

DOING BUSINESS
IN ANGOLA



CONTENTS

1 – Introduction	3
2 – Business environment and incentives	4
3 – Foreign Investment	11
4 – Setting up a Business	14
5 – Labour	17
6 – Taxation	18
7 – Accounting & reporting	26
8 – UHY Representation in Angola	27



1 – INTRODUCTION

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

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:

UHY A. PAREDES E ASSOCIADOS – ANGOLA, LIMITADA
Rua do Maculusso, nº. 44
Bairro da Ingombota Luanda, Angola
Phone +244 927 072 924 / +244 222 321 779
Website www.uhyangola.com

You are welcome to contact [Armando Paredes \(aparedes@uhyangola.com\)](mailto:aparedes@uhyangola.com) for any inquiries you may have.

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 November 2017.

The main sources used to complete this guide were:

Governo de Angola (<http://www.governo.gov.ao>)
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>)
Economist Intelligence Unit (<http://www.eiu.com>)
APIEX | Investimento e Exportações (<http://apiexangola.co.ao>)

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 27 years, until 2002, when the rebel leader was killed.

Since then, Angola has prospered with a booming economy and a 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.

The country is rich in natural resources, mainly petroleum, which accounts for about 50% of GDP, more than 70% of tax revenues and more than 90% of exports. Although lower oil prices in the international markets affected exports and GDP, mainly in 2016, growth perspectives are again optimistic for 2017 and future years and a diversification of the Angolan economy is an objective for internal policies and an opportunity for foreign investors.

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 127 billion of investment capital from 2006 to 2015 making the country one of the Top-25 largest receiver of foreign investment in the world (since 2010).

Today, as domestic and foreign investors seek new opportunities to achieve targeted returns on capital, interest in Angola remains very strong. The figures in the table below illustrate the increasing investment in Angola over the last decade.

TABLE 1

Foreign Direct Investment in Angola: From 2006 to 2015, Source: African Economic Outlook (USD⁶)

YEAR	FDI AMOUNT
2006	0,794
2007	9,796

2008	16,581
2009	11,672
2010	12,157
2011	14,123
2012	15,077
2013	14,345
2014	16,543
2015	16,176

TABLE 2

GDP distribution by sector, Source: Angola's National Bank (2016 as estimate)

DESCRIPTION	2011	2012	2013	2014	2015	2016
Agriculture	9,3	7	9,9	11,3	13,2	14,2
Fishing and Derivatives	0,2	0,2	0,3	0,3	0,4	0,4
Diamonds & Other Mining	0,9	0,8	0,8	0,7	1	1
Oil	48,6	46,9	41,6	35,4	24	22,2
Manufacturing Industry	6,1	6,8	7,3	8,1	9,2	8,9
Electricity	7,9	8,6	9,2	10,2	12,2	12,7
Construction	0,1	0,1	0,2	0,2	0,2	0,3
Non-Trade Services	19,9	22,1	23,3	25,8	30,5	30,8
Others	7	7,4	7,4	8	9,4	9,5

TABLE 3

Main macroeconomic indicators of the Angolan economy, Source: AICEP (2016, 2017 and 2018 indicators are estimates)

INDICATOR	UNIT	2013	2014	2015	2016	2017	2018
Population	Million	23,4	24,3	25	25,8	26,7	27,5
GDP market prices	USD^6	124,912	126,775	102,643	93,773	94,52	100,681
GDP per capita	USD	5,33	5,23	4,1	3,63	3,55	3,66
Real GDP growth	%	6,8	4,8	3	0,6	3	3,5
Gross fixed Cap. Form.	Var. %	5,9	6,4	2,2	2,7	3,2	4,7
Inflation rate	%	7,7	7,5	14,3	32,2	11,3	8,5
Public sector balance	% of GDP	-0,3	-6,1	-5,2	-6,8	-4,8	-3,4
External debt	USD^6	25,004	28,45	33,924	37,606	41,423	46,264
External debt	% of GDP	20	22,4	33,1	40,1	43,8	46
Public debt	% of GDP	31,4	34,2	57,3	56,1	51,9	48,7
Exchange rate (average)	1USD=xAKZ	96,52	98,3	120,06	171,45	208,47	228,43

The major reasons to invest in Angola are:

- Angola is one of the fastest growing economies in the world in the last decade and is consolidating that growth through diversification in the economy

