

# Namibia Budget Review 2007/2008



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# Namibia Budget Review 2007

Growing for the future\*

15 March 2007

*Where there is no change, no growth,  
there is stagnation*

*But where there is action, then the  
potential of the world is realised. Then it  
grows and blossoms*

*- RA Schwartz -*

# Agenda

- ◆ The basics of the Budget
- ◆ Budget analysis
- ◆ Tax legislation
- ◆ How do we compare with our neighbours?
- ◆ Vision 2030: Human Capital



## The Basics of the Budget – In Summary

- ◆ Pro-growth for the poor
- ◆ Growth strategy
- ◆ Higher than expected revenue
- ◆ Spending on Education, health, social welfare
- ◆ Budget surplus of N\$559 million
- ◆ Namibia Investment
- ◆ Infrastructure development / assistance



## The Basics of the Budget – Pro-Growth for the Poor

- ◆ Tax threshold
- ◆ Pension contributions
- ◆ Grants and allowances for orphans and children
- ◆ Social pensions up with 23%
- ◆ AIDS treatment programme (N\$ 450 million)
- ◆ Improved education and training (ETSIP)
- ◆ Green scheme and aquaculture

## The Basics of the Budget – Growth Strategy

- ◆ Use windfall to reduce debt
- ◆ Optimise revenue collection through tax law enforcement
- ◆ Well targeted public expenditure
- ◆ Deepened regional integration to attract investment

## The Basics of the Budget - Revenue

◆ Total revenue budget for 2006/07 raised from N\$ 15.3 billion to N\$ 16.2 billion due to –

- Revenue from SACU customs union pool exceeded expectations
- Sale of MTC shares (N\$ 648 million)
- Revenue collection from tax on target

◆ Revenue budget for 2007/08: 18.4 billion

- Increase of 13.6% on 2006/07
- SACU revenue: N\$ 8 billion (2006/07: N\$ 6.4 billion)

◆ Revenue 2007/08 comprises 36.3% of GDP

## The Basics of the Budget – Expenditure / Debt

- ◆ Budgeted expenditure for 2007/8 = N\$ 17.8 billion
- ◆ Expenditure expected to decline as % of GDP over next 3 years (35.2% in 2007/08 to 29.7% in 2009/10)
- ◆ Debt amounts to N\$ 12.5 billion in 2007/08
- ◆ 25% of GDP
- ◆ MTEF debt target ratio also 25% of GDP
- ◆ Additional debt commitments: N\$ 1 billion over next 3 years

## The Basics of the Budget – Expenditure Allocations

- ◆ Education – N\$ 3.3 billion
- ◆ Health – N\$ 1.4 billion
- ◆ Defence – N\$ 1.3 billion
- ◆ Police – N\$ 0.8 billion
- ◆ Housing – N\$ 0.4 billion
- ◆ Agriculture – N\$ 0.7 billion

# The Basics of the Budget – Namibia Investment

- ◆ Pension fund and long-term insurers:
  - Minimum investment of 5% in unlisted shares in Namibia
  - Qualifying investments in dual listed shares gradually reduced to 10%
- ◆ Exchange control exemption for oil companies
- ◆ 25% Namibian shareholding in foreign entities outside CMA

