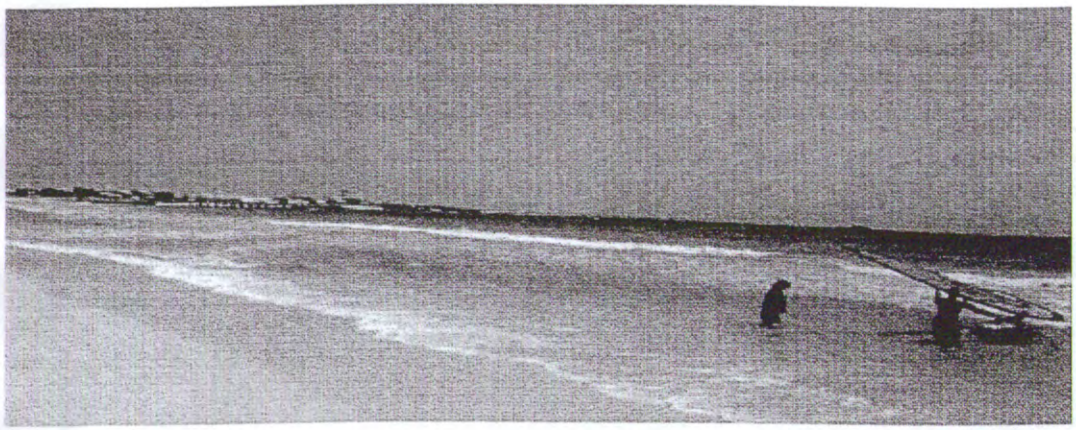
INVESTOR'S GUIDE



CABO VERDE
INVESTIMENTOS

Cape Verdean Investment Promotion Agency

CAPE VERDE FACTBOOK

Country name: Conventional long form: Republic of Cape Verde
Official language: Portuguese
Mother language: Crioulo
Capital city: Praia
Total land area: 4,033 km²
Population: 434,812 inhabitants (2000 Census)

Domestic Economy (Economic Indicators)

	Unit	2005	2006	2007	2008
Real Sector					
Real[1] GDP	In %	5,6	8,2	6,7	5,9
GDP per Capita[1]	$US	2,206.3	2,463.3	2,893.0	3,436.2
CIP	in %	0.4	4.8	4.4	6.8
Unemployment Rate	in %	24.4	18.3	21.7	17.8

Official Exchange Rate: Mean Annual (2009)

$US	82.22
Euro (Fixed Peg)	110.265

Trade

	Unit	2006	2007	2008
Exports of Goods and Services	As a % of GDP	40.4	39.9	38.6
Imports of Goods and Services	As a % of GDP	68.4	72.4	66.7

Source: Bank of Cape Verde (Central Bank)

1 Bank of CapeVerde Estimates * Credit for Tourism Travel, Balance of Payments ** Tourism Travel Credit/ Total Credit for Services a) Estimate

Source: BCV,INE,IEFP,FMI

Tourism Indicators	Unt	2006	2007	2008
Guests	Unit	241.782	267.188	285.141
Overnight stays	Unit	1261.497	1307.558	1711.875
Tourism derived revenues* (million CV Escudos)		17.495,4	23.495,5	25.334.4
As Share of GDP	%	16,8	20,4	19,4
As Share of Service sector**	%	52,2	59,7	60,8

Source: Bank of Cape Verde (Central Bank)

Foreign Direct Investment	Unit	2006	2007	2008
Share of sector of economic activity				
Tourism and Real Estate Services	%	91.84	78.31	80.56
Industry (Manufacturing)	%	1.6	0.01	0.01
Other	%	6.56	21.18	19.43
Geographic Distribution				
Santiago	%	29.5	12.8	2.3
S. Vicente	%	36.6	0.2	27.5
Sal	%	31.9	57.3	32.0
Boavista	%	2.1	29.5	38.2
Outros	%	0.0	0.1	0.0

Source: Bank of Cape Verde (Central Bank)

1 Bank of CapeVerde Estimates * Credit for Tourism Travel, Balance of Payments ** **Tourism Travel Credit/ Total Credit for Services** a) Estimate

RESONS FOR INVESTING IN CAPE VERDE

Economic and political stability

* Sistema político parlamentar com eleições livres;
* Absence of political, ethnic or religious conflicts;
* Stable social and economic Indicators.

