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Republic of Namibia

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Corporate - Significant developments

On the 31st of December 2020, the commencement of the Income Tax Amendment Act, 2020 was published in the Government Gazette (No. 7431) which deals with the repealing of Section 5A of the Income Tax Act No. 24 of 1981 ("Income Tax Amendment Act"). This means that certain existing preferential treatments granted in respect of registered manufacturers will be phased out. It is important to note that this will apply to all taxpayers (not only registered manufacturers) that export manufactured goods and who were previously allowed to claim an export sale allowance.

The special tax incentives granted to registered manufacturers in terms of Section 17A (Remuneration and training allowance), 17B (Export marketing allowance) and 17D (Land-based transportation allowance) prior to 31 December 2021 will continue to apply up to the end of five years after the commencement of the Income Tax Amendment Act. Taxpayers who benefit from the export allowance in terms of Section 17C will have a grace period of five years before their incentive lapses.

It also includes the insertion of Section 101A "Repeal of certain provisions of Export Processing Zone Act, 1995", the phasing out of tax exemptions pertaining to certain traders.

Furthermore, in May 2021, a new tax administration body, the Namibia Revenue Agency ("NAMRA") was launched who took over the duties of administering tax, customs and excise laws and services from Inland Revenue Department. Accordingly, all tax and customs and excise related matters will fall under the ambit of NAMRA.

Corporate - Taxes on corporate income

Namibia has a source-based tax system, which means that income from a source within Namibia or deemed to be within Namibia will be subject to tax in Namibia, unless a specific exemption is available.

Income earned by foreign companies from a source within or deemed to be within Namibia will be subject to tax in Namibia. In such cases, the foreign entity must determine whether it is obligated to register a local entity or branch. A foreign company is required to register a local company (local subsidiary) or an external company (branch) if it has established a place of business in Namibia.

In the event that Namibia has entered into a double tax agreement (DTA) with the country where the foreign company resides, such entity will only be taxable in Namibia if it has established a permanent establishment (PE) in Namibia. If a PE exists, only the portion of income attributable to the PE will be subject to tax in Namibia.

Non-residents who do not have a place of business in Namibia may, however, be subject to withholding taxes (WHTs). See the Withholding taxes section for more information.

Calculation of taxable income

Gross income	The total amount, in cash or otherwise, received by or accrued to any person from a source within, or deemed to be within, Namibia, excluding receipts of a capital nature (provisions for specific inclusions in gross income and amounts deemed to be from a Namibian source exist).
Less: Exemptions	The Income Tax Act provides for certain amounts to be specifically exempt from tax.
Equals: Income	
Less: Deductions	Expenditures and losses actually incurred to generate income may be deducted, provided that these expenses are not of a capital nature.
	The Income Tax Act specifically provides for certain expenditures to be deductible and allows a deduction for capital allowances.
	Only expenses incurred to generate 'income' may be deducted. Expenses incurred to generate income exempt from tax are not deductible. Apportionment should be considered when expenses are incurred to generate both income and exempt income.
Equals: Taxable income	Taxable income is taxed at the corporate tax rate *as set out under the Tax rates section below*.

Tax rates

The corporate tax rates are summarised below:

Entity	**2021/22 tax rate (%)**

Domestic companies and close corporations (excluding entities mentioned below)	32
Branches of foreign companies	32
Registered manufacturers (only applicable for the first ten years of registration) (Please refer to our comments under "significant developments" in this regard)	18
Diamond mining companies and companies that render services to such companies in connection with diamond mining	55
Mining companies (other than diamond mining companies) and companies that render services to such companies in connection with mining	37.5
Long-term insurers (the rate is applied to gross investment income)	12.8
Petroleum income tax rate	35

Local income taxes

Namibia does not levy income taxes at the local, state, or provincial levels.

Corporate - Corporate residence

The Namibian tax system is based on source and not on residency. Income derived or deemed to be derived from sources within Namibia are subject to tax.

The source is determined as the place where income originates or is earned, not the place of payment. If goods are sold pursuant to a contract entered into within Namibia, the source of income is deemed to arise in Namibia, regardless of the place of delivery or transfer of title.

Certain types of income arising outside Namibia may, in the hands of a domestic company, be deemed to arise in Namibia and be taxed as such. Examples are interest and certain copyright royalties arising outside Namibia.

Permanent establishment (PE)

The term 'permanent establishment' is not defined or recognised in the Income Tax Act, but it is included in all DTAs concluded with Namibia.

