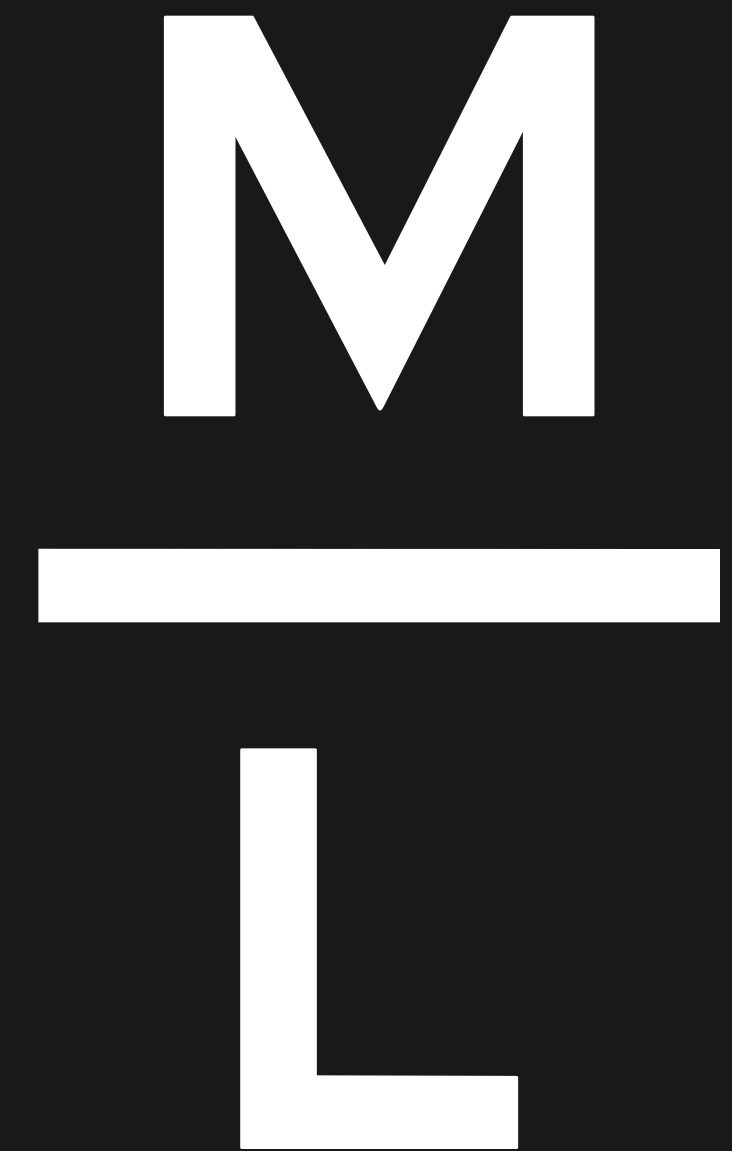


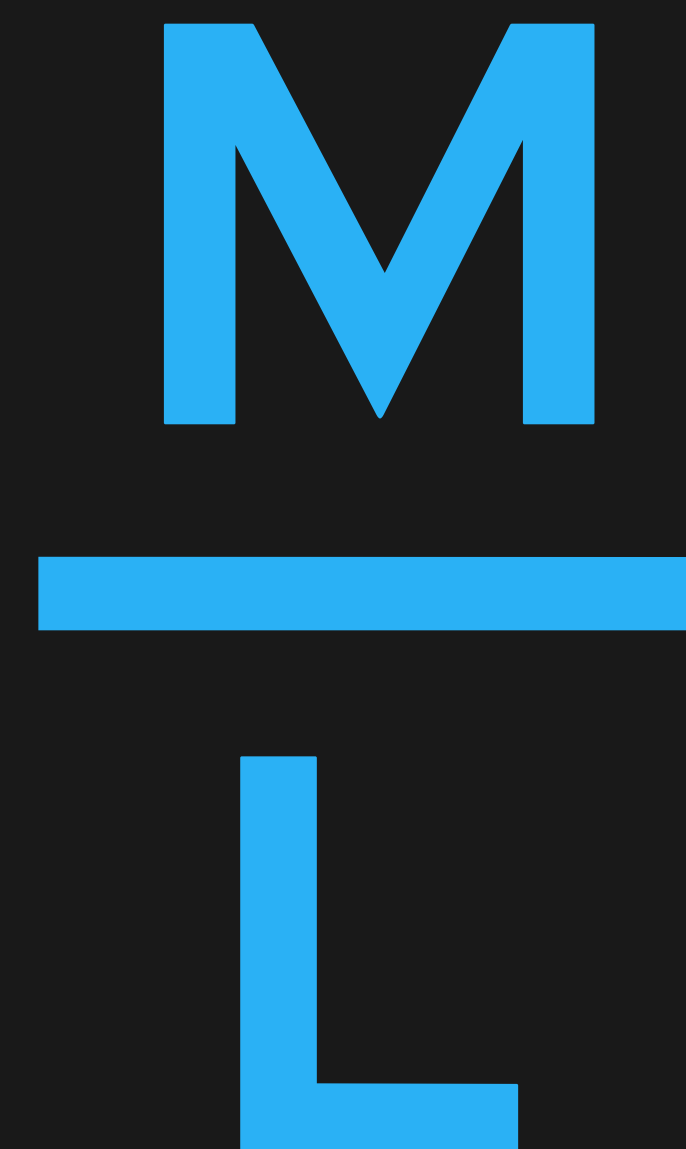
MORAIS LEITÃO
LEGAL CIRCLE

