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## Tax | Cape Verde: New Statutes

In the course of the month of December 2015, the following Statutes on taxation matters have been enacted in Cape Verde:

### 1. Double Taxation Agreement between Cape Verde and Guinea-Bissau

The Agreement between the Republic of Cape Verde and the Republic of Guinea-Bissau to Avoid Double Taxation and Prevent Tax Evasion in Income Tax was published on 29 December 2015 in the Tax Bulletin. It should however be noted that all constitutional formalities required under each State's laws for the Agreement to become effective have yet to be completed and as such, the Convention is not yet in force.

The Agreement applies to income tax levied on full or partial income, including tax over revenues from the sale of personal or real estate property, taxation of remuneration and salaries, and capital gains. In addition, the Agreement establishes an information exchange mechanism between the two States to reinforce the fight against tax fraud and evasion.

### 2. Currency Depreciation

Ordinance 76/2015 was published in the Official Gazette on 31 December 2015, setting the annual adjustment of the currency depreciation coefficients for the price-level restatement of goods and rights sold during 2016, notably to calculate capital gains and losses for Corporate Income Tax purposes.

### 3. Transfer Pricing

Ordinance 75/2015 was published in the Official Gazette on 31 December, and sets the rules and methods to assess the arm's length price, comparability factors, rules applicable to agreements between related entities and documentation requirements.

The new provisions set a new era in Cape Verdean tax law, as intra-group transactions and multinationals operating in Cape Verde are now fully subject to the arm's principle of full competition.

### 4. Special Tax Debts Settlement Regime

Decree-Law 72/2015, of 31 December 2015, was published, enacting a special and temporary regime for settlement of tax debts which legal payment deadline expired by 31 December 2015.

The regime became effective on 1 January 2016 and applies to all tax debts as declared by the taxpayers or their representatives, whether or not the tax administration has any knowledge of the debts. The regime further applies to any tax debts subject to tax execution proceedings initiated by 31 December 2015.

Payment of tax debts under this special tax settlement regime entails (i) waiver of payment, in full or in the relevant part, of late payment interest, compensatory interest and 80% of the execution proceedings costs (if already initiated), and (ii) reduction of assessable fines arising from administrative liability. Payment requests and adherence to the derogatory settlement regime must be submitted to the relevant tax office.

## **5. Amendments to the Tax Benefits Code**

Law 102/VIII/2016 was published in the Official Gazette on 6 January 2016, amending the Tax Benefits Code for the first time.

The following amendments are noteworthy:

- a) The minimum investment amount was brought down from 10,000,000 Cape Verde escudos to 3,000,000 Cape Verde escudos, for purposes of granting tax incentives within the scope of contractual tax benefits;
- b) The term of tax benefits granted to companies licensed by Cape Verde's International Business Center has been extended;
- c) Distributed profits, interest and other types of remuneration of shareholders' loans or advanced capital earned by entities with shareholdings in entities licensed by and operating in Cape Verde's International Business Center are no longer taxed;
- d) Customs duties' exemption for the importation of certain healthcare sector goods; and
- e) Establishment of a special tax benefits regime for income taxes, stamp duty and single property tax, applicable to Corporate Recovery and Insolvency Proceedings. It should however be noted that the regime will only become effective following the entry into force of the Corporate Recovery and Insolvency Code.