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## ANGOLA

### MUNICIPALITIES FINANCE LAW

Law no. 13/20, of May 14<sup>th</sup>, 2020, established the Municipalities Financial Regime, establishing an autonomous legal framework for Municipalities finances and, at the same time, clear rules and guidance criteria in areas that are extremely relevant in this area, such as the type of Municipalities revenue - with emphasis on tax revenue - or even the criteria regulating resource to debt by Municipalities.

The basic structure of the approved law is based on different Chapters, each of which reflects, in their respective terms, the following aspects:

- A Chapter on Fundamental Principles of Municipalities Finances, establishes classical principles such as legality or Municipalities financial autonomy, as well as others that will be included, for the first time, in a financial law on Municipalities finances, such as the principles of the fair distribution of public resources between the State and Municipalities or intergenerational equity.
- A Chapter on Municipalities Revenues, which includes the proceeds of fees over assets located in the respective territory (Urban Property Tax, Real Estate Tax or Circulation Tax), the proceeds of the collection of fees resulting from the concession of licenses and fees for Municipalities services or, with special emphasis, the proceeds from the collection of capital gains attributed by law to the Municipalities.

In this Chapter it is also noteworthy the new possibility of the Municipalities creating and collecting special contributions, a figure whose constitutional framework is not yet particularly clear pursuant to the provisions of the Constitution and the General Tax Code. It is anticipated that the future taxable persons may raise issue as to whether this type of special contribution complies with the Constitution, when Municipalities create them.

A Chapter on Resource to Indebtedness, highlights two particularly relevant rules:

- (i) On the one hand, the loans to be taken out annually by the Municipalities may not exceed 30% of the average revenue collected in the three previous years, with respect to the current budget year;
- (ii) On the other hand, the stock of debt may not exceed 40% of total own revenue and transfers, with respect to the previous financial year.

In this regard, it is also worth noting the existence of specific rules on the need for approval by the Audit Court of operations involving taking out loans increasing public debt and also for situations of structural financial imbalance.

- A Chapter on Budgetary Rules, containing the main principles and rules applicable to budget approval and implementation at the Municipalities level.
- A Chapter on Budget Implementation which, in close connection with the content of the preceding Chapter, establishes an exhaustive set of rules on expenditure and budget changes during the implementation period of the respective budget.
- Finally, in a Chapter on Budgetary Control and Liability, the following rules are relevant:
  - (i) The result of the implementation of the municipal budget must appear in the quarterly balance sheets and the revenue and expenditure account, which must be presented in a consolidated manner;
  - (ii) In addition to the Municipalities bodies, the Audit Court has financial control over the implementation of the municipal budget;
  - (iii) Persons responsible, officials and administrative staff of the Municipalities are responsible in disciplinary, financial and civil terms for their acts and omissions that result in the violation of budget implementation rules and other applicable legislation, which includes the Organisational Charter and the Procedure of the Audit Court.