A PE includes a fixed place of business. The establishment of a local entity or branch will usually create a PE, although the provisions of the related tax treaty should be considered.

Except for the PE concept embodied in the tax treaties and WHT on service provisions, corporate residence is of little tax significance since transactions are taxed on a source basis.

For the list of DTAs, please see the Withholding taxes section.

Corporate - Other taxes

Value-added tax (VAT)

VAT is a transaction tax, and the implications will vary for different transactions. Some transactions are taxed at a rate of 15% or 0% while other transactions are exempt from VAT. Input tax deductions may be claimed, subject to certain provisions.

VAT is levied on every taxable supply by a registered person. A taxable supply means any supply of goods or services in the course or furtherance of a taxable activity. A taxable activity means any activity that is carried on continuously or regularly in Namibia that involves the supply of goods or services for consideration.

VAT is payable on all imports for home consumption in Namibia, subject to certain exemptions (e.g. in terms of a technical assistance agreement, donations to the state, goods of which the local supply is zero-rated).

Import VAT is payable on the greater of the free on board (FOB) value plus 10% or the market value. The payment may be deferred in terms of an import VAT account registered with the Namibia Revenue Agency (“NamRA”) to the 20th day of the month following the month of importation. Penalties of 10% per month or part of a month and 20% interest on outstanding import VAT, according to the Customs Asycuda reports on import VAT account numbers, are levied by the NamRA.

It is important to note that effective September 2020 effective September 2020, an interface between the Asycudaworld platform and ITAS was introduced. What this means is that transactions recorded on your import VAT number on Asycuda auto -populates automatically on the ITAS return.

An assessment is thus raised with the liability recorded based on what was captured on the Asycuda.

A company/branch is required to register for VAT if it supplies goods or services on a regular basis for consideration and if its taxable supplies (standard rated and zero-rated supplies) exceed 500,000 Namibian dollars (NAD) in any 12-month period.

The Value-added Tax Act, 2000 (as amended) also makes provision for voluntary VAT registration, provided that taxable supplies exceed or will exceed NAD 200,000 in any 12-month period and the applicant is in good tax standing, has a fixed place of business, and will keep acceptable accounting records.

A registered VAT vendor is entitled to deduct input tax credits paid in the course of taxable supplies made to such person, provided that a tax invoice is available to support the input tax deduction. It is also important to take note of deemed input tax deductions and prohibited input deductions. Import VAT paid may be deducted only as input tax if the import was in furtherance of a taxable activity and the required documentation (e.g. stamped customs entries) is held by the importer.

VAT returns are due within 25 days following the month to which the VAT relates.

The NamRa system automatically selects VAT periods for audits. An audit will focus on deposits made into bank statements and whether VAT was charged as required. It will also focus on whether tax invoices meet the criteria as set out in the VAT Act.

Shareholders of companies and members of close corporations may be held liable jointly or severally for VAT debts of the company or close corporation.

Customs and excise duties

Namibia is a member of the Southern African Customs Union (SACU), and customs duties are not levied on intra-SACU trade (i.e. between Botswana, Lesotho, Namibia, South Africa, and Swaziland).

Customs duties are payable according to the Common Customs Tariff of SACU on imports from outside SACU. Preferential duty rates apply on imports from Southern African Development Community (SADC) countries, MERCOSUR countries, EFTA states and in terms of the African Continental Free Trade Agreement while goods may be imported free of customs duties from Zimbabwe in terms of the Namibia-Zimbabwe Free Trade Agreement.

Excise duties are levied on local production of excisable products (e.g. cigarettes, liquor, fuel) and are included on most excisable products imported from another SACU country in terms of the duty at source procedures. Identical excise duty rates are applied throughout the SACU. Importation of excisable products from outside the SACU is subject to customs duties and specific customs duties.

Current specific excise/customs duty rates for the above-mentioned products are as follows:

- Cigarettes: NAD 9.39/10 cigarettes.
- Beer: NAD 115.08/litre absolute alcohol (AA).
- Spirits (whisky, rum, brandy, gin, vodka, etc.): NAD 207.17/litre AA.
- Petrol: 3.909 cents/litre.
- Diesel and biodiesel: 3.817 cents/litre.

- Illuminating kerosene (paraffin): unmarked 3.817 cents/litre.
- Illuminating kerosene (paraffin - marked):: free

Ad valorem excise/customs duties are levied on certain products (e.g. motor vehicles, perfumes) in addition to the normal customs duties.

