

**OPINION ARTICLE
ANALYSIS AND NEWS****January 2012****ANGOLA – STANDPOINT
OF THE TAX REFORM**

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1. Standpoint of the Reform.

On 15 March 2011 general guidelines for a major Angolan tax reform were published in the official gazette (“Diário da República”). These guidelines anticipated an ambitious change applicable to the whole Angolan tax system, with an impact across the board most notably over the tax and customs administration entities, tax legislation, administrative fees, customs duties and other similar duties and the administrative and judicial enforcement of this legislation.

Some of the legislation was enacted during 2011 evidencing that this reform is effectively underway. However, the most significant changes are expected in the course of 2012. A solid sign of this is the recent Law 35/11, of December 12, where the National Assembly approved that Government should commence law making procedures in order to revise the Companies Income Tax (known as the Industrial Tax), the Capital Gains Tax Code, the Personal Income Tax Code and the Consumer’s Tax Regulation and to approve the new Stamp Tax Code.

(6) Main text.

2. New Specific Regimes Underway.

Besides the above legislation, new specific regimes are also expected. New rules on the tax implications of accounting reintegration and amortization, the issuing of

documents relevant for tax purposes (such as invoices and receipts, which most likely will have to be issued electronically enabling sequential numbering), a special regime applicable to the so-called “big taxpayers” and a new transfer pricing regime will be approved in due course and enacted in this context.

For instance, the future listing of an entity as a “big taxpayer” by decision of the Ministry of Finance will subject such an entity to certain new, specific rights and obligations, such as its taxation from a group perspective (considered as integrated in a group are entities held at least 90% by the relevant holding for a period exceeding 2 years). On the other hand, the new transfer pricing regime is expected to enable certain mandatory tax corrections by the tax administration, most notably in cases where special relations exist between the taxpayer and other involved parties allowing transactional terms and conditions different from those contracted in an arms-length context.

3. Other Expected Changes (Summarized).

While the law making procedure is still pending, information is becoming public suggesting that the changes will also have an impact over the matters summarized below. The information outlined below is for preliminary reference purposes only and both confirmation and professional advice should be sought on the same in due course.

3.1 Companies Income Tax (“IndustryTax”; “Imposto Industrial”).

Individuals and entities subject to tax

Individuals will be subject to Personal Income Tax only. Non-incorporated entities, such as estates, invalid or companies which have not been properly registered become subject to Companies Income Tax. The filing of tax returns electronically will be allowed.

Tax applicable to services provided by non-residents

A specific regime is to be created applicable to gains resulting from the provision of services by non-residents on a non-continuing basis, revoking the preceding legislation in this regard (Law 7/97, of October 10).

Exemptions

Without prejudice to exemptions previously granted on a case-by-case basis and still effective, the current regime will no longer be applicable. Furthermore, and although this may not be technically considered as an exemption, mergers will be expressly considered as neutral from a tax perspective.

Groups of taxpayers subject to Tax

There will be only two groups subject to this tax: A (entities with a registered capital exceeding Kz 1.100.000 and total gains exceeding Kz 30.000.000, including associations, foundations and cooperatives meeting certain requirements) and B (the remainder).

Determination of taxable revenue

Tax will now be applicable to gains relating to investments in public debt, assets produced or used by the taxpayer and certain positive variations in net equity. Certain expenditures will now be considered as deductible, such as those connected with contributions by employers to pension funds and social assistance. Only properly documented expenses may be deducted. The law will likely include a detailed regime on the assets subject to amortization, evaluation criteria and calculations. Taxes applicable to the reintegration and amortization will be changed (Ministry Order 755/72, of October 26 will then be revoked). Certain mandatory accounting provisions (such as those connected to court litigation and bad debts) will be deductible. Real estate gains tax and capital gains tax paid for by the taxpayer may also be deducted within certain limits.

Tax

General tax will correspond to 30% (without prejudice to lower taxes negotiated and contracted as incentives to private investment). Gains resulting from services provided by non-residents on a non-continuing basis will be taxed at the rate of 6.5%.

Payment in anticipation

Taxpayers shall pay tax in advance in August (group A) and July (group B) each year with reference to the first semester of year in course. A tax rate of 2% over the aggregate of sales will be applicable for this purpose.

3.2 Personal Income Tax (“Imposto Sobre os Rendimentos do Trabalho”).

Groups of taxpayers subject to Tax

There will be three groups subject to this tax: A (employees rendering work under a labor contract, including public officials), B (independent workers, directors and members of corporate bodies) and C (individuals engaging in commercial and industrial activities; this group was formerly subject to Companies Income Tax).

