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THE TAX SYSTEMS OF ANGOLA, MOZAMBIQUE AND CAPE VERDE

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THE TAX SYSTEM OF CAPE VERDE
(A BRIEF OVERVIEW)

1. The Cape Verde of today is a country that is open to foreign investment and, since it enjoys socio-political and exchange stability, it is a fairly credible option for governments, companies and international financial institutions.

Its favourable geographical location, which places it on the access routes to the main international markets and the preferential access to these markets arising out of multiple trade agreements entered into with the European Union, along with the stability of its economic indicators[1] are elements that, as a whole, operate as a strong attraction for external investment.

Initiatives in the areas of industry, civil construction, cultural and mainly tourism have marked Cape Verde's entry into the world market which, along with the structural reforms that incline towards market liberalisation, private sector development and the promotion of external investment as determining factors for the socio-economic development of the country, have combined to create a favourable setting for direct foreign investment, thus justifying the creation of a range of legal mechanisms to facilitate the setting up of companies by national and foreign investors in a healthy competitive environment.

2. In tax terms, the Cape Verdean legal order has recently undergone major reform, the highlight of which from the investors' point of view being the entry into force in December 2000 of the Treaty for the Avoidance of Double Taxation and Preventing Tax Evasion between Portugal and Cape Verde, which has significantly reduced some obstacles to investment caused by the double taxation phenomenon, including those related to the taxation of repatriated profits.

Let's take a look at some of the main tax provisions in Cape Verdean legislation, starting with taxes that are levied on income, moving on to those charged on wealth and then to consumption taxes and, finally, the existing tax benefits.

1
The Exchange Cooperation Agreement with Portugal set the rate of exchange between the Euro and the Cape Verdean Escudo at €1 to 110,265 ECV.

3. The taxpayers of the Single Income Tax, as regards companies and similar structures, are national and foreign companies, state companies and other companies governed by public or private law whose registered office or effective management is located in Cape Verde. Non-resident companies (or equivalents) that have a permanent establishment but not a registered office, effective management or tax domicile in Cape Verde, are liable to IUR on income obtained therein.

The rates of IUR applicable to companies and equivalent bodies are 20% or 30% according to the method used for computing taxable income.

Payments on account are made twice a year (February and September) on the basis of the previous year's results.

For both monetary and non-monetary financial institutions, the IUR rate is 20% on profits.

4. Companies incorporated according to Cape Verde law are not taxed on results – whether or not these are distributed – of affiliates, branches or subsidiaries whose tax residence is outside the country.

A definitive withholding tax is payable on interest on savings accounts at the rate of 20%, on dividends and other income deriving from the application of capital at the 15% rate, on income obtained by non-residents, even if they do not have permanent establishments, at 20% of invoicing, and on income from gambling, lotteries and betting at the 15% rate.

5. As regards personal income, the IUR is levied on the annual overall figure for the calendar year from various sources of income (divided into categories of income), in cash or in kind, of all individual taxpayers who obtain income from Cape Verde, whether or not they reside there.

In order to compute the taxable income to which the tax rate will be applied, several methods can be used - the declaration method, the estimate method, the verification method in the case of self-employed persons and deductions at source in accordance with the income band and categories.

It must be highlighted that professionals and the self-employed enjoy a special regime, as they are only subject to IUR if they carry on regular activities or, in the event of occasional activity, when their income is equal to or greater than 5,000 Cape Verde Escudos (CVE).

6. As regards services, the general rule is that services whose provider has a registered office, establishment or domicile in Cape Verde, or which are carried out in Cape Verde, or used therein, are liable for tax in Cape Verde.

■ Tax on wealth – the Single Wealth Tax

7. The beneficiaries of The Single Wealth Tax (IUP) are the municipalities where the taxable assets are located. This tax is owed by the owners or usufructuaries of property, regardless of whether they reside in Cape Verde or otherwise.

The rate of taxation is 3% and applies to acts that require the execution of a notarial deed and on the value of the property.

It must be pointed out that the IUP, as the name implies, is a "single" tax - unlike our Property Transfer Tax and Property Tax - which encompasses all wealth-related taxation.

