


## THE CHALLENGES OF TAX REFORM AND TAX EDUCATION IN ANGOLA 2012-2024

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### ABSTRACT

The aim of this article is to analyze how tax reform and tax education make the revenue collection system more efficient. The specific objectives of the tax reform are to define the concepts and principles of tax reform, to demonstrate the importance of tax education and to analyse the main challenges and benefits of tax reform. In this perspective, its theoretical foundation was based on the available literature substantiated by the deductive method with a qualitative approach, dealing with a theoretical and bibliographic review. Tax reform and tax education bring to the educational area a proposal based on the development of man as a citizen, seeking to be a new tool for the development of the country.

**Keywords:** Tax System. Tax Reform. Fiscal Education.

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## INTRODUCTION

Taxation is fundamental for the functioning of the State, it enables the financing of essential public services, Angola due to the strong presence of the informal sector in the economy faces challenges related to the complexity of the tax system, the Tax Reform emerges as a proposal to make taxation fairer, more efficient and less bureaucratic, promoting economic development and reducing social inequalities.

Fiscal Education plays a crucial role in the formation of citizens aware of the importance of different taxes and their relationship with collective well-being. The population's lack of knowledge about the tax system and the destination of taxes can generate distrust in the government and encourage tax evasion practices in the various existing ways.

## THE PROBLEM

The Angolan tax system presents numerous complexities due to the lack of tax culture on the part of a large part of the population, the weak tax education provides an environment of tax evasion, in some cases due to ignorance of the obligations in other cases deliberately.

## STARTING QUESTION

How do tax reform and tax education make the revenue collection system more efficient?

## HYPOTHESES

H0: Tax reform and tax education cannot make the revenue collection system more efficient.

H1: Tax reform and tax education can make the revenue collection system more efficient

## JUSTIFICATION

The study is justified by the need to understand the Tax Reform in the economy and in society, thus highlighting the importance of Tax education as an instrument of persuasion for revenue collection, contributing to the awareness of the population about the role of taxes in the functioning of the State.

## DELIMITATION

This study will address the relationship between Tax Reform and Tax Education, in the period 2012-2024, considering the influence of Tax Education as a factor of citizenship.

## LIMITATION

The topic is extremely important, but this study faces some limitations that may impact its scope and depth, the complexity and breadth of the tax system, availability of updated data, political and institutional factors to achieve the measurement of Tax Education in Angola.

## OBJECTIVES

### General

Analyze tax reform and tax education as instruments of revenue collection.

### Specific

- a) Define the concepts and principles of tax reform;
- b) Demonstrate the importance of tax education;
- c) Analyze the main challenges and benefits of tax reform.

## THEORETICAL FOUNDATION

### TAX SYSTEM

The Angolan tax system is enshrined in the Constitutional Law described in article 101 of the Constitution of the Republic of Angola of 2010 of February 5 (CRA), as follows: "the tax system aims to meet the financial needs of the State and other public entities, ensure the implementation of the economic and social policy of the State and proceed to a fair distribution of national income and wealth"

Nunes, Elisa Rangel (2007) the tax system is composed of a range of taxes that have undergone mutations over time, and which guarantee effective revenues for the State, sustaining its collective needs, thus increasing its assets.

The tax system in Angola has a vast set of taxes, from these taxes that it taxes it is possible to survive the great difficulties, the reason for being is because taxes are potential means of collecting the revenues of any State, even if it does not carry out any other financial activity that may come from it revenues to carry out expenses, the State can survive only on its taxes. Therefore, we have the following taxes:

- **Urban Property Tax**, which is levied on the income from urban buildings located in the territory of the Republic of Angola, when they are leased or on their holding, when they are not, article 1 of the CIPU;
- **SISA Tax**, which is levied on transfers, for consideration, of the right of ownership and other comparable rights over real estate, article 12 of the CIPU Industrial Tax, which is levied on any profits attributable to the exercise of any activity of a commercial or industrial nature, even if accidental, such as: agricultural, aquaculture, poultry, livestock activity and among others provided for in article 1 of the CII.;
- **Labor Income Tax**, which is essentially levied on the remuneration or wages of natural persons, whether self-employed or employed; Article 1 of the CIRT.
- **Stamp duty**, which is levied on acts, contracts, documents, titles, operations and other facts regulated by special laws. Article 1 of the CIS.
- **Capital Application Tax**, which is levied exclusively on income from the simple investment of capital and is divided into two sections: A and B. Comprising in the first section the interest on capital borrowed in cash or in kind, regardless of the form in which the loan is presented; income from credit agreements; income arising from the deferral of time of an instalment or late payment, even if earned as compensation or penalty clause, stipulated in the contracts and among other income provided for in articles 3 and 4 of the CIAC;
- **Value Added Tax**, which is levied on the transfer of goods and the provision of services, under the terms of article 3 of the CIVA;
- **Taxes on Inheritances and Donations**, which is levied on all acts involving perpetual or temporary transfers of movable property of any value, kind or nature, whatever the denomination or form of the title, its regulation is defined by Legislative Diploma 230, of 21 May 1931, repealed by law 20/20 of 9 July.
- **Special Consumption Tax**, which aims to tax the consumption of certain goods in an autonomous and aggravated manner, insofar as their use is harmful to the health of consumers. It is levied on certain goods produced on national soil, imported and released for consumption, such as: Petroleum products, alcoholic beverages and added sugar, tobacco and its derivatives, plastic bags and straws, among others, under the terms of article 1 of law 08/19 of 24 April.<sup>10</sup>
- **Tax Regime applicable to the petroleum sector**, regulated by Law No. 13/04, of 24 December, which approves the Tax Regime Applicable to the Petroleum Sector: here, under the terms of article 4, we have the following tax charges that are part of the taxes. Law 13/04 of 24 December:<sup>11</sup>

- a) Tax on Petroleum Production (IPP);
- b) Petroleum Income Tax (IRP)
- c) Petroleum Transaction Tax (ITP);
- d) Surface Rate (TS).

➤ **Tax Regime applicable to the Mining Industry**, regulated by Law No. 31/11, of 23 September, Law that approves the Mining Code and applies to all national or foreign entities that carry out activities of recognition, research, prospecting and exploration of minerals on national soil as well as in other territorial or international areas over which international law or agreements recognize Angola's power of tax jurisdiction.

## TAX REFORM

Tax reform is usually closely linked to a set of factors, such as social, economic and political, as fiscal and extra-fiscal, it alone always causes, directly or indirectly, change in people's lives and in the socioeconomic structures of the country.

### Executive project for tax reform (PERT)

Since 2011, Angola has been in the midst of reforming the tax system. This reform process was carried out by an autonomous body – Executive Project for Tax Reform (PERT), a public body created by Presidential Decree No. 155/2010 of 28 July, in charge of conducting the implementation of the tax reform.

"PERT aimed to provide the country with a modern tax system, capable of responding to the objectives of tax policy and the challenges of socio-economic development, aiming not only at capturing greater revenues for the State, but also at constituting a valid and effective instrument in policies to attract investment, promote employment and social integration, through the increase of justice in the distribution of the contribution burden".

With the effective entry into operation of PERT, the General Guidelines of the Executive for Tax Reform, abbreviated as LGERT, are published and approved by Presidential Decree No. 50/11, of 15 March.

In terms of tax reform, in a first phase, it is urgent to carry out a thorough review and updating of diplomas transversal to the various taxes, such as a General Tax Code that will replace a 1968 law, a Tax Procedure Code (CPT) that will replace the 1948 Regulation, and a Tax Enforcement Code (CEF) that will succeed a 1950 law.

The objectives set by the LGERT, in the short term, in its various strategic areas of intervention, were met, the measures implemented, in view of the objectives of the tax reform, the following stand out:

- Within the scope of the tax reform already implemented, it resulted in a new, more stable regime for tax revenues of various natures, and the tax legislative package was published at the end of 2014 that stabilizes the tax "structure" that should govern the activity of economic agents.