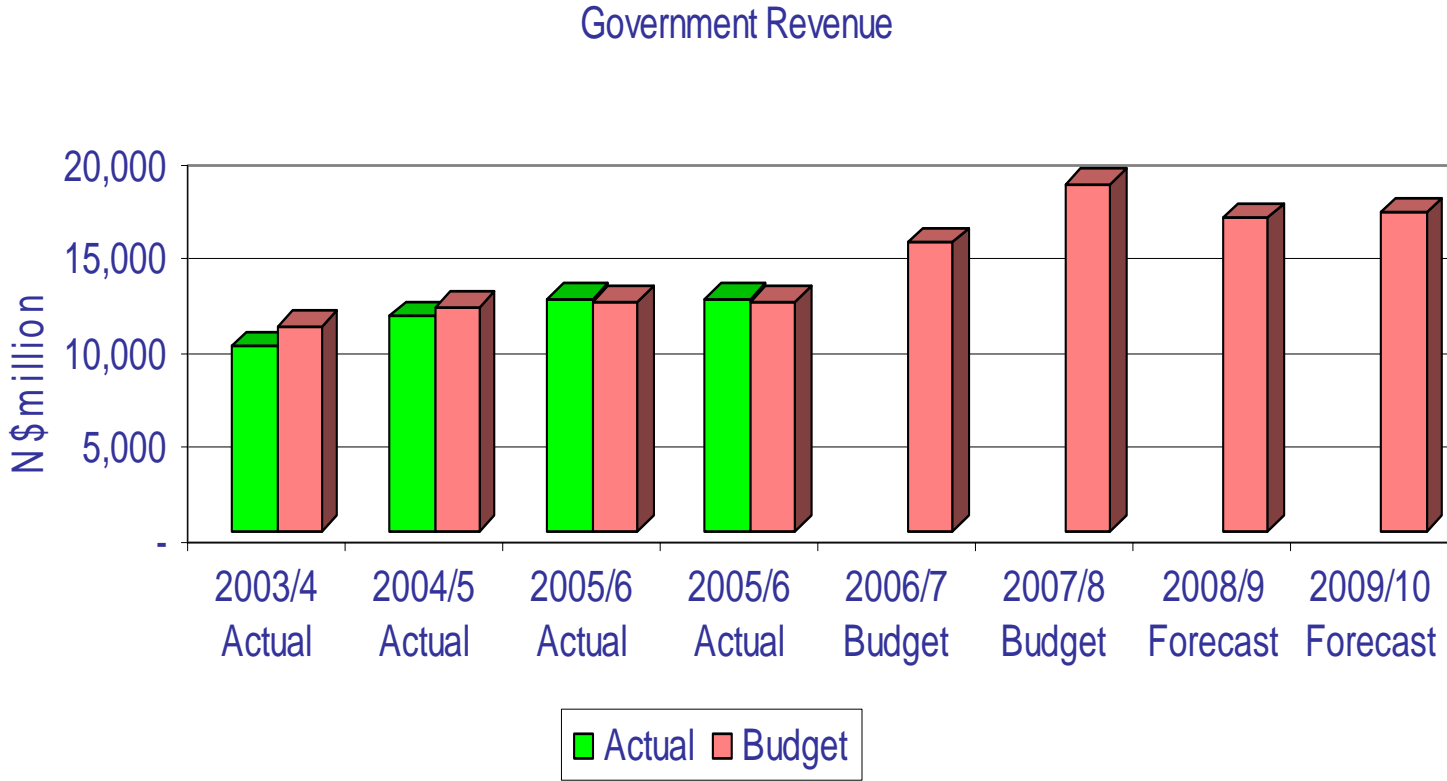
# The Basics of the Budget – Infrastructure Development / Assistance

- ◆ Rural infrastructure development: National road and rail network
- ◆ Nampower (N\$ 500 million)
- ◆ Agribank (N\$ 500 million)
- ◆ Development Bank (N\$ 29 million) for SME support
- ◆ Air Namibia (N\$ 1 billion) to secure lease of aircraft