As such, it is considered a tax that combines taxation on property transfers and taxation on the ownership of wealth. It thus covers both gratuitous and for value transactions as well as capital gains resulting from transfers of land and (other) immovable property (under certain conditions) for valuable consideration.

■ Tax on consumption / spending – Value-Added Tax and Special Consumption Taxes

8. The introduction of the current taxes on consumption was accompanied by the reformulation of the Cape Verde Customs Tariff Regulations whereunder the Tourism Tax and the General Customs Charges gave way to the Value-Added Tax (IVA) and in some cases, at the same time, the Special Consumption Tax (ICE).

9. IVA covers the transfer of goods, the provision of services carried out in return for consideration, and imports - but not exports - of goods and tends to cover all business activities, whether commercial, industrial or professional in nature.

The IVA rate is 15%, as a rule, although a wide range of essential goods is exempt. The hotel, accommodation and restaurant sectors benefit from a reduced 6% IVA rate.

10. The Special Consumption Tax is used to tax goods which are deemed superfluous, luxury or undesirable for economic, social or environmental policy reasons, at rates varying from 10 to 150%.

The current tax benefits

11. The grant of exemptions is envisaged primarily whenever economic or social policy reasons are determining factors.

In recent years, the drive has been to adopt – through the introduction of a range of legislation on the matter – a more open and objective economic policy, which favours greater participation, complementarity and equal treatment of national and foreign investments.

12. To this end, the following tax measures have been introduced: (i) tax exemption on income derived from external investment (profits and dividends) distributed to the investor, for a period of 5 years and/or whenever reinvested in the same or other business activity in Cape Verde, (ii) tax exemption for amortisation payments and interest on financial operations which constitute external investment and also (iii) the stabilisation of the tax regime (through fixing the Single Income Tax at 10% from the sixth year, without affecting more favourable conditions agreed with the Cape Verde government.

Furthermore, the gain generated by the disposal of shares is exempt, provided that these have been held for at least one year, as are other securities which make up the Collective Investment Organisms participation units, but without the proviso.

Also exempt until 2017 are all international financial institutions (IFI) incorporated in the country, as well as the income paid to their clients, whose transactions benefit from a further exemption from any and all other taxes or duties. The IFI, which are not now subject to any time limit, are exempt from the Single Wealth Tax (IUP), Value-Added Tax (IVA), customs charges on the equipment necessary for their functioning and municipal rates and taxes. Securities investment funds and pension funds are exempt from IUP, both on transfers and ownership of immovable property.

The so-called "tax-free" companies which carry on business aimed solely at the export or re-export of goods and services are exempt from taxes on income (profits and dividends) for ten years and/or whenever these are reinvested, taxes on amortisation payments and interest on financial transactions which constitute external investment, and indirect taxes (full exemption). It is also possible for them to open foreign currency accounts and operate them freely to make payments aboard related to the company activity.

In the industry sector, there is an exemption from the payment of the Single Income Tax on income generated by each new industrial establishment funded for a period of three years and a tax deduction for profits reinvested in activities.

There is a provision for total exemption in the tourist sector for the first five years, a reduction of 50% on the income tax rate for the following 10 years, the deduction of taxes on profit reinvested in similar activities, as well as the exemption from the Wealth Tax and deduction on the taxable income of expenses incurred in training Cape Verdean workers.

A special exemption regime applies to agriculture, fishing, forestry and small business activities in respect of the transfer of goods and provision of services and main production factors.

Despite all the reforms, including those made to the Cape Verde tax order, certain weaknesses remain which require that the desired investment be rigorously planned, just as for investments in other African countries.

13. In conclusion, the current position of Cape Verde leads us to believe that both as a result of the widened range of benefits arising under internal law and international conventions and the socio-political and economic

stability the country enjoys, Cape Verde has created the necessary conditions to become a preferential target for private international investment. Nevertheless, in view of the high risks, strict planning of the desired investment should not be dispensed with at any time.

