

# Budget on a plate 2019/2020

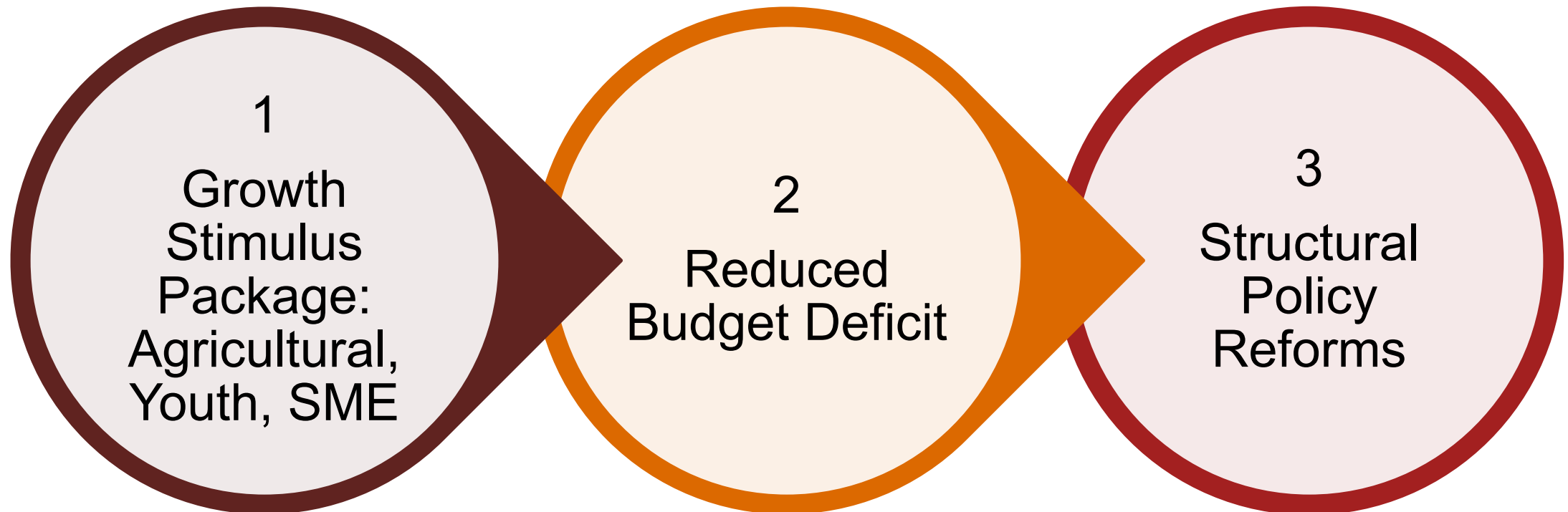
Presentation by PwC in collaboration with Standard Bank Namibia  
Safari Hotel and Conference Centre  
March 2019



## NAMIBIA BUDGET ON A PLATE

REVIEW 2019/20

# Three-linked and Interconnected Fiscal Policy Actions



# Key Focus Areas

**01** Enhanced infrastructure investment (↑ 42%), private sector participation

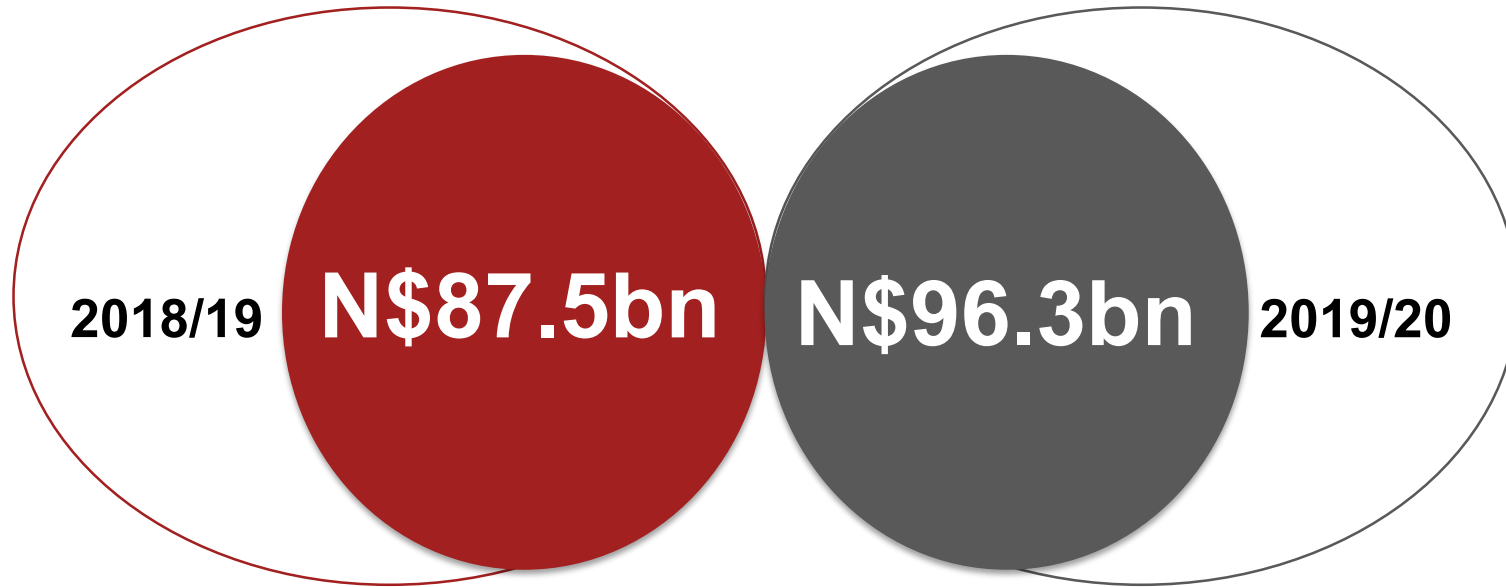
Reduce non-core expenditure **02**

**03** Core Spending on Social Sectors

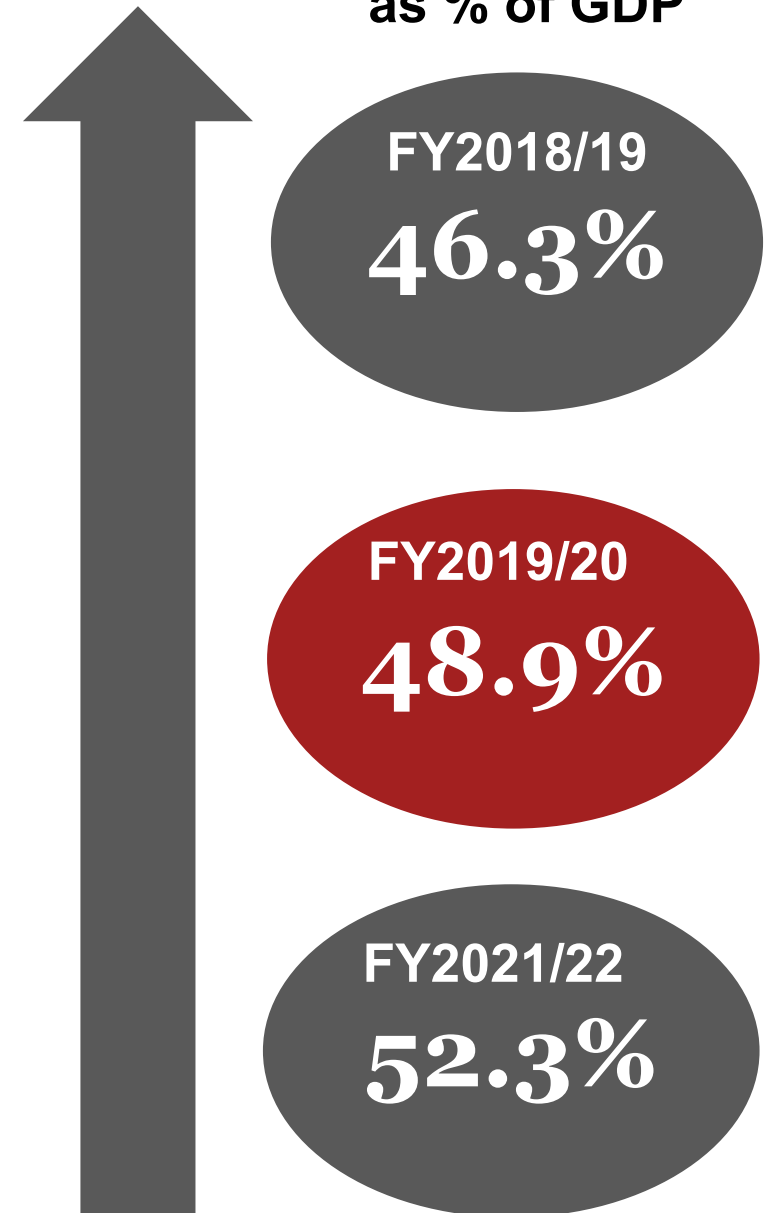
Strengthens allocations to social safety nets