**ANGOLA – THE TAX
BENEFITS CODE**





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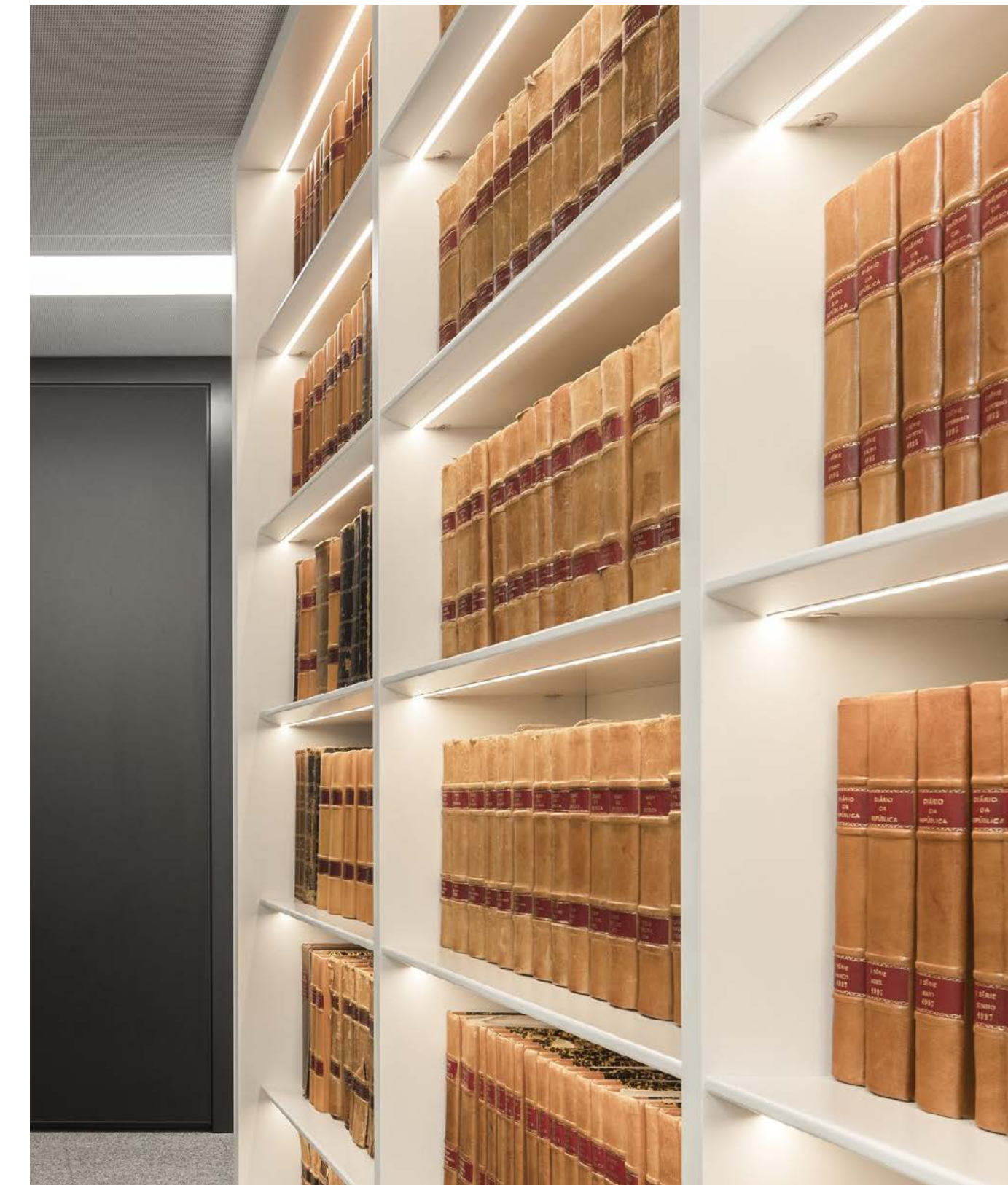


