Tax Alert | September 2024

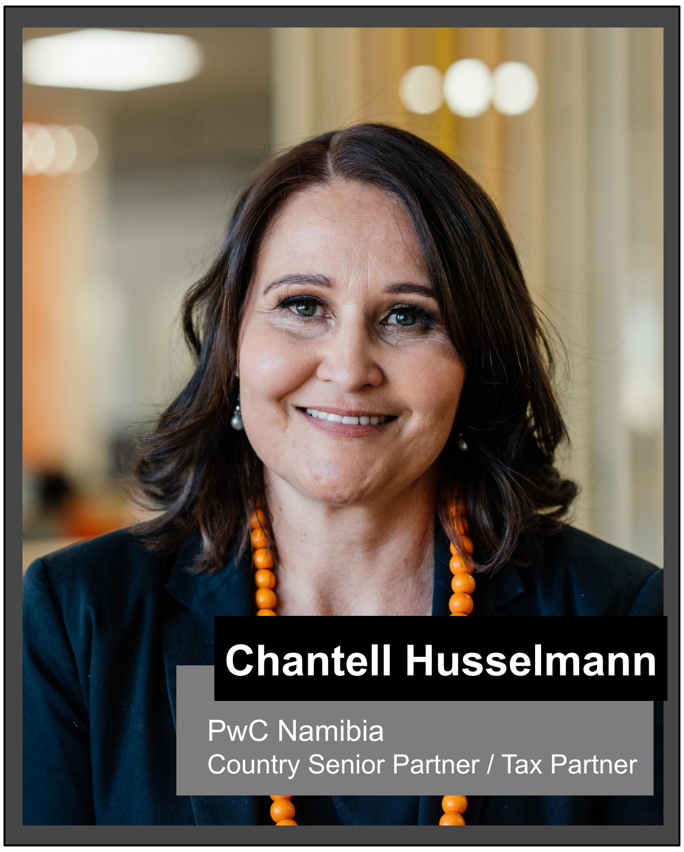
Income Tax Amendments Edition

In February 2024, the Minister of Finance and Public Enterprises, Hon. Iipumbu Shiimi tabled the 2024/2025 National Budget, aimed to provide tax relief for taxpayers while also broadening the tax base with new policy proposals to improve revenue generation and growth.

The proposed income tax amendments, following stakeholder engagement have been Gazetted (No. 8442) on 16 September 2024 with respective effective dates.

Herewith a brief summary of the income tax amendments with high level comments. PwC will be hosting a Tax Amendment update session where these will be discussed in greater detail.

The link to register for the session is provided below and will also be on our website.



Click the below link

https://www.pwc.com/na/en/events.html

pwc

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

To subscribe to this newsletter, click on the below link: **https://www.pwc.com/na/subscriptions**

Income Tax Act Amendments

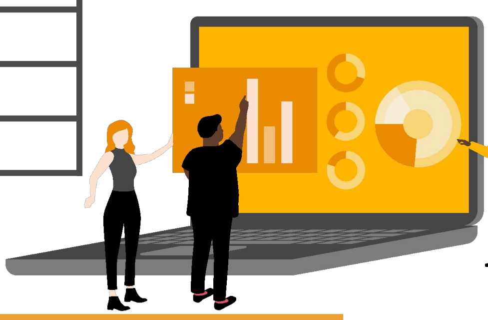
1. The tax thresholds for individual taxpayers are increased **from N$50,000 to N$100,000** (*effective 1 March 2024*)

The Namibian Revenue Agency ("NamRA") issued a general notice in which they provided guidance to employers regarding the adjustment of the PAYE and reimbursement to the employees for over deductions from 01 March 2024.

In terms of the notice, employers should reimburse employees the PAYE that was over deducted for the period of 01 March 2024 - August 2024 (assuming that the corrections will be done with the September 2024 payroll). The reimbursed PAYE will be deducted from the monthly employee's tax amount due to NamRA.

