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Expanding the tax base

FY 2019/20 Namibia National Budget

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Namibia Budget Tax Proposals 2019

Below is a summary of the tax proposals that were delivered by Honourable Minister of Finance, Mr, Calle Schlettwein at the National Budget address on 27 March 2019:

- Phase out the preferential treatment granted to manufacturers and exporters of manufactured goods.
- Repeal of the Export Processing Zone Act and introducing the Special Economic Zones. A sunset clause for current operators with the EPZ status will be announced.
- Introduction of a 10% dividend tax for dividends paid to residents to enhance the fairness of the tax system.
- Abolish the current practice of a conduit (flow through) principles in the taxation of trusts to harmonize the taxation of trusts in line with regional economies.
- Subject income derived from commercial activities by charitable, religious, educational and other types of institutions under Section 16 of the Income Tax Act to normal corporate tax requirements.
- Taxing of all income earned from foreign sources. Namibian residents will have to declare such income in their annual tax returns.
- Increase the deductibility of retirement fund contributions from the current N$40 000 per annum to 27.5% of income with a maximum of N$150 000.
- Disallow deductibility of fees and interest paid to non-residents for calculating taxable income until payment of withholding tax is proven.
- Introduce VAT on listed asset managers' fees and on proceeds of the sale of shares or membership in a company largely owning commercial immovable property.
- Remove VAT zero-rating on sugar.
- Disallow deductibility of royalties for non-diamond mining entities.

Customs and Excise changes

Excise levy rate increases:

- Increase fuel levy by 25 cents per litre for all levied fuel products.
- Expand coverage of export levy to include specific agricultural, forestry and game products and other mining products.
- Increase export levy for dimension stones from current 2% maximum to 15%.
- Introduce an export levy of 15% for timber.

Specific excise duties increases:

- With effect from 21 February 2019, specific customs and excise duties are increased. The excise duties rates for alcoholic beverages such as beer, wine and whisky increased by between 7.3% and 9%. The rate of duty on a 20 packet cigarettes increased by 7.3% and cigars increased by 9%.

Environmental Taxes

New Environmental levy items will be introduced under the Customs and Excise Act on the importation of lubricant oils, plastic bags and disposable batteries. The levies are as follows:

- A levy on lubricant oil of N$1.80 per litre
- An environmental levy of 5% of the cost of battery cells

The excise duties will become effective upon the gazette of the legislation.

NB: The following content of this publication is based on the existing Acts in force and does not take into account the aforementioned proposals as these have not been gazetted.

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2019
key dates

January

New Year's Day — 1

21 — PAYE Submission Date (Monthly Employees' Tax (PAYE))

21 — VAT Submission Date (Import VAT)

VAT Submission Date (Value-Added Tax) — 25

Individuals tax

Individual and trust income tax (excluding Unit Trusts registered as a management company)

Tax Rates (for all years of assessment from 1 March 2013)

Taxable Income (N$)	Base Rate	%
0 - 50 000	N$0	Exempt
50 001 - 100 000	N$0	18% of the amount exceeding N$50 000
100 001 - 300 000	N$9 000 +	25% of the amount exceeding N$100 000
300 001 - 500 000	N$59 000 +	28% of the amount exceeding N$300 000
500 001 - 800 000	N$115 000 +	30% of the amount exceeding N$500 000
800 001-1 500 000	N$205 000 +	32% of the amount exceeding N$800 000
Exceeding N$1 500 000	N$429 000 +	37% of the amount exceeding N$1 500 000

Allowances and fringe benefits

Any fringe benefits received by an employee in respect of services rendered, in cash or otherwise, are taxable. This does not include allowances paid to an employee in defrayal of costs incurred on behalf of the employer where the Income Tax legislation provides for it.

Entertainment and subsistence allowances and advances

Any portion of an entertainment and subsistence allowance or advance paid to a director, employee or other person in respect of travelling or entertainment or any other expenses incurred as part of performing employment duties, not expended for this purpose to the satisfaction of the Minister should be included in the taxpayer's taxable income.

Travel allowance

Travel allowances are taxable except to the extent that the Minister is satisfied that the allowance was expended for business travel. Accurate records must be kept of the travel costs (fuel and oil, maintenance, license fees, insurance, lease costs) and actual business mileage travelled.

Taxpayers need to keep a logbook to register every kilometer travelled.

Employer owned vehicles

The monthly taxable value of a company vehicle is 1.5% of the purchase price of the vehicle, where all running, maintenance and fuel costs are carried by the employer.

