



**Law n° 27 /2014 of 23 September**

It being necessary to update the specific taxation and fiscal benefits regime for petroleum operations, applicable in terms of the combined provisions of Article 100, Article 127.2 and Article 179.2 (o) of the Constitution of the Republic, the Assembly of the Republic hereby determines:

**CHAPTER I**

**General Provisions**

Article 1

**(Purpose)**

This Law sets out the specific taxation and fiscal benefits regime applicable to petroleum operations.

Article 2

**(Scope of application)**

This regime applies to legal persons incorporated and registered in the Mozambican territory, as well as to national or foreign natural persons who carry out petroleum operations under a concession contract.

Article 3

**(Definitions)**

The terms used in this Law are defined in the attached Glossary, which forms an integral part of it.

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## Article 4

**(Specific taxes on Petroleum Operations)**

1. The natural and corporate persons referred to in article 3 of this Law are, in general, subject to the taxes provided for in the Mozambican Tax System, as well as to para-fiscal charges. 2. The persons referred to in the preceding paragraph shall also be subject to Petroleum Production Tax (PPT), as well as to the specific rules on Corporate Income Tax (IRPC) and the Production Sharing Mechanisms set out in this Regime.

## CHAPTER II

**Tax and Specific Taxation Rules for Petroleum Operations****Section I****Petroleum Production Tax (PPT)**

## Article 5

**(Basis of taxation)**

Petroleum Production Tax (PPT) is levied on petroleum produced throughout the area of the concession contract.

## Article 6

**(Taxpayers)**

PPT shall apply to corporate persons who carry out petroleum operations in the national territory under a concession contract.

## Article 7

**(Taxable event)**

1. Liability to pay PPT shall be deemed to arise when the petroleum produced enters the measurement station defined by the Government.
2. In the case of payment in kind, the tax liability shall be deemed to arise when the petroleum produced is delivered at the delivery point defined by the Government.

Article 8

**(Tax Base)**

The tax base for PPT is the value of the petroleum produced.

Article 9

**(Value of Petroleum Produced)**

1. The value of the petroleum produced shall be determined on the basis of the weighted average prices at which it was sold or otherwise disposed of by the producer and its subcontractors in the month to which the tax to be assessed pertains, and the aforesaid persons shall comply with the provisions of the following paragraphs.
2. The value of each separate export grade of crude oil shall be:
  - a) in the case of sales to companies in which no participation is held, the weighted average price per barrel at the point of delivery of each declaration of sale or of export of crude oil, determined on the basis of the FOB prices at which such crude oil had been sold by the concessionaire during that calendar month; or
  - b) in the case of sales to a third party on terms other than FOB terms, the price to be applied shall, for the purposes of this regime, be an FOB price calculated on a net-back basis, established by deducting the actual and direct costs incurred by the concessionaire in performing the obligations under the corresponding sales contracts, and those obligations inherent to an FOB sales contract.
  - c) in the case of sales to companies in which a participation is held, the price that is agreed between the Ministries responsible for Petroleum and Finance, jointly, and the concessionaire, on the basis of the following factors:
    - i. the weighted average FOB price, for that month, for Brent-rated crude oil, or such other appropriate marker crude oil for the production and period in question. The weighted average shall be based on the days in each calendar month for which a

- closing price is reported in the *Platts Oilgram* price report, and days with no price reports, such as weekends and public holidays, shall be disregarded for that purpose;
- ii. a premium or discount on the price of the Brent-rated crude oil or such other appropriate marker crude oil for the production in question, to be determined on the basis of the quality of the crude oil produced from the contract Area and the cost of placing such crude oil on the market.
3. In cases where the Ministries responsible for Petroleum and Finance, jointly, fail to reach an agreement with the Concessionaire on a price under sub-paragraph 2 c) of this Article, the following procedures shall be adopted in order to determine the premium or discount referred to therein:
- a) the Ministries responsible for Petroleum and Finance, jointly, on the one hand, and the Concessionaire shall submit their assessments of the premium or discount to each other, together with an explanation of the key factors considered in determining the premium or discount;
  - b) if the separate premiums or discounts submitted by the Ministries responsible for Petroleum and Finance, jointly, and by the concessionaire, are within the equivalent of ten cents of a US Dollar (USD 0.10) per barrel of each other, the average will be taken for the purposes of setting the final value of the Crude Oil;
  - c) if the difference between the separate premiums or discounts submitted by the Ministries responsible for Petroleum and Finance, jointly, on the one hand, and by the concessionaire is greater than the equivalent of ten cents of a US Dollar (USD 0.10) per barrel, each of them shall resubmit to the other a revised premium or discount on the third business day after the first exchange of information;
  - d) if the separate premiums or discounts submitted by the Ministries responsible for Petroleum and Finance, jointly, and by the concessionaire in the second exchange of information are within the equivalent of ten cents of a US Dollar (USD 0.10) per barrel of each other, the average will be taken for the purposes of setting the final value of the crude oil;
  - e) if the difference between the premiums or discounts submitted in the second exchange of information is greater than the equivalent of ten cents of a US Dollar (USD 0.10) per barrel, the matter shall be referred for settlement by an independent expert, who shall set a price on the basis of the criteria set out in sub-paragraph 2 c) of this Article, but always
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within the range established by the parties under the preceding sub-paragraph of this Article.

