

# *Creating Certainty - “Growing the Economy, Optomizing Development Outcomes”*

## Budget Speech 2013/2014

*February 2013*

*Safari Hotel &  
Conference Centre*



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***At tax time, it helps to remember that if your tax obligation has increased from the previous year, it's usually because you're enjoying more income. That's a situation to which most of us aspire.***

***Higher taxes are a price that we pay for greater success.***

***RICHARD CARLSON***

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***“At PwC we turn adversity and challenges into opportunities – this means doing things differently and acting boldly.”***

***Our presenters:***



***Stéfán Hugo***  
Partner  
Corporate Tax Service



***Chantell Husselman***  
Partner  
Indirect Tax Services

# ***Agenda***

***1***

Focus areas 2013/14

***2***

Numbers in the Budget 2013 / 2014

***3***

How do we compare

***4***

Tax changes (Policy and  
Amendments)

# *Focus Area 2013/2014*

## Budget Review

# 1



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***“Over the past decade, we have witnessed peaks and troughs of the global economy, ... however throughout these turbulent times, the Namibian economy has stood its ground.”***

***Hon. Saara Kuugongelwa-Amadhila  
Minister of Finance  
2013/14 Budget speech***

# ***Key Focus Areas for 2013/2014***

## ***1. Growing the economy***

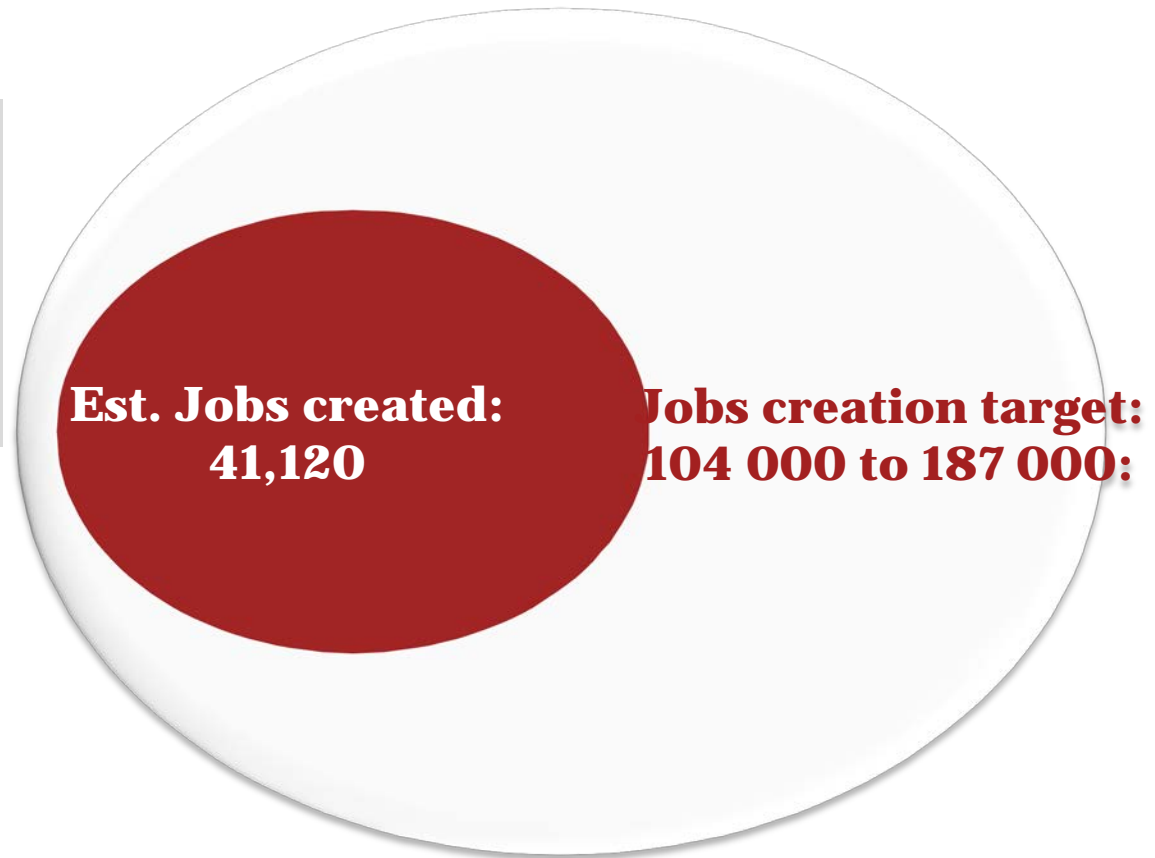
- Infrastructure development;
- Improving competitiveness;
- Creating jobs.

## ***2. Efficient service delivery***

- Resource allocation to critical sectors;

# ***Targeted Intervention Programme for Employment and Economic Growth - TIPEEG***

- Execution rate 77%
- Timely reporting, monitoring and evaluation critical



# ***NDP 4***

*1. Employment  
creation*

*2. High and  
sustained  
economic growth*

**3. Increased  
Income equity**

# *Numbers in the 2013/14 Budget*

# 2



# ***Numbers of the Budget***

## Budget Overview

	<b><i>2012</i></b>	<b><i>2013</i></b>	<b><i>2014</i></b>
	<b><i>N\$</i></b>	<b><i>N\$</i></b>	<b><i>N\$</i></b>
	<b><i>Actual</i></b>	<b><i>Estimated</i></b>	<b><i>Budget</i></b>
Revenue	29,962	37,108	40,141
Spending	-36,743	-40,073	-47,576
<b>Surplus / Deficit</b>	<b>-6,781</b>	<b>-2,965</b>	<b>-7,435</b>
As % of GDP	-7.2%	-2.8%	-6.4%
<b>GDP</b>	<b>83,568</b>	<b>93,559</b>	<b>104,580</b>

Source: Estimates of Revenue and Expenditure for 2013

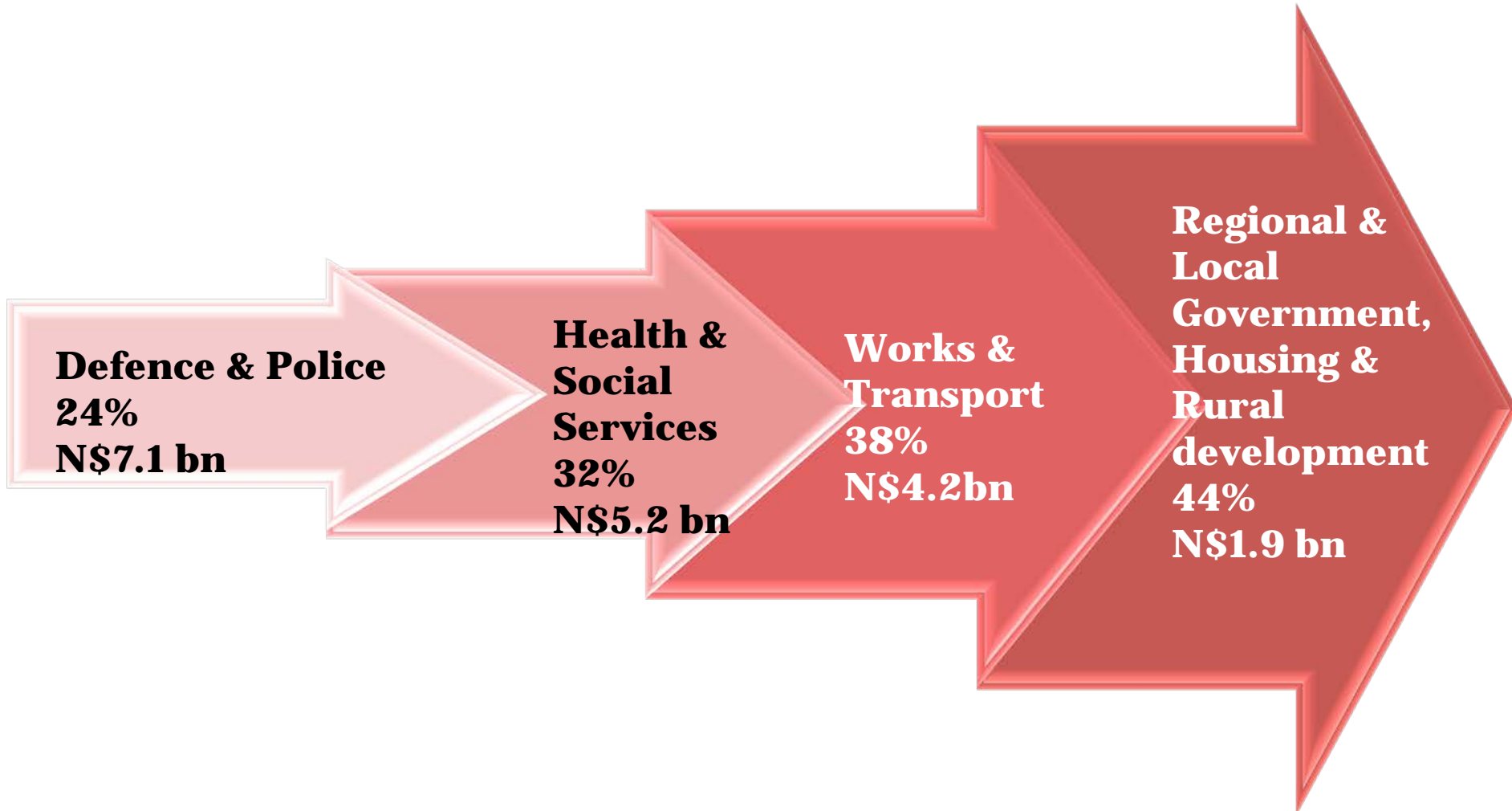
# ***Government expenditure by department 2013/14***

