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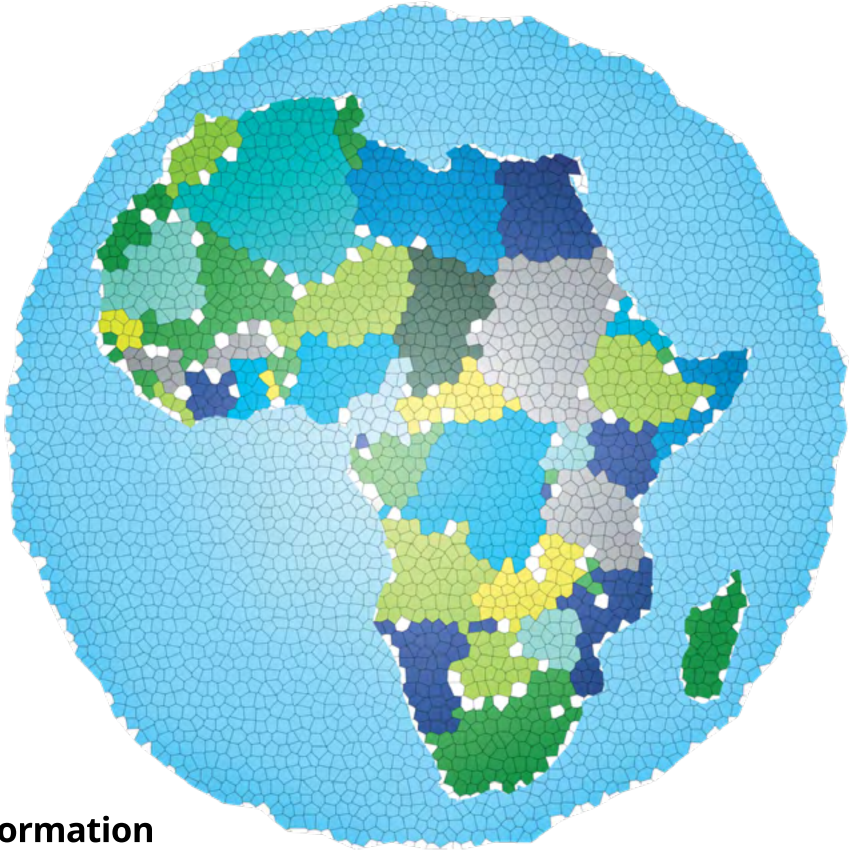

Guide to fiscal information

Key economies in Africa

2019

Introduction

Driving progress – Delivering simplicity from complexity

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Today's rapidly changing global tax environment is creating unprecedented change in the market. Tax professionals are expected to provide strategic insights while keeping up to date with a rapidly changing tax landscape where Tax Authorities are vigilant about ensuring that multinationals are disclosing income in the appropriate jurisdiction.

We recognise that each country in Africa is unique with its own nuances and complexities, and that remaining current with changes across the African continent can be challenging.

The purpose of this booklet is to make a difference that matters to tax professionals and the business community by providing meaningful information about tax and investment pertaining to key African economies.

Deloitte has on-the-ground tax specialists across Africa who can provide clients with insight and practical knowledge about navigating the local dynamics and challenges in their country. These tax specialists can assist with a broad range of fully integrated tax services, tailored signature solutions and insights that span across business taxes, indirect taxes, cross-border taxes and global employer services designed to work for your business needs. These tax specialists are business advisors who take a multidisciplinary approach to servicing clients by leveraging the depth and breadth of the industry specialists and subject matter experts from across the firm.

Strong coordination is crucial in order to ensure compliance and consistency when operating in Africa. The Deloitte Global Compliance and Reporting (GCR) team provides a scalable, centrally-managed service to help multinationals achieve cost-effective compliance and reporting across the African continent. This service is enabled by the Deloitte Global Compliance tracking tool (called myInsight).

Namibia

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Income Tax – Individuals

Taxable income (NAD)	Rate
0 – 50 000	0%
50 001 – 100 000	18%
100 001 – 300 000	9 000 + 25% of amount over 100 000
300 001 – 500 000	59 000 + 28%,of amount
500 001 – 800 000	115 000 + 30% of amount over 500 000
800 001 – 1.5 million	205 000 + 32% of amount over 1.5 million
	429 000 + 37% of amount over 1.5 million

