



Chandrawat
& Partners

DOING BUSINESS IN ANGOLA

A comprehensive guide on Angola

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OVERVIEW

Angola is a nation with a rich cultural history and a wealth of natural resources. It is situated on the west coast of Africa. It is one of the largest countries in sub-Saharan Africa. Angola presents significant opportunities for businesses looking to expand into African markets due to its young and expanding population of over 35,877,831. Angola has undergone significant economic and social reforms in recent years with the goals of broadening the economy, enhancing the business climate, and luring foreign investment. More than 90% of Angola's exports are crude oil, making it one of the world's major oil producers.

Besides fish, coffee and diamonds are important exports. Businesses can identify potential opportunities and market challenges by understanding Angola's trade statistics. The overall goal is to diversify the economy by concentrating on export value chains and industries where there is a chance to increase local production and reduce reliance on imports. The program emphasizes the significance of enhancing the business climate, expanding, and diversifying the sources of Foreign Direct Investment ("FDI"), as well as lowering pressures on foreign exchange reserves resulting from imports of staple goods in order to achieve this goal.



ECONOMIC OVERVIEW

Angola's economic success has been correlated with the need for oil globally, which generated unstable growth and left the nation with high levels of inequality and poverty. Macroeconomic management and public sector governance have both improved because of reforms over the last five years. A more flexible exchange rate regime, independent central banks, prudent monetary policy, and fiscal austerity have all improved macroeconomic stability. To increase the financial sector's stability and lessen the impact of oil revenue volatility on the governmental budget, laws have been implemented to permit increased private sector participation in the economy.



Due to an increase in oil output and high oil revenues, growth surged in 2022 to an expected 3.5% (up from 1.1% in 2021)—the first time since 2014 that it outperformed population growth. Higher oil prices enabled fiscal expansion, particularly in public spending, and currency appreciation, which strengthened domestic demand and led to an increase in private consumption that is estimated to be approximately 5%. This rebound was aided by the oil industry, which had its first gain since 2015 with a 1.4% increase.



FOREIGN DIRECT INVESTMENT

Direct investment equity flows in the reporting economy are referred to as foreign direct investment. The total of equity capital, reinvested earnings, and other capital makes up this amount. A resident of one economy having control over or a sizable amount of influence over the management of an enterprise that is based in another economy is referred to as direct investment. The requirement for establishing the presence of a direct investment relationship is ownership of 10% or more of the voting stock's common shares.



The Angolan government has a robust FDI policy because it views it as essential to the diversification of the country's economy. In fact, this is demonstrated by the significance of the New Private Investment Act of 2018 and the President's new strategy to encourage faith in compliance by combating corruption. Regardless of whether they are foreigners or not, investors theoretically have the same access to incentives, even if the "Angolanization" program seeks to support domestic employment.

ANIP ("Agencia Nacional Pelo Investimento Privado") regulates private investment (both local and foreign). Foreign entities must invest an amount equal to or greater than US\$1 million to take advantage of the tax breaks and other advantages offered by this regulation. The statute provides foreign investors with the right to capital repatriation.

MAJOR INVESTMENT SECTORS

Agriculture

Angola is home to one of the greatest freshwater reservoirs in sub-Saharan Africa as well as enormous tracts of extremely productive agricultural land. Angola was a significant exporter of agricultural goods before significant oil discoveries, with coffee and palm oil being two of the main items. Even though over 70% of Angolans rely on agriculture for a living, the nation nevertheless imports more than half of its food requirements.



Telecommunication and International Telecommunications Corporation

Mobile phones and internet access, like in many sub-Saharan African nations, are a driving force behind business and entrepreneurship growth. The government wants to empower businesses to become more efficient and for e-commerce to spur economic growth, so it is extending and improving communication networks. Additionally, improved networks will make it easier for rural residents to obtain healthcare and education.

