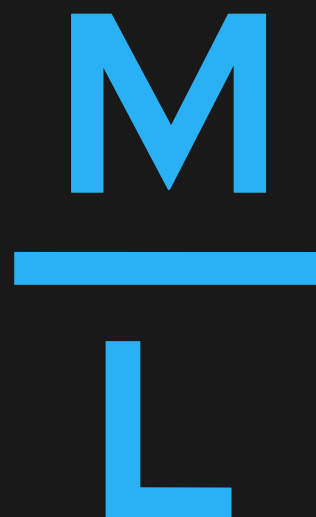


MORAIS LEITÃO
LEGAL CIRCLE

TOURISM IN CAPE VERDE: AN OCEAN OF OPPORTUNITY

Context, opportunities and relevant
legal factors



TOURISM IN CAPE VERDE: AN OCEAN OF OPPORTUNITY

CONTEXT AND OPPORTUNITIES

Introduction

Cape Verde is a ready-to-explore destination for foreign direct investment. With its unique location on the West African coast, it asserts itself as a true **atlantic gateway to Africa**, through strong and competitive foreign investment incentives.

Cape Verde was ranked as the 2nd African country with the best structure for economic opportunity¹ and its political and social stability provide this country with ideal conditions for investment. Currently, the focus is on the launch of tourism projects by international hotel groups and the creation of duty-free zones, such as the recently founded Special Economic Zone of São Vicente, which will include a cruise port currently under construction. Lesser-known islands such as Maio are now attracting investments in the order of 500 million euros, as investors become aware of their untapped potential.

Despite the impact of the COVID-19 pandemic on the global economy in 2020, Cape Verde managed to reach 1.2 million in foreign investment approved², also thanks to the Government's opening to the handling of establishment agreements with tourism promoters, where incentives and benefits associated with the enterprise are established, in a tailor-made logic.

Investing in Cape Verde means combining the great business opportunities of an emerging country with the peace and tranquility that this country offers to the investors. The space for investors intending to enter the Cape Verdean market is vast in all sectors, and especially in tourism.

Investing in tourism in Cape Verde

Tourism is the sector with the greatest weight in the country's economy, representing around 21% of the GDP. The climate, geographic location, cultural diversity and safety make Cape Verde an extremely attractive holiday destination.

In the third quarter of 2019, the country registered an increase in the number of guests in the order of 6.8%, compared to the same quarter of the previous year. Over the same period, overnight stays grew by 1.9%, compared to the same period in 2018.

Data from the National Statistics Institute (*Instituto Nacional de Estatística* – INE) shows that, from January to September, as has been the case for several years, the United Kingdom remains the main source of tourists and British tourists were the ones who stayed in Cape Verde the longest, with an average stay of 8.9 nights.

RELEVANT LEGAL FACTORS

Regulatory framework for tourism

Tourism is so relevant that the Government recognises its priority and frequently establishes agreements in this area. Furthermore, the status of tourist utility can be granted to tourism initiatives that have a special interest in pursuing the goals of national tourism policy, which allows access to several advantages, including advertising in official guides, certification and a quality seal of tourist utility, State contributions for the training and qualification of workforces and attribution of tax benefits.

The Government can also create Special Tourist Areas, which are areas identified as having a special aptitude and propensity for the development of tourist trade. The definition of these areas grants several advantages, namely the creation of special tourist development plans and the acquisition, from owners of key buildings, by the State.

Special Tourist Areas are managed by a private entity owned by the Ministry of Economy, in the form of a tourism development corporation. In the case of the islands of Boavista and Maio, the Boavista and Maio Islands Tourism Development Corporation (*Sociedade de Desenvolvimento Turístico das Ilhas de Boavista e Maio* – SDTIBM) is responsible for tourism development. However, the State chooses, through a public call for tenders, a private partner to integrate this corporation and the planning, management

and administration of tourist areas can also be granted, by means of concession, to private parties, through a public call for tenders.

