



Repeal of Tax Incentives Manufacturers and Export Processing Zones

Tax Alert 1/2020 - Namibia

The Minister of Finance, Honourable Calle Schlettwein, tabled the first income tax amendment bill of 2020 in Parliament on 19 February 2020.

The bill repeals the tax incentives applicable to registered manufacturers and export processing zones ("EPZ"). This is in fulfilment of the requirements of the European Union (EU) for the removal of Namibia from the list of non-cooperative jurisdictions as such incentives are regarded by the EU as harmful preferential tax treatment.

The repeals will become effective from a date to be determined by the Minister by notice in the Government Gazette. This means that even if the amendment bill is passed and gazetted, it will only become effective at a future date as determined by the Minister.

Registered manufacturers

What has changed and what has not changed?

The amendment bill repeals the provisions that allowed Inland Revenue to register, on application, taxpayers that conduct manufacturing activities as registered manufacturers. Inland Revenue will therefore no longer register manufacturers as registered manufacturers for income tax purposes. We also assume that applications that have not been processed or finalised yet will not be entertained any further.

The amendment further states that current registered manufacturers will no longer enjoy the special tax deductions / incentives. The tax incentives that will no longer be available to registered manufacturers are:

- A tax rate of 18% for ten years;
- A 25% allowance on the remuneration and training costs related to manufacturing activities;

- A 25% allowance on marketing and advertising related expenses in respect of exported goods manufactured or produced in Namibia; and
- A 25% allowance on the 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.

The export allowance (80% of the taxable income of exported goods manufactured in Namibia, excluding fish and meat products) will remain applicable as this provision is not limited to registered manufacturers.

When is the change applicable?

Manufacturing tax incentives will still be applicable for registered manufacturers for one tax year ending after the provision has been enacted.

Export Processing Zone

What has changed and what has not changed?

Entities that applied for and received EPZ status or that are operating within an EPZ were subject to various tax exemptions. The amendment bill repeals some of those exemptions.

The exemptions that will no longer be available to taxpayers with EPZ status are:

- Stamp duties applicable to instruments relating to the transfer, hypothecation or lease of movable and immovable properties located in an EPZ;
- The payment of transfer duty on the acquisition of immovable property located in an EPZ; and
- The payment of income tax by an EPZ management company and an EPZ approved entity in respect of income derived in an EPZ

The bill also amended the provision relating to the movement of goods from Namibia to an EPZ and from an EPZ to Namibia. Such movements will no longer be regarded as an export from Namibia and an import into Namibia. It follows that customs duties, import control provisions, import VAT and VAT will no longer apply to the movement of goods as such.

However, note that the specific provisions in the Value-added Tax Act relating to EPZ entities have not been repealed - those are:

- The zero-rating of supplies made to EPZ entities; and
- The exemption on imports of goods and services by an EPZ/ into any EPZ are from outside Namibia.

This means that a supply by a Namibian VAT registered person to an EPZ will still be zero-rated. Also, an import by an EPZ of goods or services from outside Namibia will still be exempt from import VAT.

It is somewhat peculiar that the repeal of the provisions mentioned above are done through the income tax amendment bill as they are listed in the EPZ Act. We would have expected those provisions to be repealed through an EPZ Amendment Act. This speaks to a lack harmonisation between various acts in Namibia that still require some attention.

When is the change applicable?

The amendment will become effective from a date to be determined by the Minister by notice in the Government Gazette. The date to be determined may also be a different date from the amendments relating to the manufacturing amendments.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organization”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 312,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2020. For information, contact Deloitte Touche Tohmatsu Limited.

To no longer receive emails about this topic please send a return email to the sender with the word “Unsubscribe” in the subject line.