Whillans's Worldwide Taxes

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Authored by

PKF

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Algeria

Basic facts

Full name:	People's Democratic Republic of Algeria
Population:	34,586,184 (FITA)
Capital:	Alger
Major languages:	Arabic
Major religion:	Islam
Monetary unit:	Algerian Dinar (DZD)
Internet domain:	.dz
International dialling code:	+213
Angola Ministry of Finance website:	www.minfin.gov.ao

A. Taxes payable

Federal taxes and levies

Company tax

All companies, except partnership and joint ventures under the Commercial Code, are liable for corporate income tax on their profits arising from any business they carry on in Algeria. Companies are liable for corporate income tax at the rate of 25%. Reinvested earnings are subject to reduced rate of 12.5% under some conditions. Industrial, construction and tourist activities are subject to a reduced rate of 19%.

Foreign companies not established in Algeria and foreign companies with no permanent establishment in Algeria are subject to the company tax or personal income tax based on their legal status and any tax must be withheld by the company or client institution established in Algeria.

Sales tax/value added tax (VAT)

VAT is an indirect tax, in that the tax is collected from someone who does not bear the entire cost of the tax. All economic activities conducted in Algeria, including industrial and handicraft activities, liberal or commercial professions, are subject to value-added tax. Exports by definition are consumed abroad and are usually not subject to VAT and any VAT charged under such circumstances is usually refundable. This avoids downward pressure on exports.

Two different VAT rates apply in Algeria:

- A special reduced rate of 7% applies to products, commodities, wares, merchandise and operations related to printing , material for agriculture, products of traditional crafts, plants and domestic animals (agriculture products), excluding fish and other edible products of the sea and various other items.
- 17%: operations related to services and goods not subject to another rate.

Fringe benefits tax (FBT)

As fringe benefits are considered to be a part of the salary paid to an employee, they are subject to social security and income taxes. Fringe benefits are taxed on the basis of their market value.

Other taxes and levies

Local taxes

The property tax on developed properties: The tax base of TFPB consists of the tax value of rental property. This base is determined by applying a rate rebate of 2% per year, without exceeding 40%. However, for plants the turnover rate is 50% and the rate of property tax on buildings is 3%.

The property tax on non-built properties: The rate of property taw on undeveloped land located in non-urbanized areas is 5%. In urban areas, this rate varies depending on the surface considered: 5% (less than 500 m2), 7% (500 m2 to 1000 m2) or 10% (over 1000 m2).

Compensation tax

A domestic consumption tax is imposed on various products: on beer tobacco and matches with a rate defined by hk or kg Salomon, coffee, certain fruits, alcohol, etc, with a rate ranging between 10 and 100%.

Social Security tax

The social security rate is 9% on behalf of the employee and 26% on behalf of the employer.

Vocational training tax

Companies that employ more than 20 employees are subject to a tax of 1% of annual payroll for vocational training and an additional tax of 1% of annual payroll for learning. The government is excluded from theses taxes.

B. Determination of taxable income

Taxable income is determined on the basis of regular accounting results. When there are discrepancies between fiscal rules and accounting principles, adjustments are made to the accounting results. Profits are habitually considered to be gross revenue less production, salary and wages and rental expenses.

Generally, all expenses generated by the conduct of business are deductible if they are incurred in gaining or producing assessable income.

Depreciation

Fixed assets owned by the company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted.

Stock/inventory

For the determination of net income, inventories must be evaluated at their cost price. If market value or realisable value, at the end of the year, is lower, the company must set up reserves for depreciation of inventories.

Dividends

Dividends to non-resident shareholders are subjected to a withholding tax at a rate of 15%.

Foreign sourced income

According to the Algerian tax legislation, revenues from a foreign source that were subject to tax payment in the country of origin are not subject to tax in Algeria.

Non-resident legal entities are taxable on their Algerian source income and on the gain from the disposal of buildings and the disposal of shares in real estate companies. The taxable capital gain is the difference between the sale price and the purchase cost. Relief from foreign taxes in Algeria depends on whether a double tax treaty has been concluded by Algeria.

Incentives

The Algerian tax legislation has established a number of incentives for investment in and creation of projects in certain sectors that are aimed at accelerating growth rate and job creation within activities related to fields determined by the specific legislation. Major incentives are available for investments made by enterprises located in areas that need development.

