

# Namibia Budget Review 2009

## Weathering the Storm

19 March 2009



# Topical Tax matters



# Topical Tax Matters

Withholding taxes, effective from 01 March 2009 is payable on interest paid to any person other than a Namibian company

# Topical Tax Matters

Withholding tax on interest is calculated at a rate of 10%

# Topical Tax Matters

The person who is liable for the tax is the person to whom the interest accrues.

# Topical Tax Matters

Withholding is to be deducted or withheld by the Namibian Bank / Unit Trust Scheme, and paid over to the Receiver of Revenue.

# Topical Tax Matters

Interest received by Namibian companies, CC's etc will be taxed at the corporate tax rate

# Topical Tax Matters

Interest that accrued to any person who is exempt from tax ito section 16 will be exempt from withholding tax

# Topical Tax Matters

Banking institutions in Namibia need not issue annual certificates in instances where the tax collected does not exceed N\$100.00 per reporting period.

# Topical Tax Matters



**“Our terms are net 30 days. If you don’t pay after 30 days, we come after you with a net!”**

## Non-compliance

Do you realise how much it can hurt you if your VAT payments are underpaid?

# Topical Tax Matters

## Importing a service

Do you consider import VAT  
on importing a service?



# Topical Tax Matters



Do you reconcile your import VAT report on a monthly basis to Asycuda?

# Topical Tax Matters

For an export to be a direct export, adherence to requirements are important



# The 2009/2010 Budget

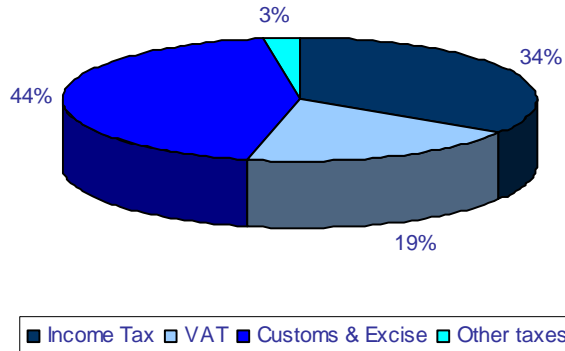


# The Numbers in the Budget

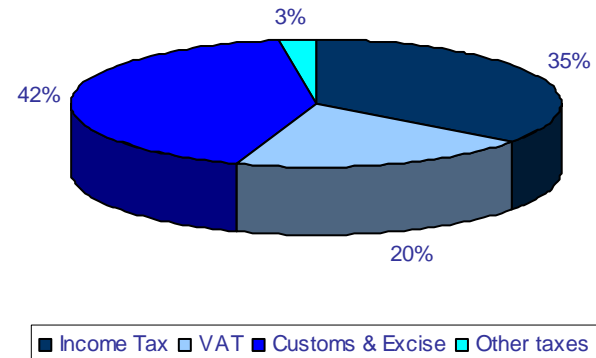
	2005 N\$million Actual	2006 N\$million Actual	2007 N\$million Actual	2008 N\$million Actual	2009 N\$million Estimate	2010 N\$million Budget	2010 N\$million Forecast	2011 N\$million Forecast	2012 N\$million Forecast
Revenue	11,425	13,108	17,593	20,617	<b>20,732</b>	21,753	21,753	21,145	22,687
Spending	(12,493)	(13,189)	(15,279)	(17,383)	<b>(22,469)</b>	(21,749)	(21,749)	(26,394)	(26,309)
Surplus / (Deficit)	(1,068)	(81)	2,314	3,234	(1,737)	4	4	(5,249)	(3,622)
Surplus/(Deficit) as % of GDP	(2.9%)	(0.2%)	4.8%	5.1%	<b>(2.6%)</b>	0.0%	0.0%	(7.1%)	(4.6%)
Government debt	12,642	12,772	13,636	11,693	<b>14,785</b>	16,515	16,515	17,599	-
Debt as % of GDP	33.8%	32.3%	28.3%	18.5%	<b>22.1%</b>	23.6%	25.6%	23.8%	0.0%
GDP	37,385	39,562	48,228	63,217	66,955	69,868	64,590	73,855	79,428
Revenue/ GDP	30.6%	33.1%	36.5%	32.6%	31.0%	31.1%	33.7%	28.6%	28.6%

# Tax Revenue Composition

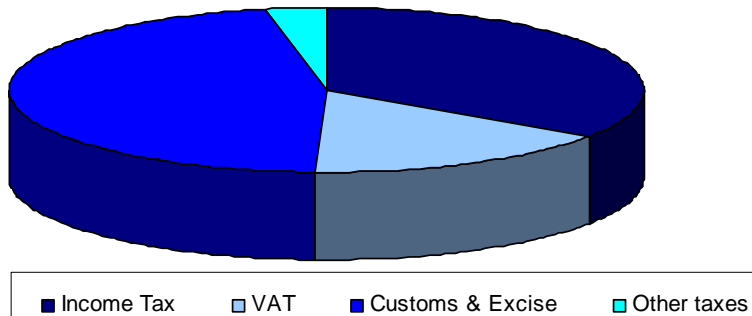
2009 - Estimate



2010 - PY Forecast



2010 - Budget



# How Do We Compare With Our Neighbours?

# Highest Tax Rates For Low And Middle Income Individuals

Taxable income	South Africa (Over 65)	South Africa (Under 65)	Namibia	Botswana (Residents)
N\$ / R	R	R	N\$	N\$***
40,000	-	-	-	74
80,000	-	4,644	10,800	2,298
200,000	25,604	31,004	49,200	25,449
300,000	55,604	61,004	83,200	50,449
500,000	128,304	133,704	151,200	100,449
526,000	138,204	143,604	<b>160,040</b>	106,949
567,090	154,640	<b>160,040</b>	174,011	117,222
580,590	<b>160,040</b>	165,440	178,601	120,597