The monthly taxable value of a company vehicle is 1.4% of the purchase price of the vehicle where the fuel cost is carried by the employee.

The monthly taxable value is N$100, where the use of the vehicle is restricted to trips only between the employee's private residence and the place of employment.

Housing allowances

The taxable value of a housing loan to an employee is determined in relation to the official rate of interest, similar to where a loan, other than a housing loan, is granted to an employee. Any interest payable by the employee is deducted from the taxable benefit.

Where the employee resides in employer-owned accommodation free of charge or at a nominal rental, the taxable value is determined according to a specified table less any nominal rental paid by the employee.

Where the employee resides in accommodation leased by the employer, at no cost or at a nominal rental, the taxable value is equivalent to the rental charge less any nominal rental paid by the employee.

Any subsidy granted by an employer is taxable and must be included in taxable income.

The taxable value of a housing benefit can be reduced where an employer has an approved housing scheme which is a housing scheme registered with the Minister of Finance.

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2019 key dates

February

PAYE Submission Date
(Monthly Employees' Tax (PAYE))
20

VAT Submission Date
(Import VAT)
20

25
VAT Submission Date
(Value-Added Tax)

Second Provisional Payment Date:
Individual Provisional Taxpayer
28

Individuals tax (cont.)

Housing allowances (continued)

The taxable value of an approved housing scheme is calculated as follows:

Remuneration per annum (excluding housing benefit value)	**Taxable value**
Less than N$15 000	No taxable benefit
Less than N$30 000	[(housing benefit-15 000)/150 000] % x housing benefit x 2/3
More than N$30 000	Housing benefit x 2/3

Loans (other than housing loans)

The taxable value in respect of a loan granted by an employer is determined in relation to the official rate of interest - which is 12% where prime is less than 15%.

The taxable benefit will be:

- Where no interest is payable, 1% per month on the outstanding balance of the loan
- Where interest is payable, 1% per month less nominal monthly interest paid by the employee on the outstanding balance of the loan

Restraint of trade payments

Restraint of trade payments received by a company or person are taxable.

A deduction is allowed over the longer of three years or the length of time to which the restraint applies, for the person making the payment, provided certain conditions are met.

Remuneration earned by directors

The definition of remuneration as it relates to directors of private companies and public companies was amended.

Directors of private and public companies are subject to employees' tax.

Income exempt from tax

Lump sum payments from loss or variation of office

Where a lump sum payment is received as a result of the relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment as a result of an employee attaining the age of 55; due to ill health, superannuation or other infirmity; or because the person was considered redundant, an exemption of up to N$300 000 is available on the lump sum received. The N$300 000 is available over the lifetime of the individual.

Lump sum payments from a fund

Lump sum payments from a retirement fund, are payments received as a result of resignation from a fund, retirement or death of a member.

Lump sum benefits (not annuities) received as a result of a withdrawal from a pension fund or pension preservation fund is included in gross income. Lump sum benefits from a pension fund as a result of the death, superannuation, ill-health or other infirmity or retirement of the employee is not taxed. Generally, any amount received from a provident fund or preservation fund is included in gross income.

Lump-sum benefits received from pension funds, provident funds or preservation funds transferred for the benefit of the taxpayer to another pension fund, provident fund, retirement annuity fund or preservation fund within three months after the end of such year of assessment is exempt from tax. This is so if the taxpayer did not claim a deduction in respect of one of the following:

— Contributions made to a pension fund or provident fund; where the contributions is a condition of employment or holding of an office

— Contributions made to a retirement annuity fund as a member of the fund

2019 key dates

March

PAYE Submission Date
(Monthly Employees' Tax (PAYE)) 20

VAT Submission Date
(Import VAT) 20

21 Independence Day

VAT Submission Date
(Value-Added Tax) 25

Individuals tax (cont.)

Lump sum payments from a fund (continued)

One third of lump sums payable from a provident fund are exempt from tax provided that the lump sum was not paid as a result of the taxpayer's employment having been terminated due to dismissal or resignation or upon the dissolution of the provident fund or provident preservation fund. One third of lump sums payable from a provident fund are exempt provided that the lump sum was paid as a result of the retirement or death of the taxpayer.

Uniform allowance

The value or allowance given to an employee by the employer, as the Minister considers reasonable, for a special uniform which the employee is required to wear while on duty as a condition of employment. The uniform must be distinguishable.

Dividends

Any dividends (local or foreign) received by or accrued to a Namibian resident, other than dividends payable by a Namibian person to a foreign person. (Please refer to Non-Resident Shareholder's Tax (NRST)).

