (liquefied natural gas) trains and associated facilities and export the LNG to international markets.

MRV remains the Area 4 Operator since Eni Rovuma Basin (ERB) is designated for the offshore operation ExxonMobile Moçambique Ltd (EMML) is designated for the liquefaction and related operations for the Midstream.

The Rovuma LNG Project include Upstream and Midstream sectors. The upstream development of the Rovuma LNG Project will includes a long tie-back from the wells to the shore facilities of the LNG plant. The production is gathered offshore and exported in multiphase flow. Area 4 is proposing the construction of two onshore LNG liquefaction trains with a nameplate capacity of 2 x 7.6MTPA. The LNG train in midstream will receive raw natural gas and associated liquid via three 22inch production pipeline. this raw gas will undergo separation and then pre-treatment to remove carbon dioxide heavy hydrocarbons water and any mercury traces.

The treated gas will then be routed to the liquefaction unit where it will undergo multiple stages of cooling with each sequential stage resulting in the gas stream being cooled and partially liquefied at the lower temperatures provided by the refrigeration cycle. The product from the final cooling stage will be higher pressure LNG which will then be transferred after pressure reduction to LNG storage tanks priority to export.

< Area 4 Operation Structure >



(Source:Exxon Mobil 5))

5) www.exxonmobil.co.mz/en-MZ/About/Who-we-are/Rovuma-LNG#Operatingresponsibly

< Area 4 Operation Structure >

Sectors	Player	Components
Upstream	ERB	<ul style="list-style-type: none"> • Subsea intra-field Architecture - wells gathering system • Export sea line system • Subsea Network Control System from onshore
Midstream	EMML	<ul style="list-style-type: none"> • 2 LNG liquefaction trains (7.6MTPA each) • LNG storage tank approximately 200,000m³ • Condensate storage tank approximately 45,000m³ • LNG export facility

<Rovuma LNG Project onshore LNG Plant plan>

(Source: Exxon Mobil ⁶⁾)

Area 4 operator Mozambique Rovuma Venture awarded a contract for the engineering procurement and construction for the Rovuma LNG onshore liquefied natural gas production complex to a consortium made up of JGC Fluor and TechnipFMC (JFT). The award enables the start of activities for the Rovuma LNG project as approved by the government of Mozambique in June 2019 while the Area 4 partners continue to work toward a final investment decision by 2022.

Summarized Project Information Mozambique Rovuma LNG Project

Project title	Rovuma LNG Project
Owner	Rovuma Basin Area 4 operator (MRV) and partner EMML(ExxonMobil Mozambique Limitada) is designated operator for the onshore LNG facilities
Volume	Estimated USD\$ 30 billion
Project Milestone	2014: PoD and resettlement plan submitted to Government of Mozambique 2017: Resettlement plan approved by Government of Mozambique 2018: PoD approved by Government of Mozambique 2020: The FID was expected to take place in the first half of 2020 but in March ExxonMobil has postponed to 2022

6) www.exxonmobil.co.mz/en-MZ/About/Who-we-are/Rovuma-LNG#Operatingresponsibly

General Information	Rovuma LNG Project is planned to construct 2 LNG liquefaction trains with capacity of 7.6 MTPA each and LNG storage tank approximately 200,000m ³ with condensate storage tank for 45,000m ³ . The project also include LNG export facility and utilities as well.
Period	48 month estimated
EPC	JFT consortium - JGC(Japan), Fluor(USA) and TechnipFMC(Italy)

Current Situation in Area 4

In 2021 Oct World Street Journal report said Exxon Mobil Corp board is debating whether to continue with several major oil and gas projects aimed a global push from fossil fuel companies to be more cost conscious and green energy friendly. Also it said board member expressed concerns about some projects including a USD30 billion liquified natural gas development in Mozambique.

2 Middle And South Of Mozambique

1. Pande-Temane

This onshore discovery was made by Gulf Oil through the Pande-1 well in 1961 and subsequently evaluated by the appraisal wells between 1962 and 1966. The Pande gas field is located about 40 km northwest of Temane field and 80 km northwest of Vilanculos.

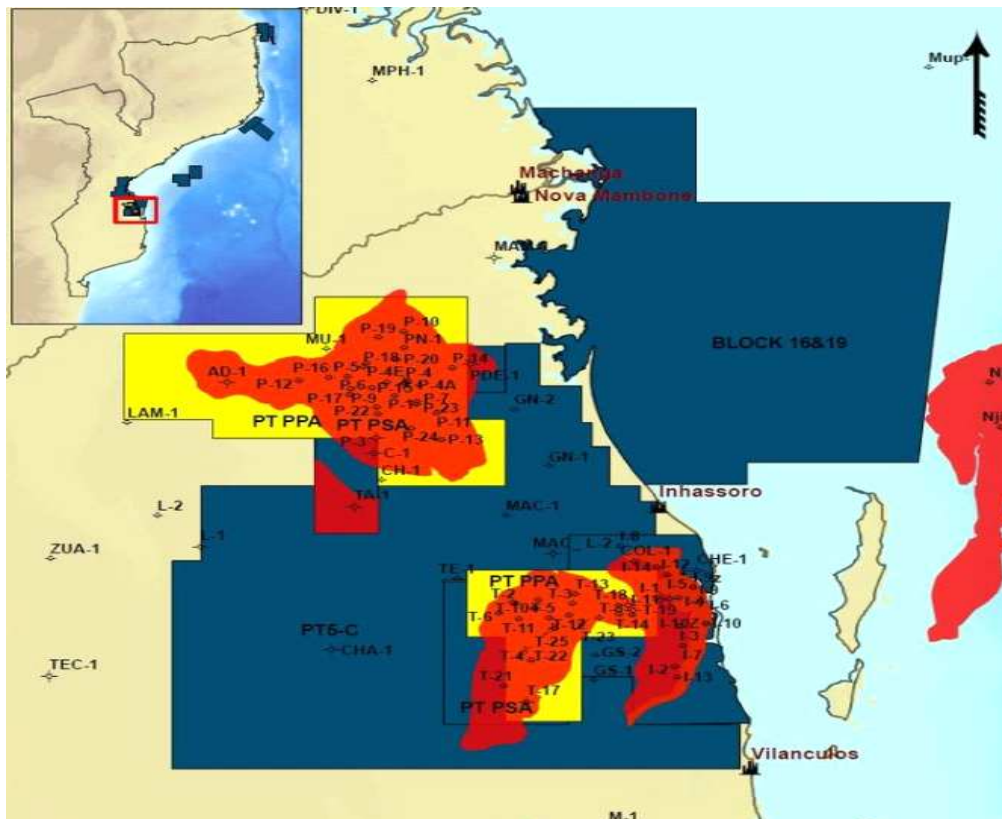
In 1989 and 1996 ENH carried out a campaign to evaluate this field through nine (9) wells. With the arrival of Sasol in 2000, through the Oil Production Contract (CCP) the drilling activities were followed up with a view to the development of the Grudja Inferior reservoir (Grudja 6, G-6) in the Upper Cretaceous.

The reservoir is at a depth of 1100 meters from the sub surface. The length of the field is about 40 km oriented from west-northwest to east-southeast. There are two different Area in Pande-Temane PSA and PPA on each of the two fields about 30 wells have been drilled.

Pande-Temane PPA Area (4.5 Tcf)

The natural gas exploration project for Pande-Temane in the southern province of Inhambane operated by South African multinational Sasol results from an agreement with the Mozambican Government signed in 2000 in the form of a Petroleum Production agreement (PPA) under Law 3/81 of 3 October in force at the time with taxation conditions that only provided for the payment of the IRPC (Corporate income tax) and of royalty payments of 5% with aim to develop and produce gas resources from Pande and Temane reservoirs.

< Pande-Temane PPA Area >



(Source:INP⁷⁾)

As part of Sasol “Mozambique to South Africa Natural Gas Project”, the agreement envisages the construction of a CPF(Central Processing Facility) to process initially 120MGJ per annum and a Pipeline with an extension of 865km to transport produced gas from Temane to Secund in South Africa. This pipeline has five off-take points to supply gas to the Mozambique Market.

The PPA Area covers the reservoir in the pande Temane gas fields the Upper Cretaceous Lower Gaudja formation in Grudja 6(G6) and Grudja 9(G9) reservoirs respectively. The two reservoirs have an estimated Total gas initial in place of about 4.5 Tcf as a base estimated. The natural gas production started in 2004. The total amount of gas produced from 2004 to 2018 is 1.8Tcf and condensate produced is 7.1 MMbbl.

Currently SPT(Sasol Petroleum Temane) wholly owned by Sasol has 70% CMH(Companhia Mocambicana de Hidrocarbonetos) owned by national hydrocarbons company in Mozambique ENH has 25% with IFC(International Finance Corporation) 5%.

Pande-Temane PPA Operator & Partner	
Original	Present
<ul style="list-style-type: none"> Sasol Petroleum Temane (70%, SA) CMH (30%, Mozambique) 	<ul style="list-style-type: none"> Sasol Petroleum Temane (70%, SA) CMH (30%, Mozambique) IFC(5%)

7) www.inp.gov.mz/en/Exploration-Production/Current-Areas-of-Exploration-and-Production/Pande-Temane-PPA-Area

<South of Mozambique -Sasol Gas extraction site>

(Source:Club of Mozambique⁸⁾)**Summarized Project Information Pande-Temane PPA Project**

Project title	Pande-Temane PPA Project
Structure	Sasol Petroleum Temane 70% -Operator CMH 25%, IFC 5%
Volume	Estimated USD\$ 1 billion
Project Milestone	2010: Petroleum Production Agreement signed by Sasol and ENH 2004: Natural gas production started (120MGJ per annum) 2018: Total 1.8 Tcf of Natural gas has been produced

Pande-Temane PSA Area

The petroleum sharing agreements (PSA) was awarded to Sasol on 26th of October 2000 with an original planned duration of exploration of 10 years. The PSA area overlaps with the Pande-Temane PPA Area excluding the Grudja formation G6 and G9 producing reservoirs. The PSA is wholly owned by Sasol as operator of project.

The PSA area includes several discoveries in sandstone reservoirs in the Upper Cretaceous Lower Grudja formation such as Corvo G6A, Tafula G8, Pande G10, G11 and G11A, Temane G8, Temane East Deep(G11, G11A, G12 and G12A) all with natural gas inhassoro G6 with light oil rim with a gas cap and inhassoro G10 with undersaturated light oil. In 2015 a FDP(Field Development Plan) was submitted for Inhassoro G6, Inhassoro G10, Temane G8, Temane East deep(G11, G11A, G12 and G12A), The FDP was approved in February 2016.

As per 2019 the following discoveries are in the Commercial Assessment Period Pande G10, G11 and G11A, Pande East G11 and G11A, Corvo G6A and Tafula G8. Two appraisal wells were drilled in 2018 in order to assess the pande CAP reservoirs. The Total present resource estimates of this area have expected gas-in-place volumes of about 2.5~3Tcf and recoverable gas volumes of about 1-1.5Tcf. The present expected recoverable light oil and condensate is in the range 30-410 million barrels of liquid.

8) <https://clubofmozambique.com/news/sasol-and-government-negotiate-on-third-gas-exploration-license/>

2. Other Potential Regions

Recent understanding of the influence of active rifting and mantle plume activity causing elevated heat flow in the northern Rovuma Basin has explained the anomalously high geothermal gradient in that area which has resulted in significant gas generation. This Study's Area is far from rifting and mantle plume activity such that geothermal gradients are lower and so the main potential source rocks are modelled to be generating oil as supported by the oil seeps.

The distribution and occurrence of the slicks provides strong evidence that there is or has been a mature oil source in the Mozambique Channel. The distribution does not allow us to isolate the age of the hydrocarbon source rock but three possible source rock intervals have been proposed from the Late Triassic (Karoo) and Mid Jurassic.

Licensing Round

After discovery of Rovuma Basin through 2nd licensing round in 2005 Mozambique is looking for other potential reservoirs not only off-shore area but also on-shore area in national wide. The Government launched 4 more tenders after 2nd licensing round. the last tender has been launched in November 2021 to initiate research activity in 2022. Five of these areas are located in the maritime part of the Rovuma Basin seven in Angoche two in Zambezi Delta and Two in Rio Save.

Licensing Type	Year	No. of Area	Location
3 rd licensing	2007	9	Inhambane, Sofala, Zambezia
4 th licensing	2009	7	Maputo, Gaza, Inhambane, Sofala
5 th licensing	2016	15	Angoche, Zambeze Delta, Palmeira, Pande-Temane, rovuma
6 th licensing(in course)	2021	16	Ruvuma, Angoche, Zambeze Delta, Rio Save

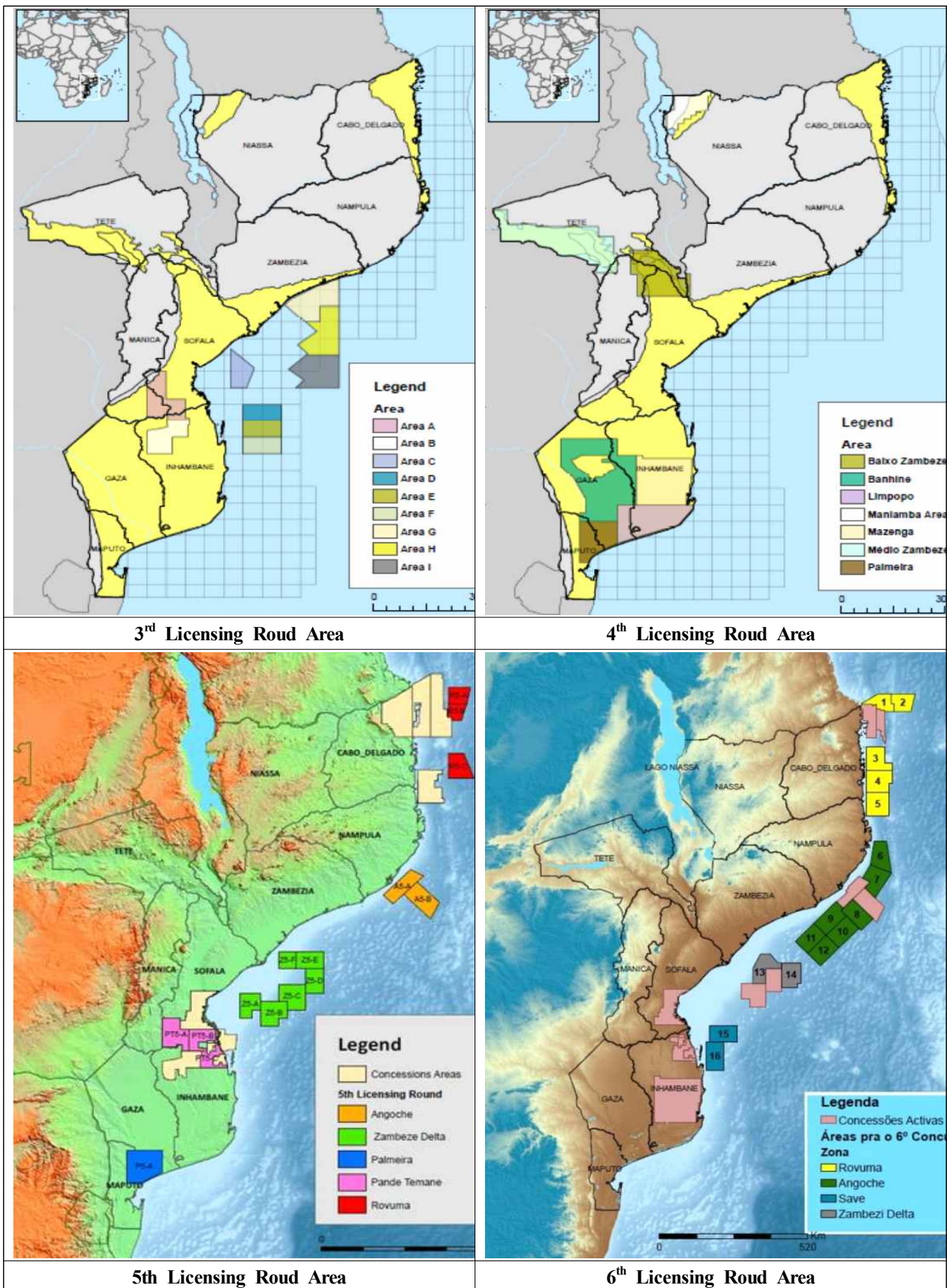
Results for the 5th Tender for Concession Of Areas for Hydrocarbon Research and Production

A Total of 11 Areas at Sea were made available to competitors in the Rovuma, Angoche, Mozambique (Zambezi Delta) and four (4) onshore basins in the Mozambique Basin (Pande/Temane and Palmeiras areas), covering a Total of 74,259 km² in all Areas. Twenty-three (23) proposals were received distributed to eleven (11) of the fifteen (15) areas made available.

From the evaluation carried out to the valid proposals the winners were determined. Consortia led by the operators listed below:

Basin	Area	Winning Consortium(Operator)
Angoche	Area A5-A	Eni Mozambico S.p.a
Angoche	Area A5-B	ExxonMobil E&P Mozambique Offshore Ltd
Zambezi	Area A5-C	ExxonMobil E&P Mozambique Offshore Ltd
Zambezi	Area A5-D	ExxonMobil E&P Mozambique Offshore Ltd
Pande / Temane	Area PT5-C	Sasol Petroleum Mozambique Exploration Ltd
Palmeira	Area P5-A	Delonex Energy Ltd

<Location of Area of 3~6 Licensing Round>



(Source : NIP 9)

3 Gas Pipeline Project

1. Pande Temane - Maputo Pipeline

Pande Temane – Ressano Garcia Pipeline Project

The Petroleum Production Agreement (PPA) was signed on 26th October 2000 by Sasol, Empresa Nacional de Hidrocarbonetos (ENH), Companhia Moçambicana de Hidrocarbonetos (CMH) and the Government of Mozambique with the aim to develop and produce gas resources from Pande and Temane reservoirs.

As part of the Sasol “Mozambique to South Africa Natural Gas Project” the agreement envisages the construction of a pipeline with an extension of 865 km to transport the produced gas from Temane (Mozambique) to Secunda (South Africa). This pipeline has five Off-take points to supply gas to the Mozambican market.

The Pipeline Agreement between the government and Sasol signed in October 2000. Under the Pipeline Agreement Government of Mozambique authorizes ROMPCO (Republic of Mozambique Pipeline Investments Company) to construct own and operate the gas pipeline and related infrastructure and equipment to transport natural gas for a period of at least 30 years.

Thus Mozambique-South Africa Pipeline is operated by the Republic of Mozambique Pipeline Company (ROMPCO) a joint venture of South African Gas Development Limited Company (iGas), Companhia Moçambicana de Gasoduto (CMG) and Sasol Gas Holdings, Pty Ltd. The construction of Pipeline began in June 2002 and its operation started in March 2004.

< Rompco Company Structure >

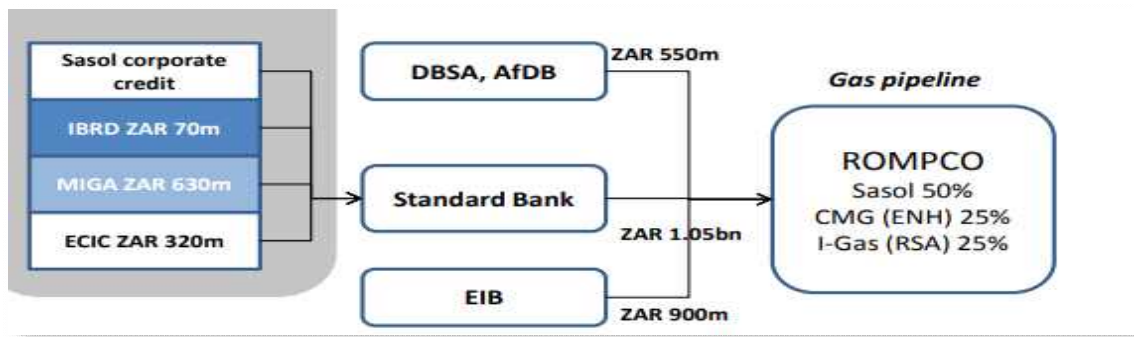
Parties	Country	Share(%)
Sasol Gas Holding	South Africa	50
CMG	Mozambique	25
I-Gas	South Africa	25

The gas is then transported along an 865km route through a 660mm high-pressure steel transmission pipeline to Sasol’s petrochemical complex at Secunda. The gas pipeline is buried at a depth of 1 meter and has an initial uncompressed capacity of 188 Megajoule (MGJ) per annum. The pipeline however has been designed to allow gas flow to be doubled with the installation of mid-and quarter point compression.

This pipeline has a 525km extension from Temane to Ressano Garcia border and an extension of 340km to Secunda pipeline (MSP) which has 865km length.

The Total cost for the construction of the gas pipeline was ZAR 2.5 billion (around USD 327 million). The investment came from several financial institutions namely the Multilateral Investment Guarantee Agency(MIGA), International Bank for Reconstruction and Development(IBRD), Export Credit Insurance Corporation of South Africa(ECIC), Standard bank and European Investment Bank Etc.

< Pipeline Project Cost and its Source >

(Source: world bank¹⁰)

The Mozambican gas is imported to South Africa by Sasol and used to (i) replace the hydrogen-rich gas produced from coal by natural gas (ii) convert Sasol's Sasolburg chemical complex from coal to gas as feedstock for chemical production and (iii) modification of Sasol's synthetic fuel plant in Secunda to augment coal-based growth in the production of petroleum and petrochemical.

< Romco's Mozambique Secunda Natural Gas Pipeline >

(Source: Rompco¹¹)**Ressano Garcia - Maputo Pipeline Project**

Under the business agreement with ROMPCO, Matola Gas Company (MGC) has built the 100km transmission and distribution ducts that feed industrial markets in the Matola region of Mozambique with natural gas.

MGC was established in 2004 and consists of national capital (held by the Mozambican government through the National Hydrocarbon Company (ENH) and private investors with 50.4% and foreign capital (held by the South African company GIGAJoule INTERNATIONAL with 49.6%).

10)

<https://documents1.worldbank.org/curated/en/117571468287380663/pdf/863740ICR0P0820IC0disclosed07010140.pdf>
11) <https://www.rompco.co.za/sites/www.rompco.co.za/files/ROMPCO%20Network%20Code%20Dec%202016.pdf>

< Matola Gas Company Structure >

Parties	Country	Share(%)
ENH	Mozambique	50
Gigajoule International	South Africa	49.6

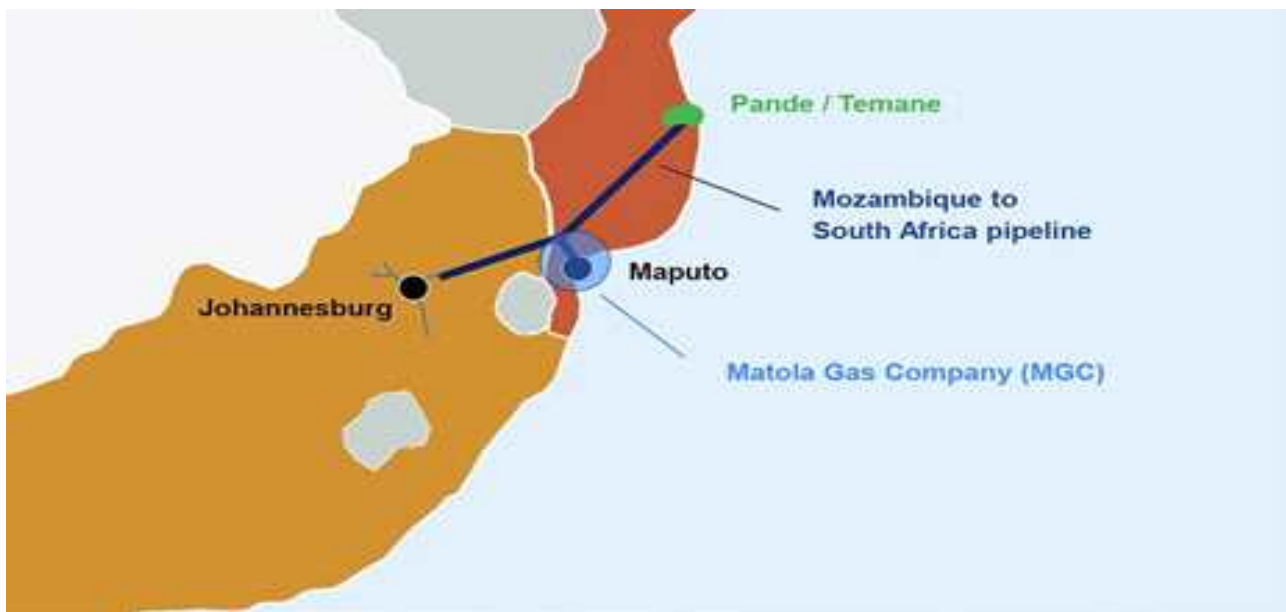
Construction of the main pipeline began in June 2004 and was completed in March 2005. The pipeline was constructed by a joint venture between WBHO and Shearwater Construction. Gas for the pipeline comes from the Pande and Temane gas fields via the Mozambique-South Africa Gas Pipeline in which was connected from Ressano Garcia to Maputo.

The pipeline takes natural gas from Sasol's main line in Ressano Garcia reduces the pressure from approximately 100 bar to 40 bar and transports the gas to Matola where the pressure is reduced further to 10 bar prior to distribution.

Most of the pipes will be 200mm in diameter and they are on average be install-led 1,2 m deep. In route the line run close to and underneath railway lines and through residential and business areas in both Matola and Maputo.

The pipeline has a gas transport capacity of 8 million gigajoules. MGC have converted over 30 industries to natural gas. It also supplies two gas-fired power plants and natural gas to vehicle filling stations in Mozambique. The cost for design and construction of 100km underground pipeline was RSA 120 million (about US\$ 15.5 million).

< Mozambique to South Africa Pipeline >



(Source: Engineeringnews ¹²⁾)

Since 2005 Matola Gas Company supply natural gas through its pipeline to the establishment of a scrap steel smelter a medicine manufacturer a biscuit baker a soft drink bottler an aluminium power cable manufacturer and a cooking oil distiller. The pipeline goes primarily to large industries such as Mozal and Cimentos de Moçambique as well to run a number of public and private buses.

12) www.engineeringnews.co.za/article/Total-gigajoule-deal-brings-350m-maputo-lng-import-terminal-a-step-closer-2019-11-27

2. Maputo & Matola intercity LNG pipeline, Maputo

Maputo intercity LNG Pipeline

On January 4, 2011. ENH-Kogas was formed a company founded 30% by ENH and 70% by the Korean gas company Kogas. ENH-Kogas is responsible for the gas distribution project in the city of Maputo and the district of Marracuene, which aimed to build a 62 km gas distribution network an investment amount estimated at US\$38. 2 million with over 1,400 connections for industrial commercial and domestic consumers.

< ENH-KOGAS Company Structure >

Parties	Country	Share(%)
ENH	Mozambique	30
KOGAS Mozambique	Korea	70

The construction of the project lasted one year with the objective of reaching the following final consumptions hotels, restaurants, bakeries, industries, vehicles, hospitals. The estimated annual gas consumption capacity was 6 Gigajoules.

< Maputo Intercity LNG Pipeline Site >



(Source:KOGAS Blog¹³⁾)

The first phase of the project was budgeted at US\$ 38.2 million and consists of the construction of an 11km high pressure gas pipeline from the Beluluane Industrial Park in Maputo Province to the influence area to be a smaller pipeline with intermediate pressure is installed up to the city of Maputo and the headquarters of the Marracuene District.

The Total projected length for the gas distribution network is approximately 62km (excluding branches for consumers) A ring of approximately 16km, to serve the districts of KaMpumo, Nihamankulu and KaMubukwana. The route of this conduct follows Av. Trabalho, Av. Eduardo Mondlane, Av. Julius Nyerere, Av. Kenneth Kaunda, Av. Joaquim Chissano and Av. De Moçambique, returning to Av. Do Trabalho.

The gas arrives in Maputo through the Matola Gas Company (MGC) pipeline, which is connected in Ressano Garcia to the pipeline that runs from Pande to Secunda, in South Africa.

13) <https://m.blog.naver.com/PostView.naver?isHttpsRedirect=true&blogId=kogasblog&logNo=220665202775>)

Investment Information for Oil & Gas in Mozambique

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II. Investment Information For Oil & Gas In Mozambique

1 Current Investor & Type of Establishment and Status

1. Upstream

Total (Main Operator for Area 1, France)

Total was formally established in 2020 as Total E&P Mozambique Area 1, Limited. Total E&P Mozambique Area 1, Limited is constituted in the form of a limited liability company. The company has its registered office in Maputo and may open branches delegations, agencies or any other form of corporate representation when the management deems it convenient. Its headquarters can also move to another territory of the country as soon as the board of directors deems it convenient.

The company's main object is the petroleum activity namely prospecting research development production transport by oil or gas pipeline transmission and sale of hydrocarbons and their derivatives including the reception storage handling transit and export of these products. The share capital is one hundred and twenty-five thousand meticaïs.

The shares are divided into two, distributed as follows:

A share of one hundred and twenty-three thousand seven hundred and fifty meticaïs equivalent to 99% of the capital belonging to Total E&P Mauritius Holdings Limited and a share of one thousand two hundred and fifty 1250 meticaïs equivalent to 1% of the capital belonging to Total Holdings S.A.S.

In 2021, Total has been renamed as **TotalEnergies**.

< Former and Current Logo of TotalEnergies >



(Source : TotalEnergies)¹⁴⁾

Kogas (Party to the Area 4, Korea)

Kogas was registered in Mozambique as Kogas Moçambique Limitada. It is a limited company. Kogas was registered in Mozambique in 2013. The share capital of Kogas is 10 million meticaïs. Kogas office in Mozambique is based in Maputo the capital of Mozambique.

¹⁴⁾ www.totalenergies.com

2. Middle stream

CCS JV (EPC Contractor to Mozambique LNG Project, Rovuma Basin Area 1)

In Mozambique CCS JV was registered as a subsidiary of CCS JV based in Italy. CCS JV is established in Maputo where the company operates with administrative activities and in Afunge with engineering activities. The CCS JV is the Engineering Procurement and Construction (EPC) contractor developing the LNG project on behalf of the operator.

CCS JV is composed of American oilfield services provider McDermott International Inc. Italy's Saipem SPA and Japan's Chiyoda Corporation. Until the suspension of activities in Afungi, Cabo Delgado, the CCS JV had more than 75 employees. CCS JV consortium was contracted in June 2019 by Total for Engineering Procurement and Construction of the LNG facility (onshore) in Area 1.

< CCS JV Logo >



(Source: ccsjv.com¹⁵⁾)

Daewoo

Daewoo Engineering & Construction in Mozambique is a subsidiary of Daewoo E & C that is based in Korea. In 2020 Daewoo E&C was awarded by CCS JV (Main EPC) a fabrication contract to build two LNG production trains at the Mozambique LNG (Area 1) project. The amount of the contract is 500 billion won (USD 455 million) and includes the construction of two 6.4 mtpa liquefaction trains.

3. Down Stream

Gigajoule International

Gigajoule is a joint stock company which is established in South Africa. This company invests develops and operates energy projects. The company is not registered in Mozambique. Since the founding of the Gigajoule in 2001 the company has secured concession rights for the transportation and distribution of natural gas in the Maputo Province. Subsequently it now also generates gas-fired power at Ressano Garcia.

Matola Gas Company

Matola Gas Company is a **joint stock company** registered in 2003. The shareholders of Matola Gas Company are Gigajoule Africa (Proprietary) Limited with 49.6% of share Empresa Nacional de Hidrocarbonetos (ENH) EP with 25.2% and Companhia de Desenvolvimento de Gas de Moçambique S.A with 25.2%.

MGC is dedicated to the transport distribution and commercialization of natural gas produced in Mozambique which is used as a source of energy for the operation of several industrial units such as the aluminum factory of Mozal the cement factory of Cimentos de Moçambique and others 18 companies located in Machava and Matola.

¹⁵⁾ www.ccsjv.com

Resume

Area	Company Name	Activities	Type of the Company
Upstream	Total E&P Mozambique Area 1	Exploration-Operator	Limited liability
	KOGAS Mozambique	Exploration-Share holder	Limited liability
Midstream	CCS JV	EPC Contractor	Subsidiary
	Daewoo	CCS JV sub contractor	Subsidiary
Downstream	Gigajoule	Gas distribution-share holder	No company registered
	MGC	Gas distribution	Joint stock company

2

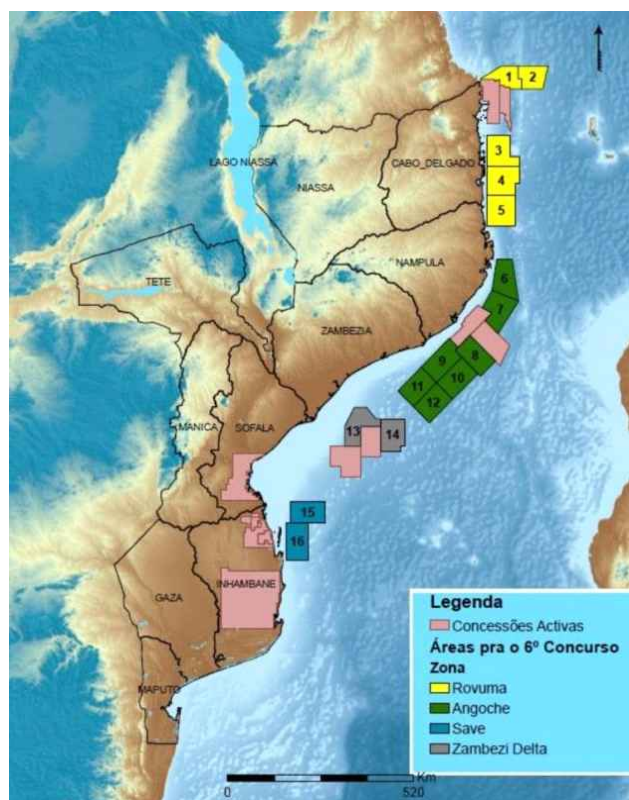
Potential Investment Sectors

1. Upstream Gas (ongoing and future exploration area)

Mozambique is rich in natural resources especially natural gas which is the reason why the National Petroleum Institute(INP) periodically launched bids for prospection of gas. The main potential region is Rovuma nearby current exploration area and Angoche Save and Zambezi Delta which all located at subsea.

The lastest natural gas and petroleum licensing round shows the most potential regions.

< The 6th licensing round Area >



(Source: Jornal Noticias¹⁶⁾)

16) www.jornalnoticias.co.mz/destaque/dezasseis-areas-de-pesquisa-vao-a-concessao-para-pesquisa-do-gas/

Also Niassa lake has great potential of Natural and Petroleum. Several potential source reservoir and seal intervals have been identified with Cretaceous and Tertiary play types including onlaps and drapes over basement highs stratigraphic and structural traps of deep water slope channel and basin floor fan complexes lowstand plays (both wedge and pro-delta fan) syn-rift graben hanging wall and footwall plays and strike slip structural plays.

Enhanced elastic reservoir quality is expected from turbidite systems interacting with strong drift currents which are known to winnow turbidite channels leaving behind reservoirs of exceptional quality such as the Lower Grudja formation a recognized significant reservoir target with sandstones exhibiting porosity up to 34% and permeability up to 5,000 mD.

Recent understanding of the influence of active rifting and mantle plume activity causing elevated heat flow in the northern Rovuma Basin has explained the anomalously high geothermal gradient in that area which has resulted in significant gas generation.

This Study's Area is far from rifting and mantle plume activity such that geothermal gradients are lower and so the main potential source rocks are modelled to be generating oil as supported by the oil seeps.

The distribution and occurrence of the slicks provides strong evidence that there is or has been a mature oil source in the Mozambique Channel. The distribution does not allow us to isolate the age of the hydrocarbon source rock but three possible source rock intervals have been proposed from the Late Triassic (Karoo) and Mid Jurassic.

2. Midstream (LNG, FLNG, FSRU)

FLNG

In January 2020 ENI and its Area 4 partners in South Korea, launched the hull for the Coral Sul Floating Liquefied Natural Gas (FLNG) treatment and liquefaction plant. Rovuma Basin Area 4's initial plan include another FLNG at Coral North field with the capacity of 3.7 MTPA by 2030 (After Eni competed the sale of half of its shares to ExxonMobile, the team revised plan). Also Other potential exploration regions are located in offshore area. Depending on project location more than 1 FLNG could be acquired to Mozambique.

FSRU

In November 2019 Total and South African gas facilities developer Gigajoule signed a Joint Development Agreement (JDA) for the import of LNG into Maputo. The agreement includes the mooring of a Floating Storage and regasification Unit (FSRU) in Matola, a suburb of Maputo. A Final Investment Decision (FID) for the US \$ 350 million project could be taken by mid-2020 with gas deliveries potentially starting by late 2022.

Total has agreed to provide the proposed gas supplies. Gas imported at Matola is expected to be sent to South Africa via the Rompco Pipeline. Gigajoule is working on the project through a local subsidiary, Matola Gas Co., which controls a 100 km pipeline network around Maputo.

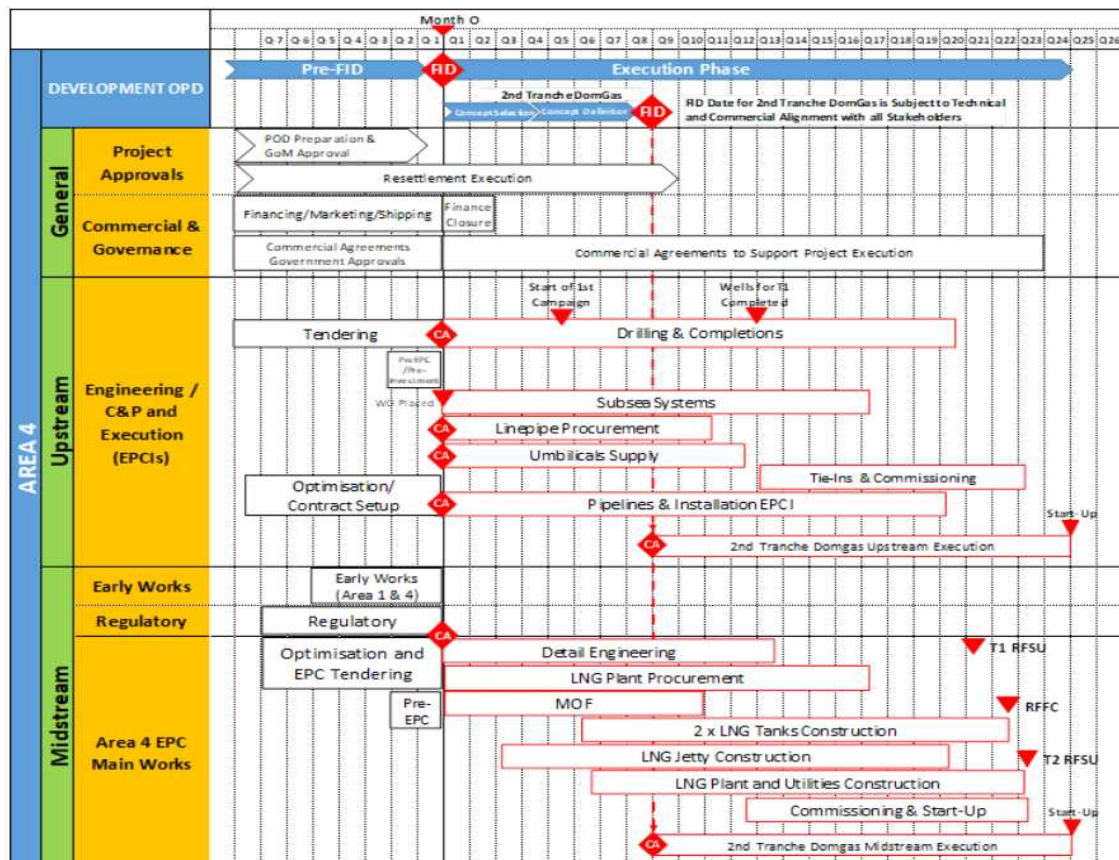
In January of 2021 the Beluluane Gas Company (BGC) launched a request for expression of interest procurement of a FSRU with Services. The tender in quest was for concessionary holder of concession to build and operate LNG infrastructure in Matola harbour. Due to lack of territory infrasturture FSRU will be one of model for the gas transportation until the national gas transportation system will be completed.

