



tourism2006

Tourism Opportunities
and Partnerships in
Southern Africa

TOURISM SECTOR PROFILE

MOZAMBIQUE



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– MOZAMBIQUE –

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FOREWORD

ESIPP is the EU-SADC Investment Promotion Programme. Over the last decade, the SADC region's performance in terms of attracting investments and promoting business co-operation agreements has fallen short of international community's expectations, notwithstanding the considerable efforts put into place in this respect by SADC Governments and donors. SADC countries, although highly differentiated, face many of the same problems that affect investment and north-south partnership agreements in other ACP countries. Because of this, ESIPP is designed to address these problems with the specific purpose of promoting foreign investment into the region and inter-enterprise co-operation agreements (ICAs) within the region, in key sectors, on a continuous, structured and sustainable basis.

Within this context, the purpose of this report is to provide a profile of the tourism industry in Mozambique and the investment opportunities the sector has to offer.

Many organizations helped with providing information and we are most appreciative of their assistance. By agreement, considerable use has been made of information contained in the following parallel studies.

- the 'SADC Tourism Investment Promotion Study' 2005 drawn up by Grant Thornton of South Africa for the New Partnership for Africa's Development (NEPAD), guided by representatives from the Regional Tourism Organisation of South Africa (RETOSA), the Development Bank of South Africa (DBSA) and SADC member states.
- the 'Light Engineering Sector Studies' 2005 drawn up on behalf of ESIPP, SADC and the European Commission by Whitehouse & Associates and Blueprint Holdings of South Africa under contract to ESIPP.

While every care has been taken to ensure accuracy of information, the report should not be used as the basis for any particular investment for which appropriate due diligence should be undertaken in all instances.

CHL Consulting Company Ltd
Dublin, Ireland

18th April, 2006

1. BUSINESS OVERVIEW

1.1 Key Economic Indicators

Table 1 shows the recent trend for selected key economic indicators using the most up-to-date available information. More general country information is provided in the websites referred to in Section 5.0 at the end of this report.

Table 1: Key Economic Indicators 2001-04

	2001	2002	2003	2004
Area	825,418 km ²			
Population (mn.)	18.1	18.4	18.8	19.1
Population Growth (%)	2.1%	2.0%	1.9%	1.8%
Urban population as % of total	33.3%	34.5%	35.6%	n.a
Size of the labour force (mn.)	9.47	9.65	9.83	n.a
GDP (US\$ bn. at current prices)	3.44	3.60	4.32	5.55
Gross national income per capita (US\$ at current prices)	200	200	210	250
GDP growth at constant prices (%)	13.0%	7.4%	7.1%	7.8%
Exports (US\$ bn. at current prices)	0.75	0.86	1.00	n.a.
Imports (US\$ bn. at current prices)	1.24	1.42	1.50	n.a.
Balance of Trade (US\$ bn.)	(0.49)	(0.56)	(0.50)	n.a.
Inflation Rate (%)	10.6%	11.5%	12.6%	13.1%
Currency	Metical (MZM)			
Exchange Rate: Annual average Euro to Metical	18,406	22,153	26,542	27,364

n.a = not available

Sources: COMTRADE, World Development Indicators, IMF Public Information Notice, Oanda.com

1.2 Economic Context

In the past decade, Mozambique has emerged from a period of national struggle for independence, followed by civil war. As a result, the infrastructure had been firmly eroded and development has had to take off from a low base.

Mozambique's post-conflict development has been extremely positive. The process of rebuilding the country and its economy has moved fast, interrupted only by the devastating floods that hit the country in 2000. Mozambique has seen major investments in recent years in infrastructure, mining, manufacturing and tourism that are providing the country with the basis for longer-term development.

In 2004, total Gross Domestic Product (GDP) amounted to some US\$5.5 billion at current prices, and is currently growing at around 7 percent per annum in real terms. In 2003, the agricultural sector accounted for 22 percent of the total monetary GDP. The next largest sectors were wholesale and retail trade, with 21 percent; manufacturing, 14 percent; and transport and communications, 11 percent.