Interest received

Interest received by any person, other than a company, from any deposit in the Post Office Savings Bank and interest received by any person, other than a company and any external company not carrying on business in Namibia, from stock or securities, including Treasury Bills, issued by the Namibian government, or any regional council or local authority. This also includes interest in respect of a subscription share in any building society in Namibia.

Casual and study loans

Casual loans received from the employer not exceeding N$3 000 and any loan granted to an employee for study purposes.

Deductions from Income

Fund contributions

Contributions to any pension fund, provident fund or retirement annuity fund, long-term insurance policies and to any education policy for the tertiary education of the taxpayer's child are deductible to a maximum of N$40 000 per annum in total.

Donations

Any donation to a welfare organisation or an educational institution approved by the Minister may be deducted if:

- No individual is nominated as a beneficiary, or
- The deduction does not create or increase a tax loss, and
- A certificate is obtained from the welfare organisation or the educational institution.

Farming operations

We highlight certain specific provisions relating to farming operations:

- In determining taxable income, 100% of certain capital development expenditure is allowed which does not exceed taxable income. Any excess of the capital development expenditure is carried over and deducted in the following year
- Expenditure incurred in erecting buildings or acquiring a structure for domestic purposes for employees of the farmer is allowed to a maximum of N$50 000
- Expenditure incurred in respect of machinery, vehicles, implements, utensils and articles used for farming purposes is allowed over three years

Ring-fencing of assessed losses of certain trades

Assessed losses realised on certain trades carried on by natural persons are ring-fenced under certain conditions. These include sports practiced, dealing in collectibles, and the rental of residential accommodation, vehicles, aircrafts and boats if 80% of such residential accommodation, vehicles, aircrafts and boats are used by relatives of the taxpayer. Farming or breeding, if not carried on on a full-time basis, is also ring-fenced. Other trades that are ring-fenced include animal showing, performing, creative arts, gambling and betting.

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2019 key dates

April

PAYE Submission Date (Employee's Tax Recon – Employer)

1

19 Good Friday

22 Easter Monday

23 PAYE Submission Date (Monthly Employees' Tax (PAYE))

23 VAT Submission Date (Import Tax)

VAT Submission Date (Value-Added Tax)

25

Corporate tax

Corporate tax rates

Rates of normal company tax	
Corporate income tax	
Standard rate	32% (effective for years of assessment commencing on or after 1 January 2015)
Registered manufacturing companies	18% (for up to 10 years)
Mining companies	
Diamond mining	55% (50% + 10% surcharge)
Other mining	37.5%
Oil and gas	35% (plus Additional Profits Tax determined according to a formula)
Capital gains tax	None

Restraint of trade payments

Restraint of trade payments received by a company or person is taxable. A deduction is allowed over the longer of three years or the length of time to which the restraint applies, for the person making the payment, provided certain conditions are met.

Capital allowances

The following capital allowances are deducted to determine a taxpayer's taxable income where the assets are used for purposes of the taxpayer's trade:

Machinery, vehicles, sea-going craft, aircraft, implements, utensils and articles (excluding mining capital expenditure):

— A third of the acquisition expenditure in the year of purchase

— A third for each of the two ensuing years of assessment

— No deduction is allowed in the year of assessment in which the asset is sold

Buildings (excluding manufacturing buildings):

— 20% of erection cost (not purchase price) in the tax year during which the building is brought into use

— 4% of erection cost for the next 20 years following the year of erection

Manufacturing buildings used by registered manufacturer:

— 20% of erection cost (not purchase price) in the tax year during which the building is brought into use

— 8% of the erection cost for the next 10 years

The above building allowances (manufacturing and other) are not allowed in respect of:

— Costs which have been allowed under an allowance for leasehold improvements to a building or land

— Housing or housing facilities made available to employees or directors

Withholding taxes

Non Resident Shareholders Tax (NRST) – NRST is a final tax levied at a rate of 20% except where the owner of the company holds directly or indirectly at least 25% of the capital of the company paying the dividends. In that case the rate is 10%. The NRST is determined on any dividends declared by a company to a shareholder not ordinarily resident, doing business or managed or controlled in Namibia; or to an entity where more than 50% of the shares of that entity is directly or indirectly held for the direct or indirect benefit of a company not managed or controlled in Namibia. The rate may be reduced in terms of a double tax agreement

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2019 key dates

May

Workers' Day 1

Cassinga Day 4

20 PAYE Submission Date (Monthly Employees' Tax (PAYE))

20 VAT Submission Date (Import VAT)

Africa Day 25

VAT Submission Date (Value-Added Tax) 27

Ascension Day 30

Corporate tax (cont.)