Ad valorem excise/customs duty rates are as follows for the above-mentioned goods:

- Motor vehicles: ([0.00003 x A] - 0.75)%, with a maximum of 25%, where 'A' is the recommended retail price, exclusive of VAT.
- Perfumes: 7%.

Customs fuel levies are payable on petrol, diesel, and illuminating kerosene. The current customs fuel levies are as follows:

- Petrol: NAD 1.20/litre.
- Diesel: NAD 1.20/litre.
- Illuminating kerosene (paraffin): NAD Nil.

Road user charges (RUCs) payable to the Namibian Road Fund Administration (RFA) may be claimed back for certain non-road operations (e.g. mining, farming, construction) under certain conditions (e.g. NAD 0.9 of the current RFA RUCs of NAD 1.36 used in mining operations may be claimed back from the RFA).

Namibia introduced environmental levies on the following products imported or manufactured locally:

- Carbon dioxide emissions from a wide range of vehicles, including trucks
- Certain light bulbs
- Certain lubricants
- Pneumatic tyres
- Disposable batteries
- Certain plastic bags

Surety in the form of a provisional payment, bank, or insurance guarantee is required by Customs on most temporary imports to cover import VAT and customs duties (if applicable).

It is possible to import goods that are subject to customs duties into registered Customs' bonded warehouses, where goods are kept for later use. In this case, the payment of duties may be deferred until the goods are taken out of the bonded warehouse for home consumption or acquitted if the goods are subsequently exported.

Namibia has introduced the AsycudaWorld customs clearing system, which is a web-based, Java-enabled system utilised at points of entry. All land border posts, airports, and harbours are linked to the AsycudaWorld system.

Property taxes

Property taxes are levied by municipalities based on municipal valuations of properties.

Transfer duty

Transfer duty is payable at 12% of the acquisition value where property is acquired by non-natural persons (a sliding scale applies to property purchases by natural persons). While it is normally payable by the buyer, the agreement for the sale of the property may determine the person liable to pay these costs.

Amendments to the Transfer Duty Act were proposed to include transfer duty on the sales of shares/members interest in property/mining right-owning entities. These amendments have not been enacted or promulgated per the Government Gazette.

Stamp duty

Certain transactions may attract stamp duty. The amount of stamp duty payable differs and is based on the nature of every individual transaction.

The basic transactions can be summarised as follows:

Transaction	Stamp duty
Agreements or contracts (other than those where duty is specifically provided for in the Act)	NAD 5
Lease agreement or lease	The stamp duty will be based on lease payments, together with additional considerations specified in the lease agreement
Transfer or issue of marketable securities and other share transactions	NAD 2 for every NAD 1,000 or part thereof of the value/consideration, depending on the specific transaction
Transfer deed relating to immovable property purchased	NAD 12 for every NAD 1,000 or part thereof of the value/consideration, depending on the specific transaction

Additional stamp duty of NAD 5 for every NAD 1,000 of debt secured is payable on the registration of a bond over immovable property.

Annual duty

Annual duty is levied in terms of the Companies Act at an amount of NAD 6.5 for every NAD 10,000 (or part thereof) of the issued share capital of a company, with a minimum duty of NAD 120 *per annum*. Issued share capital includes ordinary shares, share premium, and preference shares.

Since a branch does not issue share capital, the issued share capital of the head office will be used to calculate the annual duty payable in Namibia.

Payroll taxes

Any remuneration paid by an employer to an employee will place an obligation on the employer to withhold employee taxes. The employee taxes are due on the 20th day of the month following the month during which the payment was made. The tax tables applicable to individuals are provided in the Taxes on personal income section of Namibia's Individual tax summary.

Late payment of employee taxes will result in penalties of 10% per month and interest of 20% *per annum*. Both penalties and interest are limited to the amount of tax outstanding.

Social security contributions

Social security contributions are payable by the employer for employees working in Namibia. Social security is based on a principle of 50/50 contributions from employers and employees. It is calculated at 0.9% of earnings, with a minimum monthly contribution of NAD 2.70 and a maximum monthly contribution of NAD 81 each (i.e. the total maximum monthly contribution of both the employer and the employee will amount to NAD 162).

Workmen's compensation

Under the Employees Compensation Act, employers are required to contribute to a fund that provides cash benefits for industrial injury, disability, and death. Contribution rates vary according to inherent occupational risk, from less than 1% in most low-risk commercial/administrative occupations to 8% for high-risk sectors (drilling, tunnelling, and rock-blasting). Employees whose annual remuneration exceeds NAD 81,300 are normally excluded from coverage.

