

Tax First

Namibia Newsletter April 2022

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

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Social Security payouts for maternity leave & extended sick leave

As Gazetted on 25 March 2022, The Ministry of Labour, Industrial Relations and Employment Creations has adjusted the amounts payable to people on maternity leave or extended sick leave. This comes after recommendation from the Social Security Commission. Subject to timely submission of the required forms, expecting mothers can now claim their full salary up to N\$15,000 for a maximum period of 12 weeks.

If you find yourself on extended sick leave, you are allowed to claim 75% of your salary (up to a maximum of N\$11,250) for a period of 12 months. Thereafter, only 65% of your salary (up to a maximum of N\$ 9,750) can be claimed.

For further information, visit the SSC website: <https://www.ssc.org.na/>

Total cost to company concept and salary sacrifices

Although the Namibian Income Tax Act does not in principle address the use and application of a Total-Cost-To-Company ("TCTC") package, but only the tax treatment of employment income and benefits, the use thereof is common market practice in Namibia.

To ensure that the provisions with regards to employment income and benefits, as determined by the Income Tax Act (hereafter referred to as "The Act"), are not disregarded in the process, sound guidelines should be laid down to ensure transparency with both the Namibia Revenue Agency and employees.

To ensure compliance with The Act, the main considerations to take into account is to ensure that the basic salary does not decrease as this could be seen as a salary sacrifice.

Although the Act does not specifically deal with salary sacrifices, it is generally held that the Namibia Revenue Agency can challenge the decrease in basic salaries under Section 95 of the Income Tax Act which deals with transactions, operations or schemes for purposes of avoiding or postponing a tax liability or reducing the amount of tax.

With TCTC structures, annual increases in pension and medical aid fund contributions generally result in a decrease of the basic salary. In practice we have seen that the decrease in the basic salaries due to annual increases in pension and medical aid fund contributions are **not** regarded as salary sacrifices and have not witnessed it to be challenged by the Namibia Revenue Agency.

What does this mean for the employee?

In terms of paragraph (g) of the gross income definition, any benefit or advantage granted in respect of employment (i.e. fringe benefits) by the employer is taxable in the hands of the employee.

General practice is that employer contributions, structured as part of the cost-to-company package, to Namibian registered pension funds or medical funds on behalf of its employees are **not** regarded as fringe benefits, even though such contributions may fall within the ambit of paragraph (g) of the gross income definition.

The Act currently states that employees are only entitled to a N\$40,000 deduction if the pension fund contribution is as a condition of their employment.

If the employees do not contribute personally towards any pension fund (i.e. there are only employer contributions), they will not be entitled to the N\$40,000 annual taxable deduction. Contributions made to medical funds by employees are not tax deductible.

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PwC Business School | Upcoming Training Dates

Bitesize Session: The tax implications when buying and selling a business

2 hour virtual session

7 April

Click here to register:

<https://www.pwc.com/na/en/events/bitesize-tax-implications.html>

Tax Symposium

5 hours per session

Virtual Session

11—14 April

Click here to register:

<https://www.pwc.com/na/en/events/virtual-annual-namibia-tax-symposium.html>

Governance, Risk & Compliance Training

6 hours per session

Virtual Session

20 - 21 April

Click here to register:

<https://www.pwc.com/na/en/events/risk-training.html>

Corporate Governance Training

4 hour virtual session

22 April

Click here to register:

<https://www.pwc.com/na/en/events/corporate-governance-training.html>

Professionalism and Workplace Ethics Training

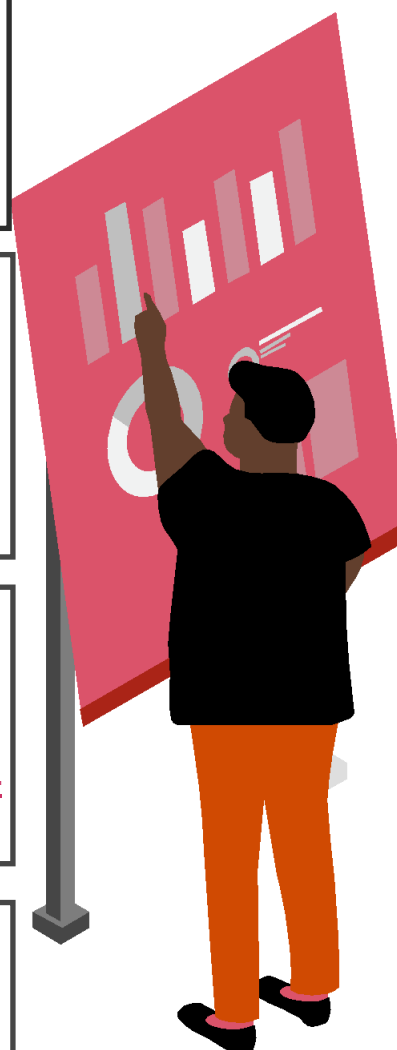
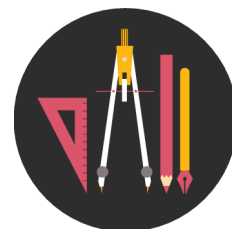
7 hour virtual session

28 April

Click here to register:

<https://www.pwc.com/na/en/events/professionalism-and-workplace-ethics.html>

“The PwC Business School’s virtual training sessions allow our participants to attend hassle free, in the comfort of their own home/office.”



Interested in attending?

Contact the PwC Namibia Business School at:

Email:

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Telephone: +264 (61) 284 1190

New Tax Legislation Tracker

The following is a status of proposed legislative changes. Based on the Minister of Finance, Hon. Ipumbu Shiimi's 2022/23 Annual Budget Speech on 24 February 2022, all proposals are currently undergoing stakeholder consultations.

Introduction of **Special Economic Zones** (with sunset clause).

Introduce VAT on management fees of listed asset managers

Introduction of 3:1 thin cap ratio on **interest and foreign losses**

VAT zero-rating on sanitary products

Introduction of **"trading trusts"** into the definition of a company, thus subjecting it to tax at 32%

Increase tax deductibility of **pension, retirement fund & edu policy contributions** from N\$40,000 to N\$150,000 p.a.

Introduce a 10% **dividend withholding tax** for dividends paid to residents.

Tax Calendar | April 2022



Wednesday, 20th of April

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

Important Submission dates for April 2022

Monday, 25th of April

- Value Added Tax Return

Monday, 2nd of May

- Social Security return
- 1st provisional for taxpayers with a October 2022 year-end;
- 2nd provisional for taxpayers with a April 2022 year-end;
- Tax return for companies with a September 2021 year-end;

Contact us:



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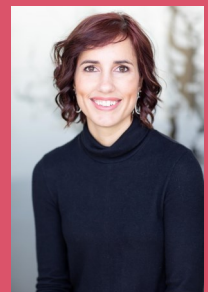
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