Withholding taxes (continued)

Interest withholding tax – Withholding tax on interest is a final tax and is levied at a rate of 10% on interest (excluding interest from stock, securities including treasury bills issued by the Namibian government, regional and local authorities in Namibia) accruing to or in favour of any person (other than a Namibian company) from a Namibian banking institution or a unit trust scheme registered in Namibia. The rate may be reduced in terms of a double tax agreement.

Withholding tax on foreign interest – Withholding tax on foreign interest is a final tax and is levied at a rate of 10% on interest paid to non-residents. This withholding tax was introduced with effect from 30 December 2015. The rate may be reduced in terms of a double tax agreement.

Royalty withholding tax – Withholding tax on royalties is a final tax and is levied at a rate of 10% of the royalty amount as from 30 December 2015. (Previously 30% of the royalty amount was taxed at the relevant corporate tax rate). With effect from 30 December 2015, the ambit was expanded to include the right to use industrial, commercial or scientific equipment. The rate may be reduced in terms of a double tax agreement.

Withholding tax on services - The withholding tax on services rendered by non-residents to residents is a final tax and is levied at a rate of 10% with effect from 30 December 2015.

A tax at a rate of 25% must be withheld on directors and entertainment fees paid by residents to non-residents.

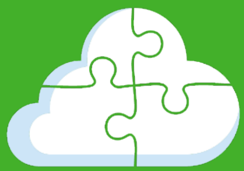
For purposes of withholding tax on services, a branch of a foreign entity is regarded as a resident.

Transfer pricing and thin capitalization

According to transfer pricing provisions, to determine the taxable income of an acquirer or supplier in an international transaction, who are connected persons, the Minister of Finance may adjust the consideration to reflect an arm's length price where the goods or services are supplied or acquired at a price less or more than the arm's length price.

The Minister of Finance has the power to adjust the liability of a taxpayer where he considers that a transaction, scheme or operation has been entered into which has the effect of avoiding or postponing liability for the payment of any tax imposed by the Income Tax Act, if it was entered into in an abnormal manner or has created rights not normally created in arm's length transactions.

In addition, Namibia has thin capitalisation rules in terms of which the deduction of interest may be disallowed if it is the Minister's opinion that the value of the financial assistance granted to a Namibian company by a non-resident connected person or a non-resident which holds more than 25% of the shares in the Namibian entity is excessive in relation to the Namibian company's fixed capital. The Minister has not prescribed a safe-harbour ratio in this regard.



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2019 key dates

June

PAYE Submission Date
(Monthly Employees' Tax PAYE)) 20

VAT Submission Date
(Import VAT) 20

25 VAT Submission Date
(Value-Added Tax)

Corporate tax (cont.)

Double tax agreements

As discussed, Namibia has certain withholding taxes, the rates of which may be reduced in terms of a double tax agreement.

Country	Dividends (%)	Interest (%)	Royalties (%)	Service fees (%)
Botswana	10	10	10	0/10(6)
France	5/15(1)	10	10	0(6)
Germany	10/15(1)	0	10	0(6)
India	10	10	10	0/10(6)
Malaysia	5/10(2)	10	5	0/5(6)
Mauritius	5/10(2)	10	5	0(6)
Romania	15	10	5	0(6)
Russia	5/10(3)	10	5	0(6)
South Africa	5/15(2)	10	10	0(6)
Sweden	5/15(1)	10	0/15(5)	0/10(6)
United Kingdom	5/15(4)	10	5	0(6)

(1) The lower rate applies where the beneficial owner/recipient is a company which holds directly or in some cases indirectly at least 10% of the (share) capital of the company paying the dividends.
The higher rate applies in all other cases.

Double tax agreements (continued)

(2) The lower rate applies where the beneficial owner is a company which holds indirectly or directly, or in some cases only directly, at least 25% of the share capital of the company paying the dividends. The higher rate applies in all other cases.

(3) The lower rate applies where the beneficial owner is a company which holds directly at least 25% of the share capital of the company paying the dividends and has directly invested in the equity share capital of that company not less than US$100 000. The higher rate applies in all other cases.

(4) The lower rate applies where the recipient is a company which controls at least 50% of the entire voting power in the company paying the dividend. The higher rate applies in all other cases.

(5) The lower rate applies where the royalties are paid in terms of any patent, secret formula or process, or for information concerning industrial or scientific experience. The higher rate applies in all other cases where the recipient is the beneficial owner of the royalties.

