# *Tax First*

## Namibia Newsletter

April 2013

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## *Under-estimation of taxable income*

In terms of Schedule 2 of the Income Tax Act, provisional tax should be paid by every provisional taxpayer as follows:

**First:** 50% of the total estimated tax liability of the taxpayer for the full tax year; and

**Second:** 100% of the total estimated tax liability of the taxpayer for the full year, less the first provisional payment.

With the revised legislation effective for tax years starting on or after 1 January 2012, the following underestimation penalties on provisional tax payments were introduced:

### *1st Provisional 40%*

The first provisional payment due 6 months prior to the financial year-end of the taxpayer should be at least 40% of the total actual taxable income for the year. Estimations based on the last assessed income will therefore no longer be sufficient.

### *2nd Provisional 80%*

The second provisional payment due at year end should be at least 80% of the total actual taxable income, taking into consideration the first provisional payment already made.

This does not imply that only 40% or 80% of the total actual taxable income for the year is payable. As set out above, provisional taxpayers should pay 50% and 100% of the total estimated liability, but need to ensure that it is not less than 40% or 80% to avoid underestimation penalties.
Provisional taxpayers that only make a payment of 40% or 80% of the total taxable income stand a higher risk of underestimating on the return due.

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## *Also in this issue:*

# *Distinguish between Zero-Rated VAT, Exempt VAT & Non-Taxable Supplies*

All supplies could be classified as exempt, zero rated or standard rated for VAT purposes. Supplies that are standard rated or zero-rated are considered to be '*taxable supplies*' as defined.

The supply of goods and services are generally subject to VAT at the standard rate (15%), unless such supply is specifically zero-rated or exempt in terms of the VAT Act, Schedule III & IV respectively.

A zero-rated supply is a taxable supply on which VAT is levied at the rate of 0%. No output tax will be payable to Inland Revenue in respect of zero-rated supplies. Registered VAT entities making zero-rated supplies are entitled to claim their input tax deductions on goods or services acquired in the course of making such taxable supplies.

An exempt supply (i.e. not a taxable supply) is the supply of goods or services on which no VAT rate is chargeable. Registered VAT entities may not claim an input tax deduction in respect of goods or services acquired in the course of furtherance of making exempt supplies. A person that makes only exempt supplies cannot register for VAT as they are not providing taxable supplies as per the VAT Act.

Where goods and services are purchased for taxable and non-taxable purposes, only a portion of the input tax may be claimed. VAT registered entities making mixed supplies (taxable and exempt supplies), are required to apportion their input deduction to the extent to which the entity has utilised the goods or services in the course and furtherance of making taxable supplies.

Confusion often exist about 'VAT at a Zero-Rate', 'Exempt supply' and 'Non-supply'. The main difference between zero rate and exempt supplies is that the suppliers of zero-rated goods and / or services can still reclaim all their input VAT, but the suppliers of exempt goods are either not registered for VAT or if they are, they cannot reclaim their input VAT. Examples of VAT at a Zero rated items and services include:

- *Petrol leaded or unleaded;*
- *Mahango, mahango meal, maize meal and bread, but not as a prepared meal;*
- *Water and electricity to a residential account;*
- *Selling of residential property;*
- *Fresh milk*
- *Sunflower oil*

The listed items and services have VAT at zero %, thus the actual VAT is NIL. The total cost of purchases to make taxable supplies should be completed in the zero rated column on the *VAT return*, *line 13* for local purchases, *line 14* for Capital goods and *line 17* for any input adjustments.

| VAT CLAIMED (Inputs) | | Tax Categories (Namibian Dollars only - ignore cents) | | |
|---|---|---|---|---|
| Purchase Figures (excluding VAT) | | Exempt N$ | Zero-rated N$ | 15% N$ |
| Local Purchases | 13 | | | |
| Capital goods purchased locally | 14 | | | |
| Imported purchases | 15 | | | |
| Imported capital goods | 16 | | | |
| Input adjustments | 17 | | | |
| TOTALS | 18 | | | |

Revenue generated from the sale of these goods should be declared on the VAT return, *line 8* for local sales, *line 9* for Capital goods sold and *line 10* for any output adjustments.

| VAT DECLARED (Outputs) | | Tax Categories (Namibian Dollars only - ignore cents) | | |
|---|---|---|---|---|
| Sales Figures (excluding VAT) | | Exempt N$ | Zero-rated N$ | 15% N$ |
| Trading: Sales/fees, etc. | 8 | | | |
| Capital goods sold | 9 | | | |
| Output adjustments | 10 | | | |
| TOTALS | 11 | | | |

Examples of Exempt goods and services that do not have VAT on them, not even at 0%:

- *medical and paramedical services;*
- *educational services;*
- *the letting of accommodation as a residential property – a dwelling;*
- *public transport, example transport with taxi*
- *fringe benefits given by employers to employees;*

The VAT is nil, however, the net purchase cost of Exempt VAT goods should be completed in the 1st column on the back of the VAT return.

**Non-supply items** would be those purchases made from unregistered businesses and private individuals. These purchases do not appear at all on the VAT Return, as they fall completely outside the VAT system.

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## Reminder - Social Security increase:

Please note the maximum contribution per employee ofN$108 (i.e. N$54 for employee and N$54 for employer) was ***increased to N$162*** (i.e. N$81 for employee and N$81 for employer) for an employee ***earning more than N$9,000*** per month.

Effective **1 March 2013**

# Government Gazettes

*Government Gazettes for the period for March 2013 is included in this edition. This is not an exhaustive list of Acts/Notices/Proclamations published.*

| **Proclamation** | |
|---|---|
| No. 11 – 2013 | Appointment of Special Adviser to Minister of Finance: Mr Paul Walter Hartmann is appointed as Special Advisor to the Minister of Finance for a period of three years, with effect from 01 March 2013. |
| **Government** | |
| No 62 – 2013 | Employment Service Regulations Schedule introduced per the Employment Service Act, 2011 |

# Tax Calendar – April 2013

| Monday | Tuesday | Wednesday | Thursday | Friday |
|---|---|---|---|---|
| 8 | 9 | 10<br>ASYCUDA reports | 11 | 12 |
| **22**<br>• PAYE Returns<br>• Import VAT return<br>• Withholding Tax on Services return | 23 | 24 | **25**<br>VAT return (Category A) | 26 |
| 29 | **30**<br>• Social Security payment<br>• Tax return - companies with 30 September 2012 Year-End;<br>• 2nd provisional returns - with April Year-End | | | |

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