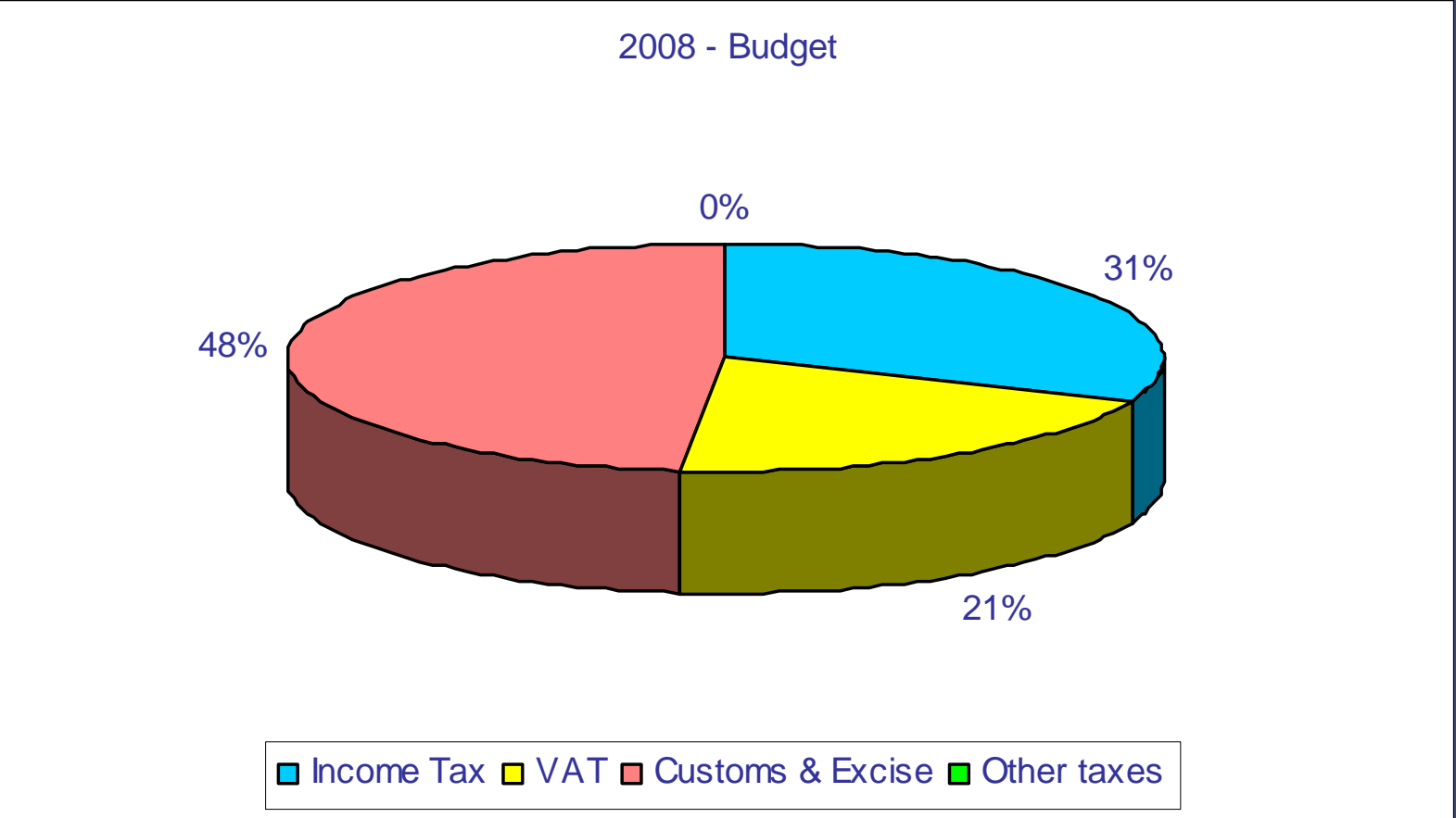
# A Budget Of Fiscal Discipline

	2003	2004	2005	2006	2007	2008	2009	2010
<b>N\$million</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>
<b>Revenue</b>	10,562	10,836	11,425	12,354	16,209	<b>18,400</b>	16,600	16,900
<b>Spending</b>	(11,477)	(12,243)	(12,493)	(12,772)	(15,288)	<b>(17,800)</b>	(17,100)	(17,500)
<b>Surplus / (Deficit)</b>	(915)	(1,408)	(1,068)	(418)	921	<b>600</b>	(500)	(600)
<b>Surplus/(Deficit) as % of GDP</b>	(2.8%)	(4.1%)	(2.9%)	(1.1%)	2.0%	<b>1.2%</b>	(0.9%)	(1.0%)
<b>Government debt</b>	7,924	10,213	12,642	12,772	14,264	<b>12,500</b>	13,000	14,100
<b>Debt as % of GDP</b>	24.5%	30.1%	33.8%	32.3%	31.4%	<b>24.7%</b>	23.7%	23.9%
<b>GDP</b>	32,309	33,941	37,385	39,502	43,949	<b>50,568</b>	54,808	58,923

