

# CHANGES TO ANGOLA'S FOREX REGULATIONS - AVM

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**Recent liberalisation of the existing rules may strengthen the Kwanza and stimulate investment in the country itself**

Over the past few years, the Angolan authorities have been making a concerted effort to limit the dual US dollar monetary regime that developed over the past decades in the country, according to Claudia Santos Cruz, Managing Partner of AVM Advogados in Portugal. While the country has its own currency (the kwanza), due to the strength of its oil and gas industry, it also has a parallel currency – the US dollar.

"This fact may have made it easy for the West to turn to Angola for immediate and generous capital gains," explains António Vicente Marques, Founding Partner of AVM Advogados, "but in the process it has created a complex and diverse financial regime".

## **'Invisible' operations**

Critical to continuing the development and growth of Angola's national currency has been the

introduction of new foreign exchange (Forex) requirements, says Santos Cruz. These focus on current invisible operations, – which refers to payments for everything other than goods. These new regulations, effective as of September 5th, 2013, not only constitute part of a more general revision of the Angolan Forex Regulations that began two years ago, but many also have been influenced by the 2012 foreign exchange regime, applicable to entities operating in the oil and gas sector. "There have already been moves to catch foreign operations by making people establish domestic companies within Angola; open bank accounts and operate locally," says Santos Cruz. "But since many of these 'invisible' transactions occurred abroad, they did not benefit Angola, even if the services were being provided within the country." Therefore, historically there was a great deal of tax that was not paid to the Angolan Government.

With the new Forex changes, the Angolan Central Bank (BNA) has defined rules and procedures to be considered for payments for services and transport contracts and salaries, and the use of foreign exchange for travel and educational purposes by Angolan residents. The general rule was that if a company wanted to transfer funds outside Angola, after receiving them in a local bank account they had to seek permission from the BNA, explains Santos Cruz. However, the number of those exempted from having to receive prior authorisation has been extended to include payments under contracts for services to the Angolan oil and gas sector, with a value not exceeding US\$3m, and services to other sectors with a value not exceeding US\$1m – both of which used to have a previous limit of US\$300,000.

### **Future implications**

As a relatively young economy growing at a fast rate, introducing more flexibility also allows for Angola's financial system to evolve alongside economic growth. "Without referring to the country's political climate, the new systems that have been set up in Angola – the new information technology, the restructuring of various ministries – all mean that commercial banks are now better organised as there is cross-checking and better control when registering these operations," says Vicente Marques.

For a country where export and investment are the main driving factors for economic growth, loosening the current restrictions has been generally welcomed by the Angolan and international business community. "We've come from a dramatic situation where everybody was trying to do business outside of Angola, to having stringent laws that meant we had to then try to help our clients sort out getting contracts approved that did not fit within the limits," says Santos Cruz. Now they are seeing an increase of those limits, which will help clients who struggled with the 300K transfer threshold.

In terms of those that will be impacted by these particular changes, Santo Cruz says it really depends on the type of client. Those running small to-medium enterprises will obviously be affected positively but for other clients, such as oil companies, it will not even register as the amounts involved are so low. As they work from an office based in the Angolan capital Luanda, Vicente Marques says local firms haven't been caught by surprise, as being on the ground, they can better understand what the authorities want for the country.

Therefore, with increased export of natural resources and sound investment from emerging economies, they both hope that one of the fastest-growing economies in the world will benefit from this recent liberalisation and further strengthen Angola's national currency.