Driving a Sustainable Future

KPMG in Namibia's 2024/25 Budget Summary

Finance Minister, Ipumbu Shiimi, delivered the National Budget address on Wednesday, 28 February 2024

Finance Minister Ipumbu Shiimi presented the 2024/25 Namibia Budget Statement with the theme *"Continuing the legacy of H. E. Dr. Hage G. Geingob by caring for the Namibian child"*.

The budget for the fiscal year 2024/25 is designed with a focus on three key policy pillars aimed at driving economic growth and stability. Firstly, it prioritizes stimulating domestic demand by implementing measures to enhance household incomes and foster an environment conducive to business expansion. Secondly, it emphasizes accelerating investments in critical public infrastructure to address infrastructure deficits and meet the needs of a growing population. Thirdly, it maintains fiscal prudence by sustaining a primary surplus and ensuring debt obligations are met effectively over the Medium-Term Expenditure Framework (MTEF). Additionally, the budget acknowledges socio-economic challenges such as poverty, unemployment, and drought, with specific provisions made to safeguard livelihoods and protect gains in social sectors.

Tax Policy

In the area of tax policy and tax administration reforms during the Medium Term Economic Framework ("MTEF"), focus will be placed on the implementation of measures to provide some relief to taxpayers in the near to medium term. In that regard, the following resolutions have been passed:

- The non-mining company tax rate will be reduced by two percentage points to 31 percent effective 1 January 2024, followed by a further reduction to 30 percent by 1 January 2025.
- The FY2024/25 budget continues its commitment to alleviate the tax burden on low-income earners by raising the Income Tax threshold for individuals from N$50,000 to N$100,000. This initiative, set to take effect from 1 March 2024 will offer a tax exemption on the first N$100,000 of income for all individual taxpayers. The revised tax table is as follows:

Personal Income tax					
Taxable income		Rates of tax			
-	N$100,000			0%	
N$100,001	N$150,000	-	+	18%	above N$100,000
N$150,001	N$350,000	N$9,000	+	25%	above N$150,000
N$350,001	N$550,000	N$59,000	+	28%	above N$350,000
N$550,001	N$850,000	N$115,000	+	30%	above N$550,000
N$850,001	N$1,550,000	N$205,000	+	32%	above N$850,000
N$1,550,001		N$429,000	+	37%	above N$1,550,000

- Over the next two fiscal years, adjustments to tax brackets will be made to counteract inflation.

Tax Policy (continued)

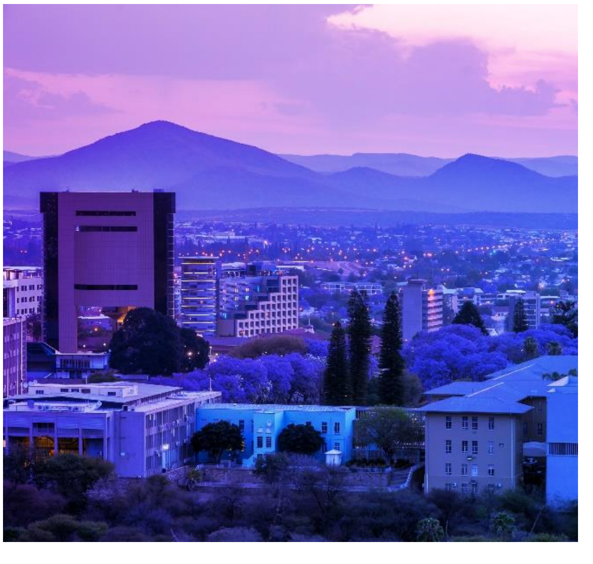
- The non-mining company tax rate will be reduced further to 28 percent during FY2026/27. This reduction will be undertaken alongside broadening the corporate income tax base by:
  - replacing the 3:1 thin capitalisation ratio with a 30 percent limit on interest deductions;
  - capping assessed losses carried forward at 5 years for normal companies and 10 years for companies operating in the natural resources sectors; and
  - introducing a 10 percent dividend tax effective on 1 January 2026, to brigde the gap between the existing dividends tax already paid by non-residents.
- The Ministry of Finance in conjunction with the Ministry of Industrialisation and Trade, we are working to introduce a Special Economic Zones (SEZ) regime. The SEZ participants will benefit from a reduced corporate income tax rate of 20 percent including the normal deductions in terms of capital allowances, along with VAT zero rating, as part of efforts to foster investment and economic growth.
- The SEZ bill is expected to be tabled in the National Assembly during FY2024/25, in advance to the expiration of the Export Processing Zone (EPZ) regime in 2025.
- Under the proposed SEZ regulations, the corporate income tax rate of 20 percent will extend to SMEs meeting specific criteria, including an annual turnover below a predetermined limit. Details regarding this threshold will be announced in the near future.
- The mandatory VAT registration threshold will be increased from N$500,000 to N$1,000,000 effective FY2024/2025.
- There is also an introduction of the Internship Tax Incentive Programme aimed to encourage employers to engage interns by providing additional corporate tax deductions.
- Buildings improvement deductions will be introduced to combat urban decay and incentivise infrastructure investments, with a capital depreciation allowance of 10 percent annually for eligible trade buildings.
- Introduction of adjustments to transfer duties and stamp duties brackets, including raising the exempt level to N$1.1 million and increasing the threshold for the 8 percent duty rate to N$3.15 million, effective in FY2024/25.
- A supertax transfer duty and stamp duty bracket for luxury residential properties costing over N$12.0 million will be introduced.
- To uphold fairness and equality in taxation within the insurance sector, legislation will be amended to eliminate tax exemptions for non-resident shareholders of foreign insurance companies. Instead, shareholders' activities will be subject to taxation, aligning them with other businesses. This adjustment will come into force during the fiscal year 2024/25.

