



COVID-19 Pandemic: Announcement of economic stimulus and relief package by the Minister of Finance

Tax Alert 3/2020 - Namibia

The Minister of Finance, honourable Ipumbu Shiimi, issued the first phase of the economic stimulus and relief package (“the package”) on 1 April 2020 in collaboration with all stakeholders, private sector, development partners and non-state actors. The objective of the package is to address the negative economic and social effects stemming from Namibia’s first 21-day lockdown period.

In total, the package amounts to N\$8.1 billion, of which N\$5.9 billion is in direct support to businesses, households and cashflows acceleration payments for services rendered to government, and N\$2.3 billion relating to off-balance sheet government liabilities. The package is a welcomed and much needed relief for businesses and households alike in these unprecedented times.

The main beneficiaries of the package are households and formal and informal businesses in sectors directly affected by the lockdown measures.

Some practicalities and the exact timing of the measures still need to be confirmed by the Ministry of Finance. We will communicate any further developments as we become aware of them.

The relief measures for the **business sectors**, aimed at supporting cashflows and continued productive economic activities are as follows:

- **Wage subsidy for sectors that are hit the hardest**

The targeted amount for the wage subsidy is N\$400 million. The tourism, travel, aviation and construction sectors will be the main beneficiaries of the wage subsidy. The aim is to avoid further retrenchments in these

sectors and to subsidize employers to retain their employees. Details will vary between sectors and will be communicated at a later stage. No timing was provided by the Minister when further information will be communicated.

- **Fast-tracked payment of overdue and undisputed VAT refunds**

To enhance the cashflow of businesses, all overdue and undisputed VAT refunds will be paid out within one week from the implementation date of the measures included in the package. The Minister did not confirm when the implementation date will be. The expected VAT refunds to be settled as aforementioned amounts to N\$3 billion.

We assume the refunds in question are those that have already been confirmed after verification audits have been completed. The Minister did not make any comments regarding VAT refunds that have not been audited yet or that are in the process of being audited.

The Ministry of Finance did however issue a press release on 1 April 2020, indicating that all ongoing audits need to be conducted digitally – presumably allowing taxpayers to email documentation to the relevant auditor at Inland Revenue.

- **Fast-tracked payment of overdue and undisputed invoices for goods and services provided to Government.**

Government will speed up payments in respect of goods and services provided to it, to enhance the cashflow of the businesses that provided such goods and services. The amount expected to be so settled is N\$800 million.

- **Non-agricultural small business loan scheme**

A N\$500 million loan scheme will be facilitated and guaranteed by the government for non-agricultural small businesses that have experienced significant losses of revenue. These loans will be provided by the Development Bank of Namibia (“DBN”), but no further details are provided at this point.

- **Agricultural business loan scheme**

A N\$200 million loan scheme will be facilitated and guaranteed by the government for farmers experiencing cashflow constraints and small to medium agricultural businesses that experienced significant losses in revenue. These loans will be provided by the Agricultural Bank of Namibia (“AgriBank”), but no further details are provided at this point.

- **Policy relief to borrowers by DBN and AgriBank**

DBN and AgriBank will provide a repayment moratorium on the principal amounts of borrowers for a period ranging between 6 months but not exceeding 24 months, based on assessment, recapitalization on interest, lengthening of the repayment periods and waiving of penalty provisions.

- **Tax-back loan scheme for non-mining corporates.**

Taxpayers in the non-mining sector can borrow up to 1/12th of their tax payments in the previous tax year at an interest rate of prime less 1%. Such loans will be guaranteed by government, but need to be repaid within one year. These loans should be applied for from the commercial banks and will be capped at N\$470 million.

At this point, it is not clear what is meant by the “previous tax year” and which type of taxes should be included in determining the loan amount that will be guaranteed by government.

- **Relaxation of labour regulations to protect jobs**

Employers, including government and business owners, will be allowed to negotiate a temporary 20% decrease of salaries and wages during the crisis period and a 40% reduction for the worst-hit sectors. The relaxation is to avoid major retrenchments and the closure of businesses. The negotiations will be through a consultative process between employees and labour unions.

The qualifying criteria for the worst-hit sectors are yet to be clarified.

To support **households** with reduced income, increased health related costs and other challenges caused by the pandemic, the following measures have been put in place:

- **An emergency income grant**

Government will provide a once off payment of N\$ 750 to employees who have lost their jobs during the pandemic in the formal and informal sectors. The N\$750 is based on a poverty line of approximately N\$250 per week. The qualifying employees need to be Namibian Citizens between the age of 18 to 60, who are not currently benefitting from any social grants. Payment of the grants will be made within 7 days by government. The exact timing of the pay-out of the grants is yet to be clarified

The payment will be made in collaboration with the Social Security Commission the commercial bank’s ATMs. The total expected amount for these grants is N\$562 million.

The type of evidence required to proof loss of employment, especially for those in the informal sector as well as the method of applying for the grant are yet to be clarified.

- **Tax-back loan scheme for individuals**

Employees that are tax registered and paying (PAYE) as well as self-employed individuals who have lost income due to the pandemic can borrow an amount equal to 1/12th of their tax payments in the previous tax year at an interest rate of prime less 1%. These loans will be guaranteed by the government and will be repayable after one year.

The government guarantee will be capped at the maximum of N\$1.1 billion and based on the PAYE tax register and the potential loan size. Statutory and administrative measures to ensure compliance with loan obligations will be applied by government in collaboration with banking institutions.

At this point, it is not clear what is meant by the “previous tax year” and which type of taxes should be included in determining the loan amount that will be guaranteed by government.

- **Water subsidy during lockdown**

Water points will be kept open without a need for water cards during the lockdown period. This will be subsidized by NamWater and local authorities. The expected amount to be spent is N\$10 million.

Effective date

The measures included in this package will take effect immediately and their implementation will be accelerated in the coming days and weeks.

Administrative measures to mitigate the impact of COVID 19 by Inland Revenue

Extension has been granted from 31 March 2020 to 30 May 2020 for the submission of PAYE5 reconciliations for taxpayers. No other extension has been given in respect of other tax returns and taxpayers are expected to submit all other returns in accordance with the statutory due dates.

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