The high rates of economic growth in recent years are expected to continue.

Despite the strong economic growth rate, half of the population still lives in absolute poverty, subject to frequent droughts and crop failures. GDP per capita amounted to

an estimated \$250 in 2004 – one of the lowest levels in the SADC region. In contrast, the capital city of Maputo enjoys a GDP per capita nearly six times the average for the rest of the country.

Mozambique will continue to rely heavily for some time to come on assistance from development partners, including the World Bank, the African Development Bank, the Japan International Cooperation Agency (JICA) and USAID, which are financing most of the major infrastructure projects in the areas of agriculture, roads, rails, ports, and education and health. In tourism, one of the major investments has been by Southern Sun Hotels, \$13m in 2000.

1.3 Population and Labour Force

The population is estimated at 19 million in 2004, with an annual growth rate of around two percent. The overall population density is approximately 24 persons per km². Over one-third (36 percent) reside in the capital Maputo and other urban areas. The total labour force is approximately 10 million.

1.4 Role of Tourism

Although directly accounting in 2003 for only an estimated one percent of GDP, tourism is seen by Government as an important potential driver of the economy. Infrastructure constraints are being steadily removed, roads upgraded and airport facilities improved. As a result, Mozambique is rapidly becoming an increasingly popular tourist destination and investment location.

1.5 General Institutional and Regulatory Framework

The Mozambican legal system is based on Portuguese civil law and customary law. In April 2005, the Government announced a five-year programme to deliver a consolidated, transparent, competent and independent judicial organisation. The programme stresses the independence of the courts, but at the same time demands "greater effectiveness, efficiency and speed" in the administration of justice.

Foreign investment is governed by the Regulations of the Investment Law, no.3 of 1993, the aim of which is to streamline the process of submission, verification, registration, inter-institutional coordination and decision-making on investment project proposals. Under this Law, the Investment Promotion Centre (IPC) was established to function as a central point for all foreign investment. The Law further introduces guarantees to be given and incentive schemes available.

Since the early 1990's, over 1,400 state enterprises have been divested and this has placed Mozambique as one of the front runners in privatisation in Southern Africa. There are no restrictions on equity participation or on the acquisition of privatised companies, and there are no impediments to management control by the foreign investor.

Intellectual property rights are protected under a code which follows the standards promoted by the World Intellectual Property Organisation (WIPO).

Land tenure

The law on land tenure is based on a non-tradable lease system, with land use concessions granted for a period of up to 50 years.

1.6 Operating Costs

Average operating costs for basic inputs are much lower in Mozambique than those in most neighbouring African countries. The minimum monthly wage (which is reviewed annually) is currently the equivalent of around US\$60 per month for industry and services workers.

Costs of electricity and water are also low by international standards but power supply can be affected by interruptions necessitating the use of stand-by generators, particularly in remote areas.

1.7 Local Skills Base

There are few well qualified personnel available in Mozambique, but many unskilled and semi skilled people. Training for the hospitality and tourism industry is mainly provided in-house or at specialist institutions in South Africa.

Mozambique has strict labour regulations as outlined in the Labour Law of 1998. In terms of employment of foreigners, the law states that any company wishing to employ a foreigner must show that it is impossible to find a Mozambican with the necessary qualifications. However, the Government has recently stated that it intends making labour regulations more flexible by streamlining procedures to hire expatriates, reducing retrenchment costs and facilitating temporary employment.

1.8 Services Infrastructure

1.8.1 International air access

The main international airport is situated just outside Maputo. In addition, there are some 164 airfields, of which 22 have either paved or tarred runways.

TAP Air Portugal and Air Luxor/Linhas Aéreas de Moçambique (LAM) operate services linking Lisbon and Maputo. There are also good links between Johannesburg and Maputo with South African Airways (SAA), Swazi Express Airways and LAM. In addition, charter operations provide services to Mozambique to/from South Africa.

