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Global Mobility Services: Taxation of International Assignees Country - Cabo Verde

*People and
Organisation*

*Global Mobility
Country Guide (Folio)*



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This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer. **Menu**

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Global Mobility Country Guides

Introduction:

International assignees working in Cabo Verde

This booklet is intended to assist foreign nationals sent to work in Cabo Verde with their tax planning. It gives a broad background to taxation in Cabo Verde and other important aspects to be considered by a foreign national working in Cabo Verde on a temporary basis.

This booklet is not intended to be comprehensive. It merely attempts to give an overview of the issues that may arise when an individual is assigned to work in Cabo Verde. Accordingly, professional advice should be sought before making important decisions. For further information or assistance,

please contact one of the GM contacts listed at the end of this folio.

Step 1:

Understanding basic principles

The tax year

1. The Cape Verdean tax year runs from 1 January to 31 December.

The scope of taxation in Cabo Verde

2. Income tax is levied on both resident and non-resident individuals. Tax resident individuals are subject to tax on their worldwide income; whereas non-tax resident individuals are subject to personal income tax only on Cape Verdean-source income.
3. A new tax regime for non-habitual tax resident individuals has been put in place. It foresees a reduced flat rate applicable to “high value-added” activities of a scientific, artistic or technical nature. Additionally, it establishes a tax exemption for foreign-source income, under certain specific conditions.
4. A foreign national working in Cabo Verde will, in general, become liable to Cape Verdean personal income tax and social security contributions. The main taxes/contributions are:

- Personal income tax (*Imposto sobre o Rendimento das pessoas Singulares*);
- Social security contributions (*Previdência Social*).

Determination of tax residence

5. Under Cape Verdean tax law, an individual will be deemed resident in Cabo Verde for tax purposes, if he/she meets one of the following criteria:
 - Remains physically in Cabo Verde for more than 183 days during a tax year;
 - On December 31 of the tax year has an habitual abode in Cabo Verde;
 - Exercises functions of commissioner of public character for the Republic of Cabo Verde, even if posted abroad;
 - On 31 December, is a crew member of a ship or aircraft provided that it is employed by

entities having their domicile, head office or place of effective management in Cabo Verde and has been resident in Cabo Verde over the past five years.



Methods of calculating tax

6. Personal income tax (resident and non-resident) is levied through tax withholdings upon the payment at progressive tax rates up to 25% or/and through the submission of an annual personal income tax return at annual tax rates which vary between 16.5% and 27.5%.
7. Non-habitual resident is subject to a flat rate of 10% applicable on net employment and self-employment income from “high value-added” activities of a scientific, artistic or technical nature.
8. For the tax rates, please refer to Appendix A.

Annual personal income tax returns

Annual personal income tax return should be filed until the end of March of the following year if only employment income or pensions were earned or until the end of May if other types of income were also received. However, the tax return is optional if the individual's taxable income comprises solely employment income from a Cape Verdean source and subject to tax withholdings at source.

Step 2:

Understanding the Cape Verdean tax system

Taxation of resident individuals

Taxable income

9. Resident taxpayers are liable to Cape Verdean personal income tax on their worldwide income.

10. Taxable income comprises the aggregate annual income covered by the following five categories:

- Category A – Employment and pension income (income derived directly or indirectly from employment or pension);
- Category B – Business and professional income (e.g. profits from carrying on any commercial, industrial, agricultural or fishing activity and income from the provision of services);
- Category C – Rental income (e.g. income from the rental of real estate);

– Category D – Investment income (interest, royalties, dividends and other income derived from financial investments);

– Category E – Capital gains (e.g. gains arising from the sale of immovable property, gains arising from the sale of shares, unjustified net wealth increases).

Employment income

11. Employment income includes all direct or indirect cash payments made to employees as a result of the employment relationship, comprising salaries, wages, holidays and Christmas allowances, bonus, commissions, other allowances, per diems, and any other cash payments.

12. Employment income paid by a company in Cabo Verde is subject to monthly tax withholdings at source, at progressive rates up to 25%.

Benefits in kind

13. Benefits in kind are taxed at the level of the company (autonomous taxation) and not at the level of the individual and, therefore, are not liable to personal income tax.

Social Security

14. Social security contributions are calculated on the monthly earnings of all employees (excluding public servants and officials), with no upper limit. Self-employed persons can opt to be covered by the social security system.

15. The standard rate of contribution is 8.5% for the employees and 16% for the company.

16. Employers must withhold the contribution payable by employees from their monthly pay and remit it to the Social Security authorities.

Non-habitual resident

Effective 1 January 2018, a new tax regime is in place for non-habitual tax resident individuals. Under this regime, a flat rate of 10% applies on net employment and self-employment income from “high value-added” activities of a scientific, artistic or technical nature.

