

Tax First Namibia Newsletter

May 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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Income Tax Objections—What to do

After the submission of annual income tax returns, Inland Revenue will review the information received and assess the income tax return according to their findings.

Once taxpayers receive their tax assessment they should compare it against the submitted income tax return, as we often see that difference arise. This means that Inland Revenue has most probably taken a different view on what is deductible for tax. In some cases, it may also relate to a processing error made by Inland Revenue staff.

If the assessment does not agree with the submitted return, the taxpayer should consult with Inland Revenue in order to determine the reason for the differences noted between the assessment and the income tax return. If Inland Revenue incorrectly disallowed expenses claimed or taxed income which is not taxable, the taxpayer may object to the income tax assessment. Objections will involve written correspondence to Inland Revenue concerning the reason and motivation why the specific expense or income would be tax deductible or not taxable.

This should be done not later than 90 days after the date of assessment. Therefore it is important to ensure that once the returns are assessed this is compared to your records.

There has been a delay recently in sending out tax assessments, so we would advise to make regular enquiries with Inland Revenue on the status of your assessments.

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Namibian Income Tax Handbook



When can you claim an input tax credit for the importation of goods?

The answer to the above question could be considered as simple and rather straightforward, however, the practical application thereof seems to be somewhat challenging for a lot of the taxpayers. Section 14 of the VAT Act stipulates that a registered person, with an Import VAT Account, shall no later than the 20th day of the month, following the month of import, pay the tax due in respect of the import of those goods.

Example 1

Item 1 imported on 5 January
Item 2 imported on 12 January
Item 3 imported on 26 February
Item 4 imported on 10 March

Period 01: Payment due on 20 February
Period 01: Payment due on 20 February
Period 02: Payment due on 20 March
Period 03: Payment due on 20 April

A registered person can claim input VAT on the import of goods, provided that the imported goods have been utilized in the furtherance of a taxable activity. The VAT Practice Note 1 of 2010, specifically states that a registered person will only be entitled to claim the input tax as a deduction once it has been paid, therefore no claim can be made without any prior payment.

Example 2

The registered person submits VAT returns on an uneven period basis (01, 03, 05 etc.). With reference to example 1, the payment for items 1-3 have been made within the 03 period (February – March). Despite the fact that the importation of item 1 and 2 occurred in January, the registered person cannot claim the input VAT in the 01 period (December – January) as payment has been affected in February. Therefore, the input VAT may only be claimed in the February - March VAT return.

Registered persons should take note that should they claim input VAT prior to its payment, this will render the VAT return as submitted for that period inaccurate. In the event that a registered person makes a false and/or misleading statement with regards to the submission of an inaccurate VAT return, section 62 of the VAT Act prescribes the following punishment:

- i) *“where the statement or omission was made knowingly or recklessly, to a fine not exceeding N\$8 000 or to imprisonment for a period not exceeding two years or to both such fine and such imprisonment; or*
- ii) *in any other case, to a fine not exceeding N\$4 000 or to imprisonment for a period not exceeding one year or to both such fine and such imprisonment.”*

Registered persons are cautioned to be diligent in respect of when to claim the input tax of the import of goods on the VAT return. As easy as it may be to get the timing thereof incorrect, the penalty, fine and/or imprisonment that can be imposed as a punishment is rather severe.

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PwC Business School Training Calendar



Upcoming training dates:

Windhoek

14-16 May	Basic Accounting Training
22-23 May	Executive Secretaries & PA Development Program
30-31 May	Professional Behavior in the Workplace
6-8 Jun	Finance Training for Non-Financial Managers
12 Jun	Transfer Pricing Seminar
12-13 Jun	Basic VAT Training
13 Jun	Tax Refresher Course
14 Jun	Employee Pay & Taxes Training
15 Jun	Introduction to Income Tax

Walvis Bay

15-17 May	Finance Training for Non-Financial Managers
9-10 Aug	Excel skills for remuneration practitioners training

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

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“An education isn’t how much you have committed to memory, or even how much you know. It’s being able to differentiate between what you know and what you don’t know.”

- Anatole France

New Legislation Tracker

This diagram tracks the progress of proposed tax legislation. The following is the status of proposed legislative changes up to 30 April 2018. No effective date has been set for any of the proposed legislation.

Repeal the **EPZ Act** and introduction of **Special Economic Zones** (with sunset clause).

Individual tax rate lower bracket to decrease from 18% to 17% and introduction of higher brackets:
> N\$1.5 mil 39%
> N\$2.5 mil 40%

Abolish current practice of the **conduit pipe** (flow-through) principle in the taxation of trusts.

Establishment of **Revenue Authority** - planned implementation for July 2018.

Explore a profit tax of 37% on **betting and gaming** entities.

VAT on income earned by listed **asset managers**.

Subject income derived from **commercial activities** by charitable, religious, educational and other types of institutions under Section 16 of the Income Tax Act to normal corporate tax.

Expand coverage of current **Export Levy Act** to include other products not covered.

Introduction of 10% **dividend tax** on dividends paid to local residents.

Deepen the current hybrid tax system by taxing all income earned from **foreign sources**.

VAT on proceeds on sale of shares or membership in a company owning **commercial immovable property**.

Tax Calendar - May 2018

Mon	Tue	Wed	Thu	Fri
14	15	16	17	18 <ul style="list-style-type: none"> VET Levy return; PAYE return; Withholding Tax returns: Services, Royalties, Interest; NRST.
21 <ul style="list-style-type: none"> Import VAT return 	22	23 <ul style="list-style-type: none"> VAT return 	24	25 Public holiday
28	29	30	31 <ul style="list-style-type: none"> Social Security payment; 1st provisional for taxpayers with November 2018 year-end; 2nd provisional for taxpayers with May 2018 year-end; 	

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

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