- In the last few years, there has been a significant decrease in inflation (105.6% in 2002 to 8.5% in 2018 - estimate) and macroeconomic indicators such as public balance and public debt have stabilised in sustainable rates in comparison with other economies in the region
- Angola is Africa's second largest oil producer after Nigeria, producing over 1.7 million barrels per day, and the second largest diamond producer in Africa, with about 8,1 million carats
- Angola is in a situation of political and economic stability and coming elections are not likely to affect this stability
- Sectors not related with natural resources are growing rapidly, namely the sectors of construction, banks, communications, electricity 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 in Luanda and other major urban centres has increased in the last few years
- There are incentive packages for foreign investment
- The financial sector has seen significant growth and a stock market has recently been created
- Infrastructure, namely roads and railways, is being rehabilitated, the tax system is being enhanced and easiness of doing business is being improved through measures to tackle bureaucracy

The most significant risks to foreign investment relate to the fact that the economy is still very dependent of oil prices in the international markets and those prices are not likely to return to the levels held in the years before 2014.

Despite the reasons which make Angola an attractive market to invest in, such factors, by themselves, cannot ensure success. 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 incumbent president is José Eduardo dos Santos, empowered by elections held in 2012. He will not run for re-election in August 2017, when a general election will occur. 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), 31 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 –24.3 million (July 2014 estim)

GDP –93.7 billion USD (2016 estim)

Population density per kilometres square – 19.5 (2014)

Official Designation – Republic of Angola

Capital – Luanda (6.9 million)

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 (AKZ); USD 1 = AKZ 171, EUR 1 = AKZ 185



Source: Nations Online Project

THE ECONOMY

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

Driven by the increase in oil production, between 2003 and 2008 the average rate of economic growth stood at more than 12% a year, placing Angola at the top of the fastest growing countries in the world. The impact of the global financial crisis and a drop in oil production have led to a significant slowdown in Angolan economic growth, and between 2009 and 2013 the average annual rate has fallen to 4% of GDP. Technical problems that led to a decline in oil production and a significant drop in oil prices during part of 2014 and 2015 led to a slowdown in growth, which registered 4.8% and 3.0%, respectively. Real GDP growth has been below 1% in 2016 but internal consumption will induce growth to expected values of more than 3% in 2017 and 2017.

Angola's proven oil reserves are estimated to be from 9 billion to 13 billion barrels, mainly in the Lower Congo and Kwanza basins. In 2016, Angola exported close to 1.8 million bpd of crude oil. 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, India and the United States, making Angola one of the top sources for oil imports in those 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 2016, diamond production is expected to increase to approximately 9 million carats. 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.

In 2016 Government adopted a strategy to mitigate the oil crisis aiming to finding oil substitutes as sources of revenue. Agriculture is expected to play a key role in stimulating the country's exports and generating foreign trade. The strategy also includes investment in infrastructure, gradual reduction of imports, deepening of financial sector reforms, skills development and the improvement of the business environment. Key initiatives to improve the ease of doing business involve reducing bureaucracy and facilitating credit.

The economic outlook for 2016 and 2017 remains a challenge as it is not expected that international oil prices recover quickly. Angola remains dependent of hydrocarbons and an oil shock would be likely to aggravate Angola's overall economic vulnerability. The Government is aware of these risks and is already negotiating with the International Monetary Fund (IMF), the implementation of an Expanded Financing (EFF) focused on economic diversification, with priority for agriculture, fishing and mining. The Government is also committed to improving macroeconomic stability, in particular through budgetary discipline measures.

UNEMPLOYMENT

In 2016, the unemployment rate remained high at about 26%, not differing relevantly from previous years. 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 banking system geographical coverage and the access to bank accounts for the population have been growing exponentially in the last few years.

According to the National Bank of Angola (BNA), there were 29 banking Institutions operating in the country in 2016. This Sector maintains the high concentration which has characterized it in recent years, though it is possible to identify a tendency towards their dilution. From 2012 to 2014 the percentage of the total assets of the sector held by the five largest banks decreased from 74% to 71%.

From a regulatory perspective, the National Bank of Angola (BNA) has been intervening more in the banking system through the reinforcement of prudential and behavioural surveillance. BNA has been trying to introduce the best international practices in order to achieve a better reputation inside the international financial community. For that purpose it has been issuing a set of notices and instructions regarding: foreign exchange activity (in terms of process simplification, legislation of exchange payments and controls); monetary activity (in terms of mandatory reserves with the BNA and import/export of foreign currency); the regulation of the payment system, and; the adoption of IFRS, among others.