I. INTRODUCTION AND GENERAL APPRECIATION

The Tax Benefits Code (TBC) published in the Angolan Official Gazette by Law no. 8/22, of April 14, is the result of a long legislative process resulting from the Draft Law published on 15 September 2020 (available [here](#)). The TBC emerges as a unique instrument for the regulation of various tax benefits in a simple and modern shape, as an effort to update, broaden the tax base, and increase of the supervision and control in the Angolan tax system by the Angolan Tax Administration and other public entities involved.

In summary, the approval and publication of the TBC fits into the long process of Tax Reform in Angola, revoking a number of specific Diplomas, however, on the one hand, it preserves the specific tax benefits that have been granted prior to the entry into force of the TBC (“*grandfather clause*”), and, on the other hand, the TBC does not apply to tax benefits granted under the Special Taxation Regimes, namely for the oil and mining activities (they shall continue to be regulated by their specific legislative instruments).

The TBC is expected to come into force on 14 May 2022.



II. GENERAL PART AND FRAMEWORK

In line with the provisions of the General Tax Code with regard to the classification of tax benefits, the TBC determines that these may be *(i)* automatic or of administrative recognition (nonautomatic) and *(ii)* personal or real.

The TBC sets the general maximum duration of tax benefits at 10 years, with certain exceptions, as is the case of tax benefits granted under the Contractual Regime for Private Investment, with a maximum term of 15 years.

Regarding the ability to transfer tax benefits, the TBC now allows the transfer of tax benefits in the scope of M&A restructuring operations, namely, mergers, demergers or any other transformation of commercial

companies, on the condition that the resulting company must maintain the corporate purpose underlying the grant of the tax benefit concerned.

Additionally, another important aspect concerns the joint application of different tax benefits, provided that they are *(i)* of the same nature, *(ii)* related to the same taxable event and *(iii)* relate to the same tax – subject to the time limit that the application of the tax benefits related to the same tax cannot exceed the maximum period legally established in the TBC.

Moreover, similarly to what happened upon the publication of the Private Investment Law (PIL), which establishes the Development Zones for Private Investment Projects, the Angolan legislator organized this system based on “zones” of the country – *in casu*, Investment Zones –, coinciding with the development zones created under the Private Investment Law (Law no. 10/21, of April 22) (see [Annex 1](#)).

In essence the TBC does not materially differ from the Draft Law initially presented under the Public Consultation procedure, thus aiming to contribute to the expected improvement of the business environment in Angola, for the attraction of more investment (in particular, foreign direct investment).



