

# Mozambique

## 1. Government requirements

### Registration requirements

#### Tax registration

In accordance with the Personal Income Tax (PIT) act, all entities that pay income from employment are required to withhold tax on the same, at the time it is paid or placed at the disposal of the beneficiaries. In order to proceed with such withholding, employers shall register for tax purposes with the Mozambique revenue authorities and declare commencement of activities.

The following information is required for the registration of employers:

- Certificate of registration issued by the registrar of legal entities
- Tax registration/obtaining the Tax Identification Number (NUIT)
- Operating license
- Return of commencement of activity

The PIT act states that employers shall not make any employment income payments to individuals who do not have a tax number.

The tax registration requirements for employees are as follows:

- Completed registration form
- Copy of ID or passport

Copy of ID or passport

#### Social security registration

Employers, as social security contributors, are required to register with the National social security system within 15 days from commencement of activities, according to the Compulsory Social Security Regulations.

The registration form shall be accompanied by the following documentation:

- Copy of business license
- Copy of the tax return of commencement of activity
- Copy of ID of entity legal representan

Once effective registration is performed, the Social Security Institute notifies the entity on the social security registration number and provides the access codes for the online database.

Employers are also required to register their employees for social security within 30 days from date of employment. The following documentation is required:

- Completed and signed registration form
- Copy of ID of employee

The social security number is issued within 30 days from registration.

Registration fees are not applicable.

## **Ongoing compliance requirements**

### **Monthly Pay-As-You-Earn (PAYE) return**

According to the PIT act, PAYE is withheld by the employer on monthly basis and paid to the MRA by the 20th day of the month following the month to which the tax relates, through the submission of payment form M19. The return is only due in months where there is taxable income.

The minimum taxable income is 20,250 Meticaais:

- The rates for tax calculation vary according to the total monthly remuneration earned at progressing rate with a maximum rate of 32%
- Monthly withholding tax on employment income is a final tax
- Local employers are also required to assess and pay tax on Mozambique related remuneration that may have been paid aboard/in the home country of the assignee by a related party, through shadow payroll

### **Annual income declaration and return on income paid to individuals**

- By 20th January of the following year, the employer must provide employees with the annual income statements which include the total of earnings, total tax withheld, and social security contribution
- The employer is further required to complete and file with the MRA, form M/20H, by March of the following year, which contains total income paid to individuals and respective tax paid during the previous fiscal year.

### **Social security contributions**

- Compulsory social security contributions are levied on all regular remuneration paid to all resident employees, including foreigners, except for those who are exempted.
- Social security contributions are 7% (4% borne by employer and 3% by employee) on the base salary and all other remuneration and allowances that are regular in nature.
- Foreign employees who are contributing for a similar scheme outside of Mozambique may apply for exemption.
- Employers are required to upload the salaries on the National Social Security Institute's (INSS) online platform, which generates a report with a payment reference number.
- Payment should be made no later than 10th day of the following month. Interest and penalties are imposed for late payment/submission.

## **2. Pension requirements**

### **Registration requirements**

The pension regime is included in the above social security scheme and therefore not subject to separate registration requirements.

### **Ongoing compliance requirements**

Pension related contributions are included in the compulsory social security scheme and payable to the INSS.

As previously referred, the contributions are 7% on total regular remuneration and the same rate apply to all residents, whether they are Mozambican or foreign citizens.

Foreign resident citizens who have contributed to Mozambique social security scheme and leave the country for good prior to reaching the age of retirement, are entitled to apply for a refund of

the pension component of the contribution, which represents approximately 3%, provided that Mozambique has not signed a bilateral social security agreement with his or her country of origin. The right to refund expires within one year from the date on which the foreign individual leaves the country.

Retirement age is 55 years for women and 60 years for men. In order for these to qualify for a retirement pension, they should meet the following cumulative requirements: have been registered with the social security system for at least 20 years and have completed 10 years of contributions.

### **3. Employment obligations**

#### **Minimum wages**

Mozambique minimum wages for employees are defined by Government and depend on the sector of activity, being updated on annual basis. Currently, the Kapenta Fishing sector has the lowest minimum monthly wage (4.266,68 Meticaís) and the Financial Services-Microfinance sector has the highest minimum wage amounting to 12.760,18 Meticaís per month.

#### **Leave days**

According to Mozambican Labour Law, an employee is entitled to take the following annual paid leave at the beginning of the following calendar year:

- One day per month for effective work during the first year of employment
- Two days per month for effective work during the second year
- Two and half days per month for effective work from the third year onward

In relation to term employment with duration of more than three months but less than one year, the employee is entitled to one day paid leave for each month of effective work.

For these purposes, effective work comprises effective days worked, public holidays, weekends, leave days, and excused absence.

The labor law does not allow anticipate leave of more than 30 days and cumulative non-used leave of more than 60 days during the year

#### **Rest hours**

According to the Mozambican Labour Law, normal working hours shall not exceed 8 hours per day and 48 hours per week. The normal eight hours a day may be extended to nine hours if the employee is given an additional half day a week for rest.

#### **Worker's compensation/collective insurance**

Employers are required to enter into a collective instance contact with a local insurance company to cover work related illness and accidents.

### **4. Payroll requirements**

- Salaries may be paid weekly, quarterly or monthly according to the terms of agreement between the employer and employee.
- Payslips can be provided either in electronic form or hard copy.
- Payroll related taxes are withheld from the remuneration at the time this is paid or placed at the disposal of the employee and paid on monthly basis, until the 20th day of the month following the month to which the remuneration refers.

## 5. Banking requirements related to payroll

Payment is made in local currency and can be paid by one or a combination of:

- Cash
- Check
- Bank transfer to a local bank account

In relation to foreign employees and under the exchange control legislation, remuneration may be paid into an offshore bank account, for which the following is required:

- Valid work permit and employment contract
- Tax clearance certificate confirming payment of taxes on the respective remuneration

