

Tax First

Namibia Newsletter

November 2015



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

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Press Release on Tax Good Standing Certificates

The PS of the Ministry of Finance, Ericah Shafudah, issued a press release on Inland Revenue's policy relating to the issue of Good Standing Certificates.

Previously, if you required a good standing certificate, an application was made with Inland Revenue and the certificate was only issued 7 days after the application was made, and the certificate was only valid for 30 days.

In their continued efforts to improve on their service offering and efficiency, Inland Revenue has revised their policy.

Good Standing Certificates can now be issued on the day that the application is submitted to Inland Revenue.

At the Windhoek Customer Service Centre a counter is now dedicated to Good Standing Certificate applications.

The following requirements should be met, in order to receive the certificate without delay:

- All tax returns should be submitted and all payments made at the time of the request;
- If an application are submitted at a satellite office, the application will be forwarded to the nearest Regional Office. Taxpayers should then make arrangements for collection of the certificate;
- Where a taxpayer's account still needs to be updated with relevant payments or return submissions, the certificate will be issued during the following working day;
- Taxpayers with payment arrangements will have to settle all outstanding debts by the end of October 2015. **No certificate will be issued to taxpayers with outstanding debt and payment arrangements after 1 November 2015.**
- Certificates can not be issued immediately in cases where returns, payment, penalty waiver requests and the application was submitted at the same time.
- Good Standing Certificates will be issued free of charge and will now be **valid for 60 calendar days** from the date of issue.

Newsflash - Solidarity Tax possibility for Namibia

Namibian President, Hage Geingob announced on 26 October that the Namibian government plans to introduce a solidarity tax in the new fiscal year. The tax will compel Namibian taxpayers to contribute towards a fund which will be used to finance projects aimed at poverty eradication.

No details of the tax rate or basis for the tax were announced, and our understanding is that the groundwork for this still has to be done.

The President further said that the Government will also consider proposals whereby business owners redistribute some business profits to employees (potentially through diluting shareholder's interests by awarding shares to employees/employee share trusts or similar vehicles).

Solidarity taxes are not commonly used by African countries, but have been implemented by a number of European countries.

New Cheque Payment Limits from N\$500k to N\$100k

The Namibian National Payment System is the regulating authority which stipulates to what amount cheque payment may be made within Namibia and how cheque payments may be made.

In June 2010 the system became operational with their first limit for cheque payments and restriction for splitting cheque payments.

With the initial introduction of the system, cheque payments were limited to a maximum of N\$500,000 which could be issued legally, processed and cleared in Namibia.

In addition to this, making split cheque payments, where the total payment exceeded the threshold of N\$500,000, were made illegal and prohibited.

The Payment Association of Namibia (PAN) recently communicated, an envisaged further reduction of the cheque payments.

The current cheque limit of N\$500,000 will reduce to N\$100,000.

The date for implementation was communicated by PAN as **1 February 2016**.

In line herewith, it is expected that the Bank of Namibia (BON) will issue a notice which will prohibit Banking Institutions, Namclear (the Clearing Agent), businesses and individuals to accept, process and issue any cheque above N\$100,000.

The expected last day for depositing any cheques exceeding N\$100,000 drawn on any bank in Namibia is **15 January 2016**. We will keep you updated to any developments in this area.

Income Tax Amendments : New law expected Nov/Dec 2015

The Minister of Finance, Calle Schlettwein, tabled the Income Tax Amendments in Parliament in September. The Bills, which are currently in the process of being promulgated, contains over 30 tax changes.

Some of the changes included in this Bill were announced as early as 2012 - the amendments will now remove some of the uncertainty that taxpayers had to deal with in the meanwhile.

The proposed tax changes will have far reaching impacts for some taxpayers, and while there was consultation with a number of industries on the impact of some amendments, we expect that some amendments will come as a surprise to affected taxpayers, who will need to realign their businesses accordingly.

Several changes were proposed to **withholding taxes**. Withholding tax on interest was proposed, where tax will need to be withheld on interest payment made across the border. The withholding tax rate on services is proposed to reduce from 25% to 10%, which will come as a relief for numerous Namibian taxpayers. Some compliance changes were also proposed namely, the compliances date for Non-Resident Shareholders Tax was changed to the 20th instead of the 30th, and penalties and interest on non-compliance of withholding tax on interest, royalties and non-residents shareholders tax was introduced. Taxpayers who trade across borders will have to review and assess the impact of these changes, and make sure that they register and correctly deduct and pay over these tax amounts when paying royalties, in-

terest, dividend, rent and services fees to foreign suppliers.

In addition to the above, for the first time the Income Tax Act will now **define "Namibia"** to a specific geographical size. The impact of this is that Namibia is, for income tax purposes now, extended from 12 nautical miles to 200 nautical miles from the low water-mark. This gives the Revenue Authorities an increased right to Namibian source income, and so widens the tax net. This may have serious tax implications in the fishing and the oil and gas exploration industries and also for employees working in these, where some operations at sea will now become subject to income tax.

Additional provisions were introduced which will empower Inland Revenue to **recover tax debts, penalties and interest from various third parties**, like:

- Any person who owes or holds money of the taxpayer;
- Any person who controls or manages the financial affairs of a taxpayer;
- Shareholders of companies or members of Close Corporations
- Connected persons who received donated assets from a taxpayer;
- Any person assisting with squandering or dissipation of a taxpayer's assets.

It is anticipated that the amendments may be enacted before the end of this year. PwC will keep you informed.



Tax Alert: Namibia Revenue Agency coming!



From the many years of continued efforts to improve tax collections and overall tax compliance, as well as improved services to taxpayers, came the initiative to establish a domestic revenue authority outside of our current tax collector, Inland Revenue.



Government has recently approved the policy framework for the establishment of a Namibian Revenue Agency.

This is exciting development for the Namibian Tax environment.

With the approval of the policy framework, the go-ahead was given to our Minister of Finance, Calle Schlettwein, to proceed in drafting the legislation, and start the necessary processes to establishing The Namibian Revenue Agency ("NRA").

Many African countries successfully established and use external revenue authorities to collect taxes.

PwC will keep the Namibian taxpayers informed as new developments occur.

Tax Calendar - November 2015

Mon	Tue	Wed	Thu	Fri
16	17 • PAYE Return; • Import VAT return; • Withholding Tax on Services return; • VET Levy	18	19	20
23	24	25 • VAT return	26	27
30 • Social Security payment; • 1st provisional for companies with an May 2016 year-end • 2nd provisional for companies with November 2015 year-end;				

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

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