Notes

1. Basis – Resident and non-resident individuals are taxable on all income received or accrued from a Namibian source or a deemed Namibian source. The Minister of Finance has proposed an expansion of the tax system, which could mean that Namibia's tax base will change to residence-based taxation. Details are under discussion and no effective date has been made available.
2. Residence – Namibian tax law does not define a "resident." This could change – see 1 above.
3. Taxable income – Individuals are taxed on the value of any benefit or advantage arising from employment, as well as on business income and investment income. There currently is no separate capital gains tax system in Namibia, but income from certain capital transactions is included in gross income and subject to income tax.
4. Exempt income – An exemption (limited to NAD300 000) is allowed for gratuity payments made to an employee at retirement who is 55 years of age or older, or whose employment is terminated due to ill health or retrenchment due to his/her position becoming redundant. Lump-sum pension fund payouts are exempt up to a threshold of NAD50 000; if the payout exceeds NAD50 000, one-third is paid as a tax-free lump sum and the remaining portion as an annuity. Similar provisions apply for payouts in terms of "preservation" and retirement annuity funds. Contributions made to retirement annuity funds and donations to welfare and educational institutions that are recovered or recouped during a tax year are excluded from taxable income.
5. Deductions and allowances – The annual aggregate allowable deductions for contributions to Namibian-registered pension funds, provident funds and retirement annuity funds and premiums payable with respect to educational policies are limited to NAD40 000. A proposal in the 2019/2020 Budget speech would change this deduction to 27.5% of income capped at NAD150 000. No further details are available and the effective date is unknown. There are no tax abatements or rebates.
6. Rates – Individual income tax generally is levied at progressive rates up to 37%; however, part-time employees are taxed at a flat rate

of 18%. The same tax rates apply to non-residents in respect of employment and business income earned in Namibia. In addition, certain payments made to non-residents at an address outside Namibia are subject to withholding tax (see "Withholding Tax," below). The tax rates for individuals generally also apply to trusts; however, the interest portion of a unit trust's income is subject to a 10% withholding tax unless the income is payable to Namibian companies and entities normally exempt from tax (e.g. pension funds), in which case it is exempt. The dividend portion of a unit trust's income is exempt from tax. Proposed changes to the taxation of trusts and dividend distributions to residents were announced in the 2018/2019 budget speech, and confirmed in the 2019/2020 speech but details are still under discussion. The expected effective date of the proposed changes is 1 January 2020.

7. Other – Where an individual's taxable income exceeds NAD200 000 in a tax year and the individual is carrying on a "suspect trade" (defined below), the individual may have to "ring-fence" any losses from that trade from other taxable income. The application of this provision is limited, depending on the number of years the taxpayer has incurred losses and whether there is a prospect of deriving taxable income within a reasonable period. Suspect trades include the following:
   - A sport carried out by the taxpayer
   - Dealing in collectible items
   - Rental of residential accommodations, unless at least 80% of the accommodation is used by non-relatives for at least half of the year
   - Rental of vehicles, aircraft or boats, unless at least 80% of the relevant item is used by non-relatives for at least half of the year
   - Animal showing
   - Farming or animal breeding, unless carried out on a full-time basis (i.e. for most or all of the taxpayer's normal working hours)
   - Any performing or creative arts carried out by the taxpayer
   - Any form of gambling or betting carried out by the taxpayer.
8. Domestic dividends – The Minister of Finance's 2018/2019 budget speech announced (and the 2019/2020 speech confirmed) the introduction of a 10% domestic dividend tax. Details are being finalised.

Income Tax – Companies

	Rate
Standard corporate rate	32%
Manufacturing companies	18%/32%
Diamond mining companies	55%
Petroleum mining companies (oil and gas companies)	
Other mining companies	37.5%
Mining service companies	37.5%/55%
Insurance companies	32%
Retirement funds	Exempt

Notes

1. Basis – Resident and non-resident entities are subject to Namibian income tax only on taxable income arising from, or deemed to arise from, a source within Namibia. The Minister of Finance has proposed changes to the tax system, which could mean that Namibia's tax base will change to residence-based taxation. Details are under discussion and no effective date has been made available.
2. Residence – Namibia's tax laws do not define a resident corporation, but it is understood to be a corporation incorporated in Namibia.
3. Taxable income – Taxable income is calculated as gross income less exempt income and deductions. Gross income is the total amount, in cash or otherwise, received or accrued during the tax year from a source within (or deemed to be within) Namibia, excluding receipts or accruals of a capital nature. Although there currently is no capital gains tax system in Namibia, income from certain capital transactions is included in gross income and subject to income tax in Namibia, regardless of its capital nature, including the following:
   - Income received or accrued from the sale, donation, expropriation, cession, grant, transfer or other alienation of a license or a right to mine minerals in Namibia, irrespective of where the transaction is concluded, the place where payment for the transaction is made or the place where the funds from which payment is made are held

Namibia

- The direct or indirect sale of shares in a company that holds a license or has a right to mine minerals in Namibia
- The sale or other disposal of petroleum rights/licenses, or the direct or indirect sale of shares in a company that holds such rights/licenses.

