

Angola

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At the time of writing, the ongoing tax reform had been partially enacted. Section G of this chapter sets out the most relevant changes in the proposed law that is expected to be enacted in 2014 or 2015. Readers should obtain updated information with respect to this proposed law before engaging in transactions.

A. At a glance

Corporate Income Tax Rate (%)	35 (a)(b)
Capital Gains Tax Rate (%)	35 (c)
Branch Tax Rate (%)	35 (a)(b)
Withholding Tax (%)	
Dividends	10 (d)
Interest	10/15 (e)
Royalties	10
Payments for Services	3.5/5.25 (f)
Branch Remittance Tax	0
Net Operating Losses (Years)	
Carryback	0
Carryforward	3 (g)

- (a) Income from certain activities, such as agriculture, forestry and cattle raising, is subject to tax at a rate of 20%. Mining activities are subject to tax at a rate of 25%. Oil and gas companies are subject to Oil Income Tax rather than Industrial Tax (corporate income tax). See Section B.
- (b) The Ministry of Finance may provide a 17.5% rate for certain companies. In addition, tax exemptions or tax reductions are available under the new Tax Incentives Law. For details, see Section B.

- (c) Gains derived from the sale of securities that are not subject to corporate income tax or personal income tax are subject to tax at a rate of 10%.
- (d) Certain dividends are exempt from tax (see Section B).
- (e) In general, interest is subject to a 15% rate. However, certain interest, such as interest on shareholders loans, corporate bonds, bank deposits, treasury bills, treasury bonds and titles issued by the Angolan Central Bank (BNA), is subject to a 10% rate. Interest on treasury bills and treasury bonds and titles issued by the BNA is subject to a reduced rate of 5% if the maturity is at least three years.
- (f) A 35% tax rate applies to 10% of payments for construction of immovable fixed assets and related activities and to 15% of payments under contracts for other services.
- (g) Mining companies may carry forward losses for seven years, up to a limit of 50% of the turnover.

B. Taxes on corporate income and gains

Corporate income tax. Companies carrying out industrial and commercial activities in Angola are subject to Industrial Tax (corporate income tax).

An Angolan company, which is a company that has its head office or effective place of management and control in Angola, is subject to Industrial Tax on its worldwide profits.

Foreign entities with a permanent establishment in Angola are subject to Industrial Tax only on profits imputed to the permanent establishment. The tax law provides a force of attraction principle for permanent establishments.

All companies, regardless of whether they have a permanent establishment in Angola, are subject to withholding tax on payments received for services rendered (for details, see *Rates of corporate tax*).

Rates of corporate tax. The standard Industrial Tax rate is 35%.

Income from certain activities, such as agriculture, forestry and cattle raising, is subject to a reduced tax rate of 20%.

The Ministry of Finance may grant a reduced Industrial Tax rate of 17.5% to companies incorporated in most disfavored regions, or to companies setting up industries based on local resources. The reduced tax rate is granted for a maximum period of 10 years.

In addition, the Tax Incentives Law, which concerns private investment, provides tax relief for companies that operate in the most disfavored regions of Angola and to companies operating in industries that make use of local resources. The regions are grouped into the following three zones:

- Zone A, which consists of the region of Luanda, some main municipalities of Benguela, Cabinda and Huíla, and the municipality of Lobito
- Zone B, which consists of some regions of the municipalities of Benguela, Cabinda and Huíla, and the regions of Bengo, Cuanza-Norte, Cuanza-Sul, Malange, Namibe and Uíge
- Zone C, which consists of the regions of Bié, Cuando-Cubango, Cunene, Huambo, Luanda-Norte, Luanda-Sul, Moxito and Zaire

The law provides for the following tax incentives, which vary among the zones:

- Up to a 6-year exemption from customs duties (including consumption tax but excluding stamp duty and service fees) or reduced rates for used machinery and equipment

- Up to a 10-year exemption or tax rate reduction (up to 50%) for Industrial Tax
- Up to a 9-year exemption or tax rate reduction for dividend withholding tax
- Exemption or tax rate reduction for property transfer tax

All companies, regardless of whether they have a permanent establishment in Angola, are subject to withholding tax on payments received for services rendered. The withholding tax applies regardless of whether the services are rendered in or outside Angola. The rate of the withholding tax is the normal Industrial Tax rate of 35%. This rate is applied to 10% of payments for construction and related services that are associated with immovable fixed assets, and to 15% of payments for other services. The payer must withhold the tax from each payment and remit the withholding tax to the Angolan government. The tax withheld is considered to be a payment on account if the recipient has a residence, head office or permanent establishment in Angola. Otherwise, the tax is final.

