

Namibian Budget Highlights

"Economic revival and caring for the poor"

February 2023



Introduction

The 2023/2024 Budget Statement was delivered by the Honourable Minister of Finance, Mr Ipumbu Shiimi, on 22 February 2023.

No new tax proposals were made in the 2023/2024 Budget Statement.

Tax proposals

The Minister took an in-principle decision to delay the announcement and implementation of tax policy and tax administration reforms that may hamper economic recovery and to fast-track measures that provide relief to some taxpayers. In this regard, the Minister confirmed that Government has resolved to reduce the non-mining corporate tax rate to 31% with effect from 1 April 2024 and to 30% with effect from 1 April 2025. Government also resolved to increase the tax threshold for individuals from N\$50 000 to N\$100 000 that will be effective in the 2024/2025 financial year.

The Income Tax Amendment Act, Value-Added Tax Amendment Act and the Stamp Duties Amendment Act that contain tax proposals from previous years were gazetted on 29 December 2022 and became effective on 1 January 2023 (unless otherwise indicated). Below is a summary of the amendments contained in those Acts:

Income Tax Amendments

- ▶ Expansion of deemed source provisions to include amounts from sales of petroleum licences or rights to mine petroleum, as well as shares in companies that directly or indirectly own such licences or rights irrespective of:
 - ▶ whether the transaction was concluded in or outside of Namibia;
 - ▶ the place where such amount is paid; or
 - ▶ the place where the funds from which such payment is made are held.
- ▶ Premiums paid in respect of company owned policies where the premiums are included in the taxable income of the director or employee of the taxpayer/company are no longer deductible.
- ▶ Tax deductible retirement fund, educational policy and company owned policy contributions increased from N\$40 000 to N\$150 000 per year, effective from 1 March 2022.
- ▶ Thin capitalisation - introduction of a debt-to-equity safe harbour of three-to-one and the limitation of tax deductible expenditure in respect of interest and foreign exchange losses to financial assistance falling within such ratio.
- ▶ Introduction of provisions which allow for the filing of returns in an electronic format and that waive the requirement that such returns must be signed by the person filing the return.
- ▶ Provisions that allows electronic assessments to be issued in future.
- ▶ Changes to provisions that deal with accounts and recovery proceedings which now provide that where a taxpayer owes interest, penalties and taxes, amounts paid will be allocated first to outstanding tax, then to interest and then to penalties.

Value-added tax Amendments

- ▶ The introduction of a new category for VAT registrations, covering persons carrying on a taxable activity or intending to carry on a taxable activity that are only likely to make taxable supplies after a period of time.
- ▶ The introduction of provisions that provide that input tax and import VAT are only claimable where the taxable activity conducted by the registered person in the period or preceding periods is connected with the making of taxable supplies.

- ▶ Specific provisions that ensure that input tax or import VAT paid by persons registered under the new category for VAT registration may be claimed, despite the fact that such input tax or import VAT is not connected to the making of taxable supplies.
- ▶ The zero rating of sanitary pads.
- ▶ A definition of the term "assessment" was included in the VAT Act.
- ▶ Section 25 of the VAT Act was amended to enable the Commissioner to determine the manner in which a tax return or notice of assessment may be furnished or served by NamRA.
- ▶ Changes to provisions that deal with accounts and recovery proceedings which now provide that where a taxpayer owes interest, penalties and taxes, amounts paid will be allocated first to outstanding tax, then to interest and then to penalties.
- ▶ Specific provisions were introduced in terms of which, interest on delayed refunds will not apply to refunds claimed by voluntary registered persons, whose refund claims were put on hold or rejected prior to the commencement of the amendment.

Stamp Duties Amendments

- ▶ Definitions for the terms assets, securitisation and special purpose entity were introduced.
- ▶ A new stamp duty of N\$100 was introduced on transfers of stamped bonds for securitisation where such bonds are transferred to a special purpose entity or for Bank of Namibia purposes.

Tax Arrears Relief Programme

The Tax Arrears Relief Programme was extended again and ends on 30 October 2024. Taxpayers that register as electronic filers on the Integrated Tax Administration System (ITAS) and register to participate in the program may benefit from the waiver of penalties and interest on overdue amounts owing to NamRA.

To qualify for the relief, taxpayers are required to settle all capital amounts owing upon which all penalties owing to NamRA will be written off. We note that the Minister also stated that all interest will be written off, but caution that this may have been an oversight as the relief programme currently only allows for 60% of the interest to be written off.

Tax synopsis

Tax rates remain unchanged and are as follows:

Income Tax

Companies and Close Corporations	
Non-mining: sale of goods or services rendered	32%
Hardrock mining companies and companies mining for a hard rock mining licence holder	37,5%
Diamond mining companies and companies mining for a diamond mining licence holder	55%
Oil and gas extraction companies	35% + additional profits tax
Registered manufacturing companies*	18% in first 10 years of registration period, 32% thereafter
Export processing zone enterprises	Exempted until 31 December 2025

Manufacturing enterprises are no longer able to apply to the NamRA to be classified as a registered manufacturer after the repeal of the incentives granted to registered manufacturers effective from 31 December 2020. With that being said, the reduced tax rate of 18% will continue to apply to the end of the 10 year period from date of registration as registered manufacturer.

The maximum marginal rate for individuals for the year of assessment ending 28 February 2024 remains unchanged at 37% and applies to taxable income that is in excess of N\$1 500 000. The minimum tax threshold currently remains unchanged at N\$50 000. The detailed tax rates are set out in the table below.

Tax Rates for Individuals and Trusts for the year of assessment ending 28 February 2024			
Taxable amount			
From N\$	To N\$	Amount N\$	Marginal %
0	50 000	0	0
50 001	100 000	0	18
100 001	300 000	9 000	25
300 001	500 000	59 000	28
500 001	800 000	115 000	30
800 001	1 500 000	205 000	32
1 500 001	And over	429 000	37

Withholding taxes

Tax rates apply as follows	
Consulting, management, administrative, technical or similar in nature fees	10%*
Directors' fees and entertainer fees	25%*
Foreign interest	10%*
Royalties including rentals in respect of goods	10%*
Non-resident shareholders' tax - companies holding at least 25% shares in a Namibian company	10%*
Non-resident shareholders' tax - in all other cases	20%*

Key Contacts

For more information, advice or consultation, please contact the following persons:

Double taxation agreement relief not considered.

Value-Added tax (VAT)

The VAT registration threshold remains unchanged at N\$500 000. Set criteria apply to voluntary VAT registration and VAT import accounts.

Transfer duty

Transfer duty rates payable on the transfer of fixed property, including mining rights by individuals are as set out below:

Transfer duty rates			
Value of land		Transfer duty	
From N\$	To N\$	Amount N\$	Rate %
0	600 000	0	0
600 001	1 000 000	0	1
1 000 001	2 000 000	4 000	5
2 000 001	and over	54 000	8

Transfer duty is payable at a rate of 12% by any person other than a natural person on the transfer of fixed property, including mining rights.

Excise duty

The excise duty was increased as follows with effect from 23 February 2023 on the following products:

Beverages		Cigarettes	
↑ N\$5.99 Malt beer per litre	↑ N\$0.12 Sparkling wine per litre	↑ N\$0.98 Cigarettes per packet of 20	↑ N\$237.79 Cigars per kg
↑ N\$0.24 Unfortified wine per litre	↑ N\$12.08 Spirits per litre		
↑ N\$5.99 Ciders and alcoholic fruit beverages			

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