



Namibia

# Fiscal Guide 2015/2016

**Tax**



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INTRODUCTION

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## Income tax

### Business income

Income tax is levied under the Income Tax Act 1981 on both individuals and companies, with the exception of petroleum income derived from exploration areas, which is taxed under the Petroleum Taxation Act 1991. Tax is imposed on all receipts and accruals from a Namibian source, other than receipts of a capital nature. Special provisions relate to companies involved in mining, farming and insurance.

### Rates

Domestic companies	
Corporation tax	
Standard rate	32% *
Registered manufacturing companies	18% (for up to 10 years)
Mining companies (excluding natural oil or gas)	
- Diamond mining	55% (i.e. 50% +10% surcharge)
- Other mining	37.5%
Oil and gas	35% (plus Additional Profits Tax determined according to a formula)
Capital Gains Tax	None**
Dividend received	Exempt

\*For years of assessment commencing on or after 1 January 2015.

\*\*We note that profits on the sale of a mineral licence or right to mine minerals, or a petroleum licence or right to mine petroleum; or the direct or indirect sale of shares in a company holding such licences or rights may be subject to income tax.

Ordinarily resident individuals	
Individual income tax	0%-37% *
Capital Gains Tax	None
Dividends	Exempt
Royalties	Taxed as ordinary income
Interest	10%/Taxed as ordinary income**
Fees	Taxed as ordinary income

\*Individual's Income tax table.

\*\*Interest earned by a natural person from a registered bank or unit trust is taxed at 10%. Other interest earned is taxed as ordinary income.

Taxable income (N\$)	Rate
Up to 50 000	Exempt
50 001 – 100 000	18% of the amount by which the taxable income exceeds N\$50 000
100 001 – 300 000	N\$9 000 plus 25% of the amount by which the taxable income exceeds N\$100 000
300 001 - 500 000	N\$59 000 plus 28% of the amount by which the taxable income exceeds N\$300 000
500 001 – 800 000	N\$115 000 plus 30% of the amount by which the taxable income exceeds N\$500 000



\*Individual's Income tax table (continued)

Taxable income (N\$)	Rate
800 001 – 1 500 000	N\$205 000 plus 32% of the amount by which the taxable income exceeds N\$800 000
Exceeds N\$1 500 000	N\$429 000 plus 37% of the amount by which the taxable income exceeds N\$1 500 000

#### Foreign companies/Individuals not ordinarily resident in Namibia

Individual income tax	0% - 37% *
Corporate income tax	
- Standard rate	32% **
- Registered manufacturing companies	18% (for up to 10 years)
Mining companies (excluding natural oil or gas)	
- Diamond mining	55% (i.e. 50% + 10% surcharge)
- Other mining	37.5%
Oil and gas	35% (plus Additional Profits Tax determined according to a formula)
Capital Gains Tax	None
Dividend (Non-residents shareholders tax - NRST)	10%/20% ***
Royalties	10% ****
Interest	10% @
Management, directors, entertainment and consultancy fees	10% ^

\* As for residents.

\*\* For years of assessment commencing on or after 1 January 2015.

\*\*\* Tax is withheld at source and is final. The rate of tax is 20% but may be reduced to 10% where the beneficial owner holds more than 25% of the share capital of the company paying the dividends. The rate may be reduced in terms of Double Tax Agreements.

\*\*\*\* As from 20 December 2015, the withholding tax on royalties is taxed at 10% and is a final tax. Before this date, the rate was based on the corporate tax rate applied to 30% of the gross royalty payable.

@ Applies only where interest is earned from a Namibian banking institution or unit trust scheme by a person (other than a Namibian company) and is not paid to a foreign banking institution which controls or manages the accounts of a Namibian banking institution in certain situations. With effect from 30 December 2015, any interest paid to a non-resident is subject to a withholding tax of 10%.

^ Reduced to 10% with effect from 30 December 2015.

#### Capital gains tax

There is no capital gains tax in Namibia. However, tax is imposed on any amount received or accrued as consideration or the open market value from the sale, donation, expropriation, cession, grant or other alienation or transfer of a mineral licence or right to mine minerals; or a petroleum licence or right to mine petroleum (including the direct or indirect sale, donation, expropriation, cession, grant or other alienation or transfer of shares in a company holding one of these licences or rights). Certain costs may be deducted in this regard.

#### Transfer pricing and thin capitalisation rules

The transfer pricing rules apply where goods or services are supplied or acquired in an international transaction between connected persons at a price less or greater than the arm's length price. Where the transfer pricing rules apply, the Minister of Finance may adjust the consideration in respect of the international transaction to reflect an arm's length price in determining the taxable income of the acquirer or the supplier.

## Transfer pricing and thin capitalisation rules

Namibia also has thin capitalisation rules in terms of which the deduction of interest may be disallowed. This applies if the Minister of Finance is of the opinion that the value of the financial assistance granted to a Namibian company by a non-resident connected person or a non-resident that holds at least 25% of the shares in the Namibian entity is excessive in relation to the Namibian company's fixed capital. For this purpose, a debt-to-equity ratio of 3:1 is normally applied in practice.

## General anti-avoidance rules (GAAR)

Namibia's general anti-avoidance rules apply where:

- The Minister of Finance considers that a transaction, scheme or operation has been entered into which has the effect of avoiding or postponing liability for the payment of any tax imposed by the Income Tax Act;
- The transaction or scheme was entered into in an abnormal manner or has created rights not normally created in arm's length transactions; and
- The transaction or scheme was carried out solely or mainly for the purpose of avoiding, postponing or reducing an income tax liability.

