

## CAPE VERDE – FACT SHEET

**Official name:** Republic of Cape Verde  
**Official language:** Portuguese.  
**National language:** Creole  
**Capital city:** Praia  
**Capital city:** Praia  
**Total land area:** 4,033 km<sup>2</sup>  
**Population:** 434,812 inhabitants (2000 census)  
**Local currency:** Cape Verdean Escudos (CVE)  
     Mean annual exchange rate (2000)  
     1 Euro (on the average) = 112.27 CVE  
     1 US dollar (on the average) = 123.52 CVE

### The Domestic Economy

	1999	2000	2001 <sup>E</sup>
<b>Gross Domestic Product on the Expenses side (r.g.r*)</b>			
<b>GDP</b>	9.5	7.9	3.5
<b>Export</b>	14.8	13.4	19.0
<b>Import</b>	18.4	4.7	5.9
<b>Tourism Indicators</b>			
	1999	2000	2001
<b>Revenues (t.v.h**. in %)</b>	46.3	61.5	39.5
<b>Share of GDP</b>	4.8	7.3	9.5
<b>Share of Balance of Payment</b>	26.6	37.3	41.1

Source: BCV

\*real growth rate<sup>E</sup> Quick estimate

### Labor Market Indicators (2001)

Employment rate	In %	65.8
Unemployment rate	In %	19.1

Source: BCV

## REASONS FOR INVESTING IN CAPE VERDE

### v **Economic and political stability**

Political system: Parliament. Free elections are held.  
Absence of political, ethnic or religious conflicts.  
Stable macroeconomics and social indicators.

### v **Privileged geographic location**

Equally distant from North America and South Africa  
Half way between South America and Central Europe  
Served by regular liner connections

### v **Preferential access to markets**

C. V. made products benefit from the preferential trading status of  
EU markets; ECOWAS'S Cotonou Agreement; ECOWAS'S Treaty and  
SGP and AGOA Agreements of the USA.

### v **Labor**

High availability;  
Easily trained; and  
High productivity level.

### v **Incentives to Foreign Investment**

Existence of two industrial estates (facilities in place).  
International airports and ports of appreciable capacity  
Information and communications technologies are efficient and competitive  
Water and energy supply, ship repair facilities as well as cold storage and  
processing of fish are available.

## GOVERNMENT BACKED GUARANTEES

- Fair and equal treatment. Discrimination is sanctioned.
- Protection and security provided to real estate and rights.
- Entitlement to plain transfer abroad (in hard currency) of legally obtained profits.
- Hard currency commercial bank account to freely make transactions
- Regime of hiring foreign workers, their rights and guarantees

## INCENTIVES

### Foreign Investment

Cape Verde offers a set of important incentives, as illustrated below:

- Overall incentives in the relevant sectoral legislation

#### Specific incentives:

- Tax-exemptions on dividends and profits shared out to the foreign investor for five years and/or whenever reinvested in.
- Tax-exemptions on amortizations and interests accruing from Foreign investment related
- financial transactions
- Standardization of the Fiscal regime. (10% IUR\* on the date 6 years in business without prejudice for the eventual more favorable bilateral conditions stipulated in agreements signed between Cape Verde and the State of origin of the foreign investor).

#### Fiscal Incentives:

- Tax-exemptions on dividends shared out during the first five years in business
- Tax-exemptions on dividends whenever reinvested in
- Tax-exemptions on amortizations and interests

### Warranties

- Protection of foreign investment related estates and rights
- Transfer aboard of dividends and profits
- Opening of hard currency banking accounts
- ★ Facility regarding the recruitment of foreign workers - 10% of the permanent workforce

(In accordance with the Law numbered 89/IV/93, dated 12/13/93 – Foreign investor status).

### ❖ **Free Zone-based Enterprises**

#### Fiscal incentives

- 100% income tax exemption for the first 10 years.
- 100% tax exemption on dividends shared out to investors for the first 10 years.

- 100% indirect taxes exemption

### Customs incentives

- Customs duties and excise duty on the import of equipment, construction material, fuel and lubricants, provided the above commodities are used to operate the free zone based enterprise.
- Special regime governing the import of raw materials and others.
- Export duty exemption.  
(Decree law numbered 99/IV/93, 12/31/93 – Foreign investor statute)

### ❖ Exports

### Fiscal incentives

- Income tax reduction for the first 5 years.

