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Doing business in Angola en Mozambique

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Welcome



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Agenda

Quick overview of the African tax landscape

Angola

Mozambique

ABN Amro: let op Angola, Nigeria en Vietnam

Posted on December 9, 2014 by Savael in NOS // 0 Comments

Top 16

- Angola
- Bangladesh
- Chili
- Colombia
- Filipijnen
- Indonesië
- Kazakstan
- Maleisië
- Mexico



Quick overview of the African tax landscape

Does tax actually matter in Africa?

63% of CEO's globally say **competitiveness of tax regime** is key consideration when deciding where to operate

→ 65% of the African CEO's indicate the same




→ 67% of African CEO's say increasing tax burden is concern

75% of CEO's agreed it is important their company pays their **fair share of tax**

Africa is on the right path ...



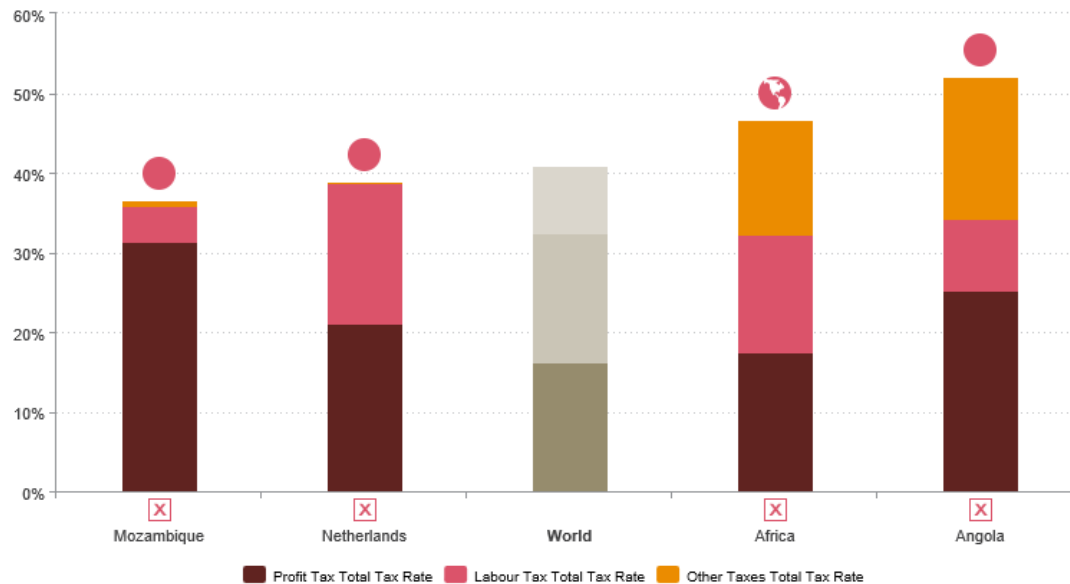
Table 2.3: Africa³⁶

	2013	2012 (restated)	2012 (published)
 Total Tax Rate (%)	46.6	50.6	52.9
 Time to comply (hours)	317	319	320
 Number of payments	36.2	36.0	36.1

