

SOUTHMOD

Country report

Mozambique

MOZMOD v1.0

2009, 2015

Vanda Castelo, Finório Castigo, António Cruz,
Christine Byaruhanga, David McLennan,
Michael Noble, and Gemma Wright

May 2017



República de Moçambique
Ministério da Economia e Finanças



University of Essex



UNITED NATIONS
UNIVERSITY
UNU-WIDER

Acknowledgements

The team thank Professor Jukka Pirttilä and Andre Decoster for their support and comments. Helen Barnes and Michell Mpike (SASPRI) are thanked for their contributions at the start of the project. Kostas Manios is thanked for his support with regard to software development. This report draws from and builds on the Barnes et al. (2016) working paper. Preliminary findings from this report were presented at a SOUTHMOD Project Workshop convened by UNU-WIDER on 10–11 October 2016 in Helsinki, Finland.

From project

SOUTHMOD – simulating tax and benefit policies for development

Corresponding author: Gemma Wright (gemma.wright@saspri.org).

SOUTHMOD is a joint project between the United Nations University World Institute for Development Economics Research (**UNU-WIDER**), the European Union Tax–Benefit Microsimulation Model (**EUROMOD**) team at the Institute for Social and Economic Research (**ISER**) at the **University of Essex**, and Southern African Social Policy Research Insights (**SASPRI**) in which tax–benefit microsimulation models for selected developing countries are being built. These models enable researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country.

SOUTHMOD models are currently available for Ecuador (ECUAMOD), Ethiopia (ETMOD), Ghana (GHAMOD), Mozambique (MOZMOD), Namibia (NAMOD), Vietnam (VNMOD), South Africa (SAMOD), Tanzania (TAZMOD), and Zambia (MicroZAMOD). SOUTHMOD models are updated to recent policy systems using national household survey data. This report documents MOZMOD, the SOUTHMOD model developed for Mozambique. This work was carried out by the Ministry of Economy and Finance of Mozambique in collaboration with the project partners.

The results presented in this report are derived using MOZMOD version 1.0 running on EUROMOD software. The report describes the different tax-benefit policies in place, how the microsimulation model picks up these different provisions, and the database on which the model runs. It concludes with a validation of MOZMOD results against external data sources. For further information on access to MOZMOD and other SOUTHMOD models see the **SOUTHMOD page**.

The MOZMOD model and its documentation in this country report has been prepared within the UNU-WIDER project on ‘SOUTHMOD—simulating tax and benefit policies for development’, which is part of a larger research project on ‘The economics and politics of taxation and social protection’. For more information, see the **SOUTHMOD project page**.

Copyright © UNU-WIDER 2017
Information and requests: publications@wider.unu.edu
Typescript prepared by Ayesha Chari.

The United Nations University World Institute for Development Economics Research provides economic analysis and policy advice with the aim of promoting sustainable and equitable development. The Institute began operations in 1985 in Helsinki, Finland, as the first research and training centre of the United Nations University. Today it is a unique blend of think tank, research institute, and UN agency—providing a range of services from policy advice to governments as well as freely available original research.

The Institute is funded through income from an endowment fund with additional contributions to its work programme from Denmark, Finland, Sweden, and the United Kingdom.

Katajanokanlaituri 6 B, 00160 Helsinki, Finland

The views expressed in this paper are those of the author(s), and do not necessarily reflect the views of the Institute or the United Nations University, nor the programme/project donors. WIDER does not take any responsibility for results produced by external users of the model.

Contents

1	Basic information	1
1.1	Basic information about the tax-benefit system.....	1
1.2	Social benefits.....	3
1.3	Social contributions.....	3
1.4	Taxes.....	4
2	Simulation of taxes and benefits in MOZMOD	5
2.1	Scope of simulation.....	5
2.2	Order of simulation and interdependencies.....	6
2.3	Policy switches.....	6
2.4	Social benefits.....	6
2.5	Personal income tax.....	10
2.6	Indirect taxes.....	13
3	Data	15
3.1	General description.....	15
3.2	Data adjustment.....	17
3.3	Imputations and assumptions.....	18
3.4	Updating.....	19
4	Validation	21
4.1	Aggregate validation.....	21
4.2	Income distribution.....	21
4.3	Summary of ‘health warnings’.....	22
	References.....	23
	Annex.....	26

Tables

Table 2.1	Simulation of benefits in MOZMOD.....	5
Table 2.2	Simulation of taxes and social contributions in MOZMOD.....	5
Table 2.3	MOZMOD spine: order of simulation.....	6
Table 2.4	Income tax schedule 1: Employment personal income tax.....	12
Table 2.5	Income tax schedule 3: Other personal income tax.....	12
Table 3.1	MOZMOD database description.....	16
Table 3.2	IOF net employment income data: Grossing factors.....	19
Table 3.3	Raw indices for deriving MOZMOD uprating factors.....	20
Table 4.1:	Consumption-based poverty lines in Mozambique by area, for 2009 and 2015.....	22

Table A6: Tax and benefit instruments simulated in MOZMOD: Number of recipients (of the benefits) and payers (of the tax and social insurance contributions).....	26
Table A7: Tax and benefit instruments simulated in MOZMOD: Annual amounts (Mt).....	26
Table A8: Income inequality.....	27
Table A9: Poverty rates.....	27

Acronyms

BSSP	Basic social subsidy programme (<i>Programa do Subsídio Social Básico</i>), a sub-programme of DSA
CPI	Consumer price index
DRD	Data requirement document
DSA	Direct social action (<i>Acção Social Directa</i>)
DSSP	Direct social support programme (<i>Programa Apoio Social Directo</i>), a sub-programme of DSA
GdM	Government of Mozambique (<i>Governo de Moçambique</i>)
INAS	National Institute of Social Action (<i>Instituto Nacional de Acção Social</i>)
INE	National Institute of Statistics (<i>Instituto Nacional de Estatística</i>)
IOF	Household Budget Survey (<i>Inquérito aos Orçamentos Familiares</i>)
IRPS	Personal income tax (<i>Imposto sobre o Rendimento das Pessoas Singulares</i>)
ISPC	Simplified tax (<i>Imposto Simplificado para Pequenos Contribuintes</i>)
MMAS	Ministry of Women and Social Action (<i>Ministério da Mulher e Acção Social</i>)
Mt	Metical
NBSSS	National basic social security strategy (<i>Estratégia Nacional de Segurança Social Básica</i>)
NISS	National Institute of Social Security (<i>Instituto Nacional de Segurança Social</i>)
PdM	Parliament of Mozambique (<i>Parlamento de Moçambique, ou Assembleia da República</i>)
PSU	Primary sampling unit
VAT	Value-added tax (<i>Imposto sobre o Valor Acrescentado</i>)

1 Basic information

1.1 Basic information about the tax-benefit system

Mozambique is defined as a low-income country by the World Bank and a low human development country by the United Nations Development Programme (UNDP), but its economy has been growing at about 7 per cent a year on average since 1997 (World Bank 2016). There is a strong commitment to reduce the levels of poverty in Mozambique. For example, Mozambique's National Development Strategy 2015–35 commits to providing social security to 75 per cent of poor and vulnerable households by 2035 (United Nations Mozambique 2015: 13).

The official age at which people may start to work in Mozambique is 18 years (PdM 2007a, 2007c).¹ The Labour Law allows young people aged 15–17 years to work, as long as they do not work more than 38 hours a week and 7 hours a day.

Female workers are entitled to state pension at the age of 55 years and male workers at the age of 60 years, or after 35 working years (PdM 2009a).

Children start school at the age of six years. The National Education System defines seven years of primary education as the minimum number of schooling years (PdM 1992).

The fiscal year runs from 1 January to 31 December.

Main taxes such as on personal income, corporate income, value added, excise and customs duties are defined by common laws at the national level (GdM 2002; PdM 2009b, 2009d, 2012a, 2012b, 2012c, 2013). For specific local taxes, rates may vary among municipality categories, such as the case of personal municipal tax (GdM 2008a, 2008c).

The personal income tax [*Imposto sobre o Rendimento das Pessoas Singulares*² (IRPS)] law 33/2007 defines dependent members of the family as those below 18 years according to Labour Law and those up to 25 years who are working and earning less than the annual highest minimum salary, or are also studying or in the military service (PdM 2007b, 2007d). Other specific categories apply to this definition of dependent members of the family.

The IRPS law approved in 2007 was revised in 2013. Therefore, for the cases where tax calculation has changed both periods will be mentioned: 'up to 2013' and 'from 2014 onwards'. Up to 2013, income tax for a couple was calculated jointly (ACIS et al. 2011a). For applying a tax rate, taxable income was divided by two as if it was calculated individually. After applying the tax rate, income tax was multiplied by two to obtain the joint income tax for the couple. From 2014 onwards, income tax is calculated individually, and not as a couple (PdM 2013).

Up to 2013, different income sources were taxed using the same procedure. The calculation started with employment income tax, that is, income from salaries and wages. The other income sources were added up in the second stage of calculation. From 2014 onwards, employment income tax is calculated using a different procedure from income originated from other sources, such as self-employment, capital, property, and other.

Taxpayers need to fill a tax return. Up to 2013, income tax used to be withheld by employers and paid to tax authorities. At the beginning of each fiscal year, taxpayers were expected to fill and submit a tax return on annual income referring to the previous fiscal year. Tax authorities would assess the tax return forms and decide the tax liability for each taxpayer; that is, if a taxpayer should pay any additional amount, be reimbursed, or be even.

From 2014 onwards, taxpayers still need to fill and submit tax returns. However, tax authorities do not change the tax liability status of each taxpayer. Withholdings match the exact amount due at the end of the fiscal year. The rates and amounts that should be paid are clearly defined, as well as the payment schedule.

Tax nominal values are adjusted periodically through updated legislation. For instance, tax values were set by Ministerial Diploma No. 109/2008 dated 27 November, Ministerial Diploma

1 PdM refers to 'Assembleia da República' in Mozambican publications.

2 All foreign terms have been translated from Portuguese.

No. 243/2011 dated 12 October, and Ministerial Diploma No. 64/2013 dated 12 June (Ministério das Finanças 2011; Sal & Caldeira 2013).

Lone parents do not receive special tax benefits, according to clause 18 of the IRPS law (PdM 2007d). The benefits accrue as the number of dependent family members increases (PdM 2013). People receiving a pension as retired workers, invalids, or surviving members of the family do not pay personal tax (PdM 2007d). Companies' expenditures on social services and leisure activities for workers are eligible for tax reductions.

