

Tax First

Namibia Newsletter April 2020

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

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TIM's TIP:

Imagine if completing your tax return could be as easy as having a conversation.

Use TaxTim to complete your annual and provisional returns - quick & easy!

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Combatting COVID-19 from a tax perspective

COVID-19 was declared a pandemic by the World Health Organisation on the 11th of March 2020. Following this announcement, the rapidly increased spread of the COVID-19 virus has led to multiple countries imposing national or regional 'lockdowns' and applying other precautionary measures.

Namibia followed suit with the President of the Republic of Namibia announcing a lockdown for the Khomas and Erongo regions, starting on Friday the 27th March 2020 for a period of 3 weeks. With the outbreak of the COVID-19 virus and implementation of precautionary measures by the State, the Namibian economy is experiencing a 'slow down' in activity. This is attributable to business disruption including social distancing through remote working, supply limitations due to reduced productivity and raw materials, as well as, a lower demand from end consumers who are holding back on spending.

On 1 April 2020 The Minister of Finance, Honourable Iipumbu Shiimi delivered a media release with regards to the first phase of an Economic Stimulus and Relief package to address the negative impact of the current COVID-19 situation amounting to approximately N\$8.1 billion. It is aimed largely at sectors that are directly affected by the lockdown and also to households and the labour market that have been negatively impacted.

The following measures are proposed for the business sector:

- Wage subsidy for hardest hit sectors (the tourism, travel and aviation and construction sectors);
- Accelerated payment of overdue and undisputed VAT refund to taxpayers;
- Accelerated payment of overdue and undisputed invoices for goods and services provided to Government;
- Loan schemes totalling N\$700m to small business and agricultural businesses/farmers with guaranteed loans from DBN and Agribank;
- Granting relief on the repayment of loans by borrowers to DBN and AgriBank;
- Tax-back loan scheme for non-mining corporates - borrowing up to 1/12th of the prior year tax payment at prime less 1% repayable over 1 year; and
- Relaxation of labour regulations to protect jobs to avoid retrenchments and business closures by allowing employers to negotiate a temporary reduction in salaries of between 20% and 40%.

The following measures are proposed for households:

- An Emergency Income Grant, to support those employees who have lost their jobs due to the pandemic and its fallout – N\$750 once off;
- Tax-back loan scheme for tax registered and tax paying (PAYE) employees and self-employed individual persons who have lost income or part thereof.- borrowing up to 1/12th of the prior year tax payment at prime less 1% repayable over 1 year; and
- Water subsidies during lockdowns - ensure that water points are kept open without a need for water cards during lockdowns.

Combating COVID-19 from a tax perspective (continued)

Tax Relief

As seen globally, various nations introduced tax relief measures for their corporate citizens and individual households, where the impact of COVID-19 may be regarded as 'critical'.

Our team of experts have identified key areas which are impacted and included recommended tax relief measures for absorbing the effect of COVID-19 on the Namibian nation.

Consoling Cash Flows for Corporates

Cash flow forms an integral part of any economy, a reduction or halt in the flow of cash would be detrimental. In order to carefully navigate around this challenge, the following tax reliefs for organisations should in our view be considered:

- Loan forgiveness/waiving of debt on intercompany transactions should not trigger any income tax or VAT implications provided that the ability to pay was as a result of the business operations being negatively impacted by COVID 19;
- Donations made by organisations in support of the COVID 19 prevention efforts should be allowed as a deduction for income tax purposes;
- Reduce the corporate tax rate to 30% (16% for registered manufacturers) for the current and subsequent 3 years of assessment whilst organisations are recovering from the impact of COVID 19;
- For businesses involved in tourism, aviation and other transportation of passengers industries, the payment of taxes for the months of March and April 2020 should be postponed until June 2020;
- Low value assets of up to N\$100 000, such as computers, printers, hard drives, memory sticks, internet devices such as 3G's should be deducted in full in the year the expense is incurred as opposed to deducting this over 3 years;
- A possible retroactive carryback of tax losses regarding corporate income tax, where taxpayers would be able to deduct the loss incurred in 2020 from the income obtained in 2019. This measure can be made available to those entities, whose revenues have fallen by at least 30% in 2020 in comparison to that of 2019 revenues;
- Utilizing refunds to settle other tax liabilities in an efficient manner to ensure the taxpayer does not incur late payment penalties and interest;
- Increased turn-around times by Inland Revenue on new VAT refunds by using a risk based approach.. Risk profiling should consider when last the taxpayer was audited and consulting the audit reports of past audits. Where refunds are affected based on a low risk profile, the audits to be scheduled as soon as the economy is operational;
- Exempting VAT on the fees charged by financial institutions on the basis that most organisations would be relying on loan funding to meet their operations expenses;
- Zero rated VAT on a supply of telecommunication services to organisations in line with the residential accounts to alleviate the cost of enabling employees to work remotely;
- Exempting VAT on imported services during the COVID 19 pandemic to allow organisations to rely on their global network at a reduced cost;
- The potential rebate of customs duties on the importation of basic and essential goods by businesses;
- Providing businesses eligible to paying the VET levy with a 6-month holiday payment, allowing these businesses to apply this saving towards their monthly salary commitment; and
- The postponement of any new taxes that would have been introduced, up until March 2021, to allow organisations sufficient time to recover from the impact of COVID 19.

