

17 August 2011

## Developments - Proposed Tax Changes

### Keeping you in the know



After some industry and stakeholder consultations with the Ministry of Finance, the following developments have been announced by the Deputy Minister of Finance earlier today:

#### PROPOSED AMENDMENTS THAT ARE OFF THE TABLE

The following amendments will not be considered further:

- The abolishing of the **standard rating of VAT on the export** of raw minerals, unprocessed fish, livestock, game, crude oil and gas will be deferred. The Minister will also reconsider the proposal to disallow **refunds of VAT to tourist and non-resident persons** who purchase raw minerals, unprocessed fish, livestock, game, crude oil or gas.
- The proposed 5% export levy on raw minerals, unprocessed fish, game, crude oil and gas will be revised. Differentiated levy rates ranging from 0% to 2% are proposed to be applicable to different sectors of the economy and consultations with industry and stakeholders will continue in this regard.
- The **increase of the non-diamond mining tax rate** to 44% will be abandoned and the rate will remain at 37.5%. The Ministry will investigate the introduction of a formula based surcharge to capture additional mining revenue during better economic periods.

#### PROPOSED AMENDMENTS THAT ARE GOING AHEAD

The following amendments will remain under consideration and the Ministry will develop, with industry consultations these amendments. Please note that we do not have any more detailed information other than the information contained here and the information in our Tax Newsletter 8/2011.

- The intention to tax income from the **sale of rights or licences** to explore, mine or retrieve natural resources in Namibia, irrespective of where the transaction will be concluded.
- **Manufacturing export allowance** (80% of taxable income) that will only apply to goods manufactured in Namibia.
- A **final withholding tax** of 25% in respect of entertainment fees, management fees and consultancy fees paid by Namibian residents to non-resident persons who do not have a permanent establishment in Namibia.
- **Increase of the non-resident shareholder's tax on dividend** ("NRST") rate from 10% to 20%, where the shareholder

holds less than 25% of the share capital of the Namibian company paying the dividend. Where the shareholder holds more than 25% of the Namibian company's share capital the NRST rate will remain at 10%.

- A number of changes in respect of **withholding tax on interest**, which include *inter alia* the introduction of a definition of "gross interest", measurements to ensure that interest on negotiable instruments issued by Unit Trust Schemes are subject to withholding tax, etc.
- The abolishment of the Ministerial concession in respect of a lower value than market value when assets are sold, removed from trade or removed from Namibia for **recoupment** purposes.
- Provisions regarding the regulation of the deductibility of contributions and subsequent taxation or exemption of proceeds from **educational policies and company owned policies**.
- The proposed change in respect of the deduction of **building allowances** for manufacturers and otherwise i.e. that the 20% initial allowance will only apply to the person who erected the building.
- **Increase of the VAT registration threshold** from N\$ 200 000 to N\$ 500 000.
- The abolishment of the provision for **voluntary VAT registration**.
- The exemption of **medical and paramedical services**.
- The standard rating of the **supply of livestock**.
- The proposed **stamp duties** amendments will remain in place.
- The sale of **membership interest and shares of property owning entities** will be subject to the normal transfer duty rates i.e. if acquired by a person other than a natural person or a trust 12% of the value of the property and for natural persons a table will be applied (between 1% and 8%).
- The abolishment of the transfer duty exemption where a person purchases, leases or otherwise acquires any real right in land or any right to **mine for minerals from the State**.

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

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