LNG Facility

Area 1 and Area 4 both zone was to be produced was to be produced onshore on Afungi Peninsula and original design were for 10 LNG trains. Currently only Mozambique LNG Project and Rovuma LNG Project selected its EPC.

According to Rovuma LNG report the project operator starts tendering when they prepare PoD not only upstream Engineering C&P Execution(EPCIs) but also EPC. It means potential participants should be registered into approved vender list of project operator or EPC to participate project.

< Rovuma LNG Project master schedule >



(Source: ExxonMobil¹⁷⁾)

3. Downstream (generation, ethanol, fertilizer etc.)

The local contents law is still waiting for approval of parliaments, it regulate to consupt 30% of produced national gas in domestic market obligatorily. When Mozambique starts gas production the Government of Mozambique will collect Royalty from the players and it will return to downstream development to endorse local contents. The estimated Royalty during Rovuma Basin natural gas development period is US\$ 95 billion.

Gas-Fired Generation

The National Electricity Company Electricidade de Mocambique (EDM) approved intergrated Master Plan for Electricity Infrastructures. The plan aims to ensure institutional alignment in the implementation of the various production transport and distribution projects focus on energy security stability and reliability of national electric system.

17) www.exxonmobil.co.mz/en-MZ/About/Who-we-are/Rovuma-LNG#Operatingresponsibly

The plan also forecasts an increase in national domestic and industrial energy demand to around 8,000MW in 2043 (10 times above current level) representing an average annual growth rate of around 8.6%.

In this sense EDM plans to design 8,500MW electricity generation project on gas by 2043. The general idea is to divide 3 main cities such as Pemba, Beira and Maputo to be energy Hub of the country and expand its network from each Hub to national wide.

In 2017 the company GL Energy Africa has been selected to implement 250MW gas-fired generation project to transform 41.8mmscf/d but the project has no update so far.

Fertilizer

In 2016 through the domestic market natural gas development tender by Ministry of Natural resources and energy (MIREME) the Norwegian fertilizer maker Yara has selected to produce 1.2~1.3 MTPA of fertilizer (Ammoniac/Urea).

Norwegian fertilizer maker Yara International is considering building a \$ 2 billion plant in Mozambique and may seek partners to share the cost. Mozambique awarded Yara a project in January of 2017 to make ammonia and urea from the country's gas output saying the firm could produce up to 1.3 million metric tons of fertilizers annually.

The fertilizer project has seen limited progress so far and has no construction timeframe but discussions on a development program were continuing. Yara CEO Mr. Svein Tore Holsether told Reuters in an interview at a business summit in Oslo. According to Yara's CEO Mr. Svein Tore Holsether the value of the project using the industry benchmarks would be about \$ 2 billion investments." The CEO added that it was too early to say if Yara would develop the project alone.

If developed Yara would be able to use between 80 million and 90 million cubic feet of natural gas per day to produce ammonia and urea. In addition to making fertilisers the site would have a power plant with a capacity of 50 megawatts (MW).

Mozambique wants to reduce fertiliser imports which are now vital for its agricultural industry and replace them with local products made from its natural gas resources. Yara which is seeking acquisitions outside Europe has been considering assets in Africa.

In the meantime the Government of Mozambique is negotiating with Yara due to its delay of project implementation and also shows possibility to launch new tender for the fertilizer license.

GTL

In 2017 a Shell Mozambique BV selected by MIREME to produce 310-330 mmscf/d of GTL (Gas to Liquid). Previously in 2021 the South African state owned oil company PetroSA also discussed with Mozambique to develop GTS plant to feed growing demand for diesel in the country region and in 2014 South African company Sasol and Italian ENI did pre-feasibility study for a large-scale GTL plant in northern Mozambique.

Currently the Government of Mozambique is under communication with the company Shell due to its delay of project implementation, and also shows possibility to launch new tender for the GTL license.

<Value Chain of Natural Gas>

Upstream	Exploration
Midstream	Transformation, Transportation, Storage
Downstream	Re-production (Fertilizer, Petrochemical, Electricity Generation etc)

3 Good & Bad Practice

1. Good Practice

Sasol's Drilling In the Pande Temane Fields

In the early 2000s Sasol drilled and successfully appraised the Pande and Temane fields, proving the commercial viability of gas reserves of around 2.7Tcf equivalent to 25 years' production.¹⁹ At an initial cost of \$1.2 billion, Sasol the South African government and the GoM together signed an agreement in 2000 allowing for the introduction of Mozambique's gas into the South African market.

Project work on the venture began in 2002 and first production and export to South Africa took place in February 2004. With a Total lifespan of 25 years, the project is structured in three eight-year phases. In the first of these (2004–2012) Sasol's production capacity was 120 million gigajoules of gas a year (MGJ/a).

The bulk of the product was exported to South Africa through an 865km pipeline connecting the central processing facility near the Pande and Temane fields to Sasol's facilities at Secunda in South Africa's Mpumalanga Province. The second phase, beginning in early 2012, has a production capacity of 183 MGJ/a most of which will be exported to South Africa. A smaller proportion (27 MGJ/a) will be sold on the Mozambican market and 9 MGJ/a will remain in Mozambique as royalty gas.

Eni's Impressive Rates Of Success

Eni East Africa was awarded an Exploration and Production Concession Contract (EPCC) for Area 4 block in December 2006 (effective from February 1st 2007). The initial exploration area was 17,764 sq. km and the duration of the exploration period was 8 years divided in 3 phases. The seismic operations started in early 2008 with the recording of 2,317 km of 2D lines and 1,040 sq. km of 3D data. The first exploration well, Mamba South 1 was drilled in September 2011 in water depth of 1,580m, resulting in a large gas discovery.

Following the first successful well the exploration/appraisal campaign continued almost without interruption until August 2014. Further discoveries were made in Mamba North (2011), Mamba Northeast (2012), Coral (2012) and Agulha (2013). However, it was the exploration campaign that started in 2011 and ended in 2014 that led to the largest discovery ever made by Eni. Area 4, is estimated to contain more than 85 Tera Cubic Feet (Tcf) of gas (approx. 2,400 billion cubic meters).

During this period 15 wells were drilled with a Rate Of Success (RoS) very close to 100%. Six production tests (DST) were successfully completed and six reservoirs were cored. Seismic acquisition activity continued alongside the exploration drilling with another 2D survey in 2012 (2,184km) and two more 3D campaigns in 2012 (1,864 sq. km) and 2013-2014 (3,060 sq. km).

The Kalila Energy Historic Deal

Back in 2009 Indonesia's PT Kalila Energy Ltd represented locally by Buzi Hydrocarbons bought a 75% stake in the Buzi Block for US\$30 million. At the time the block was owned by Empresa Nacional de Hidrocarbonetos de Moçambique (ENH) that holds to this day 25% stake. Buzi's reserves were estimated at 10-17 billion cubic feet.

ENH's Chief Executive Officer Nelson Ocuane told reporters the investment was for gas prospecting in the Buzi bloc for the next eight years. The plan was to open two wells for prospecting and another two for evaluation in

an area covering 600 kilometres (373 miles).

8 years later in 2017 PT Kalila Energy Ltd sold its 75% stake to Energi Mega Persada for US\$175 million. Energi Mega president director Imam Agustino said the Buzi block was a high value asset with measurable risk. “A number of large multinational companies are actively exploring, appraising and developing their gas discoveries into LNG [Liquefied Natural Gas] projects in Mozambique.

We are happy that our entry to Mozambique is in the early stages of gas development and our partner is the government,” Imam said in a written statement. Nevertheless it's worth mentioning that between 2009 and 2017, 283 billion cubic feet (Bcf) of proved & probable gas reserves was discovered, which naturally increased the value of the stake.

Interestingly enough Kalila Energy Ltd was once owned by Energi Mega Persada. According to Energi Mega’s website, in 2004 the company acquired Kalila Energy Ltd. and Pan Asia Enterprise Ltd., the owners of 100 percent stake in Lapindo Brantas, which has a 50 percent working interest in and is the operator of the Brantas PSC (oil block).

However in 2008, according to the website Energi Mega converted a loan from Minarak Labuan Co. Ltd. into equity in Kalila Energy Limited and Pan Asia Enterprise Limited. Consequently Energi Mega’s stakes in Kalila Energy Limited and Pan Asia Enterprise Limited were diluted to 0.01 percent which basically meant Kalila could act as an independent company.

2. Bad Practice

Statoil And the Quitting Of Exploration Rights In The A5-A Block

In January 2018, Norway’s Statoil quit negotiations to take a 25.5 percent stake in a gas block off Mozambique citing a lack of progress after more than two years of talks. Statoil, Eni, South Africa’s Sasol and Mozambique’s national oil and gas company ENH were awarded the exploration rights in the A5-A block within Mozambique’s Northern Zambezi basin in 2015.

“Statoil has decided to disengage from negotiations on block A5-A in Mozambique. We are not part of this any more, it is up to the other partners to make any moves regarding the stake,” Statoil spokesman Erik Haaland told Reuters on Monday. Allegedly, the reason behind the quitting was lack of progress in the negotiations and an unfavourable business environment.

According to the website, the Norwegian oil company has failed to reach an agreement with the Mozambican government on the conditions for exploration and production of natural gas in Area A5-A, and its interests will be passed on to Italy’s Eni. The block, covering a Total area of 5,145 square kilometers (1,987 square miles), was seen as having “significant hydrocarbon resources”, Eni said in 2015.

Doing Business in Mozambique

III

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III. Doing Business in Mozambique

1 Oil and Gas Regulation

1. Upstream Operations

According to article 98 of the Constitution of Mozambique “the natural resources located in the soil, subsoil, inland waters, territorial sea and continental shelf, as well as in the exclusive economic zone, are the property of the State”. According to the Laws and regulations in force, the state is also responsible for the management and conservation of all assets of public domain, including oil and gas resources.

Private investors can be entitled to exploit these resources, and the oil and gas legislation regulates the forms of access and exploration of petroleum resources by private entities. Pursuant to this legislation, any operation must be previously authorized by the State, through either an administrative authorization or a license. The Government reserves the right to be part of any project implemented to conduct petroleum operations, through State-owned company Empresa Nacional de Hidrocarbonetos, EP (“ENH”).

2. Institutional Dimension

The institutional dimension is intended at describing the entities involved in the oil and gas activities, and their roles. In this context, the following table outline the main entities at governmental level, that intervene in licensing but also oversee the activities

Entity	Role
Council of Ministers	It is the highest governmental body with competence to approve sector legislation and grant concessions, including the approval of the respective contracts.
Ministry of Mineral Resources and Energy (MIREME)	It is the governmental body that in accordance with the principles and objectives set by the Government, steers and monitors the implementation of Government policy in the geological investigation and exploitation of minerals and energy resources, including coal and hydrocarbons and the development and expansion of electricity supply infrastructure, natural gas and petroleum products. It is also responsible for the supervision of the National Institute of Petroleum (INP).
National Institute of Petroleum (INP)	It Is the governmental body that manages and oversees Mozambique’s petroleum resources in its role as a national agency and is the regulatory entity responsible for the administration, promotion and supervision of petroleum activities under the tutelage of the MIREME. INP sets the guidelines for the participation of the public and private sectors in the prospecting and exploration of petroleum products and their derivatives and for the regulation and control of operations and tender procedures while guaranteeing the preservation of public interest and the protection of the environment by ensuring compliance with the applicable requirements set out in the law.
National Oil and Gas Company (ENH)	It is a state owned company responsible for the prospecting, exploration, production and commercialization of petroleum products, representing the Mozambican State in all petroleum operations. Any investor interested in the exploration of petroleum resources in Mozambique shall enter into a partnership with ENH, the exclusive State representative.

3. Legal Framework

The main laws and regulations in force in Mozambique for the sector are;

- a) The Petroleum Law (Law n°. 21/2014, of 18 August 2014) - establishes the general framework applicable to all oil and gas operations in the Republic of Mozambique. It determines the rules for the granting of rights to carry out petroleum operations and applies to petroleum operations and any infrastructure belonging to or held by the holder of rights or third parties and used in connection with oil operations subject to Mozambican law and including mobile infrastructure under a foreign flag located in Mozambique with the purpose of conducting or assisting in petroleum operations in a concession contract area.
- b) The Petroleum Operations Regulations (Decree no. 34/2015, of 31 December 2015) - regulates the Petroleum Law setting out the rules for the awarding of the right to conduct such operations under the Petroleum Law in order to ensure that petroleum operations are performed in a systematic manner and on such terms that allow for comprehensive and co-ordinated supervision.
- c) The Rovuma Basin Decree Law (Special Regime for Natural Gas Liquefaction Projects in Areas 1 and 4 of the Rovuma Basin approved by Decree Law no. 2/2014, of 2 December 2014) - establishes a special legal and contractual framework that applies to concessionaires under existing exploration and production concession contracts (EPCCs) and to any special purpose vehicles (SPVs) established by such concessionaires and any persons entering into contracts with concessionaires or SPVs (contractors, financiers and employees) in connection with activities relating to the development and operation of Offshore Areas 1 or 4 that are undertaken under existing EPCCs or any other contracts with the Government of Mozambique.
- d) The model of the Oil Exploration and Production Concession Agreement of Mozambique approved by Resolution no. 25/2016, of 3 October 2016 - confirms the concession rights related to the exercise of oil exploration development and production activities, granting each concessionaire the exclusive right to conduct operations to produce petroleum within the limits of the area under concession. The Resolution aims to adapt the Contract Model to the current legal framework of the petroleum sector approved by the Petroleum Law and its respective Regulations.
- e) The Petroleum Production Tax Law (Law no. 27/2014, of 23 September 2014) - establishes the specific tax regime for petroleum operations which applies to corporate entities incorporated and registered in Mozambican territory and to national or foreign individuals who carry out petroleum operations under a concession contract.
- f) The Petroleum Production Tax Regulation (Decree no. 32/2015, of 31 December 2015) - sets forth the rules that apply to the calculation and payment of Petroleum Production Tax and special rules that apply to the calculation of income tax for the entities involved in petroleum operations and to benefits in connection with petroleum operations.
- g) The Rules on Import, Export, Distribution, Storage and Transport of Oil Products (Decree no. 45/2012, of 28 December 2012) - establish the legal framework applicable to downstream operations.
- h) The Regulation of Employment of Foreign Citizens in the Petroleum and Mining Sector (Decree no. 63/2011, of 7 December 2011) - establishes the legal regime applicable to the hiring of foreign citizens who intend to work in the petroleum and mining industries.
- i) The Environmental Regulation for Petroleum Operations (Decree no. 56/2010, of 22 November 2010) -sets out the requirements to be complied with in order to perform oil operations. The regulation specifies environmental impact assessment procedures and protection and control measures to prevent environmental disasters.
- j) The Strategy for Concession of Areas for Petroleum Operations (Resolution no. 27/2009, of 8 June 2009) - establishes the legal regime that will guide the concession on the appraisal and production of oil rights

offshore and onshore contributing to the development of the extractive industry in Mozambique.

- k) The Regulation on the Licensing of Petroleum Facilities and Activities (Ministerial Diploma no. 272/2009, of 30 December 2009) - applies to all concessionaires and to any subcontracted company or natural person involved in petroleum operations.

4. Forms of Private Investment for Upstream Operations

The right of private investors to conduct petroleum operations is granted through concession contracts which are generally attributed through a public tender process. Under the terms of article 5 of Petroleum Operations Regulations such rights may also be attributed by simultaneous or direct negotiations in relation to areas that had already been declared available in the following circumstances;

- a) when no concession was granted pursuant to previous public tender
- b) due to rescission, relinquishment and abandonment
- c) due to the need to join adjacent areas to a concession where justified because of technical and economic reasons

Concession Contracts are administrative contracts subject to the supervision of the Administrative Court which includes the need for its previous authorization and the publication of its main clauses in the official gazette “*Boletim da República*”. The Concession Contract sets out the conditions and terms under which the operations can be carried out the duties and rights of each part as well as the duration of the concession and condition for its renewal. The following rights may be conferred under concession contracts;

Reconnaissance

The granting of the right of reconnaissance can be requested upon an application addressed to the Minister who oversees the petroleum sector. The application shall be submitted to the INP and shall contain at least the following information;

- a) The name, address and nationality of the applicant
- b) In the case of a foreign legal entity the identification of its legal representative in Mozambique
- c) A description of the nature of the applicant, including the relationship and identification of the parent company and other subsidiaries place of incorporation and registration identification of the members of the applicant's management place of residence and their nationality
- d) Proof of technical competence, experience and financial capacity to carry out or manage petroleum operations
- e) Identification of the area applied for including geographical coordinates and map
- f) Description of the purpose, nature and planned period of the activities
- g) Technical description of the equipment and the applied methods, vehicles, boats and aircraft to be used a proposed plan of activities

If the application for the attribution of the right is filed on behalf of more than one legal person the information listed in sub-paragraphs a) to d) shall refer to each of the applicants.

◆ Attention Point

Although the law does not provide any obligation for companies to start with reconnaissance activities and therefore apply for exploitation rights due to lack of financial resources of the state owned company acting in the sector in the name of the government companies that currently hold concession contracts started by carrying out reconnaissance activities such as Eni and Anadarko (that assigned its rights to Total).

Exploration and Production

The granting of the right of exploration and production can be requested upon application addressed to the Minister who oversees the petroleum sector. The application must be submitted to the INP and shall contain at least the following information;

- a) The name, address and nationality of the applicant
- b) In the case of a foreign legal entity identification of its legal representative in Mozambique
- c) A description of the nature of the applicant including the relationship and identification of the parent company and other subsidiaries place of incorporation and registration identification of the members of the applicant's management, place of residence and its nationality
- d) If the applicant is an association of legal persons the nature and conditions of such association
- e) The experience of the applicant in the Petroleum Industry in particular in the area of drilling production and transport of petroleum in circumstances similar to those in which intends to carry out activity in the area applied for as well as petroleum production refining and marketing activities including information about the petroleum sales activities of the applicant or its affiliates and other conditions of access to markets
- f) A description of the technical and operational competence of the applicant including its capacities for research development and production
- g) A description of the organization and technical resources that the applicant shall have available in Mozambique as well as elsewhere to carry out the activities in the areas covered by the application
- h) The applicant's financial situation including the value of its share capital shareholder structure and financial documentation including its last three audited annual reports and accounts as well as those of the respective parent company if applicable
- i) The identification of the areas subject to the application including geographic coordinates and map(s)
- j) Information on the geological and geophysical data that support the application, including structural maps of the prospective horizons in the area to be applied for
- k) The work program proposal including the respective chronogram and other proposals
- l) Proposals for each of the negotiable items identified in the proposed concession contract which is the subject of the application
- m) Proposal for the appointment of an operator
- n) The proposal for the State's share

If the application for the award of the right is submitted on behalf of more than one legal entity the information set out in sub-paragraphs a) to h) refers to each of the applicants. These requirements shall not apply to the award of rights of exploration and production of methane associated with coal as this is regulated by specific legislation.

Pipeline Construction and Operation

The granting of the right of construction and operation of pipeline for the transportation of oil or natural gas can be requested upon an application addressed to the Minister who oversees the petroleum sector. The application must be submitted to the INP and shall contain at least the following information

- a) The name, address and nationality of the applicant
- b) If the applicant is a foreign legal entity identification of its legal representative in Mozambique
- c) A description of the nature of the applicant including the relationship with and identification of the parent company and subsidiaries place of incorporation and registration identification of the members of the applicant's management place of residence and respective nationality
- d) Where the applicant is an association of legal persons the nature and conditions of such association
- e) The applicant's financial situation including the value of its share capital shareholding structure financial documentation including its last three audited annual reports and accounts, as well as those of its parent company
- f) The applicant's experience in the oil industry in particular in the activity of transporting oil in circumstances similar to those in which it intends to carry out activity in the area that is the subject of the application
- g) Description of the organization and technical resources that the applicant shall have available in Mozambique as well as elsewhere to carry out the activities in the areas covered by the application
- h) Feasibility study of the Project to be developed in accordance with the concession contract
- i) Environmental pre-feasibility study and a program for carrying out the feasibility study
- j) A proposed oil or gas pipeline development plan
- k) The proposal for the State's participatio
- l) Proposal for financing agreements, attribution of the right of participation, management and use of oil or gas pipeline terms and conditions of transportation and third party access
- m) Any other terms relevant to the requested concession contract
- n) The proposed indication of the operator
- o) Any other additional information that may be required by the Minister overseeing the petroleum sector

If the application for the granting of the right is submitted on behalf of more than one legal entity the information set out in sub-paragraphs a) to g) shall refer to each of the applicants.

Infrastructure Construction and Operation.

The granting of the right of construction and operation of infrastructure for oil or natural gas can be requested upon an application addressed to the Minister who oversees the petroleum sector. The application shall be submitted to the INP and shall contain at least the following information

- a) The name, address and nationality of the applicant
- b) If the applicant is a foreign legal entity, the identification of its legal representative in Mozambique
- c) A description of the nature of the applicant including the relationship with the parent company and the identification of its subsidiaries place of incorporation and registration and the identification, place of residence and nationality of the applicant's directors
- d) Where the applicant is an association of persons, the nature and conditions of such association

- e) A description of the applicant's financial position, including the value of its share capital, shareholding structure and financial documentation, including its three most recent audited annual reports and accounts and those of its parent company
- f) The experience of the applicant and proposed operator in the petroleum industry, in particular in petroleum operations or activity related to the application in circumstances similar to those in which it intends to build or operate petroleum infrastructure, liquefaction, storage and commercialization including information regarding the applicant's or its affiliates' sales activities and other market access conditions
- g) A demonstration of the technical and operational competence of the applicant and the proposed operator, including research and development competence
- h) A description of the organization and technical resources that the applicant will have available in Mozambique
- i) A description of the organization and technical resources that the applicant will have available in Mozambique, as well as elsewhere, to carry out the activities in the areas covered by the application
- j) Environmental pre-feasibility study and program for carrying it out
- k) Proposal of the financing contracts, ownership, management and use of infrastructures, terms and conditions for transportation and third party access
- l) The proposal for the State's participation
- m) Any other relevant terms of the required concession contract
- n) The proposal for the appointment of the operator
- o) Any other additional information that may be required by the Minister overseeing the petroleum sector

Where an application for an allocation of rights is submitted on behalf of more than one legal person, the information set out in sub-paragraphs a) to g) shall refer to each of the applicants.

Direct Investment in Upstream Operations

According to article 44 of Petroleum Law, direct investment, both national and foreign may, solely or jointly, should be done as follow if quantifiable in pecuniary terms;

- a) Value paid in money freely convertible by total or partial acquisition of shares in a company set up in Mozambique or the authorization for petroleum activity in the cases of partial or total transfer as long as the value is paid in a bank registered in Mozambique or in an external authorized account in the terms of the foreign exchange law
- b) Equipment and respective accessories, materials and other imported goods
- c) In the case of national direct investments, infrastructure, facilities and transfer of rights related to the use of land, concessions, licenses and other economic, commercial or technologic nature rights
- d) Transfer, in specific cases and in the terms agreed on and sanctioned by the relevant entities, of the rights of use of patented technology and registered trademarks, in terms to be regulated
- e) Value spent in geologic studies or other activities in the scope to the obligations under the Law

The value of direct investment covers the, duly accounted and confirmed by audit company of recognized independence expenses incurred in operations of prospecting and exploration, treatment, development, processing and other petroleum operations related to the exploration, petroleum production. The State's investment is covered through the valuation of the existing resources and other ways to be defined by the Government.

Tax Regime Applicable to Upstream Operations:

Petroleum Production Tax, Corporation Tax, Value Added Tax

The typical fiscal terms for upstream activities encompass a combination of corporate income tax and royalty-based taxation, in addition to bonus payments training programmes relinquishment funds and other financial obligations set out in the concession contract.

Accordingly concessionaires are generally subject to Petroleum Production Tax (“IPP”) and to the specific rules of Corporate Income Tax (“IRPC”) and the mechanisms of production-sharing with the latter drawing on the traditional concepts of cost petroleum available petroleum, profit petroleum and produced petroleum. A percentage of the income generated by petroleum operations must be allocated to the community in the area where the petroleum operations are undertaken. The percentage payable is established by the State budget law which considers the estimated petroleum production income for the relevant period.

The IPP payment is triggered when the oil or gas is extracted and the applicable tax rates are 10% for crude oil and 6% for natural gas. These rates are reduced by 50% when the production of oil and gas is destined to be used by the local industry (the IPP tax rate then being 5% for crude oil and 3% for natural gas).

In addition the tax regime provides tax stability for ten years subject to an additional payment of 2% of the IPP, effective from the 11th year of production. Entities that are entitled to perform petroleum operations are subject to the following general taxes;

- a) Corporate Income Tax (“IRPC”)
- b) value-added tax (“VAT”)
- c) municipal tax (when applicable)
- d) custom duties (when applicable)

Such entities are also subject to the specific petroleum tax regime, which levies the IPP on oil and gas produced in each concession area. The IPP (which is equivalent to a royalty) is due on the value of the oil and gas produced in Mozambique at the development and production site with the taxable base being the value of petroleum produced determined based on the weighted average prices of sale by the producer and respective contractors in the month to which the tax corresponds. The value of the sale of petroleum obtained by the taxpayer is determined based on the free on-board price or in accordance with equivalent conditions at the delivery point.

The value of petroleum declared on exports relates to each sale agreement and in the case of sales to subsidiaries/affiliates is determined by agreement between the Ministries that oversee the petroleum and finance sectors jointly and the concessionaire. In the case of sales to subsidiaries/affiliates the estimated value for natural gas produced from the gas fields in the contract area relates to each sale agreement and is determined by agreement between the Ministries that oversee the petroleum and finance sectors jointly and the concessionaire.

The IPP becomes payable when the petroleum produced enters the measuring station as defined in the concession contract. It is generally paid in cash and may be paid partially or fully in kind at the option of the Government. The standard IRPC rate is 32% applicable to companies and similar corporate entities (petroleum operators included) for income generated in Mozambique and abroad (worldwide income).

All capital gains arising from the direct or indirect transfer of petroleum rights between non-resident entities with or without permanent establishment in Mozambique are taxed at 32%. This capital gains tax is due from the seller or transferor but the purchaser and the Mozambican entity holding the petroleum rights have several and joint liability for the payment of the tax. This provision mainly entails that gains resulting from the direct or indirect transfer between non-resident entities of shares or other participating interests or rights involving assets located in the Mozambican territory whether for a consideration or not are income obtained in Mozambique irrespective of the place where

the transfer occurs.

Exploration costs are a cost in the financial year in which they are incurred subject to special provisions in concession contracts. Provisions created by companies involved in the petroleum-extraction industry relating to the reconstruction of wells can be deducted for tax purposes in addition to those provisions designed for the recovery of the landscape and environment of the exploration site after the conclusion of the work being undertaken. Exemption from custom duties for a period of five fiscal years (from the date of approval of the development plan) is provided for in the law on the importing of capital goods to be used in petroleum operations.

Costs incurred by the concessionaire on petroleum operations excluding interest and other financial costs are recovered from 60% of the annual available petroleum the portion exceeding this limit is transferred to the following years. The Profit of oil is shared between the Government and the concessionaire according to a variable scale the result of which is obtained through a mathematical formula. A withholding flat tax rate of 10% applies on the payment of services related to concession agreements undertaken by non-resident entities.

Ring-fencing rules set forth that the IRPC of entities undertaking petroleum operations under a concession agreement should as a rule be calculated individually for every concession area (costs and income should also be determined separately in relation to each area) and each concession agreement area must have its own taxpayer number ("NUIT").

Local Content Requirements for Upstream Operations

The Mozambican legislation does not contain a definition of "local content" however the draft law not yet approved puts forward a proposed definition in which "local content" is defined as the "value added created in the Mozambican economy through the use of local labour domestic capacity building actions relevant to the supply of material goods and services by Mozambican individuals or companies majority owned by Mozambicans, technology transfer productive linkages and development of local industry.

Notwithstanding this private investors carrying out petroleum upstream operations must comply with several local content requirements set in the Laws and Regulations in force.

According to the general oil and gas legal framework holders of oil and gas titles and exploitation rights (upstream or downstream) must give preference to local products and services whenever these are comparable to foreign products and services in terms of quality standards and whenever the local products and services offered by Mozambican individuals or entities do not exceed the price of imported goods by more than 10% (including taxes).

Also foreign companies wishing to provide services and goods to oil and gas title holders must have an association with Mozambican natural or legal entities to be able to do any business. This means that Mozambican companies must always be included in the projects as providers of services or products whether directly or through an association with foreign entities.

As for the employment of foreign employees it is important to reiterate that the basic principle is that Mozambican employees must be hired preferably. Training programs must be put in place by the operators to develop the local workforce.

In relation to reinsurance or captive insurance relating to petroleum operations construction or facilities the concessionaires shall give preference to Mozambican insurance companies if the insurance available locally is comparable to international standards and the prices do not exceed the price of comparable insurance coverage by more than 10% from international markets, inclusive of taxes and related fees.

Besides promoting the Mozambican business community in the oil and gas sector the Government should ensure that no less than 25% of the oil and gas produced in the national territory is destined for the national market and should regulate the acquisition, price and other matters integral to the use of the aforementioned oil and gas quota. In relation to the regime applicable specifically to the Rovuma Basin, it is important to identify the following local

content requirements;

- a) The concessionaires and specific purpose entities (“SPEs”) shall individually draw up a local content plan for each Rovuma Basin Enterprise which shall be approved by the Government.
- b) The acquisition of goods and services shall be carried out in conformity with the State’s objective of giving preference to national companies with such companies being held by Mozambican citizens or legal entities and/or owned by Mozambican citizens or Mozambican legal entities in partnership with foreign companies in order to facilitate the gradual transfer of operational capacity and empower the local economic private sector
- c) Each local content plan shall establish the participation of singular or legal Mozambican entities and of Mozambican citizens in the supply of goods and services intended for a particular Rovuma Basin Enterprise which shall be updated every three years so that it can be readjusted to the growth of the Mozambican petroleum and gas industry

In recent years, a draft law on local content has been under discussion and the proposal containing the results of the technical work and public hearings is for approval by the Council of Ministers and subsequent approval by the Parliament.

The draft law presents the following guiding principles;

The acquisition of goods and contracting of services shall observe the following principles;

- a) Preference for goods and services produced using national production factors
- b) Promotion of the participation of national individuals and companies in the supply of goods and services
- a) Promotion of investment in capacity building for Mozambican companies and citizens
- a) Promotion of the establishment of strategic business partnerships between domestic and foreign suppliers
- c) Transparency in the procurement of goods and services
- d) Development of national capacity through technology transfer and training

The draft law states that goods with national content are those produced with a percentage of not less than 10% of incorporation of national production factors. The draft law provides for the obligation of the undertaking or large-scale project to reserve contracts for certain goods and services to be acquired and contracted in national territory.

Regarding the participation of Mozambicans in large-scale projects, including natural gas exploitation, the proposal states that enterprises must reserve 15% of their share capital, via the Stock Exchange for sale to Mozambican individuals and public or private Mozambican legal entities.

◆ **Bad Practice**

In Mozambique it is not allowed to have trustee and nominee shareholders in the companies. However foreign investors resort to these solutions that are from Anglo-Saxon jurisdiction.

As a way to overcome this limitation foreign investors use to hire Mozambicans that may be listed in the by-laws as partners and place in the by-laws unlawful provisions in which the Mozambican partners waive their rights in the company. By doing this they are making it clear that the local content requirements are not met.

◆ **Good Practices**

As referred above foreign companies wishing to provide services and supply goods to oil and gas companies

must have an association with Mozambican natural or legal entities. It is important to clarify that for this case are considered as Mozambican legal entities those whose share capital is majority owned by Mozambicans.

Due to the lack of experience of Mozambicans individuals and companies and lack of financial capacity it is usually difficult to find partners that are technically and financially capable to provide services and supply goods. Thus many foreign entities resort to different commercial associations such as chambers of commerce as these association can help in identifying these partners.

It Is also important to note that in Mozambique the Laws do not allow trustees or nominee shareholders the shareholders cannot waive their rights such as the right to vote in general assembly or to share in profits.

There are other alternatives that can be taken into account but must be thoroughly analyzed as the commercial code has some complex provisions.

5. Forms of Private Investments for Mid and Downstream |Operations

The activities and facilities related to the receipt and transport by pipeline of crude oil or other raw materials used in the production of petroleum products as well as the storage and transport of crude oil, including local production, except with regard to the attribution of rights for petroleum operations under the terms of the applicable legislation in the geographical areas covered by such rights are set out under the Rules on Import, Export, Distribution, Storage and Transport of Oil Products.

Liquefied petroleum gases (LPG), car fuels, aviation and illumination fuels and fuel oils are imported by a single private entity, Importadora Moçambicana de Petróleos, Limitada (IMOPETRO), which is the designated Liquid Fuels Purchases Operator. The acquisition of fuel products using governmental credits or donations is also carried out through IMOPETRO with certain exceptions. The potential suppliers are chosen through international public tender.

The national retail oil company – Petróleos de Moçambique, S.A. (PETROMOC) – holds 51% of the share capital of IMOPETRO. IMOPETRO is supervised by the Commission for the Purchase of Liquid Fuels (CACL) an entity established with the purpose of ensuring transparency and competitiveness in the processes of purchasing liquid fuels and any petroleum products, using government donations or credits.

Where private investment is allowed the following rights (under a license) may be granted to private investors;

- a) distribution
- b) retail
- c) exploration of oil pipelines
- d) exploration of unloading terminals

The licenses are generally granted by the Minister who oversees the energy sector. However licenses for retail activities in a petrol station are granted by the Provincial Directorates (*Direcções Provinciais*) responsible for the energy sector (except for the storage or supply of compressed natural gas or when located within national roads' protection areas which are within the authority of the Minister who oversees the petroleum sector) and licenses for retail activities in resale stations are granted by the municipality or district government in the respective areas of jurisdiction.

For Downstream licenses please refer to below chapter

☞ Licenses for upstream, mid and downstream: types, requirements and transfer of interests

In terms of recent developments the Afungi Gas to Liquids (GTL) project serves as downstream development that

will enhance Mozambique's ability to generate energy exports to regional and global players. Led by supermajor Shell, the project plans to extract natural gas from the Rovuma basin to produce 38,000 barrels per day of liquid fuels, including GTL, diesel, naphtha and kerosene, along with 50MW to 80MW of electricity. Shell is targeting a final investment decision in 2021, with a four-year construction period.

Tax Regime Applicable to Downstream Operations: Petroleum Production Tax, Corporation Tax, Value Added Tax.

Please refer to below chapter

☞ Local Content requirements for upstream operations

Licenses for Upstream, Mid and Downstream: Types, Requirements, and Transfer of Interests

Companies carrying out petroleum operations (either mid, upstream or downstream) need to obtain the relevant licenses for the activity which may include one (or more) of the following (without prejudice to others tha Tax Regime applicable to Downstream operations: Petroleum Production Tax, Corporation Tax, Value Added Tax.

Please refer to below chapter

☞ Local Content requirements for upstream operations

Licenses for upstream, mid and downstream: types, requirements, and transfer of interests may be necessary and are not listed below;

- a) Production license
- b) Storage license at distribution terminals
- c) Storage license at central storage facilities
- d) Distribution license
- e) Retail license at central storage facilities
- f) Retail storage license at central storage facilities
- g) Retail license at petrol stations
- h) Retail license for resale stations
- i) Pipeline operating license
- j) Export license
- k) License to operate an unloading terminal

For the licensing process, the following principles are applied;

- a) An entity licensed may hold one or more licenses, if this does not condition the development of competitive markets for petroleum products in accordance with the activities which intends to carry on
- b) Entities holding a distribution license may engage in storage activities
- c) In cases where the central storage facility is operated by a distributor, the issue of a retail license for central storage facilities is waived
- d) The entities holding a production license may exercise the activity of export without an export license
- e) The entities holding the distribution license may exercise the retail activity only in the following cases
- f) In the case of Liquefied Petroleum Gases and Compressed Natural Gas

g) For the operation of a single filling station fuels for training purposes in each of the provinces of the country
The license application shall be addressed to the Minister who oversees the petroleum sector accompanied by the following documents;

- a) Certified copy of the identification document, in the case of a natural person and, in the case of a foreign citizen a residence or work permit and proof of residence in national territory
- b) A Commercial Certificate copy of the articles of association published in the Official Gazette “*Boletim da República*” and proof of domicile in national territory, if the applicant is a legal person
- c) Criminal record certificate, in the case of a natural person
- d) Other information relevant to the licensing process.

In addition to the elements referred above the application for a license for storage at distribution terminals and central storage facilities and for the operation of an offloading terminal or pipeline shall include a description of the tariffs and prices to be applied for each of the services to be rendered at the respective facility.

The application for the production license shall include;

- a) The description of the production process
- b) The description of the products and respective capacities
- c) The sketch of the location

The application for an export license shall include;

- a) Contract for the acquisition of the oil products produced on the local market for entities that do not hold a production license
- b) Designation of the products to be exported
- c) The certificate and registration of the tanker or other means of transport
- d) In cases where the tank truck or means of transport is not registered within national territory the certificate and registration of origin or equivalent document must be submitted
- e) The contract for the use of the pipeline or similar document, if the product is transported by pipeline to the country of destination
- f) A description of the petroleum products to be exported, including their technical specifications

The application for a license for the exercise of the distribution activity shall include;

- a) A list of the petroleum facilities which the applicant intends to use for each of the petroleum products, including facilities shared with other distributors, detailing: the location; the capacity; the ownership of the facility; the identification of the distributors sharing the same facilities, if applicable; The presentation of an investment plan for storage and retail infrastructures, for the period corresponding to at least 5 years of the license application date.
- b) Other documents, namely;
 - Proof of ownership and registration of the storage facility for the different petroleum products that intends to distribute and for the purposes of constituting permanent reserves on national territory, provided that such storage has a minimum capacity of 10,000 cubic meters and is located in one of the four existing ocean terminals
 - A storage contract signed with the owner of the respective tanks or warehouses, when these do not belong

to the applicant, valid for at least 24 months

- The storage contract referred to in the previous point must have a capacity of at least 10,000 cubic meters, associated with at least one ocean terminal, except in the case of licenses for the distribution of liquefied petroleum gas only, where the minimum capacity must be 100 cubic meters
- Endorsement letter from a national bank, which accepts the issuing of bank guarantees for a minimum annual capacity, in meticaís equivalent to \$10,000,000.00 (ten million USD)
- An organizational structure adequate for the exercise of the fuel distribution activity
- Demonstration of capacity to issue insurance for the fuel distribution activity

◆ **Attention Point**

The Licenses remain valid as long as;

- a) The holder complies with the conditions of the license
- b) The licensed activity continues to be exercised by the holder
- c) The activity subject to any license should start within a period not exceeding two years from the date of issue of the respective license under penalty of forfeiture

Transfer of Licenses

The Licenses, except distribution licenses are transferable upon written authorization by the licensing authority. Thus the license's holder must submit an application detailing the transaction. The following documents are usually required;

- a) Copy of the license
- b) Identification document of the assignee and assignor
- c) Draft of the contract with the terms and conditions of the transaction
- d) The proof of experience of the assignee
- e) Proof of financial capacity to carry on the activities

◆ **Attention Point**

- It is important to consider that the transfer of interest usually imply payments. Therefore some taxes such as value added tax and stamp duty may be triggered.
- If the transaction is between foreign investors or if the assignor is a foreign investor then will be subject to foreign exchange control. Hence for any registration or transfer of money a proof of compliance with tax obligation will be required.
- In any case it is also important to verify if one of the parties is from a country with double taxation agreement with Mozambique since the provisions of these agreements prevail over the national laws.

