Indirect tax consideration for a going-concern sale

In the world of VAT, there are many types of sales / disposals, one of which is disposing of a business / operations as a going concern that has become very popular of late.

A going concern is an income earning unit which has assets that are identifiable as a separate business, operation, division / department. This type of supply is considered a taxable activity supplied at either a standard rate or zero-rate.

In order to apply zero rating to the sale of a going concern, the following requirements should be fulfilled:

- Both the supplier and recipient should be registered for VAT;
- There should be an agreement between the supplier and the recipient stipulating the following conditions:
  1. The taxable activity is disposed of as a going concern;
  2. The disposable taxable activity is an income earning activity;
  3. Consideration / price is inclusive of tax at a rate of zero (0%) percent;
  4. The assets which are necessary to conduct the taxable activities within the going concern must also be sold by the supplier to the recipient as part of the sale of going concern sale; and
- A notice in writing, signed by both the transferor and transferee, should be submitted to the Commissioner (at Inland Revenue) within 21 days of the supply.

Another important factor to be considered is the intended activity which will be conducted by the new owner after the sale. Should the nature of activities change from an income earning activity to another activity, then zero rating may possibly not be applicable. For example, if a lessor sells an office building to his lessee where his lessee occupies this building to carry out his administrative obligations, then the new owner will not be purchasing a going concern, as the building will not be used to earn an income, therefore not making it an income earning activity. There will no longer be a supply of a commercial building (which resulted in rental income earned). In this case, it becomes a normal taxable supply of a commercial building.

As described above, entering into a business structure transactions or significant deals could have negative consequences, should the tax implications be totally ignored or disregarded. When in doubt, consult, as considerations for VAT must be made at all levels of a transaction.

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A director’s main functions are to direct the company and report to stakeholders.

Directors are expected to understand the day-to-day operations of the company and to be properly trained on their fiduciary and statutory duties.

In performing these duties, directors are reasonably expected to:

- act within their assigned authority,
- act with due care; and
- to carry out their fiduciary duty (placing the best interest of the company first).

The Companies Act require directors to:

- keep financial records that are accurate, clear and a fair reflection of the business of the company;
- consent in writing to their appointment;
- ensure the minimum number of directors are appointed;
- keep registers of directors, disqualified directors, members and interest of directors in contracts;
- lodge annual returns with the Registrar of Companies;
- pay annual duties (Registrar of Companies);
- convene meetings on request of the shareholders;
- keep proper minutes of meetings.

The Act also sets out what can happen to directors who do not comply with these duties and responsibilities. These include:

- removal from their position;
- becoming personally liable for company losses/liabilities;
- criminal charges; and/or
- imprisonment.

The extent of the director’s liability will depend on the nature and extent of the contravention of the Companies Act.

Examples of offences under the Companies Act punishable by a fine, imprisonment or both include:

- Not keeping a register of directors may constitute a N$ 2000 fine.
- Failure to keep minutes at meetings of directors may lead to a N$ 1000 fine or 3 months imprisonment
- Issuing incomplete statements will constitute a fine of N$ 1000 or 3 months imprisonment
- Failure to keep proper accounting records may attract a fine of N$ 8000 or 24 month imprisonment or both.

For more information, see this year’s report – available at [http://www.pwc.com/gx/en/paying-taxes/download.jhtml](http://www.pwc.com/gx/en/paying-taxes/download.jhtml)
### Tax Calendar - December 2014

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- PAYE Returns;
- Import VAT return;
- Withholding Tax on Services return;
- VET Levy.

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<td>PwC Office Close</td>
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<td>VAT return (Category A)</td>
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- Christmas Day
- Family Day

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- Social Security payment;
- Tax return - companies with 31 May 2014 year-end;
- 2nd provisional returns - companies with December year-ends

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- Happy New Year

### Holiday Season

Our offices will close 19 December 2014 and re-open on 5 January 2015.

**Merry Christmas**

We would like to wish all our valued clients a bright and cheerful festive season!

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

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January

28 Business Bitesize Session: Transfer Pricing

February

03 Thought Leadership Event W/Bay: People & Change: Eight Competencies
12 Business Bitesize Session: SAP Governance, Risk & Compliance
18 Tax for Non-Tax Managers

For more details:
Joseffine Keister on +264 61  284 1197 or joseffine.keister@na.pwc.com

Investment: Register three (3) delegates and one delegate may attend for 50% of the fee per participant.

Fee includes comprehensive hand out, facilitator’s fee and certificate. All public courses allow it to be customised for client specific training. Cut-off date for registrations is 5 working days prior to workshop date.