

Excellences, Distinguished Panellists, Ladies and Gentlemen

It is with great pleasure that on behalf of the AGT Angola General Tax Administration, who has appointed me for this mission, I would like to thank the UN FfDO for the invitation to such an honorable meeting and therefore take the opportunity to make a few remarks on the taxation of Service fees.

I would also like to thank you for your support on the technical cooperation project on the negotiation and administration of tax treaties which is currently undergoing and is thus of great importance to us.

Regarding the withholding tax on the payment of fees for occasional services, we were very pleased to have taken note on the approval of the inclusion of an article on a subject regarding the later matter on the UN model convention.

Angola has been, throughout its history, an importer of services. From day to day management services to high technology complex services associated to the extractive oil & gas and mining industries, virtually all services have a strong base of foreign service providers. Even though we have seen a huge growth on internal capabilities to provide an substantial part of the services otherwise imported, there is still an important demand for foreign service providers, in particular in such industries where there is bigger complexity, but also bigger value.

This means that, from an Angolan standpoint, there are still important sums of money being paid to foreign service providers for services performed in the country or to Angolan entities, which amount for an important part of the tax base of the country.

If we consider that a lot of these providers don't have a real presence in the country – and that even when they do it is not always easy to control the flows of income – one can really understand how important this topic is for Angola.

In fact, it is since 1997 that Angola put in place a special withholding tax levied on management and technical assistance fees, exactly to deal with this issue. Moreover, being aware of its shortcomings (namely regarding its limited scope), it was revised in the 2014 revision, being extended to all services, but kept in its principles. If we were to put away with such rule – final withholding on payments in consideration for services provided by foreign entities – we would experience a relevant drop in revenues and a huge increase in abusive operations to avoid taxation on the basis of the permanent establishment principle.

This is why Angola is so supportive of the inclusion of a provision on technical services which would reflect its internal concerns on its international tax policy.

According to our domestic legislation, these fees are, as mentioned, subject to a withholding tax rate of 6.5% of the total value of the service. The application of the tax

rules as described in Article 7 on business profits to these services could be considered an administrative challenge for the withholding tax on payments, in line with our domestic law, since there is no effective mechanism for reporting the later income or accepting deductions from it. Hence, the importance that we must attach to the inclusion of special rules for the taxation of technical services that enables us to continue with the withholding taxes.

Consequently, if we were to follow the current UN Model as it is we would find ourselves in a situation where it would be easy for taxpayers, on the basis of our double tax treaties, to avoid the domestic withholding, by simply avoiding permanent establishment exposure in Angola (which is easy by virtue of the nature of a lot of these services and also, we must admit, due to the difficulties in controlling these operations and these taxpayers).

Therefore, the inclusion of such rule in the UN model treaty will provide countries like Angola – and there are many – with a very important negotiation tool to protect its tax base.

We must, however, in congratulating all the work that has been done, and the results it has been able to achieve, also acknowledge some of its shortcomings... If we compare the domestic scope of services covered by the withholding tax in Angola and those covered by the technical services fees provision to be included in the UN Model we can easily see a mismatch that will still leave Angola in a difficult situation for the services covered by domestic legislation but not covered by the treaty provision.

It is thus essential for us to ensure that certain services, such as maintenance, installation and specialized technical assistance and consultancy services in wide range areas, can be included in the scope of the Treaty thereby imposing withholding tax instead of being covered by the business profits article, in which case Angola would not have the right to tax them unless they were carried out through a permanent establishment.

At this moment, with the aid of the new article on the UN model and with the support under our technical cooperation project, we will work on inserting a similar article into our template.

Thank you very much.