

Mozambique grants tax debt relief

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The Mozambique Parliament approved Law no. 1/2019 (the Law), dated 30 May, which entered into force on the date of publication, 30 of May 2019. The objective of the Law is to create an incentive for taxpayers to settle any outstanding tax liabilities.

The Law establishes an exceptional regime of regularization for tax debts, granting forgiveness of fines, interest, and tax execution costs related to national and municipal taxes or to the non-compliance with accessory obligations, for debt outstanding as of 31 December 2018.

Considerations

Law no. 15/2002, dated 26 June 2002, which establishes the basis for implementation of the income tax system, also establishes that the non-payment or late payment of taxes is subject to interest for late payment starting from the date the tax became due and fines and penalties, to be defined based on the seriousness of the offense.

The tax debts (also including the interest and fines), as defined by the aforementioned law, may be collected through voluntary payment or coercive collection, and in relation to the latter, a process of tax execution is instituted by the tax administration and tax and customs courts, as established in

Law n.º 2/2006, dated 22 March 2006, which approves the principles and general rules of the Mozambican tax legislation applicable to the national and municipal taxes.

The approval of the Law intends to reduce the significant amount of processes of tax execution accumulated and maximize the collection of tax, providing an incentive to the taxpayer to regularize its tax debts, attain a certain level of financial stability and avoid bankruptcy.

Eligibility for the tax amnesty is subject to the following conditions:

- That the interest, fines and other penalties in debt were outstanding as of 31 December 2018.

- That an application for regularization of tax debt is made by the taxpayer, requesting payment (in full or in installments) and providing a settlement schedule.
- That the regularization of the tax due is made within 12 months from the date from which the Law entered into force (i.e., by the 30 May 2020).

It is important to emphasize that this law does not grant forgiveness of the national and municipal taxes in debt, **which must be paid in full.**

Failure to settle the payments results in the loss of the benefit of tax debt relief.

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