\*\*\* Converted at a rate of BWP 1= NAD 1.2837

# Corporate Tax Rates

	South Africa	Namibia	Botswana
Corporate tax rate			
- Basic tax rate	28.00%	<b>34.00%</b>	15.00%
- Additional tax rate	0.00%	<b>0.00%</b>	10.00%
Branch taxation	33.00%	<b>34.00%</b>	25.00%
Manufacturing companies			
- Basic tax rate	28.00%	<b>18.00%</b>	5.00%
- Additional tax rate	0.00%	<b>0.00%</b>	10.00%
Pension fund			
- Approved funds	Nil	<b>Nil</b>	Nil
- Unapproved funds	Nil	<b>Nil</b>	7.50%
Short-term insurance companies	28.00%	<b>34.00%</b>	15% + 10%
Long-term insurance companies			
- Corporate fund	28.00%	<b>14.00%</b>	15% + 10%
- Company policyholder fund	28.00%	<b>14.00%</b>	15% + 10%
- Individual policyholder fund	30.00%	<b>14.00%</b>	15% + 10%
- Other	0.00%	<b>14.00%</b>	15% + 10%

# Other Tax Rates

	South Africa	Namibia	Botswana
Value-added tax	14.00%	<b>15.00%</b>	10.00%
Donations / Estate duty	20.00%	<b>Nil</b>	Nil
Secondary tax on companies - 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%

# Corporate Capital Gains Tax

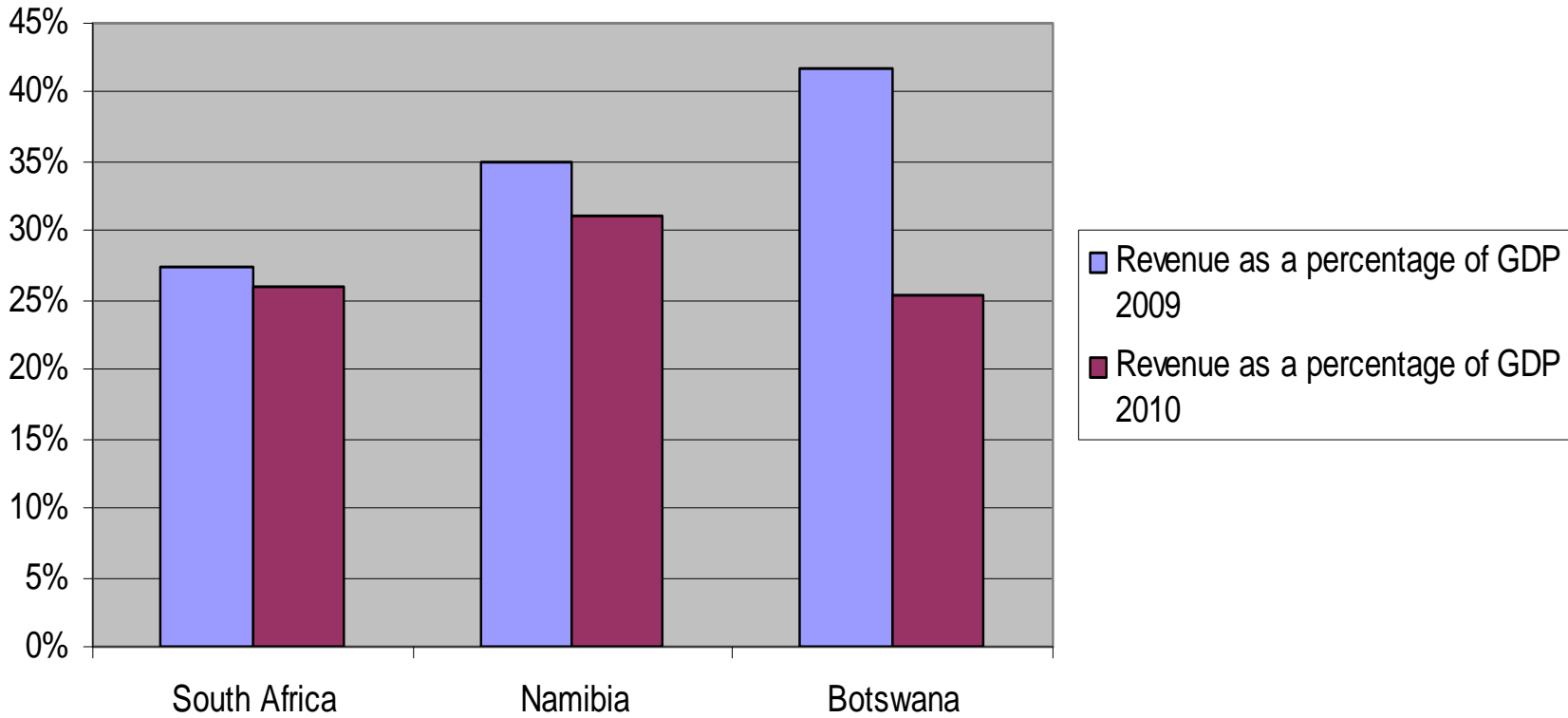
	South Africa	Namibia	Botswana
<b>Special Trusts</b>			
- Portion to be included in taxable income	25.00%	<b>0.00%</b>	
- Maximum effective rate	10.00%	<b>0.00%</b>	
<b>Other Trusts</b>			
- Portion to be included in taxable income	50.00%	<b>0.00%</b>	
- Maximum effective rate	20.00%	<b>0.00%</b>	
<b>Companies</b>			
- Portion to be included in taxable income	50.00%	<b>0.00%</b>	
- Maximum effective rate	14.00%	<b>0.00%</b>	
- Basic tax rate			15.00%
- Additional tax rate			10.00%

