Budget Summary:

KPMG Namibia's 2022/23 Budget Summary

Growth under difficult circumstances

Namibia 2022/23 Key Budget Highlights

Finance Minister Ipumbu Shiimi on 24 February 2022 presented the 2022/23 Namibia Budget Statement. The theme for the budget is "*Reimaging, a better future for the youth*".

The budget comes at the backdrop of the Covid-19 pandemic and the resultant economic downturn. As such, the government finds itself in a difficult position where it is expected to stimulate economic growth, create jobs and opportunities for the youth, with very limited resources. The largest allocation of the budget was for sectors that serve the youth with various targeted initiatives announced.

On the other hand, there were expectations from the taxpayers to have some relief, which may have come from the proposed reduced non-mining corporate tax rate, increase in the amount that can be deducted for tax purposes annually on retirement, pension fund and educational policies, or incentives through the proposed Special Economic Zones.

Although the expected reductions were not announced, we commend the government for not increasing the income tax rates for individuals, which would have worsened their plight, but given that the individual scales and rates were last revised in 2013, we would have expected some adjustment in this regard to at least account for the effects of inflation.

Tax Policy:

Many expected introduction of amendments that have been announced for some time now.

Government has however put on hold the implementation and/or announcement of tax proposals in a bid to promote economic recovery. We expect consultative discussions with relevant stakeholders to still continue in the short to medium term, in order for the government to move the economy forward.

Proposals under consultation:

- Reduction of the non-mining company tax rate.
- Amendments to the Income Tax Act which includes proposals to increase the tax deductibility on retirement, pension fund, and educational policy contributions from the current N$40 000 to a maximum of N$150 000 annually, and enforcing the requirement by taxpayers to provide proof of payment of withholding tax on services.
- Amendments to the Value Added Tax Act which includes proposals for the zero rating of sanitary pads.

It is concerning to note that no amendments have been announced for the corporate tax rate as countries around Namibia have been steadily decreasing corporate tax rates, making Namibia less competitive in the region.

Administration:

- To replace the tax relief programme which ended on 31 January 2022, the government is set to introduce a modified Electronic Filing Tax Relief Programme for another twelve month period.
- The relief programme will entail the writing off of a certain percentage of interest and waiving of penalties. This move is aimed at promoting the online filing of tax returns and the general use of the Integrated Tax Administration System ("ITAS").
- The Namibia Revenue Agency ("NamRA") is said to be progressing well since its launch and on priority is the facilitation of the ease of paying tax and improvement of tax compliance.
- Following the establishment of NamRA, a Tax Policy Unit was created. Recruitment will be underway for the Unit to have capacity to start operating.

We have noted various system constraints and challenges on ITAS, which will need to be resolved if Government wishes to effectively increase revenue collection from taxpayers.

Sin Taxes: Excise duty proposed increases:

With effect from 23 February 2022 and in terms of the SACU Agreement, the following changes were announced, in relation to the "sin" taxes:

- a 340ml can of beer or cider will cost an extra 11c,
- a 750ml bottle of wine will cost an extra 17c,
- a 750ml bottle of sparkling wine will cost an extra 76c,
- a bottle of 750 ml spirits, including whisky, gin or vodka, will rise by N$4.83,
- a packet of 20 cigarettes will cost an extra N$1.03,
- a 25 gram of piped tobacco will cost 37c more, and
- a 23 gram cigar will cost an extra N$6.77

The above increases are not only necessitated by SACU Agreement, but also meant to discourage consumers from spending their income on these products, given the economic situation.

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