6. Special Regime for Hiring Foreign Employees in Oil and Gas Operation

The hiring of foreign employees for the oil and gas sector follows the same principles and rules described in Chapter 6.7 referring to the hiring of foreign employees in general. However in some regimes it presents some specificity and we can highlight the following;

- a) In the quota regime - the presentation of the nominal list and of the educational qualification certificates is not required. On the other hand, the conformity of the communication is verified at the moment of submission of application. The respective certificate is immediately issued.
- b) In the regime of investment projects approved by the Government - an opinion is required from the entity that oversees the petroleum and mining sector about the relevance or not of hiring the foreign employee.
- c) In the short-term regime - is considered a period of permanency of the employee during 180 consecutive or interpolated days in the same year.
- d) In the authorization regime (outside quota) - an opinion is required from the entity that oversees the petroleum and mining sector about the relevance or not of hiring the foreign employee.
- e) The submission of the application can be done through a digital platform that is exclusive for companies operating in the Rovuma Basin. The companies willing to have access to this platform must apply before the Ministry of Labour accompanied by the commercial certificate business license and a proof that is a concessionaire or subcontractor operating in the Rovuma Basin.

A thorough analysis of this regime is carried in the chapter related to hiring of foreign employees.

7. Environmental, Health and Safety : Main Obligation and Requirements

The principal environmental laws governing upstream and downstream operations are as follows;

- a) The Environment Law (Law no. 20/97, of 7 October) - establishes the basic legal framework for the correct use and management of the environment and its components to ensure a balanced development. The law foresees the creation of environmental protected zones where any activity seen as having a negative impact on the environment must be subject to special licenses;
- b) The Environmental Impact Evaluation Regulation (Decree no. 45/2004, of 29 September, as amended by Decree 42/2008, of November 4) - regulates environmental licensing procedures, providing a classification of the activities that are subject to an environmental impact assessment and the related specific requirements. It also creates a registry for environmental consultants
- c) The Environmental Regulations for Petroleum Operations (Decree no.56/2010, of 22 November) - establishes the requirements applicable to oil operations. In particular, they specify the environment impact procedures and the protection and control measures to prevent environmental disasters
- d) The Petroleum Law (Law no. 21/2014, of 18 August)
- e) The Petroleum Operations Regulations (Decree no. 34/2015, of 31 December)
- f) The Regulation on the Environmental Quality and Effluents Release Standards (Decree no. 18/2004, of 2 June, as amended by Decree 67/2010, of 31 December) - aims to establish the standards for environmental quality and effluents release to ensure the effective control and maintenance of the admissible standards for the concentration of polluting substances on the environmental components
- g) The Regulation on the Licensing of Petroleum Installations and Activities (Ministerial Diploma no. 272/2009, of 30 December).

Environmental impact assessments including impact reduction measures shall be carried out in all areas that may be affected before commencing a major petroleum project. In addition all environmental aspects influenced by the petroleum operations shall be recorded in a registry to be maintained during all phases. For purposes of the categorization of petroleum operations activities are classified as follows;

- a) Category A – activities subject to an environmental impact study (EIS), including oil, gas or mineral pipelines and submarine cables more than 5 km long
- b) Category B – activities subject to a simplified environmental study (SES)
- c) Category C – activities subject to compliance with the standards of good environmental management

As a rule any activity that may affect the environment is subject to evaluation of the potential impact through an EIS to determine its environmental feasibility and concludes with the issuance of an Environmental License. Activities in areas and ecosystems meriting special protection under national or international law, such as coral reefs are specifically classified as Category A activities under the environmental legislation, and therefore require a full EIS and the issuance of an Environmental License as a prerequisite for the issuance of any other license or permit that may be legally required.

The EIS initiates with the submission of an application to the Ministry for Coordination of Environmental Affairs (or the Provincial Delegation) and follows various stages including a pre-assessment, drafting of terms of reference a public consultation process and an environmental impact report. In accordance with maritime legislation the Minister who oversees the petroleum sector may introduce other requirements related to the performance of petroleum activities by floating facilities or by vessels independent of whether they are registered in Mozambique or in a foreign state.

The holder of rights under the Petroleum Law shall act in petroleum operations in a safe and efficient manner with the aim of ensuring that the polluted waters and waste materials are disposed of in accordance with approved methods and ensuring the safe closure and decommission of all holes and wells before abandonment.

National and International Procurement

The contracting of service providers and suppliers of goods can be done at the national level as well as through an international tender depending on the goods and services that the concessionaires wish to acquire. Although concessionaires have as one of their duties the support of the national market which is implicit in the various rules regarding local content for many situations they still resort to international tenders since a considerable part of the contracts focus on highly specialized goods and technical services which currently cannot be offered by national companies. The rules of international bidding are published along with the tender announcement varying according to the type of goods or services required and the contracting entity.

Nevertheless there are some rules that are common practice such as (a) the requirement of years of experience, (b) the proof of financial capacity and the provision of bank guarantees, (c) proof of company registration in the country of origin and (d) credentials. However direct award has still been used very frequently, which implies the contracting of leading companies in the international market without there having been an international tender.

Apart from these cases and given the impositions of local content foreseen in the legal framework of the oil and gas sector the concessionaires as well as their contractors should whenever possible resort to hiring local companies. To be eligible companies must;

- a) Be registered on the respective supplier platform for a given project
- b) Go through the qualification process and
- c) Be qualified (able to supply goods and services)

◆ Good Practices

- The concessionaires have a registration platform where companies wishing to provide services or supply goods must register.
- For some companies the registration platform also notifies in case of tenders.

- On this platform, companies are required to fill in information related to the type of services that intend to provide or goods to supply, and also to detail whether or not the local content requirements are met.
- Both national and international tenders are usually published in the most widely read newspaper, and it is important to sign up in some of this newspaper (such as jornal notícias online) since the websites are not always updated.
- For national tenders is usually a requirement to prove that the company has no tax and social security debts. For this purpose, the companies must submit clearance certificates issued by the tax authorities and Social Security Institute. It is important to always have this certificate which implies to apply each 3 months since the authorities take time to issue which may cause companies to miss the submission deadline.

2

Main Legal Forms Of Commercial Establishment

1. Types Of Investment Vehicles – Branch vs Subsidiary

Foreign companies wishing to carry out activities in Mozambique for a period longer than one (1) year are not allowed to do so as non-resident entities being required to register for commercial purposes by either (A) setting up a branch or (B) incorporating a local company (subsidiary). In general there is little operating difference between a branch and a subsidiary. The branch of a foreign company has full legal capacity to enter into business contracts hire employees and is subject to Mozambican law as if it were a company incorporated locally. Except for the differences in terms of internal structure and organization a branch operates much like a local company in its dealings with third parties.

From a legal standpoint the main difference arises from the liability of a subsidiary compared to the one of a branch. The incorporation of a subsidiary typically provides its shareholders with a more effective “fence” against potential liabilities arising from the business activity carried out by the vehicle as Mozambican commercial companies are deemed separate legal entities from its parent companies in addition to being limited liability companies.

The real differentiating factor lies in the tax efficiency of repatriation of profits. Whilst the payment of dividends from a local subsidiary to its foreign parent company is in general subject to a 20% Corporate Income Tax withholding - unless a Double Taxation Treaty (DDT) applies, no tax is due on the allocation of profits by the branch to its head office (technically it is deemed a transfer of funds within the same legal entity).

To sum up, there are nine main features which we believe should be weighed-in when choosing between the two types of vehicles;

- a) A subsidiary is a separate legal entity from the foreign parent company which sets it up while a branch is not this has a direct impact on the liability of the shareholders of a subsidiary, which is limited to the company's share capital while a foreign parent company is fully responsible for the liabilities arising from the branch activities
- b) Under certain circumstances, the fact that a branch is regulated by the personal law of the parent company could prove more advantageous from an operational perspective
- c) The registration of a branch may be a more cumbersome and expensive procedure; also all corporate documents relating to the branch (e.g. minutes of shareholders' meetings, board resolutions and powers of attorney) shall be issued at a parent company level and subsequently translated and legalized in the relevant Consulate / Ministry

of Foreign Affairs (as applicable) so as to be valid in Mozambique

- d) Even though the actual costs of registering a branch are broadly similar to those of incorporating a local subsidiary however is less time-consuming to incorporate a subsidiary than to register a branch
- e) It is becoming more difficult for branches to obtain permits and licenses from local authorities – e.g) for instance in relation to the hiring of expats or import licenses
- f) While a local company requires the association of two or three shareholders (depending on the type of subsidiary elected) in the case of a branch it is only necessary to appoint a Mozambique-resident representative to act as branch manager
- g) The Branch Manager shall be a Mozambican resident whereas the holders of corporate offices in the subsidiary are not required to reside in the country (neither are required to be Mozambican nationals other than for operation reasons)
- h) A subsidiary may be afforded more flexibility when it comes to funding and repatriation of funds
- i) Finally to participate in public tenders it is generally required financial statements of the last three years and attested experience and as a subsidiary is not possible in the firsts years but as a branch is possible

It is also worth noting that the choice between a branch of a foreign entity and a subsidiary may also be influenced by commercial / political reasons. The incorporation of a local legal entity is perceived as a stronger and more lasting presence and commitment to the country than a branch.

There are two main types of local companies (subsidiaries) in Mozambique;

- a) Joint Stock Corporation (*Sociedade Anónima de Responsabilidade Limitada* –SA)
- b) Private Limited Liability Company by Quotas (*Sociedades por Quotas* – LDA)

In practice LDA's are the most widely used type of company. It is a convenient form of organization for small and/or closely held enterprises due to its less complex administrative and supervisory structure. Differently a SA has a more complex administrative and supervisory structure.

It is an appropriate form of organization for large and widely held enterprises. Typically a SA is an attractive structure when a large number of shareholders are involved or otherwise it is important from the standpoint of marketing to clients to show a more robust form of company.

Another reason to opt for a SA is the ability to hide the identity of the shareholders through the issuance of bearer shares. This is not possible in a LDA as the names of the shareholders are subject to public record in the relevant Articles of Association and in the Legal Entities Registry Office. From a tax standpoint, there are no substantial differences between the two types of company.

◆ **Good Practices / Attention Points**

- Companies willing to operate in the oil and gas industry can either incorporate a subsidiary in Mozambique or register a branch in Mozambique.
- The concessionaires like Eni, Exxon Mobil incorporated a subsidiary in Mozambique but some subcontractors for instance Daewoo, have opted to register branches.
- In both cases there are pros and cons that must be evaluated carefully. For the companies that want to engage as service providers or suppliers for the subcontractors or concessionaire companies it is usually advisable to incorporate a subsidiary since there are local content requirements that must be met. Companies may resort to establish branches in case of international procurement process since it is usually required a strong technical and financial capacity that can only be attested through the record and profile of the mother company.

2. Types Of Companies

Companies willing to incorporate a subsidiary in Mozambique may choose one of the corporate forms allowed and comply with the incorporation requirements set out in the Commercial Code. There are two groups of companies in Mozambique the limited liability companies and unlimited liability companies.

Limited Liability Companies are those in which the shareholders or quota holders are responsible for their shares/quotas and jointly responsible for the entire share capital with other partners. However for the companies' liabilities only the companies' assets are liable.

In the Unlimited Liability Companies the partners are responsible without any limits for the companies' liabilities i.e, if the companies' assets are not enough to meet the companies' liabilities the partners are obliged to resort to their personal assets.

Limited Liability Companies

Under the Commercial Code, there three types of limited liability companies namely: Business and Industry Company, Joint Stock Company and Limited Liability Companies.

Business and Industry Companies

Under the terms of article 218 of the Commercial Code, the Business and Industry Company is characterized by:

- having partners who contribute to the formation of capital by means of money, credit or other material assets and who limit their liability to the value of the contribution with which they underwrote the share capital "equity partners"
- by having partners who do not contribute to the capital as such but who only join in the company with their labour and who are exempt from any liability for company debts "working partners".

In the incorporation of a Business and Industry Company, the following rules must be observed;

- The equity partners shall underwrite the entire capital stock in fixed amounts and without the subsequent division into shares.
- The by-laws shall contain the specification of the obligations of the working partner or partners and the percentage accruing to working partners in company profits.
- The direction of the company belongs to one or more capital partners.
- The working partners will hold the position of director provided they pay a guarantee previously determined in the by-laws and unless the by-laws determine otherwise. The guarantee shall be equal to the value of the capital underwritten by the equity partners and it will be used exclusively for liabilities for any mismanagement committed.
- Unless the by-laws allow the working partners are forbidden to engage in any commercial operation off-target of the company under penalty of being deprived of profits and excluded from the company.
- The working partner participates in company profits in the percentage of the profits stipulated in the by-laws and if it is not stipulated it is assumed that the partner's participation in the profits will be equal to the equity partner with the smallest participation in the company' share capital.

Joint Stock Company vs Limited Liability Company

There are two main types of companies in Mozambique;

A) Joint Stock Corporation (*Sociedade Anónima de Responsabilidade Limitada –SA*)

B) Private Limited Liability Company by Quotas (*Sociedades por Quotas – LDA*)

Since most of the companies are incorporated under one of these types usually investors are keen to understand what the main similarities and differences are to decide which one is suitable for their purposes and capacities. Hence to ease the perceptions about the main characteristics the following table will highlight the main aspects that characterize each type. The same structure will also be used for unlimited liability companies.

Joint Stock Company (SA)	Limited Liability Company by Quotas(LDA)
A SA company is a limited liability company typically tailored for large investments. It is typically created in situations involving a significant number of shareholders since it has a more complex structure.	A LDA company is a limited liability company normally adopted for medium-sized and small-sized investments. It is often chosen for its simple structure.
Number of Members	
Minimum of 3 shareholders unless where the State directly or through a State-owned company or other similar entity, is a shareholder to the vehicle.	Minimum of 2 and maximum of 30 quotaholders. Under certain circumstances it is also possible to incorporate a single-member quota company (“Sociedade por Quotas Unipessoal”).
Share Capital – amount and ownership	
<p>There are currently no minimum share capital requirements in Mozambique. The Commercial Code merely states that the capital of a company (whether SA or LDA) shall be in such an amount as is fit to pursue the company’s business purpose.</p> <p>From a corporate standpoint there are no local rules currently in place requiring that companies reserve a certain percentage of their shareholdings to local partners. Nonetheless, certain regulations may set out specific rules on share ownership in connection with specific business sectors. This is the case of the Petroleum Law, which sets forth that the State shall have the right to participate in any petroleum operations being pursued by any legal entity.</p> <p>In addition, the recent Law on Public Private Partnerships, Large Scale Projects and Entrepreneurial Concessions also sets forth that Concessionaires shall offer the State (or other public entity it nominates) a given percentage of the participating interest in the project. As a rule, the State participation shall be provided in the relevant contract and may occur at any stage of the activities.</p> <p>Please note however that this law only started being implemented very recently and there is no consistent practice associated with the same.</p>	
<p>The share capital may be represented by bearer or nominative and/or ordinary or preferred shares. Preferred shares confer the right to a priority dividend and may also confer voting rights.</p> <p>Capital contributions may be in cash or in kind. At least 25% of the share capital must be paid up on the date of the company's incorporation. The remainder may be paid within a maximum period of 5 years. As a rule,</p>	<p>The share capital is represented by quotas, which are an immaterial form of equity representation. Thus, quotas are not materialized in titles, but otherwise correspond to undivided percentages of the company capital allocated to its quotaholders.</p> <p>Capital contributions may be in cash or in kind. At least 50% of nominal value of quotas in cash must be paid up on the date of incorporation. The remainder may The</p>

Joint Stock Company (SA)	Limited Liability Company by Quotas(LDA)
<p>the existing shareholders have a right of first refusal in any increase of share capital pro rata to the percentage of shares they hold therein.</p>	<p>share capital is represented by quotas, which are an immaterial form of equity representation. Thus, quotas are not materialized in titles, but otherwise correspond to undivided percentages of the company capital allocated to its quotaholders.</p> <p>Capital contributions may be in cash or in kind. At least 50% of nominal value of quotas in cash must be paid up on the date of incorporation. The remainder may be paid within a maximum period of 3 years.</p> <p>As a rule, the existing quotaholders have a right of first refusal on any increase of the share capital which may be limited or excluded by decision of the general assembly.</p>
Shareholders Loans and Other Capital Contributions	
<p>Pursuant to the Mozambican Commercial Code, the available methods of contributing capital to a Mozambican company other than the share capital are as follows;</p> <p>Shareholders loans: An agreement entered into between a quotaholder/shareholder and the company pursuant to which the quotaholder/shareholder (i) loans to the company either cash or another fungible asset or (ii) agrees to the late payment of a credit held over the company, in both cases for a minimum period of 1 year.</p> <p>Accessory Contributions: The Articles of Association may require all or some of the quotaholders/shareholders to provide accessory contributions to the company, in addition to their contributions to the share capital. The accessory contributions may be remunerated or free of charge.</p> <p>Supplementary Capital Contributions: Whenever the Articles of Association expressly foresees this kind of capital contribution, the quotaholders may resolve on making the supplementary contributions. Supplementary contributions (i) shall be provided in cash, (ii) do not bear interest, (iii) do not form part of the company's share capital, (iv) nor grant the corresponding right to participate in profits.</p>	
<p>Shareholders Loans and Accessory Contributions are admitted. Otherwise, Supplementary Capital Contributions do not expressly apply to SA companies.</p>	<p>Any of the foregoing capital contributions are admitted as regards LDA companies.</p>
Dividends	
<p>Unless the Articles of Association state otherwise, the rights and obligations of each shareholder, including the rights to dividends, are equivalent to the percentage of the share capital represented by its shares.</p> <p>SA companies are required to incorporate a legal reserve corresponding to 20% of the share capital. A sum representing no less than 5% of the annual net profits of the company must be allocated to the creation or reinstatement of a legal reserve, until such reserve reaches the aforementioned legal minimum threshold.</p> <p>Shareholders are entitled to receive, as mandatory dividends, in each financial year, the parcel of profits set forth in the Articles of Association or, if same are silent</p>	<p>Unless the Articles of Association state otherwise, the rights and obligations of each member, including the rights to dividends, are equivalent to the percentage of the share capital represented by its quota.</p> <p>LDA companies are required to incorporate a legal reserve corresponding to 20% of the share capital. A sum representing no less than 20% of the annual net profits of the company must be allocated to the creation or reinstatement of a legal reserve, until such reserve reaches the aforementioned legal minimum threshold. Scholars's diverge on the possibility of the Articles of Association of a LDA company allowing for interim profit distributions.</p>

Joint Stock Company (SA)	Limited Liability Company by Quotas(LDA)
<p>on this matter, the shareholders are entitled to 25% of the year's net profit, after having deducted the mandatory contribution to the legal reserve.</p> <p>Articles of Association may allow for interim profit payments to shareholders during the financial year on account of future dividends.</p>	
Transfer of Equity Interests	
<p>As a rule, the transfer of shares is free, unless otherwise provided for in the Articles of Association.</p>	<p>The company (in the first instance) and the quota holders (in the event the company opts not to exercise the same) hold a right of first refusal in the transfer of quotas inter vivos.</p>
General Assembly	
<p>In both LDA and SA companies, the General Assembly includes all the quotaholders/ shareholders of the company, who are allowed to attend and discuss the matters put to discussion in the meetings, even when they are not allowed to vote. As a rule, the meetings are conducted by a Chairman and a Secretary, who may be selected amongst the quotaholders/shareholders. Meetings may take place at the company's registered office or at a different location within Mozambique.</p> <p>Written resolutions by the quotaholders/shareholders are permitted provided that the same are signed by all of the quotaholders/shareholders. Minutes may be drawn up as loose minutes, in which case the signatures of those signing the same will have to be notarised. An entry should be made in the minutes book as to the existence of the loose minutes and insofar as possible a transcription of the relevant text should be made into the minutes book.</p> <p>An ordinary meeting of the General Assembly must be held once a year by no later than 31 March to resolve (i) the company's annual accounts and directors' report, (ii) allocation of the year's result and (iii) appointment of the directors and Audit Body (if applicable). Extraordinary meetings may be held whenever called. At any time, the Board, the Audit Body and the quotaholders/shareholders representing at least 10% of the company's share capital may request the Chairman to convene an extraordinary meeting. Failure by the Chairman to do so allows the applicants to convene the meeting at their own initiative.</p> <p>The quotaholders/shareholders are entitled to obtain information on the company, notably to (i) examine the books of the company, (ii) check the attendance records, (iii) examine any other legal or statutory documents relating to the matters included in the agenda, and (iv) obtain copies of the resolutions. Furthermore, the quotaholders/shareholders are allowed to submit a written request to the Board in respect of any issue relating to the management of the company – however, the Articles of Association may require a minimum shareholding (up to 5%) in order to submit such a request.</p>	
Management	
<p>There are no restrictions regarding the nationality of directors. The law does not require that the directors of a company to be Mozambican residents either. However, from an operating standpoint it is always advisable that at least one director resides in Mozambique. Any person can be appointed director, whether or not he/she is a member of the company.</p> <p>As a rule, and unless otherwise stated in the Articles of Association, the appointment to the office of directors is subject to a renewable 4-year term.</p>	

Joint Stock Company (SA)	Limited Liability Company by Quotas(LDA)
<p>The board of directors must be composed of an odd number of directors. In the event of the company having a share capital lower than MT 500,000.00, the company may be managed by a sole director.</p> <p>The Articles of Association may determine the appointment of up to 3 stand-by members. The chairman of the board of directors is appointed either by the board of directors or in a meeting of the general assembly of shareholders, as provided in the Articles of Association. The Articles of Association may award the chairman a casting vote.</p>	<p>The Company may be managed by 1 or more directors, who are not required to be organized as a board of directors.</p>
Auditing Body	
<p>The company may entrust the auditing of the company to a sole auditor, to an independent auditor, or an Audit Body comprising 3 members (or 5, if the Articles of Association so require) and of one or two stand-by members.</p>	<p>The existence of an audit is not mandatory for joint stock companies and LDA withn (10) or more quotaholders.</p>

Unlimited Liability Companies

The following table outline the differences of the main unlimited liability companies.

General Partnership (Sociedade em nome Colectivo)	Secret Partnership (Sociedade em Comanditas)
Definition	
General partnership the partner is the one in which the partners are liable for the obligation of the company even for those that have been contracted prior to the date of entry	A secret partnership is the one that can be incorporated as a simple secret partnership or as a partnership association when the participation of the secret partners are represented by shares.
Number of Members	
Minimum of 2 partners, and the partners can contribute with capital or work.	Minimum of 2 partners
Transfer of Equity Interests	
A partner can transfer inter Vivos his/her stake in the partnership only under the consent of all other partners. special rights are not transferred together with the participation.	The transfer inter Vivos or on occasion of the death of part of a full of the stake depends on the unanimous consent of the remaining partners and on a decision approved by majority vote of the secret partners. the transfer inter Vivos of the stake of a secret partner of a simple secret partnership depends

General Partnership (Sociedade em nome Colectivo)	Secret Partnership (Sociedade em Comanditas)
	on a majority decision either of the full partners or of the secret partners
Managements	
All partners are directors whether they have constituted the partnership or whether they acquired this capacity later unless determined otherwise in the by-laws. by unanimous decision of the partners person who are not partners may be elected directors.	All partners are directors whether they have constituted the company or whether they acquired that capacity later unless otherwise provided for in the by-laws.
Characteristics	
The partner who satisfies the obligations of the partnership has the right of appeal against the remaining partners in the proportion in which each must share in the losses of the partnership	Distinct elements in the secret partnership are the general partnership which includes general partners and the secret partnership of funds. each of the secret partners is only liable for payment of this capital participation and he may not contribute with industry "work". the full partners are liable for the social obligations in the terms foreseen for the shareholders of a general partnership

Joint Venture : Procedure to Establish

Mozambican law allows for the creation of joint ventures involving companies of any of the types. Although under the Commercial Code Joint Venture has no a specific meaning it could be said that incorporated joint venture "JV" agreements are the basis of commercial companies in which a company incorporation agreement (*contrato de sociedade*) is entered into. Consortium agreements (*contrato de consórcio*) correspond to what is known as Anglo- as an unincorporated joint venture agreement.

In a consortium agreement two or more parties agree to co-ordinately carry out their respective activities or to perform certain contributions (which in principle may not consist in cash contributions) in view of a certain scope. On the other hand joint venture may be created through shareholder's agreements. However there is a specific provision that regulates joint stock companies according to which shareholders' agreements shall be concluded in writing and cannot counter the interests of the company and legally applicable norms.

The shareholders' agreement may govern in general terms, matters such as the right to vote, and matters such as the transfer of shares the appointment of directors, the exercise of control of the company or the investment and profit-distribution policies.

It is worth noting that the shareholders' agreements have contractual nature thus, are only binding to their signatories (shareholders that executed such shareholder agreement) but do not bind the company (that is the company incorporated to implement the joint venture). Acts by the company or of the shareholders towards the company based on such agreements cannot therefore be challenged.

As an example of Joint Venture in the oil and gas industry we have CCS JV, a consortium created by two leading companies in the market Saipem and McDermott. CCS JV is the land-based building contractor appointed by Total for the LNG project. We also have Mozambique Rovuma Venture an incorporated joint venture owned by Eni, ExxonMobil and CNPC.

Step List for Incorporation of Companies in Mozambique

The incorporation of companies typically requires similar procedures. The main steps and documents required are as follows;

	Step	Documents
1	Obtain name approval certificate from the companies registry	N/A
2	Opening of bank account and deposit of the share capital	Draft By-Laws
3	Execution of deed of incorporation	a) Company's By-Laws b) Copy of evidence of incorporation of the shareholder company(ies) c) By-Laws of the shareholder company(ies) that are to form the company d) Personal identification document of the individual shareholder(s) (if any) if not represented by a third party for the execution of deed of incorporation of the company e) Resolution(s) of the board of directors of the shareholder company(ies) approving incorporation of the company. f) Powers of attorney in favor of the person(s) who will represent the shareholder company(ies) and/or individual shareholder(s) for the execution of the deed of incorporation of the company and for the persons who will handle the incorporation process. g) Certificate of deposit of funds to pay for the company's share capital in a Mozambique bank
4	Commercial registration with the registry of companies	Copy of deed of incorporation
5	Publication of deed of incorporation in official Gazette	Copy of deed of incorporation
6	Tax registration with Ministry of Finance	a) Copy of certificate of commercial registration b) Personal identification document and tax registration number of the company's manager
7	Obtain commercial operations permit	a) Certificate of commercial registration b) Plan of the company's facilities(where applicable) c) Lease agreement for the company's facilities(where applicable) d) Certificate of Tax Registration

All documents must be submitted in Portuguese language. Documents produced in a foreign country must be translated into Portuguese and legalized at the relevant Mozambican Consulate.

Filing and Reporting Obligations

From a corporate standpoint the applicable filing and reporting obligations are as follows;

- a) Registration with REL

The Registry of the Companies in Mozambique is called *Conservatória do Registo das Entidades Legais* or simply “REL”. Most acts relating to the life of a company must be reported and registered with REL including

- (i) transfer of quotas (except the joint stock companies)
- (ii) share capital increases or reductions
- (iii) approval of the year’s accounts and distribution of dividends
- (iv) amendment to the company’s Articles of Association
- (v) changes to the company’s registered address or corporate name
- (vi) appointment or removal of members of the corporate bodies
- (vii) appointment of attorneys-in-fact, amongst others

After being registered with REL, said acts shall also be published in the Mozambican Official Gazette (*Boletim da República*) at the expense of the company.

The Articles of Association are the main document governing a company which is interpreted in light of the commercial code where the by-laws are silent or found to be in breach of mandatory provisions set forth in law. Although a branch is governed by the Articles of Association of its parent company, it is also subject to the subsidiary application of Mozambican law. In any case the Articles of Association are published in the Mozambican Official Gazette and recorded with REL, as well as subsequent amendments thereto.

b) Corporate Books

Also companies are required to keep the following corporate books in order and duly legalized;

- Book of minutes of the General Assembly
- Book of minutes of the Board of Directors
- Book of minutes of the Audit Body when and if appointed
- Book of registration of Shares (for SA companies only)

Book of registration of liens charges and guarantees which shall mention all personal and real guarantees provided as well as all liens and charges over its goods and also any limitations to the full ownership or ability to dispose of same.

Said books are important so as to record the main decisions of the company’s corporate bodies and can be offered as evidence in court proceedings. However most often, companies only keep a book of minutes of the General Assembly and of the Board of Directors.

In addition corporate records must be kept for a period of 10 years in a way that allows the Mozambican authorities to clearly and easily understand the commercial operations and assets of the company. Corporate books, inventories, balance sheets, correspondence and telegrams, any types of agreements entered into by the company (e.g. services, distribution and/or agency and consulting agreements) power of attorneys must also be kept in hardcopy and legalized.

c) Tax and Accounting Obligations

Companies organized or operating in Mozambique will also be subject to general tax filing obligations, including, to name a few an Annual Tax Return and an Annual Account and Fiscal Report which may ultimately trigger the need to pay the tax assessed by the relevant Tax Authority. Finally said entities must maintain accounting records in Mozambican Meticals (MZN). These accounting records must be organized in accordance with the Mozambican General Accounting Plan ("*Plano Geral de Contabilidade*"). The financial statements (balance sheet and income/profit and loss statements) should be signed by an accountant registered with the Ministry

of Finance.

Additional filing and reporting obligations may apply depending on the type of company and/or the business sector and corresponding activities. In principle certain filing and reporting obligations in connection with gas distribution and/or transportation activities would be required.

3 Foreign Investment Legislation

In accordance with art. 108 of the Constitution of the Republic the Mozambican State recognizes and guarantees foreign investment in all sectors of the economy except those reserved for the exclusive property or exploitation by the State.

1. Relevant Legislation

- a) Constitution of the Republic of Mozambique
- b) Law 3/93 of June 24th (Investment Law)
- c) Decree No. 43/2009 of August 21st (Investment Law Regulation)
- d) Law No. 4/2009 of January 12th (Tax Benefits Code)
- e) Notice 20/GBM/2017 of December 27th (Foreign Exchange Law Regulation)

2. Main Concepts

- a) **Foreign capital** : the contribution susceptible to financial evaluation made available in the forms of investment in accordance with the Investment Law from abroad and destined to carry out an investment project in Mozambican territory
- b) **National capital** : the sum of the contribution assessed in monetary terms and corresponding to the different forms of participation in the investment through equity, supplies, movable and immovable property and incorporated rights to be incorporated in an investment project in accordance with the regulatory provisions of the Investment Law
- c) **Re-exportable invested capital** : assets and rights that comprise foreign direct investment in accordance with the values resulting from liquidation in the event of the extinction of the enterprise or of the total or partial sale or indemnity proceeds relating to said assets or rights after paying the rights and loans due and fulfilling the other obligations that may exist or are foreseen under the terms of the authorization granted to carry out the respective investment project
- d) **Company** : entity that carries out an economic activity in an organized and continuous manner, responsible for the implementation of an investment project and for the subsequent exploration of the respective activity or activities
- e) **Franchising** : modality of commercial contract through which the holder (“franchisor” or “licensor”) of a given “know-how”, brand, acronym or commercial symbol assigns them, in whole or in part to others and on an exclusive basis with or without the guarantee of the respective technical assistance and marketing services, the “franchisee” or “licensed” is obliged to make the necessary investments, at the time of periodic remuneration and the acceptance of control by the “franchisor” about its commercial activity
- f) **Foreign investor** : natural or legal person who has brought from abroad, capital and own resources or under his account, with a view to carrying out foreign direct investment, in a project envisaged, being authorized by the competent entity under the terms of the investment law

- g) **Foreign direct investment** : any form of contribution of foreign capital subject to financial evaluation which constitutes capital or own resources at the risk and expense of the foreign investor coming from abroad and destined to be incorporated in the investment for the realization of a project of economic activity through a company registered in Mozambique and operating across Mozambican territory
- h) **Exportable profits** : the portion of profits or dividends net of all operating expenses resulting from the activity of a project involving foreign direct investment eligible for the export of profits under the terms of the Foreign Exchange Law whose remittance to abroad by the investor can be carried out on its own initiative as soon as the payment of taxes and other obligations due to the State and legal deductions related to the constitution or replacement of reserve funds are made as well as the repayment of loans and respective interest and other obligations that may exist with respect to the third
- i) **Project** : an economic activity or enterprise in which the intention is to invest whether foreign or national capital or the combination of both, in relation to which the necessary authorization has been granted by the competent entity
- j) **Income**: any amounts generated in a certain period of operation of an investment project, such as profits, dividends, royalties, and other possible forms of remuneration associated with the granting of access of rights and use of technologies and trademarks, as well as interest and other forms of remuneration for direct and indirect investments, based on the operating results of the activity of the respective project
- k) **Industrial free zone** : an area or unit or series of units of industrial activity geographically delimited and regulated by a specific customs regime on the basis of which the goods found or circulated there destined exclusively for the production of exportable goods as well as the resulting exportable goods themselves are exempt from all related customs tax and Para fiscal charges. In addition there are tax and labor regimes specially instituted and appropriate to the nature and efficient operation of the companies operating there to ensure the promotion of regional development and the generation of economic benefits in general and in particular, of an increase in the productive, commercial, tax and investment capacity for generation of jobs and foreign currency for the Rep public of Mozambique
- l) **Special economic zone “SEZ”** : an area of economic activity in general geographically delimited and governed by a special customs regime on the basis of which all the goods that enter are found, circulate, industrially transformed or leave the national territory are totally exempt from any correlated customs, tax and charges, additionally enjoying a free exchange rate regime. On the other hand there are labor and migration regimes specifically instituted and suitable for the quick and efficient entry of companies and investors who intend or are already operating or residing there to ensure, in return the promotion of regional development and generation of economic benefits in general and in particular, to increase productive, commercial and tax capacity, and generation of jobs for the Republic of Mozambique. There are currently only three SEZ in Mozambique: the Nacala Special Economic Zone (Nampula Province), the Manga-Mungassa Special Economic Zone (Sofala Province), Ute Special Economic Zone (Niassa Province)

3. Forms of Foreign Investment

Foreign Direct Investment

Under the terms of the Investment Law Foreign Direct Investment “FDI” consists of “any form of contribution of foreign capital susceptible to financial evaluation which constitutes capital or own resources under the risk of the foreign investor coming from abroad and destined to the incorporation in the investment, for the realization of an economic activity through a company registered in Mozambique and operating across the Mozambican territory.”

Foreign direct investment can take the following forms in isolation or on a cumulative basis;

- a) External freely convertible foreign currency

- b) Imported equipment and accessories, materials, and other imported goods
- c) Assignment in specified cases and under the terms agreed and sanctioned by the competent entities, of the rights to use patented technologies and trademarks and whose remuneration is limited to participation in the distribution of the company's profits resulting from the activities in which those technologies or brands have been or are applied.

Foreign Indirect Investment

Foreign indirect investment can take the following forms in isolation or on a cumulative basis;

- a) Loans from partners/shareholders
- b) Loans from related companies
- c) Supplementary payments from partners/shareholders
- d) Assignment of franchising rights and similar

4. Legal Requirements And Procedures

Foreign Direct Investment

The Investment Law establishes conditions for foreign investors (natural or legal persons) to benefit from the guarantees and incentives provided for in the Investment Law. In effect it is required that the minimum amount of foreign direct investment resulting from the equity contribution is at least MZN 7,500,000.00 (seven million and five hundred thousand meticaïs) for the specific purposes of transferring profits abroad and re-exportable capital invested.

It should be noted, however that the foreign investor whose activity meets at least one of the following requirements is also eligible for the right to transfer profits and re-exportable capital: (i) if generates an annual sales volume of not less than MZN 7,500,000.00 (seven million and five hundred thousand meticaïs) as of the third year of activity (ii) annual exports of goods or services are at least equivalent to MZN 1,500,000.00 (one million and five hundred thousand meticaïs), and (iii) create and maintain direct employment for at least 25 national employees enrolled in the social security system as of the second year of activity.

The Law also provides the need for approval of the investment project so that the investor can have access to all the benefits. The investment project proposal should be presented to the Investment & Export Promotion Agency "APIEX" by filling in a specific form in either English or Portuguese. The application must be submitted accompanied by the following documents (i) copy of the applicants identification document, (ii) commercial registration certificate or reservation of corporate name (iii) plant or drawing of the location where the project will be implemented, and (iv) copy of the commercial representation license (in case of branches).

The time limit for the decision on the projects varies between 15 and 30 working days counting from the submission date. The implementation of a project should start within a maximum period of one hundred and twenty (120) days counting from the date of notification of the authorization to the applicants, unless a different time period is fixed in the authorization.

The foreign investor shall register the foreign direct investment with the Bank of Mozambique within a period of ninety (90) days after the authorization of the project. For this purpose it is required to submit the deposit receipts (bordereaux) issued by the relevant Mozambican Bank attesting the transfer of money to the national bank system

or the documents confirmed by the customs authorities attesting the import of equipment. The application for registration is made through the commercial bank by filling in a specific form accompanied by the following documents;

- a) Identification document of the interested party
- b) Copy of the Bordereaux proving the transfer of the funds for the project when the investment is made through cash contribution.
- c) Copy of the investment's authorization

The registration of the investment must take place within 90 (ninety) days from the date of entry of funds in Mozambique. If the registration of the funds is not made within 3 (three) years from the date of entry of funds in Mozambique it determines the non-recognition of the right to export profits or dividends, as well as to re-export of the invested capital.

Investment through Capital Increase

The registration of foreign direct investment by means of capital increase through profit reinvestment is made by the interested party at the Bank of Mozambique by filling in the appropriate form accompanied by the following documents;

- a) Identification documents of the parties
- b) Proof of registration of initial investment¹⁸⁾
- c) Audited financial statements for the year to which the profits relate
- d) Resolution of the general assembly approving the application of the profits in the reinvestment by means of share capital's increase. When the investment by way of share capital increase is in the form of debt conversion the application form is accompanied by the following documents
- e) Identification documents of the parties
- f) Resolution of the general assembly authorizing the share capital's increase through debt conversion
- g) Debt-to-equity swap agreement
- h) Copy of the debt constitution agreement to be converted, with indication of the respective exchange control authorization.

Investment through Shareholder Loan or Credit of Related Company

Pursuant to article 75 of Notice no. 20/GBM/2017 of December 27th, the request for authorization to receive foreign direct investment through shareholder loan or loan from a related company is made by the interested party to Central Bank of Mozambique, through a commercial bank, by filling in the appropriate form, accompanied by the following documents:

- a) Identification documents of the parties
- b) financial statements of the resident company
- c) Proof of the intercompany relationship, indicating the shares that the company granting the loan holds in the recipient company or a proof that the recipient of money belongs to the same group of companies with the company granting the loan

18) Upon presentation of the respective BICP (Private Capital Import Bulletin).