Income from oil and gas extraction is subject to Oil Income Tax at a total rate of 50% (under production-sharing agreements) or 65.75% (under other types of joint-ventures). Angolan companies benefit from a reduced Oil Income Tax rate equivalent to that of Industrial Tax. In addition, companies engaged in exploration for and production of oil, gas and similar products must pay Oil Production Tax at a total rate of 20%. Oil Transaction Tax and a Surface Surcharge may also be levied at rates of 70% and USD300 per square kilometer, respectively. Oil Production Tax and Oil Transaction Tax are not payable under production-sharing agreements.

Contracts, such as production-sharing agreements, between oil and gas companies and the Angolan government generally override the Oil Production Tax and Oil Transaction Tax and may set forth different taxes and applicable rates.

Additional taxes and charges apply within the oil and gas and mining industries. Also, specific tax rules apply to the liquefied natural gas (LNG) project, including withholding tax exemptions on certain interest, dividends, royalties and services income.

Capital gains. Capital gains on profits derived from the sale of fixed assets are subject to Industrial Tax at the regular tax rate of 35%. Capital gains on shares or other instruments generating investment income that is not taxable for Industrial Tax or personal income tax purposes are subject to Investment Income Tax at a rate of 10%.

Administration. The tax year is the calendar year.

All companies engaging in activities in Angola must register with the tax department to obtain a taxpayer number.

Companies, including foreign companies with a permanent establishment in Angola, must file an annual tax return, together with their financial statements and other documentation, by 31 May in the year following the tax year.

Companies must make monthly advance payments of Industrial Tax. The tax base for the monthly payments is 10% of the preceding month's turnover. The Industrial Tax rate of 35% is applied to

this tax base to compute the amount of the advance payment. The advance payments are due on the last day of each month. If the total amount of the advance payments exceeds the tax due for the tax year, the excess may be carried forward as a tax credit against the tax payable in the following three years. In practice, companies have not been making the advance payments described above. Instead, they have been making payments in accordance with the prior wording of the tax law. Under the prior wording, payments were required to be made in January, February and March of the year following the tax year. The companies could calculate the payments based on the estimated profit for the tax year, or they could make total payments equal to 75% of the preceding year's tax liability. If the advance payments exceed the expected current year tax liability or if tax credits are available to offset the current year tax liability, companies may request a total or partial suspension of the advance payments to the Angolan tax administration.

Penalties are imposed for failure to file tax returns and other required documents. If, on the final assessment, the tax authorities determine that a further payment is required and that the taxpayer is at fault, interest is imposed on the amount of the additional payment. Fines, which are generally based on the amount of tax due, are also imposed. If the tax due is not paid, additional interest is imposed from the date of the tax authorities' notice that an additional payment is due.

Dividends. In general, companies are subject to tax on the gross amount of dividends received.

Dividends received from Angolan companies subject to Industrial Tax are exempt from tax if, at the time of the distribution, the recipient owns at least 25% of the payer and has held the shares for at least two years or since the incorporation of the payer. In addition, dividends paid by Angolan companies to certain insurance companies or their holding companies are exempt from Industrial Tax.

A 10% withholding tax is imposed on dividends. The dividend withholding tax is deductible when computing taxable income for companies. Therefore, the tax credit for dividend withholding tax (if applicable) is reduced by a factor of 1-35%, with 35% being the corporate income tax rate. This reduction is designed to prevent a double tax benefit resulting from the dividend (as an expense and as a tax credit for the entire dividend withholding tax).

A participation exemption provision has been introduced in the Investment Income Tax Code. Under this measure, the 10% withholding tax exemption applies to dividends received by Angolan parent companies from Angolan subsidiaries, subject to minimum 25% and one-year holding requirements.

Foreign tax relief. In general, no relief is granted for foreign taxes paid by Angolan taxpayers.

C. Determination of trading income

General. Taxable income is the income reported in companies' financial statements, subject to certain adjustments. Expenses considered indispensable in the production of income and the maintenance of a production unit are deductible. Representation

expenses, such as travel expenses, deemed to be unreasonable by the tax authorities, as well as fines and penalties, are not deductible.

Inventories. Inventories may be valued by any currently acceptable method provided that the method is consistently applied and is based on documented purchase prices.

Provisions. Provisions for the following items are allowable:

- Bad debts, which do not exceed 2% of the balance of receivables (and do not exceed 6% of that balance on an accumulated basis)
- Risks that cannot be insured and may have to be paid
- Depreciation in the value of inventory, provided it does not exceed 0.5% to 2% (depending on the nature of the activity), up to a limit of 2.5% to 8% of the value of the inventory

Tax depreciation. Depreciation rates are provided in the law. The following are some of the currently applicable rates.