The regime is applicable to individuals who become Cape Verdean tax residents under Cape Verdean domestic law in a certain year and have not qualified as tax residents in Cabo Verde in any of the previous five years. If approved, the individual is entitled to the regime for a period of ten consecutive years, counted as from the first year of residency in Cabo Verde.

The status of non-habitual tax resident becomes effective upon registration with the Cape Verdean tax authorities, which should be applied for until 31 March of the year following that in which the taxpayer becomes tax resident in Cabo Verde.

The regime establishes a tax exemption for foreign-source income, under certain specific conditions.

Non-taxable benefits

17. The following cash benefits are not taxable in the part that do not exceed the limits set for the public services:
 - Per diems for national and international trips;

- Representation expenses – if properly documented and subject to corporate income tax (autonomous taxation);
- Lunch allowance;
- Use of personal car;

Deductions

18. The social security contributions may be deducted against the gross employment income.

Personal deductions

19. A percentage of the following expenses may be deducted against the personal income tax liability, up to certain limits:
 - Health expenses;
 - Alimony payments;
 - Rental payments for the taxpayer’s permanent home;
 - Interest and debt charges incurred on the acquisition, construction or improvement of the taxpayer’s permanent home;
 - Education expenses;

Familiar deductions

20. A fixed personal income tax credit is also granted for each of the following individuals:

- (i) dependents; (ii) ancestors actually living in the same household with the taxpayer who do not receive income greater than the social pension; and (iii) individuals with disability living in economic dependence of the taxpayer.

Tax benefits

21. Under a restricted limit, a resident taxpayer may deduct some tax benefits foreseen in the Tax Benefit Code (e.g. donations) against its personal income tax liability.

Foreign tax relief

22. According to Cape Verdean tax law, resident individuals are taxed on their worldwide income. However, in order to eliminate the double taxation on foreign income taxed in another jurisdiction, resident individuals may deduct the income tax paid abroad against the Cape Verdean tax liability.

Withholding tax

23. Employment income is generally subject to monthly tax withholdings. As a rule, the monthly tax withholdings are levied as final taxation, but in case of resident taxpayers they may have the nature of an advance payment for the final annual income tax liability if the resident taxpayer has the obligation to file an annual

personal income tax return or if he/she opts to file the tax return even if not obliged.

24. Whenever there is no obligation to file an annual personal income tax return and the taxpayer opts for not filing it, the amount of tax withheld is the final tax due.
25. Tax withholdings are levied on the monthly taxable employment income at progressive tax rates up to 25%.
26. Please refer to Appendix B for the applicable calculation formula.

Tax rates

Please refer to Appendix A for the applicable tax rates.

Investment income and capital gains

27. According to the new Individual Income Tax Code, investment income and capital gains are generally taxed through final tax withholdings at flat tax rates (up to 20%).

Other taxes

28. The other most important taxes levied in Cabo Verde are:
 - Indirect Taxes;
 - Real estate taxes;
 - Road tax;

Taxation of non-resident individuals

Taxable income

29. Individuals who qualify as non-residents for tax purposes are liable to personal income tax in Cabo Verde on their Cape Verdean sourced taxable income.

Income tax rates

30. For non-resident employees, the income tax rates are the same as for resident taxpayers.

Withholding tax

31. Income earned by non-tax residents are subject to final tax withholding tax at the same rates referred for resident taxpayers without the option to file an annual personal income tax return. Effective 1 January 2018, capital gains on the sale of share capital or other securities, obtained by non-resident individuals are exempt from tax. *Deductions*
32. Since their income is taxed through final tax withholdings, non-tax residents are not entitled to any tax personal deductions or family tax credits.

Social Security regime

Taxable income

33. As a general rule, contributions to the Cape Verdean social security regime are due on

employment income at the following rates:

- A contribution rate of 16% is imposed on the employer; and
 - A rate of 8.5% is imposed on the employee.
34. However, under Cape Verdean domestic social security legislation, individuals working in Cabo Verde for a temporary period are not obliged to make monthly contributions to the Cape Verdean social security regime, provided that they are covered by another compulsory social security regime. This is applicable for a period of two years and after this period it is necessary to request annual renewals of the referred exemption with the Cape Verdean Social Security authorities.

Step 3:

Other matters requiring consideration

Indirect taxes

35. Indirect taxes comprise VAT and others taxes based on the importation, acquisition and transmission of goods and services.

Real estate taxes

36. A municipal tax applies to the ownership of immovable property. The tax is payable upon an annual assessment which is based on the value of the property (as determined by the municipality). Non-tax residents and tax residents are equally subject to real estate tax.

Road tax

37. The owner and/or user of a car in Cabo Verde may become liable to Cape Verdean road tax. The person who owns the car, at the start date of each quarter, is liable to the payment of road tax. The amount due depends on the weight of the car and the type of fuel.