### Customs incentives

- Customs duties exemption on raw materials, finished goods and intermediate goods for use in the production of export-oriented goods and services.
- Duty free import, excise tax and emoluments on export-oriented value-added goods and materials produced.
- Unrestricted export of products.  
(Decree law numbered 92/IV/93, 12/15/93)

## SPECIFIC SECTORS

### ❖ Industry

- Duty free import, excise tax and general customs tariffs on the import of equipment, goods and materials listed.
- Unified personal income taxes exemption on the income generated by each new legally industrial establishment for a period of 3 years.
- Unrestricted export of products.
- Tax deduction on profits derived from reinvestments  
(Industrial statutes. Decree-law numbered 108/89, dated December 30)

### ❖ Tourism

- Customs duties exemption on the import of equipment to be used exclusively in construction works and the operation of hotels and

tourism resorts.

- Transfer tax and house tax exemption.
- 100% fiscal exemption for the first 5 years.
- For the following 10 years fiscal taxation shall be 50%.
- Tax deductions on profits reinvested in similar activities.
- Tax deductions, as applicable, on expenses incurred training Cape Verdean workers.
- Tourism Development Fund. (Law numbered 11/94, dated 02/12/94).
- Interest rates bonus, warrantees, collateral securities, and emoluments for export-oriented value-added goods and materials produced.
- Unrestricted export of goods.  
(Tourism Utility Act. Decree-law numbered 42/IV/92, dated April 6, 1992)

## LIMITS TO INCENTIVES

- To foreign investor backed economics activities exclusively oriented to the domestic market.
- To the foreign investment to be made in the financial sector since the financial sector is governed by specific legislation.

## BUSINESS OPPORTUNITIES

### ❖ **Industry**

- ★ Clothing, foot wear, fish processing, marine salt, cement factory, porcelain, stone works, food biscuits, packing up, furniture, graphics and foodstuff.

### ❖ **Construction**

- Production of inert material (sand, and gravel), cement-based art and crafts and similar.
- Provision of services in the Portuguese speaking African countries.

### ❖ **Fisheries**

- Commercial fishing, processing and commercialization of catches, 14 to 16 meters vessels.

### ❖ **Agriculture**

- Cultivation of flowers, ornamental plants.

### ❖ **Services**

- 'Teleport' services, electronic data communication, international registry, hovercraft, tourism and industry tailored support services, free trade areas.

- Public transport of passengers, marketing and advertisement agencies, financial services.
- Shipping (West Africa bound), coasting trade, feeder and “trumping” services.

❖ **Tourism**

- De Luxe Hotels
- Resort Hotel
- Executive Hotel
- Sports, Fishing and Diving Hotel

❖ **Privatization**

- Sector of Ports – ENAPOR
- Shipping yard – CABNAVE
- Trading - EMPA (a sector)
- Import and Distribution of Pharmaceutical Drugs - EMPROFAC
- Air Transport – TACV (Cape Verde airline)
- Urban Transport - TRANSCOR (a sector)
- Cold Storage of Fishing Catches – INTERBASE.

## **FOREIGN INVESTMENT FORMALITIES AND PROCEDURES**

### ***Foreign Investment***

Application -- Any foreign investment backed undertaking is subject to prior authorization (Article 3, paragraph 1 of Law numbered 89/IV/93). Application regarding the granting of Foreign Investor Status is made to the Minister of Finance and Planning, through PROMEX. Such application should include 3 stamped copies together with the following documents:

- \* Viability studies;
- \* Proper Identification of the Promoter;
- \* Curriculum and commercial bank reference regarding the promoter;
- \* Preferred location;
- \* Depending on the nature of the project, environmental impact assessment studies are also requested.

Reply - The decision of the Minister of Finance and Planning is furnished to the potential investor as soon as available but in any case not later than 30 days after the date the full application was supplied to PROMEX or on such later date provided Promex promptly informs the investor of the need to furnish such other documents or supplementary information and in such circumstance the term is deferred and restarts after the date the petitioner supplies PROMEX with such additional information or documents, as requested .

Foreign Investor Certificate - Provided the request is granted, the Minister of Finance and Planning issues, via Promex, a Certificate of Foreign Investor. The Certificate grants the foreign investor access to the incentives provided under the Foreign Investor act (Law numbered 89/IV/93). In the event the investment undertaking is not realized within prescribed delay, the Certificate is null and void.

Foreign Investment Registry - In conformity with the provisions of Article 5 of Law numbered 89/IV/93 Foreign investment operations are prone to registration with the Central Bank. Registration procedures occurs when the Central Bank is furnished with three copies of required form.

Inspection - The undertaking shall be duly inscribed and shall be inspected by the authorized officials on the date 30 days after the date of request of inspection, before any business activity get started.

### ***Free Trade Zone-based Enterprise Statute***

Application– In duly filled in form.

Reply- Delays here are similar to those under foreign investment.