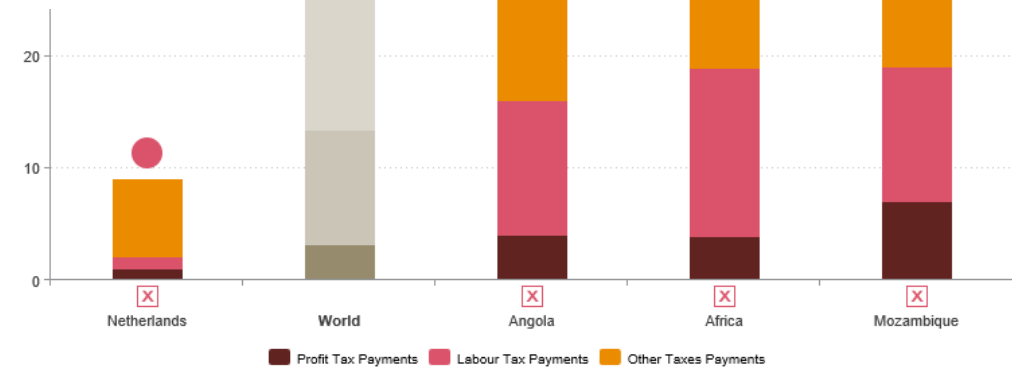
Big reductions in the Total Tax Rate

The replacement of cascading sales taxes means the region no longer has the highest rate. Marginal improvements in the time to comply continue, but electronic filing and payment provides the largest opportunities for the region

... Mozambique does well re Total Tax Rate, but performs less re Number of Payments ...

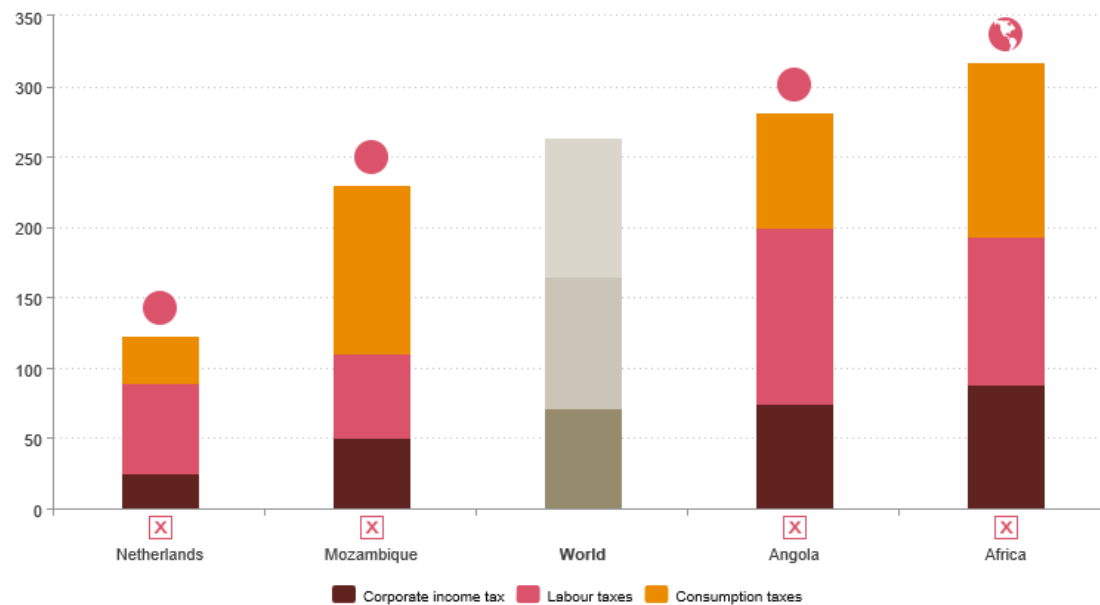


Source: PwC Paying Taxes 2015 analysis



Source: PwC Paying Taxes 2015 analysis

... Angola is overall not well rated



Source: PwC Paying Taxes 2015 analysis

Overall rankings	World (189 total)	Africa (53 total)	Doing business
Angola	144	42	181
Mozambique	123	22	127
Netherlands	23	-	27

Angola



Overview of most relevant tax rates

Tax Rate	
1. Corporate Income Tax	Non-Mining Companies: 30% / Mining Companies: 25% Petroleum companies: 50% / Agriculture: 15%
2. Dividends	10% Withholding Tax / Exemption apply
3. Capital Gains	0% / 10% / 35% on the sale of shares
4. Individual Income Tax	0% - 17%
5. Consumption Tax	5% - 10% (other rates apply on local manufacturing)
6. Property Transfer Tax	2%
7. Property Income tax	15% on rental income
8. Social Security	3% (employee) / 8% (employer)
9. Stamp Duties	0.2% - 5% (1% on turnover)
10. Mining Royalties	2% - 5%
11. Services	6,5%
12. Transfer Pricing Acknowledge OECD Guidelines	
13. Other Customs Duties, Excise Duties and Municipal Duties	

