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International tax

Namibia Highlights 2015

Investment basics:

Currency – Namibian Dollar (NAD). Parity is maintained with the South African Rand (ZAR).

Foreign exchange control – Inward investment is relatively unrestricted, but requires prior approval of the Bank of Namibia. Dividends paid out of revenue profits can be remitted freely. Interest may be remitted if the loan was preapproved by the Bank of Namibia. Foreign currency accounts may be held by residents. Outward investment is restricted.

Accounting principles/financial statements – Namibia has adopted IFRS, having previously substantially followed South African GAAP. Annual audited financial statements are required for all registered companies and external companies.

Principal business entities – These are the public and private limited company, external company (branch of a foreign company), close corporation, partnership, joint venture and sole proprietorship.

Corporate taxation:

Residence – A corporation is resident if it is incorporated in Namibia.

Basis – Resident and nonresident entities are subject to Namibian income tax only on taxable income arising in, or deemed to arise from, a source within Namibia.

Taxable income – Taxable income is calculated as gross income, less exempt income and deductions. Gross income is the total amount, in cash or otherwise, received or accrued during the tax year from a source within (or deemed to be within) Namibia, excluding receipts or accruals of a capital nature. Certain amounts are specifically included in gross income, regardless of their source or capital nature.

Taxation of dividends – Dividends received by a resident are exempt from income tax. Dividends received by a Namibian company from outside Namibia are not subject to nonresident shareholders' tax (NRST) upon redistribution to foreign shareholders.

Capital gains – There generally is no tax on capital gains arising, or deemed to arise, from a source within Namibia. However, any income received or accrued from the sale, donation, expropriation, cession, grant, transfer or other alienation of a license or a right to mine minerals in Namibia will be taxable in Namibia, regardless of where the transaction will be concluded, the place where payment for the transaction will be made or the place where the funds from which payment is made are held. Similarly, the sale of shares in a company that holds a license or has a right to mine minerals in Namibia is taxable.

Losses – Tax losses may be carried forward indefinitely for set off against future taxable income, provided the entity does not cease to trade. Losses may not be carried back.

Rate – The standard corporation tax rate is 33%. Mining companies (including mining service companies), excluding those mining diamonds and petroleum, pay tax at a flat rate of 37.5%. The effective tax rate for diamond mining and diamond mining services companies is 55%. The rate for petroleum mining companies is 35%. Nonmining income earned by mining companies is taxed at 33%. Recoupment of mining assets is taxed at the mining tax rate. The tax rate for registered manufacturers is 18% for their first 10 years. Recoupment of manufacturing assets is taxed at the manufacturing tax rate.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – A foreign tax credit may be obtained only for tax paid to jurisdictions with which Namibia has concluded a tax treaty.

Participation exemption – No

Holding company regime – No

Incentives – A number of incentives are available, such as manufacturing and export incentives and incentives for companies in Export Processing Zones. These incentives generally are designed to assist manufacturers or exporters, encourage employment, bolster Namibia's foreign reserves and promote Namibia as a trade center for the region. Tax depreciation allowances are granted for the construction of buildings and the acquisition of capital equipment.

Withholding tax:

Dividends – Dividends paid to a nonresident that holds 25% or more of the Namibian payer company are subject to NRST at 10%, unless the rate is reduced under a tax treaty. Dividends paid to a nonresident that holds less than 25% of the Namibian payer company are subject to a 20% NRST, unless the rate is reduced under a tax treaty.

Interest – Both residents and nonresidents are taxable on Namibian interest income (subject to certain exemptions and tax treaty relief). Namibian-registered banks and Namibian-registered unit trust management companies are required to withhold a final tax of 10% from interest accruing to an individual, trust, non-Namibian company or estate of a deceased person. Namibian companies and entities that normally are exempt from tax (e.g. pension funds) are excluded from this requirement).

Royalties – Royalties paid to a nonresident are subject to a withholding tax of 9.9%, unless the rate is reduced under a tax treaty.

Technical service fees – Fees paid to a nonresident for management, administrative, consulting, technical or similar services are subject to a 25% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax – Profit distributions by local branches are not subject to NRST or other branch profits tax. However, NRST is payable when Namibian branch profits are distributed as dividends by the nonresident head office.

Other – Fees paid to nonresident entertainers involved in motion pictures, radio, television or theatre are subject to a

25% withholding tax, unless the rate is reduced under a tax treaty. Fees paid to nonresident directors also are subject to a 25% withholding tax, but the rate may not be reduced by a treaty.

