

Budget Highlights: Fighting Covid-19 & Boosting the economy

KPMG's 2020/21 Budget Summary

Finance Minister, Ipumbu Shiimi, delivered the National Budget address on 27 May 2020

Key highlights

The 2020/21 budget speech was presented under the theme "*Together Defeating Covid-19, Together Thriving Again*". The theme takes cognisance of the current challenges the nation is facing due to the Covid-19 pandemic.

The Minister stated that the four main goals of the budget are "to save lives, save livelihoods, save jobs and to place Namibia in a stronger position to thrive in the foreseeable future."

Based on the 2019/20 mid-year budget speech which was indicative of the mild recession of the domestic economy, coupled with the effects of the Covid-19 pandemic, the tax aspect of the 2020/21 budget comes as no surprise. Understandably, no new taxes were proposed for 2020 except for the usual increases on alcohol and tobacco products, the so-called "sin" taxes.

Tax Policy

Proposals on hold:

The below listed proposals that had been announced in the previous budgets are still under review, pending consultations with stakeholders before effecting the changes.

- Introduction of a 10% dividend tax for residents,
- Abolishment of the conduit principle which would result in the taxation of trusts,
- Subjecting income derived from commercial activities of charitable, religious, educational and other types of institutions under Section 16 of the Income Tax Act to normal corporate tax,
- Introduction of VAT on income of listed asset managers,
- Removing zero-rating in respect of sugar,

- Mandatory requirement to issue tax invoices by VAT vendors,
- Phasing out of tax incentives for manufacturers, and exporters of manufactured goods,
- Repealing of the provisions of the Export Processing Zone Act,
- Introduction of Special Economic Zones.

The proposal to disallow the tax deductibility of royalties for mining entities was withdrawn, to encourage investor confidence.

Individuals and employment tax

Taxpayers have been granted some relief as there are no increases or changes to the tax brackets that were announced.



Sin Taxes: Excise duty proposed increases

With effect from 27 February 2020 and in terms of the SACU Agreement, specific customs and excise duties are increased on excisable commodities.

Listed below are the changes:

- a 340ml can of beer or cider will cost an extra 8c,
- a 750ml bottle of wine will cost an extra 14c,
- a 750ml bottle of sparkling wine will cost an extra 61c,
- a bottle of 750 ml spirits, including whisky, gin or vodka, will rise by N\$2.89,
- a packet of 20 cigarettes will cost an extra 74c,
- a 25 gram of piped tobacco will cost 40c more, and
- a 23 gram cigar will cost an extra N\$6.73.

The amended rates of excise duty will be set out in more detail in a Government Notice to be tabled at a later stage, in terms of the Customs and Excise Act, 1998.

Excise levies and duties

Subject to further consultation, the following excise levies and duties as previously announced are being considered:

- expanding coverage of export levy to include other specific agricultural, forestry, game products and other mining products currently not covered by the export levy regime, and
- revising the export levy for forestry products from a levy in percentage rates to an amount in Namibia Dollars per kilogram to prevent undervaluation of forestry products such as timber.

Tax administrative reforms

There are key administrative reforms to be implemented during the financial year 2020/21 and over the medium term. These are inclusive of:

- The establishment of the long awaited Namibia Revenue Agency,
- Improving the tax administration to ensure compliance with the tax laws and improve efficiency of domestic collection,
- Leveraging of regional and international tax cooperation.

The Minister has however not elaborated on how these measures/reforms will be implemented.

Our Thoughts...

Consultation with various stakeholders will be key in ensuring that these reforms are implemented smoothly in order to achieve the desired results, which are: equity and fairness as well as an efficient revenue collection tax system that will provide ease of compliance for the taxpayers.



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