

# Namibian Quick Tax Guide

June 2013



## Income Tax for Individuals

Namibia has a source based system of taxation with the result that Namibian residents are, save for some exceptions, only taxed on their Namibian income while foreign residents are taxed only on the income generated within Namibia.

The tax rates, exemptions and deductions set out below are the latest and are effective from years of assessment commencing 1 March 2013.

### Tax Rates

Natural Persons	
Taxable Income	Rates of Tax
N\$ 0 - N\$ 50 000	Not taxable
N\$ 50 001 - N\$ 100 000	N\$ 0 + 18%
N\$ 100 001 - N\$ 300 000	N\$ 9 000 + 25%
N\$ 300 001 - N\$ 500 000	N\$ 59 000 + 28%
N\$ 500 000 – N\$800 000	N\$ 115 000 + 30%
N\$ 800 001 – N\$ 1 500 000	N\$ 205 000 + 32%
Over N\$ 1 500 001	N\$ 429 000 + 37%

### Exemptions

**Interest exemptions** (for persons other than a company)

- Government stock or securities, including Treasury Bills Unlimited;
- Post Office Savings interest Unlimited; and
- Foreign interest<sup>1</sup> Unlimited.

<sup>1</sup> Provided that acquisition is funded from non-Namibian capital or investment, relates to a foreign business and the interest is taxed in the foreign country.

### Dividend exemptions

- Local and foreign dividends are exempt in the hands of Namibian residents; and
- Interest earned from unit trusts is no longer deemed to be dividends and is subject to a final 10% withholding tax, except if payable to Namibian companies and entities normally exempt from tax e.g. pension funds.

### Deductions

A deduction, limited to N\$40 000 per annum for aggregated contributions to pension, provident and retirement annuity funds and contributions towards tertiary education policies.

No deduction is granted for personal medical expenses or medical aid contributions.

### Donations

Donations to registered welfare organisations or approved educational institutions are deductible provided that:

- An individual is not nominated as the beneficiary;
- A certificate is obtained from the institution or organisation;
- Compulsory school fees are not allowed as a deduction; and
- The deduction does not create or increase an assessed loss.

### Taxation of Married Persons

Husbands and wives are taxed separately.

### Employees' Tax (PAYE)

PAYE must be deducted at source on a monthly basis by the employer. The tax threshold is an annual taxable income of N\$ 50 000. PAYE is not required to be deducted from genuine allowances granted to employees to defray business expenditure.

### Travel Allowance

Expenditure incurred for business purposes may be deducted from the allowance. The capital cost of the vehicle may be claimed over 3 years. Business expenditure is calculated in the ratio of business kilometres over total kilometres. A detailed logbook must be kept.

## Social Security Contributions

The employer and employee must each make Social Security contributions at the rate of 0.9% of the employee's basic salary (maximum N\$81 per month).

## Valuation of Certain Other Fringe Benefits

### Company Car Fringe Benefit

Taxable value of the fringe benefit is 1.5% per month of the cost price of the vehicle. If the employee bears the fuel costs, the taxable value is reduced to 1.4% per month. Pool vehicles are taxed at N\$100 per month.

### Free or Subsidised Services

The taxable value of the fringe benefit is the cost to the employer of providing the service less the consideration paid by the employee.

### Housing and other Soft Loans

- The taxable value is the difference between the interest payable on the loan by the employee and the official rate of interest (currently 12%).
- Exempt loans:
  - Casual loans not exceeding N\$3 000 in aggregate;
  - Study loans granted to an employee for own studies; and
  - Approved housing scheme loans or subsidies: Generally one third of the taxable benefit is exempt.

### Meals

The taxable value of meal coupons and free or subsidised meals, if used and received at the residence, is N\$ 100 per month for every family member of 6 years and older. Meals provided at business premises are exempt.

### Residential Accommodation

An employee provided with residential accommodation owned by his employer is taxed according to the following table:

Location	Rooms / Monthly Taxable Benefit								
	1	2	3	4	5	6	7	8	8+
WHK	500	750	1000	1400	1800	2200	2800	3400	4000
WB SWK	350	550	750	1000	1300	1700	2100	2550	3000
Other Municipal Areas	250	375	500	700	900	1100	1400	1700	2000
Other Towns	125	175	250	350	450	550	700	850	1000

Generally one third of the taxable benefit is exempt if the employer has an approved housing scheme.