4. The value calculated for the natural gas produced from reservoirs in the contract Area shall be:
  - a) in the case of sales to non-affiliated Companies:
    - i. the weighted average price per gigajoule of commercial specification natural gas at the delivery point at which such natural gas has been delivered by the concessionaire during that calendar month; or
    - ii. the weighted average price per Gigajoule of all other commercial specification natural gas delivered during the same calendar month from reservoirs under the jurisdiction of the Republic of Mozambique; and
    - iii. the weighted average of posted and publicly available prices for alternative fuels to natural gas for large-scale industrial consumers, including power generators in the market where they were delivered to end-users.
  - b) in the case of sales to companies in which a participation is held , the price stipulated in sub-paragraph a) above for sales to non-affiliated Companies or such price agreed between the Ministries responsible for Petroleum and Finance, jointly, and the concessionaire.
5. The procedures provided for in the preceding paragraphs shall not have the effect of suspending any of the concessionaire's obligations to the State that are to be performed on the basis of the price determined residually and jointly by the Ministries responsible for Petroleum and Finance.
6. In the event that the Government enters into a commercial sales agreement with the concessionaire for the purchase by the Government of the petroleum from the concessionaire, the price shall not exceed the price of sale to companies in which a participation is held , as established in paragraphs 2 c) and 4 b) of this Article.

#### Article 10

#### **(Rate)**

1. The rates of Petroleum Production Tax shall be as follows:
    - a) 10% for crude oil;
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- b) 6% for natural gas.
2. The rates provided for in the preceding paragraph shall be reduced by 50% when production is intended for the development of the local industry.

Article 11  
**(Assessment)**

Assessment of PPT shall be made by taxpayers by applying the rate specified in Article 10 to the value of petroleum produced, determined in accordance with Article 9.

Article 12  
**(Adjustment of tax base)**

1. The tax authority may make adjustments to the tax base, thereby altering the declared amount, when it is found that the prices used by the taxpayer are not in accordance with actual prices in the reference markets, or that such prices differ from normal arm's length market prices.
2. The taxpayer shall be notified of the taxable value determined under paragraph 1 of this Article, and may appeal to the Fiscal Court of competent jurisdiction, without prejudice to the possibility of a hierarchical appeal.

Article 13  
**(Place and method of paying tax)**

1. As a general rule, PPT shall be paid in cash.
2. PPT shall be paid at tax authority offices.

Article 14  
**(Payment in kind)**

1. The Government may, by means of a written notification to the taxpayer 12
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months in advance, counted from the first day of the month to which the tax relates, notify the taxpayer to pay PPT in kind, wholly or partly, either in oil or gas.

2. When notice has been served of payment of PPT in kind, the amounts indicated in that notice shall be delivered, at the delivery point, to the entity designated by the Government.
3. Payment shall continue to be made in kind in the quantity specified in the notice served in accordance with the preceding paragraph until the Government serves a further notice providing the taxpayer with revised instructions.
4. The entity referred to in paragraph 2 shall deliver the value of the amounts received by way of production tax to the tax authorities in the month following their receipt.

## **Section II**

### **Specific Income Tax Rules**

#### Article 15

#### **(Specific rules)**

1. Natural persons earning second category income and corporate persons referred to in Article 3 of this Regime who carry out petroleum operations shall be subject to Personal Income Tax (IRPS) and Corporate Income Tax (IRPC) on the basis of the norms set forth in the respective Codes and the specific rules set forth in this Regime.
2. The specific IRPC rules shall be applicable, *mutatis mutandis*, to IRPS with regard to the natural persons subject to this Regime.

#### Article 16

#### **(Determination of taxable income)**

1. The determination of income subject to IRPC shall be made individually with reference to each concession contract area and shall relate to each fiscal year.
  2. The taxpayer shall obtain a Single Taxpayer Identification Number (*NUIT*) for each concession contract area, and organize separate accounts for each of them, as follows from the preceding paragraph.
  3. The costs and revenues deriving from a concession contract may only be deducted from or allocated to that concession contract for each fiscal year.
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## Article 17

**(Arm's length principle)**

1. For the purposes of IRPC, the following transactions shall be treated as if they were concluded between independent companies, applying the provisions of the IRPC Code on transfer pricing:
  - a) Transactions concerning various concession contracts to which the same taxpayer is a party;
  - b) Transactions concerning a concession contract and other activities of the same taxpayer;
  - c) Transactions concerning Petroleum Operations downstream of the development Plan/delivery Point;
  - d) Services provided for activities downstream of the delivery point;
  - e) Any transactions between entities having a special relationship, as defined in the CIRPC.
2. For the purposes of the preceding paragraph, the transfer of an asset to a separate concession contract shall be treated as an acquisition or disposal of the asset, as the case may be.
3. When two or more taxpayers carry out petroleum reconnaissance, exploration, development and production activities under the same concession contract, each of them shall calculate their taxable income from petroleum operations relating to that concession contract separately, as if they were associated companies conducting transactions with each other, and applying the arm's length principle.

