DOING BUSINESS

IN ANGOLA

The network for doing business

CONTENTS

1 – INTRODUCTION

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in around 90 countries worldwide.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Angola has been provided by the office of UHY's representative there:

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A detailed firm profile for UHY's representation in Angola can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at December 2014.

The main sources used to complete this guide were:

Governo de Angola (http://www.governo.gov.ao)
African Economic Outlook (http:77http://www.africaneconomicoutlook.org)
World Trade Organization (WTO) (http://www.wto.org)
Banco Nacional de Angola (http://www.bna.ao)
Instituto Nacional de Estatística de Angola (http://www.ine.gov.ao)
IMF - International Monetary Fund (http://www.imf.org)
World Bank (http://www.worldbank.org)

We look forward to helping you do business in Angola.

2 – BUSINESS ENVIRONMENT

Angola became an independent nation on 11 November 1975, after more than 500 years of Portuguese colonisation.

Although the country was known for its wealth in natural resources, it did not know peace immediately because a civil war began. Rebels belonging to the National Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi, fought a guerrilla war which lasted until 2002, when the rebel leader was killed.

Since then, Angola has prospered with a booming economy and rapid and prolonged economic growth, thanks to the development of oil and diamond production. In addition, a post-war reconstruction boom and resettlement of displaced persons has led to high rates of growth in construction and agriculture.

GEOGRAPHY

Situated on the west coast of Africa, Angola borders the South Atlantic Ocean, the Democratic Republic of Congo, the Republic of the Congo, Namibia and Zambia.

It is one of the largest countries of Sub-Saharan Africa.

INVESTMENT ENVIRONMENT

Angola is today an exciting country in which to do business.

With a better economic and political environment since the end of the civil war in 2002, the country is reinventing itself, while creating the right conditions for companies to be successful. Angola has attracted more than USD 106 billion of investment capital from 2006 to 2014 making the country one of the Top-30 largest receiver of foreign investment in the world.

Today, as domestic and foreign investors seek new opportunities to achieve targeted returns on capital, interest in Angola is stronger than ever. The figures in the table below illustrate the increasing investment interest in Angola.

TABLE 1

Investment in Angola: From 2006 to 2014, Source: African Economic Outlook

YEAR	INVESTMENT AMOUNT
2006	USD 794 million
2007	USD 9.796 billion
2008	USD 15.548 billion
2009	USD 11.672 billion
2010	USD 9.942 billion
2011	USD 12.565 billion
2012	USD 15.100 billion
2013	USD 15.500 billion
2014	USD 15.700 billion (estim)

TABLE 2
GDP distribution by sector, Source: Angola's National Agency for Private Investment (ANIP)

SECTOR / %	2009	2010	2011	2012
Agriculture, forestry and fishing	10.4	10.1	10.2	12.2
Oil and gas	45.6	45.6	46.6	38.8
Diamonds	0.9	1.0	0.8	0.9
Manufacturing	6.2	6.3	6.5	7.3
Electricity	0.1	0.1	0.1	0.2
Construction	7.7	8.1	7.9	8.9
Services	21.2	21.0	20.4	23.3
Other	7.8	7.4	7.4	8.1

The major reasons to invest in Angola are:
- Angola is now one of the fastest growing economies in the world, with forecasted growth of 5,4% for 2014 (4,5% in 2013) and 5.5% in 2015 as major public infrastructure investment kicks in.
- In the last few years, there has been a significant decrease in inflation (105.6% in 2002 to 8.0% in 2014 - estimate) and macroeconomic indicators such as public deficit and public debt have stabilised in very sustainable rates
- Angola is Africa's second largest oil producer after Nigeria, producing over 1.8 million barrels per day, and the fourth largest diamond producer in Africa, with about 9 million carats
- Angola is in a situation of political and economic stability
- Sectors not related with natural resources are growing rapidly, namely the sectors of construction, banks, communications and tourism
- The country has a superb investments track record, with many firms bringing new projects to Angola
- Production of certain manufacturing industries is picking up, as consumers' purchasing power recovers in Luanda and other major urban centres
- There are incentive packages for foreign investment
- The financial sector has seen significant growth
- Infrastructure, namely roads and railways, is being rehabilitated

Despite the reasons which make Angola an attractive market to invest in, such factors cannot ensure success, particularly when world economies are stagnating. The best way to minimise risks and invest successfully in Angola is to seek the advice of appropriate professionals on issues which directly relate to your business or investment.

POLITICS

THE ANGOLAN CONSTITUTION AND GOVERNMENT

The 1975 constitution was revised in 1978, 1980, 1991, 1992 and most recently in 2010, to establish a multi-party democracy with a presidential regime.