## Farmers

Farmers are taxed in the same manner as individuals or companies with the exception of certain provisions regarding capital expenditure. Certain capital expenditure may be deducted in full in the year in which the expenditure is incurred, limited to the farming taxable income for the year. This includes a deduction of capital expenditure relating to power supply from 1 March 2007 for individual taxpayers and from 1 January 2007 for taxpayers other than individuals. Any excess farming capital expenditure can be carried forward to the next year of assessment. Farmers need to ring-fence farming income in certain circumstances.

## Taxation of Trusts

A trust is taxed as a person (see tax rate table for individuals). Income earned by a vesting trust and certain distributions made by a discretionary trust are taxed in the hands of the beneficiary.

## Donations Tax, Estate Duty, Capital Gains Tax

There is currently no donations tax, estate duty or capital gains tax in Namibia. Certain capital gains are taxed as normal income.

## Transfer Duty

Transfer duty is levied on the value of any property acquired. The rates below are effective from 1 June 2013:

**Any property acquired by natural persons including mineral rights** (except the category immediately below):

Value	Rates of duty
0 – N\$ 600 000	0%
N\$ 600 001 - N\$ 1 million	N\$ nil + 1%
N\$ 1 million - N\$ 2 million	N\$ 4 000 + 5%
Over N\$ 2 million	N\$ 54 000 + 8%

**Agricultural land acquired by natural persons and financed by Agricultural Bank of Namibia:**

Value	Rates of duty
N\$ 0 - N\$ 1.5 million	0%
N\$ 1.5 million - N\$ 2.5 million	N\$ nil + 1%
Over N\$ 2.5 million	N\$ 10 000 + 3%

**Any property, including mineral rights, acquired by persons other than natural persons, including trusts**

- 12% of the value of the property

In determining the value for transfer duty purposes, VAT, where applicable, is excluded.

The sale of shares/ membership interest in property owning companies/ close corporations are currently not subject to transfer duties.

## Value-Added Tax (VAT)

VAT is imposed on the supply and import of most goods and services at a rate of 15%. Qualifying exports and certain other supplies may be zero-rated, including the following foodstuffs:

- Mahango, mahango meal and maize meal;
- Fresh and dried beans (excl. canned or frozen beans);
- Sunflower cooking oil;
- Animal fat used for preparation of food;
- Bread flour, cake flour and bread;
- Fresh milk; and
- White and brown sugar.

With effective from 1 January 2012 medical, dental, paramedical and services supplied by a registered hospital are exempt from VAT.

## Stamp Duty

Stamp duty is payable at 0.2% on the issue or transfer of shares. Shares listed on the Namibian Stock Exchange are exempt from this duty.

Stamp Duty is also imposed on the acquisition of immovable property and a range of other instruments.

The rates on the acquisition of immovable property from 1 June 2013 by an individual are:

Value	Rates of duty
0 – N\$ 600 000	0%
Over N\$ 600 001	N\$10 for every N\$ 1 000

Stamp duty is payable at N\$12 for every N\$ 1 000 or part thereof of the value of the immovable property where purchased by a juristic person or a trust.

## Withholding Taxes

### Non-residents

Certain payments to non-residents are subject to withholding taxes as shown below:

Dividends <sup>2</sup>	10% / 20%
Royalties <sup>3</sup>	9.9%
Interest <sup>4</sup>	10%
Service fees <sup>5</sup>	25%

<sup>2</sup> Certain dividends declared to foreign-held Namibian holding companies are subject to non-resident shareholder's tax at 10%. Where the shareholding is less than 25%, the withholding tax rate is 20%. These rates may be reduced by a tax treaty.

<sup>3</sup> The rate is applicable from 1 January 2013. Prior to 1 January 2013 the rate was 10.2%. This rate may be reduced by a tax treaty.

<sup>4</sup> Namibian registered Banks and Unit Trust Management Companies must withhold a final tax on interest of 10% as from 1 March 2009.

<sup>5</sup> This withholding tax is applicable on entertainment fees, director's fees, management fees, administration fees, technical fees and consulting fees. Effective from 30 December 2011. This rate may be reduced by a tax treaty.

### Residents

Namibian registered Banks and Unit Trust Management companies must withhold 10% on interest that accrues to an individual, a trust or the estate of a deceased person. Excluded are Namibian companies and entities that are normally exempt from tax, e.g. pension funds.