Helping Households

The impact of COVID-19 towards the Namibian economy will clearly impact consumers and the workforce at large. In order to accommodate households during this period, the following tax reliefs for individuals should be considered:

- No fringe benefit tax (PAYE) to be levied on: (a) the provision of computer equipment and office furniture to employees to facilitate working remotely (b) certain travel expenses incurred on behalf of employees during the Covid-19 period (c) an allowance for use for data packages to enable them to work remotely and (d) staff loans awarded to staff during the COVID-19 pandemic;
- Full income tax exemption for individuals obtaining a retrenchment package (i.e. including leave pay, notice pay and any other pay as a result of retrenchment) during the COVID-19 pandemic;

Combating COVID-19 from a tax perspective (continued)

Helping Households (cont'd)

- A significant increase in the 'tax free' threshold for income tax purposes of individuals, to cater for relief towards low income earning persons; and
- Further exemption or zero rating of basic and essential goods during the COVID-19 pandemic, including food, personal hygiene, cleaning and medical products, as well as, energy and communication products/services (especially during lockdown periods).

Considering Compliance

With the regional lock down resulting in remote working and limited availability in public services, the following is proposed:

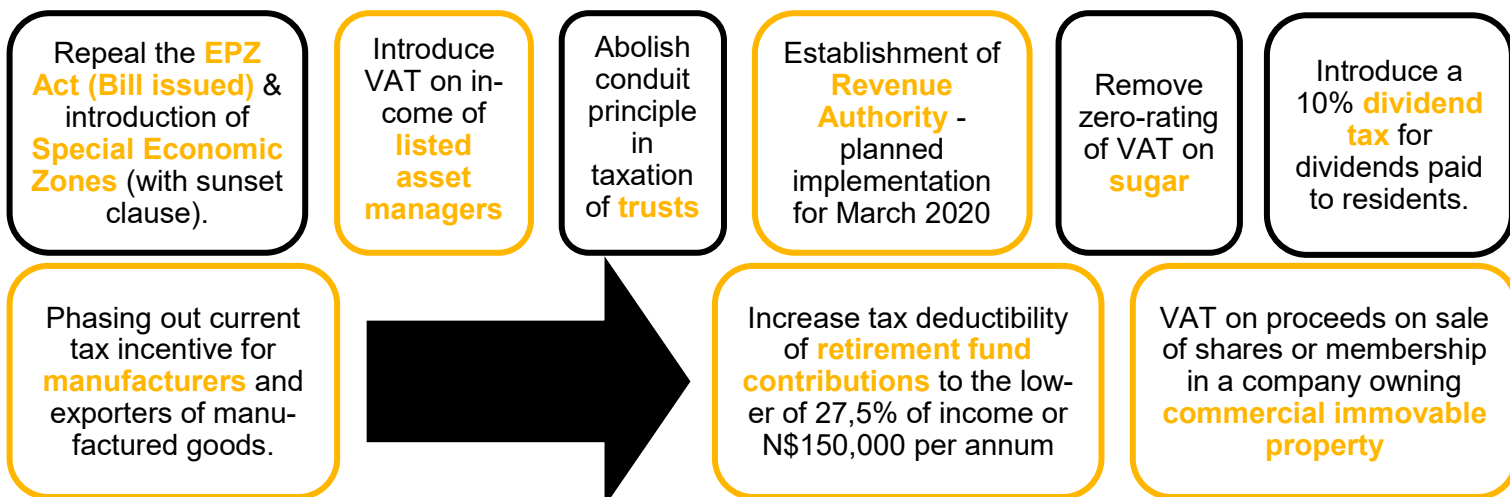
- Postpone filing and payment due dates of all taxes for April, May and June 2020 with one calendar month and subsequent to this period for a period of 3 months allowing down payment arrangements with no penalty and interest implications caused by the late filing/payment arrangement;
- Extend current tax incentive scheme for ITAS users up to February 2021; and
- Extend the mandatory requirement to file an electronic dump/sheet of salary information for ITAS e-filers allowing e-filing of PAYE returns without this additional sheet till February 2021.