The legal framework on social protection in Mozambique was approved by Law No. 4/2007 of 7 February. Under this law, the social security system is structured in three different levels: basic social security (*Segurança Social Básica*), compulsory social security (*Segurança Social Obrigatória*), and complementary social security (*Segurança Social Complementar*).

Further, the Government of Mozambique (*Governo de Moçambique*, GdM) approved the regulation of the basic social security sub-system (*Subsistema de Segurança Social Básica*) by Decree No. 85/2009 of 29 December. The approved regulation establishes the rights of the most vulnerable target groups and sets the types of benefits for those target groups:

- Risk allowances (*prestação de risco*): support in goods, products, payment services, and financial values to mitigate risks or ensure survival and regular monetary social transfers;
- Provision of social support (*prestação de apoio social*): social transfer for a fixed term and social insertion programmes through work.

For the operation of the regulation of the basic social security sub-system, GdM approved through the Resolution of Cabinet No. 17/2010 of 27 May, the national basic strategy for social security (NBSSS, *Estratégia Nacional de Segurança Social Básica*) for the period 2010–14 (see GdM 2010).

Still, challenges exist despite the expansion of the coverage of basic social security programmes and the increase in budget allocated to social protection. The World Bank observed in 2012 that:

Generally, the major social assistance programs in Mozambique have low coverage relative to the number of individuals at risk. [. . .] Those who remain largely uncovered by the [social protection] system in Mozambique are poor families with children, young people, and the working poor, particularly those facing recurrent weather-related shocks. (World Bank 2012: 83)

Hodges and Pellerano (2010) undertook a detailed study of the social protection system for the United Nations Children's Fund in Mozambique and highlighted the fragmented nature of provisions. Since then, the International Labour Organization and others have worked closely with GdM to further develop the vision for comprehensive social security (Cunha et al. 2013; United Nations Mozambique 2015). In addition, Mozambique is a flagship country for the One UN Initiative, which emphasizes the importance of coordination across different UN agencies when interacting with the government of a country. The collaborations around the development of a social protection floor are considered to be a 'best practice' example of this initiative (United Nations Mozambique 2015: 7).

More recently, the authorities have prepared a new strategy on basic social security: the NBSSS 2016–24. This was approved by the Council of Ministers in February 2016 at the Fifth Ordinary Session. The new strategy will help to realize GdM's Five Year Programme for 2015–19 through the implementation of actions that will contribute to poverty reduction and ensure that the growth of the Mozambican economy benefits all citizens, especially those living in poverty, and prioritizes their social rights. Therefore, social security arrangements in Mozambique are undergoing significant changes (United Nations Mozambique 2015).

The means test for social assistance payments takes into account, among other things, both the individual's and the household's monthly income. The amounts of subsidies to be transferred to the beneficiaries are adjusted for inflation, and according to Decree No. 52/2011 of 12 October, the amount can be reviewed annually by the Council of Ministers.

1.2 Social benefits

The NBSSS operates in four key areas associated with specific institutional responsibilities. One key area that can be located most easily within the category of social benefits is direct social action (DSA, *Acção Social Directa*). DSA itself has three strands that are listed here, although the third strand is not strictly a social benefit.

Benefit 1 (*Programa do Subsídio Social Básico*): The basic social subsidy programme (BSSP) includes unconditional regular cash transfers and is described in detail below.

Benefit 2 (*Programa Apoio Social Directo*): The direct social support programme (DSSP) consists of time-limited in-kind support for eligible households and is described in detail below.

Benefit 3 (*Programa dos Serviços Sociais de Acção Social*): The programme of social services of social action consists of social welfare services, including provision of institutional assistance by providing shelter in social facilities such as crèches, elderly support centres, transit centres, child shelter centres, open centres, and shelter centres for abandoned individuals with severe deficiencies. It also includes social work activities in the communities with individuals living in the streets, children, the elderly, and individuals with deficiencies. These services consist of psychosocial support, access to information, guidance, and family reunification.

Coordination of DSA is the responsibility of the former Ministry of Women and Social Action (*Ministério da Mulher e Acção Social*, MMAS), now the Ministry of Gender, Children and Social Action (*Ministério do Género, Criança e Acção Social*), whereas the implementation is conducted by its subordinate institutions including the National Institute of Social Action (*Instituto Nacional de Acção Social*, INAS), civil society organizations, and faith-based organizations.

1.2.1 Not strictly benefits

The three remaining key areas of NBSSS are not strictly benefits and are described as follows.

Not strictly benefit 1 (*Acção Social Escolar*): The school social action fund covers actions that have the objective of promoting the participation of the most vulnerable pupils/students in the education system. The responsibility of implementing student welfare is that of the former Ministry of Education, now the Ministry of Education and Human Development (*Ministério da Educação e Desenvolvimento Humano*), in coordination with MMAS and its subordinate institutions. This fund is payable to schools.

Not strictly benefit 2 (*Acção Social da Saúde*): Health social action includes actions with the objective of improving the quality of health of the most vulnerable populations, with special emphasis on promoting access to basic healthcare. The responsibility of implementation lies with the Ministry of Health (*Ministério da Saúde*) in coordination with MMAS-INAS. This mainly consists of enabling pregnant women and the poor and elderly to receive treatment at health centres when they cannot pay the fee of Mt 1 per visit.

Not strictly benefit 3 (*Acção Social Produtiva*): Productive social action was designed to cover activities that aim to promote the socioeconomic inclusion of vulnerable populations with the physical ability to work. The NBSSS suggested that it be drawn up as a National Programme for Productive Social Action that should include initiatives from different sectors. The coordinating responsibilities of this component are shared between MMAS and other ministries. The public works are identified and managed by district and municipal governments. Eligibility is determined on the basis of a mix of community, household, and individual criteria, and Mt 650 is paid per month to participants.

1.3 Social contributions

Social insurance contribution 1 (*Segurança Social para os trabalhadores do sector privado*): This social insurance programme is for individuals employed by the private sector or not-for-profit organizations and is managed by the National Institute of Social Security (NISS, *Instituto Nacional de Segurança Social*), which operates under the authority of the Ministry of Labour. The global rate of contributions is fixed at 7 per cent of gross income, of which 4 per cent is paid by the employer. Self-employees contribute 7 per cent of remuneration. Currently, the social security programme assigns the following benefits: (i) sickness grants, (ii) death grants, (iii) funeral allowance, (iv) old-age pension, (v) disability pension, (vi) survivor's pension, (vii) old-age

allowance, (viii) hospitalization allowance, and (ix) maternity allowance. People covered by the Mozambican system remain eligible when they work abroad (paragraphs 1 and 2 of Article 04, Law No. 05/89 of 18 September).

Social insurance contribution 2 (*Previdência Social para Funcionários de Aparelho do Estado*): This social insurance programme for employees in the public sector is currently governed by Decree No. 27/2010 of 12 August, which regulates the matter of social security in the civil service. The following benefits exist: (i) survivor's pension, (ii) so-called blood pension, (iii) allowance for death, (iv) extraordinary retirement for military, (v) retirement for old age or disability, (vi) medical and drug assistance for state employees, (vii) maternity leave, and (viii) license in cases of chronic degenerative and mental illnesses. Civil servants contribute 7 per cent of their gross income. Pensions for people working in defence and security are mainly governed by Decree No. 3/86 of 25 July, approving the Regulation of Social Security and Reform of the Armed Forces of Mozambique. The process is part of a bisectorial structural relationship between the Ministry of Economy and Finance (MEF) and the Ministry of National Defence. The payments are made in relation to: (i) retirement and invalidity pension, (ii) survivor's pension, (iii) death benefit, (iv) blood pension, and (v) pension for exceptional and relevant services to the country. The beneficiaries of this pension scheme are veterans of the liberation struggle and permanent staff from the defence sector and their family members.

1.4 Taxes

Five different taxes are simulated in MOZMOD. The main taxes are personal income tax (i.e. IRPS) and value-added tax (VAT; *Imposto sobre o Valor Acrescentado*). Personal income tax has five income categories (see Barnes et al. 2016: 5). For the purposes of simulating IRPS in MOZMOD, wages and salaries are simulated as one policy (Tax 1) and the other four categories of income are simulated as one policy (Tax 3); however, tax on the capital gains element of 'capital income' is not simulated.

Tax 1 (*Personal income tax: Employment*): This is a direct tax on employment income, that is, wages and salaries (GdM 2008a; PdM 2007d, 2013). It is applied at the individual level. From 2014 onwards, there are ten tax bands. An additional amount is applied which depends on the number of dependents and the tax band.

Tax 2 [*Personal income tax: Simplified tax* (Imposto Simplificado para Pequenos Contribuintes, *ISPC*): This is a direct tax on small businesses earning annual gross revenue equal or smaller than Mt 2.5 million (PdM 2009b). The annual tax value to be paid is Mt 75,000 or a 3 per cent tax rate on total annual income. This category captures the taxable personal income for self-employed individuals.

Tax 3 (*Personal income tax: Other income sources*): This is a direct tax on other personal sources of income such as large self-employment income and income from agriculture, property, interest, and other income (GdM 2008a; PdM 2007d, 2013).

Tax 4 (*VAT*): VAT is an indirect tax on expenditure at the rate of 17 per cent. Different rates apply for utilities such as diesel, piped water, unpiped water, and electricity. The law considers a 5 per cent rate for economic agents under the simplified regime (but this has not been implemented within MOZMOD).

Tax 5 [*Excise tax* (Imposto sobre Consumos Especificos)]: This is an indirect tax applied to domestic transactions and imports of goods considered as harmful for health or for higher-income earners and/or luxury goods such as tobacco, alcohol, and vehicles (Barnes et al. 2016; PdM 2009c). These taxes are defined as ad valorem and vary between 5 and 75 per cent.

Tax 6 [*Fuel tax* (Taxa sobre os Combustiveis)]: This is an ad valorem tax levied on fuel for motor vehicles.

The other taxes in the Mozambican system that are not simulated in MOZMOD are corporate income tax (*Imposto sobre o Rendimento das Pessoas Colectivas*), customs duties, property registration, inheritance and gift, tax on gambling, tax on petroleum products, stamp duty, national reconstruction, fishing licences, property transfer, royalties and surface tax, and municipality taxes (personal, vehicle, property, contribution for infrastructure improvement,

levies for issuing operating licenses, tariffs and charges for the provision of municipal services) (ACIS et al. 2011b; Barnes et al. 2016; Bolnick and Byiers 2009).