Corporate - Branch income

Branch income that is received or accrued from a source within, or deemed to be within, Namibia is taxable in Namibia based on the normal corporate tax rules.

A branch is regarded as an extension of its foreign head office. A branch may, therefore, not deduct fees paid to its foreign head office (unless a tax treaty provides for such a deduction), as it is argued that a branch cannot transact with itself. Reimbursement of actual expenses may, however, be deducted, subject to the normal deduction rules.

Transfer pricing rules apply to transactions between a branch and cross-border related parties.

Corporate - Income determination

Inventory valuation

Inventory is valued at cost for tax purposes in Namibia.

The last in first out (LIFO) basis of valuation is only accepted if:

- written consent was obtained from the Minister of Finance before such taxpayer renders one's income tax return for the first year of assessment for which the LIFO basis was adopted by the taxpayer, and
- various conditions are met by the taxpayer as determined by the Minister of Finance.

Capital gains

Other than profits on the sale of mining and petroleum licences/rights, and the transfer of any share/interest (whether directly or indirectly) in a company owning a mineral/petroleum licence or right, capital gains are not taxed in Namibia.

Mining and Petroleum licences/rights

The sale, donation, expropriation, cession, grant, or any other alienation or transfer of ownership of any share or member's interest in a company that holds a mineral or petroleum licence/right, whether directly or indirectly, is included in the definition of gross income. The definition also specifically includes a sale of shares in a company for a licence or right to mine minerals or oil and gas in Namibia.

Dividend income

Dividends received are exempt from tax. Non-resident shareholders tax (NRST) should be withheld on dividends declared to non-resident shareholders. For more information on NRST, see the Withholding taxes section.

Interest income

Namibian companies are taxed on interest received from a Namibian source. Persons other than Namibian companies are subject to a final WHT on interest from banks and unit trusts. Interest paid to non-residents is subject to WHT on interest. For more information, see the Withholding taxes section.

Partnership income

The relevant partners of a partnership are regarded as the responsible taxpayers and not the partnership itself.

In practice, the assessment of a partnership is treated like that of a private business. The partnership is first treated as a business entity on its own in terms of income and expenditure. The profit or loss at the end of the year is then allocated to the individual partners. If they derived a profit from the partnership, it is added to their other non-partnership income; or if the partnership made a loss, the partners have the right to deduct it from their non-partnership income.

Rental income

Companies are taxed on rental income received from a Namibian source.

Royalty income

Companies are taxed on royalty income received from a Namibian source.

Foreign income

Corporate tax in Namibia is determined on the source basis; consequently, only income from a Namibian source or deemed Namibian source is subject to corporate tax.

Corporate - Deductions

Capital allowances

The cost (including finance charges) of vehicles, machinery, equipment, and other articles used by the taxpayer to generate income is deductible in three equal annual allowances claimable from the date the costs were incurred and not only when the asset was taken into use. No apportionment is allowed where an asset is held for less than 12 months.

Buildings used by the taxpayer to generate income qualify for an initial allowance of 20% of erection costs in the year they are first brought into use. Thereafter, an annual allowance of 4% is deductible for the 20 following years. Additions to existing buildings (not alterations, improvements, or repairs) qualify for the same 20% and 4% deductions. Note that the allowance is calculated on the cost of erection and not the cost of acquisition. The allowance is also only calculated for a period of 21 years from the date of erection.

Registered manufacturers can claim 20% of the erection costs of the building in the year it is first brought into use, and 8% for ten years thereafter (see Manufacturing in the Tax credits and incentives section).

Mining exploration and initial development expenditure incurred before commencement of mining production are deductible in full in the first year that income is generated from the mine. Subsequent developmental expenditures are written off in three equal annual allowances.

Capital allowances may also be deducted with respect to patents, trademarks, leasehold improvements, etc.

A recovery or recapture of allowances previously claimed should be included in the gross income of a taxpayer in the event that the allowance is recovered or recaptured by way of disposal, withdrawal from trade for non-trade purposes, or removal from Namibia. The recapture is calculated at the market value of the asset.

Goodwill

The amortisation of goodwill is not deductible for tax purposes and should be excluded from calculating taxable income.

Start-up expenses

Mining

The Income Tax Act allows exploration and initial development expenditure to be deducted in full during the year in which the mine commences with production. All exploration expenses incurred before the commencement of mining is therefore deferred until such time that the mine commences production.