<b>N\$ million</b>	<b>2012/13</b>	<b>2013/14</b>	<b>% Increase</b>
Education	9,416	10,748	14%
Defence and Police	5,777	7,191	24%
Health and Social Services	3,976	5,246	32%
Works and Transport	3,084	4,242	38%
Finance	3,295	3,261	-1%
Agriculture, Water and Forestry	2,034	2,359	16%
Regional & Local Government	1,375	1,974	44%
Labour and Social Welfare	1,329	1,549	17%
Veteran Affairs	1,061	861	-19%
Other	6,413	7,910	23%
<b>Total</b>	<b>37,761</b>	<b>45,341</b>	<b>20%</b>

Source: MTEF 2013

# ***Top 4 department increases***

Increased allocation from 2013 to 2014



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## ***Department decreases***

Decreased allocation from 2012 to 2013

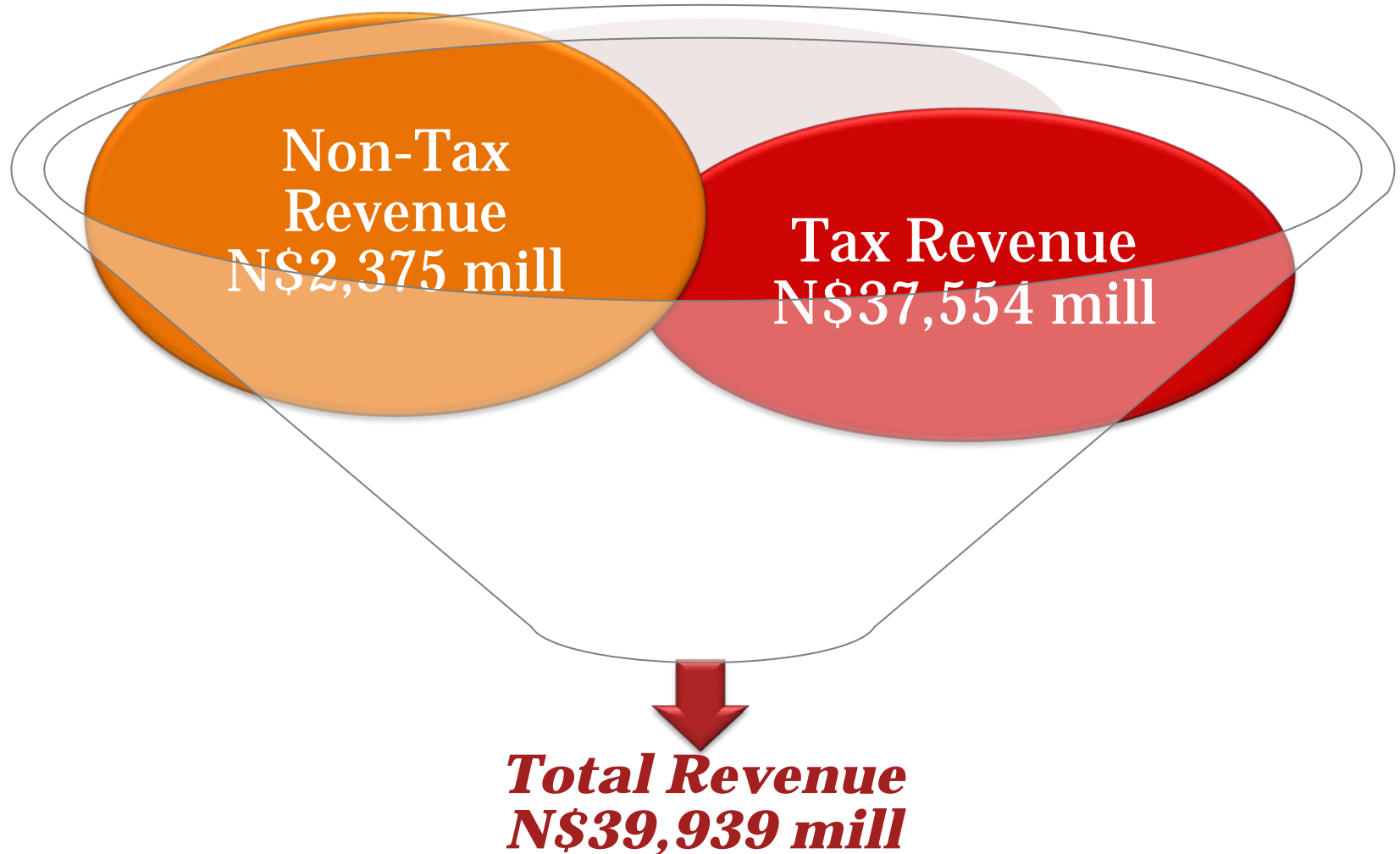


**Veteran Affairs -19%**

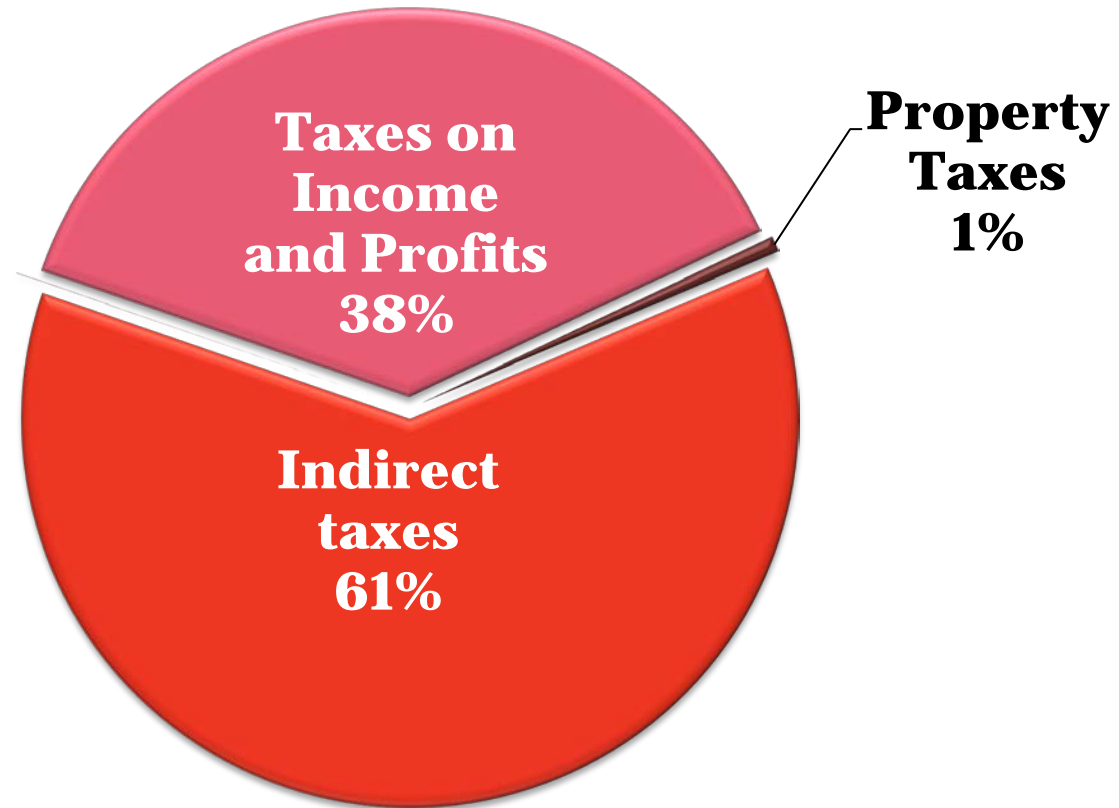


**Finance -1%**

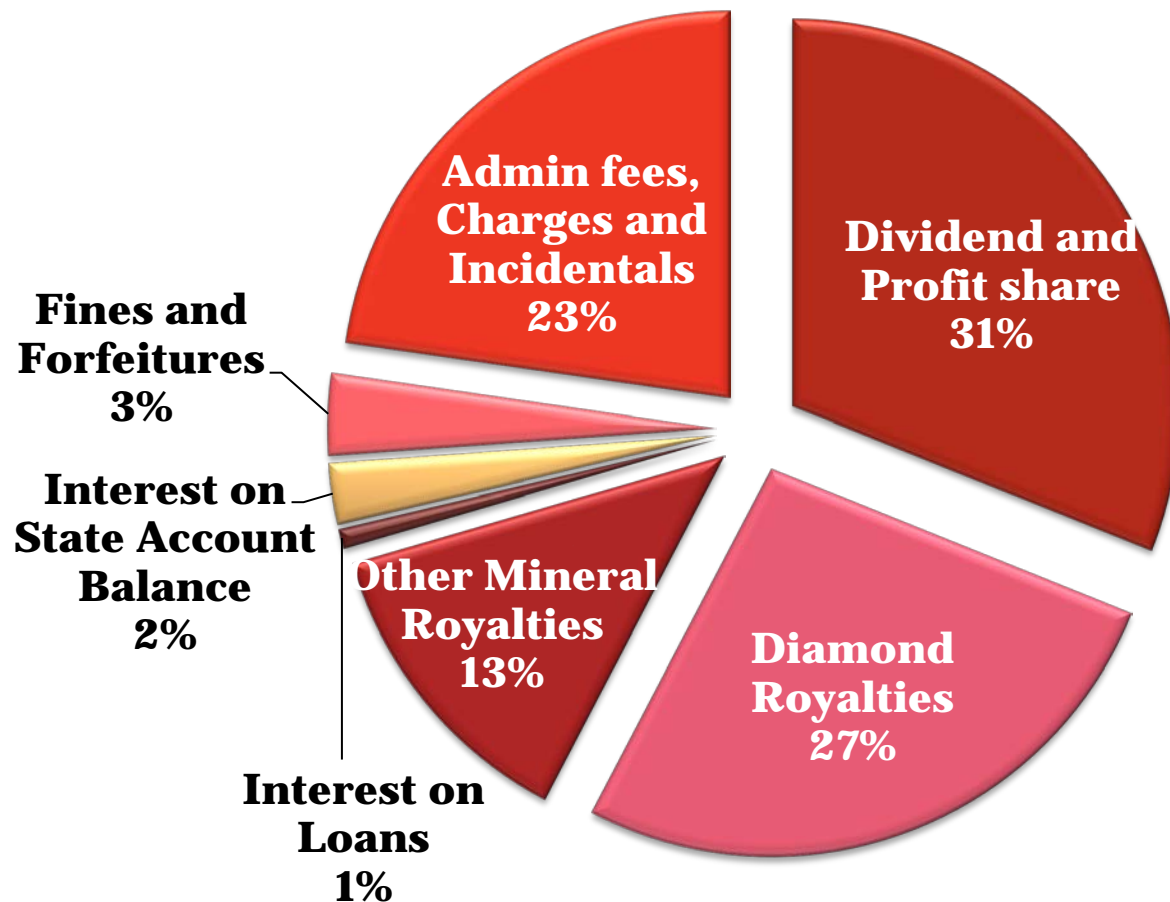
# ***Tax Revenue VS Non-Tax Revenue***



# **Total Tax Revenue (N\$37, 554 million)**

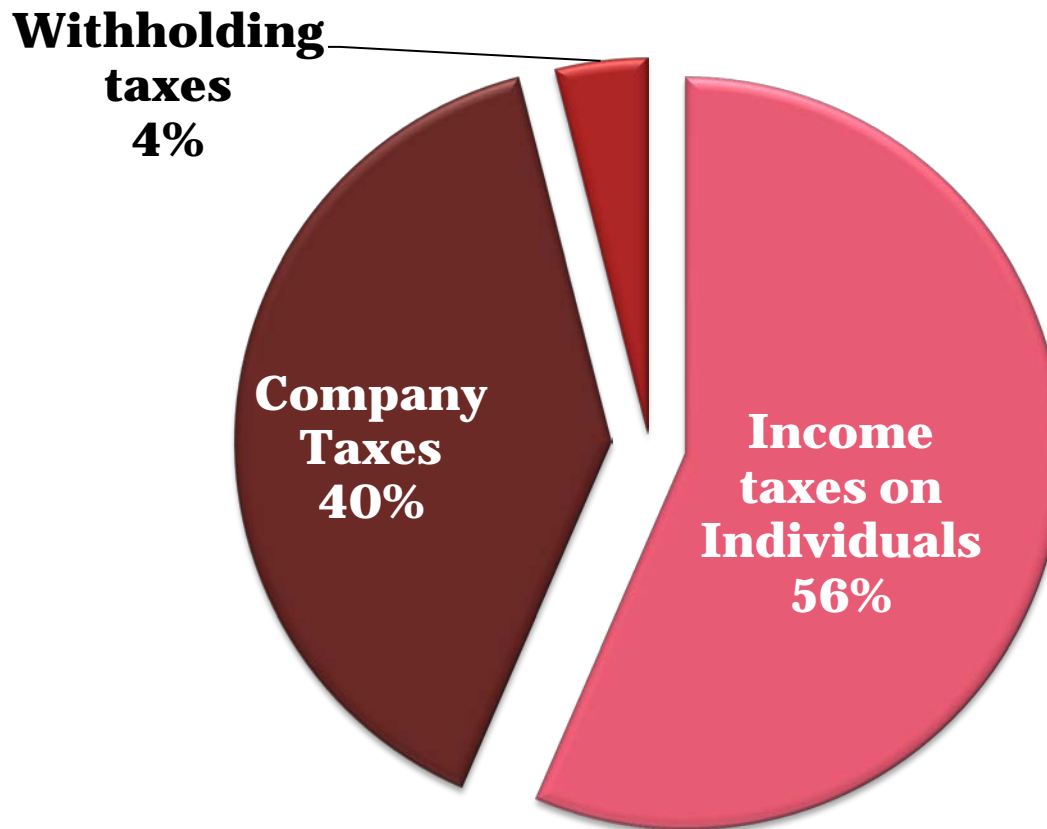