Privileged Geographic location

* Halfway between North America and South Africa;
* Halfway between South America and Central Europe;
* Served by major regular north-south sea and air routes

Preferential Access to markets

* Country of origin made products benefit of preferential access conditions to markets such as the EU, ECOWAS, USA (SGP and AGOA) amd Canada (Memorandum of Understanding on LDC Initiatives)

Labor

* Supply Readily Available;
* Easily Trained;
* High level of productivity.

Foreign Direct Investment Incentives

* Two industrial estates, with required facailities and services and equipment available;
* International sea ports and airports of fair capacity;
* Efficient and competitive informatioin and communication technology;
* Water supply network and power grid available; ship repair yard and cold storage and processing of fish

GOVERNMENT WARRANTY

* Non discriminatory policy, fair and just handling of issues;
* Protection of goods and upholding of rights;
* 100% repatriation of all legally earned profits in hard currency the investor is entitled to;
* Freedom to open and maintain bank account in hard currency;
* Hiring of expatriate workers.

FISCAL AND CUSTOMS INCENTIVES

Cape Verde offers a set of important incentives, such as:

OVERALL INCENTIVES

🕮 Foreign Direct Investiment

* Fiscal Incentives

* 0% tax on dividends and profits to shareholders for a period of 5 years and/or whenever they are reinvested;
* 0% tax on amortizations and interests falling on financial transactions that constitute foreign direct investment;
* Stable Fiscal System. (Personal Income Taxes of 10% after the 6th year into business, without hindrance from benefitting of more favorable ans foreseeable terms under bilateral agreements signed between Cape Verde and the country of the recipient investor).

(Law #89/IV/93, 13thDecember)

🕮 Duty free Enterprises (Special Tax System)

* Fiscal Incentives

* 0% tax on duties, tariffs or other levies falling on profits for the first 10 years of business.
* Following said tax exemption period, as foreseen under previous paragraphs, corporate tax on profits or on dividends to shareholders cannot exceed 15% of profits.
* Furthermore, the duty free enterprise is entitled to full tax exemption and other indirect fiscal assessment namely stamp duty.

☞Customs incentives

* Customs duties exemption and excise duty exemption such as applicable to the imports of equipment, construction material, fuel and lubricant to be used in manufacturing;
* Special tax system regarding import of raw materials and others;
* Duty free export.

(Law number99/IV/93, December 31)

🕮 Export-oriented Companies under Regular Tax System

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☞ Fiscal Incentives
* Reduced corporate tax rates for the first 5 years in business.

☞Customs Incentives
* Tax exemption on raw materials, finished and unfinished goods used in the production of export-oriented goods and services.

The import of goods and materials to be incorporated in the production of export-oriented commodities is customs duty free, and exempted of excise duty and fees.;

* Freedom to export. manufactured goods.

(Law by Decree number 92/IV/93, December 15)

INCENTIVES TO SPECIFIC SECTORS

Industry

* Customs duties exemption, excise duty, tariffs and overall customs fees on import of goods, equipment and msterials such as listed;
* Corporate tax exemption on revenues generated by each new industrial unit as registered for a period of 3 years;
* Freedom to export manufactured goods;
* Corporate tax deduction on reinvested profits.

(Law by Decree number 08/89, December 30)

Tourism

* Customs duties exemption on the imports of materials for the construction and running of hotel establishments, resorts, marinas, Golf courses as well as other tourism-oriented undertakings;
* Corporate tax exemption: 100% exemption for the first 5 years into business and 50% for the following 10 years;

Tax rates deduction on profits reinvested in similar activities;

* Deduction of tax rate on taxable expenditures incurred with training of domestic workers;
* Freedom to export manufactured goods;.