2 Simulation of taxes and benefits in MOZMOD

2.1 Scope of simulation

Table 2.1 shows two benefit policies simulated in MOZMOD. The year 2009 is not simulated in this version because of the lack of documented rules regarding identification and selection of beneficiaries and transfer procedures.

Table 2.1 Simulation of benefits in MOZMOD

	Variable name(s)	Treatment in MOZMOD		Why not fully simulated?
		2009	2015	
Direct Social Support Programme	<i>bot_s</i>	—	S	Did not exist in current form in 2009 and insufficient documentation on rules
Basic Social Subsidy Programme	<i>bsadi_s</i>	—	S	Did not exist in current form in 2009 and insufficient documentation on rules

Notes: '—' policy did not exist in that year; 'S' policy is simulated although some minor or very specific rules may not be simulated.

Source: Authors' compilation.

Table 2.2 represents six tax policies and two social contribution policies. The year 2009 is also not simulated for these policies.

Table 2.2 Simulation of taxes and social contributions in MOZMOD

	Variable name(s)	Treatment in MOZMOD		Why not fully simulated?
		2009	2015	
Personal income tax				
Employment	<i>tin_s</i>	—	S	Tax rules have changed fundamentally since 2009, so focus has been on 2015
Simplified tax	<i>ttn_s</i>	—	S	Tax rules have changed fundamentally since 2009, so focus has been on 2015
Other income sources	<i>tinoo_s</i>	—	S	Tax rules have changed fundamentally since 2009, so focus has been on 2015
Value added tax				
Value added tax	<i>tva01_s</i> <i>tvacy02_s</i> <i>tvacy03_s</i> <i>tvacy05_s</i>	—	S	No information is available to enable the implementation of the 5% VAT rate
Excise duty and fuel tax				
Excise duty	<i>texcy02_s</i> <i>texcy03_s</i>	—	S	
Fuel tax	<i>tflcy_s</i>	—	S	
Social insurance contribution				
Private sector self-employed and not self-employed	<i>tscee_s</i> <i>tscer_s</i>	E	S	
Public	<i>tscee02_s</i>	E	S	

Notes: '—' policy did not exist in that year; 'E' policy is *excluded* from the model as it is neither included in the microdata nor simulated; 'S' policy is *simulated* although some minor or very specific rules may not be simulated.

Source: Authors' compilation.

Personal income tax on employment has changed: since 2014, this tax is calculated separately from other income sources (PdM 2013). Also, personal income tax is calculated for each individual and not at the couple level.

2.2 Order of simulation and interdependencies

Table 2.3 presents the order of the main elements of the Mozambican system for 2009 and 2015 for simulations. The current MOZMOD version only applies the 2015 system. It starts by simulating personal income tax for employment, self-employment under the simplified tax regime, and other income sources. It follows simulations of social insurance contribution, DSSP, BSSP, and VAT.

Table 2.3 MOZMOD spine: order of simulation

Policy	MZ_2009	MZ_2015	Description of the instrument and main output
uprate_mz	Off	On	DEF: Uprating factors
expenditure_mz	Off	On	DEF: Merge expenditure variables
ildef_mz	Off	On	DEF: Income concepts
tundef_mz	Off	On	DEF: Assessment units
constdef_mz	Off	On	DEF: Constants
tin_mz	Off	On	TAX: Personal income tax: Employment
ttn_mz	Off	On	TAX: Simplified (a turnover tax)
tinoo_mz	Off	On	TAX: Personal income tax: Other income sources
sic_mz	Off	On	SIC: <i>Segurança Social</i> (private sector: self-employed and not self-employed)
sico1_mz	Off	On	SIC: <i>Previdencia Social</i> (public sector)
bot_mz	Off	On	BEN: Direct SSP
bsadi_mz	Off	On	BEN: Basic SSP
tex_mz	Off	On	TAX: Excise duty
tfl_mz	Off	On	TAX: Fuel tax
tva_mz	Off	On	TAX: Value-added tax
output_std_mz	Off	On	DEF: Standard output individual level
output_std_hh_mz	Off	Off	DEF: Standard output household level

Notes: DEF, definitional policy; SIC, social insurance contribution policy; BEN, benefit policy.

Source: Authors' compilation.

2.3 Policy switches

This MOZMOD version does not have any policy switches. However, the 2009 system is switched off due to lack of documented rules on benefits. If needed, taxes and social insurance contributions could be simulated for research purposes since the rules are clearly defined, although the personal income tax rules are fundamentally different from 2015 and so cannot be prioritized within the 2016 programme.

2.4 Social benefits

2.4.1 Direct Social Support Programme (bot_s)

The DSSP is a sub-programme of the DSA. It consists of in-kind subsidies, usually food boxes, for a fixed period in response to various situations of vulnerability.

Definitions

Child-headed households: aged 12–17 years, inclusive.

Elderly: aged 55+ years if female or 60+ years if male.

Acute malnutrition: Insufficient weight to height for children below 5 years of age.

Dependent children: Children aged below 18 years.

Eligibility conditions

There is a three-stage screening process. First, target groups are identified consisting of the following groups:

- Child-headed households;
- Households containing someone with a chronic and degenerative diseases in bedridden condition;
- Households containing at least one child aged below 5 years recovering from acute malnutrition;
- Households whose working-age members all have temporary incapacity for work up to a maximum of 18 months;
- Individuals in the process of social and family reintegration at the moment of reuniting with the family;
- Individuals suffering from HIV/AIDS under anti-retroviral treatment up to 6 months;
- Malnourished pregnant women.

Second, a residence test is undertaken as follows:

- The applicant must be a resident at the location where s/he is requesting assistance, and must be confirmed to be such by the local administration authority. The means of verification is a statement from the local administration authority and a visit to the residence.

Third, an income test is undertaken (see below).

Income test

The income test takes into account income from wages and remunerations, or self-employment business, or pension fund. Means of verification include an income statement from the employer, expenditure receipts, and a pensioner identity card. In the case of self-employment income, other indicators could be used to estimate the income level: type of activity, period of work, quantity of output, revenues, profits, and prices.

A two-stage means test is applied first at the level of the individual and then at the level of the household. The income of the applicant has to be equal to or lower than one third of the national minimum wage; this same criterion is applied to the household by dividing the household-level income by the number of people in the household.

Minimum wages for certain sectors are issued every year by the Ministry of Labour based on tripartite negotiations of the Labour Consultative Council. The sector of 'public administration, including the defence and security forces' is used for calculations, which in 2015 was Mt 3,002 per month, and so the income test was set at Mt 1,000 per month (RdM 2015).

Benefit amount and duration

The benefit is usually provided in the form of food kits. However, this programme can comprise in-kind supply of other goods and services required by a specific household, such as repairs on the house or the costs of medication.

Provision of monthly food kits depends on household size. The average amounts for 2015 are as follows:

- One person in household: Mt 630 per month;
- Two to three people in household: Mt 1,390 per month;
- Four or more people in household: Mt 2,385 per month.

The DSSP usually runs for a period of two years but may run for longer if a child heads the household or if a child suffers from chronic malnutrition.

MOZMOD notes

Using the Household Budget Survey (*Inquérito ao Orçamento Familiar*, IOF) it was not possible to identify the last three target groups (reuniting families, people on anti-retroviral treatment, and malnourished pregnant women).

As the state of having a 'chronic and degenerative disease and being in a bedridden condition' is not measured in the IOF, this category was identified by selecting people defined as being 'paralytic' in the IOF. This significantly underestimated the number of people in this target group.

The residence test could not be applied in MOZMOD.

The average values of food kits were assigned to households identified as eligible in MOZMOD, on the basis of the household size.

2.4.2 Basic Social Support Programme (bsadi_s)

The BSSP is a sub-programme of the DSA). This programme used to be called the 'food subsidy programme' (*Programa Subsídio de Alimentos*) until 2010 and had run since 1990 (IPC-UNDP 2016). The focus of the programme is on low-income households with a household member who is permanently unable to work due to age, chronic illness, or disability. The BSSP is in operation in all districts and administrative posts in the country, but there are geographical gaps in coverage.

Definitions

Elderly: aged 55+ years if female or 60+ years if male (RdM 2002).

Permanent incapacity for work: this reflects a situation that will not change, and can be the result of a chronic illness, accident, or disability.

Deficiencies: This applies to someone who, because of congenital or acquired anatomical, physiological, sensory, or mental anomalies, is at a disadvantage or unable, through physical and/or social barriers, to undertake normal activities (RdM 2009).

For a person to be considered as having a chronic or degenerative disease they need a medical certificate. This categorization is applied to five clinical situations:

- Hypertension (>140/95) in need of permanent medication control with antihypertensive and/or diuretics;
- Any type of epilepsy that requires permanent anti-epileptic medication;
- Patients suffering from periodic bouts of asthma who cannot afford anti-asthmatic medication;
- Chronic renal failure characterized by blood levels of creatinine (>134 Hmol/l) and the need for ongoing medication due to complications such as anaemia and hypertension;
- Diabetes mellitus characterized by high glucose blood levels and patients who cannot afford medication for treatment.

Eligibility conditions

There is a three-stage screening process. First, target groups are identified consisting of the following groups:

- Elderly with permanent incapacity for work, living alone, or heading a family in need of support;
- Individuals with deficiencies who have a permanent incapacity for work, who are aged 18+ years, and are living alone or heading a family in need of support;
- Individuals with chronic and degenerative diseases who are not bedridden but have a permanent incapacity for work, who are aged 18+ years, and are living alone or heading a family in need of support.

Second, a residence test is undertaken as follows:

- The applicant must have been resident at the location where s/he is requesting assistance for more than 6 months, and must be confirmed to be such by the local administration authority. The means of verification is a statement from the local administration authority.

Third, an income test is undertaken (see below).

Income test

As with DSSP, the income test for BSSP takes into account income from wages and remunerations, self-employment business, or pension fund. Means of verification include an income statement from the employer, expenditure receipts, and a pensioner identity card. In the case of self-employment income, other indicators could be used to estimate the income level, including type of activity, period of work, quantity of output, revenues, profits, and prices.

A two-stage means test is applied first at the level of the individual and then at the level of the household. The income of the applicant has to be equal to or lower than one third of the national minimum wage; this same criterion is applied to the household by dividing the household-level income by the number of people in the household.

