



Tax First

Namibia Newsletter

September 2018

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

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MONITORING OF TAXABLE SUPPLIES FOR VALUE ADDED TAX PURPOSES

To be a VAT registered entity in Namibia, you are required to earn taxable supplies in excess of N\$500,000.00 in a 12 month period. Taxable supplies include standard rated (15%) and zero rated (0%) supplies. Entities making taxable supplies are thus liable to register for VAT, should their standard rated (15%) and zero rated (0%) supplies exceed the threshold of N\$500,000.00 for any 12 month period.

Entities registered for VAT, making taxable (standard and/or zero rated supplies), are entitled to claim input VAT credits on costs incurred to make such supplies. In other words, they can claim all the input VAT paid on expenses relating to providing these supplies, for example goods purchased, rent, water and electricity, etc. Entities which thus only generate zero rated supplies may claim all input VAT which relates to rendering the relevant zero rated goods or services.

Due to an increased focus on standard rated supplies, this sometimes leads to neglecting the correct treatment of zero rated supplies which ultimately places the entities in a non-compliant position.

Examples of Zero-rated supplies include the following:

- Supply of livestock (other than game);
- Supply of goods or services relating to the erection or extension of a residential building (i.e house / dwelling);
- Supply of telecommunications services such as DSTV accounts, telephone accounts provided to residential accounts (i.e. a natural person);
- Supply of goods and services by a charitable organization, children's home, old-age home and orphanage;
- A supply of dry white, or wet or dry brown granular sugar and fresh milk;
- Certain foodstuffs, for example the supply of mahangu, mahangu meals, maize meal; etc.

If you only supply goods or services that are regarded as zero rated supplies (i.e farmers selling livestock, or selling mahangu), the revenue from these transactions should be monitored regularly to determine if and when it exceeds the N\$500,000.00 threshold in any 12 month period.

Businesses only realize the importance of effectively managing zero-rated supplies once challenged by revenue authorities, or when penalties imposed on non-compliance erode hard-earned profits. This may result in losing out on potential input VAT you could have claimed. Furthermore, contraventions of the VAT Act relating to the omission of information may result in fines being levied by Inland Revenue (not exceeding N\$8,000.00) or imprisonment (to a maximum of 2 years).

One should keep detailed and complete accounting records of transactions as well as documentary proof of all transactions to minimize risks of non-compliance. Regular reviews should be made on all supplies made by the entity, to ensure and verify that the VAT treatment on all transactions are correct. Should you be in doubt, the safest way is to always consult with experts in this field.

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Venue hire

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DO'S AND DON'TS OF HOUSING ALLOWANCE BENEFITS FOR EMPLOYEES

Housing Allowances

Many employers offer housing allowances to their employees, where one third of the allowance granted is not subject to PAYE. What is important to note is that only where an employer has a registered housing scheme with the Directorate of Inland Revenue, can the employer offer this benefit to its employees. Specific criteria must also be considered when processing this allowance on the payroll.

The Namibian Income Tax Act specifies that a maximum of one-third of the allowance will not be subject to PAYE or income tax. However, the non-taxable benefit (i.e. one-third) is limited to the actual rental/bond repayment or the allowance, whichever is the **lesser**.

To reduce the possibility that an employee will receive a tax benefit in excess of what he/she is entitled to, it is recommended that employers have verification on file of the rental contract confirming the monthly rental payable or the bond agreement between the employee and the third party. The combined housing allowances of an employee and his/her spouse may not exceed the monthly rental or the bond payment.

The housing allowance is limited to only one residential accommodation in which the employee primarily resides. Therefore, housing allowances cannot be applied to an employee's investment property.

Free Housing and Housing Subsidies

If an employer provides free or subsidised housing to its employees, this is considered a fringe benefit and will become taxable in the hands of the respective employees. For the fringe benefit to be included in the taxable income of such employees, the value of the benefit will need to be determined. Inland Revenue has provided the following guidelines:

Housing owned by the employer

A table has been issued by Inland Revenue to determine the value of the fringe benefit in cases where the property is owned by the employer. The value of the fringe benefit depends on the location of the residential property and the number of rooms. The table was issued in 1993 and although the rates provided are out-dated, they nevertheless still apply.

"Rooms" mean living rooms, such as bedrooms, lounge, dining room, but exclude the kitchen, scullery, pantry, bathrooms, toilets, shower cubicle, lobby, corridor, laundry, bar and outbuildings.

Housing rented by the employer on behalf of the employee(s)

The value of the fringe benefit will be equal to the value of the rental paid to the landlord by the employer, less any amount recovered by the employee (if and where applicable).

Housing subsidies

Employers may also provide housing subsidies to their employees. This means that the employer funds a portion of the interest payable on behalf of the employee. The amount paid by the employer is considered to be a fringe benefit taxable in the hands of the employee.

In all three cases, if the employer has a registered housing scheme with Inland Revenue, one third of the value of the housing benefit is tax-free (i.e. the employee will only be taxed on 2/3 of the value of the housing that is seen as a fringe benefit).

If you are concerned that housing benefits granted to your employees are not correctly treated for tax purposes, please feel free to contact us. We can perform a detailed review of your payroll to determine possible risks and provide you with guidance on corrective measures, where necessary.

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PwC Business School Training Calendar



Upcoming training dates:

Windhoek

| | |
|------------|---|
| 3-4 Sept | USAID & CDC Financial Management & Compliance 2018 and Beyond |
| 5 Sept | Internal Controls under the revised "Green Book" Training |
| 12-14 Sept | Finance for Non-Financial Managers |
| 13 Sept | IFRS Update Training |
| 20 Sept | Basic Directors Training: Duties and Liabilities of Directors |

Walvis Bay

| | |
|------------|---|
| 11 Sept | IFRS Update Training |
| 18 Sept | Annual Tax Symposium—Employee Taxes |
| 18-19 Sept | Annual Tax Symposium—Basic VAT Training |
| 20 Sept | Annual Tax Symposium—International Tax & Transfer Pricing |
| 10-11 Oct | Excel Skills for Remuneration Practitioners |

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

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

Individual tax rate lower bracket to decrease from 18% to 17% and introduction of higher brackets:
> N\$1.5 mil 39%
> N\$2.5 mil 40%

Abolish current practice of the **conduit pipe** (flow-through) principle in the taxation of trusts.

Establishment of **Revenue Authority** - planned implementation for late 2018.

Explore a profit tax of 37% on **betting and gaming** entities.

VAT on income earned by listed **asset managers**.

Subject income derived from **commercial activities** by charitable, religious, educational and other types of institutions under Section 16 of the Income Tax Act to normal corporate tax.

Expand coverage of current **Export Levy Act** to include other products not covered.

Introduction of 10% **dividend tax** on dividends paid to local residents.

Deepen the current hybrid tax system by taxing all income earned from **foreign sources**.

VAT on proceeds on sale of shares or membership in a company owning **commercial immovable property**.

Tax Calendar - September 2018

| Mon | Tue | Wed | Thu | Fri |
|--|--|-----|---|---|
| 17 | 18 | 19 | 20 | 21 |
| | | | <ul style="list-style-type: none"> Import VAT return; VET Levy return; PAYE return; Withholding Tax returns: Services, Royalties, Interest; NRST. | |
| 24 | 25 | 26 | 27 | 28 |
| | <ul style="list-style-type: none"> VAT return | | | <ul style="list-style-type: none"> Social Security payment |
| October <ul style="list-style-type: none"> 1st provisional for taxpayers with March 2019 year-end; 2nd provisional for taxpayers with September 2018 year-end; Tax return for companies with 28 February 2018 year-end. | 1 | | | |

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