1.8.2 Domestic air services

Domestic flights to/from main centres can be arranged through LAM which flies to nine destinations within Mozambique.

1.8.3 Roads

Outside Maputo, many of the roads remain in poor condition and can only be used by 4x4 vehicles.

1.8.4 Sea Access

The main ports are at Beira, Inhambane, Maputo, Nacala, Pemba and Quelimane. The cruise industry at Maputo is fairly well developed. The deepwater ports of Maputo and Matola have been conceded to the Maputo Port Development Company (MPDC) for a period of 15 years from April 2003, with a 10 year extension option.

1.8.4 Telecommunications

The telecommunications system is fairly good in Maputo and other urban centres.

2. TOURISM SECTOR

Trends in tourism to Mozambique are difficult to discern in the absence of comprehensive up-to-date statistics.

2.1 Product Offer

The prime attractions are Mozambique's 2,500 km coastline of palm-fringed beaches, lagoons and offshore islands, including the popular Bazaruto archipelago, extensive coral reefs and the national parks and reserves (which are being re-stocked with a variety of wildlife). The country's mixture of African, Arab and Portuguese influences is apparent in the vibrant nightlife and Afro-Portuguese cuisine.

Places to Visit

(i) National Parks and Reserves

The country's national parks and reserves are still developing and are being re-stocked with a variety of wildlife. A major development will be the inclusion of a large tract of land into a Transfrontier Conservation Area, along with the Kruger National Park in South Africa and the Gona-Re-Zhou Park in Zimbabwe. Both the existing Limpopo National Park and Zinave National Park in Mozambique will become part of this Area.

(ii) Bazaruto Archipelago

Located about 55km off the central coast, the Bazaruto Archipelago is a protected conservation area home to dugong, humpback whales, marine turtles, manta rays, and dolphins, with white sand beaches, coral reefs, and tropical and game fish. The Barazuto Marine Park is located here. Bird watching is also a popular activity.

(iii) Mozambique Island

Linked to the northern mainland by a bridge, Mozambique Island is a world heritage site with a wealth of historical buildings dating from the colonial period, including the Chapel of Nossa Senhora de Baluarte (which is said to be the oldest building in the southern hemisphere).

(iv) Cities and Towns

- Maputo, the country's capital has a lot to offer the tourist, including the National Art Museum, the colourful Municipal Market, the Fortress, the Botanical Gardens and the vibrant nightlife;
- Xai Xai, capital of Gaza province, has excellent nearby beaches, fishing and diving;
- Beira, the country's second largest city, also has outstanding beaches plus old colonial-style buildings;
- Pemba is a coastal town situated at the mouth of a large bay with coral reefs, with unspoilt stretches of sand and a nesting area for sea turtles.

2.2 Accommodation

In 2002, a total of 502,000 nights were spent in hotels and similar establishments, of which over half (52 percent) were spent by non-residents. The refurbishment and

rebuilding of quality hotel accommodation at the Bazaruto and Quirimba archipelagos has contributed to the increase in quality accommodation needed to attract high-income tourists.

2.3 Market Trends

2.3.1 Visitor arrivals by purpose of visit

Visitor arrivals

It is estimated that total international arrivals amounted to 1.2 million in 2002, of which 943,000 were overnight visitors and the remaining 257,000 were same day visitors. The number of overnight visitors is estimated by the National Statistics Institute at around 900,000 in 2003. More recent estimates by the World Tourism Organisation put the number of international tourist arrivals at the much lower figure of 441,000 in 2003.

Purpose of visit

There is a large component of business visitors, particularly from South Africa.

Mode of transport

Most visitors to Maputo and the southern provinces travel there by road, although the majority of overseas visitors arrive by air. Visits to the northern provinces are made by air from Maputo or Johannesburg.

2.3.2 Visitor arrivals by country of origin

In 2002, some 90 percent of all international visitors were from other African countries, of which the great majority was from South Africa. Arrivals from Europe accounted for an estimated 5.9 percent of total arrivals in 2003, of which just over half (53 percent) were residents of Portugal.

