Primavera

Introduction to Value Added Tax in Angola



Preface

As a consequence of the tax reform approved in 2011 aimed at improving the Angolan tax system with a view to adapting to the country's new economic and social reality, Value Added Tax (VAT) will come into effect from 2019.

In light of Angola's present circumstances and the international experiences studied, it was considered advisable to replace the current excise tax by a VAT-type tax, based on best taxation practices.

By introducing into the Angolan tax system a tax whose essential characteristic is the neutrality that confers the so-called anaesthetic effect, this change constitutes another step towards widening the tax base.

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Furthermore, the intention is to remove the negative impact of the cascade effect – a negative characteristic of the excise tax – and to introduce the possibility of deduction and reimbursement of this tax, which is levied only on value added.

NeIn this e-book, we will be demystifying the way in which

VAT works and examining the main requirements of this tax. We will also be discussing the impact of VAT on businesses and considering how this process-changing opportunity can be leveraged by technology.









Technology and VAT

Framework

The implementation within the Angolan tax system of a new tax, with the requirements of VAT and with the considerable impact that it will have on companies', or even private individuals', economic activities, implies far-reaching changes at every level.

Conhecer a lei e a sua aplicação prática It is essential that we are familiar with the law and its practical application if we are to incorporate this knowledge into the remodelling of the business so that the new formal VAT requirements can be met in addition to the mandatory reporting and the actual payment of tax itself.

In this context, we briefly address the main topics that will impact companies' operations from the viewpoint of the constant partnership between the users of computer applications and the software suppliers.





What is VAT?

O IVA é um imposto indireto que se aplica sobre o consumo da bens e serviços, é liquidado por entidades, registadas para efeitos de IVA, que efetuam fornecimentos de bens ou serviços. O IVA também se aplica sobre as importações de bens.

VAT is an indirect tax levied on the consumption of goods and services; it is paid by suppliers of goods and services who are registered for the purposes of VAT. VAT also applies to imports of goods.

VAT is paid at each stage of the consumption chain and is collected by the entities on behalf of the Angolan State. VAT is due and paid by the end consumer.

Although VAT is payable on most goods and services, there are some exceptions; these include foods, medicines, exports of goods and international services that are expected to be taxed at zero rate. And also other services rendered, such as health and education, the sale or rental of residential property, insurance and financial services are expected to be



exempt from VAT.

How does VAT work?

VAT-registered entities collect VAT by adding it to the price of the goods and services they supply. These entities may deduct VAT included in the goods and services purchased in the scope of their business purposes, except for certain restrictions such as the purchase of raw materials and other consumables not used in the scope of the activity.

For imports, VAT is paid at the first point of entry to the consumption chain, i.e. at the same time as customs duties are levied.

	Purchase		Sale		VAT due to
	Price	VAT	Price	VAT	the State
Coffee Bean Producer	-	-	100	14	14
Coffee Manufacturer	100	14	300	42	28

Supermarket	300	42	700	98	56
End Consumer	700	98	-	-	-

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TOTAL VAT PAID TO THE STATE: 98

VAT Requirements

One of the principles on which VAT is based is that of selfassessment. This implies that each VAT-registered entity must record and calculate their VAT obligations, informing the tax authorities of them, as required by Law.

Other VAT requirements include:

Mandatory registration of the entities

Use of certified software programmes

Filling in of periodic VAT returns

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Payment of VAT

Filing of documents relating to economic transactions:

Invoices

Credit and debit notes

Import and export documents

Records of goods and services supplied free of charge or assigned for private use

Operations subject to zero-rate tax

or exempt, supplies or purchases

VAT registration

General Regime

Large companies registered at the Tax Office for Large Taxpayers will be obligatorily included in the general VAT regime under which they will liquidate VAT and will be entitled to deduction and reimbursement.

During the transitional period – from 2019 to 2020 – all taxpayers who meet all of the requirements, i.e. organised accounts, a properly certified billing programme compliant with the legal requirements, upto-date records and others, will be able to pay and deduct VAT by means of the declaration of commencement of activity.

Companies and individuals who are not VAT-registered will not be able to liquidate VAT on sales or deduct VAT on purchases.

