



Tax First

Namibia Newsletter

December 2017

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

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Venue hire

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Or visit our website at <https://www.pwc.com/na/en/about-us/business-school.html>

VAT on Imported Services

The correct application of VAT on imported services usually causes a stir due to uncertainties around the interpretation of the underlying legislation.

Due to a shortage of expertise and skills, Namibian businesses often resort to the use of foreign experts in the provision of services in their respective industries.

In certain instances, many taxpayers (e.g. the relevant Namibian businesses) are not aware that the importation of a services may attract VAT on imported services. When a Namibian resident receives a service from a non-resident or a resident that carries on business outside of Namibia, and the imported service is used in Namibia in the generation of VAT exempted revenue, the imported service is subject to VAT on imported services.

Namibian residents are deemed to be persons other than companies ordinarily resident in Namibia, or companies that are managed or controlled in Namibia and carry on activities at fixed locations in Namibia.

Section 14(2) of the Value Added Tax Act 10 of 2000, (“the VAT Act”) makes provision for the declaration and payment of VAT on imported services and states that; Where -
tax is payable on an import of services and the import is not an import of services referred to in section 3(14), the person liable in terms of section 6(2)(c) for the payment of tax shall, within 30 days after the time of the import, furnish the Commissioner with an import declaration and pay the tax due in respect of that import to the Commissioner.

The import VAT on services amount is calculated by multiplying the value of the imported services as per the foreign invoice with 15%. An example of an imported service is consultancy services supplied to businesses generating VAT exempted revenue such as commercial banks or educational institutions.

It should be noted that not all services provided to Namibian residents (individuals or companies) by non-resident suppliers, will constitute an imported service. If the service would have been a local VAT exempted or zero rated service, it would not be an imported service. Another example of exemption from imported services would occur if the service was rendered to a Namibian resident, but the service was consumed outside Namibia, e.g. accommodation expense enjoyed in a foreign country.

In summary, it is important to take into account VAT on imported goods as well as VAT on imported services (to the extent applicable) and when in doubt you are more than welcome to contact us.

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Please note that our offices will close on 15 December 2017 and re-open again on 3 January 2018. We wish you a blessed festive season and a prosperous new year. Thank you for your continued support.

Paying taxes—2018

The *Paying Taxes* report is a joint annual publication by PwC and the World Bank Group. This year marks the 12th year of the publication. The report is based on the World Bank Group's *Paying Taxes* indicator within their *Doing Business* project and includes analysis and commentary by the World Bank and PwC. Namibia currently ranks 79th in Paying Taxes 2018 (down by 7 places from the previous year).

The *Paying Taxes* indicator measures tax systems from the point of view of a domestic company complying with the different tax laws and regulations in 190 economies around the world. The case study company is a small to medium-size manufacturer and retailer with specific assumptions, chosen to ensure that its business can be compared worldwide on a like for like basis.

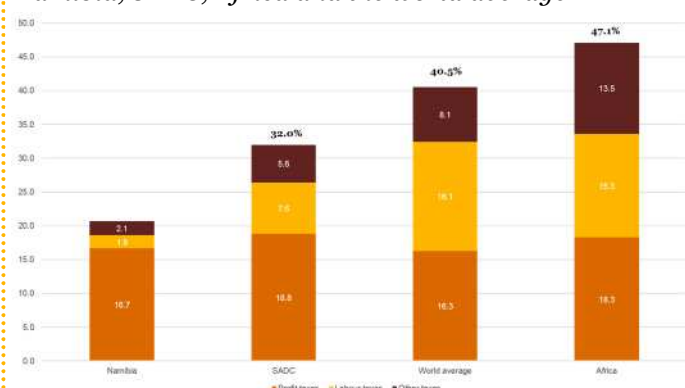
In Namibia, as in many other African countries, taxpayers are increasingly exposed to more advanced technology across more aspects of taxation and business. At the end of 2016, the Namibian Inland Revenue Department migrated to an Integrated Tax Administration System which is expected to provide new functions and reporting capabilities. These changes came too late to be reflected in Paying Taxes 2018, but we hope to see the impact in future.

In recent years, the time to comply and the number of payments for Namibia have remained flat. Over this period, we have seen improvements in other African economies attributable to increases in efficiency and the effective use of technology.

It is expected that the Directorate of Inland Revenue will implement online tax return filing ("e-filing") in the next 12 months. This significant development should considerably improve the efficiency of tax administration, though it is recognised that there may be some teething problems and increases in compliance burdens as the system gets off the ground.

