



Tax First

Namibia Newsletter

March 2017

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

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Inland Revenue Department will no longer accept cheque payments from 1 June 2017

A press release dated 30 January 2017 serves to inform all taxpayers that, with effect from 1 June 2017, Inland Revenue Department will no longer accept cheques as a means of payment for taxes. Whether such cheques are guaranteed or not.

Inland Revenue Department ("Inland Revenue") encourages taxpayers to make use of online banking facilities to do Electronic Fund Transfers (EFT's) for all tax payments or alternatively use a Point of Sale device, Cash or Direct Deposits as a method of payment. Point of Sale devices (Speed Point Machines) are now available at all Inland Revenue offices countrywide, except for satellite offices.

The payment of refunds due to taxpayers, including Income Tax and VAT refunds, by way of a Government cheque will also be terminated and Inland Revenue with forthwith only make use of EFT payments for refund purposes. Inland Revenue therefore encourages taxpayers to have valid bank accounts in place and update such account details at Inland Revenue offices.

The Payment Association of Namibia issued a Public Notice stating that cheques will be completely phased out on 31 December 2017. In cognizance of this Public Notice, Inland Revenue would like to gradually prepare for this forthcoming change, hence the issuance of the above-mentioned press release notice.

EFT's and Direct Deposits in respect of all taxes administered by Inland Revenue can be made directly into Inland Revenue's account:

General Revenue Account

Account number: 165 001

Branch code: 980 172

Also refer to PwC's December 2016 Tax First Newsletter issue for guidance on EFT payments made to Inland Revenue:

<http://www.pwc.com/na/en/assets/pdf/tax-first-newsletter-december-2016.pdf>

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PwC's TaxTim TIP:

28 Feb 2017 - deadline for 2nd provisional individuals.

Use TaxTim to complete your provisional tax return—quick & easy!

www.taxtim.pwc.com.na—to register, complete returns or submit a query



Tax implications of severance pay

Are you thinking of downscaling or closing down your business and have to retrench employees? Or are you close to your retirement age and expect severance pay to be paid out by your employer? As employer and employee, you should consider the tax implications of these amounts paid / received.

As an employer you are obliged to withhold Pay-As-You-Earn ("PAYE") on all remuneration paid to employees. Amounts paid to employees for "relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment or of any appointment" are specifically included in the definition of "remuneration". This means that such payments made by the employer are subject to PAYE.

An exemption of N\$300,000 will apply provided the following conditions are met:

- The employee is 55 years or older; or
- The employee was dismissed as a result of superannuation, ill-health or other infirmity; or
- The employee was retrenched due to his/her employer downsizing the business or closing the business.

The N\$300,000 is for the employee's lifetime, can only be used once and does not apply separately to consecutive retirements/retrenchments.

The employer should request and obtain a tax directive from Inland Revenue who will indicate the amount of PAYE to be withheld on the payment to the employee. On retrenchment payments, Inland Revenue also requires the office of the Labour Commissioner to confirm the employer's retrenchment program.

If the termination of the services of such employee is due to retirement, ill-health or other infirmity and the amount paid out is more than N\$300,000, the remaining amount may be taxed in three equal instalments in the year of payment and the two following years. Alternatively, an application can be made to Inland Revenue to grant approval for the amount to be taxed over 3 years. This may be done via an application for a tax directive.

Tax deductibility of severance payments by employer

Severance payments that are actually incurred, are deductible from the taxable income of your business. The term "actually incurred" implies you either already paid the employee, or they have already been dismissed and you have an unconditional obligation to pay the severance pay. A provision for possible future severance payments that might be incurred are conditional and these costs have not actually been incurred. As such, you will need to add back the severance pay provision in your tax calculation.

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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:



PwC Business School Training



Training for March:

Windhoek

6 Mar	Basic VAT Training
7 Mar	Basic Income Tax & PAYE Training
14 Mar	Post Budget Speech: Tax Update
27-29 Mar	Basic Accounting Training
30 Mar	Director's Training: Remuneration Principles

Walvis Bay

1 Mar	Tax Guidelines for Individuals (Free session)
24 Mar	Business Training: Employment Compliance



27-28 Mar | Ondangwa Tax Symposium

To book your seat e-mail: busschool@na.pwc.com

For more information, contact one of our Business School Managers.

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

VAT on intangible assets

What are the VAT implications when selling your intangibles? Most companies forget about the VAT implications when selling or buying trademarks, intellectual property, and other intangibles.

Are intangibles classified as goods or services? Per the VAT Act, Act 10 of 2000 ("The VAT Act"), **"goods"** is defined as *"corporeal movable or immovable property, thermal or electrical energy, heat, gas, refrigeration, air conditioning and water, but does not include money"*.

In contradistinction, incorporeal rights other than those specifically referred to in the definition of "goods", will constitute "services". For example, intangibles such as goodwill, trademarks, and intellectual property do not fall within the definition of "goods", but of "services".

Therefore, the sale of intangible assets by a registered person in Namibia for use in Namibia will attract VAT at a standard rate of 15%.

The VAT Act further makes provision for the zero-rating of the supply of services comprising:

- The filing, prosecution, granting, maintenance, transfer, assignment, licensing or enforcement of any intellectual property rights for use outside Namibia; or
- Incidental services necessary for the supply of services listed above, or
- The acceptance by any person of an obligation to refrain from pursuing or exercising in whole or in part any intellectual property rights for use outside Namibia.

Ultimately, the seller of an intangible asset will have to declare Output VAT at the standard rate on the sale of an intangible asset, specifically if it is intended to be utilized in Namibia. The buyer of the intangible asset will be allowed to claim an Input tax deduction, provided that the intangible asset will be utilised to generate taxable supplies. Should the intangible asset be utilised outside Namibia, the seller can charge VAT at a rate of zero percent.

Careful consideration should thus be made when buying and selling intellectual property or restructuring your company as to how it will affect the VAT position of the company. Therefore tax planning should be done before engaging in such transactions and a tax expert should be consulted.

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Tax Calendar - March 2017

Mon	Tue	Wed	Thu	Fri
20 <ul style="list-style-type: none">• VET levy;• PAYE Return;• Import VAT return;• Withholding Tax Returns: Services, Royalties & Interest; and• NRST Return.	21	22	23	24
27 <ul style="list-style-type: none">• VAT return	28	29	30	31 <ul style="list-style-type: none">• Social Security payment;• 1st provisional for tax-payers with September 2017 year-end;• 2nd provisional for tax-payers with March 2017 year-end; and• Tax return for companies with 31 August 2016 year-end.

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

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