## Article 18

**(Revenues or gains)**

Without prejudice to the provisions of the IRPC Code, the following shall also be deemed revenues or gains derived from Petroleum Operations:

- a) Income deriving from the sale or disposal of petroleum produced;
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- b) Compensation received for any loss or destruction of petroleum produced resulting from an insurance contract or other source;
- c) Amounts received from the sale of information relating to petroleum operations;
- d) Capital gains arising from the direct or indirect disposal of immovable assets located in the Mozambican territory that are related to petroleum operations, irrespective of whether such disposal occurs abroad;
- e) Non-used amounts from the petroleum operations decommissioning fund;
- f) Any other withdrawals from the petroleum operations decommissioning fund;
- g) Any other amounts obtained by virtue of petroleum operations relating to the Concession Contract.

Article 19

**(Costs or losses)**

1. Subject to the provisions of the IRPC Code, the following are deemed to be costs or losses from petroleum operations:

- a) Operating costs, such as:
    - i. Operating, servicing, maintaining and repairing production and injection wells and all field facilities completed during development and production operations;
    - ii. Planning, producing, controlling, measuring and testing the flow of petroleum, and collecting, gathering, treating, storing and transporting the petroleum from the petroleum reservoir to the delivery point;
  - b) Services, such as warehouses, offices, camps, docks, vessels, vehicles, motorized rolling stock, aircraft, fire and safety stations, workshops, basic sanitation and water supply facilities, power plants, housing, furniture, tools and equipment used in petroleum operations.
  - c) The professional training of Mozambican workers;
  - d) Charges inherent to the signing of a concession contract, with the exception of any bonuses associated with that acquisition;
  - e) Cash contributions to the closure and decommissioning fund, and effective decommissioning expenses;
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- f) Expenses arising from any activities downstream of the concession contract, or from services supplied in the context of activities downstream of that contract, when incurred by the concessionaire, in accordance with Article 21;
  - g) General administrative expenses, such as:
    - i. Expenses relating to the main office and field offices established in Mozambique, and general administrative expenses, including supervisory, accounting and industrial relations services, also provided in Mozambique;
    - ii. Overheads deductible by a company in which a participation is held, or by the permanent establishment of a non- resident, to cover services provided outside of the Republic of Mozambique to manage petroleum operations and for consultancy and staff assistance, including financial, legal, accounting and industrial relations services.
2. The charges referred to in subparagraph g(ii) of the previous paragraph shall fall within the following parameters, in any one tax year:
- i. 5% of total costs incurred, up to a limit of the equivalent of USD 5,000,000.00 (five million United States dollars);
  - ii. 3% of that portion of total costs incurred between the equivalent of USD 5,000,000.00 (five million United States dollars) and USD 10,000,000.00 (ten million United States dollars); and
  - iii. 1.5% of total costs incurred in excess of the equivalent of USD 10,000,000.00 (ten million United States dollars).

#### Article 20

#### **(General charges incurred in the Mozambican territory)**

1. Charges referred to in subparagraph i) of paragraph g) of Article 19.1 and borne by a company engaged in petroleum operations in the Mozambican territory, which cannot be directly attributed to a specific concession of the said company, as they are general charges of same, shall be attributed to the concessions of the said company on a *pro rata* basis.
  2. The general charges referred to in Article 20.1 above shall include:
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- a) The depreciation of assets used for the benefit of the various concessions;
  - b) General administrative costs.
3. The Government shall establish rules for the allocation of the general charges referred to in paragraph 1, taking into account the value of the assets or the general charges associated with each petroleum concession held by a company undertaking petroleum operations in the Mozambican territory, or such other criteria as it may deem appropriate.

Article 21

**(Determination of costs arising from downstream activities)**

1. For the purposes of Article 19 f), a fee paid by the entity that holds the concession contract, to the entity that incurred such costs, shall be deductible.
2. For the purposes of the provisions of paragraph f) of Article 19, costs arising from any activities downstream of the delivery point, or from services provided in the context of activities downstream of the delivery point, shall be recorded separately from petroleum operations for accounting purposes, and a fee charged to ventures that develop petroleum operations shall be deductible.
3. The fee referred to in paragraphs 1 and 2 shall be agreed between the entity responsible for supervising the petroleum industry and the tax authorities, and shall comply with the arm's length principle.