**04**

# Debt Stock



## Debt Stock as % of GDP







# 2019 BUDGET REVIEW

## Achieving Growth and Fiscal Stability

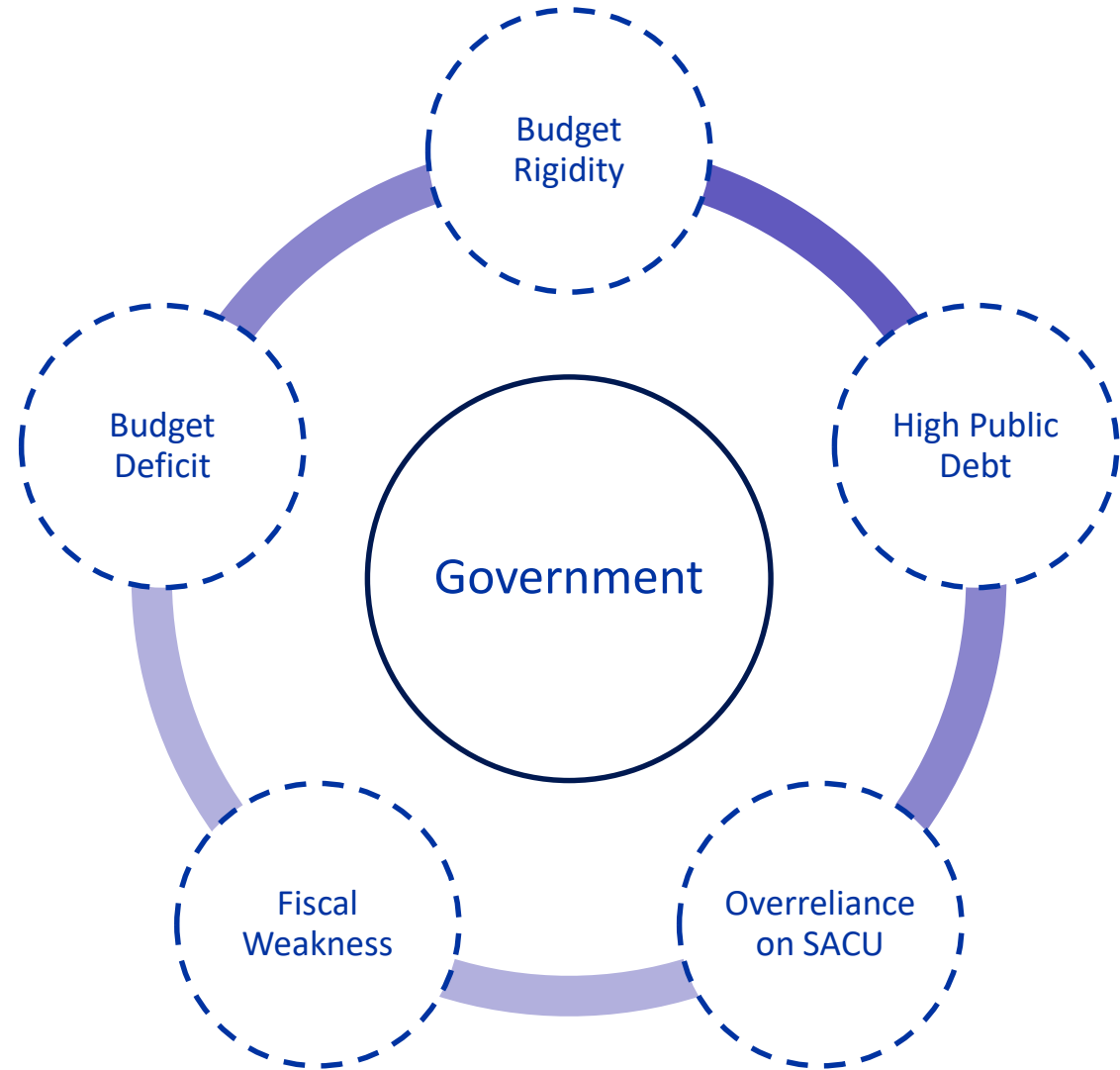
Naufiku Hamunime

Standard Moving Forward™





## Challenges Facing the Fiscus

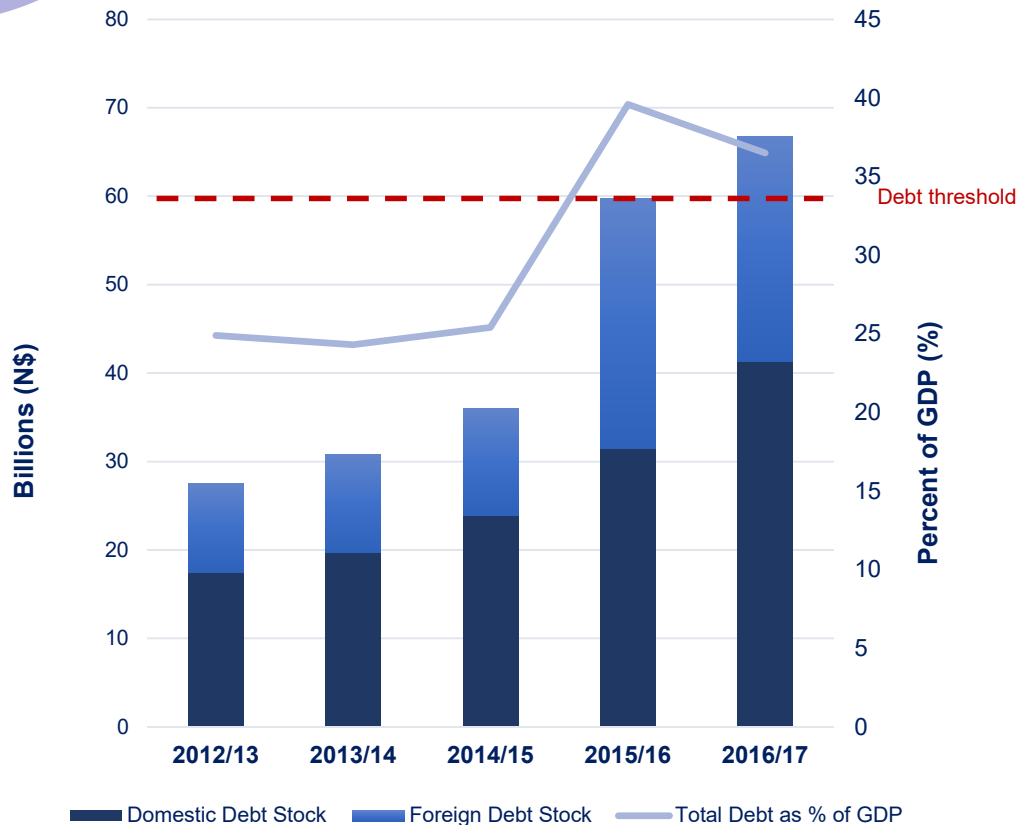


# Challenges Facing the Fiscus

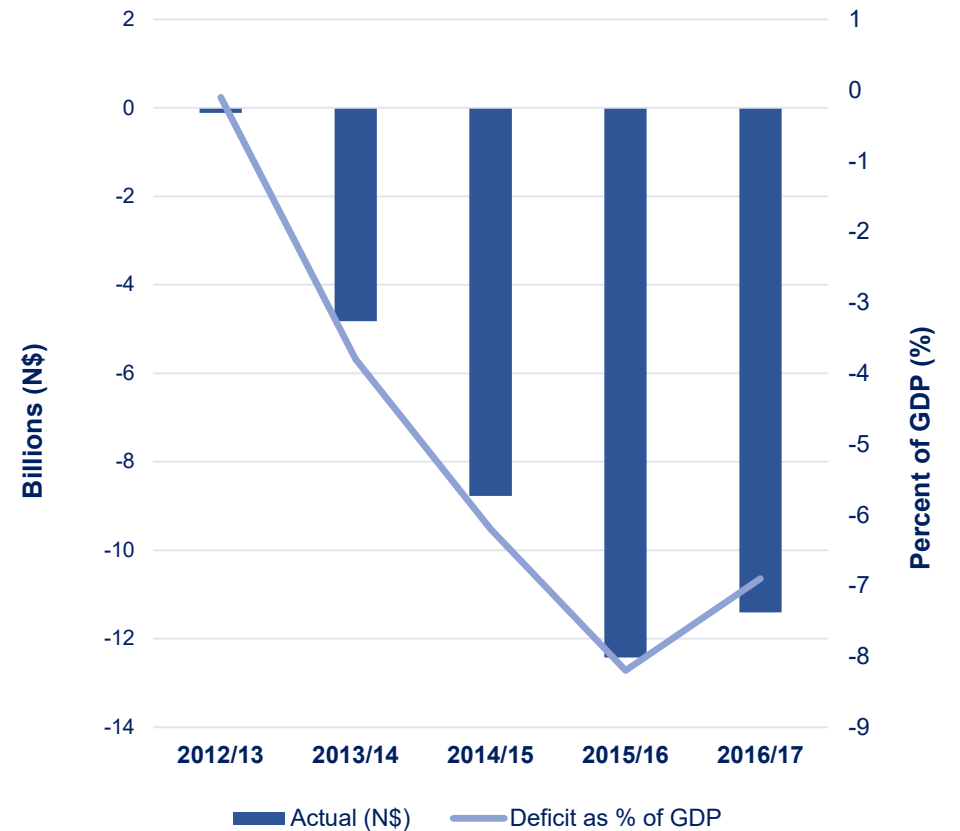


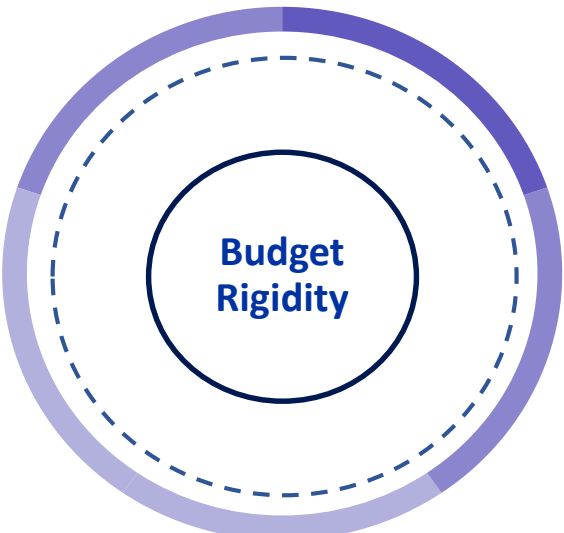
Fiscal Weakness

## Public Debt



## Budget Deficit

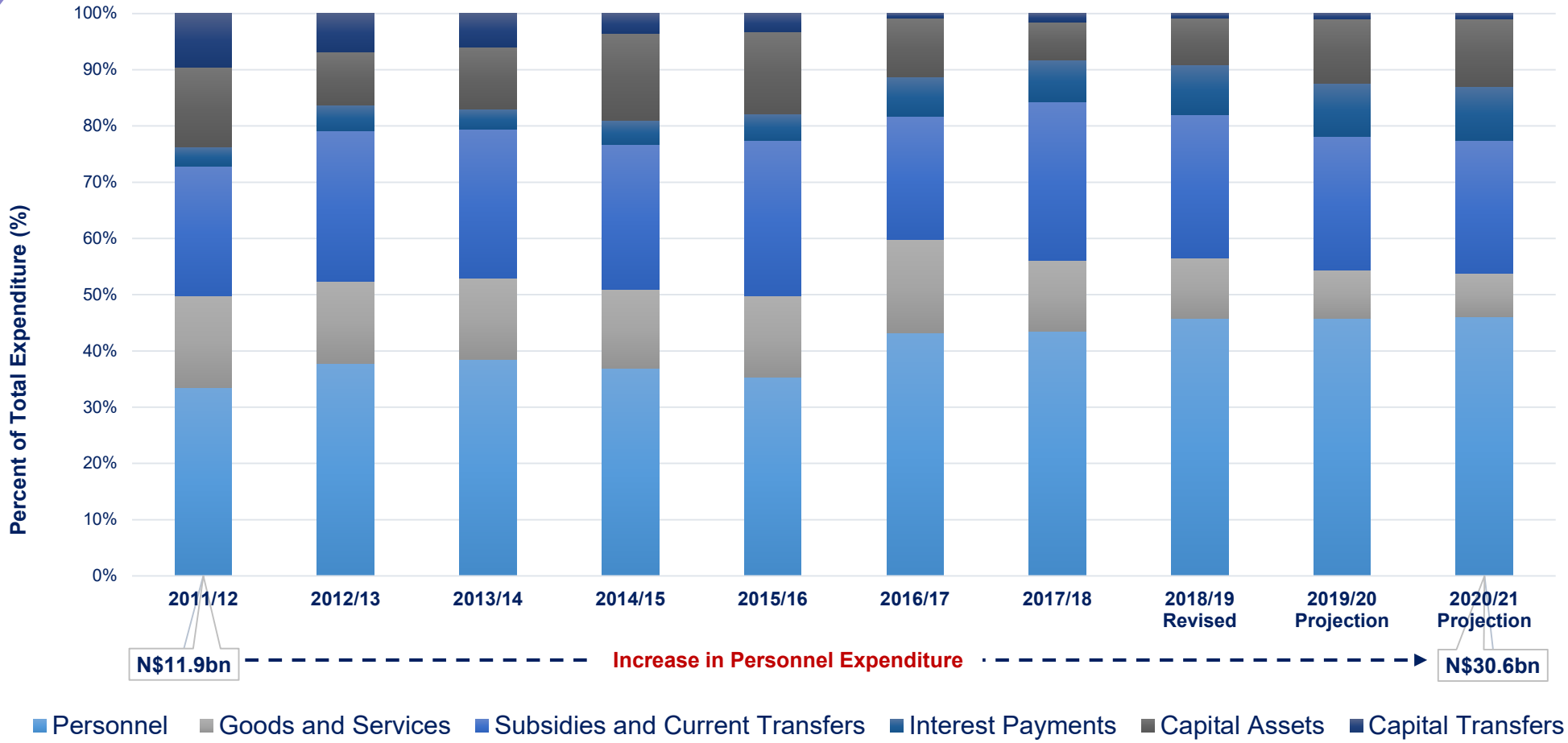




# Challenges Facing the Fiscus



## Expenditure by Subdivision



Source: Ministry of Finance

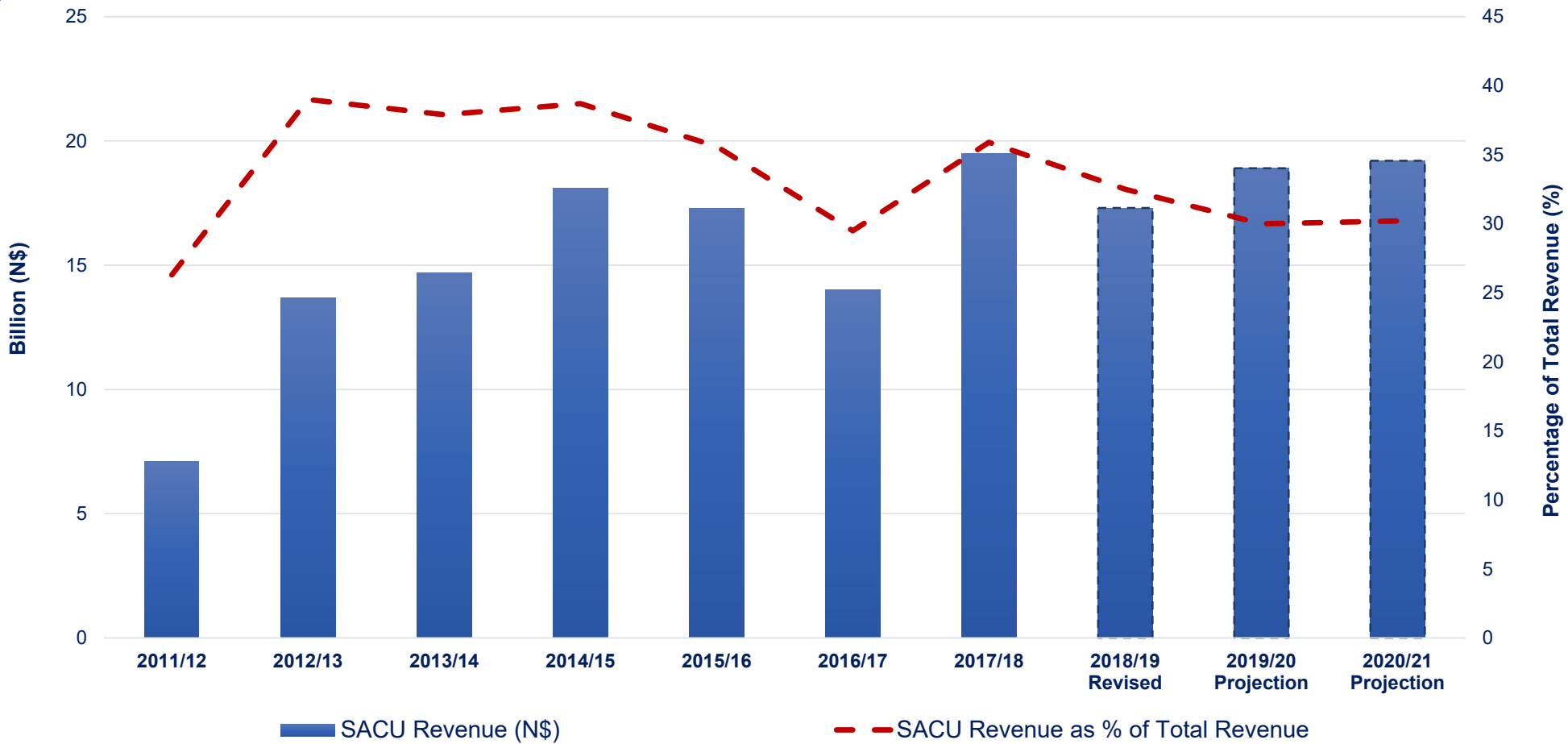




# Challenges Facing the Fiscus

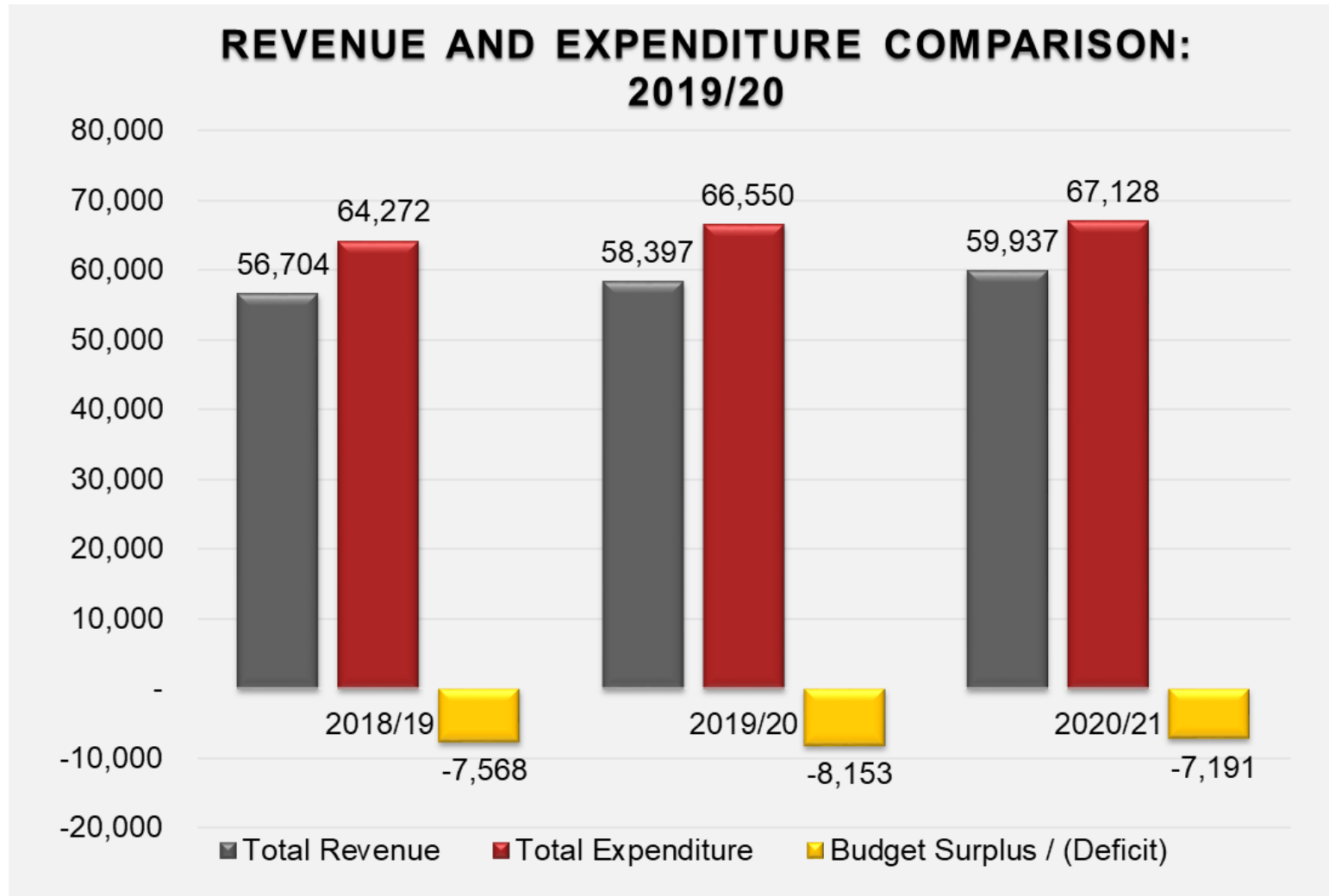


