

**Lusophone Africa Appendix 2:
Mozambique**

Vasco Correia Nhabinde

© 2009 Lincoln Institute of Land Policy

**Lincoln Institute of Land Policy
Working Paper**

The findings and conclusions of this Working Paper reflect the views of the author(s)
and have not been subject to a detailed review by the staff of the
Lincoln Institute of Land Policy.

Contact the Lincoln Institute with questions or requests for permission
to reprint this paper. help@lincolninst.edu

Lincoln Institute Product Code: WP09LA8

Country: Mozambique

Contextual Data

<i>Basic Country Information</i>			
Geographic size	799,390 Km ²	Independence	1975
Capital city	Maputo	Population	20.4 million
System of government	Multi-party democracy, after 16 years of civil war	Urbanisation	
Sub-national government	11 provinces with 33 municipalities (11 towns and 22 cities). The first local government elections were held in 1998, held again in 2003.	GDP (per capita)	US\$250 (in 2005)
<i>Sub-national Government</i>			
Expenditure responsibility	Shared responsibility between municipal and central government in the execution of economic, social and cultural programs. However, central government share in municipalities expenditures is declining since the government is actually engaged in decentralising relevant expenditures, as well as revenue collection to the municipalities. This process is slow given the municipalities's limited capacity to collect, manage and act against defaulting individuals. Most recently, the government of the newly elected President has targeted the district as the centre of development and, therefore, more responsibilities in the expenditure side and revenue collection are set to be at the district level. As a result of this new expenditure policy, districts are given US\$250,000 per year for local expenditures in projects directed to poverty alleviation, especially projects directed to increase food production. Also the hiring of civil servants for the districts is being considered to be at local level.		
Source of revenue	Central government transfer (in some case these transfers represent more than 50 per cent), property taxes, business taxes (tax on economic activity), personal municipal levy (approximately, US\$2.00 paid once a years), licences, fees and some other charges (for example waste removal charges).		
Importance of property tax	Is set to be one of the most important sources of revenue, when all powers (including valuation, assessment, cycle of valuation, assignment to valuation and assessment, etc) on this type of taxes are returned to municipal level.		
<i>Land Issues and the Property Market</i>			
Land tenure	There is place for land tenure. All land belongs to state. It was nationalized immediately after the independence and it was confirmed in 1979 (land Law no. 6/79).		
Land titling	Titling for use. The titles are valid for 50 years renewable for other 50 years through a request for such extension. According to Law no. 19/97, the title of land can be transferred or used as security for credit in financial institutions.		
Land rent	The land law in Mozambique does not allow land renting.		
Property Market	There is no property market in Mozambique to date, although the law establishes that property taxes should be levied on the based of property market value.		
<i>Taxes</i>			
National	VAT, Personal Income Tax, Corporate Income Tax		
Sub-national	Property and business taxes.		
<i>Property-related Taxes: National</i>			
National	VAT, property transfer taxes, capital gains and real estate, succession, death duties and		

	gift taxes, excise taxes and customs duties.
Sub-national	Urban property tax.

<i>Property Transfer Tax (National/Sub-national)</i>		
Relevant Legislation: Decree no. 46/2004 (Sisa code) of the 27th of October under the Law no. 15/2002 of the 26th of June and Decree no. 46/2002 of the 26th of December		
	<i>Legislation</i>	<i>Practice</i>
<i>Tax Base & Taxpayer</i>		
Tax base	Declared value or the value of the building subject to transfer with special rules for several other types of transfers. The law establishes that the director the fiscal area where the transaction is taking place should prove the declared value, taking into account transaction between independent buyers and seller. The correction of the numbers after confirmation of the value is automatic.	The authorities rely on the declared value and in the judgement of the personal responsible of the revaluation of the property subject to transfer.
Coverage of tax base	All immoveable urban property transfers in the Mozambican territory.	
Taxpayer	All persons (individuals or collective) to which the property rights on urban buildings are transferred.	
<i>Valuation & Assessment</i>		
Valuation	NO. Only in the case where the director of the fiscal area is suspecting the declared value of the property subject to transfer.	
Responsibility	The directors of Fiscal area.	
Valuation cycle	NO. But the authority that accepted the transaction or by the command of any superior hierarchic (is not clear whether this superior hierarchic is the Minister of Finance or Public Work and Housing or any other superior to the director of the fiscal area) can do the revaluation of the property that was subject of transfer.	
Objection & appeal	In terms of fiscal law the taxpayer subject to tax can object or appeal to the revaluation in court.	
Quality control measures	Other institutions are required to co-operate, for example conveyers are allowed to give the conveyance if the individuals show the receipt that prove that Sisa was paid. The Law no 15/2002 and Decree no. 46/2002 allow for penalties to those who evade the payment of Sisa. The courts are also required to co-operate.	
Tax rates	Sisa is 2 per cent of the declared value or corrected after revaluation. If the buyer or	

