



Financial Sector Tax Relief

FINANCIAL SECTOR TAX RELIEF

Tax relief may not be granted or enjoyed if the taxpayer fails to pay any taxes or social security contributions, or if accounts are not kept in accordance with the accounting and financial reporting regulation system in force in Cape Verde.

International financial institutions

Exempt from Corporate Income Tax (IRPC) until 31 December 2017 (in transactions with non-residents).

Profits obtained after 31 December 2017 qualify for a 2.5% rate.

These financial institutions' non-resident customers (or residents that deal with these institutions with regard to capital invested abroad) may claim exemption from Personal Income Tax (IRPS) no matter the category of their earned income.

Customs Duties Exemption

International financial institutions are also exempt from customs duties with respect to the import of materials and equipment to be used for establishing the institution.

Stamp duty

International financial institutions operating in Cape Verde are exempt for all transactions with non-residents that would be subject to this duty, namely interest and commissions. These financial institutions' non-resident customers (or residents that deal with these institutions with regard to capital they hold abroad) are exempt from stamp duty on transactions made with these entities.

Financial products – securities

Dividends from shares listed in the Cape Verde Stock Exchange are exempt from tax until 2017. There is a reduced income tax rate of 5% until 31 December 2025 on income derived from bonds or similar products (except debt securities listed in the Cape Verdean securities market). It is also important to note the Corporate Tax (IUPC) exemption for income obtained by entities acting as financial intermediaries in securities on the Cape Verde Stock Exchange, during their first three years of activity.

Investment Funds (Securities' Funds and Real Estate Investment Funds)

At the fund level

- a) Income obtained in Cape Verde that does not qualify as capital gains is exempt from Capital Gains Tax (IUR);
- b) Income obtained outside of Cape Verde and not qualifying as capital gains is subject to autonomous taxation at a rate of 10% levied on the annual net amount;

- c) Capital gains are taxed autonomously at a reduced rate of 10%, under the same conditions as income obtained by individual taxpayers resident in Cape Verde.
- d) Real estate income is subject to a rate of 10%, net of maintenance and servicing costs;
- e) A reduced tax rate of 7.5% is levied on the positive difference between the capital gains and capital losses on real estate capital gains.

At the investor level

Investors are exempt from IRPS on the income obtained from the units held on these funds, including on the income derived from the redemption of these units.

Venture capital funds

Venture capital funds established and operated in accordance with national legislation are exempt from tax on the income obtained, regardless of their nature. Unit holders benefit from tax exemption on the income derived from the units held on the funds.

Savings funds

Income obtained by savings funds established and operating in accordance with national legislation is exempt from income tax. Income obtained by subscribers is subject to tax at the reduced rate of 5%, in accordance with the applicable rules on category D income.

Holding Companies (SGPS)

Capital gains or losses realised by holding companies on the transfer of shares in other companies, held for at least 12 months, as well as financing expenses incurred with the acquisition of such shares, are not taken into account for the purposes of computation of the taxable profit of holding companies. This rule does not apply to shares acquired from associate enterprises or from entities located in territories with a more favourable tax regime or that are subject to a special tax regime.

Long-term financial investments

Non-negotiable long-term financial investments, such as certificates of deposit and time deposits, made with financial institutions in Cape Verde, are considered at only 50% of their taxable value when their maturity date is between 5-10 years, with an IUR rate of 10% for individual taxpayers and 12.5% for companies. If maturity occurs after more than 10 years, tax is levied on 25% of the taxable value, with a rate of 5% for individual taxpayers and 6.25% for companies.

Emigrants

Interest obtained by emigrants from long term deposits is exempt from taxation.

**Retirement Savings Funds (RSF), Education Savings Funds (ESF)
and Retirement/Education Savings Funds (R/ESF)**

At the fund level

Exemption from IRPC on income obtained by these funds.

At the subscriber level

Deduction to the IRPS due of 25% of annual amount invested, capped at 50.000 ECV/452 EUR. Exemption from IRPS on the amounts contributed to FPR, FPE and FPR/E, up to the annual amount of 30.000 ECV/272EUR, the surplus being taxed as follows:

- a) the component of the amount invested qualifying as capital is excluded from taxation;
- b) the amount considered as a pension is subject to tax on only half of the annual income received, applying progressive tax rates (11.67% - 35%);
- c) the total or partial reimbursement of the income invested qualifying as capital income is taxed at a reduced income tax rate of 15% and 6% respectively, if thereimbursement occurs before or after 3 years from subscription.