Simplified Regime

The simplified reporting system applies to taxpayers whose turnover is less than or equal to USD 25,000.00.





Calculating and reporting VAT

After becoming VAT-registered, VAT must be calculated and liquidated on a regular basis. The total amount of VAT payable to the State corresponds to the amount of VAT liquidated on sales and services rendered subtracted from the amount of VAT supported on purchases for a given period.

With the entry into force of VAT there will be a new monthly obligation: entities must submit the periodic return electronically no later than the last day of the month following that to which the operations included in it relate. If applicable, the annexes relating to customers, suppliers, regularisation of customers and suppliers, captive VAT - Purchaser, Captive VAT -Supplier, VAT Self-assessed by the Declarant.

Additionally, an annual VAT return must be submitted no later than the end of March of the following year, with a breakdown of the tax supported, liquidated and paid, the amount of offset tax during the financial year, the amount reimbursed and the amount of any captive tax that may exist.



	VAT Period		Submission deadline		
	Year	Month	Year	Month	
Periodic VAT Return (and annexes)	2019	January	2019	February	
	2019	February	2019	March	
	2019	March	2019	April	
	2019	April	2019	May	
	2019	May	2019	June	
	2019	June	2019	July	
	2019	July	2019	August	
	2019	August	2019	September	
	2019	September	2019	October	
	2019	October	2019	November	
	2019	November	2019	December	
	2019	December	2020	January	



Invoicing

Invoices need to be issued in order to liquidate VAT on sales and on services rendered.

An invoice is a document that must be issued by entities liable for VAT so that they have documentary evidence of the sale or service rendered, as required by VAT law.

Invoices will also serve as documentary evidence to justify the deduction of VAT and to record any applications for reimbursement. For example, claims for VAT supported for the purchase of goods and services in the scope of an activity may only be made if the entity in question has a valid invoice from the supplier.





How will this impact your business?

The entry into force of VAT in Angola will have legal, social and, above all, economic impacts. In this chapter we will explain how it will impact your business.

From the outset, we can affirm that the introduction of VAT will impact your business on five fronts: operations, finance, information technology, legal conformity and human resources.

In terms of operations, there are various aspects, such as pricing policy, budgeting and business model that will need to be weighed against the value of the VAT. Existing contracts and negotiations with customers and suppliers will need to be assessed in light of this new reality.

Entities' finances will be impacted in terms of their costing and revenue policies which, in turn, will impact the profitability and cash flows that are so important for companies' financial management.

Accounts will necessarily be affected by the new rules for recording operations in line with the VAT rules. Consequently, financial and tax forecasts and reporting will have to be reformulated to highlight the impact of VAT on entities' operations. Where information technology is concerned, a top priority will be to conduct an analysis to determine how operating systems, accounting systems and related interfaces will be impacted without neglecting the internal control system and tax management system.

Legal conformity and the strict fulfilment of legal requirements are extremely important where VAT is concerned, in particular, the issuing and checking of invoices, filling in of tax returns, internal control, policies and user manuals. Last, but by no means least, changes affecting operations, finances and information technology, as well as ensuring legal conformity, cannot be achieved without human resources.

Human resources have a major role to play here; however, it will be necessary to assess the current level of information, define a training strategy and ensure the readiness and capacity of the technological resources.



Technology and VAT

If you don't already do so, you will now have an opportunity to use systems that will let your company automate key operations and ensure legal conformity with all of the VAT requirements. Here are just a few:

Adopt certified software programmes to support the entire invoicing process

Adapt the accounting system so that operations can be logged directly in the logistics area whenever operations that are significant in terms of accounting and taxation are carried out and which result in VAT to be liquidated or deducted.

Adopt systems that allow the periodic VAT returns and respective annexes to be filled in automatically, as well as the annual VAT return.

Implement automated processes that make it possible to validate and monitor VAT processing for every transaction.





Author:

Pedro Montez PRIMAVERA Tax Specialist

Tax Technology Manager

Please feel free to contact us if you have any other questions. We will be delighted to help you.



comercial_ao@primaverabss.com

https://ao.primaverabss.com/pt/

