

PwC Namibia | Budget Review 2025/26 Analytics

Tax Leadership Comments



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Namibia's Finance and Social Grants Minister, Hon. Ericah Shafudah, presented the national budget for the 2025/26 financial year, aimed to address economic challenges and promote sustainable growth.

Revenue projections for the year are set at N\$92.6 billion, a 4.9% increase from last year's estimates. This revenue will primarily come from tax collections like income tax, VAT, and customs duties, along with non-tax revenue. To enhance revenue collection, the budget introduces VAT on imported digital services and measures to improve tax compliance. Public-private partnerships are also encouraged to boost investment in public projects. However, there are challenges. Reliance on tax revenue can be unpredictable, and implementing VAT on digital services might face resistance. Improving tax compliance requires robust enforcement and cooperation from taxpayers. Additionally, the ambitious spending plan could raise concerns about meeting financial obligations, potentially increasing borrowing costs. While the budget outlines clear revenue generation strategies, achieving these targets will require careful navigation of economic fluctuations and effective implementation.



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The speech outlines Namibia's continued drive to enhance our tax legislation and specifically we are excited on the announcement that the dedicated Tax Court is at an advanced stage with the draft legislation set to table in FY25/26.

A dedicated Tax Court would be an important step for Namibia to enhance and enforce tax legislation with the required expertise and grant taxpayers consistency and fairness in how tax laws are applied by the government.

It will also improve the efficiency of tax cases being handled and ensure that Namibia can support the interpretation and application of complex tax legislation that can balance our drive for economic diversification and expansion while ensuring equity and fairness and prevent tax evasion and avoidance.



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The total expenditure budget is expected to amount to N\$106.3 billion for FY2025/26. The Honourable Minister of Finance outlined in her speech how FY2025/26 includes significant changes to Namibia's debt structure, as the US\$750 million Eurobond is set to be redeemed on 29 October 2025, and substantial principal repayments will be made to settle the IMF Rapid Financial Instrument (RFI). With the settlement of these loans, as well as local refinancing efforts, Namibia's domestic-to-foreign debt ratio is aimed at insulating the country from exchange rate risks.

Furthermore, the development budget has received needed allocations, with a budgeted increase of 22.6% compared to the prior year. This increase will contribute to the goal of promoting economic development as Namibia invests in the necessary infrastructure to create jobs and attract investment.

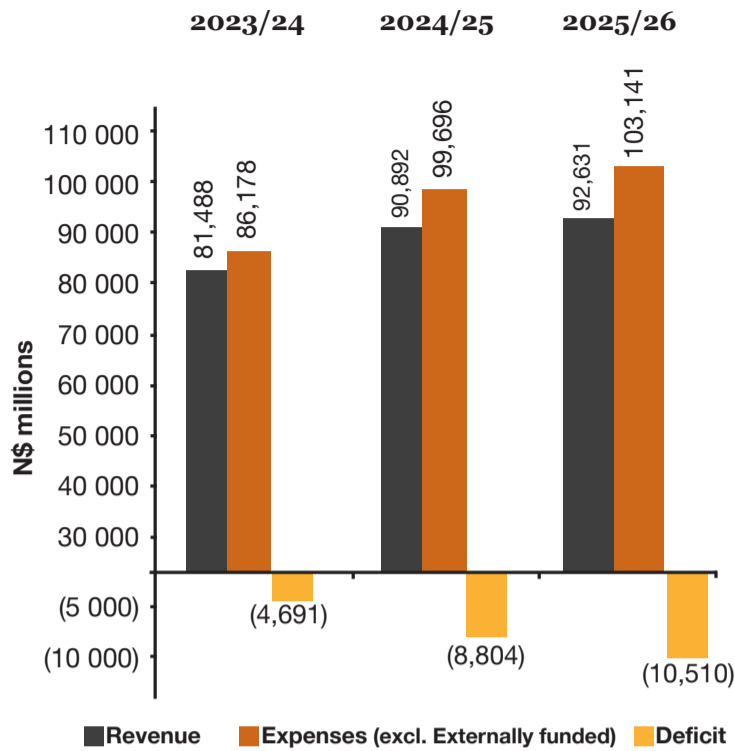
This analysis was completed based on the information made available to the public by the Ministry of Finance and Social Grants Management. We (PwC) cannot be held responsible for any misrepresentation of information as the source is in the public domain.