- d) Resolution of the general assembly or other competent body authorizing the contracting of the loan
- e) Draft of the loan agreement.

In the examination of the application the Bank of Mozambique considers the following criteria;

- a) Interest rate, which should not be equal to or higher than the interest rate practiced in the market and
- b) The applicant entity's ability to generate revenues with the funds lent.

Exceptionally it is allowed to receive a shareholder loan or external loan from a related company without the prior approval of Central Bank of Mozambique in the following categories;

- a) Loan contracted at an interest rate of 0%, with a maturity of 3 years or more, and free of commissions and other charges
- b) Loan contracted at an interest rate above 0%, but below the reference rate (base lending rate) of the currency of the loan with a maturity of more than 3 years, free of commission and charges up to an amount equivalent to USD 5,000,000.00 (five million American dollars).

5. Access to Guarantees and Incentives for Foreign Investment in Mozambique

Guarantees and Incentives

The Investment Law enshrines a set of guarantees and incentives aimed at promoting investment in Mozambique in particular:

- a) **Protection of Property Rights:** the Mozambican State guarantees the security and legal protection of property rights over goods and rights including industrial property rights within the scope of authorized investments and carried out in accordance with the Investment Law and respective regulations. In case of nationalization or expropriation of assets and rights that constitute an authorized investment the investor is granted the right to a fair and equitable indemnity. The complaints filed by investors that have not been resolved under the responsibility of governmental entities and that result in losses for the investor due to the tie-up of the invested capital grant the right to a fair and equitable compensation.
- b) **Transfer of funds abroad** - the Investments Law allows the investor, when certain requirements are met to transfer funds related to the following operations (i) exportable profits resulting from investments eligible to the export of profits under the terms of the regulations in force (ii) royalties or other incomes from remuneration of indirect investments associated with the transfer of technology (iii) amortization and interest on loans contracted in the international financial market and applied to investment projects carried out in Mozambique (iv) Proceeds from compensation resulting from the nationalization or expropriation of assets and rights that constitute authorized investment (v) foreign capital invested and re-exportable regardless of the eligibility or not of the respective investment project to export profits under the terms of the regulations of the Investment Law.
- c) **Tax and customs incentives:** The Tax Benefits Code (CBF) approved by Law No. 4/2009, of January 12th, enshrines a wide range of benefits applicable to foreign investment in Mozambique, which can be bundled into two categories generic benefits and specific benefits.

6. Generic Benefits

The generic benefits provided for in the Tax Benefits Code correspond to the following;

- a) Exemption from payment of customs duties and VAT (on import of goods): on goods classified in class “K” of the customs tariff and their accompanying parts and accessories (during the first 5 years of project implementation)
- b) Fiscal Investment tax credit: The possibility of investments benefiting from a deduction of 5% or 10% depending on whether the investment is made in Maputo City or in the other provinces of the total investment effectively made in the Corporate Income Tax in the part relating to the activity developed within the scope of the project (during five tax years)
- c) Accelerated depreciation and reintegration: the accelerated reintegration of new properties used in the pursuit of the investment project is allowed which consists of increasing by 50% the normal rates legally fixed for the calculation of depreciation and reintegration, considered as costs attributable to the year in determining the corporate income tax base (IRPC) or personal income tax (IRPS)
- d) Deductions from the tax base and the collection: the costs of :
 - (i) the modernization and introduction of new technologies and
 - (ii) the professional training of Mozambican employees can be deducted from the tax base up to a limit of 10% or 5%, respectively (during the first five years)
- e) Other expenses considered as tax costs: investments eligible for the purposes of attributing tax benefits under the Tax Benefits Code may also consider the following limits as costs for determining the IRPC tax base:
 - (i) 110% (for investments in Maputo City) and 120% (for investments in the remaining provinces) of expenses incurred in the construction and rehabilitation of roads and railways airports, post offices, telecommunications, water supply, electricity, schools, hospitals and others works considered to be of public benefit (during five fiscal years),
 - (ii) 50% of the expenses incurred in the purchase, for the own heritage of goods considered to be art and other objects representative of Mozambican culture as well as the actions that contribute to the development of this, under the terms of the Cultural Heritage Defense Law (Law no. 10/88, of December 22nd).

The Tax Benefits Code also provides specific benefits for investments made in certain sectors of activity projects and territorial areas, described as follow table;

Activity Sector	Specific Benefits
Creation of basic infrastructures (construction and rehabilitation of roads, railways, airports, water supply, electricity and telecommunications, among others) - article 22 of the Tax Benefits Code	<ul style="list-style-type: none"> • Exemption from payment of customs duties and VAT on imports of goods classified in class “K” of the Customs Tariff • 80% reduction in the IRPC tax in the first 5 fiscal years • 60% reduction in the IRPC tax from the 6th to the 10th fiscal year

Activity Sector	Specific Benefits
	<ul style="list-style-type: none"> • 25% reduction in the IRPC tax rate from the 11th to the 15th fiscal year • Reduction of the IRPS rate.
Trade and Industry in Rural Areas (Article 24 of the Code of Tax Benefits)	<ul style="list-style-type: none"> • Exemption from the payment of customs duties and VAT on the import of goods classified in class "K" of the Customs Tariff.
Manufacturing and Assembly Industry - investments in vehicle assembly, electronic equipment, information and communication technologies, among others (article 26 of the Code of Tax Benefits)	<ul style="list-style-type: none"> • Exemption from payment of customs duties on imports of raw materials and equipment for the industrial production process • Exemption from payment of customs duties and VAT on imports of goods classified in class "K" of the Customs Tariff • 50% reduction in the IRPC tax between 2016 and 2025 • Complementary benefits: (i) deduction of expenses incurred with the professional training of Mozambican employees; (ii) deduction of certain expenses as tax costs • Reduction of the IRPS rate
Tourism (articles 31 and 32 of the Tax Benefits Code)	<ul style="list-style-type: none"> • Exemption from payment of customs duties and VAT on the import of goods classified in class "K" of the Customs Tariff, as well as certain goods considered essential to the pursuit of the activity • Investment tax credit (5% or 10% depending on the location of the investment) • Accelerated reintegration • Complementary benefits: (i) deduction of expenses incurred with the modernization and introduction of new technologies
Science and Technology Parks (articles 34 and 35 of the Tax Benefits Code)	<ul style="list-style-type: none"> • Exemption from customs duties and VAT on the import of material and equipment • Exemption from IRPC in the first 5 fiscal years; • 50% reduction in the IRPC tax rate from the 6th to the 10th fiscal year • 25% reduction in the IRPC tax rate from the 11th to the 15th fiscal year • Exemption and reductions also applicable for IRPS.
Large Projects (articles 37 and 38 of the Tax Benefits Code)	<ul style="list-style-type: none"> • Exemption from customs duties and VAT on the import of materials and equipment

Activity Sector	Specific Benefits
	<ul style="list-style-type: none"> Complementary benefits: (i) investment tax credit (ii) accelerated depreciation and reintegration (iii) deduction of expenses incurred with the modernization and introduction of new technologies as well as with the professional training of Mozambican employees (iv) deduction of certain expenses as tax costs.
Fast-Developing areas (article 42, 43 and 44 of the Tax Benefits Code)	<ul style="list-style-type: none"> Exemption from payment of customs duties and VAT on the import of goods classified in class “K” of the Customs Tariff Investment tax credit (20%) Complementary Benefits: (i) deduction of expenses incurred with the professional training of Mozambican employees (ii) deduction of certain expenses as tax costs.
Industrial Free Zones (articles 54 and 46 of the Tax Benefits Code)	<ul style="list-style-type: none"> Exemption from payment of customs duties and VAT on the import of materials and goods Exemption from IRPC in the first 10 fiscal years 50% reduction in the IRPC tax rate from the 11th to the 15th fiscal year 25% reduction in the IRPC tax for the life of the project
Special Economic Zones (articles 47 and 48 of the Tax Benefits Code)	<ul style="list-style-type: none"> Exemption from payment of customs duties and VAT on the import of materials and goods Exemption from IRPC in the first 5 or the first 3 fiscal years, depending on whether is an operator or company 50% reduction in the IRPC tax rate from the 6th to the 10th tax year or from the 4th to the 10th tax year, depending on whether is an operator or company

◆ Good Practices

- The foreign direct investment can be made in cash, by the transfer of funds to Mozambique or in equipment's by importing the equipment necessary for the project.
- In any case, in order to have access to the incentives it is crucial to keep a record of the investment made registering the transfer of funds to Mozambique before the central bank or keeping the import documents in case of equipment's.
- This is paramount since the foreign investor is required to declare the amount of investment that plans to make over five years. After five years the investor is required to prove that the investment has been made or that an extension of authorization is required
- On the other hand this is also important for cases of disinvestment and re-export of the funds invested

4 Land Use and Enjoyment Right

1. Framework

As a factor of production, land is the universal means of creating wealth and well-being in Mozambique. Therefore the use and enjoyment of land is a right of every citizen (art. 109, nº 3 of the Constitution of the Republic of Mozambique, hereafter CRM).

In Mozambique, the land is property of the State (art. 109, no. 2, of the CRM, and art. 3 of the Land Law, hereinafter referred to as LL) and shall not be sold, alienated, mortgaged, or pledged (art. 109, no. 1, of the CRM), constituting the State land fund (art. 4 of LL). This means that the land is not an object of legal business in Mozambique nor is it individual appropriation (art. 202 of the Civil Code, hereinafter referred to as CC). Due to being against the law (art. 280, no. 1 of the CC) any commercial transaction that places land as an object of legal business is null and void.

Although land is a state property it does not mean that one cannot benefit from it. Below the right of property there are other rights that natural or legal persons (art. 110, nº 2, of the CRM, in conjunction with art. 10 and 11 of the LL) may exercise for their benefit such as the right of use and enjoyment of the land which are considered minor rights.

Speaking of rights of use and enjoyment is the same as stating that private individuals can obtain rights over land make use of it or even transfer it to generate wealth within the legally prescribed parameters. It is therefore essential to look at the ways land rights are acquired in Mozambique.

2. The Legal and Institutional Regimes of Land Use and Enjoyment Rights

In Mozambique the land is regulated in two (2) main dimensions;

- a) The legal dimension
- b) The institutional dimension

Legal Dimension

In the legal dimension, also referred to as the constitutional dimension, it is important to point out the existence of constitutional or infra-constitutional rules;

- a) The constitutional rules are laid down in the Constitution of the Republic, in articles 109, 110, and 111.
- b) The infra-constitutional norms are found in the various separate norms. They are divided into two groups relating to the use and exploitation of land a) in rural areas or outside cities and towns and b) within the areas of cities and towns.

	Impacted Area	Applicable Legislation
1	Areas not covered by the urbanization plan (outside cities and towns)	Law no.19/97, of October 1 ST approving the land Law and revoking Law no 6/97 and 1/86, of July 3 rd and 16 th April

	Impacted Area	Applicable Legislation
		Decree no. 66/98, of December 8 th which approves the Land Law Regulation and revokes Decree no. 16/87, as of July 15 th
		Decree no. 1/2003, of February 18 th which amends articles 20 and 39 of the Land Law Regulation, approved by Decree no. 66/98 of December 18 th
		Decree no. 50/2007, of October 16 th which modifies article 35 of the Land Law Regulation, approved by Decree no. 66/98 of December 8 th
		Ministerial Order no. 144/2010, of August 24 th from the Ministries of Agriculture and Finance which updates the fees to be paid by applicants and holders of the rights of use and enjoyment of land.
		Ministerial Diploma no. 158/2011, of June 15 th of the Ministry of Agriculture which adopts specific procedures for consultation with local communities in the context of granting the right of use and enjoyment of land (DUAT).
2	within cities, municipalities and vallas	Decree no. 60/2006, of 26 December which approves the Regulation of Urban Land (RUL).

Institutional Dimension

The institutional dimension describes the institutions intervening in the process of granting the DUAT in Mozambique. In this context and building upon what was described in the constitutional dimension, it is important to refer to the competent entities within or outside municipal areas and cities to recognize or allocate the DUAT.

	Area of jurisdiction	Entities	Competence
1	Areas not covered by an urbanization plan	Provincial governors	Authorize DUAT applications up to a maximum limit of 1000 hectares
			Authorizing special permits in partial protection zone
			Give an opinion on a DUAT application in the areas of competence of the Minister of Land
		Minister for Land	Authorize DUAT applications for areas ranging from 1000 to 10,000 hectares
			Authorize special permits in total protection area
			Give an opinion on a DUAT application which is the responsibility of the Council of Ministers
		Council of Ministers	Authorize DUAT applications for areas over 10,000 hectares
			Deliberate on the use territorial waterbeds and the continental shelf

2	Area covered by urbanization plan (cities and town)	President of the Municipal Council, village and district administrator	Unlimited Jurisdiction
3	Cross-cutting areas	Service Public of Geografia and Cadastro	Responsible for carrying out technical work related to surveying, cadastre, geodesy, and cartography
		Other Directorates and Ministries	Responsible for issuing specialized technical opinions according to the area impacted by the investment
		Land Registry Office	Responsible for registering the legal status of the property and publicizing the respective acts
		Notary Office	Responsible for guaranteeing the legitimacy of documentation through recognition, authentication and even the execution of a public deed

3. Right of Use and Enjoyment of the Land (DUAT)

Requirements for Acquiring DUAT

Foreign natural or legal persons may acquire DUAT in Mozambique if they meet the following basic requirements;

	Requirements	Entity	
		Singles	Collective
1	To have an investment project duly approved by CPI or other competent institutions depending on the activity	✓	✓
2	To have resided in Mozambique for at least five (5) years and present proof of residence	✓	
3	Be incorporated or registered in Mozambique		✓
4	For land over 10,000 hectares- Approval of the environmental viability of the project by the Ministry of Land and Environment		✓

DUAT's Validity Periods

The rights to use and benefit from land for economic activity are subject to a maximum period of fifty (50) years. This period is specified in the title of authorization itself. One year before the end of the fifty (50) year period, the interested party may request the extension of the rights of use and benefit of land of the same plot of land granted for an additional fifty (50) years provided that he/she proves that he/she continues to exercise the same economic activity for which the authorization was granted.

DUAT Holders' Rights

DUAT holders are reserved the following rights;

- a) Using the land
- b) Defend against any intrusion by a second party in accordance with the law
- c) Access their plot and water resources for public use through neighboring plots, constituting easements
- d) Access to the public highway
- e) Give mortgages on the real estate property and improvements that has built or acquired
- f) To be compensated in the event of expropriation for public use of the aforementioned property

Duties of DUAT holders

DUAT holders have the following duties;

- a) To materialize the constructions and start the activity for which the land is intended, within the established deadlines
- b) To not change the purpose of the land use without permission
- c) To respect cadastral demarcation markers and public infrastructure elements existing on the land as well as existing easements
- d) To collaborate with the Local State, Municipal Bodies, and other public or State entities providing the necessary assistance for the performance of their functions
- e) To give access, through its plot to neighbors that do not have communication with the public road or public water resources constituting easements

Forms Of DUAT Acquisition

The form of acquisition of DUAT varies depending on where the land for the development is located whether in areas covered by urbanization plans (municipalities, towns, or villages) or areas not covered by urbanization plans.

Acquisition Of DUAT In Areas not covered by an Urbanization Plan

In areas not covered by the urbanization plan, i.e) rural areas, foreign natural or legal persons may acquire the rights of land use and benefit through;

	Ways to Acquiring	Description
1	Authorization request	-
2	Transfer of real estate or improvements	It consists of the acquisition of rights through the transfer of urban buildings or improvements using a public; a) Authorization from the competent state authority b) Public deed

Procedures For DUAT Acquisition through Authorization Request and its Registration

As a general rule the foreign investor needs to observe the following procedures to acquire and register the DUAT;

	Stakeholders	Input	Activity	Description of the activity	Output
1	Applicant	Need to acquire DUAT	Identify land	Visiting the communities or Local Administration to inform about the project and to obtain more information about the available land and others.	Identified land
2		Identified land	Apply for DUAT authorization for the identified plot	At the Serviço Publico de Geografia e Cadastro.	Application for DUAT authorization
3	SPGC	Application for DUAT authorization	Deliver the list of requirements and bank deposit slip		List of requirements and bank deposit slip submitted
4	Applicant	List of requirements and bank deposit slip submitted	Make a bank deposit	This includes fees for reconnaissance and preparation of the sketch of the location and descriptive memory of the land which includes coordinates and address (village, town, etc.).	Bank deposit made
5		Bank deposit made	Submit application	Attached proof of bank deposit. One should bring two documents one of which will serve as a protocol (copy) signed, stamped, and dated by the SPGC at the time of submission of the application.	Application submitted
6	SPGC	Application submitted	Analyze conformity of the request		Request analyzed Request conforming to the requirements
7		Request analyzed Request conforming to the requirements	Organize visits to communities		Community visits organized
8		Community visits or-	Visit the com-	Together with local author-	Community

	Stakeholders	Input	Activity	Description of the activity	Output
		ganized	munities	ities to identify the required land and possible third-party rights impacted by the investment project. Important note: upon presentation of an official receipt issued by the SPGC, the applicant must pay for the travel costs of the SPGC technical team to the location along with their stay throughout the work to be carried out (transport, daily allowance and other travel expenses). The number of days varies depending on the size of the land (hectares) identified. (Approved by Order of the Minister of Finance issued on 10th October 2006 and in force from 1st November 2006)	visit held
9		Community visit held	Organizing the file	Including the sketch of the location and the descriptive memory.	File organized
10		File organized	Send a copy of the file to the Administrator of the District where the land is located	Including a sketch of the location and descriptive memory. To speed up the process the applicant may request this be done in person at their own expense.	Copy of the file sent to the Administrator of the district where the land is located
11		Copy of the file sent to Administrator of the district where the land is located	Carry out a public consultation with the local community identified and affected by the project	<ul style="list-style-type: none"> The applicant should bear the costs of the community consultation including transport and subsistence for SPGC and District Administration staff and a contribution towards any traditional ceremonies that the local community may hold. These payments should be made upon an official receipt. 	Public consultation with the local community carried out

	Stakeholders	Input	Activity	Description of the activity	Output
				<ul style="list-style-type: none"> • At least two meetings must be held (within 30 days) one to inform the community of the application for DUAT acquisition and the identification of the boundaries of the parcel, and the other to hear the opinion of the local community on the availability of the area for the proposed undertaking or exploration plan. • The meeting is attended by the District Administrator or his representative, representatives of the SPGC, members of the Village and Locality Advisory Councils, members of the local community, and the holders or occupiers of neighboring lands 	
12		Visited the communities	Drawing up minutes of the visit to the communities	<p>Among other information, the Minutes should contain;</p> <ul style="list-style-type: none"> • The date of the meetings the list of participants, including the number of participants from the community • Summary of the discussions. • The location of the plot (administrative post, town, district - administrative division) and its size • Existing population in the area impacted by the project and surrounding areas • Indication of existing public infrastructures (roads, bridges, railway lines, among others) 	Minutes of the visit to the communities prepared

	Stakeholders	Input	Activity	Description of the activity	Output
				<ul style="list-style-type: none"> Existence or not of third-party rights, and the need to resettle the population affected by the project Ecological zoning of the area. <p>Note: four (4) copies of the minutes should be prepared: one for the community one for the applicant one for the District Administration and one for the SPGC.</p>	
13		Minutes and Notices of community visit prepared	Collect signatures of the representatives	The Minutes must be signed by the members of the Village and Locality Advisory Councils.	Minutes signed by the local representatives
14		Minutes signed by the local representatives	Drawing up of Public Notice	Containing a summary of the request made	Public notice prepared
15		Minutes and notice signed by the local representatives	submit Minutes and notices to the district administration		Minutes and notice submitted to the District Administration
16		Minutes and notice submitted for District Administration	Signing the Minutes and Publishing the Notice	Public notice prepared	Notice affixed
17	district Administrator	Notice affixed	Issuing an opinion	<ul style="list-style-type: none"> The opinion will indicate whether or not the area applied for has been found to have DUATs acquired through occupation or customary practices If third-party rights exist and an agreement has been reached between the applicant and the occupants the opinion will also comment on the terms under which 	Opinion of the District Administrator issued

	Stakeholders	Input	Activity	Description of the activity	Output
				the partnership or agreement in question will be governed.	
18		Opinion of the District Administrator issued	Submit opinion to the SPGC	The applicant may request to take the opinion personally to speed up the process.	Opinion of the District Administrator submitted to the SPGC
19		Opinion of the District Administrator submitted to the SPGC	Assemble the file	<p>Suppose the project is intended for economic activities. In that case, the applicant must submit a business plan describing the future economic use of the land and the respective activity and the development of the planned infrastructure which may include agreements signed with local communities.</p> <p>Note: This is a constraining aspect for issuing the DUAT.</p>	File assembled
20	SPGC	File assembled	Requesting technical advice	<ul style="list-style-type: none"> • The SPGC requires the applicant to submit a technical opinion from the entities that oversee the activity in question regarding the exploration plan presented by the applicant (which may be Provincial Directorates or Ministries). • The concerned entities (Provincial Directorates or Ministries) have 45 days to issue an opinion. If they fail to do so, the SPGC is obliged to proceed with the application process, indicating a "no-reply" from the directorate or ministry concerned. 	Technical opinions issued

	Stakeholders	Input	Activity	Description of the activity	Output
21		Technical opinions issued	Submit the opinion to the Provincial Directorate of Land and Environment	<p>Attaching the file including but not limited to;</p> <ul style="list-style-type: none"> • The request • Sketch of location and descriptive memory • The Minutes, the Final Tender Protocol and the Exploitation Plan 	Report submitted to the Provincial Directorate of Land and Environment
22	Provincial Directorate of Land and Environment	Report submitted to the Provincial Directorate of Land and Environment	Issue an opinion and submit it to the Provincial Governor		Opinion of the DPTA submitted to the Governor of the Province
23	Governor of the Province	Opinion of the DPTA submitted to the Governor of the Province	Analyze the file and authorize the issuance of provisional DUAT	If the land size falls within the limits of its competence, i.e.) up to 1000 hectares.	Issuing of provisional DUAT authorized
24			Issuing an opinion	If the size of the land is over 1000 hectares	Opinion of the Governor of the Province issued
25		Opinion of the Governor of the Province issued	Submit opinion to the Minister of Land and Environment	Through the Office of the Governor of the Province.	Opinion of the Governor of the Province submitted to the Minister of Land and Environment
26	Minister for Land and Environment	Opinion of the Governor of the Province submitted to the Minister of Land and Environment	Analyze the file and authorize the issuance of provisional DUAT	If the land size falls within the limits of its competence between 1000 and 10,000 hectares.	Issuing of provisional DUAT authorized
27			Issuing an opinion	If the size of the land is above 10,000 hectares	Opinion of the Minister of Lands and Environment issued

	Stakeholders	Input	Activity	Description of the activity	Output
28		Opinion of the Minister of Land and Environment issued	Submit opinion of the Minister of Land and Environment to the Council of Ministers	Through the Minister's Office	Opinion of the Minister of Land and Environment submitted to the Council of Ministers
29	Council of Ministers	Opinion of the Minister of Land and Environment submitted to the Council of Ministers	Analyze the file and authorize the issuance of provisional DUAT		Authorization for the provisional DUAT to be issued
30			Notifying the applicant	Either in the case of rejection or provisional authorization.	Applicant notified
31	SPGC	File analyzed and a decision made	Publish the provisional authorization (provisional DUAT) in the Bulletin of the Republic (BR), the Official Government Gazette	<p>If the decision is favorable, the publication is usually organized by the SPGC at the applicant's expense. However, the applicant may choose to arrange the publication directly to ensure procedural promptness.</p> <p>Note: For foreign entities, the provisional DUAT is valid for two (2) years.</p>	Provisional authorization published in the BR
32	Applicant (or holder of the provisional DUAT)	Provisional authorization (provisional DUAT) published in the BR	Register the provisional authorization (provisional DUAT) at the Land Registry Office in the area where the land is located	Registration fees must be paid to the Registry. Fees are payable based on calculations of the costs of the various aspects of the procedure. Details of the fees applied as the basis of this calculation are set out in Ministerial Order No. 19/98 of March 4th.	Provisional authorization (provisional DUAT) registered at the Land Registry Offices
33		Provisional authorization (provisional DUAT) registered at the Land Registry Offices	Demarcating the land	<ul style="list-style-type: none"> • Within a maximum period of one (1) year, starting from the date of issue of the provisional DUAT. • Demarcation can be done by SPGC technicians (upon 	Land demarcated

	Stakeholders	Input	Activity	Description of the activity	Output
				<p>written request) or by a Government-registered surveyor.</p> <p>Important notes:</p> <p>The holder of the provisional authorization must provide daily allowances and transport for the SPGC technicians and any support the technicians may need (e.g., laborers to make the concrete demarcation posts and dig holes for the markers).</p> <ul style="list-style-type: none"> • If the demarcation is not completed within the first twelve months (1 year) of the issue of the provisional authorization, the holder of the provisional DUAT may apply for an extension of ninety (90) days and must ensure that the demarcation is completed. Failure to do so results in the revocation of the provisional authorization. • In addition to the revocation of authorization due to lack of demarcation, failure to comply with the terms of its issuance and the exploitation plan within the allotted period may also lead to revocation. Under these circumstances, any investment already made is not subject to compensation and reverts to the State 	
34		Land demarcated	Implementing the exploitation and project plan	The holder of the provisional DUAT has up to two (2) years to complete the implementation of the exploitation plan.	Exploitation plan implemented
35		Exploitation plan im-	Apply for a	Apply for a project inspection	Project inspection

	Stakeholders	Input	Activity	Description of the activity	Output
		plemented	project in- spection		requested
36	SPGC	Request for inspection	Carrying out an inspection	The inspection is subject to the payment of subsistence fees for SPGC staff	Inspection carried out
37		Inspection carried out	Produce the official report (inspection report)		The official report (inspection report) produced
38	Holder of a provisional DUAT	The official report (inspection report) produced	Apply for definitive authorization (definitive DUAT)	<ul style="list-style-type: none"> The process follows the same steps as the approval of the provisional DUAT, and the competent body must take the decision. The proof of payment of the definitive DUAT application must be attached for the file to be processed. <p>Note: One must also submit three (3) copies of the notice and four (4) copies of the proof of payment of the definitive authorization fee and the annual fee.</p>	Application for definitive authorization (DUAT)
	DPGC	Application for definitive authorization (definitive DUAT)	Publish the definitive DUAT in the BR	<p>After being approved at each stage, the definitive authorization (definitive DUAT) is issued, and the SPGC must ensure its publication in the BR.</p> <p>The DUAT holder will be responsible for the publication costs.</p>	Final DUAT published in the BR
39	Holder of the definitive DUAT	Final DUAT published in the BR	Endorse the definitive DUAT at the Land Registry Office of the project location		Definitive DUAT registered at the Land Registry Office

◆ **Attention Point**

When the foreign investor submits the application for acquisition of DUAT it is important first to ensure that the plot identified for the implementation of the project is not in the protection zone or total reserve. However depending on the zone and the type of project or inherent public purposes it is possible to obtain special licenses for the development of certain activities in partial protection zones.

In order to implement the project it is not enough to obtain the DUAT it is necessary to obtain other licenses inherent to the type of activity (commercial, tourism, industrial), In some cases it can be necessary to carry out an environmental impact assessment although this is not a prerequisite for obtaining a DUAT.

Failure to comply with the exploitation plan or investment project, the deadline for demarcation of the space after the provisional DUAT without a justifiable reason before the authorities within the determined time may lead to extinction of the DUAT. Therefore it is important to comply with deadlines or notify the authorities in advance whenever there is any delay or unforeseen event.

Holders of DUAT's by authorisation have certain duties in relation to local communities such as complying with the agreements in accordance with the minutes of the community consultation and allowing access to certain resources of necessary use by the communities or creating rights of way. Likewise local communities must also comply with the DUAT holder's exploitation or management plan. If the investor intends to change the DUAT's purpose it is necessary to request prior approval from the competent entity.

◆ **Good Practices**

In the identification of plots for the implementation of the investment project it is always ideal to involve the local authorities and cadastre services who will provide information and clarifications about the situation of the area applicable legislation necessary documentation charges and fees as well as the procedures. The process is often lengthy and time-consuming notwithstanding the legally stipulated deadlines for each phase. Therefore it is advisable to collaborate more in the technical work and to send the files for dispatch.

Consultation with the local community is a fundamental stage of the DUAT application process. Therefore it is important that it is strictly observed under penalty of the process being considered invalid. Correspondence with public entities must always be in writing (it is important to keep a copy of the documents submitted to the public entity duly signed and dated by the person who receives the application). And if possible instead of submitting original documents it is advisable to submit a certified copy keeping the original.

It is important to keep a file of all the original documentation or copies inherent to the process (technical opinions receipts of payments, dispatches, minutes, application protocols, sketches, descriptive memory) as well as to guarantee the registration of the DUAT whether provisional or definitive at the competent Land Registry Office.

Acquisition of DUAT by way of Transfer of Real Estate or Improvements

In its article 16, no. 4, the Land Law states that with the transfer of the property the DUAT of the respective plot of land is transferred. Therefore foreign investors are allowed to acquire DUATs by this means.

However attention must be paid to the provisions of Decree-Law no. 5/76 from February 5th which determined the reversion of all income-producing and abandoned buildings in favor of the State, which now holds the monopoly on the rental of real estate. Therefore in light of this law foreigners are prohibited from acquiring real estate that has been the object of nationalization which has a non-transferable onus.

There is an exception concerning unfinished properties or ruins that have been subject to nationalization which under

Article 1, no. 2 of Ministerial Diploma no. 97/92, from July 8th can be transferred to national citizens and companies.

Furthermore in terms of art. 2 no. 2, of the same Diploma, national companies are considered to be those that have been constituted and have their headquarters in Mozambique. Therefore under these terms a foreign entity that has established a company in Mozambique can acquire the ruins or unfinished buildings transferring the respective DUAT, and therefore must submit an application to the competent authorities.

With regard to transmission LT establishes that the right of use and enjoyment of land (DUAT) can be transmitted by inheritance without distinction of sex. However holders of the DUAT may transfer, between living persons the infrastructures, buildings, and improvements thereon, by public deed that can be preceded by authorisation from the competent entity or not. (Article 16(1) and (2)).

However outside urban area, i.e) rural areas, the transfer can occur in two ways;

- a) Purchase and sale of existing infrastructure, buildings and improvements
- b) Operating trans

◆ Attention Point

- In case of acquisition of DUAT by way of transfer of infrastructures it is important to make sure that the transfer is made in compliance with the applicable legislation. In some cases it can be necessary to apply for a prior authorization to the competent authorities and in other cases the transfer occurs automatically with the sale of existing infrastructure, buildings and improvements.
- After concluding the contract by public deed it is important to register the purchase and sale of infrastructures, improvements or construction before the land registry office.
- In case of operating transfer to register the transfer before the Cadastre Service within 1 (one) year from the date on which the contract by public deed was signed (article 20, nr 3 of RLT) under penalty of a fine.
- Failure to register or its delay implies a fine equivalent to the value of the registration fee and multiplied by the number of years or fraction of delay.
- It is a common practice, the sale and purchase of land however it is an illegal practice, and the business can be considered null and void. It is better to opt for acquisition of infrastructure to allow the transfer of DUAT from one entity to another.

Acquisition of DUAT in areas Covered by Urbanization Plans (Cities, Towns And Municipal Villages)

Foreign natural or legal persons may acquire DUAT in one of the following ways;

	Form of Acquisition	Description
1	Public Auction	to be able to obtain in this way; a) The plots or parcels should be in areas of complete or intermediate urbanization b) Should be intended for housing, commerce and service
2	Private negotiation (art.28 of the RUL)	a) it consists of private negotiation between the Local Administration or Local Council and the foreign natural or legal person.

	Form of Acquisition	Description
		<p>b) if it so wishes, the competent authority may, prior to the negotiation, carry out a prospection of possible candidates and pre-qualify them</p> <p>c) this means of acquisition is intended for one of the following purposes;</p> <ul style="list-style-type: none"> • construction and urbanization via a direct initiative of housing cooperatives and association • installation of industrial and agricultural units, large-scale retail units, commercial hubs or warehouses or services • housing construction associated with large investment projects.
3	Transfer of real estate or improvements (art.35 of the RUL)	It consists of the acquisition of right through the transfer of property or improvements which does not require prior authorization by the local authority provided that it is done under the rules in force regarding the transfer of property. After acquiring the rights, one should proceed with the appropriate registration in the Land Registry of the place of the property acquired

Procedures for DUAT Acquisition and Registration

In urban areas DUAT is requested from the *Serviço Público de Geografia e Cadastro* of the competent municipal authority and authorized by the President of the Municipal Council and Village. When the land is located outside the municipality's boundaries but within an area with cadastral services and an urbanization plan (i.e, a district capital) authorization is granted by the District Administrator.

The following section describes the procedures to be observed in the process of acquisition and registration of DUAT in urban areas;

- Public Auction - Procedures for DUAT acquisition in this way have not yet been regulated.
- Private negotiation - Procedures for DUAT acquisition in this way have not yet been regulated.
- Acquisition of DUAT by transmission -Consists of the acquisition of rights by way of transfer of property or improvements not requiring prior authorization by the local entity observing the following procedures (next page)

	Stakeholders	Inputs	Activities	Description	Outputs
1	Property buyer	The need to buy property	Verify the conformity of the property and negotiate the purchase and sale		Conformity of the property verified and the purchase and sale negotiated
2	Property seller	Conformity of the property verified and the purchase and sale negotiated	Obtain an updated cadastral certificate	<ul style="list-style-type: none"> • Cadastral Certificate is the document that proves the fiscal registration of the property with the municipality and includes the patrimonial value declaration. • This document is obtained from the Revenue Department of the City 	The updated cadastral certificate obtained

	Stakeholders	Inputs	Activities	Description	Outputs
				<p>Council.</p> <ul style="list-style-type: none"> To this end the following documentation must be attached: <ol style="list-style-type: none"> Previous SISA payment slip Land Registry Certificate Proof of payment of personal municipal tax Proof of payment of the fee by economic activity. <p>This document is free of charge and can be collected on the same day.</p>	
3	Property seller	The updated cadastral certificate obtained	Obtain the land registry certificate	<ul style="list-style-type: none"> It is the document that proves the existence and ownership of the property. This document can be obtained at the Land Registry Office or the One-stop Service Counter – Balcão de Atendimento Único (BAÚ) The documentation required is <ol style="list-style-type: none"> Copy of the previous registration certificate The number of the property description <p>Note: The property description number can be obtained from the Construction and Urbanization Directorate upon presentation of the property's full address.</p> <p>The document's cost is around MZN 450.00, and it is issued within three (3) days.</p>	The land registry certificate obtained
4	Property buyer	The land registry certificate obtained	Pay SISA tax	<ul style="list-style-type: none"> SISA is a tax levied on the onerous transfer of property and is payable by the purchaser. In other words as a general rule it is the buyer who must pay SISA. SISA can be paid at the City Council's Revenue Department or BAÚ. The documentation required is; <ol style="list-style-type: none"> Application form, as per the attached template Identification document of the applicant, duly notarized Copies of updated Land and Property Registry Certificates 	SISA paid

	Stakeholders	Inputs	Activities	Description	Outputs
				<ul style="list-style-type: none"> d) Receipt for the last payment of local property tax e) Purchase and sale contract initiated by the parties. • The SISA tax is 2% of the purchase price of the property. • The payment process takes place on the same day. 	
5	Property buyer and seller	SISA paid	Execute the public deed	<p>The transfer of property must be made through a public deed executed at a Notary's Office or BAÚ.</p> <p>Note: the public deed can also be done in another location upon payment of a transportation fee for the official, which varies according to the distance.</p> <p>The documentation required is;</p> <ul style="list-style-type: none"> a) The final document of purchase and sale of the property b) Identification document of both parties (seller and buyer) c) Updated Cadastral Certificate and Land Registry Certificate d) Proof of payment of SISA tax <ul style="list-style-type: none"> • The percentage of the value of the public deed varies according to the value of the purchase and sale of the property; the value of the stamp duty shall be added to this amount. • The public deed can take two (2) days. However if the parties wish, they can pay an urgency fee equivalent to twice the amount of the emoluments involved. 	The complete public deed of purchase and sale of the property issued
6	Buyer of the property	The complete public deed of purchase and sale of the property issued	Land registration	<ul style="list-style-type: none"> • The purpose of land registration is to give publicity to the legal status of the property and guarantee the legal security of the legal transaction. • Land registration can be done at the Land Registry or the BAÚ. • The documentation required is <ul style="list-style-type: none"> a) Application form as per attached the template b) Identification document of the applicant 	Land registration carried out

	Stakeholders	Inputs	Activities	Description	Outputs
				c) Complete certificate of the deed of the purchase and sale of the property. • The registration fee varies according to the purchase price of the registration. • The certificate is issued within five (5) days.	
7	Land Registry Office	Land registration carried out	Unofficial updating of the cadastral certificate and DUAT	Once registered the Land Registry Office informs the Municipal Council to proceed with the updating of the registration a) Cadastral certificate to regularize the data of the municipal property taxpayer b) Urban DUAT.	Cadastral certificate and DUAT Updated
8	Buyer of the property	Updated cadastral certificate and DUAT	Obtain an updated cadastral certificate and DUAT	From the Revenue Department of the Municipal Finance Department for conservation and future use.	Updated cadastral certificate and DUAT obtained and archived.

Once this process is completed ownership of the property is transferred from the seller to the buyer who can freely dispose of the rights of ownership, enjoyment, and fruition.

4. Lease of Private Properties

General Principles

The lease of property also known as tenancy, consists of the temporary transfer of the rights of enjoyment and fruition of a given immovable asset from the owner to the lessee through an agreement, which generates rights and obligations for both parties (Article 1022 of the Civil Code “CC”).

The conclusion of a lease agreement is shaped by some basic principles, namely;

- Principle of freedom of contract or the autonomy of the will: the faculty left to individuals to discipline their interests or self-regulate themselves within the limits of the law being able to fix the content of the contract or insert clauses that suit them (art. 405 of the CC). Although the law grants this freedom to the parties, some limits must be observed and one of them is the formality. With regard to real estate lease agreements, the law requires a written form; that is it must be entered into through a written agreement with the intervention of a notary (art. 219, 410, nº 2, 714, 875, 1029 of the CC). In the cases provided by law, the violation of the written form may imply the nullity of the contract (art. 220 of the CC)
- Principle of consensualism: according to which the perfection of the contract depends on the agreement of will between the parties which translates into freedom of declaration of negotiation (art. 217 of CC).
- Principle of good faith: which imposes that the parties must proceed in good faith either in the formation

or conclusion of the contract (art. 227 of the CC) or in the subsequent integration (art. 239 CC) or even in the execution and fulfillment of the obligations (art. 762, no. 2 of the CC)

Principle of binding force or obligation: this means that once concluded, a fully valid and effective contract constitutes imperative law between the parties and must be punctually complied with and may only be modified or terminated by mutual consent (art. 406, no. 1 of the CC).

Lease of Private Property

Obligations of the Lessor (landlord)

Pursuant to art. 1031 of the CC, the lessor's obligations are the following;

- a) Handing over to the tenant [lessee] the property
- b) Ensure the enjoyment of the property for its intended purpose

In the event the real estate has a defect that does not allow it to fully perform the purpose for which it is intended or lacks the qualities necessary for that purpose the contract shall be considered as not performed if the tenant was not aware of it and did not approve it on the date and time of delivery or if the defect appears later due to the fault of the landlord (art. 1032 CC and Art. 33 of LI). However the landlord is not liable if the tenant knew of the defect when he/she concluded the contract or received the property when the defect was easily recognizable at the time of entering into the contract, or even when the defect is the tenant's responsibility (art. 1033 of the CC).

