



# Namibian TAX Alert

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## TAXATION OF FRINGE BENEFITS – LOANS – ILLUSTRATION

Following our newsletter dated 25 October 2007, Issue No 6/2007, regarding taxation of fringe benefits, below follows an illustration of how to calculate the taxable value per month of low interest free loans and interest-free loans granted to employees as long as the prime interest rate is more the 15% per year:

### **Interest-free loan granted by employer to employee**

Outstanding loan amount at e.g. 30 September 2007	N\$ 10 000
Interest rate charged by employer per month	0%
Taxable value per month (10 000 * (1.25% - 0%))	N\$ 125 <sup>1</sup>

<sup>1</sup>[Amount to be included in taxable income for October 2007 payroll purposes.]

### **Low interest rate loan by employer to employee**

Outstanding loan amount at e.g. 30 September 2007	N\$ 10 000
Interest rate charged by employer per month	0.5%
Taxable value per month (10 000 *(1.25% -0.5%))	N\$ 75 <sup>2</sup>

<sup>2</sup>[Amount to be included in taxable income for October 2007 payroll purposes.]

Enclosed please find paragraphs 6 and 8 of the “*Schedule to Income Tax Tables (Form PAYE 10) in respect of fringe benefits, for use by employers from 1 June 1993*” and Practice Note 6 of 2003 for more information.

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This newsletter is designed to keep readers abreast of developments and is not intended to be a comprehensive statement of the law. It should not be relied upon as a substitute for specific advice in considering the tax effects of particular transactions. No liability is accepted for errors or opinions contained herein.

### **For further information, please contact:**

<b>Gerda Brand</b>	(+264) (61) 285 5062	<a href="mailto:gbrand@deloitte.co.za">gbrand@deloitte.co.za</a>
<b>Luke Barlow</b>	(+27) (21) 670 1655	<a href="mailto:lbarlow@deloitte.co.za">lbarlow@deloitte.co.za</a>