# Namibia's Economy\*

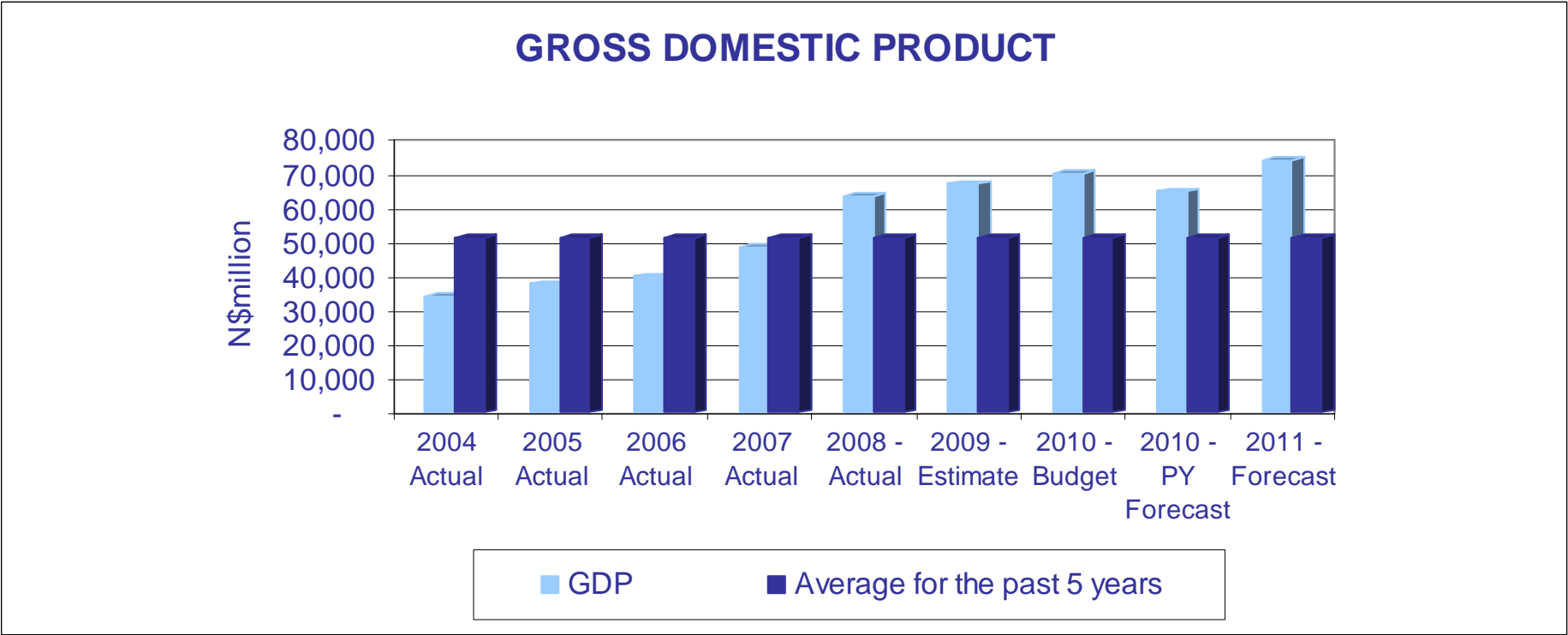
	N\$ Billion South Africa	N\$ Billion Namibia	N\$ Billion Botswana ***
Revenue	642.9	21.8	31.3
Expenditure	738.6	25.4	48.7
National budget surplus/(deficit)	-95.7	-3.6	-17.4
GDP	2,474.2	69.9	123.2
Surplus/ deficit as percentage of GDP	-3.87%	-5.21%	16.72%
Revenue as a percentage of GDP	25.98%	31.16%	25.41%

