



Namibia

Budget Review

2017/18



Photo by Tanja Bause

“There is more to this budget than the tightening of the fiscal purse. The budget gives scope to maintain the provision of essential services. It calls for greater resource prioritisation and quality of spending so that we can make an impact where it matters most.”

*Hon. Calle Schlettwein
Minister of Finance
2017/18 Budget Speech*

Stronger Together

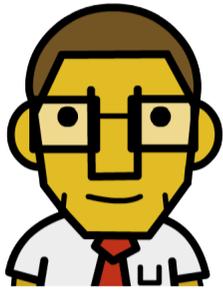


PwC's TaxTim

Tax Returns Quick and Easy!

TaxTim is an online tax assistant.

Answer simple questions and TaxTim will complete your individual Namibian income tax return for you, ready to be printed and submitted to Inland Revenue!



Key benefits of PwC's TaxTim:

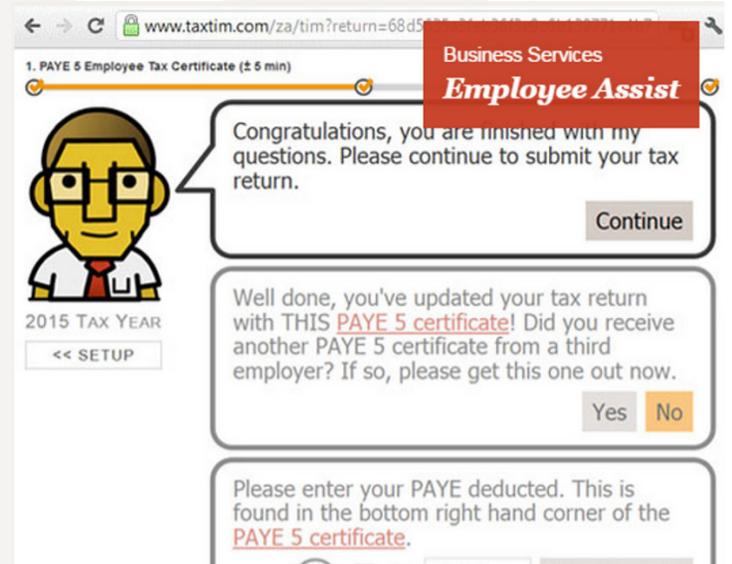
- The fastest, easiest way to do tax returns
- Be tax compliant
- Avoid penalties from Inland Revenue
- Be done with your return in 30 minutes or less
- Save money
- Save time - TaxTim does all the calculations for you
- Simple questions one-by-one (like having a conversation)

TaxTim also offers Employee Assist, where employers can sign up employee groups at a discount with a bulk submission service option.

Questions? - email us at taxtim@na.pwc.com or register and submit your question via www.taxtim.pwc.com.na



Try TaxTim now!
taxtim.pwc.com.na



Namibian Income Tax Handbook

PwC Namibia is excited to announce that we will launch the **Namibian Income Tax Handbook** in March 2017, in collaboration with our partners Namibia Trade Directory and Venture Publications.

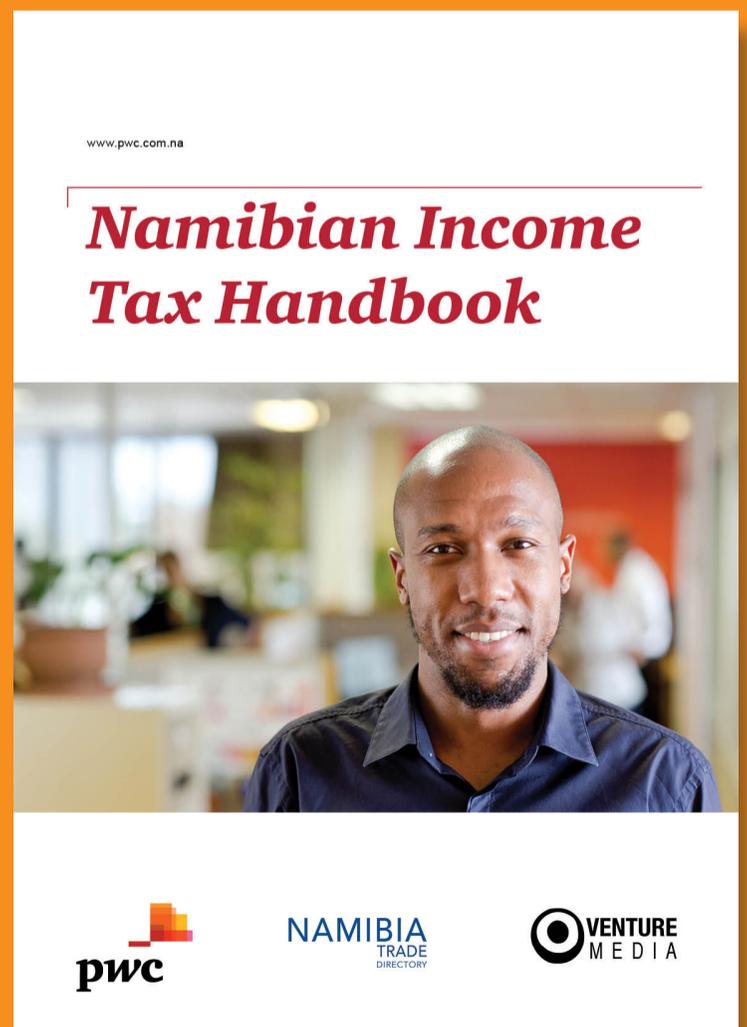
Our aim with this handbook is to assist accountants, business owners and students to obtain a better understanding of the tax environment in Namibia. As with our popular Guide to Namibian VAT, we compiled it as a practical and easy to follow guide, and hope that it will help to build the necessary knowledge to comply with the Namibian Income Tax Act.

This handbook was produced by the Income Tax team at PwC Namibia, and is based on published legislation and regulations as at 31 January 2017.