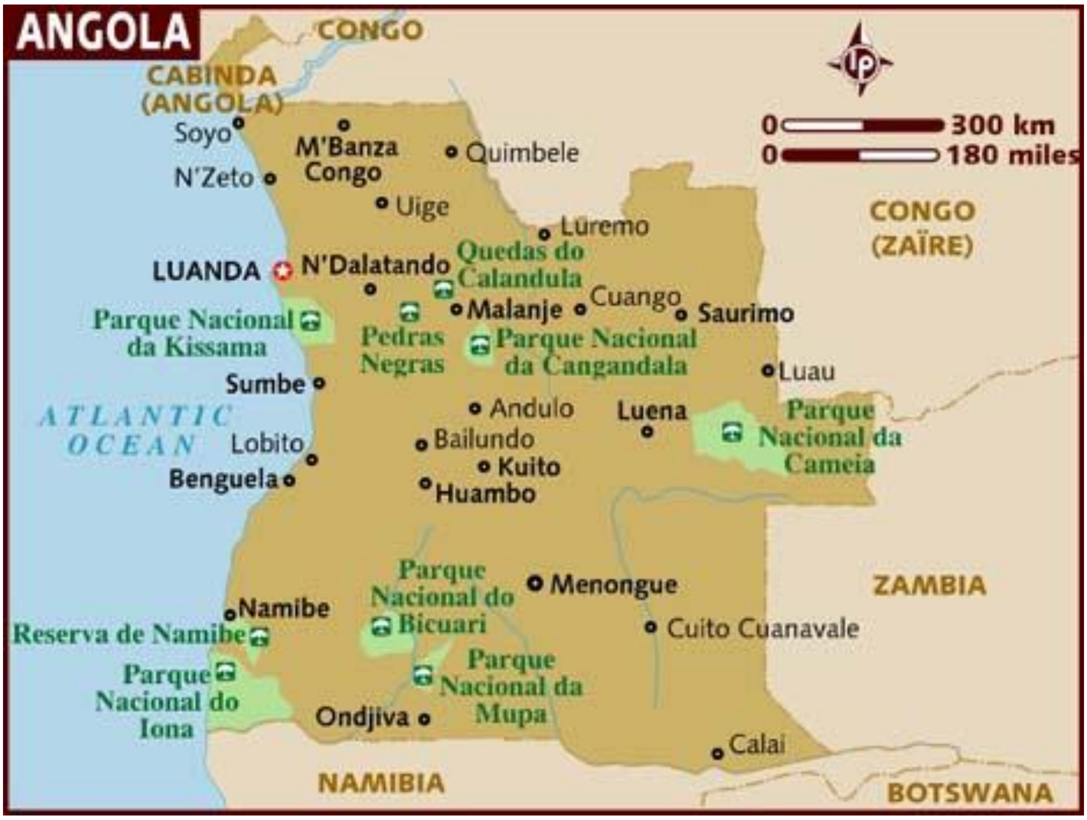
The main political organs are the president of the Republic, the National Assembly, the government and the courts.
The current president is José Eduardo dos Santos, empowered by elections held in 2012. The president, elected by national ballot, is both head of state and head of government.

The cabinet consists of a Council of Ministers appointed by the president. The government of the Republic of Angola includes two ministers of state (through whom other ministers are expected to report), 32 ministers and 48 secretaries of state.

The National Assembly, head of the legislative power, is composed of 220 deputies, elected by proportional vote for four-year terms. The country is divided into 18 administrative districts. There are 163 municipalities and 532 communes.

DOMESTIC MARKET

Area – 1,246,700 kilometres square
Population –19.1 million (July 2014 estim)
Working Population –9.018 million (2013 estim)
GDP – 124 billion USD (2013 estim)
Population density per kilometres square – 16.1 (2013)
Official Designation – Republic of Angola
Capital – Luanda
Districts – Bengo, Benguela, Bié, Cabinda, Cunene, Huambo, Huíla, Cuando-Cubango, Kwanza-Norte, Kwanza-Sul, Luanda, Lunda-Norte, Lunda-Sul, Malanje, Moxico, Namibe, Uíge, Zaire
Language –Portuguese (official language) and other African Languages
Currency – Kwanza (AOA); USD 1 = AOA 102, EUR 1 = AOA 126



Source: www.lonelyplanet.com

THE ECONOMY

Over the past decade, Angola's economy was rated as one of the fastest-growing in the world.

Between 2003 and 2008, Angola's yearly GDP growth rates were estimated at 14.5%, 11.1%, 20.6%, 18.6%, 20.3% and 13.3% respectively. In 2007, Angola was the country with the world's highest growth rate, thanks not only to a growth of 31.2% in the oil sector but also to a growth of 27.9% in the other sectors.

Lower prices for oil and diamonds during the global recession slowed GDP growth to 2.4% in 2009, with a subsequent increase to 3.4% in 2010, 3.9% in 2011, 5,2% in 2012 and a decrease to 4,5% in 2013, due to the low performance of the oil sector. The GDP growth rate is expected to remain strong between 5 and 6% in 2014 and 2015, with non-oil sector (mainly electricity, fishery, agriculture and construction) proving as an alternative source for growth.

Estimates of Angola's proven oil reserves range from 9 billion to 13 billion barrels, mainly in the Lower Congo and Kwanza basins. In 2014, Angola exported close to 1.8 million bpd of crude oil. Crude oil accounted for roughly 46% of GDP and 95% of exports in 2013. Oil production is expected to reach 2 million bpd in the next few years, largely due to the potential of exploration of the 220,000 bpd Pazflor deep-water field and other new projects being developed (namely BP's Plutão, Saturno, Venus, and Marte complex, Cobalt International Energy's deepwater exploratory wells and Chevron's development of the Mafumeira Sul project). Angola also has the second largest natural gas reserves in Africa (nearly 300 billion cubic meters).

