

The Tax System of Cape Verde fundamentally incorporates 2 types of taxes; State and local.

The State tax is composed of two fundamental taxes; the Unitary Tax on Yields that records the attainment of yield on the part of physical and legal persons and the Tax on Value-Added that records traffic operations amongst persons.

Local tax incorporates diverse taxes that record the possession of goods and the increases of value that are pronounced on real estate with the object of their transmission. As principle tax figures, for its relevancy, we have to review the denominated tax and the tax on appreciation, both outlined in the Law and Regulation of the Unitary Tax on Patrimony.

The Imposition on Profits

Article 2, Law 1/96 (I.U.R)

It declares the subjection to the tax of people who physically reside in Cape Verde and those that, not yet residing, obtain yields in their territory (paragraph a) and that of companies fiscally defined in the terms of the Regulation, amongst which it includes as passive subjects physical or legal non-residents in Cape Verde since there they produce or they obtain any yield.

Every year, the types of tax are determined by the Law of Budgets of the State, being the established ones for year 2007 for the contributors by method of verification of 30% and for the nonresident contributors, by liberatory rate of 20% (article 16 of the Law of Budgets, sections 1 and 3.c).

Imposition on Consumption

It is integrated, essentially, by the Tax On Value Added, approved by the Law of the V.A.T. and developed by the Law of 24 of April of 2003 that approves its Regulation.

There exists a general type of 15% and a reduced type of 6% that is declared in the law of Budgets of the State of 2005, for its application to the sectors of hotel trade, lodging and restoration.

Imposition on Tenure of Goods

This imposition, of a local character, is found in Law 79/V/98 which establishes the Unitary Tax on Patrimony and previously developed by Law 18/99, which approves its regulation.

The rate of this tax is generally 3% and is applied in the following manner:

- a) By the possession of real estate, every year and on the fiscal patrimonial value, that will correspond to 25% of the value attributed to them by the Permanent Commission of Valuations.

- b) In the transmission of real estate, on the value declared in the transaction document
- c) In the capital gains, by auto-declaration of the contributor

Imposition on Documented Acts

This imposition found in the Tax on the Seal regulated by the Law 61/IV/92, of 30 of December and updated by diverse dispositions. Although there exists a great variety of applications, we can affirm that the one that will generally be more applicable to the real estate sector is 7 per 1000.

Foreign Investment Incentives

The integration of Cape Verde into the world economy and the development of the private sector, supported by the arrival of important foreign investment groups which are key for the development of the country, have spurred the necessity of creating legal conditions that not only offer attractive incentives for investment, but also create a security frame that facilitates and assures the establishment of foreign investors in the country.

In an attempt to maintain the idea of openness and modernization, Law 90/IV/93 (ex- law 89/IV/93) was promulgated to establish the general conditions for the realization of foreign investments in Cape Verde, including all the rights, guarantees and incentives that the investor has a right to and complemented as far as its procedural accomplishment by the Regulamentary Decree 1/94 of 3 of January.

In accordance with the law, external investment is considered to be all participation in economic activities that is realized with originating contributions from outside the country and which can be subject to economic valuation. For all investments considered external, the State of Cape Verde, in accordance with the law, guarantees the non-discrimination of the foreigner by giving him just treatment, as much in the security and protection of its goods and rights, as in the guarantee that they cannot be subject to nationalization or expropriation, save for public utility.

The law also guarantees the investor the right to make currency transfers outside the country of all amounts that the investor has a legal right to as a consequence of foreign investment operations registered as so.

Finally, the law grants the external investor tax exemption on the profits and dividends that derives from an authorized foreign investment, with two modalities:

- a) During a period of five years dating from the date of investment
- b) Whenever they are reinvested, in the terms established by the law, in the same or another economic activity in Cape Verde.

As an additional advantage to the latter, the law also establishes a regime of tax privileges for those investments which, once past the period of exemption and are not reinvested, will only pay a rate of 10% on the profits and dividends, and will represent fifty percent of the liberatory rate of the Unitary Tax that applies to non-residents (currently established at 20%).

This general regulation is complemented by diverse sectorial specificities contained in their specific dispositions and by its importance we can mention the following:

- Industrial Statute established by Law Decree 108/89, of the 30 of December
- Frank Company regulated by Law 99/IV/93, of the 31 December
- Incentives applicable to the exportation or re-exportation regulated by Law 92/IV/93, of the 15 of December
- Touristic Utility Statute regulated by Law 55/IV/2005

The set of normative institutions of incentives, together with those approved each year by the General Budget of the Republic allow, by means of suitable fiscal planning, to reduce the tax burden by approximately fifty percent of the normal figure equivalent to approximately 10% on the obtained yields.

Real Estate Transactions

1. Legal Characteristics

The transaction of real estate in the Republic of Cape Verde is regulated in the Civil Code (CC) reconstituted and published by Portaria nº 68-A/97 of 30 of September.

Article 1.313 of the CC establishes that, in order to acquire a property that is corporeal, furniture or property (article 1.299 CC) it must be done under the following circumstances; a contract, succession by death, processory title, occupation, accession and all other modes permitted by the law. As the transaction contract is the most common form of acquiring a property, in order to ensure its validity and effectiveness, a public writing is celebrated as laid out in article 875 of the CC.

The transaction contract, validly celebrated, produces three essential effects in article 879 CC:

- a) The transmission of the property of the object that is sold
- b) The obligation of handing over the object
- c) The obligation to pay the price.

In the transaction of real estate, given its impossibility to realize a physical "*traditio*", the delivery is replaced, as established in article 937 CC, by the delivery of its representative title or other documents demanded by the contract or, in the absence of it, by the uses, being able to be understood like so, and in the case of real estate the material act of handing over the keys.

As far as the content of the contracts, civil regulation (article 405 CC leaves) leaves it to the interpretation of the parties involved, with the limits outlined in the law and the expenses at the buyer's cost (article 878 CC), except in cases where another agreement has been made between the parties involved.

2. Procedure of Realization

In practice, to celebrate a real estate transaction formalized in public writing the following documents will be necessary:

1. Land Registry Certificate (Certidão Matricial) granted by the Municipal Chamber
2. Certificate of registry inscription that can be obtained at the Registry Conservatory
3. Identity documents of all the participants and their legal standing
4. Situation map and map of building/project

Once the public writing takes place, the company must be inscribed in the Conservatory Registry and presented at Municipal Chambers in order to change the title in the Land Registry Certificate. In the case that the object of sale is a real estate good that is part of a set constituted by a horizontal division, it must also be communicated to the Community of Proprietors.

3. Transaction Expenses

The transaction of a real estate good entails four types of costs:

- a) Taxes that record the transmission and value increment that is produced, gathered in the Law on the Unitary Tax on Patrimony (I.U.P), whose tariff is 3% in all cases, turns towards the transmission over the value declared in the title deed and that of appreciation on value difference between the actual value and the immediate, as long as this difference is superior to 30% of the latter.
- b) Administrative Rates that correspond to the emission of certifications, that comes to about 250 CVE, for each one.
- c) Tax on obtainment of the seal, which applies to all legal acts and is normally 7 per 100
- d) Tariffs of Notaries and Registries that vary based on the value declared of the object of transaction, calculated in agreement with the following tables: