

# CAPE VERDE

December 2016 through February 2017

## TAX

### CAPE VERDE BUDGET LAW APPROVES VARIOUS AMENDMENTS TO TAX LAWS

Effective 1 January 2017, the State Budget Law for 2017 (Law no. 5/IX/2016, of 30 December 2016), introduced several amendments to the most important Cape Verdean tax statutes, such as the following:

1. Corporate Income Tax Code:
  - a) The "participation exemption" regime, under which dividends may be exempt, is now applicable to a wider range of situations; and
  - b) New rules limit the deductibility of financing costs, which now include a new threshold of 110,000,000\$00 (corresponding roughly to €100,000).
2. Personal Income Tax Code:
  - a) "Participation exemption" regime on dividends received by individuals is now applicable over the full amount received (previously, only 50% of the dividends were exempt);
  - b) The threshold for tax credits has been increased; and
  - c) The withholding tax rate on income of Category B (Business and Professional Income) and Category C (Real Estate Income) is reduced from 20% to 15% and 10% respectively.
3. Tax Benefits Code:
  - a) Requirements of investment projects executed under the Investment Law to become eligible for exceptional benefits are now easier to achieve;
  - b) A new mechanism for the tax credit of profits retained by banking institutions for the strengthen of their equity;

The Budget Law also approved amendments to other tax laws, such as:

- a) Stamp Duty Code;
- b) Special Legal Regime for Micro and Small Enterprises;
- c) Statutory incentives to the hiring of young people (exemptions of the social security contributions due by employers).

The State Budget Law has introduced a new tax regularization program, under which the taxpayer may be granted total exemption of compensatory interest, penalty interest and fines connected with the tax and social security debts paid in full or in instalments under the program.

## MARITIME

### SEAFARERS SUBJECT TO NEW RULES

By Order no. 41/2016, of 23 December 2016, the Regulation on Functions and Categories of Seafarers was approved. This statute, which addresses seafarers' functions on board vessels, corresponds to the conformation of the national legislation to the Manila Amendments to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers adopted by the International Maritime Organization.

## TOURISM

### GAMING REGULATIONS APPROVED

As part of the gaming licensing in Cape Verde, Order no. 1/2017, of 9 January 2017, establishes the rules for games and bets legally allowed as per Decree-Law no. 77/M/2005, of 16 August 2005, such as roulette, black jack and poker.

## BANKING

### DEPOSIT GUARANTEE FUND HAS BEEN CREATED

By Law no. 07/IX/2017, of 27 January 2017, the Deposit Guarantee Fund ("FGD") was set up. The participation and contribution for the FGD is mandatory and automatic for all credit institutions authorized to receive deposits and subject to the supervision of the Banco de Cabo Verde ("Participating Institutions").

FGD's purpose is the reimbursement of deposits held with Participating Institutions in case of intervention or extrajudicial winding-up or acknowledgment of a Participating Institution's bankruptcy by the Banco de Cabo Verde. The maximum guaranteed amount of the global balance amount held in cash by each Bank customer is 1,000,000\$00 (corresponding roughly to € 9,000.00).

## ARBITRATION

### ACCESSION TO THE NEW YORK CONVENTION

Resolution no. 26/IX/2017, of 7 February 2017, approved the accession of Cape Verde to the Convention on Recognition and Enforcement of Foreign Arbitral Awards (New York Convention), executed on 10 June 1958. The Convention shall apply to the recognition and enforcement of arbitral awards rendered in the territory of another State which is also a signatory to the Convention.

## ENVIRONMENT

### BEACH SAND PROTECTIVE MEASURES

The Council of Ministers approved Resolution no. 12/2017, of 24 February 2017, which aims to strengthen measures to protect the beaches of the country and promote investments in the mechanical production of crushers and other alternatives to the extraction of sand.

The statute addresses ecological concerns, as well as the need for increased monitoring of sand extraction on beaches. All permits previously granted for the extraction of sand on Cape Verde beaches have been suspended.

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