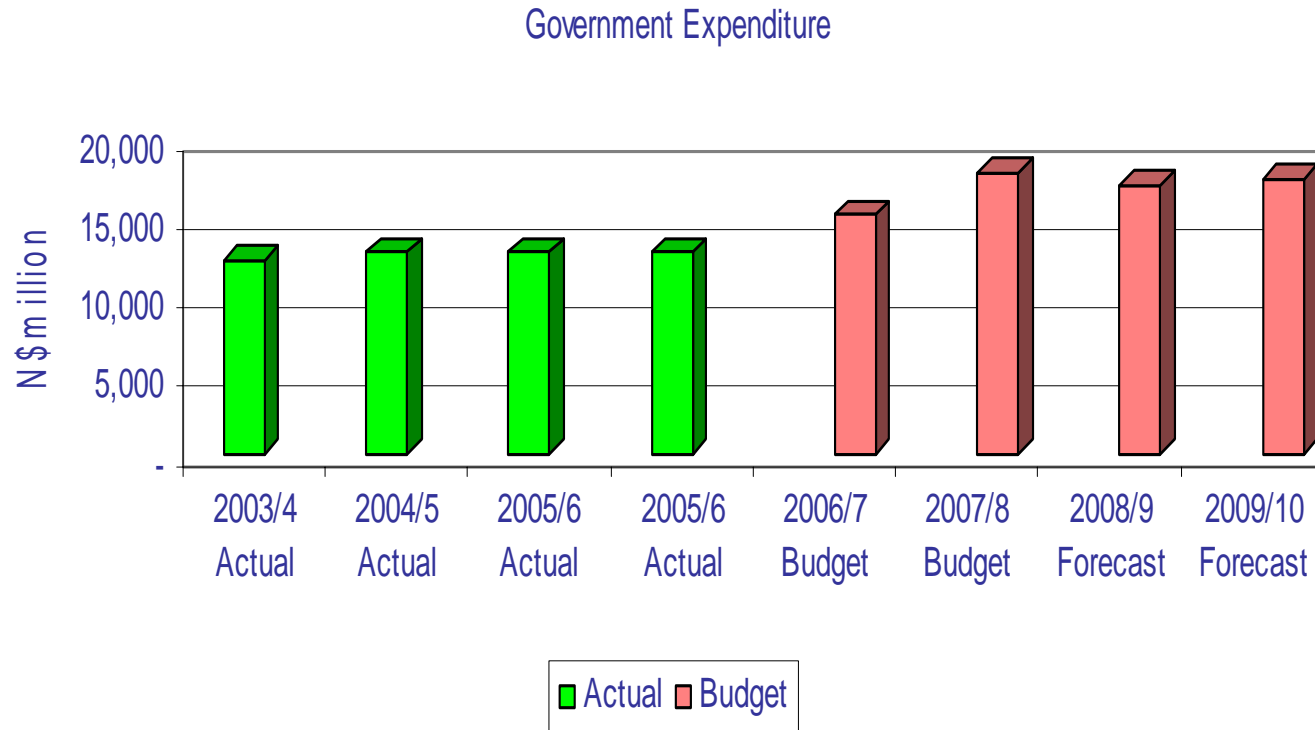
# Government Revenue On The Increase



# Tax Revenue Composition



# Increase In Expenditure in Line with Revenue



# Tax legislation Amendments

- ◆ Tax threshold lifted from N\$24,000 to N\$36,000
- ◆ Allowable deduction for retirement contributions increased from N\$30,000 to N\$40,000
- ◆ Withholding tax on interest – 10%
- ◆ Interest calculation on tax arrears changed from compound to simple interest
- ◆ Transfer Duty Act amendment to curtail avoidance of transfer duty through the use of Close Corporations