(6) In certain circumstances the withholding tax on services may be reduced to 0% under the business profits article.

Operators of ships and aircrafts

The income tax on operators of ships and aircrafts is determined by applying the tax rate applicable to the taxpayer to 10% of the gross transport charges. The operator of the ship or aircraft may not be subject to this tax where accurate records of taxable income derived by him from the embarking of passengers or the loading of livestock, mails and goods are provided to the satisfaction of the Minister. This is a final tax.

Financial services

We highlight certain specific provisions relating to financial services companies:

- Long-term insurance companies: The taxable income is determined at 40% of the sum of gross amounts derived from investments (including rentals) in and outside Namibia in respect of any long-term insurance business as well as managerial and secretarial fees received. The determination of amounts derived from long-term insurance business excludes certain amounts attributable to businesses carried on with pension funds, provident funds or retirement annuity funds, individual annuity contracts and interest on loans
- Short-term insurance companies: The Income Tax Act prescribes only certain types of expenditure that may be deducted including the amount of liability incurred in terms of premiums on reinsurance, the amount of liability incurred in terms of claims, expenditure incurred in the business of insurance and allowances in terms of unexpired risks and claims which have been intimated

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2019

key dates

July

Income Tax Submission Date (Individual non-provisional Taxpayers)

1

22

PAYE Submission Date (Monthly Employees' Tax PAYE))

22

VAT Submission Date (Import VAT)

VAT Submission Date (Value-Added Tax)

25

Corporate tax (cont.)

Mining activities (other than petroleum mining operations)

Receipts on sale of mining licence or right to mine minerals

An amount received or accrued, or the open market value in respect of the sale, donation, expropriation, cession, grant or other alienation or transfer of ownership of a mineral licence or right to mine minerals in Namibia is specifically included in the gross income definition. Specifically included is the direct or indirect sale of any share or member's interest in a company that holds a mineral licence or right to mine minerals in Namibia. The specific inclusion provides for either the consideration received or the open market value to be included in gross income. It is however possible to deduct the cost of the mineral licence or mineral right, which may not create a loss. The amount received in respect of the above transaction is deemed to accrue from a Namibian source irrespective of where the transaction was concluded, the payment was made or where the funds from which the payment is made are kept.

Deductions

All expenditure, actually incurred, whether directly or indirectly in connection with carrying out exploration operations in any area of Namibia is deemed to have been incurred only once the mine starts production.

The expenditure can only be deducted in the first year of assessment in which the mine starts production.

Any development expenditure actually incurred directly or indirectly in connection with carrying out development operations in any area of Namibia, will only be deducted in the year of assessment in which the mine starts production.

Mining activities (other than petroleum mining operations) (continued)

Deductions (continued)

Development expenditure will be deducted as follows:

— A third in the year of assessment in which such expenditure incurred,
— A third for each of the two ensuing years of assessment.

All development expenditure incurred before a mine starts production is deemed to have been incurred in the year the mine starts production.

Rehabilitation expenditure

No deduction for rehabilitation expenditure.

Past provisions deducted will be recouped if not expended for rehabilitation purposes, when the mine ceases operations, or when the funds are used for a purpose other than rehabilitation.

Recoupment

When a mining asset is disposed of and an exploration or development expenditure allowance was claimed in respect of such asset, the total proceeds, less any portion of the cost of the asset not yet deducted for tax purposes, is subject to tax in the taxpayer's hands.

Where any mining asset is withdrawn for use in non-mining activities or removed from Namibia, a recoupment of exploration and development deductions previously claimed is determined based on the market value of the asset at that time. This recoupment is, however, reduced by any portion of the original expenditure not yet deducted.

If a mine is disposed of as a whole, the purchaser may treat the value of preliminary surveys, shafts and boreholes as development expenditure. This means that the purchaser may claim a deduction in respect of these costs over a period of three years. For the seller, this value is then a recoupment of deductions previously claimed.

The value is determined by the Inspector of Mines. If the value exceeds the purchase price, the amount allowable as deductible development expenditure would be apportioned accordingly.

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2019 key dates

August

PAYE Submission Date (Monthly Employees' Tax (PAYE)) 20

VAT Submission Date (Import VAT) 20

26 Heroes' Day

27 VAT Submission Date (Value-Added Tax)

Corporate tax (cont.)

Royalties

A royalty levy is payable by the licence holder on the market value of any mineral or group of minerals won or found in the course of any prospecting or mining operations carried on. The levy is determined as a percentage of the market value of the mineral.