Article 22

**(Non-deductible costs)**

In addition to what is set out in the IRPC Code, the following costs shall not be deductible:

- a) A willful breach of legal and regulatory obligations by taxpayers or persons acting on their behalf, with regard to the management of petroleum reconnaissance, exploration, development and production activities;
  - b) Contracts covering risks or losses derived from these contracts, also known as "hedging";
  - c) Expenses arising from the vocational training of expatriate personnel, and from training programs, if they fail to comply with applicable legislation;
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- d) Compensation offered to the State in return for the award of petroleum concessions;
- e) Petroleum marketing or transportation expenses beyond the delivery point;
- f) Costs involved in hiring an independent expert who is consulted to determine the petroleum price, unless requested by the Government;
- g) Petroleum production tax;
- h) Commissions paid to intermediaries;
- i) Expenses incurred in arbitration proceedings, save when instituted to defend petroleum reconnaissance, exploration, development and production activities;
- j) Compensation paid in terms of a penalty clause;
- k) Damages caused by the willful misconduct or negligence of the taxpayer or a person acting on its behalf.

#### Article 23

#### (Depreciation)

1. Subject to the provisions of this Article, the concessionaire shall amortize all depreciable tangible and intangible asset items in accordance with the IRPC Code.
2. Prospecting and exploration expenses incurred under a concession contract shall be treated as depreciable intangible assets and shall be amortizable.
3. Development and production expenses incurred under a concession contract shall be treated as depreciable tangible assets and shall be amortizable.
4. Amortization shall be deducted at the following rates, unless its useful life in a petroleum operation approved in a development plan is less, in which case the rate shall be 1 divided by the number of expected years of petroleum operations:

<b>TYPE OF ASSET</b>	<b>RATE</b>
Exploration and Appraisal Costs	100%
Development Costs	25%
Petroleum Production Assets	20%
Acquisition of Petroleum rights	10%

Other Assets	10%
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5. Amortization shall commence in the year in which expenses are incurred, or in which commercial production starts, whichever is later.
6. Amortizations shall only be accepted for tax purposes when they are accounted for as costs or losses in the fiscal year to which they relate, as provided in Article 19 of this Regime.
7. Amortizations for a fiscal year shall be calculated using the straight-line method.

Article 24

**(Recording and Valuation of Assets)**

1. The taxpayer shall keep detailed records of assets used in petroleum operations in accordance with applicable law.
2. The taxpayer shall draw up inventories of assets assigned to petroleum operations in accordance with the law.
3. The taxpayer shall notify the Government in writing no less than 30 (thirty) days before inventories are drawn up, and shall have the right to be represented during that process.

Article 25

**(Transfer of contractual right or interest)**

If a concessionaire transfers a right or interest in a concession contract in accordance with the arm's length principle, the entity receiving such right or interest shall continue to amortize any tangible or intangible assets in the exploration or development phase, as well as any operating expense attributable to the petroleum operations, in accordance with the terms adopted by the original concessionaire.

Article 26

**(Thin capitalization)**

1. Thin capitalisation occurs when the total indebtedness of the concessionaire towards a resident or non-resident exceeds a debt to equity ratio of 2:1 applied to the net funding
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requirement defined in paragraph 5 of this Article, regardless of the existence of a special relationship.

2. The thin capitalisation referred to above relates to any date in the taxation period.
3. In the event of thin capitalisation the interest and other financial charges relating to the part deemed to be surplus shall not be deductible for the purposes of determining the taxable profit.
4. The attributable indebtedness of a concessionaire towards a resident or non-resident with which it has a special relationship shall be determined in accordance with the arm's length principle.
5. The net funding requirement shall result from the petroleum operations recording an accrued negative net cash flow in any petroleum operations development period of those petroleum operations, after taking any income into account.
6. Interest relating to increased borrowing is not deductible when there is a forecast that the operating cash flows are sufficient to meet costs under the production plan without leading to negative cash flows.
7. The financing plan, the borrowing terms and the principles for ensuring prompt repayment of borrowing shall be approved as part of the development plan.
8. Interest and other financial charges referred to in paragraph 1 of this Article shall relate to all forms of credit, regardless of the form of remuneration, including the financial components of financial leases.
9. Calculation of equity shall take into account the subscribed share capital.

#### Article 27

#### **(Deduction of tax losses)**

Tax losses determined in a given fiscal year shall be deducted in accordance with the provisions of the IRPC Code.

#### Article 28

#### **(Withholding)**

1. Taxpayers carrying out petroleum operations are required to withhold IRPS and IRPC, in accordance with the rules of the respective Codes.
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2. A taxpayer who pays or places at the disposal of a non-resident - either directly or through an intermediary, for its benefit - amounts relating to remuneration for services associated with a Concession Contract and supplied by non-residents, regardless of where they are performed, shall withhold tax at a rate of 10% of the total gross amount paid, provided that the beneficiary of the services is a resident in the Mozambican territory or has a permanent establishment there.
3. The obligation to withhold IRPC arises on the date of payment of the income, or on its due date - even if presumed, or on the date on which the amount is made available, paid or determined, as the case may be. The amounts withheld shall be paid to the tax authorities on the terms and within the time limits set out in the Income Tax Codes.