# **Total Non-Tax Revenue (N\$2,375 million)**

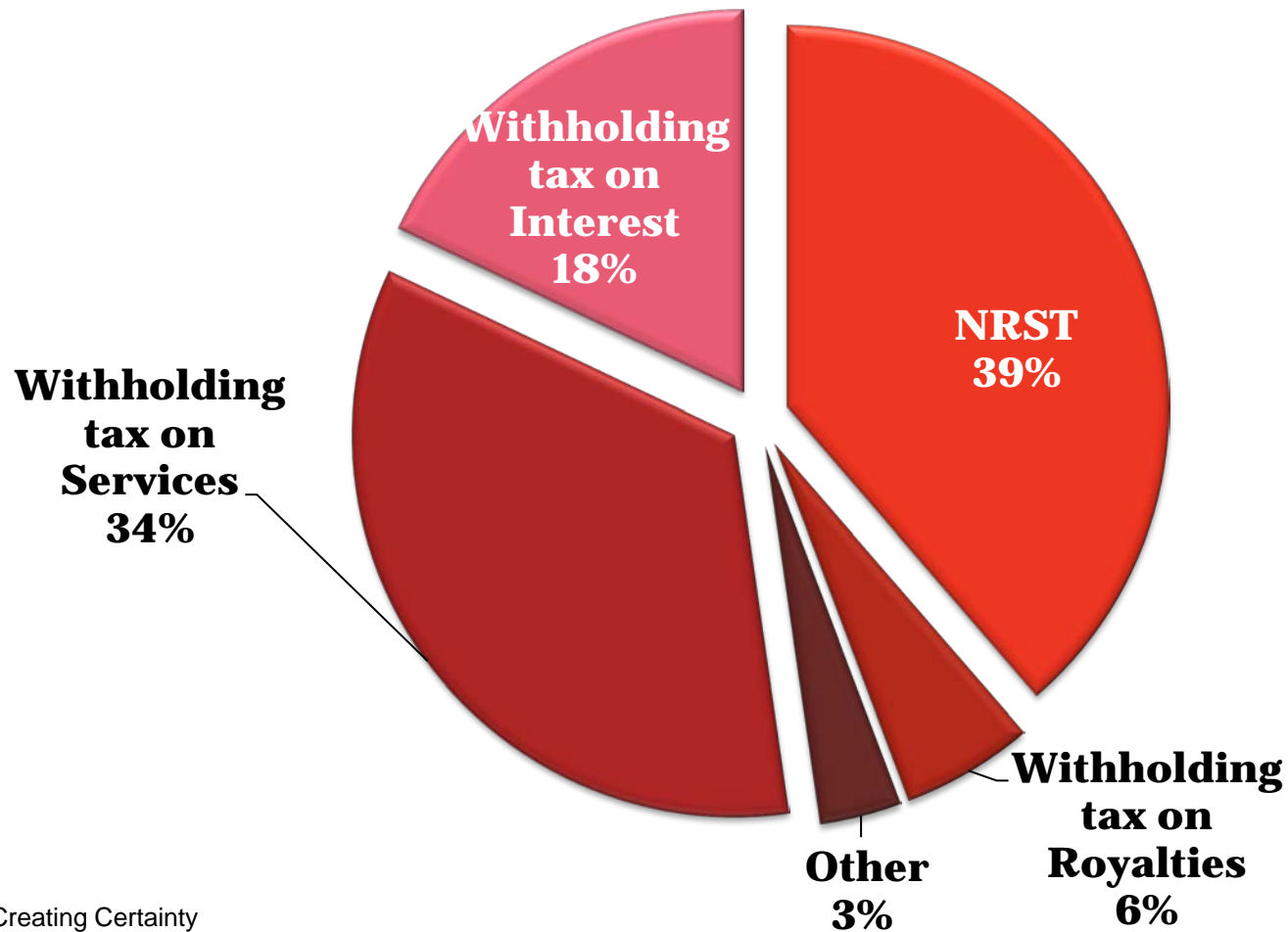


# ***Direct Taxes Revenue***

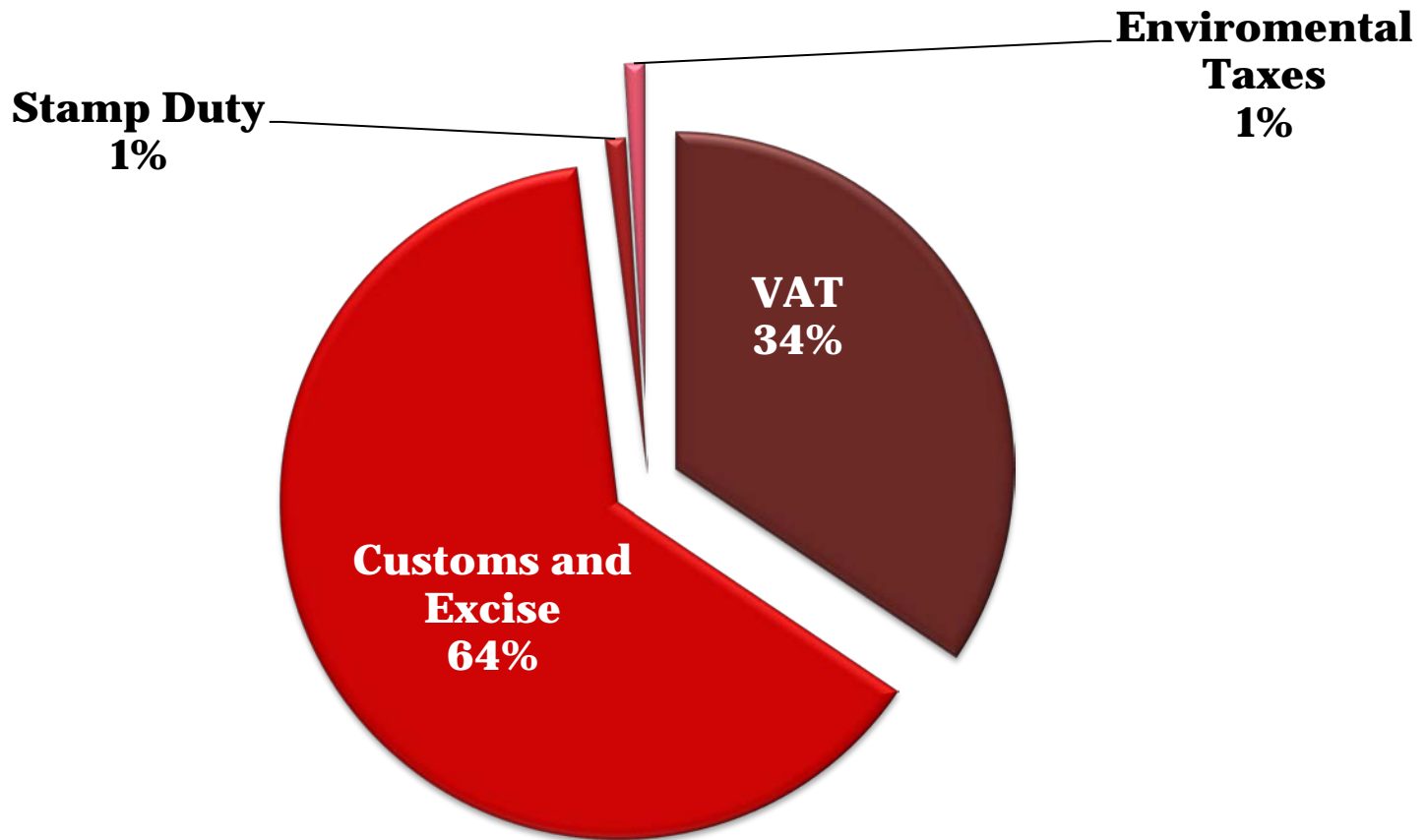
Income on profits and taxes: 2014



# ***Withholding Taxes*** **Budgeted for 2014**

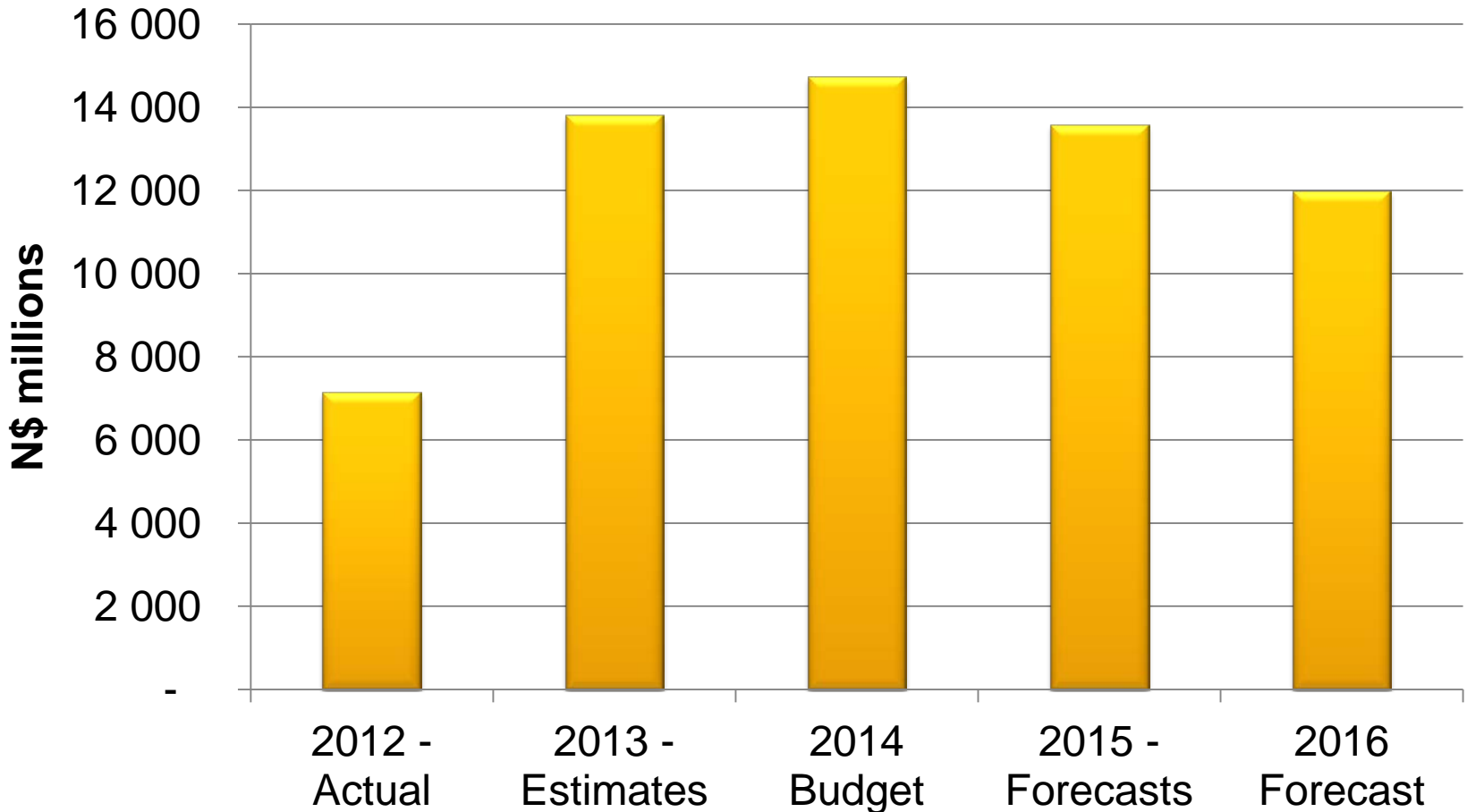


# ***Indirect Taxes Revenue*** Budgeted for 2014



# ***Indirect Taxes Revenue***

## **Revenue Growth of Customs & Excise**



# *Tax Policy & Amendments*

# 3

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# ***Tax reforms 2013/2014 to 2015/2016***

**Abolishment of VAT import accounts**

**Introduction of Presumptive tax**

**Review of Double Taxation Agreements**

**VAT Registration Threshold Increase**

# ***Tax reforms 2013/2014 to 2015/2016***

**Changes in Corporate & Individual Tax**

**Changes in Transfer and Stamp Duty**

**Levy of Export of raw materials**

**New Environmental levy**

# Proposed Tax Policy & Administration Reform - 2012

## Short Term



### Direct Tax

1. Investigate **trusts** as tax avoidance vehicles and reportable arrangements;