Asset	Rate (%)
Vehicles	33.33
Office buildings	2
Industrial buildings	4
Electric motors and mechanical engines	16.66
Furniture	10

These rates may vary depending on the industry sector (for example, the oil and coal, compressed gases and mining industries).

Relief for losses. Companies may carry forward tax losses for three years. This period is increased to seven years for mining companies (up to a limit of 50% of the turnover). No carryback is allowed.

Groups of companies. The Large Taxpayers Statute entered into force in October 2013. It establishes that Angolan large taxpayers that are integrated in a group of companies may be taxed on the sum of the taxable results obtained by the entities included in the group. For such purpose, a special request through a specific official form (Modelo 5), still pending approval, must be submitted to the tax authorities by the deadline provided in the law. The Chief of the Large Taxpayer's Tax Office must expressly approve this request and, accordingly, the application of the group taxation regime.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate
Training levy, on oil and gas exploration and production companies and their subcontractors	
Production companies and companies engaged in refining and processing of petroleum	USD0.15 per barrel
Companies owning a prospecting license	USD100,000 a year
Exploration companies	USD300,000 a year

Nature of tax	Rate
Subcontractors under a contract with a term exceeding one year (levied on annual gross income) and entities engaged in the storage, transport, distribution and trading of petroleum (levied on revenue derived from such activities)	0.5%
Stamp duty	
On the amount of receipts	1%
On the acquisition of real estate	0.3%
On leasing and subleasing of real estate	0.4%
On company's capital	0.1%
On guarantees	0.1% to 0.3%
On financing	0.1% to 0.5%
On financial leasing of real estate	0.3%
On leasing of movable property	0.4%
On imports	1%
Consumption tax; rate varies according to type of good and service	2% to 30%
Custom duties on imports	2% to 30%
Customs emoluments	2%
Urban property tax; imposed on 60% of the gross rent	25%
Property transfer tax	2%
Social security contributions, on salaries and additional remuneration; the contributions are not payable by expatriates working in Angola if they make contributions to the social security scheme or a similar scheme in their home countries; paid by	
Employer	8%
Employee	3%

E. Miscellaneous matters

Foreign-exchange controls. The Ministry of Economy, together with the Angolan Central Bank (Banco Nacional de Angola, or BNA), supervises all foreign-exchange operations. Commercial banks usually act as intermediaries of companies to obtain clearance from the BNA.

The BNA issued Bank Order No. 13/2013, of 31 July 2013, which was published in the *Official Gazette* of 6 August 2013. This order sets out the new foreign-exchange procedures to be adopted with respect to current invisible operations. Notwithstanding the foreign exchange integrated reporting system (SINOC), to simplify the monitoring procedures regarding the current invisible operations, the order establishes the following new thresholds for transactions that do not require prior approval by the BNA:

- Transactions amounting up to AOA300 million (approximately USD3 million) or the equivalent in another currency carried out by oil and gas service providers
- Other transactions up to AOA100 million (USD1 million) or the equivalent in another currency

Operations with a value exceeding the above mentioned thresholds must be cleared in advance by the BNA. No thresholds are provided regarding the transfer of salaries.

In general, repatriation of profits is allowed for approved foreign-investment projects if certain requirements are met. In certain cases, a time schedule for repatriation of profits may be imposed.

However, the oil and gas sector is subject to a specific foreign-exchange control regime, which aims primarily to establish uniform treatment in this sector by replacing the multiple exchange regimes that have been applied to oil and gas upstream companies operating in Angola, thereby providing fair treatment to all investors.

These foreign-exchange control rules cover the trade of goods, current invisible operations (according to the Angolan National Bank Instructive, these operations are services, royalties, interest, travel costs and salaries) and capital movements arising from the prospecting, exploration, evaluation, development and production of crude oil and natural gas.

For purposes of the rules, exchange operations encompass the following:

- Purchase and sale of foreign currency
- Opening of foreign currency bank accounts in Angola by resident or nonresident entities and the transactions carried out through these bank accounts
- Opening of national currency bank accounts in Angola by nonresident entities and the transactions carried out through these bank accounts
- Settlement of all transactions of goods, current invisible operations and capital movements

The National Society of Petroleum of Angola (Sociedade Nacional de Petróleos de Angola, or SONANGOL, the national concessionaire) and domestic or foreign corporate investors must carry out the settlement of foreign-exchange transactions through bank institutions that are domiciled in Angola and are authorized to conduct foreign exchange business. They must open bank accounts in foreign currency and deposit sufficient funds for tax payments and other mandatory tax payments and for settlement of goods and services provided by residents or nonresident entities.

