Tax First Alert
Namibia Inland Revenue new system rollout — impact on PAYE accounts
30 May 2017

As part of the tax reforms, Inland Revenue has moved to a new integrated system (ITAS) with effect from December 2016. All data from the prior system was moved to ITAS.

On the old system, taxpayers had an old and a new account PAYE account. Our understanding is that these accounts were merged when data was transferred to the new ITAS system. We noted a similar merging of accounts in respect of other accounts, such as Import VAT. However for the purposes of this article, we will specifically be focusing on PAYE accounts.

The merging of the two accounts has resulted in liabilities arising on PAYE accounts due to:

- old PAYE returns and reconciliations reflecting as outstanding on ITAS; and
- payments showing as outstanding or unallocated.

As a result of these outstanding balances and returns, taxpayer refunds (including VAT and Income Tax) are withheld and taxpayers cannot be issued with a Good Standing Certificate by Inland Revenue (as the account is no longer considered to be in good standing).

Returns reflecting as outstanding can date back as far as 1997 (depending on the date of registration). Apart from the administrative burden to resolve this, the greatest challenge taxpayers are faced with at the moment is the fact that such old returns may have been destroyed or lost in the past, given the fact that most employers have apply a 5 to 10 year document retention policy.

Our tax experts have invested a lot of time and effort in assisting taxpayers to sort out such issues and we have concluded on the following recommendations:

For returns not older than 5 years:

1. Liabilities relating to returns not older than 5 years can easily be cleared. It is recommended that taxpayers first inspect personal document archives to see if copies of such old returns can be located. Returns can be resubmitted to Inland Revenue, assessments captured and the payment allocation matched to the relevant period.

2. If returns cannot be located, refer to the corresponding PAYE reconciliation to match period payments with the relevant returns. PAYE returns can be completed again based on PAYE reconciliation balances per period and such returns can be resubmitted to Inland Revenue.
   It should be noted that there are currently no late submission penalties on PAYE returns.

For returns older than 5 years:

1. Wehere it is not possible to obtain copies of returns or reconciliations older than 5 years, it is recommended that the PAYE file be requested from Inland Revenue. Requesting of files from Inland Revenue may be a lengthy process due to the time required by Inland Revenue officials to retrieve files from the archives. Returns filed with Inland Revenue can then be used to assess the outstanding periods and to allocate payments accordingly. Note that the inspection of Inland Revenue's PAYE files must be done at their offices in the presence of and with assistance from an Inland Revenue official.

2. Should such returns not be easily or readily available for inspection, a detailed transaction report can be requested from Inland Revenue which reflects all payments made by the taxpayer on the old PAYE account. In this way, payments can be allocated to PAYE periods based on payment date or other relevant information.

Any taxpayer who is of the opinion that the above may result in penalties and interest being levied on their PAYE account is recommended to make use of the Tax Incentive Programme which will expire on 31 July 2017. As the above process is quite cumbersome and may take some time to sort out, taxpayers are encouraged to take immediate action.

Should you have any questions or concerns, please feel free to contact one of our tax compliance experts below:

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