

Guide to Investing in Cabo Verde

1º Chapter

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1. Country Profile

1.1 Geographic location

Located in the middle of the Atlantic Ocean some 455 kilometers from the West African coast, Cabo Verde is blessed with a strategic geographic location between the African, European and American continents, and lies less than 4 hours' flight time from Europe and South America. The country is made up of ten islands, nine of which are inhabited, divided into two groups:

- To the north, the Windward islands: Santo Antão, São Vicente, Santa Luzia (an uninhabited natural reserve), São Nicolau, Sal and Boa Vista.
- To the south, the Leeward islands: Maio, Santiago, Fogo and Brava.

1.2 Data on Cabo Verde

Total land area: 4,033 km²

Population: 549,699 inhabitants (2019)

Capital: Praia (Santiago island)

Currency: Cabo Verdean Escudo (ECV or CVE); 1 EURO (€) = 110.265 Escudos (ECV)

Climate: Dry tropical, with an average temperature of 25° C, and two seasons a year

Main religions: Christian (Roman Catholic and Protestant)

Political system: Multi-party democracy with a stable parliamentary regime

Official languages: Portuguese and Cabo Verdean (Crioulo). English and French are both used as working languages.



1.3 Natural resources

Cabo Verde is an environmentally fragile country with a scarcity of economically exploitable natural resources. The archipelago does not have mineral resources, while its climactic profile is a negative conditioning factor to agriculture. Fishing is one of the few economic activities producing in export-quality products.

The presence of basalt rock means inert materials are able to be extracted to supply the local civil construction market. Wind and sunlight have also proven to be fundamental resources in the production of renewable energies (wind and photovoltaic).

1.4 Infrastructures

Cabo Verde's main infrastructures

Airports

- 4 international airports (on the islands of Santiago, São Vicente, Sal and Boa Vista)
- 3 domestic airports (on the islands of São Nicolau, Fogo and Maio)

In addition to domestic flights, there are direct international flights to:

- Europe (Portugal, Spain, France, Netherlands, the United Kingdom and Germany)
- Africa (Senegal, Guinea Bissau and Morocco)
- North America (Massachusetts)
- South America (Brazil)

Ports

Cabo Verde has nine ports, two of which are deep-water ports (Praia seaport, on Santiago island, and Mindelo seaport, on the island of São Vicente):

- Mindelo (known as “Porto Grande” or “Big Port” – São Vicente island)
- Praia (Praia – Santiago island)
- Palmeira (Palmeira – Sal island)
- Sal Rei (Sal Rei – Boa Vista island)
- Porto Novo (Porto Novo – Santo Antão island)
- Vale dos Cavaleiros (São Filipe – Fogo island)
- Tarrafal (Tarrafal – São Nicolau island)
- Porto Inglês (Porto Inglês – Maio island)
- Furna (Furna – Brava island)



Cabo Verde has shipping connections with Europe, Africa, North America, South America and Asia from Praia seaport (Santiago island) and Mindelo seaport (São Vicente island).

Telecommunications:

- Inter-island underwater cable system
- Land-based fiberoptics network
- Satellite Communications
- International Underwater Cable Communications (Cabo Verde is connected to the Atlantis 2 international underwater fiberoptics cable, which interconnects the South American, African and European continents. The installation of a new underwater cable, EllaLink, which will reinforce the country's connectivity, is currently under way)
- Special partnerships with Microsoft and HUAWEI Technologies

Infrastructures available to facilitate private investments

Cabo Verde has a number of specially designated zones with infrastructures, created specifically for investments in various different sectors:

Zones with infrastructures for tourism-related investments

Various Integrated Tourist Development Zones (known in Cabo Verde by the Portuguese-language acronym ZDTI) exist throughout the archipelago. Boa Vista has three ZDTIs (Chaves, Morre de Areia and Santa Mónica), as does the island of Maio (South Maio Town ZDTI, Ribeira Dom João and Pau Seco). The island of Santiago has eight ZDTIs identified (North Praia, Achada Baleia, Mangue Monte Negro, Porto Coqueiro, Achada Lage, Southwest Praia, Achada Rincão and Alto Mira). The island of São Vicente has seven ZDTIs (Palha Carga, Praia Grande, São Pedro, Baía das Gatas, Cale de Flamengos, Salamansa and Saragaça). Sal has four ZDTIs (Santa Maria, Pedra de Lume, Murdeira/Algodoeiro and Morrinho Branco).