All other industries

The general deduction formula determines that only expenses incurred in the production of income that are not of a capital nature may be claimed for tax purposes. The Income Tax Act defines income as ‘income in any year or period of assessment’.

Interest expenses

A deduction is allowed in respect of financing expenditure incurred in respect of any financing agreement for the acquisition of fixed assets utilised in ordinary trade activities.

The general deduction formula determines that only expenses incurred in the production of taxable income that are not of a capital nature may be claimed for tax purposes. Therefore, where the interest can be argued to be incurred in the production of income, the interest expense will be deductible.

Thin capitalisation legislation may be applied to interest paid on cross-border, related-party loans (see Thin capitalisation in the Group taxation section).

Bad debt

The Income Tax Act allows a specific deduction for bad debts, provided that the amount written off was previously included in the taxpayer's income.

Furthermore, the Income Tax Act prohibits the following deduction from taxable income:

“any loss or expense, the deduction of which would otherwise be allowable, to the extent to which it is recoverable under any contract of insurance, guarantee, security, or indemnity”.

Accordingly, where the bad debts are recoverable under insurance, the amounts are not deductible for tax purposes.

Charitable contributions/donations

A specific deduction for donations is allowed, provided that it is made to a registered welfare organisation or an approved educational institution. It is a further requirement that a certificate should be issued by the welfare organisation/educational institution in respect of the donation and submitted with the entity’s tax return in order for it to qualify as a deduction. However, this deduction may not create or increase a tax loss.

Fines and penalties

In terms of practise applied by Inland Revenue, tax penalties and fines are not deductible for tax purposes.

Taxes

Taxes levied on income are not allowed as a deduction.

Net operating losses

Assessed tax losses may be carried forward indefinitely if the company continues the same trade. Tax laws do not allow losses to be transferred to other members of a group, and anti-avoidance provisions may be triggered by transactions designed to transfer or exploit assessed losses.

If a company ceases to trade for a full fiscal year, its assessed losses are forfeited, regardless of subsequent activities. Assessed losses are also reduced in the event of a compromise agreement with creditors.

Namibian tax legislation does not provide for the carrying back of tax losses.

Payments to foreign affiliates

For information on payments to foreign affiliates, please refer to the Branch income section, Group taxation section, and Withholding taxes section.

Corporate - Group taxation

No taxation of combined operations is allowed in Namibia where operations are conducted in a group.

Transfer pricing

The Minister of Finance confirmed that enforcing transfer pricing laws are high on their agenda and that they are working with, amongst others, the Finish Revenue Authority and the African Tax Administration Forum.

Namibian transfer pricing legislation is aimed at enforcing the arm's-length principle in cross-border transactions carried out between connected persons. It is based on guidance set out by the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines for multinational enterprises and tax administrations.

The objective of the transfer pricing legislation is to provide taxpayers with guidelines regarding the procedures to be followed in the determination of arm's-length prices, taking into account the Namibian business environment. It also sets out the Minister of Finance's views on documentation and other practical issues that are relevant in setting and reviewing transfer pricing in international agreements.

The transfer pricing legislation is essentially aimed at ensuring that cross-border transactions between companies operating in a multinational group are fairly priced and that profits are not stripped out of Namibia and taxed in lower tax jurisdictions. The legislation achieves this by giving the Minister of Finance (who essentially delegates to the Directorate of Inland Revenue) the power to adjust any non-market related prices charged or paid by Namibian entities in cross-border transactions with related parties to arm's-length prices and to tax the Namibian entity as if the transactions had been carried out at market-related prices.

In terms of the normal penalty provisions of the Income Tax Act, the Directorate of Inland

Revenue may levy penalties of up to 200% on any amount of underpaid tax. Consequently, the Inland Revenue may invoke such provisions in the event that a taxpayer's taxable income is understated as a result of prices that were charged in affected transactions, which were not carried out at arm's length. Further, interest will be charged on the unpaid amounts at 20% *per annum*.

Thin capitalisation

The Minister of Finance may, if any amount of financial assistance provided by a foreign connected person is excessive in relation to a company's fixed capital (being share capital, share premium, accumulated profits, whether capital or not), disallow, for income tax purposes, the deduction of any interest or other charges payable by the Namibian person on the 'excessive portion' of the financial assistance provided by the foreigner.