### Indirect tax

1. Abolishment of voluntary VAT registration;
2. Abolishment of VAT registration to be eligible for tender purposes;

# ***Proposed Tax Policy & Administration Reform - 2012***

***Medium Term***



## **Direct Tax**

1. Introduction of new ***thin capitalization*** rules;

# Proposed Tax Policy & Administration Reform - 2012

## Long Term



- Tax expenditure budgeting to facilitate the prioritizing of public expenditure;
- Introduction of **capital gains tax**;
- Restructuring of **non-tax revenue and earmarked funds**.
- Introduction of a standard VAT rate to eliminate **fuel and power** subsidies;
- Abolishment of **exemptions on interest** of earmarked investment vehicles

# ***Tax Amendments - Proposed for introduction during 2013 / 2014***

1

- Corporate Tax rate reduction to 33% (2014: 32%)

2

- Excise/Sin taxes as per SA budget speech (27 Feb 2013)

# ***Tax Amendments - Proposed for introduction during 2013 / 2014***

3

- **Export Levy Bill**

4

- **Environmental taxes bill**

5

- **Excise tax / sin taxes**

# ***Tax Amendments - Proposed for introduction during 2013 / 2014***

5

## **• Individual Income Tax**

0 - 50 000	0%
50 001 - 100 000	18%
100 001 - 300 000	25%
300 001 - 500 000	28%
500 001 - 799 999	30%
800 000 - 1 500 000	32%
Over 1 500 001	37%

# ***Tax Amendments - Proposed for introduction during 2013 / 2014***

6

## **• Transfer Duty**

0 – 600 000	0%
600 000 – 1 000 000	1% of the amount > 600 000
1 000 001 – 2 000 000	N\$4000+ 5% of amount > N\$1 mill
Exceeds N\$2 000 000	N\$54 000 + 8% of amount > N\$2 mill

# ***Tax Amendments - Proposed for introduction during 2013 / 2014***

7

## **• Stamp Duty**

<b>0 – 600 000</b>	<b>Exempt</b>
<b>Where value exceeds N\$600 000 for every N\$1000 or part thereof of the value or consideration that exceeds N\$600 000</b>	<b>N\$10</b>

