Tax First
Namibia Newsletter
May 2013

A monthly newsletter published by PwC Namibia providing informed commentary on current developments in the local tax arena. Though analysis and comments on new law and administrative changes assists business exec-

Proposed Tax Amendments approved

The proposed tax amendment announced by the Minister of Finance during the 2013/14 Budget Speech was approved by National Assembly last week.

The Income Tax, Stamp Duty and Transfer Duty Amendment Bills include the proposed tax rates, duties payable and the effective dates. Once the Amendment Acts are published per the Government Gazette, the Acts will be officially promulgated. Below is a summary of the effective dates in the Bills. The proposed rates can are available at ***http://www.pwc.com/na/en/assets/pdf/tax_rate_changes_feb_2013.pdf***

Proposed tax Amendments	*Effective date once Gazetted*
Individual income tax rate adjustments	Year of assessment commencing 1 March 2013 (i.e. for the current tax year)
Corporate tax rate changes:	
- Non-mining company (33%)	Year of assessment commencing 1 January 2013
- Long-term Insurance companies (13.2%)	Year of assessment commencing 1 January 2013
- Withholding taxes on Royalties (9.9%)	Year of assessment commencing 1 January 2013
Transfer Duty Amendments	First day of the month following the month in which the amendments will be published in the Gazette (i.e. 1 June if the Gazette is published in May 2013)
Stamp Duty Amendments	First day of the month following the month in which the amendments will be published in the Gazette (i.e. 1 June if the Gazette is published in May 2013)

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This newsletter and previous issues are available on ***www.pwc.com/na/en/publications/tax-first***

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Also in this issue:

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Output and deemed output tax on fixed assets

As a registered VAT entity, it may be required at times to declare output tax on fixed assets even though the assets are not sold.

The VAT Act's deeming provisions both widen the range of transactions subject to VAT and clarify the instances where certain transactions will be deemed to be taxable or not. Deemed supplies will generally attract VAT at the standard rate. The following are examples of fixed assets transactions with an output or deemed output tax implications:

Sale of Fixed Assets

The proceeds received from assets sold should be used for the calculation of output tax payable. The output tax will only be payable in the case where the taxpayer was entitled to an input tax deduction with the acquisition of the assets. Even if the entity did not claim the input tax, but it could have claimed (the asset is not a denied input) the output tax on the sale of the asset is due and payable to Inland Revenue. Examples of Fixed Assets where input tax is denied is the purchase or rental of double cab bakkies or 5 and 7 seater vehicles.

Change of use of fixed assets

In the instance where fixed assets were acquired by a VAT vendor in order to generate 15% or 0% revenue, and then later, are being used for non-taxable purposes, deemed output tax is payable on the market value of the assets once this change in the use of the fixed asset takes place. Should the fixed asset be moved from that part of the entity making full taxable supplies to making mixed supplies, the apportionment ratio of the entity should be applied to determine the output tax due to Inland Revenue.

VAT deregistration of a company for VAT purposes

Deemed output tax is payable on the market value of all fixed assets on hand with deregistration of a company. The deemed output tax is only payable in the case where an input tax deduction was allowed on acquisition for e.g. no deemed output tax payable on passenger vehicles.

Short-term insurance pay-outs in cash

Where a VAT registered entity receives an insurance pay-out in cash for a loss incurred in connection of an asset which was acquired at a VAT rate of 15%, the person will be required to declare output tax on the cash amount received from the insurance company. The amount received from the insurance company will be deemed inclusive of VAT i.e. if the taxpayer receives N$10,000.00 from the insurance company, N$1,304.34 (15/115 of N$10,000.00) will be the output tax payable.

The output tax will only be payable if the taxpayer was entitled to an input deduction on acquisition of the fixed asset.

Common pitfalls – Capital allowances on assets

When calculating company taxes a number of capital allowances are available to taxpayers. All the criteria for these allowances however need to be met to qualify for a deduction. In this monthly article we discuss one of the allowances taxpayers often apply incorrectly.

Small tools claimed in one year

In terms of their accounting policies, some entities account for minor tools, small assets, furniture and equipment (which are not deemed to be material enough to be capitalized), as an expense.

The general deduction formula Section 17(1)(a) of the Namibian Income Tax Act allows as a deduction, expenditure and losses actually incurred in the production of income, provided that they are not of a capital nature.

Small assets are considered to be capital in nature and not ordinarily deductible for tax purposes, unless it can be proved that the small assets are used in a manner similar to consumables (i.e. for example the assets do not have a useful life of more than one year and is generally "*consumed/used-up*" during the course of business).

A section 17(1)(e) capital allowance is claimable for "*expenditure incurred for the acquisition of vehicles, aircraft, sea-going craft, machinery, implements, utensils and articles….*". Therefore a section 17(1)(e) capital allowance should be claimed on the purchase price of the minor tools, furniture and equipment.

Accordingly, the amount expensed in the income statement should be excluded from the calculation of taxable income and a capital allowance should be claimed over three years in accordance with Section 17(1)(e).