Zones with infrastructures for industrial investments

There are industrial parks on the islands of São Vicente (specifically, in Mindelo) and Santiago (Praia). São Vicente has the Lazareto Industrial Park, a 33-hectare site with infrastructures divided among industrial lots, service zones (both commercial and social), green zones and parking areas. São Vicente also hosts the South Industrial Zone, adjacent to the Campinho district, and the Ribeira de Julião Industrial Zone.

There are four industrial zones defined in the urbanization plans for the city of Praia, on the island of Santiago – the Tira-Chapéu Industrial Zone, the Achada Grande Trás Industrial Zone, the Achada São Filipe Industrial Zone and the Palmarejo Grande Industrial Zone.

International Business Center

As a part of Cabo Verde's drive to promote international trade and foster investments in the country's export potential, the International Business Center was created. The Center covers the country's entire territory and is made up of the International Industrial Center, the International Trade Center and the International Service Provision Center, in which the carrying out of activities of industrial, commercial or service-providing nature intended for international trade are authorized.

2. Economic Development

2.1 Main industries or industries with specific characteristics

The main industrial activities are: civil construction, beverages both alcoholic and non-alcoholic, extraction and production of inert materials, food and canning, including the processing of fish products for export, pharmaceutical production, shipping construction, graphic arts, light metal and mechanics, carpentry, ceramics, footwear and clothing, chemical production and paints and varnishes.

2.2 Market situation and corresponding forms and regulations

Cabo Verde's domestic market is relatively small, considering the country's size. But external market possibilities are enormous due to Cabo Verde's favorable geographic location.

Market access is generally free given the context of the open market. There is a market of regulated products and services, as is the case, for example, of the fuel, water, electricity and pharmaceutical markets, among others, for which sale prices are regulated.



The provision of goods and services is done through public tenders (above all for the provision of goods and services to the public sector) or through direct negotiation between buyers and sellers.

Market competition standards are regulated by law, and Cabo Verde has authorities to regulate and supervise economic rules and norms, namely the Agency for the Multi-sectorial Regulation of the Economy (ARME), the Inspectorate General of Economic Activities (IGAE) and the Independent Health Regulatory Entity (ERIS), among others.

3. Tax regulations

The Cabo Verdean tax system is regulated by the General Tax Code, which entered into force through Law n° 47/VIII/2013 of December 20, 2013, and was recently altered by Law n° 86/IX/2020 of April 28, 2020.

3.1 Types of taxes

In the realm of taxes, Cabo Verde's legal framework is based on the following main categories of taxes:

A. Income Taxes

- a. Corporate Income Tax (IRPC);
- b. Personal Income Tax (IRPS).

B. Consumer Taxes

- a. Value Added Tax (IVA);
- b. Special Consumption Tax (ICE);

C. Stamp Tax

D. Net Worth Tax

3.2 Determining Taxable Amounts / Incidence and Rates

A. Income Tax

Legal Persons

For the effects of income tax, taxable legal persons may fall under one of the following two regimes:

- a. The simplified regime for micro and small enterprises;
- b. The organized accounting regime.

Corporate income tax (IRPC) is 22% (twenty-two percent) for taxable legal persons falling under the organized accounting regime, and 4% (four percent) for taxable legal persons falling under the simplified regime for micro and small enterprises.



