

In 2020 and 2019, Increases relate to real estate received as payment in kind, as part of the recovery of a set of loans granted to Customers.

During 2020 and 2019, the Bank disposed of properties by (i) contributions in kind to the Atlântico Property Fund (Note 6); (ii) entering into promissory contracts of sale and purchase (Note 15); and (iii) direct sales to third parties.

As at 31 December 2020, disposals by bidders, purchasers, types of contract and number of properties, is summarised as follows:

(Thousands of AOA)

Type of operation	Number of properties	Book value	Value of the rent	Cost of sale	Gains/(Losses) (Note 27)
Subscription of shares	74	86,388,215	139,768,128	(4,727,962)	48,103,356
Promissory contracts of sale and purchase	17	32,148,562	45,724,767	(1,488,744)	12,087,461
Direct sale	3	313,869	401,411	(13,069)	74,472
	94	118,850,646	185,894,305	(6,229,775)	60,265,290

The disposals related to the subscription of shares in the Atlântico Property Fund (Note 6), are detailed as follows:

- On 31 December 2020, a contribution in kind was made through the transfer to the Fund of properties for the total amount of AOA 98,141,184 thousand;
- On 29 June 2020, a contribution in kind was made through the transfer to the Fund of properties, for the total amount of AOA 41,626,944 thousand; and
- On 27 December 2019, a contribution in kind was made through the transfer to the Fund of properties for the total amount of AOA 36,431,520 thousand.

Gains and losses resulting from the difference between the amount recorded in the balance sheet and the sale value charged on the promissory contracts of purchase and sale (Note 15) and direct sales to third parties, were recorded in the income statement, under Net gains/(losses) arising from the sale of other assets (Note 27).

Where the asset is not disposed of within two years, the Bank assesses whether the requirements continue to be met, in particular if the sale has not taken place for reasons other than the Bank. The Bank shall ensure that all necessary actions have been taken to enable the sale and that the asset continues to be actively marketed and at reasonable selling prices given the market circumstances (Note 2.10).

As at 31 December 2020 and 2019, the fair value of properties received as a recovery of loans is presented in Note 9.

Note 14. TAXES

At 31 December 2020 and 2019, the caption current taxes, by nature, is presented as follows:

(Thousands of AOA)

	31-12-2019	31-12-2020
Current tax assets		
Other taxes receivable	2,056,239	2,418,635
	2,056,239	2,418,635

As at 31 December 2020 and 2019, the caption Current tax assets includes mainly taxes recoverable through the provisional settlement of Industrial Tax for the 2017 and 2018 periods, in the amount of AOA 694,824 thousand and AOA 543,364 thousand, respectively, and a tax credit duly authorised by the Angolan Tax Authorities (AGT) in the amount of AOA 580,295 thousand.

Additionally, for the 2019 and 2020 periods, the Bank was exempted, by means of letters from AGT, from the settlement and payment of the provisional Industrial Tax, in accordance with the provisions of Article 66(10) of the Industrial Tax Code, as amended by Law 26/20 of 20 July.

Deferred tax assets and liabilities as at 31 December 2020 and 2019 are analysed as follows:

(Thousands of AOA)

	Assets		Liabilities		Net	
	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020
Deferred tax assets/(liabilities)						
Loans to Customers (direct and indirect)	418,349	1,577,220	-	-	418,349	1,577,220
Securities portfolio	152,159	152,159	68,602	111,483	83,557	40,676
Other provisions for risks and charges	1,718,482	1,710,795	-	-	1,718,482	1,710,795
Potential exchange rate changes	-	-	-	20,747,663	-	(20,747,663)
Unaccepted impairment for the period	-	-	-	(12,316,891)	-	12,316,891
Tax losses carried forward	-	-	-	(8,430,772)	-	8,430,772
	2,288,990	3,440,174	68,602	111,483	2,220,388	3,328,691

In 2020, Law no. 26/20 was published which introduced several amendments to the corporate income tax system provided for in the Industrial Tax Code, namely to Articles no. 13 and 14 (Income or gains/Costs or expenses) and Article no. 45 (Provisions).

In particular, a rewording of the rules on income and gains of a financial nature has been carried out, as provided for in Articles 13(c) and 14(c) of the Industrial Tax Code, so that only realised favourable and unfavourable exchange rate changes will now be considered as income and costs of this nature. Moreover, Article 45 of the Industrial Tax Code has been amended, with the introduction of a new number 4 to the list of articles, which now states that "Provisions set up for collateralised loans are not accepted, except for the part not covered.

Accordingly, for the purposes of calculating current and deferred tax, the Bank considered the effects arising from the changes in the Industrial Tax Code, namely those related to (i) costs and income with unrealised exchange rate valuations and devaluations and (ii) costs with impairment losses on amounts of loans secured by collaterals.

It should be noted that these tax changes are under review and discussion between Associação Angolana de Bancos (ABANC) and the Angolan Tax Authority (AGT), with some uncertainties persisting as to (i) the procedures for calculating these adjustments, (ii) the type of deferred tax assets and liabilities to be considered on the effects of unrealised exchange rate changes and (iii) the type and valuation of collaterals for purposes of determining impairment losses not accepted for tax purposes.

