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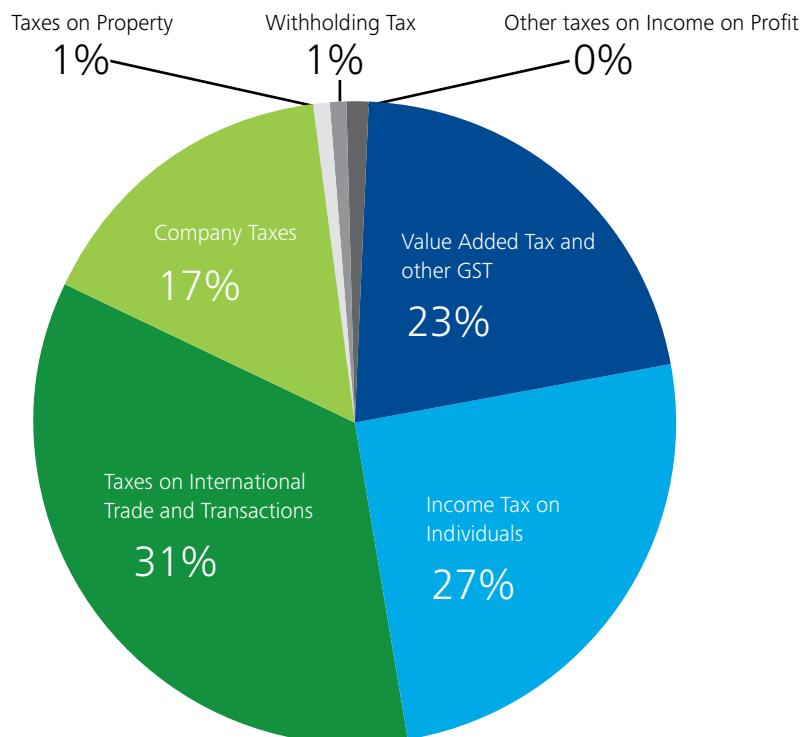
Consolidated Commentary
Namibian Budget
Newsletter

In this budget edition of our newsletter we summarised some economic and tax comments made by the Honourable Minister of Finance, Calle Schlettwein, during the reading of the 2015/2016 Budget Speech earlier today, 31 March 2015.

Budgeted revenue and expense breakdown

Total revenue for 2013/2014 was N\$ 42.1 billion (of which tax revenue was N\$ 38.9 billion) and estimated total revenue for 2014/2015 is N\$ 52.4 billion (of which tax revenue is estimated to be N\$ 49.2 billion). Estimated revenue for 2015/2016 is N\$ 58 billion (of which tax revenue is expected to be N\$ 55.8 billion).

2015/16 estimates



Tax policy proposals

The Minister confirmed the introduction of a presumptive tax for SMEs which was announced in the 2014/2015 budget. In conjunction with the simplification of the tax regime for SMEs the Minister plans to curb tax evasion by entities that are trading as normal business but are registered as trusts, charitable organisations or other exempt entities for tax purposes.

A presumption tax for SMEs is welcomed mainly due to the expected reduction in compliance costs for such taxpayers.

The Minister further announced the set-up of a Commission to investigate the equity and effectiveness of the Namibian tax system. The aim of the investigation is threefold:

- broadening the tax base
- improving the share of the tax burden
- maintaining the competitiveness and effectiveness.

The set-up of the Commission is welcomed, because of the lack of efficiency in the current tax administration.

Confirmation of previous proposals

The Minister confirmed the following tax amendments that were previously proposed:

The **corporate tax rate** for non-mining and non-manufacturing enterprises will reduce from 33% to 32%

Despite the confirmation of the reduced rate, the effective date still remains uncertain. The rate was initially expected to be promulgated during the course of the 2014 calendar year.

First phase of **environmental taxes** being carbon dioxide emissions on motor vehicles, incandescent light bulbs and motor vehicle tyres will be introduced.

Although confirmed, no mention was made of the applicable rates and the effective date of implementation.

The **Value-added tax** registration threshold which is currently N\$ 200 000 will be increased to N\$ 500 000.

This amendment is long awaited as the threshhold has never been changed since the introduction of VAT in 2000. The increase will reduce the administration for Inland Revenue as well as smaller enterprises.

Criteria for **voluntary VAT registration** and **import VAT accounts** to be introduced.

Currently now criteria is set for voluntary VAT registration and registration of import VAT accounts. Although we understand the need for such criteria the new criteria might make it more difficult for certain industries to voluntary register for VAT and to register for import VAT.

Security on import VAT account: Mandatory security to be provided against deferment of import VAT payments. The effective date is likely to be 1 July 2015.

This announcement is made to ensure the payment of import VAT. However, we can foresee some administrative challenges with the implementation.

Reduction of **withholding tax on services** rate: proposed reduction of withholding tax on services rate from 25% to 10%.

This proposal is highly welcomed and does make Namibia more competitive and more attractive to investors.

Restraint of trade payments to become taxable in the hands of the recipient.

This announcement is in line with prevailing tax treatment of similar payments in the region.

Proceeds received on the **sale of a petroleum licence or rights** to explore, develop and produce petroleum to become taxable.

This proposal will bring the petroleum industry in line with the other mineral industries. The mineral industry has been subject to tax on the sale of mineral rights and shares in companies that hold mineral rights since January 2012.

Transfer Duty Amendments: introduction of transfer duty on the sale of shares in companies and members' interest in close corporations owning property, commercial property, land and mineral licences.

This announcement confirms the extension of transfer duties to companies and close corporations. The effective date has not been confirmed.

Tax Administration

The Minister confirmed that the implementation of various tax administration and business process re-engineering reforms will continue. Part of the process includes the introduction of e-filing by 2016 and the establishment of a Revenue Agency.

This is a topical issue for all taxpayers and is expected to improve the efficiency of tax administration.

Sin taxes

The 2015/2016 excise duty rates were reviewed in line with the provision of the SACU Agreement and the South African Minister of Finance announced the rates on the 25th February 2015. The new excise duty rates are:

Product	Increased by	Increased by
Fortified wine (e.g. brandy)	R0.25/litre	4.8%
Sparkling wine	R0.64/litre	7.0%
Spirits	R11.69/litre of absolute alcohol	8.5%
Cigarettes	R0.91/ 20 cigarettes	7.0%

Taxes not mentioned

The Minister did not announce any changes to the individual tax rates. He also did not announce any changes to exchange control regulations. Furthermore, he did not mention the introduction of export levies and capital gains tax. Both taxes were discussed in the 2014/2015 budget.

The information contained in this guide is for general guidance only and is not intended as a substitute for specific advice in considering the tax effects of particular transactions. While every care has been taken in the compilation of the information contained herein, no liability is accepted for the consequences of any inaccuracies contained in this guide.