### The approval of transversal diplomas, namely

- CGT (Law No. 21/14, of 22 October), the CPT (Law No. 22/14, of 5 December), and the CEF (Law No. 20/14, of 22 October),
- Capital Investment Tax Code (Presidential Legislative Decree No. 2/14 of 20 October);
- Consumption Tax Regulation (Presidential Legislative Decree No. 3-A/14, of 21 October);
- Stamp Duty Code (Presidential Legislative Decree No. 3/14, of 21 October); the Labour Income Tax Code (Law No. 18/14, of 22 October);
- Industrial Tax Code (Law no. 19/14, of 22 October) On the other hand, the introduction of an invoicing system, as a condition for the deductibility of costs in terms of industrial tax (art.17, no. 1, of Law no. 19/14, of 22 October) and provided for in the Legal Regime of Invoices and Equivalent Documents, approved by presidential decree no. 149/13, of 1 October, aimed precisely to boost the formalisation of the Angolan economy, in general, and to strengthen the accounting practices of companies with a view to their taxation by real profit.
- The approval of the Statute of Large Taxpayers by Presidential Decree No. 147/13, of 1 October, has given a more personalized and closer treatment to taxpayers who are better organized and structured from an administrative, human and financial resources point of view, who are in conditions conducive to the practice of abusive tax planning, harmful to the financial interests of the State.

There is no minimally efficient tax system without a machine that effectively manages the power to tax quickly and transparently.

The unification of the tax administration services was carried out with the creation of the General Tax Administration (AGT) approved by Presidential Decree No. 324/14, of 15 December, fulfilling precisely one of the structural objectives proposed by the LGERT within

the scope of the reform of the tax administration. the need for greater articulation of the two structures, in particular, in terms of taxpayer registration, more efficient control of revenue collection, harmonization and interface of computer systems, inspection, litigation, professional training, among others.

The Law on the General Regime of Fees promulgated by the President of the Republic on 10 February and published in the Official Gazette on 16 February definitively established the public concept of the user/payer principle in the Republic of Angola, within the limits created by the principles of proportionality, fair distribution of public burdens.

The tax reform also included a tax pardon, approved by Law no. 20/14, of 22 October under the terms of paragraph 1 of article 7 of the aforementioned Law, "taxpayers with debts of II, IRT, IS, IAC, and IPU, whose tax facts have occurred in tax periods until 31 December 2012" are covered by the tax forgiveness.

Tax forgiveness includes taxes due and their legal additions, namely interest, fines and costs. In the event that the beneficiary of the tax pardon is a creditor of the State, it is operated by way of offsetting. (art.7, no. 2).

Tax reform is a challenge for governments to keep up with the socio-economic reality of countries and the most modern trends in taxation, in order to make their tax systems more competitive, fair, simple, efficient and effective in collection.

It aims to contribute to the formalization and diversification of the economy, to the broadening of the tax base of the states, thus the tax burden on families and companies, increasing resources for investment and economic growth and the promotion of employment.

The LGERT, the main objective of the Angolan executive will be to prepare in-depth interventions in the design of the tax system, the LGERT also aims to prepare and disseminate a study on the basic political options for the introduction of a new model of taxation of the income of individuals and companies, and the transition to a single model of income taxation may be in the executive's thinking.

The measures to be adopted should take into account the principles of benefit and ability to pay, as well as the preparation of the administrative machinery for effective tax collection.

Reform alone does not end with the decrees: the introduction of artificial intelligence (AI) demonstrates that universal dynamics must be followed.

The tax system "must have sufficient flexibility to allow it to adapt to future technological developments" (Tavolaro, 2000, p. 45), such as AI.

## TAX EDUCATION

Everyone has the duty to contribute to public and social expenditure, according to their economic capacity and the benefits they receive" (art.88 of the CRA).

Martins (2019), tax citizenship requires that all citizens and economic agents have a proactive attitude in order to be available to contribute to society, in order to participate in its economic, social and cultural development.