Step 4:

Actions for Inbounds

Enter in Cabo Verde

38. Foreign citizens can enter in Cabo Verde whenever they have the appropriate entry visa, sufficient funds of subsistence and are not subject to express entry prohibitions (foreign citizens from ECOWAS member countries¹ are exempt from visa for up to 90 days).
39. Foreign citizens from ECOWAS member countries should present the International Certificate of vaccine.

Residency permit

40. It was published in 2014 and 2015 new legislation approving and regulating the legal regime of entry, stay, departure and expulsion from Cape Verdean territory of foreign citizens.
41. According to the new regulations in force, foreign citizens who wish to remain in the country beyond the validity of the visa or of the exemption period must apply for a residence permit.

42. To apply for the resident permit, besides the submission of several documents, foreign citizens must ensure sufficient funds of subsistence and prove the purpose of stay in Cabo Verde.
43. Expatriates coming to Cabo Verde for work purposes, among other documents required to obtain a residence permit for the exercise of professional activity must present a valid employment contract.
44. Foreign citizens, who have minor children accompanying them, should extend the residence permit to their minor children at the time of application.
45. For the above purposes, foreigners must submit the application form and attach the birth certificate authenticated by the Embassy or the Consular Services of the country of origin (with the exception of Portugal) and the passport photos.

Application for a taxpayer number

46. All taxpayers earning income subject to Cape Verdean personal income tax, even if it is exempt, are required to register with the Cape Verdean tax authorities at the tax office and apply for a taxpayer number (*NIF – Número de identificação fiscal*).

Registration with Social Security authorities

47. If applicable, the registration with the Cape Verdean social security authorities (*INPS – Instituto Nacional de Previdência Social*) must be done by the employer, within 30 days from the date of beginning of employment.
48. The assistance covered by the Cape Verdean social security regime comprise: family allowances, medical assistance, social and health allowances and pensions.

¹ ECOWAS - Economic Community of West African States is a 15-member regional group promoting economic integration in all fields

of activity of member countries: Benin, Burkina Faso, Cabo Verde, Cote d' Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau,

Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo.

Appendix A:

Tax rates

Annual personal income tax rates for 2018

The amount of tax due is calculated by applying the following tax rate schedule to the taxable income:

Bracket	Taxable income over (CVE)	Income Tax rate (%)
1	220,000	16.5%
2	960,000	23.1%
3	1,800,000	27.5%



Appendix B:

Withholding tax rates

The amount of tax due is calculated by applying the following tax rate schedule to the taxable income:

Bracket	Taxable income over (CVE)	Not over (CVE)	Withholding tax rate (%)	Deduction
1	0	80,000	14%	5,125
2	80,000	150,000	21%	10,725
3	150,000	And above	25%	16,725

Note that, holidays, Christmas and productivity bonuses are subject to autonomous withholding taxation.

Non-habitual resident is subject to a flat rate of 10% applicable on net employment and self-employment income from “high value-added” activities of a scientific, artistic or technical nature.

The final withholding tax rates levied on the main sources of income subject to taxation:

Type of income	Withholding tax rate (%)
Dividends	10% *
Interest	20%/10%
Royalties	20%
Real estate income	10%

* Note that, with effect from 1 January 2015, dividends are subject to final withholding tax at the rate of 10%, however, as from 1 January 2017, and to avoid the double economic taxation, it is granted an exemption regime under which individuals are exempt from withholding tax if the entity that pays the dividend is subject to tax.

Appendix C:

Double-taxation agreements

Countries with which Cabo Verde has or is in the process of negotiating double taxation agreements:

Macau	Portugal	Guine Bissau
Mauritius	Angola ¹	Spain ¹

¹ These tax treaties are in negotiation.

Currently, Cabo Verde has three double tax agreements in force, with Portugal, Macau and Guinea Bissau.

Countries with which Cabo Verde has social security agreements:

France	Luxembourg	Netherlands
Portugal	Sweden	Italy
Spain	Senegal ¹	Angola ¹
Brazil ¹		

¹ Social security agreement in negotiation.

Appendix D: Cabo Verde contacts and offices

Contacts

Leendert Verschoor

Tel: [351] 213 599 631

Email: leendert.verschoor@pt.pwc.com

Bruno Andrade Alves

Tel: [351] 213 599 610

Email: bruno.andrade.alves@pt.pwc.com

Alexandra Nunes

Tel: [351] 213 599 618

Email: alexandra.nunes@pt.pwc.com

Offices

Portugal

PwC Lisbon

Palácio Sottomayor

Avenida Fontes Pereira de Melo, n°16

1050-121 Lisboa

Tel: [351] 213 599 000

Fax: [351] 213 599 999

Cabo Verde

PwC Cabo Verde

Edifício BAI Center, Piso 2 Direito

Avenida Cidade de Lisboa

Praia – Cabo Verde

Tel: [238] 261 5934

Fax: [238] 261 6028



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