Minimum wages for certain sectors are issued every year by the Ministry of Labour based on tripartite negotiations of the Labour Consultative Council. The sector of 'public administration, including the defence and security forces' is used for calculations, which in 2015 was Mt 3,002 per month, and so the income test was set at Mt 1,000 per month (RdM 2015).

Benefit amount

Household monthly subsidy values received in 2015 (INAS 2015) are as follows:

- One person in household: Mt 310 per month;
- Two people in household: Mt 390 per month;
- Three people in household: Mt 460 per month;
- Four people in household: Mt 530 per month;
- Five or more people in household: Mt 610 per month.

MOZMOD notes

Proxies had to be constructed for the 'chronic and degenerative diseases but not bedridden' status and for people with 'deficiencies with permanent incapacity to work', using information from the IOF. The IOF did not contain sufficiently nuanced sickness/disability questions to enable these proxies to be very precise.

Permanent incapacity for work for those aged 55+ years (female) or 60+ years (male) was identified using a broader proxy flag.

The residence test could not be applied in MOZMOD.

2.4.3 Employee social contributions: 'Social insurance contribution' (private or not-for-profit organizations)

Liability to contributions

Employees of any private company or of a not-for-profit organization have to be registered at NISS in order to contribute to the pension fund.

Income base used to calculate contributions

Gross monthly income is the basis for calculating the contributions for the pension fund. There is no upper limit cap.

Contribution rates

Each employee should contribute 3 per cent of his/her own gross monthly salary.

2.4.4 Employer social contributions: ‘Social insurance contribution’ (private or not-for-profit organizations)

Liability to contributions

Any private company or not-for-profit organization has to register employees at NISS in order to contribute to the pension fund.

Income base used to calculate contributions

Gross monthly income of the employee is the basis for calculating the contributions for the pension fund.

Contribution rates

Employers should contribute 4 per cent of the employee’s gross monthly salary.

2.4.5 Self-employed social contributions: ‘Social insurance contribution’

Liability to contributions

Self-employed individuals can register at NISS to contribute to the pension fund.

Income base used to calculate contributions

Gross monthly income is the basis for calculating the contributions for the pension fund.

Contribution rates

Each self-employed individual registered at the NISS should contribute 7 per cent of his/her own gross monthly income.

2.4.6 Employee social contributions: ‘Social insurance contribution’ (public sector)

Liability to contributions

Employees in the public sector must contribute to the pension fund.

Income base used to calculate contributions

Gross monthly income is the basis for calculating the contributions for the pension fund. There is no upper limit cap.

Contribution rates

Each employee should contribute 7 per cent of his/her own gross monthly salary.

2.5 Personal income tax

2.5.1 Tax unit

Individuals residing in Mozambique or receiving income in this country are liable to personal income tax on their worldwide income.

The tax unit became the individual for the purposes of taxable income calculations, from 2014 onwards (PdM 2013). Nevertheless, the tax calculations take into account the presence of dependents within the family (elaborated below). All other income earners in a family have their taxes calculated and paid individually.

For the period before 2014, income tax for a couple was calculated jointly (ACIS et al. 2011a; PdM 2007d). All other income earners in the family had their taxes calculated and paid individually; that is, the individual was the tax unit.

MOZMOD notes

For personal income tax from employment: it is applied at the individual level, with reference to a dedicated definition of the family (defined in the model as a tax unit called ‘family 2’) in order to take into account amounts linked to the number of dependents of that tax payer.

For personal income tax from other income sources: again, this policy is applied at the level of the individual, with reference also to the number of dependents of that tax payer (family 2).

2.5.2 Exemptions

Following Verbist (2004), we define exemptions as ‘income components (that) are part of pre-tax income, but do not have to be declared to the tax authorities, and thus are not included in the concept of taxable income (e.g. child benefits in most countries)’.

From 2014 onwards, pension and death subsidy are not subject to personal income tax (PdM 2013: Clause 7).

2.5.3 Tax allowances

In 2015, there were no tax allowances. Before 2014, taxable income was deducted in the following situations (Barnes et al. 2016; PdM 2007d):

- Employment income was deductible by the amount of labour union contributions and compensation by employee to employer when terminating unilaterally the employment contract.
- The following contributions were deducted from taxable income:
 - a Pension, invalidity, or survival
 - b Social benefits and leisure activities
 - c Professional training.

2.5.4 Tax base

The Mozambican IRPS law considers five income categories:

- Wages and salaries;
- Income from companies and professional activities, including from self-employment;
- Capital income and gains, including distributed interests and profits, revenues from property sales;
- Real estate income, including property rents;
- Other sources of income like lottery.

From 2014 onwards, the tax base is defined for the following three cases:

Personal income tax base 1: Employment personal income tax

Tax base is defined as the income from dependent work minus the lower limit at a given tax band.

Personal income tax base 2: Self-employment personal income tax (simplified tax)

Tax base is defined as the gross revenue (turnover) below a threshold of Mt 2.5 million.

Personal income tax base 3: Other personal income tax

Tax base is defined as the sum of all other income sources minus a non-taxable minimum value of Mt 225,000 per year.

Other income includes non-agricultural self-employment income from large producers (industry and commerce), agricultural self-employment income from large producers, income from capital including interest, property income excluding land, and all other income sources such as lottery.

Note that Clause 54 of the IRPS law No. 33/2007 mentions the marginal tax rates (‘Other personal income tax’ case for 2015). However, the templates available to the public to calculate the tax liability, and the formula for the calculation of ‘Employment personal income tax’ case for 2015 indicates that the calculation is done by applying only one tax rate for the respective tax band (Fumo 2012: 116).

2.5.5 Tax schedule

Tax schedule for 2015

Income tax schedule 1: Employment personal income tax

Table 2.4 shows the income tax schedule for personal income tax (employment).

Table 2.4 Income tax schedule 1: Employment personal income tax

Gross monthly taxable income, in Metcais (intervals)	IRPS value to be retained, according to number of dependent family members (Metcais)					Tax rate (coefficient)
	0	1	2	3	≥4	
≤20,249	—	—	—	—	—	—
20,250–20,749	0	—	—	—	—	0.10
20,750–20,999	50	0	—	—	—	0.10
21,000–21,249	75	25	0	—	—	0.10
21,250–21,749	100	50	25	0	—	0.10
21,750–22,249	150	100	75	50	0	0.10
22,250–32,749	200	150	125	100	50	0.15
32,750–60,749	1,775	1,725	1,700	1,675	1,625	0.20
60,750–144,749	7,375	7,325	7,300	7,275	7,225	0.25
≥144,750	28,375	28,325	28,300	28,275	28,225	0.32

Notes: 'Tax rate (coefficient)' means that the value of 0.10 in the table represents a 10 per cent tax rate; '—' represents 'not applicable' (for an explanation of the latter, see PdM 2013).

Source: PdM (2013).

Income tax schedule 2: Self-employment personal income tax (simplified regime)

Self-employment agents earning an amount equal or less than Mt 2.5 million are taxed at a single rate of 3 per cent per year.

Income tax schedule 3: Other personal income tax

Table 2.5 shows the income tax schedule for personal income tax (other).

Table 2.5 Income tax schedule 3: Other personal income tax

Gross annual taxable income, in Mt (intervals)	Tax rates (%)	Rebate (Mt)
0–42,000	10	—
42,001–168,000	15	2,100
168,001–504,000	20	10,500
504,001–1,512,000	25	35,700
>1,512,000	32	141,540

Note: '—' represents 'not applicable' (for an explanation, see PdM 2013).

Source: PdM (2007d).

2.6 Indirect taxes

2.6.1 VAT

Tax unit

The tax unit is the household. VAT is simulated based on family purchases of goods and services.

Exemptions

VAT-exempted transactions are summarized here (Barnes et al. 2016; GdM 2008b; PdM 2007e, 2009d, PdM 2012b).

Health-related transactions:

- Health and sanitary services provided in hospitals, health centres and related facilities;
- Provision of health equipment to patients;
- Transmission of human organs, blood, and milk;
- Transportation of patients;
- Provision of mosquito nets;
- Provision of medicines.

Provision of goods and services by public or not-for-profit entities:

- Social assistance and provision of related goods;
- Security services;
- Care services for children, people with deficiencies, and elderly;
- Artistic and sports activities;
- Visits to museums, parks, and similar sites;
- Spiritual assistance;
- Activities developed by associations of various natures.

Education and professional training services:

- General education services;
- Professional training;
- Personal training.

Other services:

- Bank and financial services;
- Housing renting (residential);
- Renting for commercial, manufacturing, and other service activities in rural areas;
- Insurance and related services.

Provision of goods and services related to agricultural, forestry, livestock and fishing activities, including basic transformation developed at production areas, are also VAT exempted.

Transactions of other goods and services that are VAT exempted:

- Gambling and social entertainment;
- Cultural and artistic activities;
- Maize flour, rice, bread, iodate salt, powder milk for babies up to one year of age, wheat, wheat flour, natural or frozen tomato, potato, onion, frozen horse mackerel, illumination oil, jet fuel, common bicycles, and condoms;
- Transactions of military equipment and materials for the army;
- Transactions of feed products, including raw materials for feed production
- Transactions of equipment, seed, fertilizers, and all production inputs (see list in Annex 1 of PdM 2007e);
- Transactions of medicines for livestock;
- Stamps to be used by the post office services;
- Public garbage services;
- Funeral and cremation services.

Transactions of goods and services that were VAT exempted until 31 December 2015:

- Sugar;
- Raw materials, intermediate goods, equipment, parts, and spare parts utilized in the sugar production;
- Edible oil and soaps;

- Other products resulting from the activity developed by edible oil and soaps' producers;
- Raw materials used by edible oil and soaps' industries;
- Transactions of goods and services related to agricultural production of sugar cane for the industry.

VAT exemptions on imports are listed in the laws and regulation (GdM 2008b; PdM 2007e, 2012b). Exports of goods and services, similar transactions, and international transportation using national territory are VAT exempted. Special customs and fiscal regime (e.g. for rapid development zones, industrial free zones, and special economic zones) and extraction of mineral resources, natural gas and oil are regulated in specific legislation.

Special cases regarding taxable income, for VAT purposes, include:

- Fuel products, the 'tax on fuel' is not included in taxable income;
- Electric energy, taxable income is calculated on 62 per cent of invoice value;
- Aeronautical taxes, taxable income is calculated on 85 per cent of invoice value;
- Roads, bridges, water supply infrastructure, and rural electricity construction and rehabilitation public works, 60 per cent is deducted from the tax value;
- Diesel, 50 per cent of the tax value is deducted.