III. SPECIAL PART AND THE VARIOUS TAX BENEFITS

In line with the legislative effort to standardize and assemble tax benefits centralized, the TBC, centralizes most of the tax benefits, listed and summarized below:

Tax Benefits by Industry	Tax Benefits Provided	Beneficiaries	Taxes Covered	Rates and Term
Tax Benefits on Profits from Instruments Traded on a Regulated Market	N/A	Commercial and civil companies in commercial form and Permanent Establishments.	Capital Gains Tax	a) 50% reduction, 5 year period; b) Exemption. ¹
Tax Benefits of Social Character	People with disabilities; Former combatants and Homeland veterans.	a) People with disabilities; b) Former combatants and Homeland veterans.	Customs Duties	Exemption
Tax Benefits for Job Creation, Internship and Professional Training	a) Job creation; b) Promotion of women; c) Professional internships; d) Professional training.	a) Corporate Income Tax and Personal Income Tax taxable persons; b) Women.	a) Deduction of expenses related to the remuneration of the jobs created under Corporate Income Tax; b) Top-up between 50% and 60% of the lowest civil service salary for costs incurred in hiring young people for professional internships; c) A 25% top-up in the cost of training employees at a duly certified institution in the country.	The amount of the deduction and/or top-up varies depending on the investment zone and/or the characteristics of the worker employed (<i>e.g.</i> people with proven disabilities or women).
Tax Benefits Related to the Environment Use of electric vehicles; Production and use of renewable Energy	a) Purchasers of electric vehicles; b) Buildings exclusively allocated to the production of renewable energy.	a) Purchasers of electric vehicles; b) Buildings exclusively allocated to the production of renewable energy.	a) Customs Duties; b) Motorized Vehicles Tax; c) Real Estate Tax; d) Corporate Income Tax.	a) Reduction of 50% of customs duties and Motorized Vehicles Tax, until 2032; b) 75% for the acquisition and 50% for the property, during the period the building is used for renewable energy production, under Real Estate Tax; c) Reduction in 35% in the final settlement of Corporate Income Tax for 4 years; d) 60% reduction in Capital Gains Tax for 4 years.

¹ Associated to the Participation Exemption regime, foreseen in the Capital Gains Tax, which applies to entities with seat and effective management in Angolan territory.

Tax Benefits to the Financial System and Capital Markets	Savings	<ul style="list-style-type: none"> a) Pension funds b) Savings funds; c) Income from capitalization life insurance; d) Interest and deposits with maturity equal to or greater than 2 years.² 	<ul style="list-style-type: none"> a) Corporate Income Tax; b) Real Estate Tax; c) Capital Gains Tax. 	<ul style="list-style-type: none"> a) Corporate Income Tax reduction to 14%, Real Estate Tax by 50% on transfer, holding and rents (for 2 years) and Capital Gains Tax for income from pension funds; b) Capital Gains Tax 50% reduction for income guaranteeing retirement, disability, etc, for the duration of the pension fund; c) Capital Gains Tax 50% reduction for the amounts paid by the savings funds in case of reimbursement due to the death of the participant; d) Reduction of Capital Gains Tax by 50% and 80%, for income from capitalization life insurance; e) Capital Gains Tax 50% reduction for 50% for interest on deposits.
Tax Benefits for Micro, Small and Medium-sized Enterprises	N/A	Micro, Small and Medium-sized Enterprises	<ul style="list-style-type: none"> a) Corporate Income Tax; b) Stamp Duty. 	<ul style="list-style-type: none"> a) Corporate Income Tax between 2% a 50%, depending on the nature of the company and the investment zone; b) Exemption of Stamp Duty on the discharge receipt.

² Made by individuals in financial institutions authorized to operate in Angola and without the possibility of redemption before the period of two years.

We highlight with relevance the following tax benefit regimes applicable to:

a. Collective Investment Undertakings

Corporate Income Tax	Reduction of the rate to 10% and 15%, for securities and real estate Collective Investment Undertakings, respectively. Term: during the existence of the Collective Investment Undertakings, except if it is revoked.
Capital Gains Tax and Real Estate Tax on Rents	Total exemption from income tax, Capital Gains Tax and Real Estate Tax on rents.
Real Estate Tax	50% reduction of Real Estate Tax for real estate Collective Investment Undertakings, on the transfer and as to properties owned and not leased, for 1 year, as from the date of their acquisition. Term: 1 year, as of the date of acquisition.
Stamp Duty	Exemption of Stamp Duty on the capital increase.
Capital Gains Tax	Total exemption from Capital Gains Tax on income received by Collective Investment Undertakings participants, by way of redemptions, distribution of profits and capital gains or losses on the sale of units.



b. Private Investment Projects

The entry into force of the TBC has materialized what was previously foreseen in the PIL, which determines the attribution of tax benefits to private investment projects, inserted in the Prior Declaration, Special and Contractual legal regimes.

