

9 March 2011

2011/2012 Budget Edition

Keeping you in the know



In this budget edition of our newsletter we will briefly touch on the tax changes that the Honourable Minister of Finance, Saara Kuugongelwa-Amadhila, announced during the reading of the 2011/2012 Budget Speech earlier today. As the Minister read the 21st Budget for Independent Namibia it came to light that there will not be any changes to the individual and corporate tax rates. Except for the tax changes discussed below no other changes were announced.

The Minister did mention that technical assistance was sought to improve the administration of taxes and that the recommendations that were made will be implemented in the short to medium term. The Minister also noted that tax policy reviews were undertaken with the aim of finding alternative sources of revenue. Legislative changes in this regard will be forthcoming during the course of 2011.

Integrated administrative system

The Minister announced the development of an integrated tax management system which is expected to simplify tax administration process, improve services to taxpayers and compliance and collections.

Environment tax

The environmental tax that was initially announced in the 2005/2006 budget will be tabled in Parliament during the course of 2011. The tax will be based on the "polluter pays", but no further details were given by the Minister.

Exchange control relaxation

As part of the gradual liberalisation of exchange controls the following relaxation measures were announced by the Minister:

- Mandatory repatriation of exports proceeds to Namibia increased from three to six months from the date of shipment;
- The 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.

Probably the most important change will be the abolishment of restrictions on financial assistance to local foreign-owned companies. It seems if the announcement may mean that the current 3:1 (debt: equity ratio) ratio requirement in respect of funding by foreign shareholders will be abolished. If so, the announcement is highly welcomed, especially in an environment where Namibia is seeing major investments in capital intensive industries, e.g. mining.

Sin taxes

The annual changes to the sin taxes were expected with an increase in the rates of excise duties payable on tobacco products and alcoholic beverages in line with annual trends. The excise duty on malt beer increases by 7.51% from N\$50.20 to N\$53.97 per litre of absolute alcohol ("LAA") which equates to an average increase of 6.4c per 340ml can.

For the sixth year, we see no changes to the excise duty on traditional beer, which remain at 7.82c per litre.

Wine incurred increases in excise duty of 8.41% for unfortified, 7.44% for fortified and 4.49% for sparkling respectively. This has resulted in the rates per litre on these products equalling N\$2.32 per litre unfortified, N\$4.33 per litre fortified and N\$6.97 per litre sparkling.

Ciders and alcoholic fruit beverages received an increase in excise duty of 7.53%.

Spirits also saw an increase of 10% from N\$84.57 per litre to N\$93.03 per LAA and the effect is thus an N\$2.86 per 750ml bottle of spirits.

Smokers will also face increased prices as a result of increases in the excise duties on cigarettes (8.94%), cigarette tobacco (8.22%), pipe tobacco (10.37%) and cigars (6%).

These excise duty amendments on the above are effective from 23 February 2011.

Preferential Trade Agreement with India

The Minister announced that a preferential trade agreement is being negotiated by SACU with India

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

Gerda Brand: gbrand@deloitte.co.za

Nikia Bauernschmitt: nbauernschmitt@deloitte.co.za

Aron Haifene: ahaifene@deloitte.co.za

Daniela van Vuuren: dvanvuuren@deloitte.co.za

Katja Büttner: kbuttner@deloitte.co.za

Or kindly refer to our Twitter updates during the budget speech on <http://twitter.com/deloittenamibia>

Queries: Deloitte Tax Namibia – tanamibia@deloitte.co.za

[Home](#) | [Security](#) | [Legal](#) | [Privacy](#)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

“Deloitte” is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide [audit](#), [consulting](#), [financial advisory](#), [risk management](#), and [tax](#) services to selected clients. These firms are members of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee. Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTTL does not itself provide services to clients. DTTL and each DTTL member firm are separate and distinct legal entities, which cannot obligate each other. DTTL and each DTTL member firm are liable only for their own acts or omissions and not those of each other. Each DTTL member firm is structured differently in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its territory through subsidiaries, affiliates, and/or other entities.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, any of its member firms or any of the foregoing’s affiliates (collectively the “Deloitte Network”) are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2011 Deloitte & Touche. All rights reserved. Member of Deloitte Touche Tohmatsu Limited