

Tax First Namibia Newsletter

October 2016



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

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<http://www.pwc.com/na/en/publications/tax-first.html>

VAT considerations to a going concern sale

The VAT Act contains a list of the supplies of goods or services that are taxed at the rate of zero percent. The sale or disposing of a business enterprise as a going concern, amongst other supplies, is deemed a zero-rated supply.

A going concern comprises an income earning entity which has assets that are identifiable as a separate business, operation, division or department. This type of supply is considered a taxable activity supplied at either a standard rate or zero-rate.

In order to apply zero rating to the sale of a going concern, the following requirements should be fulfilled:

1. Both the supplier and recipient should be registered for VAT;
2. There should be an agreement between the supplier and the recipient stipulating the following conditions:
 - a. The taxable activity is disposed of as a going concern;
 - b. The disposable taxable activity is an income earning activity;
 - c. Consideration or price is inclusive of tax at a rate of zero percent (0%);
 - d. The assets which are necessary to conduct the taxable activities within the going concern must also be sold by the supplier to the recipient as part of the going concern sale; and
3. A notice in writing which provides details of the transaction, signed by both the transferor and transferee, should be submitted to the Commissioner (at Inland Revenue) within 21 days of the effective date.

Another important factor to be considered is the intended activity which will be conducted by the new owner after the sale.

Should the nature of the activities change, then zero rating may possibly not be applicable. For example, if a lessor sells an office building to his lessee where his lessee occupies this building, then the new owner will not be purchasing a going concern, as the building will not be used to earn commercial rental income, therefore not making it the same income earning activity. If not sold as a going concern at zero rate, it will be subject to VAT at 15%. The supply becomes a normal taxable supply of a commercial building.

In essence, the sale of a business as a going concern should be planned well in advance.

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Provisional tax deadline for Individuals is 30 September 2016.

Don't delay - use **PwC's TaxTim** to complete your yellow provisional return (incl farming and business schedules) TODAY! www.taxtim.pwc.com.na



30 September tax return deadline for business individuals approaching

Yellow, blue or brown - Did you complete the right tax return form?

With the upcoming submission deadline for yellow tax returns, a number of taxpayers sent questions to PwC's TaxTim, including: "I thought returns were due in July?" and "Who should submit returns now?" So we would like to use this opportunity to help individual taxpayers to understand:

- The types of Namibian tax returns for individuals
- Who should complete which return
- When which returns are due
- What to do if you did not receive the right return in the post.

How to decide which tax return you have to submit?

For individuals there are **three** different type of tax returns: Brown, Blue and Yellow forms.

So what exactly is the difference between the 3 types of tax returns and can you submit any coloured return?

You cannot just complete any colour return and submit it, as it may have consequences where your taxpayer status may change with Inland Revenue. We have also seen instances where the form sent to a taxpayer in the mail is not the correct tax return. The problem is that it remains a taxpayer's responsibility to ensure that he understands and complies with the tax law, and correctly disclose all his/her tax information (which often will not happen if you complete the wrong form).

Here is an explanation of the different types of returns:

Brown - This is the most basic tax return. It is for individuals with a basic salary structure and no other additional income, except from employment. It is also for pensioners earning no extra income, except pension income.

Blue - This return is for employees with salary structures and allowances. This return allows you to claim expenses incurred for business purposes against allowances received. This return is also applicable to taxpayers who earn other income (rental or investment income), apart from normal employment.

Yellow - This return applies where you have a complex income structure, income from various sources other than normal employment or if you run a business in your own name / earn farming income. This is also the return used for Family Trusts and Business Trusts.

Due dates for Income Tax returns and tax payments:

Individuals	
Individuals (Employees)	30 June each year (unless specifically extended)
1st Provisional	On/before 30 August (n/a to farmers). 40% of the total actual taxable income to be declared and paid.
2nd Provisional	On/before 28 February. At least 80% of the total actual taxable income should be declared and paid.
Business individual and/or farmer (other than companies or salaried employees) i.e. Provisional Taxpayers	Within 7 months after the tax year end (30 September each year)

What to do if you did not receive the correct return in the post?

If you are a registered taxpayer in Namibia, you should receive a blank tax return in the mail at some time during the year. It is important to check and confirm if it is the appropriate return for you (use the guidelines set out above and the guidance provided on www.taxtim.pwc.com.na).

