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Namibian Oil and Gas Tax Regime overview

Namibia
International
Oil and Gas
Conference

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The tax laws - petroleum operations in Namibia

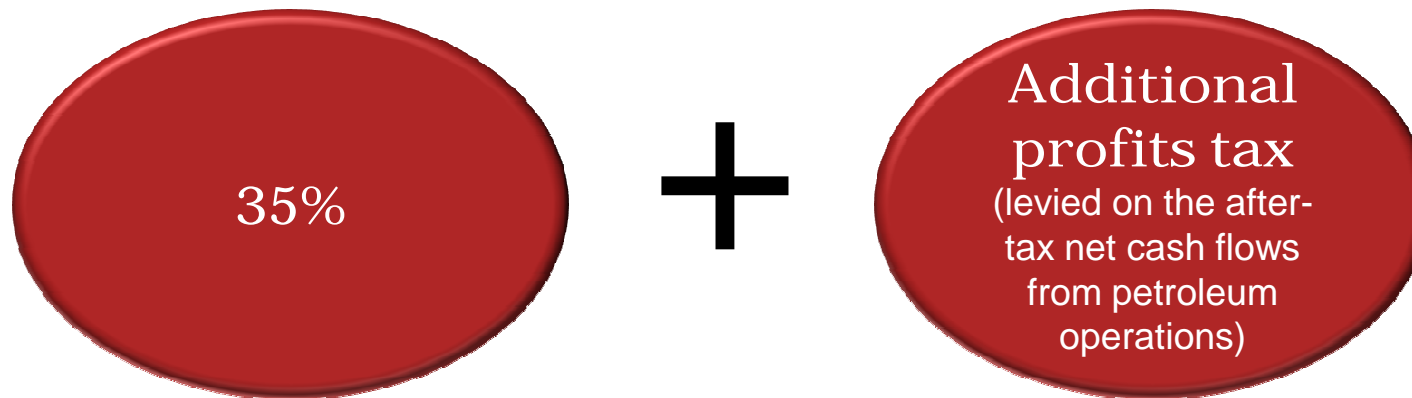
*Petroleum
(Taxation) Act*

*Income Tax Act
(Administrative
provisions)*

*Petroleum
(Exploration
and
Production) Act
- Royalties*

Infant status of the petroleum industry in Namibia - no
practise/implementation guidance is available

Tax charges



Income tax is levied separately for each license area

5% Mining
royalties

Annual
license fees
(km²)

25%
WTS

Export
levy

Gross income - General Definition

Section 7 of PTA

Gross income:

- the total amount,
- in cash or otherwise,
- received by or accrued to or in favour of a person
- from a license area in connection with exploration operations, development operations or production operations
- excluding amounts of a capital nature
- specific inclusions

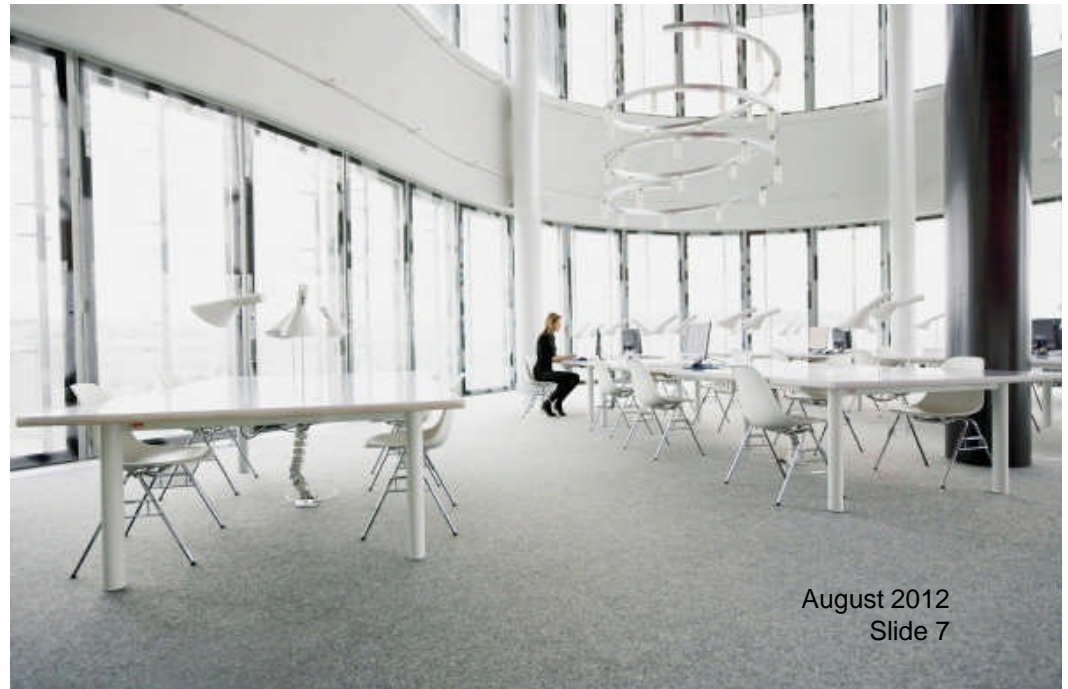
Gross income – Specific inclusions

Section 7 of PTA

- Market value of Petroleum produced, saved or delivered (including appropriated for refining purposes)
- Closing crude form inventory (50%)
- Profit on disposal of petroleum asset/licence area or transfer of such asset/licence area
- Sale of petroleum information in relation to such license area
- Any income received or accrued to a person as condition of the license

