

NOTE 14

Taxes

As at 31 December 2021 and 2020, the caption Current tax assets is presented as follows:

(Thousands of AOA)		
	31-12-2021	31-12-2020 (restated)
CURRENT TAX ASSETS		
Other taxes receivable	2,462,185	2,418,635
	2,462,185	2,418,635

As at 31 December 2021 and 2020, Current tax assets includes taxes recoverable through the provisional assessment of Industrial Tax for 2018, amounting to AOA 694,824 thousand and provisional assessment of Industrial Tax on services for 2020 and 2021 of AOA 33,087 thousand and AOA 58,958 thousand, respectively.

For 2020, the Bank was waived from the assessment and payment of the provisional Industrial Tax, by means of a letter from AGT, in accordance with the provisions of Article No. 66 (10) of the Industrial Tax Code, as amended by Law No. 26/20, of 20 July.

As at 31 December 2021 and 2020, Deferred tax assets and Deferred tax liabilities are analysed as follows:

	(Thousands of AOA)					
	Assets		Liabilities		Net value	
	31-12-2021	31-12-2020 (restated)	31-12-2021	31-12-2020 (restated)	31-12-2021	31-12-2020 (restated)
DEFERRED TAX ASSETS/ (LIABILITIES)						
Loans and advances to Customers (direct and indirect)	1,554,498	1,577,220	-	-	1,554,498	1,577,220
Securities portfolio	152,159	152,159	(30,261)	(111,483)	121,898	40,676
Other provisions for risks and charges	1,710,796	1,710,795	-	-	1,710,796	1,710,795
Potential changes in foreign exchange rates	-	-	(21,386,789)	(20,747,663)	(21,386,789)	(20,747,663)
Impairment not accepted	-	-	18,239,737	12,316,891	18,239,737	12,316,891
Tax losses carried forward	-	-	3,147,052	8,430,772	3,147,052	8,430,772
	3,417,453	3,440,174	(30,261)	(111,483)	3,387,192	3,328,691

In 2020, Law No. 26/20, of 20 July, 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 No. 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 2021 and 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.

As at 31 December 2021, it was calculated (i) deferred tax liabilities related to potential exchange rate changes in the amount of AOA 21,386,789 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 18,239,737 thousand and (iii) deferred tax assets related to tax losses generated in the period and in previous periods in the amount of AOA 3,147,052 thousand.

As at 31 December 2020, it was 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 12,316,891 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.

The Bank records deferred tax assets and deferred tax liabilities on an offsetting basis, since they relate to income taxes levied by the same tax authority and considering that the taxable temporary differences are expected to reverse 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 in Deferred tax assets and Deferred tax liabilities are presented as follows:

	(Thousands of AOA)	
	31-12-2021	31-12-2020 (restated)
Opening balance	3,328,691	2,220,388
Recognised in profit or loss	(22,722)	1,151,184
Recognised in reserves – other comprehensive income	81,222	(42,881)
Closing balance (Assets/(Liabilities))	3,387,192	3,328,691

As at 31 December 2021 and 2020, tax recorded in profit or loss and reserves is as follows:

	(Thousands of AOA)	
	31-12-2021	
	Recognised in profit or loss	Recognised in reserves
Loans and advances to Customers (direct and indirect)	(22,722)	-
Securities portfolio	-	81,222
Provisions	-	-
Deferred taxes	(22,722)	81,222
Total tax recognised	(22,722)	81,222

	(Thousands of AOA)	
	31-12-2020 (restated)	
	Recognised in profit or loss	Recognised in reserves
Loans and advances to Customers (direct and indirect)	1,158,871	-
Securities portfolio	-	(42,881)
Provisions	(7,687)	-
Deferred taxes	1,151,184	(42,881)
Total tax recognised	1,151,184	(42,881)

As at 31 December 2021 and 2020, the estimated Industrial Tax of the Bank is presented as follows:

	(Thousands of AOA)			
	31-12-2021		31-12-2020 (restated)	
	%	Value	%	Value
Profit before tax		3,451,090		(8,930,085)
Tax rate	35.00		35.0	
Tax assessed based on the tax rate		1,207,882		(3,125,530)
Changes to positive equity (Article No. 13) - Adoption of IAS 29	305.87	10,555,900	n.a.	n.a.
Excessive amortisation (Article No. 40)	18.02	621,904	(0.77)	69,078
Provisions not foreseen (Article No. 45)	81.26	2,804,223	(181.40)	16,198,768
Capital Gains Tax and Property Tax (Article No. 18)	13.08	451,268	(9.50)	848,397
Fines and penalties for infringements (Article No. 18)	26.15	902,352	(1.74)	155,348
Adjustments related to prior and extraordinary periods (Article No. 18)	8.33	287,427	(7.36)	656,855
Currency valuations (Article No. 13/14)	233.89	8,071,592	232.33	(20,747,663)
Income subject to Capital Gains Tax (Article No. 47)	(241.68)	(8,340,508)	152.36	(13,605,986)
Provisions not foreseen (Article No. 45)	(8.67)	(299,140)	n.a.	n.a.
Other	(32.03)	(1,105,266)	36.50	(3,259,806)
Tax losses - Consumer goods	(439.21)	(15,157,632)	n.a.	n.a.
Tax payable - Current tax liability	-	-	-	-
Other expense/(income) - Industrial Tax	-	-	-	-
Income tax		-		-

As at 31 December 2021, the Bank recorded deferred tax assets on the amount of tax losses recoverable, as explained above, in the amount of AOA 3,147,052 thousand, generated in previous periods. Additionally, as at 31 December 2021, the Bank has an additional amount of AOA 3,429,479 thousand of tax losses carried forward generated, over which no deferred tax asset is recognised.

In accordance with the applicable legislation, tax losses carried forward can be used for a period of 5 years.

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 by Presidential Legislative Decree No. 2/14, of 20 October) implemented a rule subjecting income from public debt securities resulting from Treasury Bonds and Treasury Bills issued by the Angolan State to Capital Gains Tax.

Nevertheless, in accordance with the provisions of Article No. 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 periods ended on 31 December 2021 and 2020, such income was deducted from taxable profit.

Likewise, the expenditure calculated with the assessment of Capital Gains Tax is not accepted for tax purposes for the calculation of taxable profit, as provided for in Article No. 18(1)(a) 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 no. 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.

NOTE 15 Other assets

This caption is analysed as follows:

	(Thousands of AOA)	
	31-12-2021	31-12-2020 (restated)
Debtors from promissory contracts of purchase and sale	74,753,903	87,945,114
Sundry debtors	17,611,864	33,189,965
Other assets		
Other pending transactions	11,366,590	12,530,587
Deferred expenses	5,167,035	5,956,602
Administrative public sector	6,437,765	4,138,160
Escrow accounts	3,337,469	3,849,569
Precious metals, coins, medals and other valuables	2,210	2,210
Other assets	840,795	596,417
	27,151,863	27,073,545
	119,517,629	148,208,624
Impairment losses (Note 31)	(26,203,982)	(22,208,616)
	93,313,647	126,000,008

As at 31 December 2021 and 2020, the caption Debtors from promissory contracts of purchase and sale refers to amounts receivable under real estate sale agreements, which are mostly booked in foreign currency, whose accounting