The handbook will be sold at N\$250 per copy (VAT inclusive).

Visit www.pwc.com/na/namibian-income-tax-handbook for more detail.

Preorders can be placed with Venture Publications
e-mail: bonn@venture.com.na



Foreword



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Standard Bank: Chief Executive
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ment consolidation efforts. However, total Government debt rose close to the 40% debt ceiling. Executing the Harambee Prosperity Plan, whilst simultaneously reducing public debt in the midst of government expenditure cuts will be a formidable challenge as budget cuts are likely to suppress economic growth in 2017. Last year's budget cuts were a necessity to demonstrate Namibia's commitment to fiscal prudence following the country's credit risk outlook being revised from stable to negative by both Fitch and Moody. It is anticipated that the upcoming budget will likely echo the sentiments expressed in the mid-term review. An increase in private-sector investments becomes a necessity. Policy certainty is imperative for increased private sector investments. There are two policy uncertainties that may impact private sector investments, being the non-finalisation of the Public-Private Partnership and NEEEF legislations. The deep spending cuts are necessary given the national debt levels and the significant reduction in the revenue outlook.

We are however worried that the cuts, instead of targeting consumptive non-productive expenditures with limited multiplier effects, may impact infrastructure and productive capacity building priorities.

We would hope that government uses this opportunity to review its spending priorities and 'recalibrate' fundamentally its operating model, structures and strategic priorities. We would like to see a decrease in the defence budget (which is amongst the highest in the world) and a decrease in allocations to loss-making SOEs. These difficult times should also be an opportunity for the government to review the number of SOEs, which had increased substantially in the last 10 years from about 45 SOEs to the current number of over 90 SOEs.

SOEs not providing basic essential services or key infrastructures not provided by the private sector should be considered for partial divestiture through listing, public-private partnerships and competitive bidding processes. The funds raised could then be deployed into poverty eradication initiatives currently underway.

We hope that the budget will see increasing investments in key productive infrastructure programmes such as water, energy, rural and agriculture development and housing for the no- or low income families.

"...The Namibian economy is projected to have only grown by 2.5% during the 2016 financial year..."

The Namibian economy is projected to have only grown by 2.5% during the 2016 financial year, with fiscal consolidation and reduced growth in the construction, agriculture and mining sectors being attributed to the slowdown. During 2016/17, the budget deficit as a percentage of GDP decreased to 6.3% from 8.3% as a result of govern-

ment consolidation efforts. However, total Government debt rose close to the 40% debt ceiling. Executing the Harambee Prosperity Plan, whilst simultaneously reducing public debt in the midst of government expenditure cuts will be a formidable challenge as budget cuts are likely to suppress economic growth in 2017. Last year's budget cuts were a necessity to demonstrate Namibia's commitment to fiscal prudence following the country's credit risk outlook being revised from stable to negative by both Fitch and Moody. It is anticipated that the upcoming budget will likely echo the sentiments expressed in the mid-term review. An increase in private-sector investments becomes a necessity. Policy certainty is imperative for increased private sector investments. There are two policy uncertainties that may impact private sector investments, being the non-finalisation of the Public-Private Partnership and NEEEF legislations. The deep spending cuts are necessary given the national debt levels and the significant reduction in the revenue outlook.

It is a privilege for PwC Namibia to produce this Namibia Budget Review supplement in collaboration with Standard Bank, Liberty and Namibia Media Holdings. Thank you to these sponsors who share the vision to spread the news and empower Namibians with an easily understandable summary of the Namibia Budget Speech. Well done to the teams of tax experts, analysts, design and layout artists, newspaper printers and others that took hands to produce this in such a short time frame! Since the mid-year budget review in 2016, the Namibian Government has been making tough but necessary calls to address the country's weakening fiscal position. The impact made us realise how vulnerable our economy is to internal and external economic shock, but more importantly our economy's heavy dependency on government procurement. The challenges we are experiencing at the moment emphasize the importance of a balanced economy in respect

of public/private sector share. It highlights the necessity for ongoing and effective collaboration between government and the private sector, which is unfortunately currently limited. None of us can do it alone. In that respect, we welcome the PPP legislation and the passion with which government is pushing this agenda forward. Therefore, I join others on calling on all Namibians whether from the public and private sector, or just citizens in general to join hands and face the challenges that are facing our country, to be innovative, to start businesses, and create local and foreign trade that is not dependent on government support. John Maxwell talks about the 101% principle: "Give the 1% we agree on, 100% of our attention". We all agree that a healthy, thriving economy benefits all Namibians, let's not get distracted from working hard to make that a reality in the 2017/18 budget year!



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2017/2018 Budget Overview

Budget Snapshot

- The Minister of Finance announced that the 2017/18 budget will reduce the budget deficit to approximately 3.6%, down from approximately 6.3% in 2016/17, and 8.3% in 2015/16
- Economic growth is projected to be 2.5% in the next financial year and to average out to 3.5% over the MTEF (next 5 years)
- Economic growth has slowed to 1.3% in 2016/17 due to the severe drought, a slowing global economy and crashing of commodity prices
- The Minister of Finance confirmed the focus to align expenditure with government revenues, while stimulating growth and continuing key national projects
- The Minister of Finance stated that the inflation rate was 6.4% in 2016. It rose to 8.3% in 2017 mainly due to high food and transport prices
- The Overall Balance of Payments is positive at N\$906million in 2016, a significant increase from the N\$101.1 million in 2015 as a result of strong capital and financial accounts
- Higher income from the SACU revenue pool and more exports of minerals will according to the Minister of Finance improve the current account balance of Namibia
- Namibia's stance is that SACU should continue to exist as a customs union where all the member states benefit
- Total revenue for 2015/16 was N\$52.22 billion, which was 10.7% lower than the budgeted revenue but an increase of 4.6% from the previous year
- The preliminary revenue for 2016/17 according to the Minister reached N\$46.94 billion at end of February 2017, or 91.1% of the revised revenue of N\$51.1 billion
- The Minister of Finance expect that Government will fully meet or moderately exceed the revenue collection targets announced with the 2016/17 mid year review;
- The Minister of Finance warned that if Government accounting officers do not adhere to the State Finance Act, the Appropriation Acts, the Tender Board or any other applicable law dedicated to fiscal discipline, the consequences will be serious.
- Old age pensions are increased by N\$100 to a monthly grant of N\$1 200
- The Ministry of Basic Education and Policy will get N\$11.98 billion over the next financial year.

