HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

ANGOLA

VAT Credits and Refunds

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High-Level Summary Technical Assistance Report
Fiscal Affairs Department

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: This HLS summarizes IMF technical assistance provided to Angola on strengthening the management of VAT credits and refunds. The mission assessed the significant accumulation of excess VAT credits—equivalent to 0.5 percent of GDP—and identified structural, legal, operational, and compliance-related factors behind this build-up. The mission recommends strengthening the integrity of VAT credits and refund processes through improved invoice controls, risk-based verification, enhanced Standard Audit File for Tax Purposes (SAF-T) and VAT filing compliance, alternative collection mechanisms for high-risk sectors, and development of modern risk analytics. It further recommends the establishment of an Extraordinary VAT Excess Credit Regularization Program to validate and clear long-outstanding credit balances, evaluation of cross-tax offsetting options, and implementation of measures to reinforce governance, transparency, and internal control across the VAT refund system.

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Background

In response to a request from the Angolan authorities, a capacity development mission of the IMF's Fiscal Affairs Department (FAD) visited Luanda, during the period September 8 to 19, 2025, to provide advice on VAT credits and refunds. The mission provided advice for ensuring the integrity of VAT credits as part of broader VAT compliance and anti-fraud strategies, aligning VAT refund processes with good international practices (e.g., risk-based verification), and supporting effective management of VAT credits and refunds, with a view to prevent vulnerabilities to corruption (e.g., accountability and transparency practices).

Summary of Findings

The stock of excess VAT credits accumulated up to November 2024 reached KZ 419,943.4 million, equivalent to 26.6 percent of 2024 revenue collection or 0.5 percent of the 2024 Gross Domestic Product (GDP). Although there is a sound legal framework to recover excess VAT credits, several factors explain this accumulation, such as the reduced 5 and 7 percent rates, the deemed VAT regime for petroleum companies (*regime do cativação*), as well as balances prior to December 2021 resulting from the existence of a zero-rate regime for certain domestic products and from the lack of knowledge about deduction rules in the early years of VAT.

Weaknesses have also been identified in the VAT refund management framework, deriving from an incomplete VAT compliance and anti-fraud strategy. The Angolan Revenue Authority (AGT in Portuguese) tends to wait until a refund is claimed before verifying the integrity of VAT credits, when ensuring correct reporting should begin much earlier. Previous IMF missions identified insufficient assurance over the legitimacy of suppliers issuing invoices, weaknesses in controls to ensure the authenticity and integrity of invoices used to claim credits, and delays or gaps in the electronic reporting of invoicing data (SAF-T) and VAT returns. Additional vulnerabilities arise from limited verification that the VAT for which a credit is claimed has actually been remitted, as well as from insufficient review and audit of VAT credit claims.

Accumulated excess VAT credits are concentrated around five activities: trade and vehicle repair (34.5 percent); administrative and support services (15.4 percent); construction (14.6 percent); manufacturing (9.7 percent); and the extractive sector (8.9 percent). In addition to sectoral concentration, there is also concentration at business levels: 4,326 businesses (21.2 percent of all VAT registered businesses) hold a significant share of the stock of excess credits. It was also found that businesses prefer to carry forward this excess rather than request refunds, perpetuating balances that are never verified or confirmed by the AGT, resulting in potential revenue leakages where credits are fictitious or inflated.

Summary of Recommendations

For ensuring the integrity of VAT credits, the mission recommended:

- A suspension or de-registration of businesses who fail to submit periodic VAT returns or are flagged as potentially fraudulent suppliers;

- A prior authorization of quantities, series and numbering for invoices granting VAT credits (a feature enabled by the new e-invoicing system);
- A set of enforcement actions to increase on-time filing of VAT returns, including the reporting of the SAF-T containing invoicing information;
- A set of alternative collection mechanisms to ensure timely and complete remittance of VAT from higher-risk industries, businesses or commodities; and
- New options to enhance VAT risk analysis capabilities with emphasis on VAT credits to improve audit case selection.

It is necessary to refine VAT refund management to enhance the effectiveness of the automation introduced in February 2024. Using cutting-edge risk indicators proposed by the mission can provide an end-to-end view of relative risk levels arising from VAT refund claims enabling a risk-based decision-making structure with three possible TADAT-type channels: a fast-track refund for low-risk cases (5 days), desk review for moderate-risk cases (10 days), and pre-refund audits for high-risk cases. To ensure both speed and security, accelerated refunds could be granted upon submission of an appropriate guarantee (e.g., bank guarantee), enforceable in the event of rejection.

Since VAT returns show that most taxpayers opt to carry forward credit balances to subsequent periods—rather than opt for requesting refunds—it is recommended to establish an Extraordinary VAT Excess Credit Regularization Program. This program aims to fully review the balances concentrated among 4,326 businesses, validating the integrity of accumulated credits, removing illegitimate amounts from balances, and expediting the payment of legitimate excess credits. It is also recommended that a technical-legal study be conducted to assess the convenience and feasibility of introducing legislation to allow the offsetting of excess VAT credits against other tax liabilities (e.g., corporate income tax, customs duties).

To increase transparency and accountability in VAT refund management, the AGT should adopt:

- A phased approval and review process based on claim value and risk level;
- Public reports about VAT credits and refunds ideally published on the AGT website;
- Refinements in the security protocols of the Integrated Tax Management System (SIGT);
- A new taxpayer single account system (envisioned but still not implemented);
- Preventive internal audits carried out on a regular basis;
- Staff-rotation schemes for personnel working in refund areas;
- Mandatory asset declarations for staff working in refund areas; and
- Updated rules and guidelines governing refund procedures and controls.