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AMENDMENTS TO THE PERSONAL INCOME TAX CODE

Law no. 28/2020, of 22nd July, 2020, approved several amendments to the Personal Income Tax ("PIT") Code. Among the several amendments, we highlight the following:

• Taxable Base

- Broadening of the taxable base to all rights, benefits and pecuniary or financial advantages earned by employees or service providers, work related and not included in the main remuneration.
- Profits distributed to shareholders of legal persons (either with or without a commercial form) are no longer subject to PIT.
- Rent allowances, severance payments and cashier allowances become subject to PIT.

• Amendments to tax brackets and progressive tax rates (Group A)

Tax brackets were amended and now vary from 70.000 Akz to more than 10.000.001 Akz (previously, from 35.000 Akz to 230.001 Akz and above), along with the progressive tax rates, that now vary from 10% to 25% (previously 7% to 17%). These amendments enhance progressivity of higher income and lead to a tax relief of lower income (with the exemption threshold increased to 70.000 Akz).

• Self-Employment and Business Income Taxation Regime (Group B and C)

- Group B – Income paid by entities with organised accounts is subject to a 6,5% PIT withholding, over the total amount of the services provided (previously the withholding was applicable over only 70% of the amount of the services provided). Other self-employment income is taxed at a 25% flat rate (previously 15%).
- Group C – business income not subject to withholding tax is taxed at a 25% flat rate (previously 30%).

- **Non-resident service providers** – income obtained by non-resident service providers is subject to a 15% final tax withholding.