\*\*\* Converted at a rate of BWP 1= NAD 1.2837

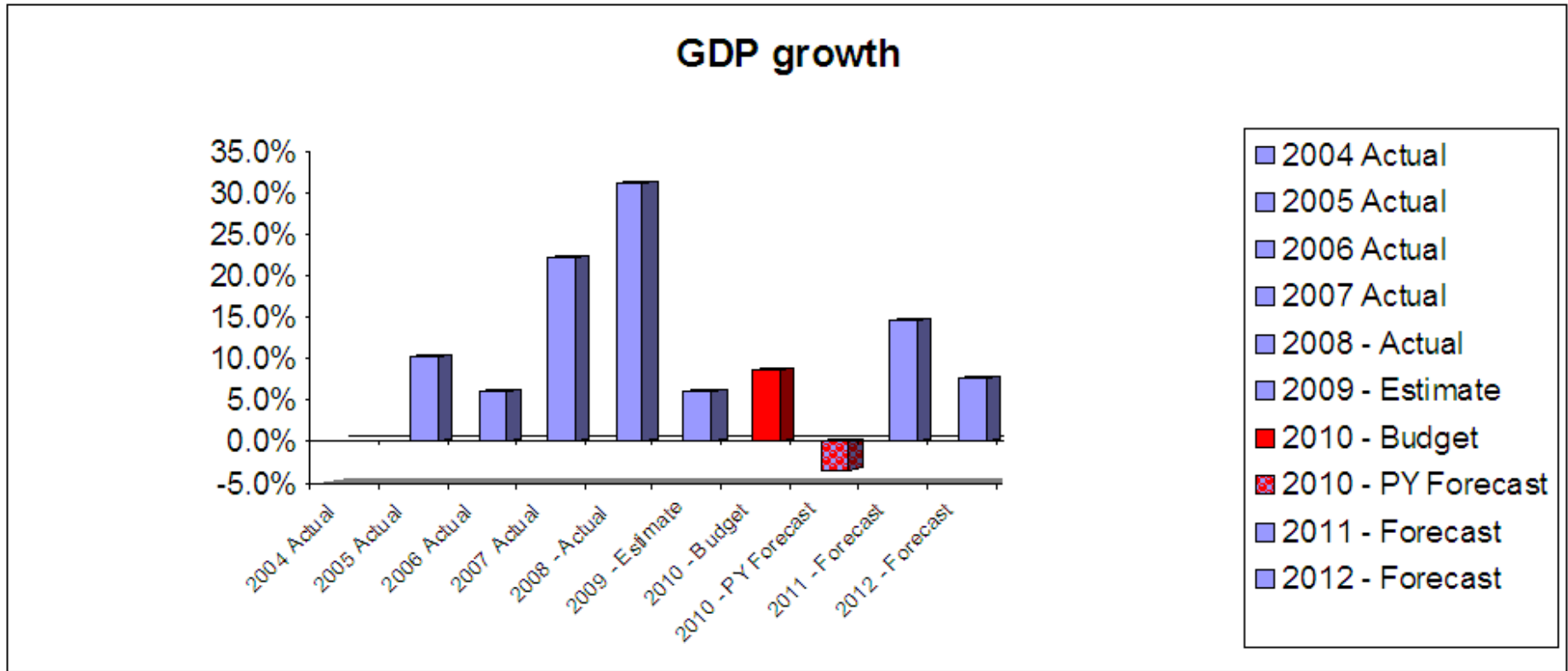
### Comparison with neighbours - Revenue as a percentage of GDP