(Law number 42/IV/92, April 6)

LIMIT TO INCENTIVES

* Is placed on the foreign direct investor engaged in business whose main goal is to supply the domestic market;
* Is placed on foreign direct investment targeted at the financial sector as the sector is governed by specific law.

BUSINESS OPPORTUNITIES

Industry

* Water, energy, confectionery, footwear, fish processing, sea salt, cement industry, porcelain, stoneware, earthenware, biscuit, packing, furniture, commercial printing operations, preparation of feeds and feed ingredients for animals, beverages and soft drinks

Building industry

* Production of agglomerates, cement-based products and alike, paints, mosaic, tiles, roof-tile, electrical fittings, household appliances;

Fisheries

* Commercial fisheries, catch, processing, cooll storage and Sales of fish and fish products.

Agriculture

* Coffee, wine, floriculture, ornamental plants, fruit tree produciton.

Services

* Teleport, teledata, international ship's register, catamarans, tourism and industry ancillary undertakings, commercial free trade zones, telecommunications;
* West Africa shipping routes targeted at coastal trade, feeders and trumping services.

Tourism - De Lux Hotels, resort, marina, golf courses, transportation, restaurants, recreational fishery, diving, inter-islands transportation;

Privatization

* ENAPOR - Port Authority
* CABNAVE - Shipbuilding yard
* EMPROFAC - Importação e Distribuição de Medicamentos
* TACV - Domestic Flag Carrier (Airlines)

CABO VERDE

BUREAUCRATIC RED TAPE:

🕮 Foreign Direct Investor Status

✓ Application - Any foreign direct investment operation calls for a prior authorization (paragraph 1, article 3, Law number 89/IV/93). The Foreign Direct Investor Status application should be addressed to the member of the Government responsible for Finance via CI. The dossier should contain three (3) copies of duly filled in official forms and the following:

* Identification of the foreign direct investor;
* Investor's curriculum and bank references;
* Intended site;
* A descriptive project summary;
* Annexes 1 and 2 (furnished by CI) duly filled in
* Environmental Impact Assessment (when applicable)

a. Delay - Any pronouncement made by the Minister of Finance and Planning is conveyed to the potential investor no later than 30 days after the date of submission of the dossier to CI-ACI. In the event CI-ACI requests additional information be furnished by the investor, the time spent collecting and furnishing it does not count and the time limit stipulated is adjusted accordingly.

✓ Foreign Direct Investor Certificate - In the event of a No Objection on the part of the Minister of Finance and Planning a Foreign Direct Investor Certificate is issued by CI. The Certifcate becomes void if the investment is not carried out within the delay it specifies.

✓ Registration of Foreign Direct Investiment - The foreign direct investment operations mentioned under article 5 of Law number 89/IV/93 are subject to registration with the Bank of Cape Verde. Three (3) duly filled in official forms must be submitted.

✓ Inspecção do Empreendimento - In order to start business the undertaking must be duly registered which prompts inspection by the competent authority within 30 days of submission of an inspection note.

🕮 Status of Free Trade Companies

✓ Application - Duly filled in form.
✓ Delay - Same directives as under Foreign Direct Investor

In the event CI-ACI requests additional information be furnished by the investor, the time spent collecting and furnishing it does not count and the time limit stipulated is adjusted accordingly.

✓ Certificate - In the event of a No Objection on the part of the Minister of Finance and Planning a Certificate of Free Trade of Company is issued by CI-ACI. A copy of the Certificate is furnished to the domestic authorities in charge of business and labour issues as well as to the applicant. The Certificate entitles the Foreign Direct Investor to access to incentives set in napplicable legislation.
Remark: Only 100% export-oriented companies or those that sell their products to other companies operating in a free trade area of Cape Verde are entitled to apply for said status.

🕮 Setting up Business in CV

Would-be foreign direct investor willing to set up business in Cape Verde is given the following legal options for creating a company:

SETTING UP TRADING COMPANIES

CapeVerde sets the following classification of trading companies:

a) Copartnerships;
b) Shareholder Societies;
c) Anonymous Society (or limited company);
d) Limited Society or joint-stock company;
e) Co-operative Societies.