10 Tax Proposals

- Implementation of Tax Arrear Recovery Incentive Programme to be continued across all categories of taxes until 31 July 2017
- Expansion of Capital Gains Tax provisions to provide for wealth-based taxation on new categories of capital assets
- Simplified Presumptive Tax on small business to be developed
- Tax proposals on wealth tax will be developed to embody principles of Solidarity Tax
- Sin Taxes: Excise duties on alcohol and tobacco products to increase
- Further increase in fuel levy is proposed at rates to be determined at a future date
- A phased roll-out of the new Integrated Tax System will commence during the year for full deployment of the system by 2018
- Establishment of a Semi-Autonomous Revenue Agency which is expected to commence on 1 April 2018
- Phasing out of cheques in line with Bank of Namibia regulations. Receiver of Revenue will not accept cheque payments from 30 June 2017
- Proposals to remove base-eroding Income Tax and VAT exemptions and deductions in future.

Fiscal targets



Spending as % of GDP



Deficit as % of GDP



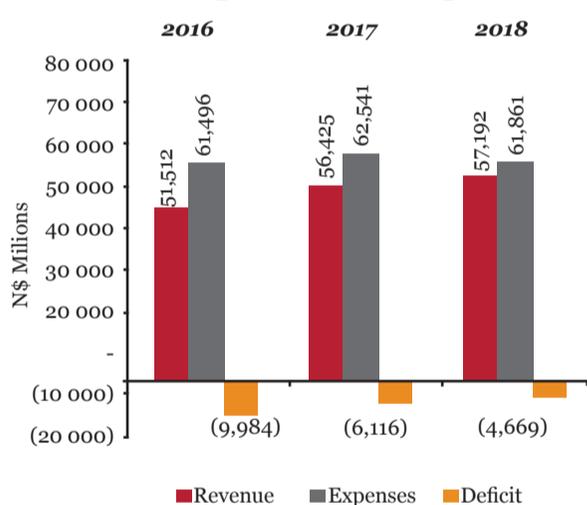
Revenue as % of GDP

Expenditure

Government Expenditure by Main Items for 2017/18

N\$ Millions	2016	2017	2018
Personnel Expenditure	24,443	28,095	28,402
Goods and Services	8,291	6,546	6,362
Subsidies and Other Transfers	17,334	16,691	14,789
Interest and Borrowing Charges	3,875	5,001	4,264
Lending and Equity Participation	26	27	28
Capital Acquisitions and Transfers	1,229	1,146	1,931
Statutory Expenditure and other	0	0	0
Total Operational Expenditure (A)	55,200	57,507	55,777
Total Capital Expenditure (B)	6,297	5,034	6,085
Total Expenditure (A) + (B)	61,496	62,541	61,862

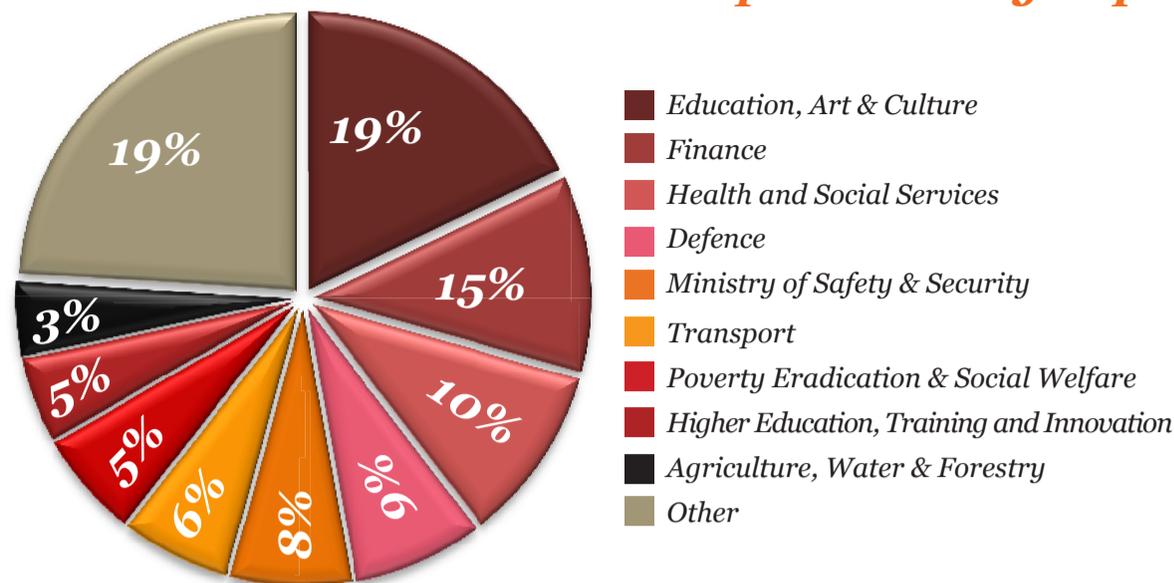
Revenue & Expenditure Comparison



	2016 Actual	2017 Estimates	2018 Budget
GDP	158,615	171,034	183,971
Tax Revenue	48,676	53,374	53,915
Non-Tax Revenue	2,447	2,656	2,878
Return on Capital from Lending & Equity Participation	8	8	8
External Grants	159	163	167
Loan Proceeds	-	-	-
Total Revenue	51,512	56,425	57,192
As % of GDP	32,5%	33%	31,1%
Total Expenditure	(61,496)	(62,541)	(61,861)
As % of GDP	38,8%	36,6%	33,6%
Total Budget Deficit	(9,984)	(6,116)	(4,669)
As % of GDP	-6,3%	-3,6%	-2,5%
Public Debt	61,986	66,157	67,748
As % of GDP	39,1%	38,7%	36,8%