Group of mineral	Percentage of market value
Precious metals as well as base and rare metals	3%
Semi-precious stones, non-nuclear fuel minerals and industrial minerals	2%
Nuclear fuel minerals	3%

Petroleum mining activities

Receipts on sale of petroleum licence or right to mine petroleum

The gross income definition includes the sale, donation, expropriation, cession, grant or other alienation or transfer of ownership of a petroleum licence, or right to mine petroleum in Namibia. This includes the direct or indirect sale, donation, expropriation, cession, grant or other alienation or transfer of ownership of any share or member's interest in a company holding a petroleum licence or right to mine petroleum in Namibia. The acquisition costs and exploration expenditure as well as the cost of improving the petroleum licence or right may be deducted. The deduction may however not result in a loss.

Any income generated by a petroleum mining operation is taxed in terms of the Petroleum Taxation Act, No 3 of 1991. The tax is assessed on a License Area (in other words contract area) basis.

Gross income

Includes all amounts received/accrued in favour of a person from a licence area in connection with the exploration, development or production operations in that area.

Excludes capital amounts.

Is deemed to accrue in the year of (first) production. Any amounts received/accrued in the year before petroleum is first sold or commercially dealt with are carried forward.

Deductions

Revenue expenditure

Subject to certain exclusions, includes all expenditure actually incurred in respect of a licence area, in the production of income.

Not of a capital nature.

Capital expenditure

Exploration and development expenditure, actually incurred, in connection with carrying out exploration and development operations in any area of Namibia is deemed to have been incurred only once the mine commences with production.

For exploration expenditure, a 100% deduction is allowed in the first year of assessment in which the mine starts with production.

For development expenditure, a third is deducted in the first year of assessment in which the mine starts with production and one third in each of following two years.

Additional Profits Tax (APT)

In addition to the normal tax liability of 35%, the after tax net cash flow generated from petroleum mining activities of each license area is further taxed at three additional levels.

— APT will only be paid if the petroleum operations in a license area earns an after-tax real (inflation-adjusted) rate of return of 15%. A tax levy of 25% determined through a formula will be charged

— The second and third tiers of APT become payable once the profitability level exceeds 20% and 25% respectively. The rates of tax are bid-able by, and negotiable with, each prospective investor consortium, and the agreed rates will be set out in the respective Petroleum Agreement

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2019 key dates
September

First Provisional Payment Date: Individual, Provisional Taxpayer — 2

20 — PAYE Submission Date (Monthly Employees' Tax (PAYE))

20 — VAT Submission Date (Import VAT)

VAT Submission Date (Value-Added Tax) — 25

Final Return Submission Date: (Individual business/ farmer) — 30

Petroleum Mining Activities (Cntd)

Royalties

The holder of a production license shall pay a levy of either:

- 12.5% or
- 5%, depending on when the exploration licence in relation to the production area was issued.

Investment Incentives

Registered manufacturer status

Entities carrying registered manufacturer status may apply a tax rate of 18% for a 10-year period, whereafter it will revert to the general rate of 32% (for years commencing on or after 1 January 2015). Registered manufacturers may deduct the following:

- Land-based transportation costs (by road or rail) – 125% deduction
- Training costs – 125% deduction in respect of employees directly involved in a manufacturing process
- Remuneration of employees – 125% deduction in respect of employees directly involved in a manufacturing process
- Building allowances - 20% of the cost of erection in the year of assessment the building is brought into use and 8% of such cost for the following 10 years
- Export promotion allowance – 125% deduction

An exemption from VAT on the purchase and import of manufacturing machinery and equipment is also available to registered manufacturers.

In addition cash grants of up to 50% of direct cost of approved export promotion activities is available.

Investment Incentives (continued)

Export processing zone (EPZ)

The Export Processing Zones Act 1995 provides for the establishment, development and management of EPZs. A certificate must be obtained from the relevant EPZ managing entity before an EPZ enterprise may be set up.

Benefits accruing to EPZ enterprises are as follows:

- No VAT will be payable
- No customs and excise duty will be payable on imports or goods manufactured in an EPZ
- No income tax will be payable in respect of income derived in an EPZ
- No transfer duty will be payable in respect of the acquisition of immovable property nor any stamp duty on deeds relating to activities in an EPZ
- The provisions of the Foreign Investment Act, 1990 and Labour Act, 2007 (subject to certain conditions) do not apply in an EPZ

Exporters of manufactured goods

An allowance equal to 80% of the taxable income derived from exporting manufactured goods.

