

## Export Processing Zone (EPZ)

New enterprises that export to countries outside the Southern African Customs Union (SACU) can qualify for EPZ status. The benefits of an EPZ enterprise are:

- Relief from corporate income tax, import duties, VAT and stamp duties, but excluding tax on employees' income and withholding tax on dividends
- Training grants of 75% of training costs.
- Foreign currency bank accounts, free of exchange control.
- Relief from certain Labour Act provisions.

## Registered Manufacturers

Special tax incentives are available to manufacturers approved by the Minister of Trade and Industry and registered as such by the Minister of Finance. To qualify for registration such manufacturing enterprises must be beneficial to the economic development of Namibia or the economic advancement of its inhabitants by meeting the requirements of section 5A of the Income Tax Act.

Allowances	
<b>Tax Rate</b>	18% tax on income derived from manufacturing in a specific year for a period of 10 years from date of registration.
<b>Marketing allowance</b>	Additional 25% deduction against taxable income if manufacturing for export. This allowance may not create an assessed loss.
<b>Remuneration and training allowance</b>	Additional 25% of training costs and remuneration-related expenses for employees directly engaged in manufacturing process. This allowance may not create an assessed loss.
<b>Transport allowance</b>	Additional 25% of the costs of transporting goods by road or rail, which comprises materials, components and manufacturing equipment used in the manufacturing process.
<b>Building allowance</b>	20% initial allowance together with a wear and tear allowance of 8% for each of the ensuing 10 years (instead of the usual 4% over 20 years)

## Exports

Any export of locally manufactured or imported manufactured goods (excluding meat and fish products) qualifies for an abatement of 80% of taxable income directly related to such exports.

## Transfer Pricing and Thin Capitalisation

Transfer Pricing was introduced in May 2005. Cross-border transactions with connected persons must be carried out on arm's-length basis. A taxpayer is required to be in possession of transfer pricing documentation. Financial assistance by foreign investors to connected persons in Namibia should not be excessive in relation to the fixed capital of the recipient; else interest payable on loans will be disallowed.

## Customs and Excise

Customs duties are levied on certain goods imported into Namibia. The rates are usually calculated on an ad valorem basis. Namibia applies the Harmonised System and is party to the WTO. Namibia is also a member of the Southern African Customs Union (SACU). Common external tariffs are thus applied on imports from outside SACU. Specific excise duties and the corresponding specific customs duties are levied on the traditional excisable products such as fuel, jewellery, tobacco and liquor.

## Tax Calendar

Returns	Due Date
<b>Income tax returns:</b>	
Individuals (Employees)	Within 4 months after the tax year end (30 June each year)
Companies	Within 7 months after the company's financial year end
Taxpayers (other than companies or salaried employees) carrying on wholly/party a business, profession or farming	Within 7 months after the tax year end (30 September each year)

Provisional tax returns	
<b>Individuals</b>	
1 <sup>st</sup> provisional	Within 6 months from commencement of the respective tax year (on/before 30 August each year) Not applicable to registered farmers
2 <sup>nd</sup> provisional	On/before the last day of the respective tax year (28 February each year)
<b>Companies</b>	
1 <sup>st</sup> Provisional	Within 6 months from commencement of the company's financial year
2 <sup>nd</sup> Provisional	On/before the last day of the company's financial year end
Employers: PAYE returns	The employer should submit within 20 days following the month during which PAYE is required to be withheld
Employers: PAYE reconciliation return	Annual PAYE reconciliation should be submitted within 30 days from the tax year end (30 March each year)
<b>Withholding tax returns</b>	
Dividends	30 days from date of accrual or payment of dividends to non-residents
Royalties	Within 14 days following the month during which the royalty accrued or was paid
Interest	Within 20 days following the month during which the interest accrued or was paid

## Penalties

Tax area	Reason	Penalty	Interest
<b>Persons</b>			
Provisional tax (1 <sup>st</sup> )	Late Filing	None	None
	Late Payment	10%	20%
	Provisional Tax (2 <sup>nd</sup> )	Late Filing	20%
	Late Payment	10%	20%
	Under-estimation	20%	20%
	Income tax return	Late Filing	10%
	Late payment	None	20%
	Omission/incorrect statement	Up to 200%	20%
<b>Companies</b>			
Employee tax	Late Filing	None	None
Employee tax	Late payment	10%	20%
Employee tax	Failure to withhold	10%	20%
Withholding taxes	Late payment	10%	20%

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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.