# *How do we compare?*

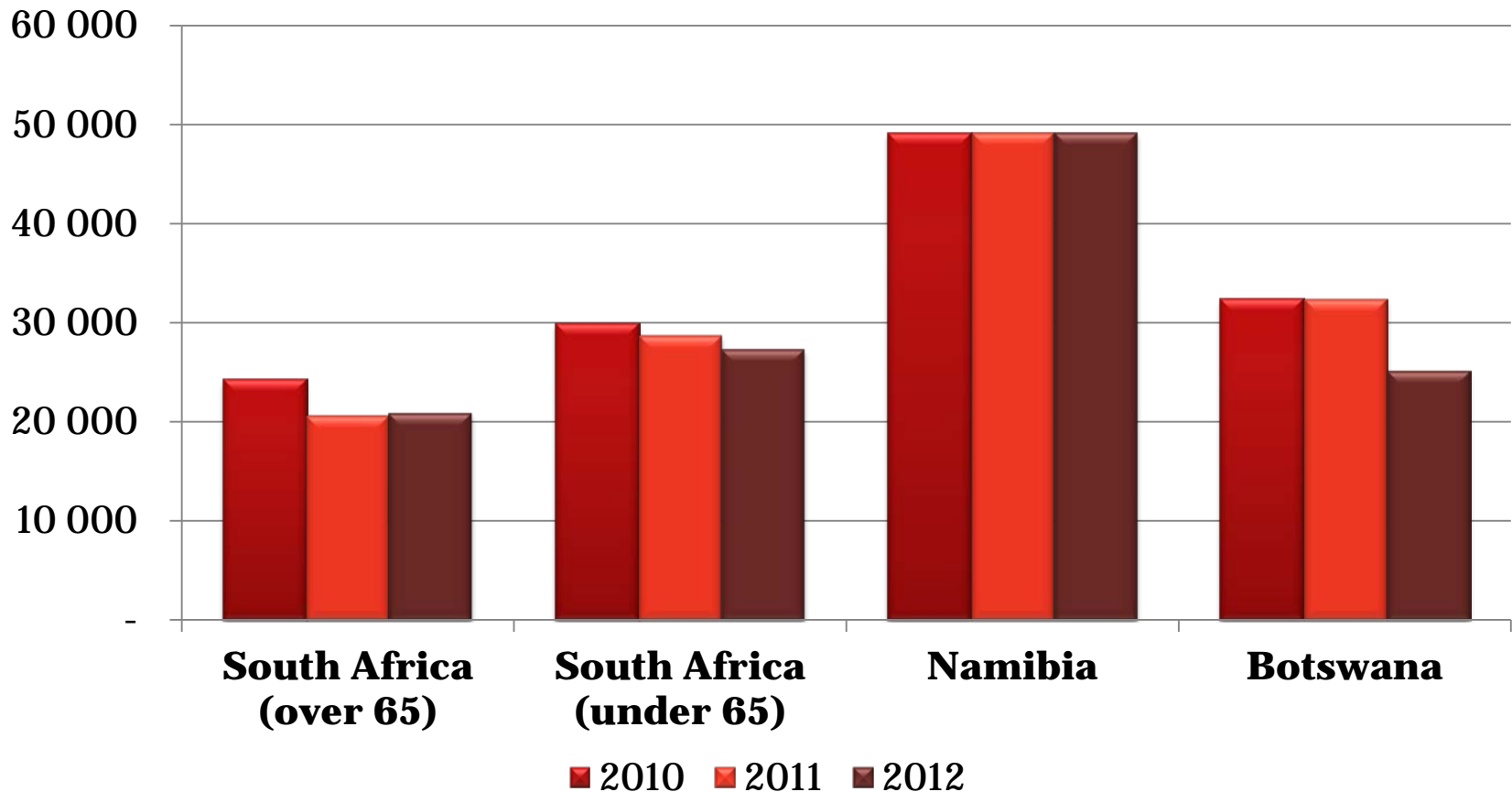
# 4

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# Individual Tax Rates

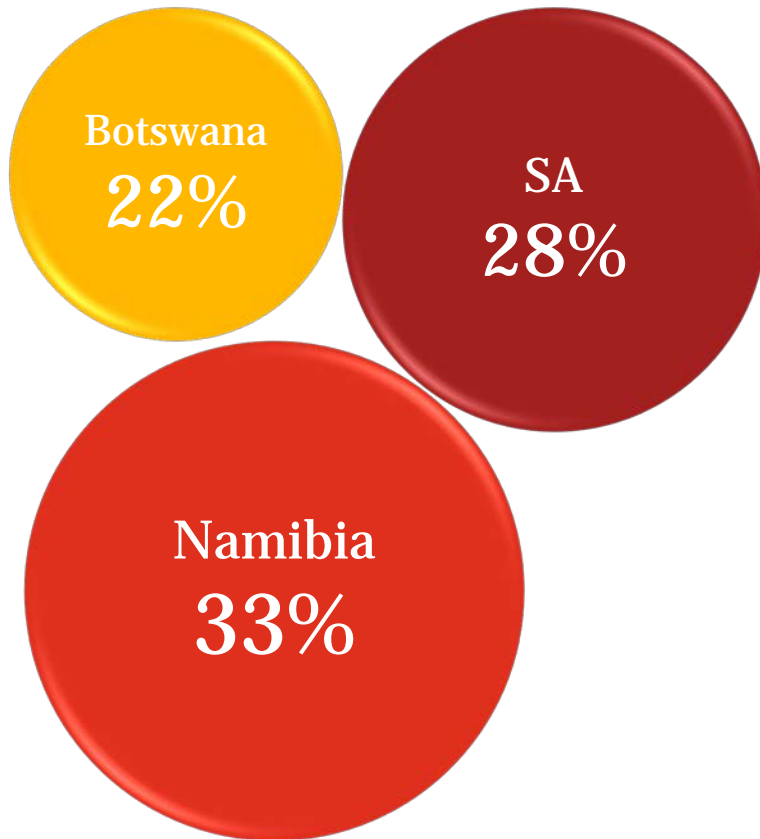
*3 Year comparison with neighbours – Average taxable income of N\$200,000.00 per annum*



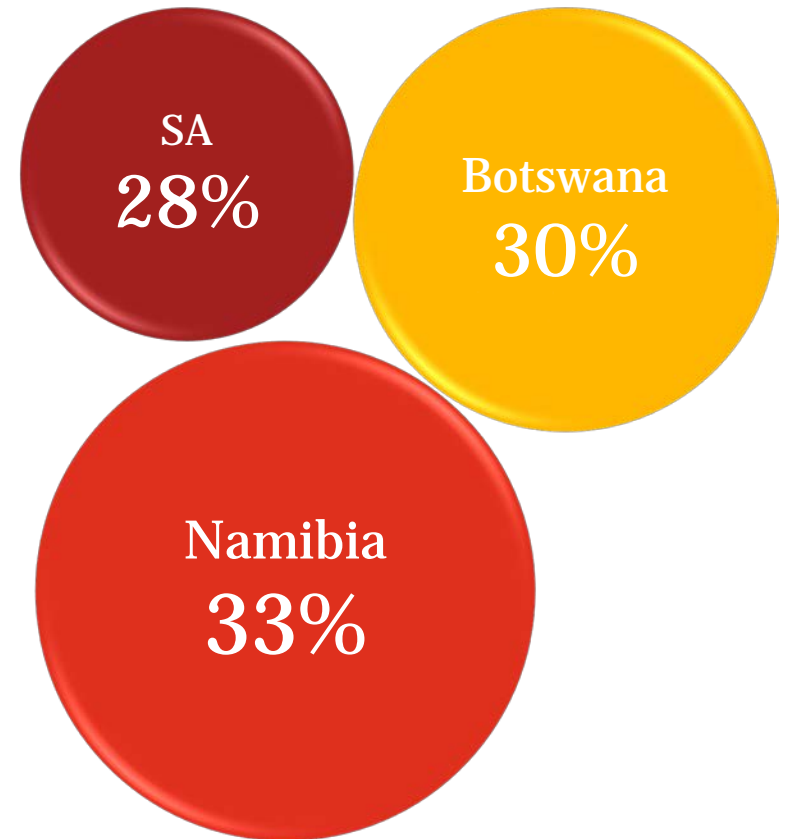
\*\*\* Converted at a rate of BWP 1= NAD 1.08284