4. Deductions – Some deductions are available, inter alia, in respect of capital expenditure, certain donations, bad debts and certain prepayments.
5. Losses – Tax losses may be carried forward indefinitely for set off against future taxable income, provided the entity does not cease to trade. Losses may not be carried back.
6. Foreign tax credit – A foreign tax credit is available only for tax paid to jurisdictions with which Namibia has concluded a tax treaty.
7. Group relief – There is no provision allowing for group relief or the transfer of losses between members of a group.
8. Rate – The standard corporate tax rate is 32%. Different rates apply to companies engaged in certain activities, as shown in the table above. The rate for registered manufacturing companies is 18% for the first 10 years after manufacturing company status is granted. For companies granted manufacturing status more than 10 years ago, the tax rate is 32%. The Minister of Finance's 2018/2019 budget speech announced his intention to phase out manufacturing allowances – this was confirmed in the 2019/2020 speech and relevant amendments are being finalised (see under "Investment incentives," below).
   Mining service companies (i.e. companies that subcontract with mining companies to carry out mining activities on their behalf) are taxed at a rate of 37.5% (non-diamond mining) or 55% (diamond mining).
   Insurance companies are taxed at the same rate as other companies, but there are special rules dealing with the computation of taxable income for companies providing long- and short-term insurance.
9. Branch taxation – A rate of 32% applies to branches of foreign companies unless the branch is a mining or manufacturing company or a mining service company, in which case the applicable manufacturing or mining tax rate will apply. There is no branch profits tax, but non-resident shareholders' tax is payable when branch profits that have been repatriated to the non-resident head office are distributed to non-resident shareholders.
10. Domestic dividends – The Minister of Finance announced in the 2018/2019 budget speech and confirmed in the 2019/2020 speech) the introduction of a 10% domestic dividend tax. Details are being finalised.

Withholding Tax (WHT)

The WHT rates on various types of payments are as follows (the same rates apply to payments to non-resident companies and non-resident individuals, and may be reduced under an applicable tax treaty):

Payment	Rate
Dividends	10%/20%
Interest	10%
Royalties	10%
Directors' fees	25%
Service fees	10%

Notes

1. Dividends – The WHT on dividends is a final tax. The rate on dividends paid to non-Namibian shareholders with a shareholding of less than 25% in the payer company is 20%, and the rate for those with a shareholding in excess of 25% is 10%.
2. Interest – Namibian-registered banks and Namibian-registered unit trust management companies must withhold a final tax at a flat rate of 10% from interest accruing to an individual, a trust, the estate of a deceased person or a non-Namibian company. Interest payable by resident individuals and companies to non-residents also is subject to a 10% WHT, but interest paid by a Namibian bank to a non-resident bank is exempt from WHT.
3. Royalties – The WHT on royalties paid to non-residents may be credited against the final assessed income tax liability. The scope of royalty WHT has been extended to include all rentals of commercial, scientific and industrial equipment.
4. Directors' fees – A final WHT of 25% applies to payments made to non-resident directors.
5. Service fees – A 10% WHT applies to payments made to non-resident entertainers and to payments to non-residents for administrative, managerial, technical or consulting services, or any similar services, regardless of whether the services are of a professional nature.

Tax Treaties

Namibia has concluded tax treaties with a number of countries. The following table shows the WHT rates on various types of income under the treaties.

Treaty	Dividends	Interest	Royalties
Botswana	10%	10%	10%
France	5%/15%	0%/10%	0%/10%
Germany	10%/15%	0%	10%
India	10%	10%	10%
Malaysia	5%/10%	0%/10%	0%/5%
Mauritius	5%/10%	0%/10%	5%
Romania	5%/10%	0%/10%	5%
Russia	5%/10%	0%/10%	5%
South Africa	5%/15%	0%/10%	0%/10%
Sweden	5%/15%	0%/10%	0%/15%
United Kingdom	5%/15%	10%	5%/50% of domestic rate

Anti-Avoidance Rules

Transfer pricing

Transfer pricing legislation regulates cross-border transactions involving goods or services between connected persons. The rules allow the tax authorities to disallow the deduction for certain expenditure or adjust income if the contract price is higher or lower than what the price would have been between parties dealing at arm's length price.

Thin capitalisation rules

Thin capitalisation rules that regulate the financial assistance granted by non-residents connected to Namibians enable the tax authorities to determine whether a domestic company is thinly capitalised and to disallow interest charged on excessive debt.