Table 2: International visitor arrivals at frontiers (by residence), 2001-03

Source	2001	2002	2003*	% Change 2003/01
Africa	367,593	848,259	591,647	61.0
<i>of which, South Africa</i>	<i>276,100</i>	<i>336,657</i>	<i>335,426</i>	<i>21.5</i>
Other Countries	36,500	69,813	47,733	30.8
<i>of which, Portugal</i>	<i>30,600</i>	<i>19,089</i>	<i>25,392</i>	<i>-17.0</i>
Not Specified	-	24,813	260,620	n.a.
Total	404,093	942,885	900,000	122.7

* estimate

Source: World Tourism Organisation

2.3.3 Visitor expenditure

In 2004, international tourism receipts amounted to an estimated \$95 million compared with \$98 million in 2003 and \$63 million in 2002. These figures are relatively small when compared with estimated total export earnings from aluminium, crustaceans, sugar and other products of around \$1 billion in 2003.

2.4 Institutional Arrangements

The main responsibility for tourism development and promotion lies with the Directorates of Tourism and Tourism Promotion located within the Ministry of

Tourism. The Fundo Nacional do Turismo (FUTUR) is responsible for international marketing, including participation in travel fairs and liaising with the private sector.

2.5 Future Outlook

The recent political and economic stability, improved air access from Europe and the granting of visas at border posts have contributed enormously to the development of tourism. On the supply side, the refurbishment and building of quality hotel accommodation at the Bazaruto and Quirimba archipelagos have also impacted positively on the growth in the number and spending of visitors, while the opening of a new Conference Centre in Maputo has provided an important fillip for the Meetings, Incentives, Conference and Exhibitions (MICE) market, which currently generates an estimated 20-30 percent of tourism revenue and hotel business.

In the short-to-medium term future, the large-scale projects associated with the Maputo Corridor, Mtwara Corridor, Zambezi Corridor and Lubombo Spatial Development Initiatives are expected to unlock untapped potential in the central and western parts of Mozambique, and could also have spin-off effects in the tourism sector.

The general image of Mozambique as a safe and hospitable tourism destination needs to be communicated more aggressively with the main tourist-generating markets. The authorities understand that the product offering has to be highly competitive, offering visitors a unique experience, in order to compete with the likes of South Africa (for wildlife) and the Indian Ocean islands (for beach holidays) through the development of combined products and packages bringing together both the 'beach and bush' as an appealing and (for South Africans) convenient holiday destination. These aims are further elaborated in the Government's Tourism Development Action Plan (2004).

3. INVESTMENT OPPORTUNITIES IN TOURISM

The Government is keenly interested in developing the tourism sector as one of the economic growth engines. The development of adequate facilities along coastal beaches and marine reserves is seen as key to this strategy. In addition, development of wildlife tourism in the Niassa Game Reserve, the Maputo Elephant Reserve, and the border area with Kruger National Park is viewed as potentially viable, subject to adequate arrangements being made and implemented for the involvement of local communities. Here, tourism sector investors will also need to develop basic infrastructure.

3.1 Investment Sectors

The following priority tourism investment opportunities have been identified in the SADC Tourism Investment Promotion report:

Leisure

- New leisure beach resorts and bush lodges (3 current, 5 developing and 10 new areas identified).

Infrastructure

- Roads, water, electricity e.g. Build-Operate-Transfer (BOT) tourism-related projects.

Environment Conservation Areas

- Rehabilitation/improvement of parks and reserves.