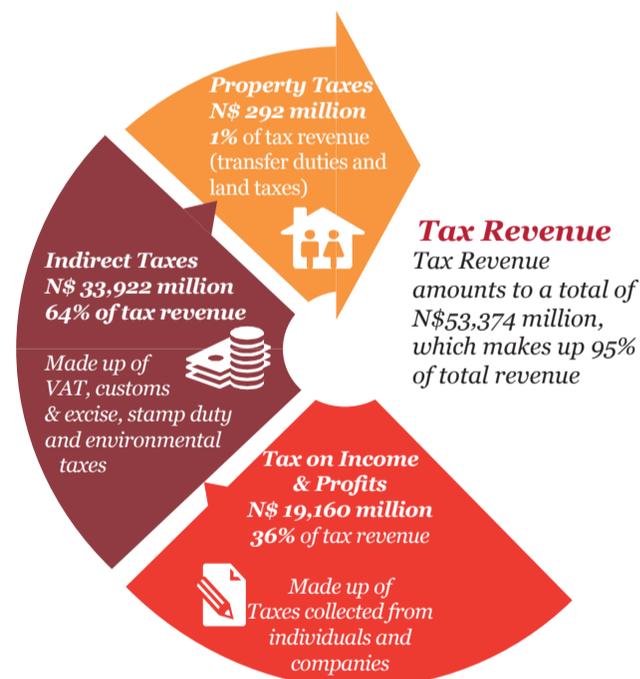


Government Expenditure by Department for 2017/18



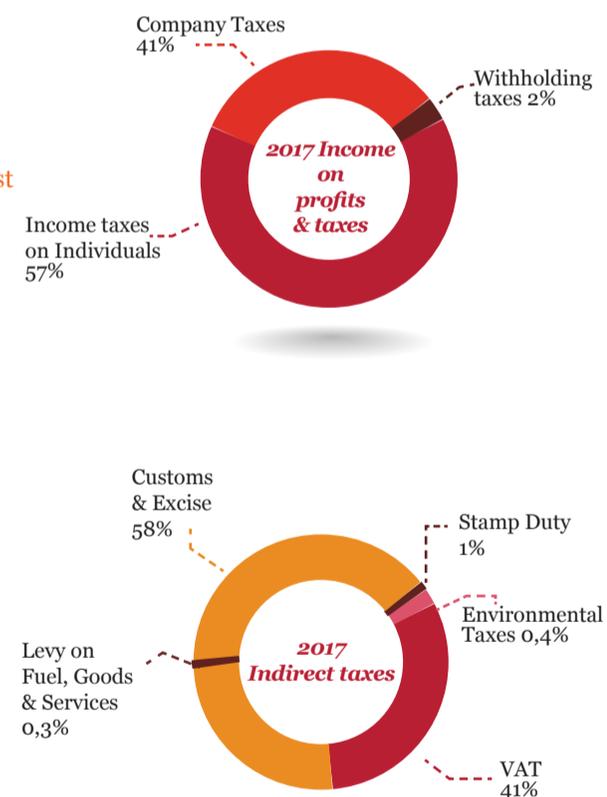
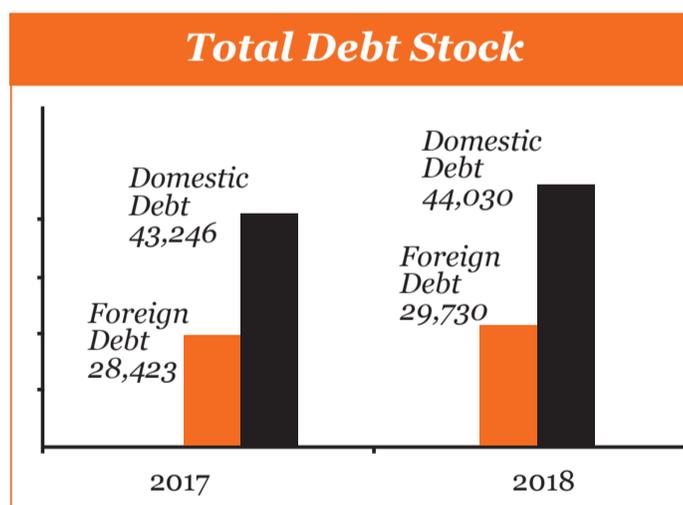
	N\$ Millions		
	2017	2018	Increase
Education, Arts and Culture	12,323	11,976	-2,8%
Finance	6,953	9,106	31%
Health and Social Services	6,956	6,515	-6,3%
Defence	5,947	5,684	-4,4%
Ministry of Safety & Security	4,993	5,021	0,6%
Transport	3,466	3,724	7,4%
Poverty Eradication and Social Welfare	2,870	3,277	14,2%
Higher Education, Training & Innovation	3,498	3,067	-12,3%
Agriculture, Water & Forestry	2,524	2,186	-13,4%
Other	11,965	11,987	0,2%
Total	61,496	62,541	1,7%

Comparison 2016/2017 to 2017/2018 (N\$ millions)



Debt Financing

Debt Financing plan for the Medium Term Expenditure Forecast (MTEF) for 2017/2018 to 2018/2019



Non-Tax Revenue

Non - Tax Revenue amounts to a total of N\$2,656 million.

