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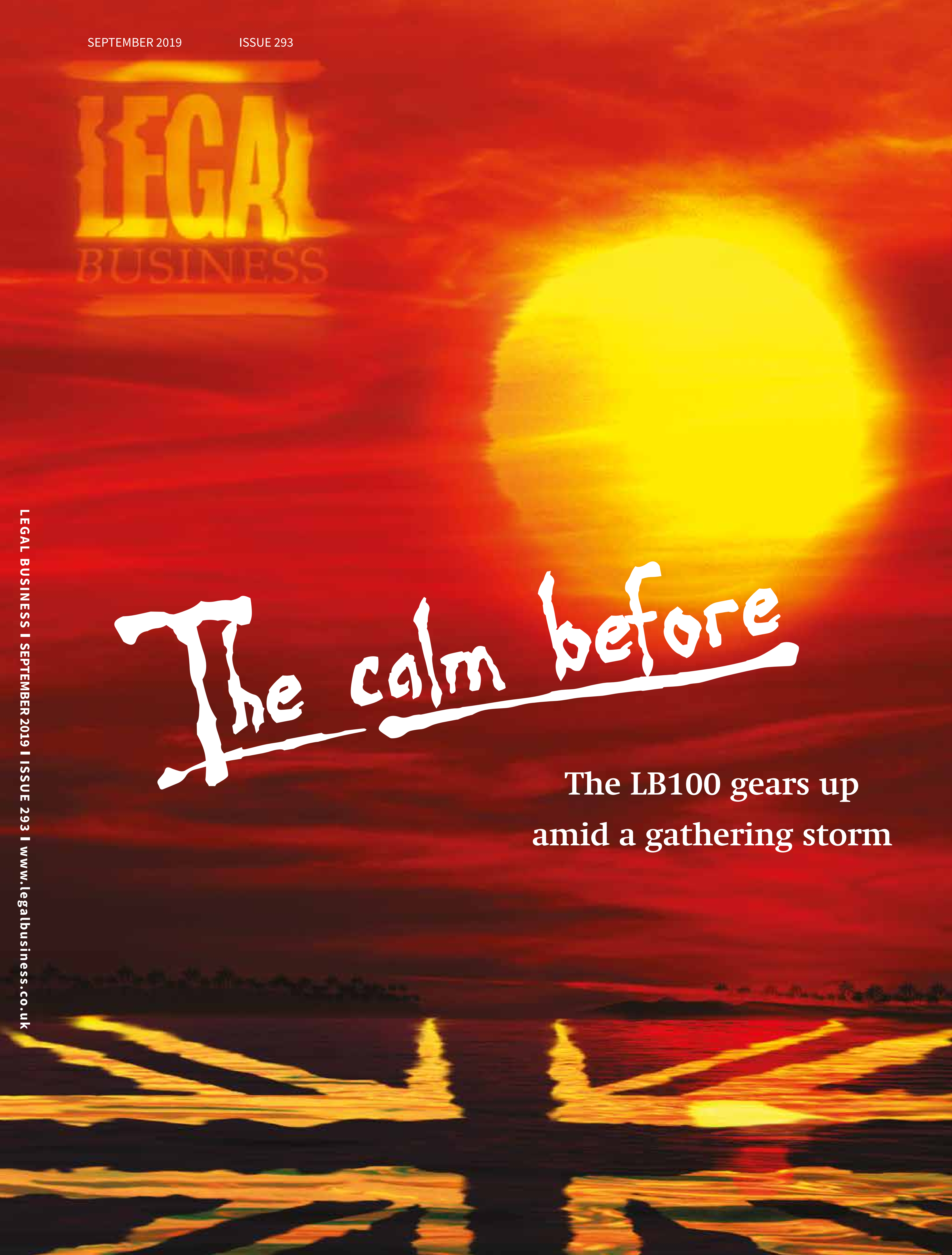

The calm before

The LB100 gears up amid a gathering storm

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Be ready: VAT to be implemented in Angola shortly

VdA's Conceição Gamito and Ana Raquel Costa consider the practicalities and implications of VAT finally being introduced in Angola

VAT was originally planned to be implemented last January according to the International Monetary Fund's recommendations, but the tax's entry into force has recently been pushed back as a result of conversations between the Government and the GTE (the business technical group, representing business associations), which held the view that VAT should be implemented in January 2020 at the earliest. October 2019 is the new target date for the entry into force of VAT.