The nost commmon forms are Shareholding societies and Anonymous Society (or limited company).

🕮 Business Set up Process

In order to set up a business undertaking in Cape Verde would-be investor should:

1) Obtain a certificate of adminissible evidence stating that there is no other company bearing same designation;
2) Demand an original of registration of the trading society and the bylaws, such as written by the business partners, with the Registry Office;
3) Attach the counterfoil of bank deposit as evidence of deposit of amount equivalent to the jointly held capital funds.
4) Following registration with the Registry Office publish in the Official Gazette (BO) the Bylaws or the businees set up agreement;
5) Obtain with the Directorate General of Tax Collection and Tax Law Enforcement the Fiscal Indentification Number (NIF);
6) Register with the Directorate General of Commerce in order to start commercial business.

As an alternative, would-be investor is advised to contact (www.portondinosilha.cv) "**Casa do Cidadão**" if willing to set up a Trading Company in jsut one hour.

FISCAL GUIDE

🕮 Single Income Tax (IUR)

IUR falls on the aggregate annual (calendar year) income, derived from diferent sources. The following are highlighted:

(i) property-derived income;
(ii) commercial and industry-derived incomes;
(iii) sales of services;
(iv) income from agri-businessand fisheries;
(vi) income from capital investment (Gambling income including winnings from lotteries as well);
(vii) labour-derived income (self-employment and hired worker)

Under alternative minimum tax method of taxation, such as set under article 57 of Law number 1/96, January 15, the following tax rates apply:

🕮 Hired worker or retiree

Rates charged upon payment concerning incomes generated from the payment of receipts, provision of services and execution of tasks that fall into the category of liberal professions such as stipulated under article ___ of Law number 1/96 of January 15, 2002.

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Legal entities, be it private or public incorporations, juridical persons or not, are liable to pay single income taxes provided they have a head office or businesses domiciled in Cape Verde.

Non-domiciled companies or their equivalent entities, in possession of stable premises but without a head office, an acting board of administration or businesses domiciled in Cape Verde are entitled to pay income taxes falling on the incomes generated.

Individuals residing in the country, actively engaged in commerce, industry, agriculture or fisheries activities as their main source of income as well as premises of non-residents in business are liable to pay income taxes which fall on their statement of income.

In order to compute taxable income, net revenues and relevant inventory taking (positive or negative balance) for a given period must be known from established accounting records and ultimately validated under the terms of Single Income Tax regulation.

The marginal tax percentage applied to a taxpayer's income bracket ("regular" tax method of taxation) is set at 25%.

The marginal tax percentage under "estimate" tax method of taxation is set at 15%.

The marginal tax percentage under "situation of liquidation" tax method of taxation falls on the following earnings at specified rates:

a) Interest earned on current account deposits, such as applicable to all depositors, safe for deposits held by emigrants: 20%;
b) The remaining earnings from capital investments safe for profits distributed by whatever method, including profits generated from the liquidation of business ventures and from investment societies: 15%.
c) Income generated by non-residents even if they do not own premises, falling on the face value of the invoice: 20%;
d) Rendimentos provenientes de ganhos de jogos, lotarias apostas mútuas: 15%.

🕮 Single Property Tax (IUP)

The marginal tax rate of 2% applies to acts requiring Registry Office procedures.

Annual income	Amount	Tax %
Less than or Equal to	200,000CVE	0%
Up to:	385,000CVE	11.67%
Up to:	810,000CVE	15.56%
Up to:	1,620,000CVE	21.39%
Up to:	2,430,000CVE	27.22%
Over:	2,430,000CVE	35%

🕮 Stamp duty

A stamp duty is due on sales invoices or other transactions and the provision of services.

