ACCOUNTING & TAX INFORMATION

Santos, Millers & Associates Lda (SMA) would like to welcome and thank you for joining our company, for accounting services. To our existing clients, we thank you for your preference and loyalty over the years.

We would like to take this opportunity to present, in a summarize manner, the most important tax and accounting rules, the documentation we need monthly from you, how most taxes are calculated and what reports we will issue for you.

We hope this document, although a summary, is useful to you. For those of you who speak Portuguese, we can supply a copy of relevant legislation in more detail.

MONTHLY ACCOUNTING SERVICES

Monthly tax types and deadlines

There are 3 monthly returns that must be submitted every month to the respective Government department:

- **INSS** (Social Security) – 10th of every month
- **IRPS** (PAYE) - 20th of every month;
- **IVA** (VAT)- last day of each month;

**INSS**

**INSS**, is a social security tax. The employee contributes 3% of his gross salary and the employer with 4%. By the **10th of every month**, the company has to make a 7% payment towards INSS department.
This payment is compulsory for both national and international staff (except if exemption application is made by expatriate staff if they are paying for a similar service in their country of origin), even for casual or seasonal labour.

INSS registration of the company is compulsory as soon as it begins its trading activity and details must be kept updated. A monthly green A2 sheet is manually completed together with payment.

**IRPS**

**IRPS** (PAYE), is a tax retained at source from salary, consultancies, rentals and foreign services rendered in Moz. Tax % varies for salaries, but is retained at 20% for consultancy and foreign services, and at 14% for rentals (housing and others, except if the lessor is specialized in this activity).

The sum of these amounts, need to be paid across to the respective finance department by the **20th of every month**, together with the yellow “squary” form.

**IVA**

**IVA** or VAT. Charged at **17%**. The VAT payable from your sales, will be deducted from the VAT you already paid through business purchases or imports.

Here are some rules to VAT:

- VAT is due from the moment invoice is issued and not from when invoice is paid.
- Credit notes can only be issued within 30 days of invoice, in order to cancel a sale.
- VAT claimable is claimed in different boxes in the VAT form, depending from what it is (Inventories, normal transactions or imports).
- One cannot claim VAT from cell phone usage.

**Documents needed and by when**

In order for our consultants provide correct financial information and calculate your monthly tax correctly, we need the following information, from you, preferably no later than the **5th of every month**, but still ok if received by the 10th, in a lever arch file, with the following separators:

- **Sales invoices** issued to your clients, credit notes and any debit notes;

- **Petty cash:**
  - Expenses paid via petty cash.
  - Payments received via petty cash.
  - Petty cash statement
• Signed cash count at month end, so we can reconcile the petty cash.

• **Bank:**
  • Expenses paid with cheques (invoice paid and copy of cheque/transfer used to make the payment)
  • Deposits slips of payments received via the bank, attached to copy of invoice being paid.
  • Bank statements

• **Salary sheet** (pay-rol).

• **Any other document** relevant to the accounting / financial processes.

We ask that these documents are kept organized throughout the month, so that the hand-over to us can be done early in the month. Since we have many clients, and if all clients deliver their documents later in the month, it makes a difficult task for us to deliver all tax calculation and advise on payment amount for the different taxes on time, hence our request for early documentation delivery.

And it also allows us to report back to you with complete financial reports in a timelier manner.

**YEARLY TAXES AND ITS CALCULATIONS**

Company tax in Mozambique is called **IRPC**, and is taxed at **32%**, on net profit before tax.

The following items are not allowed (and therefore added back), for tax purposes in Moz:

• Representation expenses (by 80%)
• Fuel and vehicle maintenance (by 50%)
• Depreciation for vehicles above Mtn800.000 cost
• Fines and bribes
• Others

The first IRPC is payable by **May 31st**, following the first financial year. A financial year in Mozambique is the same as the civil year (Jan to Dec).

After the company makes its first fiscal profit, it becomes immediately obliged to pay, in the same year, in six separate installments, pre-profit tax for the following year, via **Pagamento por Conta** and **Pagamento Especial por Conta**, as explained in more detail below.
Whether you make a loss or profit, a minimum IRPC via **Pagamento Especial por Conta** is payable of Mtn30.000, in three installments of Mtn10.000.

**IRPC**

Payable by 31st May.
A complete set of financial reports and Financial department forms and maps need to be completed and delivered to Finance department. We call this the “Processo de Contas”.

Tax payment must accompany the submission of the tax return.

IRPC is calculated on net profit before tax (including depreciation and other allowed non cash transactions) less items added back for tax purposes, times 32%.

**Pagamento por conta**

“Payment by Account” would be the direct translation. This is really one of two pre-payment of taxes in the current financial year.

This is calculated by assuming that you will at least have 80% of the profit for next year, as you did in this year.

So, multiply your fiscal net profit for the last fiscal year, multiply by 80% and divide by 3. This will give you the amount of each of the three installments due as pre-payment of tax during the current year.

Payment is due by May 31st, July 31st and September 30th.

However, if you believe your company will make less profit than in the previous year, you may request to Finance department that you not pay installment 2 and 3 of this tax. However, should you be mistaken, by a margin higher than 20%, interest will be charged by the finance department.

**Pagamento especial por conta**

“Special Payment by Account” would be the direct translation. This is the second of the pre-payment of taxes in the current financial year.

This payment is calculated by multiplying 0.5% of last year’s gross revenue, with a minimum of Mtn30.000 and a maximum of Mtn100.000, divided in three installments, payable by June 30th, August 31st and October 31st.

This payment is due, whether your company is making a loss or not, but only comes into place after the first year of activity.
Pagamento por Conta and Pagamento Especial por Conta are pre-payment of profit tax during the course of the year, in which you are making the profit. Once we complete the ‘Processo de Contas’ and calculate the final amount of IRPC due for the previous year, all amounts of pre-paid tax are deducted and only the balance due is payable by May 31st again.

We recommend that all payments towards tax authorities be done by use of a crossed cheque, named to the correct entity. Actually, we recommend that all payments be processed by means of cheque or bank transfer, and cash payments be limited to the bare minimum.

If any of the above requires any additional clarification, please do not hesitate to contact myself or the designated accountant for your company. We’ll gladly assist. And please remember, this is just a summary of the things we find most important.

Kind regards

Catarina Santos