The major destinations for Angolan oil exports are China and the United States, making Angola one of the top sources for oil imports in both countries.

Diamond production is the second of the most important extracting industries in Angola, with high exporting potential. Angola is the fourth largest producer of raw diamonds in the world. In 2014, diamond production is expected to increase to approximately 10 million carats from 9 million carats in 2013 as new mines come on line. The government has been consistently improving the legal framework of this industry. Gold is another mineral resource whose exploration is largely undeveloped.

With a large and irrigated territory, Angola is also a potential power in agriculture. Agricultural reform, demining and the building of infrastructure will provide new opportunities for investors in this sector.

During 2014, the Angolan government continued giving priority to the policies of reducing inflation (estimated at approximately 8% in 2013), consolidating the monetary policy management, de-dollarisation of the foreign exchange market and improving infrastructure to promote economic diversification and poverty reduction. The country continued to implement the IMF Stand-By Arrangement (SBA) program (USD 1.4 billion in liquidity), signed in 2009, which aims to:

- Increase fiscal and monetary discipline and reform the exchange rate system
- Improve public financial management
- Create a sound banking system and enhance fiscal transparency.

Recently, Angola is enforcing measures to overhaul the tax regime, tackle unemployment, establish a debt management unit and manage and track the flows from the oil sector to the budget. A comprehensive strategy for private sector development is also being implemented. The creation of a Sovereign Wealth Fund (SWF) to invest profits from oil in business in order to diversify the country’s economy and spread prosperity was announced in the end of 2012.

UNEMPLOYMENT

In 2013, the unemployment rate remained high at about 26%, not differing relevantly from previous years, although a decreasing trend exists, since the rate was 3% higher in 2005. The Angolan economy still has significant informality, a situation which government policies have been trying to tackle.

FINANCIAL INSTITUTIONS

The financial sector, particularly the number and status of banks, is growing quickly in Angola, contributing to the development and dynamism of the economy. Many other financial institutions are preparing to enter the Angolan market.

The total assets of the financial sector increased from less than USD 3.000 million in 2003 to more than USD 57.000 million in 2012. The number of banks has increased from 9 in the year 2000 to 23 as of today. The banking system geographical coverage and the access to bank accounts for the population have been growing exponentially in the last few years.

Loan institutions and financial entities are generally subject to supervision by the National Bank of Angola. A step up in banking supervision, prudential standards and credit risk rules is being pursued.

STOCK MARKET

Angola does not have a stock market, but legal basis and plans to create one in Luanda are at an advanced stage and its opening is forecasted for 2015 or 2016. Many Angolan companies are preparing to be included in international stock markets such as those of Johannesburg and London.

INTERNATIONAL TRADE

Angola imports goods and services worth approximately USD 21.5 billion (2013). Major imports are vehicles and spare parts, machinery and electrical equipment, medicine, food and textiles. Key import partners are China, Portugal, United States, South Africa and Brazil.

At the same time, Angola's exports are worth approximately USD 61.3 billion (2013). Major exports are petroleum and derivatives, diamonds, gas, coffee, sisal and fish and fishing derivatives. The main export partners are China, United States, India, Taiwan, South Africa and Portugal.

STATE BUDGET FOR 2014

The state budget for 2014 was made to attain a GDP growth of 9.7%, an inflation rate of 7% and a budget deficit of 7,6%.

The tax resources represent 65% of total resources, and the oil sector was planned to contribute with nearly 40% of the budget, including 63% of global taxation.

The budget prioritizes the social sector with a 34% share of allocations of resources, with increases on education (9%) and health (5,6%).

As in previous years, the budget focuses mainly on the development of social and economic infrastructure, the increase of production, employment and the improvement of the population's well-being.

3 – FOREIGN INVESTMENT

Foreign investment has been increasing in recent times, especially since the end of civil war in 2002.

The political and economic stability achieved, in combination with Angola's potential in natural resources and sectors such as construction and tourism, has been a major contributing factor for investment in Angola.

INVESTMENT PROCESS

All new investors to Angola should contact the Angolan Private Investment Agency (ANIP) as a first step.

The legal framework for foreign investment is stated in the Angolan Private Investment Law, approved by Law 20/2011, 20 May 2011. This law also allows some special investment regimes in specific economic sectors such as oil exploration (Law 10/04), diamond exploration (Mining Code – Law 31/11) and financial institutions (Law 13/05).

ANIP works to promote private investment by Angolan and foreign nationals in targeted industry sectors and development zones. ANIP can provide valuable sector analysis, investment information and can help identify business opportunities. This agency works within a legal framework which provides financial incentives for investment and seeks to assist investors through streamlined application procedures.

The minimum amount for foreign investments is USD 1,000,000 in order to benefit from taxation incentives and repatriation of profits. For projects with investment values exceeding USD 10 million, the process for obtaining approval requires the commitment of an investment contract with the Angolan government, which must be authorized by the Angolan Council of Ministers and ultimately approved by the President. In order to obtain approval, the company must submit the required documentation and many procedures require the intervention of a number of government agencies.