Natural Persons

Natural persons residing in Cabo Verdean territory are subject to Personal Income Tax, as are those non-residents who earn income in the country. Personal Income Tax is charged on the amount of natural persons' income deriving from the following categories:

- a. Category A: Income from employment and pensions;
- b. Category B: Corporate and professional income;
- c. Category C: Income from properties, from granting the use of rural, urban or mixed real-estate or from duties charged thereupon;
- d. Category D: Income from capital gains and other economic advantages arising from property, assets, rights or legal situations;
- e. Category E: Asset gains, including winnings from gambling, lottery, mutual betting, or prizes attributed in raffles or contests.

Personal Income Tax withholding rates:

Category A

Tax withheld on Category A income is discharging and progressive in nature and is transformed into withholdings on the final annual tax, whenever the taxable person opts for an

annual tax declaration, and is the object of specific regulations. The amounts are determined based on gross monthly income through a calculation formula.

Category B

- a. Category B incomes are subject to a 15% tax rate withheld on the final annual tax;
- b. Category B incomes earned by non-habitual residents in high added-value activities that are scientific, artistic or technical in nature and defined as such by decree from the cabinet minister responsible for the area of finances are subject to a 5% rate withheld on the final annual tax.

Category C

Category C incomes are subject to a 10% discharging withholding tax without prejudice to the option for annual income tax declarations.

If the taxable persons opt for aggregation, the withholdings become withholdings due to final yearly tax. When the paying entity is a natural person, aggregation is mandatory.

Category D

Category D incomes are subject to a 20% withholding tax, except those in lines f) and j) of article 14 of the Personal Income Tax Code, the rate of which is 10%, all of them withholding taxes, without the option to aggregate.



Category E

Category E incomes are subject to the following withholding rates, without the option for aggregation.

- c. 1% in the case of the types of income referred to in lines a) and d) of paragraph 1, article 17 of the Personal Income Tax Code;
- d. 20% in the case of the types of income referred to in paragraph 2 of article 17 of the Personal Income Tax Code.

The tax rate applicable to those incomes subject to aggregation and taxation of evidence of wealth outlined in article 43 of the Personal Income tax Code is:

- a. 16.5% for incomes of up to 960,000 escudos per year;
- b. 23.1% for incomes between 960,000 and 1,800,000 escudos per year;
- c. 27.5% for incomes of more than 1,800,000 escudos per year;
- d. 10% for incomes in categories A and B earned in activities of high added value of scientific, artistic or technical character, to be defined in a decree from the cabinet minister responsible for the area of finances, for those who do not habitually reside in Cabo Verdean territory.

B. Excise Taxes

a. Value Added Tax (VAT)

The VAT is levied on the transmission of goods and the provision of services carried out against payment in Cabo Verdean territory, as well as on the importation of goods. The VAT is paid by resident natural or legal persons that habitually carry out production, retail or service provision activities. The VAT rate is 15%.

Exemptions exist that are applicable, namely, to medical services, services related to education and social assistance and to professional training, banking and financial transactions, insurance and reinsurance transactions, in addition to exemptions applicable to the importation of specific goods.

b. Excise duty (ICE)

This is an indirect tax levied in a single phase on specific goods produced in, imported to or introduced into Cabo Verdean territory in accordance with the standards included in their respective regulations.

Subjective taxation - The producers of goods contained in the respective list and importers or others responsible for the payment of customs duties in the importation of said goods are subject to the payment of excise taxes. The following are also subject to the payment of excise taxes, incurring upon the obligations contained in regulations and applicable to specific cases:



- a. Bearers, in cases in which the holding is for retail purposes, under the conditions of the collectability of this tax;
- b. Guardians of the tax, as per the terms of tax norms;
- c. Bidders, in the case of judicial or administrative sales;
- d. Any other natural or legal persons that, in irregular situations, produce, bear, transport, place on the market, sell or use products subject to excise duties.

Objective taxation –The goods subject to this taxation are those included on the list as annex I of the excise duty regulations, which determines the rate of 10% applicable to the merchandise listed under each tariff code in said list.

