



Tax First

Namibia Newsletter

Special Edition September 2016

New Tax Legislation

Proposed Legislation Tabled

Earlier this week, the Namibian Minister of Finance, Calle Schlettwein, tabled new VAT and Income Tax Amendment Bills. The Bills, which are currently in the process of being promulgated, contains over 30 tax changes.

The following is a summary of the draft legislation included in the Bills:

Value Added Tax Proposed Amendments

Increase the VAT threshold from N\$ 200,000 to N\$ 500,000.

Provide for requirement of security for VAT on the importation of goods by a VAT import account holder.

Prescribe criteria for eligibility for registration of an import VAT account at Inland Revenue.

Set a threshold for voluntary VAT registration of N\$200 000.

Delete the current provision that application for VAT deregistration may only be submitted after a period of two years following the date of VAT registration.

A provision to hold shareholders of companies and members of close corporations for liable for VAT debts.

Impose criminal penalties for the misuse of import VAT account numbers .

Provide for electronic filing of VAT returns and e-signatures .

Include the provision of financial services rendered to non-residents who are outside Namibia at the time such services are supplied.

Income Tax Proposed Amendments

Amendments to definitions relating to the sale of a mining right/license, which means that more transactions will now be taxable under this clause, while allowing taxpayers to deduct acquisition costs.

The sale of petroleum licenses/ rights included on taxable income.

Restraint of trade payments received will be subject to tax.

A new tax deduction subsection for restraint of trade payments made.

The term Namibia has been defined for the first time in the Income Tax Act, which, amongst others, mean that income tax will apply to offshore operations within 200 nautical miles of the low water mark.

Royalty payments made to a non-resident person or company for the *“right to use industrial, commercial or scientific equipment”* will now also be subject to withholding tax of 10%. Penalties and interest for non-compliance can now also be levied on royalty withholding taxes.

Withholding tax on all interest paid to non-residents was introduced (existing legislation only levies withholding tax on interest payments made by banks and unit trusts).



Income Tax Proposed Amendments (continued)

The withholding tax on services legislation be amended to:

- reduce the rate of 25% to 10%;
- widen the definition of a “resident person” to include a branch of a company, board or trust;
- state when the withholding tax liability should arise, i.e. on payment date;
- the definition of a non-resident person was extended .

The payment date of Non-resident Shareholders Tax (NRST) was amended and it will now be payable on the 20th of the month. Penalties and interest are also included for late payment of NRST.

Section 81 was amended to clarify how payments made by taxpayers should be allocated against tax, interest and penalty debts on the Inland Revenue system.

Restrictions were also proposed to prevent individuals from leaving Namibia if any taxes, penalties on interest is outstanding with Inland Revenue.

Section 83 was amended to empower Inland Revenue to collect a taxpayer's tax debts from third parties including:

- Any person who owes or holds money of the taxpayer;
- Any person who controls or manages the financial affairs of a taxpayer;
- Shareholders of companies or members of Close Corporations
- Connected persons who received donated assets from a taxpayer;
- Any person assisting with squandering or dissipation of a taxpayer's assets.

Section 98A was introduced to allow for rules and procedures to be made on electronic communication with regards to returns and other document submissions to Inland Revenue

The two subsections relating to directors remuneration was deleted from the definition of “remuneration”. Directors remuneration will subsequently be subject to PAYE.

The income tax rate for companies (other than mining companies) will be amended to **32%** for tax years starting on or after 1 January 2015.

Please note the aforementioned amendments have not been promulgated.

Effective dates will only be published in the Government Gazette. We expect the Gazettes to be published 30 December 2015.

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