Tax base

VAT is applied to transactions of goods and services in the national territory and to imports.

Tax schedule

The VAT rate is 17 per cent (GdM 2008b; PdM 2007e, 2009d, 2012b). Economic agents under the simplified tax regime are taxed at a rate of 5 per cent. VAT is applied both on domestic transactions and on imports. There are also separate VAT rates for piped water, unpiped water, electricity, and diesel.

MOZMOD notes

It was not possible to simulate the 5 per cent VAT policy for economic agents under the simplified tax regime.

2.6.2 Excise duty

Tax unit

The tax unit is the household. Excise duty is simulated on purchases of certain goods.

Tax base and schedule

A simplified list of goods is presented here for each level of excise tax rate (for details, see PdM 2009c):

- 5 per cent: electric spark vehicles with engine cylinders' between 1,000 and 1,500 cm³, diesel and semi-diesel vehicles with engine cylinders' with less than 1,500 cm³;
- 10 per cent: roots and tuber beer;
- 15 per cent: cheap costume jewellery, special vehicles for golf fields and similar uses, motorcycles with engine cylinders' between 250 and 500 cm³, trailers for housing or camping, flowers and related articles made of plastic or other materials, shampoos, coins not in use;
- 30 per cent: feed for cats and dogs, perfume, eau de toilette, cosmetic products for the skin, lacquer and similar products, after-shave, bath minerals, deodorants, garments made of animal skin, cargo vehicles, guns and rifles including of air and gas, paintings, drawings, pictures, sculptures, antiques older than 100 years;
- 35 per cent: vehicles for transporting 10 or more passengers, electric spark vehicles with engine cylinders' between 1,500 and 3,000 cm³, diesel and semi-diesel vehicles with engine cylinders' with more than 1,500 cm³, motorcycles with engine cylinders' more than 500 cm³, balloons, airships, dirigibles, wings, yachts, motor boats, canoes, kayaks;

- 40 per cent: malt beer, cider and similar drinks, non-denatured ethyl alcohol (more than 80 per cent volume), electric spark vehicles with engine cylinders' more than 3,000 cm³;
- 50 per cent: pearls, diamonds, precious and semi-precious stones, synthetic stones, common metals covered with layers of silver, gold, platinum and related materials, common metals, silver, or gold covered with a platinum layer, metallic jewellery, metallic goldsmithing;
- 55 per cent: wine, vermouth, liqueur, other alcoholic drinks (with less than 8.5 per cent volume);
- 65 per cent: denatured ethyl alcohol (more than 80 per cent volume), non-denatured ethyl alcohol like whiskey, rum, gin, vodka, etc. (less than 80 per cent volume);
- 75 per cent: cigars, cigarettes, tobacco.

VAT is applied after inclusion of the excise duty amount.

MOZMOD notes

Excise duty is simulated for a subset of items in MOZMOD that were selected to represent common and regular household expenditure items. The items included are beer, wine, spirits, and tobacco products.

2.6.3 Fuel tax

Tax unit

The tax unit is the household. Fuel tax is simulated on purchases of certain types of fuel.

Tax base and schedule

Fuel tax is levied on a per-litre basis and is then subject to VAT. The 2015 levies are 7.21 Mt/litre of petrol and 4.27 Mt/litre of diesel.

MOZMOD notes

Fuel tax is simulated in MOZMOD for petrol and diesel fuels for motor vehicles.

3 Data

3.1 General description

The MOZMOD database is drawn from IOF 2008–09.³

IOF 2008–09 is a cross-sectional survey that was administered to a representative sample of households in Portuguese, the Mozambican official language.

Table 3.1 MOZMOD database description

MOZMOD database	Mz_2009 data
Original name	Inquérito ao Orçamento Familiar
Provider	National Institute of Statistics (Instituto Nacional de Estatística, INE)
Year of collection	2008 and 2009
Period of collection	September 2008–August 2009
Income reference period	June–August 2009
Sample size	10,832 households consisting of 51,177 individuals
Response rate	99.9%

Notes: Twenty-five separate files containing data from IOF 2008–09 were obtained by the authors from INE, of which 11 were used for the preparation of the main dataset, and a further three files were used to generate the expenditure dataset for indirect taxes.

Source: Authors' compilation.

³ The IOF has since been re-run for a 2014–15 time-point, but data were not available at the time of this project.

The sample was drawn up using the 2007 General Census of Population and Housing. The sample was random and stratified and involved three selection steps: (i) primary sampling unit (PSU), (ii) enumeration areas (EAs) within the PSU; and (iii) households within each EA. To obtain an updated sample of households, two weeks before the beginning of the interview a list of households within each EA was drawn up. The selection of households within each sample EA was made randomly and systematically with equal probabilities. Fifteen households were selected within each urban EA and 12 in each rural EA. Of these sample households in each EA, three were reserved and therefore used under specific conditions.

The data files contain weights. The sampling weights were calculated as the inverse of the probability of each household being selected. Population weights were obtained by multiplying together the household weight *hhweight* and the household size *hhsiz*. The IOF 2008–09 is representative below national level, for urban and rural zones and each of the ten provinces plus Maputo City.

There were 25 data files in total, including a household file and an individual file. The other files mainly contain information on income and expenditure⁴ and have names that, in general, relate to sections of the questionnaire (e.g. DM refers to *Despesas Mensais* or monthly expenses).⁵ The files were merged together using the appropriate identity variables.⁶

Copies of the questionnaires are available in Portuguese and English. A report with a description of the survey data is available in Portuguese on the website of the National Institute of Statistics [*Instituto Nacional de Estatística* (INE 2017)]. No additional metadata was identified and the variables were not labelled. Some variable names and content were in Portuguese, others related to the question number and codes in the questionnaire. It was, therefore, difficult to navigate the numerous data files, although INE or the Directorate of Economics and Financial Studies in the MEF (Former Directorate of Studies and Policies Analysis of Ministry of Planning and Development) could be contacted for queries.

In terms of previous users of the dataset, the Ministry of Planning and Development produced the third national assessment of poverty and well-being in Mozambique using IOF 2008–09, and various indicators on consumption poverty were estimated (MPD 2010).⁷ Analysis of poverty in Mozambique tends to be consumption-based for monetary poverty, with additional consideration of education, health/nutrition, and property. RoM (2010) also presented analysis of IOF 2008–09 within its report on the Millennium Development Goals. Arndt et al. (2013) have worked with IOF 2008–09, and Arndt et al. (2015a) present analysis up to 2008–09 on consumption poverty rates in Mozambique. Arndt et al. (2015b) explore changes in relative prices of commodities consumed in different shares across income groups in Mozambique using 2002–03 and 2008–09 data. Simulations of three social security options were undertaken by Pellerano (2010) using IOF 2002–03 and other data sources. Other publications that have made use of the IOF data are listed on the International Household Survey Network website (see IHSN 2012).

In relation to weaknesses of the data, there is evidence of systematic underreporting of food/calorie consumption for (specific) households in certain locations, particularly the urban South (MPD 2010: 89). Other issues with the expenditure/consumption data are a shorter than usual list of food products and difficulty in the conversion of local quantities (e.g. a basin or can to kilogrammes).

The income data has not been previously analysed as it is reportedly difficult to gather the information and the data are of low quality due to underreporting. It is difficult to determine whether this concern is any more than the usual apprehension about income data collected through surveys, particularly in developing countries. In any case, care should be taken when using the income data.

4 There is an additional file about tourism (*turismo*) and a file listing product codes (*Produtos*).

5 For further details about the data files, see Barnes et al. (2016).

6 The key variables are *ae* (PSU), *af* (household), and *no* (person number).

7 These data are not publicly available, so it was necessary to contact INE for permission to access data.

Lastly, Tvedten et al. (2009) express concern about the definition of a household. They state that the survey:

defines the household as people living under the same roof and eating from the same pot, which does not reflect the complex realities on the ground as we have experienced them. In particular, there are many household members who do not live under the same roof but ‘eat from the same pot’—including ‘split households’ who maintain an urban and rural unit as part of their coping strategy. In Maputo in particular, there are also people who live under the same roof but do not ‘eat from the same pot’ and who are not members of the same household. (p. 10)

3.2 Data adjustment

No households/ individuals were dropped from the original sample, so no adjustments needed to be made to the weights.

However, in several datasets it was necessary to undertake data cleaning. For example, in the monthly income file (RM.dta) adjustments had to be made to a small number of person numbers that had been incorrectly inputted; in the household transfers file, several duplicate entries were dropped and incorrect person numbers were cleaned.

Households are defined as people living under the same roof and eating from the same pot, and the household head is identified by the household. The survey provides information on each person’s relationship to the household head and their biological father/mother (including ID numbers); therefore it was possible to determine some relationships within the household.

Mother and father IDs (*idmother* and *idfather*) were created for children below 18 years using the biological mother and father ID variables. Where *idmother* or *idfather* was missing but the child was known to be the son/daughter of the head (using the ‘relationship to head of household’ variable), the child was assigned the ID number of the head of household for *idmother* (where a female head) or *idfather* (where a male head).

More specifically, the mother ID variable (*af18b*) was missing for 25,294 cases, coded 99 for 12 cases, and coded 0 for 3,843 cases (i.e. no mother ID). However, of these cases, only 5,079 were aged below 18 years, so the missing variable occurred mainly for older people. For 847 of the 5,079 cases with a missing mother ID, the cases were the son/daughter of the household head, and so were given the ID of the head of the household (for the mother ID) if the head was female. A further 98 cases were given the ID of the head of the household if the head was female, as the cases were listed as stepchildren of the household head.

The father ID variable was missing for 26,548 cases, coded 0 for 8,436 cases, and coded 99 for 17 cases. Of these cases with a missing father ID variable, 10,937 were aged below 18 years. For these children, the father ID variable was assigned the ID of the head of the household where the head was male, and the child was listed as a son/daughter/stepson/stepdaughter of the household head.

Parent ID (*idparent*) was then created as *idmother* and if no *idmother* then *idfather*. The remaining 4,018 ‘loose’ (i.e. unallocated) children were all assigned to the head of the household, except where the child was the household head—these 34 cases were left unallocated, the youngest of whom was aged 13 years. Of the 4,018 unallocated children, 1,826 were grandchildren of the head of the household, 1,014 were nieces or nephews of the head of the household, and 155 were husbands or wives of the head of the household (mainly in their upper teens).