C. Foreign tax relief

Relief from foreign Taxes in Algeria depends on whether the country in question has agreed a double tax treaty with Algeria.

D. Corporate groups

When an Algerian company holds 90% or more of the shares of one or more Algerian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company.

To benefit from the results integrating scheme, the parent company must make the commitment to list its shares on the stock market, before the end of the year. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Algeria and abroad are consolidated.

E. Related party transactions

Algeria has legislation which requires transactions between associated enterprises to be recognized on arm's length terms for tax purposes.

F. Withholding tax

For certain categories of income, the payer of income has to withhold tax at source at a rate of 18%, file a tax return and submit the amount of tax withheld to the tax authorities.

- Fees, royalties and non-trading activities compensation paid to non-residents;
- Capital gains paid to non-residents;
- Interest on loans paid to banks.

G. Personal tax

Exchange controls under Algerian law have been relaxed in recent years. However, there are still restrictions to payments for imported services, or to the transfer of the incomes of invested foreign capital or of products of the liquidation of direct foreign investments in Algeria.

H. Personal tax

Personal income tax is a direct tax levied on the income of an individual. Taxpayers are classified into resident and non-resident.

Income subject to tax is called assessable income. Assessable income is divided into seven categories:

(1) Industrial profits, commerce and craft;
(2) Professional non-profit business;
(3) Income from agriculture;
(4) Income from rental properties;
(5) Income from moveable capital;
(6) Wages, salaries, pensions and life annuities;
(7) Gains from transfer for value of buildings or undeveloped and related rights.

For each category of income, certain deductions and allowances are allowed in the calculation of the taxable income. Taxpayer shall keep the books in compliance with the accounting legislation, in order to benefit from these deductions.

In general, a person liable to Personal Income Tax has to compute his tax liability, file a tax return and pay tax on a calendar year basis.

Married couples file tax returns as separate individuals. Income of children is reported on the tax return of the head of family. A spouse can report income of the children on his/her tax return in certain circumstances.

Income tax Rates

Taxable income in DZD	*Rate (%)*
0 to 60,000	0
60,000,001 to 180,000	10
180,000,001 to 360,000	20
360,000,001 to 1,080,000	30
1,080,000,001 to 3,240,000	35
Over 3,240,000	40

Gifts, wealth, estate, and/or inheritance tax

Inherited property and gifts are subject to tax at the following rates:

- Direct line relatives (children, spouses, parents, etc): 3%.
- Brothers and sisters: 5%.
- Collateral line relatives: 5%.
- Relatives beyond the fourth degree: 5%.
- Unrelated individuals: 5%.

I. Treaty and non-treaty withholding tax rates

	Dividends (%)	*Interest (%)*	*Royalties (%)*
Treaty Countries			
Austria	5/15	10/0	10
Belgium	15	15/0	5/15
Bulgaria	10	10	10
Canada	15	15/0	15
China	5/10	7	10
Egypt	10	5	10
France	5/15	10/12	5/10/12
Germany	5/15	10	10
Indonesia	15	15	15
Italy	15	15	5/15
Jordan	15	15/0	15
Korea	5/15	10	2/10
Lebanon	15	15/0	10
Portugal	10/15	10	10
Romania	15	15	15
Russia	5/15	15	15
South Africa	10/15	10	10
Spain	5/15	5	7/14
Switzerland	5/15	10	10
Syria	15	10	18
Turkey	12	10	10
Ukraine	5/15	10/0	10
United Arab Emirates	0	0	10

Angola

Key tax points

- Companies carrying out industrial and commercial activities in Angola are subject to industrial tax on all profits derived from Angola. Those companies are divided into three groups, each group having different tax payment deadlines.
- Angolan resident companies are taxable on their worldwide income and the income attributable to the Angolan branch of a non-resident company is subject to industrial tax.
- Sales tax is levied on the supply of goods and services and the import of goods into Angola, at rates between 2% and 30%.
- Dividends paid between Angolan resident companies are exempt from tax in certain circumstances, otherwise tax is withheld at 10%.
- There are no tax regulations governing groups of companies, although there are provisions which allow the tax authorities to adjust the taxable income of any taxpayer, due the existence of a special relationship.
- Special tax regimes exist for oil and mining companies.
- Angola has not concluded double tax agreements with any other jurisdiction.
- Personal income tax is payable by all Angolan residents, and non-residents earning income in Angola, at rates on a sliding scale from 0% to 15%.