Repatriating dividends depends on the amounts invested and the area of investment:

- Zone A – province of Luanda, the capital-municipalities of the provinces of Benguela, Huíla, Cabinda and the Municipality of Lobito
  - From USD 50 million – transfer of dividends in the first year
  - From USD 10 million up to USD 50 million – transfer of dividends in the second year
- Zone B – remaining municipalities of the provinces of Benguela, Cabinda and Huíla and the Provinces of Kwanza-Norte, Bengo, Uíge, Kwanza-Sul, Lunda-Norte and Lunda-Sul
  - From USD 5 million – transfer of dividends in the first year
  - From USD 1 million up to USD 5 million – transfer of dividends in the second year
- Zone C – provinces of Huambo, Bié, Moxico, Cuando Cubango, Cunene, Namibe, Malanje and Zaire
  - To be negotiated.

The repatriation of dividends depends on the investment amount, period of concession, fiscal and custom incentive rate percentages, duration of the investment and socio-economic impact of the investment on reducing poverty.

Tax incentives are allowed in some areas, such as some infrastructure projects or industries, transportation, agriculture, energy and water, telecommunications, fishing, industrial hubs and free zones.

Tax incentives are allowed in Corporate Tax, Capital Gains Tax and Property Transfer Tax.

Tax incentives may include:

- Tax payment deductions, exemptions, reductions and credits
- Accelerated depreciation and depreciation
- Import rights and deferral of tax payments.

Their granting is not automatic and depends on several criteria such as the investment sector, the amount involved, the area where the investment is taking place, the term of the investment and the impact of the investment on the Angolan national economy.

The rates of the dividends to be transferred and tax and custom incentives are negotiated on a case by case base with governmental entities and must be part of the investment articles of incorporation.

If the investment exceeds USD 1,000,000, the repatriation of profits has other requirements, such as providing evidence of the fulfilment of investment conditions, the payment of taxes due and a licence for capital export issued by BNA. To benefit from tax and customs incentives the investor must have organized book-keeping, certified by external auditors.

Investments of foreign direct investors below USD 1,000,000 do not need approval of ANIP, but do not benefit from the rights of profit or dividend repatriation and other advantages set out in law, such as tax and customs incentives. If the investment is between USD 500.000 and USD 1.000.000 it is theoretically possible to create a commercial society, obtaining a capital import permit. When an investment is below USD 500.000 it is not possible to create a commercial company.

RESERVED AREAS OF INVESTMENT

The government of Angola will be a majority or senior partner in infrastructure projects related to telecommunications systems and postal services.

The government of Angola also has exclusive responsibility for the development and maintenance of:

- Production, distribution and sale of military materials
- Central banking and matters related to the national currency
- Ownership and administration of sea ports and airports.

4 – SETTING UP A BUSINESS

When a project is approved, ANIP issues a Certificate of Registration for Private Investment (*Certificado de Registo de Investimento Privado* – CRIP) authorising the commencement of operations.

Upon receipt of the CRIP, the principals must register a company, publish company by-laws in the official National Gazette (*Diário da República*), obtain a business licence and register with fiscal authorities. If the foreign investment requires a constitution or change of an Angolan company's by-laws, the deed of incorporation can only be completed with the presentation of the CRIP and a licence for capital import issued by National Bank of Angola (BNA) and authorized by the receiving bank.

ANIP conducts its investment promotion activities in accordance with:

- The Basic Private Investment Law (LBIP – Law 20/11, 20 May 2011), which sets forth the requirements for domestic and foreign direct investment in Angola
- The Commercial Companies Law (Law 1/04, 13 February 2004), which specifies several types of firms, and rules governing the incorporation of companies in Angola.

The Commercial Companies Law provides several options for structuring the legal entity through which approved projects are implemented.

LOCAL COMPANY

A local company may be organised as:

- Quota limited liability company (*Limitada* or LDA)
- Joint stock company (*Sociedade Anónima* or SA)
- Economic interest grouping (Agrupamento de Empresas or AE)
- Commercial partnerships such as General Partnerships (*Sociedade em Nome Colectivo*); Simple Partnerships (sociedade em comandita simples); Partnerships with share capital (sociedade em comandita por acções).

The most common legal entities used by investors are the quota limited liability company (typically for smaller size investments) and the joint stock company (for larger investments).

LIMITED LIABILITY COMPANY BY QUOTAS (LDA)

An LDA has a minimum of two shareholders. The minimum capital requirement is the Angolan currency (AOA) equivalent of USD 1,000. Shareholders may defer payment of 50% of the minimum capital requirement, provided that the minimum is fully paid up on the effective date of incorporation. An LDA appoints a management group and general assembly. LDAs without an audit committee may be required to appoint a chartered accountant if certain thresholds are reached. Only the patrimony of the company answers for debts to creditors and each of the quota-holders answers for his capital allowances. The transmission of quotas is subject to public registration.

JOINT STOCK COMPANY

A SA has a minimum of five shareholders; if one shareholder is a state entity the minimum number of shareholders is reduced to two. The minimum capital requirement is the Angolan currency (AOA) equivalent of USD 20,000, 30% of which must be fully paid up on the effective date of incorporation. The SA appoints a general assembly, board of directors and an audit committee. The transmission of shares is not subject to special obligations. The liability of the shareholder is limited to the value of the shares subscribed.

OTHER FORMS OF ORGANISATION FOR INVESTORS

Investors may also use other forms of companies such as:

- Representative Office
- Branch (Sucursal)
- Subsidiary

The Representative Office has no independent legal authority to do business in its own name and it is subject to several restrictions that are not compatible with the development of regular activities in Angola.

