

# Budget Breakfast 2011



Tax Announcements  
9 March 2011

# BUDGET REVIEW: Income Tax

No income tax changes announced

I.e.

- No changes to corporate and individual tax rates
- No changes to allowances, deductions, exemptions
- No changes to incentives etc.



# BUDGET REVIEW: Value-added Tax

No changes to tax rate

No changes to registration threshold



# BUDGET REVIEW: Policy strategy

Technical assistance sought

- to improve administration of taxes
- recommendations to be implemented short to medium term

Tax policy review

- aim of finding alternative sources of revenue
- legislative changes later during the course of 2011

No further details



# BUDGET REVIEW: Tax system

Integrated tax management system

- Simplify tax administration process
- Improve services to taxpayers
- Improve compliance and collections



# BUDGET REVIEW: Environmental tax

Initially announced 2005/2006 budget

Preparation to introduce environmental tax advance

Based “polluter pays”

Objective

- Disincentive excise tax
- Induce behavioural change
- Raise Revenue

Table in 2011

No further details



# BUDGET REVIEW: Exchange control

## Further relaxation exchange

- Mandatory repatriation of exports proceeds increased from 3 to 6 months from the date of shipment;
- Retention period of foreign currency by Foreign Currency Account holders increased from 90 days to 180 days;
- Offshore investment limits for foreign portfolio investments by Namibian Institutional Investors increase from 30% to 35%; and
- Cash limits for Namibian residents travelling overland to and from Namibia through Botswana will increase from N\$ 5 000 to N\$ 10 000.



# BUDGET REVIEW: Exchange control cont.

Abolishment of restrictions on financial assistance to local foreign-owned companies

- Change to 3:1 (debt: equity ratio) ratio requirement?
- Welcomed especially for capital intensive industries e.g. mining
- How impact on thin capitalisation

Timing?



# BUDGET REVIEW: Sin taxes

## Increases in excise duties:

- Malt beer by 7.51% from N\$50.20 to N\$53.97 per litre i.e. 6.4c per 340ml can
- No changes - traditional beer
- Unfortified wine - 8.41%
- Fortified wine - 7.44%
- Sparkling wine - 4.49%
- Ciders & alcoholic fruit beverages - 7.53%.
- Spirits - 10% from N\$84.57 per litre to N\$93.03 i.e. N\$2.86 per 750ml bottle

# BUDGET REVIEW: Sin taxes cont.

Increases in excise duties:

- Cigarettes - 8.94%
- Cigarette tobacco 8.22%
- Pipe tobacco 10.37%
- Cigars 6%

Effective - 23 Feb 2011

# BUDGET REVIEW: Trade agreement

Preferential trade agreement – India

Normally see reduction of tariffs

Only lower, not eliminated

Form of economic integration

# BUDGET REVIEW: Effect of no/ few tax changes

E.g.

VAT threshold

Individual tax rates

Comparison to region

## BUDGET REVIEW: VAT registration

Year	Inflation rate	N\$
2000	8.500%	200 000.00
2001	9.100%	217 000.00
2002	8.800%	236 747.00
2003	8.000%	257 580.74
2004	7.300%	278 187.19
2005	4.200%	298 494.86
2006	2.300%	311 031.64
2007	5.000%	318 185.37
2008	6.700%	334 094.64
2009	10.300%	356 478.98
2010	7.000%	393 196.32

## BUDGET REVIEW: Effect of no/ few tax changes – income tax

Year	Income	Tax
2007	35 000	1 925
2008	36 750	131* (rate change)
2009	39 212	562
2010	43 251	877* (rate change)

## BUDGET REVIEW: Effect of no/ few tax changes – income tax

Year	Income	Tax
2007	45 000	4 275
2008	47 250	2 839 * (rate change)
2009	50 416	3 773
2010	55 609	4 214 * (rate change)

## REGIONAL COMPARISON: General

	<b>NAMIBIA</b>	<b>SOUTH AFRICA</b>	<b>BOTSWANA</b>	<b>ZAMBIA</b>
<b>Basis of taxation</b>	Source	Residency (and some source rules for non-residents)	Source	Source
<b>Specific capital gains tax</b>	No	Yes	Yes	No
<b>Donations tax and Estate Duty</b>	No	Yes	Yes	No



# REGIONAL COMPARISON: Company tax rates

	NAMIBIA	SOUTH AFRICA	BOTSWANA	ZAMBIA
<b>Companies other than below</b>	34%	28% (except employment & foreign companies – 33%. Scale for small corp.)	25%	35% (except Banks – 35% on first ZMK 250 m and 40% on excess. Certain rate discounts for LSE)
<b>Non-diamond mining</b>	37.5%	28% (except gold mining)	Per formula, minimum rate of 25%	30%, plus variable profit tax of up to 15%
<b>Diamond mining</b>	55%	28% (except foreign branches – 33%)	25%	30%, plus variable profit tax of up to 15%
<b>Manufacturing</b>	18% (for 10 years)	28% (except foreign branches – 33%)	15% (also International Financial Services Centre)	35%

# REGIONAL COMPARISON: Withholding taxes

NAMIBIA	SOUTH AFRICA	BOTSWANA	ZAMBIA
Bank and Unit Trust Interest (R & NR) Royalties (NR) Dividends (NR)	Royalties Entertainers (NR) Sportspeople (NR) Property proceeds in excess of R2mil (NR)	Interest (R & NR) Dividends Royalties (NR) Entertainers (NR) Sportspeople (NR) Contractors	Interest (R & NR) Dividends Royalties Rental income Contractors (NR) Public entertainment fees (NR) Etc.

# REGIONAL COMPARISON: Individuals

	NAMIBIA	SOUTH AFRICA (per 2011 budget)	BOTSWANA (per 2010 budget)	ZAMBIA
Exempt threshold	N\$ 40 000	N\$/R 150 000	P 30 000 (N\$ 31 282)	K 9,6 mil (N\$ 13 981)
Maximum rate	37% over N\$750 000	40% over R580 000	25% over P 120 000 (N\$ 125 127)	35% over K 49.2 mil (N\$71 652)

# REGIONAL COMPARISON: Individuals

<b>Taxable income</b>	<b>Namibia</b>	<b>South Africa</b>	<b>Botswana</b>
550 000	168 200	156 850	82 516
900 000	291 700	296 250	186 157
1 700 000	587 700	616 250	368 309

# TAX ANNOUNCEMENTS



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