

Namibia issues 2020 Budget

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Tax proposals

Namibia's 2020 budget speech was delivered by the Honorable Minister of Finance, Mr. Impumbu Shiimi, on 27 May 2020.

No new tax proposals were made by the Minister in light of the challenging economic landscape.

The Minister reiterated Inland Revenue's ongoing efforts to ensure all Namibians earning income above the tax paying threshold pay their fair share of tax as well as the implementation of measures to address tax planning and tax avoidance opportunities.

The Minister also addressed tax proposals previously announced and explicitly withdrew the proposal to disallow the tax deductibility of royalties for mining entities to encourage investor confidence. He confirmed the introduction of Special Economic Zones, subsequent to the repeal of the tax exemptions on corporate income tax for Export Processing Zone (EPZ) entities and the tax incentives for registered manufacturers and exporters of manufactured goods. The Minister also confirmed that these changes are set for implementation starting this year and will include certain grandfathering provisions. Although no further details were provided, the explicit mention of grandfathering provisions suggests that current registered EPZ entities and registered manufacturers may continue to enjoy certain benefits under the repealed legislation under certain circumstances.

Other previously announced income tax and value-added tax (VAT) proposals, such as the dividend tax for residents, the changes to the basis of the taxation of trusts, the taxation of income derived from commercial activities of charitable, religious, and educational institutions exempted from income tax under Section 16 of the *Income Tax Act*, the introduction of VAT on income of listed asset managers, VAT at the standard rate on supplies of sugar and others, are still under review by the Ministry. The Minister confirmed that further stakeholder consultations will take place regarding these proposed changes.

The Minister mentioned that the scope of the export levy may be expanded after consultation to include specific agricultural, forestry, game products and other mining products currently not covered. The current export levy for forestry products, payable in percentage rates, may be amended to a levy based on a Namibia Dollar rate per kilogram, to prevent undervaluation of forestry products such as timber.

The Minister did not mention the national "sin" tax on alcohol and tobacco products which was proposed last year but confirmed that increased excise duties were effective from 27 February 2020 and that a notice to that effect will be tabled in Parliament in due course.

Tax overview

Companies and close corporations

The corporate tax rate for non-manufacturing and non-mining companies remains unchanged at 32%.

The rate of tax payable by hard rock mining companies and companies rendering services in connection with mining on behalf of a person licensed to conduct hard rock mining operations remains unchanged at 37.5%.

The rate of tax payable by diamond mining companies and companies rendering services in connection with mining on behalf of a person licensed to conduct diamond mining operations remains unchanged at 55%.

The basic rate of tax payable by oil and gas extraction companies remains unchanged at 35%. These companies are also subject to an additional profits tax that is calculated in terms of a formula contained in the *Petroleum Taxation Act*.

Individuals and trusts

The maximum marginal rate for the year of assessment ending 28 February 2021 remains unchanged at 37% and applies to taxable income in excess of N\$1,500,000. The minimum tax threshold remains unchanged at N\$50,000. The detailed tax rates are set out in the table below.

Tax rates for individuals and trusts for the year of assessment ending 28 February 2021			
Taxable amount			
From N\$	To N\$	Amount N\$	Marginal %
0	50,000	0	0
50,001	100,000	0	18
100,001	300,000	9,000	25
300,001	500,000	59,000	28
500,001	800,000	115,000	30
800,001	1,500,000	205,000	32
1,500,001	And over	429,000	37

Withholding tax

The following withholding taxes are payable on qualifying payments to nonresidents:

- ▶ Withholding tax of 10% on services of a consultative or managerial nature
- ▶ Withholding tax of 25% on directors' fees
- ▶ Withholding tax of 25% on entertainment fees
- ▶ Withholding tax of 10% on foreign interest
- ▶ Withholding tax of 10% on royalties
- ▶ Nonresident shareholder's tax of 10% or 20% (10% where more than 25% of the shares are held by nonresident company and 20% in all other cases)

A double tax agreement may reduce the withholding tax rate applicable to the various tax rates indicated above.

Value-added tax

The VAT registration threshold remains at N\$500,000. Set criteria apply to voluntary VAT registration and VAT import accounts.

Transfer duty

Transfer duty rates payable on the transfer of fixed property including mining rights by individuals are as set out below.

Transfer duty rates - Value of land - N\$			
From N\$	To N\$	Amount N\$	Marginal %
0	600,000	0	0
600,001	1,000,000	0	1
1,000,001	2,000,000	4,000	5
2,000,001	and over	54,000	8

Transfer duty is payable at a rate of 12% by any person other than a natural person on the transfer of fixed property including mining rights.

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