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# Weathering the Storm

## Namibia Tax Information 2009/2010



**STANLIB**  
NAMIBIA

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## Source Basis of Income Tax

Normal tax is levied on the taxable income accruing to companies, trusts and individuals from sources within or deemed to be within Namibia.

## Individual Income Tax

All persons (incl. deceased estates and trusts) other than companies.

Taxable Income N\$	Rates of tax for year of assessment ending 28 February 2010 - N\$
0 - 40 000	Not taxable
40 001 – 80 000	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
Over 750 000	236 200 + 37% for each N\$ above 750 001

### Employees' fringe benefits

Fringe benefits are subject to income tax in terms of the definition of gross income. The taxable value of fringe benefits is determined in terms of a schedule to the income tax tables, which is amended from time to time by the Directorate Inland Revenue ("DIR").

### Housing loans and mortgage subsidies

Housing loans provided to employees at a subsidised rate are taxable to the extent that the interest rate payable by the employee is less than 12% per annum (p.a.). The taxable value of housing benefits comprising free or subsidised housing is determined with reference to the location and size of the housing, as indicated in the following table:

	1 rooms	2 rooms	3 rooms	4 rooms	5 rooms	6 rooms	7 rooms	8 rooms	8+ rooms
Windhoek	500	750	1 000	1 400	1 800	2 200	2 800	3 400	4 000
Swakopmund	350	550	750	1 000	1 300	1 700	2 100	2 550	3 000
Walvis Bay	350	550	750	1 000	1 300	1 700	2 100	2 550	3 000
Large towns	250	375	500	700	900	1 100	1 400	1 700	2 000
Small towns	125	175	250	350	450	550	700	850	1 000

The taxable value of housing benefits granted in terms of housing schemes approved by the DIR is reduced by one-third thereof (the reduction increases based on a formula for remuneration levels below N\$30 000 p.a.).

### Meals

Meals	Taxable Portion
Meals supplied at employees' residence	N\$ 100 per family member older than 6 years
Meals supplied at business premises	Not taxable

### Loans (other than housing loans)

The taxable value of interest-free or subsidised loans that are not utilised for further study by the employee or exceed N\$3 000 p.a., is 12% p.a. of the loan amount less interest actually paid on the loan.

### Motor vehicles

Taxable amount for the right of private use of employer provided vehicles	
All costs are borne by the employer	1.5% p.m. of the cost price of the vehicle
Employee bears the fuel costs and the employer all other costs	1.4% p.m. of the cost price of the vehicle

### Interest income

Exempt interest income earned by individuals and trusts from:
Deposits with Nampost Savings Bank.
Stock or securities (including Treasury Bills) issued by the Government of Namibia, or any regional council or local authority in Namibia (also available to companies not carrying on business in Namibia).

Withholding tax
10% on interest received from Namibian Banks and unit trusts

## Retirement, death and withdrawal

Contributions to approved pension, provident, retirement annuity (RA) and educational policies	2008/09 N\$	2009/10 N\$
Deductions allowed	40 000	40 000

Contributions to medical aid funds and actual medical costs are not deductible by employees for income tax purposes.

### Withdrawal benefits

**Pension and provident** - So much of the lump sum that is not funds transferred to another approved pension, provident, RA or preservation fund will be taxable at the average rate.

**Retirement annuity** - No withdrawal benefits may be taken from RA funds before retirement age of 55 years.

**Educational policy** - The total amount must be utilised for post-school educational training purposes. The amount not so used is taxed at the marginal rate of the policyholder.

### Retirement benefits

**Pension and RA funds** - The total lump sum is tax-free, but the annuities or pensions paid are taxable at the marginal rate of the member.

**Provident funds** - One-third of the total benefit is exempt and the remainder is taxed at the marginal rate of the member.

### Death benefits

**Pension and RA funds** - The total lump sum is tax-free, but the annuities/pensions paid to dependants are taxable at the marginal rate. The lump sum must however be less than 50% of the entire death benefit. The difference being paid as annuities, will be taxable. Should the lump sum be 50% or more, the entire lump sum will be taxable at the marginal rate.