Employment-Related

Taxes Payroll tax

Tax on employment income is withheld by the employer under the Pay-As-You-Earn (PAYE) system and remitted on a monthly basis to the Namibian tax authorities. PAYE is deducted based on the individual tax rates set out above.

Indirect Taxes

Value added tax (VAT)

	Rate
Standard rate	15%

Notes

1. Taxable transactions – VAT is imposed on the supply and import of most goods, and on the provision of services.
2. Rates – The standard rate is 15%. Certain supplies are subject to a 0% rate, including the direct export of goods, international transport services, the sale of a business as a going concern, certain services rendered to non-resident persons, the construction and extension of a building used for residential purposes and the sale of residential land and buildings. Improvements to buildings used for residential purposes are subject to the standard rate. Certain foodstuffs are zero-rated. Exempt supplies include medical, dental and hospital services; educational services; public transportation services; financial services; the rental of residential accommodations; and fringe benefits, etc.
3. Registration – The registration threshold for VAT purposes is NAD500 000 of annual turnover.

Social security
Every employer is required to register with the Social Security Commissioner and to register every employee (younger than 65 years of age). Social security contributions are calculated at 1.8% of the employee's basic salary, shared equally between the employer (0.9%) and the employee (0.9%). The current maximum contribution is NAD162 (NAD81 per employee and NAD81 per employer) for employees whose monthly earnings are above NAD9 000. For employees earning below NAD9 000 per month, the monthly employee and employer contributions is calculated at 0.9% of the monthly basic wage.

Customs and excise duties
Customs duties are payable on the importation of goods into Namibia from non-Southern African Customs Union (SACU) countries. Rates depend on the tariff heading of the goods and ranges from 0% to 30%. Excise duties are payable by manufacturers and exporters on certain items like alcoholic beverages.

Export levies
Levies on the export of certain wood types, certain fish types and minerals apply at rates ranging from 0% to 1.5%.

Other Taxes

Inheritances and donations
There is no estate duty or donations tax in Namibia.

Stamp duty
Stamp duty is payable at 0.2% on the issue or transfer of shares. Shares listed on the Namibian stock exchange (NSX) are exempt from the duty.

Stamp duty also is imposed on the acquisition of immovable property, and a range of other instruments. The rate on the acquisition of immovable property by an individual is NAD10 for every NAD1 000 (or part thereof) of the value of the property, with the first NAD600 000 being exempt. The rate on acquisitions by legal entities, including trusts, is NAD12 for every NAD1 000 (or part thereof) of the value of the immovable property.

Transfer duty
Transfer duty is levied on the value of any property acquired (excluding the VAT and stamp duty charged, where applicable). The rates for acquisitions by individuals vary depending on the value and type of the property, and are progressive from 0% to 8%. The rate for acquisitions by legal entities, including trusts, is 12% of the value of the property. The sale of shares/membership interests in property-owning companies/close corporations is not subject to transfer duty.

Land tax
Land tax (on agricultural land only) is payable for every 12-month period ending 28 February, at a rate of 0.75% for a Namibian resident owner and a rate of 1.75% for a non-resident owner (applied to the unimproved site value). For each additional farm property, the rate increases by 0.25%.

Environmental tax
Environmental levies apply on the importation of vehicles, tires and certain light bulbs.

Tax Administration and Compliance
Tax currently is administered in Namibia by the Inland Revenue, but administration will move to the Namibian Revenue Agency (NAMRA) in October 2019.

Namibia implemented an e-filing system in January 2019 that can be used by all taxpayers for registration, change of information and all submissions.

Companies

1. Tax year – The tax year is the corporation's financial year.
2. Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.
3. Filing and payment – Provisional tax payments, payable six months after the beginning of the taxpayer's financial year and at year end, must be based on estimates of taxable income for the year, as opposed to income from the last year assessed. Final tax returns, together with a computation of taxable income and the payment of any remaining corporation tax owed for the relevant tax year, are due within seven months after the taxpayer's year end. Reasonable extensions may be granted to submit tax returns.
4. Penalties – Interest at 20% per annum is imposed on the late payment or failure to pay income tax, PAYE, provisional tax, VAT and import VAT. The interest amount may not exceed the original tax amount. Various penalties also may be imposed for the late submission or failure to submit returns, and late payment or failure to pay taxes. The penalty may not exceed the original tax amount
5. Rulings – Rulings may be obtained from the tax authorities..