Types of companies

Various types, most commonly used is private limited company (Ltd) and branches

Item Distinction factor	Company	Branch
1. Legal personality	Yes	That of parent
2. Tax personality	Yes	Yes
3. Liability	Limited to shareholding	Head office
4. No. of Shareholders	1 Or 2	Head office
5. Incorporation Registration costs	Same	Same
6. Stakeholder's perception	Long-term presence	Short-term presence
7. Audited Accounts	Mandatory	Mandatory
8. Taxation of dividends	10% WHT	0% WHT

Key items

Compliance drive

Taxpayers warned on outstanding returns

Non-compliance penalties and interest from 55% to 330% Interest levied at 36% p.a.

Suspended Forex, Visas and importation.

Forex

Follow the procedures and don't take shortcuts

Key items

Local content / Angolanization

Employment

Ownership of businesses

Industry, production and services

Transfer pricing for major tax payers

Major tax payers identified

Turnover > 70 mio USD

Only certain methods allowed

Key items

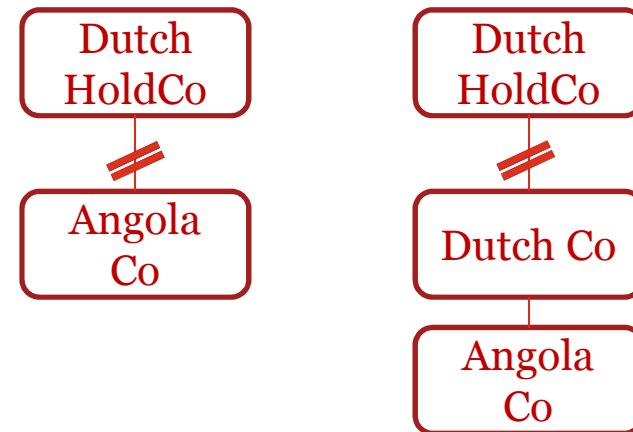
Structuring?

No treaties

Optimisation interest deductibility

Exit strategy

Branch vs company



Mozambique



Most relevant tax rates

Tax	Rate
Corporate Income Tax	Residents: 32% final tax
Dividends	20% withholding tax
Capital gains	Residents: 32% (taper relief available!) Non-residents: 32%
Individual Income Tax	10% - 32%
VAT	17%
Property Transfer Tax	2% / 10%
Social Security	4% (employer) 3% (employee)
Stamp Duty	0,2% -50% 200,00 MT – 2.500,00 MT
Other	Customs Duties Excise Duties, Municipal

Types of companies

Most commonly used is private limited liability company (Lda)

Item	Distinction factors	Company	Branch
1	Legal personality	Yes	No
2	Tax personality	Yes	Yes
3	Liability	Limited to the amount of the company's share capital	Head office is fully responsible for branch's liabilities
4	No. of shareholders	Minimum of 2 or 3	Not applicable
5	Incorporation/ Registration costs	Lower	Higher
6	Stakeholder's perception	Long-term presence	Short-term presence

Types of companies

Item	Distinction factors	Company	Branch
7	Audited accounts	Not mandatory (exceptions apply)	Mandatory
8	Import license	Easy to obtain	Difficult to obtain
9	Duration	Unlimited	Limited (max 3 years renewable)
10	Taxation of dividends	20% WHT on dividends distribution	No taxation on remittance of profits from branch to head office
11	Eligibility for licenses/concessions	Suitable for all	Limitation (e.g. mining)
12	Liquidation/closure	Complex	Simple

Key items

Transfer pricing

Basic and lacking further regulation

Not enforced, but ...

