

# Note 14 - Taxes

As at December 31, 2023 and 2022, the caption Current tax assets is presented as follows:

	AOA thousand	
	12-31-2023	12-31-2022
Current tax assets		
Other taxes receivable	2,464,674	2,546,736
	2,464,674	2,546,736

As at December 31, 2023 and 2022, the caption “Current tax assets” includes (i) taxes recoverable through the provisional settlement of Industrial Tax for the financial years 2017 and 2018, in the amounts of AOA 694,824 thousand and AOA 543,364 thousand, respectively, (ii) an amount to be recovered from the Tax Authorities (AGT) in the amount of AOA 580,295 thousand, and (iii) provisional settlement of Industrial Tax on services (“withholding tax”) for the years 2021 and 2022 in the amounts of AOA 58,958 thousand and AOA 51,729 thousand, respectively.

Regarding the assessment and payment of provisional Industrial Tax, in accordance with Article 66 (10) of the Industrial Tax Code, as amended by Law 26/20 of July 20, the Bank assessed the tax for the 2023 financial year and was exempted from the assessment and payment of the tax for the 2022 financial year by means of letters from the AGT.

As at December 31, 2023 and 2022, “Deferred tax assets” and “Deferred tax liabilities” are analysed as follows:

	AOA thousand					
	Assets		Liabilities		Net	
	12-31-2023	12-31-2022	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Deferred tax assets/(liabilities)						
Impairment of unaccepted loans	3,657,438	-	-	-	3,657,438	-
Loans and advances to customers (direct and indirect)	-	1,887,188	-	-	-	1,887,188
Securities portfolio	-	152,159	(2,208,505)	(152,875)	(2,208,505)	(716)
Other provisions for risks and charges	-	1,710,796	-	-	-	1,710,796
Other property, plant and equipment	-	-	(4,550,000)	-	(4,550,000)	-
Other financial assets	-	-	(471,634)	-	(471,634)	-
Potential exchange rate variations	-	-	(61,447,608)	(1,872,257)	(61,447,608)	(1,872,257)
Tax losses carried forward	-	-	61,447,608	1,872,257	61,447,608	1,872,257
	3,657,438	3,750,143	(7,230,139)	(152,875)	(3,572,701)	3,597,268

In 2020, Law 26/20 of July 20 was published which introduced several amendments to the corporate income tax system provided for in the Industrial Tax Code, namely, to Articles 13 and 14 (Income or gains/Costs or expenses) and Article 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 realized 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 paragraph 4 to the list of articles, which now states that “Provisions set up for collateralized 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 unrealized 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 unrealized 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 recognized in their entirety, whereas a deferred tax asset should only be recognized 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 2023 and 2022, considering the changes disclosed in the AGT letter (reference no. 1633/GAGA/GJ/AGT/2021, of April 8), and the projections of the tax results for the next 5 years.

As at December 31, 2023, it was calculated deferred tax liabilities related to potential exchange rate changes in the amount of AOA 61,447,608 thousand, considering the net effect of this nature of deferred tax, and deferred tax assets related to tax losses generated in the year and in previous years in the amount of AOA 61,447,608 thousand.

As at December 31, 2022, it was calculated deferred tax liabilities related to potential exchange rate changes in the amount of AOA 1,872,257 thousand, considering the net effect of this nature of deferred tax, and deferred tax assets related to tax losses generated in the year and in previous years in the amount of AOA 1,872,257 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:

	AOA thousand	
	12-31-2023	12-31-2022
Opening balancel	3,597,268	3,387,192
Recorded in profit or loss	(92,705)	332,691
Recorded in reserves - other comprehensive income	(7,077,264)	(122,615)
Closing balance (Assets/(Liabilities))	(3,572,701)	3,597,268

As at December 31, 2023 and 2022, tax recorded in profit or loss and reserves is as follows:

AOA thousand				
	12-31-2023		12-31-2022	
	Recorded in profit or loss	Recognized in reserves	Recorded in profit or loss	Recognized in reserves
Loans and advances to customers (direct and indirect)	(92,705)	-	332,691	-
Other property, plant and equipment	-	(4,550,000)	-	-
Securities portfolio	-	(2,055,630)	-	(122,615)
Other financial assets	-	(471,634)	-	-
<b>Deferred taxes</b>	<b>(92,705)</b>	<b>(7,077,264)</b>	<b>332,691</b>	<b>(122,615)</b>
<b>Total tax recognized</b>	<b>(92,705)</b>	<b>(7,077,264)</b>	<b>332,691</b>	<b>(122,615)</b>

