At a glance.....
ANGOLAN TAX SYSTEM

TAX & BUSINESS

General Information

Angolan Tax System - Angola has a schedular tax system, with several taxes on income earned by corporations and/or individuals. The taxes on income currently in place are the industrial tax, the work-related income tax, the investment income tax and the real estate tax (levied on income derived from immovable property). The taxes on consumption are consumption tax and customs duties. The taxes on property are real estate tax (levied on the holding of immovable property), property transfer tax (tax on the onerous transfer of immovable property) and tax on inheritances and gifts. Additionally, stamp duty, which includes a 1% turnover tax, is levied on certain acts (namely those related to the financial system).

Tax Reform - As part of the ongoing tax reform in Angola, it was approved in the last quarter of 2014, several legal instruments, which contain, either simple changes of detail and minor adjustments in certain taxes, or authentic reformulations in other cases, depending on the existing necessity of actualization. The major change occurred mainly in the legislation regarding the general tax activity, such as of the case of General Tax Code. Indeed, in contrast to what happened in

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many other laws which have been only subject to small updates and adjustments, the General Tax Code has undergone a thorough review, in order to make it compatible with the constitutionally enshrined principles and, also with the requirements of the current economic environment and globalization. At the same time, and with similar tune, the new Code of Tax Enforcement, which came to regulate coercive collection of tax debts, replaced the old "simplified regime of tax enforcements" with the establishment of a new system of tax enforcements, more complete and matured. In the same law, a amnesty regime tax debts applicable to tax debts incurred till 31 December, 2012 was created. The Tax process was also changed, with the intention of adapting the current tax litigation to Angolan constitutional framework. In this case, there was also a total reformulation of the judicial tax process in order to provide greater speed and efficiency and, at the same time establishing a clear separation between the judiciary and the administrative power, and, also, to clarify, expressly, the rights and guarantees which assist to taxpayers.

In what regards specifically to taxes and, concerning the taxation of income, the changes have been limited to the updating of the taxation regime of the income earned by natural or legal persons, without distorting it. In turn, the legislature tried to reconcile the various laws relating to taxation of existing income (Code of work-related income, the Industrial tax code and the capital gains code), clarifying the scope of income and taxable persons subject to each of these taxes. As regards, in particular, to the taxation of legal persons, the "reform" of the Industrial Tax was even assumed, as the first step towards a transition to a new system of taxation. which should be regarded with cautious.

there wasn’t also a real reform regarding to the indirect and property taxes changes (Consumption tax and Stamp Tax), stamp duty, there weren’t innovations in itself to the genesis and characteristics of the tax, but rather changes point aiming, above all, its clarification and improvement. Regarding the consumption Tax, reference must be made to the creation of a new regime for oil companies.

Official Currency - Angolan Kwanza (AOA)

Foreign Exchange Restrictions - Foreign exchange operations in Angola are subject to Angola National Bank’s (BNA) control. Import and export of currency can only be made under certain requirements. Angolan residents can carry up to US$15,000 (or equivalent in other currency) when travelling, while non-residents in Angola are limited to carry a maximum of US$10,000 (or equivalent). Bank transfers to foreign bank accounts up to an amount of US$300,000 are not subject to any restrictions as long as the payments are made pursuant to contracts not exceeding that amount. Bank transfers to foreign bank accounts exceeding the US$300,000 threshold are subject to prior approval and licensing by the BNA.

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Business Entities - Main business entities in Angola are limited liability companies (*sociedades por quotas*) and joint stock companies (*sociedades anónimas*). It is also possible for a business to incorporate through a "single-person company" (*sociedade unipessoal*). Additionally, foreign companies typically operate in Angola through subsidiaries, branches, representation offices and consortium agreements (partnerships).

Interest Rate - LUIBOR (Luanda Interbank Offered Rate) 12 months is currently set at 9,67%.

Accounting Principles - The Angolan accounting system is governed by the General Accounting Plan of Angola (PGCA), which is mandatory for commercial companies and public companies. Financial institutions are, however, governed by the Chart of Accounts for Financial Institutions (CONTIF), which follows the IAS and the IFRS.

Tax Incentives - Subject to prior approval by the National Agency for the Private Investment (ANIP), private investors in Angola are entitled to industrial tax, customs duties, property transfer tax and dividend withholding tax exemptions. Tax incentives may vary depending on the amount of the investment, location of the investment and the economic impact of such investment.