Employment of foreign staff

Certain quota per size company

Approval / authorization needed

Key items

Exchange control

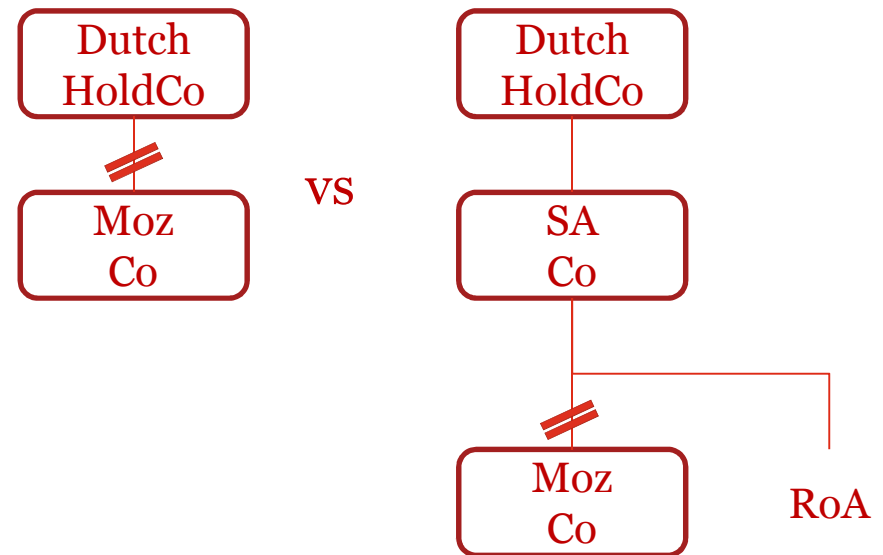
Key items

Structuring

Treaties

Withholding tax

Exit strategy



32% vs 0% (?)

Treaties

Recipient	Dividends (%)	Interest (%)	Royalties (%)	Management and consultancy fees (%)
Standard rate (domestic law)	20%	20%	20%	20%
Botswana	0 or 12*	10	10	0***
India	7.5	10	10	0***
Italy	15	10	10	0***
Macau	10	10	10	10
Mauritius	8 or 10 or 15*	8	5	0***
Portugal	10	10	10	0***
South Africa	8 or 15*	8	5	0***
United Arab Emirates	0*	0**	5	0***
Vietnam	10	10	10	0***

* The applicable rate of WHT depends on the beneficial shareholding of the recipient.

** Country of residence of the recipient of an income has the taxing right except that in some cases the source state could also subject such income to tax.

***In practice, though, the Mozambican Tax Authorities tend to tax management and consultancy fees as royalties.

How can we help?

PwC presence in Africa

How can we help?



In Africa...

- Member firms in 33 countries with over 8,500 people.
- We have the largest footprint of professional services all the firms on the African continent.
- All our African firms are locally-owned.
- Provide a range of professional business advisory services to the public and private sectors throughout the continent.

Committed to the development and prosperity of the African people and economies.

PwC presence in Africa

How can we help?



One stop service

Alignment with pan-African
and global objectives

Quick and quality response on
general as well as specific
questions

Thought leadership

One page tax summaries



Tax Summary

Mozambique

Tax Indicators	Residents	Non-residents
Fiscal year-end	December (companies may apply for a different tax year)	December (but branches may apply for a different tax year)
Companies		
Income Tax	32%	20% or 10% definitive withholding tax
Tax on capital gains	Part of business income: 32% final tax	32% final tax
General sales tax	Not applicable	Not applicable
Value-added tax	17%	17%
Individuals		
Individual Income Tax	10%-32% final tax	
Basis of taxation	Residence	
Withholding tax		
Dividends	20% ¹	
Interest	20%	
Royalties	20%	
Technical and management fees	20%	
Exchange controls	Exist	
Thin capitalisation	Debt to equity ratio of 2:1 applies	
Transfer pricing	Arm's length principle applies	
Double tax treaties	Botswana, Macau, Mauritius, India, Italy, Portugal	
Treaties awaiting conclusion and/or ratification	None	

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For more detailed information, please contact your tax services team:

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- (1) Dividends received by a Mozambican resident entity from another Mozambican resident (withholding) tax and corporate tax, provided that the following conditions are met:
(i) A shareholding equivalent of at least 20%, and
(ii) The shareholding has been held for at least two consecutive years prior to the payment
(2) The non-resident withholding tax rate is 10% in the case of:
(i) Telecommunication services and international transport services as well as assembly, maintenance and hiring of airships;
(ii) Construction and rehabilitation of infrastructures for production, transport and distribution; and
(iii) Charterer of boats for fishing and coastal activities; and
(iv) Bonds listed on the Mozambique Stock Exchange.