Excise duty regulations provide for general and specific exemptions for certain goods.

C. Stamp Tax

Stamp tax is levied on various taxable events and, namely, on corporate transactions, the transmission of wealth and documented legal acts. Taxable persons are, among others, notaries and registry agents, those granting credits and guarantees, credit institutions, insurance companies and entities domiciled in Cabo Verdean territory that intermediate credit and insurance transactions.

3.3 Rates

Different tax rates are applicable according to the applicable sums, with a maximum of 15%. In certain cases, the stamp tax is paid based on pre-determined set amounts.

a. Property Tax (IUP)

Property tax is a municipal tax levied on: the asset value of the properties located in the territory of each municipality, which are categorized as per the classification of rural or urban properties; the value of the unpaid or paid transfer of real estate, the value of corporate transactions subject to public registration, such as changes in memoranda of association, share transfers or transfers of the same nature, the value of the use or usufruct of automotive vehicles subject to registration and, finally, the advantages arising from the appreciation of land for construction, the transfer of property or other fixed assets. The rate is 1.5%.

3.4 Reporting obligation

Taxable persons shall present a property declaration, as per an official model, to the municipal tax administration service in his or her area of residence during the month of July, in which the taxpayer's property subject to taxation is to be indicated.



3.5 Conventions to prevent double taxation and tax evasion

Cabo Verde has signed conventions to prevent double taxation and tax evasion with Portugal, the Macau Special Administrative Region, Guinea Bissau, Mauritius, Spain and Senegal. It has concluded negotiations with the Kingdom of Morocco, Luxemburg, Singapore, Angola and Equatorial Guinea, as well as for the multilateral accord for the elimination of double taxation with the ECOWAS member states.

3.6 Tax guidelines

Fiscal year

The fiscal year coincides with the civil year, although businesses may use a different accounting year if so authorized.

Accounting principles

The Cabo Verdean accounting system is regulated by the accounting and financial reporting standards system (IFRS) and, additionally, by the International Accounting Standard Board (IASB). Although the SNCF is mandatory for a number of entities, it is not generally applied, inasmuch as, for businesses in Cabo Verde's financial, insurance, social welfare and banking sectors, specific accounting plans are applied.

Corporate Income Tax (IRPC) payment

1. Taxpayers that are part of the Organized Accounting Regime

- » Fractioned payments (based on tax collected in the preceding year):
 - March (30%)
 - July (30%)
 - November (20%)
- » Payment to be made by May 31, upon submission of annual income declaration.

2. Taxpayers that are part of the Simplified Regime for Micro and Small Enterprises: 4% of business volume registered in preceding quarter.

Payments:

- 1st quarter – by the last day of April
- 2nd quarter – by the last day of July
- 3rd quarter – by the last day of October
- 4th quarter – by the last day of January of the following year.

Declaration of Payment of Personal Income Tax (IRPS)

Monthly declaration of taxes withheld and the payment of the amount withheld by the 15th day of the month following that in which the taxes were withheld.



Declaration of Payment of Value Added Tax (VAT)

The VAT is chargeable and shall be liquidated whenever the transmission of goods or provision of services leads to the mandatory issuance of an invoice or equivalent document.

Those taxable with VAT, with the exception of those that are a part of special regimes, are obliged to present their periodic declarations (Model 106) monthly (by the last day of the month) and to pay the amount of chargeable tax. The presentation of the periodic declaration is mandatory, even if, during the period in question, there are no taxable operations. In imports, the payment of the tax occurs upon clearing customs.

Declaration of Payment of Stamp Tax

Those liable to pay Stamp Tax must submit a detailed annual declaration of the taxes they have paid that have repercussions on the carrying out of their activities. This declaration must be submitted through an official model and include the taxable value of the events, transactions and transfers carried out and the amount of the tax paid and input with reference to the applicable funds as per the terms of the list in the Stamp Tax Code.