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2019 key dates

October

PAYE Submission Date
(Monthly Employees' Tax (PAYE))

20

VAT Submission Date
(Import VAT)

20

25

VAT Submission Date
(Value-Added Tax)

Indirect tax

Value-Added Tax

- Compulsory VAT registration threshold – Increased from N$200 000 to N$500 000 with effect from 1 January 2016 for every person who carries on a taxable activity. A threshold for voluntary registration was set at N$200 000
- Standard rate: 15% on the consideration
- Consideration – Price including any duties, levies, fees and charges, other than tax, and includes deposits other than deposits on returnable containers

VAT on imported services

- Paid at the rate in force (15%) on the consideration paid.
- Imported services that would have been either exempt or zero rated if rendered in Namibia are not subject to VAT.

Rules relating to the claiming of input VAT

Input VAT not previously claimed during the VAT period in which it was incurred may be claimed within a period of 3 years after the tax period in which the taxpayer first became entitled to such claim.

Where a taxpayer makes both exempt and taxable supplies – input VAT may be claimed in full provided that it was used for the making of taxable supplies which constitutes at least 90% of the business of the taxpayer.

Rules relating to the claiming of input VAT (continued)

Input VAT claims not allowed

- Passenger vehicles subject to certain exclusions
- Entertainment – unless taxpayer is involved in the business of providing entertainment services
- Supply of petroleum products including the importing thereof
- Subscription fees for sporting and social clubs

Zero-rated Supplies

- Direct exports
- Sale of a going concern
- International transport services including the transport of goods.
- Supply of electricity, water, refuse removal and sewerage to a residential account
- Petrol, diesel and paraffin
- Mahangu and maize meal
- Supplies of goods or services to an EPZ company or EPZ management company
- Services rendered outside of Namibia
- Erection or sale of residential buildings
- Postage stamps and telecommunication services
- Supplies made by charitable organisations including associations not for gain
- Supply to a non-resident who is outside Namibia at the time the services are rendered other than services in connection with:
- Tour operators
- Immovable property situated in Namibia
- Movable property situated in Namibia unless the movable property is subsequently exported

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2019 key dates

November

20 PAYE Submission Date (Monthly Employees' Tax (PAYE))

20 VAT Submission Date (Import VAT)

25 VAT Submission Date (Value-Added Tax)

Indirect tax (cont.)

Exempt Supplies

- Financial services. With effect from 1 January 2016, these include financial services rendered to non-residents who are outside Namibia at the time the service is supplied
- Medical or paramedical services and accommodation in hospitals, nursing homes etc.
- Public transport services
- Long-term insurance contracts
- Fringe benefits to employees
- Supplies to foreign heads of states
- Letting of residential accommodation
- Intercompany loans

Valid tax invoice checklist

- The words tax invoice appear prominently on the document
- Name and address of the supplier
- Name and address of the recipient
- VAT registration number of the supplier
- Date
- Document number
- Quantity and description of goods
- Consideration exclusive of VAT
- VAT amount
- Consideration inclusive of VAT

VAT periods

- Farming: Two, four or six calendar months as elected at the time of registration.
- Compulsory registration: Two calendar months as per the VAT registration notification.
- Voluntary registration: Six calendar months as elected at the time of registration.

Security on import VAT accounts

Security may be required for the importation of goods on an import VAT account with effect from 1 January 2016. Other conditions may also be prescribed by the Commissioner.

Other indirect taxes

Stamp duty

Stamp duty is levied at various rates on instruments referred to in Schedule 1 of the Stamp Duties Act, 1993 and includes mortgage/notarial bonds, transfer deeds, lease agreements, partnership agreements, insurance policies, security or securityships, bills of exchange other than cheques and promissory notes. A reduction in stamp duty on the transfer of immovable property for individuals as set out below is effective from 1 June 2013.

Stamp Duty brackets	Rates
N$ 0 to N$600 000	Exempt
Where the value or consideration exceeds N$600 000, for every N$1 000 or part thereof of the value or consideration that exceeds N$600 000	N$ 10

Persons, including trusts, other than natural persons pay stamp duty at a rate of N$12 for every N$1 000 or part thereof.

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2019

key dates

December

Human Rights Day / Women's Day
10

PAYE Submission Date (Monthly Employees' Tax (PAYE))
20

VAT Submission Date (Import VAT)
20

25
Christmas Day

Family Day
26

VAT Submission Date (Value-Added Tax)
27

Other indirect taxes (cont.)

Transfer duty

Persons other than natural persons pay transfer duty at a flat rate of 12% on the value of the property acquired.

