



# Tax First

## Namibia Newsletter

### July 2014

A monthly newsletter published by PwC Namibia providing informed commentary on current developments in the local tax arena.

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This newsletter and previous issues are available on  
[www.pwc.com/na/en/publications/tax-first](http://www.pwc.com/na/en/publications/tax-first)

## Expatriate employees - Determining their taxability in Namibia

**More than often companies recruiting employees from abroad are faced with the question, whether the expatriate will be taxable in Namibia or not.**

Namibia's tax system is based on the source principle and not residency. This means that foreign nationals ("expatriates") working in Namibia (even on a temporary basis) will be subject to tax on the remuneration from a Namibian source (unless a Double Taxation agreement provides relief).

Employers must deduct employee's tax (Pay-As-You-Earn "PAYE") from the remuneration paid to an expatriate.

The expatriate rendering services and earning income (including non-cash benefits) in excess of N\$50,000 (annually) in Namibia is liable to register as a taxpayer with the local office of Namibia Inland Revenue.

Where a double taxation agreement ("DTA") is concluded between the expatriate's host country and Namibia, and all the requirements of the DTA are met, it is possible that an expatriate may be exempt from paying tax in Namibia.

### **Requirements under the DTA's (all of which must be met) are:**

- The expatriate must not be present in Namibia for more than 183 days in a 12 month period year; AND
- The expatriate's remuneration must be paid by a non-resident employer; AND
- The non-resident employer must not have a permanent establishment ("PE") in Namibia.

### **Other considerations for expat workers:**

- Immigration documents (initial application and renewal);
- Social security registration and contribution for both employer and expatriate;
- Workmen's Compensation registration and contribution for employers;
- Taxes paid by an employer on behalf of an expat is a taxable fringe benefit.

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## PRESS RELEASE:

**Announcement for  
submission of  
Individual  
Tax  
Returns due  
30 June 2014.**

**See Page 3**



## Also in this issue:

**2** Denied VAT input claims - let's recap

**3** Tax Calendar - July 2014

**3** Guide to Namibian VAT

## Denied VAT Inputs for VAT purposes—let's recap

Generally, when a registered person has incurred an expense for the acquisition of goods or services, such registered person is allowed to claim back the input tax. The input tax to be claimed back must qualify as an allowable input tax deduction (meaning that the expense was incurred in making taxable supplies), and the registered person must be in possession of a valid tax invoice.

The following are instances where the deduction of input tax is denied:

- Provision of entertainment;
- Acquisition of a passenger vehicle and passenger vehicles applied for demonstration purposes;
- Subscription and membership fees.

### Entertainment

“Entertainment” is very widely defined in the VAT Act. It means *“the provision of any food, beverages, tobacco, accommodation, amusement, recreation or hospitality of any kind by a registered person, whether directly or indirectly to anyone in connection with a taxable activity carried on by the registered person.”*

This means, even when a registered person supplies “entertainment” to employees, such registered person will not be allowed an input tax deduction in respect of that borne by him or her in making such supplies, unless the person is an entertainment provider, etc., for example a tour operator, a Hotel or Bed and Breakfast establishment.

The following are a few examples of entertainment that will not qualify for an input tax deduction:

- Staff refreshments such as coffee, tea and other beverages;
- Entertainment of clients, customers and staff at restaurants, etc.

**Also note the following Practice Note issued by Inland Revenue in this regard.**

### Passenger vehicles

A “passenger vehicle” is defined in the VAT Act as “*a motor vehicle principally designed or adapted for the transport of nine or fewer seated persons and includes a double cab vehicle, but does not include an ambulance or a motorcycle.*”

Further, input tax paid on a passenger vehicle acquired by the supplier cannot be claimed unless such supplier is:

- In the business dealing in, or hiring of, passenger vehicles;
- A tour operator and acquired for the purpose of such business;
- Acquired by a short-term insurer for indemnification of an insured;
- Acquired by any charitable organisation;
- Acquired by any children’s home;
- Acquired by any old-age home; and
- Acquired by any orphanage.

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### VAT PRACTICE NOTE 17- 2000

#### ENTERTAINMENT AS DEFINED, PROVIDED TO EMPLOYEES ON DUTY BY AN EMPLOYER

##### Par 2(i) of Schedule IV

*In terms of par. 2(i) of Schedule IV to the Act, a supply of goods and services as a fringe benefit to employees is an exempt supply and the employer may not claim input tax credits regarding these goods and services.*

*However, a supplier of ‘entertainment’ as defined in section 19(1), is not required to declare any tax in respect of any food, beverages and accommodation incidentally utilized by employees when on duty.*

ISSUED BY THE COMMISSIONER OF INLAND REVENUE

Date of issue: 22 November 2000

# Tax Calendar - July 2014

Mon	Tue	Wed	Thu	Fri
21 <ul style="list-style-type: none"> <li>• PAYE Returns;</li> <li>• Import VAT return;</li> <li>• Withholding Tax on Services return;</li> <li>• VET Levy</li> </ul>	22	23	24	25 <ul style="list-style-type: none"> <li>• VAT return (Category A)</li> </ul>
28	29	30	31 <ul style="list-style-type: none"> <li>• Social Security payment</li> <li>• Tax return - companies with 31 December 2013 Year-End;</li> <li>• 2nd provisional returns - companies with July year-end</li> </ul>	23

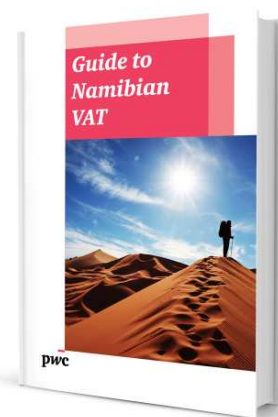
## PwC's Guide to Namibian VAT

The "Guide to Namibian VAT" has evolved into a comprehensive book on Namibian VAT and is used by financial managers of companies, tax consultants, tax officials, students and academics.

The book is now updated to include changes in legislation since 2004 to April 2014 and interesting topics in VAT accounting and Customs.

Copies of the book are now available from PwC's offices and selected bookstores.

For bulk orders please contact [liretha.jordaan@na.pwc.com](mailto:liretha.jordaan@na.pwc.com) or tel +264 61 284 1041.



**The Commissioner of Inland Revenue issued a *Press Release* on 19 June on *the submission of annual individual income tax returns due 30 June 2014.***

*All Windhoek and Erongo based taxpayers may submit their annual income tax returns at any of the following Nampost branches (Whk) or designated venues from Wednesday, 25 June to Monday, 30 June.*

**Windhoek** (09h00 to 16h00 daily): Ausspanplatz, Bachbrecht, Eros, Khomasdal, Olympia, Pionierspark, Windhoek Main Branch, Katutura, Klein Windhoek

**Erongo Region** (normal working hours): Walvisbay Revenue Office, Swakopmund: Satellite Office (Tekkie Town Shop 4, Omaruru Magistrate Office, Usakos Magistrate Office, Karibib Magistrate Office, Arandis Magistrate Office

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