There is no guidance that provides a definition for 'excessive'. Therefore, each case should be considered on the basis of the facts provided. The 3:1 ratio is applied by the Bank of Namibia for exchange control purposes, and this guideline is therefore deemed suitable until otherwise determined by Inland Revenue.

Controlled foreign companies (CFCs)

CFC rules are not applicable in Namibia.

Corporate - Tax credits and incentives

Foreign tax credit

A tax credit may be claimed in Namibia for foreign taxes paid on dividends, royalties, and similar income, limited to the amount of tax payable in Namibia. Proof of the taxes paid in the foreign jurisdiction should be provided to Inland Revenue in order to claim the tax credit.

The claiming of foreign tax credits only applies to countries with which Namibia has a DTA.

Manufacturing

The following is a high-level comparison of the different tax treatments for normal companies and registered manufacturing companies. This description does not consider the specific conditions that should be met in order for these incentives to be utilised.

Please refer to our comments under "*significant developments*" regarding the repeal of certain incentives available to registered manufacturers and the period when these will be phased out.

Note that only the building allowance and preferential tax rate (*as set out below*) may create or increase a tax loss.

Building allowance

A building allowance is deductible with respect to buildings used for purposes of trade.

For normal companies, the allowance is calculated as 20% of the cost of erection in the year in which the building enters service and 4% during the 20 years that follow.

For registered manufacturing companies, the allowance is calculated as 20% of the cost of erection in the year in which the building enters service and 8% during the ten years that follow.

Employee cost allowances

For normal companies, expenditures for remuneration and training of employees are deductible for tax purposes.

For registered manufacturing companies, an additional allowance of 25% of remuneration and training of employees that are directly engaged in the manufacturing process are deductible. However, this allowance may not create or increase a tax loss. Deductions sought for training should be approved by the government.

Please refer to our comments under "*significant developments*" regarding the repeal of this incentive.

Export expenditure allowance

For normal companies, export expenditures incurred are deductible for tax purposes.

For registered manufacturing companies, an additional allowance of 25% of costs incurred in an export country, in order to export Namibian manufactured goods to such country, may be deducted. However, this allowance may not create or increase a tax loss.

Please refer to our comments under "*significant developments*" regarding the repeal of this incentive.

Export allowance

Any taxpayer (not required to be a registered manufacturer) that derives income from the export of goods manufactured in Namibia, excluding meat or fish, may deduct an export allowance equal to 80% of the taxable income derived from the export of manufactured goods.

Gross profit derived from the export of manufactured goods as a percentage of total gross profit should be used to determine the percentage of taxable income that is used to calculate the export allowance. However, this allowance may not create or increase a tax loss.

Please refer to our comments under "*significant developments*" regarding the repeal of this incentive.

Transport allowance

For normal companies, land-based transport costs (i.e. transport by road or rail) are deductible for tax purposes.

For registered manufacturing companies, an additional allowance of 25% of land-based transport cost in respect of material and components used in the manufacturing process or equipment imported for direct use in the manufacturing process may be deducted. However, this allowance may not create or increase a tax loss.

Please refer to our comments under "*significant developments*" regarding the repeal of this incentive.

Preferential tax rate

The normal tax rate for companies other than mining companies or registered manufacturers is 32%.

The tax rate for a registered manufacturer for taxable income with respect to the manufacturing activity for which they are registered is 18%. This preferential rate is applicable for a period of ten years from registration as a manufacturer.

Please refer to our comments under "*significant developments*" regarding the repeal of this incentive

Export Processing Zones (EPZs)

In order to become an EPZ company, a particular entity must register with the EPZ governing body and obtain approval from Inland Revenue.

An EPZ company qualifies for the following benefits:

- The company is exempt from corporate tax.
- No VAT is payable on the sale of goods or services rendered in the zone.
- No VAT is payable on goods imported or manufactured in the zone.
- No customs or excise duty is payable on goods imported into the zone.
- No stamp duty or transfer duty is payable in relation to the transfer of movable or immovable property in the zone.
- A 75% refund of expenditures incurred in training Namibian citizens.
- Some of the provisions in the Labour Relations Act do not apply in the zone.

Enterprises must comply with the following requirements in order to qualify for EPZ status:

- Goods must be exported to countries other than countries in the SACU.
- Industrial employment must be created or increased.
- Namibia's export earnings must be increased as a result of manufactured goods exported.

EPZ companies may not be involved in retail business operations.