In exceptional circumstances where the employers do not have the necessary funds available to refund the employees where these employees now fall within the revised tax exempt threshold of N$100,000 (annual remuneration), the employee(s) should claim the refund from NamRA with the submission of their annual 2025 income tax return.

Taxable Income (N$)	Rates of tax
0 - 100 000	**Not taxable**
100 001 - 150 000	**18%** for each N$ above 100 000
150 001 - 350 000	**9 000** + **25%** for each N$ above 150 000
350 001 - 550 000	**59 000** + **28%** for each N$ above 350 000
550 001 - 850 000	**115 000** + **30%** for each N$ above 550 000
850 001 - 1 550 000	**205 000** + **32%** for each N$ above 850 000
Above 1 550 001	**429 000** + **37%** for each N$ above 1 550 000



2. The Corporate Income Tax ("CIT") rate for companies whose financial years commenced on or after **1 January 2024** is reduced to 31%.

There is a further reduction in the CIT rate for companies whose financial years will commence on or after 1 **January 2025** to 30%.

Cont. page 3

pwc

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

To subscribe to this newsletter, click on the below link: **https://www.pwc.com/na/subscriptions**

3. Insertion of Section 17E relating to Youth internship allowances, whereby an employer may claim an internship allowance. The following should be noted:

- The allowance is calculated based on a formula. The formula as per the published Gazette seems to have an error and NamRA would need to provide guidance regarding the application thereof. Applying the formula as currently Gazetted amounts to (unintended) significant allowances being claimable.
- The allowance will be claimable in addition to its actual cost already being deducted for income tax purposes, provided there is a registered internship agreement.
- The allowance is claimable for up to 36 months and should be claimed pro rata in the instance where the registered internship agreement is less than 12 months.

4. Section 21 now limits the carry forward of assessed losses, both in terms of (1) the amount to be carried forward, as well as (2) the period for which the assessed loss can be carried forward.

(1) Amount to be carried forward: the setoff against taxable income of the balance of assessed loss incurred by the taxpayer in any previous year and which has been carried forward from the preceding year of assessment is now limited to N$1,000,000, or 80% of taxable income, whichever is the greater, before taking into account the provisions of Section 21 or Section 36 of the ITA.

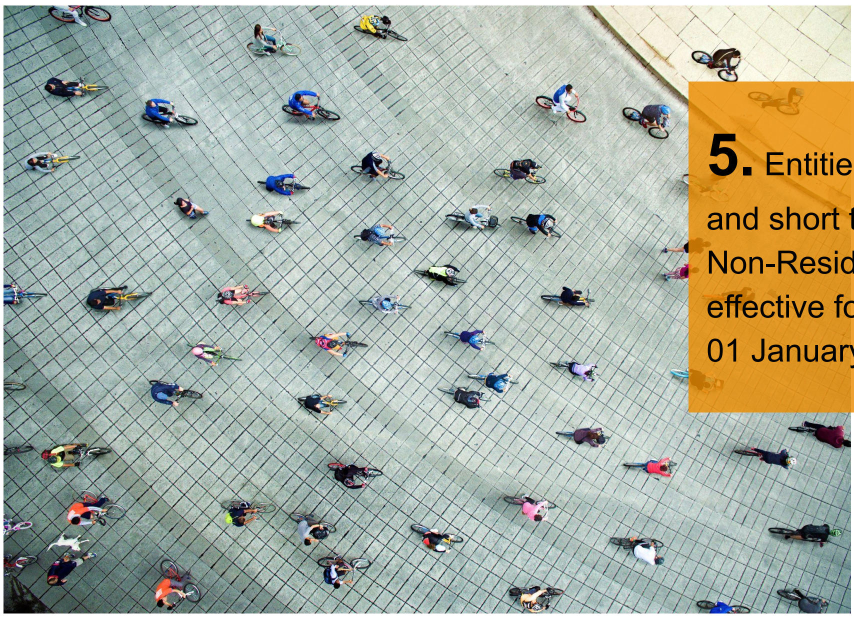
(2) Number of years: Assessed losses will not be allowed to be carried forward for a period exceeding 5 years in respect of any taxpayer, or 10 years in respect of entities in the mining, petroleum, or green hydrogen industries. It is important to note that temporary discontinuance in the carrying on of your trade will not affect the 5 / 10 years limit.

