



Tax First

Namibia Newsletter

September 2016

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

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Withholding tax on interest - knowing the difference

This article centers around the different withholding taxes on interest we have in Namibia and how each one is applied in practice.

1. Withholding tax on interest under Section 34A - Interest paid by Namibian Banks and Unit trusts

This type of withholding tax is mainly levied to individuals and not companies and is withheld by a banking institution (Commercial banks) or unit trust schemes (asset management firms) that offer investment products to individuals. Any interest earned by a person (other than a Namibian company), from a banking institutions or unit trust investment schemes is subject to withholding tax on interest at a rate of 10%.

It is the obligation of the payer (bank and unit trusts) to withhold this tax on behalf of the payee (being the person earning the interest) and pay this 10% over to Inland Revenue before or on the 20th of the month, following the month during which the interest accrued or was actually received by individuals. This tax withheld is a final tax.

Interest received must be included in the taxable income of all Namibian Companies.

Sometimes the determination of withholding tax on interest can become rather technical, as you will have to identify and differentiate between what amounts exactly relate to interest earned and which amounts relate to other forms of return on investments that are not subject to withholding tax on interest. It is recommended to speak to your fund manager/banker in this regard.

This is not new legislation and was introduced a number of years ago already.

2. Withholding tax on interest under Section 35B - Interest on foreign debt and loans

This type of withholding was introduced on the 30th of December 2015, as part of the Income Tax Act amendments.

It applies to any person or company (in Namibia) paying interest to a non-resident (foreign person). The Income Tax Act of Namibia indicates that interest is deemed to be paid, when it is actually paid or when the interest becomes “due and payable” by a resident to a non-resident (whichever one is earlier). It is the obligation of the Namibian resident to withhold this type of tax on any interest payments made, at a rate of 10%. This tax withheld is a final tax and the rate is similar to the one mentioned under Section 34A, but should not be confused between the two sections.

Exemption under this section of the Income Tax Act applies to Namibian Banks paying interest to Foreign Banks and any interest paid by the State to any person. In determining whether you should withhold withholding tax on interest, you will have to consider whether the payee is a non-resident at the date on which the interest is paid. Furthermore you should also contemplate whether or not there is a double taxation agreement that Namibia may have with the country in which the non-resident resides. There is a possibility that tax relief can apply.

This withholding tax is payable to Inland Revenue before or on the 20th of the month, following the month during which the tax was so deducted from interest payments.

This type of withholding tax would therefore typically apply to foreign loans payable by a Namibian company.

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Environmental Duties - stock on hand at 11 July 2016

Payment of Environmental Duties on affected stock on hand as at 11 July 2016:

Since the implementation of Environmental Duties in Namibia, Customs officials performed country-wide visits to businesses informing them to declare and pay Environmental Duties on all stock which fall under the categories listed in Government Gazette No. 6019 published 30 May 2016. The Public Notice dated 7 July 2016 and signed by the Permanent Secretary: Finance stated that the Environmental Duties will be payable on all goods on hand subject to the duty, although the goods have been entered for home use prior to 11 July 2016 and have "passed out" of Customs control.

The important question being: is the duty payable on stock imported after a certain date or all affected stock on hand as at 11 July 2016? Factors contributing to this confusion are summarized below:

- The list of goods subject to the duties was only published on 30 May 2016, but not yet enforced due to procedures to be implemented by the Customs Directorate.
- To add confusion, the Minister signed the Notice to be published on 18 April 2016 and gave notice in Parliament on 20 April 2016 that he imposes the Environmental Duties in terms of section 65(1) of the Customs and Excise Act, Act No. 20 of 1998 on the goods (to be published in the Government Gazette). The motion by the Minister of Finance was agreed to by Parliament.
- In a newspaper report it was stated that goods on hand will be subject to Environmental Duties on goods imported after 26 April 2016. On this date, however, the Minister of Finance introduced a motion in Parliament that leave be provided to introduce an Export Levies Bill, which is quite different from Environmental Duties.
- Customs insist that, in order to avoid arguments on as from which date the duty must be paid, all goods (irrespective of the date of importation prior to 11 July 2016) will be subject to the duty.
- Counter arguments to the latter would be regarding either 20 April or 30 May to 11 July as the timeframe to consider the duties payable on imported goods still on hand.