Tax Year - The tax year runs from January 31 to December 31.

Double Tax Agreements - To date, Angola has not concluded any double taxation agreements.

Business Taxation

Residence – A business will be deemed as a resident in Angola if its domicile, head office or effective management is located in Angola.

Basis – Resident businesses will be subject to tax on their profits, whether obtained in Angola or abroad (worldwide taxation).
The taxation is divided in two Groups: i) Group A - public companies, companies with a capital stock equal or higher than 2.000.000,00 AOA and companies with an annual profit amount equal or higher than 500.000.000,00 AOA; and ii) Group B - companies that are not included in Group A and companies that only practiced an operation or a single act of commercial or industrial nature.

Taxable income – Taxable income of a business is broadly defined as to include all earnings and gains resulting from any activity carried out by a business, be it normal or occasional, principal or secondary, minus all the costs or losses necessary to obtain the earnings or gains. In case of Taxpayers from Group B, the costs or losses necessary to obtain the earnings or gains will not be considered for purposes of taxable income.

Losses – Losses can be deducted from the taxable profits of one or more of the following 3 taxable years. No carry-backward of losses is

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allowed. Limitations are foreseen in case the losses are related to an exemption or reduced rate period.

Rate – Business income is subject to tax at a general tax rate of 30%. However, a reduced 15% tax rate shall apply in case of agriculture, aquaculture, aviculture, livestock, fishing and forestry activities. Taxpayers from Group B that have organized accountancy are subject to a tax rate of 6,5% over its turnover.

Compliance Requirements

Filing Tax Returns - Industrial tax returns (*Modelo 1*) shall be submitted by companies included in Group A until the end of May. Companies framed in Group B shall submit industrial tax returns until the end of April.

Payment - Industrial tax is due when submitting the tax return and on the same deadline. Provisional industrial tax of the previous month's turnover is due on a monthly basis. The provisional industrial tax rate applied to sales is 2% and the rate applied to services provision is 6.5%. Taxes are paid in the tax offices through a tax assessment document (DLI). Upon payment, the taxpayer will be provided with a revenue collection document (DAR) which serves as proof of payment.

Rulings - Although taxpayers are legally entitled to obtain binding rulings from the tax authorities, practice shows that said rulings are not common.

Withholding Taxes

Dividends - Payment of dividends is subject to investment income tax withholding at a 10% tax rate. If dividends are paid regarding shares admitted to negotiation in a regulated market, a reduced tax rate of 5% is applied. Dividends paid to resident companies in respect of a minimum participation of 25% held for more than one year are exempt from withholding tax.

Capital Gains - Capital gains are subject to a 10% tax rate for investment income tax purposes. A 50% taxable basis exclusion is allowed in certain situations. Therefore, in these cases, the effective tax rate is 5%.

Interest - Payment of interest in respect of bonds or financial instruments are subject to investment income tax withholding at a 10% tax rate. Interest from shareholders loans or any sort of allowance made by shareholders to the companies is also subject to withholding at a tax rate of 10%. Interests from shares admitted to negotiation in a regulated market are subject to a withholding tax at a reduced tax rate of 5%.

Royalties - Payment of royalties is subject to investment income tax withholding at a 10% tax rate. Consideration for the use of industrial, commercial or scientific equipment is regarded as royalty payment.

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Other - In 2014, payments for management and technical assistance services remained subject to a withholding at a 3,5% or 5,25% tax rate (depending on whether the service is related to immovable property or not). As of January 2015, a fixed withholding industrial tax rate amounting to 6,5% applies to non-resident entities providing services to Angolan-based entities.

Profit from Permanent Establishment - Remittance of profits from permanent establishment of non-resident entities in Angola are subject to a 10% investment income tax rate. However, if the profit was obtained from shares admitted to trading on a regulated market a reduced tax rate of 5% is applied during the five years after the Income Tax Code enters into force.

Work-related Income Taxation

Residence - As a general rule, it is considered resident in Angola who disposes, at December 31 of each year, of an habitation such as to suggest that the taxpayer intends to occupy it as his habitual residence or who, each year, remain in Angola over 183 days consecutive or interpolated.

Basis - Angolans taxpayers are taxed, regardless of their residence, by work-related income derived from services provided to natural or legal persons which possess its domicile, headquarters, effective management or permanent establishment in Angola (typically activities paid by Angolan entities).