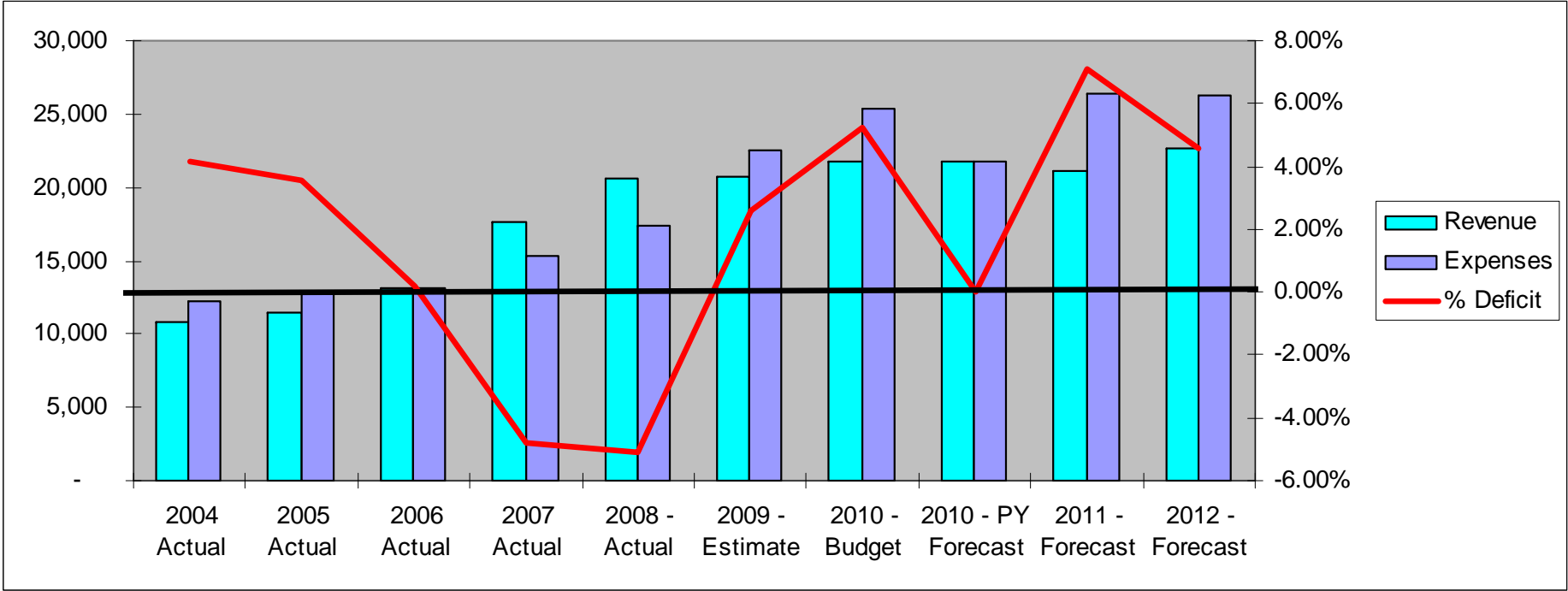
# Gross Domestic Product



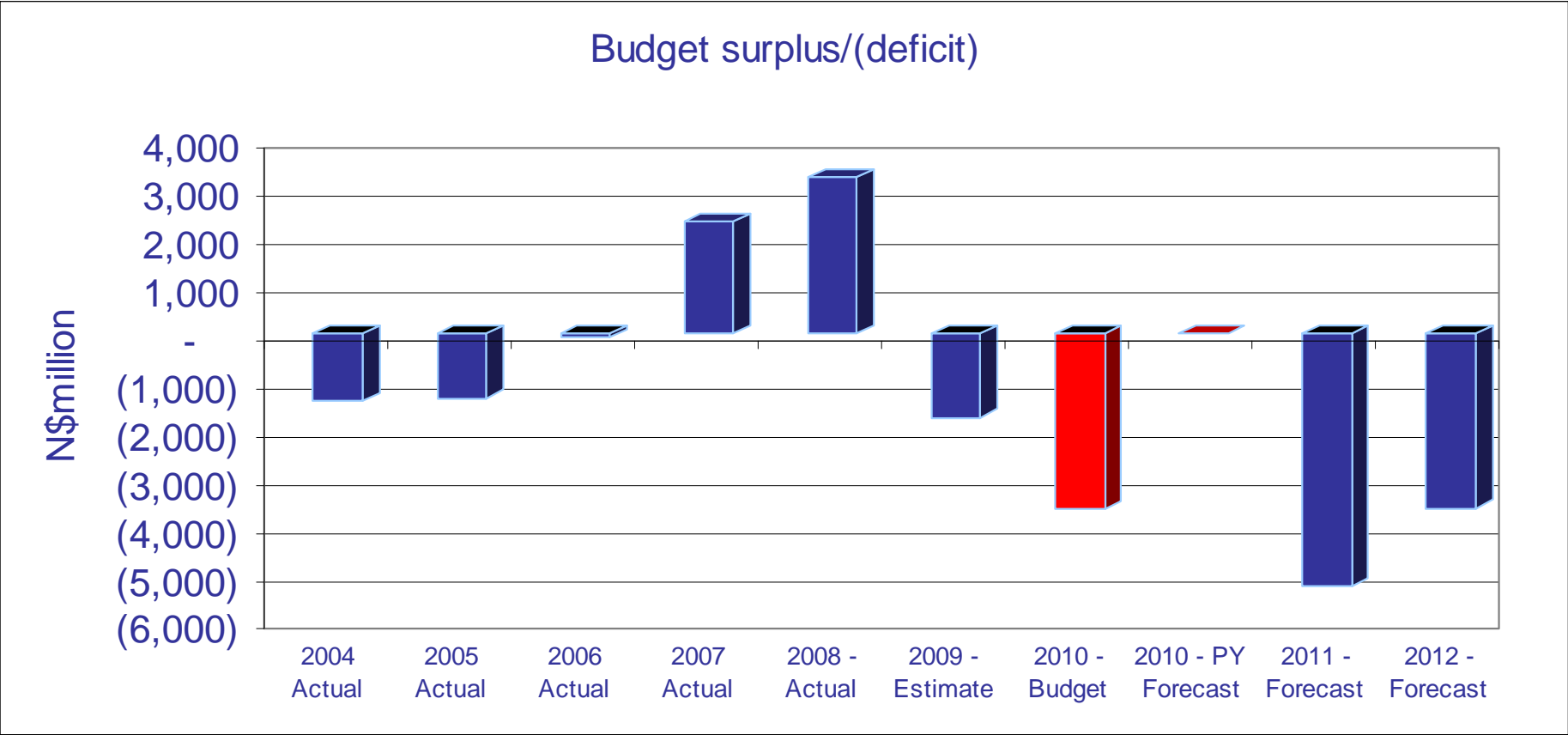
# GDP Growth Rate



