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Namibian TAX Alert

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CORPORATE TAX RATE

This newsletter serves to provide some guidance and clarity on the possible accounting implications of the retrospective change to the company tax rate from 35% to 34%.

Whether or not the reduced rate should be used in preparing annual financial statements, tax and deferred tax computations, for the purposes of the annual financial statements for reporting periods that have already closed, will depend on a number of factors.

Some companies have adopted accounting policies for tax and deferred taxation that specify that tax rates that have been substantively enacted by the year end are to be used in the calculation of the tax and deferred tax charge for the purposes of the annual financial statements.

Furthermore IAS 10: Events after the Reporting Period, paragraphs 21 and 22 (h) seem to indicate that a change in the tax rates or laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities is an example of non-adjusting event after the reporting period. Appropriate disclosure of this event and an estimate of the financial impact on the entity would need to be disclosed in the annual financial statements.

In order to assess the situation for individual companies we recommend that companies consider their individual situation and facts particular to their circumstances. If further guidance is required we recommend that you consult with your audit partners.

Please also note that the 2010 Income Tax Amendment Act has not been gazetted yet.

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