The Transformation of Tax

With frequent change taking place around the globe, organisations and individuals need to remain versatile. These changes include working methods, transacting, doing business and remaining compliant with relevant regulations. As taxpayers (both juristic and natural), it is extremely important to gear ourselves for change within the landscape of taxation.

Global Trends

With multiple social platforms available around the world, ‘social media’ has become a common household name. Therefore, the concept of “Social Media Tax” comes as no surprise. With Uganda having introduced this type of tax in 2018, the tax is levied daily on the usage of mobile communication applications (Over-The-Top Services).

There is an increased usage of data bundles by users in accessing the world wide web, collaboration platforms and social media sites. With this in mind, the potential levying of an additional tax on ‘data bundles’ might be a consideration for governments in the near future. The rate and method of levying, controlling and monitoring thereof may have major implications for internet service providers and their users.

One of the major challenges globally, is that of ‘Climate Change’ and ‘Biodiversity’. Many countries have implemented various initiatives in creating a better tomorrow. Some of these initiatives include that of tax incentives towards organisations that support eco-friendly behaviours or tax being levied on harmful products. A major drive has been placed on renewable energy in Africa. South Africa previously introduced a tax provision for accelerated capital allowance deductions on renewable energy equipment/machinery. Through such incentives, organisations and individuals are encouraged to use environmentally friendly techniques in preserving the environment.

Thanks to technological advancements, cross border trading and communication has become convenient. As a result thereof, initiatives have been implemented, such as the monitoring of Base Erosion and Profit Shifting (BEPS) by the OECD and introduction of DAC6 for European Union entities. Due to increased international trade, these measures play a vital role in ensuring transparency and fairness in taxation. With cloud storage product offerings and improved data management systems, electronic filing is becoming the norm. Similarly, multiple countries have implemented e-filing capabilities for their taxpayers in easily filing returns and assessing such returns in real-time. This has promoted compliance in terms of return filing, as well as, increased tax collection rates with information being processed faster.

Tax Transformation in Namibia

From the above global trends, it is evident that Namibia has followed suit on some of these changes. The previous introduction and expansion of environmental levies has proven the country’s drive in promoting an eco-friendly environment. The implementation of the Integrated Tax Administration System has allowed taxpayers to embrace the e-filing capabilities of tax returns. The phasing out of cheques, being replaced by electronic funds transfers (EFTs) and cash payments, has resulted in a more favourable tax collection rate and lastly, the possible implementation of proposed tax amendments in future for the curbing any ‘loopholes’ within the tax system.

As a developing country, Namibia has progressed well on the journey of transformation and technological change. As corporate and individual citizens of the country, it is our duty to gear ourselves and adapt to these changes in preventing obsolescence. This is done through upskilling and equipping ourselves with the latest technological solutions and having an open-minded approach. In an ever changing world, the principle and application of tax remains constant.

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Environmental levies on plastic bags in Namibia

Introduction

The wasteful dumping of plastic bags in rivers, oceans, cities and the countryside has been noted as a serious problem. Taken further into account the contra-productive experiences in some countries following a total ban on the production and use of plastic bags, it appears a drive to curb the excessive use of such bags through taxing and promoting more recycling plants renders a better alternative.

Many African countries introduced a tax on environmentally harmful products, including plastic carrier bags. Kenya, Mali, Tanzania, South Africa, Uganda, Rwanda, Botswana and Ethiopia, and now also Namibia introduced a tax to curb the use of plastic bags based on their harmful impacts. Some countries like Eritrea, Ghana, Kenya and Tanzania went so far as to ban the use of plastic bags and legislated heavy penalties of up to four years imprisonment for producing or using a plastic bag. Such tough measures proved to be counterproductive as the cross-border smuggling of plastic bags flourished and enforcement of the banning laws was not consistent and effective. Banning the production of plastic bags also led to closing of factories and large job losses.

Introduction of environmental duties in Namibia

The environmental levy rates on additional products (including plastic bags) were published in the Government Gazette of Namibia (Gazette No. 6967) on 2 August 2019. The rates for some lubricants, batteries and plastic bags are legislated as an added Part 3 of Section D of Schedule 1 to the Customs and Excise Act, Act No. 20 of 1998.