2025/26 Budget Overview

Budget Snapshot

- The budget was delivered under the theme "Beyond 35: For a Prosperous Future", with specific focus on stimulating economic development, social protection programmes and youth empowerment.
- Interest payments amounts to N\$13.7 billion, equivalent to 14.8% of revenues and 4.9% of GDP. The total debt stock ratio is estimated to reduce to 62% of GDP.
- The budget deficit has expanded to N\$12.8 billion from N\$9.8 billion in the prior year, 4.6% of GDP.
- An estimate of total revenues increased with 1.9% from the revised estimates of the previous year, representing N\$92.6 billion for FY2025/26. National Revenues from the diamond sector are under pressure and decrease in year-on-year SACU receipts of N\$6.9 billion are offset by improved performance on several domestic revenue streams. Improved performance on several domestic revenue streams highlighted:
 - VAT is estimated to increase by N\$2.6 billion;
 - income tax on individuals is estimated to increase by N\$1.8 billion; and
 - non-mining company taxes are estimated to increase by N\$1.3 billion over the same period.
- An expenditure budget of N\$106.3 billion was tabled. The total budget is increased by 4.9% from the revised estimates of the preceding year.
- The significant policy priorities include:
 - N\$780 million in FY2025/26 and N\$2.7 billion over the MTEF in the development budget to expand the network of health infrastructures countrywide;
 - N\$200 million for the construction of Category 2 stadiums across the country, N\$200 million for basic sports infrastructure;
 - Transport will receive a total of N\$2.7 billion. In addition to fast-tracking the upgrading of the railway network, this allocation also caters for the completion of ongoing road construction projects, including rural feeder roads to schools and clinics.
- Due to improved tax administration as well as the domestic economic recovery, revenue collections amounts to 90.0% over the first 11 months of the financial year and revenue is subsequently revised downwards for FY2024/25 by N\$1.2 billion to N\$90.9 billion.
- More than N\$420 million has been set aside for transfers to public enterprises that are under pressure. Some of the most significant contributions are:
 - Meatco - N\$100 million
 - Transnamib - N\$320million
- A large focus is on the repayment of our maturing debt, namely:
 - Imminent redemption of the US\$750 million Eurobond on 29 October 2025. US\$463 million has been collected in the Sinking Fund, with the aim to add a further US\$162 million during the current year. Effectively, this will leave a balance of N\$2.3 billion (US\$125 million) which will be refinanced through the domestic market.
 - The Government is also making substantial principal repayments to settle the IMF Rapid Financial Instrument (RFI) financing to the tune of N\$2.3 billion in FY2025/26 and the final tranche of N\$1.2 billion in FY2026/27. Over 80% of remaining debt stock will be denominated in the domestic currency and thus insulated from exchange rate risks.

Revenue & Expenditure Comparison



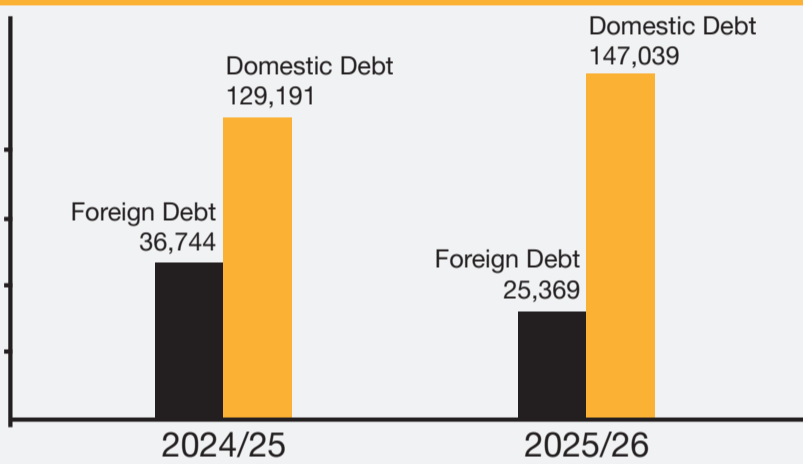
Overall Budget Analytics (N\$ Millions)

	2023/24 Actual	2024/25 Estimates	2025/26 Budget
GDP	236,199	251,263	277,920
Tax Revenue	75,493	86,979	86,000
Non-Tax Revenue	5,983	3,913	6,632
Return on Capital from Lending & Equity Participation	12	0	0
External Grants	0	0	0
Loan Proceeds	0	0	0
Total Revenue	81,488	90,892	92,631
As % of GDP	34.5%	36.2%	33.3%
Total Expenditure excl. Externally funded	(86,178)	(99,696)	(103,141)
As % of GDP	36.5%	39.7%	37.1%
Total Budget Deficit	(4,691)	(8,804)	(10,510)
As % of GDP	-2.0%	-3.5%	-3.8%
Public Debt	153,721	165,934	172,408
As % of GDP	65.1%	66.0%	62.0%

