

Tax First

Newsletter September 2011



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Research on proposed tax changes — PwC African Tax Network report

When proposed tax law amendments were announced by the Minister of Finance in July 2011, many taxpayers raised the questions: "Is this fair?" and "Do people in other countries pay these taxes as well?" With the tax changes in mind, PwC Namibia conducted a survey and asked our colleagues in the PwC Africa Tax network about taxes levied by other African revenue authorities.

The research covered comparisons on proposed changes to:

- Income Tax law, including withholding taxes;
- VAT Legislation;
- Stamp Duties and Transfer Duty;
- Customs and Excise legislation.

Some of our research findings are published in this issue. You can read our November issue for other survey results.

Withholding Tax - Namibia vs. Africa

The proposed amendments in the Press Release issued on 21 July 2011 by the Ministry of Finance included the introduction of withholding tax on *entertainment fees, management fees or consultancy fees* paid to a non-residents. This is an analysis of withholding taxes applied in a few African countries:

	Namibia	South Africa*	Botswana*	Zambia	Kenya	Mozambique	Tanzania
Royalties	10.2%	12%	15%	15%	20%	20%	15%
Management Fees	25% (proposed)	n/a	15%	15%	20%	20%	15%
Entertainment	25% (proposed)	15%	10%	15%	20%	20%	15%
Consulting fees	25% (proposed)	n/a	15%	15%	20%	20%	15%
Dividends	10%/20% proposed for <25% shareholding	7.5%	7.5%	15%	10%	20%	10 % (5% for Companies listed DSE)

*Double Taxation Agreement's may reduce the rates for payments to these countries

The VAT playing field—how do we compare

With the proposed Namibian VAT legislative amendments as a basis, PwC conducted a survey to compare Namibia with tax legislation in some other African countries. This is the result:

Question	Namibia	South Africa	Botswana	Zambia	Kenya	Mozambique	Tanzania
What is the VAT Registration Threshold?	Proposed increase from N\$200,000 to N\$500,000.	R 1 mil; N\$ 1 mil	BWP 500,000; N\$517,512	ZMK 200 mil; N\$282,594	KES 5 mil; N\$373,019	None	TZS 40 mil; N\$ 73,415
Is Voluntary VAT registration allowed?	Proposal to abolish voluntary Registration.	Yes	Yes	Yes	Yes	Yes	Yes
In principle, are VAT refunds to foreigners subsequent to exportation of goods allowed?	Proposal to abolish VAT refund to tourists and non-residents was removed by Cabinet.	Yes	Yes	Yes	Yes	No	Yes
Is the supply of medical and paramedical services standard rated, zero-rated or exempt?	Proposal to remove medical and paramedical services from zero-rated schedule to exempt schedule.	Standard Rated	Exempt	Exempt	Exempt	Exempt	Exempt
What is the VAT rate on the supply of livestock?	Proposal to introduce a standard rate (15%) on supply of livestock as is the case with game.	Standard Rate	Standard Rate	Exempt	Exempt	Standard rate	Exempt
What is the VAT rate on the direct export of commodities?	Initial proposal was removed by Cabinet to abolish the zero-rating and introduce standard rate on export of raw minerals unprocessed fish, livestock, game, crude oil and gas when consigns or deliver to address outside Namibia.	Zero-rated	Zero-rated	Exempt	Zero-rated	Zero-rated	Zero-rated

Export levies compared with other African Countries

In the tax proposals issued by the Ministry of Finance on 14 August 2011, an export levy of between 0% and 2% is proposed on exported raw minerals, unprocessed fish, game, livestock, crude oil and gas.

Currently an export levy of 10% is applicable on unpolished diamonds exported from Namibia.

The rate of the proposed export levy will vary based on specific industries and products.

A recent study conducted by PwC, investigated the export levies applied by some other African countries:

South Africa applies an export levy of 5% on unpolished diamonds. No other export levies are applicable.

Neither *Botswana*, *Zambia*, *Kenya*, *Mozambique* or *Tanzania* apply an export levy on goods exported.

Tax Calendar—October 2011

Monday	Tuesday	Wednesday	Thursday	Friday
17	18	19	20 • Import VAT return • PAYE return	21
24	25 • VAT return (Category A)	26	27	28
31 • Social Security payment • Tax return - companies with 31 March year ends; • 2nd provisional returns - companies with 30 April year				

Mergers and Acquisitions? Notify the Competition Commission

Section 44 of the Competition Act provides that the Competition Commission must be notified of all mergers and acquisitions.

“**Merger**” is defined to occur when one or more undertakings directly or indirectly acquire or establish direct or indirect control over the whole or part of the business of another undertaking.

“**Undertaking**” means any business carried on for gain or reward by an individual, a body corporate an unincorporated body of persons or trust in the production, supply or distribution of goods or the provision of any service.

The most common types of merger transactions include the sale or acquisition of assets, shares or interests in an undertaking and the amalgamation of two or more undertakings.

Where a merger is planned, both the buyer and seller must notify in the prescribed manner and obtain approval from the Commission prior to implementation of the proposed transaction.

For a merger effected in contravention of the Act, penalties (prescribed in s51 of the Competition Act) may be levied.

The Commission must within 30 business days of receipt of the notification either request further information or make a decision (approval, conditional approval or prohibition of the merger). If no request for further information is issued within 30 day, the transaction may be deemed to be approved.

The Commission must give notice of the determination made to the applicants in writing and in the Government Gazette.

The Commission will take the following public interest issues into consideration in making their determination:

- industrial sector/region;
- impact on employment;
- the ability of SME's owned by historically disadvantage persons to become competitive;
- the ability of national industries to compete internationally and benefits of research and development, technical efficiency, increase production, efficient distribution of goods/ provision of services and access to markets.



PwC Business School Tax Technical Training

We are pleased to announce our series of Tax Technical Training for Taxpayers seminars taking place in 2011/2012.

This initiative is designed to equip taxpayers with a working knowledge of Namibian taxation giving stakeholders such as in-house tax teams, accountants, academics and financial directors, an increased awareness of the tax risks affecting their businesses and/or personal finances.

Our seminar programmes taking place in Windhoek and Walvisbay including a selection of 2 hour seminars focused on selected industries as well as our annual tax first training during March and April 2012.

Please see the invitations to the Windhoek and Walvisbay Tax Technical Training attached to this newsletter.

Government Gazettes

Government Gazettes for the period 22 August 2011 until 16 September 2011 was included in this edition.

Government Notice

124-2011 Exemptions of the Namibian Institutes Supervisory Authority (NAMFISA) and the National Fishing Corporation of Namibia Ltd (FISCHOR) from certain provisions of State-owned Enterprises Governance Act as set out in the Schedule, 2006: Act No.2 of 2006.

General Notice

289-2011 Bank of Namibia published its Statement of Assets and Liabilities on 31 July 2011.

Bills in progress*

- B 6-2008 National Youth Service Bill
- B1-2010 Industrial Property Bill
- B7-2010 Namibian Planning and Construction Council Bill
- B 18-2010 Architectural and Quantity Surveying Bill
- B1-2011 Unit trust control Amendment Bill
- B3-2011 Pension Fund Amendment Bill
- B4-2011 Inspection of Financial Institutions
- B6-2011 Appropriation Bill
- B7-2011 Conferment of National Honours Bill

*Source: Parliament of Namibia
www.parliament.gov.na/bills*

In our next issue

Our November "Tax First" Newsletter we will continue the comparison to Tax laws in other African countries with specific focus on the proposed amendments on Namibian Income Tax, Stamp Duties and Transfer Duties.

Should you have any queries in this regard please feel free to contact one of our tax specialists.

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