



# Tax First

## Namibia Newsletter

### April 2015

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

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## Beware of Ring-Fencing this Tax Season

**Many individual taxpayers declare their normal salary income with some additional income from other sources, like rental, or a side-line business. To limit their tax liability they then proceed to claim expenditure and losses from these additional activities. This is exactly where you should be warned – because Inland Revenue now has the power to ring-fence those activities, which may cause significant tax liabilities, penalties and interest.**

With the introduction of the ring-fencing legislation in 2012, the warning signs were raised, but did not have an immediate impact. After some years, the impact may start to kick in in 2015.

### Who will be affected by ring-fencing?

- the taxpayer is a natural person;
- whose taxable income (before the deduction of any assessed losses), equals to or exceeds N\$200,000; and
- he/she either had an assessed loss in at least three out of the last five tax years; or
- the assessed loss arises from one of the suspect trades.

Basically, if your income is below the set threshold of N\$ 200,000, you don't fall within the realm of ring fencing.

The 3/5 years losses test will be affected as from 1 March 2011. Therefore if losses were incurred in the first 3 years out of a 5 year period, as from 1 March 2011, the losses from that trade will be ring-fenced. Please note that 3/5 years test does not only apply to the suspect trades, but to any trade.

The legislation stipulates this list of trades, which will be immediately identified as trades which should be ring-fenced for tax purposes.

*Continue to page 3 for more details on ring-fencing.*

## Register now!

### PwC Business School:

**1 & 2 April** - Relationship Selling

**28 & 29 April** - Building Relationships and Networks

**30 April** - Learning to Lead

Additional Bitesize Sessions and Thought Leadership events are planned for April.

Visit our website for more details:

[www.pwc.com/na/en/business-school](http://www.pwc.com/na/en/business-school)

## 2015/16 Namibian Budget Speech Highlights

**Newly appointed Minister of Finance, Mr Calle Schlettwein, delivered his annual Budget Speech on 31 March 2015.**

**Follow this link to the PwC budget summary and commentary:**

<http://www.pwc.com/na/en/budget/index.jhtml>

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# Deregistration of VAT and Import VAT

***A registered person can only deregister after a period of two years of being a registered person whether the registration was done on a voluntary or compulsory basis.***

## ***Voluntary deregistration:***

A person ceases to be liable for registration if his turnover for a twelve-month period is below the limit of N\$200 000 (Announced increase to N\$500,000 in the near future). The Commissioner will disallow deregistration if it appears likely that turnover in the following year will once again exceed the limit.

The taxpayer is required to notify the Namibian Revenue Authorities in writing within 21 days of such date of cessation.

## ***Compulsory deregistration:***

Compulsory de-registration arises in the following circumstances:

- When the registered person makes supplies that are exempt as a result of a change in the legislation.
- When there is a change in the legal status of the taxpayer. For example, where a sole proprietor admits one or more partners into the business, or a partnership ceases to exist and one of the partners becomes a sole trader, or a business is taken over by a company.
- Where registration is as a result of a misrepresentation of material facts.
- Where a person who registered on the grounds of intended taxable supplies does not render taxable supplies by the date specified in his application.
- Where it appears that a request for voluntary registration is no longer valid.
- Where a person eligible for voluntary deregistration on the grounds of low turnover fails to make returns or pay tax.
- Where he was registered on the grounds that he intended to make taxable supplies from a specified date and he fails to do so.

Where the trader sells his business as a going concern or where he closes one business and starts another, a number of alternatives are available to him.

Where he has sold his business to another person he can either deregister or by mutual agreement with the purchaser transfer his registration to the purchaser.

Where the trader discontinues one business and commences another, the effect on his registration will depend on the sequence of events;

- If he commences his new venture within twelve months after discontinuing the old, he merely has to notify the Commissioner, who will make the necessary changes in the registration record; or

- If his new business has a turnover below the required limit, he can apply for a voluntary deregistration.

Where there is a gap between the discontinuation of the one business and the commencement of the next, he could deregister and then re-register when the new business commences.

## ***Consequences of deregistration***

From the date of cancellation of registration the issuing of tax invoices should stop. If a self-billing system is in operation, customers must be notified. Input tax on any purchases made after the date of cancellation may not be claimed.

VAT must be accounted for on any goods forming part of the business assets that are on hand at the date of cancellation.

Any person whose registration is cancelled shall be deemed:

1. As having made a taxable supply of any goods (including capital goods) on hand in respect of which that person has been allowed a deduction for input tax, and
2. As having made the taxable supply at the time the registration was cancelled, and
3. As having made the taxable supply for a value equal to the open-market value of that supply.

It is advisable to continue submitting VAT and/or import VAT returns until deregistration has been confirmed by Inland Revenue in writing.

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# Beware of Ring-Fencing this Tax Season

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## What is a suspect trade?

- Sporting activities;
- Dealing in collectibles;
- Rental of residential accommodation (unless at least 80% of the accommodation is used for at least half the year by non-relatives of the taxpayer);
- Rental of vehicles, aircraft or boats (unless at least 80% of these assets are used for at least half the year by non-relatives of the taxpayer);
- Showing animals in competitions;
- Farming or animal breeding unless the person carries on farming/animal breeding on a full-time basis;
- Any form of performing or creative arts; and
- Gambling or betting.

Ring-fencing can be prevented, but only where:

- the trade constitute a 'business'; and
- with reasonable prospect of profitability within a reasonable period of time;
- **AND** the trade should generate taxable profits for at least 5 years out of a 10 year period as from 1 March 2011.

We urge individual taxpayers to be cautious when claiming losses of trades outside normal employment, as the effects of ring-fencing may be substantial.

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## Tax Calendar - April 2015

Mon	Tue	Wed	Thu	Fri
20 • PAYE Returns; • Import VAT return; • Withholding Tax on Services return; • VET Levy.	21	22	23	24 • VAT return
27	28	29	30 • Social Security payment; • 1st provisional for companies with an October 2015 year-end; • 2nd provisional for companies with April 2015 year-end • Tax return - companies with 30 September 2014 year-end;	

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

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