In view of the above and in accordance with the provisions of IAS 12, deferred tax liabilities should be recognised in their entirety, whereas a deferred tax asset should only be recognised if it is certain that future taxable profit will be sufficient to allow its recoverability to be evidenced within the period laid down in the tax law. Accordingly, the Bank, using the best possible estimate, calculated the Industrial Tax for 2020, considering the changes disclosed in the AGT letter (reference no. 1633/GAGA/GJ/AGT/2021, of 8 April), and the projections of the tax results for the next 5 years, and calculated (i) deferred tax liabilities related to potential exchange rate changes in the amount of AOA 20. 747,663 thousand, considering the net effect of this nature of deferred tax, (ii) deferred tax assets related to impairment losses on loans secured by collaterals in the period in the amount of AOA 12. 12,316,891 thousand and (iii) deferred tax assets related to tax losses generated in the period and in previous periods in the amount of AOA 8,430,772 thousand, which were recorded as an offset, considering that they relate to income taxes levied by the same tax authority and that taxable temporary differences are expected to be reversed in the same period.

As these deferred tax assets and liabilities are offset, their impact on the income statement is null, and no materially relevant future financial impacts are anticipated, resulting from the aforementioned Law and further clarifications to be made by the AGT.

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

(Thousands of AOA)

	31-12-2019	31-12-2020
Opening balance	1,674,607	2,220,388
Recognised in the income statement	(247,629)	1,151,185
Recognised in reserves – other comprehensive income	793,410	(42,881)
Closing balance (assets/(liabilities))	2,220,388	3,328,691

Tax recognised in the income statement and reserves during the periods ended on 31 December 2020 and 2019 have the following sources:

(Thousands of AOA)

	31-12-2019		31-12-2020	
	Recognised in the income statement	Recognised in reserves	Recognised in the income statement	Recognised in reserves
Loans to Customers (direct and indirect)	(1,261,985)	-	1,158,872	-
Securities portfolio	(51,452)	793-410	-	(42,881)
Provisions	1,014,808	-	(7,687)	-
Other	51,000	-	-	-
Deferred taxes	(247,629)	793,410	1,151,185	(42,881)
Total tax recognised	(247,629)	793-410	1,151,185	(42,881)

The estimated industrial tax of the Bank for the periods ended 31 December 2020 and 2019, can be analysed as follows:

(Thousands of AOA)

	31-12-2019		31-12-2020	
	%	Value	%	Value
Profit before tax		30,712,491		14,441,173
Tax rate	30.0		35.0	
Tax based on the tax rate		9,213,747		5,054,411
Life and health insurance (Article 18)	0.09	27,825	0.29	41,655
Exceeding amortisations (Article 40)	1.16	356,421	1.37	197,365
Provisions (Article 36)	13.59	4,174,580	28.95	4,180,178
Currency valuations (Article 13/14)	-	-	(410.49)	(59,279,038)
Credit provisions (Article 13/14)	-	-	291.54	42,102,017
Capital Gains Tax and Property Tax (Article 18)	10.67	3,278,240	18.44	2,663,631
Fines and charges (Article 18)	0.08	24,370	3.07	443,852
Grants (Article 18)	3.39	1,042,128	2.54	366,169
Social welfare charges (Article 15)	0.45	139,715	0.44	63,312
Charges related to previous and extraordinary periods (Article 18)	1.18	361,933	13.00	1,876,728
Non-specified expenditure	3.73	1,144,665	5.97	861,620
Income subject to Capital Gain Tax (Article 47)	(128.98)	(39,613,364)	(269.19)	(38,874,245)
Provisions (Article 45)	(8.51)	(2,614,434)	(55.93)	(8,077,371)
Other	(8.20)	(2,519,361)	(22.15)	(3,198,646)
Tax payable - current tax liabilities	-	-	-	-
Other charges - Industrial tax	-	-	-	-
Income tax for the period		-		-

As at 31 December 2020, the Bank recorded deferred tax assets on the amount of recoverable tax losses carried forward, as explained above, amounting to AOA 8,430,772 thousand, of which AOA 7,012,603 thousand were generated in 2020 and AOA 1,418,169 thousand were generated in previous years.

Additionally, as at 31 December 2020, the Bank has an additional amount of AOA 7,838,331 thousand of tax losses carried forward generated in 2020, over which the Bank does not recognise a deferred tax asset.

In accordance with the applicable legislation, losses are usable for a period of five years (until 2025).

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, in accordance with the provisions of Article 47 of the Industrial Tax Code and the Law Amending the Industrial Tax Code (Law no. 19/14 of 22 October, in force since 1 January 2015, and Law no. 26/20 of 20 July, respectively), income subject to Capital Gains Tax will be deducted in the determination of the taxable amount.

Thus, to determine taxable profit for the years ended on 31 December 2020 and 2019, such income was deducted from taxable profit.

Likewise, the expenditure calculated with the settlement of Capital Gains Tax is not accepted for tax purposes for the calculation of taxable profit, as set out in Article 18(1) of the Industrial Tax Code.

Notwithstanding the above, regarding income from public debt securities, in accordance with the latest understanding of Tax Authorities addressed to ABANC (letter with reference number 196/DGC/AGT/2016 of 17 May 2016), only those arising from securities issued on or after 01 January 2013 are subject to this tax.

It should also be noted that, according to AGT's position, the exchange revaluations of public debt securities issued in national currency but indexed to foreign currency, issued since 1 January 2013, should be subject to Business Tax.