

# Taxation: Cape Verde

**I**ncome Tax. Non-resident persons, whom for tax purposes are those persons who live less than 183 days per year in Cape Verde, are subject to income tax on income earned in Cape Verde, at a rate of 20% on net rental profits.

The taxable net amount is calculated by deducting 10% of the gross rent (for maintenance expenses) Annual Rates and an amount specified by law, from the gross annual rent. Should a property only be rental for certain periods of the year the annual expenses should be reduced pro-rata. It is not possible to deduct expenses incurred from property improvements. It is however possible to reduce the net taxable figure if there is a loan on the property by a Cape Verde Bank. You may claim a deduction of 30% of the loan interest paid. There is no deduction for capital repayments on a loan and the deductions eligible against interest payments is capped by law.

**Stamp Duty.** Properties purchased in Cape Verde by an individual buyer are subject to Stamp Duty at a rate of 0.2% of the Conveyance value.

**Annual Rates.** Properties in Cape Verde are subject to a flat rate of 3% on 25% of the declared Conveyance value, which is paid annually in April.

**Capital Gain Tax** Should you sell your property and make a profit on the sale you will be subject to capital gains taxation at a flat rate of 3%, payable within 30 days of the Conveyance Deed, in the following circumstances:

- Sale of Land / Plots for Construction. If the sale value exceeds the initial purchase value by more than 100%.
- Buildings and other Property. If the sale value exceeds the initial purchase value by more than 30%. Some deductions are acceptable in order to reduce the amount of gain subject to tax, including any sale related costs. Should a property be sold at a loss, non-resident persons are unable to carry this loss forward to offset against any possible future gains.

**Inheritance / Donation Tax.** Beneficiaries of properties transferred by means of inheritance or gift are subject to taxation at a flat rate of 3% of the tax registered value. If the amount is considered too low by the authorities they are able to value the property to establish the market value.

**Income Tax.** Taxation of income gained from property rentals in Cape Verde should be reported to HM Revenue and Customs under the Foreign pages of the Self Assessment Tax Return, payable at your UK income tax rate of 22% or 40% depending on your other levels of income.

The net profits subject to taxation are calculated on the gross annual rental less any expensed incurred by the rental of the property, such as maintenance, insurance, and agent's fees. These expenses should be reduced pro-rata if the property is only rented out for certain periods of the year. Some or all of the interest paid on a loan taken out for the purpose of purchase or improvement of the property may also be deducted from the gross annual rental.

It is also possible to further reduce the amount of net profits by deducting expenses incurred for wear and tear and even the replacement of goods such as appliances and furniture; however these expenses are capped to a maximum of 10% of the gross rental following deduction of property taxes.

Income gained from rentals of foreign properties is classified separately and therefore any losses incurred cannot be used to reduce or off set any other type of income, including income from rentals of UK properties. It may however be used against income earned from other foreign rentals. You may reduce your Income Tax in the UK, attributable to the rental income of foreign property, by the amount of tax paid in Cape Verde on the same rental income.



**Capital Gains Tax.** Profits arising from sales of property in Cape Verde are subject to UK Capital Gains Tax at a rate of 10%, 20% or 40% depending on your other levels of income in the same tax year. The net taxable figure is calculated by deducting the purchase price, purchase or sale related costs and expenses incurred in improving the property.

Capital Gains Tax is also reduced by the annual allowance; the current 2006-2007 figure for individuals is £8,800. The net taxable amount will be further reduced on a sliding scale depending on the number of whole years the property has been owned prior to sale, with a maximum 40% deduction allowable. Should you sell a property at a loss it is possible to reduce or off set other gains made in the same tax year or carry it forward to off set against future years.

**Inheritance / Donation Tax.** Gifts or transfers of property, including those in Cape Verde, are subject to Capital Gains tax, and is calculated by deducting allowable expenses from the market value at the time of donation/sale. Properties bequeathed on death are subject to inheritance tax. The value of the property is included in the deceased's estate and taxable at a rate of 40%. Life time gifts are not subject to Inheritance tax unless the donor dies within seven years of donation, in which case Inheritance tax is applied on a sliding scale. There is no double taxation treaty between the UK and Cape Verde.