Logistics

The port city of Luanda, which serves as Angola's main logistical support for its energy sector, is a significant oil and gas hub. The strategically important port of Luanda is near the Sonils Integrated Logistics Base, which serves as a base for businesses that assist the offshore oil and gas sector. The Sonils Base offers services in sectors like bunkering, dredging, and supplying floating production, storage, and offloading (FPSO) vessels as well as offshore platforms for every part of the offshore oil and gas industry value chain. Over 60% of Angola's current oil and gas production is supported by the projects running out of Sonils Base, including all the country's main offshore operations.



Banking and finance

The banking industry appears to have stabilized after years of instability following the 2014 drop in the price of oil and the ensuing economic catastrophe. The government and central bank can pursue their strategy of encouraging the banking and finance sectors to consolidate and lessen the risks associated with any future decline in oil prices at this stable time, which is also reflected in an easing of inflationary pressures. Following the relaxation of ownership restrictions, multinational banks looking to expand their presence in Africa are expected to invest in the banking sector.

ADVANTAGES



Government support

To enhance the business climate and draw in foreign investment, the Angolan government has implemented several reforms. This includes steps to make it easier to start a business, to increase credit availability, and to offer tax breaks to investors.



Rich natural resources

Oil and diamonds, which make up a sizable portion of Angola's exports, are among the country's abundant natural resources. Additionally, the nation has sizable deposits of gold, iron ore, and other minerals, offering potential opportunities for businesses in the extractive industries.



Growing economy

With a GDP growth rate of 3.30 percent in 2023, Angola will have one of the fastest-growing economic government's initiatives to diversify the economy and draw in foreign investment are expected to fuel this growth in the upcoming years.



Strong regional integration

The African Union ("AU") and the Southern African Development Community (SADC) are two regional associations in which Angola participates. Businesses can take advantage of these opportunities to access regional markets and gain from efforts to integrate the region.

TYPES OF BUSINESS

Angolan public limited company

This Angola company setup will require at least 5 shareholders and 3 directors for company incorporation. The minimum paid-up share capital required is US\$20,000, 30% of which must be fully paid before the incorporation of the company. All Angola public limited companies are required to go through an annual audit and appoint for this purpose, a board of auditors with at least three members.



Angolan Limited Liability Company ("LLC")

The Angolan LLC is the business entity most used by foreign entrepreneurs when incorporating a company in Angola. Capital is divided into quotas and shareholders are jointly liable for their investments. An Angolan LLC must appoint 1 director and 2 shareholders and does not require a minimum paid-up share capital. Shareholders are allowed to defer 50% of the minimum share capital if the amount is paid in full by the date of incorporation of the company.



Angola branch office

This Angola business setup requires a local resident be appointed as the entity's registered representative in the country. The scope of operations for this entity will be defined by the parent company. Also, the branch office will have an independent management team and corporate bank account based in Angola.



Angola representative office

An Angolan representative office is set up for the purpose of market research and promoting the business of the foreign firm it represents. A representative office is not allowed to pursue production-related or commercial activities and can only have a maximum of 6 employees, with a 50% quota on foreign employees. The company must also deposit a performance bond guarantee in an Angola corporate bank account in the amount of US\$60,000.



HOW TO SET UP BUSINESS?

Obtaining documentation regarding company's shareholders representative, that requires for individuals a photocopy of valid passport and tax number (in case of foreigners' non-residents) and power of attorney with notarized signatures. For Legal Persons it is needed a photocopy of the articles of association, a photocopy of the Commercial registry certificate, photocopy of tax card and minutes containing the deliberation of the competent organ of the company approving the incorporation of Angolan company.

This deliberation shall include:

- the type of company to be incorporated,
- the name of the person who will sign on behalf of the company,
- the value of the share capital.

Obtaining the certificate of availability for company's name at the one-stop shop (an office that covers legal entities registration, bank, tax office, national press, social security institute and other services related with companies) that requires the form and a photocopy of identification document of the applicant, stating company's proposed name and requesting the issuance of a certificate confirming that such name is acceptable and is not similar to other company's name.

Obtaining company's articles of association, obtaining company's tax ID, notarizing company's documents and registering the company. Public Notary will review all the documents and send them to the agencies involved for approval and filling, which does not impede/delay the process of registration. Obtaining commercial operations permit from Ministry of Commerce. The Applicant must file commercial registration certificate, enrolling company's directors, directors' ID documents, email and phone contacts.

