Tax First Newsletter

Part 1: Namibia’s EPZ Regime Has Ended — What Comes Next for VAT?

Let’s talk

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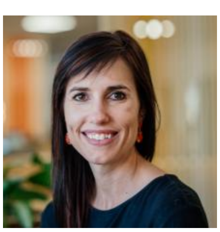

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Namibia’s Export Processing Zone (EPZ) regime officially came to an end on 31 December 2025. For many businesses, that date marked more than the end of a policy framework. It also marked the end of a system that had long influenced investment decisions, supply arrangements, import planning and VAT treatment.

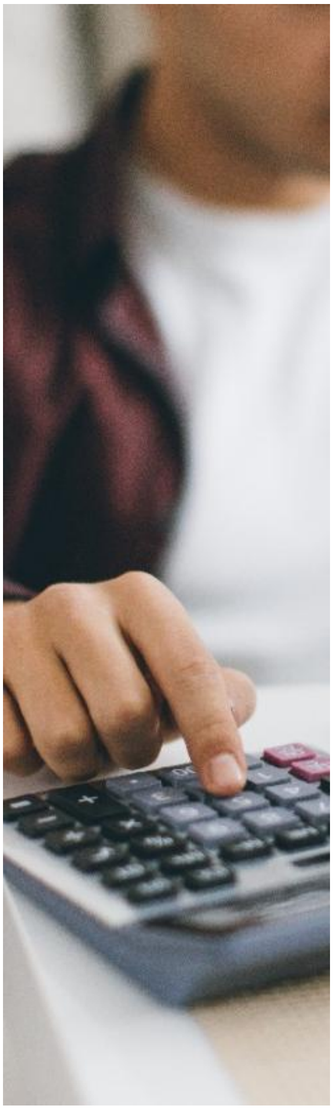
The move to a Special Economic Zone (SEZ) framework forms part of Namibia’s broader tax and investment reform agenda. This direction was reaffirmed in the 2026/2027 National Budget Statement, delivered on 26 February 2026 by the Minister of Finance, Hon. Ericah B. Shafudah.

At a policy level, the direction is clear. Namibia is moving toward a broader and more modern framework intended to support investment, industrialisation and long-term economic growth.

What was the VAT position under the EPZ regime?

The EPZ regime was established under the Export Processing Zones Act, 1995 (Act No. 9 of 1995). Its VAT treatment was addressed under the Value-Added Tax Act, 2000 (Act No. 10 of 2000).

Under the VAT Act, VAT is generally imposed on taxable supplies and imports unless a specific exemption or relief applies. EPZ activity, however, was subject to a distinct set of rules.



For example, section 3(23) deems goods removed from an EPZ into the domestic market to be a taxable supply, while section 7(16) determines the time of supply by reference to when the goods leave the zone.

The legislation also provided targeted VAT relief. Certain supplies within an EPZ could fall outside the ordinary VAT rules under section 6(4). In addition, supplies of goods or services to an EPZ enterprise or EPZ management company for use within the zone were zero-rated under section 9 read with Schedule III, while qualifying imports into the zone were treated as exempt imports under section 13 read with Schedule V.

These measures reduced the VAT cost associated with qualifying EPZ activity while preserving a formal compliance framework.

What has changed?

The end of the EPZ regime is not simply a legislative housekeeping exercise. It forms part of a broader policy shift toward a more modern and flexible economic zone model.

Historically, EPZs were closely linked to export-oriented manufacturing and processing. The proposed SEZ framework is expected to support a wider range of activities, including manufacturing, logistics and warehousing, agro-processing, energy and oil and gas support services, green industrial development and service-based exports.

This reflects Namibia's wider economic objectives and its intention to support more diversified forms of industrial growth.

What has not yet changed?

While the EPZ regime has ended, SEZ-specific VAT provisions have not yet been incorporated into the VAT Act.

This creates an important transitional issue. The policy direction is known, but the detailed VAT treatment applicable to SEZs has not yet been legislated.

As a result, businesses may find themselves in an uncertain position. The previous framework has fallen away, while the replacement tax rules remain under development.

Why this matters

The uncertainty has practical consequences. It may affect how transactions are priced, whether import costs change, how contractual provisions are interpreted, and where VAT risk now sits.

This is particularly relevant where commercial arrangements were built around assumptions drawn from the former EPZ regime. In those cases, the end of the regime may require a reassessment of both tax treatment and contractual position.

Points to consider

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Businesses that previously operated in or around the EPZ framework should consider whether:

- current VAT treatment remains appropriate following the repeal of the regime;
- contracts, pricing arrangements and supply models should be reviewed;
- existing positions still rely, whether expressly or indirectly, on historic EPZ assumptions; and
- internal planning has taken account of future legislative changes once SEZ-specific rules are introduced.

Early review may help manage uncertainty and reduce the risk of unintended VAT exposure.

Looking Ahead

The move from EPZs to SEZs marks an important development in Namibia's tax and investment landscape. While the broader policy objective is clear, the VAT consequences remain to be clarified through legislative amendment.

Part 2 of this article will consider how the VAT treatment of SEZs may develop as the legal framework continues to evolve.

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10 July	IFRS Over Coffee | Windhoek	In person session
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