

NOTE 14. Taxes

The Bank is subject to Industrial Tax, and is considered a Group A tax payer.

Income taxes (current or deferred) are recognised in profit and loss for the year, except where transactions giving rise to it have been carried in other equity items. In such situations, the corresponding tax is also carried against equity, and does not affect profit and loss for the year.

The current tax for the years ended on 31 December 2018 and 2017 was calculated in accordance with article 64, paragraph 1 of Law No. 19/14, of 22 October, using the applicable tax rate of 30%.

Tax returns are subject to review and correction by tax authorities for a 5-year period. This could result in different interpretations of tax law, resulting in corrections to taxable profit for the last five years. However, no significant correction is to be expected in respect to those years and, if it occurs, no significant impacts on the financial statements are expected.

Taxes losses generated in each year, as set out in article 48 (paragraph 1) of the Industrial Tax Code, can be deducted from taxable income for 3 subsequent years.

Deferred taxes are calculated using the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates enacted or substantively enacted at the balance sheet date. Thus, for the year 2018 and 2017, deferred tax was generally calculated based on a 30% rate.

Deferred tax assets and liabilities as at 31 December 2018 and 2017 are analysed as follows:

(Thousands of AOA)

	Assets		Liabilities		Net	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Loans to customers (direct and indirect)	1,680,334	157,246	-	-	1,680,334	157,246
Available-for-sale securities portfolio	203,611	-	862,012	746,113	(658,401)	(746,113)
Provisions	703,674	-	-	-	-	-
Other	(51,000)	-	-	-	(51,000)	-
Deferred tax assets/(liabilities)	2,536,619	157,246	862,012	746,113	970,933	(588,867)

Changes in deferred taxes recorded in the balance sheet were offset as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Opening balance	(588,867)	307,902
Impact of transition to IFRS 9	1,654,999	-
Recognised in current taxes	-	(296,950)
Recognised in the income statement	819,529	(99,601)
Recognised in reserves - other comprehensive income	(862,012)	(499,977)
Exchange differences and other	(52,716)	(241)
Ending balance (assets/(liabilities))	970,933	(588,867)

Tax recognised in the income statement and reserves during the periods ended on 31 December 2018 and 2017 have the following sources:

(Thousands of AOA)

	31.12.2018		31.12.2017	
	Recognised in the income statement	Recognised in reserves	Recognised in the income statement	Recognised in reserves
Loans to customers (direct and indirect)	39,311	-	(99,601)	-
Available-for-sale securities portfolio	60,012	(862,012)	-	(499,977)
Provisions	688,266			
Other	-	-	-	-
Deferred taxes	787,589	(862,012)	(99,601)	(499,977)
Current taxes	131,263	-	(1,916,955)	-
Total tax recognised	918,852	(862,012)	(2,016,556)	(499,977)

The reconciliation of the effective tax rate, with respect to the amount recognised in the income statement, is analysed as follows:

(Thousands of AOA)

	31.12.2018		31.12.2017	
	%	Value	%	Value
Profit before tax		26,306,236		25,845,056
Tax rate	30.0		30.0	
Tax based on the tax rate		7,891,871		7,753,517
Life and health insurance (Article 18)	0.0	8,324	0.0	4,445
Exceeding amortizations (Article 40)	0.3	67,163	0.4	95,080
Provisions (Article 36)	5.1	1,353,573	(2.2)	(559,730)
Capital Gains Tax and Property Tax (Article 18)	2.5	651,501	1.5	391,763
Fines and charges (Article 18)	0.5	133,622	0.0	1,315
Grants (Article 18)	0.3	82,433	0.1	25,338
Social welfare charges (Article 15)	0.2	51,770	0.1	23,588
Changes related to previous periods and extraordinary (Article 18)	1.2	324,978	-	-
Non-specified expenditure	1.2	319,635	1.7	442,583
Income subject to Capital Gain Tax (Article 47)	(39.0)	(10,265,277)	(22.7)	(5,857,847)
Other	(2.4)	(631,388)	(0.5)	(141,930)
Tax payable - current tax liabilities	-	-	8.4	2,178,122
Other expense / (income) - Industrial tax	-	(131,263)	-	(261,167)
Income tax for the period		(131,263)		1,916,955

Income from public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan Government, whose issue is regulated by Presidential Decree No. 259/10, of 18 November and Presidential Decree No. 31/12, 30 of January, is exempted from all taxes.

In addition, Presidential Legislative Decree No. 5/11, of 30 December (revised and republished through Presidential Legislative Decree No. 2/14, of 20 October) implemented a rule of subjection to CGT over income of public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan Government.

Nevertheless, and in accordance with article 47 of the Industrial Tax Code (Law No. 19/14, of 22 October), in force since 1 January 2015, to determine the taxable income, income subject to Capital Gains Tax will be deducted.

Thus, to determine taxable income for the years ended on 31 December 2018 and 2017, such income was deducted from taxable income.

Likewise, the expenditure calculated with the settlement of Capital Gains Tax is not accepted for tax purposes for the calculation of the taxable amount, as set out in subparagraph a) of paragraph 1 of article 18 of the Industrial Tax Code.

NOTE 15. Other assets

As at 31 December 2018 and 2017, the balance Other assets is analysed as follows:

(Thousands of AOA)

	31.12.2018	31.12.2017
Advances and other receivables	53,232,963	34,692,156
Other debtors	16,197,826	4,959,117
Pending transactions	3,693,152	2,616,430
Escrow accounts	2,004,093	1,231,893
Deferred costs	1,792,952	2,035,346
Administrative public sector	1,758,085	1,153,646
Precious metals, coins, medals and other resources	2,210	2,210
Other assets	321,957	415,612
	79,003,238	47,106,410
Impairment losses	(7,306,020)	(1,656,357)
	71,697,218	45,450,053

The balance Advances and other receivables includes: (i) the amount of AOA 30,183,936 thousand (2017: AOA 18,031,705 thousand) related to amounts receivable under purchase and sale agreements of land received as payment, (ii) the advance in the amount of AOA 5,133,063 (2017: AOA 3,731,658 thousand) for a residential project, (iii) the advance in the amount of AOA 2,432,530 thousand (2017: AOA 1,491,190 thousand) for the construction project of a University Hospital.

As at 31 December 2017, Other assets also included the amount of AOA 1,617,086 thousand receivable under the resolution of part of the purchase and sale agreement of the building used by Millennium Angola.