A new marital status variable was constructed which distinguished between people who were single, married (whether monogamous or polygamous), separated or divorced, and widowed. The original marital status variable *af11* had 19,976 (39%) missing cases; however, on examination, all but 15 of these cases were aged below 18 years, and most were aged 11 years or younger. All of those below 18 years with a missing marital status variable were imputed to be ‘single’.

The compulsory variable *idpartner* posed a particular challenge in the dataset, because the household roster did not contain information on relationships between members of the household other than relationships to the household head. This means that the identification of partners for people other than the head (and their spouse) is a challenge. In the original dataset, there are three ‘married’ statuses. For individuals aged 16 years and over, 3,213 cases were married, 2,052 cases were in a state of polygamous marital union, and 11,210 cases were in a state of monogamous marital union. Of the 16,475 married individuals, most (all but 2,274) could be assigned the ID of their co-resident spouse for the compulsory *idpartner* variable.

Extensive work was undertaken on the expenditure data in order to create an input dataset for indirect taxes. A total of 1,104 separate COICOP codes were identified from either the diary or the main expenditure section of the questionnaire. Each of these had to be assigned a variable name (‘x’ followed by COICOP code) and appropriate value labels. This was an extremely time-consuming activity. A further asset file was also constructed as it was thought that there might be a proxy means test that used assets, but this was in fact not needed.

3.3 Imputations and assumptions

3.3.1 Time period

The survey was undertaken between September 2008 and August 2009. Reference periods vary by type of question.

Information is captured on whether each individual aged 7 years and above has worked in the past 7 days. The survey captures the number of hours worked per week, the number of months worked in the last 12 months, the number of hours spent in the last 7 days doing different types of labour, and the number of hours spent on the previous day (‘yesterday’) doing housework.

Information on income is collected at the individual level and the income questions generally relate to the last month, although the question on transfers is for the last year. Incomes have been deflated through a temporal price index calculated for each quarter and the fourth quarter is the reference/base.

The file *INdata* contains information on pay from employment (i.e. how much was the last pay and is this daily, weekly, or monthly), as well as the value of rent, food, and transportation received. The remainder of the income information can be found in three files: *RM* (*Receitas do Último Mês*—income in the last month), *TF* (*Transferências Feitas Pelos Filhos e ou Cônjuge do Chef do AF que não são Membros do Agregado Familiar*—transfers from children or spouse of the head of the household who are not members of the family household), and *TR* (*Transferências*—transfers, both paid and received in the last month).

Information on expenditure/consumption is collected at the household level. Although data collection took place from September 2008 to August 2009, the one-year period was divided into quarters and for each sub-group of the population, one quarter of households was interviewed in each period in order to pick up on seasonal (pre-/post-harvest) variations in prices for agricultural products (see MPD 2010: 2–3).

Expenditure/consumption is recorded as daily, monthly, or annual expenses/consumption depending on the type of expenditure. Expenditures have been deflated through a temporal price index calculated for each quarter and (as for income) the fourth quarter is the reference/base. A spatial price index has also been calculated, with rural areas of Niassa and Cabo Delgado provinces treated as the reference/base.

Information on expenditure/consumption can be found in six files, obtained from questionnaires 1 (*Despesas Diárias*—daily expenses of the family household) and 2 (*Despesas Anuais, Mensais e Receitas*—annual and monthly expenses and income). The files are: *DD* (*Despesas Diárias*), *AC* (*Auto Consumo*), *RE* (*Receita em Espécie Pelo Trabalho*), *DM* (*Despesas Mensais*), *BD* (*Posse de Bens Duráveis e Despesas Anuais*), and *TR* (*Transferências*).

3.3.2 Gross incomes

The IOF does not contain information about gross employment income. It had been hoped that it would be possible to use the Labour Force Survey to generate a net to gross ratio for

employment income (by area and employment type) that could be applied to the IOF data, but this was not possible. Therefore, an alternative approach had to be applied in order to obtain a net to gross ratio for employment income within the IOF. This involved computing net income for a series of gross incomes using the information on tax bands, tax rates, and the presence of dependents in the family (so reverse-engineering the tax system). Grossing up factors were calculated accordingly for various income bands.

Specifically, a spreadsheet was constructed of hypothetical monthly gross employment incomes ranging from Mt 20,000 per month to Mt 270,000 per month in intervals of Mt 10,000 (or less). These figures were selected on the basis of the range of employment incomes present in the IOF. Net incomes were calculated for these figures, assuming an average number of dependents, which was derived from the IOF for groups of (net) income bands of those in employment. In practice, there was very little variation although the higher income groups had only an average of one dependent compared with two dependents for most other income groups and three dependents for the very lowest band. Once the net incomes had been derived for these hypothetical monthly gross employment figures, grossing up factors were calculated for bands of net income (see Table 3.2).

Table 3.2 IOF net employment income data: Grossing factors

Net income range (Mt per month)	Grossing factor
20,000–28,999	1.0221
29,000–51,999	1.1271
52,000–79,999	1.2413
80,000–111,999	1.2441
112,000–149,999	1.1897
150,000–179,999	1.2132
≥180,000	1.2311

Source: Authors' compilation.

3.3.3 Disaggregation of harmonized variables

It was not necessary to disaggregate any of the variables.

3.4 Updating

To account for any time inconsistencies between the input dataset and the policy year, uprating factors are used. Each monetary variable (i.e. each income component) is updated so as to account for changes in the non-simulated variables that have taken place between the year of the data and the year of the simulated tax-benefit system. Uprating factors are generally based on changes in the average value of an income component between the year of the data and the policy year.

The list of uprating factors as well as the sources used to derive them can be found in Table 3.3.

The data for the updating process consisted of the overall consumer price index (CPI) and components of CPI (food and non-food). Three uprating factors were created: overall CPI, CPI food, and CPI non-food. Values were inputted for 2009 and 2015. These were sourced from INE. The base period is December 2010. The average wage inflator was derived from data on minimum wage levels. Specific uprating factors were applied to expenditure data relating to alcohol, tobacco, and fuel.

No changes were made to the survey weights to take into account demographic change, although this would be possible using re-weighting algorithms and population projections. INE has population projections up to 2040 based on the last population census in 2007. The population estimates are detailed by age group, gender, and area of residence (urban, rural). The Demographic Health Survey contains more up-to-date demographic information for the period since 2007.

Table 3.3 Raw indices for deriving MOZMOD uprating factors

Index	Constant name	Values of the raw indices							Source	Income components uprated by the index
		2009	2010	2011	2012	2013	2014	2015		
CPI overall (2010=100)	\$f_CPI_total	81.57	93.86	103.25	105.60	110.73	113.78	115.33	National Statistics Authority (www.ine.gov.mz)	Y* (all except yem and yse)
CPI food index (2010=100)	\$f_CPI_food	77.85	92.31	102.90	105.66	112.06	117.25	118.47	National Statistics Authority (www.ine.gov.mz)	X* (food)
CPI non-food index (2010=100)	\$f_CPI_non_food	89.43	96.71	103.52	105.51	109.67	111.07	113.09	National Statistics Authority (www.ine.gov.mz)	X* (non-food)
Average wage inflator	\$f_general_wage_inflator	1	1.13	1.38	1.58	1.75	1.97	2.15	Derived from Average Minimum Wage Inflation	Yem, yse
Alcohol CPI (base December 2015=100)	\$f_CPI_Alcohol	84.19	95.11	101.37	105.28	114.61	116.27	117.70	National Statistics Authority (www.ine.gov.mz)	X* (alcohol)
Tobacco CPI (base December 2015=100)	\$f_CPI_Tobacco	84.19	95.11	101.37	105.28	114.61	116.27	117.70	National Statistics Authority (www.ine.gov.mz)	X* (tobacco)
Fuel CPI (base December 2015=100)	\$f_CPI_Fuel	88.80	98.15	103.21	103.13	107.18	107.42	107.46	National Statistics Authority (www.ine.gov.mz)	X* (motor vehicle fuel—transport CPI used)

Note: CPI figures shown in this table are for June of each year.

Source: Authors' compilation.

4 Validation

4.1 Aggregate validation

MOZMOD results have been validated against external benchmarks where feasible. Detailed comparisons of the number of people receiving a given income component and total yearly amounts are shown in the Annex. The main discrepancies between MOZMOD results and external benchmarks are discussed in the following sub-sections. Factors that may explain the observed differences are also discussed.

4.1.1 Validation of incomes inputted into the simulation

It was not possible to obtain external data on numbers of employed and unemployed people with which to compare the IOF (Table 4.1 in the Annex). It was also not possible to validate the number of recipients of various types of market income in the input dataset using external statistics (Table 4.2 in the Annex), nor the aggregate annual amounts of various types of market income (Table 4.3 in the Annex). In addition, it was not possible to assess the extent to which the non-simulated policies are adequately captured in the IOF as the IOF does not distinguish between receipt of different types of pensions (Tables 4.4 and 4.5 in the Annex).

4.1.2 Validation of outputted (simulated) incomes

Table 4.6 in the Annex compares the number of recipients of various types of simulated benefits/number of payers of simulated taxes or simulated social insurance contributions in MOZMOD with external statistics. Table 4.7 in the Annex compares the simulated and published aggregate yearly amounts for these simulated taxes and benefits.

Table 4.6 shows the published number of individuals paying personal income tax (employment and other) for 2014 rather than 2015, as at the time of writing the figures for 2015 were unavailable. According to the Mozambican Tax Authority (*Autoridade Tributária de Moçambique*), the number of contributors for this tax in the first semester (i.e. six months) of 2015 was 67,507, but it is highly likely that this figure would increase significantly by the end of the second half of 2015 and so it was more appropriate to refer to the completed 2014 figure.

For simplified tax, MOZMOD simulates a far larger number of taxpayers than is reported in the administrative data. It is likely that this is because MOZMOD assumes full compliance; moreover, it is a choice of the taxpayer (up to the relevant threshold) to be enrolled in the simplified tax system rather than preparing and submitting their accounts, and in MOZMOD it is assumed that eligible taxpayers opt to pursue the simplified tax option.

MOZMOD simulates far more eligible people for DSSP than actually received support in the month of June 2015. It is not possible at this stage to ascertain whether this is due to insufficient roll-out of DSSP or overestimation of eligible people caused by insufficiently precise proxies of eligibility. However, initial investigations have revealed that there was a considerable underspend of the DSSP budget allocated for the year 2015.

