

Tax First

Namibia Newsletter

March 2015



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

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2014/2015 Excise Duties announced by SACU

The following changes in specific excise duties were announced for 2015/16 (SACU tariffs applicable in Namibia as from 25 February 2015)

Product	Excise Duty Increases
Malt Beer	7 cents per 340 ml
Unfortified wine	15 cents per 750ml bottle
Fortified wine	19 cents per 750ml bottle
Sparkling wine	48 cents per 750ml bottle
Ciders & Alcoholic fruit beverages	7 cents per 330ml bottle
Spirits	N\$3.77 per 750ml bottle
Cigarettes	82 cents per packet of 20
Cigars	91 cents per 50g
Pipe tobacco	N\$3.09 per 23g

A new excise duty category has been added for grain-based fermented beverages, with duty rates initially the same as those for malt beer.

The excise duty increases since 2002 have been steadily above the annual inflation rate.

2015/16 South African Budget Speech Highlights

The South African Minister of Finance, Mr Nhlanhla Nene, delivered his annual Budget Speech on 25 February 2015

See page 3 for highlight on tax proposal from the SA Budget Speech

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New on the International Front -

Draft OECD VAT guidelines on the Supply of Services and Intangibles

The Organization for Economic Co-operation and Development (“OECD”) recently invited comments on two draft discussion documents on VAT. VAT neutrality of international trade generally is achieved through the destination principle, i.e. to ensure that the tax on cross-border supplies is levied where services or intangibles are consumed. VAT systems should therefore have mechanisms to identify the country of consumption and place of taxation rules.

While the destination principle for the movement of goods across borders is more controllable, the very nature of services and intangibles makes it more difficult to determine which jurisdiction has the right to levy VAT on the international trade in services and intangibles.

Technological advances and global trade liberalisation further enabled suppliers to provide services and intangibles to consumer's worldwide (e.g. internet sales) and determination of the place of consumption becomes more challenging.

Place of taxation for on-the-spot supplies

Where the final consumption requires that both the service provider and the consumer must be present at the same place, the place of taxation will be at this place.

Examples include accommodation, restaurant services, entry to places of entertainment, sports events, hairdressing.

Supplies of services and intangibles under other circumstances

The place where the consumer has its usual residence will determine which jurisdiction has the taxing rights of services and intangibles where the place of physical performance or the supplier's location does not provide a clear indication of the place of consumption.

Examples of such supplies may include accountancy and legal services, financial and insurance services, telecommunication and broadcasting services, online supplies of computer software and software maintenance, online supplies of movies, TV shows, and music.

Indications of a person's usual residence could include contact telephone numbers, the IP address of

the device used to download digital content, the customer's trading history, billing address, information provided by third party payment providers such as credit card information.

The most effective approach in law may be to require the non-resident supplier to register and account for VAT in the jurisdiction of taxation.

A simplified VAT registration and compliance regime for foreign suppliers of services and intangibles

The OECD recommends a simplified registration and compliance procedure in this regard and limiting some rights, such as an input tax recovery.

Tax authorities might also rely more on international co-operation in tax administration through the exchange of information and assistance with recovery of VAT due under such circumstances.

Namibia

The Namibian VAT Act does not contain specific rules on place of supply/taxation and we do not specifically distinguish between Business to Business or Business to Consumer transactions.

We do however have import VAT on services (also known as Reverse VAT), which is not effectively enforced on Business to Consumer transactions. The simplified registration process suggested by the OECD could assist in this regard.

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Tax Pitfalls

Deductibility of Donations

The Income Tax Act provides for a specific deduction for donations. The deduction is only allowed if it was made to a registered welfare organisation or an approved educational institution. It is also required that a certificate should be issued by the welfare organisation/educational institution stipulating the donation. The certificate should be submitted with the company's tax return to qualify for the deduction. It is important to note that the deduction/allowance may not create or increase a tax loss.

2015/16 South African Budget Speech Highlights

The main tax proposals for 2015 include the following:

- The current projection is that tax revenue will amount to R979 billion in 2014/15, or about R14.7 billion less than the budget estimate a year ago. Budget revenue will be R1 091 billion this year, or about 8.2 per cent more than in 2013/14.
- The 2015 Budget tax proposals aim to increase tax revenues as required, limit the erosion of the corporate tax base, increase incentives for small businesses and promote a greener economy.
- Personal income tax rates will be raised by one percentage point for all taxpayers earning more than R181 900 a year. However, tax brackets, rebates and medical scheme contribution credits will be adjusted for inflation, as in previous years. The net effect is that there will be tax relief for those with income below about R450 000 a year, while those with higher incomes will pay more in tax.
- An increase in the general fuel levy of 30.5 cents a litre will take effect in April.
- Following recommendations of the Davis Committee, a more generous tax regime is proposed for businesses with a turnover below R1million a year. Qualifying businesses with a turnover below R335 000 a year will pay no tax, and the maximum rate is reduced from 6 per cent to 3 per cent.
- The rates and brackets for transfer duties on the sale of property will be adjusted to provide relief to middle-income households. The new rates eliminate transfer duty on properties below R750 000, while the rate on properties above R2.25 million will increase.
- Withholding tax on interest of 15% will be effective from 01 March 2015.

For more detailed information please visit the PwC SA website:

<http://www.pwc.co.za/en/tax/budget.jhtml>

Tax Calendar - March 2015

Mon	Tue	Wed	Thu	Fri
16	17	18	19	20 • PAYE Returns; • Import VAT return; • Withholding Tax on Services return; • VET Levy.
23	24	25 • VAT return (Category B)	26	27
30 • Social Security payment; • Tax return - companies with 31 August 2014 year-end;	31			

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

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PwC Business School

Business Bitesize - IFRS Time for informative, insightful auditor reporting

Session details



Wednesday,
11 March 2015



PwC Business
School,
344 Independence
Avenue



By Friday, 6 March
2015
Hady Basson
Tel: 061 284 1239

hady.basson@na.pwc.com



N\$ 368.00 (incl.
VAT)

Card payment
facilities available



07h30 - 08h00
Coffee, networking
& welcome
08h00 - 09h30
Bitesize session



Louis van der Riet
Partner/Director
Assurance



Nangula Vaandja
Partner/Director
Assurance

The new auditor's report is here. After three years of development, the International Auditing and Assurance Standards Board (IAASB) has released a set of standards that we believe are truly game-changing for shareholders and the profession.

Implementation will bring both opportunities and challenges.

The standards mark a move to reports that are more informative, discursive and insightful. The new reports will undoubtedly stimulate enhanced conversations among auditors, companies, audit committees, shareholders and regulators.

We believe that the more informative reports and dialogue will demonstrate more visibly the value and relevance of audit. Relevant reports from a relevant profession – that's the opportunity.

So far, the forerunners have been on the right track. Where similar proposals have been rolled out in the UK, auditors have embraced the transformation – producing insightful reports with tailored information and less jargon. Shareholder reaction has been very positive, referring to a 'sea change' in auditor reporting. This is a good start.

While the IAASB's new standards are not effective until the end of 2016, auditors, audit committees and management will need to hit the ground running. There are some daunting changes which will require careful navigation. This will be as new to management and audit committees and users as it is to auditors. Auditors around the world will be on a learning curve – so I ask that stakeholders in the audit give us as much feedback as possible, good or bad, so that we can continue to improve the quality of our reports. It is hugely important that we get this right.

Here at PwC, we are committed to producing informative and insightful reports that reflect the spirit of the reforms.

Meet us for coffee, muffins and networking, and we will explain the complex concepts to you in a short session designed with busy professionals in mind.