Determination of taxable revenue

Tax will be levied on amounts paid for compliance with social security rules and over amounts for the reimbursement of expenses (family allowance, termination indemnities, meal allowances and vacation and Christmas allowances, for instance, may not be subject to this tax up to certain thresholds). In cases where taxpayers integrated in groups B and C have no organized accounting, a presumption of 30% of expenses will be considered and is deductible.

Tax While the taxation relating to group A still varies depending on the relevant compensation, groups B and C are subject to a tax of 20% or 25% (whenever the tax administration uses indirect methods).

3.3 Capital Gains Tax (“Imposto Sobre a Aplicação de Capitais”).

Operations subject to Tax

Certain new operations (inserted in section B) become subject to this tax in different terms, most notably deposits in cash with financial institutions, gains resulting from the transfer of participating interests and gambling prizes.

Territoriality

Tax will be applicable in situations where payments are made by an individual or entity resident in Angola, are made available by a permanent establishment existing in Angola, are received from individuals or entities resident in Angola or are imputable to a permanent establishment in Angola.

Tax

Notwithstanding the taxes applicable in view of certain specified operations, a new general tax of 15% will be created to be applicable to any gains not specifically mentioned in the Code. Tax applicable to shareholder's loans and to profits resulting from distributed dividends

not collected by the relevant shareholders is reduced from 15% to 10%.

Exemption

Exemptions will also refer to profits distributed by resident entities whenever the entitled party is also a resident entity holding a participating interest of at least 25% in the entity paying profits for a period exceeding one year and to interest resulting from certain family savings bonds approved by the Ministry of Finance (up to Kz 500.000 per individual), such as those for the future acquisition of residential properties.

Payment

Payment shall be made by individuals or entities owing the tax or, whenever these are not resident in Angola, by individuals or entities paying them the relevant taxable gains. As regards to the operations set forth in section B, tax shall be paid by the individual or entity paying the relevant taxable gains, except in cases where gains result from the issuing of certain shares or the transfer of participating interests, for instance. Payment shall be made until the end of the month following the month in which gains are paid for.

Tax Returns Individuals or entities subject to payment of tax (according to preceding item) shall file a tax return January each year respective to preceding year.

3.4 Stamp Tax (“Imposto do Selo”).

Operations subject to tax

Stamp Tax regime will be profoundly revised. Unlike the current complex and inefficient regime, only about 30 specified operations will likely be considered as subject to tax.

Territoriality

Stamp Tax is expected to be applicable to operations occurred and documents issued in Angolan territory only, with some exceptions: documents issued abroad presented or used in Angola, financing or collateral provided for abroad to the benefit of resident individuals or entities, interest, fees and other consideration charged abroad from resident individuals or entities and international insurance related to risks existing in Angola.

Tax

While certain taxes remain the same (the acquisition of property or other real estate rights will still be subject to a 0.3% tax and the issuing of payment receipts to a 0.1% tax), new ones will be expected: lease rents - 0.4%; capital contributions - 0.1% tax; financing - from 0.1% to 0.5% (depending on several aspects); provision of collateral - from 0.1% to 0.3% (depending on the maturity involved); lease of property not used for main residence - from 0.3% to 0.4%

Exemptions

Exemptions will likely contemplate short-term financing (up to 5 days), microcredit facilities, credits related to duly documented exports, financing contributed by shareholders holding no less than 10% for over one year of the beneficiary aimed to the covering of the latter's treasury needs and shareholder's loans with a maturity exceeding one year not subject to reimbursement before such period.

Assessment, payment and tax returns

Assessment and payment will be performed with the competent authorities (stamp seals will then be abolished). Taxpayers and their representatives shall file annually with tax administration tax returns related to stamp tax. Individuals and entities that shall organize accounting records must include information about the due payment of stamp tax in the same.

3.5 Consumer's Tax (“Imposto de Consumo”).

Taxpayers subject to tax

In the context of certain new operations, payment of tax shall be made by the service provider / goods supplier. This is the case, for instance, of the provision of certain utilities (power, water), telecommunication services, and lodging and restaurant services.

Tax

New operations subject to tax will be set forth in the new legislation: vehicle parking facilities - 5%; royalties due in result of the use of equipment - 10%; renting of conference rooms - 10%; professional consultancy (such as legal and auditing services) – 5%; personal security - 5%; traveling and tourism related services - 10%.

Tax Assessment

Tax assessment shall be made in the invoices or similar documents issued by the services providers or goods suppliers. Whenever they are not resident, the assessment of tax shall be made by the resident beneficiaries.

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