Obligations of the Lessee

According to art. 1038 of CC the obligations of the lessee are the following;

- a) Paying the fee
- b) Providing the Landlord with an examination of the property
- c) Not using the property for purposes other than those for which it is intended
- d) Not using it recklessly
- e) Not providing others with the full or partial enjoyment of the property by way of onerous or costless assignment of their legal position or sublease
- f) Notifying the landlord immediately whenever he/she becomes aware of any defects or danger in the property
- g) Returning the property at the end of the contract

The tenant is obliged to maintain or return the property in the condition in which he/she received it, except for deterioration inherent to its prudent use as per the purposes of the contract (art. 1043, n° 1 of the Civil Code). It is important to clarify that the Tenancy Law applicable to lease of private properties is old and usually the parties do not observe its provisions.

As an example in practice the landlords usually require a payment of a deposit corresponding to at least two months of the amount of rent to safeguard the rehabilitation of the property in case of damages. This requirement is not provided by law but it is almost impossible to enter into any lease agreement without accepting this imposition. Notwithstanding this it is important to comply with the law since the judicial authorities apply if any conflict arises.

Type of Lease

The CC provides for urban and rural leases. While the CC governs the latter the urban lease is governed by Decree-Law 43 525 of 1961 which approves the Tenancy Law (TL).

a) **Urban lease:** intended for housing, commerce, industry, or other lucrative activity (art. 4, n°. 1 of LI). Both the execution and the modification of the contract must be made in writing (art. 8, n°. 1, art. 10 and 12, all of TL). The following principle are applied;

- The landlord who fails to deliver the property within the stipulated period is liable for any losses and damages caused to the tenant.
- The parties may stipulate the place and manner of payment of rents. If there is no stipulation by the parties the rent must be paid from the first to the fifth working day of the monthly period to which it relates (art. 26, n°. 1 LI).

The urban lease agreement cannot be entered into for a period exceeding thirty (30) years. Should the parties stipulate a longer period, the time is automatically reduced to the thirty-year period (art. 1025 of the CC and art. 21 of the TL)

The termination (rescission) of the contract may occur by one of the following situations;

- Revocation: provided it is not at the discretion of the landlord (art. 44 TL).
- Termination, decreed ex officio by the court at the landlord's request when it occurs (art. 45 of TL);
- Failure to pay the rent within the agreed period and place
- Use or consent to others using the property for a purpose other than that for which it was intended or for illegal or immoral activities
- Subletting to a third party without the consent of the landlord.
- Expiration: when the term established for the use ends (art. 14 of TL), or by death of the tenant (art. 50 of TL), by loss, demolition, or expropriation by order of the public entity (art. 51 of TL).

b) **Rural lease:** are intended for agricultural, livestock, or forestry purposes (art. 1064 of the CC) and shall not be entered into for a period exceeding six (6) years (art. 1065 of the CC).

Termination of the contract can take place by;

- Termination of the agreement by the landlord when the tenant damages the productivity of the building and does not ensure its good maintenance (Article 1075 of the Civil Code).
- Expiry due to the death of the lessee. However it does not expire if a spouse or descendants living in the property demand the continuance of the agreement (Article 1076 of the Civil Code). Expiry due to expropriation for public utility (art. 1077 of C)

◆ Attention Point

Before entering a contract it is important to verify if the person signing the agreement is the legitimate owner of the property or has a mandate/ power of attorney with powers of representation to conclude the agreement otherwise the agreement may be declared invalid.

It is also important to have access to and analyse the updated documentation of the leased property to verify the nature of the activity the existence or not of encumbrances or unpaid debts or fines. For this purpose the interested party may request the matrix certificate, tax payment receipts, among others. If the property is registered for a different purpose or activity than the one you intend to carry out it is

important to previously request a change of purpose from the competent entities under penalty of fines in case inspection.

◆ **Good Practices**

The Landlords always request 3 months of payments in advance, with the aim to use as compensation for cases of damages to the property by the Lessee. Therefore when signing the lease agreement, it is always important to describe the condition of the property and if possible, keep a photographic record of its condition, so that it can be proved in what condition the property is being handed over.

It is important to get in touch with the property's owner whenever there is any abnormal situation with the property, or whenever it is intended to do any change or work. The communication must be in writing, and a copy of the documents should be kept on file, including the receipts for the purchase of materials and invoices.

Leasing of Public Property

Residential Property

The lease agreement can be entered into for an indefinite period. The rents must be paid at the place and time set out in the contract under penalty of a fine of twice the outstanding rent in case of default. Likewise the State may order the employer to discount the tenant's remuneration (art. 6, 11 of Law nº. 8/79).

The State sets the rent based on the following criteria; Area, type, equipment, value, and location of the property;

- a) Number and income of residents

Sublease of leased property is forbidden (art. 14 of Law nº. 7/79).

According to art. 19 of Law nº. 7/79, the housing contract is extinguished when one of the following situations is verified;

- a) The death or incapacity of the tenant
- b) Moving out or exchange
- c) The tenant's discretion

By decision of the State when one of these circumstances apply a) use for purposes other than those stipulated b) non-payment of rent c) abandonment of the property d) false statements regarding the essential elements of the contract e) subletting to third parties f) serious damage to the property g) unauthorized paid accommodation.

Property for commerce, Industry or Services

Tenants may be natural or legal persons duly authorized to exercise such activity. And, the contract is concluded for a fixed period to be determined by the parties (Articles 21 and 22 of Law nº. 7/79).

According to art. 24 of Law nº. 7/79, contracts may be terminated for one of the following reasons;

- a) Agreement of the parties
- b) Deadline
- c) Dissolution of the Company
- d) Prohibition to exercise the activity

- e) Non-payment of rent
- f) Unauthorized closure of premises
- g) False statements regarding the essential elements of the contract
- h) Serious or repeated breach of the rules governing the contract

Tax Regime Applicable to Leasing Contracts

The applicable tax regime depends on the purpose for which the property is intended whether for housing, commerce, industry, or service. It also matters whether the property is located in the urban area (within municipalities, towns or cities or settlements) or rural (outside of municipalities, cities, towns or settlements).

In these cases, the taxes due, considering the purpose, are as follows;

- a) Value Added Tax (VAT), subject to payment of 17% if it is for commercial purposes and services in urban areas (art. 1, nº.1 and art. 4, no.1 of the VAT Code) whereas rural areas are exempt from VAT payment (art. 9, no. 5 of the VAT Code). VAT must be paid by the 30th of each month at the competent tax office, depending on the property's location.
- b) Corporate Income Tax (IRPC), The payment of rents by a legal person (tenant) to another legal person (landlord) is subject to withholding at a rate of 20% (art. 62, no. 1 conjugated with art. 67, no. 1 all of the IRPC Code). If the landlord is the entity managing his/her own real estat withholding tax is applicable since the law exempts this obligation (art. 66, line) f) of the IRPC Code).
- c) Stamp Duty: all lease agreements are subject to stamp duty at the rate of 2% of one month's fee.

5 Labour Relations

1. Legal Framework

In Mozambique the employment relationship is basically regulated by the following legislation;

		Legislation	Description
1	General	Law no.23/2007 of August 1, which approves the Labour Law	It sets out the general principles and establishes the legal regime applicable to individual and collective relations of subordinated work hereinafter referred to as LL
2	Special	Decree-Law no. 2/2011, of October 19	Establishes the legal framework for the conditions for hiring foreign citizens to provide services in the Mozambican civil service.
		Decree no. 63/2011, of December 7	Approves the regulation for the hiring foreign employees for the mining and oil and gas sector
		Decree no. 7/2015, of June 3 rd	which approves the Regulation on Day-off

		Legislation	Description
		Decree no. 37/2016 of August 31	Approves the regulation of the mechanisms for hiring foreign employees. hereinafter referred to as RMPCCNE
		Decree no. 51/2014, of October 9 th	Compulsory social security Regime

2. Employment Relationship

The employment relationship is a relationship that presupposes the existence of a legal bond between the employer and the employee. This bond is established by means of an employment contract.

An employment contract is understood to be the agreement by which a person, an employee, undertakes to provide activity to another person, an employer, under the authority and direction of the latter, in exchange for remuneration. Although the law requires the employment contract to be in writing, this formality is not always observed.

In this case, the legal employment relationship is assumed to exist whenever the employee is engaged in remunerated activity, with the knowledge and without opposition of the employer, or when the employer is in a situation of economic subordination of the latter.

3. Types of Employment Contract

According to articles 41 et seq. of LL, employment contracts are classified according to their duration and can be divided into the following typologies;

- a) Employment contract for an indefinite period
- b) Fixed-term employment contract
- c) Employment contract for an uncertain term

As a rule employees must be hired under an employment contract of indefinite duration. Employment contracts for a fixed or uncertain term are an exception.

Employment Contract for an Indefinite Period

An employment contract in which the respective duration is not indicated is presumed to have been concluded for an undetermined period and the employer may rebut this presumption by proving the temporality of the tasks or activities that constitute the object of the employment contract (art. 41, no. 2 of LL)

Fixed-Term Employment Contract

The fixed-term employment contract is entered into for a period not exceeding two years which may be renewed twice by agreement of the parties without prejudice to the regime for small and medium enterprises (art. 42, no. 1 of LL).

Fixed-term employment contracts are deemed to be concluded for an indefinite period if they exceed the maximum duration of two years or are renewed more than twice (art. 42, no. 2 of LT). That is this type of contract must not be concluded for a period exceeding two years and may be renewed up to a maximum of two times. Should one of these conditions be breached, the employment contract is automatically deemed to be an indefinite duration employment contract.

However an exception is applied for small and medium enterprises since in the first ten years of activity may freely enter into fixed-term employment contracts (art. 42, no. 3 of LL). After completing ten years of activity these companies become bound to the general rule and limits provided in the Law. In the employment contract, the parties may determine the period of duration.

At the end of each established period and if the parties have not stipulated anything, the contract is renewed for the same period established at the beginning and is considered as a single contract (art. 43 of LL).

Finally it is important to clarify that in accordance with article 40 of LL the fixed-term employment contract can only be entered into to perform temporary tasks and for the period strictly necessary for that purpose. In this scope the following among others, are considered temporary needs;

- a) the replacement of an employee who for whatever reason, is temporarily unable to carry out activities
- b) the performance of tasks in response to exceptional or abnormal increases in production as well as the performance of seasonal activity
- c) the execution of activities that are not intended to meet the permanent needs of the employer
- d) the execution of a work a project or any other temporary activity including the execution direction and supervision of construction works, public works and industrial repairs under the contract
- e) the provision of services in activities complementary to those referred to in the previous sub-paragraph, namely subcontracting and outsourcing of services
- f) the performance of non-permanent activities i.e) jobs not foreseen in the company's establishment plan or those which do not correspond to the normal cycle of production or operation of the company

Employment Contract for an Uncertain Term

In the terms of article 44 together with article 40, no. 2 of LL, the conclusion of an employment contract for an uncertain term is only admitted in the cases in which it is not possible to predict with certainty the period in which the cause that justifies its conclusion ceases, namely;

- a) the replacement of an employee who, for whatever reason is temporarily unable to carry out his/her activity
- b) the performance of tasks in response to exceptional or abnormal increases in production as well as the performance of seasonal activity
- c) the execution of activities that are not intended to meet the permanent needs of the employer
- d) the execution of a work a project or any other determinate and temporary activity including the execution, direction and supervision of construction works, public works and industrial repairs under contract
- e) the provision of services in activities complementary to those referred to in the previous sub-paragraph, namely subcontracting and outsourcing of services
- f) the performance of non-permanent activities, i.e) jobs not foreseen in the company's establishment plan or those which do not correspond to the normal cycle of production or operation of the company.

Formalities of an Employment Contract

According to art. 38 of LL, the employment contract is subject to written form and must be dated and signed by both parties and contain the following clauses;

- a) Identification of the employer and the employee
- b) Professional category, tasks or activities agreed
- c) Workplace
- d) Duration of the contract and conditions for its renewal
- e) Amount, form and frequency of payment of remuneration
- f) Date when performance of the contract begins
- g) The term of the contract and the grounds justifying it, if it is a fixed term contract. The indication of the grounds justifying the conclusion of a fixed-term contracts rather than indefinite period contract must be done by expressly mentioning the facts and establishing the relationship between the justification invoked and the stipulated term
- g) Signature date of the contract and its termination date if it is a fixed term contract.

The law does not require the written form for fixed-term employment contracts whose object is to perform tasks for a duration not exceeding ninety (90) days.

5. Termination of Employment Contract

According to art. 124 of LL the employment contract can be terminated by;

- a) Expiry of contract
- b) Revocation agreement
- c) Termination by either party
- d) Termination by any of the contracting parties with just cause
- e) Collective Bargaining

Termination of the employment relationship shall determine the extinction of the obligations of the parties regarding the fulfilment of the employment relationship and the constitution of rights and duties in the cases specifically provided for by law.

Under article 23 of the RMPCCNE in case of termination of employment contract for any reason the employer must communicate the fact to the Labour Directorate and the Migration Service of the area where the foreign national has been working by written document, within fifteen (15) days after the termination.

Expiry of Contract

According to art. 125 of LL, the employment contract expires in the following cases;

- a) The deadline has expired or the work for which it was established has been carried out
- b) By supervening total and definitive incapacity to perform work or if only partial, by the employer's inability

to receive it except if the incapacity is attributable to the employer

- c) On the death of the sole employer unless the successors continue the activity
- d) With the employee's reform
- e) With the death of the employee

Revocation Agreement

According to article 126 of LL, the agreement to terminate the employment contract must be contained in a document signed by both parties expressly containing the date of conclusion of the agreement and the date on which the respective effects take effect. In such cases the employee may send a copy of the agreement to terminate the employment relationship to the company's trade union body or to the labour administration for appraisal.

The employee may terminate the effects of the revocation agreement, by written notice to the employer within a period not exceeding seven days for which purpose the employee must immediately return in full, the amount that he/she has received as compensation.

Notice for Terminating the Employment Contract

Both the employee and the employer may terminate the employment contract under the circumstances described below

- a) Notice for terminating the contract by the employee

According to art. 129 of LL, the employee may terminate the employment contract with prior notice, without the need to invoke just cause provided that he/she communicates his decision in writing, to the employer. In the case of a fixed-term employment contract notice of termination must be given at least thirty days in advance under penalty of conferring the employer the right to compensation for damages and losses suffered of an amount corresponding at the most to one month's remuneration.

The termination of an employment contract for an undetermined period of time unless otherwise stipulated by decision of the employee must be made with prior notice subject to the following deadlines;

- fifteen days, if the length of service is longer than six months but not more than three years
- thirty days, if the length of service is more than three years.

The employee who breaches the above-mentioned deadlines is obliged to compensate the employer in the amount corresponding to the remuneration he/she would earn during the notice period.

- b) Notice for terminating the contract by employer

According to art. 50 of LL, the employer may only terminate the employment contract during the probationary period. According to article 46 of LL, the probationary period corresponds to the initial time of execution of the contract the duration of which depends on the type of contract (whether for a fixed term or for an indefinite term). During the probationary period, the parties must act in order to allow reciprocal adaptation and knowledge so as to assess the interest in maintaining the employment contract.

According to article 47 of LL, the trial period has the following maximum duration;

- a) term employment contract;

- 90 days for fixed-term contracts lasting more than one year
 - 30 days, for fixed-term contracts lasting between six months and one year
 - 15 days for fixed-term contracts lasting up to six months
 - 15 days for unfixed-term contracts whose expected duration is equal to or greater than 90 days
- b) permanent employment contract;
- 180 days for mid-level and senior technicians and employees engaged in leadership and management positions jobs
 - 90 days for employees as a whole

The duration of the trial period may be reduced by means of collective agreement or employment contract. If the duration of the trial period is not set out, in writing in the employment contract, it is presumed that the parties wished to exclude it. During this period, either party may terminate the contract without the need to invoke just cause and without the right to compensation. In this case either party is obliged to give at least seven days' notice in writing to the other party.

Termination of Contract with Just Cause

According to article 127, no. 1 and 2 of the Labour Law just cause for termination of an employment contract is, in general the serious facts or circumstances that make it impossible, morally or materially, to maintain the established contractual relationship.

The employer or the employee may invoke just cause to terminate the employment contract the counterparty being recognised the right to challenge the just cause within three months from the date of knowledge of the termination. Whenever one of the contracting parties is forced to terminate the employment contract for reasons attributable to the other it is considered to have been terminated with just cause (art. 127, no. 9 of LL).

Termination of Contract with Just Cause by the Employee

According to article 127, no. 5 of the Labour Law, the employee may terminate the employment contract with just cause, for the following reasons;

- the need to perform any legal obligations that are incompatible with continuing with the work, in which case there shall be no right to compensation
- the need to perform any legal obligations that are incompatible with continuing with the work, in which case there shall be no right to compensation.

As provided for in art. 128, once the just cause has been verified, the employee may terminate the employment contract by giving at least seven (7) days' prior notice expressly and unequivocally stating the facts on which the termination is based. In the event of breach of the seven-day period, the employee must pay the employer a fine corresponding to twenty days' salary to be deducted from the compensation to which he/she is entitled.

Termination of an employment contract for an undetermined period of time with just cause by the employee entitles him/her to a compensation corresponding to forty-five (45) days' salary for each year of service. Termination of a fixed-term employment contract with just cause by the employee gives him/her the right to compensation corresponding to the remuneration that would fall due between the date of termination and the agreed date of expiry of the contract.

◆ **Attention Point**

To avoid the termination of an employment contract for just cause by the employee it is important that the employer adopts behavior which does not culpably violate the legal rights and guarantees of the employee or those agreed upon in the employment contract. For example;

the employer must respect and treat the employee with correctness and courtesy make payment of wages on time, not insult, not reduce the employee's salary or category without just cause. Whenever possible, communicate with the company's trade union committee or the trade union of the industry in which the company operates for advice.

Termination of the Employment Contract with Just Cause by the Employer

According to art. 127, no. 4 and 130, all the LL, the following reasons constitute just cause on the part of the employer to terminate the employment contract;

- a) the manifest unsuitability of the employee for the adjusted service, verified after the trial period
- b) serious and culpable breach of duty by the employee
- c) detention or imprisonment if, by reason of the nature of the employee's duties, the normal functioning of the services is adversely affected
- d) termination of the contract for economic reasons of the company which can be
 - Technological: those related to the introduction of new technology new processes or work methods or the computerisation of services that may require the reduction of staff
 - Structural: those related to the reorganization or restructuring of production, change of activity or lack of economic and financial resources which may result in excess jobs
 - Market: those related to difficulties in placing goods or services on the market or to the reduction of the company's activity

The termination of the employment contract, based on the reasons set out in the previous number, gives the employee the right to compensation, equivalent to;

- a) 30 days of salary for each year of service, if the employee's base salary, including the seniority bonus, corresponds to between one and seven national minimum wages
- b) 15 days of salary for each year of service, if the employee's base salary, including the seniority bonus, corresponds to between eight and ten national minimum wages
- c) ten days' salary for each year of service, if the employee's basic salary, including the seniority bonus, corresponds to between eleven and sixteen national minimum wages
- d) three days' salary for each year of service, if the employee's basic salary, including seniority bonus is higher than sixteen minimum wages.

The termination of an employment contract based on structural or technological reasons, may determine the extinction of one or more contracts.

◆ **Attention Point**

To terminate the contract for just cause by the employer in case of breach of duties by the employee, it must be observed whether the reasons invoked make it impossible to maintain the employment relationship or not. Depending on the severity of the situation a disciplinary proceeding against the employee must be initiated and it is mandatory to strictly comply with all the main stages described in article 65 of the Labour Law which can be summarized as follows;

- **Accusation phase** - after the employer becomes aware of the infraction committed by the employee. it must be sent to the employee and the union body within 30 (thirty) days a written accusation notes containing a detailed description of the facts and circumstances of time place and manner of the infraction that is imputed to the employee. In other words the employer must state what the employee's behavior was when and how he/she behaved in such a way (time, day, month and place). The employer must have proof to sustain the accusation. Therefore it is necessary to record all the occurrences and collect the employee's signature for the record. The disciplinary procedure period is considered to begin from the date on which the company hands over the notice of fault to the employee.
- **Defence phase** - after the employee receives the note has 15 (fifteen) days to respond in writing and if so desired to attach documents or request to be heard or take evidence. After the 15 days period has elapsed the employer must submit the process to the trade union body for its opinion. The trade union body has a period of five days to issue an opinion.
- **Decision phase** - After the end of the period 5 days for the trade union body to issue an opinion the employer has a period of 30 days to take a decision and to notify, in writing, the final decision to the employee and to the trade union body. In the decision the employer must report all the evidence produced and indicate the facts contained in the accusation note that have been proven. It is crucial to comply with all deadlines and describe all circumstances in detail attach the respective evidence otherwise the process may be considered as invalid.

6. Hiring of Foreign Citizens

In order to hire a foreign citizen it is necessary that a) he/she has the necessary academic or professional qualifications b) he/she is only admitted if there are no nationals with such qualifications or if their number is insufficient. These conditions do not apply to managing partners and representatives.

Employment Contracts Entered Into With Foreign Employees

The employment contract must be entered into in writing and must contain the following information

- a) Identification of the parties
- b) Professional category, agreed tasks or activities
- c) Place of work
- d) Duration of the contract
- e) Remuneration, form and frequency of payment
- f) signature date of the contract, and its termination date

The employment contract of the foreign citizen has a maximum duration of two (2) years, renewable upon submission of a new application. Regardless of the number of renewals the employment contract is not converted into an indefinite term contract. If a professional card is compulsory and required, the employment contract is only considered valid upon presentation of the same (professional card). And if the contract is declared null and void or annulled after

the foreign citizen has performed activities the employment contract produces the effects of a valid contract for the period during which the employee performed the activities.

Regime for Hiring Foreign Citizens

In Mozambique, the employment of foreign employees may be done through a general or special regime. General regime is the one in which the Government does not grant a special status either by way of the sector of activity or strategic geographical location for the promotion of the local and national economy or others. The hiring of foreign citizens can be done under one of the following regimes;

- a) Short term regime
- b) Quota regime
- c) Regime applied for investment projects approved by the Government
- d) Authorization regime (outside quota).

The regimes whose Government attributes a special status either by way of sector of activity or strategic geographical location for the promotion of the local and national economy or others are considered as special regimes and are described as follow;

- a) Contracting Regime applicable to the Petroleum and Mining sectors
- b) Contracting Regime applicable to the Liquefied Natural Gas Project in Areas 1 and 4 of the Rovuma Basin
- c) Contracting Regime applicable to Special Economic Zones and Industrial Free Zones
- d) Contracting Regime applicable for the provision of services in the Mozambican civil service

◆ Attention Point

If a company intends to hire a foreign employee to work in Mozambique it is necessary to verify whether the sector of activity or the place where the company is located falls under the special regime (oil and mining sectors, Rovuma Basin Gas projects or Economic Zones and Industrial Free Zones).

If it is within the scope of the special regime the hiring of the employee must be carried under the terms of the specific regime and If not, the hiring must be carried under the general regime, considering the specificities.

General Regime

Short-Term Regime

Short term regime is considered to be the one in which the length of foreign employee' stay does not exceed ninety days per year (continuously or with interruptions). This regime aims to perform occasional unpredictable work involving high scientific or specialized technical-professional knowledge and is subject to payment of a fee.

Before the foreign employee enters the country it is necessary for the employer or his representative to submit a communication (in duplicate) to the Provincial Labour Directorate in the province where the foreign employee will perform activities.

This communication must contain the following information;

- a) The name and address of the employer
- b) Identification of the foreign employee and his/her functions
- c) The start and end date of the activities.

It is also necessary that the following documentation be attached to the communication;

- a) The rationale
- b) The identification document (notarized) of the foreign employee to be hired
- c) Certified copy of the company's licence or other equivalent document
- d) Proof of payment of a fee corresponding to a minimum wage in force in the sector of activity where the company operates

Once the communication is made the Provincial Labour Directorate has a period of 5 (five) days to examine the application and make a decision.

◆ **Attention Point**

If the company intends to hire an employee for occasional matters not exceeding 90 days or 180 days (for oil and gas companies) it is better to hire under this regime as it does not affect the quota reserved for the company to hire foreign employees.

This regime may be used to hire trainers for the transfer of know-how, researchers, and others if it is for a short period of time.

Quota Regime

The quota regime is directly related to the type or size of the company where the foreign employee will perform activities, if it is a Large, medium sized or small company. For the purpose of Labour Law, as considered as;

- a) Small companies - those that employ up to 10 (ten) employees. the applied quota for these companies is 10% (ten percent) of the total number of employees which corresponds to 1 (one) foreign employee
- b) Medium-sized enterprises - those that employ more than 10 (ten) and a maximum of 100 (one hundred) employees. The quota applied for these companies is 8% (eight percent) of the total number of employees
- c) Large companies - those with more than 100 employees. The quota applied for these companies is 5% (five percent) of the total number of employees.

When calculating the number of foreign employees that the company is entitled to hire, roundings are not allowed. To assess the available quota is considered the number of Mozambican employees actually hired and listed on the nominal relation sheet.

To apply for authorization, it is necessary that the employer or his representative submits a communication to the Provincial Labour Directorate of the province where the foreign employee will perform activities. This communication must be submitted no later than 15 days after the entry of the foreign employee in Mozambique and must indicate the level of fulfilment of the quota.

It is also necessary that the following documentation be attached to the communication;

- a) Two copies of the specific form duly filled communicating the admission of the foreign employees and the

level of fulfilment of the quota

- b) Three copies of the employment contract (duly legalized and with stamp duty paid)
- c) Academic Certificate or certificate of technical-professional qualifications, accompanied by a certificate of equivalence issued by the entity that oversees the area of education in relation to those obtained abroad or document proving their professional experience. Currently, the certificate of equivalence is issued by the Ministry of Education
- d) Company clearance certificate issued by the tax authorities, valid for thirty (30) days from the date of issue
- e) Clearance certificate issued by the National Institute of Social Security (INSS), valid for thirty days from the date of issue
- f) Nominal list sheet for the current calendar year, indicating the nationality of the employees
- g) Certified copy of the passport of the foreign employee
- h) Proof of payment of the fee corresponding to five (5) minimum wages in force in the sector of activity in which the employer is inserted

Once the communication is submitted, the Provincial Labour Directorate has up to 5 (five) working days to verify if the documentation meets the requirements and make a decision (art. 11 of RMPCCNE).

◆ Good Practices

It is always ideal to deal with the documentation before entering Mozambique, since the authorization from the Ministry of Labour is required for visa application. The company must ensure that the nominal list of the employees is updated.

However for newly established companies that do not yet have this nominal list a proof of their registration with the Social Security System may suffice.

If the authorization is issued the company has up to 5 days to check the conformity of the document and notify the issuing entity in case of non-compliance.

Regime Applied for Investment Projects Approved by the Government

In investment projects approved by the Government in which it is envisaged that foreign employees will be employed in a percentage lower or higher than that provided for in the quota regime a work permit is not required but is necessary to submit a communication and obtain the respective authorization or confirmation.

For this purpose the following documentation must be submitted;

- a) Two copies of the specific form, duly filled, communicating the admission of the foreign employee and the level of fulfilment of the quota
- b) Three copies of the employment contract (duly notarized and with stamp duty paid)
- c) Academic Certificate or certificate of technical-professional qualifications, accompanied by a certificate of equivalence issued by the entity that oversees the area of education in relation to those obtained abroad or document proving professional experience. Currently, the certificate of equivalences is issued by the Ministry of Education
- d) Company clearance certificate issued by the tax authorities, valid for thirty (30) days from the date of issue
- e) Clearance certificate issued by the National Institute of Social Security (INSS), valid for thirty days from the date of issue
- f) Nominal list sheet for the current calendar year, indicating the nationality of the employees

- g) Certified copy of the passport of the foreign employee
- h) Proof of payment of the fee corresponding to five (5) minimum wages in force in the activity sector in which the employer is inserted; and, finally
- I) A copy of the investment project approved by the Government that mentions the number of foreigners authorized to contract.

Once the application is submitted the Provincial Labour Directorate has up to five (5) working days to check if the documentation meets the requirements and make a decision.

Authorization Regime (Outside Quota)

The authorization regime is applicable in situations where the employer has reached the maximum limit allowed to hire foreign citizens within the quota. In this case it is necessary to apply for a permit to be allowed to hire more foreign employees. For that purpose, an application must be submitted to the Minister of Labour or the Provincial Labour Directorate of the place where the foreign employee will perform activities.

The application must contain, among others, the following information;

- a) The name, professional domicile and activity carried out by the applicant
- b) The identification of the employer's representative
- c) The identification of the foreign employee to be hired, his or her category, tasks and functions to be performed
- d) The grounds for the request

The following documentation must also be attached;

- a) Three copies of the employment contract (duly legalized and with stamp duty paid)
- b) Academic Certificate or certificate of technical-professional qualifications, accompanied by a certificate of equivalence issued by the entity that oversees the area of education in relation to those obtained abroad or document proving the professional experience. Currently, the certificate of equivalence is issued by the Ministry of Education
- c) Company clearance certificate issued by the tax authorities, valid for thirty (30) days from the date of issue
- d) Clearance certificate issued by the National Institute of Social Security (INSS), valid for thirty days from the date of issue
- e) Opinion of the union body or union committee or branch union. The opinion must refer to the relevance or otherwise of the request for employment of a foreign employee
- f) Certified copy of the passport or identification document of the foreign employee
- g) Certified copy of the permit or license or equivalent document
- h) Nominal list sheet for the current calendar year, indicating the nationality of the employees
- I) Proof of payment of the fee corresponding to ten (10) minimum wages in force in the activity sector in which the employer is inserted

Once the request for authorization is submitted the Provincial Labour Directorate has up to fifteen (15) working days to issue the order

Special Regime

Contracting Regime Applicable to the Mining and Oil and Gas Sectors

The hiring of foreign employees for the mining and oil and gas sectors may be done by the title holder, concessionaire, operator or subcontractor, provided that it is legally registered in Mozambique. If the subcontractor or operator is not legally registered in Mozambique the holder or concessionaire must issue a term of commitment by which it assumes liability for violation of Mozambican labour legislation committed by foreign citizens in the course of its activities (art. 3, nr. 3 of Decree nr. 63/2011).

Pursuant to art. 3, nr. 4 of Decree nr. 63/2011, the hiring of the foreign employee for mining and oil and gas sector may occur according to one of the mechanisms indicated in the general regime, i.e) short term regime, quota regime, out of authorization regime or within the scope of an investment project, however with some particularities, namely;

The Short-Term Contract Regime

The short-term regime is aimed to cope with occasional, unpredictable and punctual work for a period not exceeding 180 days consecutive or with interruptions in the same calendar year. This regime does not require an authorisation. however the company must submit a written communication to the Ministry of Labour and is subject to a fee corresponding to ten (10) minimum wages in force in the sector.

The communication to be submitted must be in duplicate, and must contain the following information;

- a) The identity of the employee
- b) The academic or professional training
- c) The rationale
- d) The activities that will be performed by the employee
- e) Indication of the beginning and the end date of the activity to be performed
- f) Proof of payment of the due fee

The verification of the conformity of the communication is made at the moment the application is submitted and the certificate is also issued on the same day.

The Quota Regime

As in the general regime, the determination of the quota depends on the number of existing employees. However for the mining and oil and gas sector it is considered the average number of existing employees in the previous calendar year. For the first year of activity it is considered the number of employees existing on the day of the commencement of activity.

The employer must send a communication to the Labour Directorate in the province where the foreign employee will perform the activities, with the following documentation;

- a) Certified copy of passport or DIRE of the foreign employee
- b) Certified copy of the employment contract or any document that proves the relationship equivalent to an employment relationship, between the title holder, the concessionary, the operator or subcontractor and the foreign employee admitted, containing the following elements: identification of the parties, the agreed tasks, the duration of the contract the remuneration and form of payment, the starting date and the termination date
- c) INSS clearance certificate in favour of the title holder, the concessionary, the operator or the subcontractor

- d) Tax clearance certificate
- e) Proof of payment of a fee corresponding to 3 (three) times the minimum wage in force in the sector

The conformity of the application shall be verified at the time it is submitted by means of the immediate issue of the respective certificate.

The Regime for Contracting within the Scope of an Investment Project

The hiring of foreign employees within the scope of an investment project takes into consideration the number of employees authorized by the Government or the terms agreed between the Government and the concessionaire in a given project and may be higher than the quota regime. The employer must submit the application to the Labour Directorate where the foreign employee will perform activities filling out the specific form and attaching the copy of the investment project approved by the Government indicating the number of foreign employee to be hired certified copy of the passport or DIRE, opinion of the entity that oversees the oil and gas sector (which must decide on the relevance or otherwise of hiring foreign employees) and other documentation referred to in the general regime.

The application must be submitted within 15 (fifteen) days after the entry of the foreign employee in Mozambique upon payment of a fee corresponding to 5 (five) minimum wages in force in the sector of activities.

The Authorization regime (Outside Quota)

This regime aims to hire foreign employees by means of an application addressed to the Minister of Labour. The admission of foreign employees by means of this regime must occur when there are no nationals with the necessary qualifications for such roles or when they exist in a reduced number.

The application must be submitted to the Directorate of Labour of the province where the foreign employee will perform activities, and the decision has to be made within 15 (fifteen) days after the submission of the application. A fee corresponding to 10 (ten) times the minimum wage in force in the sector of activities is due, as well as the opinion of the trade union and other documentation provided for in the hiring of employees under the quota regime.

Contract Regime Applicable to the Liquefied Natural Gas Project in Areas 1 and 4 of the Rovuma Basin

As provided in art. 2, nr. 4 of Decree nr 2/2014, the following entities are covered by this special regime;

- a) Concessionaires of Area 1 and Area 4 of the Rovuma Basin
- b) Specific Purpose Entity, directly or indirectly established by the concessionaire(s) for the purposes of the Rovuma basin project
- c) Persons entering into a contract with the concessionaire(s) or with the Special Purpose Entity(ies) for the Rovuma Basin Project
- d) Subcontractors or any other persons directly involved in the Rovuma Basin Project
- e) Empresa Nacional de Hidrocarbonetos, its subsidiaries or any other entity qualified as a State-owned company as part of the Rovuma Basin Project.

This regime prioritises the hiring of national employees with adequate qualifications at all levels of the organisation including specialists in positions of technical and management complexity without prejudice to the possibility of hiring foreign employees to carry out activities in this sector.

Likewise the workforce plan must not provide for hiring foreign employees for positions of less technical complexity or those positions that do not require technical qualifications. However for the hiring of foreign employees in the Rovuma basin projects, the following schemes are provided

Investment Project Regime

As a general rule under the terms of art. 18, nr 4 of Decree nr 2/2014, the hiring of foreign employees for Rovuma basin project shall be done under the terms of the investment project approved by the Government being the aggregate global workforce quota of foreign employees to be hired for Mozambique for each undertaking (concessionaire, Specific Purpose Entity, its contractors and subcontractors) established in a workforce plan to be attached and approved as part of the development plan for Rovuma Basin undertakings, and subject to updates.

In other words the quota of foreign employees will correspond to the sum of all the employees expected to be hired under the terms of the investment plan and project approved for each of the entities of the Rovuma Basin Project.

Sixty (60) days before the end of each calendar year the Concessionaires and Specific Purpose Entity shall submit their updated workforce plan to the National Institute of Employment and Vocational Training (INEFP) indicating the variation of the number of employees according to the phases and needs of the undertaking in question for consultation and necessary articulation with the National Petroleum Institute (art. 18, nr. 5 of Decree nr 2/2014).

The company intending to hire the foreign employee must give prior notice to the National Institute of Employment and Vocational Training (INEFP) before the employee enters Mozambican territory.

Likewise after the entry of the foreign employee in Mozambique, the company has a period of up to 15 days to notify the Labour Directorate in the province in where the employee will perform activities, attaching the documents provided for the quota regime applicable to the oil and gas sector, including proof of payment of a fee corresponding to five (5) times the minimum wage in force in the sector.

Authorization Regime (Outside Quota)

The hiring of foreign employees beyond the quota established in the workforce plan, approved in the investment project, must be carried out under a work permit regime. For this purpose an application must be submitted to the Minister of Labour that must issue the decision within seven (7) working days from the date of submission of the application.

Pursuant to nr. 1 of point III of Annex I of Decree nr 2/2014, the application must be submitted by the entity responsible for hiring the foreign employee. In the application it must be indicated the name of the firm the registered office and type of activity of the company the identification of the foreign employee his qualification and professional category tasks and functions. It must submit the documentation provided for in the previous regime, including proof of payment of a fee corresponding to five (5) times the minimum monthly wage in force for the mining industry.

Short-Term Regime

Companies operating in the Rovuma basin may also hire foreign employees under the short-term regime to perform any type of work whether or not of a casual unpredictable or one-off nature for a maximum period of 180 (one hundred and eighty days). Within a maximum period of 15 (fifteen days) after the entry of the foreign employees into the country the entity responsible for hiring must communicate the fact to the Directorate of Labour in the province in which the worker will perform activities. The communication must contain the identification of the foreign employee a summary description of his/her academic and professional qualifications, grounds for his/her hiring, functions and tasks to be performed, as well as the start and end dates of the activities (point II of Annex I of Decree nr

2/2014). The fee for payment of the application is five (5) times the minimum monthly wage in force for the mining industry (art. 20, nr.1 and 6 of Decree nr 2/2014).

※Note※

The rules for the Rovuma basin sector have the following particularities;

- Foreigners may renew, one or more times, the employment contracts
- The normal work period is twelve (12) hours per day for continuous work, with the exception of administrative services. The twelve (12) hour period must respect compensatory rest, including holidays to be established in the employment contract
- The law allows other practices to be implemented as long as they comply with international practices and habits applicable to these sectors, and as long as they are not contrary to the laws in force in Mozambique

◆ Attention Point

It is important to ensure compliance with the requirements mentioned keeping the file of all documentation and receipts related to the foreign employees.

If there is non-compliance with the rules mentioned the General Labour Inspectorate may suspend the employment contract and the employee and apply a fine ranging from 5 (five) to 10 (ten) wages earned by the respective employee.

Step Plan of Foreign Employee's Hiring Process

The following table aims at describing, in detail, the process of hiring foreign employees. As an example it will highlight the requirements of the quota regime but if the employer intends to hire in other regime it has to replace the requirements of the work permit's authorization.

① STEP 1 — Work Permit

Documents required from Applicant
<p>Passport</p> <ul style="list-style-type: none"> • Certified copy of full passport of the foreign employee without any valid visa (please note that, this copy must be duly legalized by the Ministry of Foreign Affairs and the Embassy of the Republic of Mozambique in the country of foreign employee' nationality or last residence for a period of minimum of 2 years) <p>Certificate of educational/professional qualifications, accompanied by the certificate of equivalence issued by the entity responsible for the education sector in Mozambique (the <i>Conselho Nacional de Exames, Certificação e Equivalência – CNECE</i> - requirements are described in step XX)</p> <ul style="list-style-type: none"> • in relation to the certificates issued abroad or document attesting the foreign employee's professional experience (usually is required the curriculum vitae and work certificates) • This certificates must be legalized (by Ministry of Education, Mozambican representation, Ministry of Home Affairs) in the country of issuance and translated into Portuguese by an official translator; The original should be presented upon submission for validation purposes • Note that directors that are shareholders as well as representatives of the company are exempt of submitting these documents. However the applicant shall be able to prove that the foreign worker duly fulfills the requirements by way of providing a copy of the commercial certificate, business license, PoA etc) where this is explicit. <p>Curriculum Vitae</p>

- The CV must be written in Portuguese

② STEP 2 — Work/Residence visa application (Mozambican Consulate)

Note that the below documentation is subject to confirmation by the relevant Mozambican Consulate as it may differ from Consulate to Consulate.