N\$ 754 mil. Entrepreneurial and Property Income 28% of non tax revenue

N\$ 879 mil. Other income 33% of non tax revenue

N\$ 123 mil. Licence Fees & other contributions 5% of non tax revenue

N\$811 mil. Admin fees & charges 31% of non tax revenue

N\$98 mil. Fines and Forfeitures 4% of non tax revenue

2017/2018 Excise Duty effective 22 February 2017

Product	Excise Duty Increases
Malt Beer	12 cents per 340ml
Unfortified wine	23 cents per 750ml bottle
Fortified wine	26 cents per 750ml bottle
Sparkling Wine	70 cents per 750ml bottle
Ciders & Alcoholic fruit beverages	12 cents per 340ml bottle
Spirits	N\$4.43 per 750ml bottle
Cigarettes	N\$1.06 per packet of 20



“Which resources
are most prized
in Africa?”

“Expertise
and ability.”

The opportunities waiting within these borders are ripe for thought leaders to act upon. Our carefully cultivated blend of practical know-how and landscape-changing insights about how our country and its people do business, couple with the capacity to forge it all into reality, makes us the confident choice for your expansion into the Land of the Brave. Namibia is our home, we drive her growth.

Paying Taxes 2017

Paying Taxes 2017 is a unique study from PwC and the World Bank Group.

The study investigates and compares tax regimes across 189 economies worldwide using a **case study company**, and ranks them according to the ease of paying taxes.

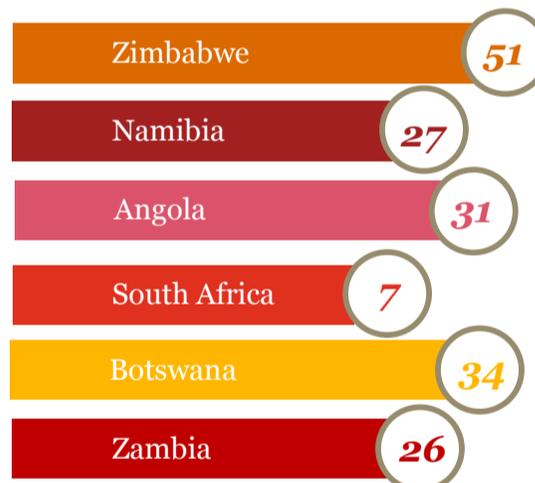
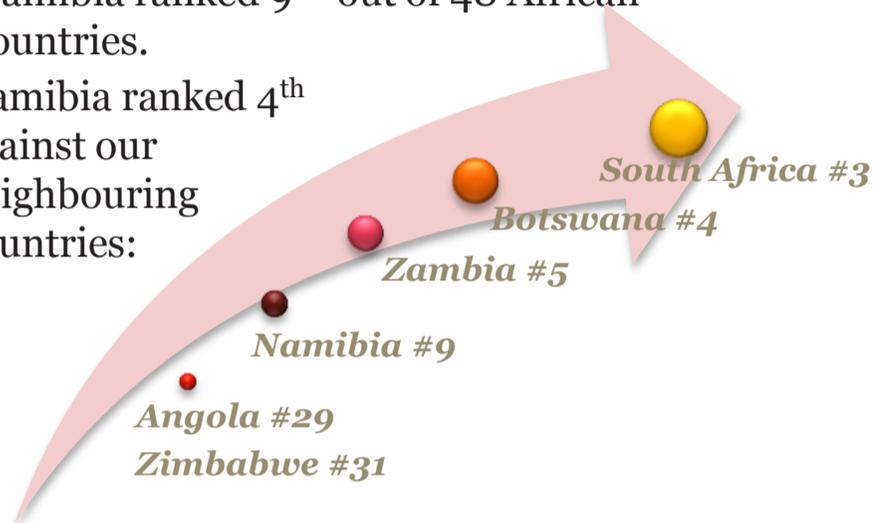
The launch of the 2017 Paying Taxes survey ranked Namibia **74th** out of **189 economies** on the ease of paying taxes

The survey published that it takes an annual average of 302 hours and 27 tax payments to be tax compliant in Namibia.

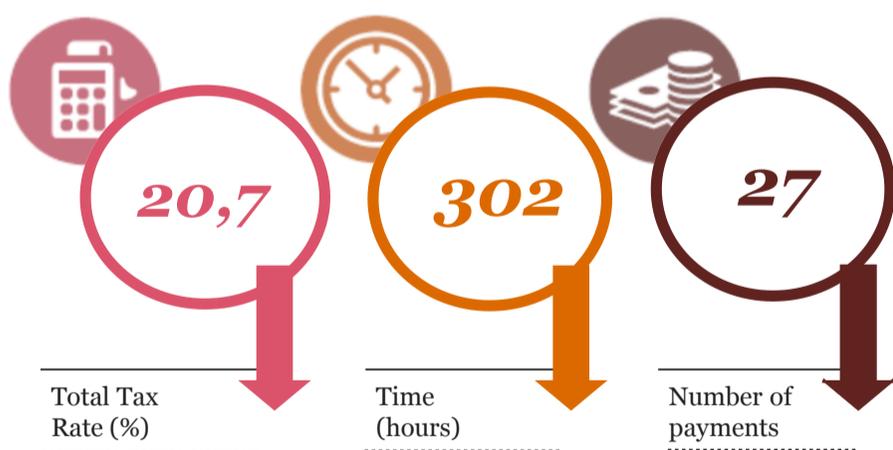
In 2017 the study was amended to take into account time and processes after filing returns. Time to assess returns and obtain refunds for example is therefore included in the new report. The 2016 report only covered time and processes up to return filing.

In comparison with other African countries participating in the Paying Taxes survey, Namibia ranked 9th out of 48 African countries.

