



## GLA

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# THE NEW LAW ON MICRO, SMALL AND MEDIUM-SIZED COMPANIES IN ANGOLA

## Alternative or complementary investment?



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#### ENTRY INTO FORCE

Law 30/11 on micro, small and medium-sized companies came into force on 2 January 2012.

The new law - referred to here by its Portuguese initials LMPME (Lei das Micro, Pequenas e Médias Empresas) aims to help private entrepreneurs in Angola by establishing the basis for support to micro, small and medium-sized companies (micro, pequenas e médias empresas / MPMEs). Among other provisions, the law cuts procedural red tape and establishes rules for preference in public procurement.

#### WHAT IS AN MPME?

This legislation establishes the criteria for identifying MPMEs: the number of permanent workers and gross annual turnover, and the latter is the determining and prevailing criterion.

Under the LMPME (a) micro companies have a maximum of 10 workers and/or a gross annual turnover not exceeding USD 250 thousand, (b) small companies have between 10 and 100 workers and/or a gross annual turnover between USD 250 thousand and USD 3 million and (c) medium-sized companies have between 100 and 200 workers and/or a gross annual turnover between USD 3 million and USD 10 million.

The Executive undertook to create conditions to facilitate and simplify all the formalities for setting up and licensing these MPMEs through a one stop shop (guichê único) to deal with setting up, registration and licensing of MPMEs.

Increases in capital will be exempt from fees and other legal charges.

#### WHAT IS NOT AN MPME?

Companies (a) with a holding in or (b) held by a company that is not a MPME cannot themselves be considered to be a MPME. Nor can (c) companies held by the State or other public bodies, except universities and research centres. To be considered an MPME in the latter cases the holding in those bodies cannot exceed 25% of the share capital. Also excluded from the framework are branches or subsidiaries in Angola of a company based abroad.

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The LMPME provides for a reduction in Corporate Income Tax that varies between the application of a rate of 2% on the value of gross sales to a 50% reduction of the respective rate of Corporate Income Tax (the current general rate is 30%).

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#### SUPPORT AND INCENTIVES

Only MPMEs that have their tax obligations fully in order can benefit from this new legislation. This is proved through certificates issued by the tax authorities stating that there are no tax debts.

Reference is made to lines of credit under special conditions with the creation of what the law calls “leasing policies”, as well as other financial mechanisms.

Among the incentives provided for, there is a preference for micro, small and medium-sized companies in public tenders over companies that do not have this status. This preference applies both in the event of a tie or when the former present bids that exceed the value of the bids presented by companies which are not MPMEs by up to 10%.

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Regulations now have to be enacted under the new law on MPMEs. There is a need - specifically in the areas of tax incentives, excise duties and stamp duty - to clarify certain issues as to the definition of the period of exemption regarding Consumption Tax, and for micro companies in particular, the exemption period regarding Stamp Duty.

#### THE NEAR FUTURE

This new legislation is intended to create a legal framework to accommodate a smaller sector of business investment as a demonstration on the part of the Angolan State that it does not give priority to large-scale projects.

This new system could take on great relevance as an alternative to the current regime of private investment. However, it remains to be seen how and to what extent foreign investors, for example, can also benefit from it. The definition and clarification of these issues will be fundamental to both domestic and foreign entrepreneurs in understanding the extent to which the LMPME is an alternative or complementary system for investment in Angola.

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This newsletter was prepared by a multidisciplinary team made up of Angolan lawyers from GLA – Gabinete Legal Angola and Portuguese lawyers from PLMJ. This team was brought together under an agreement for international cooperation and membership of PLMJ International Legal Network, in strict compliance with applicable rules of professional ethics.

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