Taxable Income - Taxation of work-related income is now separated by groups, depending on the nature of the income. The income of employees from both public and private sector is framed in Group A. Self-employed and management activities are taxed according to the rules of Group B. Finally, industrial and commercial activities which are in the minimum profit list are included in Group C.

Non-Taxable Income - Some types of income are expressly excluded from taxation. Child benefits paid by employers are not subject to taxation if the amount of the benefit is equal or inferior to 5% of the income basis. Also the compensation regarding the rescission of the employment agreement is not subject to taxation. Food and transport allowances are also excluded from taxation up to a monthly maximum of 30.000,00 Kwanza. Vacation and Christmas allowances are excluded if the correspondent amount is equal or inferior to 100% of the basis wage. The reimbursements of travel and representation expenses incurred with activities developed on behalf of the employer are also not subject to taxation, if duly documented.

Exemptions - Military and paramilitary citizens are tax exempted regarding to income obtained with military services. Former combatants, war disabled people and relatives of deceased combatants are excluded from taxation regarding the income framed in

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Groups A and B. The general maximum income exemption is 34.450,00 Kwanza.

Taxable Amount - The calculation of the taxable amount and the deductions to the gross income depends on the group in which the income is included.

Tax Rate - Self-employment income is taxed at a 15% tax rate, whilst employment income is taxed at progressive rates up to 17%.

Compliance Requirements

Rates - Entities that are obliged to assess and deliver the withholding tax amount from employees' income regardless of the group in which they are framed, must submit their tax return by the end of February with the amounts paid and the identification of the employees to whom those amounts were paid. Self-employees with incomes that are not withheld must submit their tax return by the end of March.

Payment - Self-employees are required to pay the tax due at the same time as submitting the tax return, whereas employees are subject to final withholding tax, which shall be paid by the employer in the relevant tax office by the end of the month following that to which the tax relates. Taxes are paid in the tax offices through a tax assessment document (DLI) . Upon payment, the taxpayer will be provided with a revenue collection document (DAR) which serves as proof of payment.

Consumption Tax

Taxable Transactions - Consumption tax is equivalent to an excise tax, being levied, in general, on the production of goods, import of goods and provision of a wide range of selected services.

Taxable Persons - Consumption tax is due by the producer or importer of the good, or the service provider, although it is economically borne by the acquirer of the good or service.

Taxable value - The value subject to tax is, as a rule, the cost of producing the good, the customs value of an imported good or the price paid for the service.

Rates - Consumption tax rates vary significantly depending on the product, ranging from 2% to 30%, despite the 10% general tax rate. Consumption tax on services varies between 5% and 10%.

Compliance Requirements

Filing - Taxpayers must file a monthly tax return with the detail of all the operations performed during the previous month, with the assessment of the tax due.

Payment - Consumption tax is due when submitting the tax return and on the same deadline. Taxes are paid in the tax offices through a tax assessment document (DLI). Upon payment, the taxpayer will be provided

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with a revenue collection document (DRA) which serves as proof of payment.

Other Taxes

Property Tax - Real estate owners are subject to tax at a 0.5% tax rate over the tax value of the immovable property, as determined by law. In case of rented real estate, a 15% effective tax rate applies on the rental income.

Property Transfer Tax - On the onerous transfer of immovable property, a 2% transfer tax rate is levied (tax due by the purchaser).

Estate Tax - Gifts and inheritances that operate the gratuitous transfer of property are subject to tax at a maximum tax rate of 30%.

Social Security - Social security contributions amount to 11% of the employee's salary. The employer is liable for 8%, whilst employees are liable for 3%.

Stamp Duty - Stamp duty is levied on several acts and contracts. Additionally, businesses are also subject to stamp duty on all receipts issued, at a 1% tax rate.

Penalties

Penalties - Angolan General Tax Code provides for a general penalty of 35% of the tax due, with a minimum of 5.000,00 Kwanza. Additionally, each tax code provides for specific penalties.

Tax Amnesty

The exceptional regularization of tax debts regime recently approved is applied to debts regarding to the taxable period prior to December 31, 2012. This tax amnesty covers all values in debt related to taxes, plus late payment penalties, compensatory interest, judicial costs and penalties. Taxes include: industrial tax; personal income tax; stamp duty tax; investment income tax and property tax.

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