

This NL is based on the legislative framework in force as at 2 April 2020. However, the competent bodies of the State are expected to approve and publish the regulations that put into effect the measures to contain the spread of the new Coronavirus that is responsible for the COVID-19 pandemic (see article 4 of Law 1/2020 which ratified the Declaration of the State of Emergency, appearing in Presidential Decree 11/2020 of 30 March). Therefore, TTA will update this NL as and when necessary.

MOZAMBIQUE

Global Vision, Local Experience.

13 APRIL 2020

CORONAVIRUS: TAX IMPACTS

With the declaration of a state of emergency, many businesses and workers are likely to suffer a substantial slowdown in activity due to the COVID-19 pandemic. They may even face suspension and/or termination of their activity.

To mitigate the economic impact of the outbreak of the Coronavirus pandemic, the Mozambican Government has been adopting extraordinary measures, with the aim of preventing the spread of the new Coronavirus that is responsible for the worldwide COVID-19 pandemic.

The Government has published the following legislation:

- Presidential Decree 11/2020 of 30 March, which declared a state of emergency for a period of 30 days beginning on 1 April, with the implementation of measures to contain the spread of the disease and to safeguard lives and public health;
- Law 1/2020 of 31 March, which ratified the declaration of a state of emergency in the above Presidential Decree; and

- Decree 12/2020 of 2 April, which approves the administrative measures to prevent and contain of the spread of the COVID-19 pandemic that will remain in force during the state of emergency.

Decree 12/2020 establishes the following measures with direct tax impact:

- (i) The issuance of the tax number is suspended;
- (ii) Arrangements have been put into place for a temporary exemption from taxes on imports of food, medicines and other essential goods, subject to a retrospective settlement scheme. The power to define the mechanisms to implement this system is granted to the Minister of Finance. Until these mechanisms are defined, we believe it is appropriate for entities that import these items to submit a request for the application of these a posteriori regularization regime.

Arrangements have been put into place for a temporary exemption from taxes on imports of food, medicines and other essential goods.

In addition, with regard procedural acts and judicial proceedings, Law 1/2020 together with its regulations states that the rules on court holidays apply from 1 April until the end of the measures to prevent, contain, mitigate and treat the COVID-19 pandemic (30 April 2001). All judicial and administrative time periods are suspended. This includes deadlines in administrative tax proceedings that are running in favour of individuals, but the rules do not apply to urgent acts. Public services and offices must remain open. However, the measures to prevent and control COVID-19 must be observed in all tax offices. These measures include maintaining a distance of at least 1.5 metres between people, observing coughing etiquette, frequent hand washing, and proper ventilation of the premises, among others.

We believe the above suspension of time limits also applies to existing instalment plans for debts to the Social Security and to tax enforcement proceedings. However, debtors can, of course, continue to make payments punctually.

As the tax calendar remains in force, taxpayers still have to comply with the following tax obligations:

- By 30 April - The obligation on taxable persons to file their annual personal income tax return for the previous tax year (article 13(1)(b) of the CIRPS (Personal Income Tax Code) Regulations approved by Decree 8/2008 of 16 of April) - the return form is 'Modelo 10' and its Annex (for those with income in other categories);

- By 31 May - The deadline for payment of the personal income tax (IRPS) relating to income from the previous year (article 28 of the CIRPS Regulations approved by Decree 8/2008 of 16 April);
- By the last working day of May - The payment deadline for the corporate income tax (IRPC) relating to income from the previous year (article 27(1)(b) the CIRPC Regulation approved by Decree 9/2008 of 16 of April); and
- By the last working day of June - Filing of the Annual Declaration of Accounting and Tax Information by personal income tax (IRPS) and corporate income tax (IRPC) taxable persons - the form is 'Modelo 20' and its Annexes (article 40(3) of the CIRPC Regulations approved by Decree 9/2008 of 16 April).

With the declaration of a state of emergency, many businesses and workers are likely to suffer a substantial slowdown in activity due to the COVID-19 pandemic. They may even face suspension and/or termination of their activity. These situations may lead to a reduction in income for the employer and/or for the worker (for those cases in which, for example, the employment contract is suspended for reasons relating to the employer). There are now restrictions on in-person service at tax offices and Mozambique has not yet introduced electronic and telephone services at the Tax and Customs Authority. Therefore, the tax offices are potentially facing large numbers of people coming to fulfil their financial obligation that both employees and employers have and to avoid non-compliance with these tax obligations as there are other pecuniary obligations that may be a priority, we believe the government should adopt measures (provided certain requirements to be defined are met) such as:

- Extension of deadlines for the fulfillment of tax obligations, without any additions or penalties;
- Payment of taxes in instalments - VAT, personal income tax (IRPS) and corporate income tax (IRPC) - with no interest. This measure could be extended to companies and self-employed workers, which may require this flexibility when they can prove they have suffered a reduction in turnover;

- The extension, deferral or exemption from the payment of social security contributions for the month of April or as long as the state of emergency lasts;
- The adoption and implementation of extraordinary support measures to maintain employment contracts in a crisis situation enterprise. These measures could include, for example, the Social Security paying a considerable percentage of the remuneration due to workers with the remainder being paid by the employer. This measure could be applied for one month and would be renewable on a monthly basis for up to 3 months;
- Exceptional support for the families of employees in the case of the preventive isolation of the employee, their child or other dependant in their care, for 14 days (a percentage of the basic pay, paid in equal parts by the employer and the Social Security);
- Recognition of a justified impediment to comply with any tax declaration obligations by taxpayers or accountants who are infected or in preventive isolation. Preventive isolation is the period of isolation due to a possible risk of infection with COVID-19 that has been declared or determined by a health authority;
- The extension of the scope of application of the VAT exemption (provided for in Article 35(2) of the VAT Code) to transfers of goods to be made free of charge to the state, private charitable institutions, and non-profit non-governmental organisations, to then be given to people in need. The concept of people in need includes people receiving medical care in the current pandemic, as they are considered to be victims of a disaster.

These or other measures should define the tax officers and taxpayers that are eligible for the benefits to be fixed by the Council of Ministers, on the basis of the legislation already passed to fight against the outbreak and spread of the COVID-19 pandemic.