Lisbon, May 2008

1. A study of the Mozambican economy reveals four very characteristic

- . The first stage lasted from 1973 to 1977 and is termed the transition crisis. This stage was characterised by rapidly decreasing production, decreased investments, outflow of capital, the flight of the colonists and the subsequent change from company management to state management through nationalisation;
- · The second stage covered the years between 1977 and 1981 and is termed the economic recovery, due to the state planning of the national economy. It was this period characterised by a structural transformation of the economy that resulted in the adoption of a central (socialist type) planning economy;
- · The third stage took place between 1981 and 1986 and is called the war crisis period. In this period, the Mozambican economy underwent profound difficulties, as a result of the civil war with RENAMO. It was a period in which economic, social, communication and transport infrastructures suffered serious damage at the hands of guerrilla forces, with the consequent flight of entire populations from the rural to the perhaps safer urban areas;
- · Finally, the fourth stage of economic recovery during wartime, which lasted from 1986 to 1990. This stage in fact began in 1987 with the application of ERP – Economic Rehabilitation Programme, initiated under the auspices of the World Bank and the International Monetary Fund.

2. The Constitutional Review, begun in 1989 and passed in 1990 with the approval of amendments by the Popular Assembly, constituted an important political landmark for the Mozambicans. The 1990 Constitution opened up the hitherto single-party political system to a pluralist system and one of the consequences of this Amendment was the holding of negotiations with RENAMO, which culminated in the political agreement known as the Rome General Peace Accord, signed on 4 October 1992.

3. From that time forward, the abandonment of the Marxist-style economy adopted in 1975, the opening up to private initiative and the reduction in the state monopoly, the reduction of obstacles to external trade and the consequent increase in foreign investment in natural resources projects, less bureaucracy in licensing procedures for commercial activities and the implementation of various structural and institutional reforms placed Mozambique on the road to development and the highest economic growth rates worldwide.

4. Despite having attained one of the largest worldwide growth rates in 1997 – 1998, the country is still largely dependent on foreign aid to balance the budget and offset the trade imbalance, where imports greatly exceed exports. Nevertheless, the medium-term future of the country looks promising, as commercial and transport ties are being established with South Africa and numerous foreign investments being made, on the one hand, and on the other, owing to the implementation of the programme designed and supported by all the southern African countries members of the South African Development Community (SADC).

5. Other important aspects include the signing and ratification by Mozambique of the Cotonou Agreement (a cooperation agreement on political, developmental and commercial fields) entered into by the ACP states (Africa, the Caribbean and the Pacific) and the European Union (EU) and the negotiations of the Economic Partnership Agreement between the SADC and the EU (main trading partner of the SADC) with the goal of creating an economic area in which it is possible to ensure easier exchanges of goods, services and financing, as well as to create a set of rules that provide stability for commercial operators and investors.

These are in fact the tools that are paving the way for Mozambique to be able to define its own foreign trade policy in coming years.

6. Currently, Mozambique has the advantage of non-reciprocal duty-free access to the EU market under the EBA initiative (“everything-but-arms”) for developing countries. In general, the Mozambican Investment Law and Tax Benefits Code guarantee various customs exemptions for direct foreign investment thereby contributing, along with the above-mentioned factors, to the country becoming one of the preferred African investment destinations.

One of the means for attaining the main goal of Mozambique general development strategy which is rooted in the PARPA (Action Plan for Reducing Absolute Poverty II) – reducing poverty from the current 54% to 45% in 2009 – has been the structural reform of the country's tax policy to one more appropriate for the economic challenges currently facing the country through increased tax revenue and creating attractive conditions for direct foreign investment.

The Constitution of the Republic of Mozambique set out the fundamental principles of the Mozambican tax system, which were later implemented through the various existing tax laws, among which the Base Taxation System Law (15/2002, of 26 June) is worthy of note,. This law contains a series of essential tax matters, including the classification of the various taxes into national and local government levels - the latter may be direct and indirect. It also establishes the organisational principles of the Mozambican tax system and sets down the rights and obligations of the taxpayers and the tax authorities.

7. Let's take a more detailed look at the main taxes in the Mozambican tax system:

- Taxes on income – Personal Income Tax and Corporate Income Tax

8. The two forms of direct national taxation are the Personal Income Tax (IRPS) and the Corporate Income Tax (IPRC) which have both been in force since January 2003.

