

Foreign investment in São Tomé and Príncipe

Raul Mota Cerveira of VdA presents the African island group in ‘the middle of the world’ as a future hub for investment into the continent

São Tomé and Príncipe is a micro-state of two main islands and a few islets. Once called the islands in the middle of the world because of its proximity to where the Equator and the Greenwich meridian meet, São Tomé and Príncipe has a privileged geographical location in the Gulf of Guinea: it has Angola, Nigeria, Equatorial Guinea and Gabon to one side, and the American continent to the other, although further away.

Given its geographic location and political stability, São Tomé and Príncipe shows tremendous potential as a hub for various services: banking and finance, airport, port, education, health, tourism and agribusiness, to name a few. A few key legislative instruments were recently enacted to boost this potential, which invite foreign investors to at least consider São Tomé and Príncipe as an appealing investment opportunity.

The new code of investment and the recently-enacted Statute of Tax Benefits will allow investors to have access to land, tax and customs benefits, streamlined and swifter licensing procedures, and an arbitration clause that takes away dispute resolution from the local courts.

The parity between the local currency and the euro coupled with light foreign exchange restrictions facilitates payment flows and repatriation of dividends.

The Central Bank of São Tomé and Príncipe's regulation and the countless commercial banks established in the country allow for some investments in the African continent, mainly in neighbouring countries, to be structured from São Tomé and Príncipe, lawfully circumventing

some restrictions in force in the EU and the US for some types of investor.

The fact that there is no local content policy (save in the oil and gas sector) enables the investor to develop its business alone without the need to associate with any local partner or company.

Reduced income and corporate tax rates, the participation exemption regime, the free and offshore zones, and the tax benefits granted to investors ensure that investments can be structured with a very light tax burden, especially when compared with the taxes in a lot of countries in the Northern hemisphere. And if the investments are structured from Portugal, investors will benefit from the Convention on the Elimination of Double Taxation between Portugal and São Tomé and Príncipe as from 1 January 2018.

São Tomé and Príncipe has almost everything to become the perfect destination for foreign investment: it has natural resources (note the petroleum and gas exploration activities being carried out by Kosmos Energy, Galp Energia and Oando), excellent geostrategic location, political stability, safety, has eradicated malaria and has proper legal instruments.

But the country still has a way to go: it needs to execute more bilateral investment protection agreements and accede to the International Centre for Settlement of Investment Disputes Convention. We strongly believe that once this is accomplished, São Tomé and Príncipe will in the medium term become a preferred direct investment destination and a hub for investment in sub-Saharan Africa.



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Raul Mota Cerveira, VdA

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