# How Do We Compare With Our Neighbours?



# Highest Tax Rates For Low And Middle Income Individuals

Taxable income N\$ / R	South Africa (Over 65) R	South Africa (Under 65) R	Namibia N\$	Botswana (Residents) N\$***
40,000	-	-	700	163
80,000	1,980	6,660	12,500	2,651
200,000	30,705	35,385	53,900	26,576
300,000	63,205	67,885	88,900	51,576
500,000	138,705	143,385	158,900	101,576
526,000	149,105	153,785	<b>168,000</b>	108,076
561,538	163,320	<b>168,000</b>	180,438	116,961
573,238	<b>168,000</b>	172,680	184,533	119,886
616,000	185,105	189,785	<b>199,500</b>	139,573
640,288	194,820	<b>199,500</b>	208,001	130,576
651,988	<b>199,500</b>	204,180	212,096	136,648
765,695	244,983	249,663	251,893	<b>168,000</b>
891,695	295,383	300,063	295,993	<b>199,500</b>
1,000,000	338,705	343,385	333,900	226,576

\*\*\* Converted at a rate of BWP 1= NAD 1.22477

# Highest Corporate Tax Rates

	South Africa	Namibia	Botswana
Corporate tax rate			
- Basic tax rate	29.00%	<b>35.00%</b>	15.00%
- Additional tax rate	0.00%	<b>0.00%</b>	10.00%
Branch taxation	34.00%	<b>35.00%</b>	25.00%
Manufacturing companies			
- Basic tax rate	29.00%	<b>18.00%</b>	5.00%
- Additional tax rate	0.00%	<b>0.00%</b>	10.00%
Secondary tax on dividends	12.50%	<b>Nil</b>	Nil
- From 1 October 2007	10.00%	<b>Nil</b>	Nil
Withholding tax on dividends (Subject to Double Tax Agreements)	Nil	<b>10.00%</b>	15.00%

# Highest Corporate Tax Rates Compensated By Lack Of Other Taxes

	South Africa	Namibia	Botswana
Value-added tax	14.00%	<b>15.00%</b>	10.00%
Donations / Estate duty	20.00%	<b>Nil</b>	Nil
Pension fund			
- Approved funds	Nil	<b>Nil</b>	Nil
- Unapproved funds	Nil	<b>Nil</b>	7.50%
Short-term insurance companies	29.00%	<b>35.00%</b>	15% + 10%
Long-term insurance companies			
- Corporate fund	29.00%	<b>14.00%</b>	15% + 10%
- Company policyholder fund	29.00%	<b>14.00%</b>	15% + 10%
- Individual policyholder fund	30.00%	<b>14.00%</b>	15% + 10%
- Other	9.00%	<b>14.00%</b>	15% + 10%

# Namibia's Relatively Small Economy

	N\$ Billion South Africa	N\$ Billion Namibia	N\$ Billion Botswana ***
Revenue	544.6	<b>18.4</b>	33.3
Expenditure	533.9	<b>17.8</b>	32.4
National budget surplus/(deficit)	10.7	<b>0.6</b>	0.9
GDP	1.8	<b>50.6</b>	81.0
Surplus/ (deficit) as percentage of GDP	0.60%	<b>1.19%</b>	1.12%
<b>*** Converted at a rate of BWP 1= NAD 1.22477</b>			

# Vision 2030 – Human Capital Development



- ◆ Focus on Alleviating Poverty
- ◆ Economic growth must result in employment
- ◆ Spending on education as our investment in human capital
- ◆ Accountability in education is critical
- ◆ NGSA

# Questions...



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