Basic facts

Full name:	Republic of Angola
Population:	18.9 million (UN, 2010)
Capital:	Luanda
Major languages:	Portuguese (official), Umbundu, Kimbundu, Kikongo and others
Major religion:	Christianity
Monetary unit:	Kwanza (AOA)
Internet domain:	.ao
International dialling code:	+244
Angola Ministry of Finance website:	www.minfin.gov.ao

Note: reference is made in various places below to the 'fiscal adjustment unit' (UCF). This is a measure referred to in various places throughout the Angolan tax legislation. The 'exchange rate' between the UCF and the Kwanza is periodically updated by the Minister of Finance.

A. Taxes payable

Federal taxes and levies

Corporate income tax: general regime

Industrial Tax (Income Tax) is levied on all profits derived from Angola. All the income obtained by an Angola company operating overseas will be fully taxable.

Taxpayers paying Industrial tax are divided into three groups of which, Group A is the more important.

Group A

Includes joint stock companies, public companies with capital greater than 35 UCFs, financial and insurance institutions, Angolan companies operating abroad and foreign entities having a permanent establishment in Angola and other taxpayers that have an average turnover in the last three years over 70 UCFs.

Group B

Comprises the taxpayers that do not fall under Groups A or C, as well as those who carry out a one-off activity of a commercial or industrial nature.

Group C

Comprises any individual that fulfils the following conditions:

- is included in a trade list;
- does not keep a set of accounts;
- works for himself and does not have more than three employees or collaborators;
- does not make use of more than two vehicles; and
- whose annual gross turnover is not exceeding 13 UCF's.

A UCF is a reference value used to establish a taxpayer's tax liability. The UCF is periodically adjusted by the Minister of Finance based on oil prices, exchange rate against the US Dollar and the consumer price index.

The tax rate applicable to Groups A and C is 35%. The Group B tax rate is 25% (levied on gross turnover).

Tax payment obligations should be fulfilled under the following conditions:

- Group A: Companies have to file form M/1 up to 31 May and advance payments of tax shall be made in January, February and March of the following year. Final payments will be made at the time of delivering form M/1 and set off against the advance payments made;
- Group B: The tax must be paid by 30 April;
- Group C: The tax must be paid by 28 February.

Capital gains tax

Worldwide capital gains obtained by resident companies are included in taxable income and taxed at the standard flat rate of 35%.

Branch profits tax

All income attributable to the Angolan branch (permanent establishment) is subject to Industrial Tax.

Sales tax/value added tax (VAT)

This tax is levied on the supply of goods and services as well as on the import of goods into Angola. The tax rate ranges from 2% to 30%, depending on the good or service. The standard rate of VAT is 10%.

Stamp duty

Tax base

This tax is levied on all notary acts, contracts, licences, bank transactions, etc.

Tax rate

The tax rate depends on the type of act or document and ranges from 0.2% to 1.5%.

Special tax regimes

Contractors/service providers

Scope: A new tax law approved in 1997 introduced a special tax regime for contracting and similar services.

This regime establishes a withholding tax on payments made to persons and companies, carrying out, occasionally or permanently, contracting services, subcontracting services or rendering of services not included in the employment income Tax Code, whether or not they have a head office, permanent office or permanent establishment in Angola.

Tax rates: If the services comprise the repairing or construction/assembly of fixed assets of the contracting part it is applicable at a tax rate of 3.5%. For all other services, the tax rate is 5%.

Tax collection/payment method: The tax shall be withheld by the contracting party for each payment made and paid over to the Tax Office within the following 15 days, accompanied by a complete official document. The tax shall be paid in a currency which is determined in the respective contract, converted into Kwanza.

Petroleum industry tax regime

Oil companies are subject to a specific tax regime.

Petroleum income tax (PIT)

Tax base: PIT is levied on the income obtained from the exercise of petroleum transactions and any other income derived from other activities of a non-commercial or industrial nature.

Tax rate:

(i) 65.75% – in relation to joint venture agreement (*"Associa¸ão em Participa¸ão"*);
(ii) 50% – cost share agreement.

Petroleum Transaction Tax (PTT)

Tax base: PTT is due on all the income derived from petroleum transactions carried out under a joint venture agreement

Tax rate: 70%.

Surface

Fee: Surface fees are calculated based on production areas.

Fee rate: $300 per square kilometre per year.