#### Article 29

#### **(Taxation of Capital Gains)**

1. Gains earned by non-residents in the Mozambican territory, whether or not they have a permanent establishment, resulting from the direct or indirect transfer of petroleum rights in the Mozambican territory, either for consideration, or not, shall be taxable as capital gains at a rate of 32%.
  2. The gains referred to in paragraph 1 of this Article, including those arising from the disposal of titles, shares or equity interests in companies that hold petroleum rights, are, for all tax purposes, gains from immovable assets having their source in the territory of Mozambique.
  3. Gains shall be deemed to have been obtained in the Mozambican territory if they result from direct or indirect transfers, either for consideration, or not, between non-resident entities, of equity interests in entities holding a petroleum right, or other securities issued by such entities and relating to that right, involving immovable petroleum assets located in the Mozambican territory, regardless of where the disposal takes place.
  4. Capital gains shall be determined in accordance with the rules set forth in the Income Tax Codes.
  5. Liability for the payment of tax on gains obtained by a non-resident entity with no permanent establishment in Mozambique shall be jointly and severally attributed to the acquiring entity or to the holder of the petroleum right.
  6. The tax due shall be paid within thirty days following the date of disposal of the petroleum rights.
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## Article 30

**(Assessment and payment)**

1. Taxable income<sup>1</sup> for petroleum operations during a fiscal year is calculated by applying the rate provided in Article 28 to the taxable income determined under Articles 16 to 27 of the same, and the provisions of the IRPC Code.
2. If the taxpayer is entitled to other taxable income, in addition to the income derived from petroleum operations, such income shall be taxed in accordance with the IRPC and IRPS Codes.

**Section III****Production Sharing Mechanisms**

## Article 31

**(Cost recovery)**

1. The concessionaire shall recover costs incurred in the execution of petroleum operations through the receipt of an entitlement to a certain amount of petroleum produced and to the extent permitted by the provisions of this Regime.
2. Of the total petroleum produced, the concessionaire may set aside a portion to discharge its PPT liability. The remainder, after that portion has been set aside, shall be hereinafter referred to as “disposable petroleum”.
3. All costs incurred by the concessionaire in relation to petroleum operations shall be recovered from disposable petroleum at the delivery point specified by the Government, save for interest and other financial costs.
4. In each calendar year, the total recoverable costs incurred by the concessionaire in relation to petroleum operations in the contract area shall be limited to sixty percent (60%) of the disposable petroleum.

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<sup>1</sup>Translator’s note: Probably a mistake in the original Portuguese text: where it reads “taxable income” (*matéria colectável*) it should probably read “tax payable”.

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5. Recoverable costs beyond the thresholds referred to in paragraph 4 in any one calendar year shall be carried over to the following year or years until they are all fully recovered.

Article 32

**(Production sharing)**

1. The provisions on cost recovery and the profit entitlement set out in the previous article shall apply to petroleum, such that the State and the concessionaire have an entitlement, in undivided shares, to the disposable petroleum for sale by the concessionaire in a determined period.
  2. Save where the Government determines otherwise in the concession contract, such petroleum shall be sold jointly with the Concessionaire, who shall hold such entitlements in undivided shares equal to the shares of disposable petroleum to which each party is entitled during that period, and such determinations by the Government shall not affect the amounts of petroleum subject to the contract.
  3. Accordingly, income from the joint sale of petroleum in any given period shall be divided between the State and the concessionaire in proportion to their undivided shares in the petroleum sold, regardless of the number of joint venture partners.
  4. Profit petroleum shall be shared between the State and the concessionaire in accordance with a scale which is variable as a function of the R-Factor, where:
    - a) 
$$\text{R-Factor} = \frac{(\text{Cumulative Cash Inflows})_n}{(\text{Cumulative Capital Expenditures})_n}$$
    - b) 
$$\begin{aligned} \text{Cumulative Cash Inflows } n = & \\ & \text{Cumulative Cash Inflows } (n-1) \\ & + \text{Concessionaire's share of Profit Petroleum } n \\ & + \text{Concessionaire's Cost Petroleum } n \\ & - \text{Operating Costs } n \end{aligned}$$
    - c) 
$$\begin{aligned} \text{Cumulative capital expenditures } n = & \\ & \text{Cumulative capital expenditures } (n-1) \\ & + \text{Exploration costs } n \end{aligned}$$
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+ Development and production capital expenditures  $n$

Where:

$n$  is the current year; and  $(n-1)$  is the previous year;

The concessionaire's cost petroleum is the amount of recoverable costs actually recovered.

5. For the purpose of calculating the R-Factor, the first year ( $n=1$ ) shall be the year during which the effective date occurs, and any capital expenditures incurred prior to the effective date shall not be considered to have been incurred during the year of the effective date for the purpose of the R-Factor calculation.
6. The R-Factor shall be calculated on the last day of each calendar year and the applicable ratio shall determine the sharing of profit petroleum throughout the following calendar year.
7. Profit petroleum shall be shared on the basis of the following scale:

<b>R Factor</b>	Government Share	Concessionaire Share
Less than 1	15 %	85 %
Equal to or greater than 1 and less than 1.5	25 %	75 %
Equal to or greater than 1.5 and less than 2	35 %	65 %
Equal to or greater than 2 and less than 2.5	50 %	50 %
Equal to or greater than 2.5	60 %	40 %

8. For the purposes of the R-Factor calculation, disposable petroleum and cost petroleum shall be calculated in relation to the whole concession contract area.