OTHER INFORMATION

🕮 Insurance against Accidents at Work and Occupational Diseases

Amount	Incidence	Rate
1	Operações de crédito	0,5%
2	Interests, insurance premium, or financial services instalments	5%
3	Warranties	0,5%
4	Insurance	3,5%
5	Letras, livranças, títulos de crédito, ordens de pagmento	0,5%
6	Operações societárias	0,5%
7	Transmissão de imóveis	1%
8	Trespasse e transmissão de licenças	5%
9	Arrendamento	10%
10	Locação financeira de imóveis	1%
11	Actos notariais,do registo e processuais	15%
12	Actos Administrativos	1.000,00
13	Escrituras de contratos	1.000,00

B.O. Number 45 - First Series, 8 December 2008

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

🕮 Social Security Expenses

* Expenses incurred by the company- 15%
* Expenses incurred by the employee - 8%

(Charged upon payment)

Electricity Sale Price (in CVE/Kwh)

(Source: ARE)

Domestic Tariffs	
1st Echelon <= 60 Kwh - 22.77CVE (included: 15%x30% VAT)	2nd Echelon > 60 Kwh 29.94CVE (included: 15%x30% VAT)

Industrial Low voltage transmission Lines	
Voltage rate 317.63CVE/Kw (included: 15%x30% VAT)	Power Rate = 25.92CVE/Kwh (included: 15%x30% VAT)
Medium voltage transmission lines	
Voltage rate: 292.55CVE/Kw Power rate= 21.40CVE/Kwh (Included:15%x30% VAT)	

Water Tariffs (in CVE/m^3)

(Source: ARE)

	1st Echelon <= 6 m^3	2nd Echelon >6 & <= 10m^3	3rd Echelon > 10 m^3
- Domestic	234.07CVE	343.52CVE	457.15CVE

Industry - (included: 15%x20% VAT)	402.21CVE
Tourism - (included: 15%x30% VAT)	520.59CVE
For the needy/Social (included: 15%x20% VAT)	259.00 CVE
Commerce and Services <= 20 m^3 (included: 15% x20% VAT)	419.84CVE
Commerce and Services > 20 m^3 (included: 15% x20% VAT)	489.61CVE

Real Estate

The sale price of unit surface area in the Comprehensive Tourism Development Areas (ZDTI) varies. Any investor willing to buy real estate in any ZDTI should contact CI-ACI.

To acquire land located in industrial estates willing investors should contact the Municipalities.

Working Time (Service Providers) From Monday through Friday

Public sector - 08H00 to12H00 and from14H00 to18H00
- 08H00 às 16H00 Summer time

Banks - 08H00 to 15H00 (customers only)
Commerce - **Monday through Friday** - 09H00 - 12H30/15H00 – 19H00
- Saturday - 09H00 to 13H00

CAPE VERDE INVESTMENT PROMOTION AGENCY

Main Tasks:

1. One Stop Shop;
2. Promotion of Foreign Direct Investment;
3. Promotion of Tourism Industry Development;
4. Promotion of Exports;
5. Management of Special Tourism Areas

Legislation

- Foreign Direct Investiment- Law number 89/IV/93, December 13;
- Decree by Regulation - Law number 1/94, December 3;
- Tourism Usefulness - Law number 42/IV/92, April 6;
- Free Trade Company Bylaws - Law number 99/IV/93, December 30;
- Incentives Applicable to Export and Reexport - Law number 92/IV/93, December 15 (Supplement to BO number 47/93);
- Industry Bylaws - Law by Decree number 108/89, December 30;
- Trading Companies Code - Legislative Ordinance number 3/99, March 29;

Institutions	Telephone (+238)	Fax (+238)
CI-ACI (Head Office)	2604110 / 11	2622657
Information Services (CV Telecom)	102	
TACV - Cape Verde Airlines (Domestic Flag Carrier)	2608200	2618323
TAP - TAP Portugal (Portuguese Airline)	2615826	2611266
SAA - South Africa Airways	2411358/65	2411093/38
Chamber of Commerce (Sotavento)	2617234	2617235
Chamber of Commerce (Barlavento)	2328495	2328496

Major Sites

Government of Cape Verde	www.governo.cv
CI– Cape Verde Investment Promotion Agency	www.virtualcapeverde.net
National Institute of Statistics	www.ine.cv
Bank of Cape Verde (Central Bank)	www.bcv.cv
Cape Verde Telecom	www.nave.cv