Documents Required From Applicant

Passport

- Valid passport with at least six months validity and Copy of the main passport pages

Two (2) color passport photos

Copy of the Employment Contract

- (authorized by the competent authorities in Mozambique - Ministry of Labor)

Police Clearance with Legalization

- Police clearance certificate from the applicant's country of origin/residence (if the applicant has been a resident for over two years) issued within the 90 days immediately preceding the application. This certificate must be legalized in the country of issuance and translated into Portuguese by an official translator. (Only necessary for STEP 2 and STEP 3 - Work VISA and Extension of Work/ Residency application. **the originals are required**)

Health certificate issued by a Doctor

- This health certificate must be legalized by the Mozambican representation and Ministry of Home Affairs) in the country of issuance and translated into Portuguese by an official translator; The original should be presented upon submission.

Documents Required From Host Company in Mozambique

Letter from the Employer requesting the issue of Work Visa for his employee including the term of responsibility

- undertaking responsibility for the foreign employee

Standard form signed communicating the admission of the foreign employee (filled at the consulate)

Copy of Certidão de Quitação INSS (National Institute of Social Security Certificate)

Copy of Certidão de Quitação das Finanças (Tax/ Finance Clearance Certificate)

Payment of a government fee

- Fee equivalent to the VISA application (to be confirmed at the relevant Mozambican Consulate)

Copy of Business License (Alvará / Licença)

Copy of Company Commercial Certificate

※ **Important Note** ※

The issuance of entry Visas requires a pre-authorization from the immigration authorities in Mozambique which may delay the process.

Documents Required From Applicant

Passport

- Certified copy of the passport Including the page of the Work/ Residency VISA and the Entry Stamp
- Original Passport to be submitted for the issue of Visa purposes

Original of Police Clearance with Legalization

- Required on for first time applications

Certified copy of Work Permit with Mozambican Employment Contract

- Note that Immigration will keep the Original Work Permit. A certified copy must be signed by the immigration officer to proof it.

③ **STEP 3 — Extension of Work/Residence Visa Application (Immigration Department in Mozambique)**

Documents Required From Host Company in Mozambique –Part I

Letter from the Employer

- Confirming the relation with the employee and requesting the issue of the extension of the Work Visa for residency purposes.

Declaration from the employer

- Undertaking responsibility for the foreign employee

Standard form signed communicating the admission of the foreign employee

(filled at online and at immigration) <https://sigav.senami.gov.mz/#/>

- Original of Certidão de Quitação INSS (National Institute of Social Security Certificate)
- Original of Certidão de Quitação das Finanças (Tax/Finance Clearance Certificate)

Payment of a government fee

- Work Visa valid for 365 days - 33,760.00 (CPLP citizens) / 39,080.00 MT (other nationalities)

- Certified copy of Investment project (if applicable)
- Certified copy of Business License (Alvará / Licença)
- Certified copy of Company Commercial Certificate
- Certified copy of the statement of commencement of activities for tax purposes

※ Important Note ※

All documents to be attached for the purpose of the Immigration Process if not the original should be notarized copies.

STEP 2 & STEP 3 — Documents required for the dependents

Documents Required From Dependent – Part J

Certified Copy of Passport

- Certified copy of full passport of the foreign employee (please note that, this copy must be duly legalized by the Ministry of Foreign Affairs and the Embassy of the Republic of Mozambique)

Two (2) color passport photos – step 2

Police Clearance with Legalization (adults only)

- Police clearance certificate from the applicant's country of origin/residence (if the applicant has been a resident for over two years) issued within the 90 days immediately preceding the application. This certificate must be legalized in the country of issuance and translated into Portuguese by an official translator.

Marriage Certificate (for spouse)

- This certificate must be legalized (by Ministry of Education, Mozambican representation, Ministry of Home Affairs) in the country of issuance and translated into Portuguese by an official translator

Birth Certificate (for children)

- This certificate must be legalized (by Ministry of Education, Mozambican representation, Ministry of Home Affairs) in the country of issuance and translated into Portuguese by an official translator

School Certificate (for children)

- This certificate must be issued by the school where the child is enrolled in Mozambique stating the grade.

Declaration of health issued by a Doctor

Translated in Portuguese

Extra Documents Required from Main Member – Part K

Declaration from the main member undertaking responsibility for their dependent

Documents Required from Host Company in Mozambique – Part L

Letter from the main member's employer confirming requesting the issue of the Visa and the extension of the Residency Visa for his employee's dependence

✂ **Important Note** ✂

The application for each dependent must be submitted together with the support documentation from the main member.

Documents Required for the Application for the Equivalence Certificate

Form “Request of Equivalence”

- Request addressed to the Minister of Education and Human Development

Certified copy of the certificate and diploma awarding the degree

- Original must be presented upon submission for validation of the certified copy

Certified copy of the certificate of subjects taken, including details of course duration, course schedule load or accumulated credits

- Original must be presented upon submission for validation of the certified copy

Certified copy of Passport

Copy of the certificate of completion of the level prior to the course whose equivalence is intended

(e.g. Degree and 12th grade)

Homologation visa issued by the Government body that oversees higher education in the country of training

Homologation visa from the Ministry of Foreign Affairs of the country of education Visa of approval of diplomatic entity of the country of training existing in Mozambique, whenever it has not been done in the source of origin

Filled form. A letter issued by an entity legally constituted in Mozambique (Stuttaford Van Lines), expressing interest in hiring. Payment of the official fee (varies according to the degree)

✂ **Important Note** ✂

The original certificates are required for the purpose of confirming the authenticity of the copies at the time of the submission of the application. The certification documents must be written in Portuguese or accompanied by the respective official translation done by a sworn translator.

◆ **Attention Point**

- The admission of a foreign employee does not exempt the employee from requesting a work visa, to be issued by the immigration services, after assessing that the admission has respected all legal requirements and instructions. The non-attribution of a work visa due to the omission of any rules in the act of hiring, places the employee in an illegal situation and the risk of such a situation is borne by the contracting company, with all its consequences
- If the company exceeds the quota for hiring foreign employees, it may resort to the authorisation regime (outside quota), which corresponds to hiring employees beyond the quota allowed (outside the quota).
- The employer must ensure the existence and updating of the following documentation: individual employees' files, containing employment contracts (duly signed by the parties, notarised and with stamp duty paid); health certificate; proof of payment of social security and IRPS, as well as collective insurance, holiday plan, working hours schedule duly approved by the Ministry of Labour, salary sheet, application sent to the Labour Directorate declaring the commencement of the activity; a copy of the work permits of the foreign employees

- If the company has several branches or subsidiaries spread throughout the country the quota of foreign employees must be calculated according to the number of employees in each branch and is not transferable. In other words, if branch "A", located in Maputo reaches the quota limit and branch "B", located in Niassa, has not yet reached the quota limit, the latter cannot transfer its remaining quota to the other. In this case, branch "A" must request the hiring of a foreign worker under authorisation regime (outside quota) because it is beyond the allowed quota.

7. Vicissitudes of the Employment Contract of the Foreign Citizen

The employment contract of the foreign employee may be subject to amendment or termination, or even the employee may be transferred to another area of work. If one of the circumstances mentioned above occurs the law requires the observance of certain formalities, as indicated below.

Modification of the Conditions in the Contract

In the event of a change in one of the conditions set out in the employment contract, the employer must notify the Provincial Labour Directorate of the area where the foreign employee is performing activity and an apostille or addendum must be signed.

Transfer of the Workplace by the Foreign Employee

A foreign employee may be transferred temporarily or permanently from one place to another. The temporary transfer aims at meeting specific and punctual work programs (when exceptional circumstances occur linked to the administrative or productive organization of the company)

The definitive transfer may occur in the following circumstances;

- a) If the parties have previously stipulated in the employment contract
- b) In the case of total or partial change of the establishment where the employee to be transferred performs activities.
 - the transfer of the location outside his habitual residence, requires mutual agreement
 - In the case of a partial move, a quota must be available at the place of destination

The requirement of quota availability of the representative or branch of the employer, in the province where the employee is being transferred, does not cover those companies that do not have representations in the place of destination and the activities of national scope or whose execution covers several provinces.

The employer must notify the Provincial Labour Directorate of the province where the foreign employee was performing activities. In turn the employer must keep copies of the respective file in the place where the transferred foreign employee will carry out his or her activities. The communication to be sent to the Provincial Labour Directorate of the province where the foreign employee was working must;

- a) Indicate the exact address of the new workplace
- b) Indicate the duration of the transfer
- c) Attach a Copy of the certificate of compliance of the hiring or work authorization and an Apostille or addendum

to the employment contract (in case of definitive transfer)

Revocation of the Administrative Act Allowing the Employment of the Foreign Employee

The Minister of Labour may revoke the administrative act that allows the employment of the foreign employee when he/she adopts the following behaviours;

- a) Mistreatment that results in serious physical assault against a national or foreign employee
- b) Serious insult to a national or foreign employee on the grounds of race, skin colour, or other serious discriminatory attitude that undermines honour, dignity, good name and image in the workplace
- c) Serious violation of the special rights of women
- d) When sentenced to a longer term of imprisonment.

8. Working Hours

The normal working period encompasses the number of hours of actual work that the employee undertakes to perform for the employer. Effective working hour means the time during which the employee renders actual service to the employer or is at the employer's disposal.

As a rule normal working hours shall not exceed 8 (eight) hours per day and 48 (fourty-eight) hours per week, spread over six weekdays, but may however be extended up to nine hours a day provided the employee is granted an extra half-day of rest per week.

By means of collective agreement normal daily work may exceptionally be extended up to 12 (twelve) hours provided that the weekly duration does not exceed 56 hours and the average duration of 48 (fourty-eight) hours' work per week is calculated by reference to maximum periods of six months.

On the other hand companies engaged in industrial activities, except those on shift work may have normal working hours of 45 (fourty-five) hours per week, over a five-day week. In special cases, reduction or increase of the maximum limits of normal working hours is allowed provided that it does not cause economic loss for the employees or unfavourable changes to their working conditions.

The Determination of work schedule is made by the employer after consultation with the relevant trade union body and it must be endorsed by the labour administration and displayed in the workplace. Employees who hold leadership and management positions or occupy positions of trust or of supervision may be exempt from fixed working hours.

Unless a longer period is provided for in collective agreements and if not subject to special regime such as shift-work and continuous working-hour mechanisms employees are entitled to a daily rest break not less than 30 minutes and nor more than two hours. Lastly the compulsory weekly rest corresponds to at least, 20 consecutive hours which generally coincides with Sundays except in those cases expressly stipulated by law.

The law also provides special regime of working hours, namely;

- a) exceptional work
- b) overtime work
- c) Night work
- d) Shift work
- e) Part-time work.

Exceptional Work

Exceptional work is deemed to be the work performed on a weekly rest day complementary day or public holiday. Exceptional work may not be refused in cases of force majeure or foreseeable harm to the national economy such as past or imminent accident to perform urgent and unforeseen work on machinery and materials essential to the normal functioning of the company or establishment.

Work performed on a weekly rest day complementary rest day or public holiday entitles the employee to a full compensatory rest day on one of the following three days except when the work does not exceed a period of five consecutive or alternate hours in which case it is compensated by half a rest day.

Overtime Work

Overtime is the work performed beyond the normal daily work period. Overtime work can only be performed;

- a) when the employer has to cope with increased work that does not justify the admission of an employee under a fixed-term or indefinite period contract
- b) when there are serious reasons.

Each employee may perform up to ninety-six hours of overtime work per quarter, and may not perform more than eight hours of overtime work per week, nor exceed two hundred hours per year. In all cases, the employer must keep a record of overtime work performed, in a special book.

Night Work

Night work is deemed to be the work performed between midnight and the beginning of the normal working period of the following day, with the exception of work performed in shifts. Collective regulatory instruments may be considered as night work, work that is performed during seven of the nine hours between 8 p.m. of one day and 5 a.m. of the following day

Shift Work

In companies with continuous work and in those where there is a period of operation longer than the maximum limits of normal working hours the employer must organise shifts of different employees. The duration of the work of each shift cannot exceed the maximum limits of normal working periods established by law. The shifts work on a rotating basis, to allow employees to replace each other at regular work periods.

The shifts in the continuous working regime and shifts of employees who provide services which, by their nature, cannot be interrupted, must be organized in such a way as to grant employees a period of compensatory leave in addition to the weekly rest period.

Part-Time Work

Part-time work is the one in which the number of hours that the employee undertakes to perform in each week or day does not exceed seventy-five per cent of the normal working hours performed on a full-time basis. The number of days or hours of part-time work must be fixed by written agreement and may unless otherwise stipulated be carried out on all or some days of the week, without prejudice to weekly rest periods. Part-time employees may not be treated less favourably than full-time employees in a comparable situation except where this is justified by compelling reasons.

9. Interruption Of Work

The law provides for situations in which work may be interrupted. These situations may be as follows;

- a) Weekly rest
- b) Mandatory public holidays
- c) Grant of permission not to attend work – *tolerância de ponto*
- d) Annual holidays
- e) Absences

Weekly Rest

Every employee is entitled to a weekly rest period of at least 20 consecutive hours on a day that usually coincides with Sundays. However the weekly rest day may not coincide with Sunday in the following cases;

- a) When the employees have to ensure continuity of services that cannot be interrupted
- b) When the employees perform their activities in retail establishments
- c) For staff that perform cleaning services or preparatory or complementary work that should be carried out on the rest day of the other employees
- d) For employees whose activity should, by its nature, be performed on Sundays.

In such cases an alternative weekly day of rest shall be allocated preferably in a systematic manner. Employers shall, whenever possible give the same weekly day of rest to employees that are members of the same household.

Public Holidays

Mandatory public holidays are those days that are considered as such by law. Whenever a public holiday falls on a Sunday work shall be suspended on the following Monday except in cases where the work by its nature, cannot be interrupted.

Grant Of Permission Not To Attend Work – *tolerância de ponto*

The minister in charge of labour has the power to grant *tolerância de ponto* (permission not to attend work) which shall in all cases be announced with advance notice of at least two days. According to art. 4 of Decree no. 7/2015, the *tolerância de ponto* may be at the national level (when it covers the entire national territory) or local level (when it is limited to a certain city or town).

Compulsory Holiday

The right of employees to take paid holidays cannot be renounced nor can it be refused in any circumstances. Employees shall be entitled to the following periods of paid annual holidays;

- a) One day for every month of actual service during the first year of service
- b) Two days for every month of actual service during the second year of service

- c) Thirty days for every year of actual service from the third year onwards

For this purpose effective work is the time during which the employee provides effective work to the employer or is at the disposal of the employer plus public holidays, weekly rest days holidays and justified absences. Exceptionally holidays may be replaced by additional remuneration at the convenience of the employer or the employee by agreement of both and the employee must take at least six working days off.

Where the nature and organization of work and the production conditions make it necessary or possible the employer may after consulting the relevant trade union body decide that all employees shall take their holidays at the same time.

The employer may postpone all or part of an employee's holidays until the holiday period in the following year for compelling reasons connected with the enterprise or to meet the essential and indispensable needs of society or national economic interests provided that the employee the trade union body and the minister who oversees the area of labour have been notified beforehand.

The employer and the employee may agree in writing to the accumulation of up to fifteen days of holidays for every twelve months of actual service provided that the accumulated holidays shall be taken during the year following that in which the limit of 60 (sixty) has been reached. Public holidays falling within a period of annual holidays shall not be counted as days of holiday.

Sick days shall not be counted towards holidays provided that the illness is duly certified by a competent body is declared by the employee during the holiday period and the employer is informed immediately. In these cases the employee shall resume his or her holidays after discharge from hospital unless the employer sets a different date for the resumption of holidays.

Absences

When an employee is absent from the workplace during the period in which the employee is obliged to work this is considered an absence. According to article 103, paragraphs 2 and 3, absences may be justified or unjustified.

The following are considered justified absences;

- a) Five days, for marriage
- b) Five days, for the death of the employee's spouse, father, mother, children, step children, siblings, grandparents, step father or stepmother
- c) Two days, for the death of the employee's parents-in-law, uncles, aunts, cousins, nieces, nephews, grandchildren, sons-in-law, daughters-in-law, brothers-in-law and sisters-in-law
- d) When it is impossible for the employee to attend work for reasons outside his/her control, such as illness or accident
- e) When employees, as parents accompany their own children or other minors under their responsibility who are interned in hospital
- f) Periods of convalescence for female employees, in cases of abortions or miscarriages occurring more than seven months before the expected birth
- g) Others previously or subsequently authorised by the employer, such as for participation in sporting and cultural activities.

Justified absences when foreseeable must be communicated to the employer at least two days in advance and;

- a) Do not determine the loss or prejudice of employees' rights relating to remuneration seniority and holidays
- b) Periods of absence justified in the terms of article 103, nº 3, line eg) hereof may be offset either by deducting an equivalent number of days from the employee's holidays up to a maximum of ten days for each year of actual service or if the employee so chooses by discounting them from the employee's remuneration.
- c) Justified absences due to accidents or sickness do not entail the payment of any remuneration. The employee can apply for a subsidy before the National Institute of Social Security.

As per art. 103, no. 4 and art. 106 of LL, all absences not provided for above are considered unjustified having the following implications;

- a) Loss of pay for the period of absence and this period shall in addition be discounted from the employee's annual holidays and length of service without prejudice to possible disciplinary proceedings
- b) Unjustified absences for three consecutive days or on six intermittent days in any half-year period or absences justified on grounds proven to be false may be subject to disciplinary proceedings
- c) Unjustified absences on fifteen consecutive days give rise to the presumption that the employee has abandoned his/her job which shall be grounds for disciplinary proceedings
- d) In cases where an employee is absent without justification for fewer than the normal working hours required of him or her the respective times will be added up to determine the shortfall in normal working hours and these shall be discounted from the employee's remuneration.

10. Minimum Wage

The minimum wage is set annually by ministerial order as a result of negotiations between the government and the representative of the private-sector employers and unions bodies and Labour Advisory Committee (*Comissão Consultiva do Trabalho*) for the following nine sectors of activity a) agriculture, hunting, livestock and forestry (b) fisheries (c) mineral extraction industry (d) manufacturing industry (e) production and distribution of electricity, gas and water (f) construction (g) non-financial services (h) financial activities (i) public administration, defence and security. The minimum wage varies according to the sector and is published in April.

Table of Minimum Wage in Force in Mozambique (2021)

Industry	Minimum Monthly Salary (MZN)
Agriculture, livestock and forestry	4.829,00
Semi-industrial fishing	5.570,75
Kapenta fishery	4.401,68
Mining – Large companies	9.848,89
Mining – Quarries and sandpits (Medium Size companies)	6.576,70
Mining – Salt pans	5.559,21
Manufacturing industry – Industrial sector	7.450,00
Manufacturing industry – Bakeries	5.350,00
Electricity, gas and water – Large companies	8.900,00

Industry	Minimum Monthly Salary (MZN)
Electricity, gas and water – Small companies	7.246,72
Building industry	6.330,00
Non-financial services	7.300,00
Financial services – Banks and insurance companies	13.410,18
Financial services – Microfinance companies	11.914,43
Hotel Industry	6.578,00
Public administration, defence and security	4.691,00

11. Social Security System

Under the law the compulsory social security system includes protection in the event of sickness, maternity, disability, old-age and death and covers all employees both domestic and foreign, residing in the Mozambican territory and their dependent relatives. For this purpose, the term employee is deemed to include directors and members of companies' governing bodies under an employment contract including single-member companies as well as sole traders having employees in their service or with permanent establishment.

Under the terms of art. 1 of the Compulsory Social Security System Regulation “SSR”, the social security system is mandatory for all employees who carry out activities in favour of an employer and for self-employed employees that can freely choose to be registered at the social security subsystem.

However under the terms of art. 4 of the SSR, this obligation is not extended to employees of foreign nationality who are carrying out activities in Mozambique if they prove that they are covered by a social security system in another country. And for this purpose it is mandatory to present a document legalized by the Mozambican consular services in the country of origin attesting the compliance with the formalities of the issuing country. The registration of the employer is compulsory and unique. Upon registration the employer becomes a taxpayer and the employee becomes a beneficiary.

According to art. 7 of the SSR, the registration of the companies must take place within 15 (fifteen) days from the date of commencement of activities or acquisition of the company through the presentation of the following documentation;

- a) License or document proving that the company is authorized to carry out activity in Mozambique, issued by the competent entity
- b) Declaration of commencement of activity issued by the tax department or equivalent document
- c) Identity card, personal ID card, birth certificate, Passport or DIRE of the person or persons that bind the company
- d) Company's tax number

If any of the documents is missing, the company has 30 (thirty) days to submit it.

According to art. 9 of the SSR, the enrolment of the employees is made by the employer through the completion of an electronic form, available at the official website (inss.gov.mz). However and for the purpose of validation and issuance of the beneficiary identification card the employer must submit within thirty (30) days the following documentation;

- a) Employee's identification document

- b) Employee's tax number.

According to art. 11 of the SSR, the basis of incidence of the contributions consists of;

- a) Salary
- b) Seniority bonus
- c) Management bonus
- d) Performance, productivity, assiduity bonuses awarded on a regular basis
- e) Remuneration for substitution
- f) Night work remuneration
- g) Other bonuses, subsidies, commissions.

Employers must declare monthly remunerations through an electronic platform (inss.gov.mz), between the 20th day of the reference month and the 10th day of the following month. When the deadline ends on a Saturday, public holiday, tolerance, it moves to the next working day (art. 12 SSR).

Both employer and employee are required to contribute to the beneficiary employee's social security being the former responsible for withholding and paying all contributions due each month to the Social Security Institute. The contribution rate in force is 7%, of which 4% is for the account of the employer and 3% of the employee.

Foreign employees providing service in Mozambique who demonstrate that they are covered by the social security system of another country are exempt from contributions to the national social security system, without prejudice to the provisions of international bilateral agreements. Lastly responsibility for the material subsistence of employees with temporary or permanent disabilities resulting from vocational sickness or accidents as well repayment of the respective expenses, lies with the employer and not with the INSS, and the employer must therefore take out collective insurance covering such situations.

12. Occupational Health and Safety and Compulsory Insurance

In addition to the duties imposed by the Labour Law the employer has other obligations towards the employees, namely to guarantee occupational hygiene, safety and health. Protection safety and hygiene at work is a fundamental right of the employee, being regulated by the Constitution of the Republic of Mozambique and the Labour Law and, other regulations such as;

- a) Decree no. 62/ 2013, of 4 December, approving the Regulation that establishes the legal regime of work accidents and occupational diseases
- b) Decree no. 61/ 2006, of 26 December, which approves the Regulation on technical safety and health in geological and mining activities
- c) Legislative Diploma no. 48/ 73 of 5 July approving the General Regulation for hygiene and safety at work in industrial establishments

In addition Mozambique is also signatory to Convention no. 17 on compensation for accidents at work and Convention no. 18 on compensation for occupational diseases both of the International Labour Organization – ILO.

Art. 216 of the Labour Law provides the following general principles. The employer must create and develop appropriate means to protect the employees' physical and mental integrity and to constantly improve working conditions so that work can be carried out in conditions of hygiene and safety. Provide the employees with good physical environmental

and moral working conditions inform them of the risks of their job and instruct them on the proper compliance with the rules of hygiene and safety at work. Take all appropriate precautions to ensure that all work stations as well as accesses are safe and free from risks to the safety and health of workers.

Whenever necessary provide appropriate protective equipment and work clothes in order to prevent risks of accidents or harmful effects on employees' health. Also within the limits of the law, companies may establish policies to prevent and combat HIV/AIDS and other endemic diseases in the workplace and must respect, among other, the principle of employee's consent for the purpose of HIV testing.

All companies that present exceptional risks of occupational accidents or diseases are obliged to create occupational safety committees, which must include representatives of the employees and the employer and have the objective of monitoring the compliance with the rules of hygiene and safety at work, investigating the causes of accidents and, in collaboration with the company's technical services, organizing prevention methods and ensuring hygiene in the workplace.

Large companies are obliged to provide, directly or through a third party contracted for the purpose a service to provide first aid in case of accident, sudden illness, intoxication in the workplace. Companies with a smaller number of employees and whose activities are hazardous, unhealthy or involve a high degree of danger to which the employees are permanently exposed, must also provide first aid services.

In order to ensure effective compensation for damages in the scope of accidents at work or occupational diseases pursuant to article 231 of the Labour Law and article 7 nr. 1 of Decree nr 62/2013, the employer is obliged to transfer the responsibility for the coverage of the respective accidents at work and occupational diseases to the insurance entities legally authorised in the country.

In this way, the employer is obliged to have collective insurance and to enroll the employees in the insurance for accidents at work and occupational diseases. The employer may conclude additional more favourable insurance policies. However the employer is forbidden to make any deduction from the employee's remuneration by way of compensation for charges resulting from the insurance plan (article 6 of Decree nr 62/2013)

◆ Good Practices

It is advisable to ensure the creation and development of all mechanisms of employee's protection in the company in order to prevent accidents at work or occupational disease and where possible, provide training for employees

When the employer is aware of the work accident should report it to the following entities;

- a) The General Labour Inspectorate
- b) The Ministry which supervises the sector of activity
- c) The insurance company within the period defined in the insurance policy

It is advisable that all the communication is made in writing and that the proofs are duly filed and signed by all the intervening parties.

If the employer has not transferred the responsibility to the insurance company, he must notify the Public Prosecutor's Office at the Labour Court within 8 (eight) days from the date he became aware of it. (art. 27 of Decree nr 62/2013).

◆ Attention Point

When an accident at work occurs or an occupational disease is diagnosed, the employee has forty-eight hours (48 hours) following the occurrence to inform the employer. The communication can be made verbally or in writing.

However, it is advisable that it is made in writing. If it is not the injured employee himself who reports the occurrence to the employer, it may be another person who witnessed or became aware of it provided

that it is within 48 hours.

If the employee is unable to communicate to the employer about the occurrence for various and justifiable reasons, he/she must ensure such communication within 48h counted from the moment the impending circumstance ceases. And if the injury occurs on a date subsequent to that of the accident, the period of 48 hours starts from the date of knowledge (art. 26, nr. 2 and 3 of Decree nr 62/2013).

If the employee does not inform the employer about the accident at work within the deadlines set for communication even if he/she appeals to the court, the employer is exempted from liability in respect of the damage suffered by the employee (art. 26, nr. 4 of Decree nr 62/2013).

If the accident at work is caused by the fault of the employer or his legal representative, or results from the lack of hygiene and safety conditions, the liability is not transferred to the insurance company and the company itself must bear the expenses. And, if the liability is transferred to the insurance company, the latter will only be alternatively liable for the charges (art. 57 of Decree nr 62/2013).

6 Immigration

Within the scope of the relationship with other States, Mozambique has received several foreign citizens who immigrate for different reasons. In this context it is necessary to ensure the legalization of their stay in Mozambique which implies fulfilling certain requirements, one of which is a visa. Entry into Mozambique must always be made through the officially established borders, upon presenting a valid passport or any other equivalent document, having already valid visas (art. 9, n° 1, lines a), b) and d), of Decree n°. 108/2014) (**See list of crossings issuing border visas in the annex**). This chapter will address the requirements for obtaining and extending a visa according to each category.

1. Legal Framework for Foreign Citizens

The entry, stay, and exit of foreign citizens in Mozambique is regulated by the following legislation

	Legislation	Description
1	Law no. 5/93 of December 28th	Which establishes the legal regime of foreign citizens, fixing the respective rules of entry, stay and exit of the country, rights, duties and guarantees.
2	Decree no. 62/2014, of October 24th	Updates by a factor of 200 the amounts of the fine relating to the infringements provided for art. 42, 43, 44, 46, and 47 of Law no. 5/93 of 28 December.
3	Decree No. 108/2014, of December 31st	Approves the Regulation of Law no. 5/93, of December 28th, which establishes the legal regime of foreign citizens, fixing the respective norms of entry, stay and exit of the country, rights, duties and guarantees.

2. Institutional Framework

The institutions involved in the process of granting and extending visas in Mozambique is presented below

	Institution	Competence
1	Ministry of Foreign Affairs and Cooperation	Authority that grants entry visas and extends the period of stay of the following types of visas

	Institution	Competence
		a) Diplomatic visa b) Courtesy Visa c) Official Visa
2	National Migration Service (SENAMI)	Authority that grants entry visas and extends the period of stay of the following types of visas a) Student visa b) Border visas c) Business visa d) Work visas e) Transit Visa f) Tourist visa g) Residency Visa h) Visitor Visa I) Visa for sporting and cultural activities j) Visa for investment activities k) Temporary residence permit l) Transshipment visa for crew members <ul style="list-style-type: none"> • Supervising the stay of foreign citizens • Cancel visas • Expel foreign citizens

3. General Requirements for visa's issuance

According to art. 11 of Decree n°. 108/2014, the following are general conditions for visa's issuance;

- a) The presentation of a passport or equivalent document whose minimum validity is not less than six (6) months
- b) Proof of the existence of sufficient means of subsistence during their stay in Mozambique
- c) Payment of the corresponding visa fee

※ Note ※

It should be noted that the petitioner (applicant) is sometimes required to submit two (2) passport-size photographs. When the applicant is living in a country where there is no Mozambican diplomatic or consular representation the visa application must be submitted to the nearest country or region that has a representation.

For the case of South Korea as it is authorized to apply for visa in Japan, South Korean citizens may apply for a visa at the Mozambican Embassy in Japan through the following contact information;

- Tel: + 81 3 5760 6271/2 Fax: + 81 3 5760 6274 moz.tokyo@embamoc.jp moz.consular@embamoc.jp

4. Types of Visas for Foreign Entrepreneurs or Investors and Their Specific Requirement

	Types of visa	Description	Requirements	Duration
1	Visa for invest-		In addition to the general require-	• It must be used within

	Types of visa	Description	Requirements	Duration
	Investment activities	<p>It is granted to a foreign citizen investor, representative or proxy of the investing company and is intended to allow the entry of its holder to implement investment projects of a value equal to or greater than fifty(50) million US dollars approved by the council of Ministers in conjunction with art 17, no1, all of decree No 108/2014)</p> <p>Note: the holder of the investment authorization may apply for a residence permit, if he/she wishes with the migration service (art. 17, nº 4, of Decree nº 108/2014)</p>	<p>Investment activity must submit the following documents;</p> <ul style="list-style-type: none"> a) Certificate or investment authorization issued by the Council of Ministers of Mozambique or other appointing authority duly recognized by the Notary Public b) Criminal Record c) Medical certificate 	<p>sixty (60) days of being granted</p> <ul style="list-style-type: none"> • It allows a stay of up to two (2) years extendable for an equal period (art17, paragraph 2, of Decree no 108/2014)
2	Business visa	<p>It is granted to the foreign citizen who moves to the country in connection with the activity he/she develops.</p> <p>Note: business visa does not allow the holder to obtain a residence permit (art 18, no.4, of Decree no.108/2014)</p>	<p>In addition to the general requirements the applicant must submit the following documents;</p> <ul style="list-style-type: none"> a) letter from the employer or the entity that invites the applicant for a business trip to Mozambique as well as to participate in an event or action in connection with the activity that one practices. b) Copy of the ticket or reservation of the round-trip air ticket to the country of origin c) Evidence of guaranteed food and accommodation conditions in Mozambique 	<ul style="list-style-type: none"> • It must be used within sixty(60) days of being granted • Allows a stay of thirty(30) days extendable to 90 days

◆ Attention Point

It is important to obtain visas at the Mozambican embassy in Japan and travel having all documentation complete. It happens that sometimes Korean citizens enter the Mozambican territory with a tourist visa with the intention to establish commercial companies. However according to Mozambican legislation it is not allowed to establish a commercial company based on a tourist visa.

Hence these people are forced to leave the Mozambican territory to apply for a business visa, and they often resort to the Consulates in Nelspruit or Johannesburg to regularise the situation.

However currently these Consulates have been rejecting the applications arguing that the applications must be submitted in the Mozambican Embassy in Japan where Korea is accredited to deal with migration issues generating costs for the applicants. Therefore before applying for a visa it is important to be clear about the purpose of entering Mozambican territory and only after that, apply for the corresponding visa.

As a general rule visas are issued outside Mozambique and the Immigration Services may extend its duration. However the Migration Services cannot issue visas or change the category of visa.

The embassy or consulate which receives the visa application carries out a consultation with the Migration

Services (in Mozambique) before granting the visa. The consultation with the Immigration Services aims to strengthen the analysis of the conformity of the application taking into account the requirements demanded and the purpose of the entry.

One of the documents that has been requested nowadays is the proof of means of subsistence which for a long time was not required although it was foreseen in the law.

It is also important to make sure that the salary declared in the employment contract is an amount that allows the employee to have a decent life in Mozambique since the authorities analyse if the salary would be sufficient for a payment of an average rent, food, health, transport. People tend to declare a lower amount to avoid higher rates of income taxes, but this has been controlled by the authorities lately.

Border Visa

The Border Visa is granted to foreign citizens by the Immigration Services at the border posts authorized to issue it (see list of authorized border posts in the Annex), and is intended to allow entry into Mozambican territory to foreign citizens;

- a) From countries that do not have diplomatic or consular representation of the Republic of Mozambique
- b) From countries that have diplomatic or consular representation of the Republic of Mozambique, provided that these countries provide reciprocal treatment to Mozambican citizens.

These visas are issued by the Provincial Director of the Migration Services of the place that has a crossing point qualified to issue border visas, upon prior request of the interested party. The border visa is valid for 30 (thirty days) and cannot be extended. With a border visa, the foreign citizen may only enter Mozambican territory once.

After the 30 days, the foreign citizen must leave the Mozambican territory under the penalty of a daily fine of 2.000,00 Mts.

◆ Attention Point

With the border visa the foreign citizen is not allowed to obtain a residence permit and neither a work permit. Also it is not allowed to establish a company. Therefore after the period of 30 days, the foreign citizen must leave the Mozambican territory and get a new visa that suits the purposes which intend to pursue

5. In-person nature of the Visa Application

Under Regulation no. 108/2014, the visa application must be made by the interested party to the Migration Services, Embassies, Consulates of Mozambique, and Crossing Posts, with a proper, duly completed form signed by the applicant. The applicant must gather all the necessary documentation for the type of visa that intends to apply for. Once at the place of visa application, the applicant must fill in the existing form and pay the respective fee.

In the case of a minor or incapacitated person the application must be made by the respective legal representative. In this case the legal representative besides presenting the necessary documents for the type of visa to be requested must present proof that he/she is the legal representative of the minor which may be by means of an identity card or other document issued by a public authority.

The documents to be submitted at the Embassy or Consulate must be in Portuguese which is the official language of Mozambique. Documents such as criminal record certificates must be translated by a sworn translator and legalized by the Mozambican authorities. The embassy can provide a list of translators. After translating the document and handing over the original, the applicant must keep a legalized copy. It is important to ensure that the signatures on the documents are recognized by the public notary.

6. Rejection of Visa Application

According to art. 27, no. 1, of Decree No. 108/2014, an entry visa application may be refused in situations where the petitioner;

- a) It is banned from entering the Republic of Mozambique
- b) It has been expelled or declared *Persona Non-Grata* in the Republic of Mozambique
- c) It is engaged in activities that, when practiced in the Republic of Mozambique, would entail deportation
- d) It is provided with sufficient evidence that he/she may cause a change in public order and security or other serious inconveniences either in the internal order or in the regional or international order
- e) It is a vagrant, a beggar; has no means of subsistence, or is considered not to be in a position to raise them
- f) It Has been convicted of offenses carrying a sentence of long-term imprisonment
- g) It is being sought after by the authorities of other countries unless authorized by the competent authority
- h) It has been fined on previous occasions for violation of migration laws and has not paid the respective fine
- I) Does not provide grounds for the issue of a visa.

It should be noted that an incomplete visa application form does not give rise to refusal of the visa application, it should only be returned for its regularization, i.e) to be completed in full (art. 27, no. 2, of Decree no. 108/2014).

7. Visa Exemption

According to art. 18 of Law no. 5/93, the following foreign citizens are entry visa-free;

- a) Those who possess a residence permit
- b) Those who are nationals of a country that has a visa waiver agreement with Mozambique.

8. Entry Ban on Foreigners

According to Article 39, no. 1, of Decree no. 108/2014, the entry ban will be applied to the foreign national;

- a) Who has been expelled from the country
- b) Who has been sentenced to a long-term sentence by the Mozambican court for a felonious crime
- c) Of whom the migration authority has official knowledge that an application for a refusal of entry has been lodged against
- d) Who engages in activities that when practiced in the Republic of Mozambique entail Expulsion
- e) Is provided with sufficient evidence that he/she may cause a change in public order and security or other

serious inconveniences either in the internal order or in the regional or international order

- f) It is a vagrant, a beggar; has no means of subsistence, or is considered not to be in a position to raise them
- g) It is being sought after by the authorities of other countries unless authorized by the competent authority
- h) Have exceeded the period of stay or violated migration laws
- i) Having engaged in behavior contrary to the nature or purpose for which the visa was granted.

9. Rights of Foreign Citizens

Foreign citizens residing or staying in Mozambique shall enjoy the same rights and reassurances and are subject to the same duties as Mozambican citizens (Article 4, no. 1 of Law 5/93).

10. Duties of Foreign Citizens

According to article 4, no. 2, of Law no. 5/93, the following are the duties of foreign citizens;

- a) Respect the Constitution of the Republic
- b) Respect law and order and comply promptly with other legal prescriptions
- c) Declare his/her residence
- d) Provide information on their personal circumstances when they change, within thirty (30) days of the change occurring, or whenever requested by the competent authorities
- e) Provide the Migration Services with any change in the identification data, namely their nationality, marital status, profession, place of work, residence, or any absence from the country beyond the period of 90 days (art. 22 of Law no. 5/93 conjugated with art. 36, line b), of Decree no. 108/2014).

※ Note ※

In case of absence from the country for a period longer than ninety (90) days, the communication must be made 8 (eight) days in advance. Likewise in the case of a change of residence the Immigration Services need to be notified in order to proceed with the registration of the new residence.

◆ Attention Point

In case of absence from the country for a period longer than ninety (90) days, the communication must be made 8 (eight) days in advance. Likewise in the case of a change of residence the Immigration Services need to be notified to proceed with the registration of the new residence. Failure to communicate about the change of domicile a fine of 2,000.00 MT per month is applied.

◆ Good Practice

- It is important to constantly check the expiry date of the visa or of its extension. And in the case of the renewal of visa extensions it is advisable to start the process with some advance to avoid unforeseen situations and given the slowness in obtaining some documents such as tax clearance (necessary to extend work visa) that takes about two (2) to three (3) weeks to be issued.
- If the foreign citizen is staying in a hotel, inn, motels, it is necessary to present an accommodation bulletin to the Immigration Services. In case of permanent departure the foreigner must also submit the individual accommodation bulletin. The lack of communication implies a daily fine of 1,000.00 Mts plus the respective additional amounts.

11. Exit of a Foreign Citizen

According to article 39, no. 2, of Decree No. 108/2014, being already in Mozambique the foreign citizen may be barred from leaving;

- a) When there is a court decision that orders it
- b) When the migration authority has official knowledge that there is a request for a travel ban or arrest, issued by a competent authority
- c) A minor under the age of 16, traveling unaccompanied by his/her legal representative and not carrying an authorization granted by the latter.

