

Tax First

Namibia Newsletter

November 2012



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This newsletter and previous issues are available on
www.pwc.com/na

Update on section 35A

Dealing with retention tax on entertainment, management, consulting and directors' fees paid to non residents

Inland Revenue introduces withholding tax certificates

In the latest development, Inland Revenue designed tax certificates aimed at providing taxpayers with proof of the amount deducted and paid over to Inland Revenue on services rendered by non residents.

What is the purpose of this certificate?

Since tax is withheld on amounts paid to a resident in a different tax jurisdiction, this certificate may be used to claim a tax relief in the service provider's home country and combat double taxation.

When will the certificates be available?

According to the tax administration division in Inland Revenue, the designed forms were recently sent to the printers and are expected to be ready for dispatch in due course.

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Bulletin

Social Security

The Social Security Commission recently changed their practice in respect of good-standing certificates issued by their offices. Going forward employers who have not submitted their annual wage return, will not be issued with a good-standing certificate until such time their return is submitted.

The SSC require the wage return to be able to issue the notice of assessment in respect of employees compensation to employers.

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Importance of the input tax deductions on passenger vehicles and tour operators:

Passenger Vehicle

The Namibian VAT Act defines a passenger vehicle as “a motor vehicle principally designed or adapted for the transport of nine or fewer seated persons and includes a double cab vehicle, but does not include an ambulance or a motorcycle”

In terms of Section 19 (2) no input tax may be claimed by a registered person for the import or VAT levied on the acquisition of a passenger vehicle unless that person falls within the following group:

- A registered person is in the business of dealing in, or hiring of passenger vehicles; (e.g. car dealers, car rental agencies, etc)
- A tour operator and the vehicle was acquired for the purposes of such business;
- A short-term insurer to indemnify an insured person under a short-term insurance contract; and
- Any charitable organisation, children's home, old-age home or orphanage and the subsequent sale of the vehicle shall be subject to VAT.

The input tax claim is only denied on the acquisition of a passenger vehicle. Input VAT on repairs, maintenance and insurance payments may be claimed.

Tour Operator

The Namibian VAT Act makes provision for tour operators to claim input tax charged when they acquire passenger vehicles

In the VAT Act a tour operator is defined as “any person whose supply mainly consists of package holiday tours with all arrangements made at an inclusive package price”, with the main emphasis on *mainly*. VAT Practise note 12 of 2000 further defines *mainly* to interpret it as more than 50% therefore the tour operator's supply should consist of 50% or more of package holiday tours with arrangements made at an inclusive package price.

To differentiate between a tour operator, broker and travel agent, Inland Revenue issued VAT Practise Note 30 of 2000 which states that it will be further accepted that the tour operator does not only compile and supply holiday packages as stated above, but executes the packages by conducting the clients on such tours.

The “travel broker” plans the holiday packages by adding various appropriate services together, but does not execute that actual package. The travel broker sells it to travel agents who in turn sells it to tourists or holidaymakers.

The difference between the “travel agent” and the tour operator is that the travel agent compile the holiday packages, do the reservations and other arrangements, but they do not execute the actual package.

Only the person who physically executes the tour is regarded as a tour operator and only tour operators is entitled to claim an input tax deduction on the acquisition of a passenger vehicle acquired for the purpose of his/her business. This vehicle being any type of vehicle, e.g. sedan, double-cab, minibus, etc. as the type of the vehicle is not defined or limited.

In addition, Section 18(1)(f) states that a registered person may claim deemed input tax on used goods acquired from any person who at the time of acquisition was not entitled to claim input tax on those used goods. The VAT registered tour operators may thus claim deemed input tax for vehicle acquired from a non-registered person. The tax fraction of 15/115 should thus be applied to determine the VAT to be claimed from Inland Revenue.

In conclusion VAT registered tour operators that meet the definition in the VAT Act, should bear in mind when acquiring a vehicle for business purposes:

- that they may claim input tax on the acquisition of passenger vehicles; and
- deemed input VAT where the vehicle is purchased from a person who, at the time they bought the vehicle, was not entitled to claim the input tax.



Government Gazettes

Government Gazettes for the period for October 2012 is included in this edition. This is not an exhaustive list of Acts/Notices/Proclamations published.

- No. 359 - 2012** Bank of Namibia published their Statement of Assets and Liabilities as at close of business, 31 August 2012
- No. 380 - 2012** Municipal Council of Windhoek announced the general amendment of water tariffs
- No. 381 - 2012** Namibia Financial Institutions Supervisory Authority (NAMFISA) published the cancellation of registration of specific micro-lender
- No. 382 - 2012** Namibia Financial Institutions Supervisory Authority (NAMFISA) published the cancellation notice of certain micro-lenders

Tax Calendar - November 2012

Monday	Tuesday	Wednesday	Thursday	Friday
19	20 <ul style="list-style-type: none">• Import VAT return• PAYE return• Withholding Tax on Services return	21	22	23
26 <ul style="list-style-type: none">• VAT return (Category B)	27	28	29	30 <ul style="list-style-type: none">• Social Security payment• Tax return - companies with 30 April 2012 Year-End;• 2nd provisional returns - companies with 30 November Year-End

Follow the 2013 results for Namibia in the World Bank the Doing Business report at:

www.doingbusiness.org/data/exploreeconomies/namibia/#paying-taxes

The page summarises the ease of doing business in Namibia for 2013. Currently Namibia is ranked 87th out of the 185 economies. The survey is based on key indicators such as starting up business, paying taxes and trading across borders. Each indicator is then benchmarked against regional and high-income economy (OECD) averages.

The survey presents useful information for investors and foreigners with business prospects in Namibia.



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