



# Repeal of Tax Incentives for Manufacturers and Export Processing Zones

## Effective Dates

Tax Alert 1/2021 - Namibia

On the 8<sup>th</sup> of June 2020, Parliament passed the 2020 Income Tax Amendment Act (“the 2020 Amendment Act”) to repeal certain tax incentives granted to registered manufactures and EPZ entities. The 2020 Amendment Act was passed without any effective dates at that time. On 31 December 2020, effective dates were published in Government Gazette number 7431 of 2020 (Government notice 329), the details of which are noted below.

### Manufacturing Amendments

The 2020 Amendment Act states that registration as manufacturer will be repealed (“registration repeal”) as well as corresponding manufacturing incentives. Manufacturing incentives are not defined in the 2020 Amendment Act, but we understand that the amendment is aimed to repeal the following:

- Reduced corporate tax rate of 18% for ten years;
- 25% additional allowance in respect of remuneration and training costs of employees directly involved in the manufacturing process (Section 17A);
- 25% additional allowance in respect of marketing and advertising related expenses in respect of exported goods manufactured or produced in Namibia (Section 17B); and
- 25% additional allowance on land-based transport (road and rail) costs of materials and components used in the manufacturing activities and imported equipment used in the manufacturing process for ten years (Section 17D).

The 2020 Amendment Act states that the repeal of the incentives will be effective one tax year after the registration repeal has become effective.

The 2020 Amendment Act also repeals the section 17C allowance (export allowance) provision (note this provision does not require someone to be a registered manufacturer).

Please refer to our Tax Alert 1 of 2020 [here](#) for further details on the amendment bill that preceded the 2020 Amendment Act.

### Effective date of repeal to register as manufacturer

The repeal of registration of companies conducting manufacturing activities in Namibia as registered manufacturers comes into effect as from 31 December 2020.

Thus, Inland Revenue will no longer be accepting applications from companies to be recognised as registered manufacturers.

### Effective date of repeal of special tax incentives granted to registered manufacturers

Government Gazette 7431 is silent on the effective date of the repeal of the manufacturing incentives (i.e. section 17A, 17B, 17D and the tax rate), but given the wording of the 2020 Amendment Act, the incentives will cease to apply at the end of the first tax year after 31 December 2020, i.e., at the end of tax years commencing after 31 December 2020.

Please note that “the tax year” is not defined in the 2020 Amendment Act or the principle Income Tax Act but we assume this to be the year of assessment.

However, based on discussions with Inland Revenue we understand that the intention is for manufacturers that are registered at 31 December 2020 to continue to enjoy the registered manufacturing incentives (sections 17A, 17B, 17D and the tax rate) subject to the conditions and requirements in those provisions. This intention did however not come through in the 2020 Amendment Act and the effective dates noted in Government Gazette 7431 - we understand Inland Revenue is looking into this further.

As the amended legislation reads at this point in time and unless further amendments and or clarifications are provided by the Ministry of Finance, the mentioned tax incentives will only be applicable for one tax year after 31 December 2020 as indicated above.

### Effective date of repeal of export allowance on the export of certain manufactured goods

The repeal of the 80% export allowance in respect of the export of goods manufactured in Namibia, excluding fish and meat products, comes into effect at the end of five years commencing on 31 December 2020, i.e., on 31 December 2025.

### Effective date of repeal of tax provisions relating to Export Processing Zones (“EPZ”)

Entities that received EPZ status or that are operating within an EPZ were subject to various tax exemptions. The 2020 Amendment Act repealed some of those exemptions.

Please refer to our Tax Alert 1 of 2020 [here](#) for further details on those exemptions as well as the VAT implications on EPZ entities.

The repeal of the above exemptions will come into effect as follows:

- For EPZ status granted on or before 31 December 2020, at the end of five years commencing on 31 December 2020, i.e., on 31 December 2025.
- For EPZ status granted after 31 December 2020, on 31 December 2020.



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