## SACU Revenue

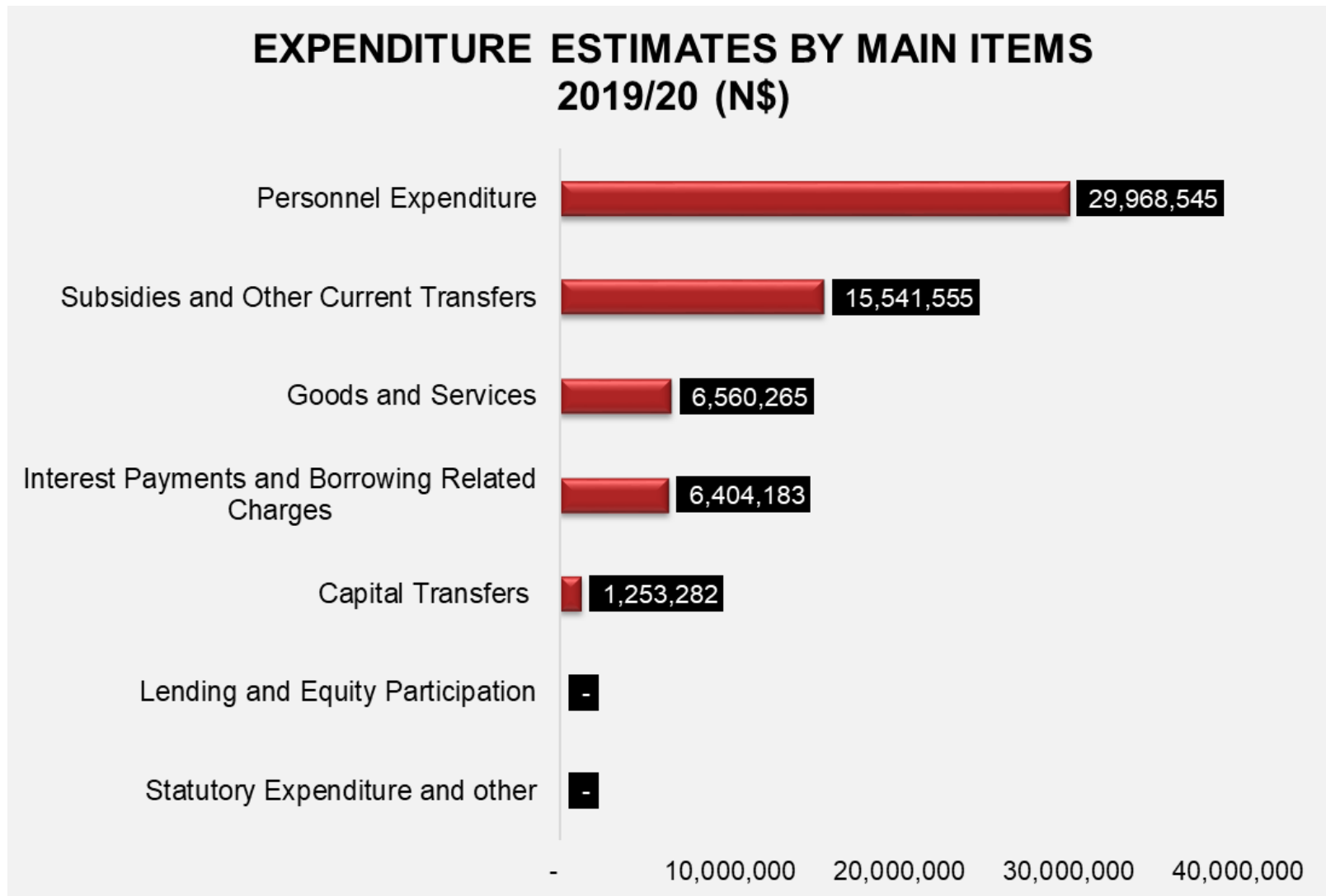


Source: Ministry of Finance

# Revenue vs. Expenditure

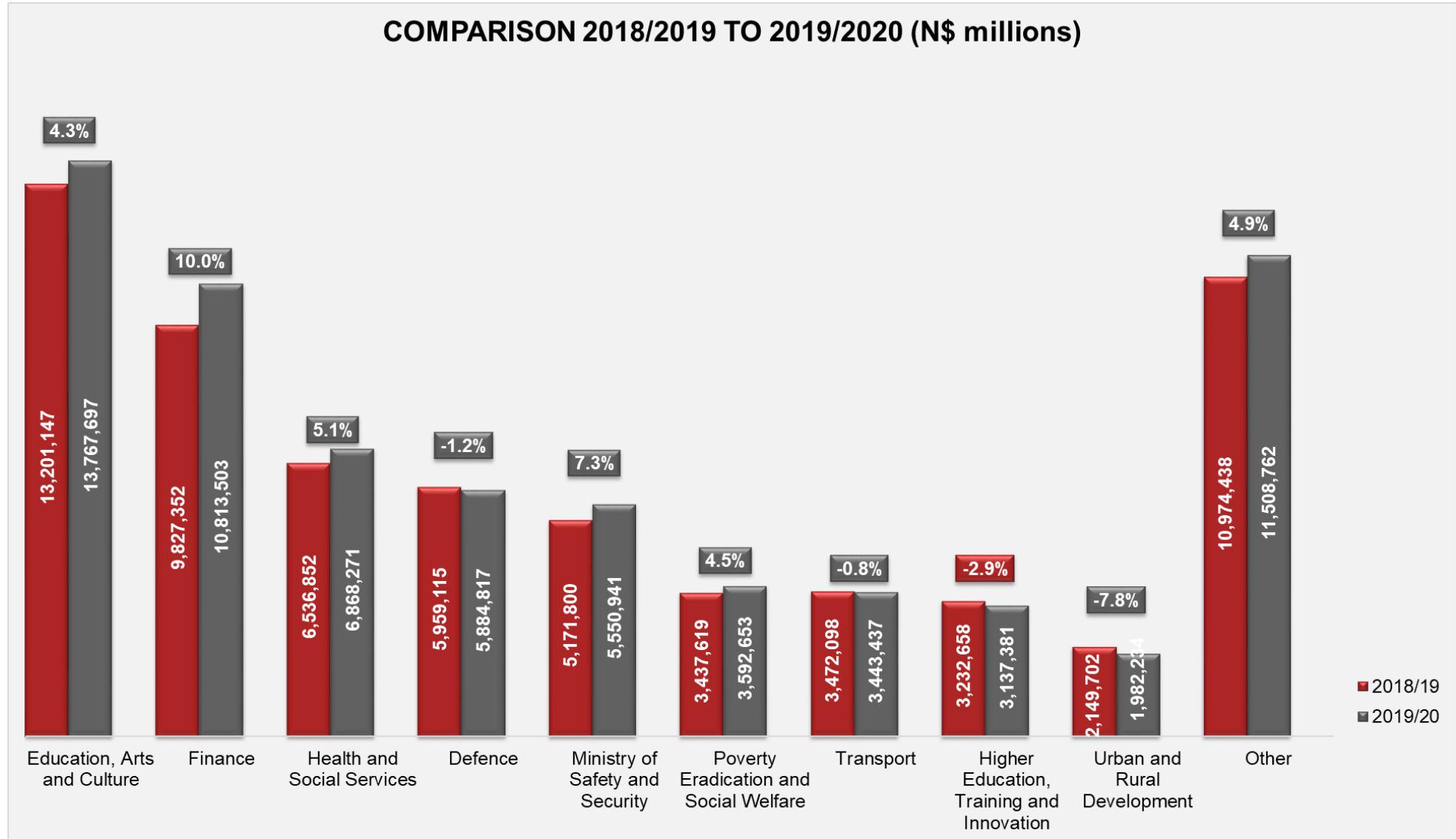


# Operational Expenditure

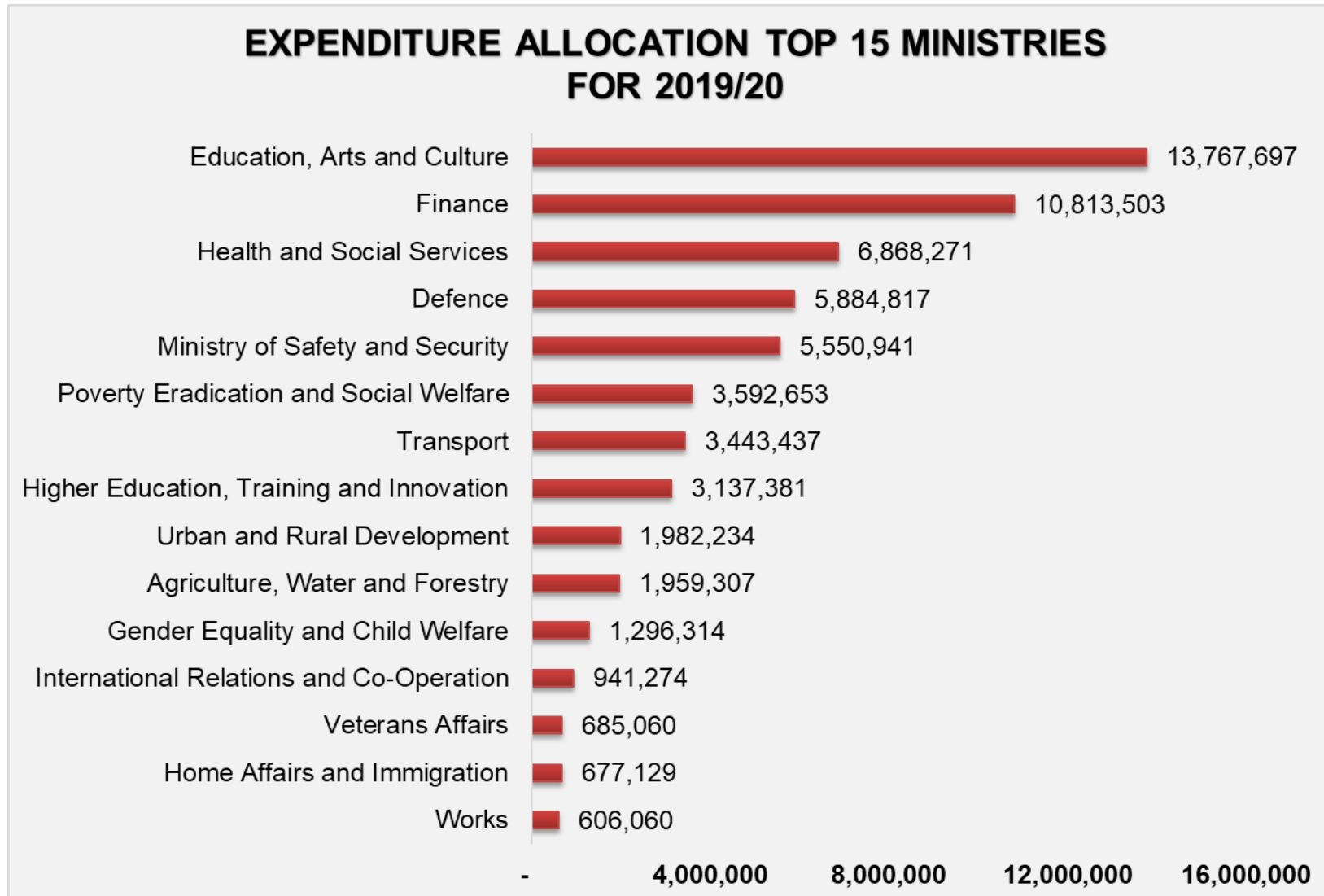




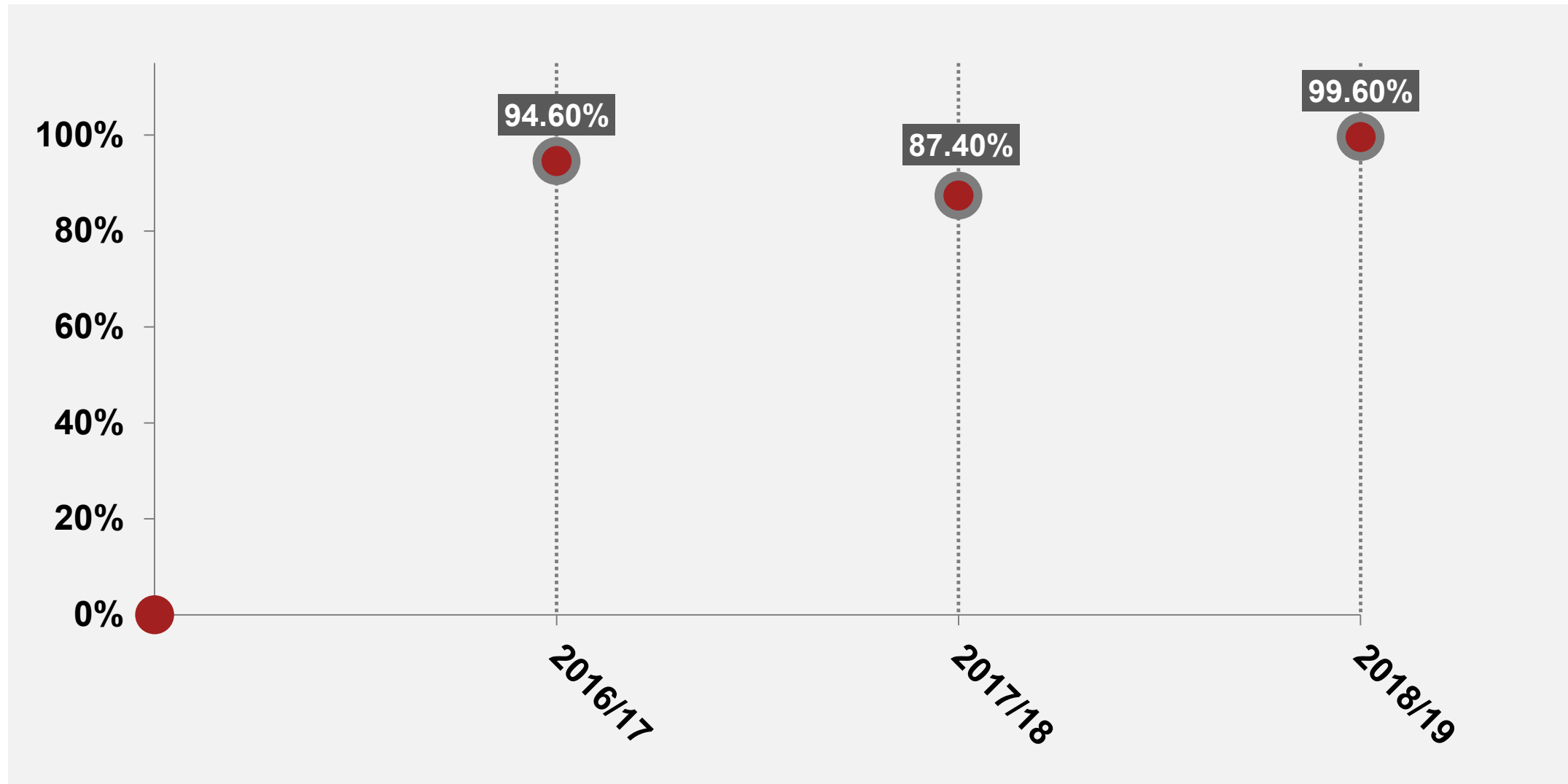
# Comparison 2018/2019 to 2019/2020 (N\$ millions)



# Expenditure Allocation per Department 2019/2020 (N\$ millions)



# Expenditure Execution Rates





# Spending Priorities

1

**Old Age Grants  
– Monthly  
Increase N\$50**

2

**Increase  
Development  
Budget Allocation  
by 42.2%**

3

**Social Sector  
Allocation 49.3%**

4

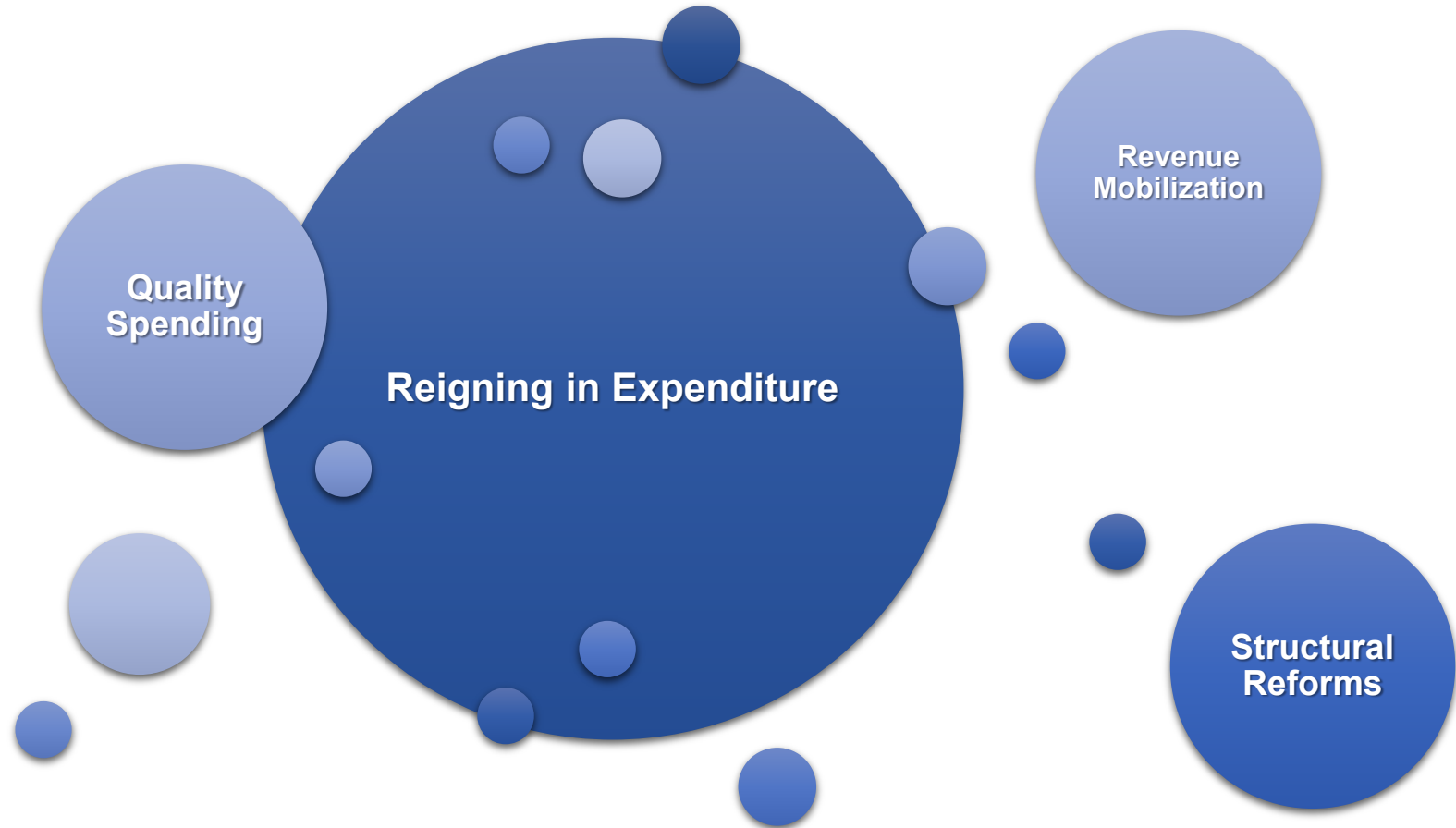
**Public Safety  
Sector  
Allocation  
21.7%**