Debt Financing

Debt Financing plan for the Medium Term Expenditure Forecast (MTEF) for 2024/25 to 2025/26

Total Debt Stock (N\$ Millions)



Non-Tax Revenue 2025/26

Fines & Forfeitures
(1.59% of non-tax revenue)
N\$106 mil

Admin fees, charges & incidental sales
(17.17% of non-tax revenue)
N\$1,139 bil

Entrepreneurial & Property, License Fees & Income
(81.24% of non-tax revenue)
N\$5,387 bil

Tax Revenue 2025/26

25%

Customs & Excise Duties

27%

VAT

25%

Individual Income Tax

16%

Corporate Income Tax

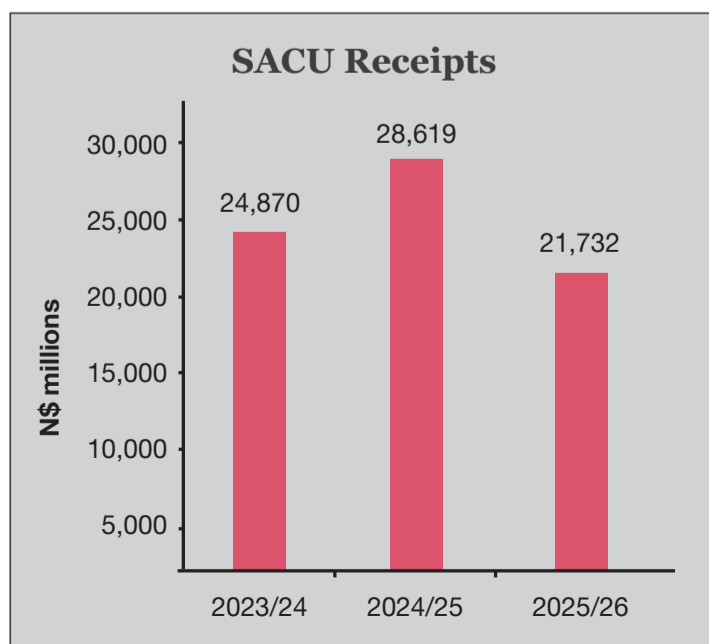
6%

Other Taxes

0.4%

Property Taxes

SACU Revenues



2025/26 Excise Duty effective March 2025

Product	Excise Duty Increases
Malt Beer (5% Alcohol)	0.16 cents per 340ml
Unfortified wine	0.29 cents per 750ml bottle
Fortified wine	0.48 cents per 750ml bottle
Sparkling wine	0.90 cents per 750ml bottle
Ciders & Alcoholic fruit beverages	0.16 cents per 340ml
Spirits	N\$5.97 per 750ml bottle
Cigars	N\$8.49 per 23g
Cigarette tobacco	N\$1.16 per 50g
Cigarettes	N\$1.04 per packet of 20
Nicotine & Non-nicotine solutions (Electronic Cigarettes/Vaping)	N\$0.14 per 1ml

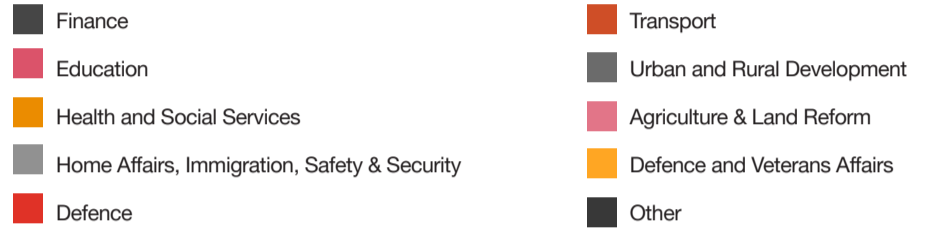
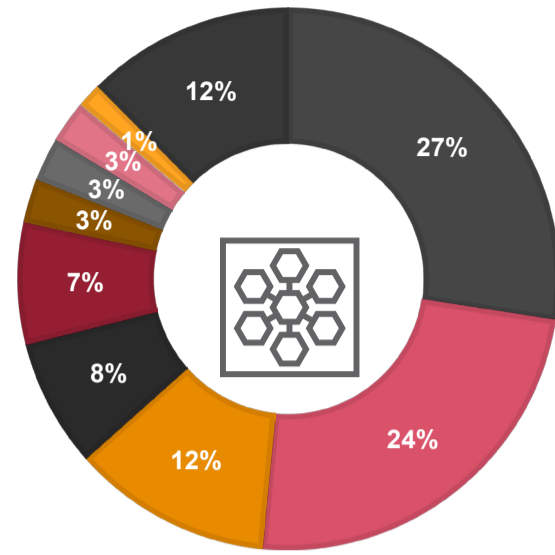
As tabled by the SA Finance Minister on 12 March 2025.