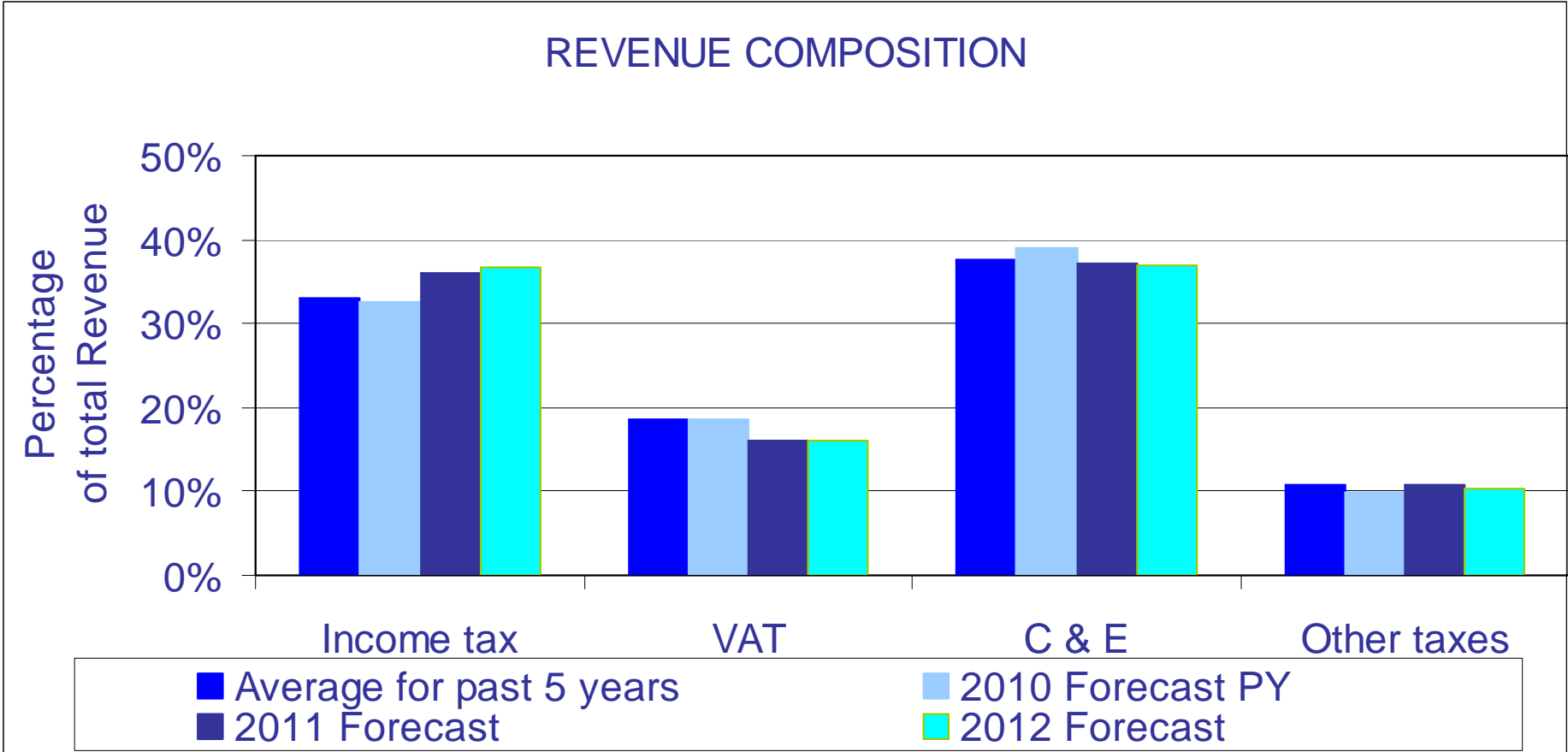
# Revenue vs Spending



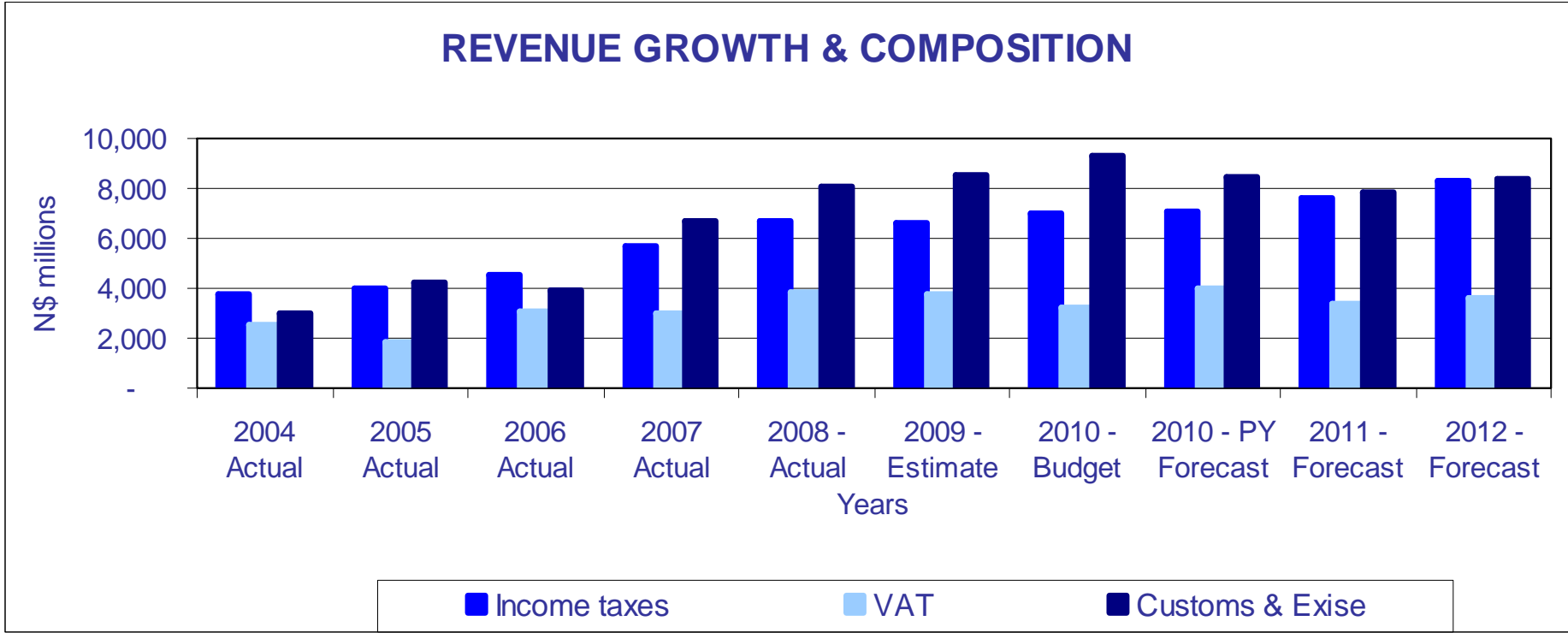
# Budget surplus/(deficit)