If you did not receive the correct return, or did not receive a return at all, you have two options:

1. Visit your nearest Inland Revenue Customer Care office and obtain a blank copy of the relevant return;
2. PwC's TaxTim helps you to complete your return on-line. So if you choose to get him to help you complete the form, you will be able to print your completed tax return (ready for submission to Inland Revenue) at the end of the conversation.

Certificate of good standing - Payment purposes

The Commissioner of Inland Revenue, Justus Mwafongwe, released a directive, dated 14 August 2016, stating that all invoices raised by tenderers to the Government of Namibia must be accompanied by a valid Certificate of Good Standing issued by Inland Revenue Department stating "Payment Purposes".

Some important considerations to be noted in respect of the above directive issued by the Commissioner:

1. The Certificate of Good Standing referred to is different from the standard Certificate of Good Standing, in that it clearly states "Payment Purposes" at the top.
2. The directive was directed to the following parties:
 - All Accounting Offices of Governmental Offices, Ministries and Agencies
 - All Chief Regional Officers of Regional Councils
 - All Chief Executive Officers of Town Councils
 - All Chief Executive Officers & Managing Directors of State Owned Enterprises (SOEs)
3. This means that an invoice submitted to any of these Government Institutions must be accompanied by the required Certificate of Good Standing before any payment in respect of such submitted invoices will be released.
4. For further information pertaining to the directive issued by the Commissioner, refer to the Tax Alert issued by PWC during August 2016, which includes the directive referred to above. Click here to download the August 2016 Tax Alert: <http://www.pwc.com/na/en/assets/pdf/tax-first-newsletter-cgs-alert.pdf>

We are aware that taxpayers submitted feedback to Inland Revenue regarding the administrative burden and additional costs created by this directive (specifically that an original GCS is required for every payment), and that Inland Revenue undertook to consider this. However, the directive will remain in place until formally withdrawn or amended.

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Environmental duties on importation of trucks, buses, bakkies

By way of Government Notice No 230, dated 26 September 2016, Schedule 1 to the Customs and Excise Act was amended to include all imports of trucks, busses and now also single/extra cab bakkies in the list of vehicles subject to Environmental duty, as from 26 September 2016.

The Customs IT department has changed their system to ensure that trucks and buses to be imported into Namibia after 26 September 2016 will not be released at the Namibian borders until payment of the duties has been made to Customs.

It is critical that importers of all vehicles (new and used), whether to be cleared for home use or on a temporary basis, should obtain valid carbon dioxide certificates issued by the manufacturers. Without such certificates, a formula based on the engine size of the relevant vehicle will be used to calculate Carbon Emission taxes.

If the importer has not arranged for a Credit Account, the duties are payable at the border, either in cash or per EFT. If a payment is done per EFT, Customs will release consignments only once the EFT payment has been verified at the Bank of Namibia, which may cause further delays. It is therefore **best practice to obtain a Credit Account** as soon as possible to avoid any future delays at border posts. Payment of Environmental Duties levied on a Credit Account will be due **30 days** after clearing of goods by the border Customs office.

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PwC Business School Training



PwC trainings for October:

Windhoek

4 Oct	Practical Approach to Basic Microsoft Excel
11 Oct	Basic Income Tax Training
20 Oct	Practical Approach to Intermediate Microsoft Excel
26-28 Oct	COBIT5 Foundation Training and Examination



Walvis Bay

17-18 Oct | Excel Skills for Remuneration Practitioners

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

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Or follow the link for more details on our website:
<http://www.pwc.com/na/en/events.html>

New Legislation Tracker

This diagram tracks on the progress of proposed tax legislation.

The following is the status of announced legislation up to 30 September 2016:



Tax Calendar - October 2016

Mon	Tue	Wed	Thu	Fri
17	18	19	20 <ul style="list-style-type: none"> • PAYE Returns; • Import VAT return; • Withholding Tax Returns: Services, Royalties & Interest; • NRST Return; and • VET Levy. 	21
24	25 <ul style="list-style-type: none"> • VAT return 	26	27	27
31 <ul style="list-style-type: none"> • Social Security payment; • 1st provisional for companies with an April 2017 year-end; • 2nd provisional for companies with October 2016 year-end; and • Tax return - companies with 31 March 2016 year-end. 				

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

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