



# ***Tax First***

## **Namibia Newsletter**

### **May 2015**

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

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### ***Providing Security for Import VAT accounts***

***Word is out that importers must provide guarantees to Inland Revenue by 1 July 2015 to cover the full import VAT payable at any stage by all importers having a registered import VAT number.***

PwC Namibia assisted Inland Revenue a few years back to investigate the abolishment of the import VAT account facility by Inland Revenue. The impact of such a measure on Inland Revenue and Namibian importers and transport companies, etc. was investigated. PwC also made some recommendations in this regard and was of the view that the facility should be maintained. It was however suggested that better controls should be implemented by the tax authorities in Namibia.

PwC did a benchmarking analysis of how import VAT collections are treated globally and regionally and reported inter alia that Botswana and South Africa requires security for import VAT as a control measure.

Both countries base the security requirements on a percentage of import VAT charged per so-called deferred import VAT accounts.

We understood that one of the proposals is to base the amount of security required based on the total import VAT due on a three month throughput period. This would put severe financial strains on large importers who must still pay import VAT and claim it back in a subsequent VAT period.

We maintain our stance that to expect importers to provide 100% securities would seriously hamper cross border trade. It may have a contra-productive impact on cross border trade and revenue collection. We propose that the percentage security be determined in terms of acceptable risk profiles of importers. A taxpayer with a good import VAT payment record at Inland Revenue should not be penalized and expected to subsidize non-compliant and slow payers in this regard.

A realistic deadline in our view should be around 31 July 2015 to allow Customs Namibia and Inland Revenue to provide transparent guidelines on the provision of mandatory security for import VAT account holders. This would not put unnecessary financial strain on the Namibian economy as most consumer products are imported from elsewhere.

We would further invite readers to watch the press for announcements with regard to the import VAT security measures to be introduced soon. We can be contacted for further assistance and information in this regard.

### ***Also in this issue:***

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## Withholding Tax on Interest introduced in SA

*Previously Namibians investing into interest bearing assets in South Africa, were not liable for withholding taxes. Therefore most Namibian taxpayers would have accounted for foreign interest on their tax returns and paid taxes in Namibia thereon. With the introduction of the withholding tax on interest in SA, this picture is about to change.*

As from **1 March 2015**, South African residents will now have the obligation to withhold 15% from the payment of interest made to Namibian residents.

*This means that your South African interest may be subject to tax in SA.*

The South African payer of the interest is obligated to deduct the 15% withholding tax from the payment.

Interest is deemed to be paid on the earlier of the date on which the interest is paid or becomes due and payable.

There are however some exemptions where the withholding tax will not apply. Some of the most important exemptions that apply are as follows:

- Interest paid by South African National, Provincial or Local Governments in the sphere (for example government bonds and treasury bills).
- Interest paid any bank, the South African Reserve Bank, the Development Bank of South Africa or the International Development Corporation.
- Interest paid in respect of any listed debt (for example Debentures listed on the JSE).
- Interest on broker accounts (trust account for client money held by brokers)

If the exemptions apply, it will be business as usual for you and you can continue to reflect the foreign interest in your tax return as you have done in prior years.

One of the scenarios where the withholding tax will apply is where South African company owes money to the Namibian taxpayer and interest is paid to the Namibian taxpayer.

Should you incur withholding tax on interest in South Africa, some of the main considerations to take into account are:

- Namibian residents can rely on the provisions of the Double Taxation Agreement ("DTA") between Namibia and South Africa.
- In terms of the DTA, SA may levy tax on your interest but only up to 10%.
- In order to claim the reduced rate of 10%, Namibian residents are required to make a special declaration to the South African person paying the interest. The format of this declaration should be obtained from the South African payer of the interest. This declaration must state that the interest is subject to a reduced rate as a result of the application of the double tax treaty between Namibia and South Africa. This should be done as soon as possible.
- Furthermore, the treaty allows Namibian taxpayers to claim a credit against their Namibian taxes for the tax incurred in SA. This can be done on your annual tax return

*[johan.nel@na.pwc.com](mailto:johan.nel@na.pwc.com)*

## Register now!

**Below are the PwC Business School training session and workshops scheduled for May:**

|                        |   |
|------------------------|---|
| <b>07 May</b>          | Thought Leadership Event: One Day Master Class - Innovating for Low-Income Markets facilitated by Dr Tashmia Ismail |
| <b>18 May</b>          | IFRS for SME's  |
| <b>19 &amp; 20 May</b> | EQ, Stress & Conflict Management  |
| <b>20 May</b>          | Company Secretaries Training: Duties in terms of Companies's Act  |
| <b>21 May</b>          | Business Bitesize Session - Principles of Remuneration  |
| <b>21 May</b>          | Thought Leadership Event: State of the Internal Audit Profession  |
| <b>27 May</b>          | Business Bitesize Session: Customs in Namibia   |
| <b>28 &amp; 29 May</b> | Workshop: Leading People  |

To avoid missing any new events, please visit our website for more details:  
[www.pwc.com/na/en/business-school](http://www.pwc.com/na/en/business-school)

## Tax Tips - Employee taxes

Should an employer have a **registered housing scheme** with Inland Revenue, the Namibian Income Tax Act specifies that a **maximum of one-third** of the allowance will not be subject to PAYE or income tax.

Specific requirements however apply.

## Housing Allowance:

A housing allowance tax benefit may only be provided to employees where the employer has a **registered housing scheme**.

*The one-third tax deduction is applicable where:*

- the employer provides employees with free housing
- an employee leases residential accommodation, the employer may pay an allowance limited to the actual rental agreement
- an employee owns his/her own residence, the employer may pay an allowance limited to the actual bond instalments
- the employee receives subsidised housing from the employer.

*Before the employer applies the 1/3 tax benefit it is recommended that the following is confirmed by all employees who will receive the tax benefit:*

- Verification of the amount payable with the employee's rental or bond agreement;
- Combined housing allowances of an employee and his/her spouse should not exceed the amount payable per agreement;
- Housing allowances shall be limited to one such agreement per employee; and
- The allowance will only be applicable to the employee's primary home (i.e. place of residence).

## Tax Calendar - May 2015

| Mon   | Tue | Wed  | Thu | Fri   |
|---|-----|--|-----|---|
| 18  | 19  | 20 <ul style="list-style-type: none"> <li>• PAYE Returns;</li> <li>• Import VAT return;</li> <li>• Withholding Tax on Services return;</li> <li>• VET Levy.</li> </ul> | 21  | 22  |
| 25 <ul style="list-style-type: none"> <li>• VAT return</li> </ul> | 26  | 27   | 28  | 29 <ul style="list-style-type: none"> <li>• Social Security payment;</li> <li>• 1st provisional for companies with an November 2015 year-end;</li> <li>• 2nd provisional for companies with May 2015 year-end</li> <li>• Tax return - companies with 31 October 2014 year-end;</li> </ul> |

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

### Windhoek

344 Independence Ave  
Telephone Number: +264 (61) 284 1000

### Walvis Bay

2<sup>nd</sup> Floor, Nedbank Building, Sam Nujoma Ave  
Telephone Number: +264 (64) 217 700

### Stefan Hugo

stefan.hugo@na.pwc.com  
Telephone Number: +264 (61) 284 1102

### Chantell Husselmann

chantell.husselmann@na.pwc.com  
Telephone Number: +264 (61) 284 1327

### Ansie Rossouw (Walvis Bay)

ansie.rossouw@na.pwc.com  
Telephone Number: +264 (64) 217 720

