

LEGAL ALERT

TAX LEGISLATIVE NEWS

I. Amendment to the Value Added Tax (VAT) Code

With the diversified aim to make VAT consistent with the country's current economic situation and, most relevantly, to foster domestic production of basic consumer goods, Law no. 14/23 amending the **Value Added Tax Code** was published on 28 December 2023.

Among the several changes introduced by Law no. 14/23, of 28 December, we highlight the following:

- a) Amends the rule provided in Article 19 of the Value Added Tax Code, which established the general rate of 14%, with the following VAT rates now being in force:
 - i. 14%, as a general rate, for imports, transfers of goods and services;
 - ii. 7% for taxable persons registered under the Simplified VAT Regime;
 - iii. 7% for hotel and restaurant services;
 - iv. 5% for imports and transfers of widely consumed food and agricultural supplies listed in Annexes I and II of the Value Added Tax Code;
 - v. 1% for imports and transfers of goods subject to the special tax regime applicable to the Province of Cabinda, except for those listed in Annex III, to which the general rate applies;
- b) Establishes that taxable persons covered by the VAT Exclusion Scheme are those whose turnover or value of import operations is less than AOA 25 000 000;
- c) Taxpayers who fulfil the following requirements are now considered to be covered by and/or eligible for the General VAT Regime:

- i. Taxpayers who, in the previous financial year, had a turnover or import operations equal to or greater than AOA 350 000 000;
 - ii. Taxpayers in the manufacturing industry who had, in the previous twelve months, a turnover or import operations equal to or greater than AOA 25 000 000;
 - iii. Taxpayers who opt for voluntary inclusion in this scheme.
- d) Amends the conditions for joining the Special Cash VAT Scheme (in portuguese “*IVA de Caixa*”), allowing VAT taxpayers who, in the previous financial year, had a turnover or import operations equal to or less than AOA 2 000 000 000, as opposed to the previous wording, which limited taxable persons to joining the Cash VAT regime to those who reached a turnover or import value equal to or less than the maximum limit of USD 3 000 000 in the previous financial year.

Adherence to the Cash VAT regime will continue to be done by submitting a declaration of change of activity electronically and having it approved by the General Tax Administration (AGT). However, adherence to the Cash VAT scheme will only take effect from the month following approval by the AGT, rather than from 1 January of the year following the date of submission of the declaration.

- e) Finally, we would like to highlight the introduction of Article 77 of the Value Added Tax Code, which allows non-resident taxable persons to pay VAT that was paid before the implementation of the simplified registration system, without any penalty, for international e-commerce or the provision of services located in Angola.

Law no. 14/23, published on 28 December 2023, came into force on the date of its publication.

II. General State Budget (GSB) for 2024

Law no. 15/23, published on 29 December 2023, approved the General State Budget Law for 2024, establishing several tax changes that will come into force during 2024, among which we highlight the following:

- **Special Contribution on Foreign Exchange Transactions (CEOC)**

The CEOC, a special contribution levied on transfers made under contracts for the provision of services, technical assistance, consultancy and management, capital operations and unilateral operations, is once again re-established by the State Budget Law. It applies to natural persons or companies with their domicile or head office in Angola who apply to a financial institution for transfers of funds subject to this special contribution.

Payments of health and education expenses are excluded from CEOC, provided they are made directly into the bank accounts of health and education institutions, as are transfers of dividends, repayment of loan capital and associated interest. On the other hand, the following are exempt from paying CEOC: the State and its organs and similar entities, with the exception of public institutes and companies.

The applicable CEOC rate is 10% cent for legal persons and 2.5% for natural persons and is levied on the value of the transfer. Financial institutions must ensure that the CEOC is paid and delivered, otherwise they will incur a fine corresponding to the amount of the special contribution and other penalties provided for in the General Tax Code.

- **Labour Income Tax (IRT)**

The 2024 State Budget determines that income from salaried work up to the value of AOA 100 000 is exempt from paying IRT. As a result, the IRT exemption threshold, previously set for employee income up to the value of AOA 70 000, has been increased.

- **Industrial Tax Code**

The 2024 State Budget establishes as tax neutral, with an impact on the 2023 tax year, changes in assets and latent capital gains or losses resulting from the updating of fixed assets, tangible and intangible, as well as property investments, which do not contribute to the determination of the Industrial Tax base. The application of this rule will depend on compliance with the accounting standards, including the segregation of revaluation operations in the accounts.

The 2024 State Budget Law came into force on 2 January 2024.

III. New Customs Tariff

Presidential Legislative Decree no. 1/24, published on 3 January 2024, approves the new Customs Tariff for Import and Export Duties and repeals Presidential Legislative Decree no. 10/19 of 29 November.

The new Customs Tariff corresponds to the 2022 version of the Harmonised Commodity Description and Coding System nomenclature, includes 5953 tariff lines for products and has new codes compared to its previous version.

The Customs Tariff is segmented into intervention groups, including agricultural inputs and raw materials, intermediate products and capital goods, and current consumer goods.

The New Customs Tariff comes into force 90 days after its publication, *i.e.* on 3 April 2024.

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