On 19 February 2020, the Minister of Finance tabled the Income Tax Amendment Bill 2020 in Parliament. The Bill includes an insertion of Section 101A 'Repeal of certain provisions of Export Processing Zone Act, 1995', the phasing out of tax exemptions pertaining to certain traders. With the enactment of this bill, EPZ entities would be liable for income tax, stamp duties on goods and services required for EPZ activities, as well as transfer duties in respect of the acquisition of any immovable property situated in an EPZ. The enforcement of Section 101A in the Income Tax Act (no. 24 of 1981) will be determined and come into effect on a date to be determined by the Minister, by notice in the Government Gazette.

Corporate - Withholding taxes

WHTs are applicable where certain payments are made to non-Namibian residents.

Dividends

Dividends declared by a Namibian company to a non-resident holding company are subject to NRST, a WHT. NRST is payable at the standard rate of 10% if at least 25% of shares are held in the Namibian company and the shareholder is a company. In all other cases, the NRST payable is 20%. DTA relief may be available.

NRST is payable within 20 days after declaration of a dividend.

Interest

A WHT of 10%, calculated on the gross amount of interest, is payable on interest accruing to any person, other than a Namibian company, from a registered Namibian banking institution or unit trust scheme. The tax withheld is a final tax, and the financial institution is responsible to withhold the tax.

Namibian companies, however, are taxed on interest at the corporate tax rate.

It is the obligation of the financial institution to withhold the tax and pay such tax to the revenue authorities.

WHT of 10% is payable on the interest accruing or paid to a non-resident. The WHT is payable within 20 days after the interest payment was made. Interest is deemed to be paid on the earlier of the date on which the interest is paid or becomes due and payable.

Treaty relief may be available.

Royalties or similar payments

WHT on royalties are payable when a Namibian company pays a royalty to a non-resident. WHT is levied at a fixed rate of 10% and is payable within 20 days after the end of the month during which the liability for payment is incurred.

A royalty includes payment for the use or right to use any patent or design, trademark, copyright, model, pattern, plan, formula, or process, or any other property or right of a similar nature. A royalty also includes the imparting of any scientific, technical, industrial, or commercial knowledge or information for use in Namibia. The nature of fees payable should therefore be carefully considered in order to determine whether the relevant amount represents a royalty. It also include payments made for the use or right to use industrial, commercial, or scientific equipment (i.e. rentals).

Treaty relief may be available.

Services

Any Namibian resident paying a management or consultancy fee to a non-resident must withhold tax at 10%.

Management and consulting fees are specifically defined as: "any amount payable for administrative, managerial, technical, or consultative services or any similar services, whether such services are of a professional nature or not".

A branch is specifically included in the definition of a resident.

The rate is subject to DTA relief, where applicable.

Fees paid to non-resident directors and foreign entertainers are subject to WHT of 25%. No treaty relief is available.

Summary of WHT payable

The WHT rates and treaty relief for Namibian DTAs can be summarised as follows. Note that the tax treaties contain certain requirements that should be met before the reduced tax rate may be applied.

The definitions of dividends, interest, and royalties in the various treaties should also be considered.

Recipient	WHT (%)				
	Dividends	Interest	Royalties	Management, administrative, technical, and consulting fees	Directors fees
Non-treaty	10/20 (1)	10 (2)	10	10	25
Treaty:					
Botswana	10	10	10	10 (7)	25
France	5/15 (3)	10	10	0	25
Germany	10/15 (3)	0	10	0	25
India	10	10	10	10	25
Malaysia	5/10 (1)	10	5	5	25
Mauritius	5/10 (1)	10	5	0	25
Romania	10 to 15 (4)	10	5	0	25
Russian Federation	5/10 (5)	10	5	0	25
South Africa	5/15 (1)	10	10	0	25
Sweden	5/15 (3)	10	5	10 (7)	25
United Kingdom	5/10/15 (6)	N/A	5	0	25

Notes

1. Lower rate applies where at least 25% of shares are held in the Namibian company. Higher rate applies otherwise.
2. Namibian companies are taxed at the corporate tax rate on interest received.
3. Lower rate applies where at least 10% of shares are held in the Namibian company. Higher rate applies otherwise.
4. Rate depends on shareholding.
5. Lower rate applies where at least 25% of shares are held in the Namibian company and recipient directly invested at least 100,000 United States dollars (USD) in the

equity capital of the company paying the dividend. Higher rate applies otherwise.

6. 5% where at least 50% of shares are held in the Namibian company. 10% where at least 25% of shares are held in the Namibian company. 15% otherwise.
7. Local rates are lower than the 15% rate per the treaty.