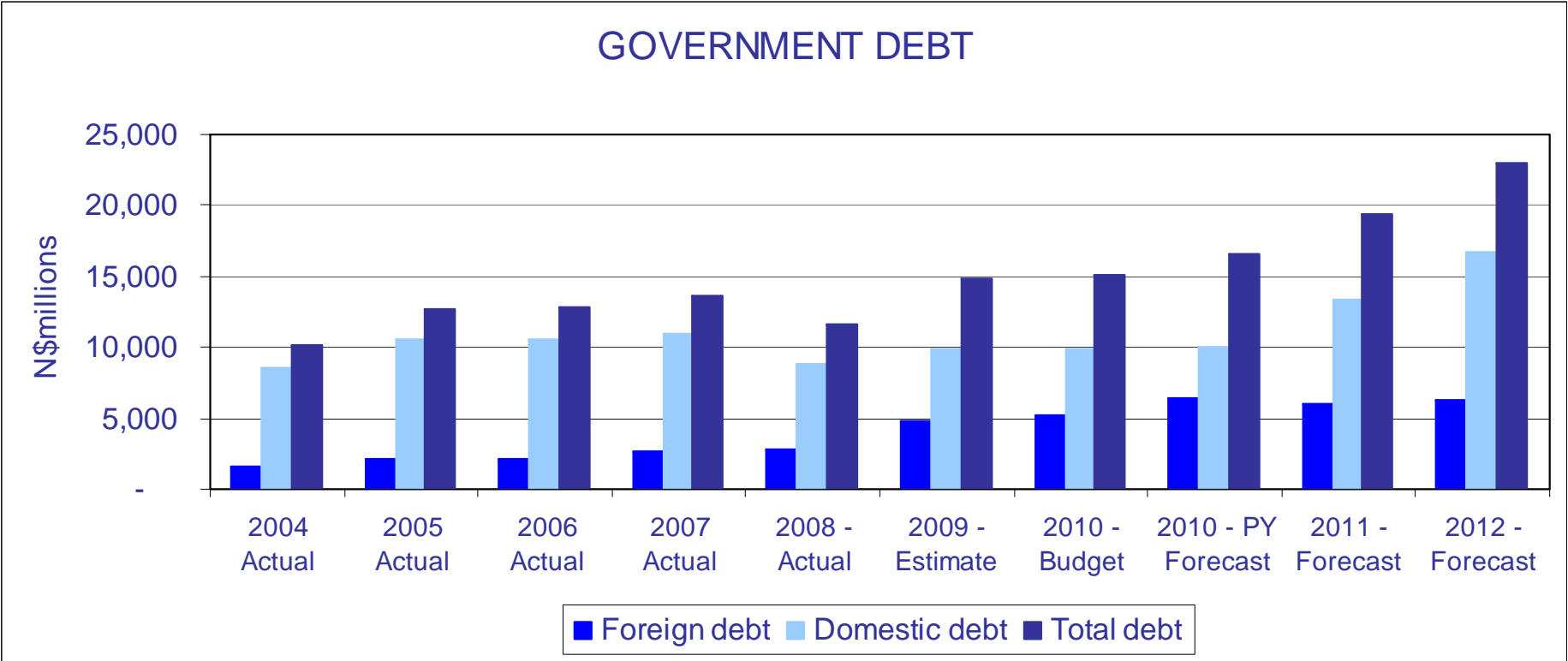
# Revenue composition



# Revenue growth & composition



# Government debt



# World Bank Doing Business Report

*Namibia is ranked 12<sup>th</sup> best, out of 181 countries, for obtaining credit, with the strength of legal rights relating to this, rating 8 out of a possible 10.*

*Namibia ranks 51st, out of 181 countries, for the general ease of doing business.*

# Ratings compared to neighbours

	South Africa	Namibia	Botswana
<b>Paying of taxes</b>	23rd	<b>96th</b>	17th
- Payments per year	9	<b>37</b>	19
- Time in hours per year	200.0	<b>375.0</b>	140.0
- Total tax rate (% of profit)	34.2%	<b>25.3%</b>	17.1%
- Total tax rate ranking	51	<b>20</b>	10

# Ratings compared to neighbours

	South Africa	Namibia	Botswana
<b>Registering property</b>	87th	129th	29th
- Number of procedures	6	9	4
- Time in days	24.0	23.0	11.0
- Cost (% of property value)	4.8%	9.9%	5.0%