As at December 31, 2023 and 2022, the estimated industrial tax of the Bank can be analysed as follows:

AOA thousand				
	12-31-2023		12-31-2022	
	%	Amount	%	Amount
<b>Profit/(loss) before tax</b>		<b>9,198,901</b>		<b>3,165,423</b>
Tax rate	35.00		35.00	
Tax assessed based on the tax rate		3,219,615	0.00%	1,107,898
Changes to positive equity (Article No. 13) - Adoption of IAS 29	-	n.a.	-	n.a.
Excessive amortization (Article No. 40)	12.32	216,860	0.43	13,717
Unforeseen provisions (Article No. 45)	454.67	8,005,640	8.81	278,889
Capital Gains Tax and Property Tax (Article No. 18)	75.38	1,327,319	13.01	411,717
Fines and penalties for infringements (Article No. 18)	11.55	203,281	10.06	318,446
Adjustments related to prior and extraordinary periods (Article No. 18)	28.54	502,582	14.81	468,833
Currency valuations (Article No. 13/14)	(3,927.88)	(69,160,784)	1,156.10	36,595,574
Income subject to Capital Gains Tax (Article No. 47)	(992.33)	(17,472,652)	(279.31)	(8,841,264)
Potential capital gains	(760.93)	(13,398,138)		
Unforeseen provisions (Article No. 45)	(12.34)	(217,345)	(650.96)	(20,605,707)
Other	33.83	595,583	(43.67)	(1,382,496)
Tax losses - Consumer goods	-	-	(264.28)	(8,365,607)
<b>Tax payable - Current tax liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other expense/(income) - Industrial Tax	-	-	-	-
<b>Income tax</b>		<b>-</b>		<b>-</b>

As at December 31, 2023, the Bank did not recognized deferred tax assets on the full amount of recoverable tax losses. Therefore, as at December 31, 2023, the Bank has tax losses carried forward amounting to approximately AOA 31,225,443 thousand, on which it does not recognize deferred tax assets as their recoverability has not been demonstrated on this date.

In accordance with the applicable legislation, tax losses carried forward can be used for a period of five 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 259/10, of November 18 and Presidential Decree 31/12, of January 30, is exempted from all taxes.

In addition, Presidential Legislative Decree 5/11, of December 30 (revised and republished by Presidential Legislative Decree 2/14, of October 20) 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 47 of the Industrial Tax Code and the Law amending the Industrial Tax Code (Law 19/14 of October 22, in force since January 1, 2015, and Law 26/20 of July 20, 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 December 31, 2023 and 2022, 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 paragraph 1-a), Article 18, 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 May 17, 2016), only those arising from securities issued on or after January 1, 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 January 1, 2013, should be subject to Business Tax.

## Note 15 - Other assets

This caption is analysed as follows:

	AOA thousand	
	12-31-2023	12-31-2022
Debtors from promissory contracts	123,518,549	60,394,533
Sundry debtors	29,345,774	33,103,382
Other assets		
Other pending transactions	12,426,733	11,601,077
Deferred expenses	7,491,186	5,555,811
Escrow accounts	333,912	3,253,624
Administrative public sector	-	174,600
Precious metals, coins, medals and other valuables	2,210	2,210
Other assets	331,949	684,658
	<b>20,585,990</b>	<b>21,271,979</b>
	<b>173,450,313</b>	<b>114,769,895</b>
Impairment losses	(26,433,788)	(19,138,010)
	<b>147,016,525</b>	<b>95,631,885</b>

As at December 31, 2023 and 2022, the caption Debtors from promissory contracts refers to amounts receivable under real estate sale agreements, most of which are recorded in domestic currency, with the remainder recorded in foreign currency, whose accounting policy is described in Note 2.5. The real estate properties were previously recorded under “Non-current assets held for sale” (Note 13) and the capital gains and losses arising from their sale were recorded under “Profit/(loss) from the sale of other assets” (Note 27), whose accounting policy is described in Note 2.10.