

ANNEX XI: INVESTING IN THE SPECIAL ECONOMIC ZONES

WHAT TO DO?

A foreign investor wishing to develop a project in a SEZ or IFTZ must submit an application to the APIEX requesting a special licence to operate in either a SEZ or an IFTZ, along with the relevant documentation. The APIEX may always, during the analysis period of the proposals submitted and taking into account the nature and dimension of the project, request additional information deemed relevant to their decision.

WHAT DOCUMENTS AND INFORMATION ARE REQUIRED?

- I. Form duly completed;
- II. Promissory lease agreement or of acquisition of immovable asset;
- III. Commercial certificate of implementing company issued by the Legal Entities Registrar Office.

HOW MUCH TIME WILL IT TAKE?

Projects taking place in SEZs shall be decided within 10 business days from the submission of the application whilst those to be developed in IFTZs may take up to four weeks.

WHAT ARE THE COSTS?

The APIEX charges a fee for each investment project, calculated on the total amount to be invested by the foreign investor, at a rate of 1/1,000, e.g. if the total investment amounts to \$200,000, the fee due will be \$200. The fee is paid after conclusion of the analysis of the proposal by the APIEX and prior to the issuance of the respective licence to operate in a SEZ or IFTZ.

WHAT WILL YOU OBTAIN?

After due analysis by the APIEX, a licence is issued for the development of a project in a SEZ or IFTZ, granting the operators a set of advantages within tax, Customs and foreign exchange, given that companies or operators certified to operate in these zones enjoy their own tax and Customs regime.

Depending on the investment area, tax incentives may take the nature of deductions from taxable income, tax deductions, exemptions, reductions of the tax rate and deferred payment of tax.

For SEZs, the certificate of the company authorized to operate in a SEZ shall be valid for 10 years (renewable). For IFTZs, the company authorized to operate shall conclude the project facilities within six months of the authorization granted by the APIEX.

WHAT IS THE NEXT STEP?

The IFTZ operator shall proceed with obtaining the necessary taxpayer number and registration with the INSS, starting and notifying the relevant authorities when the works for the construction of the project facilities are concluded. It shall be subject to periodic inspections. The SEZ operator shall

be subject to periodic inspections whilst all other requirements shall be complied with as mentioned in Annex I.

APPLICABILITY OF PREVIOUS STEPS

Investing in a SEZ or IFTZ requires that the foreign investor follows almost all the steps indicated previously; i.e. incorporating a local vehicle, registering with the tax office and all other relevant authorities (such as the Labour Ministry and National Institute of Social Security), opening a bank account and complying with the procedures applicable to the hiring foreign investors.

The main differences exist in relation to the licensing, land and environmental procedures given that, as indicated above, the licensing is attained following an application to the APIEX and it is not required to be submitted for a separate application to the Ministry of Industry and Trade, as indicated in Annex I.

Given that SEZs and IFTZs are areas created by the Mozambican Government, investors will apply for the right of use and enjoyment of such areas with the support of the APIEX, but following the steps described in Step 8.

The same principle applies in relation to the environmental licences. The Mozambican Government shall firstly, with collaboration of the APIEX, determine the applicable measures that shall be taken in such areas to protect the environment. Such study shall indicate which activities are exempt of the environmental assessment study, as explained in detail in Step 9. Therefore, the foreign investor, with the APIEX's assistance, will only require an environmental licence (following the procedures described in Step 9) if such activities are not listed or exempted of such according to the applicable sectorial legislation.

Investing in a SEZ or IFTZ will trigger a specific pack of benefits relating to tax and Customs duties, as follows:

IFTZ operators shall be exempt from:

- a) Customs duties on importation of construction, machinery, equipment, accessories, spare parts and other goods for the exercise of the activity licensed in the IFTZ;
- b) Customs duties on the importation of goods and merchandise to be used in the implementation of projects and activities for which they have been authorized;
- c) VAT, including that due on purchases made within the country, as provided for in the VAT Code.

Specifically, investing in an IFTZ will also trigger (from the date of issuance of the respective licence) the following IRPC incentives:

- a) Total exemption during the first 10 fiscal years;
- b) Reduction of the rate by 50%, from the 11th to the 15th fiscal year;
- c) Reduction of the rate by 25% for the duration of the project.