# Ratings compared to neighbours

	South Africa	Namibia	Botswana
<b>Trading across borders</b>	147th	150th	149th
- Documents to export	8	11	6
- Time to export (days)	30.0	29.0	31.0
- Cost to export (US\$ per container)	\$ 1,445.0	\$ 1,686.0	\$ 2,508.0
- Documents to import	9	9	7
- Time to import (days)	35.0	24.0	16.0
- Cost to import (US\$ per container)	\$ 1,721.00	\$1,813.00	\$ 1,035.00

# Ratings compared to neighbours

	South Africa	Namibia	Botswana
<b>Starting a business</b>			
- Procedures	7	10	10
- Time in days	57.0	66.0	78.0
- Cost (% of income per capita)	53.6%	22.1%	2.3%

# *Ratings compared to neighbours*

	<b>South Africa</b>	<b>Namibia</b>	<b>Botswana</b>
<b>Closing a business</b>	73rd	52nd	26th
- Time (years)	2.0	1.5	1.7
- Cost (% of estate)	18.0%	15.0%	15.0%
- Recovery rate (cents per dollar)	32.20	39.50	60.30

# Ratings compared to neighbours

	South Africa	Namibia	Botswana
<b>Enforcing contracts</b>			
- Procedures	82nd	<b>36th</b>	92nd
- Time in days	30.0	<b>33.0</b>	29.0
- Cost (% of claim)	600.0	<b>270.0</b>	987.0
	33.20%	<b>29.90%</b>	28.10%

*Namibia is ranked 70<sup>th</sup> in the World Bank Survey for the protection it gives to investors.*

*Namibia ranks 38<sup>th</sup> out of 181 countries in dealing with construction permits, with 12 different procedures needed to be performed.*

# Tax tips



The Minister of Finance announced that milk and sugar will be added to the list of VAT zero rated foodstuffs.

The Value-added Tax Act will be amended to provide for the VAT zero rating of medical services. These services are currently exempt.

"The Honourable Minister of Finance, Saara Kuungongelwa-Amadhila, announced that an additional N\$1.87 billion is allocated to economic infrastructures bringing the total allocations to these sectors to N\$12.785 billion over the next three years."

The Honourable Minister of Finance,  
Saara Kuungongelwa-Amdadhila  
introduced a new tax bracket for  
income above N\$750 000.

Individuals with a taxable income exceeding N\$750 000 per annum will pay tax at the new maximum rate of 37 per cent for the 2009/10 tax year.

The Minister of Finance in her recent Budget Speech announced that properties with a value of less than N\$400 000 bought by individuals will be exempt from transfer duty.

Transfer duty on properties with a value between N\$400 000 and N\$800 000 will be 1 per cent compared to the current rate of 8%

The income tax rate for companies  
will be reduced to 34 per cent for  
non-mining operations

*The transfer duty rate for transfer by companies, trusts, close corporations and foundations currently set at 8 per cent will increase to 12 per cent.*

The Minister of Finance announced in her recent Budget Speech that an environmental levy on disposable products harmful to the environment will be introduced".

The threshold for tax-free amount has  
been increased to N\$ 40 000

A decrease in individual tax rates for income below N\$ 200 000 will be introduced.

The budgeted expenditure was increased in order to stimulate the productive capacity of the economy.

# Excise Duties have been increased effective 11 February 2009 as follows:

- Malt beer – increased by 7 cents to 79 cents per 340 ml can
- Unfortified wine – increased by 14 cents to N\$ 1.98 per litre
- Fortified wine – increased by 32 cents to N\$ 3.72 per litre
- Spirits – increased by N\$ 3.21 to N\$ 25.05 per 750 ml
- Cigarettes – increased by 88 cents to N\$ 7.70 per packet of 20.

# Total Tax Contribution Survey tips



Internationally and locally there is a perception that large companies do not pay as much tax as they should and hence there is an increased tax burden on others. Yet companies pay many other business taxes, apart from corporate tax, which also contribute to the public finances.

The survey gathers information on total business taxes borne and taxes collected in Namibia for the last two financial years (2007 and 2008).

For the purpose of the survey, PricewaterhouseCoopers has defined tax as “something that is paid to government (by businesses or individuals) to fund government expenditure, excluding payments where there is a specific return of value (for example, rents, and licence fees).”

Taxes borne are the company's immediate cost and will impact their results, e.g. payroll taxes form part of employment costs. Taxes borne are charged to the company's income statement and will ultimately be passed on to customers, employees or shareholders

Taxes collected are not the company's own costs, but taxes collected on behalf of government from others, e.g. employees' tax (PAYE) in respect of employees and VAT in respect of customers.

The Total Tax Rate measures the percentage of company profits paid in taxes and provides a useful measure of the total tax burden of a particular business.

$$\text{TTR \%} = \frac{\text{Total business taxes borne (Indirect tax + corporate tax)}}{\text{Profits before all business taxes borne}}$$

## Taxes borne

## Taxes collected

Corporate tax

Stamp duties

Transfer duties

PAYE

Social Security (employer)

Irrecoverable VAT

Customs duties

Levies

Social Security (employee)

Net VAT

NRST

The PwC Total Tax Contribution survey results facilitate an informed debate amongst stakeholders on tax and enhance corporate social responsibility reporting.

The data reported in the survey provides information that may be used for best practice financial reporting, as well as the formulation of tax strategies and policies and the management of tax risk by companies and government alike.