IPRS is levied on income paid in cash or in kind to individuals resident in Mozambique and by non-resident individuals who receive income earned in Mozambican territory.

The rates of this progressive tax range from 10% to 32%, while employment and pension income are subject to their own IRPS pay as you earn regime.

1
Exchange rate for Metical against the Euro: €1 – 36 MT. Bank data as of January 2008.

9. An annual taxable income of less than 24,000 MT[1] is tax-free under Mozambican tax law.
A definitive withholding tax is levied on the following gross income:

· 20% on all business and professional income liable for deduction at source;
· 10% for interest on current or savings accounts, income from nominative or bearer debt instruments, cash gains in lotteries or games of chance.

10. IRPC is levied on resident companies – companies whose registered office or management and effective control is based in Mozambique – which carry on industrial, commercial or agricultural activities, while all the income obtained on Mozambican soil and 1/3 of (gross) income deriving from abroad is liable.

11. Non-resident companies are liable for IRPC on income obtained in Mozambique.

Non-resident companies with a permanent establishment are also liable for IRPC tax. The general IRPC rate is 32%, but a reduced rate of 10% applies to agricultural and fishing activities until 2010. A definitive withholding tax is levied on income liable for deduction at source.

Tax on consumption / spending – Value-Added Tax (IVA), Specific Consumption Tax (ICE) and Customs Duties (DA)

12. Indirect taxation – taxation on consumption/spending – in the Mozambican tax system operates through the Value-Added Tax (IVA), the Specific Consumption Tax (ICE) and Customs Duties (DA).

13. IVA (the Code was enacted by Decree 51/98, of 29 September), introduced on 1 June 1999, is levied on transfers of goods or supplies of services within the national territory and also on the import of goods. The current rate is 17% and IVA exemptions exist for exports and consumption of goods and services that are considered essential.

14. The ICE is a selective tax on the consumption of certain goods stipulated in specific legislation (luxury goods) and is levied only once on the producer or the importer, as the case may be. The rates vary according to the goods in question – between 15% and 65% - and it is essentially an ad valorem tax.

15. The DA are levied on imported and exported goods under the terms set out in the customs tariffs regulations and at the rates provided for therein. However, with the entry into force on 1 January this year of the removal of customs tariffs under the SADC agreements, Mozambique has lost revenue that would have provided a certain balance to the General State Budget as well as a significant slice of its trade balance.

Other significant taxes

16. Apart from the above-mentioned income and consumption taxes, the Mozambican tax regime consists of several more taxes of general application: (i) Sisa, which is levied at the general 2% rate on property transfers for valuable consideration or portions thereof on immovable property, (ii) Stamp Duty, which is levied on all documents, contracts, books, papers and others listed in the respective table at the rates set therein, (ii) Vehicle Tax, (iv) National Reconstruction Tax and (v) Inheritance and Gift tax, levied on gratuitous transfers.

17. It is necessary to include the Oil Production Tax, which is levied on oil, gas and other hydrocarbons produced in the country, the Production Tax, which applies to mining production, and the Special Gambling Tax, which is charged on revenue from gambling and betting activities.

The current tax benefits

18. In addition to the various guarantees under the Investment Law and its Regulations – particularly the right to repatriate profits or dividends – foreign investors may be entitled to various tax benefits, which are set out in the Tax Benefits Code (enacted by Decree 16/2002, of 27 June).

19. Investments in new projects or in the rehabilitation of existing projects which are currently inactive benefit from reduced rates of IRPC of around 50% during the period necessary to recover the investment made, which may not exceed 10 years. For investments in the provinces of Niassa, Cabo Delgado and Tete, the reduction is 80%.

20. Once the above-mentioned period of reduced tax burdens has elapsed, additional benefits are guaranteed which may vary in accordance with the location of the project in question. Investments situated in the provinces of Cabo Delgado, Niassa and Tete benefit from a 50% reduction in IRPC rates for a period of six years. For investments situated outside the regional capitals in the provinces of Manica, Nampula, Sofala and Zambézia, a reduction of around 40% is guaranteed for a period of three years. Investments outside the regional capitals in other provinces of Mozambique benefit from a 25% reduction for a three-year period.