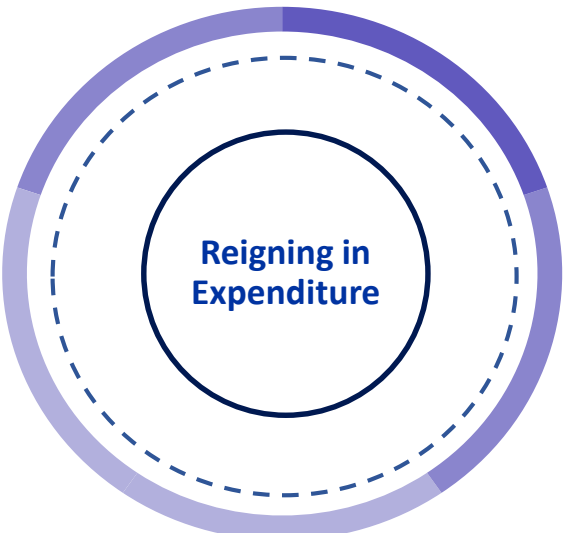
5

**Economic &  
Infrastructure  
Sector  
Allocation 19.2%  
– Road Capital  
Projects**



## Priority Areas of Consolidation





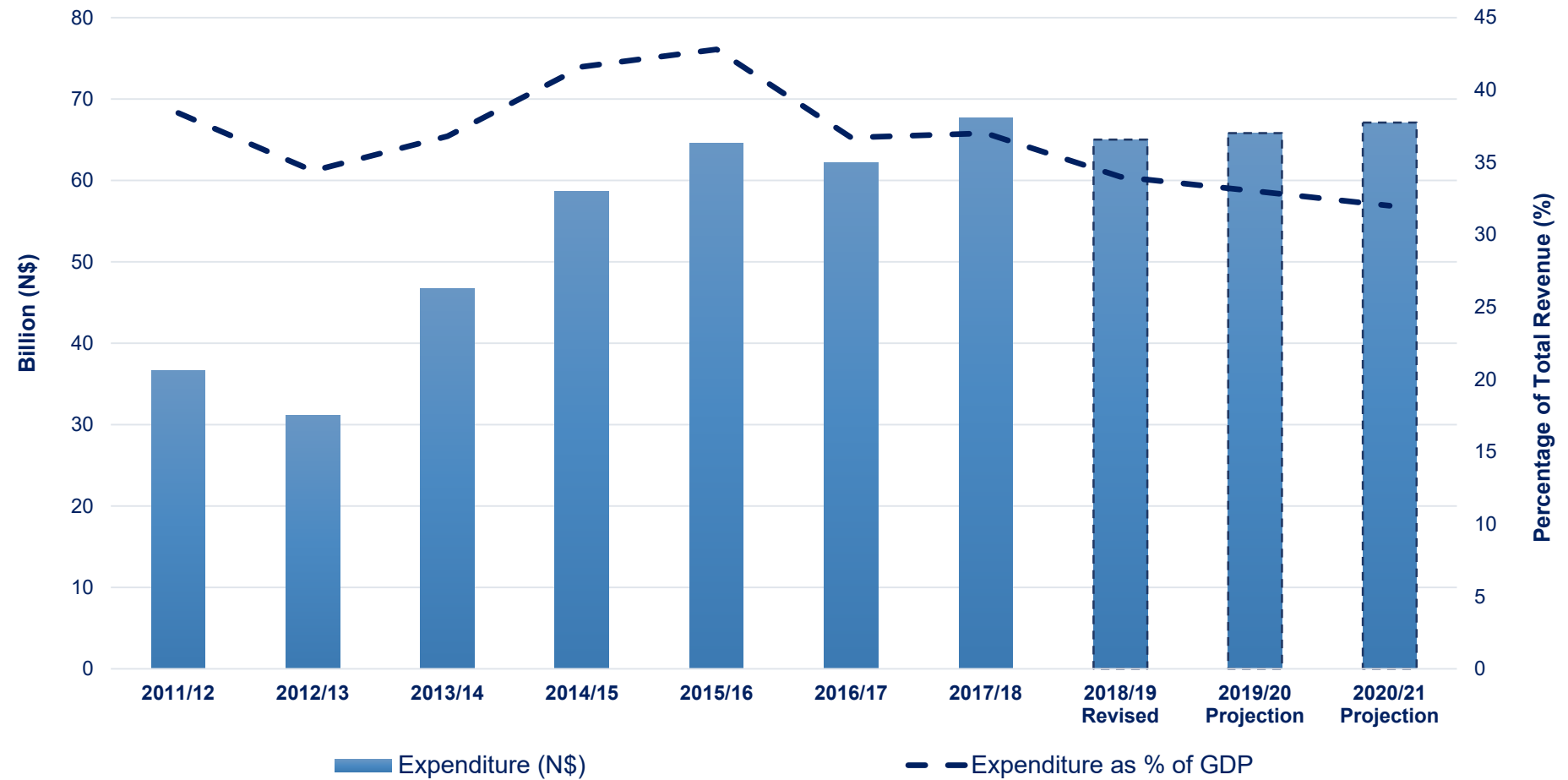
## Priority Areas of Consolidation



# Expenditure

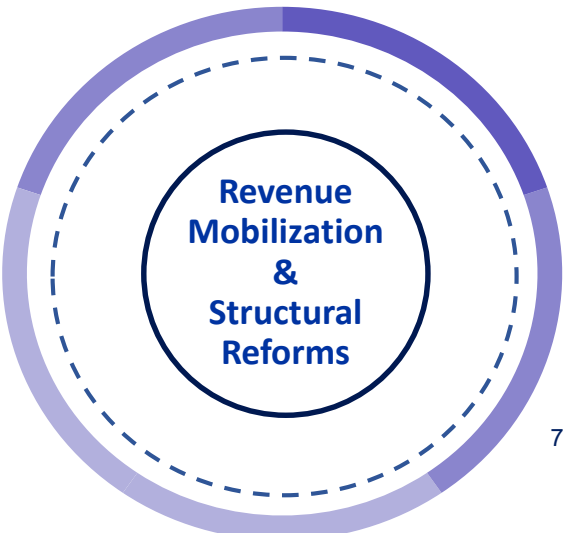
### Governments Measures to Contain Wage Bill

- Incremental Wage Increases
- Natural Attrition
- Hiring Freeze



Source: Ministry of Finance



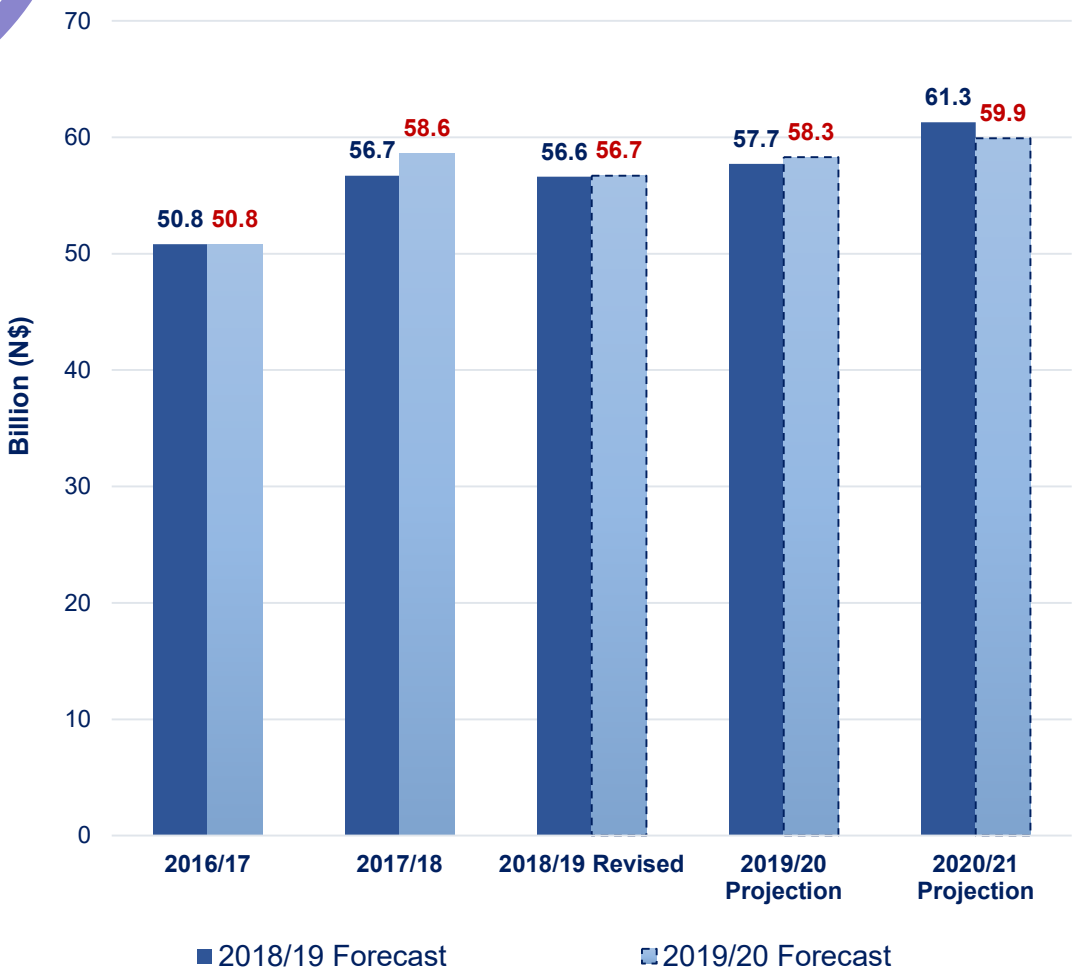


# Priority Areas of Consolidation



## Revenue

## Structural Reforms



- Tying Project Funding to Development Plans
- Increased Level of Oversight e.g.
- Central Procurement Board
- Amendments to Public Enterprises Governance Act

