



RELEASE: DECLARATION OF A STATE OF EMERGENCY IN MOZAMBIQUE

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The President of the Republic of Mozambique gave a speech yesterday providing general guidelines of what will be the content state of emergency measures in Mozambique. Following this speech, ABCC would like to draw attention, among others, to the following announced measures: (i) decree of State of Emergency starting at 12:00 am on 1 April 2020 for a period of 30 days; (ii) mandatory quarantine for all travelers and persons that have been in direct contact with infected patients; (iii) prohibition of public and private events, religious cults, cultural events and any and all that gathers a group of people; (iv) limitation of movement of people at a national level and limitation of entry of people to Mozambique; (v) closure of commercial entertainment establishments (bars, clubs, restaurants, gambling houses); and (vi) work shifts (workers cannot work all at once, they must work in shifts).

Following the above, ABCC is currently analysing the potential impacts of Covid-19 in the following practice areas: (i) labour; (ii) commercial and investments and (iii) tax, social security and accounting obligations.

In a strictly labour perspective, we believe that the following issues will have to be analysed: (i) the possibility of a company suspending its activities, partially or completely; (ii) the impact of such partial/ complete suspension of activities in practice (incl. with respect to the payment of employees' salaries).

A more challenging but also interesting question would be whether the company would be able to suspend partially/ completely its activities based on: (i) low attendance by

employees at the company/ plant, (ii) the immediate risk of contamination should Covid-19 cases be confirmed?, (iii) the lack of medical care in the region; and/ or (iv) the fact that competitors (located in less isolated regions of Mozambique) may produce enough sugar to meet to country needs?

On the other hand, we believe that companies may become unable to fulfill their contractual obligations and it may be necessary to evaluate the possible configuration of the hypothesis of force majeure or excessive burden, among other causes of exclusion of liability in contracts, operations and transactions. The challenge at this stage will be to qualify Covid-19 as an extraordinary and unpredictable event, which could not be predicted by the contracting parties at the time of the conclusion of the contract, configuring a fortuitous situation or of force majeure or knowing that the effects of Covid-19 are part of the risks of contracts, operations and transactions themselves.

In any case, an individual assessment of the main contracts is recommended to identify the potential legal consequences.

From the point of view of social security, concrete measures on social security contributions to preserve employment due to the impact of COVID-19 are unknown. We do not yet know whether there will be a deferral in the payment of contributions and if there is one whether it will apply to all companies in the private sector.

Regarding accounting and tax obligations to be fulfilled by certified taxpayers or accountants, it has not yet been clarified whether the situations of infection or prophylactic isolation declared or determined by the Government are considered as a just impediment and whether the taxes referent to the second quarter of 2020 will be deferred (VAT paid by clients, withholding IRPS and IRPC tax).

ABCC believes that the mentioned aspects will be clarified by the regulation to be brought by the Council of Ministers which will shortly meet in order to set the concrete measures resulting from the state of emergency.

Once this instrument is approved, we will immediately provide it to you.

Further to that, we will provide sectorial clarifications of the same in due course.

Please note that this is completely free of charge.

Please stay safe!