With respect to BSSP, MOZMOD simulates many fewer eligible people than actually received support in the month of June 2015. It is anticipated that this is due to the difficulty in identifying eligible individuals in IOF because of the highly nuanced screening criteria of applicants for BSSP.

4.2 Income distribution

In Mozambique, poverty analysis is undertaken using consumption data and so the income-based poverty analysis of the MOZMOD output data will differ greatly from the published figures.

In Mozambique, a per-capita equivalence scale is used, whereby household consumption is divided by the number of household members to provide a per-capita consumption amount.

4.2.1 Income inequality

In Mozambique, inequality is measured with reference to consumption, not income. Table 4.8 in the Annex shows the published figures for 2009 and 2015 (MEF 2016). The national Gini

coefficients based on IOF 2008–09 and IOF 2014–15 were 0.42 and 0.47, respectively, and so inequality increased by 0.05 percentage points.

Analysis of the MOZMOD output data for a 2015 time-point yields a Gini coefficient of 0.77. This is measured with reference to income, not consumption.

4.2.2 Poverty rates

In Mozambique, there are 13 consumption-based poverty lines, which are separately calculated for 13 sub-areas of the country that have homogeneous characteristics. The construction of a national poverty line is regarded as a forced attempt to produce an average poverty line that does not necessarily reflect what a national poverty line would actually be, but rather is only a statistical number, which is calculated from the average of the 13 poverty lines taking into account their weight.

Table 4.1: Consumption-based poverty lines in Mozambique by area, for 2009 and 2015

Spatial domains	Poverty lines in 2009 (using IOF 2008–09) (Mt per person per day)	Poverty lines in 2015 (using IOF 2014–15) (Mt per person per day)
Niassa & Cabo Delgado—rural	15.8	29.6
Niassa & Cabo Delgado—urban	17.8	33.6
Nampula—rural	12.9	19.7
Nampula—urban	16.3	26.7
Sofala & Zambézia—rural	13.2	19.6
Sofala & Zambézia—urban	17.4	26.9
Manica & Tete—rural	17.6	24.5
Manica & Tete—urban	21.8	34.0
Gaza & Inhambane—rural	18.4	28.2
Gaza & Inhambane—urban	19.9	32.7
Maputo Province—rural	22.7	37.6
Maputo Province—urban	26.9	41.7
Maputo City	29.7	40.2

Sources: For 2009, authors' calculations for 2009 using IOF 2008–09 and using the methodology 'PLEASE'; for 2015, MEF (2016: 74).

However, in practice, national poverty lines have been constructed by MEF for 2009 and 2015. Using IOF 2008–09, the national poverty line in 2009 was Mt 17.17 per person per day.⁸ Using IOF 2014–15, the national poverty line was Mt 26.7 per person per day (MEF 2016: 74).

Table 4.9 in the Annex shows that the MOZMOD output data for 2015 yields a higher national poverty rate for 2015 of 77.6 per cent. Although the same threshold was used (Mt 26.7 per person per day), the MOZMOD estimate was calculated using income (not consumption) data. It should also be noted that the MOZMOD estimate assumes full take-up of the simulated benefits and full payment of the simulated taxes.

4.3 Summary of 'health warnings'

As far as we have been able to ascertain, the income data in the IOF has not been used previously for research purposes. Although some data cleaning processes have been undertaken, there may be further steps that could be taken in this regard. However, as the new IOF is now available the cleaning processes will be prioritized for this more recent dataset.

Every effort has been made to collate the precise tax and benefit rules for 2015 but this was difficult to achieve and has been an iterative process. The work plan for 2017 will include continued validation of the interpretation of the policy rules in MOZMOD, with key stakeholders as well as any consequent refinement of the implementation of those rules within MOZMOD.

⁸ Authors' calculations.

References

- Arndt, C., M.A. Hussain, V. Salvucci, F. Tarp, and L.P. Osterdal (2013). 'Advancing Small Area Estimation'. WIDER Working Paper 2013/053. Helsinki: UNU-WIDER.
- Arndt, C., E.S. Jones, and F. Tarp (2015a). 'Mozambique: Off-Track or Temporarily Sidelined?'. WIDER Working Paper 2015/044. Helsinki: UNU-WIDER.
- Arndt, C., E.S. Jones, and F. Tarp (2015b). 'When Do Relative Prices Matter for Measuring Income Inequality? The Case of Food Prices in Mozambique'. WIDER Working Paper 2015/032. Helsinki: UNU-WIDER.
- ACIS, USAID, SPEED, and Deloitte (2011a). *Legal Framework for Tax in Mozambique, No. 4, IRPC: Manual on Corporate Income Tax*, edn 3, December. Beira: Associação de Comércio, Indústria e Serviços (ACIS).
- ACIS, USAID, SPEED, and Deloitte (2011b). *Legal Framework for Tax in Mozambique, No. 1. General Overview*, edn 2, December. Beira: Associação de Comércio, Indústria e Serviços (ACIS).
- AT (2015). *Relatório de Balanço: Actividades desenvolvidas pela AT em 2014 e perspectivas de ações para 2015* [Report: Tax Authority Activities in 2014 and Planned Activities for 2015]. Maputo: Ministério das Finanças, Autoridade Tributária de Moçambique (AT).
- Barnes, H., V. Castelo, F. Castigo, A. Cruz, M. Mpike, M. Noble, and G. Wright (2016). 'Tax-Benefit Microsimulation Modelling in Mozambique'. WIDER Working Paper 2016/27. Helsinki: UNU-WIDER.
- Bolnick, B., and B. Byiers (2009). *PARPA II Review: The Tax System in Mozambique*, vol. 1. Maputo: USAID and Nathan Associates.
- Cunha, N., L. Pellerano, J. Mueller, V. Lledo, Y. Xiao, and P. Gitton (2013). 'Towards a Mozambican Social Protection Floor: Consolidating a Comprehensive Social Protection System in Mozambique—Analysis of Policy Alternatives and Costs'. ESS Paper 41. Geneva: Social Protection Department, International Labour Office.
- Fumo, G. (2012). *IRPS: Código do Imposto sobre o Rendimento ds Pessoas Singulares—Anotado* [Annotated Personal Income Tax Code]. Maputo: Texto Editores, Lda.
- GdM (2002). *Alteração às instruções preliminares da Pauta Aduaneira e respectiva Pauta Aduaneira* ['Changes to Instructions and Customs Tariffs']. Decree 39/2002, 26 December, approved by the Council of Ministers of Mozambique. Maputo: Governo de Moçambique (GdM). Available at: <http://www.alfandegas.gov.mz/dec39ipps.htm> (accessed April 2017).
- GdM (2008a). *Regulamento do código do imposto sobre o rendimento das pessoas singulares* ['Personal Income Tax Code Regulations']. Decree 8/2008, 16 April, approved by the Council of Ministers of Mozambique. *Boletim de República*. Maputo: Governo de Moçambique.
- GdM (2008b). *Regulamento do código do imposto sobre o valor acrescentado* ['Value Added Tax Code Regulations']. Decree 7/2008, 16 April, approved by the Council of Ministers of Mozambique. *Boletim de República*. Maputo: Governo de Moçambique.
- GdM (2008c). *Código tributário autárquico* ['Municipalities Tax Code']. Decree 63/2008, 30 December, approved by the Council of Ministers of Mozambique. *Boletim de República*. Maputo: Governo de Moçambique.
- GdM (2010). *Estratégia nacional de segurança social básica 2010–2014* ['National Basic Social Security Strategy, 2010–14']. Resolution 17/2010, 27 May, approved by the Council of Ministers of Mozambique. *Boletim de República*. Maputo: Governo de Moçambique.
- GdM (2016). *General Account of the State, 2015*. Maputo: Governo de Moçambique.
- Hodges, A., and L. Pellerano (2010). *Development of Social Protection: Strategic Review for UNICEF Mozambique, Final Report*. Oxford: Oxford Policy Management.
- IHSN (2012). *Mozambique—Inquérito ao Orçamento Familiar, 2008–2009*. IHSN Survey Catalog. International Household Survey Network. Available at: http://catalog.ihsn.org/index.php/catalog/2168/related_citations (accessed April 2017).
- INE (2016) *Relatório do Módulo da Força de Trabalho. Inquérito ao Orçamento Familiar—I OF 2014/15* [Report on the Work Force: IOF 2014–15]. Maputo: Instituto Nacional de Estatística (INE).
- INE (2017). *Inquérito ao Orçamento Familiar—I OF 2014/15* [Report on the work force: IOF 2014–15]. Maputo: Instituto Nacional de Estatística (INE). Available at: <http://www.ine.gov.mz/operacoes-estatisticas/inqueritos/inquerito-sobre-orcamento-familiar> (accessed April 2017).
- INAS (2015) *Actualização dos Escalões de Subsídio Social Básico* ['Update of Basic Social Subsidy Classes']. Circular 09/2010/INAS/GDA/2015, 11 June. Maputo: Deputy Director's Office, National Institute of Social Action.