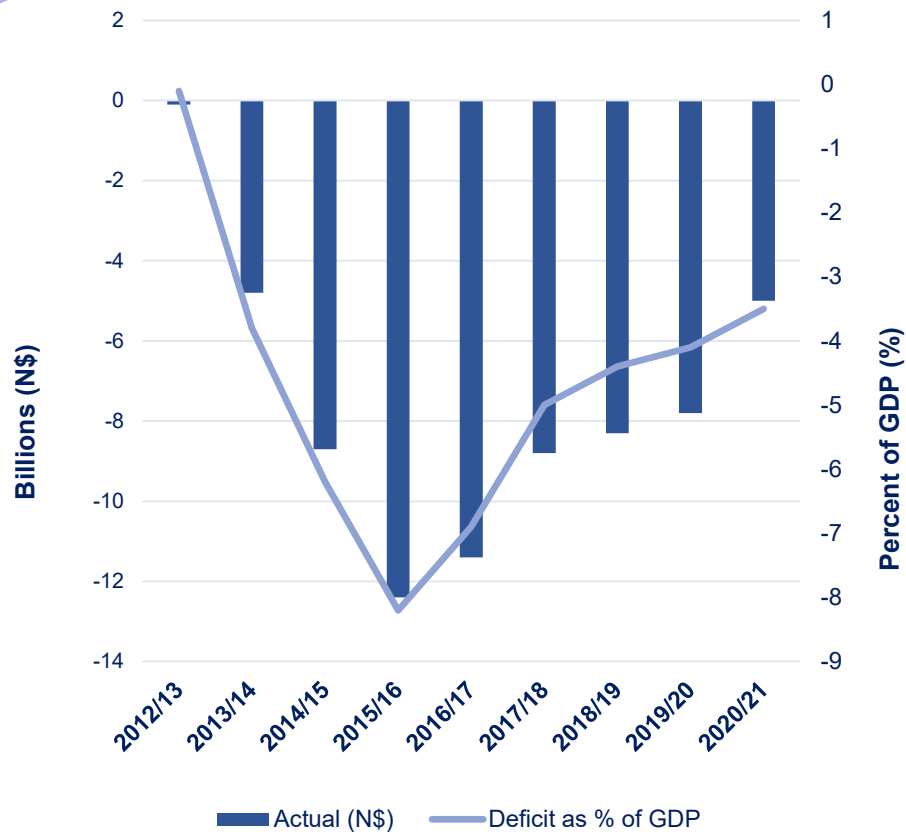
Source: Ministry of Finance



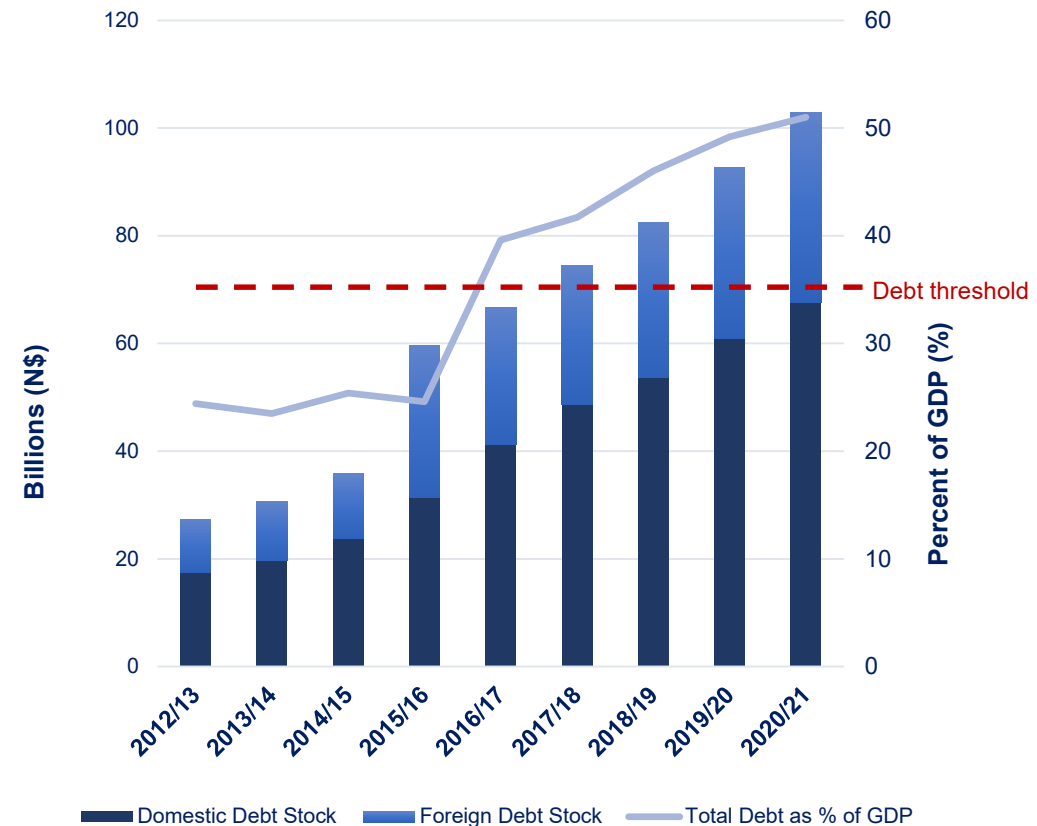
## Priority Areas of Consolidation

Turning  
the Fiscal  
Corner

# Budget Deficit



# Public Debt

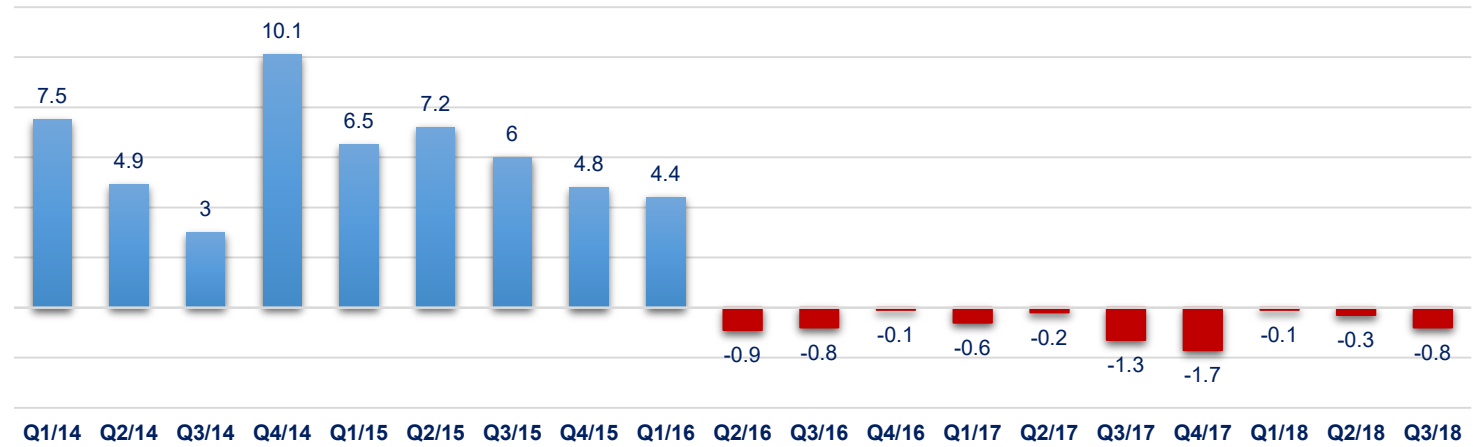




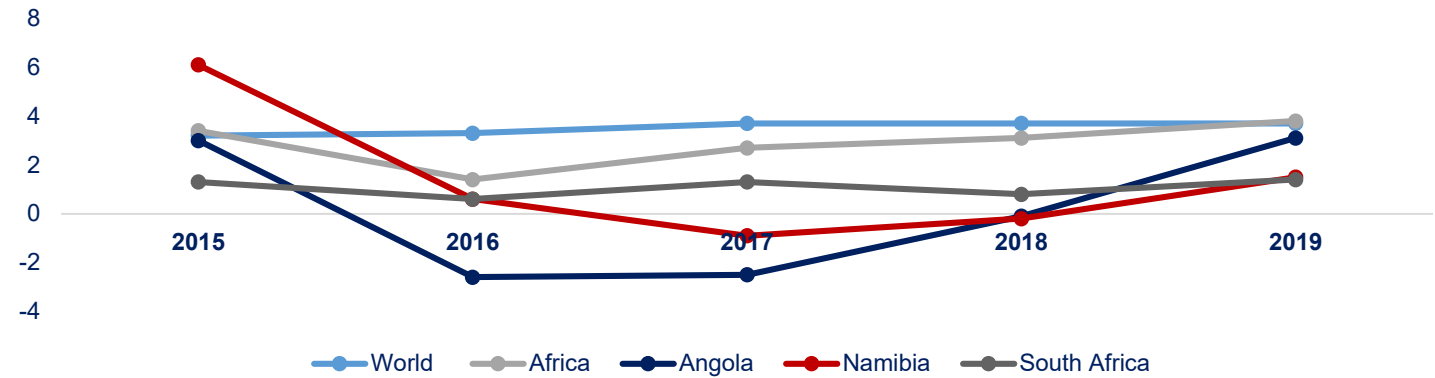
# Low Growth and the Fiscus



## GDP Growth (%)

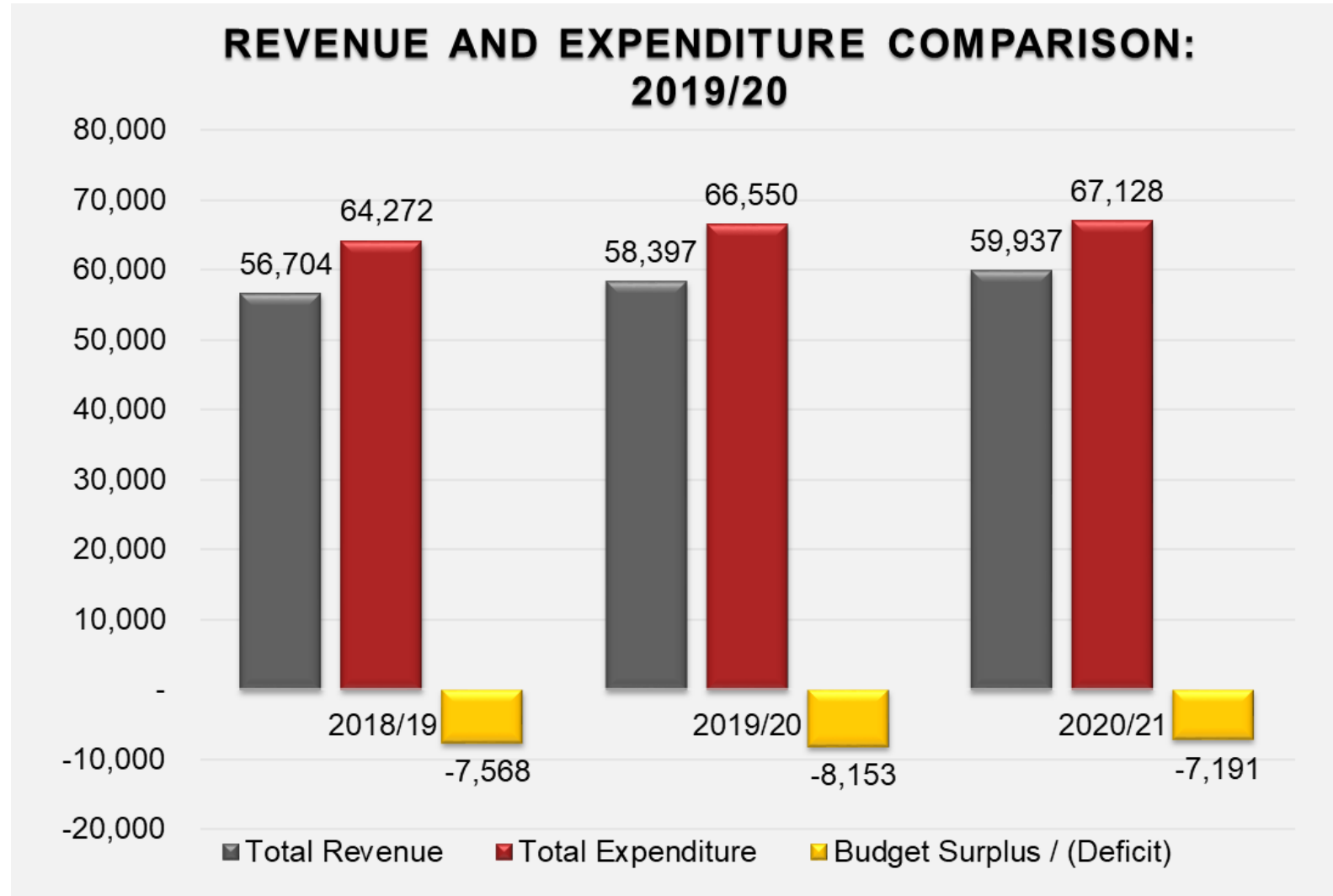


## Global Economic Outlook (%)

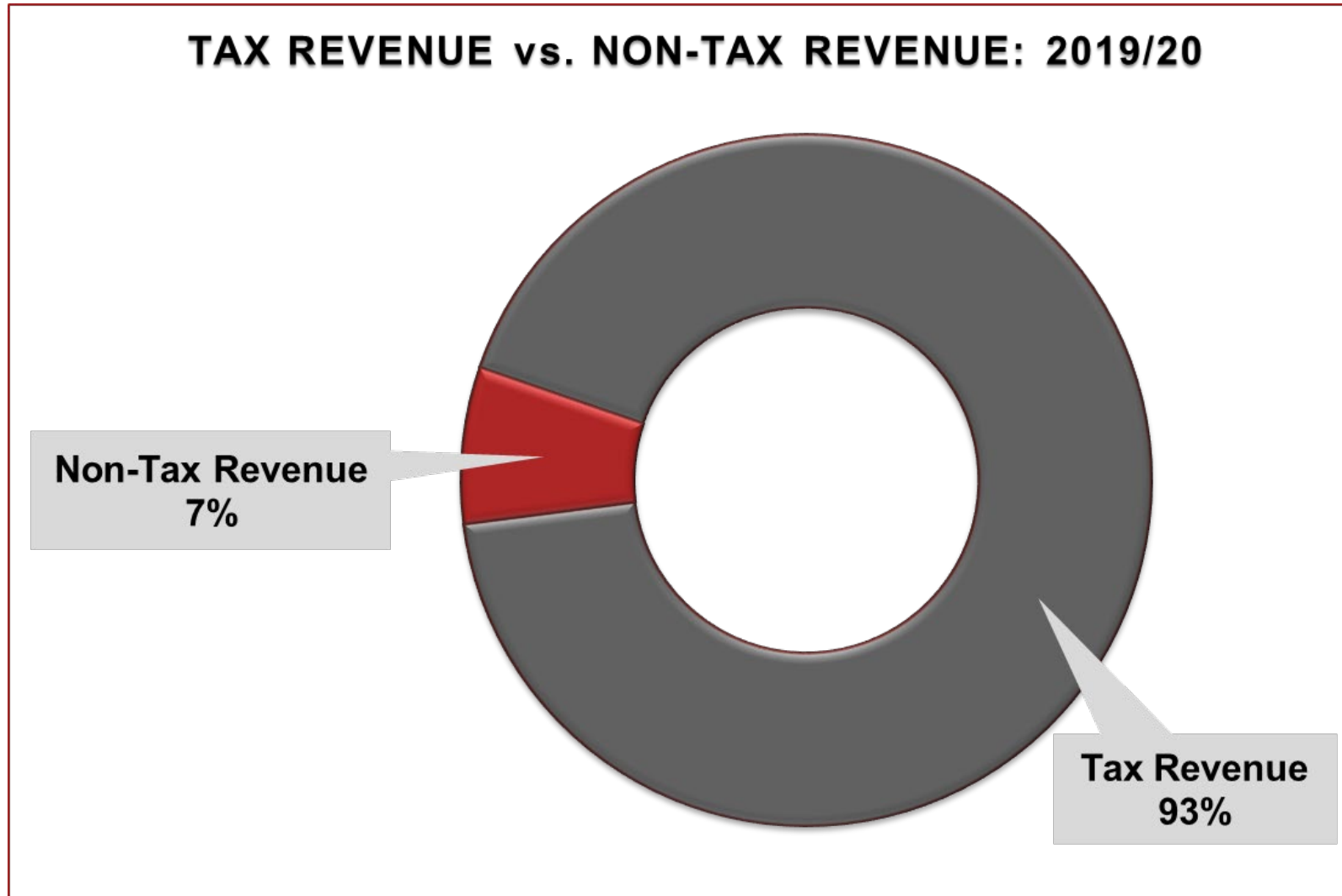




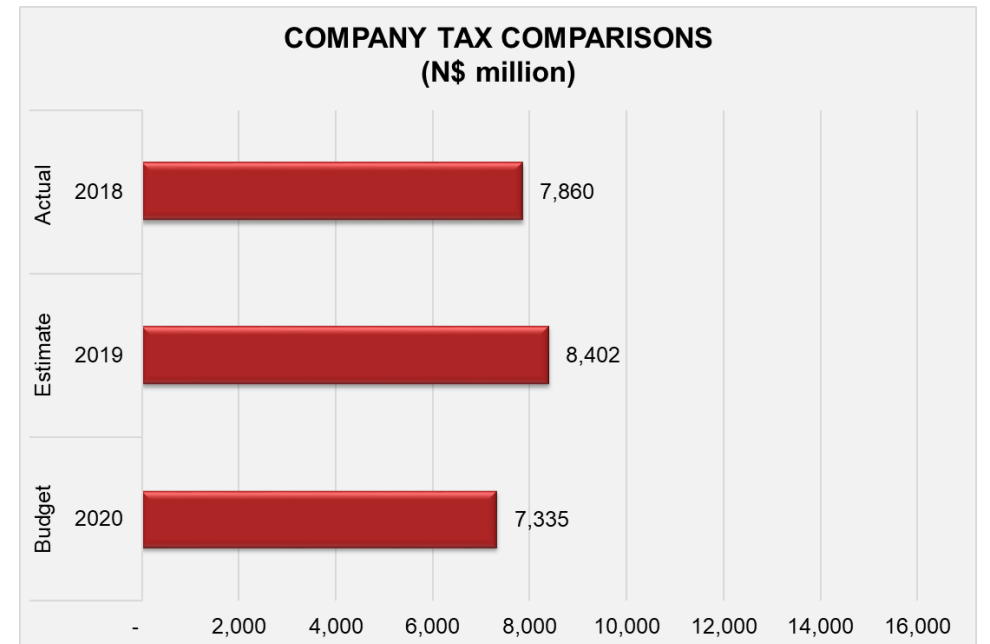
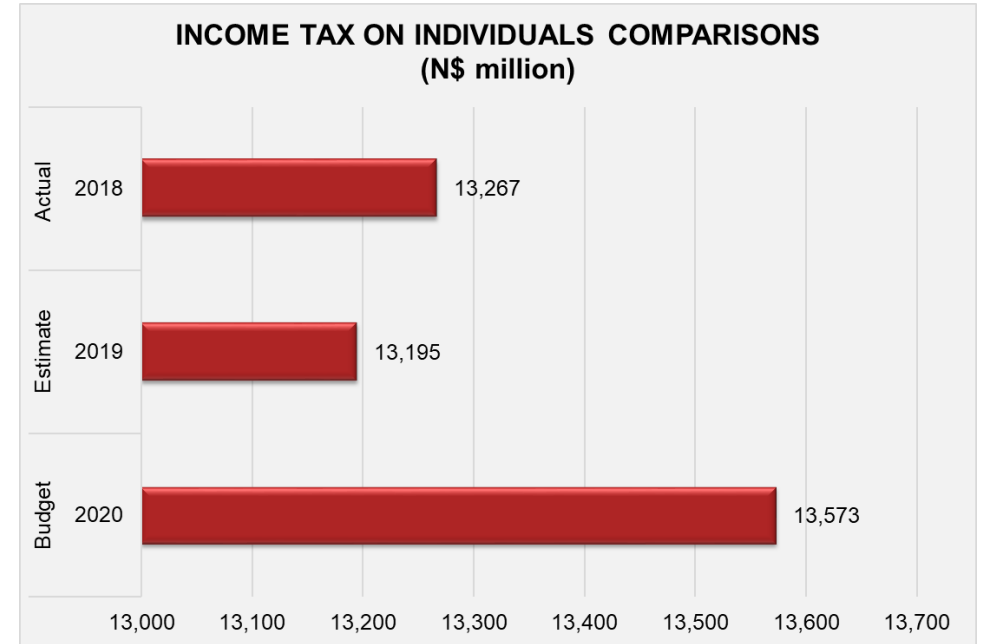
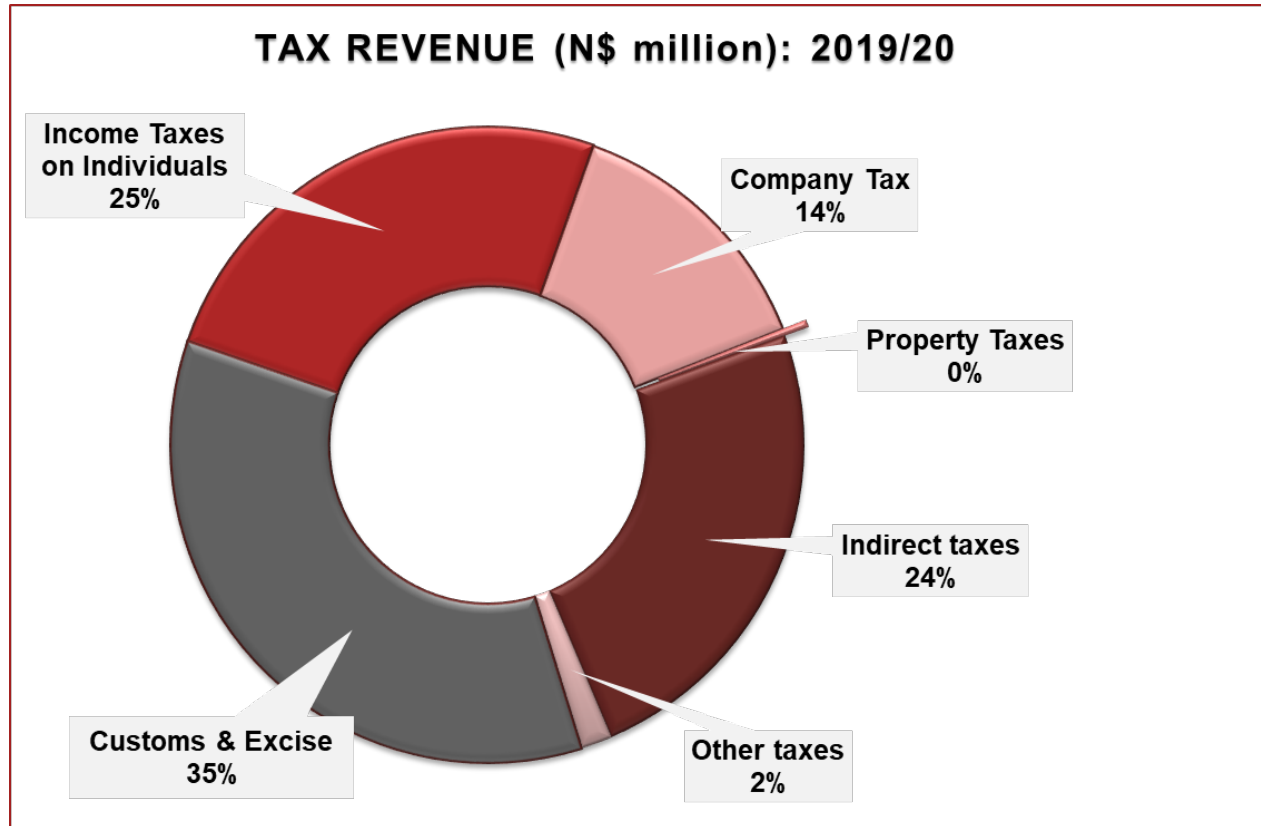
# Revenue vs. Expenditure



