



Tax First

Namibia Newsletter

July 2017

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

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Namibian crew on international ships or aircrafts: Taxable in Namibia or not?

Namibia's income tax legislation applies a source basis of taxation. "Source" is one of the gross income requirements that need to be met before income is taxable in the hands of a taxpayer in Namibia. What is important to remember, however, is that the definition of gross income specifically includes income from sources that are **deemed** to be from within Namibia.

Section 15 of the Income Tax Act addresses this. More specifically, paragraph (h) of this section states that if a person renders services or work or labour as an officer or member of the crew of any ship or aircraft, this will be deemed to be from a Namibian source if the person is ordinarily resident in Namibia. This applies irrespective of where the services are rendered or where the payment is made.

The situation is not always clear cut, however, because the term "ordinarily resident" is not defined in the Act. Due to similarities between Namibian and South African income tax legislations, we often rely on case law for reference.

The courts regard a person's ordinary residence to be that person's true home, i.e. the place that they would call home and return to after their travels. The courts also established that a person cannot be ordinarily resident in two countries, and that the principal residence to which a person returns after all his travels would most likely identify the real home. The deciding factors are the intention of the person and the personal circumstances which support that intention. Refer to Cohen v CIR 1946 AD 174 and CIR v Kuttel 1992 (3) SA 242(A) for more detail.

Therefore, a crew member of any ship or aircraft who works globally, has no fixed base overseas and may therefore not be taxable in any specific country, but who regards Namibia as his / her home country, will be liable to pay tax in Namibia.

bianca.cooper@pwc.com | riana.esterhuyse@pwc.com



The PwC Walvis Bay office has moved

Our contact number remains the same and our new address is:

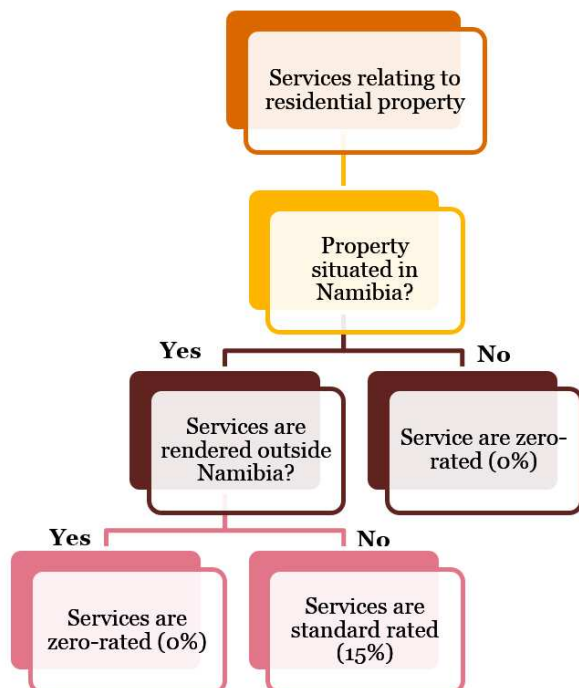
**First Floor
PwC Building
122 Theo Ben Gurirab Street**

Contact liza.mollentze@pwc.com to see our brand new **training center and boardroom facilities** available for corporate bookings.

Professional services relating to residential property – Zero-rated or not?

If you are an architect, attorney, quantity surveyor, engineer or any other professional services provider in the property or construction industry, have you ever wondered whether you may zero-rate your services where the property concerned is residential in nature?

Herewith a short decision tree to assist you in determining the VAT implications of your services:



Where the property is situated in Namibia:

In terms of the Value-Added Tax Act, Act 10 of 2000 ("the VAT Act"), services are standard rated (i.e. subject to VAT at 15%) unless the services are specifically zero-rated in terms of Schedule III to the VAT Act.

Paragraph 2(y) of Schedule III to the VAT Act specifies that services comprising the sale, erection of or extension to a building used or to be used solely for residential purposes may be zero-rated.

Services provided by professional service providers *do not comprise the sale, erection of or extension to a building* used or to be used solely for residential purposes and therefore do not qualify for zero-rating in terms of this paragraph. Only the developer who supplies (sells) residential property to the home owner or the main contractor who constructs residential property may apply zero-rating.

Paragraph 2(o) of Schedule III to the VAT Act is a popular paragraph for zero-rating export services to non-residents, but in terms of this paragraph, services directly in connection with immovable property situated in Namibia may not be zero-rated, irrespective of the fact that the services may be supplied to non-resident persons (foreigners) outside Namibia at the time the services are supplied.

In the odd case where your services are supplied physically outside Namibia, you may zero-rate your services in terms of paragraph 2(n) of Schedule III.

The above three paragraphs are the only zero-rating paragraphs available for services supplied in connection with residential property in Namibia.

It is therefore evident that professional services provided in this regard will always be standard rated, irrespective of the person to whom the services are supplied (Namibian vs foreigner, homeowner vs developer or main contractor), unless the services are physically rendered outside Namibia, in which case zero-rating applies.

Where the property is situated outside Namibia:

Paragraph 2(i) of Schedule III to the VAT Act zero-rates services supplied directly in connection with land or any improvement thereto, situated outside Namibia.

Services thus provided by professional services providers relating to property situated outside Namibia may be zero-rated in terms of this paragraph.

nellie.du.toit@pwc.com | audrey.vanantwerpen@pwc.com

PwC Business School Training Calendar



Training for July:

Windhoek

10-12 Jul	Basic Accounting Training
19 Jul	VAT Training: Tourism, Hospitality & Entertainment Industry
20 Jul	Tax Training: Tourism, Hospitality & Entertainment Industry
25-27 Jul	HR Business Partner Conference
14-15 Aug	Excel Skills for Remuneration Practitioners

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

Lorraine Holland-Muter (Windhoek)

lorraine.holland-muter@pwc.com
+264 (61) 284 1034

Audrey van Antwerpen (Walvis Bay)

audrey.vanantwerpen@pwc.com
+264 (64) 217 730

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



Walvis Bay

TBC	Basic Accounting Training
TBC	Finance Training for Non-Finance Managers, Entrepreneurs and Small Business Owners
17-18 Aug	Excel Skills for Remuneration Practitioners

New Legislation Tracker

This diagram tracks the progress of proposed tax legislation.

The following is the status of announced legislation up to 30 June 2017:



Tax Calendar - July 2017

Mon	Tue	Wed	Thu	Fri
17	18	19	20	21
			<ul style="list-style-type: none"> VET Levy return PAYE return Import VAT return Withholding Tax returns: Services, Royalties, Interest NRST 	
24	25	26	27	29
	<ul style="list-style-type: none"> VAT return 			<ul style="list-style-type: none"> Social Security payment
31				
<ul style="list-style-type: none"> 1st provisional for taxpayers with January 2018 year-end 2nd provisional for taxpayers with July 2017 year-end Tax return for companies with 31 December 2016 year-end 				



Count down: The Tax Amnesty program ends on 31 July 2017.

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

Windhoek

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

Walvis Bay

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

Stefan Hugo

stefan.hugo@pwc.com

Chantell Husselmann

chantell.husselmann@pwc.com

Johan Nel

johan.nel@pwc.com

Riana Esterhuyse (Walvis Bay)

riana.esterhuyse@pwc.com



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