



Tax First

Namibia Newsletter

January 2018

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>

Private use of company vehicles - Income Tax implications

With the holiday season now barely behind us, many of us are returning to work from a well-deserved break. If your employees were travelling in a company-owned vehicle during this time, or if you generally allow them to make use of a company vehicle for private purposes, please pay close attention.

In terms of the Namibian Income Tax Act, any benefit arising from an employer-employee relationship may be considered to be a fringe benefit. Fringe benefits are specifically included in the definition of “remuneration” and are therefore subject to employees’ tax (i.e. PAYE).

Therefore, when a company vehicle is granted to an employee and use of the vehicle is at his/her own discretion (i.e. private travel is generally allowed), this will constitute a taxable fringe benefit in the hands of such an employee, which must be included in his/her taxable earnings.

The monthly taxable amount for the right of private use is calculated as follows:

- where you, as the employer, bear all the running and maintenance costs, the taxable amount is equal to 1.5% of the purchase price of the vehicle (including VAT, excluding financial charges) per month; or
- where all running, maintenance and fuel costs are carried by the employee, the amount will be equal to 1.4% of the purchase price of the vehicle (including VAT, excluding financial charges) per month.

Where the use of the company-owned vehicle is restricted to trips between the employee’s residence and the place of employment only, the taxable benefit will amount to N\$100 per month (i.e N\$1,200 per year).

In the case where you are renting a vehicle on behalf of your employee, the taxable benefit to the employee will be equivalent to the rental payments made on his/her behalf.

A clear distinction must be made between a “company vehicle” and a “pool car”, however.

A pool car is a company vehicle which any one of the employees can use from time to time to perform their work-related duties. In this instance, no fringe benefit tax implications will arise for employees making use of the pool car, as the benefit is not limited to one individual only.

Where an employee uses the pool car between his home and the office, or for any other private purposes, the vehicle is no longer considered to be a pool car, and the employee will then become liable for fringe benefit tax.

The same is true for holiday accommodation provided to your employees. If you rent the holiday accommodation on behalf of your employee, the expense borne by you (i.e. rent, meals and/or services) will become taxable in his/her hands. If the property is owned by you (i.e. the employer), the employee will become taxable on the lower amount of N\$40 per person per day or the daily tariff you would usually charge to non-employees.

Please remember that employers who fail to deduct PAYE from fringe benefits granted to employees run the risk of penalties and interest on the short payment of PAYE.

If you are concerned that fringe benefits granted to your employees are not correctly included in their taxable income, for your peace of mind let us perform a detailed review of your payroll before the close of the 2018 year of assessment. We will be able to determine whether you or your employees are at risk and provide you with guidance on corrective measures, where necessary. Feel free to contact us to discuss your requirements.

Obtaining an exemption from VAT on personal / household effects or goods

With 2017 drawing to a close and 2018 just around the bend, some people accepted employment in Namibia from elsewhere in the world. Some people might have decided to emigrate to or retire in Namibia. Some Namibians could have studied or worked outside the country and are now returning to Namibia.

Although the Customs and Excise Act (Act No. 20 of 1998) and the Value-added Tax Act (Act No. 10 of 2000) explicitly provide for a rebate (exemption) from customs duties and VAT upon importation of personal effects and household items in terms of item 407.04, the Directorate Customs and Excise laid down strict controls to ensure that the exemption from duties or VAT are legitimately granted. The exemption is therefore not automatic and confirmation must be applied for in writing from the relevant department at Customs Head Office in Windhoek.

The extract from legislation in the Customs and Excise Act, similar to the exemption in the Value-added Tax Act, is as follows:

“407.06 Household furniture, other household effects and other removable articles, including equipment necessary for the exercise of the calling, trade or profession of the person, other than industrial, commercial, or agricultural plant and excluding motor vehicles, alcoholic beverages and tobacco goods, the bona fide property of a natural person (including a returning resident of Namibia after an absence of 6 months or more) and members of his or her family, imported for own use on change of his or her residence to Namibia: Provided these goods are not disposed of within a period of 6 months from date of entry...”

The application must be in the following format:

1. **APPLY TO:** THE PERMANENT SECRETARY, MINISTRY OF FINANCE, PRIVATE BAG 13295, WINDHOEK
2. **ATTENTION:** COMMISSIONER - CUSTOMS AND EXCISE (TECHNICAL CONTROL)
3. **SUBJECT:** APPLICATION FOR EXEMPTION FROM VAT ON PERSONAL/HOUSEHOLD EFFECTS/GOODS.
4. The applicant must state the reasons for the confirmation of the exemption.
5. The following documents must be attached:
 - a. Copy of Passport
 - b. Copy of Permanent residence permit, if applicable
 - c. Copy of work permit
 - d. Detailed Packing List, including market value of goods
 - e. Registration certificate of a car if any and value
 - f. Bill of lading or airway bill as supporting documents
 - g. Letter of domicile
 - h. Marriage Certificate, if applicable
 - i. Study permit, where applicable

Once Customs is satisfied that the application is *bona fide*, a letter will be issued, confirming the exemption.

The exemption letter is further required by the Asycuda department, which creates a unique exemption/rebate code on the Customs system. This allows the clearing agent to clear the personal effects and household items of a returning Namibian resident or a person who relocates to Namibia, exempt from duties/import VAT into Namibia at the point of entry.

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PwC Business School Training Calendar



Upcoming training dates:

Windhoek

2 Feb	Internal Audit Toolkit Launch - Breakfast Event
5-6 Feb	Pay Structuring Training
7-16 Feb	ITIL Cobit 5 Foundation and Implementation Training
19-26 Feb	Microsoft Office Training (Word, Excel & Power Point)
27-28 Feb	Learning & Development Conference

Walvis Bay

7-9 Feb	Finance for non-FM's, Entrepreneurs & Business Owners
16 Feb	Tax Seminar - Tourism Industry

For more information, contact one of our Business School Managers.

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“Education is the most powerful weapon you can use to change the world”

- Nelson Mandela

Or follow the below link to our website:
<http://www.pwc.com/na/en/events.html>

New Legislation Tracker

This diagram tracks the progress of proposed tax legislation.

The following is the status of proposed legislative changes up to 31 December 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 - January 2018

Mon	Tue	Wed	Thu	Fri
15	16	17	18	19 • VET Levy return
22 • PAYE return; • Import VAT return; • Withholding Tax returns: Services, Royalties, Interest; • NRST.	23	24	25 • VAT return	26
29	30	31 • Social Security payment; • 1st provisional for taxpayers with July 2018 year-end; • 2nd provisional for taxpayers with January 2018 year-end; • Tax return for companies with 30 June 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.”

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

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