



Tax First

Namibia Newsletter

February 2016

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

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This newsletter and previous issues are available on our website <http://www.pwc.com/na/en/publications/tax-first.html>

Tax on Director Fees When to Withhold tax or not

With the recent income tax amendments, the procedures regarding deduction of tax from directors' fees payment were modified. The tax implications of directors' fees paid both to Namibian resident directors as well as foreign directors have changed. The changes took place on 30 December 2015 and is therefore applicable to any payments after this date.

The first, and easiest, is the change on directors fees paid to non-resident individuals. Withholding tax on services applies on directors fees paid to foreigners. Prior to 30 December 2015, the rate of tax to be withheld from the payment, was 25%. The rate subsequently reduced to 10%.

It is important to note that in terms of most double taxation agreements concluded, Namibia would be entitled to tax the directors fees.

Secondly, there was an amendment to the definition of "remuneration" in Schedule 2 of the Income Tax Act. The result of this is that remuneration paid to a director would be subject to PAYE. The definition of remuneration is quite wide and includes *"any amount paid by way of salary, leave pay, allowance, wage, overtime pay, bonus, gratuity, commission, fee, emolument, pension, superannuation allowance, retiring allowance or stipend, whether in cash or otherwise and whether or not in respect of services rendered.."*

Previously this was not the case, as directors of private companies would not be subject to PAYE on their remuneration. Similarly, where directors of public companies received director's fees without any other remuneration (i.e. like director sitting fees) the amounts were not subject to PAYE.

The practical implication of this change will require additional administration for companies paying directors fees. At this stage no formal guidance was issued by Inland Revenue with regards to the tax rate that should be applied to the remuneration. For executive directors the calculation should be fairly simple as their remuneration is fixed in most instances and therefore can be calculated with the help of your payroll system. For non-executive directors, it may be more difficult to determine the exact rate, as sufficient information on the director's other income may not be available. We would advise companies to obtain as much as possible information to do an accurate PAYE calculation and avoid large top-ups or refunds when directors submit their tax returns.

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TIM's TIP:

TaxTim offers Employee Assist, where **employers** can sign up employees to use TaxTim to complete their tax returns and we will submit the returns too!

For queries please mail us at taxtim@na.pwc.com



Tax on Director Fees

When to withhold taxes or not (continued)

PAYE withheld will need to be submitted and paid with the normal monthly PAYE return to Inland Revenue on the 20th of each month. At the end of the tax year, a PAYE 5 certificate should be issued to the director.

The above changes also apply to members of closed corporations.

Please note that even if a director is subject to PAYE, he/she is still obliged to file provisional tax returns as the definition of provisional taxpayer was not amended to exclude directors.

It is important for companies to:

- discuss tax rates applied and PAYE deductions with directors to avoid surprises
- consider loading directors on payroll systems
- arrange administrative procedures for PAYE returns to be filed and PAYE certificates issued to directors.

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Register now!

PwC Business School:



12 Feb : Tax Amendments Update in Swakopmund

12 Feb: IFRS Update in Windhoek

9 Feb: Tax Amendment Update via Webcast to PwC Cape Town and Sunninghill Business School

Click on the link for more details on the website: <http://www.pwc.com/na/en/events.html>

Workshop on the New Namibian Customs Bill

Last week, the first stakeholder engagement of the New Customs Bill for Namibia, 2016 commenced in Windhoek. The Consolidated Customs Act will replace that part of the existing Customs and Excise Act , Act No. 20 of 1998 which deals with Customs matters only.

The Act will further incorporate the Revised Kyoto Convention on Trade Facilitation and will be written in a language that is clear and easy to understand. The Act will deal with administrative aspects such as the powers of Customs officers and will for the first time in detail address the different Customs clearing operations and procedures to promote transparency in dealing with Customs points of entry into or from Namibia. It introduces a total new approach to Customs legislation and is designed to promote genuine trade first and foremost through various initiatives and providing a legislative basis for the latest technology applied world-wide. As such it will be a modern, easy to understand piece of legislation adapted to Africa and in line with Namibia's commitments under the Customs Union and SADC.

The Customs expert who drafted the legislation with the support of the Southern Africa Trade Hub and USAID, is only in Namibia until end of February 2016 and facilitates the Customs Workshop starting each day at 09h00 and ends at 17h00 until end of February 2016 at the Ministry of Finance, Windhoek. This is indeed a unique opportunity for stakeholders to participate and provide real inputs into the drafting process at this early stage. Interested persons in the Customs clearing, transport and freight forwarding are strongly advised to send delegates to attend.

Registration can be done at the ***Ministry of Finance*** still although the Workshop has already commenced by contacting the following persons:

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Denis Hyman, Senior Manager: Customs at PwC Windhoek is part of the consultation team. Contact him with queries or comments on dennis.hyman@na.pwc.com or (+264 61) 284-1045.

Keep an eye on our Business School page (<http://www.pwc.com/na/en/events.html>) for training on the new Customs law once the Bill is finalized. Or follow on our facebook page: <https://www.facebook.com/pwcnamibia>

Tax Amendments Update

On 29 and 30 December 2015 the proposed amendments to the VAT Act and the Income Tax Act respectively were enacted and published in the Government Gazette.

For a detailed summary of the legislation visit our website at

<http://www.pwc.com/na/en/assets/pdf/Special%20Edition%20Amendments%202016.pdf>

Note the change in Withholding taxes:

Withholding Tax on Services rate reduced from **25%** to **10%** effective from 30 December 2015

Withholding Tax on Interest on cross-border loans and financing introduced at 10% effective from 30 December 2015.

For more info contact mari-nelia.hough@na.pwc.com

Tax Calendar - February 2016

Mon	Tue	Wed	Thu	Fri
15	16	17	18	19 <ul style="list-style-type: none"> • PAYE Returns; • Import VAT return; • Withholding Tax on Services return; • VET Levy • NRST Return • Withholding tax on Royalties and Interest
22	23	24	25 <ul style="list-style-type: none"> • VAT Returns 	26
29 <ul style="list-style-type: none"> • Social Security payment; • Tax return - companies with 30 July 2015 year-end; • 2nd provisional returns - February 2016 companies with year-ends 				

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

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