Namibia ranked 4th against our neighbouring countries:

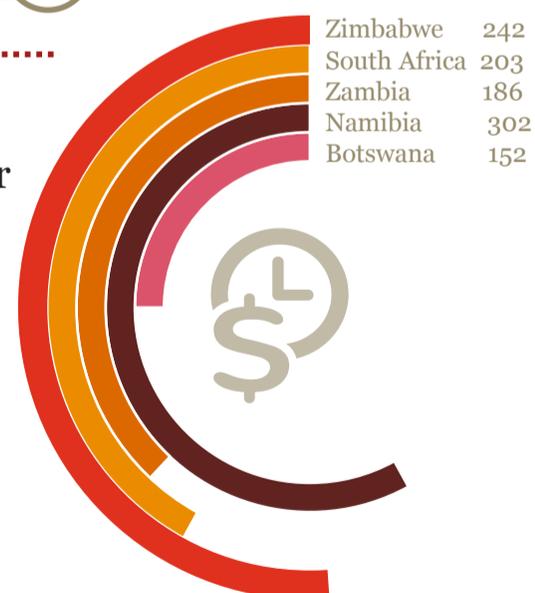


This is how we compare with the number of tax payments to our neighbouring countries.

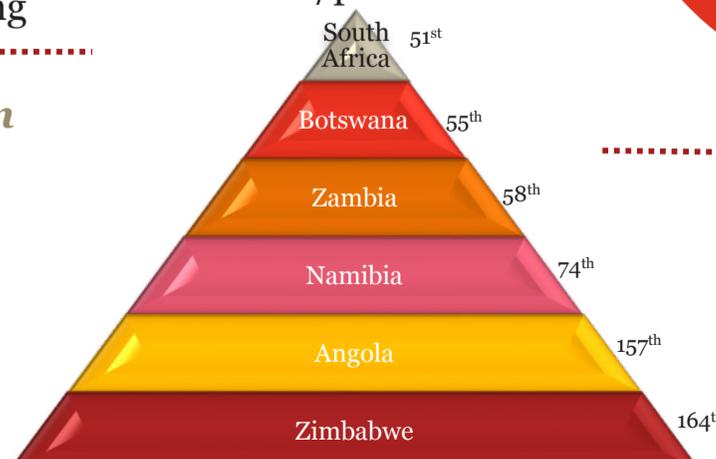


Includes time and processes post filing

In Southern Africa, Namibia ranks 5th for the amount of hours in a year it takes to comply with taxes.



Rankings with post filing time/processes



Namibia ranked 4th for the **ease of paying taxes** in Southern Africa. Seychelles ranked # 1 in Africa.

This information is an extract from *Paying Taxes 2017*, available at

<http://www.pwc.com/payingtaxes>

Doing Business in Namibia

Doing Business 2017 is a unique study by the World Bank Group to establish the ease of doing business in 189 countries around the world.

This page summarizes some Doing Business 2017 data for Namibia and the Ease of Doing Business rank (out of 189 economies).

For the full report and further details on the data please visit the website: <http://www.doingbusiness.org/reports>

Namibia was ranked 170th in **setting up a business**. To set up a business 10 procedures need to be followed and it can take up to 66 days.



Comparing Namibia with the other economies, we ranked 127th for the ease of **trading across borders**.

It takes an average of **210 hours** and **U\$1,093** per container to export.



For **protecting minority investors** Namibia ranked 81st. These indicators measure minority shareholders' protection against directors' misuse of corporate assets for personal gain. Namibia having a lower average it is indicative of having less securities regulations and capital markets.



Affecting Namibia's **doing business** ranking in 2017 : - "construction permits became more time-consuming as a result of inefficiency at the municipality".



From the economies evaluated, Namibia ranked 174th with the ease of **registering property**.



8 Procedures, 52 days and a cost of 13,8 % of the property value is required to register property



Enforcing contracts ranked at 98



Data in the 2017 report is as of 1 June 2016. This is an extract from the Doing Business 2017 report, a World Bank Group Flagship Report which can be downloaded from <http://www.doingbusiness.org/reports>

PwC Tax Partners | Comments



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Many businesses and Namibians are currently feeling the cash flow shocks of the budget cuts announced and implemented after the mid year review. The reduction in the budget deficit from 6.3% in 2016/17 to 3.6% in 2017/18 is however encouraging, and it seems that the government's painful action is yielding results. With a slight increase in spending of 1.7%, some realignments of allocations and N\$1.8bn provision in the budget to meet outstanding obligations of FY2016/17, it seems that there will be some relief for the economy in the new year.



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Given the current state of business, Namibians would have struggled to absorb tax rate increases, and the Minister's announcement that he will not introduce further new taxes or increase rates is welcome news. The planned removal of some Income Tax and VAT exemptions and deductions could however increase the tax burden for legal entities once implemented (although we would do not expect this to become effective in the near future).



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The Minister announced that capital gains tax provisions (that currently apply to mining and petroleum licenses) will be expanded to other assets (which he did not specify). While wealth-based capital gains tax provisions could be effective in collecting income to rebalance unequal income distribution in the country, it could bring a significant administrative burden if the legislation is not simple and easy to implement.



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Curbing profit shifting and tax base erosion by enforcing transfer pricing and thin capitalisation legislation has been on the Ministry's reform list for some time. The global focus on this requires Namibia to move quickly to protect its share of taxable income from multinational operations. Current ongoing consultations and support from experts from the Africa Tax Administrators Forum (ATAF) could support Namibian tax collections from transfer pricing, if implemented effectively in the new fiscal year.



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Minister Schlettwein confirmed the full deployment of the new Integrated Tax System in 2018. We understand that the system is currently in testing phase, and includes e-filing capability as well as improved reporting capability for taxpayers to view their tax status on-line. This is a welcome development that we believe can improve the ease of paying taxes in Namibia. We are however nervous about the process to transfer balances and taxpayer information to the new system and look forward to stakeholder testing and consultation to help smooth this transition.



PwC Business School



Post 2017 Budget Speech: Tax Update

Stronger together

What will the 2017 Budget Speech mean for you and your business? Our experts will share their insights after the budget announcement. Join the conversation on 14 and 16 March 2017.

