

# Weathering the Storm

Namibia Budget Review 2009/2010



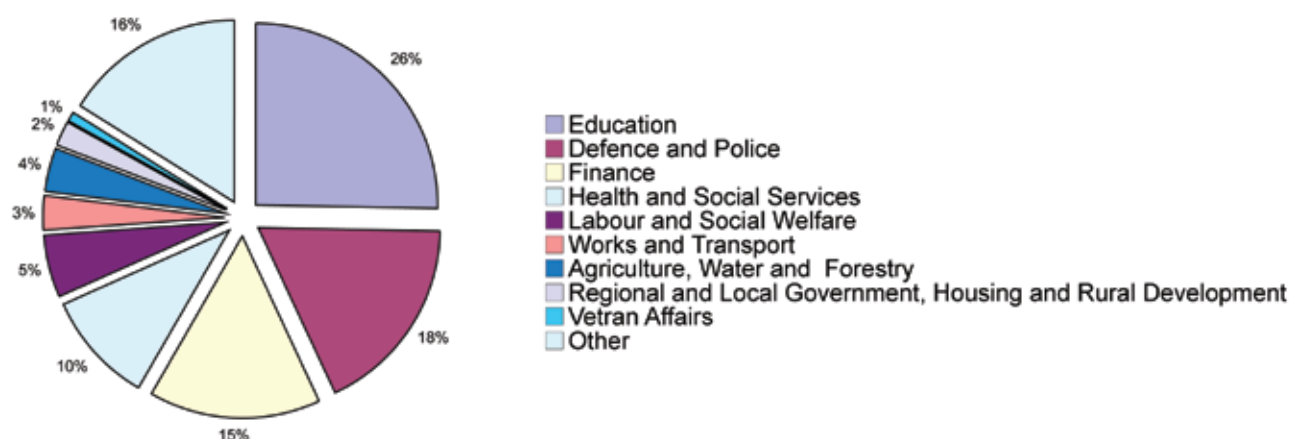
## INTRODUCTION

The Minister of Finance, Mrs Saara Kuugongelwa-Amadhila announced an expansive fiscal budget.

Government expenditure is to be allocated as follows, compared to 2008/09:

	2008/09	2009/10	% Change
Education	4,610	5,061	10%
Defence and Police	3,195	3,494	9%
Finance	2,779	2,352	(15%)
Health and Social Services	1,832	2,081	14%
Labour and Social Welfare	987	1,024	4%
Transport and Communication	598	672	12%
Agriculture, Water and Forestry	659	754	14%
Regional and Local Government, Housing and Rural Development	436	533	22%
Veteran Affairs	148	262	77%
Other	2,923	3,228	10%
<b>Total</b>	<b>18,167</b>	<b>19,461</b>	<b>7%</b>

### Government Expenditure per Department 2009/10



### Comparison 2008/09 to 2009/10



## FISCAL POLICY OUTLOOK

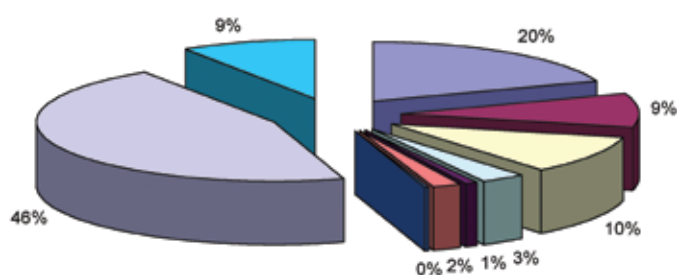
Projections of Revenue and Income for the Medium Term Expenditure Forecast (MTEF) 2009/10 to 2011/12

N\$ Millions			
	2009/10	2010/11	2011/12
Taxes on income and profit	6,267	6,916	7,640
Taxes on property	133	141	152
Domestic taxes on goods and services	3,441	3,545	3,822
Taxes on international trade	9,332	7,871	8,360
Other taxes	156	155	167
Withholding tax on income	150	162	175
Forensic auditing and collection of outstanding debt	700	700	700
<b>Total Tax revenue (A)</b>	<b>20,179</b>	<b>19,490</b>	<b>21,016</b>
<b>Total Non-tax revenue (B)</b>	<b>1,222</b>	<b>1,321</b>	<b>1,401</b>
Return on capital from lending and equity	27	27	26
<b>Total Revenue (A+ B) = C</b>	<b>21,401</b>	<b>20,811</b>	<b>22,417</b>
<b>Grants (D)</b>	<b>350</b>	<b>308</b>	<b>244</b>
<b>Total Revenue and grants (C + D)</b>	<b>21,751</b>	<b>21,119</b>	<b>22,661</b>

## EXPENDITURE ESTIMATES BY MAIN ITEMS FOR THE MEDIUM TERM EXPENDITURE FRAMEWORK

N\$ Millions			
	2009/10	2010/11	2011/12
Personnel expenditure	8,899.5	10,004.0	10,176.5
Goods and services	4,256.1	4,508.0	4,486.8
Subsidies and other transfers	4,812.6	4,811.4	4,916.2
Interest and borrowing related charges	1,351.8	1,431.5	1,795.4
Lending and equity participation	470.0	241.3	241.5
Capital acquisitions and transfers	882.0	782.0	764.3
Statutory expenditure	134.7	90.0	-
Total operational expenditure	20,806.7	21,868.2	22,576.7
Total capital expenditure	4,256.8	4,236.3	3,509.8
Total Expenditure	25,063.5	26,104.5	26,086.5

