

ANGOLA

FBL ADVOGADOS



FIRM INFORMATION

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COUNTRY INFORMATION

Angola has a population of more than 25 million people. The six most populated provinces are Luanda, Huíla, Benguela, Huambo, Cuanza Sul and Uíge, but the population is mainly concentrated at the capital, Luanda. The official language is Portuguese, although some national languages such as Umbundu, Kimbundu, Kikongo and Tchokwé are also spoken. The official currency is the Kwanza (AOA).

POLITICAL SYSTEM

Angola is a constitutional democracy. Parliament comprises of 220 members elected by direct universal suffrage and secret ballot. In September 2017 João Manuel Gonçalves Lourenço was elected as the new President of Angola for a five-year term mandate, ending the 38 years of governance by José Eduardo dos Santos.

ECONOMIC INDICATORS

In 2019, the International Monetary Fund estimated a GDP growth of 1.8% in 2020, however because of the COVID-19 pandemic, this valuation changed to a possible recession of 1.4%. The tax receipts from the non-oil sector economy continue to grow in 2020. The inflation rate in the State Budget for 2020 was estimated at 24% to 25%. The sources of the indicators include Angola's National Bank, the Ministry of Finance, the International Monetary Fund and the World Bank. The non-oil based economy has opportunities especially in sectors such as agriculture, manufacturing and services. Despite the COVID-19 pandemic and the drop in the oil price, Angola is still seen as a high-growth economy offering attractive investment opportunities.

INVESTMENT CLIMATE

The Government promotes private investment by national and foreign investors and strongly encourages investments in areas that will contribute to the diversification of the Angolan economy (i.e. investment outside the oil sector). The following sectors are deemed strategic for the development of the country's economy:

- Education, technical and vocational training, scientific research and innovation
- Agriculture, livestock and agro-industry
- Specialised health services

- Reforestation, industrial transformation of forest resources and forestry
- Textiles, clothing and footwear
- Hospitality, tourism and leisure
- Construction, public works, telecommunications and information technology, airport and railway infrastructure
- Production and distribution of energy
- Sanitation, waste collection and treatment.

The Private Investment Law, approved by Law no. 10/18 of June 26th, 2018, forms part of a continuous effort to make Angola more attractive to investors, in particular by providing benefits, automatic facilities and exemptions under a special regime. To this end, two private investment regimes were established:

- Prior Declaration Regime
- Special Regime.

The Government approved an amendment to such Law in order to include a new "contractual" investment regime which allows the investor to negotiate with the Angolan authorities with regard to the benefits and incentives applicable to its project/investment, taking into account the nature of the project/investment and its economic and social impact on the country.

The Prior Declaration Regime requires a simple presentation of an investment proposal to the competent body of the public administration for registration and the allocation of benefits. The Special Regime applies to private investments made in priority sectors of activity and development areas. For better regulation, the law establishes priority sectors of activity, such as:

- Education, training, higher education, technical-professional, scientific research and innovation
- Agriculture, food and agro-industry
- Specialised health units and services
- Reforestation, industrial transformation of forest resources and forestry
- Textiles, clothing and footwear
- Hospitality, tourism and leisure
- Construction, public works, telecommunications and



- information technology, airport and railway infrastructure
- Production and distribution of electricity
- Basic sanitation, collection and treatment of solid waste.

DEVELOPMENT ZONES HAVE ALSO BEEN DEFINED AS FOLLOWS:

- Zone A - Province of Luanda and Municipalities of the Provinces of Benguela, Huíla and Lobito Municipality with the following benefits under the Special Regime:
 - reduction in the real estate tax rate by half for the acquisition of offices and the establishment of the investment
 - reduction of the final settlement rate and the provisional settlement rate of the Industrial Tax by 20% for a period of two years
 - reduction in capital income tax of 25% for the distribution of profits and dividends for a period of two years.
- Zone B - Provinces of Bié, Bengo, Cuanza-Norte, Cuanza-Sul, Huambo, Namibe and other municipalities of the Provinces of Benguela and Huíla with the following benefits under the Special Regime:
 - reduction in the real estate tax rate by 75% for the acquisition of real estate for offices and the establishment of the investment and 50% reduction for ownership of real estate for offices and establishment of the investment, for a period of four years
 - reduction of the final settlement rate and the provisional settlement rate of the Industrial Tax by 60% for a period of four years and increase of amortisation and reintegration rates by 50% for a period of four years
 - reduction in capital income tax of 60% for the distribution of profits and dividends for a period of four years.
- Zone C - Provinces of Cuando-Cubango, Cunene, Lunda-Norte, Luanda-Sul, Malange, Moxico, Uíge and Zaire with the following benefits under the Special Regime:
 - reduction in the real estate tax rate by 85% for the acquisition of real estate for offices and the establishment of the investment and 75% for ownership of real estate for offices and establishment of the investment for a period of eight years
 - reduction in the final settlement rate and the provisional settlement rate of the Industrial Tax by 80% for a period of eight years and an increase of amortisation and reintegration rates by 50% for a period of eight years.
 - reduction in capital income tax of 80% for the distribution of profits and dividends for a period of eight years.
- Zone D - Province of Cabinda with the following benefits under the Special Regime:
 - real estate tax corresponds to half of the rate assigned to Zone C
 - real estate tax corresponds to half of the rate that is assigned to Zone C for a period of eight years
 - Industrial Tax corresponds to half of the rate assigned to Zone C for a period of eight years and an increase of 50%

- in amortisation and reintegration rates for a period of eight years
- capital income tax corresponds to half of the rate that is allocated to Zone C for a period of eight years.

THE PRIOR DECLARATION REGIME PROVIDES THE FOLLOWING BENEFITS:

- reduction of the real estate tax by half for the acquisition of real estate for offices and the establishment of the investment
- reduction of the final liquidation rate of the provisional settlement rate of the Industrial Tax by 20% for a period of two years
- reduction of the capital income tax rate of 25% for the distribution of profits and dividends for a period of two years
- reduction of stamp duty by 50% for a period of two years

The current Private Investment Law no longer stipulates that it is mandatory to have an Angolan partner and it is now possible to incorporate companies with capital from abroad without a local partner. Private investors are guaranteed protection under Angolan law.

In the case of expropriation, investors are entitled to fair compensation. Any change in the economic or political system which results in the nationalisation of private assets will entitle investors to receive immediate monetary compensation. Protection of intellectual property rights, licenses, banking, commercial and trade secrets is guaranteed. Parties also have access to the courts in order to obtain relief. Foreign investors are granted visas under a facilitated regime depending on the level of the investment.

Oil, mineral resources and diamond exploration by private entities are subject to specific legislation.

A licence issued by the Angolan National Bank (BNA) is required for any transfer of funds. The repatriation of dividends is subject to Angola's foreign exchange laws.

The Government remains deeply committed to the promotion of Angolan companies and entrepreneurs and prefers Angolan companies in public tender processes. Companies operating in Angola are required to maintain a work force ratio of 30% foreign workers and 70% Angolan workers and to invest in the training of Angolan workers.

A Representative Office cannot conduct independent business transactions in its own name. Its purpose is to act as a vehicle to promote the foreign parent company in Angola and as such:

- may hire a maximum of 6 workers (or 8, in exceptional circumstances)
- must deposit a guarantee of USD60 000, which is returned when the Representative Office closes.

The establishment of a Representative Office requires the approval of the Angolan National Bank.



SINGLE WINDOW OF INVESTMENT

In order to facilitate the private investments, the Single Window of Investment was created to act as a single platform that ensures the interoperability between the multiple electronic platforms dealing with the process of the private investment regime. It aims to concentrate all operations connected to the implementation of the private investments, reduce the number of different proceedings, timing and bureaucracy to promote a more efficient process. All requests, communications and notifications between the investors and the Public Administration regarding private investments, must be done using the Single Window of Investment.

INCORPORATION OF AN ANGOLAN COMPANY

In order to incorporate a company, it is necessary to publish the articles of association in the Angolan official gazette and to apply for its commercial, tax and statistic registration. Under the 2015 Simplification Law, the execution of a public deed to incorporate a company is no longer mandatory. A private document in an approved template is now sufficient, and is required to be signed before an officer of the Commercial Registry Office.

The Simplification Law also provides that the share capital of a limited liability company may be freely determined by the shareholders in the Articles of Association. Each share value may not be less than 1 Kwanza. The minimum value is not applicable to limited liability companies that are regulated by special laws or to which special authorisation is required for the company's incorporation (namely companies classified as financial institutions or which are incorporated under the Private Investment Regime).