The attribution of the tax benefits in question is done according to the regime applicable to the investment project being analyzed and is dependent on the provisions of the Tax Benefits Code.

The TBC grants tax benefits to **private investment projects carried out under the special regime**, *i.e.*, investments made in priority activity sectors (See [Annex 2](#)) and in the development zones defined by law, under the following terms:

	Zone A	Zone B	Zone C	Zone D
Corporate Income Tax	20% tax rate reduction. Term: 2 years.	60% tax rate reduction. Increase of the amortizations and reintegrations in 50%. Term: 4 years.	Reduction in 80% of the tax rate. Increase of amortizations and reintegrations by 50%. Term: 8 years	The tax rate corresponds to half of the rate resulting from the application of the rate attributed to Zone C. Term: 8 years.
Real Estate Tax	50% tax reduction on the acquisition of office property or property necessary for the establishment of the investment.	75% tax reduction on the acquisition of office property or property necessary for the establishment of the investment. 50% tax reduction for the possession of office or real estate necessary for the establishment of the investment. Term: 4 years.	85% tax reduction on the acquisition of office real estate or real estate necessary for the establishment of the investment. 75% tax reduction for the possession of office or real estate necessary for the establishment of the investment. Term: 8 years.	For the acquisition or holding of office property or property necessary for the establishment of the investment, the applicable rate will be half that resulting from the application of the rate attributed to Zone C. Term: 8 years.
Capital Gains Tax	Reduction of 25% in the tax rate on the distribution of profits and dividends. Term: 2 years.	60% reduction in the tax rate on the distribution of profits and dividends. Term: 4 years.	80% reduction of the tax rate on the distribution of profits and dividends. Term: 8 years.	The tax rate corresponds to half of the rate resulting from the application of the rate attributed to Zone C. Term: 8 years.



For private investment projects carried out under the prior declaration regime, the TBC grants the following tax benefits:

Corporate Income Tax	20% tax rate reduction. Term: 2 years.
Real Estate Tax	Reduction by 50% of the tax rate for the acquisition of real estate intended for offices or necessary for the establishment of the investment.
Capital Gains Tax	Reduction of 25% in the tax rate on the distribution of profits and dividends. Term: 2 years.
Stamp Duty	Reduction of 50% of the applicable tax rate. Term: 2 years.

In relation to private investment projects entered into under the contractual regime, since they are carried out through a negotiation between the investment promoter and the Angolan State, there is an extension of the tax benefits available:

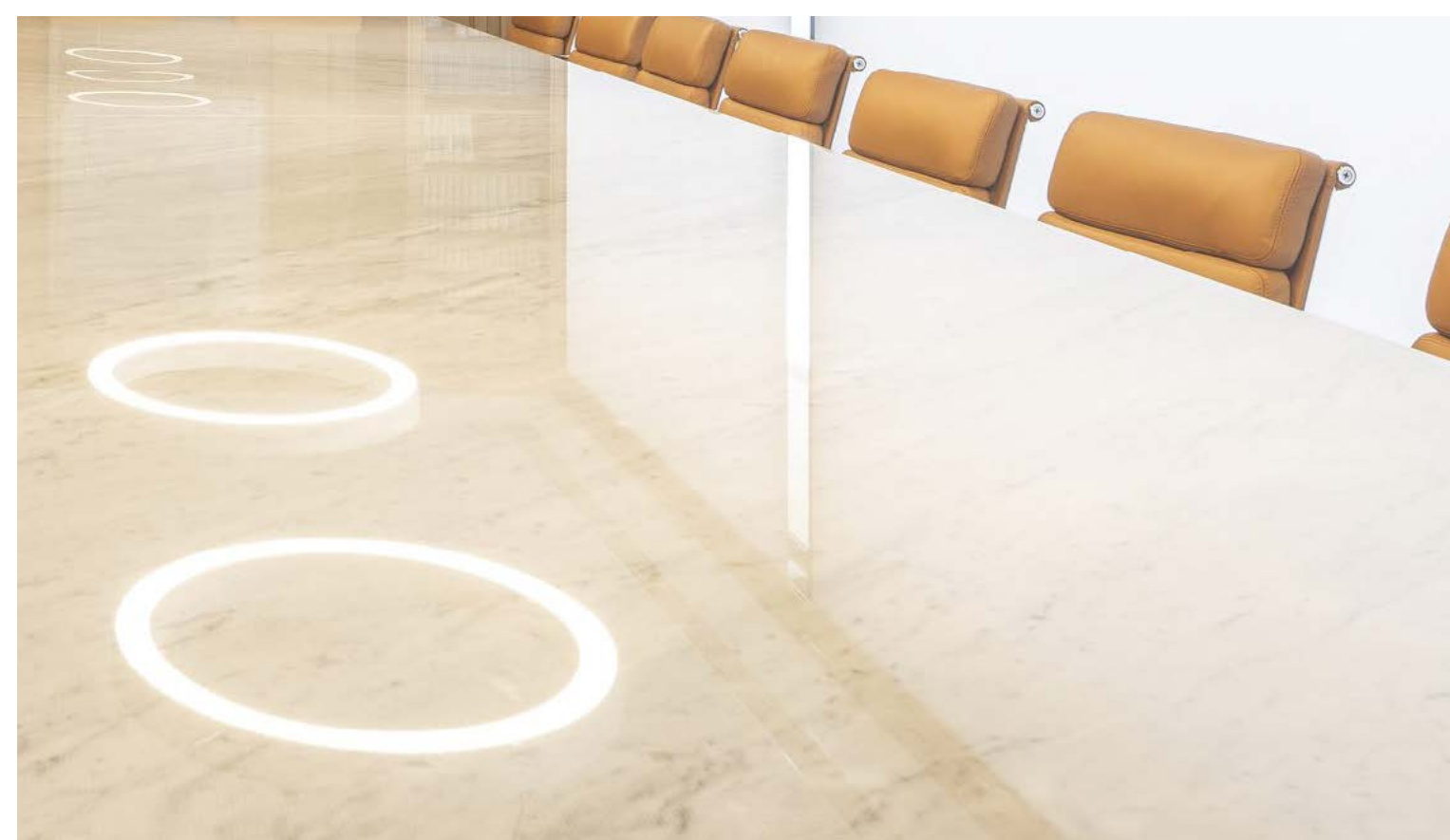
Corporate Income Tax, Real Estate Tax and Capital Gains Tax	Reduction in applicable tax rates. Term: 15 years
Tax Credit	Tax credit up to 50% of the investment value. Term: 10 years.
Corporate Income Tax	Top-up of the amortization and reintegration rates up to 80% for projects carried out in Zones B, C, and D. Term: 10 years.

c. Public-Private Partnerships

The TBC also provides for the grant of tax benefits in the terms explained above in respect of contractual tax benefits, to companies which enter into public-private partnerships with the State with a majority shareholding, which are dependent on due recognition by the Angolan Tax Authorities. This recognition must be done through a request by the private partner, provided a prior favorable opinion has been issued by the public partner.

d. Conventional remuneration of capital stock

The TBC regulates the possibility of deducting the conventional remuneration of the share capital. Accordingly, it provides for a deduction to the collection of the Corporate Income Tax, calculated by applying the rate of 5% (limited to each financial year), to the amount of contributions made up to the limit of AOA 8,000,000.00 (eight million kwanzas), made in cash or through shareholders' loans or shareholder loans, within the scope of the share capital increase.



In order for this regime to be applied, the TBC establishes the following requirements:

- i) The tax base cannot be determined by indirect methods; and
- ii) The beneficiary company cannot reduce its capital with restitution to the shareholders, either during the relevant tax period for the purposes of the agreed remuneration, or during the following five fiscal years.

