

Tax First Namibia

April 2021 Newsletter

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

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Namibian Annual Budget Speech 2021/22

On the 17th of March 2021, the Minister of Finance, Hon. Ipumbu Shiimi tabled the 2021/22 Namibian Annual Budget Speech in Parliament.

Our experts have analysed the 2021/22 annual budget speech, providing key highlights and analytics. More information can be found by visiting the following link: <https://www.pwc.com/na/en/publications/budget.html>



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VAT in the Healthcare Industry

A “taxable activity” means any activity which is carried on continuously or regularly by any person in Namibia or partly in Namibia, whether or not for a pecuniary profit, that involves or is intended to involve, in whole or in part, the supply of goods or services to any other person for consideration but does not include, amongst other, any activity to the extent that the activity involves the making of exempt supplies.

To the extent that you carry on an activity of exempt supplies, it would not fall within the ambit of a taxable activity and outside the scope of VAT registration.

A “taxable supply” means any supply of goods or services in the course or furtherance of a taxable activity, other than an exempt supply. In terms of the VAT Act, the following services within the healthcare industry are specified as exempt supplies:

1. a supply of medical or paramedical services by -
 - a) any person referred to in section 17(1) of the Medical and Dental Act, 2004 (Act No. 10 of 2004); or
 - b) a person who holds a written authority under the Medical and Dental Act, 2004 (Act No. 10 of 2004); or
 - c) a nurse or midwife registered under the Allied Health Professions Act, 2004 (Act No. 7 of 2004); or a practitioner or paramedic registered under the Allied Health Professions Act, 2004 (Act No. 7 of 2004);
 - d) a supply of services and rooms by a person in the ordinary course of operating a registered hospital, maternity home, nursing home, convalescent home, hospice or clinic.

The above not constituting taxable supplies means they do not attract VAT at the rate of 15% or 0% as the entity would be out of scope for VAT registration.

It is important to note that any supply of goods incidental to the supply of services shall form part of the supply of the services which would also be an exempt supply. Careful consideration should be given in ascertaining the extent of being incidental and clarity should be sought in the case of ambiguity.

This notwithstanding, the import or supply of goods in relation to the healthcare profession is still treated as a standard rated supply at 15%. This is inclusive of goods imported by a private medical practitioner, private hospital, clinic or pharmacy which is subject to Import VAT.

Furthermore, expenses incurred in the provision of the above supplies would not be deductible as these were not acquired in the furtherance of a taxable supply, creating a VAT leakage.

It is important to consult with your tax advisors to ensure efficient VAT planning to maintain control over indirect tax spent in minimising the VAT leakage and maximising your cash flow advantage.

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Inter-Africa Trade gets a boost under the African Continental Free Trade Area

The Minister of Finance in his Budget Statement of 17 March 2021 referred to the establishment of the African Continental Free Trade Area ("AfCFTA"). This milestone for the African continent was brokered by the African Union ("AU") in 2018 and following months of negotiations, launched on 1 January 2021.

The purpose of the Agreement signed by 55 African countries with a combined GDP of US\$3.4 trillion is to accelerate intra-African trade and boost Africa's trading position in the global market by strengthening Africa's common voice and policy space in global trade negotiations.

Namibia, after signing and ratifying the AfCFTA Agreement, confirmed the duty rates applicable to imports under the Agreement by publication in the Government Gazette 7483 "GG 7483" dated 16 March 2021. The schedule to the Customs and Excise Act, 1998 (Act No. 20 of 1998), also known as the SACU Tariff, now makes provision for the duty rates on goods imported into Namibia from countries outside SACU, including goods imported under the AfCFTA.

The Government Gazette contains the complete SACU Tariff with some 704 pages. We have perused the changes where imports from AfCFTA is concerned and herewith some examples highlighted for ease of reference as contained in the GG 7483:

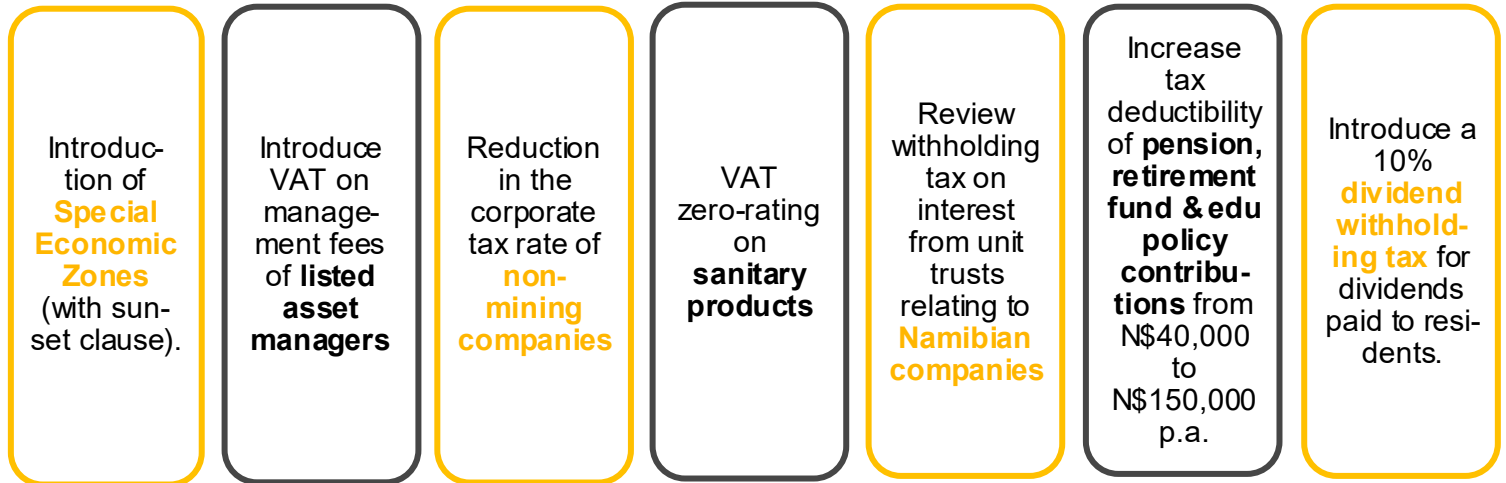
Product	General tariff	AfCFTA
Milk powder	450c/kg with a maximum of 96%	360c/kg with a maximum of 76.8%
Butter	500c/kg with a maximum of 79%	400c/kg with a maximum of 63.2%
Dried egg yolks	19%	15.20%
Asparagus	15%	12%
Fresh bananas	5%	2%
Fresh oranges	4%	3.20%
Black fermented tea	400c/kg	320c/kg
Virgin olive oil	10%	8%
Margarine	10%	8%
Frozen mushrooms	20%	16%
Beer from malt	5%	4%
Unfortified wine	25%	20%
Shampoo	20%	16%
Personal deodorants	20%	16%
Gas stoves	30%	24%
Aluminum foil	15%	free
Venetian blinds (aluminum)	10%	8%
Spades	20%	16%
Spanners and wrenches	20%	16%
Table knives	20%	16%
Welding rods (with mild steel core)	10%	8%
Table, floor or wall fans	5%	4%
Household combined refrigerator/freezer	25%	20%
Top load washing machine (not automatic)	30%	free
Automatic washing machine	30%	free

It is noted that certain goods are subject to a lower or free duty rate when imported from another AfCFTA member country into Namibia and the term "preferential trade area" is more appropriate. This notwithstanding, the establishment of the African Continental Free Trade Area is a significant milestone in global trade and making use of customs duty savings under the Agreement will stimulate intra-Africa trade.

Since determining the correct duty is driven by the correct HS Customs classification as required by legislation, it is suggested that a proper classification of goods to be imported or exported be obtained to avoid unnecessary delays when consignments are cleared by Customs. This in addition to the certificates of origin issued by a competent authority in the export country which are required to qualify for the lower or free tariff.

New Tax Legislation Tracker

This diagram tracks the progress of proposed tax legislation. The following is a status of proposed legislative changes up to 31 March 2021. Based on the Minister of Finance, Hon. Ipumbu Shiimi's 2021/22 Annual Budget Speech, majority of these proposals will come into effect during the 2022/23 fiscal year.



Tax Calendar | April 2021



Important Submission dates for April 2021

Tuesday, 20th of April

- VET Levy return;
- Import VAT return;
- PAYE return;
- Withholding Tax returns: Services, Royalties, Interest; NRST

Monday, 26th of April

- Value Added Tax Return

Friday, 30th of April

- Social Security return
- 1st provisional for taxpayers with a October 2021 year-end;
- 2nd provisional for taxpayers with a April 2021 year-end;
- Tax return for companies with a September 2020 year-end;



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