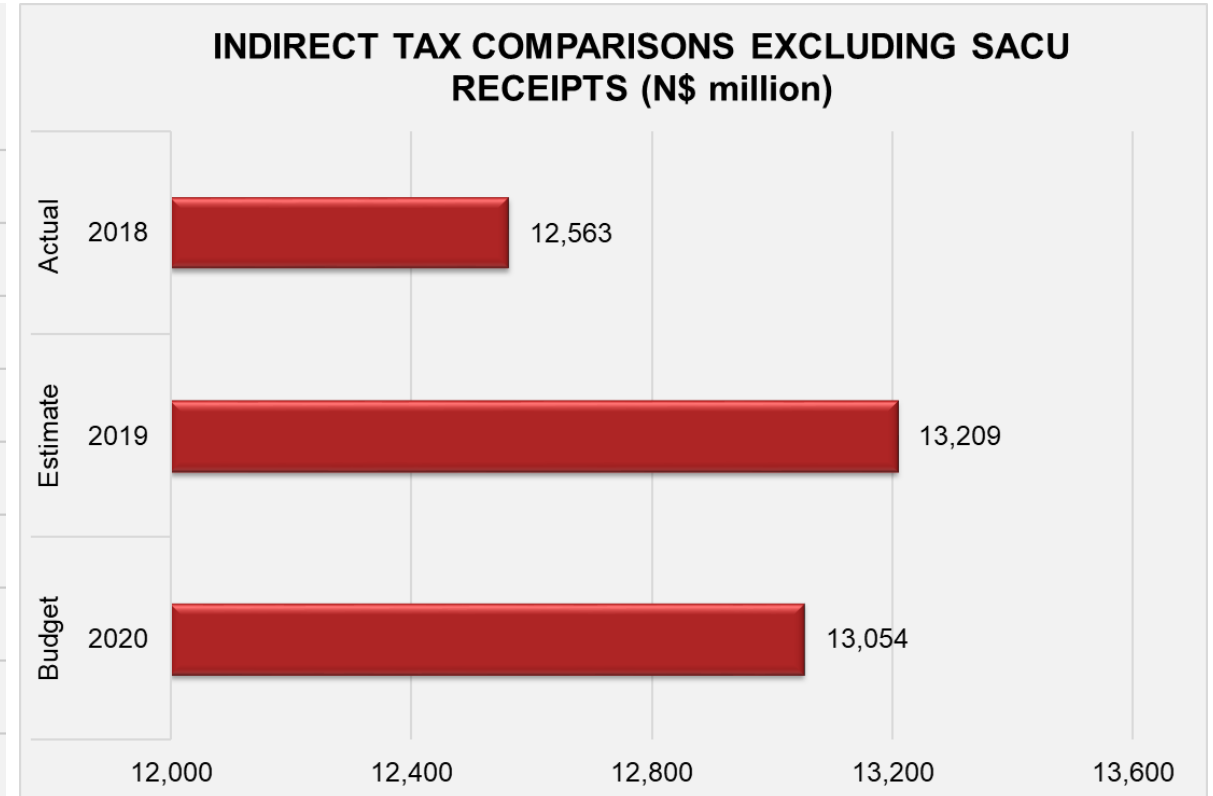
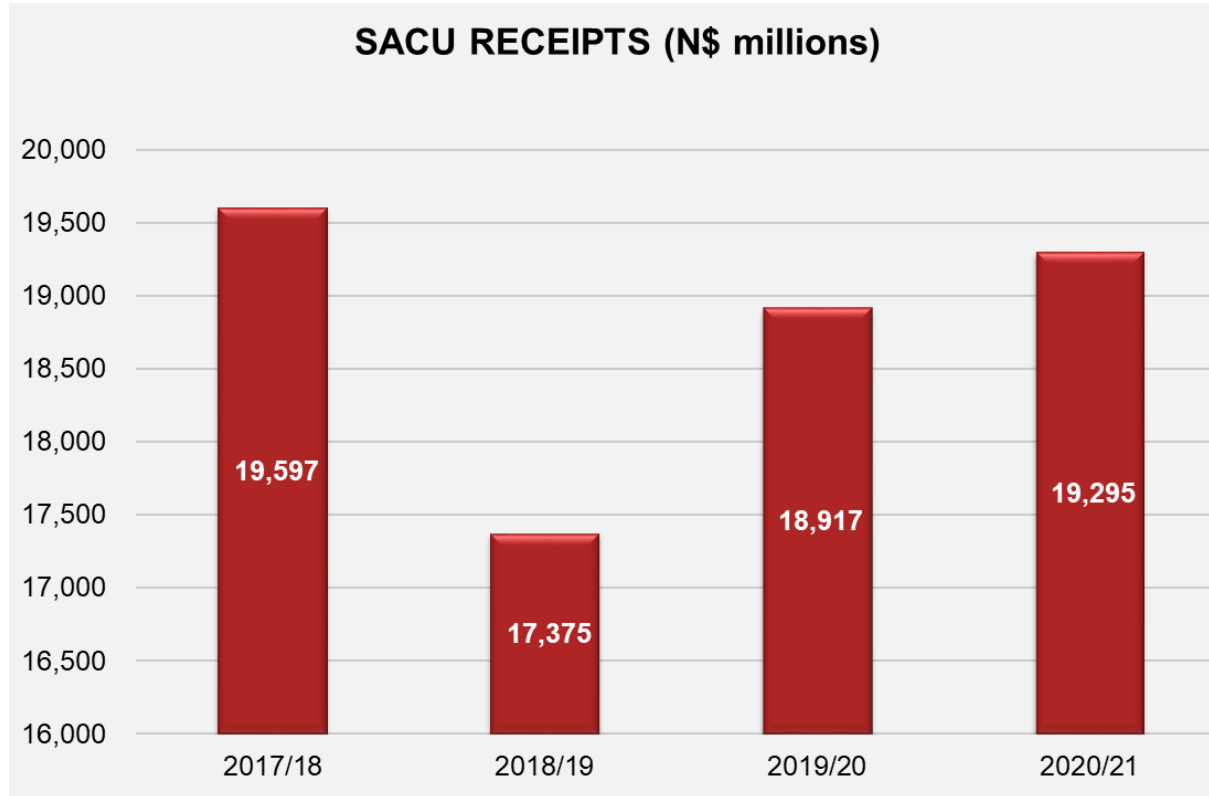
# Tax Revenue vs. Non-Tax Revenue