The Simplification Law demonstrates the Government's efforts to improve the process of incorporation of companies and their day-to-day operation. Notary and registration fees for the incorporation of a company were also significantly reduced.

EXCHANGE CONTROLS

The main legal source for the Angolan foreign exchange regulations is the Law n° 5/97 of 27 June (Foreign Exchange Law) which designates the Banco Nacional de Angola ("BNA"), the Angolan central bank, as the competent authority for foreign exchange matters and regulates foreign exchange operations.

The law defines foreign exchange operations as the acquisition or alienation of foreign currencies, the opening and operation of bank accounts in Angola in foreign currency by residents and non-residents, the opening and operation of bank accounts in Angola by non-residents denominated in Kwanza, the settlement of goods, current invisibles and capital transactions, among others.

Residents for the purposes of this law are individuals with their habitual residency in Angola, legal entities with their head office in Angola, branches, agencies and other forms of representation of legal entities with head offices abroad and public funds, entities and bodies with administrative and financial autonomy with their head office in Angola. Non-residents are individuals and legal entities with their habitual residency or head offices outside the country.

The law applies to any transactions between residents and non-residents and between Angola and abroad. Such operations require the intermediation of financial institutions duly authorised by the BNA and for such purposes foreign exchange operations are classified as goods, current invisible and capital operations. In certain cases such operations must be submitted for authorisation by the BNA under the terms of relevant regulations.

The BNA has been approving new regulations in an attempt to eliminate restrictions in the foreign exchange market in order to restore external competitiveness. BNA's Order 15/2019, of 30 December 2019 (setting out the rules and conditions for foreign exchange operations by non-residents relating to private investment projects and others) allows commercial banks to license several foreign exchange operations that were previously subject to BNA's approval.

TAXATION

The following taxes are levied by the Angolan Tax Authority (Autoridade Geral Tributária or AGT):

- Personal income tax
- Industrial Tax (Corporate Income tax)
- Capital income tax
- Real estate tax
- Consumption tax
- Stamp duty
- Inheritance and gift tax
- Value Added Tax (VAT).

In recent years, some of the tax laws were changed to comply with the Government's goal to stimulate the economy and the private investment.

Resident companies are taxed on their worldwide income at a rate of 25%. The branch of a non resident company is taxed only on its Angolan revenues at 25%. The supply of services by foreign entities is taxed at a rate of 6.5% and is required to be withheld by the Angolan contracting party upon the payment of the service. A 2% property transfer tax (SISA) is payable by companies.

A special tax regime applies to companies in the petroleum and mining sectors.

Personal Income Tax is calculated by applying progressive rates between 10% and 25%, depending on the level of income of individuals, on their Angolan income regardless of their residence or nationality. Self-employed individuals are taxed at a flat rate of 6.5%.

The Tax Authority is responsible on a quarterly basis to identify defaulting tax payers and report them to the BNA, the Ministry of the Interior and other applicable authorities. Defaulting taxpayers may be ineligible to carry on capital and goods businesses, renew or apply for work visas and carry out import or export foreign exchange operations, until their tax situation is regularised.



A Real Estate Tax was approved by the Law no 20/20 of 9 of July 2020.

Angola has entered into double taxation agreements with the United Arab Emirates and Portugal.

IMPORT/EXPORT

Oil remains by far Angola's single major export. The Government however has implemented significant measures in order to diversify the economy and the range of its exports. It has been reported that the agricultural sector is Angola's fastest growing sector outside the mining sector. The Customs Tariff of Import and Export Duties has increased customs duties on locally produced goods. Customs duty exemptions may be granted on equipment imported as part of foreign investment. The Customs Tariff lists certain types of equipment which are exempt or subject to reduced tax rates.

LEGAL SYSTEM

Angola has a codified legal system which guarantees the equal treatment of Angolan and foreign individuals and companies. The Angolan judicial system comprises the Supreme Court and Provincial Courts in Angolan provinces. The Constitutional Court was established in 2008.

Foreign judgments may be enforced in Angola once recognised by the Supreme Court. In 2016 Angola acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The enforcement of foreign arbitral awards previously involved a process of revision and confirmation by the Angolan Supreme Court.

Angola's Arbitration Law is strongly influenced by the United Nations Commission on International Trade Law (UNCITRAL) model law. An Agreement on Legal and Judicial Cooperation has been concluded with Portugal. Several Arbitration Centres have been created and are reliable for extrajudicial dispute resolution.