### Expenditure Estimates by Main Items 2009/10



- Personnel Expenditure
- Subsidies and other transfers
- Lending and equity participation
- Statutory Expenditure
- Total capital expenditure
- Goods and Services
- Interest and Borrowing related charges
- Capital acquisitions and transfers
- Total operational expenditure

## DEBT FINANCING PLAN FOR THE MTEF 2009/2010 TO 2011/2012

N\$ Millions			
	2009/10	2010/11	2011/12
Budget balance	(3,641.7)	(5,247.4)	(3,621.2)
Utilisation of cash reserves	2,000.0	2,000.0	500.0
Expenditure outside budget	(1,221.2)	(780.8)	(474.2)
Additional borrowing	1,221.2	780.8	474.2
Net borrowing requirement	(3,133.4)	(4,249.2)	(3,861.8)
Net issues of treasury bills	652.4	1,183.3	1,155.8
Net issue of government bonds	(489.9)	2,285.0	2,231.8
Net foreign borrowing	(1,221.2)	(780.8)	(780.8)
Total financing	3,133.4	4,249.2	3,861.8

## TAXATION

An environmental levy is introduced on disposable products that are harmful to the environment. The details will be announced at a later stage.

Further zero ratings of essential basic items were announced. The products are milk and sugar.

Medical services previously VAT exempt will become zero rated.

Pension payouts will be tax free where the full benefit of the payout is less than N\$50 000. Previously the threshold was N\$20 000.

## EXCISE DUTIES

Excise duty has been adjusted as follows:

	2008/09	2009/10	% Increase
	N\$	N\$	
Cigarettes	6.82	7.70	12.9% per packet of 20
Malt Beer	0.72	0.79	9.7% per 340ml can
Unfortified wine	1.84	1.98	7.6% per litre
Sparkling wine	5.63	6.16	9.4% per litre
Fortified wine	3.40	3.72	9.4% per litre
Spirits	21.84	25.05	14.7% per 750ml

## RATES

### Income tax – Individuals

Both the minimum marginal rate of 17.5% and the maximum marginal rate of 35% were adjusted.

The threshold tax-free amount was increased from N\$36 000 to N\$40 000. The bracket for N\$36 000 to N\$40 000 previously applicable has been abolished and the tax rate for the N\$40 000 to N\$80 000 bracket is reduced to 27%. The tax rate for the N\$80 000 to N\$200 000 tax bracket is decreased to from 34.5% to 34%. A further tax bracket is introduced for personal income above N\$750 000 per annum, to be taxed at a rate 37%.

The new scale of rates for individuals will be applicable for the year of assessment beginning 1 March 2009.

Taxable Income (N\$)	Rates of Taxes (N\$)
0 - 40 000	Not Taxable
40 001 - 80 000	0 + 27% for each N\$ above 40 001
80 001 - 200 000	10 800 + 32% for each N\$ above 80 001
200 001 - 750 000	49 200 + 34% for each N\$ above 200 001
Above 750 001	236 200 + 37% for each N\$ above 750 001

The resultant decrease in tax liability for individuals is illustrated below:

Taxable income	2009/10	2008/09	Decrease %
40 000	0	700	(100%)
80 000	10,800	12,500	(14%)
200 000	49,200	53,900	(9%)
500 000	151,200	158,900	(5%)
1 000 000	328,700	333,900	(2%)

The information contained in this booklet is based on current Namibian legislation and practice as well as the 2009/2010 Budget speech of the Minister of Finance. Amendments after publication of this brochure as well as the DIR's departmental practice may lead to further changes. This brochure is intended for general information only and does not deal exhaustively with any topics. No responsibility can be accepted for any errors or loss, however caused or sustained. The firm's partners should be contacted for tax planning issues.

## Companies

Relief is granted to companies (other than mining companies), in the decrease of the corporate tax rate from 35% to 34%.

Income Tax		
	2008/2009	2009/2010
Normal company income tax (excl mining operations and long terms insurance)	35 %	34 %
Branch income tax	35 %	34 %
Diamond mining companies	55 %	55 %
Mining companies (other than diamond mining companies)	37.5 %	37.5 %
Long term insurance companies (Rate of 34%, calculated on 40% of Gross Investment Income)	14 %	13.6 %
Petroleum income tax (exploration operations, development operations or production operations)	35 %	35 %

Other Taxes		
	2008/09 %	2009/10 %
Value added tax	15	15
Royalties	10.5	10.2
Non Resident Shareholders Tax	10	10
Transfer duty	8	12

Stamp duty is still applicable to share transactions, leases, contracts, deed of transfers, bills of exchange, bonds, certain customs and excise documents and life insurance policies.

PwC Walvis Bay Tel: +264 64 217 700 / Fax: +264 64 217 800  
 PwC Windhoek Tel: +264 61 284 1012 / Fax: +264 61 284 1001  
 Web site: [www.pwc.com/na](http://www.pwc.com/na)

Standard Bank Head Office Tel: +264 61 294 9111  
 Customer Contact Centre Tel: +264 61 294 2126  
 Web site: [www.standardbank.com.na](http://www.standardbank.com.na)

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Date of publication: March 2009