STOCK MARKET

The Presidential Decree 97/14 of 7 May, created BODIVA - Angola Debt and Securities Exchange, SGMR, SA, registered, by public act, on July 4, and its first corporate bodies were elected at the General Meeting of 10 Of July 2014. Bodiva has the role of managing regulated securities markets and is under the authority of the Commission of the Capital Markets of Angola (CMC).

The recent start-up of the Central de Valores Mobiliários de Angola (CEVAMA) will contribute to the emergence of other market segments, such as the bond market and shareholder, and BODIVA is already analyzing the implementation of the Private Bond Exchange Market (MBOP) in order to allow companies to issue debt for the financing of their medium and long-term activity and subsequent adoption of the Stock Exchange Market (MBA), which will allow the market agents through the purchase and sale proposals to invest directly in the share capital of companies registered on the stock exchange.

INTERNATIONAL TRADE

Angola imports goods and services worth approximately USD 16.9 billion (2015). Major imports are Machinery and mechanical appliances, boats and floating structures, electric machinery and apparatus and articles of cast iron, iron or steel, mostly for the oil industry. Key import partners are China, Portugal, South Korea, United States and France.

At the same time, Angola's exports are worth approximately USD 34.2 billion (2015). Major exports are petroleum and derivatives, diamonds, gas, coffee, sisal and fish and fishing derivatives. The main export partners are China, India, United States, Spain, France and Portugal.

FOREIGN EXCHANGE CONTROLS

In the last few years, foreign companies based in Angola can no longer readily access foreign exchange from Angolan banks due to the severe rationing of forex by Angola's Central Bank. This poses a problem for international companies to pay their expat workers in foreign currency.

STATE BUDGET FOR 2017

The Angolan State Budget for 2017 has been enacted by means of Law No. 22/16, of 30 December 2016 and provides revenues of Akz 7.3 trillion.

It forecasts a growth of the Gross Domestic Product of 2,1 percent , 1,8% of which from the oil sector and 2,3% from the non-oil one. The public debt operations (interests and refunds) will take 36,28 % of the budget.

The State Budget established the revocation of the Special Contribution on Banking Operations and the maintenance of the application during the 2017 fiscal year of the Special Contribution on Foreign Exchange Transactions of Current Invisibles that affect the transfers made under the contracts for the rendering of technical assistance services Management.

According to the transitional rules of the Industrial Tax Code, Autonomous Taxation (TA) will enter into force in 2017, so unduly documented, undocumented costs and confidential expenses will be subject to TA at rates ranging from 2% Up to 50%.

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 (APIEX - ANGOLA) as a first step.

The legal framework for foreign investment in Angola is stated in the Investment in Angola is stated in the Private Investment Law (Law no. 14/15 of 11 August), which has the general framework for investing in Angola, the Master Lines of the National Private Investment Policy (Presidential Decree No. 181/15 of September 30), which defines the objectives and role of investors and state agencies and the Regulation of the Procedure for the Execution of Private Investment (Presidential Decree No. 182/15 of September 30) dealing with the procedural aspects of private investment.

APIEX - ANGOLA works to promote private investment by Angolan and foreign nationals in targeted industry sectors and development zones. APIEX - ANGOLA 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.

All economic sectors are eligible for tax benefits but foreign investment in Angola in the electricity and water sectors, hospitality management and tourism, transport and logistics, civil construction, telecommunications and information technology and media requires the establishment of partnerships with Angolan citizens, state-owned companies or Angolan companies holding at least 35% of the share capital and participating effectively in its management, as reflected in a shareholders' agreement. The sectors of oil, mining and banking have specific rules and investments are approved by the incumbent members of government.

Private investors present their projects to a Technical Support Unit for Investments (UTAD) of the Ministry that rules the activity, if the project is less than 10.000.000 USD, or directly to the Head of the Executive Branch, through the Technical Unit for Private Investment (UTIP).

The projects should be presented with some mandatory documentation, such as a copy of tenderer's legal documentation; a technical, economic and financial feasibility study; an environmental impact study and financial information on the tenderer and by filling a model of presentation of the project. These steps can be done online.

In order to obtain incentives and benefits domestic investments (over 51% of share capital by Angolan nationals) must exceed the equivalent in Kwanzas of USD 500.000 and foreign investments the equivalent of USD 1.000.000.