Opening a bank account in the name of the company to be incorporated and depositing its share capital, at any commercial bank authorized to operate in Angola, that generally requires a copy of identification documents of the shareholders and members of the board of directors, certificate of company's name reservation and filling forms. Delivering the declaration of commencement of activity at tax office, which requires the respective form, license, and commercial registry certificate.

TAXATION POLICIES

- Angola legal and accounting and tax considerations in 2023 corporate tax in Angola is levied at a rate of 25% on company's net profits. This rate is however reduced to 20% for agricultural, forestry and livestock activities and 30% for real estate activities.
- Annual returns must be filed before 31st May every year, failure to which a penalty equal to double the tax payable is imposed.
- The standard Value Added tax ("VAT") rate levied on all goods and services in Angola is 14%.
- Filing of VAT is done monthly, and payment is due by the last business day of the following month.
- Capital gains in Angola are taxed as business income and therefore subject to corporate tax.
- A company's losses are allowed a rollover relief of three years. However, carry back of losses is prohibited.
- Non-resident companies in Angola are subject to 10% withholding tax on dividends, 15% withholding tax on interest and 10% withholding tax on royalties.
- There is no withholding tax on branch remittances. Employers must remit social security contributions to the authorities on all salaries at the rate of 8%.
- There is no payroll tax; Capital duty is paid on initial capital of a company at the rate of 0.5%.
- Additional stamp duties are levied at 1% on monthly turnover of a company.
- The rate of tax payable on transfer of land or buildings is 10%, paid by the purchaser.
- Angola has not yet signed any tax treaty to eliminate double international taxation.

EMPLOYMENT POLICIES

Foreign employees

The General Employment Law (Law No 7/15, 15 June 2015) is applicable to all employment relationships in Angola and to Angolan citizens working in Angola or abroad. The employment relationships of foreign non-resident employees are regulated by Presidential Decree No 43/2017 of 6 March, as amended by Presidential Decree No 79/17 of 24 April 2017.

Employees working abroad

The General Employment Law is applicable to Angolan citizens working abroad.

Mandatory rules of law- The general employment law sets out mandatory rules of the Angolan employment law that apply regardless of any choice of law. A written employment agreement is only mandatory for employment agreements entered into with:

- foreign employees,
- trainees,
- employees hired to work on ships,
- stay-at-home employees.

The employment relationship is governed by the agreement between the parties, in as far as this does not undermine any statutory obligations and does not offer less protection to the employee than the General Employment Law.



HOW WE CAN HELP?

Our team of professionals can conduct comprehensive market research to help businesses understand their target audience, industry trends, and potential competitors.

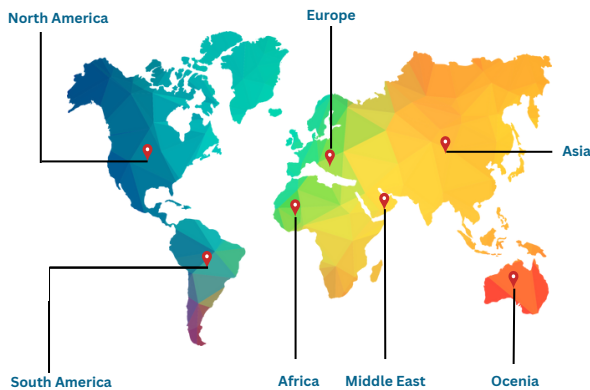
Our experts can help set clear objectives, outline actionable steps, and identify opportunities for growth and expansion.

Our team can conduct risk assessments to identify potential threats and vulnerabilities within a business. They can then recommend risk mitigation strategies to safeguard against adverse events.

Our team can investigate and identify any licenses, permissions or registrations required for the client's specific area or industry. The business assists with the application process and ensures that the organization complies with all legal criteria.



SERVING CLIENTS WORLDWIDE



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Key Contact



Surendra Singh Chandrawat

Managing Partner

✉ surendra@chandrawatpartners.com

Connect Surendra on



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