Administration

- NamRA will continue with the final instalment of the tax arrears relief program, whereby interest and penalties will be fully written off if outstanding capital is fully settled by 30 October 2024. This is the final extension of this program. The Minister emphasised that there will be no further extensions after this.
- The relief is aimed at promoting the online filing of tax returns and the general use of the Integrated Tax Administration System (“ITAS”).

We have noted that there has been significant improvements in collection of revenue on NamRA’s side as a result of the relief programme and therefore, we recommend all taxpayers to take advantage of this opportunity to get their tax affairs regularised.

Furthermore, exploration of a VAT e-invoicing system in collaboration with NamRA will be introduced in the following financial year, aiming to enhance tax data management, reduce administrative costs, and minimise VAT fraud, facilitating efficient tax enforcement.

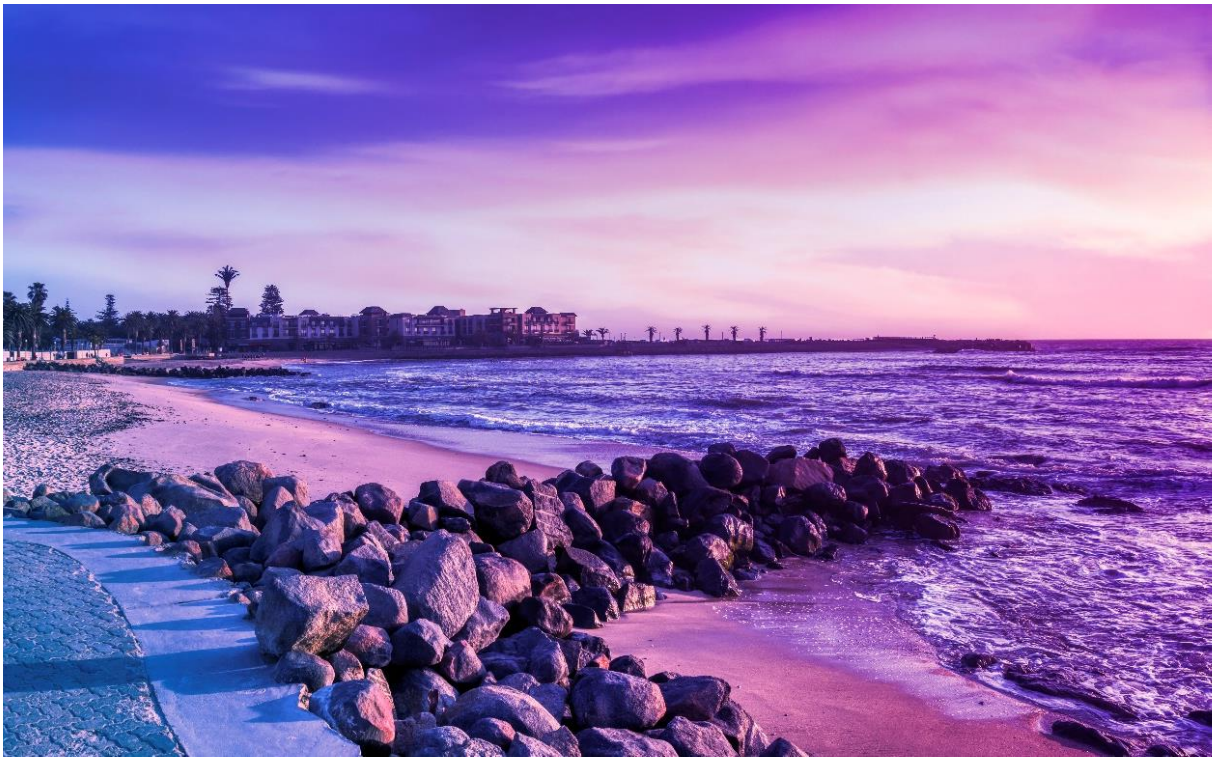


Sin Taxes: Excise duty proposed increases

With effect from 22 February 2024 and in terms of the SACU Agreement, the following changes were announced, in relation to the "sin" taxes:

- a pack of 20 cigarettes goes up by 98c
- a 23 gram cigar will cost an additional N$5.47
- a 750ml bottle of wine goes up by 18c
- a 750ml bottle of spirits will increase by N$3.90
- a 340 ml can of beer increases by 10c

The above increases are not only necessitated by SACU Agreement, but also meant to discourage consumers from spending their income on these products, given the economic situation.



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