The payment is the obligation of the taxable person and must occur by the 15th day of the month following that in which the tax was liquidated.

Payment of Property Tax

Property Tax (IUP) on real estate is to be paid during the month of April, with the payment able to be effected in two equal installments in April and in September, when the amount to be collected is greater than 5,000 escudos.

3.7 Tax incentives

Private investors in Cabo Verde have access to various tax benefits, when certain conditions are met:

- Tax benefits for investments made within the context of the Investment Law;
- Tax benefits arising from Tourist Utility Status;
- Tax benefits arising from the International Business Center, Special Economic Zones and Business Internationalization.

4. Investment Procedures

Foreign investors may invest in any sector of activities in Cabo Verde. Nevertheless, certain restrictions exist for some specific activities, namely in terms of the requirement for a Cabo Verdean associate in the shareholding structure of the business in question or entry into the market exclusively by way of a license granted through a tender.



As such, in order to invest in the fishing sector, the business must have one or more Cabo Verdean associates with a minimum share of 51% of equity capital. For inter-island transportation activities, a minimum participation of 25% of the Cabo Verdean associate or associates is required.

For investments in the energy sector, namely electricity production based on renewable energy sources, the carrying out of activities under the general regime requires a prior license. The attribution of reception capacity is subject to an annual power allocation tender and remains in force for the 2 years following the allocation.

4.1 Formation of companies

Foreign investors may carry out their commercial activities as sole proprietors, forming one of the types of corporation permitted by law:

- Limited company;
- Single shareholder limited liability company;
- Public limited liability company.

Or creating a representation of a foreign company:

- Branch office;
- Fixed establishment.

The potential foreign investor may form a company by any of the legal forms allowed for in local law, opting for either of two procedures: the simpler and quicker one, through the “Business in a Day” procedure, or through the Land, Commercial and Automobile Registry Office.

For more on procedures and formalities, please consult the Cabo Verde TradeInvest website at the link <https://cvtradeinvest.com/guia-do-investidor>.

4.2 Registration of Investment at the “One Stop Shop”

The procedures for registering investments are based on Law-Decree 42/2015 of August 27, 2015, published in the Official State Gazette nº 51, 1st Series, which creates, develops and regulates the procedures for the recognition and monitoring of investment projects that, given their relevance, require special treatment through the services of the Investor One Stop Shop.

Within the scope of this Law-Decree, Cabo Verde TradeInvest was given the role of investors’ single point of contact, with all investment recognition dossiers to be submitted to Cabo Verde TradeInvest (at headquarters or at its regional delegations), which has developed a Project Recognition and Monitoring System integrated into its Investor One Stop Shop.



5. International Economic and Commercial Relations

5.1 Commercial and market relations

Cabo Verde is a full-fledged member of the World Trade Organization (WTO), following the recent ratification of its membership to the international institution.

Special Partnership Accord with the European Union – Cabo Verde entered into a Special Partnership Accord with the European Union (EU) to promote cooperation, trade and investments, namely through the Generalized System of Preferences (GSP+), which affords preferential access to all Cabo Verdean products exported to the EU market free of quotas and tariffs.

Commercial relations between Cabo Verde and ECOWAS

On the regional level, Cabo Verde is part of the Economic Community of West African States (ECOWAS), which, in addition to Cabo Verde, is made up of Benin, Burkina Faso, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

The promotion of the economic integration of the West African region as a free trade area in various different domains of economic activity has been put into practice through the ECOWAS Trade Liberalization Scheme (ETLS). The ETLS calls

for the elimination of customs duties, fees and measures of equivalent effect for products exported from Cabo Verde to the other ECOWAS member states.

Commercial relations between Cabo Verde and the United States of America

Cabo Verde is one of a group of African countries benefiting from the African Growth Opportunity Act (AGOA), which allows eligible African countries to export most products exempt of duties to the United States.

The AGOA provides preferential access at a reduced rate to more than 3,500 eligible products coming from beneficiary countries.