An apparent uncertainty with this amendment is determining the assessed losses available and the carry forward thereof before the amendment to Section 21. For e.g. whether the assessed tax losses before the amendment are ring fenced and not subject to the new limitation (i.e. can be carried forward until fully utilised). Guidance / interpretation may be needed from NamRA in this regard.

The Integrated Tax Administration System ("ITAS") should be updated to accommodate the changes to the carry forward of assessed tax losses.

These changes will also impact the recognition of the deferred tax assets on the tax losses for purposes of IAS 12.

The definition of" assessed loss" is also amended to remove reference to Section 17A, 17B and 17D. This means that the assessed loss to be carried forward should exclude any deductions made in terms of Section 17C only.



5. Entities in the insurance industry, both long and short term, are no longer exempt from Non-Resident Shareholders Tax ("NRST"), effective for financial years commencing on or after 01 January 2024.

Cont. page 4

6. Several amendments to Section 95A of the ITA has been made:

1. The definition of "connected person" is now included.

"Connected person" is defined as "*any person…has control over another person, or where both persons are under control of the same person…*".

The definition includes an **extensive list** of when persons will be regarded as being "connected" for purposes of Section 95A and also provides for instances when a person will be regarded as having "control over another person".

2. The 3:1 debt to equity ratio requirements in determining thin capitalisation is replaced with a fixed limitation on interest deductions to the extent that the net interest exceeds 30% of the connected person's tax EBITDA **and** the net interest expense exceeds N$3million.

I.e if the net interest expense does not exceed N$3million, this section will not apply.

Interest deductions not allowed for a said year is allowed to be carried forward for 5 years in respect of any taxpayer and 10 years for entities involved in mining, petroleum or green hydrogen industries.

This provision will apply to the net interest expense in respect of financial assistance granted by a financial institution to a non-connected person as a result of a financial guarantee from a connected person to the person receiving the financial assistance.

The section applies to the Petroleum Taxation Act, however, banking institutions and registered insurers / reinsurers are exempt.

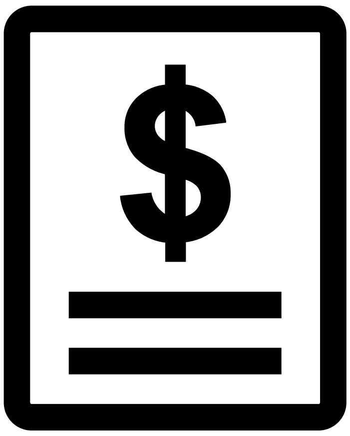
3. The terms "*interest*", "*net interest expense*", "*tax amortization*", "*tax depreciation*" and "*tax EBITDA*" for purposes of the limit on the interest deduction are defined.

"Net interest expense" means interest paid or accrued to any person during the year of assessment less the amount of interest income received or accrued and included in the taxable income of such a person for the said year of assessment.

"Tax amortization" means deductions allowed in terms of Section 17.

"Tax depreciation" means allowances allowed in terms of Section 17 and Section 36.

"Tax EBITDA" means taxable income before net interest expense, tax, tax depreciation and tax amortization.



7. Reference to the currency symbol "R" was replaced with the currency symbol "N$"

8. Reference to the currency "Rand" was replaced with the currency "Namibian Dollar"

Cont. page 5

For further details, please reach out:

Chantell Husselmann
Country Senior Partner / Tax Partner
chantell.husselmann@pwc.com

Ansie Rossouw
Partner in Charge W/Bay \ Tax Partner
ansie.rossouw@pwc.com

Anneri Lück
Tax Associate Director
anneri.luck@pwc.com

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

To subscribe to this newsletter, click on the below link: **https://www.pwc.com/na/subscriptions**