

Tax First

Namibia Newsletter

September 2014



A monthly newsletter published by PwC Namibia providing informed commentary on current developments in the local tax arena.

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SARS changes VAT regulations for SA Export

Many Namibian enterprises order and import goods on a regular basis from South Africa. As the cost outlays on taxes to the South African and Namibian Governments can be substantial for Namibian importers, we suggest that you reflect on the VAT payable in South Africa by Namibian enterprises. If it can be claimed back and if it is possible to negotiate with your South African supplier to zero rate the VAT on goods sent to you.

Recent changes to the South African VAT procedures for exports were published on 2 May 2014 in a new Regulation. This Regulation withdraws and replaces all previous Notices which dealt with the VAT implications on export of goods from South Africa.

Direct Exports from South Africa

The situation where the South African supplier takes responsibility for consigning and delivering goods in Namibia by either transporting the goods itself or using a registered cartage contractor, remains clear. Provided all the Customs requirements (such as registration as an exporter and properly declaring the goods for export) have been met, the South African supplier may zero rate the export for South African VAT purposes.

The Namibian importer then only has to pay the Namibian import VAT, equal to 16.5 % on the free-on-board value of the goods, and not the South African VAT of 14% in addition.

Indirect Exports from South Africa

Where the South African supplier however does not take responsibility for delivering the goods to a Namibian address (i.e. where delivery of the goods are made to the Namibian client or its transporter which will export the goods thereafter), we are dealing with so-called indirect exports and the situation becomes much more complicated.

The general rule with indirect exports is that the South African supplier must charge the South African VAT of 14% on its invoices, but the Namibian client, if regarded as a "qualifying purchaser", may apply for a refund of the VAT through the VAT Refund Administrator of South Africa ("VRA").

Strict rules apply in this regard, certain documentation is required and if successful, a refund of the VAT is made to the Namibian client after the VRA has deducted its commission.

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SARS changes VAT regulations for SA Export (continued)

Possible zero rating of indirect exports

South African suppliers in the past could choose to zero rate the sale of goods to a Namibian client when the goods were not directly exported to Namibia and delivered to a harbour or airport for export to Namibia.

Goods supplied and meant for export after 2 May 2014 are subject to the changed procedures in terms of Rule R316, but it is now also possible for a South African supplier to elect the zero rating option for goods supplied to its Namibian clients if the goods are exported by road or rail.

The rules have however changed substantially and it now required that the Namibian supplier must appoint a South African based agent formally to accept goods into its warehouse. The agent must be a licenced bonded remover of goods from South Africa and strictly observe the requirements listed in the Regulation. Supplies made to a Namibian client who has not formally appointed an agent in terms of the Regulation will remain standard rated in which case the Namibian client would have to follow the requirements laid down in the Regulation to qualify for a VAT refund.

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Payroll Hazards

Non Compliance with legislation can result costly tax liabilities for the employer as well as employees.

The basic principles:

- The employee's payslip may not deviate from his employment contract.
- The employment contract should not vary from the firms relevant human resource policies.
- The human resource policies should comply with law and legislation.

Payroll administration questions to consider:

- Are all allowances reflected on the PAYE 5 certificate (Taxable / Non-Taxable and reimbursement rate per kilometre)?
- Do your employees include travel from home to work as private kilometres travelled in their logbooks?
- Are employees aware of the recoupment implications, if capital was claimed on a private vehicle and this vehicle is taken out of business use?
- Does your company allow its employees the 1/3 housing tax benefit and do you have the registered housing scheme to support this practice?
- Is the 1/3 housing tax benefit based on the lesser amount of the allowance or the actual housing expense?
- Did you know that the 1/3 tax benefit on housing can be combined between two spouses, limited to the total amount payable per the rental/bond agreement?
- Are you allowing your employees the tax benefit on their private contributions to Namibian Pension, Retirement and Educational policies, limited to a maximum of N\$40,000 per annum?
- Are all your allowances granted to employees reflecting on their PAYE 5 certificates, irrespective if it is taxed monthly or not and are your employees aware of their responsibility to keep proof to claim against these? (S&T, entertainment, telephone, etc.)
- Are you including a taxable fringe benefit on interest free loans (excl. Study loans) granted to employees in excess of N\$ 3,000 per annum?
- Are you aware that any private costs incurred by the employer on behalf of its employee will trigger a taxable fringe benefit? (club memberships, family flight costs, school fees, domestic & utilities, etc.)
- Are you treating foreign employees according to the same tax rules as your local employees?

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Tax Calendar - September 2014

Mon	Tue	Wed	Thu	Fri
<p>22</p> <ul style="list-style-type: none"> • PAYE Returns; • Import VAT return; • Withholding Tax on Services return; • VET Levy 	<p>23</p>	<p>24</p>	<p>25</p> <ul style="list-style-type: none"> • VAT return (Category A) 	<p>26</p>
<p>29</p>	<p>30</p> <ul style="list-style-type: none"> • Social Security payment • Business Individuals and Farmers • Tax return - companies with 28 February 2014 Year-End; • 2nd provisional returns - companies with September year-ends 			

Upcoming PwC Tax Events:

The PwC Business School presents a Tax Bitesize session on

VAT: Property, Construction and Real Estate
11 September 2014 @ 07h30

For more details please visit our webpage @
www.pwc.com/na/en/business-school/index.jhtml



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