Gross Income - Prior to production

- May take significant time before actual production starts
- Any amounts received or accrued to the license holder prior to the year of production in respect of these items are carried forward to the year of first production



Deductions

Section 8 of PTA

- Expenses actually incurred
- in respect of the particular license area
- in the production of gross income
- Specific deductions including
 - restoration costs
 - royalties (Petroleum Exploration and Production Act)
 - contributions to approved decommissioning trust fund

Capital allowances

- Deducted once off
- In year that production commences

- Claimed over three years
- In year that production commences

Exploration expenditure

Development expenditure

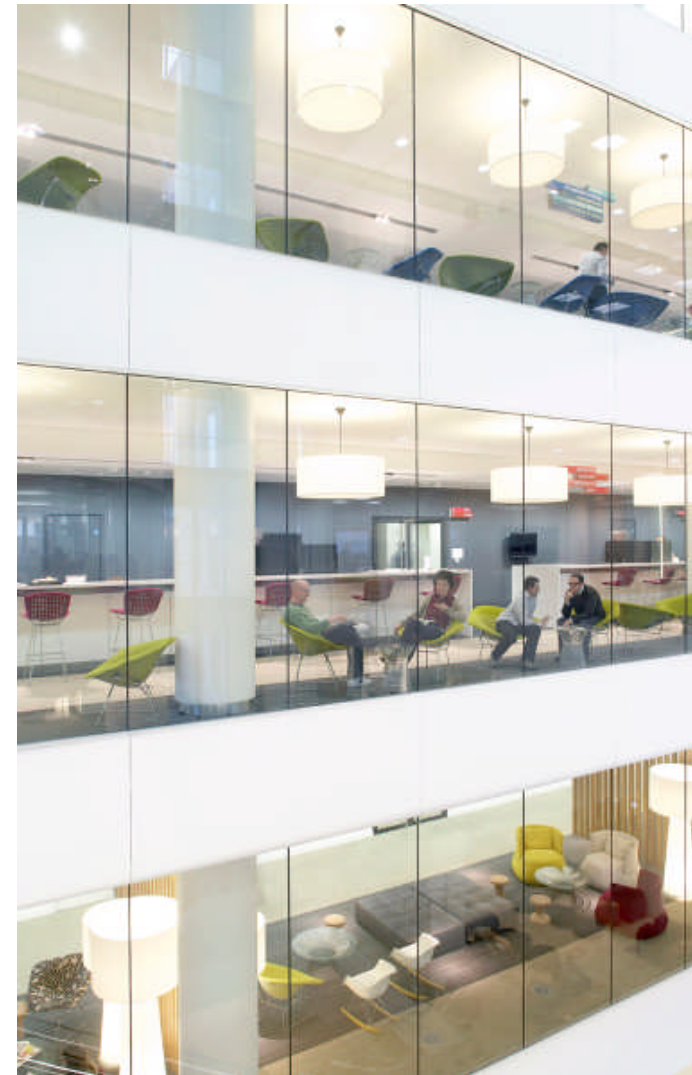
Other matters

Transfer pricing

- Arrangement between associated persons
- **Excessive expenditure** may be disallowed as a deduction
- Section 17

Non-residents shareholders tax

- Not applied to companies in the petroleum industry



Tax on sale of petroleum assets

Included in gross income:

- Profit on disposal of petroleum asset/licence area or transfer of such asset/licence area
- Sale of petroleum information in relation to such license area
- Amounts only subject to tax in year that production starts
- Capital gains arising on sale of assets after production commenced = taxable in hands of licence holder

Income Tax Act amendment 30 Dec 2011:

“The definition of “mineral” as per the Mining and Prospecting Act 33 of 1992, specifically excludes “petroleum, as defined in section 1 of the Petroleum (Exploration and Production Act), 1991 (Act 2 of 1991);”

Value Added Tax

- 200 nautical miles
- Taxable supply
- More than N\$200,000 in any 12 months
- Continuously and regularly
- 15%
- Claim back

Import VAT

- Petroleum license holders are exempt from paying import VAT under Schedule V of the Value-added tax Act 10 of 2000 (the VAT Act).

Subcontractors of Oil and Gas companies – Withholding Tax on Services

Do we need to withhold?

- Withholding tax is a tax on a non-resident
- Administrative duty to withhold on resident
- 25%
- Payable 20 days after the month during which the liability was incurred

Section 35A
of Income
Tax Act

*“any amount payable for:
Administrative.
managerial,
technical
or consultative services or
any similar services, whether such services are of a professional nature or not”.*

Expatriate employees

Section 1 of Income Tax Act

- Services rendered deemed from a Namibian source
- "Within Namibia"
- Therefore if employees render services on a vessel within 12 nautical miles, taxable in Namibia

*Namibia:
the sea within a distance of 12 nautical
miles measured from the low water
line shall be the territorial sea of
Namibia.*

Thank you

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