Branch Offices are a common form of representation for foreign firms in Angola, enabling foreign investors to do business on the same terms and under the same conditions as firms legally established. Branches are not legal entities and its obligations bind the foreign company. If the investment in the branch equals or exceeds USD 1.000.000 it constitutes a foreign investment operation.

An Angolan subsidiary may be set up under one of the existing legal forms, such as a Joint Stock Company (SA) or a Limited Liability Company (LDA). It is also considered as a foreign investment if the capital contributed equals or exceeds USD 1.000.000.

REGISTRATION AND LICENSING REQUIREMENTS

After the investment project is approved and licensed under the terms of the LBIP, registration formalities related to the incorporation can be executed almost simultaneously through *Guiché Único*, an administrative public structure that concentrates an array of services in a single location.

The formalities basically include:

- Approval of the new company's name by the Ministry of Justice (Ficheiro Central de Denominações Sociais)
- Execution of the public deed of incorporation before the public notary (which requires the previous deposit in a national bank account of the company's initial share capital)
- Publication of the new company's bye-laws in the official National Gazette
- Registration of the new company before the Ministry of Public Administration, Employment and Social Security (including the registration of the staff)
- Registration of the beginning of activity of the new company before the tax authorities (and payment of the related taxes)
- If companies are to engage in import/export activities, an authorisation must be issued by the Ministry of Commerce
- The above CRIP, issued by ANIP, and the capital import licence, issued by BNA.

After incorporation, the proper operations certificate (*Alvará*) must be obtained from the Ministry responsible for the activity to be carried out by the company.

The amount of time to set up a company in Angola depends more on the approval of the investment by ANIP than on the remaining formalities, which have been simplified with *Guiché Único* and are less time-consuming.

5 – LABOUR

Employment Law (Law 2/00, 11 February 2000) rules all employment relationships in Angola. Foreign non-resident employees have a specific regime regulated by Decree-Law 6/2001, 19 January.

Foreign employees require a work visa or residence permit to work in Angola, which is issued by the Ministry of Public Administration, Employment and Social Security. The visa is valid for the duration of the employment agreement up to a maximum of 36 months, after which it must be renewed.

There are several restrictions applicable in the process of hiring of foreign employees, as the applicable laws state that the percentage of foreign employees must not exceed 70% of the company’s workforce, allowing limited exceptions only when employees with the required profiles cannot be found in the Angolan labour market.

Tax residency in Angola is defined as an employee, who, regularly or occasionally, receives income subject to employment income tax and remains in Angola for at least 60 days in the fiscal year. However, for employment income tax purposes, tax and non-tax residents are subject to the same taxation regime.

Tax reform is being implemented in Angola but is not yet in full force with significant changes to be adopted, namely in personal income taxes. However, the basic current scenario concerning labour is as follows:

- Tax on resident employees’ monthly employment income must be paid at progressive rates varying from 5% to 17%, according to the respective income band. Non-tax resident employees must pay the same employment income taxes as tax resident employees on their Angola source income
- Subscription to social security is mandatory except for self-employed and foreign nationals who can prove they are covered by a similar regime in their native country
- To comply with social security requirements, employers must withhold 3% of the gross salary of the employee and are required to pay a further 8%. The payment of both parts is the responsibility of the employer and must be fulfilled by the tenth day of the following month
- Non-tax resident employees are not subject to social security contributions
- The general rule is that it is the employer’s responsibility to withhold income tax and social security contributions on the employees' behalf and pay those retentions to the applicable authorities.

6 – TAXATION

Within the scope of the Angolan Tax System Reform Project (PERT), some important amendments were approved by the National Assembly on 30 December 2011. At the end of 2014, the Ministry of Finance approved the new tax Codes, alongside with a tax amnesty.

The legislation that was recently approved is the following:

- The new Industrial Tax Code comes into force on January 1, 2015 (autonomous taxation regime only in January 1, 2017)
- The new Tax on Invested Capital Code came into force on 19 November 2014
- The new Personal Income Tax Code comes into force on January 1, 2015
- The new Stamp Duty Code came into force on 21 October 2014

INDUSTRIAL TAX

SUBJECTIVE INCIDENCE

Individual persons who are residents in Angola and have a commercial or industrial activity in the country, collective groups which have their head offices in Angola and entities which may or may not have their head office in Angola but have a commercial or industrial activity in the country are subject to tax. A resident company is taxed on its worldwide income. Non-residents which obtain income in Angola are subject to the same rules as residents, therefore income attributable to the Angolan branch (permanent establishment) is subject to Industrial Tax.

Also, profits arising from activities under the supervision of Gambling, Banking, Securities Market Commission and foundations, autonomous funds and charity cooperatives and associations are subject to Industrial Tax.

GROUP A

The threshold for entities to be included in Group A are a share capital exceeding AKZ 2.000.000 or total revenue exceeding AKZ 500.000.000.

Any company that may opt to be included in Group A can do so by submitting a request to the competent tax office.

GROUP B

This group comprises taxpayers which do not fall under Groups A.

TAX DETERMINATION

The tax is calculated based on a company’s financial statements with the adjustments determined by the Law. Adjustments include those set out in the sections below.