3.2 Priority Investment Zones

The following geographic areas have been selected for priority tourism development in Mozambique:

Existing destinations

- Greater Maputo Zone
- Inhambane Coastal Zone
- Vilankulos/Bazaruto Zone

Destinations with limited existing tourism development but with potential to grow

- Elephant Coast Zone
- Xai-Xai Coastal Zone
- Sofala Tourism Zone
- Mozambique Island/Nacala Zone
- Pemba/Quirimbas Zone

Areas with high potential to develop into a tourism destination but with very few if any products and services developed yet

- Limpopo - Massingir Zone
- Limpopo - Mapai Zone
- Gorongosa Tourism Zone
- Manica Tourism Zone
- Cahora Bassa Tourism Zone

4. INVESTMENT ENVIRONMENT

4.1 Investment Framework

4.1.1 Government policy

The investment climate is liberal with most industrial and service sectors being open to 100 percent foreign investment. Management contracts are normally subject to specific performance requirements.

4.1.2 Investment agencies

All foreign and domestic investment must be approved. The Investment Promotion Centre - Centro de Promoção de Investimentos (CPI) - handles the process for foreign investments. The investment approval process is automatic within 10 days, if no objections are voiced by the relevant ministries or by the provincial governor for investments under \$100,000; or by the Minister of Planning and Finance for investments between \$100,000 and \$100 million. The Council of Ministers must review investments over \$100 million and those involving large tracts of land. The Council has 17 working days to voice an objection before approval becomes automatic.

4.1.3 Double taxation agreements

Mozambique has signed bilateral investment agreements with South Africa, Portugal, Zimbabwe, Mauritius, France, Italy, the USA and China. One is currently being negotiated with the UK.

Bilateral investment treaties are in place with Algeria, China, Cuba, Egypt, France, Indonesia, Mauritius, Netherlands, Portugal, South Africa, Switzerland and the United States.

4.1.4 Investment guarantees

The Government assures investors the following guarantees:

- Security and legal protection of property over goods and rights in connection with investments made;
- Freedom to import equity capital or borrow loans to carry out investments;
- The remittance of funds abroad;
- Repatriation of capital invested upon liquidation or sale, total or partial, of goods or rights of an investment undertaking; and
- Just and equitable compensation in event of expropriation based on absolutely necessary and weighty reasons of public and national interest, health and public order.

Mozambique is a member of the Multilateral Investment Guarantee Agency (MIGA) and the Overseas Private Investment Corporation (OPIC), and offers recourse to arbitration through the International Convention and Centre for Settlement of Investment Disputes (ICSID) and the Paris-based International Chamber of Commerce. MIGA's portfolio in Mozambique includes contracts in the tourism sector.

Mozambique has been given a B+ credit rating by Standard and Poor's, one of the best in sub-Saharan Africa.

4.2 Investment Incentives

To encourage foreign direct investment (FDI), a variety of tax incentives are available. They vary according to the region of the country and the nature of the investment concerned, but often include a 50 to 80 percent reduction in the industrial contribution and supplemental taxes. Customs exemptions are allowed for the importation of capital equipment and raw materials. To qualify, a minimum investment of US\$50,000 and pre-approval from the Investment Promotion Centre are required.

The Government grants special fiscal, labour and immigration arrangements for companies operating in a designated "Rapid Development Zones." Rapid Development Zones include Niassa Province, Nacala District, Ilha de Mocambique, Ibo Island, and the Zambezi Valley. Investments in these zones are exempt from import duties on certain goods and from the real property transfer tax, and qualify for an investment tax credit equal to 20 percent of the total investment (with a right to carry forward for five years).

Further details are given in Appendix A.

4.3 Access to Finance

4.3.1 Commercial banks

Grupo BIM dominates the Mozambican banking system, controlling 48 percent of the loan market and 52 percent of the deposit market. It has as its majority shareholder the Portuguese Commercial Bank (BCP). The second major player is BCI-Fomento. Banco Standard Totta, Banco Austral – ABSA, and the African Banking Corporation also offer financial services in Mozambique.

Commercial banks in Mozambique are best suited for providing short-term loans, trade-related finance, and fee-based services. Many foreign companies find it advantageous to obtain offshore financing for their Mozambican operations as the range of services offered by domestic banks is limited.

4.3.2 International Financial Institutions

Mozambique, as a signatory to the agreement between African, Caribbean and Pacific nations (ACP) and the European Union, known as the Cotonou Agreement, has access to the facilities of the European Investment Bank (EIB).

