

Tax First Namibia Newsletter

November 2017



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

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Building allowance deduction for Income Tax purposes

If you own a building and use it for purposes of your trade, the Income Tax Act allows a capital deduction under section 17(1)(f).

Twenty percent (20%) of the cost of erection may be claimed in the year during which the building is taken into use. For the next 20 years, 4% (8% for registered manufacturers) of this cost may be claimed per tax year.

Additions or extensions to existing buildings (not alterations, improvements or repairs) qualify for the same 20% and 4% deductions as above. The Income Tax Act does not define "buildings". The Oxford dictionary defines a building as "a structure such as a house ... that has a roof and walls". This can be used as a basis when deciding if the capital allowance on buildings can be claimed.

Fencing, roads, interlocks, boundary walls and shade nets do not qualify for this allowance. These items may be argued to be part of the building where it is done as part of the initial construction of a new building.

No building allowance can be claimed if:

- A leasehold improvement allowance has already been claimed in terms of section 17(1)(h); or
- The building is used to provide housing to your employees and in case of a company, where the building is used to provide housing to directors or officials or employees.

Where **buildings are sold**, the allowances previously claimed should be recouped.

The amount that must be included in your taxable income is equal to the market value (limited to cost price) less the remaining tax value.

When the market value of the asset is less than the proceeds, the proceeds (limited to cost price) should be used in calculating the recoupment.

When a building is sold, the new owner may only claim a building allowance on the original erection costs of the building. This is different from the purchase price.

Furthermore a building can only be claimed once for tax purposes. If you are buying a building that is older than 21 years no further allowances can be claimed. Where a building is acquired it is crucial to obtain the tax history of the building. This will ensure that you (the new owner) claim the correct amounts for tax purposes.

richelle.coetzee@pwc.com

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Visit our website for more details: <http://www.pwc.com/na/en/publications/namibian-income-tax-handbook.html>



The process of clearing consignments for home consumption and other Customs procedures codes

All import declarations must be registered electronically on the Customs Asycuda system at the various points of entry into Namibia. Once Customs and Excise Namibia is satisfied that the Bill of Entry (SAD500) is correct, it is assessed and the amount of Customs duties and VAT payable is determined.

Customs, excise and ad valorem duties are levied on goods entered for home consumption and are payable before consignments are cleared for home consumption, unless the importer has arranged for a Credit Account facility and deposited security for the duties as determined by Customs and Excise. Customs and Excise Namibia only accepts cash (in Namibia Dollars or South African Rand) as payment for VAT and duties payable on imported goods at the time that such goods have been cleared for home consumption. Where an importer has arranged for deferment of payment of VAT (Import VAT account) or duties (Credit Account facility), payment may be effected by either cash or electronic funds transfer ("EFT").

While the VAT paid on importation of goods can be deducted as an input tax by persons registered for VAT, customs duties, ad valorem duties, excise duties, etc., remain a cost to the importer.

Should Customs and Excise officials suspect that goods are not declared or that goods are declared at a lower value, such goods may be detained and significant penalties may be imposed. Failure to declare goods in terms of the Customs and Excise Act may lead to a fine equal to three times the value of the goods, imprisonment and forfeiture of the goods to the State.

Should an importer realise that a mistake has been made on a declaration, a voucher of correction ("VOC") must be passed by the clearing agent to correct the mistake. Customs and Excise officials may also demand that vouchers of correction be passed should they identify a mistake on a declaration.

Supporting documentation must be attached to declarations, for example an invoice (always), prescribed permit (for certain goods) or certificate (e.g. the birthing certificate for vehicles to be imported and registered in Namibia), before Customs and Excise officials process declarations for home consumption.

To offer or demand a reward in respect of the performance or non-performance by a Customs official of his/her duties is a serious offence subject to a fine equal to three times the value of the goods and / or imprisonment up to five years upon conviction.

Apart from declaring goods for home consumption, the following models of declaration are example of Customs entries processed by Customs and Excise, Namibia:

- Entry for temporary importation (IM 5)
- Entry for re-importation (IM 6)
- Entry into bonded warehouse (IM 7)
- Entry for import by bonded carrier (IM 8)
- Entry for permanent export (EX 1)
- Entry for temporary exportation (EX 2)
- Entry for re-exportation (EX 3)
- Entry for permanent import (EX4)
- Entry for exportation following entry into bonded warehouse (EX 8)
- Entry into an export processing zone enterprise (EPZ 9)
- Entry for excise duty payments (EXC 9)

It is advised to ensure that the requirements for each model of declaration be observed to avoid costly hold-ups at border posts, harbours or airports. It is further advised to obtain advice about the correct procedures and requirements for the clearance of consignments at Customs and Excise to ensure uniform treatment at the various Customs and Excise offices responsible for the clearance of goods.

audrey.vanantwerpen@pwc.com

PwC Business School Training Calendar



Training for November:

Windhoek

14 Nov	Basic VAT and Updates
15 Nov	Chief Audit Executives Breakfast Event
15 Nov	Basic Income Tax and Updates
15 Nov	Basic Employee Pay and Taxes
16-17 Nov	Managing VAT in Your Industry
Feb 2018	Learning & Development Conference

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

7-9 Nov	Basic Accounting Training
24 Nov	Basic Introduction - Competition Commission Requirements

New Legislation Tracker

This diagram tracks the progress of proposed tax legislation.