PROFITS OR GAINS

Profits arising from financial transactions are only taxable if not subject to another tax.

COSTS NOT ALLOWED FOR INDUSTRIAL TAX PURPOSES

The reform of Industrial Tax has changed significantly the cost determination. We highlight the following situations on which costs are not allowed for the taxable basis:

- Fines or penalties resulting from administrative or economic infractions
- Premiums from insurance or other costs or losses incurred with social assistance not extended to all employees of a company
- Interest from shareholders or quota-holders' loans
- Costs from previous years' taxation periods or extraordinary corrections
- Donations not foreseen in the new Patronage Law, aggravated by a 15% autonomous taxation
- Depreciation from passenger or mixed vehicles whose portion of cost exceeds AKZ 7.000.000
- Costs related to the acquisition of land, considered on 20% if not expressly mentioned in the purchase price of a building (a different percentage if an appraisal from an independent entity is accepted by the tax authorities)
- Depreciation exceeding the limits set out in the official Table of depreciation and amortization rates (a new table is to be announced briefly)
- Repair and maintenance costs of buildings deductible for Real Estate Tax purposes
- Provisions for work accidents and occupational diseases whose responsibilities are not transferred to a third party
- Provisions that exceed rates and limits applicable for which a new table will be released 90 days after the Code enters into force
- Unrecoverable debts for which a public certificate for insolvency, foreclosure or bankruptcy is not obtained

COST DOCUMENTATION

The categories of costs which are not accepted for Industrial Tax purposes and subject to autonomous taxation are the following:

- Inadequately documented costs – 2%
- Undocumented costs – 4%
- Costs incurred with confidential expenses – 30% or 50% when these generate a cost or revenue for a taxpayer in any manner exempt or not subject to Industrial Tax.

TAX LOSSES

Tax losses may be carried forward for a period of three years

TRANSFER PRICING

It is mandatory to comply with the arm's length principle in the relations with related parties

RATES

The rate of industrial tax is 30% (already applicable in the transitional regime for 2014). A 15% rate is applicable to the income arising from farm activities, aquaculture, poultry, livestock, fishing and forestry.

PAYMENT OF INDUSTRIAL TAX

Industrial tax must be paid by 31 May of the year following the year for which tax is due.

Under the new changes, a differentiation between sales and the rendering of services is made in the liability for provisional tax payments. Sales are subject to a 2% provisional tax payment at the end of August (Group A) or July (Group B) calculated on total sales of the first six months. With regards to the rendering of services, the law 7/97 is revoked and taxpayers are subject to a withholding tax of 6.5% on administration and management services, to be made by the entity processing the payment.

Specific rules apply to companies under the supervision of Gambling, Banking, Securities Market Commission.
Provisional tax payments not deducted are subject to a statute of limitation for deduction of five years.

AUDIT OBLIGATION

Companies included in Group A are required to have an external audit to their financial statements. The audit opinion is submitted to tax authorities together with the annual tax return.

EXEMPTIONS

Most exemptions have been eliminated. Exemptions arising from agreements with the State or other public entities remain unchanged and ruled by the laws on which they were conceded.

REGIME FOR TAXATION OF OCASIONAL SERVICES

Law 7/97 has been revoked and a regime applicable for entities without an establishment in Angola enters into force. Income obtained by those entities on services rendered to Angolan tax resident entities is subject to a withholding tax of 6,5%, independently from the location where the services are rendered.

PERSONAL INCOME TAX (IRT)

SUBJECTIVE INCIDENCE

Personal income tax is due from individuals, whether resident in Angola or not, obtaining income from Angolan entities located in Angolan territory.

OBJECTIVE INCIDENCE

Income obtained from employment and self-employment is subject to taxation.

The recent IRT changes broaden the basis of taxation and divide taxpayers in three groups:
A – Remunerations paid by employers to employees in an employment contract under the General Labour Law and remunerations of public servants
B – Self-employed independent workers and companies' management bodies
C – Income earned from industrial or commercial activities, included in a specific table, 'Tabela dos Lucros Mínimos').

EXEMPTIONS

Some types of income are exempted. The most relevant are social security contributions, holiday and 13th month allowances, compensations for termination of work relation and some social benefits.

TAXABLE INCOME

The rules for the computation of taxable income depend on the group the taxpayer is included:

In Group A, the mandatory social security contributions and the remuneration components not subject to, or exempt from Personal Income Tax will be deducted from the taxable income.

In Group B taxable income is levied on 70% of the earnings when paid by entities with organized accounting and determined by the tax authorities based on the available data in the other cases. A deduction of related expenses up to 30% of the gross earnings can be used by the taxpayer.

In Group C the taxable income corresponds, in most cases, to the amounts foreseen in the Tabela dos Lucros Mínimos .

RATES

The rates applicable also depend on the group the taxpayer is included:

In Group A, a progressive rate is applicable to the taxable income, up to a limit of 17%. The rates make part of an attachment to the Code.

In Group B, a rate of 15% is levied on taxable income.

In Group C, a rate of 30% is applicable to the amounts foreseen in the Tabela dos Lucros Mínimos and a rate of 6.5% for the other cases.

CAPITAL GAINS TAX (IAC)

Incomes obtained from capital application are subject to this tax. These types of income are divided into two categories (A and B).