Individuals

1. Tax year – The tax year for individuals is from 1 March to 28 February.
2. Tax filing – Spouses are taxed separately on their income.
3. Filing and payment – Returns are due by 30 June for salaried individuals, and by 30 September for non-salaried individuals.
4. Penalties – Interest at 20% per annum is imposed on the late payment or failure to pay income tax. The interest amount may not exceed the original tax amount. Various penalties also may be imposed for the late submission or failure to submit provisional tax returns, and late payment or failure to pay taxes. The penalty amount may not exceed the original tax amount.

Value added tax

1. Filing and payment – VAT returns are due bimonthly on the 25th day of the month. VAT-registered persons are registered in either Category A or Category B, which indicates the calendar month in which the VAT period ends.
2. Penalties – See the rules for companies, above.

GENERAL INVESTMENT INCENTIVES

Investment Incentives

Incentives are available to both domestic and foreign investors, and include the following:

- Tax incentives for registered manufacturing enterprises – Companies that meet certain criteria may qualify for the following incentives (which may not increase or create an assessed loss):
  - An additional income tax deduction of 25% of employment costs and approved training costs in respect of employees directly involved in a manufacturing process
  - An additional income tax deduction of 25% for specified export marketing expenditure
  - An additional income tax deduction of 25% for certain land-based transportation costs for the first 10 years of registration
  - For exporters of goods manufactured in Namibia, an allowance equal to 80% of taxable income derived from the export of manufactured goods (excluding fish or meat products)
  - An 8% annual capital allowance on qualifying buildings
  - An exemption from import duties on the importation or acquisition of manufacturing machinery and equipment, subject to ministerial approval.

- The Minister of Finance confirmed in his 2019/2020 budget his intention to phase out manufacturing incentives. Amendments to effect the proposals are expected to apply as from 1 January 2020.

- Export Processing Zones (EPZs) – EPZ enterprises qualify for total relief from income tax, VAT, customs and exciseduties, stamp duty and transfer duty (but not employment- related taxes and WHT). Requirements for EPZ status include conducting a manufacturing activity and exporting at least 70% of the manufactured goods outside the SACU. The Minister of Finance announced in the 2018/2019 budget speech that he intends to repeal the EPZ Act, with a "sunset" clause for entities that have EPZ status. The EPZ Act would be replaced by a Special Economic Zone Act; no further details have been provided.
- Capital allowances – For buildings used for the purposes of trade, 20% of the cost of construction may be written off in the first year of use, and 4% may be written off annually over a 20-year period (the 4% allowance is increased to 8% for certain manufacturing buildings, and the write-off period is reduced to 10 years). A general three-year write-off period applies for fixed assets other than buildings (e.g. plant, machinery, equipment, aircraft and ships), with an accelerated write-off period for certain expenditure relating to mining operations and farming operations.

Exchange Controls

Namibia is part of the Common Monetary Area (CMA) (with Lesotho, South Africa and Swaziland), and Namibia continues to gradually relax its exchange controls in line with other CMA countries. In broad terms, there are few restrictions on inward investment by foreigners, and profits may be fully repatriated. There are restrictions on outward investment by local residents.

An EPZ entity may acquire and use foreign currency without restriction. The administration of exchange control regulations is undertaken by the Bank of Namibia, in cooperation with authorised dealers. Dividends can be freely transferred to non-resident shareholders, except where local borrowing restrictions have been exceeded.

Expatriates and Work Permits

Work permits for skilled expatriates may be obtained, but substantial administrative delays are possible.

Trade Relations

Memberships

- Cotonou Agreement
- Southern African Customs Union
- Southern African Development Community
- World Trade Organisation
- African Growth Opportunity Act beneficiary country
- Preferential market access to 34 countries for Namibian products, under the Generalized System of Preferences
- Preferential trade agreement with Zimbabwe
- Economic partnership agreement signed with the EU in June 2016

Interest and Currency Exchange Rates

Monetary policy rate
Central Bank Rate - EOP: 6.75% (Source: Bank of Namibia)
Currency
Namibia's currency is the Namibian Dollar (NAD), which is divided into 100 cents.
ZAR1 = NAD1 (June 2019) (Source: XE Currency Converter)
USD1 = NAD14.4137 (June 2019) (Source: XE Currency Converter)
EUR1 = NAD16.2440 (June 2019) (Source: XE Currency Converter)

Key Economic Statistics

GDP (approximate)	USD13.96 billion (2019 forecast) (Source: IMF WEO DATABASE)
	USD14.63 billion (2020 forecast) (Source: IMF WEO DATABASE)
Market Capitalisation	USD2 600.20 million (Dec 2018) (Source: IMF WEO DATABASE)
Rate of Inflation	5.2% (2019 forecast) (Source: IMF WEO DATABASE)


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Designed and produced by Creative Solutions at Deloitte, Johannesburg. (108202/lie)