



Namibian TAX Alert

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WITHHOLDING TAX ON INTEREST

The much talked about withholding tax on interest will become a reality on 1 March 2009. From this date, Namibian registered Banks and Namibian registered unit trust management companies (for ease of reference we will refer to these entities as the “withholding entities”) will have to withhold 10% on every Namibian dollar interest that accrues to an individual (Namibian or otherwise), a trust, the estate of a deceased person and a non-Namibian company.

The withholding tax will be a final tax, which would mean that no deductions and or exemptions will apply. The N\$ 500 exemption in respect of interest earned from Namibian financial institutions will therefore also fall away from 1 March 2009.

Dividends distributed by a Unit Trust will remain exempt, while interest distributions will be subject to withholding tax.

Specific provisions were introduced in the case where a trust, with a Namibian company as a beneficiary, earned interest from a withholding entity. In this case, the withholding entity would not need to make a distinction between trusts with individual and/or company beneficiaries. The onus would be on the Namibian company who earned interest via the trust to include the interest in its normal taxable income and the interest so included would be taxed at the applicable corporate tax rate. The tax withheld would be set off as a credit against the ultimate tax liability.

The withholding entity will have to issue a tax certificate to every person who received interest or to whom interest accrued for the period 1 March to 28 February every year.

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There are certain issues and practicalities that have been agreed by the withholding entities with the Revenue Authorities and some other issues that are still under discussion. We will comment on all these issues once we received Revenue's final reply. These issues are:

- Format of the annual tax certificate;
- Issuing limits of the annual tax certificate;
- Format of the monthly remittance form (to be submitted by the withholding entities);
- Definition of "Namibian company";
- Pooled funds, partnerships and joint ventures;
- Issuing of certificates and other practical considerations around pooled funds, etc.; and
- Transitional rules.

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