The BNA has established a phased implementation of the procedures and mechanisms to be adopted by the agents carrying out foreign-exchange transactions. It is responsible for the enforcement of such procedures and mechanisms. The following are the implementation phases:

- Up to 1 October 2012, oil and gas upstream companies must open bank accounts in Angolan banks in local currency (kwanza) and foreign currency.
- Effective from 1 October 2012, all payments made by oil and gas upstream companies related to the acquisition of goods and services from local suppliers must be carried out through Angolan bank accounts.
- Effective from 1 July 2013, all payments made by oil and gas upstream companies related to the acquisition of goods and services from local suppliers must be carried out through Angolan bank accounts in local currency.
- Effective from 1 October 2013, all payments made to nonresident entities must be carried out through Angolan bank accounts.

Thin-capitalization rules. No thin-capitalization rules are in effect in Angola.

Anti-avoidance legislation. The arm's-length principle applies in Angola. Consequently, the tax authorities may adjust the taxable income derived from transactions between related parties.

Related-party transactions. The Large Taxpayers Statute contains specific rules governing "special relations" between taxpayers, which entered into force in October 2013. Under this regime, a special relationship is deemed to occur if one entity exercises, directly or indirectly, a significant influence on the management decisions of another entity. The law also establishes that a Large Taxpayer that has annual turnover exceeding AOA7 million (approximately USD70 million) at date of closing the accounts must prepare and submit a transfer-pricing file to the Angolan tax authorities. This transfer-pricing file, which must be prepared on an annual basis, must detail the relationships and prices established by the large taxpayers with the companies and entities with which they have "special relations." The transfer-pricing file must be submitted by the end of the sixth month following the year-end to which the file relates. With respect to the economic analysis of the transactions, the new regime provides for the application of the following methods only:

- Comparable uncontrolled price method
- Resale-minus method
- Cost-plus method

Invoice requirements. Effective from 1 December 2013, new requirements are imposed with respect to the keeping and archiving invoices or equivalent documents by individuals or legal entities with their domicile, registered office, effective management or permanent establishment in Angola.

F. Tax treaties

Angola does not have any tax treaties in force. Tax treaty negotiations between Angola and Portugal have begun, and the treaty will follow the United Nations model convention. In addition, it is expected that Angola will implement a tax treaty network with countries with which it has preferential socioeconomic relations, which are Southern Africa Development Community (SADC) countries and member countries of the Community of Portuguese Language Countries (CPLP).

Angola has entered into an agreement with Portugal on the reciprocal promotion and protection of investments. However, this agreement does not provide any specific tax benefits.

Portugal provides a participation exemption regime for Angolan-source dividends paid to Portuguese corporate shareholders if certain conditions are met.

G. Ongoing tax reform

At the time of writing, the ongoing tax reform had been approved by the Angolan parliament but not fully enacted. The most significant tax changes in the proposed tax reform affecting companies are listed below.

Industrial Tax. The following are the most significant proposed changes to the Industrial Tax:

- The tax rate will be reduced from 35% to 30%.
- Interest on shareholders' loans will not be deductible.
- Expenses not properly documented will be subject to a stand-alone tax of 5%.
- Confidential expenses will be subject to a stand-alone tax of 15% (increased to 30% for taxpayers exempt or not subject to tax).
- Gifts not made in accordance with the law of patronage will be subject to a stand-alone tax of 15%.
- Investment Income Tax will not be deductible, and income subject to this tax will be excluded from the tax base for Industrial Tax purposes.
- A new depreciation and amortization regime for fixed assets will be introduced.
- A new provisions regime will be introduced.
- A tax-neutrality regime for mergers and demergers will be introduced.
- New requirements concerning advance payments will be introduced. The payments will be determined by applying a rate of 6.5% to the preceding month's turnover from the sale of goods. The same rate applies for withholding tax purposes to payments for services (the current rate is generally 5.25%).

General Tax Code. The following are the most significant proposed changes to the General Tax Code:

- A definition of tax residency criteria for companies and individuals will be provided.
- A new and harmonized concept of permanent establishment for tax purposes will be introduced.
- Detailed rules concerning tax incentives and benefits will be provided.
- Rules will be provided regarding the responsibility of shareholders, board members and others with respect to tax liabilities.
- The tax reform will contain measures regarding penalties.