# ***Corporate Tax rates***

## ***Basic rate:***



## ***Branch Taxation:***



# ***Manufacturing Tax rates***



***28%***

**South Africa**



***18%***

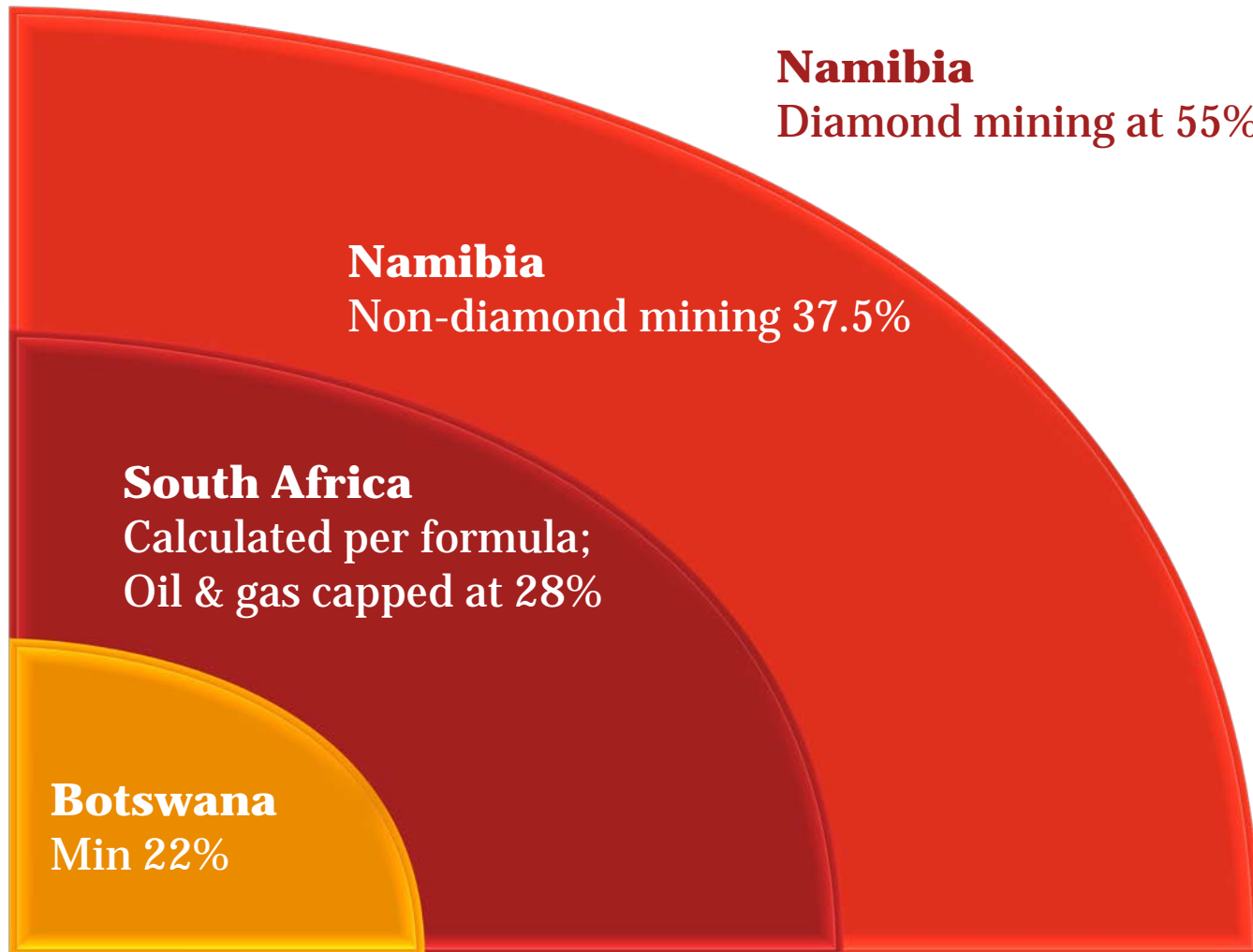
**Namibia**



***15%***

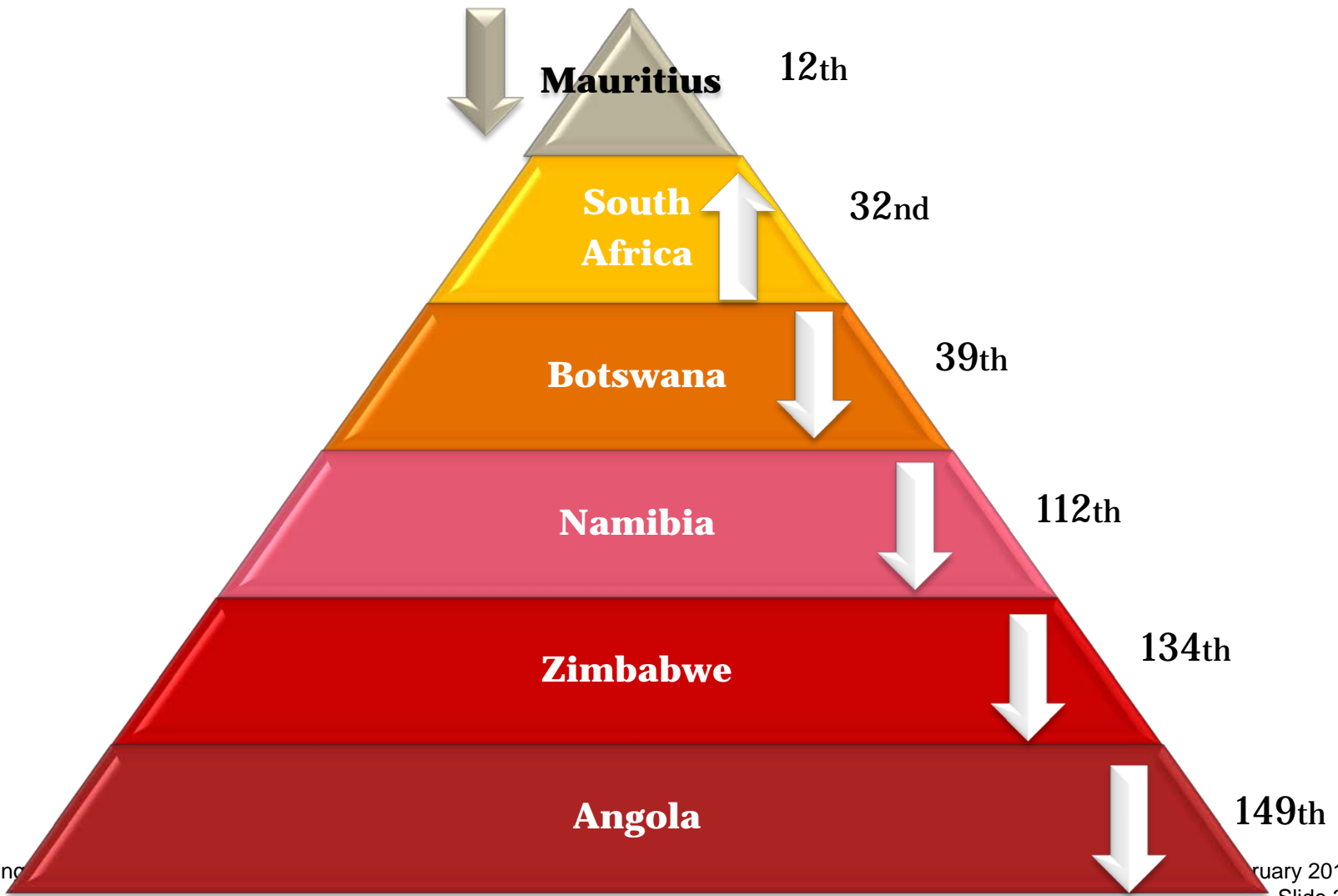
**Botswana**

# ***Mining Tax rates***



# ***World Bank Report 2013***

## **Comparisons in the World– Ease of paying taxes**



# ***World Bank Report 2013***

## **Comparisons in 51 Countries in Africa– Number of payments**



**Zimbabwe # 49**

**Namibia &  
Zambia  
#37**

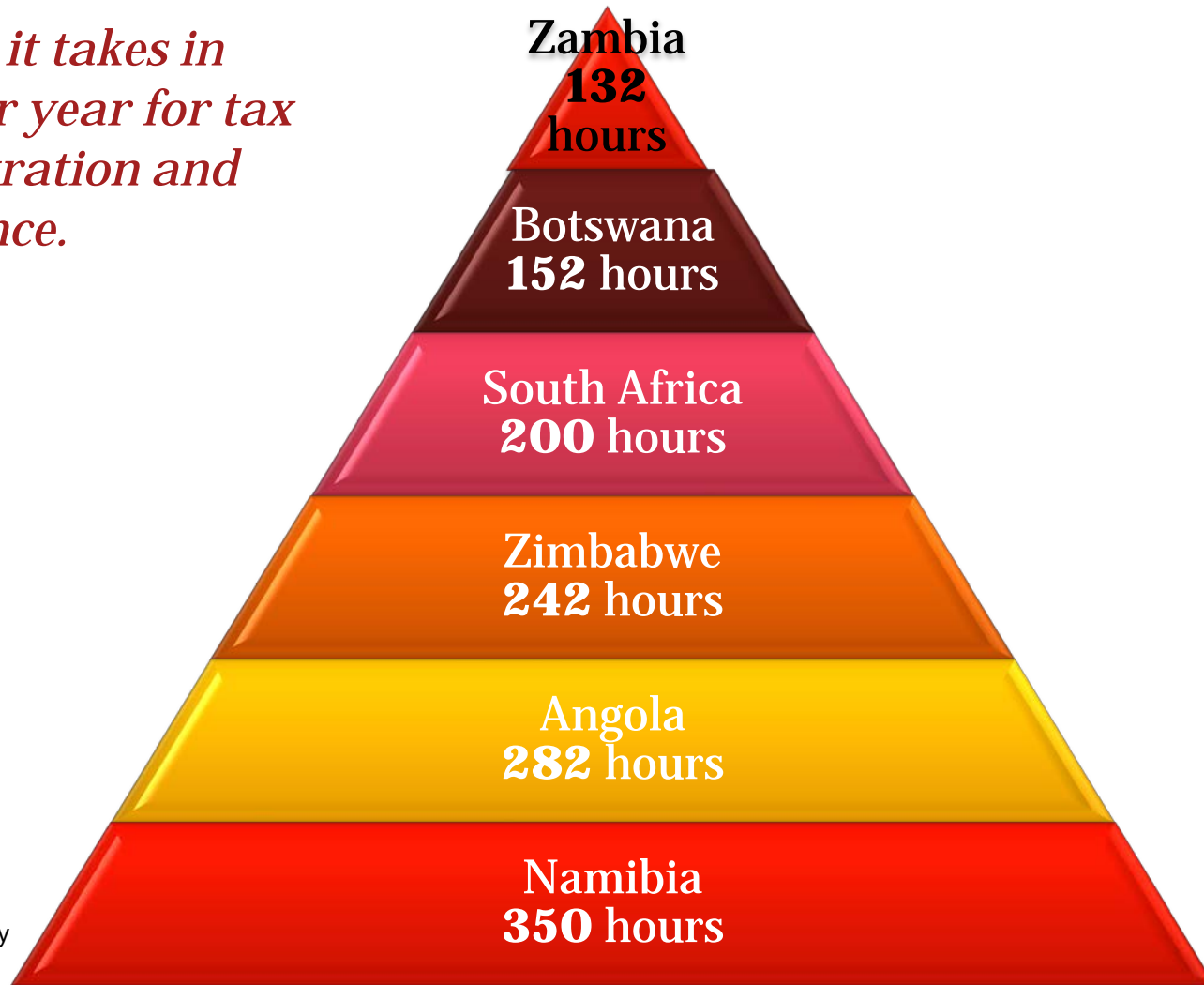
**Botswana  
#32**

**Angola  
#31**

# ***World Bank Report 2013***

## **Comparisons in Southern Africa – Tax Compliance**

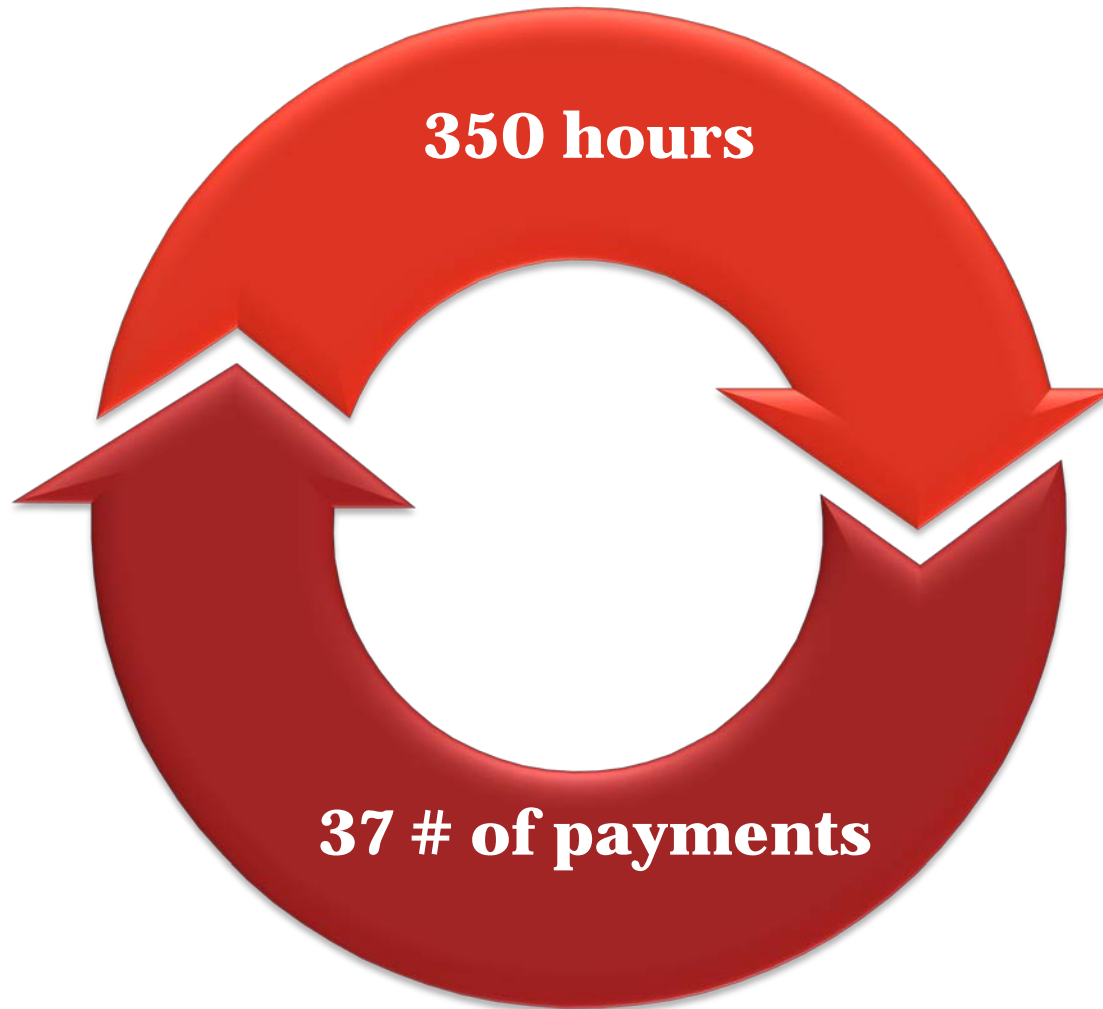
*The time it takes in hours per year for tax administration and compliance.*



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# ***World Bank Report 2013 - Namibia***

## **Tax Compliance**



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***In Conclusion:***

***The budget aims to “... reassure people, to boost confidence and to give the private sector some space to contribute towards economic expansion and job creation.”***

***Hon. Saara Kuugongelwa-Amadhila  
Minister of Finance  
2013/14 Budget speech***

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# ***Thank You***

***The Budget Speech and presentations are available on:***

***[www.pwc.com/na](http://www.pwc.com/na)***

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