	shareholders of the buyer reside in countries with fiscal regime more favourable, such as those defined in IRPC ¹ , the tax rate will be always 10 per cent.	
Exemptions	<ul style="list-style-type: none"> • transfers of urban properties to the state; • transfers of urban properties to municipalities or local authorities • associations or municipal federations; • social security and providence institutions; • public utility associations referred by Law no. 8/91 of the 18th June; • foreign states when buying urban buildings for exclusive for embassy or consul; • humanitarian associations and other institutions legally recognised by pursuing non-profit activities; • museums, libraries, schools, other teaching or educational institutions and associations; • buyers of urban buildings for social residence built by funds of housing promotion, among other exemptions. 	
<i>Tax Administration</i>		
Tax relief measures	Data not available	
Collection	National government through the directorate of fiscal areas or any other entity authorised by law using an official form for revenue collection. Prove of payment of Sisa is done through the presentation of declaration referred to in article 12 and accompanied by the receipt of collection.	
Enforcement	Given the nature of the transaction enforcement is not clearly defined, unless there is a more detailed registration and mapping where is possible to identify the owners of the properties at the time of payment of annual property tax.	
<i>Additional Comments</i>	Sisa is a tax levied on property transfers of urban buildings and properties in Mozambique. The major limitation of this tax is based on the fact that there is no detailed identification of the owners of properties and good regulation for enforcement purposes (including bribing) and, therefore, many transactions on such properties are done without government having collected the necessary revenue. Another limitation is related to the fact that many directorates of fiscal areas do not have the necessary expertise for property valuation and consequently, many properties appear to be undervalued.	

¹ IRPC implies: personal income tax

<i>Property Tax (National/Sub-national/Local)</i>		
Property taxes are set to be more important in near future in the municipal budget. Property tax revenue is part of budgeting process rather complementing it. Therefore, resident of municipalities pay constant or increasing nominal effective taxes depending on whether the value of the building is constant or increasing, given the valuation process in Mozambican municipalities.		
Relevant Legislation: Decree no. 52/2000 of the 21st of December and Decree no. 60/2006 of the 26th of December all under the Law no. 11/97 of the 31st of May.		
	<i>Legislation</i>	<i>Practice</i>
<i>Tax Base & Taxpayer</i>		
Tax base	Value of buildings, determined according to no.1 article 56 of the Law no. 11/97 of the 31 st May, and land for building	
Coverage of tax base	Areas covered by municipalities.	
Taxpayer	All individuals with property rights by 31 st of December each collection year. In the case of rent or other forms of property use, the taxpayer is the tenant or the person using the property.	
<i>Valuation & Assessment</i>		
Valuation	There is no cyclical valuation. Only if the value of the property shows depreciation by more than 30 per cent; the property is subject to administrative revaluation by applying the adequate index of devaluation of the currency. The rules for fixing the value of urban land are established by joint declaration of the Ministers of Finances and Public Work and Housing.	
Responsibility	Each municipality set its own valuation commission with composition and functioning regulated by regulation for urban building contribution	
Valuation cycle	The law does not make provision for cyclical valuation, except when there is significant devaluation of property value.	
Objection & appeal	Taxpayers of property taxes are free to consult or obtain documents of items included in matrices of valuation roll. They can object or claim at any time the items included in the matrices of valuation roll. They can appeal legally by evoking the section on general guarantees of taxpayers in the income tax code: Law no. 15/2003.	
Quality control measures	All public entities involved in the conveyances should ask for documents proving mapping and identification of the property into the municipal property matrix or in absence of this document present the declaration of request for incorporation of the property in the	

	<p>municipal matrix.</p> <p>The suppliers of water, electricity and telecommunication are not allowed to supply services if the individual (singular or collective) does not present a prove of incorporation of the property in the municipal matrix.</p> <p>The situation of properties should be monthly sent to the fiscal authority of the area where such properties are located.</p> <p>The municipal councils have the responsibility of monitoring the application of the tax on municipal building and send quarterly reports on licences of demolition and buildings, request for inspection, dates of finished building or its modification, building and licences project to fiscal administration of the area.</p>	
Tax rates	<p>Tax on municipal buildings varies in between 0.2% to 1% of the value of buildings subject to taxes.</p> <p>The municipal assembly is responsible of defining the table of exact tax rates to be applied in the property tax revenue collection.</p> <p>In the case of urban soils, the title holders have to pay the urbanization tax in a period non beyond three years, which will also not be less than 10 per cent of total amount of tax.</p>	
Exemptions	<ul style="list-style-type: none"> • transfers of urban properties to the state; • transfers of urban properties to municipalities or local authorities • associations or municipal federations; • social security and providence institutions; • public utility associations referred by Law no. 8/91 of the 18th June; • foreign states when buying urban buildings for exclusive for embassy or consul; • humanitarian associations and other institutions legally recognised by pursuing non-profit activities; • museums, libraries, schools, other teaching or educational institutions and associations; • buyers of urban buildings for social residence built by funds of housing promotion, among other exemptions; • buildings of precarious materials and other non-definitive buildings when occupied by the owner only; • as an incentive to own building the 	

	municipal assembly will define an structure of exemption or tax reduction, which will vary in between 10 and 15 years depending on whether is exemption or tax reduction	
<i>Tax Administration</i>		
Tax relief measures	The calculated property taxes that result to be less than 10,000.00 Mt (US\$384.62) are excluded from property tax payment and all tax values in between 10,000.00Mt and 20,000.00Mt are paid at once in January of each year.	
Billing and Collection	The bill is given to the fiscal department up to 25 th of November of each year, and sent to the knowledge of the taxpayers up to 20 th of December for payment. The due tax is payable in two instalments, one in January and another one in June of each year. The collection of property tax is assigned to fiscal department of the area where the property is located.	
Enforcement	See quality control measures.	
<i>Additional Comments</i>	The weakness of laws and regulations on urban property tax rely on the fact that they are not clear who monitor, although, there are significant measures that tend to enforce and control the payment of property taxes in Mozambique. Another weakness is the excessive use of administrative measures. There is lack of taxpayer education such that the taxpayer knows what property tax is and what is meant for. Education is important with regard to adherence, which contributes to achieve higher rates of tax collection that is the ultimate goal of the tax collector.	