We emphasize that such benefit does not apply if it has already been applied to the beneficiary company or to a company that holds it, directly or indirectly, in the same fiscal year or in one of the previous five fiscal years.

e. Corporate Reorganization

In line with international tax practices, the TBC now provides tax benefits for corporate restructuring operations and cooperation agreements carried out by companies. The regime in question only provides for the exemption or application of a reduced tax rate of property tax on the transfer of real estate not intended for residential purposes, necessary for these operations.

However, the Code provides for prior control by the Angolan Tax Authorities to grant such benefits. The Angolan Tax Authorities must recognize and verify whether the necessary conditions are met, through a prior request by the interested party, which must be sent until the date of registration of the acts necessary for the operations and be accompanied by the decision of the competition authority, for merger control purposes.

IV. TAX BENEFITS APPLICABLE TO FREE TRADE ZONES

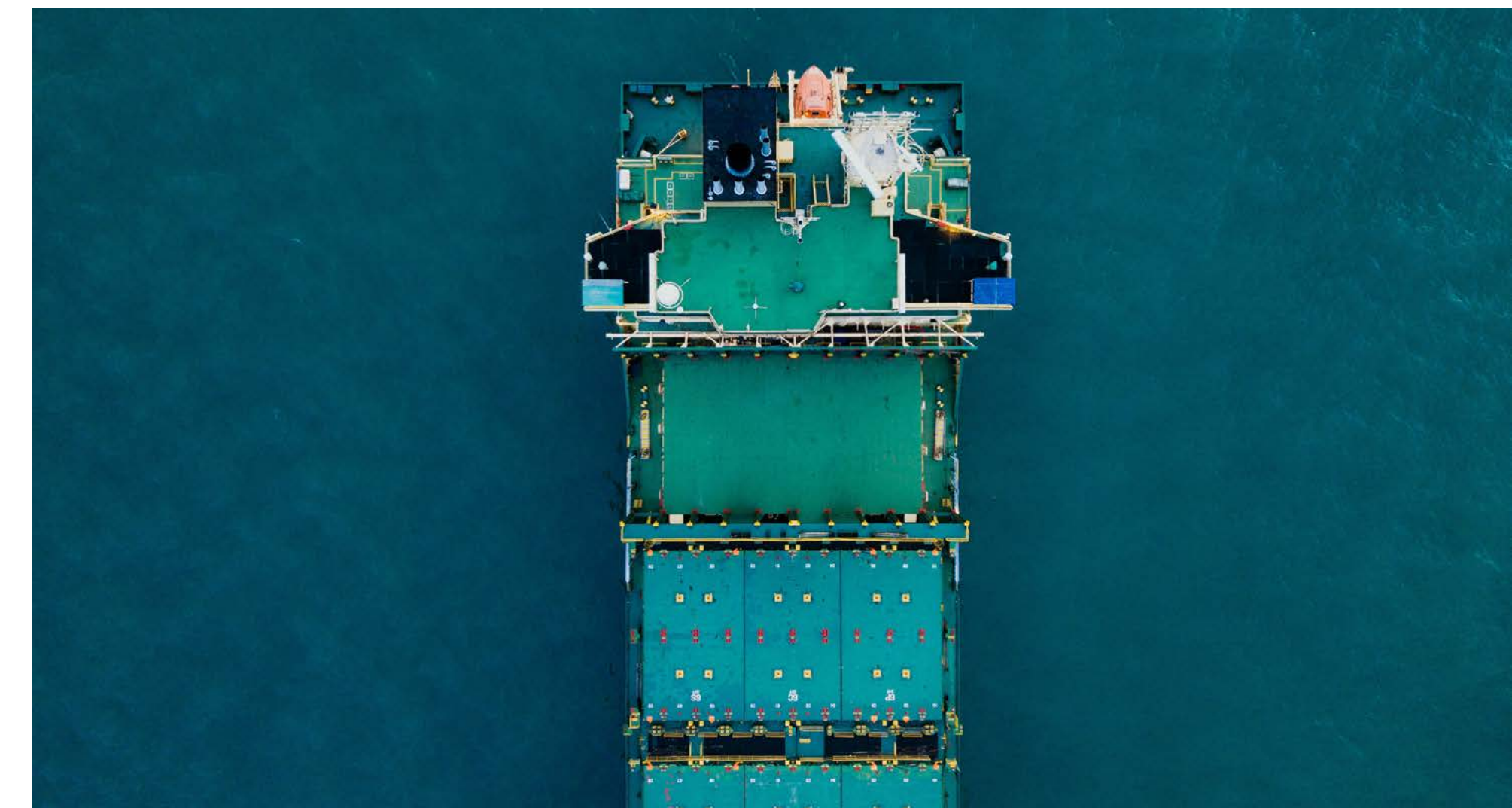
To date, only the Free Trade Zone of Barra do Dande has been established (Decree no. 62/07, of August 13), and the implementation of tax benefits applicable to the Free Trade Zones is very important to foster new investment operations in these areas (created under Law no. 35/20, of October 12).