As a member of the World Bank, the facilities of the International Finance Corporation (IFC) would also be available for projects in Mozambique. Other

potential development finance sources include the African Development Bank (ADB), the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation of South Africa Ltd (IDC) and the New Partnership for Africa's Development (NEPAD).

4.3.3 Transfer of Capital and Profits

The Foreign Investment Law guarantees investors the right to remit loan repayments, dividends, profits and invested capital abroad. Government offers FDI investors guarantees to import equity capital and exercise all normal rights associated with this. It also guarantees the right of the investor to remit funds abroad in connection with repatriation of profits, payment of royalties and other charges, loan repayments and interest charges due abroad and compensation due abroad. Investors may also repatriate capital invested upon exiting from or liquidation of an investment.

4.4 Residential and Work Visas

CPI is able to facilitate the acquisition of residential and work visas for approved foreign investors.

4.5 Technical and Promotional Assistance

Generic tourism promotion is undertaken by FUTUR. The comparatively small marketing budget is complemented by private sector marketing initiatives.

Mozambique is a member of the Regional Tourism Organisation of Southern Africa (RETOSA) which, as the official tourism body for SADC, has been given the mandate to market and promote southern Africa in close co-operation with the region's national tourism organisations, the private sector and the communities. The primary aim is to create a clear and recognisable brand identity that will enable the sub-continent to compete effectively within the global arena through co-ordinated marketing activities (including exhibiting at selected trade fairs worldwide, media and educational trade tours, information services, etc.).

5. LIST OF KEY CONTACTS

Ministry of Tourism

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Investment Promotion Centre (CPI)

Tel: +258 1 313295/99 or 313310/75
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E-mail: cpi@cpi.co.mz
Website: www.cpi.co.mz
CPI is the first port of call for potential investors

Mozambique Chamber of Commerce

Rua Mateus Sansão Mutemba 452
Maputo
Tel: +258 1 491 970 / 492687
Fax: + 258 1 490 428 / 492211
E-mail: mzchamber.rc@teledata.mz
The Chamber of Commerce is a good source of information on companies and basic business data and advice.

Useful Websites

Investment Promotion Agency website is a very good source of investment data
www.cpi.co.mz

Fundo Nacional do Turismo (FUTUR) website is a good source of information on government-sponsored tourism initiatives and activities.
www.futur.org.mz

Mozambique Official Government Website is a useful source of links to all government departments
www.mozambique.mz

AIM, the Mozambique News Agency is a good source of general business news
www.sortmoz.com/aimnews

Southern African Development Community website contains useful profiles on SADC member states
www.sadc.int

The British Broadcasting Corporation (BBC): Full profiles provide an instant guide to history, politics and economic background of countries and territories, and background on key institutions.
http://news.bbc.co.uk/2/hi/country_profiles/default.stm

