Depreciation and Amortisation

Reference guide to the Depreciation Regime: conditions for tax acceptance, valuation, useful life, calculation methods, special regimes and the table of generic rates applicable to businesses generally.

LEGAL FRAMEWORK

Depreciation Regime approved by **Decree no. 72/2013 of 23 December**, under article 26(5) of the Corporate Income Tax Code. In force since 1 January 2014, applicable to the 2014 and subsequent tax periods. It repealed Ordinance no. 20817 of 27 January 1968.

It applies to companies subject to corporate income tax and to holders of second category personal income tax income who keep, or must keep, organised accounts.

1 General conditions for acceptance

Assets subject to wear and tear may be depreciated: tangible assets, intangible assets, non-consumable biological assets and investment property carried at historical cost which systematically lose value through use or the passage of time.

Save for reasons justified and accepted by the tax administration, depreciation is recognised only:

- For tangible assets and investment property, from **entry into service or use**;
- For non-consumable biological assets and intangibles, from acquisition or from the start of activity if later; for intangibles specifically associated with earning income, from their use for that purpose.

RECORDING REQUIREMENT

Depreciation is accepted for tax purposes only where it has been **recorded as a cost** in the same tax period or in earlier periods, counted from the date the assets first came into use. Depreciation not recorded is depreciation lost.

2 Valuation

For the purpose of calculating maximum depreciation charges, assets are valued at acquisition or production cost; at the value resulting from a revaluation under tax legislation; or at market value adjusted for accumulated depreciation, at the date the books are opened, where the cost is unknown.

- Acquisition cost is the purchase price plus incidental costs incurred up to entry into service or use.
- **Non-deductible VAT** is included, in particular where the right to deduct is excluded, and those costs are not affected by adjustments made after entry into service.
- Borrowing costs directly attributable to the acquisition or production are included, for the period before entry into service, provided that period exceeds one year. Where works are interrupted, those costs are not included.
- Exchange differences relating to the assets are excluded, whether arising from actual payments or from restatement at the balance sheet date.

3 Useful life

CONCEPT	DETERMINATION
Minimum useful life	Derived from the depreciation charge accepted for tax purposes (the table rate)
Maximum useful life	Derived from a charge equal to half the above

CONCEPT	DETERMINATION
Development project expenditure	Maximum useful life of 5 years

Depreciation charged beyond the maximum useful life is not accepted as a cost, save in cases duly justified and accepted by the tax administration.

4 Calculation methods

4.1 Straight line

The general rule. The annual charge is determined by applying to the asset value the specific rates in Table I of the Regime, for the assets of the corresponding sectors, or, where none are fixed, the generic rates in Table II.

The following are excepted, with the rate calculated by reference to the expected period of usefulness: second-hand assets; assets valued for the purpose of opening the books; major repairs and improvements; and works on buildings and other constructions owned by third parties.

Major repairs and improvements are those intended to secure, restore or extend the useful life or efficiency of the tangible asset, which are not carried out annually and whose value is not less than twice the annual depreciation of those assets.

4.2 Declining balance

Available for new tangible assets acquired from third parties or produced by the company, other than buildings, passenger or mixed light vehicles — save where used in public transport services or for hire in the ordinary course of business — and furniture and social equipment.

USEFUL LIFE OF THE ASSET	MAXIMUM COEFFICIENT
Less than 5 years	1.5
5 or 6 years	2
More than 6 years	2.5

4.3 Monthly apportionment

In the year of entry into service, either the full annual charge may be taken, or a charge corresponding to the number of months from the month of entry into service. In the year of disposal, scrapping or end of useful life, only the depreciation corresponding to the months elapsed up to the month before those events is accepted.

4.4 Consistent application

Save for justified reasons, the same method must be applied to each asset from entry into service until full depreciation, disposal or scrapping.

5 Special regimes

5.1 Intensive use

SITUATION	INCREASE IN THE CHARGE
Operation on two shifts	up to 25%
Operation on more than two shifts	up to 50%

This does not apply, as a rule, to buildings and other constructions, nor to assets which, by their nature or by the activity in which they are used, are normally subject to intensive operating conditions. Other cases of accelerated wear require prior recognition by the tax administration, on application.

5.2 Low-value assets

PRACTICAL CLOSING RULE

Assets subject to wear and tear whose unit acquisition or production cost does **not exceed MZN 20,000.00** may be fully depreciated in a single tax period, except where they form an integral part of a group of assets to be depreciated as a whole.

5.3 Finance leases

Depreciation of assets under finance leases is a cost of the lessee's period. Transfer of the leased assets to the lessee at the end of the contract, and re-leasing, do not change the depreciation regime previously applied.

5.4 Reversionary assets

Assets acquired by concessionaires which, under the terms of the concession contract, revert at its end, may be depreciated over the number of years remaining in the concession period, where that is shorter than the minimum useful life.

5.5 Revalued assets

40% of the increase in depreciation resulting from revaluations is not deductible, nor is the part of the depreciable value of assets that have suffered exceptional write-downs and which corresponds to the revaluation carried out.

