



Tax First

Namibia Newsletter

September 2021

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

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What are Customs duties and when must they be paid?

What are customs duties?

Customs duties are regarded as the oldest form of tax and already existed in the third millennium B.C. in the ancient, advanced civilizations of Egypt, Greece, the Roman Empire and the Far East. Collections of customs duties primarily served to cover financial needs of the state imposing them. The word "customs" can be traced to the Greek word "teloneum" which means "tax".

In ancient Greece, the practice of paying tax originated from gifts that foreign merchants were expected to present to the rulers in return for protection and preferential treatment in the regions where the foreign merchant wanted to trade.

Fortunately customs duties in our times are determined in terms of sophisticated processes, taking into account factors such as implementing governments' trade policies, promotion and protection of local industries, implementation of trade agreements, resisting anti-dumping practices, tariff reduction programmes and revenue collection.

When are customs duties payable?

"Customs duty" is defined in the Customs and Excise Act, 1998 (Act No. 20 of 1998 – "the Act") as "any duty leviable under Schedule 1 on goods imported into Namibia. Schedule 1, Part 1 to the Act is based on the (global) Harmonized System classification of goods and provides for detailed classification and duty structures under 99 Chapters.

Namibia started to collect duties since March 1990 following Independence in line with the SACU agreement. Members of the Southern African Customs Union ("SACU") do not levy customs duties on goods originating in another member state, for example goods with a South African origin, are not subject to customs duties, but import VAT is leviable. Goods originating in a non-SACU member country are subject to customs duties, whilst considering trade preferential agreements with Namibia.

Customs duties are payable when the goods are cleared for home consumption at the point of entry into Namibia. This means that the goods may only be released once payment has been made to Customs since no general deferment facility to payment of customs duties exists (as with import VAT).

Goods imported under a bonded warehouse procedure may be entered into a bonded warehouse in Namibia without payment of customs duties at the entry point. The duties then become payable once the goods are released for home consumption in Namibia.

Since customs duties are a final tax and generally not refundable, it is advised that proper customs duty planning is carried out prior to large imports to alleviate significant strains on cash-flow, payment challenges to Customs and costly delays at the point of entry into Namibia.



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Income Tax on Obsolete Stock Provisions

It is common for businesses that trade in goods to encounter within their stock levels, obsolete products or products fast approaching obsolescence.

This is most common for enterprises operating in the retail industry, especially those selling fresh produce or products with a short shelf life. However, expiration is only one of the many causes for obsolete stock. Other causes can be damages, deterioration, changes in fashion trends, decreases in market values or any other reason that the Minister of Finance may be satisfied with.

Therefore, obsolete stock may be regarded as products that are unlikely to be sold in future or unlikely to be sold at their initially intended value.

Income Tax Act Implications

Under Section 22 of the Namibian Income Tax Act No. 24 of 1981 ("Income Tax Act"), a taxpayer may deduct an obsolete stock allowance amount "as the Minister may think is just and reasonable". Two requirements are imposed on the Commissioner.

Firstly, the Commissioner must identify whether the reason for reflecting stock at a value that is less than cost price is 'satisfactory'. Secondly, the Commissioner should establish whether the amount by which the stock value is reduced to (below cost price) is 'just and reasonable'.

The Approach

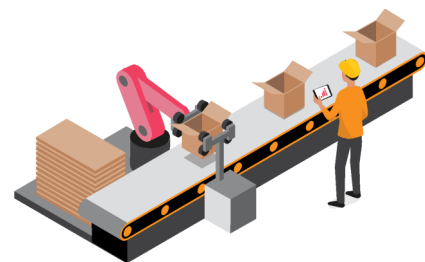
As of yet, no practice note has been issued by Inland Revenue/NamRA in respect of the treatment of obsolete stock provisions for income tax purposes. Previously, Inland Revenue (now NamRA) indicated in general rulings that a taxpayer may not automatically deem an amount as deductible, due to the fact that the Minister of Finance has discretion on the matter.

Therefore, the risk arises that NamRA may disallow a provision for obsolete stock unless a taxpayer has written confirmation from the Minister of Finance on the formula to be used for deductions.

In Conclusion

As a recommendation, taxpayers that carry the burden of obsolete stock provisions are encouraged to submit a ruling request to NamRA, in confirming the correct treatment of the amount (for income tax purposes). Most importantly, a taxpayer should always seek to consult an experienced tax professional, in finding comfort on their tax affairs.

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PwC Business School | Upcoming Training Sessions

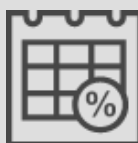
Job Evaluation Principles
8 hour
Virtual Session
2 September 2021



Bitesize: Tax Considerations for Farmers and Ring-Fencing
1.5 hours
Virtual Session
24 September 2021



Annual Tax Symposium
2.5 to 5 hours
Virtual Sessions
6 to 10 September 2021



IFRS for SMEs
5 hour
Virtual Session
28 September 2021

Interested in attending?

Contact the PwC Namibia Business School at:
Email: na_busschool@pwc.com
Telephone: +264 (61) 284 1190



"The PwC Business School's virtual training sessions allow our participants to attend up-skilling hassle free, in the comfort of their own home/office."

New Tax Legislation Tracker

This diagram tracks the progress of proposed tax legislation. The following is a status of proposed legislative changes up to 31 August 2021. Based on the Minister of Finance, Hon. Ipumbu Shiimi's 2021/22 Annual Budget Speech in March 2021, majority of these proposals will come into effect during the 2022/23 fiscal year.

Introduc-
tion of
**Special
Economic
Zones**
(with sun-
set clause).

Introduce
VAT on
manage-
ment fees
of listed
**asset
managers**

Reduction
in the
corporate
tax rate of
**non-
mining
companies**

VAT
zero-rating
on
**sanitary
products**

Review
withholding
tax on
interest
from unit
trusts
relating to
**Namibian
companies**

Increase
tax
deductibility
of **pension,
retirement
fund & edu
policy
contribu-
tions** from
N\$40,000
to
N\$150,000
p.a.

Introduce a
10%
**dividend
withhold-
ing tax** for
dividends
paid to resi-
dents.

Tax Calendar | September 2021

Important Submission dates for September 2021

Monday, 20th of September

- VET Levy return;
- Import VAT return;
- PAYE return;
- Withholding Tax returns:
Services, Royalties, Interest;
NRST

Monday, 27th of September

- Value Added Tax Return

Thursday, 30th of September

- Social Security return
- 1st provisional for taxpayers with a
March 2022 year-end;
- 2nd provisional for taxpayers with a
September 2021 year-end;
- Tax return for companies with a
February 2021 year-end;

Contact us:



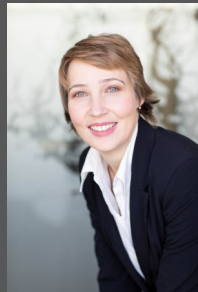
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