21. Special tax benefits are available for investments which rehabilitate or expand existing projects. An immediate 100% amortisation is permitted for a period of five years for investments made by these projects in new technologies, civil construction work and agricultural infrastructures.

The reforms made to the Mozambican tax apparatus, particularly the restructuring of and reductions in customs duties, the reformulation of the income tax structure and the introduction of IVA are changes that indisputably widened the tax base, decreased tax rates and generally speaking, simplified the tax system.

This still young tax system, which has fairly ambitious goals and seeks among other things to reduce tax evasion, has not yet however reached peak efficiency.

On its growth depends the increased revenue of the state and consequently less reliance on foreign aid, without creating restrictions on economic growth or private sector development.

The growth potential of the country afforded by the socio-political and economic stability, structural legislative reforms, and the push of the tax authority itself towards modernisation are necessary elements for confident investment in Mozambique.

Lisbon, May 2008

1. Nowadays, it is commonplace to talk about Angola's potential as an excellent location for private investment. In addition to the renowned wealth of its natural resources, many other factors have gone into creating the attractiveness that the country holds for many businesspeople.

The end of the war, the resulting political stability and the Angolan government's investing in the creation of an institutional environment that would appeal to investors, both by harnessing inflation (which dropped from four figures around ten years ago to 10% today) and by removing obstacles to economic initiatives and introducing incentives, acted as a stimulus for private initiative and for attracting foreign investment - the acknowledged priority of the Angolan government, which has taken significant steps along this particular road.

2. In this context, special reference must be made to the enactment of an expansive "legislative package", in 2003, including the Base Private Investment Law, the Fostering Private Enterprise Law and the Law on Tax and Customs Incentives for Private Investment as well as the creation of the National Agency for Private Investment (ANIP) - a state body created with the objective of cutting through red tape and facilitating and stimulating private investment in Angola and which plays the role of state intermediary vis-à-vis the investors.

We would like to highlight from among the measures set out in the above-mentioned legislation, particularly due to its significance, the ambitious tax and customs incentive plan for private investment along with the enshrinement of the right to transfer abroad the dividends, profits and proceeds of liquidated investments, among others, as well as of a right of equal treatment between national and foreign investors.

All private investment, whether national or foreign, provided that it falls under the umbrella of the Base Private Investment Law, and provided that it meets certain access, monetary and economic requirements – including the amount of the investment, the inclusion of the project in sectors that are classified as priority and in more needy areas of the country – can benefit from the range of incentives set down by law, which may comprise exemptions or reductions

of customs rates and duties, exemption from the Industrial Tax on profits arising from the investment and Capital Applications Tax on the profits distributed to shareholders, as well as exemption from the SISA tax on the acquisition of real estate allocated to investment projects.[1]

3. After some years of apparent indifference, the Angolan call – and the choir of voices from the business world – seems to have echoed in the Portuguese government which, in April 2006, held an ambitious official visit to the country which included around seventy Portuguese businesspeople with consolidated interests in the Angolan market. Currently, Portugal is among the first five major investors in Angola with around 280 Portuguese companies located there.

In the wake of this initiative, the 2007 State Budget Law (53-A/2006, of 29 December) amended the Tax Benefits Statute to include the possibility for corporate taxpayers to be able to avoid, under certain conditions, double economic taxation on profits distributed by affiliated companies resident in African countries whose official language is Portuguese (PALOP).

1
Nevertheless, the National Agency for Private Investment (ANIP) takes the view that only investments in excess of USD 250,000 can benefit from the incentives in the Tax and Customs Incentives Law (cf. Law 17 /03, of 25 July 2003). This means that any investments below that figure will not qualify for any incentives.
Note that this view conflicts with the provisions of Article 14 of the Law which establishes a benefits regime for investments of between USD50,000 and USD250,000, subject to several conditions:

Another ANIP interpretation which is somewhat inconsistent with the law is that it takes the view that companies supplying services to the oil industry are not subject to the Incentives Law, although they do fall within the scope of the Private Investment Law. However, for this interpretation to be consistent, it should either exclude the service suppliers from the scope of both laws or hold both laws to be applicable to service providers.

