Tax First
Namibia Newsletter
April 2017

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

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Also in this issue:

Tax returns completed in 30 minutes or less on **www.taxtim.pwc.com.na**

Timing and considerations: Returns for individuals

With the commencement of the new tax year for individuals (01 March 2017), it is important to consider the timing, content and filing of income tax returns.

An individual's tax year runs from 1 March up to the last day of February each year, representing a full 12 month period (irrespective of the type of individual income tax return – Yellow, Blue or Brown). For example, tax year 2017 refers to the income tax period from 01 March 2016 to 28 February 2017.

Usually Pay as You Earn (PAYE) is withheld over this 12 month period if an individual is employed or earns director's fees. The income earned for each tax year must be included in and declared on the income tax return for that period. If you receive allowances as part of your remuneration, the income tax return makes provision for you as employee to claim back certain expenses that were incurred in the production of business income. Private expenditure will not be deductible and will be disallowed by Inland Revenue.

Any other income/earnings received during the tax year is also required to be included in and declared on the income tax return for that period. This includes rental income, investment income, farming income, etc. Income tax returns make a provision for the deduction of expenses incurred in the generation of such other income. It is important to ensure that such expenses must be incurred in the production of such other income and should not be of a capital nature. Capital allowances may be available on certain capital assets acquired (including motor vehicles, furniture and fittings, computer equipment, etc).

The following indicates the different type of income tax returns for individuals, their due dates for filing with Inland Revenue and a brief explanation of each:

- **Yellow Income Tax Return** (6-0/0014A) – due before or on 30 September
  This return applies where you have a complex income structure, income from various sources other than normal employment or if you run a business in your own name / earn farming income. This is also the return used for Family Trusts and Business Trusts.

- **Blue Income Tax Return** (6-0/0014B) – due before or on 30 June each year
  This return is for employees with salary structures and allowances. This return allows you to claim expenses incurred for business against allowances received. The return also accounts for other income (such as rental or investment income) outside your employment.

- **Brown Income Tax Return** (6-0/0014C) – due before or on 30 June each year
  This is the most basic tax return. It is for individuals with a basic salary structure and no other additional income, except from employment. It is also for pensioners earning no extra income, except pension income.

As a taxpayer, it is important to ensure that you are filing the correct income tax return, on time with Inland Revenue and that all relevant income and expenses are included therein. Should there be any uncertainty, it is recommended that the taxpayer consult with Inland Revenue or one of our tax specialists.

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VAT implications on fixed property transactions

*In terms of paragraph 2(y) of Schedule III of the VAT Act 10 of 2000, the sale of immovable property for **residential** purposes is a zero-rated supply. To the contrary, the sale of land or buildings for **commercial** purposes will constitute a standard-rated supply in terms of section 3(1)(a), which will include farming property or farm land. Furthermore, the sale of agricultural land to the State for **resettlement** purposes is a zero-rated supply in terms of paragraph 2(cc) of Schedule III.*

Value of supply:

Section 8(1) of the VAT Act stipulates that the value of a supply of goods (fixed property) equals the amount of the consideration for that supply. The consideration is the amount in money or in kind paid or payable for the supply of such fixed property, including any duties, levies, fees and charges (other than tax).

Additional to any VAT liability which may arise, transfer duty is also payable on the sale of property. In terms of section 7(a) of the Transfer Duty Act 14 of 1993, VAT must be excluded to determine the value for transfer duty purposes. Furthermore, in terms of Practice Note 1 of 2003 to the VAT Act, it has been decided to regard transfer duty and stamp duty to fall within the ambit of words "other than tax" and therefore to exclude transfer duty and stamp duty from the definition of consideration as defined. It follows that for the purposes of calculating VAT, transfer duty and stamp duty paid on the acquisition of property does not need to be included in "consideration".

Time of supply:

Where fixed property is disposed of under a sale agreement, the sale is deemed to take place on the earlier of:
- The date of registration in a deeds registry; or
- The date on which any payment is made in respect of the consideration for the sale.

Payment in this context would exclude any deposit that has not been "applied" yet as consideration for the supply and has not been forfeited by the purchaser. Once such deposit is released and set off against the purchase price by the seller a "payment" is considered to have been made. This means that a part-payment will trigger the time of supply rule.