### CHAPTER III

#### Fiscal Benefits applicable to petroleum operations

##### Article 33

**(Entitlement to fiscal benefits)**

1. Ventures under the Petroleum Law enjoy the fiscal benefits defined in this Regime, provided that they meet the requirements set forth herein.
2. The effective enjoyment of fiscal benefits cannot be revoked, nor can vested rights be reduced, save as provided for in this Law and in the event of non-compliance with the beneficiary's obligations.

Article 34

**(Transfer of fiscal benefits)**

Fiscal benefits shall be transferable while they are in effect, with the authorization of the Minister overseeing the area of finance, provided that they remain unchanged and that the transferee meets the requirements for their enjoyment.

Article 35

**(Fiscal benefits on import)**

1. For the five fiscal years following the date of the approval of a development plan, ventures under the Petroleum Law shall be exempt from:
  - a) customs duties owed on imports of equipment for use in petroleum operations falling into class K of the Customs Tariff;
  - b) customs duties owed on imports of the goods set out in Schedule II of this Law, which are deemed equivalent to goods in class K of the Customs Tariff.
2. The benefits referred to in the preceding paragraph shall only be granted when the goods to be imported are not produced in the Mozambican territory or, if they are produced in the Mozambican territory, when they fail to meet the specific features of purpose and functionality required or inherent to the nature of the activities to be developed and run.

Article 36

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**(Requirements for obtaining fiscal benefits)**

The following are requirements for obtaining fiscal benefits:

- a) Authorization from the competent authority to carry out petroleum operations under the
- b) Petroleum Law;
- c) Tax registration, by obtaining the respective Single Taxpayer Identification Number d) (*NUIT*);
- e) Organized accounts, in accordance with the Business Sector Accounting System and compliance with the requirements of the Corporate Income Tax and Personal Income Tax Codes, as the case may be;
- f) No history of fiscal offences.

## Article 37

**(Forfeiture, suspension and termination of fiscal benefits)**

1. Fiscal benefits shall terminate on the expiry of the period for which they were granted or when a penalty of termination has been imposed.
  2. The termination or suspension of fiscal benefits shall entail the automatic application of general taxation rules laid down by Law.
  3. When applied, the penalty of suspension shall remain in effect until the situation giving rise to it has been fully rectified, including payment of revenues not collected within 30 days of notification from the competent tax department.
  4. Parties entitled to fiscal benefits shall always be required to report, within 30 days, the end of the factual or legal circumstances giving rise to the entitlement to the fiscal benefits, with the same communication being also required in the event of the suspension of fiscal benefits.
  5. Regulations shall be issued on the procedures for obtaining the fiscal benefits referred to in this Law, which shall also define the rules for their suspension or termination in the event of fiscal offenses or any failure to comply with the conditions laid down at the time of their granting and recognition.
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## Article

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**(Disposal of assets subject to fiscal incentives)**

When a fiscal benefit relates to the acquisition of assets intended for the direct achievement of the corporate purpose of their acquirer, it shall become null and void when the assets are disposed of or used for other purposes without the prior authorization of the appropriate authority, and the penalties provided for in the applicable legislation for such purpose shall apply.

## CHAPTER IV

**Transitional and Final Provisions**

## Article 39

**(Transitional regime)**

1. Entities carrying out petroleum operations under an existing petroleum contract concluded under the laws repealed herein shall continue to comply with their tax duties under that contract, save where they expressly request the application of this Regime within sixty days from the date of its entry into force.
2. When this Regime becomes applicable, following a request provided for in the preceding paragraph, the new law shall apply as of the new fiscal year.

## Article 40

**(Stability)**

1. Ten-years of tax stability, calculated as from the date of approval of a development plan, may be negotiated without affecting the viability and profitability bases.
2. The tax stability period set forth in the preceding paragraph may be extended until the expiry of the initial concession, upon payment of Production Tax rate plus 2%, as from the eleventh year of production.

Article  
**(Oversight)**

1. Entities entitled to the fiscal benefits referred to in this Regime shall be subject to the supervision of the tax authorities in order to monitor whether the requirements for those benefits have been met, and the established obligations observed.
2. The taxpayers subject to the taxes provided for herein and other entities subject to tax obligations under this Regime shall, insofar as it is reasonable, cooperate as requested by the competent departments in the exercise of their authority, including supervisory authority.

Article 42  
**(Accounts certification)**

Entities carrying out petroleum operations under a concession contract are under an obligation to submit their balance sheets and annual income statement, certified by a licensed independent auditor.

Article 43  
**(Offenses)**

Any offenses against the provisions of this Law shall constitute a fiscal offense punishable under the terms of the applicable legislation.