Given the vast area of tourism, the main business opportunities within this sector stand out:

- Hotels, resorts and similar;
- Low-cost air transport;
- MICE (meetings, incentives, conferences and exhibitions);
- Rural tourism and ecotourism;
- Cruise tourism;
- Water sports;
- Health tourism.

Relevant legislation for investment in the tourism sector:

- Bases of Tourism Public Policies (Law No. 85/VII/2011, of January 10th);
- Major planning Options for the Strategic Plan for the Sustainable Development of Tourism for 2018-2030 (Resolution No. 1/2019, of January 9th);
- Regime of the Status of Tourist Utility (Decree-Law No. 22/2020, of March 13th);
- Legal Regime of Special Tourist Areas (Decree-Law No. 75/VII/2010, of September 2nd, with wording passed by Decree-Law No. 41/2016, of July 29th).

¹ Source: Ibrahim Index of African Governance (IIAG).

² Source: statements by the President of Cabo Verde TradeInvest, José Almada Dias, at the conference organised by AICEP Portugal Global under the theme "Portugal – Cape Verde: Business and investment opportunities", on March 17th 2021.

Incentives for private investment and tax benefits

The Investment Law (Law No. 13/VIII/2012, of July 11th, amended by Decree-Law No. 34/2013, of September 24th) defines the basic legal framework for the process of carrying out national and foreign investment in Cape Verdean territory or abroad from Cape Verde and the benefits, guarantees and incentives granted.

Under the Investment Law, all investors, regardless of their nationality, enjoy the same rights and are subject to the same duties and obligations. Investors are guaranteed security and legal protection against any measures of requisition, nationalisation, or direct or indirect expropriation, which can only occur in strict compliance with the law, the principle of non-discrimination and the principle of fair compensation.

In cases where investment projects, due to their size or impact, are considered to be of exceptional interest within the framework of its socio-economic development strategy for the country, the State of Cape Verde frequently establishes agreements with private investors, in which the rights, obligations, incentives and attributed tax benefits are outlined.

Tax and customs benefits

Among the various tax benefits granted to Cape Verdean investors, the following can be highlighted:

- Tax credit, by granting a tax allowance from the Single Income Tax;
- Single Property Tax exemption;
- Stamp Duty exemption;
- Custom duties exemption;
- Establishment agreements;
- Tax benefits for the International Business Center;
- Tax benefits for agriculture, livestock and fishing;
- Tax benefits for industry, civil aeronautics and maritime transport;

Tax regime

In line with the various tax benefits that already exist, the Government has been implementing changes to the Cape Verdean tax regime that benefit and encourage economic investment, both by national and international operators, in order to turn Cape Verde into a more competitive and attractive jurisdiction, enhancing its geo-strategic and historical position, in order to stand out as an international center for development and competitiveness.

The main taxes to take into account are:

- Single Income Tax (*Imposto Único sobre o Rendimento* – IUR);
- Single Property Tax (*Imposto Único sobre o Património* – IUP);
- Stamp Duty (*Imposto de Selo* – IS); and
- Custom duties.

Work regime

In the last decade, Cape Verdean labor legislation has suffered changes in order to make the employment relationship more flexible by expanding the possibilities of fixed-term contracts, reducing indemnity compensation in case of dismissal and introducing modern forms of work, such as temporary work and telework.

Incentives for training and retaining of young population are privileged, with professional internships and professional qualification initiatives.

Incorporation of companies and commercial companies' regime

The incorporation of companies by foreigners is free, and the investor may choose between the creation of a private limited company, a single-member company or a public limited company. It is also possible to create a representation of a foreign entity, *i.e.*, a branch or a permanent establishment.

There are simplified, agile and quick systems for setting up companies and the minimum capital required to set up a commercial undertaking is just 1 Cape Verde *Escudo* (EUR 0.01).