Government Gazettes

Government Gazettes for the period for April 2013 is included in this edition. This is not an exhaustive list of Acts/Notices/Proclamations published.

Government Notices	
No 99 - 2013	Promulgation of National Planning Commission Act, 2013 (Act No. 2 of 2013)
No 81 - 2013	Restrictions on importation of poultry products into Namibia: Import and Export Control Act, 1994

Upcoming PwC Events:

30 May 2013
Tax Bitesize session on Capital Allowances

13 & 14 June 2013:
2013 Annual Tax Symposium, Windhoek
Invitation attached

9 & 10 July 2013
2013 Annual Tax Symposium, Walvis Bay

30 September to 3 October 2013
African Tax and Business Symposium 2013, Le Meridien Hotel, Mauritius
"*Save the date*" details attached

PwC Africa Tax App

Our Namibia Tax First Newsletters and Rate and Reference cards are now available in the PwC Africa TAX app.

Visit the iTunes app store to download:
https://itunes.apple.com/za/app/pwc-africa-tax/id538270556?mt=8

(PwC Africa TAX app by PricewaterhouseCoopers)

Tax Calendar - May 2013

Monday	Tuesday	Wednesday	Thursday	Friday
20 • PAYE Returns • Import VAT return • Withholding Tax on Services return	21	22	23	24
27 • VAT return (Category B)	28	29	30 Business Bite size session: *Capital Allowances*	31 • Social Security payment • Tax return - companies with 31 October 2012 Year-End; • 2nd provisional returns - Individuals and companies with May Year-End

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

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PwC Business School - Business Bitesize

Capital allowances:

Repairs and maintenance, leasehold improvements, building allowances, wear and tear

PwC Business School offers a session to interact with our tax experts on the impact of capital allowances on your business' tax position.

Discussions will focus specifically on:

- Detailed requirements and specifications of the Income Tax Act;
- Common pitfalls of claiming capital allowances
- Recoupment
- Tax planning around capital allowances

Our presenters:

Stefan Hugo
Partner
Corporate Tax Services

Johan Nel
Senior Manager
Corporate Tax Services

Details of the session:

VENUE:
PwC, 344 Independence Ave, Windhoek

DATE:
30 May 2013

TIME:
07h30

RSVP:
with Edith Sinclair at (Tel) 061 284 1138, (Fax) 061 284 1638
or email: edith.sinclair@na.pwc.com

Please note that space is limited, please book your seat now to avoid disappointment.

Agenda:

07H30 to 08H00	Registration & welcome
08H00 to 09H00	Capital allowances presentation
09H00 to 09H30	Coffee and networking

PwC Business School
Annual Tax Services Symposium 2013

PwC, the largest professional services provider, is hosting a two-day Symposium on Namibian Income Tax and Value-Added Tax (VAT).

The training will provide the business community, accountants, payroll administrators and taxation officers with valuable understanding of the theory and the practical application of Namibian Income Tax, Value Added Tax and Customs Acts.

Select 1 session for the day.

DAY 1: 13 June 2013
Session 1: VAT for beginners
Imposition of VAT
Rules on supplies
Rules on input tax, import VAT
VAT and accounting system
Customs declarations, duties
Session 2: PAYE Session
Total-Cost-To-Company Structuring
Employees Tax & Payroll Pitfalls

DAY 2: 14 June 2013
Income Tax and VAT updates on topical matters
Income Tax Update
VAT Update

WHERE:
Windhoek

DATE:
13 & 14 June 2013

VENUE:
Safari Hotel & Conference Centre

TIME:
Thursday 07h30 to 17h00 (Lunch included) VAT Session
Thursday 14h00 to 17h00 (Lunch excluded) PAYE Session
Friday 07h30 to 13h00 (Lunch included)

COST:
VAT Session - N$ 3,000 (excluding VAT) per delegate per day.
PAYE Session - N$ 1,100 (excluding VAT) per delegate per day.
Income Tax and VAT Update Session - N$ 1,800 (excluding VAT) per delegate per day.

To obtain our registration form please contact ***Lizell Lawrence*** in Windhoek on or before ***05/06/2013*** at Tel: ***061 284 1114*** or via email: ***lizell.lawrence@na.pwc.com***

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Save the date!

African Tax and Business Symposium 2013

Le Meridien Hotel, Mauritius
30 September - 3 October 2013

According to McKinsey, Africa in 2020 will have a collective GDP of $2.6 trillion and consumer spending power of $1.4 trillion. The opportunity this represents for investors is immense. Africa is now increasingly becoming a preferred investment destination of choice.

At our 16th African Tax and Business Symposium PwC and other specialists on Africa (from more than 20 countries) will present topics covering the tax, regulatory and business aspects of doing business in Africa, in a range of plenary and workshop sessions. You will also be able to to attend pre-arranged one-one-one client service meetings.

This is an unrivalled opportunity to interact with peers managing tax and other business challenges in Africa. If you are interested in, or are already doing business in Africa, you should not miss this prestigious event.

Registration information, a detailed agenda and additional information will be forwarded to you in the near future.

We look forward to seeing you in Mauritius!