This article reflects very well how each citizen should do their part, but for a country like Angola the specificities and the recent past in the face of the armed conflict, families and some organizations (companies), compliance with tax obligations and not only how the annual declarations have presented challenges on the part of the AGT.

AGT launches National Program for Education and Fiscal Citizenship it comprised two phases from March to May and from July to November 2021, with the main objective of providing citizens with tools that increase and improve the level of tax literacy, introducing a new culture and awareness for the full exercise of citizenship and the fundamental duty to pay taxes, as well as knowing the advantages of your payment.

The first edition of the program, in partnership with the Agostinho Neto University (UAN) and the Association of Students of Private Universities of Angola (AEUPA), will have three (3) central acts, in Luanda, the launch of the first edition of the AGT Tax Technical Journal entitled "ULAMBU", which means tribute in the national language Umbundo, at the Faculty of Law of the UAN, the first AGT Digital Library, where various books, opinion and scientific articles, studies and benchmarking, dictionaries, monographs, magazines, leaflets, among other documents will be available.

The Program focuses on the staff of the Ministry of Education, for the inclusion of matters related to taxes in school books; university students enrolled in higher education institutions, where preference will be given to those who are attending courses related to tax sciences, namely economics, management, accounting, among others, General Tax Administration Technicians,

There is a commitment on the part of the Angolan executive to train citizens in financial matters and in this way they will teach and hold lectures of a formative nature, on the main taxes in force in our country.

Tax morality must be an intrinsic motivation for paying taxes. This means the will or moral obligation of an individual to contribute to the good of his country, through taxation.

Tax education faces obstacles due to limited time, money and human resources.



## METHODOLOGY

To carry out the research, the deductive approach method was used, which consists of the observance of a larger premise in search of a more particularized one, with a qualitative approach, dealing with a theoretical and bibliographic review.

## CONSIDERATIONS

Tax reform and tax education are closely related, as more efficient taxation requires citizens and businesses to better understand their role in financing the state. However, both face significant challenges.

**Challenges of the Tax Reform** The complexity of the current system, the Angolan tax system is complex, the legislation in some cases is not very widespread, economic and political groups have different interests, making it difficult to approve a balanced reform and in some cases the high tax burden makes it difficult for families and companies and the reform needs to redistribute this burden without excessively burdening certain sectors.

With regard to transparency and simplicity, reducing bureaucracy and making taxes clearer and more predictable is a major challenge.

**Equity and Tax Justice** The reform should ensure that taxation is fairer, preventing the population with low resources from being the most impacted, small companies should have differentiated treatment in terms of industrial tax.

**Challenges of Tax Education**, low knowledge of the population many citizens are unaware of how taxes are collected and applied, which generates distrust in the public administration.

Informality and tax evasion are recurrent problems in Angola, often encouraged by the complexity of the system, lack of incentives for tax citizenship few mechanisms encourage citizens to demand receipts when making purchases or monitoring the use of taxes, deficient basic education, tax education should be more present in the school curriculum, promoting awareness from an early age and not waiting for the efimeredes just as a way to show that something is being done, difficulty in measuring results, which means that the impacts of tax education are long-term and not always easy to evaluate, because control mechanisms are almost non-existent,

## SUGGESTIONS

For a tax reform based on international standards, it should seek to unify and simplify the different types of taxes, create a simpler system, reducing the tax on small companies,



that is, create in a certain way the general accounting plan (PGC) appropriate to the Angolan reality.

Reduction of IVA, improve transparency and reduce bureaucracy greater taxation on large fortunes and inheritances, debureaucratization and digitalization, create a more efficient and technological system, reducing administrative costs for companies and the government ensure that the collection is distributed more equitably. Create practical content, such as games, and interactive activities. Awareness campaigns for the population.

Create programs to explain the importance of taxes and how they are applied, for example; social media campaigns, educational videos and programs to encourage the issuance of invoices, encourage tax citizenship, training for entrepreneurs and professionals create courses and training on taxation for entrepreneurs, helping to reduce informality

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