

Tax First Namibia Newsletter

June 2023

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

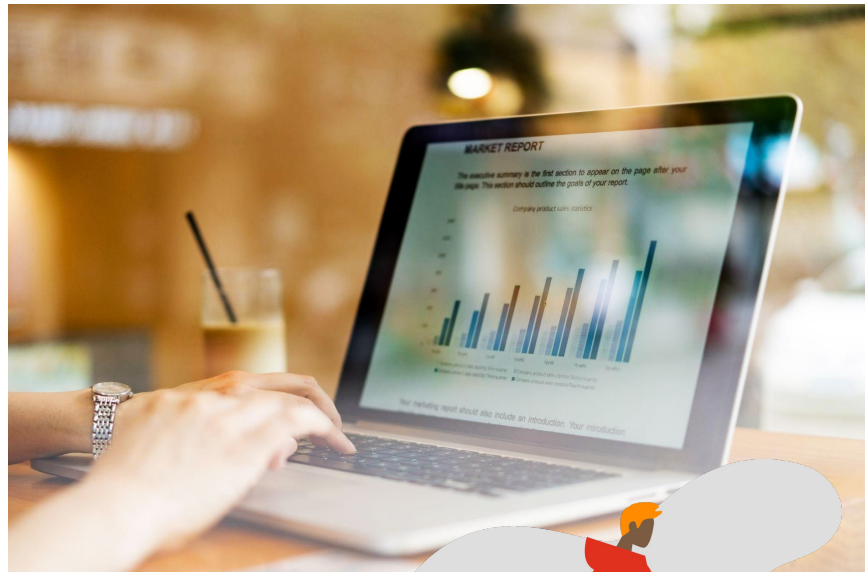
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Application for Approval of Cut-off Dates

Upon registering for Value-Added Tax (“VAT”), persons are allocated VAT periods, as determined by the Commissioner, as either Category A or Category B which consists of two calendar months ending on the last day of the second month (s23(2)(b) of the Value-Added Tax Act 10 of 2000).

For example, a Category A VAT vendor will have return periods ending on the last day of January, March, May, etc.; whereas a Category B VAT vendor will have return periods ending on the last day of February, April, June, etc.

However, many entities experience difficulties where their accounting records are closed off for the month a couple of days before the end of the month due to various reasons. This then results in the entity not meeting the requirements of section 23(2)(b), as the accounting close-off day is not the last day of the month as per the bi-monthly VAT return period requirements.

Fortunately, entities may apply for the approval of cut-off periods in accordance with Section 23(8) of the VAT Act. With this, the Commissioner may determine a day, in substitution for the last day of the month, as cut-off for month-end. This is, however, subject to a provision stating that the selected dates may only be 10 days before or 10 days after the calendar month-end. the employer has an approved housing scheme by NamRA; and

With that said, the entity may apply, in writing, to the Commissioner, for the approval of their cut-off dates for the next six return periods for the year. The application should specify the name and TIN number of the entity, the cut-off periods requested, the reason for requesting the change in tax periods as well as the specific reference to the VAT Act. Once this application has been approved by NamRA, the entity may then apply the said cut-off dates to the VAT returns.

Using cut-off dates without written approval from NamRA, may indicate to the Commissioner that the VAT declared on the respective returns does not cover the full two-month periods, thus VAT may be under or over-declared. This will then result in the incorrect declaration on VAT returns which may lead to possible penalties being levied for the misstatement on VAT returns. With that said, best to ensure such an application is submitted to NamRa on time.



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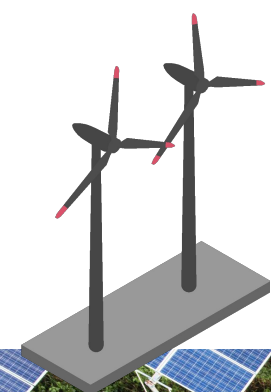
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Tax Considerations for Entities in the Green Energy Sector



With the increased focus on the green energy sector, we are receiving more frequent requests whether entities in the solar industry receive additional tax incentives, and, unfortunately, the answer is, no. They are taxed on the same basis as all other companies, other than mining, manufacturing and long-term insurance entities. I.e no reduction in corporate tax rate and no accelerated capital allowances.

A big tax element of the industry is the capital allowances claimable on the solar plants and professional costs incurred in respect of the plants. An entity could potentially lose out on (big) tax deductions if these costs are not correctly accounted for (from both an income tax and accounting perspective). Below we discussed the considerations to take into account in terms of capital allowances and any other deductions for tax purposes for the industry.

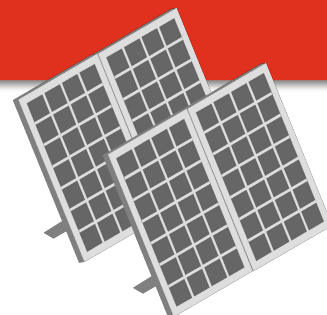


The Entity will be able to claim a capital allowance on the solar system acquired, under Section 17(1)(e). In terms of Section 17(1)(e), the cost of the plant used to generate income is deductible in three equal annual allowances claimable from the date the costs were incurred and not only when the plant is taken into use. Apportionment is not allowed.

Financing expenditure incurred in respect of a finance agreement may be fully deductible under Section 17(eA).



What about costs capitalised as part of bringing the plant into use, or which were subsequently expensed?



In summary, all costs capitalized as part of bringing the plant into use will be claimable under Section 17(1)(e) over 3 years (i.e. claiming a capital allowance). Any costs subsequently capitalized may not necessarily be claimed as a capital allowance, as this may not relate to a “movable assets”.

Careful consideration is needed where certain amounts are not capitalized, but expensed to the income statement as these may be considered capital in nature and not deductible. This will depend on the nature of the costs.

Costs incurred to bring the plant into use (e.g. the Engineering, procurement and construction (“EPC”) contract cost incurred as part of start up costs and which is subsequently capitalized as part of the plant), will be deductible under Section 17(1)(e) (i.e. capital allowance claimable). If, however, these costs are not capitalised, but expensed to the income statement, then the costs will not be deductible for tax purposes under Section 17(1)(a). (i.e. no deduction)

Any subsequent development costs capitalised (e.g. professional fees, design, etc) would not be claimable under Section 17(1)(e) as these do not relate to “movable” items. (i.e. no deduction)

Recoupment provisions will be triggered when the plant is taken out of use or when any of the solar panels are sold.



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PwC Business School | Upcoming Training Dates



“The PwC Business School’s

virtual training sessions allow our participants to attend hassle free, in the comfort of their own home/office.”

6 June 2023

Corporate Governance Training
08h30 - 13h00
4.5 Hour Classroom Session
[Click here for more info](#)

19 June 2023

Anti-Money Laundering Series
5th Edition
08h00 - 14h00
6 Hour Virtual Training Session
[Click here for more info](#)

12 - 13 June 2023

Practical approach to Microsoft
Excel
08h00 - 17h00 (everyday)
8 Hour Hybrid Sessions
[Click here for more info](#)

Interested in attending?
Contact the PwC Namibia Business School at:
Email: na_busschool@pwc.com
Telephone: +264 (61) 284 1190






Tax Calendar | June 2023

Important Submission Dates for June 2023

Tuesday, 20th of June 2023

 VET Levy Return

Tuesday, 20th of June 2023





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



Monday,
26th of June 2023

 Value Added Tax Return

Friday, 30th of June 2023

 Social Security return
 1st provisional for taxpayers with a December 2023 year-end;
 2nd provisional for taxpayers with a June 2023 year-end;
 Tax return for companies with a November 2022 year-end;

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