Reductions in Industrial Tax, Property Transfer Tax and Investment Income Tax are available for periods of one to ten years:

TABLE 3

Tax reductions availables and waiver periods

<u>% Tax reduction</u>	<u>Waiver period</u>
10 to 30	4
31 to 50	6
51 to 70	8
71 to 100	10

For granting tax benefits to investment projects, the country is divided into development zones:

Zone A - The province of Luanda and the municipalities of the provincial capitals of Benguela, Huíla and the municipality of Lobito;

Zone B - The provinces of Cabinda, Bié, Cunene, Huambo, Cuando Cubango, Lunda-Norte, Lunda-Sul, Moxico, Zaire, Bengo, Cuanza-Norte, Cuanza-Sul, Malanje, Namíbe, Uije and other municipalities of the provinces of Benguela and Huíla.

An extraordinary grant of tax benefits by the Head of Government is available under negotiation, for investments exceeding USD 50.000.000, creating at least 500 or 200 jobs for Angolan citizens in Development zones A and B, respectively.

Tax benefits cease when the investor has benefited from tax savings equal to the investment made, on expiry or after ten years.

When a qualifying investment project is implemented and upon proof of its execution, foreign investors are granted the right to transfer abroad dividends or profits, capital gains (after tax), indemnities and royalties associated with the transfer of technology.

Dividends and profits distributed not reinvested in Angola are subject to a supplementary rate of Investment Income Tax in the proportion that exceeds the recipient's participation:

TABLE 4

Supplementary rates of Investment Income Tax

<u>Excess value</u>	<u>Additional tax rate</u>
Up to 20%	15%
From 20% to 50%	30%
Above 50%	50%

Shareholders' loans may not exceed 30% of the amount of investment made by the company or repaid during the first three years.

Tax and customs incentives and benefits and other facilities already granted under previous legislation shall remain in force throughout the time periods set, and shall not be extended.

The granting of tax benefits is analysed on a case-by-case basis and will take into account certain criteria such as:

TABLE 5

Criteria used for attributing score in tax benefits

Tax Benefits				
National job creation	Up to 50 jobs	> 50 < 100	> 100 < 500	> 500
	5.00%	7.50%	10.00%	12.50%
Investment value in USD	> USD 500 thousand < 5 million	> USD 5 million < 20 million	> USD 20 million < 50 million	> USD 50 million
	5.00%	7.50%	10.00%	12.50%
Investment location	Zone A		Zone B	
	7.50%		15.00%	
Production for export	Up to 25%	> 25% < 50%	> 50% < 75%	> 75%
	7.50%	10.00%	12.50%	15.00%
Shareholding by Angolans	> 10% < 20%	> 20% < 35%	> 35% < 45%	> 45% < 50%
	7.50%	10.00%	12.50%	15.00%
National added value	Up to 25%	> 25% < 50%	> 50% < 75%	> 75%
	7.50%	10.00%	12.50%	15.00%

Once the investment is approved, the corresponding services will deliver to the Private Investor or the Private Investor Registration Certificate (CRIP) that Proves its status and the benefits granted.

4 – SETTING UP A BUSINESS

When a project is approved, APIEX - ANGOLA 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.

APIEX - ANGOLA conducts its investment promotion activities in accordance with:

- The Basic Private Investment Law (LBIP – Law no. 14/15 of 11 August), 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, with the adaptations foreseen in Law no. 11/15 of 17 June (approving the Law on the Simplification of the Process for the Formation of Commercial Companies or "Simplification Law"), and by Law no. 22/15 of 31 (which approves the Securities Code).

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 has been removed any amount is acceptable now (1 AKZ has minimal quota per each participant). 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 (AKZ) 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

Since branches and representative offices, as forms of foreign investment, were excluded from the list established in the new Private Investment Law, foreign investors may no longer choose to pursue their activity in Angola through those types of company.

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 APIEX - ANGOLA, 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 in a procedure where basically the documentation obtained in the *Guiché Único* is delivered.

Companies wishing to carry out import or export operations must be duly licensed and authorized, with the respective licensing process being carried out by the Ministry of Commerce.

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

5 – LABOUR

The new General Labor Law (LGT) was approved by Law no. 7/15 of 15 June, fully revoking its predecessor, Law No. 2/00 of 11 February. Although the labor legislation is dispersed by different instruments, the main legislative instrument is currently the LGT, which establishes the principles and norms that govern the employment relationship 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.

In Angola the only criterion for the applicability of personal income tax is the source of the income. As mentioned earlier, only income earned in Angola attracts personal income tax. Residency is therefore irrelevant.

