

NEWSLETTER – MOZAMBICAN TAX

Taxation of capital gains deriving from the sale of mining companies operating in Mozambique

Mozambique's Government is expected to present a legislative proposal, next May, to tax capital gains deriving from the sale of participations in mining companies with undergoing operations in the territory.

Objective of the legislative amendment

Further to Mozambique's AIM news agency, this intention originated from the communication issued by Cove Energy Group, publicizing their availability to sell the 8.5% participation held in the consortium exploring hydrocarbon in Rovuma Bay.

According to the information available at this stage, the legislative amendment being considered aims at taxing the sale of mining companies operating in Mozambique even though the companies being sold may not be resident in that territory.

On one hand, the sale of non-resident companies in Mozambique developing projects therein allows the transfer of licenses to explore resources in the country without the Government's authorisation.

On the other hand, this type of operations usually has no connection elements with Mozambique's territory, not triggering any taxation on this country.

Precedent

This intention from Mozambique's Government was recently materialized in a particular operation.

Further to the demise of the owner of Australian Talbot Group – who controls Revuboé Mines, in Tete province –, this Group was sold for circa 630 Australian Dollars.

Mozambique's Tax Authorities considered the capital gains deriving from this operation were taxable therein, having assessed tax amounting to circa 71.98 Australian Dollars as a result.