Commercial relations between Cabo Verde and China

Cabo Verde is a part of the multilateral mechanisms below that China has established with Africa and with the world's Portuguese-speaking countries, through cooperation platforms aimed at promoting and strengthening economic cooperation and trade relations:

- The Forum on China-Africa Cooperation: through which China grants tariff exemptions to 95% of exports from Africa's least developed countries.
- The Permanent Secretariat of Forum for Economic and Trade



Cooperation between China and Portuguese-Speaking Countries: aimed at enhancing bilateral cooperation and promoting trade and investment between China and the world's Portuguese-language countries.

5.2 Regulations regarding access to the market by foreign investments and favorable policies

There are no specific regulations related to market access on the part of foreign investments, given that any business constituted in Cabo Verde is, from a legal standpoint, a Cabo Verdean company and enjoys the same rights in terms of market access.

Cabo Verde has signed various accords on the reciprocal promotion and protection of investments from third countries, including with Germany, Austria, Angola, China, Cuba, Netherlands and Switzerland. It has also signed conventions with Portugal, Guinea Bissau and the Macau Special Administrative Region to avoid double taxation and prevent income tax evasion.

5.3 Import and export trade regime and rules

In Cabo Verde, all import and export trade is subject to Customs Legislation, which is made up of:

- a. Laws that create taxes and fees the liquidation and levying of which is the responsibility of customs authorities;
- b. The Customs Act and respective provisions for the execution thereof;
- c. The Customs Tariff Schedule, the preliminary instructions and nomenclature on which it is based, specifically, the Nomenclature of the Harmonized Commodity Description and Coding System and the General Rules for the interpretation thereof;
- d. Legislation regarding the customs duty regime;
- e. Any international accords containing provisions related to customs applicable to Cabo Verde's legal system.



6. Points to be considered by potential investors when investing in Cabo Verde

6.1 Investment risk assessment

Investment risks in Cabo Verde are risks associated with the country's structural constraints, among which the following stand out:

- Reduced size of the market;
- Limitations in access to financing for large-scale investments;
- Limitations in access to raw materials;
- A financial system with relatively few financial products able to serve as an alternative to bank financing

6.2 Appropriate handling of relations with local government

The dealings between any investor and Cabo Verde's central and local governments is based on a legal framework that reiterates the principle that no sector of economic activity is off-limits to private economic initiative and free establishment (Law of the General Regime of Access to Economic Activities).

Alongside this, there is a set of legislation regarding the carrying out of economic and other activities that regulates and provides incentives to investing in Cabo Verde.

The Cabo Verdean government has signed a number of accords with various different countries on the reciprocal promotion and protection of investments in an effort to create conditions favorable to investments by citizens or corporations from one country in the territory of the other, and ensuring potential investors from either have the necessary guarantee that their investments will be treated fairly.

6.3 Assumption of necessary social responsibility

In Cabo Verde, social responsibility by companies is a practice still in an embryonic phase, although it is encouraged by way of tax incentives through the Patronage Law.

The contribution of business organizations to the communities in which they carry out their activities has been translated, essentially, into support for community associations and non-governmental organizations. Sponsorship tends to be given on a one-off basis for specific activities. There are, however, some companies with long-term involvement in community activities and projects.



Some companies also participate in projects that improve the living conditions of local populations by establishing partnerships with community associations that develop activities in areas such as housing improvement, basic sanitation, child welfare, the fight against domestic violence, gender equity, entrepreneurship, culture, sports and other areas.

PUBLIC ENTITY LINKED
TO THE MINISTRY OF FINANCE

PUBLIC-PRIVATE APPROACH

MEDIATION



INFO

Relevant comercial informartion and
sectorial reports / informational graphs



MEETINGS

Organization of work missions
and political and/or technical meetings



FACILITATING

Facilitate all phases of the project



SEARCH & FIND

Support in land concessions



AFTERCARE

AfterCare



MATCHMAKING

Matchmaking with local
and/or international partners

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