Ministério das Finanças
Direção Nacional de Receitas do Estado

# Tax System of Cabo Verde


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# BACKGROUND

The tax system of Cabo Verde has undergone significant transformations over the past twelve years.

The codes then in force were deeply at odds with best practices and with the country's socio-economic development level, and they failed to address the problems faced by both the Tax Administration and taxpayers.

It was against this backdrop that the legislator introduced changes, approving several new statutes that range from simple amendments, minor details and slight adaptations to genuine overhauls of the Cabo Verdean legislative landscape.

Another noteworthy change concerns the reform of the acts that regulate tax activity in general, such as the General Tax Code, the Tax Procedure Code and the Tax Enforcement Code.

# CABO VERDEAN TAX LEGISLATION

- General Tax Code, approved by Law No. 47/VIII/2013 of 20 December (in force since 1 July 2014);
- Tax Procedure Code, approved by Law No. 48/VIII/2013 of 20 December (in force since 1 July 2014);
- Tax Enforcement Code, approved by Law No. 49/VIII/2013 of 20 December (in force since 1 July 2014);
- Individual Income Tax Code, approved by Law No. 78/VIII/2014 of 31 December (in force since 1 January 2015);
- Corporate Income Tax Code, approved by Law No. 82/VIII/2015 of 7 January (in force since 1 January 2015);
- Tax Benefits Code, approved by Law No. 26/VIII/2013 of 21 January (in force since 1 January 2013);
- Value Added Tax Code, approved by Law No. 21/VI/2003 of 14 July (in force since 1 January 2004);

# CABO VERDEAN TAX LEGISLATION (Cont.)

- Stamp Duty Code, approved by Law No. 33/VII/2008 of 8 December (in force since 1 January 2009);
- Special Legal Regime for Micro and Small Enterprises, approved by Law No. 70/VIII/2014 of 26 August (in force since 27 August 2014);
- Tax Inspection Regime, approved by Decree-Law No. 41/2015 of 27 August (in force since 27 September 2015);
- Legal Regime for Non-Customs Tax Offences, approved by Legislative Decree No. 3/2014 of 29 October (in force since 13 November 2014);
- Single Property Tax Regulations, approved by Decree-Law No. 18/99 of 26 April (in force since 26 April 1999);

# TAX BENEFITS

**Tax benefits are granted only to taxpayers who have their tax and social-security situation regularized, who are not in a debt situation, or who, being in debt, have lodged a claim, objection or opposition and have provided adequate guarantee when such guarantee is due, or else, in cases where the accounting is organized in accordance with the accounting normalization and financial reporting system currently in force in Cabo Verde.**

## Contractual Tax Benefits

**Entities undertaking substantial investments of proven economic significance may be eligible for exceptional incentives—including exemptions or reductions in customs duties, Corporate Income Tax (IRPC), Individual Income tax (IRPS), Single Property Tax (IUP), and Stamp Duty—under the framework of the Investment Law.**

**These benefits are granted by the Council of Ministers within the framework of the establishment convention. To qualify, investments must cumulatively meet the following conditions:**

**a) The project promoter must possess technical and managerial capacity, as well as meet the prerequisites stipulated in subparagraphs a), b), c), d), and f) of Article 6(1) and in Article 6(2) of the Tax Benefits Code.**

## TAX BENEFITS

b) The investment value exceeds three million contos;

c) The investment must be relevant for promoting and accelerating the development of the national economy;

d) The investment must create at least 20 qualified direct jobs;

e) The thresholds stipulated in subparagraphs b) and c) are reduced by 50% if the investment is located in a municipality with an average GDP per capita lower than the national average over the past three years;

f) The thresholds stipulated in subparagraphs b) and c) are likewise reduced by 50% if the investment is made outside the municipalities of Praia, Sal, and Boa Vista.

# TAX BENEFITS

## Establishment Convention

The Establishment Convention stipulates the tax incentives to be granted to the investment project, as well as the objectives and targets to be achieved, also determining the penalties in case of non-compliance. The conventional benefits stipulated in the establishment convention cannot be granted for a period exceeding 15 years.

## Form of Benefits to be Granted

Benefits granted under this regime may take the form of exemption, deduction to the taxable base and tax due, accelerated amortization and depreciation, as well as reduced tax rates.

## Limits of Benefits to be Granted

The modalities of incentives must be determined based on the value and location of the investment, whereby exemption can never exceed 5 years. Benefits granted under the Establishment Convention cannot be combined with any other benefits provided for in the Tax Benefits Code.


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