# Total Tax Revenue (N\$ 58 billion)



# SACU Receipts & Indirect Tax Comparison



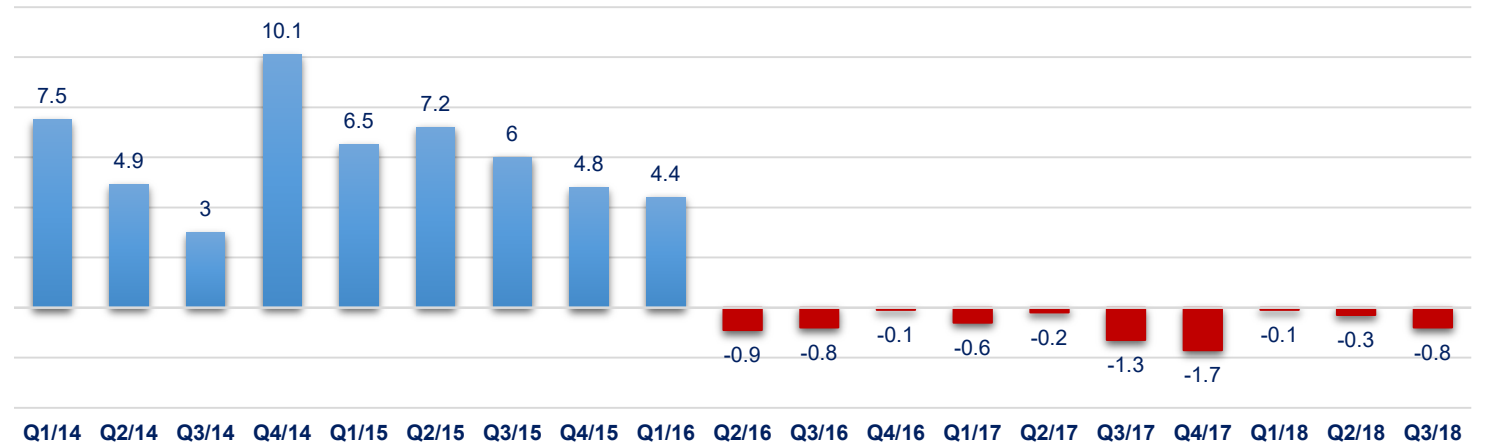




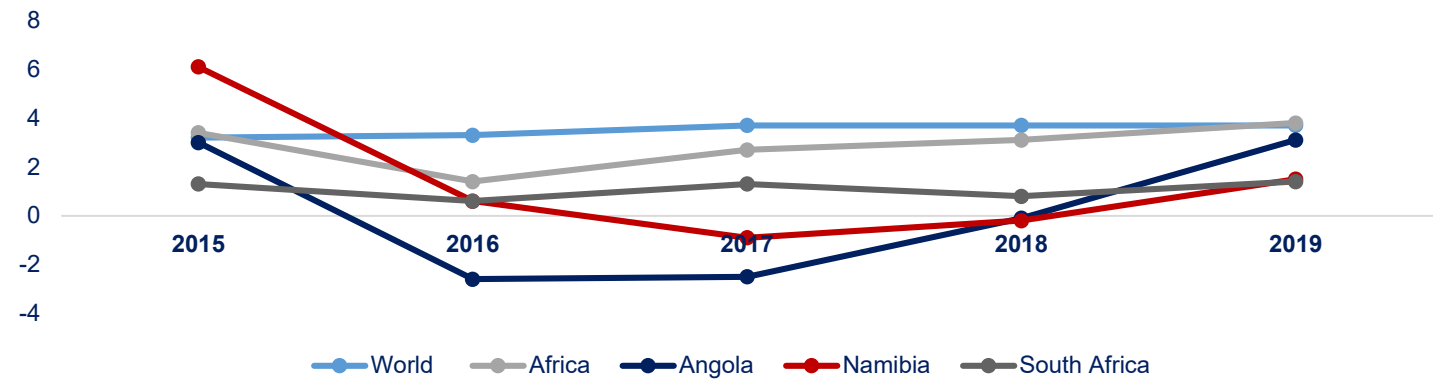
# Low Growth and the Fiscus

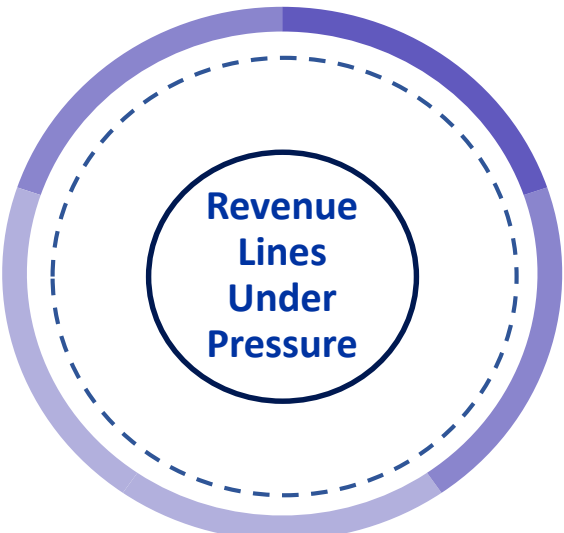


## GDP Growth (%)

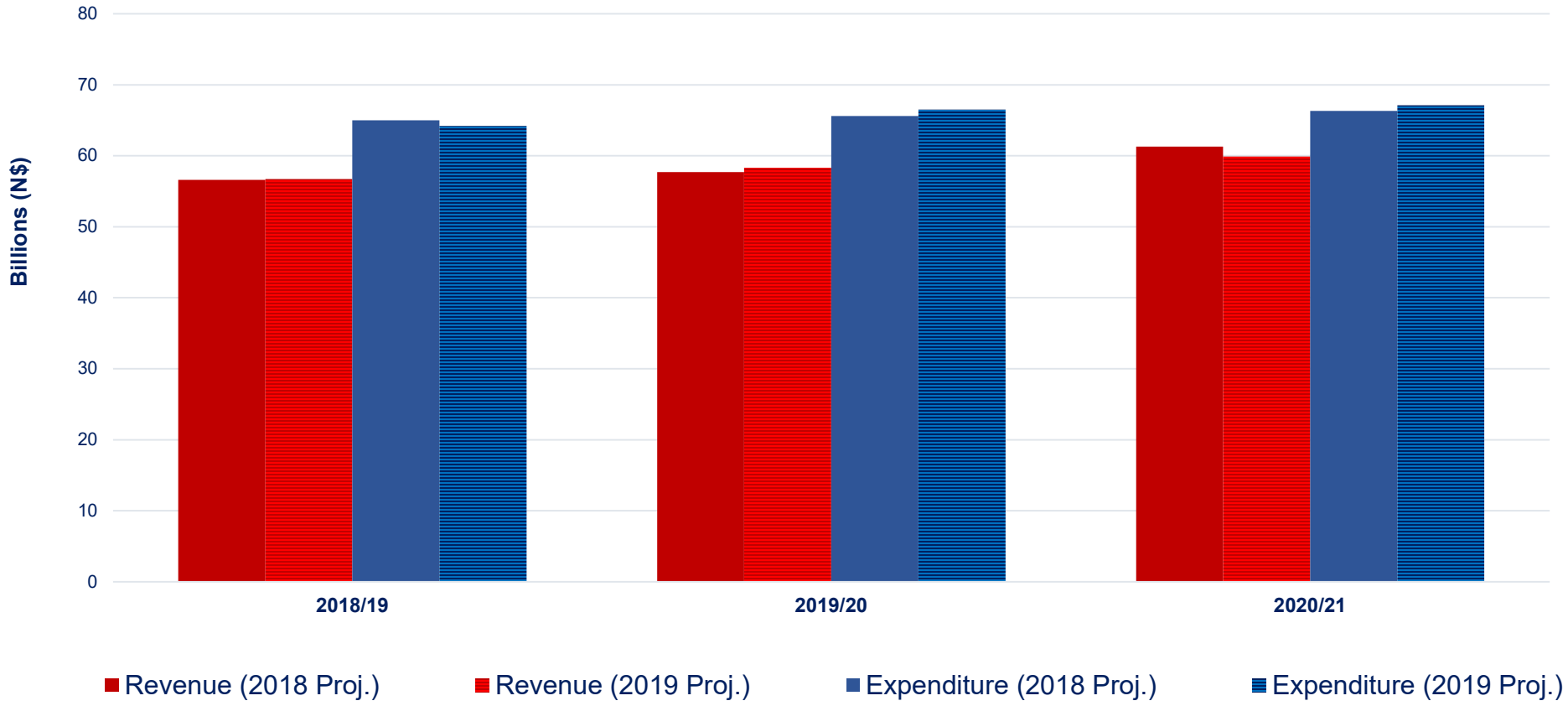


## Global Economic Outlook (%)



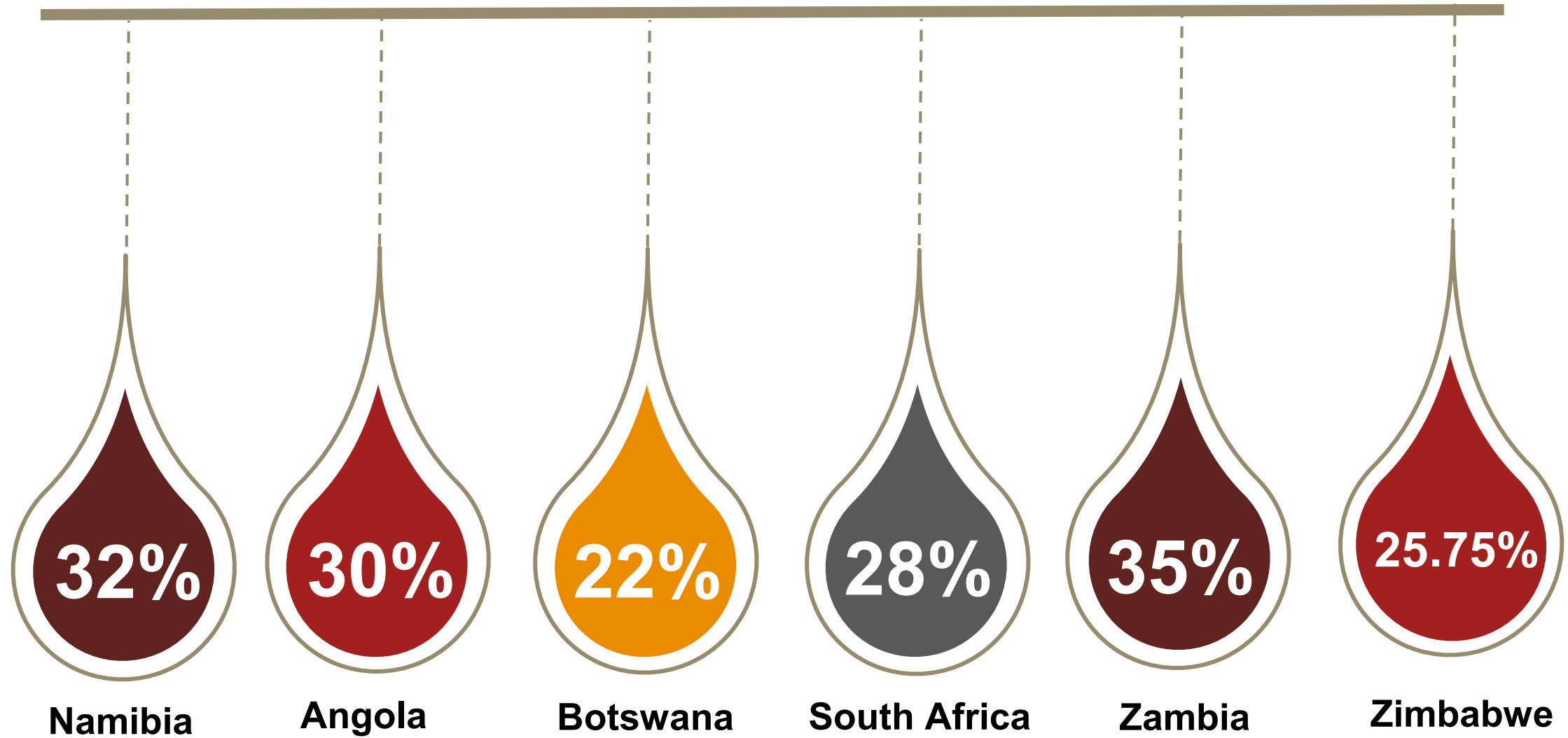


# Revenue vs. Expenditure Projections

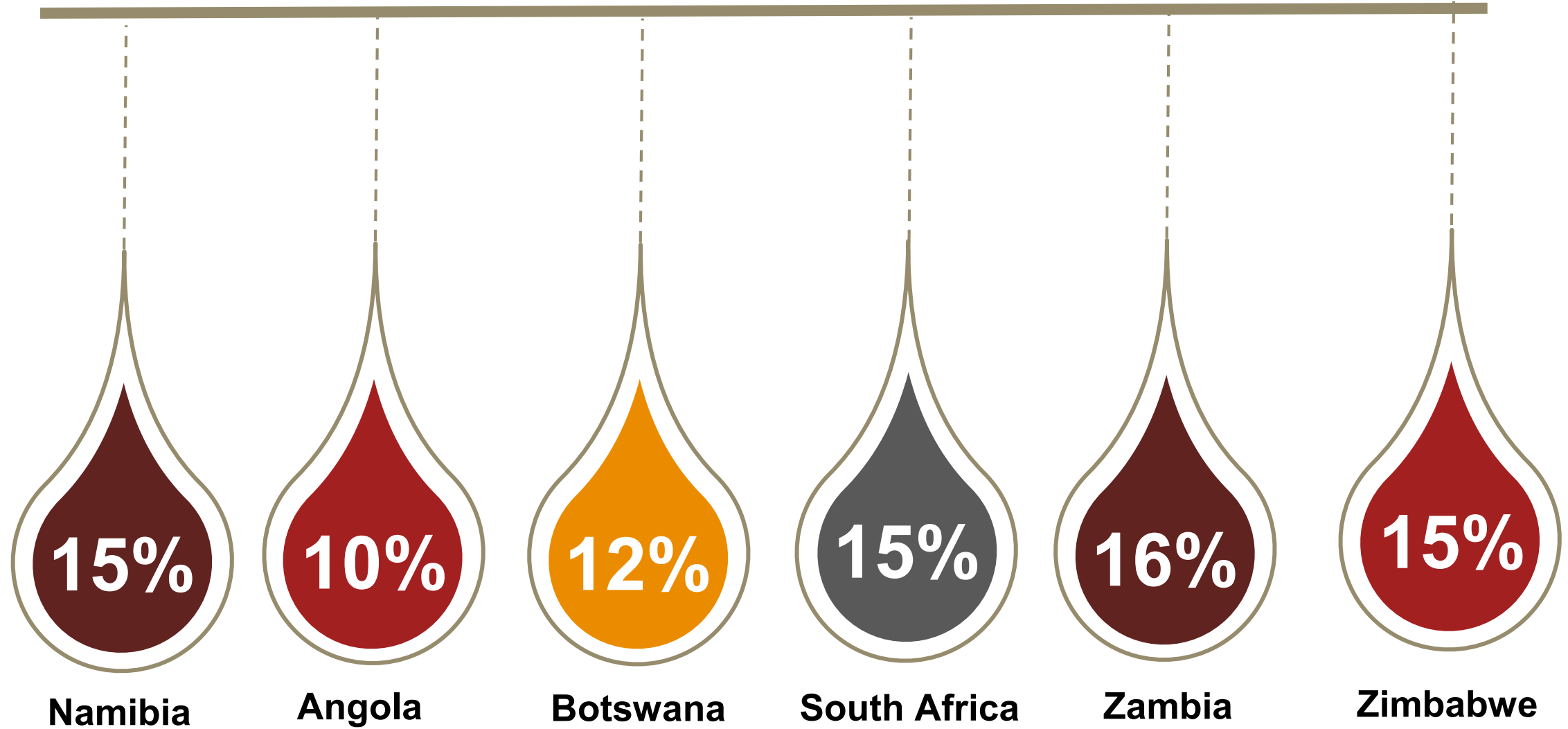


Source: Ministry of Finance

# Comparisons: Corporate Tax Rates

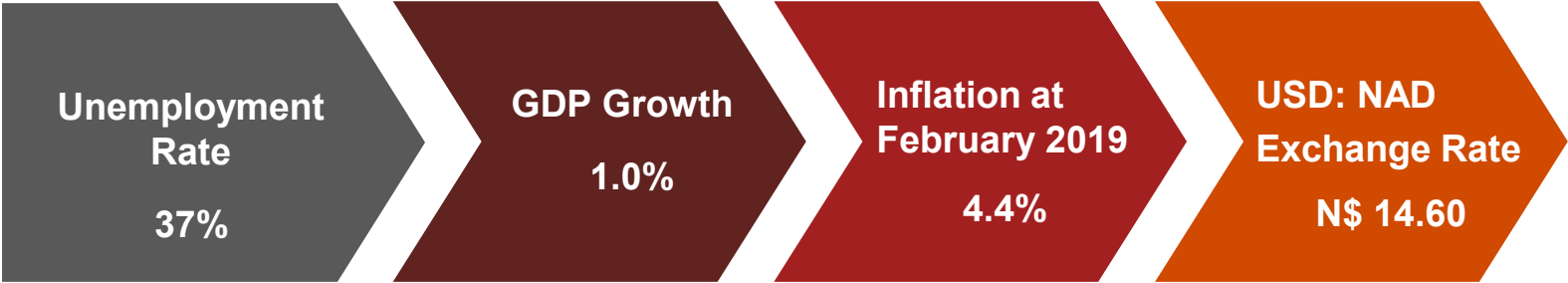


# Comparisons: VAT Rates





# Namibian Economic Statistics





## Achieving Long Term Growth

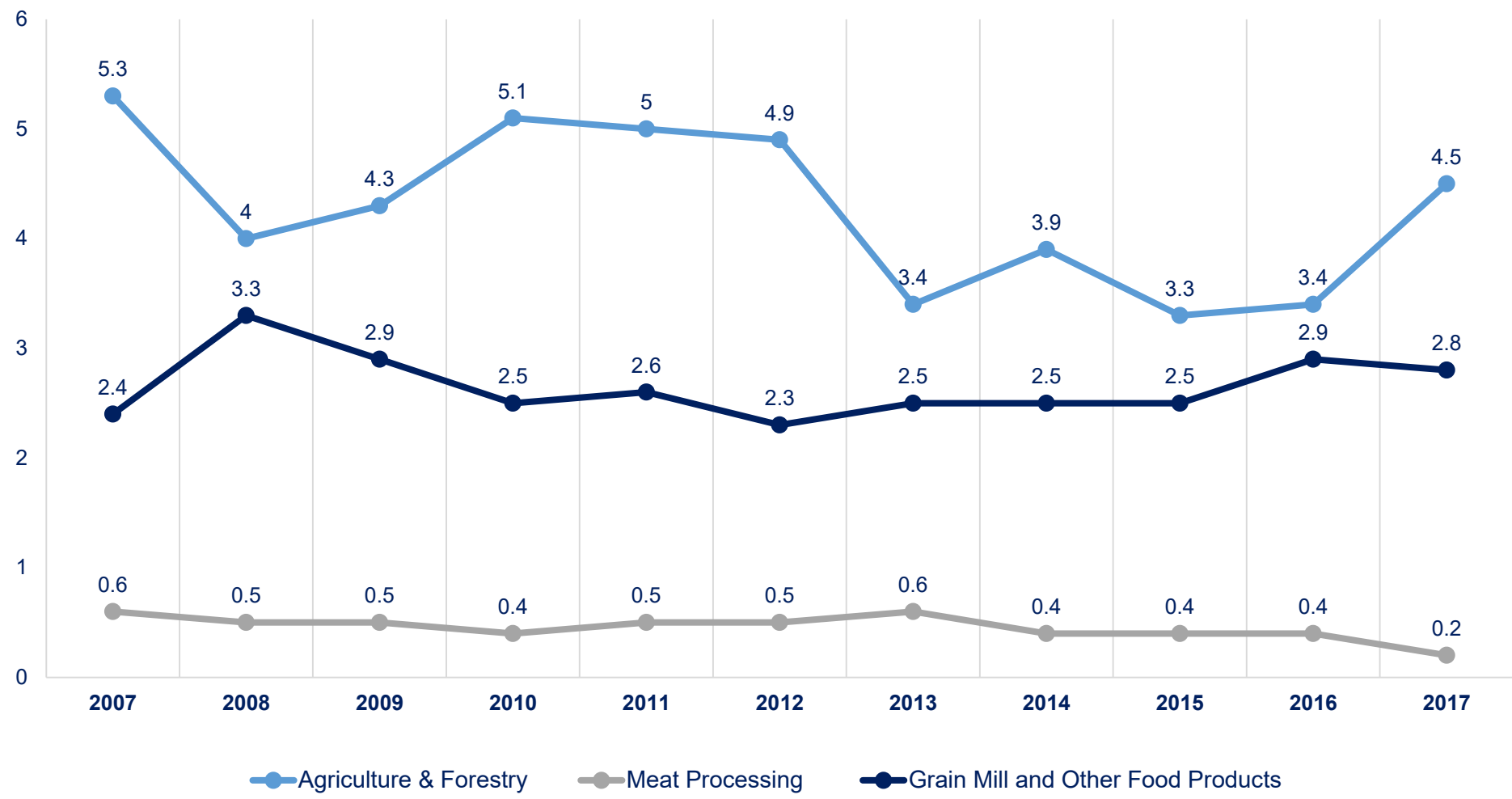




# Achieving Long Term Growth



## Percentage Contribution to GDP (%)



Source: National Statistics Agency

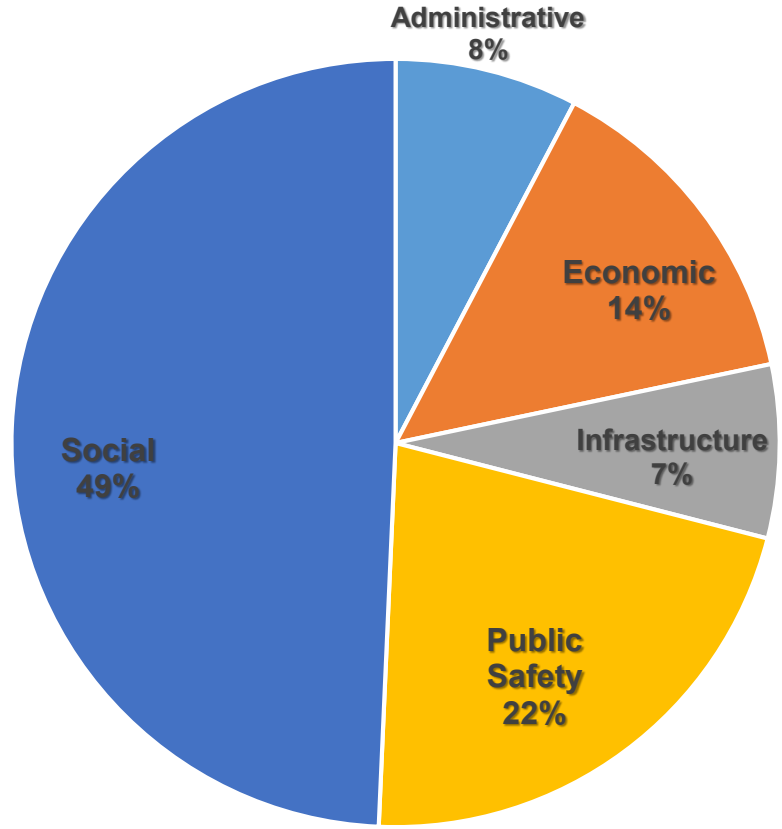
# Achieving Long Term Growth



## Opportunities



## Budget Sectoral Allocations FY18/19 (%)





# Structural Policy Reforms

**1**

**Mid Year Budget  
Review**

**2**

**PPP Legislative  
Framework**

**3**

**Public  
Procurement Act**

**4**

**Domestic Asset  
Requirements**

**5**

**Energy  
Regulatory  
Authority Bill**

**6**

**Public  
Enterprise  
Governance Bill**

**7**

**Witness  
Protection Act,  
Whistle Blowers  
Act**

**8**

**2<sup>nd</sup> Land  
Conference**

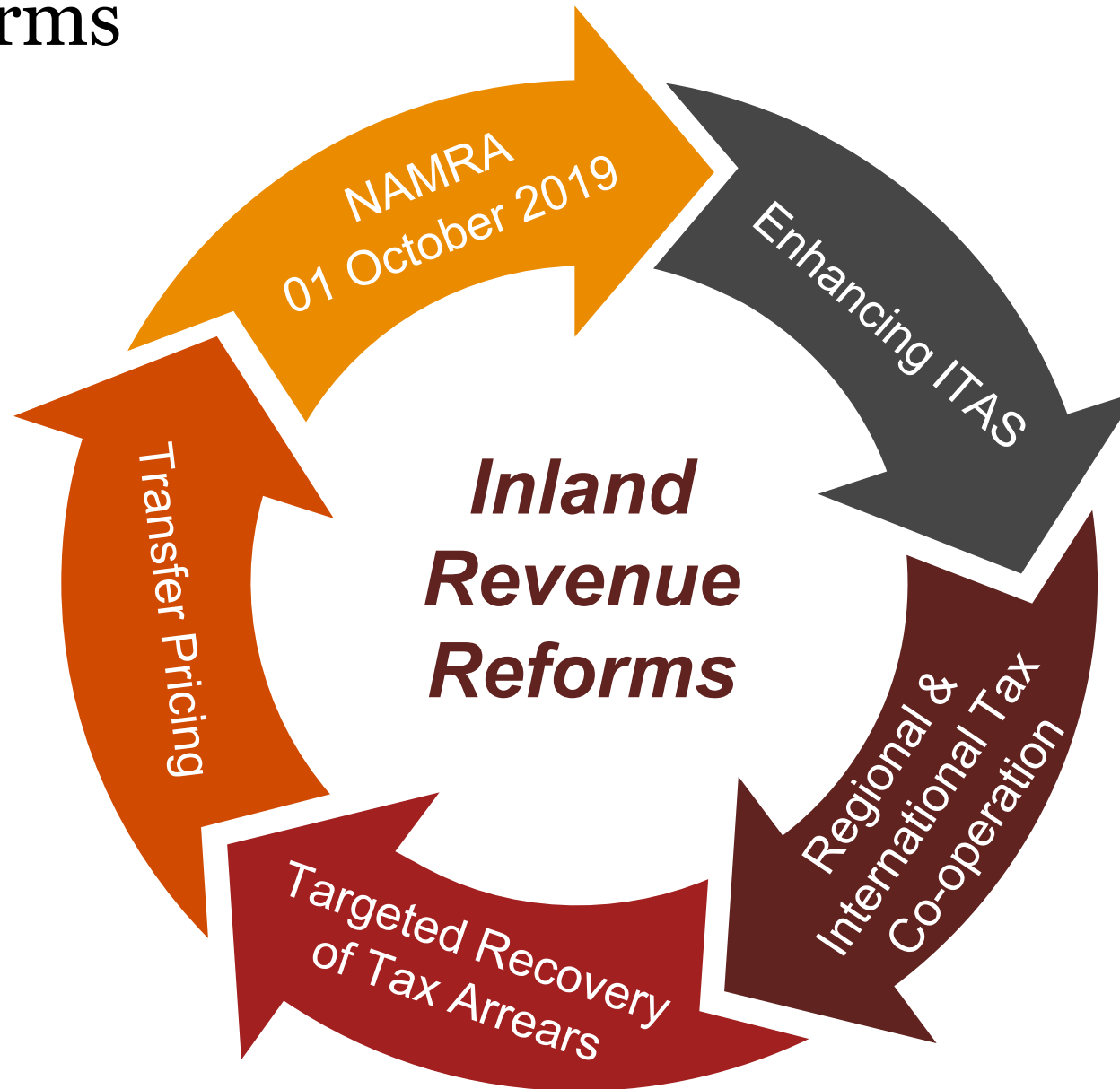
**9**

**NEEEB**

**10**

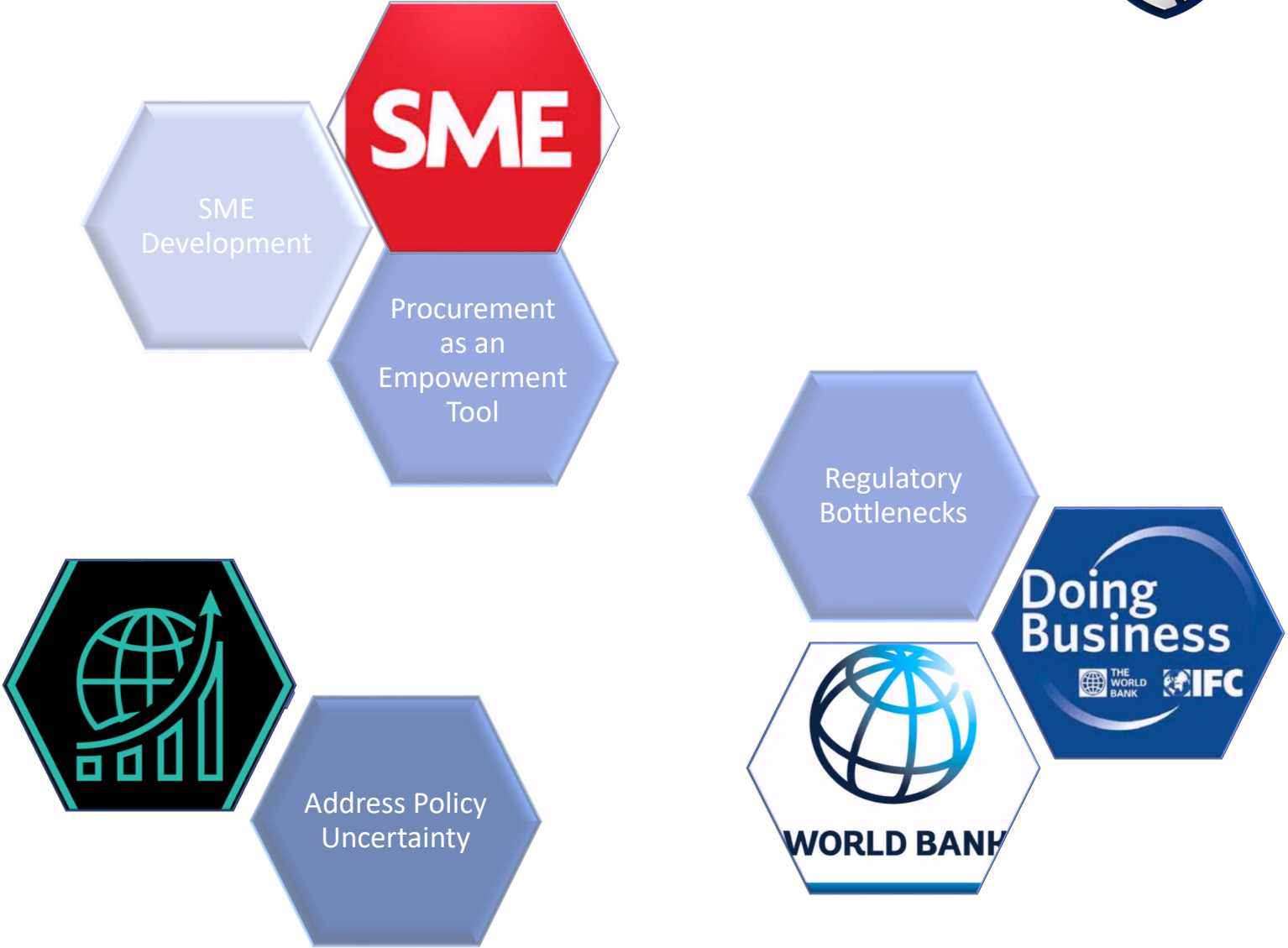
**Investment  
Promotion Act**

# Other Reforms





# Bottlenecks to Growth



# Tax Proposals – N\$ 400 Million – FY2020

1

Phasing out  
Preferential Tax  
Treatment -  
Manufacturers

2

Repealing EPZ Act -  
Special Economic  
Zones

3

Resident Dividend  
Tax = 10%

4

Trust Taxing –  
Abolish conduit  
principle

5

