

A monthly newsletter published by PwC Namibia providing informed commentary on current developments in the

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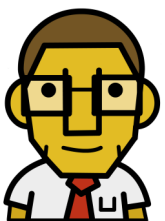
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TIM's TIP:

TaxTim offers a **mobile logbook free of charge** with all employees signed up for Employee Assist and also for Users registered as provisional taxpayers!

For queries please email namibia@taxtim.com or register for TaxTim today at pwc.taxtim.com/na



Income Tax on Long Term Insurance Companies

Taxation of long-term insurance companies in Namibia is governed by Sections 20(4) and 32(1) of the Income Tax Act. Section 32(1) prescribes the basis of how the taxable income of long-term insurance companies should be determined whereas Section 20(4) provides for a deduction against dividend income.

Taxable income of long-term insurance company

The interpretation of Section 32(1) of the Act can be complex and Inland Revenue has published Practice Note No 1 of 2006 (hereafter referred to as "the Practice Note"), which can be used to clarify some misunderstanding in the market on how to determine the taxable income of long-term insurance companies.

Taxable income of long-term insurance companies is calculated at 40% of the gross amounts derived by the company from its investment of the funds in respect of the long-term insurance business inside and outside Namibia. This is generally referred to as "gross investment income".

"Gross amounts" are not defined in the Income Tax Act and we obtain guidance on the interpretation thereof in the Practice Note. In terms of the Practice Note, "Gross amount" should be interpreted as "income before the deduction of interest, salaries, property, property expense or any expenses such a company my incur".

Deduction against dividend income

In essence, a 16% deduction of the dividend amount is allowed for all long term insurance companies.

Amounts that will not form part of gross amounts

The following amounts will not form part of the gross amounts of a long term-insurance company:

- Amounts received or accrued by the company from the investment of funds with any pension fund, provident fund or retirement annuity fund;
- Amounts received or accrued by the company from the investment of funds attributable to individual annuity contracts in respect of which annuities are paid and which are not connected with any business carried on by the company in Namibia with any pension fund, provident fund or retirement annuity fund; and
- Interest on the loan portion of the normal tax imposed under income tax law.

Other income & non-insurance business

Amounts received by a long term insurance company in the ordinary course of business and which are not regarded as gross amounts may be regarded as non-insurance income and is taxable as such. (i.e. at 32%).

The same applies if the long term insurance companies carries on business other than prescribed by the long-term Insurance Act. These receipts will be tax in accordance with the general provisions of the Income Tax Act (i.e. at 32%).

Motor Vehicles – Payment of Import VAT

Where the vehicle will be imported on a permanent basis

The vehicle should be declared to the customs office for importation into Namibia. A distinction is made where the importer is a private person or a dealer.

Import by a private person

The following documents are required:

- Three (3) valuations of the vehicle
- SARPCCO Police clearance certificate issued in the country of export
- Copies of registration documents of the vehicle
- If available, manufacturer's certificate confirming the carbon dioxide emission of the vehicle
- Namibia Customs declaration ("SAD 500") prepared by a clearing agent



Namibia Customs will issue an assessment notice on the import VAT and/or customs duties payable, based on (usually the lowest) the valuation submitted. Imports from South Africa or another member state of SACU (Botswana, Lesotho or Swaziland) are only subject to import VAT and the carbon dioxide environmental duty. The import VAT is payable on the valuation chosen by Customs uplifted by 10%, i.e. 16.5% on the value of the vehicle.

If a manufacturer's certificate on the carbon emission of the vehicle cannot be produced, Customs will apply the following formula's to determine the emission:

- For petrol engines: $120 + (0.05 \times \text{cc of engine})$
- For diesel engines: $140 + (0.05 \times \text{cc of engine})$

Note that cheques are not accepted by Customs offices, which means that the import VAT and environmental duties are only payable as follows: (1) Cash in ZAR or NAD, (2) Electronic payment by debit or credit card at the border or (3) Electronic funds transfer into the Customs bank account (to be done at least two banking days prior to arrival at the border).

Import by a dealer

All the above will also be applicable when a Namibian motor dealer imports vehicle for resale. Dealers normally will use their import VAT account facility to defer the payment of import VAT till the 20th of the month following importation and a credit account to defer the environmental duties payment till the end of the month following the month of importation.

Where the vehicle is imported on a temporary basis

Vehicles may be imported by private persons on a temporary basis for a period of six months, with the registration number issued in the export country remaining the same. Security (usually in the form of a provisional payment) must be provided to Customs at the time of importation. The amount of the provisional payment is based on the three (3) valuations obtained by the importer in the country of export. A SARPCCO Police clearance certificate is not required for temporary importation but a manufacturer's certificate on the carbon emission of the vehicle should be obtained.

Note that the environmental duties are only payable where extension of the temporary importation is made after the (initial) period of six months. Where a manufacturer's certificate on the carbon emission cannot be produced the same formula's as given above for petrol and diesel engines are applied. Upon proof of re-exportation of the vehicle from Namibia, the provisional payment made to Customs may be claimed back. Environmental duties paid are final and cannot be claimed back.

Registration of motor vehicles imported into Namibia

Motor vehicles will only be registered at NATIS if the owner can provide proof that the import VAT was paid. If the vehicle entered Namibia without declaration to Customs at the border post, penalties will be imposed for the non-declaration.

In the event of any assistance needed, to contact our customs team: **Bianca Cooper** <bianca.cooper@pwc.com>

New Legislation Tracker

This diagram tracks the progress of proposed tax legislation. The following is the status of proposed legislative changes up to 31 July 2019. No effective date has been set for any of the proposed legislation.

Repeal the **EPZ Act** and introduction of **Special Economic Zones** (with sunset clause).

Introduce VAT on income of **listed asset managers**

Abolish conduit principle in taxation of **trusts**

Establishment of **Revenue Authority** - planned implementation for October 2019

Remove VAT zero-rating on **sugar**

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

Phasing out current tax incentive for **manufacturers** and exporters of manufactured goods.

Disallow deductibility of **royalties for non-mining entities**

Increase tax deductibility of **retirement fund contributions** to the lower of 27.5% of income or N\$150,000 per annum

VAT on proceeds on sale of shares or membership in a company owning **commercial immovable property**

Upcoming Training

Windhoek:

12 August |
ITAS Information Session
12 to 16 August |
Annual Tax Symposium

Walvis Bay:

7 October |
ITAS Information Session
7 to 11 October |
Annual Tax Symposium

For more information, visit our website:

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

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Tax Calendar - August 2019



Important Submission dates for August 2019

Tuesday, 20th of August

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

Monday, 2nd of September

- 1st provisional for taxpayers with a February 2020 year-end;
- 2nd provisional for taxpayers with a August 2019 year-end;
- Tax return for companies with a January 2019 year-end.
- Social Security return

Monday, 26th of August

- Heroes day (Public Holiday)

Tuesday, 27th of August

- VAT Return

As the 25th of August falls on a Sunday and the Monday, 26th of August is a public holiday, the VAT return is due on Tuesday, the 27th of August.

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

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