Government Expenditure by Department/Vote for 2025/26

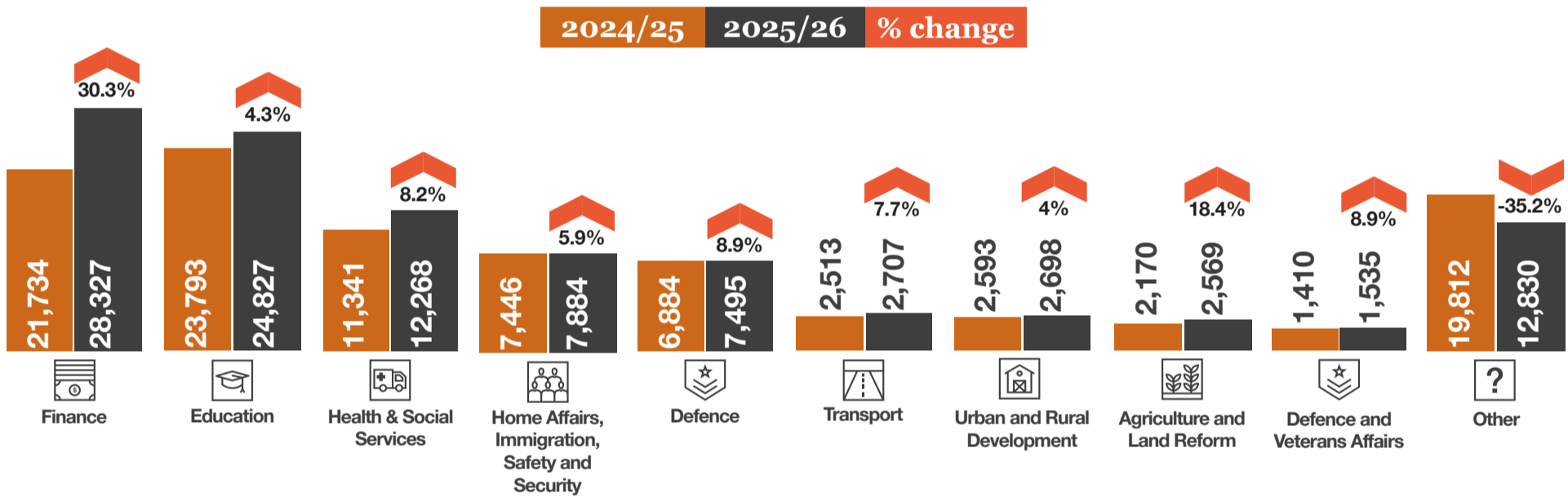
Government Expenditure by Department for 2025/26

N\$ millions			
	2024/25 Revised	2025/26 Budget	% change
Finance *	21,734	28,327	30.3%
Education *	23,793	24,827	4.3%
Health and Social Services	11,341	12,268	8.2%
Home Affairs, Immigration, Safety and Security	7,446	7,884	5.9%
Defence	6,884	7,495	8.9%
Transport	2,513	2,707	7.7%
Urban and Rural Development	2,593	2,698	4.0%
Agriculture and Land Reform	2,170	2,569	18.4%
Defence and Veterans Affairs	1,410	1,535	8.9%
Other	19,812	12,830	-35.2%
Total	99,696	103,141	