Tax Summary

Angola

Tax Indicators	Residents	Non-residents
Fiscal year-end	December	December
Companies		
Income tax ¹	35%	35%
Tax on capital gains	35% (as business income)	35% (as business income)
Stamp duty on increase of share capital of an Angolan company	0.1%	n/a
Consumption tax	5% / 10% ²	5% / 10% ²
Value-added tax	Not applicable	Not applicable
Individuals		
Individual marginal tax rate (maximum)	17%	17%
Basis of taxation	Source	Source
Withholding tax³		
Dividends	0% ³ / 10%	10%
Interest ⁴	15%	15%
Royalties	10%	10%
Management fees	5.25%	5.25%
Professionals	10.5%	10.5%
Exchange controls	Exist	Exist
Thin capitalisation	No thin capitalisation rules exist	
Transfer pricing	Exist	
Double tax treaties	None	
Treaties awaiting conclusion and/or ratification	None	

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- (1) Some specific industries and companies in priority geographic areas are taxed at different rates.
(2) 20% (or 30%) for certain luxury items and 2% on essential foods and medical supplies.
(3) Dividends paid by an Angolan company to another Angolan company in which it holds at least 25% share participation and has held the holding for more than one year are exempt from the 10% investment income tax, provided the recipient is subject to corporate income tax.
(4) Where the interest is charged on a shareholder's loan, the rate applicable is 10%.
(5) 15% withholding tax applies on rents paid by resident companies.



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<http://www.pwc.co.za/en/africa-desk/tax-summaries.jhtml>



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Africa Desk

Thought leadership

Afritax newsletter

The screenshot displays the AfriTax newsletter website. At the top, there are navigation links: "Recent and upcoming event", "Country tax updates", "Update on double tax treaties with African countries", "PwC publications of interest", and "PwC Africa Desk". On the right, there are links for "Subscription" and "In this issue", along with a PwC logo and the URL "www.pwc.co.za/afritax".

The main content area features a large red banner with the text "Staying informed AfriTax" and "Quarter ended 30 June 2014 Issue 21". Below the banner is a photograph of a busy city square with many people walking.

To the right of the banner, there is a "Welcome" section with the following text: "Accessing and keeping up with the diverse tax and regulatory changes on the African continent can be challenging. To meet this need, PwC's Africa Desk in Johannesburg provides a snapshot of the most significant and recent tax and regulatory changes in Africa through AfriTax, its quarterly newsletter. We trust you will find this publication useful and look forward to your comments."

Below the welcome message, there are four sections, each with a title and a brief description, and a dropdown arrow:

- Doing Business in Africa seminar series**: Focus on Kenya and Ethiopia in September
- Egypt**: Withholding tax now applies on dividend and capital gains
- Nigeria**: Non-resident companies now required to file full tax returns
- Kenya**: Double taxation on payments made by branches to their head offices

At the bottom left, there is the PwC logo. At the bottom right, there is a red link: <http://www.pwc.co.za/en/publications/afritax-news.jhtml>

Thought leadership

The Africa Business Agenda



**September
2014**

4th edition

CEOs and PwC leaders in Africa share their insights about doing business in some of the world's most exciting and challenging markets.



www.pwc.com/theagenda

2nd edition
Africa Tax Survey
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Africa: Managing risk, maximising reward



www.pwc.co.za/tax

<http://www.pwc.com/ke/en/africa-business-agenda/index.jhtml>

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Thank you



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