**Provident funds** - One-third of the total benefit is exempt and the remainder is taxed at the marginal rate of the beneficiary.

### Retrenchment benefits

**Pension and provident** - So much of the lump sum that is not funds transferred to another approved pension, provident, RA or preservation fund, will be taxable at the average rate.

## Gratuities and Special Payments

The first N\$300 000 received due to superannuation, ill health or if the recipient is over the age of 55 years is exempt from tax. Any balance received over N\$300 000 may be taxed in three equal instalments, commencing in the year of receipt. A deferred compensation arrangement received on retirement as well as any retrenchment package can also utilise the N\$300 000 exemption.

## Estate Duty, Donations Tax, Capital Gains Taxes

There is no estate duty, donations tax or capital gains tax in Namibia.

## Transfer Duty

Natural Person - Non - Agricultural	
Value of property N\$	
0 – 400 000	Nil
400 001 – 800 000	1% of value exceeding N\$ 400 000
800 001 – 1 500 000	N\$ 8 000 plus 5% of value exceeding N\$ 800 000
1 500 000 and above	N\$ 11 000 plus 8% of value exceeding N\$ 1 500 000
Natural Person - Affirmative Action Loan Scheme for commercial farmland	
0 – 500 000	Nil
500 001 – 1 000 000	1% of value exceeding N\$ 500 000
1 000 000 and above	N\$ 5 000 plus 3% of value exceeding N\$ 1 000 000
Other persons	
Any value	12%

It has been proposed that Transfer Duty will be payable on the transfer of membership interest in a CC or shareholders' interest in a company in terms of the 2007/08 Budget speech of the Minister. At the time of the 2009/10 Budget, no legislation in this regard has been promulgated.

## Companies

Company tax rates	2008/2009	2009/2010
Normal company income tax (excl mining operations and long term 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 (40% of gross investment income taxed at 34%)	14 %	13.6 %
Petroleum Income tax (exploration operations, development operations or production operations)	35 %	35 %

## Movable Assets and Buildings

### Machinery and movable assets

Expenditure is deductible in equal instalments over three consecutive tax years for the acquisition of vehicles, aircraft, seagoing craft, machinery, implements, utensils and articles used for purposes of trade.

### Buildings

An initial allowance of 20% of the cost of construction may be claimed in the year that buildings used for trade purposes are brought into use, and a wear-and-tear allowance of 4% for each of the ensuing 20 years.

## Payments to Non-residents

Type of payment	Withholding tax
Dividends paid to non-residents that do not carry on business in Namibia	10%
Interest from Namibian banking institutions or unit trusts	10%
Royalties	10.2%

## Tax Treaties

Double tax agreements may override these withholding taxes as well as taxation of deemed source income. There are double tax agreements with Botswana, France, Germany, India, Malaysia, Mauritius, Romania, Russia, South Africa, Sweden, the United Kingdom. The following tax treaties are expected to be ratified in due course: Angola and Belgium, Zimbabwe, Democratic Republic of Congo, Liberia and Bulgaria.

## Value-Added Tax

Value-added tax is payable on the taxable value of all goods sold or imported. The standard rate is 15%. Direct exports of goods and services are zero-rated. A number of other zero-ratings and exemptions are also provided for. A person (company, individual, trust and partnership) carrying on a taxable activity with a turnover for the past or future 12 month period in excess of N\$ 200 000, must register for VAT.

## Dividends

Dividends received are exempt in the hands of corporates, individuals and Trusts, except dividends declared by any company to a shareholder not ordinarily resident or carrying on business in Namibia.

## Farmers

Farmers are taxed in the same manner as other individuals or companies. Livestock standard values have been abolished.

### Deduction of capital expenditure

Expenditure on motor vehicles and other moveable assets used for farming purposes is deductible in equal instalments over three consecutive years. Expenditure incurred on capital development is deductible in full but limited to the amount of taxable farming income. Any remaining capital development expenditure is carried forward to the next year. Deductions for the erection of domestic houses for a farmer's employees may not exceed N\$50 000 per employee.