Charitable/Religious/  
Educational with commercial  
activities – subject to be taxed

6

Taxation of  
foreign income

7

Increased threshold – tax  
deduction of pension & AF  
contributions (27.5% 150K N\$)

8

Fees & interests to  
NR – WHT paid

9

Disallow royalties  
/ non-diamond  
mining

10

VAT on income of listed  
asset managers

11

Sale of shares/cc  
membership in property  
company Vatable

12

Fuel levy  
increase – 25c

13

Expansion of the export levy on  
agriculture, forestry, game & other  
mining products



# Tax Proposals (Newly Mentioned)

1

Remove zero rating of sugar

2

Increase export levy dimension stones from current 2% to max 15%

3

Introduce export levy of 15% for timber

4

Lubricant oil levy  
N\$1.80 p/ltr  
5% Environmental levy primary cells / batteries  
Plastic carrier bags

# Tax Proposals (Previously Noted, Not Mentioned Again)

1

Thin capitalization rules

2

Additional excise duty on imports of tobacco and alcoholic products

3

Individual Tax:  
Lower bracket – 17% from 18%

5

Betting and gaming activities – 37%

4

Individual Tax:  
Higher brackets  
> N\$1.5mil 39%,  
> N\$2.5mil 40%

6

No carry forward of tax losses

# Sin Taxes

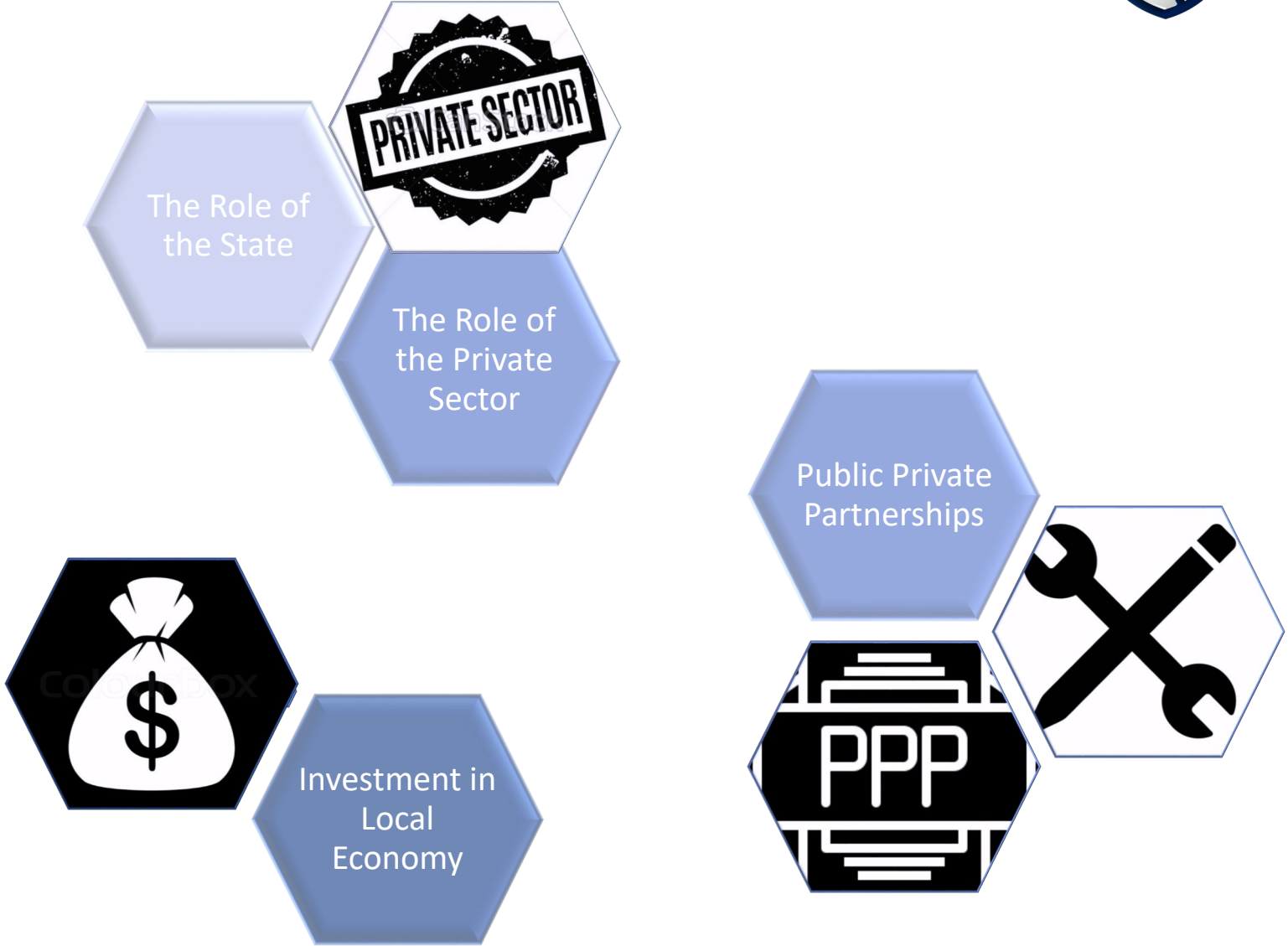


## 2019/20 Excise Duty effective 20 February 2019

Product	Quantity	2018/19 Cost (N\$)	2019/20 Cost (NS)	Increase in (N\$) dollars
Spirits	per 750ml bottle	61.30	65.83	4.54
Cigarettes	per packet of 20	15.52	16.66	1.14
Sparkling wine	per 750ml bottle	9.32	10.16	0.84
Fortified wine	per 750ml bottle	4.91	5.27	0.37
Unfortified wine	per 750ml bottle	2.93	3.15	0.22
Ciders & Alcoholic fruit beverages	per 340 ml	1.62	1.74	0.12
Malt Beer (5% alcohol)	per 340 ml	1.62	1.74	0.12



# Role of Private Sector



# Budget on a plate 2019/2020



Thank you