

# Tax First Namibia Newsletter

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## Overview of Import VAT in Namibia

### Importing goods/services into Namibia?

The Value-added Tax Act, Act No. 10 of 2000 (the "VAT Act"), mandates the payment of VAT on all taxable supplies of goods and services, as well as on goods and services imported into Namibia.

This article provides an overview of the rules and procedures for collecting import VAT on goods and services, with practical examples to illustrate key points.

When importing goods into Namibia, the import VAT payable is calculated on the higher of two values:

1. **Free-on-board (FOB) value:** This is the price charged by the exporter, plus all costs related to the sale and transport up to the point of export, uplifted by 10% (increased with 10%).

This means if the FOB value is used, the calculation will be as follows:

- Invoice value is N\$100.00;
- the FOB value would be N\$110.00 (N\$100 + 10%);
- Import VAT payable - with the current VAT rate of 15%, would be N\$16.50 (15% of N\$110).

2. **Open market value:** If this value is higher than the FOB value, open market value must be used.

### When is Import VAT due?

Import VAT must be paid at the time of importation, before the goods can be released to the importer.

Payment can be made in cash or by debit/credit card at most border posts.

You can also pay via electronic funds transfer (EFT) to the Bank of Namibia. This process can take 2-3 days, so it is advisable to complete the transfer ahead of the filing obligation due date.

If you are registered for Import VAT, you can defer the Import VAT payment until the 20th of the following month. For businesses with a registered import VAT account, the ASYCUDA system plays a crucial role. It generates detailed reports that help businesses manage their import VAT obligations and includes the VAT Deferred Report, which provides a summary of all deferred VAT transactions.

### Claiming Back Import VAT on Goods

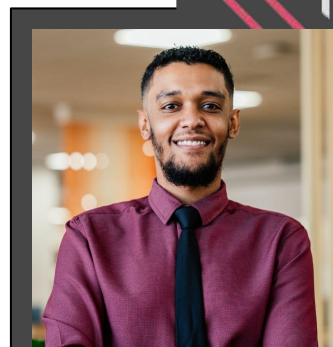
VAT registered entities can claim back the Import VAT paid on most goods imported.

It is important that the goods are used to generate taxable supplies, documentation is in order and the goods are not a denied input tax.

### Import VAT on Services

VAT is also payable on the Importation of Services. Imported service for VAT purposes, is defined as services provided by a non-resident person, to a Namibian resident, to be consumed/used in Namibia.

It is important to note that this tax is only due where the recipient of the service uses it to generate exempt revenue (revenue not subject to VAT). The VAT on imported services must be declared and paid within 20 days following the month in which the service was imported.



Ivandro Peterson

PwC Namibia  
Senior Associate: Tax & Legal Services

# Import VAT continued

Let's look at this practically:

A Namibian business hires a consulting firm from South Africa to provide market research services. The consulting firm issues an invoice (foreign currency) to the value of 50,000.00 in Namibian dollars. The Namibian business must declare and pay 15% VAT on this amount, which is N\$7,500.00 within 20 days of the month following when the services were provided. In practice, the invoice date will be used to determine when the service was rendered, but it might not always be accurate. If the Namibian business is registered for VAT and uses the imported service to generate taxable revenue, no Import VAT on services are payable.

## Claiming Back Import VAT

Import VAT on services paid cannot be claimed back. It is a final tax.

As a recap on the recent legislative changes, note that:

- The threshold for compulsory VAT registration increased from N\$500,000.00 to N\$1,000,000.00
- The time period for submitting import declarations and paying VAT on imported services was changed from 30 days after the service was imported, to 20 days following the month the services were imported.

In conclusion, Import VAT is payable on most goods and services imported into Namibia unless an exemption exists per the VAT Act. Understanding the rules and procedures can help avoid delays and additional costs. Staying informed about legislative changes is crucial to ensure compliance and optimize VAT recovery. Our tax experts are ready to help you understand the Indirect tax landscape in Namibia.

## Tax Tip: Limitation on carrying forward of losses (Section 21)



Nicola Tjaronda

PwC Namibia  
Senior Associate: Corporate Tax

Historically, assessed losses were allowed to be carried forward for an indefinite period provided that the taxpayer continued trading. However, this is no longer the case and the following limitation on the carry forward of losses is (already) effective:

Tax losses are only allowed to be carried forward for 5 years in respect of non-mining taxpayers, and 10 years for entities involved in the mining, petroleum or green hydrogen industry;

- The accumulated tax losses up to 1 January 2024 may be carried forward for the 5 / 10 years;
- The previous year's loss to be carried forward and set-off against taxable income is limited to the greater of 80% of taxable income for that year, or N\$1,000,000. Thus, if the taxpayer has taxable income of less than N\$1,000,000 for the said year, no limitation will apply;
- For purposes of the limitation, Section 36 of the Income Tax Act ("ITA") is not taken into account, meaning that **mining companies may not necessarily forfeit their capital allowances claimable under Section 36** of the ITA via this new limitation. This is, however, not available for non-mining taxpayers.

The calculation of deferred tax is also impacted. We recommend you work closely with your auditors and tax consultants as careful consideration is now necessary regarding the recognition of the deferred tax asset.

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# Business School Training Calendar

## February 2025

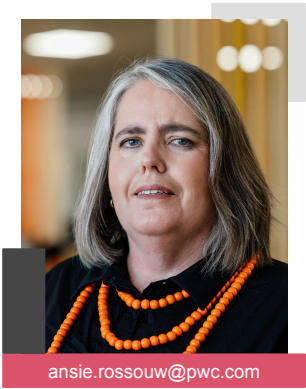
Date	Training	Type
5-6	Practical Approach to Microsoft Excel Training	In-person Session
12	Salary Benchmarking & Payscale Design Training	Hybrid Session
19	Tax Bitesize Session	Virtual Session



For further details, please reach out:



**Chantell  
Husselmann**  
Country Senior Partner  
Partner: Tax & Legal Services



**Ansie  
Rossouw**  
Partner in Charge  
Walvis Bay  
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