Production Royalty

Base: is due on non-PSA (*Associa¸ão em Participa¸ão*) total hydrocarbons production less hydrocarbons used in filed operations

Rate:

(i) 20%;
(ii) possible reduction to 10%.

Annual contributions for training the Angolan nationals

Entities subject to training levy/rates:

(i) Enterprises that carry forward activities related to the production of petroleum/US$ 0.15 per produced barrel.
(ii) Enterprises whose activities are in exploration and development phases/US$ 200,000 per year.

Mining industry taxation

Mining companies are subject to a specific taxation regime.

Mining corporate income tax

Tax base: the same as corporate income tax with specific adjustments, such as depreciation,

Tax rate: 40%.

Tax payment: payable in the same manner as corporate income tax.

Mining Surface Fee

Scope: This fee is due based on the surface area licensed during the prospecting and exploration periods.

Tax rate: various between US$1/Km2 to US$4/Km2.

Mining royalty

Base: charged ad valorem on the market value of the annual mineral ore output.

Tax rate: various between 2% and 5%.

B. Determination of taxable income

General regime

Net income, or taxable income, is arrived at by adjusting the accounting profits for non-taxed income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred for the purpose of producing income.

Depreciation of fixed assets

Fixed assets can be depreciated for tax purposes. The depreciation rates are set by specific legislation. The normal method of calculation is the straight-line basis.

Stock/inventory

Inventory must normally be valued at the effective cost of acquisition or production (historic cost).

Dividends

Companies are generally subject to tax on the gross amount of dividends received. Dividends received from Angolan companies subject to industrial tax are exempt from tax if at the time of the distribution the recipient owns at least 25% of the capital of the paying company and has held the shares for at least two years or since the incorporation of this company. Whenever the dividends are distributed by a local company, and the conditions mentioned above are not foreseen, the tax rate is 10%. Dividends received from a foreign company are considered to be normal business income and taxed at an effective rate of 35%.

Losses

Operating losses incurred by resident companies, or by a branch of a non-resident company, may be carried forward to set off against taxable profits for three years.

Foreign sourced income

Taxation of resident companies takes into account their worldwide income.

Incentives

Incentives under Angola tax legislation include investments incentives:

(i) on projects of national interest or projects located in special development zones – total exemption from corporate income tax from three up to five years and also the reduction of 50% of corporate income tax for up to ten years. The incentives are granted by the Minister of Finance;

(ii) on investments in agriculture, farming, transformative industries, transportation, education and health – can benefit from an eight to fifteen-year corporate income tax holiday, depending on the investment's geographical location.

C. Foreign tax relief

Foreign-sourced income is included in the taxable income. No relief is granted for foreign taxes paid by an Angola taxpayer subject to earned income tax. Tax credits are available for overseas taxes incurred in certain circumstances.

D. Corporate groups

There is no special regime for the taxation of groups of companies.

E. Related party transactions

There are no tax regulations governing groups of companies. However, there are provisions that allow the tax authorities to adjust the taxable income of any taxpayer, as a result of a special relationship. Furthermore, adjustment of the assessable income is also allowed for the case of a foreign operating entity declaring a taxable profit which will be different from the taxable profit that would be obtained by an Angolan entity under the same conditions.

F. Withholding taxes

Dividends in general (including income from profit-sharing arrangements) paid to resident and non-resident individuals and companies are subject to withholding of investment income tax at a general rate of 10% on the gross amount of the dividends.

Interest payments to resident and non-resident companies are subject to withholding of investment income tax at the rates indicated below:

- 10% on corporate bond interest, withheld by the payer;
- 15% on any other type of taxable interest, assessed by the competent local tax office (i.e. on interest from ordinary loans – other than domestic bank loans – and credit facilities, current accounts, sales on credit and late payment thereof and participators' advance loans to their company).

Domestic and foreign-source royalties received by taxpayers subject to business income tax are taxed as ordinary business income at a rate of 35%. Royalties paid for intellectual works to the original creator are treated as self-employment income and subject to earned income tax at a flat rate of 15%.

G. Personal tax

Scope

All individuals receiving employment income for duties performed in Angola are subject to income tax. Personal income tax will be payable by all Angolan residents and non-residents on all the income obtained from an activity in Angola.

Income tax

Tax rates: Income taxes for individuals (resident and non-resident) are levied on a sliding scale at rates which vary from 0% to 15%.