

2015/2016 Mid-Year Budget Review

The Minister of Finance presented the Mid-Year Budget Review Policy Statement in Parliament on 3 November 2015. The review is the first of its kind in Namibia. The intention is to provide a review of the half-year budget execution, identify potential savings and resource shortfalls and proposed resource reallocations. The Minister also made announcements on proposed fiscal framework and government spending priorities for the next MTEF.

Highlights

"... We have taken steps and bold actions to place fiscal operations back to a sustainable path.

This requires an adjustment path which is challenging but surmountable ...

This policy summons the support and commitment of all stakeholders - Government, labour, policy makers and civil society."

Hon. Calle Schlettwein, Minister of Finance

Spending Priorities

The Minister proposed the following key spending priorities:

- Railway rehabilitation;
- Agriculture and irrigation to boost domestic production (Neckertal Dam, prevention of food and mount disease; drought relief);
- Road infrastructure development;
- Mass land servicing and mass housing projects;
- PPP's in energy sector to develop energy sources;
- Health and Educations remain priority spending areas;
- Increase in old age pension to N\$1,100 as previously announced;
- Increase allocation to Student Financial Assistance Fund.

Specific allocation will be made for:

- Anti-Retroviral drugs and other medicine;
- Leasing of locomotives for TransNamib;
- Anti-poaching efforts.

Tax Proposals

The following tax changes are proposed:

- Export levy (on unprocessed raw materials) confirmed to be tabled in next session of parliament;
- Environmental levy (CO₂, Tyres, light bulbs) confirmed to be tabled in next session of parliament;
- Investigate the feasibility of Solidarity Tax:
 - proposed to be levied on a sliding scale for individuals (earning more than approximately N\$79,000 p.a.) and a flat rate for companies and CC's;
 - paid into a dedicated fund;
 - used for targeted poverty reduction projects;
 - sunset clause - solidarity tax should end when the Gini coefficient for Namibia reaches 0.4;
- Presumptive Tax for the informal sector (example is a tax on turnover/revenue);
- Stringent drive to collect taxes (specific focus on taxes in arrears);
- Assistance from international tax bodies (African Tax Administrator Forum, IMF) to build local expertise on tax administration, transfer pricing, tax avoidance;
- Review, renegotiate current Double Taxation Agreements (against a formulated DTA framework as previously announced);
- Table the Namibia Revenue Agency Bill;
- Launch the (new) Integrated Tax System in 2016;
- Revise incentive schemes for EPZ, manufacturing and exports.

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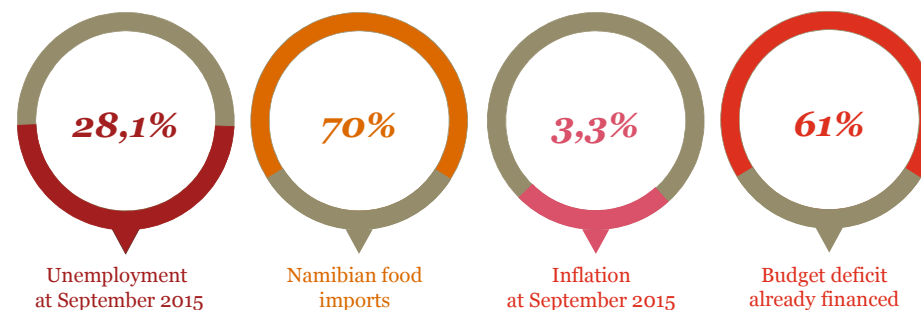
Revised Revenue, Expenditure and Capital Spending

- Revenues are expected to be lower than originally budgeted (due to SACU revenue declines, and 2014/15 tax collections being less than estimated);
- Significant Government spending cuts of 42% on non-core activities including overtime, S&T, office equipment and furniture. This will result in a N\$4billion saving in 2015/16. Allocations to core social services (for example health and education) will be maintained.
- Reallocation of capital spending from non-core assets like office buildings to productive assets that support economic growth.

The 2015/16 Budget changes

N\$ Millions			
	2015 Estimated	2015 Revised Estimates	% of Budget
Total Revenue	52,473	49,930	95%
	2016 Proposed Budget	2016 Revised Budget	% Adjustment
Total Revenue	58,442	55,570	-4.9%
Total Expenditure	-67,083	-62,083	-7.5%
	2017 Proposed Budget	2017 Revised Budget	% Adjustment
Total Revenue	63,050	56,000	-11.2%
Total Expenditure	-71,240	-65,600	-7.9%

Namibian statistics



Other Key Reforms

The Minister proposed the following key reforms to still be finalised:

- Public Procurement Bill;
- Public Finance Management Bill;
- Tax policy and administration reforms - Income tax, VAT,
- PPP Bill;
- Review of Foreign Investment Act;
- Review of framework to facilitate ease of doing business;
- Commitment to SME development instruments;
- Domestic asset requirements (pension funds and insurance companies) - increase from current requirement of 35% of total assets;
- Financial Institutions and Markets (FIM) Bills



Questions? Contact stefan.hugo@na.pwc.com

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