Prior to 01 October 2002, the sale of land and buildings was not considered a supply for the purposes of the VAT Act. Output VAT must be declared on the sale of fixed property although VAT was not levied on acquisition prior to 1 October 2002.

In terms of paragraph 2(y) of Schedule III of the VAT Act the supply of goods or services for residential purposes comprising of (i) the sale of immovable property; or (ii) the erection of or extension to a building shall be a zero-rated supply.

In terms of Practice Note 5 of 2002 to the VAT Act Inland Revenue is of the opinion that an improvement must be physically attached to, connected or integrated with the building. Therefore, any improvements to a residential property is subject to VAT at 15%. Such improvements include the installation of an alarm system; air-conditioner; burglar proofing; security gates attached to the building; intercom systems; built-in kitchen cupboards; and built-in wardrobes. The determination of the zero-rating is therefore the underlying "supply of goods and services for residential purposes", and not the recipient of the supply.

Practice Note 2 of 2002 states however, that related services rendered by architects, attorneys, quantity surveyors, etc, shall attract VAT at 15%. Where a subcontractor renders services to a main contractor, who in turn provides the services to the owner of the house, the services by the subcontractor will attract VAT at 15%. If contractors and subcontractors render services to developers, such services will also attract VAT at 15%.

Contractors, if registered, supplying services in the form of erection or extension to residential property directly to the home owner, may however zero-rate the services. Registered contractors will be in a position to claim the input tax on the acquisition of building material and other costs incurred in the generating of such zero-rated income. Developers, if registered, will also be in a position to claim the input tax and charge VAT at zero rate to the owner of the house. As per Practice Note 2 of 2002, it is not the intention of the legislator to zero rate supplies made by suppliers of building material to owner builders.

The term "residential purposes" is not defined in the Act. In terms of Practice Note 2 of 2002, any building, together with any appurtenances erected to be used predominantly used as a place of residence or abode of any natural person, shall fall within the scope of paragraph 2(y) of Schedule III. In determining whether the property is used for residential purposes one should look at the actual use of the property.

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PwC Business School Training

Training for April:

Windhoek

3 Apr	Finance for Non-FM's, Entrepreneurs & Business Owners
10 Apr	Directors Training: Managing Tax Risk at Board Level
13 Apr	How to Develop a Pay Scale
19 Apr	Basic VAT Training
20 Apr	Basic Income Tax and Employees Taxes Training
24 Apr	Practical Approach to Microsoft Excel
27 Apr	Leadership Training: Leading People

Walvis Bay

20 Apr	Basic VAT Training
27 Apr	Basic Excel Training
28 Apr	Intermediate Excel Training

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Or follow the below link to our website:
http://www.pwc.com/na/en/events.html

New Legislation Tracker

This diagram tracks the progress of proposed tax legislation.

The following is the status of announced legislation up to 26 February 2017:

- **Transfer Duty amendments** – In drafting, expected date not yet set.
- **Export Levies** – Promulgated 20 June, no effective date has been set. Bill to be referred to Cabinet after inputs received from various sectors.
- **Customs & Excise Bill** – Promulgated 22 December 2016. Effective date has not yet been announced.
- Establishment of **Revenue Authority** – In drafting, expected date not yet set. Planned implementation for 2018/2019.
- Legislation on **Environmental Duties** to be revised and amended during 2017.

Tax Calendar - April 2017

Mon	Tue	Wed	Thu	Fri
17 **Public holiday**	18	19	20 • VET levy • PAYE Return • Import VAT return • Withholding Tax Returns: Services, Royalties & Interest • NRST Return.	21
24	25 • VAT return	26	27	28 • Social Security payment • 1st provisional for taxpayers with October 2017 year-end • 2nd provisional for taxpayers with April 2017 year-end • Tax return for companies with 30 September 2016 year-end

TIM's TIP:
TaxTim offers a **mobile logbook free of charge** with all employees signed up for Employee Assist and also for Users registered as provisional taxpayers!

For queries please mail us at **taxtim@na.pwc.com** or register for TaxTim today at **www.taxtim.pwc.com.na**

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

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