Other taxes on corporations:

Capital duty – No

Payroll tax – Tax on employment income must be withheld by the employer under the pay-as-you earn system and remitted on a monthly basis to the Receiver of Revenue.

Real property tax – No

Social security – Both the employer and the employee are required to make social security contributions at a rate of 0.9% of the employee's basic salary income, up to a maximum of NAD 81 per month. The employer must make employee compensation contributions for employees whose pay is below a specified threshold.

Stamp duty – Stamp duty is imposed on various instruments, such as the transfer of shares, transfer deeds and partnership agreements, at scheduled rates.

Transfer tax – Transfer duties are imposed on the sale of real property.

Other – No

Anti-avoidance rules:

Transfer pricing – Transfer pricing rules apply when transactions between related parties are not carried out on arm's length terms.

Thin capitalization – Thin capitalization rules have been introduced, but no ratio has been confirmed by the tax authorities. For practical purposes, the exchange control regulation ratio (i.e. 3:1 debt-to-equity) is used for tax purposes.

Controlled foreign companies – No

Other – The Minister of Finance has the authority to redetermine a taxpayer's liability upon a determination that a transaction or scheme has not been entered into at arm's length, or otherwise has the effect of avoiding or postponing a tax liability.

Disclosure requirements – No

Compliance for corporations:

Tax year – The tax year corresponds to a corporation's financial year.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – Provisional tax returns are due six months after the beginning of a corporation's financial year and at year end. Final tax returns, together with a computation of taxable income and the payment of any corporation tax owed for the relevant tax year, are due within seven months after the taxpayer's year end. Reasonable extensions may be granted to submit tax returns.

Penalties – Taxpayers that file their tax returns late or fail to file are subject to various penalties.

Rulings – A ruling may be obtained from the tax authorities, if required.

Personal taxation:

Basis – Resident and nonresident individuals are taxable on all income received or accrued from a Namibian source, or deemed source, that is not of a capital nature.

Residence – The tax treatment of residents and nonresidents normally is the same. Questions of residence generally are not relevant unless the nonresident is from a country that has concluded a tax treaty with Namibia.

Filing status – Namibia employs a self-assessment tax regime under which spouses are taxed separately on their income.

Taxable income – Taxable income is an individual's gross income, less exempt income and deductions.

Capital gains – Capital gains normally are not taxable in Namibia.

Deductions and allowances – Individuals may deduct contributions to approved pension funds, provident funds and retirement annuity funds, and premiums with respect to educational policies, subject to an aggregate limit of NAD 40,000. No deductions are granted to individuals for medical expenses (employers liable for such expenses may deduct them, subject to certain limits).

Rates – Namibia operates a self-assessment regime and rates are progressive up to 37%.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is imposed on various instruments, such as a transfer of shares, transfer deeds and partnership agreements, at scheduled rates.

Capital acquisitions tax – No

Real property tax – No

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Both the employer and the employee are required to make social security contributions at a rate of 0.9% of the employee's basic salary income, up to a maximum of NAD 81 per month. The employer must make employee compensation contributions for employees whose pay is below a specified threshold.

Compliance for individuals:

Tax year – The tax year for individuals is 1 March to 28 February.

Filing and payment – Salaried individuals must file their returns by the end of June. Tax on employment income is withheld by the employer under the pay-as-you earn system and remitted on a monthly basis to the Receiver of Revenue. Individuals who derive income from business or farming activities must register as provisional taxpayers. For nonfarmers, two provisional tax payments are due, on 31 August and 28 February. Farmers must make one provisional tax payment on 28 February. Final tax returns must be filed by the end of September.

Penalties – Taxpayers who file their tax returns late or fail to file are subject to various penalties.

Value added tax:

Taxable transactions – VAT is imposed on the supply and import of most goods and on the provision of services.

Rates – The standard rate is 15% (16.5% effective rate for imports). Certain goods and services are zero-rated, such as direct exports of goods, international transport services, sales of businesses as going concerns, certain services rendered to nonresident persons and sales of some basic food items.

Registration – Enterprises with turnover of NAD 200,000 or more of taxable supplies in any 12-month period are required to register for VAT purposes. Enterprises with a turnover of less than NAD 200,000 may elect to register voluntarily.

Filing and payment – VAT returns must be filed bimonthly.

Source of tax law: Income Tax Act, Value Added Tax Act, Stamp Duty Act, Petroleum Taxation Act, Transfer Duty Act, Social Security Act

Tax treaties: Namibia has concluded 11 tax treaties.

Tax authorities: Inland Revenue, Receiver of Revenue

International organizations: SADC, SACU, Common Monetary Area (South Africa, Lesotho, Swaziland, Namibia)

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