Topics to be covered

- tax proposals announced in the 2017/18 Budget Speech; and
- an update on tax reforms

Book your seat now!

Windhoek

 **Date:** 14 March 2017

 **Venue:** PwC offices, 344 Independence Avenue

 **Time:** 08h00 - 10h00

 **Cost:** N\$ 700.00 (All inclusive)

 **Closing date:** 13 March 2017

Register via busschool@na.pwc.com

Walvis Bay

 **Date:** 16 March 2017

 **Venue:** Protea Hotel, Corner of Sam Nujoma Avenue & 10th Road.

 **Time:** 08h00 - 10h00

 **Cost:** N\$ 700.00 (All inclusive)

 **Closing date:** 15 March 2017

Register with Liza Mollentze,
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Forging Namibia's Investment Journey



Standard Bank's Head of Corporate and Investment Banking: **Amit Mohan**

From the unlikelihood of the British Referendum and the Trump victory, to the oil crisis that all but crippled the Angolan economy and the political turbulence that stirred fears of a credit downgrade in South Africa - 2016 will undoubtedly be remembered as a black swan shaped by the highly improbable.

However, during the course of what would truly be a tumultuous and challenging year, Standard Bank would successfully arrange and fund investment deals across various sectors that would enable Namibia to continue on its positive growth trajectory despite global and regional headwinds.

In line with this and in keeping with the Bank's vision statement, during 2016 Standard Bank made significant strides towards positioning itself as a key player in shaping Namibia's investment landscape as the national

agenda shifted towards investment-driven growth. Within the infrastructure sector alone, the Bank extended bridge financing to the National Oil Storage Facility in Walvis Bay along with the newly constructed 77 on Independence Complex.

In addition to providing funding facilities for an array of public and private sector entities involved in the mining and metals industry, as well as, power and infrastructure industries, such as Debmarine Namibia and the Zimbabwe Power Corporation (ZPC) – Standard Bank once again partnered with the Namibian government in hedging the coupon obligations within government's Eurobond portfolio.

Fostering a robust and constructive relationship with the Namibian government was a key priority during 2016. In this regard, the Bank endeavored to assist the state in encouraging investment and job creation by supporting the Namibian government to launch the first annual 'Invest in Namibia International Investment Conference' in November 2016, in addition to, co-hosting the second annual Public Private Partnership (PPP) Conference.

The PPP Conference met to identify and reiterate durable solutions that could harness the PPP framework in financing key infrastructure projects and initiatives in the provision of energy, affordable housing and the transport sector.

Looking further ahead, as the nation enters a period of fiscal prudence and responsibility, and in keeping with the goals and objectives outlined in the Harambee Prosperity Plan - Standard Bank will strive to facilitate and support public and private sector investments and initiatives in the power and infrastructure, mining and metals, consumables, real estate, and construction sectors to- ensure that Namibia's long term outlook remains positive.

“What does
this deal mean
for Africa?”

“Power for a region.”

USD120m Financing

Sole Lead Arranger



In continuing our partnership with the Zimbabwe Power Corporation, we acted as Sole Lead Arranger in providing a USD120m financing package. The funding will be applied to rehabilitation and expansion works at the Kariba South Hydro Plant and the Hwange Thermal Power Station. Our knowledge of the local and regulatory complexities, strong relationships and understanding of the sector enabled us to engage multiple stakeholders to provide funding that will increase power generation in the region. Let us be your partner for growth on this continent we call home.

Corporate and Investment Banking

Standard Bank Moving Forward™

 **True success is built on the input, contribution and efforts of many, together we can move from good to great.**

That's why at Liberty, we believe in knowledge sharing and collaboration. When knowledge rolls up its sleeves, there's no question too big to answer. It's how we turn our insights into action, and our actions into advantage.

The Advantage of Knowing



LIBERTY

Namibia Tax Rate and Reference Card 2017

• Source basis of Income Tax

Normal tax is levied on taxable income of companies, trusts and individuals from sources within or deemed to be within Namibia.

• Individual Income Tax

All individuals (incl. deceased estates and trusts) other than companies.

Taxable Income N\$	Rates of tax from years of assessment ending 28 February 2017/18 (N\$)
0-50 000	Not taxable
50 001-100 000	18% for each N\$ above 50 001
100 001-300 000	9 000 + 25% for each N\$ above 100 001
300 001-500 000	59 000 + 28% for each N\$ above 300 001
500 001-799 999	115 000 + 30% for each N\$ above 500 001
800 000-1 500 001	205 000 + 32% for each N\$ above 800 000
Above 1 500 001	429 000 + 37% for each N\$ above 1 500 001

• Employees' fringe benefits

Fringe benefits are taxable. The taxable value of fringe benefits is determined in terms of a schedule to the income tax Act.

• Housing loans and mortgage subsidies

The taxable value of housing benefits granted, in terms of housing schemes approved by Inland Revenue, is reduced by one-third thereof (the reduction increases based on a formula for remuneration below N\$30 000 p.a.). Please see the detailed tax card on the PwC website for more details.

• Loans (other than housing loans)

The taxable value of interest-free or subsidised loans that are not utilised for further study by the employee or exceed N\$3 000 p.a., is 12% p.a. of the loan amount less interest actually paid on the loan.

• Motor vehicles

Taxable amount for the right of private use of employer provided vehicles	
All costs borne by the employer	1.5% p.m. of the cost price of the vehicle
Employee bears all the fuel costs and the employer all other costs	1.4% p.m. of the cost price of the vehicle

• Interest income

Exempt interest income earned by individuals and trusts from
Deposits with Nampost Savings Bank
Stock or securities (including Treasury Bills) issued by the Government of Namibia, or any regional council or local authority in Namibia (also available to companies not carrying on business in Namibia)

Withholding tax

10% on interest received from *Namibian* banks and unit trusts paid to any person other than a Namibian company.

