NEWSLETTER – ANGOLAN TAX

Changes to legislation on Tax on Invested Capital, Stamp Tax and Consumption Tax

Within the currently ongoing reform of Angola's tax system, the following statutes entered into force on the past January 1st, 2012:

- **Review to the Tax on Invested Capital (TIC) Code** (approved by Presidential Legislative Decree no. 5/11);
- **New Stamp Tax Code** (approved by Presidential Legislative Decree no. 6/11);
- **Modifications to the Consumption Tax Regulation** (approved by Presidential Legislative Decree no. 7/11).

Despite the mentioned date of entry into force, these diplomas were only made available by Angola's National Press in March.

We present below the main modifications produced, in Angola's tax system, by these diplomas.

TIC Code

The review to the TIC Code eliminates inefficiencies deriving from the previously existing diploma and promotes the adaptation of Angola's tax system to its increasing financial circuit and growing economical development.

Scope and rates

TIC is levied on income arising from capital investment, which may be taxed according to one of two sections (A or B), depending on its nature.

Section A

Section A maintains the previously existing range of operations subject to TIC (e.g. interest from loans granted) and territoriality rules.

Taxable operations under Section A are subject to a 15% TIC rate.

Section B

Section B extends the scope of taxable operations for TIC purposes, at rates ranging between 5% and 15%.

The most relevant operations which are from now on subject to TIC are the following:

Income	Taxable rate
Interest deriving from deposits with agreed maturity	10%
Interest deriving from:	
Treasury bills	5%* / 10%
Treasury bonds	5%* / 10%
Central Bank notes	5%* / 10%
Capital gains deriving from the sale of participations or other instruments which may trigger taxable income, provided they were not obtained within the scope of the taxpayer's commercial activity and, as such, subject to Industrial Tax or Work Income Tax	10%
Gambling premiums, lottery or wagers, regardless of their nature or origin	15%

** Only applicable if the maturity date of the bills/bonds/notes is equal or superior to 3 years.*

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The territoriality rules were also extended, henceforth triggering TIC over any income:

- Paid by individuals or companies resident for tax purposes in Angola;
- Made available through a permanent establishment located in Angola;
- Obtained by individuals or companies resident for tax purposes in Angola;
- Allocated to a permanent establishment located in Angola.

Exemptions

Section A

The review to the code maintains the previously existing exemptions, namely benefitting:

- Income from financial institutions and cooperatives, when subject to Industrial Tax, even if exempt;
- Interest deriving from credit sales, made by traders, of the respective products or services, as well as interest or any other compensation for late payment; and
- Interest deriving from loans over life insurance policies, made by insurance companies.

Section B

Concerning Section B, the range of exemptions was reduced to the following:

- Profits distributed by an entity resident for tax purposes in Angola, provided the respective beneficiary is also resident for tax purposes in the same territory and subject to Industrial Tax, even if exempt. The beneficiary should also hold at least 25% of the share capital of the former, for a period superior to one year in moment prior to the distribution of profits.
- Interest from instruments intended to foster savings provided such instruments were approved according to due legal process.

  This exemption is not applicable to interest deriving from capital exceeding 500,000 AKZ invested in any product, per person.
- Interest from savings' accounts for acquisition of property for permanent residential purposes.

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Assessment and payment

Section A

The general rule determines that the tax is assessed by the beneficiaries of the income. If these are not resident for tax purposes in Angola, the tax should be assessed by the respective debtors.

The tax should be paid until the last day of the month following the one in which the taxable event occurred.

Section B

Income is subject to withholding tax to be performed by the debtors, except if deriving from:

- Issuance of shares regarding which there were pre-emption rights on the moment of subscription;

- Capital gains deriving from the sale of participations or other instruments which may trigger taxable income, provided they were not obtained within the scope of the taxpayer's commercial activity and, as such, subject to Industrial Tax or Work Income Tax;

- Other income deriving from invested capital, not within the scope of Section A.

In these three situations, TIC should be assessed by the beneficiaries of the income.

The tax should be paid until the last day of the month following the one in which the taxable event occurred.

Stamp Tax Code

The new Stamp Tax Code condenses the previously existing rules into one single diploma and simplifies the application of this tax.

Scope and rates

Stamp Tax is levied on all acts, contracts, documents, titles, operations and other events foreseen in the Schedule attached to this code.

The main operations subject to this tax are the following:

Income	Taxable rate
Acquisition, free of charge or for consideration, of property rights or components of this right	0.003%
Leases and subleases	0.004%
Share capital subscription in the incorporation of companies - over the real value of the assets delivered to the company subtracted of any liabilities undertaken and costs beared by the company as a result of each subscription	0.1%
Guarantees of obligations, regardless of nature or form, over the respective amount, and depending on the respective expiry date:	
Expiry date inferior to one year	0.3%
Expiry date equal or superior to one year	0.2%
Without expiry date or with expiry date equal or superior to five years	0.1%

** Contract renewals will determine the recalculation of the total duration of the initial contract, deducting the tax already assessed regarding the same.*

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The following operations are also subject to this tax:

Income	Taxable rate
Financing operations, including the use of credit as funds, goods and other values deriving from the concession of credit at any title, namely assignment of credits, factoring and treasury operations*:	
Credit granted for a period equal or inferior to one year - per month or fraction	0.5%
Credit granted for a period equal or superior to one year	0.4%
Credit granted for a period equal or superior to five years	0.3%
Credit granted for an unspecified or indeterminate period, on the monthly average of the total daily debtor balances, during the month, divided by thirty	0.001%
Operations performed by or through financial institutions, among others - over the amount charged:	
Interest for discount of bills of exchange and on loans, credits accounts and unassessed credits	0.002%
Premiums and interest on bills of exchange accepted, bills of exchange to be received on behalf of others, on drawing issued on or of any transfers	0.5%
Commissions on guarantees granted	0.5%
Other commissions and consideration for financial services, including commissions for the raising of credit and guarantees provided through non financial entities	0.7%
Financial leases, over the amount of the respective consideration:	
Having real estate per object	0.3%
Having movable tangible property per object and including the respective maintenance and technical assistance	0.4%
Debt securities:	
Bills of exchange - over the respective amount, with the minimum of Kz 100	0.1%
Promissory notes - over the respective amount, with the minimum of Kz 100	0.1%
Orders and any other sort of written documents, excluding cheques, in which it is determined the payment or delivery of cash, including clauses estipulating who is to receive, even if in the form of written correspondence - over the respective amount, with the minimum of Kz 100	0.1%
Discharge receipts issued in result of the effective receival of credits by traders, in cash or in kind	1%

Territoriality

A new territoriality rule was created establishing Stamp Tax is due over all operations taking place in Angolan territory.

The following operations will also be considered as having occurred in the territory:

- Documents, acts or contracts that, even if issued or entered into outside national territory, are therein presented for any legal purposes;

- Credit operations carried out and guarantees granted abroad by financial institutions not resident for tax purposes in Angola to any entities therein located;

- Interest, commissions and other compensations charged by financial institutions not resident for tax purposes in Angola to any entities therein located;

- Insurances taken out abroad with the purpose of securing a risk existent in Angolan territory.

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Exemptions

Relevant exemptions have been established in order to facilitate financial operations, for instance over:

- Interest deriving from Treasury bills or Central Bank notes;

- Short-term loans, including the respective interest, exclusively destined to meet cash shortage, made by a shareholder to its subsidiary provided that a minimum holding of 10% is held for a minimum one-year period (or since the incorporation of the subsidiary provided that, in such situation, the stake is held for at least one year);

- Shareholders' loans, including the respective interest, entered into for an initial term of not less than one year and provided the respective reimbursement does not occur before the one-year period has elapsed;

- Report of securities or equivalent rights performed in a stock exchange;

- Treasury management operations performed between companies in group relationship.

Assessment and payment

Stamp Tax constitutes a burden of the party who holds an economical interest in the operation and should be paid until the end of the month following the one in which the taxable event occurred.

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Consumption Tax

With the purpose of increasing the tax profits not arising from oil activities, the scope of this tax was extended.

Alongside this extension, the assessment and payment procedures were eased and the possibility of repercussion of the tax on the purchaser of the goods or services was foreseen.

Scope and rates

Apart from the realities already subject to Consumption Tax, the following operations are now also subject at the mentioned rates:

Income	Taxable rate
Leasing of areas especially prepared for the collective parking of vehicles	5%
Leasing of machinery or other equipment, as well as work done on movable tangible property, excluding leasing of machinery and other equipment which, by nature, triggers the payment of royalties	10%
Leasing of areas prepared for conferences, exhibitions, publicity and other events	10%
Rendering of consultancy services, namely legal, tax, financial, accounting, IT, engineering, architecture, economics, real estate, audit, statutory audit and advocacy	5%
Rendering of photography services, namely instant print film in rolls and image treatment, IT and webdesigning	5%
Port and airport services, as well as dispatcher services	5%
Private security services	5%
Rendering of tourism and travel services by travel agencies or equivalent tour operators	10%
Rendering of management services for canteens, cafeterias, guest houses, real estate and condominiums	5%
Access to shows and cultural, artistic or sports events	5%
Lease of vehicles*, maritime and aerial transport of passengers, cargo and containers, including storage related with these transports, as long as performed exclusively within Angolan territory	5%

** The lease of vehicles is mentioned in the incidence rule. However, is absent from the provision which foresees the applicable rate.*

Assessment and payment

On daily business, the assessment should be performed by the producers, suppliers of goods or providers of services, on the moment of processing of the respective invoices or equivalent documents.

The tax may be added to the amount of the invoice or equivalent document issued for purposes of repercussion on the purchaser of the goods or services.

The tax should be paid by the entity obliged to proceed to its assessment.

If the goods or services were acquired from non-resident entities, the assessment should be performed by the purchaser of the same resident for tax purposes in Angola and subject to Industrial Tax.

Assimilation of exemptions

Any exemptions currently foreseen or to be granted in the future, for Consumption Tax purposes, to importation operations of specific products should also be extended to the production of the same products.

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