12. Visa cancellation

According to Article 28, no. 1, of Decree no. 108/2014, visas already issued may be canceled in the following circumstances;

- a) When the visa holder does not meet or no longer meets the conditions and objectives for which the visa was issued
- b) When the visa has been issued based on false statements, use of fraudulent means or invocation of reasons other than those which led to the holder's entry into Mozambique
- c) When the reasons for granting it have ceased to exist
- d) When its holder has been subject to deportation and is still banned from entering Mozambique.

The National Migration Service, the Provincial Migration Service are the competent authorities for cancellation of visas. The visa's cancellation is communicated to diplomatic and consular representation of the Republic of Mozambique as well as to Provincial Directorates and crossing borders.

13. Deportation of the Foreign Citizens

A foreign citizen may be forced to leave the country by means of deportation. The deportation of a foreign citizen may be held administratively or judicially.

Administrative Deportation

According to art. 40, no. 1, of Decree no. 108/2014, in conjunction with article 29, no. 1, of Law no. 5/93, without prejudice to the provisions of international conventions it is up to the Minister of the Interior who oversees the area of migration in representation of the Government to decide to deport the foreign citizen from the national territory for one of the following reasons;

- a) Irregular entry into the country
- b) Attempt against national security, public order, or good customs
- c) Presence or activity in the country that threatens the interests or dignity of the Mozambican State or its citizens
- d) Interfere in the political life of the country without being duly authorized to do so by the Government
- e) Disregard the Constitution and other national laws applicable to foreigners
- f) Engage in acts that would have prevented their entry into the country

From the date of knowledge of the facts that constitute grounds for deportation, it is the responsibility of the Migration Services to arrange the deportation process and collect the necessary evidence for the decision within eight (8) days (art. 29, no. 3 of Law 5/93). Once the deportation is decided, the concerned foreign citizen may submit an appeal to the Council of Ministers or jurisdictional appeal before the Administrative Court without suspensive effects (art. 29, no. 2 of Law no. 5/93, in conjunction with art. 40, no. 2, of Decree no. 108/2014). The deported foreign citizen is forbidden from entering the national territory for a period not less than ten (10) years (art. 41, n° 4, of Decree n°. 108/2014).

Deportation by Judicial Order

Under articles 30 and 31 of Law no. 5/93, it is up to the judicial court of the province where the foreign citizen resides or the judicial court of the province where the foreign citizen was found to decide on deportation based on one of the following grounds;

- a) A citizen who is not resident in the country and who has been convicted by a Mozambican court to more than six months imprisonment
- b) A foreign citizen who has resided in Mozambique for less than five (5) years and has been convicted by a Mozambican court for more than one (1) year of imprisonment
- c) A foreign citizen who has resided in the country for more than five (5) years and less than fifteen (15) years, convicted to more than two (2) years in prison
- d) A foreign citizen who has resided in the country for more than fifteen (15) years, convicted to a long-term sentence.

Once the foreign citizen is convicted the court shall forward the certificates of the sentence to the Immigration Services within thirty (30) days and this entity must execute the deportation decision (art. 32 and art. 33, no. 1 of Law 5/93).

14. Obligations of the Foreign Citizen during the Deportation Process

According to art. 34, no. 1 of Law 5/93, the foreign citizen, during the period in which the deportation process takes place, is bound by the following obligations;

- a) Declare his/her residence and not leave the place of residence without authorization from the Immigration Services
- b) Regularly and periodically report to the Migration Services, according to the stipulated terms.

Breach of the above conditions will result in the arrest of the foreign citizen and his/her immediate Expulsion from the country (art. 34, n°. 1 of Law n° 5/93).

15. Residency Permit for Foreigners

A foreign resident in Mozambique is a foreign citizen who has been authorized to live in the country. Upon application by the foreign citizen the Migration Services issue a document called residence permit “DIRE”. According to articles 30 and following of the Regulation, there is 2 (two) types of residence permits, namely:

- a) temporary resident: is the permit issued to a foreign citizen who enters the country to fix his/her residence. It can also be granted to the spouse, minor or incapacitated children of the holder of the residence visa. In the case of a child born in Mozambique the residence permit must be requested within 90 days.

The necessary documents are;

- Application addressed to the Migration Services of the area of residence or where he/she intends to reside (must be recognized at the Notary Services)
- Passport and respective photocopy
- Photocopy of visa
- Three passport-type photographs
- Proof of means of subsistence
- License in the case of foreign entrepreneurs
- Tax clearance certificate
- Criminal record valid for up to 90 days
- Terms of responsibility for minors, spouse, dependents
- Proof of payment of the due fee

※ **Note** ※

It is important that the applicant is physically present at the Immigration Services with all the documentation described above. The documentation must be in certified copies. The temporary residence permit is valid for 1 year renewable for the same period.

- b) Permanent residence: is granted to the holder who has already received a temporary residence permit for at least 10 consecutive years.

The permanent residence has a validity of 5 years renewable for the same period. However, the Immigration Services can grant a lifelong validity to those who have permanent residence and are above 65 years of age, if they formally request it.

When applying for permanent residence or its extension, the following documentation must be submitted;

- Application addressed to the General Director of the Migration Services requesting permanent resident status (must be acknowledged at the Notary Services)
- Valid passport
- Valid temporary residence permit
- Three passport-type photographs
- Other documents deemed necessary depending on the applicant's situation, which may be communication or work permit issued by the Labour Directorate, clearance certificate from tax authorities and INSS, Criminal Record, employment contract, term of responsibility for spouse, minor or incapacitated children, medical certificate.
- Proof of payment of due fee

◆ **Attention Point**

If the foreigner holding a temporary residence permit intends to be absent from the country for more than 90 days, he/she must notify, in writing, the Migration Services of the place of residence under penalty of losing the right of residence. In this case he/she must submit a written communication explaining the reasons and the time of absence from the country.

It is important to note that the period of absence from the country should not exceed the validity

of the residence permit. The absence from the country does not exempt the need to renew the residence permit.

In the case of spouses and dependants who do not intend to work in Mozambique the application for the Permanent Residence Authorization will be based on the approval of the application of the main applicant. That is they will always be dependent of the applicant who is working in the country.

All documents submitted must be in Portuguese otherwise a sworn translation into Portuguese is required. It is advisable to submit photocopies of documents duly legalized and not to submit the original documents. In case of extension of the DIRE, it is only required to present the passport without having to submit it, since the DIRE takes the form of a separate identity document.

It is good practice to keep a photocopy of any documents handed over, including the printed ones, and where possible to have the photocopy signed, dated, and stamped with an official stamp of the immigration service. The same applies to DIRE handed in for extension - the applicant should keep a certified photocopy.

7

Import / Export and Financial Market**1. General Principles on Payments Abroad for the Import of Goods and Services**

Payments for the import of goods and services must be made through commercial banks. Foreign payment for the import of goods requires the presentation by the interested party of; **(i)** proof of entry of the goods into the national customs territory or **(ii)** shipment of goods to the national customs territory in cases where the payment method is the documentary credit.

Exceptionally it is allowed to make payments abroad for the import of goods without the presentation of documents proving the entry of the goods into the national territory for the following cases; (i) advance payments within the scope of the documentary credit in which the importation is conditioned to the advance payment (ii) direct advance payments when at least the following conditions are met (a) the written commitment of the importer to deliver documents proving the entry of the goods into the national customs territory, (b) a valid contract between the supplier and the beneficiary of goods or services, (c) pro-forma invoice and (d) the importer is not in a situation of non-compliance with deadlines for regularization of previous import procedures.

It is forbidden to; (i) make payments abroad for the settlement of imports that have resulted from disbursements in the form of goods, credit facilities and export incentives whose reimbursement must occur within the scope of their amortization and (ii) payment abroad for the settlement of goods resulting from donations, emergency aid the documentation of which expressly exempts foreign exchange settlement.

2. Mandatory Documents and Exchange Control Procedures

In order to process payment requests for the purpose of importing goods and services the commercial banks request the following documents regardless of the method of payment adopted; (i) commercial invoice, in accordance with the recommendations of the International Chamber of Commerce (ii) transport documents, as prescribed by the International Chamber of Commerce (iii) unified document (DU) issued by the national customs entity.

The law regulates the relevant elements of the commercial invoice for the purpose of payment abroad and must

as a whole present the following elements;

- a) supplier/exporter: name, full address, country, telephone and e-mail address, if any
- b) agent/importer: name, full address, country, telephone and e-mail address, if any, tax number and importer number if applicable
- c) date of issue of the commercial invoice and respective number
- d) exact description of the goods
- e) Quantities, brands, models, serial number, unit, gross and net weight, volume or length and other specifications according to the type of goods or merchandise
- f) Unit prices, transaction value and currency in which the amounts are expressed
- g) Terms of delivery and payment.

Similarly the transport document must contain some elements considered relevant to be valid. The relevant elements of the transport documents are;

- a) Carrier's name or authorized agent
- b) Signature and stamp of receipt and other similar indications of having received the goods for shipment
- c) Indication of the place of loading and unloading of the goods
- d) Number of originals issued, in the case of bills of lading
- e) Certification of whether or not there is an agreement between the quantity and the description of the goods on the invoice
- f) Identification of the means of transport
- g) Other requirements considering the payment method adopted.

As for the control procedure it is up to the commercial banks to check the documents submitted considering the payment method adopted. After checking the documents are returned to the importer and the commercial banks must constitute a single process which must include; (i) original copy of the unified document (DU), (ii) bank credit letter and respective amendments, (iii) commercial invoice, (iv) transport document, (v) remittance letter, (vi) settlement and/or payment bordereaux and (vii) other correspondence related to the operation.

3. Payment Method for Importing Goods

Under the terms of article 25 of Central Bank of Mozambique Notice no. 20/GBM/2017, of December 31st, in the settlement of transactions related to the import of goods, the following payment methods are allowed

Documentary Credit

Documentary credit It is the irrevocable commitment assumed by a bank (Issuing Bank) at the request and on the instructions of an Importer (Ordering Party) client to make a payment to an Exporter (Beneficiary), through an Intermediary Bank against the presentation of the stipulated documents provided that all terms and conditions have been met.

In this type of payment, the initiative to open the credit belongs to the importer and the following information is mandatory; (i) full name of the beneficiary and respective address, (ii) amount and currency of the credit, (iii) type of credit, (iv) refund conditions, (v) brief description of the goods, including quantities and unit price, as indicated

in the pro forma invoice, (vi) summary description of the required documents and (vii) place of shipment and destination of the goods, (viii) partial shipments allowed or not, (ix) transshipments allowed or not, (x) validity for boarding (if applicable), (xi) credit validity, (xii) form of notification to the beneficiary.

Documentary Collection

It consists of the delivery of documents, namely, commercial invoice, bill of lading, withdrawal or others designated in accordance with the norms and practices of international trade in collection from the importer's bank, for delivery upon acceptance in the withdrawal recognizing the debt (collection on credit term) or immediate payment (cash payment).

Direct Payment

It is the method of payment in which the importer receives the documents related to the transaction directly from the exporter promotes the clearance of goods at customs and, subsequently, arranges the remittance of the respective amount to the exporter through his bank. Direct payment can take the form of direct pre-payment and direct post payment.

Direct Payment in Advance

It consists of the total or partial liquidation, by import or export of goods or services, before their actual delivery or full provision. Under the terms of article 28 of Notice no. 20/GBM/2017, of December 31st, of the Central Bank of Mozambique direct advance payment is allowed provided that the interested party presents;

(a) a written commitment to proceed with delivery of documents proving the entry of the goods into the national customs territory, (b) a valid contract between the supplier and the beneficiary of goods or services, (c) a pro-forma invoice and (d) the importer is not in a situation of default in relation to regularization of previous import procedures. The commercial bank intermediating the payment must ensure compliance with the deadline of 90 days, as from the payment, for delivery to the bank of the documents proving that the goods have entered the national customs territory.

However, in cases where the goods are not completed on the date of the advance payment the delivery period starts from the date contractually agreed¹⁹⁾. Apart from these duly justified cases, the non-compliance with the deadline for the delivery of documents and while the non-compliance persists, leads the commercial bank to refuse to process other transactions abroad²⁰⁾.

Recently through Notice no. 6/GBM/2019, the Bank of Mozambique revoked the obligation to; (i) submit a bank guarantee of good execution provided by the exporter, through a commercial bank recognized by the importer²¹⁾, in direct payment processes of an amount higher than or equivalent to USD 250,000.00 (two hundred and fifty thousand American Dollars) and (ii) partial advance direct payments in the single amount less than the equivalent of USD 250,000.00 (two hundred and fifty thousand American Dollars) but in the context of the same import process.

19) In some cases, the 90-day deadline for submitting documents has been quite short. In the importation of goods for the manufacturing industry, projects for the exploitation of mineral resources (LNG Project in Rovuma Basins 1 and 4), construction, automobiles and others. As an example, in the agricultural sector, importers have resorted to the prepaid payment for the import of corn, rice and sugar flour factory, in which, generally, the foreign producer conditions the beginning of production of the factory to the payment of all or part of price, and the production of such factories takes more than 90 days to complete and make available. Likewise, in the current project for the construction of the natural gas processing plant in Palma, a large part of materials used in engineering is produced abroad, with suppliers conditioned the start of production of the materials necessary to pay all or part of price, and the collusion of the materials has lasted for more than 90 days legally fixed for the presentation of the documents.

20) The Central Bank of Mozambique as a regulatory and supervisory entity has penalized commercial banks (with fines and suspension of processing international operations) to commercial banks that continue to process transactions at the request of entities with previous irregular import processes.

21) See no. 3 and 4 of Bank of Mozambique Notice no. 20/GBM/2017, of December 31st before the amendment intro

With the payment request for the import of goods the interested party submits the Term of Commitment²²⁾ for bank intermediation. The Term of Commitment for bank intermediation is processed electronically and through the Single Electronic Window (JUE) on the initiative of the importer's customs broker and presented to the commercial bank for validation, within 62 (sixty-two) hours against the receipt of the request²³⁾.

Lastly under the terms of article 32 of Notice no. 20/GBM/2017, of December 31st, the Bank of Mozambique within the scope of the duty to inform imposed to commercial banks (which consists of commercial banks registering their foreign exchange operations and sending to Bank of Mozambique as well as the duty to retain the elements to verify the nature of their operations) commercial banks must be kept updated on each Term of Commitment issued in order to certify the status of compliance with the obligation to present documents or receive receipts..

◆ Attention Point

Since April 2019, the Term of Commitment in the import/export of goods is obligatorily electronic. The Term of Commitment (which is no longer done manually) is a document issued by the intermediary bank of an import operation to be presented to the customs authority. The process consists of the bank certifying that the importer is its customer and that it is intermediating the transaction in question.

It also aims to verify whether the importer undertakes to send the relevant documents or export receipts to the same bank, within the deadlines defined for this purpose. The Term of Commitment is submitted by the importer in the “*Janela Única Electrónica*” (JUE), through its customs broker or intermediary bank of the importer.

The Import Commitment Term applies to banks and resident exporting or importing entities that intervene in foreign exchange transactions involving receipts or payments abroad. Its objectives are; (a) to comply with foreign exchange legislation; (b) ensure the mandatory use of the National Banking System; (c) collect quality and timely statistical information; and (d) facilitate the exchange of information between different stakeholders (Customs/Bank of Mozambique/Commercial Banks/Importers vs Exporters).

In the case of “import with advance payment, the Commercial Bank must not proceed with any payment without the existence of the Commitment Term”, and the goods must be received within ninety days after payment. And if the importation is with payment in advance, “the Customs Broker must not proceed with the submission of the declaration without the existence of the Term of Commitment”.

Interpretation of the Stages/situation of the Term of Commitment

- **Submitted:** after submission of the commitment term to the intermediary bank. The UCR referenced in this term of commitment cannot be reused
- **Cancelled:** 72 hours after submission of the Term of Commitment without the intermediary bank having approved/rejected the term of commitment. When the commitment term changes to this state, the previously used UCR becomes available for the submission of a new commitment term by selecting the same or another commercial bank

22) This is a document issued by the intermediary bank for an import or export operation to be presented to the customs authority, in which the bank certifies that the importer or exporter is its customer and that it is intermediating the import or export operation in question, even though the importer or exporter makes an irrevocable commitment to send the relevant documents, the export earnings to the same bank, within the deadlines set for that purpose.

23) The commercial bank that validates the Term of Commitment becomes co-responsible for the transaction, and must monitor the import process and ensure compliance with the deadlines for the delivery of relevant documents or the receipt of export earnings.

- **Approved:** After the bank analyses the submitted commitment term and issues its approval. Once approved by the bank, the import/export process must be completed by the same bank
- **Rejected:** after analysing the commitment term submitted for some reason the bank rejects the term of commitment indicating in the proper field the reason(s) for rejection. The term can be updated and re-submitted
- **Expired:** 90 days after the submission of the term of commitment without it having been referenced in a customs declaration or having carried out the partial/total registration of the shipments/payments referring to the export/import of the goods
- **Non-conformity:** Upon importation the term of commitment becomes non-conformity 90 days after the payment is sent (Payment Register) for the goods without a customs declaration. In exports the term of commitment changes to non-compliance 90 days after the customs clearance of the goods without registering the entire shipment in the “*Janela Única Electrónica*”.

Postpaid Direct Payment

It consists of the total or partial settlement affected by resident to non-resident and vice versa, for import or export of goods or services after their effective delivery or full provision.

4. Payments for Importing Services

These are payments for services provided by a non-resident entity in favor of residents, namely; (i) chartering of ships and aircraft, (ii) chartering of rail and road transport, (iii) pipeline transport through oil and gas pipelines, (iv) transport by electricity transmission pipeline, (v) shipping agency (vi) port and airport services and (vii) others not provided for in the previous categories.

The payment for importing services is made by means of an instruction presented to the commercial bank together with the following documents; (i) identification documents of the parties, (ii) commercial invoice or credit note, (iii) transport document, (iv) service provision contract or equivalent document, containing the terms and conditions of the service provision²⁴⁾ and (viii) document proving compliance with tax obligations²⁵⁾. The payment process for importing services complies with the rules applicable to direct advance payment, with the necessary adaptations.

5. Main Foreign Exchange Transactions

Type of Foreign Exchange Transaction	Documents
Payment for services in general (Article 36 of Notice no. 20/GBM/2017 of December 27 th)	<ul style="list-style-type: none"> • Identification documents of the parties (originator and beneficiary) • Service provision contract, indicating the parties, object, term, price, currency and payment method, and other relevant elements • Commercial invoice or debit note • Proof of service provision, except in the case of payments in advance or direct payments in advance • Proof of compliance with tax obligations

24) When it comes to contracts that provide for subsequent payments, the contract must be subject to foreign exchange registration with the commercial bank, with a view to assigning a numerical reference.

25) This is the certificate of tax discharge or exemption from payment of taxes in Mozambique on the transaction in question, issued by “Bairro Fiscal” of the headquarters or documents of the importer.

Type of Foreign Exchange Transaction	Documents
	<p>The commercial bank must register the service provision contract and assign a unique reference for subsequent payment transactions, by filling in the Bank of Mozambique service contract registration form.</p>
<p>Payment of insurance premium abroad (article 35 of Notice no. 20/GBM/2017 of December 27th)</p>	<ul style="list-style-type: none"> • Identification documents of the parties (originator and beneficiary) • Document proving the contracting of insurance abroad • Document issued by the National Insurance Supervision Institute of Mozambique that authorizes the contracting of insurance abroad.
<p>Payments due for the use of industrial and intellectual property rights (article 38 of Notice no. 20/GBM / 2017 of December 27th)</p>	<ul style="list-style-type: none"> • identification documents of the parties (originator and beneficiary) • Contract for assigning the use of rights, in the form legally required • Proof of the legally required authorization under the terms of the legislation on industrial and intellectual property rights • Proof of compliance with tax obligations <p>In these payments, the commercial bank must carry out the foreign exchange registration of the contract in question and assign a unique reference in subsequent payment transactions</p>
<p>Payments for importing stamps for philatelic purposes, banknotes and coins for numismatic purposes (article 39 of Notice no. 20 / GBM/2017 of December 27th)</p>	<ul style="list-style-type: none"> • Identification documents of the parties (originator and beneficiary) • Other relevant documents
<p>Publication subscription payments (article 40 of Notice no. 20/GBM/2017 of December 27th)</p>	<ul style="list-style-type: none"> • Identification documents of the parties (originator and beneficiary) • Commercial invoice or debit note
<p>Payment of court fees abroad (article 41 of Notice no. 20/GBM/2017 of December 27th)</p>	<ul style="list-style-type: none"> • Identification documents of the parties • Supporting document issued by the court in question. In the case of a document issued abroad its presentation to the commercial bank in Mozambique is subject to certification by the embassy or consular representation of Mozambique in the country of issue sworn translation into Portuguese.

Type of Foreign Exchange Transaction	Documents
Payment of fines, tax charges and indemnities (article 42 of Notice no. 20/GBM/2017 of December 27 th)	<ul style="list-style-type: none"> • Identification documents of the parties • Proof of payment obligation issued by the competent authority (copy of the fine, guilty verdict and others). In the case of a document issued abroad, its presentation to the commercial bank in Mozambique is subject to certification by the embassy or consular representation of Mozambique in the country of issue and sworn translation into Portuguese..

6. Structure of the Mozambican Banking System

The National Banking System can be subdivided into regulatory, supervisory and operational entities. The regulatory and supervisory entity Bank of Mozambique is responsible for defining the general policies and guidelines of the banking system the supervision of credit institutions and financial companies as well as normative functions to regulate the decisions taken by them.

In addition to these there are the operating entities which are all other financial institutions monetary or not as well as other auxiliary institutions, responsible, among other duties for the intermediation of resources between savers and borrowers or for the provision of services. Therefore the Mozambican banking system consists of; (i) credit institutions, (ii) financial companies and (iii) microfinance operators.

Regulatory and Supervisory Entity

Under the terms of article 132 of the Constitution of the Republic of Mozambique, Bank of Mozambique “*Banco de Moçambique*” is the Central Bank of the Republic of Mozambique whose operation is governed by its own law and by the international standards to which the Republic of Mozambique is bound.

In fact, at the domestic level the objectives and functions of the Bank of Mozambique are set by Law no. 01/92 “Organic Law of the Bank of Mozambique” and at the international level, the Bank of Mozambique observes the rules disseminated by the bodies in which it is affiliated (IMF, World Bank, Africa Development Bank).

According to the provisions of the Organic Law of the Bank of Mozambique, the Bank of Mozambique is conceived as a legal person governed by public law endowed with administrative and financial autonomy with the nature of a public company whose main objective is to preserve the value of the currency (Metical) and to achieve the following purposes: (i) to promote the implementation of correct monetary policy, (ii) to guide credit policy with a view at promoting the country's economic and social growth and development, (iii) to manage cash and cash equivalents in order to maintain an adequate volume of means of payment necessary for international trade and (iv) to discipline banking activity²⁶.

For the financing of operations included in its corporate purpose, in addition to the use of capital resources²⁷, the bank may; (i) accept deposits in cash from the State and credit institutions, (ii) use funds from loans granted by individuals legal persons, foreign or international, (iii) use funds from mandatory deposits by credit institutions and

26) Banking activity is regulated by Law no. 20/2020, of December 31st "Law on Credit Institutions and Financial Companies", respective regulation - Decree no. 56/2004, of December 10th, Notices and Circulars issued in accordance with time by the Bank of Mozambique.

27) Fully subscribed and carried out by the Mozambican State.

(iv) carry out any other passive operations that are not prohibited by law.

As a supervisor of credit institutions and financial companies the Bank of Mozambique is responsible for; (i) assessing and giving an opinion for the establishment of financial institutions reviewing their operation as well as on their merger, spin-off or transformation and proposing the revocation the authorizations granted when applicable, (ii) define the conditions for opening branches, agencies, delegations and other forms of representation of the aforementioned institutions, in the national territory or abroad and decide on the respective requests, (iii) establish guidelines for action of these institutions, (v) to provide information and credit risk centralization services, (vi) carry out inspections in the establishments of the financial institutions subject to its supervision.

Operating Entities of the National Banking System

Official Bodies

- Bank of Mozambique “BM”
- National Investment Bank “BNI”

Other Operating Entities

a) Credit institutions

- Commercial Banks: Banco Internacional de Moçambique, SA “BIM”, Absa Bank Mozambique, SA “Absa”, Standar Bank, SA, Banco Comercial e de Investimento, SA “BCI”, First Capital Bank, SA, Banco Société Générale Moçambique, SA “SG Moçambique”, African Banking Corporation (Mozambique), SA “ABC”, FNB Moçambique, SA “FNB”, Socremo Banco de Moçambique, SA, Ecobank Moçambique, SA, Opportunity Bank, Moza Banco, SA, Banco Mais - Banco Mozambican Investment Support, SA, Banco Único, SA, United Bank for Africa Mozambique, SA “UBA”, Banco Letsego, SA, Banco Big Mozambique, SA “BIG” and Access Bank Mozambique, SA.
- Electronic Money Institutions: Mobile Wallet, Vodafone Mpesa and Movitel / M-Tako.
- Microbanks: AC MicroBanco, Caixa Financeira de Catandica, SA, Caixa de Poupança Postal de Moçambique, SA, Microbanco NGR, SA, Yingwe Microbanco, SA, The First Microbank, SA, Caixa Financeira de Caia, SA, Microbanco Fides Moçambique, SA and Bayport Financial Services (Mozambique), SA.
- Credit Cooperative: Savings and Credit Cooperative, SCRL, UGC-CPC - Cooperative of Savings and Credit, SCRL, Credit Cooperative of Micro-entrepreneurs of Angónia, SCRL, Credit Cooperative of Producers of Limpopo, SCRL, Caixa Cooperativa de Crédito, SCRL, Cooperative Society of Credit of Women of Nampula, SCRL, Nacala Women's Fund, Credit Cooperative, SCRL and Pemba Women's Credit Cooperative, SCRL.
- Financial Leasing Companies: African Leasing Company (Mozambique), SA.
- Investment Companies: Management and Financing Company for the Promotion of Small Investment Projects, SA.

b) Financial companies

- Currency Exchange: Afzal Câmbios, Lda, Expresso Câmbios, Lda, Manusso Câmbio, Lda, Africportação, Lda, Cota Câmbios Mozambique, SA, Mundo de Câmbios, Lda, Mundial Câmbios, Lda, Sarbaz Câmbios, Lda, Soraix Mozambique Câmbios, Lda, SA Câmbios, Lda, Executive Câmbios, Lda, Acácio Câmbios, Lda, Al Meca Câmbios, Lda, Nós Câmbios, Lda, Coop Câmbios, Lda, Internacional Câmbios, Lda, Confiança Câmbios, Lda, Multicâmbios, Lda, 786 Câmbios, Lda, Dragão Câmbios, Lda, Méizel Câmbios, Lda, Mia Câmbios, Lda, Nova Câmbios Moçambique and Xai-Xai, Lda.

- Brokerage Financial Companies: Banco de Moçambique Cultural Center, National Statistics Institute, Ministry of Finance, Ministry of Planning and Development, International Monetary Fund, World Bank, African Development Bank, Association of Central African Banks, Statistics Division United Nations, United Nations Statistical Data, SADC Central Banks and CPLP Central Banks.
- Venture Capital Management Companies: GCI - Sociedade de Capital de Venture, SA.
- Group Purchasing Management Companies: Group Purchasing in Mozambique, SA.
- Credit Card Issuing Companies: SIMORede.

Bank Credit

Financial Credit

Financial credit is credit granted to resident and non-resident entities by credit institutions. Financial credit can be domestic (when granted by credit institutions based in Mozambique) and external (when granted by foreign credit institutions).

Domestic financial credit can be granted either in local currency (Metical) or in foreign currency²⁸⁾, with certain legal conditions being mandatory when it comes to credit granted in foreign currency.

In effect, under the terms of article 2 of Notice 05/GBM/2005, of May 20th ²⁹⁾, the exporting entities are eligible to be granted of loans in foreign currency, being understood as such, *“(...) the entities that hold documentation specific for the realization of a specific operation for the export of goods or services, an open letter of credit, a contract or other documentary evidence that an operation between a resident and a non-resident is in progress, which will result in a balance between debts”*.

Thus, in principle, non-exporting entities are not eligible for domestic loans in foreign currency.³⁰⁾ However credit institutions that grant loans in foreign currency to non-exporting entities must, in the act of granting establish specific provisions of 50% (fifty percent) of the amount granted. As for the external loan, resident entities have generally resorted to external loans due to the low interest rates practiced by foreign credit institutions, combined with the ability of these institutions to grant large sums of money.

Domestic Credit

Credit institutions have internal policies for granting loans.

- a) Short-term loan: no more than one year
- b) Medium Term Loan: not exceeding five years
- c) Long Term Loan: from five years onwards but never more than twenty-five years
- d) Overdraft facility
- e) Escrow Account

28) Generally, the major currencies with an influence on the Mozambican economy such as ZAR (South African Rand), EUR (Euro) and USD (United States Dollar)

29) On the Rules for the Granting of Credit in Foreign Currency.

30) Point 1 of Circular no. 3/DSB/2005 (Clarification on the Notice no. 05/GBM/2005, of May 20th).

The granting of financial credit to abroad requires prior authorization from the Bank of Mozambique. The request is made by the interested party by filling in a specific form (from the Bank of Mozambique), accompanied by the following documents: (i) identification documents of the parties, (ii) copy of the credit proposal and (iii) financial statements of the past two years.

External Credit

Pursuant to article 87 of Notice no. 20/GBM/2017, of December 27th of the Bank of Mozambique is exempt from authorization by the Bank of Mozambique the loan agreement whose the amount is up to or equivalent to USD 5,000,000.00 (five million American Dollars), provided that the following conditions apply; interest rate not higher than the reference rate (base lending rate) of the credit denomination currency, (ii) the sum of the reference rate and the margin not exceed the credit interest rate practiced in the national banking system, (iii) with a maturity of three years or more.

The application for foreign exchange registration of the loan agreement is made by the interested party before his commercial bank, by filling in the appropriate form together with the following documents; (i) documents identifying the parties, (ii) copy the loan agreement proposal, (iii) economic or social justification for the loan, (iv) financial statements or proof of the source of funds for repayment of the loan.

However, for the purpose of consolidation of foreign exchange registration and start of loan disbursements, the borrower must send the certified copy of the (final) loan agreement to the Bank of Mozambique, within 30 (thirty) days from the date of signature. Disbursements are subject to foreign exchange registration, at the request of the borrower, by completing a specific form before the Bank of Mozambique.

Other Forms of Loans

There are other ways of granting loans that are not made by credit institutions, the non-financial external credit. Under the terms of article 80 of Notice 20/GBM/2017, of December 27th of the Bank of Mozambique the granting of loans between resident and non-resident is allowed resulting from the fact that, the service provider has delivered goods or provided service without immediate receipt of the price giving the importer or beneficiary as the case may be the period of more than two years for payment³¹⁾, with or without interest.

a) Loans related to the import of goods

the contracting of loans related to the import of goods, with no interest and with a settlement period of more than two years, requires prior authorization from the Central Bank of Mozambique, and the application is made by filling in a specific form, accompanied by the following documents: (i) identification document of the parties, (ii) pro forma invoice issued by the supplier or contract containing the terms and conditions, (iii) amortization plan.

b) Loans related to the export of goods

The contracting of loans related to export of goods with no interest and when the repayment term is greater than two years, is subject to authorization by the Bank of Mozambique, prior to the export of goods. The application is made by filling Central Bank' specific form, accompanied by the following documents; (i) identification document of the parties, (ii) pro forma invoice issued by the supplier or contract containing the credit terms and conditions, (iii) debt repayment plan

31) As an example, company A recently incorporated and registered in Mozambique, between company B (of French origin) and company C (of South Korean origin), for the provision of excavator and other machinery rental services, purchase from your company. partner, company C, thirty excavators to apply them at the beginning of their commercial activity in Mozambique, and it was agreed that company A would pay, without interest, the price due for the purchase five years after the beginning of commercial activities.

c) Loans related to the import of services

The contracting of loans related to the import of technical assistance services or services of a different nature, with no interest and with a settlement period of more than two years, requires prior authorization from the Central Bank of Mozambique. The authorization request is made by filling in the Central Bank of Mozambique's specific form, accompanied by the following documents: (i) identification document of the parties, (ii) proposal for the service provision contract, (iii) pro forma invoice issued by the supplier or contract containing the terms and conditions, issued by the service provider.

d) Loans related to the export of services

The contracting of loans related to the export of technical assistance services or services of another nature with no interest and with a settlement period of more than two years requires prior authorization from the Central Bank of Mozambique. The application is made by filling in a Central Bank's specific form accompanied by the following documents; (i) identification document of the parties, (ii) draft of the service provision agreement, (iii) pro forma invoice issued by the supplier or contract containing the credit terms and conditions, issued by the service provider.

e) Personal loans received from abroad

The personal loans received from abroad are subject to prior authorization from the Central Bank of Mozambique. The application for authorization is made by filling in a specific form accompanied by the following documents; (i) identification document of the parties, (ii) draft of the loan agreement, (iii) economic and social grounds justifying the debt (iv) demonstration of the source of funds for credit repayment and (v) proof of the lawful origin of the funds lent.

Guarantees

General Principles

a) Guarantees related to current transactions are exempt from authorization.

b) The contracting of guarantees is exempt from authorization when: (i) provided for a period equal to or longer than 365 (three hundred and sixty-five days), (ii) granted in favor of a non-resident entity or on behalf of a resident entity under the terms of transaction previously authorized by the Bank of Mozambique, (iii) granted on behalf of a non-resident for any purpose, provided that it is counter-guaranteed by first demand cash collateral and (ii) being for the account of a resident or non-resident, is provided in favour of the customs in the course of business in respect of the absence of documents, authenticity of signatures and redemption of goods under receipt.

c) It is subject to Central Bank of Mozambique's authorization, the guarantees granted by resident entities to non-residents, including guarantees provided by banks, which involve payments: **(i)** to non-residents in Meticals or foreign currency and **(ii)** to residents on behalf of a non-resident.

Except in the case of bank guarantees related to current transactions, the use by a resident, of bank guarantees issued by non-residents is subject to prior authorization. The application for authorization is made by the interested party by filling in a specific form, accompanied by the following documents; (i) identification documents of the interested party and the entity issuing the guarantee, (ii) a document setting out the grounds for the request and (iii) document containing the terms and conditions of the bank guarantee.

1. Definition of Main Concepts

- **Foreign Exchange Resident**

(i) nationals who remain in Mozambique or being abroad, their stay does not exceed one year; (ii) national citizens who are diplomats abroad and their families; and (iii) foreign citizens who remain in Mozambique for more than one year. Are also considered as residents: (i) legal entities based in Mozambique, (ii) legal entities governed by Mozambican public law and (iii) any form of representation of legal persons who are not resident in Mozambique.

- **Foreign currency**

Banknotes and coins which are legal tender in the issuing countries and any other means of payment expressed in notes and units of accounts used for international clearing or payments.

- **Foreign Exchange Transaction**

Any act business or transaction carried out between resident and non-resident and which results or may result in payments abroad or that is simply qualified by law as a foreign exchange transaction.

- **Exchange Authority**

Central Bank of de Mozambique “Banco de Moçambique”.

- **Exchange Authorization Bulletin**

Document in physical or electronic format through which the Bank of Mozambique grants the applicant permission to carry out an exchange transaction.

- **Main Subcontractor**

Any entity contracted through a main contract by a Concessionaire or a Specific Object entity, for the provision of engineering services the supply of goods and construction services.

- **Current Transactions**

Any payments or receipts in foreign currency other than for the purpose of transferring capital, namely payments or receipts in connection with foreign trade unilateral transfers without consideration or others not subject to the prior authorization of the Bank of Mozambique.

- **Services**

Provision of an economic activity by a non-resident to a resident or vice versa including the use of a property in similar circumstances without the transfer of ownership of the material property.

- **Export**

Departure of goods or merchandise and services from the national customs territory.

- **Pro-forma invoice**

A document issued by the exporter at the importer's request as a preliminary step in the import process containing the elements of the final invoice but which does not create an obligation of payment by the buyer.

2. Mozambican Foreign Exchange Legal Framework

The rules and procedures on opening and operating foreign currency accounts in Mozambique are contained in several legal instruments (waivers) as follows;

- Law no. 11/2009, of March 11th, which approves the Foreign Exchange Law
- Decree-Law no. 2/2014, of December 2nd, which approves the special legal and contractual (regime applicable to oil and gas projects in Areas 1 and 4 of the Rovuma Basin)
- Notice no. 20/GBM/2017, of December 27th, which approves exchange rules and procedures
- Notice no. 7/GBM/2018, of September 12th, which approves the rules and procedures complementary to the special exchange rate regime for oil and gas operations
- Notice No. 5/GBM/2019, of March 22nd, conditions of purchase and sale of ME
- Notice No. 06/GBM/2020, which partially changes Notice No. 20/GBM/2017, of December 27th
- Bank of Mozambique explanatory notes
- Communication from Mozambican Tax Authority

3. Opening and Operating Foreign Currency Accounts in Mozambique

Framework

The Foreign Exchange Law “FEL” approved by Law no. 11/2009, of March 11th sets out the norms and principles governing the foreign exchange operations in Mozambique. In addition to the FEL, there is a set of rules in Mozambique (approved by law and various regulations) on the rules to be observed when opening and operating foreign currency accounts in Mozambique.

However the opening and operation of foreign currency bank accounts in Mozambique keeps up with the dynamism of commercial transactions. Hence entrepreneurs and other interested parties must ensure prior to realization, that any foreign exchange transaction complies with foreign exchange rules and procedures in force at the time of each foreign exchange transaction which can be done through consultation with qualified specialists at the Bank of Mozambique “*Banco de Moçambique*”. The request must be addressed to the Licensing and Exchange Control Department.

General Principles

Generally the foreign exchange rules in force in the country prohibit the opening of accounts in foreign currency for natural and legal persons who have no proven link with a non-resident or with a resident entity authorized to make local payments in foreign currency. Therefore the exception to general rule is applied for embassies, diplomatic representation, consular or equivalent representatives, foreign military staff exercising functions and certain entities operating in Areas 1 and 4 of the Rovuma Basin projects (approved by Decree 2/2014, of December 2nd).

Opening of Foreign Currency Accounts by Residents

The Central Bank of Mozambique requires prior authorization to open and operate foreign currency accounts in Mozambique by residents for the purpose of international clearing or payments. However commercial banks are authorized to open accounts in foreign currency for residents who have a proven relationship with foreigners or non-residents, namely; (i) exporters (entities dedicated to the sale of various products abroad: beans, cashew, cotton, scrap, coal, gas, miscellaneous services upon receipt of foreign currency), (ii) the concessionaires of the Rovuma Basin and main subcontractors; (iii) diplomatic, consular’ employees or equivalent representations; (iv) other entities that generate foreign currency (companies providing services to the concessionaires in the Rovuma Basin and main subcontractors).

Exporters are the entities that hold specific documentation for the realization of a concrete operation of export of goods or services, namely, (i) an opened letter of credit, (ii) a contract or (iii) other evidence that an operation is in progress between resident and a non-resident that will result in foreign currency inflows for the country. In practice, proof of exporter quality is made through the presentation of an exporter card contracts for the supply/export of goods and services or an opened credit.

The request for authorization to open the account in foreign currency is submitted by the interested party through his commercial bank by filling in the appropriate form accompanied by the documents that justify the need to open the account. Regarding the supporting documents, there is no fixed list of documents that justify the request, which can always vary according to the purpose of the account³²).