6 Intangible assets

Intangible assets are amortisable where subject to wear and tear, in particular development project expenditure and industrial property items — patents, trademarks, permits, production processes, models or similar rights — acquired for consideration and whose exclusive use is recognised for a limited period.

Not amortisable, save for effective impairment recognised by the tax administration: goodwill, and industrial property items where the above conditions are not met.

7 Table II — generic rates

Applicable where no specific rates are fixed in Table I for the sector concerned.

7.1 Immovable property

ASSET	RATE
Residential buildings	10%
Commercial and administrative buildings	2%
Industrial buildings, or buildings within industrial complexes used for hotels, restaurants and similar, garages, service stations, health, education and recreational and cultural services	2%
Furnaces	4%
Hydraulic works, including water wells	10%
Stone, cement and concrete paving works	4%
Bridges and aqueducts — concrete or masonry / timber / metal	3.33% / 20% / 8.33%
Water reservoirs — tower or surface / underground	5% / 3.33%
Silos	5%
Landscaping / light fencing / walls	10% / 8.33% / 4%

7.2 Installations

ASSET	RATE
Water, electricity, compressed air, refrigeration, air conditioning and telephone (internal)	10%
Central heating	6.66%
Lifts, goods lifts and escalators	8.33%
Boilers and stills	7.14%
Water abstraction and distribution (private)	5%
Loading, unloading and shipping (private)	7.14%
Private telephone exchanges	8.33%
Storage and tanks — concrete / timber / metal	5% / 6.66% / 8.33%
Transformer stations	7.14%
Private canteens and kitchens	10%
Liquid fuel tanks	6.66%
Display cases and fixed shelving	10%
Itinerant exhibition spaces	25%
Vocational training centre installations	16.66%
Not specified	10%

7.3 Machinery, equipment and tools

ASSET	RATE
Computers, printers, UPS and other IT equipment	25%
Servers	20%
Electronic equipment and sound reproduction equipment	16.66%
Air conditioning, heating, ventilation, laboratory and precision equipment	12.5%
Scales	12.5%
Compressors	20%
Mobile telephones	20%
Solar energy equipment	20%
Vocational training centre equipment	16.66%
Private workshop equipment — carpentry / metalwork and mechanics	10% / 12.5%
Tools and utensils	25%
Cranes	10%
Typewriters, calculators, accounting machines and photocopiers	16.66%
Machine tools	16.66%
Automatic vehicle washing machines	20%
Fire equipment (extinguishers and others)	20%

ASSET	RATE
Motors	10%
Televisions	14.28%
Surveillance and security equipment	20%
Machinery not specified	12.5%

7.4 Rolling stock and transport

ASSET	RATE
Light and mixed motor vehicles	25%
Heavy passenger vehicles	20%
Heavy goods vehicles and trailers, where used on roads causing wear	20%
Hearses	10%
Aircraft	20%
Bicycles, tricycles and motorcycles	25%
Tractors, trailers, forklifts and dumpers	20%
Boats — iron / timber / rubber	8.33% / 10% / 12.5%
Tanks	20%
Railway wagons	4%

7.5 Miscellaneous items

ASSET	RATE
Furniture	10%
Computer software	25%
Moulds, dies, forms and punches	25%
Carpets / other comfort and decoration items	20% / 10%
Transport packaging — timber / metal / other materials	20% / 14.28% / 33.33%
Containers and vessels — timber / metal / other materials	20% / 12.5% / 33.33%
Tarpaulins	50%
Films, discs and cassettes	25%
Advertising equipment placed on public roads	10%
Drawing and surveying equipment	10%

Comfort and decoration items exclude art furniture, artworks and antiques.

7.6 Intangible assets

ASSET	RATE
Development projects	25%
Multi-year non-initial expenditure (capital increases, legal transformation, bond issues, advertising campaigns, prospecting, studies)	33.33%

ASSET	RATE
Patents	10%
Permits, licences and concessions subject to industrial licensing, with no fixed term	5%
Goodwill and trademarks	(a)

(a) The rate is determined by reference to the period of exclusive use.

8 Depreciation schedules

Taxpayers must include, in the tax documentation file provided for in article 46 of the Regulation to the Corporate Income Tax Code, the **official-form depreciation schedules**, completed in accordance with the coding set out in the tables annexed to the Regime.

Organised accounting under article 75 of the Corporate Income Tax Code and article 72 of the Personal Income Tax Code must allow the amounts in those schedules to be verified.

> **EXECUTION NOTE**
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> The schedule is not an incidental annex: it is the document supporting the deductibility of all depreciation for the period. It must identify each asset individually, stating the month of first or last use, the acquisition value and the rate applied.

Depreciation schedules

RT Serviços prepares and maintains official-form depreciation schedules, with asset-level fixed asset control and reconciliation to the accounts.

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Sources: Decree no. 72/2013 of 23 December — Depreciation Regime, and annexed tables · Corporate Income Tax Code, Law no. 34/2007 of 31 December · Personal Income Tax Code, Law no. 33/2007 of 31 December.