Article 44  
**(Regulations)**

The Government is responsible for issuing regulations on this Law within ninety days of the date of its publication.

Article 45  
**(Repeal)**

Laws number 12/2007 and 13/2007, both dated 27 June, are hereby repealed.

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## Article

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**(Entry into force)**

This Law shall enter into force on 1 January 2015.

Approved by the Assembly of the Republic on 21 August 2014 - The President of the Assembly of the Republic on 9 September 2014, *Verónica Nataniel Macamo Dlhovo*.

For publication.

The President of the Republic, ARMANDO EMÍLIO GUEBUZA

**SCHEDULE I****GLOSSARY**

Without prejudice to the definitions set out in the Petroleum Law, for the purposes of this Regime, the following definitions shall apply:

A

**Immovable assets** - petroleum reservoirs or deposits located in the Mozambican territory, and Concession Contracts including direct or indirect holdings in entities holding a Concession Contract, which holdings are owned by either residents or non-residents; B

**Fiscal Benefits** - fiscal measures provided for in this Regime that result in a reduction of the payable amount of the taxes in force, as an incentive for mining activities<sup>2</sup>, with a view to the country's social and economic development;

C

**Concessionaire** - one of the parties to a Petroleum Exploration and Production concession contract, to whom petroleum exploration and production rights are assigned under the terms of applicable laws;

**Concession Contract** – an administrative contract whereby the State grants the right to carry out Petroleum Operations to a Mozambican person or foreign corporate person registered in

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<sup>2</sup> Translator's note: Probably a mistake in the original Portuguese text: where it reads "mining activity" (*actividade mineira*) it should probably read "petroleum activity" (*actividade petrolífera*).

Article

Mozambique;

**Decommissioning costs** – costs approved by the entity responsible for supervising the petroleum

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industry, relating to the planning, preparation and implementation of operations for shutting down Petroleum Operations, including decommissioning, demolition, or dismantling and the removal of facilities and equipment used in production, as well as the restoration and rehabilitation of the area to conditions ecologically similar to those existing prior to the start of petroleum extraction;

D

**Effective date of the Concession Contract** – date of certification (“visto”) of a contract by the Administrative Court;

**Development Expenses** - expenses incurred by the concessionaire or operator in activities involving the planning, preparation, construction and installation of one or more infrastructures for petroleum production, including the drilling of wells in order to carry out Petroleum Operations;

**Exploration Expenses** - direct and indirect costs allocated to the venture, incurred in the search for Petroleum in the Contract Area;

**Operating Expenses** - expenses incurred in Petroleum Operations after the start of Commercial Production, and that do not constitute Exploration Expenses, Capital Expenditure on Development and Production, General and Administrative Expenses or Service Costs;

**Petroleum rights** – the set of powers granted to the concessionaire for the purpose of undertaking petroleum operations in a concession area or in respect of corporate holdings thereof;

E

**Associated company** - a company in which a member company exercises significant influence over its management and financial policy and which is not a subsidiary, with such influence being deemed to exist whenever the member company holds 20% or more of the voting rights of the holders of equity and cannot be its parent company;

**Parent Company** - is a company that has one or more affiliates;

O

**Petroleum Operations** – the planning, preparation and implementation of reconnaissance, exploration, development, production, storage and transportation activities, as well as the termination of those activities or the termination of the use of facilities, including the implementation of the decommissioning plan (and the) sale or delivery of petroleum up to the stipulated point of export or supply, with such point being the point at which the petroleum is delivered for consumption or use, or loaded as a commodity, including in the form of liquefied natural gas;

P

**FOB Prices** – defined in accordance with International Commerce Terms (INCOTERMS). **Cost**

**Petroleum** – the portion of petroleum produced available to the concessionaire for the recovery

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of costs and expenses incurred in carrying out Petroleum Operations, as stipulated in the rules set forth herein;

**Disposable Petroleum** – the balance of petroleum remaining after removing the portion of the petroleum produced which is needed to discharge the production tax liability;

**Profit Petroleum** - the portion of disposable petroleum in excess of cost petroleum, which is allocated to the parties under the terms provided for herein;

**Petroleum Produced** - the Petroleum that has been extracted from a Petroleum deposit, initially separated and processed into Crude Oil, condensate or Natural Gas, measured at the Government approved measurement point, for the purposes of payment of production tax, including any amount of Petroleum lost as a result of deficiencies or negligence in the course of Petroleum Operations.