Category A includes:

- Loans interests
- Income from credit agreements
- Income from payments deferred in time or delayed.

It is presumed that loans are remunerated at an annual rate of 6% if a rate higher does not exist in the contract or is not declared.

These types of income are subject to taxation only if they are paid or received by resident entities or entities with a head office, effective direction or permanent establishment located in Angola.

Situations or acts that originate incomes included in Category A must be declared in 30 days, counted from the day in which they are subject to taxation. When the effective beneficiary of income is a non-resident, this responsibility must be assured by the debtor.

Category B includes:
- Profits of shareholders
- Debentures interest
- Interest from shareholders loans
- Interest calculated in current accounts and long term deposits
- Liquidation of stocks with subscription or preference reserve
- Royalties
- Income from public and private debt securities
- Prize money earned from gaming, raffles, lotteries or betting
- Repatriation of profits imputed to permanent establishments of non-residents in Angola
- Capital gains and losses arising from the disposal of participations or other instruments
- Other incomes of capital application not included in Category A.

Additionally, incomes are subject to taxation if they are paid or received or received by resident entities (single or collective) or entities with a head office or effective direction in Angola or if they arise from a permanent establishment located in Angola or abroad (on the repatriation of profits).

Category B incomes are subject to withholding tax by the paying entity and the retention should be paid by the following month, with some exceptions.

The main rates of IAC are the following:
- Interest from loans – 15%
- Interest from shareholders loans – 10%
- Interest from bank deposits – 10%
- Profits distributed (including non-resident) – 10% (5% in cases when the profits arise from shares in regulated markets)
- Gains from disposal of shares, quotas or other – 10%*
- Royalties – 10%
- Interest on Angola public debt instr. (maturity >three years) – 5–10%
- Other income derived by capital application – 15%.

* If subject to IAC (unless subject to Industrial Tax or Personal Income Tax) and If with a maturity of more than three years in a regulated market only it is subject to only 50% of the amount.

CONSUMPTION TAX

The following operations, taking place in the Angolan territory, are the main activities subject to consumption tax:
- Production and importation of goods
- Sales by customs services and other public services
- Supply of water and energy
- Telecommunications services
- Hotels and similar activities
- Rental services
- Consultancy services
- Entertainment events
- Tourist services

- Private security services
- Port and airport services and international maritime and aerial transportation services

The following are some of the most important items not subject to consumption tax:
- Agricultural products
- Forestry products
- Untransformed fishing products
- Goods exported by the producer

Important exemptions include:
- Transmission of goods to foreign countries
- Manufactured goods resulting from an artisan process of production
- Raw materials used in a national industry, certified by a Minister

The standard rate of consumption tax is 10%. In certain cases, the consumption tax is reduced to 2%, namely on basic perishable food and medicines; while increased tax rates of 20– 30% apply to some imported goods, domestic production and luxury goods. Consumption of water and energy is taxed at 5% and hotel services and tourism services at 10%

Examples of some specific rates are the following:
- Telecommunication services – 5%
- Water and energy consumption – 5%
- Lease of machines/equipment and work on tangible fixed assets – 10%
- Lease of areas for events or advertising – 10%
- Consulting services – 5%
- IT and internet services – 5%
- Port and airport services – 5%
- Private security services – 5%
- Travel, tourism and related services – 10%
- Real estate management services – 5%
- Access to cultural, artistic or sport events – 5%
- Land, sea, railroad and air cargo and container transportation in national territory – 5%

This tax is liquidated on a monthly basis. As a general rule, the obligation to assess consumption tax falls on the entity supplying the goods or services. If the supplier is a non-resident, the responsibility to pay the tax is on the national buyer.

INHERITANCE AND DONATIONS TAX
Tax on inheritance and donations is levied at rates between 10–30% depending on the value of goods donated or inherited

PROPERTY TRANSFER TAX (SISA)
A 2% tax rate on the acquisition amount is levied on the acquisition of properties located in Angola and it must be paid by the purchaser.

Exemptions can occur if the properties are acquired for industrial activities or if the patrimonial tax value does not exceed AOA 6.5 million.

The acquisition of more than 50% of the capital of limited liability companies owning property in Angola may be subject to real estate transfer tax. The acquisitions liable to pay SISA are also, in general, liable to pay Stamp Tax at a 0.3% rate.

PROPERTY TAX

This tax is levied on proprietors receiving property rents or, if the property is not rented, on its ownership. If the property is rented the tax is levied on the annual amount of the rent, allowing a discount for maintenance. If the property is not rented, the tax is levied on the asset value.

If the property is leased, an effective rate of 15% (25% over 60% of the taxable amount, with the remaining 40% considered as maintenance costs of the property) is payable on rents effectively received. The tax is assessed by way of withholding if the lessee has organized book-keeping. If not the lessor is responsible for the declaration and payment of the tax.

If the property is not leased, there is an exemption on properties whose Patrimonial Tax Value does not exceed AOA 5 million and there is a real estate tax rate of 0.5% on the amount exceeding that value.

STAMP DUTY

Stamp duty is levied on several acts, contracts, transactions, documents, securities, and other operations listed in the Stamp Duty Code.