In truth, Article 3 of the Private Investment Law excludes the application of this regime, as well as of the incentives under the Incentives Law, to “oil industry activities”. Nevertheless, ANIP interpreted this article to mean that the Private Investment Law does not apply to oil industry activities but to the service providers and that the Incentives Law does not apply either to oil activities or the service providers.

Despite the conditioning factors laid down by the legislative assembly for applying this mechanism – the regime only covers distributed dividends for shareholdings of over 25%, held for a minimum of two years, which have been taxed at 10% or more and which do not derive from activities that generate passive income, such as royalties, capital gains and capital income on securities, or real estate located outside of the company's country of residence, or in the case of banking and insurance business, of profit related to the activity carried on outside that same territory – this new regime seems favourable, particularly for investors in Angola, in that it enables them to mitigate some of the consequences arising from the persistent absence of a double taxation treaty between Portugal and Angola .

4. In tax terms, however, double economic taxation of repatriated profits is by no means the only or even the main difficulty that investors run into in Angola.
In fact, along with that aspect – and of those related unfortunately to chronic corruption, excessive bureaucracy and the inoperativeness of tax justice – there seems to be a consensus that the difficulties in these fields arise, from the outset, due to the complexity of the Angolan tax system.

5. The Angolan taxation system is substantially similar to the system which operated in Portugal from the sixties until the tax reform of 1989. It is a system that records different types of income separately, based on their source and nature, and one which we will attempt to describe, briefly of course.

Taxes on company revenue

6. As regards company tax issues, the Angolan tax system is based essentially on the existence of a tax which is general in nature – the Industrial Tax - complemented by other separate taxes and regimes aimed at taxing specific activities of particular importance for the Angolan economy, such as the taxes on the oil industry (tax on oil production, tax on oil revenue, tax on oil trading and development charges) in the tax regime governing the mining industry and tax on contract work.
One other important tax in the Angolan tax system, applicable to the oil sector, is the "Angolan staff training contribution – training levy (cf. Executive Decree 124/82, of 31 December). This tax redounds on oil companies and certain

service providers (contractors) under certain conditions. One of these conditions is that the service provider must be a foreign entity or the majority holding must be owned by a foreign entity which has entered into a services provision agreement with an oil company operating in Angola. The rate of this tax is 0.5% on the gross value of the contract in question and it is payable only once per contract.

7. The Industrial Tax is levied on profit (occasional or periodic) made by residents or non-residents in the course of any business or industrial activity, including income from self-employed work which is not liable for the Tax on Employment Income and any mediation or representation work done in performing contracts of any nature.

The general rate of Industrial Tax is 35% and 20% for income deriving solely from agriculture, fishing and forestry activities.

One peculiar aspect of extreme significance lies in the fact that the Industrial Tax must be paid in advance, by means of provisional monthly assessments, calculated by applying the 35% rate to the amount equivalent to 10% of the previous month's turnover.

8. It must be pointed out that the general rate of this tax may be halved for companies that proceed to set up industries in "economically depressed" areas, as well as for companies that set up industries that harness local resources for a period of up to 10 years.

9. Various exemptions may also be granted from this tax, namely in respect of income deriving from setting up new industries in the country and to income arising from commercial or industrial activity in areas deemed to be of economic development interest, which may vary from 3 to 5 years. Moreover, hotel establishments which are classified as "of tourist utility" are entitled to a temporary exemption from Industrial Tax.

Taxes on personal income

10. Individual income is taxed by means of three separate taxes: the Tax on Employment Income, the Industrial Tax and the Capital Applications Tax.

11. The Tax on Employment Income (IRT) is levied on pay received by employees and on income from self employed work, obtained for services rendered in Angola, whether or not the receiver is resident in Angola. Since this tax is levied on pay earned as a result of employment, it is taxed progressively in line with the income band of the taxpayer, up to a maximum of 15%, and workers who earn less than 8,500 Kwanzas are excluded[2] from its scope.

The Industrial Tax is charged on the profits arising from the pursuit of any commercial or industrial activity which is not liable for the tax on employment income and, as we have seen, the general rate is 35%.

