



Tax First

Namibia Newsletter

June 2019

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

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Venue hire

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Or visit our website at: <https://www.pwc.com/na/en/about-us/business-school.html>

Proposed Income Tax and VAT amendments

Heraclitus, a Greek philosopher, has been quoted as saying “*change is the only constant in life*”. This will always be applicable, even more so today.

During the annual budget speech held in March, the Minister of Finance announced that the following Income tax and VAT proposals will be finalized for tabling. We expect to see these proposals tabled during the second half of 2019. At the moment we do not have too much insight around the actual wording of the legislation and await to what comes out.

1. Phasing out the current tax incentive for manufacturers and exporters of manufactured goods.
2. Repealing the Export Processing Zone and introducing the Special Economic Zones, with a sunset clause for current operators with the EPZ status.
3. Introduce a 10% dividend tax for dividends paid to residents.
4. Abolish the current practice of a conduit (flow through) principle in the taxation of trusts.
5. Subject income derived from commercial activities of charitable, religious, educational and other types of institutions under Section 16 of the Income Tax Act to normal corporate tax requirements.
6. Deepen the current hybrid tax system by taxing all income earned from foreign sources. Namibian residents will have to declare such income in their annual tax returns.
7. Increase the tax deductibility of retirement fund contributions from the current N\$40,000 per annum to 27.5% of income with a maximum of N\$150,000.
8. Disallow deductibility of fees and interest paid to non-residents for calculating taxable income until payment of withholding tax paid is proven.
9. Introduce VAT on income earned by listed asset managers.
10. Introduce VAT on proceeds of the sale of shares or membership in a company owning commercial immovable property.
11. Remove VAT zero-rating on sugar.
12. Disallow deductibility of royalties for non-diamond mining entities.

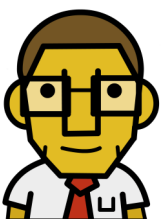
Please follow our future newsletters for more information or contact us if you have any questions and we can assist where possible.

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TIM's TIP:

Imagine if completing your tax return could be as easy as having a conversation. Use TaxTim to complete your annual and provisional returns - quick & easy!

For queries please mail us at namibia@taxtim.com or register for TaxTim today at pwc.taxtim.com/na



ITAS | Return period vs Tax period

As you may be aware, the reference used for returns on ITAS has changed from the reference used on Taxlive (previous tax administration system used by Inland Revenue). Where Taxlive references were previously aligned with the calendar year, ITAS is now aligned with the tax year.

When submitting returns and making payments to Inland Revenue, the correct use of the period reference is required to ensure that the data captured and processed on ITAS is correct.

The referencing displayed for returns on ITAS shows two options:

1. **"Return period"**: This is the old way of referencing returns by calendar year and calendar month. Example: 2019/04 = April 2019.
2. **"Tax period"**: This is the new way of referencing as per ITAS, by tax year and tax period. For example: 2020/1 = First return for the 2020 tax year.

Refer to the below screen print for an explanation of the referencing displayed for returns on ITAS:

Tax Type	Return Type	Tax Year	Tax Period	Period From	Period To	Due Date	Status	Data Source	DM Period	Return Period
Income Tax	Income Tax Return for Company and Close Corporation	2019	-	01-03-2018	28-02-2019	30-09-2019	Pending for Submission	ITAS		201902
Value Added Tax	Value Added Tax Return	2020	2	01-05-2019	30-06-2019	25-07-2019	Pending for Submission	ITAS		201906
Value Added Tax	Value Added Tax Return	2020	1	01-03-2019	30-04-2019	27-05-2019	Pending for Submission	ITAS		201904
Employee Tax	PAYE4 Tax Return	2020	4	01-06-2019	30-06-2019	22-07-2019	Pending for Submission	ITAS		201906

"Tax period" as referred to above

"Return period" as referred to above

The **"Tax Year"** as per the above screen print refers to:

1. For VAT and Income Tax purposes: The taxpayer's tax year (i.e. For a taxpayer with a 30 June 2019 year end, the "Tax Year" will be displayed as "2019").
2. For Import VAT, Employee Taxes, Withholding Tax on Services and Withholding Tax on Interest purposes: The fiscal tax year (Government / Inland Revenue's tax year ending on the last day of February each year).

It should be noted that the period reference used when submitting a return manually and the period reference used when making a payment to Inland Revenue differs. Refer below for further details.

Reference to be used when **filing manual returns**:

This refers to when a taxpayer submits a manual return (either via the Electronic Taxation Service Agent Application or via the old manual method).

1. Taxpayers should use the "Tax period" reference on the return (aligned with the tax year as explained above).
2. Next to / below the "Tax period" taxpayers should indicate the months covered by this return.
3. For example: PAYE return 2020/2 (01/04/2019 - 30/04/2019)

Reference to be used when making **EFT payments**:

1. The last 6 digits of the EFT reference (YYYYCC) must refer to the "Return period".
2. For example: PAYE return for April 2019 (Tax period 2020/2) must be referenced on the EFT as "201904".

For more details on the new EFT reference format, please refer to our April 2019 newsletter: <https://www.pwc.com/na/en/assets/pdf/tax-first-newsletter-april-2019.pdf>

Taxpayers are advised to always refer to the "Period From" and "Period To" dates to ensure that the correct tax return is being filed / referenced. Contact us if you have any questions: tax.walvisbay@na.pwc.com or pwccompliance@na.pwc.com

New Legislation Tracker

This diagram tracks the progress of proposed tax legislation. The following is the status of proposed legislative changes up to 31 May 2019. No effective date has been set for any of the proposed legislation.

Repeal the **EPZ Act** and introduction of **Special Economic Zones** (with sunset clause).

Introduce VAT on income of **listed asset managers**.

Abolish conduit principle in taxation of **trusts**.

Establishment of **Revenue Authority** - planned implementation for October 2019.

Remove VAT zero-rating on **sugar**.

Introduce a 10% **dividend tax** for dividends paid to residents.

Phasing out current tax incentive for **manufacturers** and exporters of manufactured

Disallow deductibility of **royalties for non-mining entities**.

Increase tax deductibility of **retirement fund contributions** to the lower of 27,5% of income or N\$150,000 per

VAT on proceeds on sale of shares or membership in a company owning **commercial immovable property**.

Upcoming Training

ITAS Information session

Windhoek | 20 June 2019

Walvis Bay | 4 July 2019

Windhoek:

24-25 July | HR Business Partner Conference

12-14 Aug | Annual Tax Symposium

2-3 Sept | Excel for Remuneration Practitioners

For more information, visit our website:

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

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Tax Calendar - June 2019

Mon	Tue	Wed	Thu	Fri
17	18	19	20	21
			<ul style="list-style-type: none"> VET Levy return; Import VAT return; PAYE return; Withholding Tax returns: Services, Royalties, Interest; NRST. 	
24	25	26	27	28
	<ul style="list-style-type: none"> VAT return 			<ul style="list-style-type: none"> Social Security payment
July <ul style="list-style-type: none"> 1st provisional for taxpayers with a December 2019 year-end; 2nd provisional for taxpayers with a June 2019 year-end; Tax return for companies with an November 2018 year-end. 	1			

For assistance or advice please contact one of our tax specialists.

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