The same definition applies to “Crude Oil Produced”, “Condensate Produced” and “Natural Gas Produced”, as the case may be;

**Delivery Point** - in the case of Natural Gas, the inlet flange of the transmission pipeline and, in the case of Crude Oil and Condensate, the inlet flange of the lifting tankship or other means of transport or, in either case, such other place as may be defined by the Government in the Concession Contract;

**Production** – the activities carried out to extract petroleum from subsoil petroleum deposits, including drilling for petroleum production, injection to enhance recovery, separation and treatment including liquefaction, storage, measurement and preparation for the loading and transportation of petroleum in bulk, and the operation and use of the petroleum production facilities;

**Commercial Production** - the production of Petroleum and delivery of it at the Delivery Point under a production and sales program, as provided for in a development plan as amended from time to time;

## S

**Affiliated company** - A company in which an associated company holds, directly or indirectly, an absolute majority of the voting rights of the General Assembly or holds more than 50% of the rights and interests which confer the power of management of the company or holds the power of management and control over such company;

## T

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**Transportation** – the transportation of activities related to the transport of petroleum (*sic*), via an oil pipeline system, in bulk by ship or vehicles from the production infrastructure to a determined point of delivery.

## SCHEDULE II

### LIST OF GOODS INTENDED FOR USE IN THE PETROLEUM SECTOR DEEMED EQUIVALENT TO CUSTOMS TARIFF CLASS K (Article 35)

Table I

1. Scaler (machine used in underground mines to bring down loose aggregates on the ceiling or ribs)
  2. Drag scraper feeder
  3. Belt feeder
  4. Vibrating feeder
  5. Alternator
  6. Sampler
  7. Lift truck scale
  8. Bucket (container for digging, loading, and carrying ores or coal)
  9. Hydraulic test bench
  10. Drill bar
  11. Rotary crusher
  12. Cone bit
  13. Tipper truck
  14. Belt winder truck
  15. Compacter truck
  16. Dump truck
  17. Maintenance truck
  18. Tanker truck
  19. Explosives truck
  20. Oiler truck
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21. Tug truck
  22. Crane truck
  23. Overhead loader
  24. Stage loader
  25. Front end loader
  26. Wheel loader
  27. Barge loader
  28. Drill rig
  29. Transport cart
  30. Chute (minerals and steriles transfer device)
  31. Deflector chute
  32. Cyclones for the recovery of destroyed samples
  33. Collector
  34. Flotation columns
  35. End controller
  36. Control gate
  37. Bucket (piece of equipment similar to an iron blade)
  38. Torque converter
  39. Conveyor belts and bucket lift
  40. Cutter
  41. Dredges
  42. Lift truck
  43. Granby car
  44. Raiser borer
  45. Exploration drilling equipment
  46. Exploration drilling equipment with core sample recovery
  47. Cablebolter
  48. Portable water quality monitoring/testing equipment
  49. Precision laser scanner
  50. Hydraulic excavator
  51. Spacer
  52. Base station and respective fittings
  53. Ground station and high precision GPS
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54. Total station and fittings
  55. Arch canopy
  56. Rock breaker
  57. Universal milling machine
  58. Drill column
  59. Drill/bit
  60. Radial drill
  61. Cage
  62. Galvanometers
  63. Generator
  64. Crane
  65. Winch
  66. Drill rod
  67. Cable set for Microlog
  68. Jumbo
  69. Mobile laboratory for mineral analysis
  70. Roofbolter
  71. Industrial components washing machine
  72. Continuous miner
  73. Grader
  74. Internal combustion diesel engine
  75. Torque multiplier
  76. Electric screwdriver
  77. Static sieve
  78. Vibrating sieve
  79. Borer
  80. Tires
  81. Rolling bridge
  82. Tire press
  83. Mine car
-

**Table II**

1. Granulometric scales
  2. Stereoscopes
  3. Gaterres
  4. Lifting pumps
  5. Hydraulic pump
  6. Dosing pump
  7. Centrifugal pump
  8. Cable bolt
  9. Interface cables
  10. High, medium and low tension cables
  11. On-board computers and respective fittings
  12. Densimeter
  13. Dumper
  14. Drive transmission
  15. Air duct
  16. High precision and standard GPS
  17. GPS map
  18. 80 mm Magnifier
  19. Chuck
  20. Transceiver radios
  21. Mobile loading chute
  22. Loading chute
  23. Crawler backhoe
  24. Wheel backhoe
  25. Backhoe
  26. Magnetic separator
  27. Electrostatic separator
  28. Metal coal bin
  29. Driving train
  30. Spill kit
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31. Aerial ropeway
32. Theodolite
33. Lathe
34. Parallel lathe
35. Crawler tractor
36. Bulldozer
37. Wheel tractor
38. Belt conveyor
39. Cassette personnel carrier
40. Waste material crusher
41. Tire handler
42. Sweeper
43. Weightometer /weightbridge **Table III**

1. 24 bit-Scanner
2. Special cellular modem for seismograph stations
3. Theodolite
4. Magnetometer
5. Protons Magnetometer and Sensor
6. Tripod
7. Three-sensor fluxgate magnetometer
8. Scanner
9. PPM (processor power module)

**Table IV**

1. Electrical conductivity and resistivity equipment
  2. Radiometers
  3. Magnetic susceptibility measuring equipment
  4. Induced polarization equipment
  5. Proton magnetometers
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6. Spectrometers
7. Magnetic susceptibility K-meters
8. Electrical resistivity measuring devices
9. Gravimetric equipment

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