Mining royalties

The Minerals (Prospecting and Mining) Act levies a royalty on minerals won or mined by a licence holder in Namibia, based on the table below:

Group of minerals	Market value of minerals levied as a royalty (%)
Rough diamonds	10
Rough emeralds, rubies, and sapphires	10
Unprocessed dimension stone	5
Gold, copper, zinc, and other base metals	3
Semi-precious stones	2
Nuclear fuel minerals	3
Industrial minerals	2
Non-nuclear fuel minerals	2
Oil and gas	5

Source: *www.chamberofmines.org.na/index.php/mining-tax-regime*

Corporate - Tax administration

Taxable period

The tax year for companies and close corporations is aligned with the financial year.

Tax returns

The income tax return is due within seven months after the financial year-end of the company and can be extended to five months after the seventh month due date, provided that no other prior year income tax returns are outstanding.

Payment of tax

The first provisional payment for income tax is due within six months from the commencement of the company's financial year (at least 40% of tax payable at year-end is paid on first submission). The second provisional payment is due on/before the last day of the respective tax year (at least 80% of tax payable at year-end is paid on second submission). The final provisional payment is due within seven months after the financial year-end of the company.

WHT on dividends are due within 20 days after declaration of the dividend.

WHT on royalties or similar payments are due within 20 days after the end of the month during which the liability for payment of the royalty was incurred.

WHT on services is payable to Inland Revenue within 20 days after the end of the month during which the amount was deducted or withheld.

WHT on interest is due within 20 days after the end of the month during which the interest was paid. Interest is deemed to be paid on the earlier of actual payment or when the interest becomes due and payable.

It is advised that if relief is available under the DTA, a nil form should still be submitted when payment is made to non-residents. The amount of DTA relief claimed should be disclosed on the form submitted.

No cheques are accepted as a means of payment at Inland Revenue.

Penalties and interest

The penalties and interest due for late submissions and payments can be summarised as follows:

Tax area	Reason	Penalty	Interest (*per annum*)
1st provisional tax	Late submission	NAD 100 per day penalty for outstanding provisional tax returns	None
	Late payment	10% per month *	20%*
	Under-estimation	Up to 100% of underpaid amount	None
		NAD 100 per day penalty for	

2nd provisional tax	Late submission	outstanding provisional tax returns	None
	Late payment	10% per month *	20%
	Under-estimation	Up to 100% of underpaid amount	None
Income tax return	Late submission	10% one-off penalty if taxes were paid late	None
	Late payment	Where tax return is submitted late, then 10% once-off penalty	20%
	Omission/incorrect statement	Up to 200%	20%
WHT	Late payment	10% per month *	20%
	Late submission	None	None

* Both penalties and interest are limited to the amount of taxes outstanding.

Anti-avoidance

Note that the Income Tax Act, Act 24 of 1981, contains an anti-avoidance section, Section 95, which enables the Receiver of Revenue to disregard the implications of a transaction or scheme if it can be proven that:

- such transaction or scheme had been entered into to avoid or postpone the payment of any duty or levy imposed by the Act
- such transaction or scheme was entered into or carried out by means or in a manner that would not normally be employed in the entering into or carrying out of a transaction, operation, or scheme of the nature of the transaction, operation, or scheme in question, or has created rights or obligations that would not normally be created between persons dealing at arm's length under a transaction, operation, or scheme of the nature of the transaction, operation, or scheme in question, and
- such transaction or scheme was entered into or carried out solely or mainly for the purposes of the avoidance or the postponement of liability for the payment of any tax duty or levy.

The Receiver of Revenue can, at its sole discretion, impose Section 95 on any transaction or scheme, which will place the onus on the taxpayer to prove that any/all of the requirements noted above will not be applicable to the transaction or scheme.

Tax audit process

The tax audit process is a discretionary process instituted by Inland Revenue. Inland Revenue will inspect the validity of invoices and whether such expenses are deductible for tax purposes.

Generally, income tax audits are initiated on amounts being refunded to taxpayers, with the focus being on high-value refunds.

Subsequent to an audit, a letter will be sent to the taxpayer indicating changes made to the return of income.

In the event that the taxpayer agrees with the outcome, an assessment is issued. Where the taxpayer is not satisfied with the outcome, an objection may be lodged within 90 days.

Statute of limitations

There is no statute of limitation in respect of claiming a refund for excess income tax paid. Debts to the state prescribe after 30 years.