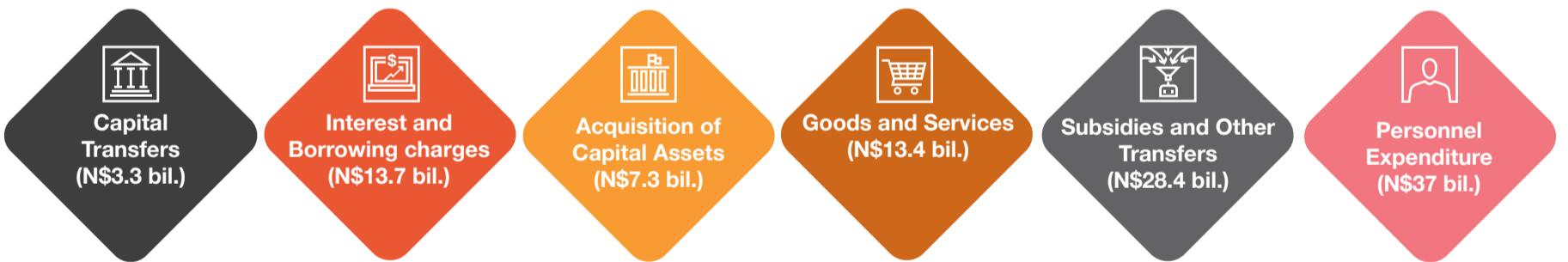
* The comparison relies on publicly available information. Manual adjustments were made in some instances to ensure accuracy as a result of the various ministries merged. This ensures that our data is relevant and precise.



Comparison 2024/25 to 2025/26 (N\$ millions)



Operational + Development Expenditure



Expenditure

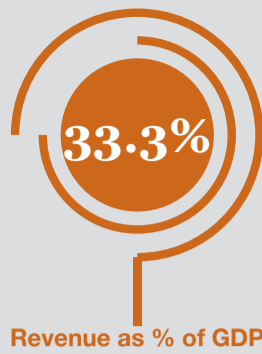
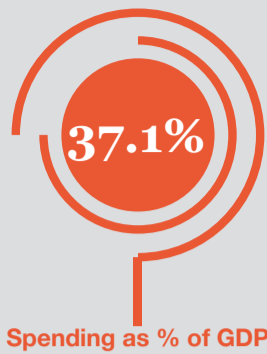
Government Expenditure by Main Items for 2025/26

N\$ '000			
	2023/24 Actual *	2024/25 Revised *	2025/26 Budget
Personnel Expenditure	32,270,073	35,552,846	36,992,091
Goods and Other Services	10,241,424	12,882,105	13,364,406
Subsidies and Other Current Transfers	25,385,943	29,060,021	28,444,066
Interest Payments and Borrowing Related Charges	11,832,774	12,919,291	13,726,000
Capital Transfers	3,161,574	4,048,155	3,303,452
Acquisition of Capital Assets	3,716,523	5,233,323	7,310,968
Guarantees	109,379	0	0
Total Operational and Development Expenditure (A)	79,839,594	90,414,263	92,526,563
Total Capital Expenditure (B)	6,878,097	9,281,478	10,614,420
Total Expenditure (A) + (B)	86,717,691	99,695,741	103,140,983

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Fiscal targets 2025/26



Tax Policy and Administration mentioned for the 2025/26 financial year

1. Increase of retirement funds single commutation threshold at retirement from N\$50,000 to N\$375,000.
2. Introducing an annual tax benefit cap of N\$400,000 on housing benefit.
3. Finalising the VAT legislation on imported digital services to even the playing field with domestic service providers, considering the exponential growth noted in the consumption of digital services.
4. An anti-avoidance measure will also be introduced whereby preference shares, should they be found to be loans in substance, will be deemed as income and will not be tax exempt.
5. Individual taxpayers will not receive relief in the form of higher income tax thresholds or lower tax rates for the 2025/26 year. The Minister, however, indicated that relief against inflationary creep will have to be provided over the two following fiscal years.
6. The Minister announced that a special Tax Court may come into existence in the near future, with requisite legislation nearing its final stages of the drafting process.
7. It was confirmed, in line with the previous year's budget speech, that the corporate tax rate for non-mining companies is reduced to 30%, effective 1 January 2025. The corporate tax rate is expected to be reduced to 28% in FY2026/27.
8. The commitment to establishing Special Economic Zones (SEZ) was again underscored. The following incentives will be available to participants in the SEZ:
 - CIT rate of 20%
9. NamRA has completed research and benchmarking exercises and expects to roll out e-invoicing for VAT registered persons by April 2026.
10. It was confirmed that the tax amnesty programme, running until 31 October 2026, will not be extended any further.

PwC Namibia Tax Experts

“

Our purpose is to build trust in society and solve important tax problems.”

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