- IPC-UNDP (2016). *Social Protection in Africa: Inventory of Non-Contributory Programmes*. Brazil: International Policy Centre for Inclusive Growth, United Nations Development Programme (IPC-UNDP).
- Ministério das Finanças (2011). *Actualiza a tabela de retenção na fonte do IRPS: Trabalho dependente* [‘Updates for the Personal Income Tax Table on the Withholding Tax: Employment’]. Ministerial Decree 243/2011, 12 October. *Boletim da República*. Maputo: Ministério das Finanças.
- MEF (2016). *Poverty and Well-Being in Mozambique: Fourth National Poverty Assessment—IOF 2014/15*. Maputo: Directorate of Economic and Financial Studies, Ministry of Economy and Finance (MEF).
- Ministry of Gender, Children and Social Action (2015). *Annual Report 2015*. Maputo: National Institute of Social Action.
- Ministry of State Administration and Public Function (2016). *Statistics of State Officials and Agents 2014/15*. Maputo: Ministry of State Administration and Public Function.
- MPD (2010). *Poverty and Well-Being in Mozambique: Third National Poverty Assessment*. Maputo: National Directorate of Studies and Policy Analysis, Ministry of Planning and Development (MPD).
- NISS (2016a). *Evolução de Contribuintes e Beneficiários no Sistema de Segurança Social Obrigatória desde 1990 a Dezembro de 2015* [‘Evolution of Contributors and Beneficiaries in the Compulsory Social Security System from 1990 to December 2015’]. Maputo: National Institute of Social Security (NISS). Available at: <http://www.inss.gov.mz/publicacoes/estatisticas/finish/4-estatisticas/1006-evolucao-anual-de-contribuintes-e-beneficiarios-maio-1990-a-dezembro-2015/0.html> (accessed 7 December 2016).
- NISS (2016b). *Anexo: Inscrição de Contribuintes, Beneficiário e Massa Salarial (Orçamento) 2015* [‘Annex: Registration of Contributors, Beneficiary and Salary Bill (Budget) 2015’]. Maputo: National Institute of Social Security.
- PdM (1992). *Sistema Nacional de Educação* [‘Education National System’]. Law 6/1992, 6 May, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2007a). *Lei tributária da actividade mineira* [‘Mineral Tax Law’]. Law 11/2007, 27 June, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2007b). *Lei tributária da actividade petrolífera* [‘Oil Activity Tax Law’]. Law 12/2007, 27 June, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2007c). *Lei do Trabalho* [‘Labour Law’]. Law 23/2007, 1 August, approved by PdM, *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2007d). *Lei do código do imposto sobre o rendimento das pessoas singulares* [‘Personal Income Tax Code Law’]. Law 33/2007, 31 December, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2007e). *Lei do código do imposto sobre o valor acrescentado* [‘Value Added Tax Code Law’]. Law 32/2007, 31 December, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2009a). *Estatuto Geral dos Funcionários e Agentes do Estado* [‘General Statute for Civil Servants and State Agents’]. Law 14/2009, 17 March, approved by PdM. Maputo: National Press of Mozambique (Article 140).
- PdM (2009b). *Lei de criação do imposto simplificado para pequenos contribuintes* [‘Simplified Tax for Small Taxpayers Law’]. Law 5/2009, 12 January, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2009c). *Lei do código do imposto sobre consumos específicos* [‘Excise Tax Code Law’]. Law 17/2009, 10 September, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2009d). *Lei de reformulação da Pauta Aduaneira* [‘Revised Customs Tariffs Law’]. Law 6/2007, 10 March, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2012a). *Lei da alteração ao código do imposto sobre o rendimento das pessoas colectivas* [‘Revised Corporate Income Tax Code Law’]. Law 4/2012, 23 January, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2012b). *Lei da alteração ao código do imposto sobre o valor acrescentado* [‘Revised Value Added Tax Code Law’]. Law 3/2012, 23 January, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.
- PdM (2012c). *Lei da alteração ao código do imposto sobre consumos específicos* [‘Revised Excise Tax Code Law’]. Law 5/2012, 23 January, approved by PdM. *Boletim da República*. Maputo: Parlamento de Moçambique.

- PdM (2013). *Lei da alteração ao código do imposto sobre o rendimento das pessoas singulares* [‘Revised Personal Income Tax Code Law’]. Law 20/2013, 23 September, approved by PdM. *Boletim da República*, Article 65-A. Maputo: Parlamento de Moçambique.
- Pellerano, L. (2010). *Development of Social Protection: Pre-feasibility and Costing Analysis of Three Short-Term Social Protection Reform Options for UNICEF Mozambique*. Oxford: Oxford Policy Management.
- RdM (2002). *Política para a pessoa idosa e a Estratégia da sua Implementação* [‘Policy for the Elderly and the Strategy for Its Implementation’]. Resolution 84/2002, 12 November, approved by RdM. *Boletim da República*. Maputo: República de Moçambique (RdM).
- RdM (2009). *Estratégia Da Pessoa Portadora de Deficiência na Função Pública* [‘Strategy for People with Disabilities in Public Service’]. Resolution 68/2009, 21 November, approved by RdM. *Boletim da República*, 2nd supplement. Maputo: República de Moçambique.
- RdM (2012). *Boletim da República [Republic Bulletin]*, 45/2012. Maputo: República de Moçambique.
- RdM (2015). *Diplomas Ministeriais n.º68/2015 a n.º75/2015* [‘Ministerial Decrees 68/2015 to 75/2015’]. *Boletim da República*, 40/2015, 20 May. Maputo: República de Moçambique.
- RoM (2010). *Report on the Millennium Development Goals: Mozambique 2010*. Maputo: Ministry of Planning and Development, Republic of Mozambique (RoM).
- Sal & Caldeira (2013). *Informação sobre a Atualização do Imposto sobre o Rendimento das Pessoas Singulares (IRPS) referente ao Diploma Ministerial n.º64/2013 de 12 Junho* [‘Information on Revised Personal Income Tax Based on Ministerial Decree 64/2013, 12 June, Maputo’]. *Newsletter* 66, June. Maputo: Sal & Caldeira, Advogados.
- Tvedten, I., M. Paulo, and C. Rosário (2009). ‘Monitoring and Evaluating Mozambique’s Poverty Reduction Strategy PARPA 2006–2008: A Synopsis of Three Qualitative Studies on Rural and Urban Poverty’. Christian Michelsen Institute Report 2009: 5. Bergen: Christian Michelsen Institute.
- United Nations Mozambique (2015). *Capitalising on UN Experience: The Development of a Social Protection Floor in Mozambique*. Maputo: ILO, UNICEF, and WFP.
- Verbist, G. (2004). ‘Redistributive Effect and Progressivity of Taxes: An International Comparison Across the EU Using EUROMOD’. EUROMOD Working Paper EM5/04. Colchester: Institute for Social and Economic Research.
- World Bank (2012). ‘Mozambique Social Protection Assessment: Review of Social Assistance Programs and Social Protection Expenditures’. Report 68239-MZ. Washington, DC: World Bank.
- World Bank (2016). *World Development Indicators*. Available at: <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (accessed 13 April 2016).

Annex

Table A1: Employment and unemployment (validation data is not available)

Table A2: Number of recipients of various types of market income (validation data is not available)

Table A3: Aggregate annual amounts of market income (validation data is not available)

Table A4: Number of recipients of non-simulated pensions (not captured in IOF)

Table A5: Aggregate yearly amounts of various types of non-simulated pensions payable (not captured in IOF)

Table A6: Tax and benefit instruments simulated in MOZMOD: Number of recipients (of the benefits) and payers (of the tax and social insurance contributions)

Tax-benefit policy	MOZMOD 2015 (A)	External 2015 (B)	Ratio (A/B)
Personal income tax: Employment	104,131	138,364 ^a	81.0%
Personal income tax: Other	8,013		
Simplified tax	1,631,605	189,797 ^b	860%
VAT	N/A	N/A	N/A
Excise duty	N/A	N/A	N/A
Social insurance: Private sector non-self-employed and self-employed contributors	627,731	1,304,812 ^c	48.1%
Social insurance: Public sector contributors	313,916	332,155 ^d	94.5%
DSSP (<i>hh</i>)	1,151,522	43,907 ^e	2623%
BSSP (<i>hh</i>)	50,881	352,189 ^f	14.4%

Notes: VAT, value-added tax. ^aInformation supplied by the Tax Authority for IRPS (for 2014, not 2015) (AT 2015).

^bInformation supplied by the Tax Authority for ISPC for 2015: 'Registados' 'NISS (2016a)' (i.e. number of contributors registered in June 2015). ^cMinistry of State Administration and Public Function (2016: 11). ^dCorrespondence from the Ministry of Gender, Child and Social Action, December 2016: Beneficiaries and Budget of the *PSSB* and *PASD*—June 2015, National Institute of Social Action/Department of Planning and Statistics. ^eCorrespondence from the Ministry of Gender, Child and Social Action, December 2016: Beneficiaries and Budget of the *PSSB* and *PASD*—June 2015, National Institute of Social Action/Department of Planning and Statistics.

Sources: Column A: MOZMOD version 1.0. Column B: see table notes.

Table A7: Tax and benefit instruments simulated in MOZMOD: Annual amounts (Mt)

Tax-benefit policy	MOZMOD 2015, million Mt (A)	External 2015, million Mt (B)	Per cent captured (A/B)
Personal income tax: Employment	12,992.75	21,311.20 ^a	74.6
Personal income tax: Other	2,902.83		
Simplified tax	3,241.22	185.2 ^b	1752.0
VAT	8,169.88	46,553.10 ^c	17.5
Excise duty	103.76	7,839.51 ^d	1.3
Social insurance: Private sector non-self-employed and self-employed contributions	1,751.73	7,145.66 ^e	24.5
Social insurance: Public sector contributions	2,822.36	Not available	Not available
DSSP	31,021.06 ^f	531.21 ^g	5840
BSSP	289.87	1,598.76 ^h	18

Notes: ^aGdM (2016: Annex II). ^bGdM (2016: Annex II). ^cGdM (2016: Annex II). ^dGdM (2016: Annex II); this is the sum of excise duty from national production and imported products. ^eNISS (2016b). ^fThis estimate uses average cost of food basket data across Mozambique. ^gMinistry of Gender, Children and Social Action (2015: i). The 'Executive Summary' provides a lower figure for the annual expenditure; however, closer reading of the report suggests that the figure relates to the first nine months of 2015 only, and therefore the figure in the summary was adjusted to a 12-month period.

^hMinistry of Gender, Children and Social Action (2015: i). The 'Executive Summary' provides a lower figure for the annual expenditure; however, closer reading of the report suggests that the figure relates to the first nine months of 2015 only,

and therefore the figure in the summary was adjusted to a 12-month period.

Sources: Column A: MOZMOD version 1.0. Column B: see table notes.

Table A8: Income inequality

	MOZMOD 2015 (A)	External 2015 (B)
Gini in 2009	—	0.42 ^a
Gini in 2015	0.77	0.47 ^b

Notes: External figures are based on consumption data whereas MOZMOD figure is based on income data and assumes full take-up of simulated benefits. ^aMEF (2016: 27). ^bMEF (2016: 12).

Sources: Column A: MOZMOD version 1.0. Column B: see table notes.

Table A9: Poverty rates

	MOZMOD (A)	External (B)
Poverty in 2009	Not available	51.7 ^a
Poverty in 2015	77.6	46.1 ^b

Notes: External figures are based on consumption data whereas MOZMOD figures are based on income data. Both use per-capita equivalization. The MOZMOD figure assumes full take-up of simulated benefits. ^aMEF (2016: 12). This was calculated using a consumption-based poverty line used for 2009 of Mt 17.17 per person per day. ^bMEF (2016: 12). This was calculated using a consumption-based poverty line used for 2015 of Mt 26.7 per person per day.

Sources: Column A: MOZMOD version 1.0. Column B: see table notes.