The following is the status of proposed legislative changes up to 31 October 2017. No effective date has been set for any of the proposed legislation.

Transfer Duty amendments - In drafting, expected date not yet set.

Expansion of **Capital Gains Tax** provisions to provide for wealth-based taxation on new categories of capital assets.

Simplified **Presumptive Tax** on small businesses to be developed.

Proposals to remove base-eroding Income Tax and VAT exemptions in future.

Establishment of **Revenue Authority** - In drafting, expected date not yet set. Planned implementation for 2018/2019.

Tax proposals on wealth tax will be developed to embody principles of **Solidarity Tax**.

Develop the **Double Taxation Agreement Policy** and increase collaboration with international tax authorities to counter transfer pricing.

Imposition of levies on Namibia Financial Institutions released in Government Gazette No 265, dated 10 October 2017.

Tax Calendar - November 2017

Mon	Tue	Wed	Thu	Fri
20	21	22	23	24
<ul style="list-style-type: none"> VET Levy return PAYE return Import VAT return Withholding Tax returns: Services, Royalties, Interest 				
27	28	29	30	
<ul style="list-style-type: none"> VAT return 			<ul style="list-style-type: none"> Social Security payment 1st provisional for taxpayers with May 2018 year-end 2nd provisional for taxpayers with November 2017 year-end Tax return for companies with 30 April 2017 year-end 	

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

Chantell Husselmann

chantell.husselmann@pwc.com

Johan Nel

johan.nel@pwc.com

Nelson Lucas

nelson.lucas@pwc.com

Riana Esterhuyse (Walvis Bay)

riana.estershuyse@pwc.com



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Non-Executive Director Remuneration Survey

First for Namibia – subscribe today

What are non-executive directors paid in the Namibian market?

In Namibia, it has been a challenge to obtain benchmark data for non-executive Director remuneration. It therefore gives us great pleasure to launch Namibia's first Non-Executive Director remuneration survey.

The research intends to cover a broad section of Namibian Organisations, which will ensure that participants have access to quality benchmark information.

This aim of the research is to provide guidelines for enable fair remuneration for Non-Executive Directors that is aligned with their responsibilities and liabilities.

The survey will focus on:

- Board composition – selection criteria, race and gender
- Committee composition – race and gender
- Quantum of board and committee meetings
- Quantum of board and committee remuneration
- Board and committee benefits and variable remuneration
- Board and committee incidental allowances

When will this happen:

Confirmation for participation in the survey will be by end of December 2017.

The survey questionnaire should be completed by end of January 2018.

The final report publication is scheduled for March 2018.

If you are interested to participate, the costing is:
Active REMchannel Online Salary Survey participant
N\$3,499.00 (excl VAT)

Non-REMchannel Online Salary Survey participant
N\$4,999.00 (excl VAT)



Please contact us if you are interested to partake in the survey, or complete the participation form attached:

mari-nelia.hough@pwc.com

+264 284 1070; or

imogan.waterboer@pwc.com

+264 81 284 1253

waltraude.campbell@pwc.com

+264 284 1394



PwC Market Research

2017/2018 Non-Executive Director Remuneration Survey

Participation Form

REMchannel / REMeasure participant's confirmation of participation	Yes		No	
N\$ 3,499.00 (excluding VAT) N\$ 4,023.85 (VAT inclusive)				
Non-REMchannel / REMeasure participant's confirmation of participation	Yes		No	
N\$ 4,999.00 (excluding VAT) N\$ 5,748.85 (VAT inclusive)				
<i>Log in details for completion of the questionnaire on-line will be provided as soon as we have confirmed sufficient participation. We will keep you updated.</i>				
Authorised Employee Details – PLEASE PRINT				
Organisation name:				
Organisation registration number:				
Organisation VAT number:				
Purchase order number (if required):				
Postal address:				
Name of person who will be responsible for completing the questionnaire:				
Contact person telephone number:				
Contact person mobile number:				
Contact person e-mail address:				
Authorised Signatory:	Name (please print):	Signature:	Date:	
<i>Please note that by signing the Confirmation of Participation you bind your organisation to the copyright reservation, provision of data and payment of the survey fee, noting that payment is due on presentation of invoice. Should you be unable to submit data by the required deadline a copy of the report will be provided at a surcharge on the proviso that your organisation participates in the next scheduled survey.</i>				

Please scan and e-mail confirmation to: mari-nelia.hough@pwc.com or imogan.waterboer@pwc.com or waltraude.campbell@pwc.com