• Retirement, death and withdrawal

Contribution to approved pension, provident, retirement annuity (RA) and educational policies	2016/2017 N\$	2017/2018 N\$
Deduction allowed (in total)	40 000	40 000

• Medical Aid

Contributions to medical aid funds and actual medical costs are not deductible by employees for income tax purposes.

• Social Security

Social security is payable on a 50:50 contributions from employers and employees. The contributions are calculated at 0.9% of earnings, with a minimum monthly contribution of N\$2,70 and a maximum monthly contribution of N\$81-00 by each.

• Estate Duty & Donations Tax

There is no estate duty or donations tax in Namibia.

• Transfer Duty: Property

Natural Persons: Property	
Value of property N\$	
0-600 000	Nil
600 001 - 1000 000	1% of value exceeding N\$600 000
1000 001-2 000 000	N\$4 000 + 5% of value exceeding N\$1 000 000
2 000 000 and above	N\$54 000 + 8% of value exceeding N\$2 000 000
Other Persons	
Any value	12%
Special rates are applicable on natural persons who acquired commercial farmland through the Affirmative Action Loan Scheme	

• Stamp Duty on Property transactions

Natural Persons:	
Value of property N\$	
0 - 600 000	Exempt
600 001 - 1 000 000	N\$10 for every N\$1 000 or part thereof
Other Persons:	
Any value	1,2%

• Value-Added Tax

Value-added tax is payable on the taxable value of all goods sold or imported. The standard rate is 15%. Direct exports of goods and services are zero-rated. A number of other zero-ratings and exemptions are also provided for. A company, individual, trust or partnership carrying on a taxable activity with a turnover for the past or future 12 month period in excess of N\$500 000, must register for VAT.

• Companies

Company Tax rates	2017
Corporate tax rate	32%
Branch income tax	32%
Diamond mining companies	55%
Mining Companies (other than diamond mining companies)	37.5%
Long term Insurers (40% of gross investment income taxed at 32%)	12.8%
Petroleum Companies (exploration -, development - or production operations)	35%

• Movable assets and buildings

- Machinery and movable assets

Wear and tear claims are deductible in equal instalments over three consecutive tax years for the acquisition of vehicles, aircraft, seagoing craft, machinery, implements, utensils and articles used for purposes of trade.

- Buildings

An initial allowance of 20% of the cost of erection may be claimed in the year that the building is brought into use, and a subsequent allowance of 4% for each of the ensuing 20 years, following on the year that the building was brought into use.

• Payments to non-residents

Withholding Tax	
Dividends paid to non-resident companies > 25% shareholding	10%
Dividends paid to non-residents in all other cases	20%
Interest paid to non-residents	10%
Royalties paid to non-residents	10%
Management, technical, admin, consulting fees paid to non-residents	10%
Non-resident directors' fees and fees paid to foreign entertainers	25%



• **Farmers**

Farmers are taxed in the same manner as other individuals or companies. Farming is a ring-fenced trade, unless carried on, on a full time basis.

Farmers—Deduction of capital expenditure

Expenditure on motor vehicles and other movable assets used for farming purposes is deductible in equal instalments over three

consecutive years. Expenditure incurred on capital development is deductible in full but limited to the amount of taxable farming income. Any remaining capital development expenditure is carried forward to the next year. Deductions for the erection of domestic houses for a farmer’s employees may not exceed N\$50 000 per employee.

• **Tax Compliance**

Income tax returns and tax payments due dates			
Individuals			
Individuals (Employees)	30 June each year		
1st Provisional	On/before 30 August (n/a to farmers). 40% of the total actual taxable income to be declared and paid.		
2nd Provisional	On/before 28 February. At least 80% of the total actual taxable income should be declared and paid.		
Business individual and/or farmer (other than companies or salaried employees)	Within 7 months after the tax year end (30 September each year).		
Companies			
Companies	Within 7 months after financial year end.		
Income tax: 1st provisional	Within 6 months from commencement of the company’s financial year. 40% of the total actual taxable income to be declared and paid.		
Income Tax: 2nd Provisional	On/before the last day of the company’s financial year end. At least 80% of the total actual taxable income should be declared and paid.		
Employers: PAYE Returns	The employer should submit within 20 days following the month during which PAYE is required to be withheld.		
Employers: PAYE reconciliation return	Annual PAYE reconciliation should be submitted within 30 days from the tax year end (30 March each year).		
Withholding Tax			
Dividends	20 days from the date of accrual or payment of the dividend to the non-resident.		
Royalties	Within 20 days following the month during which the royalty accrued or was paid.		
Interest	Within 20 days following the month during which the interest becomes due and payable.		
Services	Within 20 days following the month during which the liability was incurred to pay management, technical, administrative or entertainment fees.		
Value Added Tax			
VAT return	25th of the month following the end of the two month tax period		
Import VAT return	20th of the month following the end of the previous month		
Import VAT on services	30 days from date of import of services		
Customs & Excise	Payment at time of clearing per customs assessment notice (excl fuel import levy payment)		
• Social Security			
Monthly contributions	30 days after the end of the month		
• Penalties			
Tax Area	Reason	Penalty	Interest (per annum)
Persons/Companies			
1st Provisional tax	Late submission	N\$100 per day	None
	Under-estimation penalty	Up to 100%	None
	Late payment	10% per month	20%
2nd Provisional tax	Late submission	N\$100 per day	None
	Under-estimation penalty	Up to 100%	None
	Late payment	10% per month	20%
Income tax Return	Late submission	None	None
	Late payment	10%	20%
	Omission/incorrect statement	Up to 200%	20%
• Companies			
Employees Tax	Late submission	None	None
	Late payment/ failure to withhold PAYE	10% per month	20%
Withholding Taxes	Late payment	10% per month	20%
VAT & Import VAT	Late submission	N\$100 per day	None
	Late payment	10%	20%

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