Through providing tax relief measures for both organisations and individuals, the impact of COVID-19 on our country could be narrowed. Tax reliefs are crucial in supporting the business community and individuals during these challenging times.

"Our prime purpose in this life is to help others. And if you can't help them, at least don't hurt them." - Dalai Lama

New Legislation Tracker

This diagram tracks the progress of proposed tax legislation. The following is a status of proposed legislative changes up to 31 March 2020. No effective date has been set for any of the proposed legislation.



Navigate tax measures in response to COVID-19

COVID-19 presents significant challenges to people and organisations around the globe and the disruption continues to evolve. We know that your business is facing several potentially significant tax challenges to which you need to respond rapidly. To help you cut through the complexity, PwC's team of specialists collaborated to create a resource for you to stay abreast of the changes that impact your business

Explore our latest COVID-19 tax response by territory, by clicking on this link:

<https://www.pwc.com/gx/en/services/tax/navigate-the-tax-measures-in-response-to-Covid-19.html>

This tool will provide you with the latest COVID-19 tax response information by territory. This is updated as changes develop. For professional advice & assistance, please contact your local PwC contact.



Best Working Practice: Tax Compliance Edition

With the introduction of Integrated Tax Administration System (ITAS), e-filing capabilities have become a convenient reality for Namibians. It is recommended that all taxpayers register for ITAS e-filing, in promoting a fast, efficient and effective method of filing tax returns.

All taxpayers should ensure that their contact details are correct on Inland Revenue's (IR) system. These should also be frequently updated, as multiple communications are sent by IR to taxpayers on assessments, refunds and other updates. Contact details include cell phone numbers, postal addresses and email addresses.



When making tax payments via EFT, the following is extremely important:

1. The reference no. for the tax payment being made should be correctly included in the EFT (the reference no. is usually included in the tax return, for which the respective payment is being made)
2. Always make the EFT payment well in advance, before the deadline (recommended at least 2 business days before the filing due date). This is to allow timely reflection of the payments on IR's bank account and thus avoiding penalties/interest for late payment.

When filing tax returns, it is important to obtain proof of such submission: For online filing, it is recommended that a taxpayer takes screenshots on their electronic device and save these as proof of electronic submission. For manual filing, a copy of the return should be made. Upon submission at Inland Revenue, the copy of the return should be stamped by the office clerk. Such copy is kept and filed by the taxpayer, as proof of submission.

Frequent or monthly monitoring of a taxpayer's tax accounts is extremely important. A taxpayer should obtain or view their tax status report to identify any issues such as outstanding returns, penalties, interest or unpaid balances.

Tax Calendar | April 2020



Important Submission dates for April 2020

Monday, 20th of April

- VET Levy return;
- Import VAT return;
- PAYE return;
- Withholding Tax returns: Services, Royalties, Interest; NRST

Monday, 27th of April

- VAT Return

Thursday, 30th of April

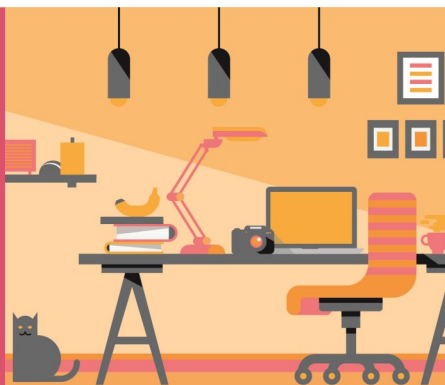
- 1st provisional for taxpayers with a October 2020 year-end;
- 2nd provisional for taxpayers with a April 2020 year-end;
- Tax return for companies with a September 2019 year-end;
- Social Security return



A seamless service, wherever we operate...

At PwC our purpose is to build trust in society and solve important problems. For now, we're doing this remotely, but your regular PwC contact person is a phone call away or reachable via email.

The PwC Namibia offices will re-open on the 20th of April.



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