Businesses are therefore cautioned to ensure that the Environmental Duties are paid on affected goods on hand at 11 July 2016. The duties are payable on the strength of an affidavit only, and not through the Customs Asycuda system.

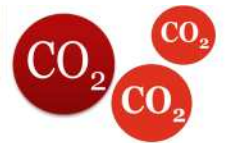
Should businesses not be certain on what to pay and since when, it is strongly suggested to obtain further professional assistance in this regard.

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Please note 31 August 2016 is the last day for payment of environmental duties in terms of the Customs and Excise Act, 1998 on stock on hand as at 11 July 2016.

Calculation of CO₂ Environmental Duties - Examples

Where **no certificate is available**, a formula will be applied for vehicles without a report to determine emission levels new vehicles:



Formula for Motor vehicles specified in:

151.01: Motor cars principally designed for the transport of persons	$\text{CO}_2 \text{ emission (g/km)} = 120 + (0.05 \times \text{engine capacity in cm}^3)$
151.02: Motor vehicles for the transport of goods	$\text{CO}_2 \text{ emissions (g/km)} = 140 + (0.07 \times \text{engine capacity in cm}^3)$

Example 1: Medium sized passenger vehicle 1.6 cc petrol (CO₂ g/km: 157)

Have Certificate

Duty payable: $(157 - 120) \times \text{N\$}40 = \text{N\$}1,488$

Does not have Certificate

Deemed emission: $120 + (0.05 \times 1600) = 200 \text{ CO}_2 \text{ g/km}$

Duty payable: $(200 - 120) \times \text{N\$}40 = \text{N\$}3,200$

Example 2: Double cab vehicle 2.8 liter diesel (CO₂ g/km: 199)

Have Certificate

Duty payable: $(199 - 140) \times \text{N\$}40 = \text{N\$}2,360$

Does not have Certificate

Deemed emission: $140 + (0.07 \times 2,800) = 336 \text{ CO}_2 \text{ g/km}$

Duty payable: $(336 - 140) \times \text{N\$}40 = \text{N\$}7,840$

New Legislation Tracker

This diagram tracks on the progress of proposed tax legislation.

The following is the status of announced legislation up to 31 August 2016:



Tax Calendar - September 2016

Mon	Tue	Wed	Thu	Fri
19	20	21	22	23
	<ul style="list-style-type: none"> • PAYE Returns; • Import VAT return; • Withholding Tax Returns: Services, Royalties & Interest; • NRST Return; and • VET Levy. 			
26	27	28	29	30
<ul style="list-style-type: none"> • VAT return 				<ul style="list-style-type: none"> • Social Security payment; • 1st provisional for companies with a March 2017 year-end; • 2nd provisional for companies with September 2016 year-end; and • Tax return - companies with 29 February 2016 year-end.

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

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PwC Business School

Annual Namibian Tax Symposium 2016

PwC Tax teams will again host our popular two-day Symposium on Namibian Income Tax, PAYE and VAT.

WHERE: Walvis Bay

DATE: 7 and 8 September 2016

VENUE: Pelican Bay Hotel

NOTE: You can book any one of the sessions or more than one session.

7 September 2016 Morning Session

Introduction to Income Tax
5 hour session, covering the following topics:

- Basic Income Tax Rules: Tax Framework; Gross income definition; Deductions; Capital allowances and Recoupment; Individual Taxes
- Thin Capitalisation & Transfer Pricing
- Withholding taxes

Time:
07h30 - 13h00

Cost:
N\$ 2000 (incl VAT) per delegate

7 September 2016 Afternoon Session

Employee Pay and Taxes

3 hour session, covering the following topics:

- Tax framework
- Total Cost to Company
- Employee's Tax

Time:
14h00 - 17h00

Cost:
N\$ 1200 (incl VAT) per delegate



8 September 2016

Basic VAT

Full Day session, covering the following topics: Imposition of VAT; Rules on supplies; Rules on input tax; Import VAT apportionment; VAT and accounting system

Time:
07h30 - 17h00 includes lunch

Cost:
N\$ 3000 (incl VAT) per delegate



Registrations close Thursday, 01 September 2016



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