The Total Tax and Contribution Rate calculation

Namibia, SADC, Africa and the world average



As can be seen from the graph, Namibia is well placed in terms of the TTCR. This is mainly due to labour taxes and other taxes not being as high as in other regions.

In 2016, the case study company has an average Total Tax & Contribution Rate of 47.1% in the Africa region; it takes 285 hours to comply with its tax affairs and makes 35.4 payments.

These are all above the global average. Africa has the highest number of payments across all the regions. On average it takes our case study company 240 hours to comply with its taxes, it makes 24 payments and has an average Total Tax and Contribution Rate (TTCR) of 40.5%.

Time to comply

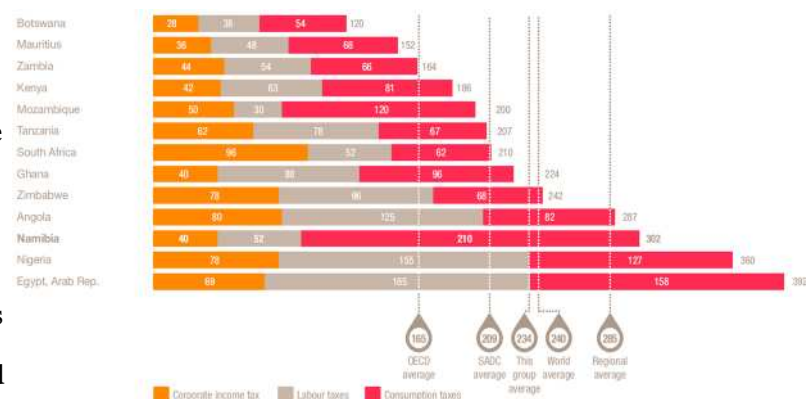
Namibia, SADC, Africa and the world average

Looking at the time to comply, Namibia is higher than the region (SADC), Africa and the global average. A large amount of these hours are spent on consumption taxes (for e.g. VAT). The below table explains how the hours add up.

Time to comply	Corporate income tax	Labour taxes	VAT	Total
Prepare	24	31	140	195
File	6	14	34	54
Pay	10	7	36	53
Total	40	52	210	302

Number of payments

Looking at Namibia placed against a number of African countries, the number of payments are less than most, being 27 payments. We are better placed than the SADC average as well as the regional average. So all in all we are not in a position where too many payments are required to stay on top of your tax affairs. Looking at the time it takes post filing to remain compliant is one area where Namibia can look to improve.



The average post-filing index score in the African region is 55.63 (on a scale of 1 – 100) compared to 59.51 globally. While a VAT refund seems challenging in Africa compared to other regions, time to correct CIT return and time to complete a CIT audit are below the world average. On average it takes our case study company 18.4 hours to comply with the necessary administration, and 27.8 weeks to receive the refund.

For more information, please visit our website www.pwc.com/payingtaxes or contact johan.nel@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 30 November 2017. No effective date has been set for any of the proposed legislation.

Transfer Duty amendments - In drafting, expected date not yet set.

Expansion of **Capital Gains Tax** provisions to provide for wealth-based taxation on new categories of capital assets.

Simplified **Presumptive Tax** on small businesses to be developed.

Proposals to remove base-eroding Income Tax and VAT exemptions in future.

Establishment of **Revenue Authority** - In drafting, expected date not yet set. Planned implementation for 2018/2019.

Tax proposals on wealth tax will be developed to embody principles of **Solidarity Tax**.

Develop the **Double Taxation Agreement Policy** and increase collaboration with international tax authorities to counter transfer pricing.

Tax Calendar - December 2017

Mon	Tue	Wed	Thu	Fri
18	19	20 <ul style="list-style-type: none"> VET Levy return; PAYE return; Import VAT return; Withholding Tax returns: Services, Royalties, Interest; NRST. 	21	22
25 Public holiday	26 Public holiday	27 <ul style="list-style-type: none"> VAT return 	28	29 <ul style="list-style-type: none"> Social Security payment
January 1 Public holiday	January 2 <ul style="list-style-type: none"> 1st provisional for taxpayers with June 2018 year-end; 2nd provisional for taxpayers with December 2017 year-end; Tax return for companies with 31 May 2017 year-end. 			

Win a copy of our Income Tax Handbook by answering the below question. Mail your answer to lasarus.amukeshe@pwc.com.

"Will VAT on imported services be treated as a tax deductible expense in the calculation of taxable income? Motivate your answer with at least 35 words."

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