



# Tax First

## Namibia Newsletter February 2020

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

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### Paying Taxes Study

Paying Taxes, is an annual study from PwC and the World Bank Group. The study helps governments and businesses understand how their tax systems compare to others globally and helps tax administrations learn from what others are doing.

The Paying Taxes study investigates and compares tax regimes across 189 economies globally, using a case study company, and ranks them according to the ease of paying taxes. For more information please visit:

<https://www.pwc.com/gx/en/services/tax/publications/paying-taxes-2020.html>

## Understanding Total Tax Contribution (TTC)

The tax environment is constantly changing, with the amount of taxes paid by companies coming under increased public scrutiny and debate. Sometimes we find ourselves in conversation that companies are perhaps not paying their fair share of taxes.

Taxes and other contributions to the state, which companies pay are an important contribution to the creation of prosperity and stability of Namibia. However, the extent of this contribution is not always fully recognised.

### What does Total Tax Contribution (TTC) consist of?

The total of all cash taxes and levies paid by a company. This relates to any level of government and is much wider than just corporate income tax. TTC also makes the distinction between taxes which are a cost borne by the company (when actually paid) and taxes which the company collects from stakeholders (i.e. on behalf of).

TTC extends to all payments to government including royalty fees, license fees, as well as, in lieu taxes and contributions to infrastructure. This framework applies in any tax regime and is used globally. Furthermore, the framework is well summarized and easy to understand (even for non tax experts). TTC enables companies to measure the total tax they pay and show their economic contribution to public financing.

### What are the benefits of knowing your own TTC?

Identifying and measuring your Total Tax Contribution using a widely accepted methodology will provide you with:

- An improved understanding of the impact of all of the taxes and other amounts that your company pays in the countries where you operate, which will assist tax management, enable comparison between countries and help inform investment decisions;
- Ability to use your TTC and economic tax footprint in external relations and in corporate reporting, drawing on PwC experience of what others are doing;
- Ability to use your data in discussion with government whether in government relations, advocacy or lobbying discussions on tax; and
- Ability to adapt the data collection process to incorporate details from your own systems to enable this data to be collected in future years in an efficient way.

### How can we help?

Using a robust and recognised methodology, PwC can help you to collect, analyse and communicate your TTC data. We developed a four step process which includes (1) scoping which taxes should be included (2) data collection (3) analysis of data and (4) issuance of a project report.

For more information, please contact Anneri Luck at [anneri.luck@pwc.com](mailto:anneri.luck@pwc.com)

## When must I register for VAT and when can I register for VAT?

A person must register for VAT if he or she carries on a “taxable activity” and for the past/ foreseeable 12 months, such person makes/anticipates making sales of goods/services of N\$500,000.

A taxable activity is “any activity carried on continuously or regularly by any person in Namibia or partly in Namibia, whether or not for a profit, that involves or is intended to involve, in whole or in part, the supply of goods or services to any other person for consideration”. This means; a business would carry on an activity if there is continuity or regularity without interruption of the business. Furthermore, it is irrelevant whether the business makes a profit but there must be a sale of goods/services for a price.

A person is not required to register for VAT if sales are below the threshold of N\$500 000, but can do so if he/she carries on a taxable activity as explained above and the sale of goods/services in the 12 months mentioned in our introduction, will at least be N\$200,000.

What does a VAT registration mean? VAT must be levied at 15% or 0% depending on the classification of the sales transactions as outlined in the VAT Act. Furthermore, accounting records of all sales transactions must be properly maintained, valid tax invoices must be issued for all transactions that are above N\$100 and VAT returns must be submitted by the 25th of the month following a two month cycle that will be allocated by Inland Revenue.

VAT charged to clients (output tax) on sales that exceeds the VAT paid by the business on their purchases must be paid to Inland Revenue at the time a VAT return is submitted, being the 25th of the month following the two month cycle also. Although the administrative burden can be costly, a VAT registered business may claim the VAT paid on their purchases which is only available to registered businesses. The downside of a VAT registration is that failure to comply with the submission of the returns, which will result in a penalty of a N\$100 for each day the return is outstanding. In addition, VAT arising as an excess of what was charged less what was paid by the business, which is not paid on time to Inland Revenue will result in a penalty of 10% per month or part thereof including interest of 20% per annum.

In conclusion: if your turnover is more than N\$200 000 and less than N\$500 000, you may register for VAT. If your turnover is more than N\$500 000 in any 12 month period, VAT registration is compulsory and failure to register is subject to substantial penalties which may be up to 200% of the VAT that should have been charged in addition to the implications outlined above. No business can afford these costs with the current economic outlook and it is important to carefully consider the implications of a VAT registration to ensure you are not caught off guard.

memory.mbai@pwc.com

## Amendment of Schedules to Export Levy Act: Export Levy Act, 2016

On the 20th of December 2019, Government Gazette no. 7080 was published containing amendments to the Export Levy Act, 2016. As part of the amendments, products specifications have been elaborated in more detail and classified accordingly. The Government Gazette may be obtained from the Namibian parliament website: <https://laws.parliament.na/gazettes/namibia-government-gazettes.php?id=1>

Taxpayers are encouraged to review this to ensure their exports are correctly classified for purposes of applying the correct levy. Schedule 4 has been added to the “Amendments of schedules to the Export levy Act, 2016” to account for levies applicable to live animals and animal products.

## New Legislation Tracker

This diagram tracks the progress of proposed tax legislation. The following is a status of proposed legislative changes up to 31 January 2020. 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**

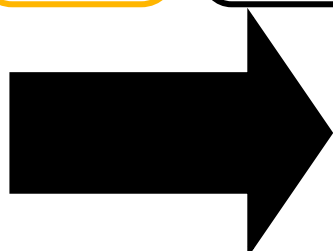
Abolish conduit principle in taxation of **trusts**

Establishment of **Revenue Authority** - planned implementation for March 2020

Remove zero-rating of VAT on **sugar**

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

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



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**

## Business School | Upcoming Training

### Windhoek:

**11 to 12 February 2020 |**  
Risk and Forensic Training

**24 to 26 February 2020 |**  
Tax Focus on  
Namibian Tax (South Africa)

### Walvis Bay:

**11 to 13 February 2020 |**  
Basic Income Tax and VAT  
Training

For more information, visit our website:

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

Or contact our office:

### Windhoek:

(E) [na\\_busschool@pwc.com](mailto:na_busschool@pwc.com)  
(T) +264 (61) 284 1034

### Walvis Bay:

(E) [busschool.walvisbay@na.pwc.com](mailto:busschool.walvisbay@na.pwc.com)  
(T) +264 (64) 217 700



## Tax Calendar | February 2020



### Important Submission dates for February 2020

#### Thursday, 20th of February

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

#### Tuesday, 25th of February

- VAT Return

#### Monday, 2nd of March

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



### Our office locations:

#### Windhoek

PwC Building  
344 Independence Ave  
Telephone Number: +264 (61) 284 1000

#### Walvis Bay

1<sup>st</sup> Floor, PwC Building,  
122 Theo Ben Gurirab Str  
Telephone Number: +264 (64) 217 700

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



**Chantell Husselmann**  
Tax Leader

[chantell.husselmann@pwc.com](mailto:chantell.husselmann@pwc.com)

**Johan Nel**  
Corporate Tax Partner  
[johan.nel@pwc.com](mailto:johan.nel@pwc.com)

**Riana Esterhuyse**  
Tax Associate Director  
[riana.esterhuyse@pwc.com](mailto:riana.esterhuyse@pwc.com)