

# Value-added Tax Amendment Bill

Keeping you in the know



## Value-added Tax

The Minister of Finance tabled a VAT Amendment Bill in Parliament earlier this week. The amendments will become effective on the first day of the month following the month in which the amendments are published in the Government Gazette. All indications are that the amendments will be gazetted during October 2015, but we will confirm the effective date once the gazette has been published.

The proposed amendments are:

### VAT registration threshold

The VAT registration threshold will increase from N\$ 200 000 to N\$ 500 000. This means that any entity which is not yet registered for VAT, that made taxable supplies in excess of N\$ 500 000 or that is reasonably expecting to make taxable supplies in the next twelve months in excess of N\$ 500 000 must register for VAT.

### Voluntary VAT registration

In the tabling of the VAT Amendment Bill, the Minister of Finance noted that the Act will keep making provision for voluntary VAT registration, but that the threshold for such registration will be N\$ 200 000. The Amendment Bill itself indicates that a person may only register voluntarily for VAT where the value of the taxable supplies made by that person can reasonably be expected to exceed N\$ 200 000 in a twelve month period. This seems to indicate that if a person is not expecting to make taxable supplies in excess of N\$ 200 000 within the stipulated periods, it would not be able to apply for voluntary VAT registration.

A person that applies for voluntary VAT registration will now have the option to choose a VAT period of two months or six months. The selection should be made when application for voluntary VAT registration is made.

In future, Inland Revenue will have the authority to cancel a voluntary VAT registration where the person failed to reach the threshold of N\$ 500 000 after a prescribed period of time. The period will be prescribed by the Commissioner by way of a notice. From the Minister's tabling speech it seems if that period could be a two year period from the effective registration date.

Inland Revenue will further have the authority to refuse a voluntary application for VAT where the person:

- has no fixed place of abode or business in Namibia;
- does not keep proper accounting records;
- has previously been registered for VAT, but failed to perform his duties under the VAT Act; or
- has repeatedly not performed his duties under the Income Tax Act.

Previously, the VAT Act required a person who registered voluntarily to remain registered for two years. This provision has been deleted, implying that application for the cancellation of voluntary VAT registration may be made at any time. We assume that this provision may also be used by a person who wants to de-register where taxable supplies exceed N\$ 200 000 but will not exceed N\$ 500 000 (i.e. that had to register under the previous registration regime).

### **Import VAT accounts**

Taxpayers that have deferred import VAT accounts may continue to make use of those accounts and therefore to defer their import VAT payments to the 20<sup>th</sup> of the month following the month of the importation. The Amendment Bill however stipulates that Inland Revenue *may* require a security payment to be paid by the importer prior to the importation of the goods. No other details around the practical arrangements relating to the security payment were provided.

Inland Revenue will, in future, have the authority to cancel an import VAT account where it appears that the taxable activities of the registered person has changed or where the registered person has not complied with the conditions prescribed at the time the import VAT account was granted. Import VAT will have to be paid at the border where an import VAT account has been cancelled.

The Amendment Bill further stipulates that the use of another person's import VAT account for a fee or to evade the payment of import VAT at the point of import will be a criminal offence - any person who knowingly uses another person's import VAT account or allows another person to use his or her import VAT account as such, will be liable, on conviction of a fine not exceeding N\$ 8 000 or imprisonment for two years or both.

### **Exemption of financial services provided to non-resident persons**

The VAT Amendment Bill states that all financial services rendered to a non-resident person who are outside Namibia at the time the services are supplied will now become exempt from VAT.

In terms of the current wording of the VAT Act, financial services supplied to a non-resident person are zero-rated. The rationale for zero-rating financial services to non-residents, like with all exported goods and services, is that it makes Namibian suppliers more competitive in the international market as the services are provided free of input costs. Support for the zero-

rating of financial services supplied to non-residents can also be found in other jurisdictions for example New Zealand, South Africa, the United Kingdom and the European Community.

This will now change as all financial services provided to non-resident persons will become exempt from VAT. The implications are that financial service providers will be unable to claim all their input VAT costs and apportionment ratios (where applicable) will reduce. We do expect the additional input VAT costs to filter through to end-users.

### Liability for taxes

Owners, shareholders and members of a close corporation will in future be jointly and severally liable for any tax debt, including penalties and interest which arose in a business, company or close corporation while they served as owners, shareholders or members.

### Electronic communication

The Amendment Bill further contains a legal basis for the Ministry of Finance to make rules for electronic submissions and procedures relating to electronic submissions.

### Contact us

For more information on the topic covered in this newsletter please do not hesitate to contact our Deloitte Namibia Tax team:

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