Promex might reasonably and promptly request the investor to furnish new documents or supplementary information. In such circumstance counting is deferred and restarts after the date the petitioner supplies PROMEX with such additional information or documents, as requested .

*Certificate of Free Trade Zone Enterprise*- Provided the request is granted, the Minister of Finance and Planning issues, via Promex, a Certificate of Free Trade Zone Enterprise. Other than the foreign investor, a copy of the Certificate is furnished to the duly authorized officials in the relevant economic sector and labor field. The Certificate grants the foreign investor access to the incentives provided under applicable legislation.

***Note: Only those free trade zone-based enterprises that exclusively engage in the production of export oriented goods and services or selling to other free trade zone-based enterprises in Cape Verde are entitled to request the status of free trade zone-based enterprises.***

### ***Establishment of Enterprises in Cape Verde***

The potential foreign investor willing to establish business in Cape Verde might opt for the creation of any of the legally permissible form of company the judicial system allows. The most common institutions in Cape Verde are of the Limited Company (known by the abbreviation SARL) and Joint-stock Company (abbreviation Lda) kind.

### ***Limited Company (SARL)***

Before starting any business activity it is necessary that the limited company fulfill the following:

- a) The company must have at least ten members or shareholders;
- b) Its joint stock shall not be inferior to 2,500 000 CVE
- c) The capital must be fully subscribed;
- d) 10% of the subscribed capital is cash-deposited with a commercial bank.

### ***Joint-stock Company (abbreviation Lda):***

Joint-stock companies should comply with the following:

- a. Proceed with the registration procedures of the company, indicate the joint-stock or the number and nature of shares the company is authorized to issue;
- b. The expansion of the joint-stock through either cash or number of shares subscribed by each shareholder or partner as well as the financing of debts to be assured by each shareholder or partner;
- c. Joint-stock should amount to no less than 200.000 CVE. Subscription made by each shareholder or partner can not be inferior to 5.000 CVE. Each shareholder is entitled to subscribe 50% of his/her total shares in cash and the remainder (50%) might be paid in kind.
- d. The organizational structure of joint-stock companies should include a

Board of Directors and a Council of Auditors.

### ***How to Register an Enterprise in Cape Verde***

To register an enterprise in Cape Verde the investor should:

- 1) Obtain a certificate issued by the registry office ascertaining there is no other enterprise bearing the same name;
- 2) Furnish to a notary the By-laws or the statement of constitution or a memorandum of the company as formulated by the founding members;
- 3) Obtain the statement of its account or a certificate of deposit with a commercial bank as the irrevocable bank guarantee for the cash deposit (equivalent to 10% of the legally authorized joint-stock);
- 4) Obtain from a notary an official certificate of acknowledgement of the document of constitution of the company ;
- 5) Assure that the By-laws or the document of constitution is published in the Official Gazette of Cape Verde;
- 6) Register with the Ministry of Finance for taxation purposes;
- 7) Register with the Directorate of Commerce;
- 8) Obtain the certificate of registry with the Registry Office.

## **FISCAL GUIDE**

### ***Sole Personal Income Tax (IUR)***

Every singular person is liable to pay IUR tax provided they reside in the territory of Cape Verde even those who, although non-residents of said territory, derive their income therein.

IUR falls upon the overall annual (common year) income from the different sources of income of which the following is highlighted:

- (i) house-derived income;
- (ii) industrial output and commercial profits;
- (iii) rendering of services;
- (iv) agriculture and fisheries output;
- (vi) income derived from financial transactions including those derived from lotteries and gambling;
- (vii) income derived from a liberal profession and as hired labor.

The discounting rates of the declarative system under article 57 of the Law numbered 1/96, dated January 15, as applicable to the tax payers under the declarative system, are as follows:

\* Hired labor or pensioners:

Discount rates, as applicable to income derived from the payment of invoices,

the rendering of services and the execution of activities classed as liberal profession, in accordance with the provisions of the law numbered 1/96, dated January 15, 2002 are retained at the source.

The artificial collectives of public or private domain pay IUR taxes provided they have a head office, an effective board of directors or are fiscally domiciled in Cape Verde.

Companies or company-like institutions not settled in and possessing a sound institution but no head office, effective board of directors or fiscally domiciled in the territory of Cape Verde pay IUR taxes that fall on the incomes thus derived.

The entities that reside in and who engage in any commercial, industrial, agricultural or fisheries-related activities as their main occupation and the sound establishments of non-residents pay IUR taxes that fall on their declared profits.

