

# Cape Verde

## Investing in Cape Verde through Portugal

### Corporation Tax

The **corporation tax rate** in Cape Verde is **25%** under the verification method (“método da verificação”), and **15%** under the estimation method (“método da estimativa”).

A **local surcharge of 2%** on the corporation tax applies in Praia (Island of Santiago) and Mindelo (Island of São Vicente).

### Value Added Tax

The **standard VAT rate is 15%**. A 6% reduced VAT rate applies in case of services related with hotel and restaurants, due to the important role they assume Cape Verde's economy.

Telecommunication services are subject to VAT at the standard rate of 15%. However, the taxable basis corresponds to 60% of the price established by the competent administrative authority.

### Stamp Duty

Stamp Duty is levied mainly on financial and corporate operations, and property transfers.

Lump sum rates in local currency (Cape Verde Escudos) are applicable to administrative acts and written contracts.

**Rates vary from 0.5% to 15%**, mainly levied on the following transactions:

- Use and granting of loans
- Corporate financing
- Increase of share capital
- Transfer of real estate
- Sale of business
- Estate financial leasing

### Custom Duties

**Custom duties** are levied on the customs value of the most imported goods, **ranging from 0% to 50%**.

Since Cape Verde imports the majority of the goods it consumes, a 50% tariff protection applies for certain domestically produced goods.

Raw materials or capital goods can be imported with and exemption from custom duties or at a low rate.

### Excise Duties

Excise duty is **charged on the production and importation** into Cape Verde of listed goods at the following rates:

- General rate: 10%;
- Listed types of motocross: 0%, 40%, 100% and 150%

Excise duty is **not deductible for tax purposes**.

### Property Tax

The Property Tax has a flat rate of 3%.

Property Tax is due by the owners or users of property, regardless of whether or not they reside in Cape Verde.

Property Tax is due:

- On an annual basis - annual real estate tax;
- In case of acquisition of real estate – due on transfer;
- In case of qualifying capital gains – at the moment of sale.

### Withholding Taxes

**Dividend distributions** by Cape Verde companies to non resident shareholders are **not subject to withholding tax**.

**Interest payments** to non-resident entities, such as commercial loans from foreign banks, are subject to a **flat rate of 20%**.

Interest payments on **shareholders loans** from foreign investors are **exempt from withholding tax** based on the Foreign Investor Status, provided that the economic activity qualifies under the Foreign Investment Law as an investment predominantly directed towards the external market.

**Royalty and rental payments** to non residents are subject to **withholding tax** at the rate of **20%**.

Capital gains realized on the sale of shares/registered sharecapital of Cape Verde companies, owned for more than one year, are not subject to taxation.

If sold prior to the elapse of a one year ownership period, capital gains realised by non residents are subject to taxation in Cape Verde at the rate of 20%. For resident entities, capital gain is a component of the taxable income, which is subject to general corporate tax rate of 25%.

## Tax Treaties

Cape Verde has only concluded one Double Taxation Treaty (Treaty), with Portugal.

Under the Treaty, taxes are limited as follows:

- Royalties: 10%
- Interest: 10% (0% in case of interest paid by public bodies)

## Tax Incentives

There are substantial tax incentives for foreign investors in Cape Verde.

The **Foreign Investor Status** grants a **tax exemption of dividends** (profit distributions) to foreign investors for a 5-year period.

A **tax exemption on interest** payments and repayments of loan financing by the foreign investor to the Cape Verde project companies. These exemptions are only applicable if the foreign investment is predominantly directed towards the external market.

There is a provision for total exemption in the tourist sector for the first five years. A reduction of 50% on the corporation tax rate for the following 10 years is also available. Taxes on profits reinvested in similar activities are allowed as a tax deductible cost. An exemption from Property Tax is also applicable.

## Tax benefits for internationalization

The contractual tax benefits regime is foreseen in the Investment Tax Code and in Decree-Law 250/2009, dated 23 September. It applies to investment of Portuguese companies in Cape Verde.

It includes tax benefits for the internationalization of Portuguese companies, namely:

- Investment projects made by Portuguese companies abroad, developed until 31 December 2020
- Minimum investment of EUR 250,000
- Strategic importance
- Projects demonstrating economic viability
- Not resulting in a reduction of jobs in Portugal
- Eligible expenses include: registration of a Cape Verdean branch; incorporation or acquisition of at least 25% of a Cape Verdean company; pluriannual campaigns
- A CIT tax credit equal to 10% (with the possibility of increasing it to 20%) of all relevant applications

Exemption from taxation on dividends received from a Cape Verdean subsidiary, provided that the Portuguese parent holds at least 10% for one year (or maintained for that period) or the acquisition value of the shares in the Cape Verdean company is of at least EUR 20 mio,

## Elimination of double taxation

Portuguese Tax Benefits Code foresees the possibility to exempt dividends received by a Portuguese resident company and paid by its subsidiary resident for tax purposes in Cape Verde.

In order to benefit from this deduction, the following requirements should be met:

- The beneficiary of the profits and subsidiary are subject and not exempt from Corporate Income Tax (or similar)
- The beneficiary holds at least 25% of capital of the subsidiary, for no less than 2 years
- The profits result from an activity developed by the subsidiary, and respective amount was taxed at a rate higher than 10% and does not a result from activities that generate liabilities

This regime also applies to the remaining African Portuguese-speaking countries and Timor Leste.

## For more information, please contact:

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