Licensing

The licensing of economic activities and projects is done with the administrative entities with competence within the area in question.

In recent years, improvements have emerged in terms of administrative simplification and modernisation, particularly regarding administrative procedures that promote digital interaction with public services and the provision of online services by the Public Administration. At present, the implementation of online request submissions is already being anticipated, as well as the use of the Cape Verde Digital Mobile Key and service provision via teleconference or videoconference.

Furthermore, in cases where the licensing of the investment project is processed with *Cabo Verde TradeInvest*, this entity will initiate the processing of the various legal and regulatory procedures that provide for the issue of opinions, approvals, authorisations, decisions or licensing for which the central administration is responsible, necessary to carry out the project.

Other relevant information

Cape Verde's Renewable Energy Plan;

Portugal-Cape Verde Strategic Cooperation Programs 2017-2021;

Government Program materialised by the Strategic Plan for Sustainable Development 2017-2021;

Memorandum of Understanding between the Governments of the Portuguese Republic and the Republic of Cape Verde regarding the strategic cooperation program for 2015-2020;

National Strategic Plan for Waste Management (PENGeR) 2015/2030;

National Health Development Plan 2017-2021;

Protocol on the Implementation of the Fisheries Partnership Agreement between the European Community and the Republic of Cape Verde (2019-2024);

Cape Verde's Housing Sector Profile, 2nd edition, Government of Cape Verde, through the Ministry of Infrastructure, Spatial Planning and Housing (MIOTH) and UN-Habitat Cape Verde, 2019, Praia, Cape Verde;

Survey and Characterisation Study of Commercial and Industrial Companies on the Island of São Vicente;

Alimenta CPLP Platform Report – Impacts of COVID-19 in the Community of Portuguese Language Countries and ongoing responses to build more equitable and resilient food systems – August/2020;

Specific analysis regarding economic freedom indicators in Cape Verde, according to The Heritage Foundation, Economic Freedom Index 2020.

Supporting clients, anywhere, anytime.

M L

CONTACTS



VERA PATRÍCIA QUERIDO
PARTNER

+info



OLIVER ARAÚJO
PARTNER

+info

Member

LexMundi
World Ready

MORAIS LEITÃO

GALVÃO TELES, SOARES DA SILVA & ASSOCIADOS

Supporting clients, anywhere, anytime.



MORAIS LEITÃO, GALVÃO TELES, SOARES DA SILVA & ASSOCIADOS

LISBOA

Rua Castilho, 165
1070-050 Lisboa
T +351 213 817 400
F +351 213 817 499
mlgtslisboa@mlgts.pt

PORTO

Avenida da Boavista, 3265 – 4.2
Edifício Oceanvs
4100-137 Porto
T +351 226 166 950 - 226 052 380
F +351 226 163 810 - 226 052 399
mlgtsporto@mlgts.pt

FUNCHAL

Av. Arriaga, n.º 73, 1.º, Sala 113
Edifício Marina Club
9000-060 Funchal
T +351 291 200 040
F +351 291 200 049
mlgtsmadeira@mlgts.pt

mlgts.pt

ALC AVOGADOS

LUANDA

Masuika Office Plaza
Edifício MKO A, Piso 5, Escritório A/B
Talatona, Município de Belas
Luanda – Angola
T +244 926 877 476/8/9
T +244 926 877 481
geral@alcadvogados.com

alcadvogados.com

HRA AVOGADOS

MAPUTO

Avenida Marginal, 141, Torres Rani
Torre de Escritórios, 8.º piso
Maputo – Moçambique
T +258 21 344000
F +258 21 344099
geral@hrlegalcircle.com

hrlegalcircle.com

VPQ AVOGADOS

PRAIA

Edifício BACenter, 3.º esq.
Av. Cidade de Lisboa, Chã d'Areia
Praia – Cabo Verde
M +238 972 84 20
M +238 973 23 21
geral@vpqadvogados.com

vpqadvogados.com