



# **Tax First**

## **Namibia Newsletter**

December 2013



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### **In this issue:**

- 2** Setting up a business in Namibia:  
Branch VS Subsidiary
- 2** Government Gazettes during November 2013
- 3** Paying Taxes 2014 - Namibian results
- 3** Tax Calendar - December 2013

This newsletter and previous issues are available on  
[www.pwc.com/na/en/publications/tax-first](http://www.pwc.com/na/en/publications/tax-first)

## **Director's personal taxes and the employer's obligation**

***The question whether companies are required to withhold PAYE from the amounts paid to their executive and non-executive directors remain topical.***

Payments made to employees that constitute "remuneration" as defined, are subject to PAYE.

Remuneration is defined as any amount of income paid or payable *by way of any salary, leave pay, allowance, wage, overtime pay, bonus, gratuity, commission, fee, emolument, pension, superannuation allowance, retiring allowance or stipend, whether in cash or otherwise and whether or not in respect of services rendered.*

The definition specifically excludes any amount paid to a private company director in respect of services rendered. A director of a (Pty) Ltd company is included in the definition of a provisional taxpayer, and thus the exclusion from "remuneration".

A "provisional taxpayer" means ***any director of a private company where the director is ordinarily resident in Namibia or such company is managed or controlled or has a registered office in Namibia.***

Consequently a director of a private company is required to be registered for provisional tax and it is not an obligation of the company to withhold PAYE.

In Namibia, it's common practice and often recommended for companies to withhold PAYE on their executive directors salaries.

It is important to note since the introduction of the 25% withholding tax on directors fees, companies should withhold this (instead of PAYE) from payments to **non-resident directors.**

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## Setting up business in Namibia?

### Branch vs. Subsidiary company

**Extending business borders into Namibia usually involves the decision to register a foreign branch or a subsidiary company in the country.**

Advantages and disadvantages that one should consider to choose between a branch (known as an external company) and a subsidiary includes:

- An external company (branch) registration can take up to 6 months, whereas a purchased shelf company could be up and running in 2 months;
- A external company (branch) must file its annual financial statements and those of its parent company, **with the Registrar of Companies and Receiver of Revenue**. A subsidiary only files its own financial statements with the Receiver of Revenue;
- Annual duty of a subsidiary is calculated on the share capital of the subsidiary. In the case of a external company (branch) the annual duty is payable on the amount of the share capital of the foreign company (which could be high).
- The liability of a subsidiary is theoretically limited to its share capital and reserves and these should be less than those of the foreign company. In practice, this advantage may be negated by the need for the overseas parent to support its subsidiary through sub-ordinations of loans and through guarantees.
- From a political perspective, investing through a local subsidiary may be viewed more favourably.
- The timing and requirements for dividends withholding tax from Namibian profits differ between a company and a branch.

In consideration of all of the above, it is important to weigh all of the elements before deciding on a suitable Namibian entity. This could prevent future administrative and legislative surprises.

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## Holiday Season

**Our offices will close 20 December 2013 and re-open on 6 January 2014.**

**We would like to wish all our valued clients a bright and cheerful festive season!**



## Government Gazettes

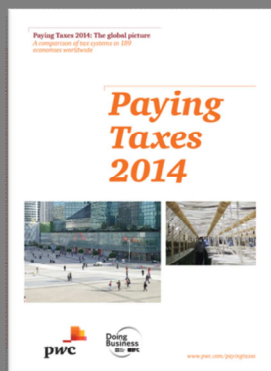
**Government Gazettes for the period for November 2013 is included in this edition. This is not an exhaustive list of Acts/Notices/Proclamations published.**

- No. 427 - 2013** Bank of Namibia published their Statement of Assets and Liabilities as at close of business, 30 September 2013
- No. 428 & 429** Accreditation of Business School of Excellence (BSE) and African Institute (AL1)
- No. 297 - 2013** Promulgation of Public Accountants' and Auditors' Amendment Act, 2013 (Act No. 9 of 2013).

## Paying Taxes 2014

*Paying Taxes 2014 is a unique study from PwC and the World Bank Group.*

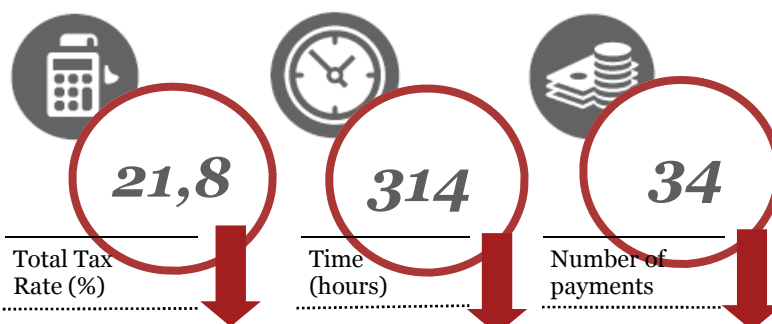
*The study investigates and compares tax regimes across 189 economies worldwide using a case study company, and ranks them according to the ease of paying taxes.*



## Namibia Results:

The launch of the 2014 Paying Taxes survey ranked Namibia **114th** out of **189 economies** on the ease of paying taxes.

The survey publicised that it takes an annual average of 314 hours and 34 number of payments to be tax compliant in Namibia, which have decrease since the last survey.



**For more information, see this year's report – available at**

<http://www.pwc.com/na/en/publications/paying-taxes-2014-report.jhtml>

## Tax Calendar - December 2013

Monday	Tuesday	Wednesday	Thursday	Friday
16	17	18	19	20 <ul style="list-style-type: none"> <li>Import VAT return</li> <li>PAYE return</li> <li>Withholding Tax on Services return</li> </ul>
23	24 <ul style="list-style-type: none"> <li>VAT return (Category A)</li> </ul>	25 <i>Christmas Day</i>	26 <i>Family Day</i>	27
30	31 <ul style="list-style-type: none"> <li>Social Security payment</li> <li>Tax return - companies with 31 May 2013 Year-End;</li> <li>2nd provisional returns - companies with 31 December Year-End</li> </ul>			

For assistance or advice please contact one of our tax specialists.

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