With effect from 1 June 2013, transfer duty is levied on the value of land and buildings or mining rights acquired by natural persons under the Transfer Duty Act, 1993 as set out below.

The below rates differ in respect of agricultural land.

Transfer Duty brackets	Rates
N$ 0 to N$600 000	0%
N$600 001 to N$1 000 000	1% of the amount exceeding N$600 000
N$1 000 001 to N$2 000 000	N$4 000 plus 5% of the amount exceeding N$1 000 000
Exceeds N$2 000 000	N$54 000 plus 8% of the amount exceeding N$2 000 000

The previously proposed amendments to the Transfer Duty Act which would impose transfer duty on the sale of shares in companies and membership interest in close corporations owning residential property, commercial property, land and mineral licenses, has to date not been legislated.

Environmental and export taxes

Environmental duties were introduced effective from 11 July 2016 on certain disposable goods such as imported electronic filament lamps, pneumatic tyres as well as on carbon dioxide emission for certain vehicles.

Administrative matters

Official rates of interest

Description	Rate
Fringe benefits – Interest free or low interest loan	12% per annum*
Late or underpayments of income tax (effective from 1 April 2009)	20% per annum**
Tax, penalties and interest owing on 1 February 1996	20% per annum***
Refund of overpayment of taxes	-
Late or underpayments of VAT	20% per annum**
Refund of VAT after prescribed period	11% per annum
Customs and excise	15% per annum

* Where the commercial overdraft rate is less than 15, the rate of 12% applies. Where the commercial overdraft rate is more than 15%, the rate of interest applicable is limited to a rate of 15%.

** Not compounded and may not in total exceed the amount of the original tax

*** Calculated daily, compounded monthly and may not (in total) exceed the amount of the original tax

Administrative matters (cont.)

Due dates, penalties and interest

Description	Due Date	Penalties	Interest
Provisional Tax- Individuals/Companies:	— First Payment- within six months after the start of the tax year — Second payment- at the end of the tax year — Third payment- within seven months after tax year end	— Late submission: N$100 per day the return is outstanding — Underestimation penalty: Up to 100% of amount underestimated — Late payment: 10% per month on the amount outstanding or unpaid	— Late submission: None — Underestimation: None — Late payment: 20% per annum
Income Tax return:	— Companies must submit annual returns within 7 months after the end of the year of assessment — Individuals are required to file their returns no later than the last day of June each year.	— Late submission: N$300 may be levied upon conviction. In practice, a penalty of 10% of the tax liability less any tax paid is levied upon assessment of the return — Incorrect statement which results in or would result in less than the correct tax: Up to 200% of amount short paid	— Late submission: None — Late payment: 20% per annum
Withholding taxes:	— 20th of the month following the month during which the withholding tax was deducted. (We note however that the initial section for date of payment has not been removed from NRST. Under this section the payment needs to be paid within 30 days of the date on which the dividend is payable)	— Late submission penalty: None — Late payment: 10% of the amount of withholding tax for each month or part thereof from the first day after the due to the date of payment of the amount	— Late submission penalty: None — Late payment: 20% per annum

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Administrative matters (cont.)

Due dates, penalties and interest (continued)

Description	Due Date	Penalties	Interest
Employees tax:	— 20 days after the end of the month to which the tax relates	— Late submission: None — Late payment/failure to withhold: 10% for each month the tax remains outstanding	— Late submission: None — Late payment: 20% per annum from the due date until the date of payment
VAT:	— 25 days after the end of the month to which the tax relates	— Late submission: N$100 per day for each day the return remains outstanding — Late payment: 10% of the tax payable for each month the tax remains outstanding	— Late submission: None — Late payment : 20% per annum from the due date until the date of payment
Import VAT:	— 20 days after the end of the month to which the tax relates		

* A penalty of up to 100% of the unpaid tax is charged if the first payment is less than 40% of the total tax and the total amount paid during the year is less than 80% of the total tax due.

Administrative matters (cont.)

Namibia Revenue Agency

— The establishment of the Namibian Revenue Agency is set for 1 October 2019.

Roll out of the Integrated Tax Administration System (ITAS)

— The new system replaced the Taxlive system and allows taxpayers to submit requests and file returns online once fully functional. Taxpayers are required to register as e-service users to utilise the benefits of e-filing.

Establishment of the Constitution of a Special Court for the hearing of Income Tax and Value-added Tax appeals

— In 2017, The Minister of Finance constituted the establishment of a special court to address tax appeals lodged under the provisions of the Income Tax Act and VAT Act as directed under the powers vested in him.

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