In order to compute income (profit) before income taxes, total operating expenses and total nonoperating expenses of the income statements are used. They are verified and mirrored in said the statements. They are determined in accordance with appropriate auditing principles and, eventually, amended in accordance with IUR'S regulations.

IUR tax is set at 35% for the tax-payers under the system of verification.

IUR tax is set at 20% for the tax payers under the system of estimates.

In regards to a liquidation the following taxes are assessed on the following incomes:

a) 20% interest rates applicable to all current account deposits, safe for deposits

<b>Annual Income</b>	<b>Amount</b>	<b>Rate</b>
Equal to or Inferior to	180,000\$00	0%
Up to	300,000\$00	2,5%
Up to	630,000\$00	8,5%
Up to	1,260,000\$00	15%
Up to	1,890,000\$00	21%
Over	1,890,000\$00	24%

made by the emigrants: 20%;

- b) 15% on the remaining incomes from investment funds, namely dividends, sharing out of profits of business associations, anticipation of profits and value added.
- c) profits made by non-residents even if not owners of stable establishments. 20% tax rate to fall on invoicing.
- d) profits made from gambling, lotteries, and bidding. 15% tax rate are applied.

### **Sole Enterprise Assets Tax (IUP)**

A 2% tax rate on public deeds procedures and on the value of the infrastructures (buildings).

### **Stamp-duty**

0.7% stamp-duty rate fall on vouchers resulting from sales or transactions and the provision of services.

## **OTHER INFORMATIONS**

### **Labor accident-insurance and occupational disease**

- Class 1 - 2%
- Class 3 - 6%

### **Social Security Safety Net Duties**

Responsibility of the enterprise – 15%  
Responsibility of the employee - 8%  
(compulsive its retention at the source)

## Costs of Factors of Production

**Electrical energy (CVE/Kwh)**

Domestic consumption	Industrial consumption
Up to 40 Kwh = 14 CVE	12.50 CVE – special rate
> 40 Kwh = 17 CVE	10.80 CVE - medium tension
<b>Water (CVE/m<sup>3</sup>)</b>	190 CVE

**Fuel****Gas oil (liable to pay taxes)**

**Unified price** 38 CVE

**Gas oil (cleared from customhouse)**

In bulk sales or in drum sales 59.50 CVE

Sale price at the filling station 60.00 CVE

**Petrol**

In bulk sales or in drum sales 104.20 CVE

Sale price at the filling station 105.00 CVE

Source: The Official Gazette. Series I, number 26. Dated August 20, 2001

## Telecommunications

The cost of installing a fixed phone is approximately 3.045 CVE; plus a monthly user fee of 250 CVE. Cape Verde Telecom publish the tariffs that are applicable to telephone calls.

Other services such as the mobile phone, the internet and fax are available upon request to Cape Verde Telecom.

**Note: All the listed prices are liable to changes**

## Land

Sales prices of land varies across the Integrated Tourism Development Zones (ZDTI). Various land use modalities are available and negotiations are encouraged for specific conditions. In order to acquire land in the ZDTI the potential investor should contact PROMEX.

In order to buy land located in the industrial estates the potential investor should contact the Town Hall.

### **Working hours and days (Monday through Friday)**

Public institutions - From 08H00 to 12H00; and from 14H00 to 18H00

Banks - From 08H00 to 15H00 (customers)

Trading companies - Monday through Friday - From 09H00 - 12H30; from 15H00 – 19H00

- Saturday - From 09H00 to 13H00

Most of the private firms pursue the same schedule as that of the public administration. Meanwhile, some private firms open for business on Saturdays and other public and private institutions work in shifts.

<b>Useful Phone numbers (Country code: +238)</b>	<b>Telephone</b>	<b>Fax</b>
PROMEX (Head office)	622621/622689	622657
Information (CVTelecom)	102	
TACV	608200	618323
TAP	615826	611266
SAA	411358/1365	411093/38
Chamber of Commerce (Câmara de Comércio) of <u>Sotavento</u>	617234	617235
Chamber of Commerce (Câmara de Comércio) of <u>Barlavento</u>	314685/321822	321889

## LEGISLATION

- \* Foreign Investment - Law numbered 89/IV/93, dated December 13, 1993;
- \* Regulations-Decree - Law numbered 1/94, dated December 3, 1994;
- \* Tourism Utility Law - Law numbered 42/IV/92, dated April 06, 1992;
- \* Free Trade Zone Enterprise Statute - Law numbered 99/IV/93, dated December 30, 1993;
- \* Incentives to Export and Re-export- Law numbered 92/IV/93, dated December 15, 1993 (Extra edition of the Official Gazette, number 47/93);
- \* Industrial Statutes - Law numbered 108/89, dated December 30, 1989.