The implementation of VAT in Angola follows international and regional trends: Angola is the only Southern African Development Community member that does not charge VAT.

Published in April 2019, the new VAT Code provides for a progressive implementation of the new tax. The first step will be to apply a standard VAT scheme to all entities qualifying as large taxpayers (currently 421 entities) and a transitional VAT scheme to all taxpayers with a turnover or import transactions in excess of the equivalent of $250,000 and registered in tax offices other than the Large Taxpayers' Office.

After that, the standard VAT scheme will apply to all taxable persons. This second phase was originally planned to kick in on 1 January 2021, although it may also have to be rescheduled, since the original date for the VAT's entry into force has been pushed back.

Unlike the former Consumption Tax (which will apply until VAT is implemented), VAT will be levied at each stage of the supply chain, covering goods, services and importations. Several ancillary obligations have also been approved, including rules on electronic invoicing systems and submission of accounting information.

VAT implementation will therefore have a significant impact on companies doing business in Angola, which will have to make a major effort in the upcoming months to ensure that they are ready when the new legislation comes into play.

Although Angolan VAT draws on the European VAT model, particularly the Portuguese VAT Code, it has its own specific features and mechanisms, and taxpayers will need to have a solid grasp of such specificities from the get-go.

The first specific feature is the combination of both the standard and the transitional VAT schemes: whereas large taxpayers and companies opting for the standard VAT scheme will need to comply with all VAT rules set forth in the new Code, other taxpayers – namely, taxpayers covered by the transitional VAT scheme – will pay VAT as 'standard VAT scheme suppliers' but will only be allowed to deduct a very small part of the tax. This has an impact on competitiveness that has already led thousands of companies to apply for the standard VAT scheme, currently pending validation by the Tax Authority. Moreover, for clients that have suppliers from both the standard and the transitional VAT schemes, the challenge will be to define procedures that take the different schemes into account. Should my company expect to receive an invoice from a given supplier? Will VAT need to be disbursed in connection with a certain transaction?

Regarding international members of groups of companies in particular, one of the major changes is that services provided to Angolan residents will now be subject to VAT in Angola. Non-resident suppliers may often be required to appoint a local tax representative in the country. This raises a number of questions, such as whether the appointment of the tax representative is always optional. More importantly, may the non-resident supplier always rely on the purchaser/recipient to self-assess VAT? What are the consequences if neither the supplier nor the client remit VAT to the State? These are questions to which clear answers must be provided in advance.

Another hot topic, at least for a large number of Angolan players, is the captive VAT scheme, a VAT payment scheme that applies to oil companies and other major players, such as the state, commercial banks, insurance and telecommunication companies. Under this mechanism, the liability to assess (include) VAT in the invoices rests with the supplier, but it is the client who has the obligation to withhold VAT and remit it to the state. The captive VAT scheme will likely put many suppliers in a VAT credit position, with significant amounts of VAT to be recovered from the Angolan state. Filing for a VAT refund, however, may prove to be a cumbersome procedure to those taxpayers that are not so well prepared with the risk of the tax not being recovered at all for companies that are repaid with tax credit certificates.

Companies, VAT advisers, accountants and tax technologists should start getting ready for all upcoming changes right now. Mastering the new rules is key to all companies. An in-depth survey of contracts in place with customers and suppliers, of the full spectrum of products and services being supplied and purchased and of the invoicing programs and other IT systems that need to be implemented is crucial to avoid a rocky start and future struggles. Anticipation is the watchword.

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