In these terms, the TBC provides a set of tax incentives for companies that make investments in the Free Trade Zones, among which we highlight the following:

Corporate Income Tax	Application of a 15% rate for any commercial activity.
Corporate Income Tax	Application of 8% rate in commercial, industrial or service activities oriented exclusively to exploitation outside the customs territory.
Capital Gains Tax	Exemption from Capital Gains Tax on profits generated by companies within the scope of their activity in the free trade zones and distributed to partners and shareholders.
Capital Gains Tax	Application of the 5% Capital Gains Tax rate in relation to capital operations, royalties, interest, and any other remunerations for services, technology transfer technical assistance, loans and financing, equipment rentals, and full service from third countries to users of the Free Trade Zones.
Customs Duties	Exemption on the import, export and re-export of goods, capital goods, accessories and other tangible goods, with the exception of fees for the rendering of services, the import, export and re-export operations of goods, within the free zones.

V. TAX BENEFITS APPLICABLE TO PATRONAGE

The TBC also regulates several tax benefits related to Patronage, which are listed below and require particular analysis in relation to each specific case: *(i)* deduction of part of donations as a deduction to the taxable income of patrons depending on the specificities provided by law; *(ii)* tax benefits granted for the acquisitions of works of art by artists of Angolan nationality; *(iii)* tax benefits granted to Associations that have been granted the status of public utility; *(iv)* tax benefits to cooperatives; and *(v)* customs benefits to political parties with seats in the National Assembly.



ANNEX 1

TABLE OF INVESTMENT ZONES

For the purposes of attributing tax benefits to private investment and micro, small and medium-sized enterprises, the Country is organized into Investment Zones, namely the following:

Identification	Investment Zones
Zone A	Luanda District and Municipalities – Head of District of Benguela, Huíla Districts and Lobito Municipality.
Zone B	Districts of Bié, Bengo, Cuanza-Norte, Cuanza-Sul, Huambo, Namibe and the remaining Municipalities of Benguela and Huíla.
Zone C	Districts of Cuando Cubango, Cunene, Lunda-Norte, Lunda-Sul, Malanje, Moxico, Uíge and Zaire.
Zone D	Cabinda.

ANNEX 2

INVESTMENTS CARRIED OUT IN PRIORITY ACTIVITY SECTORS

For the purposes of granting benefits under the PIL, the market segments in which potential for import substitution or the promotion and diversification of the economy is identified are considered priority, including, in the following sectors:

Education, technical-vocational training, higher education, scientific research and innovation.

Agriculture, food and agro-industry.

Specialized health units and services.

Reforestation, industrial processing of forest resources, and forestry.

Textiles, clothing and footwear.

Hospitality, tourism and leisure.

Construction, public works, telecommunications and information technology, airport and railway infrastructures.

Energy generation and distribution.

Basic sanitation, collection and treatment of solid waste.

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Notwithstanding the fact that the content of this informative note contains the main aspects introduced by the recently published Law no. 8/22, we clarify that the reading of this informative note does not exempt the full consultation of the referred law. [Morais Leitão Legal Circle](#)'s teams are available to clarify any questions on the interpretation of its provisions.

M **L**

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