

FLASH NEWS

AMENDMENTS TO THE VALUE ADDED TAX CODE



Areas of Interest:
- **Tax Law**

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AMENDMENTS TO THE VALUE ADDED TAX CODE

In accordance with Law No. 10/2025 of 29 December, amendments were effected to the Value Added Tax Code (CIVA), with a direct impact on the taxation of the digital economy and transactions carried out by non-resident entities. The aforementioned amendments are scheduled to come into force on 1 January 2026. The following section will highlight the main aspects:

1. EXPRESS TAXATION OF THE DIGITAL ECONOMY

The CIVA now explicitly categorises digital goods as tangible goods and comprehensively defines digital services. This amendment serves to eliminate any potential ambiguities and provides clarification that transactions involving software, digital platforms, cloud services, streaming, digital intermediation, digital financial services and other digital assets are subject to Value Added Tax (VAT), provided that they possess economic value and are facilitated through electronic means. In practice, the majority of digital transactions are now indisputably within the scope of VAT.

Furthermore, it categorises electricity, gas, heat, cooling and analogous services as tangible goods for the purpose of VAT assessment.

2. CONSUMER LOCATION-BASED TAXATION RULE

Transfers of digital goods and provision of digital services are now considered taxable in Mozambique when the purchaser is located or domiciled in the national territory or when the service is used there, regardless of whether the provider is a resident or not. The determining factor is the place of consumption and not the location of the supplier. Conversely, digital transactions are not taxable in Mozambique when the purchaser is established or domiciled abroad, even if the provider is resident in Mozambique.

3. CONSOLIDATION OF THE REVERSE CHARGE MECHANISM

In digital transactions carried out by non-resident entities, when the purchaser is a VAT taxpayer in Mozambique, the obligation to settle and pay the tax is transferred to the local purchaser through the reverse charge mechanism. This model generally exempts the foreign supplier from registering for VAT purposes, but requires the domestic purchaser to correctly classify the transaction, settle the tax and file the respective return, under penalty of tax contingencies.

4. STRENGTHENING OF REPORTING OBLIGATIONS

Cross-border digital transactions will now be subject to stricter reporting requirements, including the submission of monthly statements and, in certain cases, statements for individual transactions. The legislation refers to future regulations for specific procedures, but a higher level of reporting and control of transactions involving non-resident providers is expected. In practice, digital companies should prepare to provide detailed tax information to their Mozambican customers.

5. LIMITATIONS ON THE RIGHT TO DEDUCTION

The exercise of the right to deduct VAT is now contingent on the existence of valid invoicing and the correct classification of the transaction, including the proper application of the reverse charge mechanism. Errors in the classification of digital transactions, the identification of taxable persons, or the calculation of tax may result in the loss of the right to deduct for the local purchaser, thereby increasing the effective cost of the transaction.

6. INCREASED EXPOSURE AND NEED FOR CONTRACTUAL REVIEW

The alterations that have been instigated serve to augment the tax exposure that is concomitant with digital transactions, thus necessitating a meticulous review of the extant contracts. It is imperative to elucidate clauses pertaining to VAT, tax liability, gross-up mechanisms and the impact of VAT on the final price. In order to ensure consistency between the tax framework, invoicing and pricing applied, it is imperative that a re-evaluation of B2B and B2C business models is conducted.

7. PENDING REGULATION

The government has been allotted a period of 180 days within which to regulate the new regime, and it is anticipated that operational procedures applicable to digital transactions and non-residents will be defined. Until the regulations are published, there will be some practical uncertainties, and it is recommended that a prudent and conservative approach be adopted when applying the new rules.



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Practice Areas:

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