Tax First
Namibia Newsletter
November 2018

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

To subscribe to this newsletter, click on the below link: **https://www.pwc.com/na/subscriptions**

This newsletter and previous issues are available on our website: **https://www.pwc.com/na/tax-first**

Also in this issue:

Venue hire
For more information, contact our Business School Managers.

WHK | *Lorraine Holland-Muter*
busschool@na.pwc.com

WVB | *Michelle Olivier*
busschool.walvisbay@na.pwc.com

Or visit our website at: https://www.pwc.com/na/en/about-us/business-school.html

Treatment of trading stock at year end for Income Tax purposes

If you have stock on hand at year end, what kind of stock is it? Does it consist of items you purchased for sale or items you purchased to be used in the manufacturing process? If yes, the cost of these items are automatically included in your taxable income as part of your cost of sales calculations and no tax adjustment is required. If no, refer to the consumables and spares discussion below. Please note that the principles discussed here are NOT applicable to farming operations.

The cost at which cost of sales should be recorded in terms of section 22 of the Income Tax Act presents the actual cost incurred to acquire the stock and bring it to its current condition and location, less any impairments/stock obsolescence. If you apply the Last-in-First-Out (LIFO) method of valuating your stock, you must obtain approval from Inland Revenue prior to filing your income tax return. If the Minister approves this valuation method, it should be applied consistently in future tax years. It therefore naturally follows that if stock was acquired at no cost, you are not entitled to a deduction from your taxable income.

In certain less common situations, trading stock might form part of a rearrangement / reconstruction scheme (including an amalgamation of two or more companies) and no measureable consideration in terms of money is paid for them, or the consideration paid is less than its market value at acquisition date. In such cases, the person acquiring the trading stock (referred to as the "transferee") shall be regarded as having acquired the stock at the cost the person selling the trading stock (referred to as the "transferor") paid for it. As for the transferor, if they received no consideration for it, they cannot claim a deduction for the cost price of the stock transferred.

If the stock you have on hand at year end constitutes consumables and spares (not expected to last / be held for longer than 12 months) AND if these were not acquired for resale but for own use, the actual cost of such goods are deductible as an expense for tax purposes in the year they were acquired in terms of section 17 (1)(a). For accounting purposes, consumables and spares will only be accounted for in your income statement as part of your cost of sales calculation when it is used. However, for tax purposes, the closing balance can be deducted from your taxable income in the year it was acquired. Please remember that this balance should be added back on the tax calculation in the subsequent year to avoid double deduction of the amounts when the amounts clear to the income statement.

bettie.burger@pwc.com

TIM's TIP:
Imagine if completing your tax return could be as easy as having a conversation. Use TaxTim to complete your annual and provisional returns - quick & easy!

For queries please mail us at **namibia@taxtim.com** or register for TaxTim today at **pwc.taxtim.com/na**

Maintaining of proper records for VAT purposes

The maintaining of proper records is quite essential , as it is a requirement or an obligation in terms of the VAT Act (for registered persons).

Proper records include the original tax invoices, tax credit notes, tax debit notes and the customs documentation relating to all imports and exports.

These records are to be in English and kept at the place of business of the registered person, for a period of at least five years.

Should the registered person fail to maintain proper records, this constitutes non-compliance for which the taxpayer may become liable to the below:

- Where the failure was made knowingly or recklessly, 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 may be imposed; and
- 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 may be imposed.

The importance of maintaining proper records extends to when Inland Revenue conducts a VAT audit of a registered person. A registered person will be required to provide all ***original*** documents listed above, that relate to the VAT period(s) that is being audited.

In the event that the registered person is unable to provide the taxation officer with the original documents during a VAT Audit, the input tax relating to those invoices may be denied, thus increasing the registered person's VAT liability.

It is therefore advisable that registered persons adhere to section 48 of the VAT Act to prevent a fine and/or imprisonment, and to avoid denial of input tax by a taxation officer during a VAT refund audit.

We also urge taxpayers to always consult with a tax expert if uncertainties arise.

carmen.fransman@pwc.com

PwC Business School Training Calendar

Upcoming training dates:

Windhoek

13-15 Nov	Tax Week 2018—Basic Tax Workshops
19-23 Nov	Conducting an Audit from Cradle to Grave
26-28 Nov	Microsoft Excel Training
27-28 Nov	Customer Care Workshop

"Education is the most powerful weapon you can use to change the world"

- Nelson Mandela

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

Lorraine Holland-Muter (Windhoek)
busschool@na.pwc.com | +264 (61) 284 1034

Michelle Olivier (Walvis Bay)
busschool.walvisbay@na.pwc.com
+264 (64) 217 700

Or follow the below link to our website:
http://www.pwc.com/na/en/events.html

2018/19 Mid-Year Budget Review Highlights

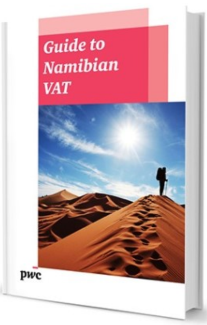
Follow the link below to view a summary of the highlights covered in the mid-year budget review presented by the honorable Minister of Finance, Calle Schlettwein, on 24 October 2018.

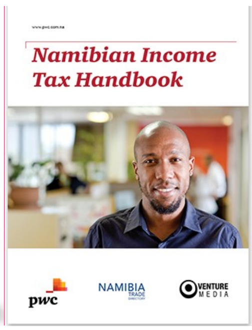
https://www.pwc.com/na/en/publications/budget/mid-year-budget.html

Increase your knowledge on Namibian taxes

Order your copy today: busschool@na.pwc.com

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





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 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).
- Taxing **foreign income** of Namibian residents.
- Providing for specific taxation of **trusts**.
- Establishment of **Revenue Authority** - planned implementation for 2019.
- Phasing out **ineffective tax incentives**.
- VAT on income earned by **listed asset managers**.
- Taxing **commercial income** of charitable, religious, educational institutions.
- Expand coverage of current **Export Levy Act** to include other products not covered.
- Introducing specific **thin capitalization** rules to combat transfer pricing on interest paid on foreign loans.
- VAT on proceeds on sale of shares or membership in a company owning **commercial immovable property.**

Tax Calendar - November 2018

Mon	Tue	Wed	Thu	Fri
19	20 • VET Levy return; • Import VAT return; • PAYE return; • Withholding Tax returns: Services, Royalties, Interest; NRST.	21	22	23
26 • VAT return	27	28	29	30 • Social Security payment; • 1st provisional for taxpayers with a May 2019 year-end; • 2nd provisional for taxpayers with a November 2018 year-end; • Tax return for companies with an April 2018 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.esterhuyse@pwc.com