The main rates applicable are the following:

- Acquisition of property rights – 0.003%
- Rentals and sub-rentals of real estate – 0.004% - levied on the lessor
- Share capital entries – 0.5%
- Guarantees of obligations – 0.1% to 0.3% depending on maturity
- Custom operations – 0.5% to 1%
- Financing operations – 0.001% to 0,5% depending on maturity and nature of the operation
- Customs operations – 0.5% to 1% depending on the products
- Insurance operations – 0,1% to 0.4% depending on the insurance type
- Guarantees of obligations – 0.1% to 0.3% depending on the life and value of the guarantee
- Leasing operations – 0.1% to 0.4% depending on whether the lease is for housing purposes
- Contracts not foreseen in the table – AKZ 1.000 for each contract

The Angolan state and its institutions, as well as welfare, social security and public utility institutions and micro-enterprises are exempt from this tax. Some operations, such as mortgages, treasury bonds, collateral deposit, tradable securities, real estate transfers (in State authorized companies Groups' transformation operations), Employment contracts and free Real estate transfers between parents and children are also exempt from Stamp Duty.

Clarification about territoriality was brought by a new rule whereby stamp duty is levied on all items occurring on national territory but also on documents, acts or contracts issued or celebrated outside Angola but presented for legal effects inside the country.

Payment is generally made through the delivery of a tax form in the month subsequent to the taxable transaction. Accounting obligations and an annual return, due in March of the subsequent year, have been introduced.

7 – ACCOUNTING & REPORTING

ACCOUNTING FRAMEWORK

The accounting framework derives from Decree 82/01 of 16 November which approved the accounting standards set out in the Angolan General Accounting Plan (PGC).

The conceptual structure of preparation and presentation of financial statements was inspired by the rules of the International Accounting standards Committee Board (IASB). The structures of the balance sheet, profit and loss and the plan of accounts are based on the models of the International Federation of Accountants (IFAC).

However, international accounting standards have not yet been transposed or adopted. Recently, in March 2014, the National Bank of Angola (BNA) made a public presentation to all banks about the implementation of IFRS, announcing that IFRS will be required for the financial statements of all banks regulated by the BNA effective from 1 January 2016.

PROFESSIONAL STANDARDS

The requirement for financial audit in Angola started as a necessity for multinational firms, namely those connected with the oil industry and spread to the financial system, following the legal frameworks set by BNA and Ministry of Finance.

The presidential decree 232/10 of 11 October approved the Statute of the Professional Body of Accountants and Accounting Experts of Angola, thus updating the requirements and rules related to the accounting profession.

Major developments are occurring in the enforcement of these requirements and rules, taking into account the historical weaknesses of the country in this subject, namely the lack of qualified professionals in accounting and audit and the boom of the economic markets in the recent past, with increasing demand for these services.

Extending the existing obligation to have the accounts audited (Decree 38/00, of October 6), the recent tax reform has made it mandatory for all firms in Group A of Industrial Tax to submit an audit report alongside with the annual tax return.

8 – UHY REPRESENTATION IN ANGOLA

UHY A PAREDES E ASSOCIADOS-ANGOLA AUDITORES E CONSULTORES, SA ANGOLA

UHY

CONTACT DETAILS

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Year established:	2003
Number of partners:	2
Total staff:	20

ABOUT US

Our firm is your trusted advisor to help you consider your options and take advantage of the exciting business opportunities arising in Angola, one of the top emerging markets in Africa.

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Although our head office is based in Luanda we provide national coverage working with our clients wherever necessary.

BRIEF DESCRIPTION OF FIRM

Having settled in Angola in 2003, UHY, A Paredes e Associados-Angola Auditores e Consultores, Limitada, has grown quickly to meet the increasing demand for services in audit, accounting and business consulting.

The quality of our staff has allowed us to build a steady client basis, which has enabled us to grow with confidence and allowing us to become one of the most important financial service firms in the country.

We aim to keep the growth trajectory by constantly improving the skills and training of our staff and the quality of the service rendered to our clients.

As some of our key staff are Portuguese, we have a strong connection to Portugal, making our firm a solid partner in the internationalisation of Portuguese firms to Angola.

SERVICE AREAS

Audit, accountancy, bookkeeping and outsourcing services
General business advice
Tax services

SPECIALIST SERVICE AREAS

Corporate and personal tax
Corporate finance

PRINCIPAL OPERATING SECTORS

Banking
Distributors

The network for doing business

UHY A PAREDES E ASSOCIADOS-ANGOLA AUDITORES E CONSULTORES, SA ANGOLA

Financial Services
Insurance
Public Administration
Retail
Telecommunication Services
Transportation (road/rail/water) & infrastructure

LANGUAGES

Portuguese, English, French.

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure in this document.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Portugal, Spain, Uruguay, Brazil.

BRIEF HISTORY OF FIRM

The firm was formed in 2003 and was developed in connection with UHY & Associados SROC Lda, in Portugal.

Most of our founding staff were Portuguese and had experience in a multinational context, having worked in a Big Four audit firm.

Our client base kept on growing from our foundation, as we have been able to work with the most important telecomunication and energy firms in the Angolan Public Sector, the Accounts Court of Angola and several ministries. We have stabilised a basis of private sector audit clients, which enabled us to become one of the most important audit firms in Angola.

The network for doing business

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.