## Corporate Taxes

### Corporate income tax rates

• Basic Rate <sup>6</sup>	33%
• Registered manufacturers <sup>7</sup>	18%
• Mining (other than diamond/petroleum) <sup>7</sup>	37.5%
• Diamond mining – effective rate <sup>7</sup>	55%
• Petroleum mining	35%
• Branches of foreign companies <sup>6</sup>	33%
• Retirement funds	Exempt

<sup>6</sup> Rate is effective for years of assessment commencing on or after 1 January 2013. Previously the rate was 34%.

<sup>7</sup> Mining companies and manufacturing companies pay tax on non-mining/ non-manufacturing income at 33%.

### Annual Duty on Share Capital

Annual duty	N\$4 per N\$10 000 (Minimum N\$80)
-------------	------------------------------------

Levied on a company's issued share capital plus share premium and certain undistributed reserves. In the case of an external company, the duty is levied on the capital of the foreign parent company.

### Capital Allowances for Businesses

- Moveable assets used for trade purposes 33½%
- Buildings used for trade purposes (On cost of erection):
  - in year brought into use 20%
  - subsequent 20 years 4%
- Certain farming capital expenditure (Limited to farming taxable income) 100%
- Intellectual property Period of use<sup>8</sup>
- Lease premiums Period of lease<sup>3</sup>
- Leasehold improvements Period of lease<sup>3</sup>

<sup>8</sup> Maximum 25 years

## Incentives

### Manufacturers

Registered manufacturers qualify for the following:

- 18% Tax rate for a limited period of time (max. 10 years from initial registration);

- Buildings: The normal 4% annual allowance is increased to 8% (applies for 10 years); and
- An additional 25% deduction for:
  - certain export marketing expenses;
  - approved training costs;
  - remuneration of manufacturing employees; and
  - Certain land-based transportation costs (applies for 10 years).

### Exporters of manufactured goods

Reduction in taxable income <sup>9</sup>	80%
--	-----

<sup>9</sup> From the export of goods manufactured in Namibia (excluding fish/meat products)

## Mining Minerals

The sale, donation, expropriation, cession, grant, transfer or other alienation of mineral licences or mineral rights is subject to income tax. Similarly, the sale of shares in a company that holds such licences or rights is subject to income tax.

## Export Processing Zones (EPZ)

EPZ status confers total exemption from income tax, VAT, customs and excise duty, stamp and transfer duty, but not PAYE and withholding taxes. Essential requirements include conducting a manufacturing activity and exporting all goods outside the Southern African Customs Union.

## Transfer Pricing

Transfer pricing legislation requires an arm's length consideration to be charged for cross border goods or services transactions between connected persons.

## Thin Capitalisation

Thin capitalisation requires foreign held Namibian companies to be adequately capitalised. Interest charged on excessive debt is not tax deductible.

## Land Tax

Land tax is payable for every 12 month period ending 28 February at the following rates (applied to the unimproved site value):

Namibian resident owner	0.75%
Non-resident owner	1.75%
On each additional farm the rate increases by	0.25%

## Environmental Tax

Carbon taxes and environmental levies on light bulbs, certain tyres and other products may be introduced in future.

## Export levies

Export levies on the export of minerals, fish, meat and other raw materials may be introduced in future.

## Exchange Controls

The Namibian Dollar is linked to the South African Rand (N\$1=ZAR1). Namibia is a member of the Common Monetary Area (with South Africa, Lesotho and Swaziland). The Common Monetary Area is currently subject to a system of exchange controls, administered in Namibia by the Bank of Namibia.

## Contact Details

**Gerda Brand** Tel +264 61 285 5062  
**Nikia Bauernschmitt** Tel +264 61 285 5059  
Queries: [tanambibia@deloitte.co.za](mailto:tanambibia@deloitte.co.za)  
Please also see: [www.deloitte.com/na](http://www.deloitte.com/na)

Deloitte & Touche, Deloitte Building, Maerua Mall Complex, Jan Jonker Road, Windhoek, Namibia.

© Copyright Deloitte & Touche – June 2013  
(Updated for 2013 Income Tax Amendment Act, 2013 Transfer Duty Amendment Act 2010, 2013 Stamp Duty Amendment Act and the 2013/2014 Budget speech).

This quick tax guide is designed as a quick reference 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.