12. The Capital Applications Tax is levied on the income generated by financial applications and other capital income and is grouped into two sections: section A which includes loan interest, contracts for opening lines of credit and interest arising from late payments and section B, which is residual, and covers, among other things, profit distribution by limited liability companies, interest on shareholders' loans and interest on bonds. The general rate is 15%, which is reduced to 10% for certain section B income.

■ Taxes on real estate

13. The taxation of real estate property in Angola turns on the coexistence of distinct taxes: the Building Tax, SISA and the Inheritance and Gift Tax.

14. The Building Tax taxes static wealth and is levied on the annual actual or potential lease value of buildings at the rate of 30%. For the purposes of determining the taxable income, expenses incurred with the maintenance and upkeep of the property can be deducted up to a limit of 20% of the rents actually received.

2
Exhcange rate for Kwanza (AKZ) against the Euro: €1 = 110.9605AKZ. Bank of Portugal data for January 2008.

Buildings allocated for the pursuit of activities which are liable for the Industrial Tax are excluded from its scope when no rent is paid.

15. The Sisa tax, whose rate varies between 2% and 10%, is owed in respect of transfers of real property - land or buildings - for valuable consideration, except for perpetual or temporary transfers of property granted by the government for the purposes of operating industrial companies of any nature. For the purposes of the tax, the transfer of shares of companies that hold real estate, provided that the transferee becomes the holder of at least 75% of the share capital, is considered a transfer.
Note that transfers liable for SISA are also liable for Stamp Duty

16. The Inheritance and Gift Tax is levied on all gratuitous transfers of real or personal property at the following progressive rates and, in the event that the taxable income is greater than Akz 3.000.000, it is divided into two parts, with the immediately higher rate being applied to the surplus):

Transfers	Até KZ 3,000,00	Over KZ 3,000,00
Between spouses or in favour of descendants or ascendants	10%	15%
Between any other persons	15%	30%

Transfers in favour of descendants, ascendants and spouses when the value of the assets transferred to each one albeit at different times does not exceed KZ 500,000.00, are exempt from payment of the Inheritance and Gift Tax.

Taxes on consumption

17. The tax on consumption has a vast subjective and objective scope, covering a range of situations and redounding on the production and import of goods, regardless of their origin, on the consumption of water and energy, telecommunications services, and hotel and other related or similar services, among others.

The general set rate is 10%, except for the goods listed in Schedules I, II and III of the Stamp Duty Regulations, which refer respectively to reduced rate goods, imported and nationally-produced goods and the use of services, and whose rates vary between 2% and 30%.

Note that the Consumption Tax is a single-stage cumulative tax. It does not have IVA deduction mechanisms, since it seeks to tax not only the added value but also the transfer of goods or services in themselves, cumulatively, so that all the actors in the consumption chain of the goods or service actually pay the amount of duty owed, without of course affecting the obligation of the next user.

Other significant taxes

18. In addition to the above-mentioned taxes, we would also like to highlight, owing to its relevance, the tax on international transactions which falls on the import and export of goods – the customs charges which are currently governed by the Import and Export Tariffs Regulations according to the 2002 Harmonised System which came into force in 2005, with six customs rates ranging from 2% to 30% and applicable to various goods according to their tariff ranking.

19. Stamp Duty, as in Portugal, is charged on various acts, contracts and distinct operations, particularly on financial transactions, capital increases and other contracts.

The amount of Stamp Duty is set out in the General Stamp Duty Table updated in 2004 and must be paid on or before the last day of the month immediately prior to that of the transactions or the receipt processing.

20. Despite the numerous tax and customs benefits for private investment, it must be pointed out however that at no time should these advantages be confused with simplicity or ease of action, as it must always be borne in mind that investment in Angola is still a risky investment, every aspect of which should be thoroughly planned.

Despite the difficulties that still remain, of which the tax system is merely one example, it must be acknowledged that investing in Angola today has become far easier that it was not so very long ago.

Moreover, even knowing that it is difficult for Portuguese businesspeople to keep pace with the competition, which in some important sectors involves companies from world powers (particularly China) the advantages conferred by knowledge of the language and the strong cultural ties as well as the similarities of the legal orders of both countries cannot be denied.

Lisbon, May 2008