The levy is payable by the importer or the manufacturer of certain plastic bags to Customs and Excise. The levy on plastic carrier bags, for instance, is currently 50 cents per bag. The levies are collected from the manufacturer or importer of the plastic bags. It is important to note that shops do not collect the levy on behalf of Government but recover the cost of the bags, inclusive of the levy paid to the manufacturer or to Customs and Excise on importation. The price charged per bag is therefore in the discretion of the shop and the revenue collected on the sale of the bags to customers is retained by the shop.

Conclusion

We were informed that the levies collected by Customs and Excise are earmarked and paid over on a quarterly basis to the Government’s Environmental Investment Fund for educating citizens and curbing the irresponsible use and disposal of plastic bags in Namibia.

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New Legislation Tracker

This diagram tracks the progress of proposed tax legislation. The following is a status of proposed legislative changes up to 31 July 2020. No effective date has been set for any of the proposed legislation. On the 27th of May 2020, the Hon. Minister of Finance mentioned that these proposals are still under review.

Join us for our very first “Let’s Talk Tax” virtual session taking place in September 2020.

A bi-monthly panel discussion by our tax specialists on topical matters locally and globally, surrounding the field of taxation.

Our ‘Let’s Talk Tax’ facilitator is Ms. Chantell Husselmann, Country Senior Partner and Tax Leader at PwC Namibia, who will be joined by our Corporate and International Tax Partner, Mr. Johan Nel. More details to follow soon.

Chantell Husselmann
CSP/Tax Leader

Johan Nel
Corporate Tax Partner

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Status</th>
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<tbody>
<tr>
<td>Introduce VAT on income of listed asset managers</td>
<td>Under review</td>
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<tr>
<td>Abolish conduit principle in taxation of trusts</td>
<td>Under review</td>
</tr>
<tr>
<td>Remove zero-rating of VAT on sugar</td>
<td>Under review</td>
</tr>
<tr>
<td>Introduce a 10% dividend tax for dividends paid to residents</td>
<td>Under review</td>
</tr>
<tr>
<td>Phasing out current tax incentive for manufacturers and exporters of manufactured goods</td>
<td>Under review</td>
</tr>
<tr>
<td>Increase tax deductibility of retirement fund contributions to the lower of 27.5% of income or N$150,000 per annum</td>
<td>Under review</td>
</tr>
<tr>
<td>VAT on proceeds on sale of shares or membership in a company owning commercial immovable property</td>
<td>Under review</td>
</tr>
<tr>
<td>Mandatory requirement to issue tax invoices by VAT vendors</td>
<td>Under review</td>
</tr>
</tbody>
</table>
Tax Calendar | August 2020

Important Submission dates for August 2020

Thursday, 20th of August
- VET Levy return;
- Import VAT return;
- PAYE return;
- Withholding Tax returns: Services, Royalties, Interest; NRST

Tuesday, 25th of August
- Value Added Tax Return

Monday, 31st of August
- 1st provisional for taxpayers with a February 2021 year-end;
- 2nd provisional for taxpayers with an August 2020 year-end;
- Tax return for companies with a January 2020 year-end;
- Social Security return

Types of Withholding Tax

There are various types of withholding taxes under the Namibian Income Tax Act. These include withholding tax on interest, withholding tax on royalties, withholding tax on services and non-resident shareholders tax. Withholding tax is a final tax, meaning that when it is paid, no further tax arises on the amounts.

Anneri Lück is a senior manager with the Corporate and International Tax department. Anneri started her career with PwC Namibia in 2011 and successfully completed PwC Namibia’s Tax Academy programme. Anneri has gained years of extensive experience in the fields of income tax, employee tax, withholding tax and tax compliance. She holds a Bcom Law degree from the University of Pretoria, as well as, an Advanced Programme in Taxation qualification from the University of South Africa.

“You will never know, if you don’t try” - Anneri Lück

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