The basic current scenario concerning taxation of labour is as follows:

- Income Tax on resident employees' monthly employment income must be paid at progressive rates varying from 0% 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

Since 2011, new tax codes have been approved, replacing, in some cases, diplomas with several decades. These include Industrial Tax codes (Law no. 19/14 of 22 October), Income Tax (Law no. 18/14 of 22 October), Tax (Presidential Decree 2/14 of 20 October), Stamp Tax (Presidential Legislative Decree 3/14 of 21 October), the new Customs Tariff (Legislative Decree Presidential Decree No. 10/13 of 22 November), relevant amendments to the Consumer Tax Regulation (Presidential Legislative Decree no. 3 A / 14, of 21 October), the General Tax Code (Law no. 21 / 14 of October 22), the Code of Tax Enforcement (Law no. 20/14 of 22 October) and the Code of Tax Procedure (Law no. 22/14 of 5 December).

The Angolan tax system is composed of a multiplicity of taxes and is framed by a General Tax Code that defines a series of general rules for the relationship between taxpayers and the Tax Administration. Angola has not yet concluded any agreement to eliminate international double taxation.

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 that 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
- 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. Taxpayers with annual income above Kz: 7,000,000,000 should prepare a dossier that characterizes the relations and prices practiced with the companies with whom they have special relations up to 6 months after the date of closing of the fiscal year.

RATES

The rate of industrial tax is 30%. 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.

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. For the rendering of services, 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.

REGIME FOR TAXATION OF OCASIONAL SERVICES

Income obtained by entities without an establishment in Angola 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.

Taxpayers are divided 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.

The new Private Investment Law (approved by Law no. 14/15, of 11 August) created an additional IAC rate for the distribution of dividends or profits distributed. This additional IAC rate is applied to investment projects covered by the new law in the component that exceeds equity participation in the following proportions:

- IAC rate of 15% if the excess value of own funds is up to 20%;
- IAC rate of 30% if the excess value of own funds exceeds 20% and less than 50%; and
- IAC rate of 50% if the excess value of own funds exceeds 50%.

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 AKZ 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 AKZ 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 – 0.3%
- Leasing operations of fixed property - 0,3% on the amount of consideration
- Share capital entries and transformations of companies' structures – 0.1%
- Guarantees of obligations – 0.1% to 0.3% depending on maturity
- Financing operations – 0,1% to 0,5% depending on maturity and nature of the operation
- 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
- Customs operations: 1% on the customs value of the import and 0,5% on the customs value of exports

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 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 is set out in the Angolan General Accounting Plan (PGC) and IFRS are being implemented in the banking activity.

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).

Companies (those not regulated by the National Bank of Angola) must prepare their financial statements in conformity with the Angolan Accounting Law and the General Accounting Plan (PGC) that was adopted by Presidential Decree 82/01 of 16 November 2001, excluding insurance companies and pensions funds that are regulated by Agência de Regulação e Supervisão de Seguros (ARSEG).

Banks exceeding some thresholds and criteria set by National Bank of Angola must adopt IFRS as issued by the IASB from 1 January 2017 but could do so voluntarily 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 (OCPCA), thus updating the requirements and rules related to the accounting profession.

Extending the existing obligation to have the accounts audited (Decree 38/00, of October 6), the 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.

The Presidential Decree No. 318/14 published on November 28, 2014 allowed for the holding of the first General Assembly and the statutory changes that apply to the exercise of the profession at present. Subsequently OCPCA has been publishing regulations, including Technical Standard No. 1 - Application of International Standards for Auditing and Technical Standard No. 2 - Audit and Limited Review Reports.

8 – UHY REPRESENTATION IN ANGOLA

CONTACT DETAILS

UHY A Paredes e Associados-Angola Auditores e Consultores, SA
 Rua do Maculusso, nº 44
 Luanda
 Angola
 Santos
 Tel: +244 927 072 924
 www.uhyangola.com

CONTACTS

Liaison contact: Armando Paredes
 Position: Managing Partner
 Email: aparedes@uhyangola.com

Liaison contact: Hélia Cristina dos Brás Nunes
 Email: hnunes@uhyangola.com

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
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.

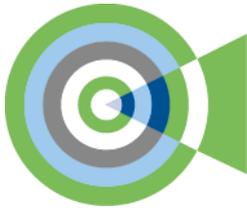
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

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 telecommunication 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.



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.

UHY is an international network of legally independent accounting and consultancy firms whose administrative entity is Urbach Hacker Young International Limited, a UK company. UHY is the brand name for the UHY international network. Services to clients are provided by member firms and not by Urbach Hacker Young International Limited. Neither Urbach Hacker Young International Limited, the UHY network, nor any member of UHY has any liability for services provided by other members.

UHY A. Paredes e Associados – Angola, Limitada (the “Firm”) is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

© 2017 UHY International Ltd