APPENDIX A: LIST OF INVESTMENT INCENTIVES

Incentive	Description
<p>Article 8 (Exemption from Import Duties)</p>	<p>1. Investments in new undertakings carried out in conformity with the Investment Law and its Regulations shall benefit from exemption of payment of customs duties on equipment goods classified under the "Customs Manual", in "K" Class.</p> <p>2. This article shall only include investments in new undertakings, that involve a constitution of a new company, and that are investing in new plant and buildings, excluding therefore:</p> <ul style="list-style-type: none"> a. Expansions; b. Rehabilitation or modernization; c. Constitution of a new company by reorganization, trade of other or others existent companies.
<p>Article 10 (Investments in New or Paralyed Undertakings)</p>	<p>1. Investments in new undertakings or in the rehabilitation of existing ones paralysed due to obsolescence made in provincial capitals with exception of those provinces referred to in following paragraph 2, shall benefit from a reduction of fifty percent (50%) of Industrial Contribution Tax and Supplementary Tax rates payable, during the period of recovering the investment made, which shall not exceed 10 (ten) fiscal years counted from the start of operation.</p> <p>2. In case of investments of the same nature referred to in but carried out in Provinces of Niassa, Cabo Delgado and Tete shall benefit from reduction of the rate of the Industrial Contribution Tax and Supplementary Tax by eighty percent (80%) during the period of recovering the investment made, which shall not exceed ten (10) fiscal Years counted from the start of operation.</p> <p>3. The new ventures or paralysed ones carried out outside the provincial capitals, with exception of those referred to in previous paragraphs shall benefit from a reduction of sixty five percent (65%) of the rates for Industrial Contribution Tax and Supplementary Tax during the period of recovering the investment made, which shall not exceed ten (10) fiscal years counted from the start of operation.</p> <p>4. Investments in existing undertaking destroyed by (100%) of the rate of the Industrial Contribution Tax and Supplementary Tax in the first two (2) fiscal years, and by 80% in subsequent fiscal years until the full recovery of the investment made, which shall not exceed ten (10) fiscal years counted from the start of operation.</p>
<p>Article 11 (Investments in undertakings in operation)</p>	<p>Excluding cases covered by Article 10, investments made in the rehabilitation and/ or expansion of operating undertakings shall, for the purpose of Industrial Contribution Tax, benefit from deduction from taxable income, for 5 (five) fiscal years counted from the year in which they were granted, on the following terms:</p> <ul style="list-style-type: none"> a. Up to 100% (one hundred percent) of the sums invested in new equipment for the operation of the undertaking;

	<p>b. Up to 100% (one hundred percent) of the sums invested in civil construction of the installations for operational use by the undertaking;</p> <p>Up to 100% (one hundred percent) of the sums invested in the construction of agricultural infrastructures for the undertaking's operational use.</p>
Article 12 (Extension of Benefit Periods)	<p>Upon expiry of the period of fiscal benefit referred to in Article 10, the following additional fiscal benefits shall apply:</p> <ol style="list-style-type: none"> 1. Investments made in undertakings located in the Provinces of Niassa, Tete and Cabo Delgado shall continue to benefit from a reduction of 50% of the Industrial Contribution Tax rate for the following six (6) years. 2. Investments located in the Provinces of Sofala, Manica, Zambezia and Nampula, outside of the provincial capitals, shall benefit from a reduction of 40% of the Industrial Contribution Tax rate for the following three (3) years. 3. In the remaining provinces of the country, investment projects undertaken outside of the provincial capitals shall continue to benefit from a reduction of 25% of the Industrial Contribution Tax rate, for a period of three (3) years.
(Expenses Which May Be Considered Losses)	<p>Undertakings covered by Articles 10, 11 and 12, within the periods indicated therein, may further consider as losses for the purpose of determining taxable income for Industrial Contribution Tax, all expenses incurred and equivalent:</p> <ol style="list-style-type: none"> a. up to 120% of expenses incurred in the construction and rehabilitation of public infrastructures such as roads, railways, airports, postal systems, telecommunications, supply of water, electrical energy, schools, hospitals, or other works considered to be of public utility by the tax authorities; <p>up to 100% of expenses incurred in the purchase, for private ownership, of works of art and other objects representing the culture of Mozambique, and likewise actions contributing to cultural development, in accordance with the Cultural Heritage Protection Law, Law No. 10/88, of 22nd December 1988.</p>
Article 14 (Employee Training)	<p>Expenses incurred by firms included in Articles 10, 11 and 12 in training Mozambican workers, within the time periods indicated therein, may be deducted from taxable income for Industrial Contribution Tax, up to the maximum limit of 5% of taxable income.</p>
Article 15 (Exemption from Taxes on Capital and Interest Payments)	<ol style="list-style-type: none"> 1. Own equity capital and loans, as well as the relevant interest payments, which have been used for carrying out investments in undertakings covered by Articles 10 and 11 shall also be tax-exempted. 2. Capital gains arising from the use of capital resources referred to in paragraph 1 of this Article shall not be exempt from tax payments.

Source: Investment Promotion Centre