Opening of Foreign Currency Accounts by Non-Residents

The opening of foreign currency accounts in the country by non-residents is authorized, except if the purpose of opening the account is to carry out capital transactions namely; (i) foreign direct investment (“FDI”), (ii) real estate investment (iii) transactions on certificates of participation in collective investment organizations, (iv) opening and operating accounts with financial institutions abroad, (v) credit related to the transaction of goods or services, (vi) financial claims, (vii) guarantees; (viii) transfer without execution of insurance contracts, (ix) portfolio investment transactions, relating to securities and other instruments traded on the money and capital markets; (x) physical import and export of monetary values, (xi) personal credits, (xii) other operations that the law qualifies as capital transactions³³) Therefore the application for opening of a bank account in foreign currency related to capital transactions is made by filling in a specific form accompanied by supporting documents.

4. Nature of Foreign Currency Accounts

The foreign currency accounts can be;

- a) regular foreign currency account
- b) specific revenue account.

Regular Foreign Currency Account

This account is opened by entities with a proven relation with foreign entities upon presentation of evidence justifying the need to open the account.

Specific Revenue Account

The specific revenue account is defined as an account opened by the exporter or investor to receive revenue from exports of goods or services or income from investment abroad³⁴). At the request of the interested party commercial banks create specific revenue accounts by transforming exporters' revenue receipts accounts or by creating new accounts identifying them as such and limiting their operation according to foreign exchange rules.

32) For example: (i) service provision contract between the resident and non-resident entity that provides for regular payments; (ii) document proving that a resident entity holds shares / quotas in a non-resident entity, the opening of the account being justified by the need to receive dividends / profits).

33) 1 and 2 of Article 4 of Notice 10 / GBM / 2019, of the Central Bank of Mozambique

34) 1 of Article 5 of Central Bank of Mozambique Notice 10 / GBM / 2019.

The exporter who does not intend to keep export incomes in foreign currency is not obliged to open a specific revenue account being able to receive the earnings in his bank account in Meticaís at the exchange rate on the day of receipt of the amount. It is forbidden to modify a specific account of revenues in a normal account in foreign currency being only allowed the inverse.

The mechanism created by the Central Bank of Mozambique to ensure that commercial banks can identify/distinguish, through the process of “clearing” in foreign currency funds from specific accounts transferred from other banks requires the indication in the bordereaux of transfer by the ordering commercial bank that the funds come from and are payable only in a specific revenue account or the client must submit to the intermediary bank a letter from the bank receiving the funds proving the nature of the account.

5. Opening of Accounts by Operating Entities in Areas 1 And 4 of the Rovuma Basin

Under the terms of article 15 (2) of Decree-Law no. 2/2014, of December 2nd, the Concessionaires of Areas 1 and 2 of the Rovuma Basin, the Specific Object Entities each Main Subcontractor, Financiers, non-resident subcontractors and expatriate staff can open maintain and operate one or more foreign currency bank accounts with any bank in the country.

It is considered as the main subcontractor the entity holding an EPC - Engineering, Procurement and Construction contract with ENI or TOTAL in Areas 1 and 4 of Rovuma Basin, in an amount exceeding 1 billion USD. Under the terms of no. 10, article 10 of Decree-Law no. 2/2014, of December 2nd, the minimum amount to qualify as a Main Subcontractor is 25 million USD.

A Main Subcontractor for projects operating in the Rovuma Basin may open maintain and operate one or more foreign currency bank accounts with any bank outside the Republic of Mozambique. With an authorization for the opening of accounts there is a duty to periodically present information on the bank account especially to be made available to the Central Bank of Mozambique with a copy to the INP, that includes a copy of bank statements monthly received.

The Decree-Law is extended to non-resident Subcontractors (and their contractors) who may also open and operate foreign currency accounts. However in practice commercial banks have allowed the opening of foreign currency accounts by Subcontractors (and their contractors) through the presentation of contracts signed with the Main Subcontractor in which the payment obligation in foreign currency is accounted for. In case the funds are used in local transactions the bank will always carries out a conversion to the national currency, MZN.

6. Sources of Funds and Means of Operation of Foreign Currency Accounts

Sources of Funds of Foreign Currency Accounts

Foreign currency accounts can be paid into by any means permitted by law as long as the rules specific to each operation to be carried out are respected. Thus sources of supply of foreign currency accounts are; (a) revenues from exports of goods and services, (b) income from investment abroad, (c) foreign direct investment, (d) credits contracted abroad, (e) donations received from abroad, (f) other funds that do not fall under previously described, but duly justified³⁵⁾.

Means of Operating Foreign Currency Accounts

35) Article 6 of Central Bank of Mozambique Notice 10/GBM / 2019, of December 20th.

Generally accounts in foreign currency can be freely operated on credit or debit in transactions between the holder and the foreigners. The operation of accounts in foreign currency of the same holder in the same bank and in the same currency is also allowed.

Foreign currency accounts can be operated by any means allowed by law³⁶⁾, as long as the specific rules to each operation to be carried out are respected. It provides the following ways: (a) deposit of banknotes or checks; (b) withdrawals for the purpose of traveling abroad³⁷⁾, (c) other means of payment accepted by the banking system: (a) checks, (b) bank card (debit and credit), (c) transfer via internet banking and ATM.

Debit Transactions of Foreign Currency Account

Debit transaction of foreign currency accounts in domestic transactions regardless of the fund source and means of movement are made through conversion to foreign currency except in the following cases; (a) amortization of bank credits in foreign currency, (b) sale of foreign currency to the Bank of Mozambique to ensure compliance with tax obligations by mining concessionaires and exporting entities, (c) the collection of fixed-term deposits, and after the maturity of the fixed-term deposit, the funds are sent to the source account. When the time deposit matures, the released funds are sent to the ordering bank and are again subject to the rules applied for foreign currency accounts, (d) provisioning of an account of the same holder in foreign currency in another credit institution of the national banking system, with the purpose of making an immediate transfer abroad upon presentation of supporting documents, (e) account closure. The transfer to the collection of fixed-term deposit, must take place within 48 hours of the account being provisioned at another credit institution, and if this is not done the intermediary bank must return the funds to the bank of origin.

Credit Transactions of Foreign Currency Accounts

The credit transactions of accounts in foreign currency are only allowed in domestic transactions and upon presentation by the account holder of proof of the existence of the obligation to transfer to abroad in the following situations: (a) credit resulting from deposit of banknotes, (b) credit to a non-resident account based in national territory, (c) credit resulting from the debit of a foreign currency account of the same holder domiciled in the same bank, provided that the operations are linked to a transfer abroad, in compliance with the requirements inherent to the respective foreign exchange operation to be carried out within 48 hours from the date of purchase of the foreign currency, (d) credit resulting from the deposit of checks.

Local Transfers in Foreign Currency

As a rule local transfers for payment of goods and services to resident entities are made by conversion to the national currency Metical. Exceptionally it is allowed to make local transfers in foreign currency for the purposes of: (a) payment of bank loans in foreign currency, (b) sale of foreign currency to the Central Bank of Mozambique to ensure compliance with tax obligations by concessionary entities of mining operations or exporters, (c) constitution of fixed-term deposits, and after the maturity of the fixed-term deposit, the funds are sent to the source account. When the time deposit matures, the released funds are sent to the ordering bank and are again subject to the rules applied for foreign currency accounts, (d) provisioning of an account of the same holder in foreign currency in another credit institution of the national banking system with the purpose of making an immediate transfer abroad

36) Article 7 of Notice 10 / GBM / 2019, of December 20th, issued by the Central Bank of Mozambique. The most used means are the bank card (debit and credit), check.

37) We have article 13 of Notice 10/GBM/2019, the withdrawal of banknotes is only allowed for the purpose of traveling abroad and limited to the amount equivalent to USD 10,000.00, for each individual aged no less than 18 years). The commercial bank or exchange offices may always require proof of travel abroad, being practically requesting a copy of the passport containing the visa for a specific country, travel ticket or proof of hotel reservation and others.

upon presentation of supporting documents, (e) account closure.

The request for transfer of an amount for the purpose of payment of bank loans in foreign currency is made by means of an application addressed to the commercial bank accompanied by a copy of the loan payment plan in foreign currency indicating the installment to be paid.

Regarding the transfer to the collection of fixed-term deposits, in compliance with the duty of commercial banks to verify the legitimacy of banking operations the transfer is subject to the prior presentation by the interested party of;

(i) proof that the interested party has concluded a negotiation with a view to setting up a fixed-term deposit with another credit institution, including an indication of the method of payment of interest and repayment of principal, the account where the amount will be credited, the nature of the responsibilities or variation in the interest rate resulting from the amount of interest to be credited, (ii) written declaration of the interested party stating that he/she is aware of the obligations concerning the debit transaction, in local operations, of accounts in foreign currency, and committing to return the funds (capital and interest) to his/her account with the ordering bank, in the case of maturity or anticipated maturity of the fixed-term deposit.

Freight forwarders are allowed to make transfers in foreign currency from the specific revenue account at the level of the national banking system, in favor of port concessionaires as an intermediary in operations in which they are involved. For example, Delagoa Shipping, although is a resident entity may pay DP World or MPDC in foreign currency to the extent that it was mediating (in the name and interest of non-resident entities) import operations for goods. In fact payment in foreign currency is allowed as the freight forwarders do not act in their name and interest, but in the name and interest of the foreign exporter.

It is also allowed to the Concessionary entities of areas 1 and 2 of the Rovuma Basin (ENI, TOTAL), the Specific Object Entities, each main Subcontractor, financiers, non-resident Subcontractors and foreign staff to make transfers in foreign currency in favor of residents and non-residents, as payment for goods and services. However the fact that these entities are allowed to transfer/pay locally in foreign currency does not mean that the entities that receive the transfers/payments can also use the funds received in local operations in foreign currency.

7. International Transfers in Foreign Currency

International transfers in foreign currency may take the form of current transfers and transfers of income.

International Transfers in the Form of Current Transactions

Pursuant to art. 63 of Notice 20/GBM/2017, current transfers refer to: (i) the transfer of donations in cash, (ii) transfers of maintenance allowance, (iii) remittance of family expenses, (iv) transfer of amounts related to inheritance and bequests, (v) transfer of amounts related to inheritance and bequests taxes, (vi) other transactions. Current transactions do not require prior authorization from the Bank of Mozambique, however, commercial banks must verify, ensure their legitimacy and proceed with the foreign exchange registration upon request by the interested party.

The request for carrying out transfers in the form of current transactions is submitted by the interested party to commercial bank together with the following elements;

(a) identification documents of the of the originator of the transfer, (b) indication of the relationship between the sender and the beneficiary; (c) supporting documents of the facts or characterization of the transaction that constitute the basis for the request and that confer legitimacy to the applicant, (d) proof of the sender's source of income, (e) proof of tax payment (certificate of tax discharge) or that the tax due is assured and (f) proof of lawful origin of foreign currency resources, issued by entities authorized to engage in foreign exchange trading, in this case, commercial banks or bureau de change³⁸).

The document mentioned in (e) above, is not required when the transfer is for the purpose of: (a) payment of food, health and accommodation expenses made directly by service providers, (b) transfer of maintenance allowance, (c) remittance of amounts for family assistance and (d) payment of travel expenses. However, the exemption is not applicable if the payer is a foreign employee who is in Mozambique under an employment contract.

Transfer of Income in Foreign Currency

As refereed before capital operations are subject to a prior authorization by Central Bank. Considering the fact that these operations were previously authorized the transfer of the respective income is free from an authorization being only subject to exchange registration with the commercial banks, which is materialized by the issuance of the so-called BECP “Bulletin of Export of Private Capitals”.

Transfer of Income from Foreign Direct Investment

The transfer of foreign direct investment income in Mozambique, in the form of profits or dividends, is carried out through the presentation by the interested party of the following documents; (a) identification documents of the parties, (b) BICP proving the foreign direct investment exchange registration, (c) statement by the independent auditor to confirm that the income refers to the year or years in question and are the results of operations related to the company's activity, (d) proof of the consent of the competent body of the company or in the case of dividends, the minutes of the general assembly that deliberated on the distribution of profits and (e) proof of compliance with tax obligations related to the transaction.

Portfolio Investment Income Transfer

The transfer of income from portfolio investment in Mozambique, in the form of interest, dividends and capital gains, takes place through the presentation by the interested party of the following documents: (a) identification of the parties, (b) proof of the entry of the funds in Mozambique, (c) certificate of the amount to be transferred, namely coupon, statement and other (d) proof of compliance with tax obligations related to the transaction.

Transfer of Income from Loans or Shareholders Loan

The request for transfer of income resulting from loans or shareholders loan granted by a non-resident entity, in the form of interest, is made by the interested party by submitting the following elements: (a) identification documents of the parties, (b) proof of the foreign exchange registration of the loans or shareholders loan, (c) proof of disbursement registration, (d) payment plan, (e) proof of compliance with tax obligations related to the transaction.

Income Transfer Resulting from Deposit made in Mozambique by a Non-resident Entity

The transfer of income resulting from deposits made in Mozambique by a non-resident entity, in the form of interest, is made by the interested party upon presentation of the following documents: (a) identification document of the parties and (b) proof of compliance with tax obligations related to the transaction

Income Transfer Resulting from Other Forms of Capital Investment

The request for transfer of income resulting from other forms of capital investment is made by submitting the following

38) Article 64, no. 2 of Notice 20/GBM/2017).

documents to the commercial bank: (a) identification documents of the parties, (b) proof of the foreign exchange authorization for capital transaction and (c) proof of compliance with tax obligations related to the transaction.

◆ **Attention Point & Good Practice**

- The companies are required to prove that the due taxes, such as corporate income tax are paid prior the transfer of incomes
- In case of subsidiaries it is also required the deliberation of general assembly about the distribution of profits
- It is necessary that the interested party have all the registrations with the Bank of Mozambique duly carried out and the following documents: (a) registration as a foreign investor and hold the reference number, (b) have the investment registered within 90 days after the entry of funds into Mozambique and have the respective BICP.
- The interested party who has lost the proof of registration with the Bank of Mozambique, may, through its intermediary bank request the issuance of a duplicate of the registrations, as well as may request the statement showing all the registrations made.
- The interested party, who has not registered the investments made in Mozambique, may, through their commercial bank, submit this fact in writing to the Bank of Mozambique, enclosing all the supporting documentation of the facts, and request authorization for the transfer of funds.
- All transfers of funds must take place through the national financial sector and by a bank duly authorized to operate in Mozambique.

Transfer of Salaries in Foreign Currency

As a rule salaries for residents for work performed in national territory must be fixed and paid in national currency. However, for the entities that are considered as non-resident the payment and transfer of salaries to their employees are equated to an international transfer and are therefore classified as export earnings.

The transfer of non-resident' salaries to abroad can be made by the employer upon presentation to the commercial bank of the following documents: (a) identification document of the employee and employer, (b) an employment contract duly legalized, (c) a letter issued by the employer specifying the amounts that the employee is entitled to, (d) proof of compliance with tax obligations related to the transaction.

※ **Note** ※

In case of payment of wages for foreign employees in foreign currency it is necessary that the employment contract provides for such a possibility and that the transfer abroad is ordered directly by the employer. Therefore funds are transferred abroad from the employer's bank account. A different situation is that the foreign employee transfers part of his salary (received in Mozambique) from his account in Mozambique to his country of origin.

In this case, the foreign employee is free to do so (without the need for prior authorization from the Bank of Mozambique) provided that the following conditions are met;

- Identification documents of the originator of the transfer
- Indication of the relationship between the transfer or and the recipient beneficiary
- Documents proving the facts or characterization of the transaction that takes place the basis for a request and that confer legitimacy on the transfer applicant
- Proof of payment of the applicable taxes

To avoid constraints, commercial banks must question whether the foreign employee is or is not a resident citizen

(in light of the foreign exchange law^[1]) to assess whether or not he is eligible to open an account in foreign currency. Being eligible to open and use (locally) a foreign currency account, the transfer is ordered from the account currency otherwise (ie, if the account is in Metical), the transfer will be processed by converting from Metical to currency foreign.

9 Tax System

The Mozambican tax system comprises national and municipal taxes. National taxes are classified into direct taxes and indirect taxes, focusing on income, wealth and expenditure, respectively. Direct taxation of income in the Republic of Mozambique is done through the Corporate Income Tax (IRPC) and the Personal Income Tax (IRPS).

1. Corporate Income Tax

Who is Taxed

Under the terms of articles 1 and 2 of Law no. 34/2007 of December 31st (which approves the Corporate Income Tax Code), the Corporate Income Tax “IRPC” is charged on the income obtained even if it is result of unlawful acts, during the taxation period, namely;

- a) Companies, cooperatives, public companies and other legal persons governed by public or private law with headquarters or effective management in Mozambican territory
- b) Entities without legal personality with head office or effective management in Mozambican territory, whose income is not taxed under IRPS/ or IRPC owned by the natural or legal persons that integrate them
- c) Entities with or without legal personality, which have neither headquarters nor effective management in Mozambican territory and whose income obtained therein is not subject to IRPS.

In relation to entities with head office or effective management in Mozambican territory, the IRPC is charged on the totality of their income including income obtained outside the country being the tax paid abroad deducted.

What is Taxed

In terms of article 4 of the Corporate Income Tax Code, the IRPC is charged on corporate income in particular

- a) The profits of companies, of cooperatives and public companies and other legal persons and entities that are primarily engaged in commercial, agricultural or industrial activity³⁹⁾.
- b) The total income, corresponding to the algebraic sum of the income of the various categories considered for the purposes of the IRPS⁴⁰⁾ provided that the company does not primarily carry out any commercial, agricultural, or industrial activity.
- c) Profit attributable to a permanent establishment located in the Mozambican territory, of entities with or without legal personality, which have neither headquarters nor effective management in Mozambican territory and whose income obtained therein is not subject to taxation under the IRPS.

39) Under the terms of paragraph 5 of article 4 of the Corporate Income Tax Code, Commercial, industrial or agricultural activities are considered to be all activities that consist of carrying out business operations of an economic nature, including the provision of services

40) Income Tax on Individuals.

For the purposes of IRPC taxation profit consists of the difference between the net asset values at the end and the beginning of the tax period. Entities that have neither headquarters nor effective management in Mozambican territory are subject to IRPC only with respect to the income obtained there. Thus, it is considered obtained in Mozambican territory;

- a) Income related to properties located in Mozambican territory, including gains resulting from the transfer of payment
- b) Gains resulting from the onerous transfer of shares representing share capital from entities with headquarters and effective management in Mozambican territory or from other securities issued by entities that have their headquarters or effective management there.
- c) Income whose debtor has residence, headquarters or effective management in Mozambican territory or whose payment is attributable to a permanent establishment located there, namely: (i) income from intellectual or industrial property and the provision of information related to an experience obtained in the industrial sector, commercial or scientific, (ii) income resulting from the use or concession of agricultural, industrial, commercial or scientific equipment, (iii) other capital investment income, (iv) remuneration earned as members of statutory bodies of legal persons and other entities, (v) prizes for social entertainment games (raffles, lotteries and mutual bets), (vi) income obtained from the intermediation of any contracts, (viii) income resulting from the provision of services performed or used in Mozambican territory and (viii) income derived from the exercise of professional activity in Mozambican territory 1 of shows, sportsmen.

The established IRPC rate is 32%, however there is an exception for cases in which companies present undocumented or confidential expenses, which are taxed at 35%.

Income obtained in the Mozambican territory by entities that do not have their headquarters or effective management in Mozambique, and are not attributable to a permanent establishment located there is taxed in IRPC for up to 20%

Exemptions and Reductions from the Corporate Income Tax

The following entities are exempt from Corporate Income Tax;

- a) state
- b) Local authorities, associations or federations of municipalities, when they exercise non-profit activities
- c) Legally recognized social security institutions and social security entities
- d) Public utility associations
- e) Income directly resulting from cultural, sporting and recreational activities, whenever such income and the social heritage are intended to the purpose of its creation and in any case is distributed directly or indirectly to the members.
- f) The income resulting from the activity subject to the Special Tax on Games under the terms of Law No. 8/94 of 14 September
- g) Agricultural, handicraft and cultural cooperatives are subject to an IRPC reduction, by 50% (fifty percent)

2. Personal Income Tax

The personal income tax obeys the principles of unity and progressivity and its regime takes into account the needs and income of the household.

What is Taxed

The IRPS is charged on the global annual value of income even if it is a result of unlawful acts, and after the corresponding deductions have been made in relation to the following categories;

- a) Income from employment: (i) the work performed under an employment contract or similar, (ii) work performed under a service provision agreement or other of a similar nature, under the authority and direction of the contracting party, (iii) exercise of public function, service or office, (iv) situation of pre-retirement, with or without work, as well as benefits attributed, in any capacity, before the requirements of the applicable mandatory social security regimes for retirement are verified, or even if the employment contract does not subsist, are subordinated to the condition due until such requirements are met, even if they are due from pension funds or other activities that replace the entity that was originally the debtor. Therefore, are all incomes received as wages, bonuses, interest, commissions, allowances or prizes, attendance fees, emoluments, participations in fines and other incidental remunerations even if periodic, fixed or variable, of a contractual nature or not.
- b) Business and professional income: (i) arising from the exercise of any commercial, industrial, agricultural, forestry or livestock activity, (ii) earned in the exercise, on their own account, of any service provision activity, (iii) those arising from the intellectual property, industrial activity or the provision of information regarding an experience acquired in the industrial, commercial or scientific sector, when earned by its original holder, (iv) those resulting from artistic, sporting or cultural activities, (v) property income attributable to business and professional activities, (vi) the income from capital attributable to business and professional activities, (vii) the gains obtained in the scope of business and professional activities, namely, those resulting from the transfer to the private assets of entrepreneurs of any assets assigned to the company's assets, (viii) the amounts earned as an indemnity related to the activity carried out, namely, its reduction, suspension and termination, (ix) the amounts related to the temporary cessation of the commercial establishment, (x) subsidies in the scope of commercial activity, industrial, agricultural, forestry or livestock, (xi) subsidies within the scope of service provision, (xii) those arising from the practice of isolated acts relating to commercial, industrial, agricultural, forestry or livestock activity and (xiii) from the practice of isolated acts related to the activity of providing services.
- c) Income from capital and capital gains: (i) interest and profits including those determined on liquidation, made available to the members of the company or the associate in a particular association or partnership agreement, as well as the amounts made available to the members of the cooperatives as remuneration or income derived from equity securities, investment fund certificates, and similar certificate or repo operations, (ii) income arising from the deferral in time of an instalment or late payment, (iii) income from contracts that have as their object the temporary assignment or use of intellectual or industrial property rights or the provision of information regarding an experience acquired in the industrial, commercial or scientific sector when not earned by its original author or holder, or those derived from technical assistance and the use or concession of the use of agricultural, industrial, commercial or scientific equipment, (iv) economic advantages, whatever their nature or denomination, whether pecuniary or in kind, arising directly or indirectly, from patrimonial elements, assets, rights or legal situations of a nature securities, as well as the respective modification, transfer or termination with the exception of gains and other income taxed in other categories.
- d) Property income including rent from rural buildings paid or made available to the respective owners and those arising from the transfer of the exploitation of commercial or industrial establishments, including that of the movable assets inside. Income for IRPS tax purposes is considered; (i) the amounts related to the transfer of the use of the building or part of it and the services related to that transfer, (ii) the amounts related to the rental of installed machinery and furniture in the leased property, (iii) the amounts relating to the granting of the use, in whole or in part, of real estate for advertising or other special purposes, (iv) the amounts relating to the granting of the use of common parts of buildings in a horizontal property regime, (v) the amounts related to the constitution for a fee, of real rights of temporary enjoyment even for life, over rustic and urban buildings.
- e) Other income: (i) the cash gains paid or made available, derived from social entertainment games (lotteries, raffles, mutual bets, lotto, bingos, contests and others and (i) the asset increments, as long as they do not

fall into other categories.

Who is Taxed

Pursuant to article 18 of the IRPS Code, this tax is due by natural persons residing in Mozambican territory and by those who, if not residing, obtain income here. However, in the case of taxpayers residing in Mozambican territory, the IRPS is levied on the totality of their income, even if obtained outside the country, being intitled to deduct the tax paid abroad, under the regulatory terms.

Non-resident taxpayers in Mozambican territory are subject to IRPS solely for the income obtained in Mozambique. If taxpayers are married and not legally separated both spouses are subject to IRPS on household income. IRPS rates are graded between 10% and 35%, with interest on demand or term deposits. The income earned by natural persons not resident in Mozambique is subject to withholding tax at the rate of 20%.

There are specific deductions for each income category and general deductions for taxable income such as health, education and others expenses. Generally personal income tax is taxable at progressive rates ranging between 10% (ten percent) and 32% (thirty-two per hundred).

Taxable Income (MZN 000's)	Rate (%)	Less rebate (MZN000's)
Up to 42	10	-
42-168	15	2,1
168-504	20	10,5
504-1,512	25	35,7
More than 1,512	32	141,54

However certain categories of income are not taxed at the full amount;

Resident Individuals	
Capital Gains on	
Real state	50% taxable
Intellectual property work / industrial and breeder know-how original	50% taxable
Shares and titles	Between 55% and 100% taxable, depending on the ownership period

If there is no tax agreement to avoid double taxation between Mozambique and a specific country, non-residents who earn income in Mozambique are subject to the following final withholding tax rates;

Non Resident Individual	
Dividendos	20%
Income on dependent jobs and independent job and compensation for reduction, suspension and cessation of activity, including temporary cessation and any subsidies received of the provision of services	20%

Non Resident Individual	
Swap Income	20%
Bonds admitted on the Stock Exchange of Mozambique	20%
Capital income	20%
Commissions and other income from of service provision	20%
Royalties e know-how	20%
Interest on term bank deposits	20%
Income from shares admitted to listing in the Stock Exchange of Mozambique	10%
Income from shares admitted to listing in the Stock Exchange of Mozambique	10%
Artists of a diverse nature, with except for the regular remuneration of the Work dependent	10%

Exemptions from Personal Income Tax

Pursuant to articles 6 and 7 of the IRPS Code, the following income is exempt from IRPS;

- a) Benefits provided by employers as a contribution to social security, with a view to ensuring the benefit in case of retirement, disability, and survival
- b) The benefits attributable to the use and enjoyment of social and leisure facilities maintained by the employer
- c) Benefits related exclusively to the professional training of employees
- d) Severance pay provided for in the labor legislation received or made available to the employee arising from the termination of the employment contract on the initiative of the employer or employee with just cause
- e) Pensions

3. Value-added Tax

According to paragraph a) and b) of article 1 of law no. 32/2007, of December 31st ⁴¹⁾, VAT is levied on the transmission of goods provision of services and imports of goods carried out in the national territory. Therefore all goods and services produced domestically and imported are as a rule subject to VAT.

Who is Taxed⁴²⁾

VAT is levied on: (i) natural and legal persons resident or with a permanent establishment or representation in national territory who regardless and with habitual nature, carry out, with or without profit, activity of production trade or provision of services, including extractive, agricultural, forestry, livestock and fishing activities, (ii) natural or legal persons who do not engage in an activity, also carries out, a normal operation as long as it fulfills the

41) Approves the Value Added Tax Code "CIVA"

42) Article 2 of CIVA.

requirements of incidence in IRPS and IRPC, (iii) non-resident natural and legal persons without a permanent establishment or representation that carry out any taxable operation, provided that such operation is connected with the exercise of their business activities wherever it occurs or when, regardless of that connection, such operation meets the requirements of the actual incidence of the IRPS to the IRPC, (iv) natural or legal persons that import goods under the customs legislation, (v) natural and legal persons that in an invoice or the equivalent document, inappropriately mention VAT, (vi) the State and other public legal persons when carrying out the following activities: telecommunications, distribution of water, gas and electricity, transport of goods, transport of people, transmission of new goods whose production is intended for sale, operations of agricultural, forestry, livestock and fishing organizations, canteens, radio broadcasting and radio-television, provision of services for port and airport operation of fairs and exhibitions with commercial purpose storage.

Taxation Regime

Normal Regime

This regime applies to all taxpayers with a turnover equal to or greater than 2.500.000,00 MT. the tax is assessed by applying a rate of 17% and the taxpayers are obliged to issue invoices or equivalent documents, and to calculate VAT and other due taxes monthly.

Simplified Regime

This regime applies to all taxpayers with a turnover higher than MZN 750,000.00 and less than MZN 2,500,000.00. The taxpayers are not required to have organized accounting, and the applied tax rate is 5% on the value of sales or services performed paid in April, July, October and January of the following year⁴³).

The invoice or equivalent document must expressly state the word "VAT". But in general VAT is levied on the final consumer and not on the trader's turnover. For this regime it is the trader who bears the 5% not the consumer.

Other Exemptions

Exemption	Legal Basis
Exemption for Internal Operations	
Transmission of goods and provision of health services	article 9, no. 1 of VAT Code
Transmission of goods by public or non-profit organizations	article 9, no. 2 of VAT Code
Transmission of goods and provision of vocational education and training service	article 9, no. 3 of VAT Code
Banking and financial operations	article 9, no. 4 of VAT Code
Leasing of real estate	article 9, no. 5 of VAT Code
Insurance and reinsurance operations, as well as the provision of related services, carried out by brokers and other insurance intermediaries	article 9, no. 6 of VAT Code
Insurance and reinsurance operations, as well as the provision of related services, carried out by brokers and other insurance intermediaries	article 9, no. 7 of VAT Code
Exploration and practice of games of chances or social entertainment, under the terms provided for in specific legislation, as well as the respective commissions and all operations subject to special tax on games, including the prices of	article 9, no. 8 of VAT Code

43) Article 42 of the CIVA.

Exemption	Legal Basis
betting titles and admission tickets or tickets. entry into the playing areas	
Transmissions of goods and provision of services carried out in the context of war and barracks material, military and paramilitary uniforms intended for the official use of the Defense and National Security Forces, provided that the activity is used exclusively for those services, by the establishments recognized by the Ministry of National Defense.	article 9, no. 9 of VAT Code
Services rendered in the opening of canals, mowing, drainage, water supply for irrigation, cleaning of drainage ditches, pulverization of land carried out within the scope of agricultural activity.	article 9, no. 10 of VAT Code
Exemption on Imports	article 9, no. 15 of VAT Code
Exports, assimilated operations, and international transport	article 9, no. 13 of VAT Code
Other exemptions	article 9, no. 14 of VAT Code

Invoice Requirements or Equivalent Document

In accordance with article 27 of the VAT Code, the invoice/equivalent document must contain the following elements/requirements;

- a) It must be issued in Portuguese and in Meticaís, (no. 5, article 106 of Law no. 2/2006, of March 22nd)
- b) Date
- c) Sequential press numbering in typography authorized by the Ministry of Finance or by computer
- d) Indication of the identifying elements of the typography, namely the corporate name, headquarters and NUIT, as well as the authorization provided for in paragraph 7, article 27 of VAT Code
- e) Complete identification (Name, NUIT and domicile of the acquirer)
- f) Quantity and usual name of goods/services
- g) Separate indication of non-traded packages
- h) Price net of tax and other elements included in the taxable amount
- I) Rate and amount of tax due
- j) Reason justifying the non-application of the Tax

4. Stamp Duty

The Stamp Duty falls on the documents, books, papers and acts identified in the specific table (in annex) or in special laws. The Stamp Duty rates vary depending on the values of the discharge receipts or the nature of the document to be stamped (Article 1 of Decree No. 6/2004, of April 1st which approves the Stamp Duty Code).

Who is Taxed

Stamp Duty taxpayers are entities with economic interest, namely, (i) those who purchase shares and credit rights

and obligations, (ii) those who purchase shares for consideration for the donation of rights of property or partial figures of that right over real estate, (ii) to lessor and the sublessor, in the lease and sublease, (iv) to the account holder, in the checks and credit and debit card, (v) to the lender, in the lending, (vi) the entities required to present/constitute them, in the guarantees, (vii) to the bettor, in the bets and, to the winners in the prizes in the case of games, (viii) to the attorney, in the powers of attorney, (ix) to the credit user in credits/credit operations, (x) to customers of credit institutions, companies or financial institutions, in other financial transactions carried out by or with the intermediation of these institutions, (xi) to the borrowers, in the insurance and to the intermediary in the intermediation activity, (xii) to the drawee and the debtor in the bills of exchange and promissory notes, (xiii) to the lender in the credit titles not previously mentioned, (xiv) to the applicant the first signatory the beneficiary or the recipient of any other acts, contracts and operations.

Applicable Fees

According to the table attached to the Stamp Tax Code (in annex)

Exemptions

Exemptions	Description
Subjective Exemptions (Article 5 of the Stamp Duty Code)	<ul style="list-style-type: none"> • State • Local authorities and their associations and federations • Social security institutions and social security institutions • Public utility associations • Associations of mere public utility that predominantly pursue scientific or cultural, charitable, assistance or charitable purposes
Other exemptions (Article 5 of the Stamp Duty Code)	<ul style="list-style-type: none"> • The insurance policies contracted from companies operating legally in Mozambique • Insurance policies for life and health insurance products • Drawings of any contracts that must be entered into in connection with spot or forward transactions carried out, registered, settled or cleared through the Mozambique Stock Exchange and which have as their object, directly or indirectly, securities • Loans, including respective interest granted by Mozambican credit institutions or by legally constituted funds, to residents who carry out agricultural activity, forestry, livestock, fishing, rural and industrial activities in Mozambican territory • Loans, including interest for the acquisition, construction, reconstruction or improvement of own housing • Shareholder loans, including the respective interest paid by partners to companies in which an initial period of not less than one year is stipulated and are not repaid before that period has elapsed • The incorporation and increase of the share capital of companies • The constitution and increase of capital resulting from the transfer by one or more commercial companies of all their assets or one or more branches of their activity to one or more existing or future commercial companies • Public debt securities and respective interest, as well as their transmission, issued to finance the deficit of the State Budget and Treasury, as well

Exemptions	Description
	<p>as the securities of the Monetary Authority</p> <ul style="list-style-type: none"> • Transfers of shares in companies and securities representing company's share capital, as well as debt securities when performed as admission assumptions on the stock exchange of the Mozambique Stock Exchange • The guarantees of the obligations when materially ancillary to contracts specially taxed in the Stamp Tax Table (in annex) and are constituted simultaneously with the guaranteed obligation, even if in a different instrument or title • Gambling bets not subject to special tax on gambling, when promoted by non-profit entities • The leasing agreement • Donations if shared as provided for in the Stamp Tax Table (attached), made to the spouse, descendants, and ascendants

5. Taxation of properties "SISA"

What is Taxed

Pursuant to Article 1 of the SISA Code, SISA is levied on transfers, against payment, of all or part of the property right, on immovable property, namely, (i) the purchase and sale, (ii) payment in kind, (iii) perpetual income, (iv) lifetime income, (v) auction, (vi) awards by agreement or court decision, (vii) constitution of usufruct, (viii) housing, (ix) "enfiteuse", (x) easement and any other act by which the right to property over immovable property is transferred against payment.

Who is Taxed

SISA's debtors are natural or legal persons, to whom the rights over urban buildings are transferred, being that;

- In contracts for a person to be named, the tax is due by the original contractor
- In the promise of acquisition and disposal of buildings and in the assignment of the contractual position by the promising buyers, the tax is due by the first promissory purchaser and by each of the successive purchasers, and no tax exemption or reduction is applicable
- In contracts of exchange or barter of urban buildings, the tax is due by the promisor who receives the goods of greater value
- In divisions, the tax is due by the acquirer of urban buildings whose value exceeds the share in such property

Fees

The SISA rate is 2% (two percent) applicable on the declared amount of the transfer or the patrimonial value of the building, whichever is higher, except if it diverges from the market value.

Exemptions

Pursuant to the provisions of article 5 and 6 of the SISA Code, are exempt from SISA, the transmission of property in favor of;

- a) The State
- b) The local authorities
- c) The associations or federations of municipalities as the buildings are destined, directly and indirectly, for the achievement of their purposes
- d) The social security and social security institutions' as the buildings are destined, directly and indirectly, for the achievement of their purposes
- e) The public utility associations⁴⁴⁾ as the buildings destined, directly and indirectly, for the achievement of their purposes
- f) The foreign states for the acquisition of buildings destined exclusively to the headquarters of the respective diplomatic or consular mission or to the residence of the head of mission or consul
- g) The humanitarian associations and other legally recognized entities, which, without a profit purpose, continue in the national territory, for the purposes of social assistance, public health, education, scientific research, worship, culture, sports and recreation, charity, in relation to the urban buildings affected the achievement of these ends
- h) Museums, libraries, schools, institutions and associations of education, scientific, literary or artistic culture and of charities, assistance or charity, regarding buildings destined, directly or indirectly, for the accomplishment of these purposes
- I) The buyers of buildings for social housing built by the Housing Development Fund⁴⁵⁾

6. Agreements to Avoid Double Taxation (ADT)

In order to avoid international double taxation of income Mozambique has entered into bilateral agreements with the following states: Portugal, Italy, Mauritius, United Arab Emirates, Government of the Macao Special Administrative Region of the Republic of China, Republic of South Africa, and Republic from India, Botswana and Vietnam. Mozambique has not signed any agreement with the Republic of Korea on matters of double taxation, as the general rules of Mozambican tax law are applied.

Through these bilateral agreements, taxpayers residing in each of the signatory States will be able to deduct from the IRPC collection the lowest amount between: (i) the income tax paid abroad and (ii) the fraction of the IRPC collection, calculated before deduction, corresponding to the income that in the country concerned may be taxed.

To avoid double taxation, the Committee on Economic and Monetary Affairs of the OECD adopted, in 1963, the Model Tax Convention on Income and Capital which aims to clarify and standardize the tax situation of taxpayers involved in activities in other countries and provides a means of uniformly resolving the most common problems arising in the field of international legal Double Taxation. The terms and concepts of each applicable tax vary depending on the period in that each of them has been completed. The reduced withholding taxes vary as follows;

Country	Dividendos	Interest	Royalties
Botswana	0%;12%	10%	10%
India	7,5%	10%	10%
Italy	15%	10%	10%
Macao	10%	10%	10%

44) Provided for in Law No. 8/91 of July^{18th}.

45) Created by Decree No. 24/95, of July 6th.

Country	Dividendos	Interest	Royalties
Mauritius	8%;10%;15%	8%	5%
Portugal	15%	10%	10%
South Africa	8%;15%	8%;	5%
United Arab Emirates	0%	0%	5%
Vietnam	10%	10%	10%

Contact Information of Mozambique Entities

Entidades	Morada	Telefone	E-mail
APIEX	Av. Ahmed Sekou Touré	+(258) 21 32 12 91	carmen.ezequiel@apiex.gov.mz
INP	Rua dos desportistas, parcela no. 259 E CP 4724	+(258) 21 24 83 00	info@inp.gov.mz
ENH, EP	Rua dos Desportistas, aterro de Maxaquene Jat V-III, 7 andar	+(258) 21 42 94 56	info@enh.co.mz
Serviço Nacional de Migração	Av. Ho Chi Min, n.º 316, Maputo	+(258) 21 30 01 0	senami@senami.mint.gov.mz
Instituto Nacional de Segurança Social (INSS)	de Segurança Social (INSS) Av. 24 de Julho, n.º 3549, Maputo	+(258) 21 40 30 10	info@inss.gov.mz
Balcão de Atendimento Único (BAÚ)	Av. Josina Machel, n.º 151, Maputo	+(258) 21 32 14 42	xatimane@gmail.com
Ministério dos Negócios Estrangeiros e Cooperação (MINEC)	Av. 10 de Novembro, n.º 640, Maputo	+(258) 21 32 70 00/9	minec@minec.gov.mz
Conselho Nacional de Exames, Certificação e Equivalências (CNECE)	Av. Armando Tivane, n.º 485, Maputo	+(258) 21 90 11 93/4	cnece@mined.gov.mz

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