INTELLECTUAL PROPERTY

As a member of the World Intellectual Property Organisation (WIPO), Angola is committed to the protection of intellectual property and has adopted the Paris Convention for the Protection of Intellectual Property. The Angolan Industrial Property Institute promotes the registration of patents, trademarks, names, badges, industrial designs, utility models, rewards and provenance indications.

FINANCIAL SERVICES/ INSURANCE

The Financial Institutions Law regulates banking and finance non-banking activities. BNA supervises banking institutions, while other financial institutions are supervised by the Capital Markets Commission and by ARSEG. The Angolan stock exchange, or "Bolsa de Dívida e Valores de Angola" (BODIVA), is operating.

KEY STRATEGIC GROWTH INITIATIVES BY GOVERNMENT/PRIVATE SECTOR

Angola aims to shift the focus of its economy away from the oil sector by expanding other economic sectors, such as agriculture, financial services and mining, and is currently planning a number

of economic and tax measures to implement this strategy further.

The Government is implementing a Privatisation Program (PROPRIV). PROPRIV was created out of a necessity to restructure and resize the Commercial Public Sector, as a way to fulfil the goals of the Sustainability Public Finance Policy Plan for 2018-2022. This program aims to privatise public companies and state owned companies, from insurance companies to telecommunications, commercial banks and other businesses such as: Ensa Seguros; S.A, ACS – Angola Comunicações e Sistemas, Limitada; Aldeia Nova, S.A; BCGA, S.A; BCI, SARL; MS TELECOM, S.A; Multitel, S.A; SDZEE, S.A; Sonangol Cabo Verde, S.A; TV Cabo Angola, Lda; Sonangol E.P; ENDIAMA; Angola Cables, S.A; Angola Telecom; Banco Económico, S.A; BODIVA, S.A; SONAIR; TAAG; SONAMET INDUSTRIAL S.A; SONANGALP, LDA.

TREATIES AND BILATERAL AGREEMENTS

Angola is a member of the Multilateral Investment Guarantee Agency (MIGA), which provides dispute settlement assistance and guarantees for private investors.

Angola has adopted the Southern African Development Community (SADC) Free Trade Protocol, which harmonises trade and customs regimes and reduces tariffs among SADC countries. Angola has also signed customs cooperation agreements with Portugal and São Tomé and Príncipe. Treaties have been signed with South Africa, the Community of Portuguese language Countries (CPLP), Namibia and the Democratic Republic of Congo.

Angola has also adopted the International convention on the Simplification and Harmonisation of Customs procedures and the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The country has also signed treaties of promotion and protection of investment with 11 countries to the date: Portugal, Spain, South Africa, Guinea Bissau, Cape Verde, Qatar, Germany, United Kingdom, Italy, Russia and France. The country is in the process of negotiating treaties with Japan, Ukraine and Belarus.

These treaties prevent nationalisation, expropriation or similar measures except in cases of imperative public need and provided that the payment of compensation to the investor, calculated according to the market value, is guaranteed.

MEMBERSHIP OF INTERNATIONAL AND REGIONAL ORGANISATIONS

Angola is a member of the United Nations (UN) and all of its key agencies, the Southern Africa Development Community (SADC), the Community of Portuguese language Countries (CPLP), the International Monetary Fund (IMF), the African Union (AU), World Trade Organisation (WTO), World Bank, Organisation of Petroleum Exporting Countries (OPEC) and African Development Bank (ADB), among others.



LABOUR RELATIONS

The General Labour Law, approved by Law no. 7/201, of 15 June 2015, is more “employer friendly” than its predecessor. Parties are given the right to decide on the duration of the employment agreement. Large companies are allowed to renew limited duration contracts for a period of 5 years. Micro, small and medium-sized companies are allowed to renew these contracts for a period of 10 years. Labour disputes may be subject to arbitration.

The average working week is 44 hours. In special circumstances, working hours may be extended to 54 hours per week. In each calendar year, employees are entitled to 22 working days of paid vacation leave. Women are entitled to a minimum of 3 months maternity leave.

Angolan law provides for dismissal for justified reasons after the employer has undertaken disciplinary proceedings. Angolan law allows for dismissal for justified reasons without compensation. In the case of unjustified dismissal, the employee has the right to receive compensation.

Foreigners who wish to work in Angola need to execute an employment contract (or a promissory employment contract) in order to obtain a valid working visa.