Where GAAR applies, the Minister of Finance will determine the tax imposed by the Income Tax Act as if the transaction or scheme had not been entered into or as deemed appropriate for the prevention or diminution of such avoidance, postponement or reduction.

The Minister of Finance may also disallow the off-set of a company's assessed loss against the company's income, where the Minister of Finance is satisfied that any agreement or change in shareholding was effected by any person, solely or mainly for the purpose of utilising the company's assessed loss by (generally) diverting income to that company to avoid or reduce the tax liability of the company or any other person.

## Inheritances and donations

There is no estate duty or donations tax in Namibia.

## Transaction taxes

Value-added tax (VAT) is payable at the rate of 15% on the value of goods supplied or imported. The rate is subject to annual review by the Minister. The VAT registration threshold was increased from N\$200 000 to N\$500 000 with effect from 1 January 2016. A threshold for voluntary registration was set at N\$200 000.

## Stamp and transfer duty

Stamp duty is levied at various rates on instruments referred to in schedule 1 of the Stamp Duties Act 1993. It includes mortgage/notarial bonds, transfer deeds, lease agreements, partnership agreements, insurance policies, security or securitizations, bills of exchange other than cheques, and promissory notes. Natural persons pay stamp duty on transfer deeds at a rate of N\$ 10 for every N\$ 1 000 or part thereof on the value exceeding N\$ 600 000.

Persons, including trusts, other than natural persons pay stamp duty on transfer deeds at a rate of N\$ 12 for every N\$ 1 000 or part thereof.

Transfer duty is levied on the value of land and buildings or mining rights acquired under the Transfer Duty Act 1993.

## Stamp and transfer duty (continued)

The rates payable by natural persons are as follows:

Up to N\$600 000	0%
N\$600 001 – N\$1 000 000	1% of the amount in excess of N\$600 000
N\$1 000 001 – N\$2 000 000	N\$4 000 plus 5% of the amount in excess of N\$1 000 000
N\$2 000 000 +	N\$54 000 plus 8% of the amount in excess of N\$2 000 000

Persons other than natural persons pay transfer duty at a flat rate of 8% on the value of the property - if the property was acquired prior to 1 May 2010. For the transfer of property on or after 1 June 2010, transfer duty is payable at a rate of 12% of the value of the property acquired. No transfer duty is payable for transfers between 1 May 2010 and 31 May 2010.

## Double tax treaties and reduced rates

Namibia has certain withholding taxes, the rates of which may be reduced in terms of a double tax agreement.

Currently, the maximum rate for NRST payable on dividends received is 20%, with 10% for royalties; 10% for interest; and 10% for management, directors, entertainment and consultancy fees.

Country	Dividends (%)	Interest (%)	Royalties (%)	Service fees (%)
Botswana	10	10	10	0/15 <sup>6</sup>
France	5/15 <sup>1</sup>	10	10	0 <sup>6</sup>
Germany	10/15 <sup>1</sup>	0	10	0 <sup>6</sup>
India	10	10	10	0/10 <sup>6</sup>
Malaysia	5/10 <sup>2</sup>	10	5	0/5 <sup>6</sup>
Mauritius	5/10 <sup>2</sup>	10	5	0 <sup>6</sup>
Romania	15	15	15	0 <sup>6</sup>
Russia	5/10 <sup>3</sup>	10	5	0 <sup>6</sup>
South Africa	5/15 <sup>2</sup>	10	10	0 <sup>6</sup>
Sweden	5/15 <sup>1</sup>	10	5/15 <sup>5</sup>	0 <sup>6</sup>
United Kingdom	5/15 <sup>4</sup>	20	5	0 <sup>6</sup>

1. The lower rate applies where the beneficial owner/recipient is a company which holds directly or in some cases indirectly at least 10% of the (share) capital of the company paying the dividends. The higher rate applies in all other cases.
2. The lower rate applies where the beneficial owner is a company which holds indirectly or directly, or in some cases only directly, at least 25% of the share capital of the company paying the dividends. The higher rate applies in all other cases.
3. The lower rate applies where the beneficial owner is a company which holds directly at least 25% of the share capital of the company paying the dividends and has directly invested in the equity share capital of that company not less than US\$100 000. The higher rate applies in all other cases.
4. The lower rate applies where the recipient is a company which controls at least 50% of the entire voting power in the company paying the dividend. The higher rate applies in all other cases.
5. The lower rate applies where the royalties are paid in terms of any patent, secret formula or process, or for information concerning industrial or scientific experience. The higher rate applies in all other cases where the recipient is the beneficial owner of the royalties.
6. In certain circumstances the withholding tax on services fees may be reduced to 0% under the business profits article.

## Investment information

### Investment rules

In general, the attitude towards foreign investment is positive but the government considers it a priority that Namibians should have adequate opportunities to participate fully and effectively in the development of the country's natural resources and industries. These objectives are administered through the Foreign Investment Act 1990 by the Investment Centre, a division in the Ministry of Trade and Industry. In general, there are no sectors or regions reserved for nationals to the exclusion of foreign investors and there is no requirement for government or local participation in any business activity of a foreign national in Namibia. If the investment of foreign assets in Namibia is an eligible investment, as defined in the Foreign Investment Act 1990, a Certificate of Status Investment is issued by the Ministry of Trade and Industry, which provides guarantees against expropriation and of the availability of foreign exchange for repatriation of profits.

### Investment incentives

#### Export Processing Zone ("EPZ")

The EPZ Act 1995 provides for the establishment, development and management of EPZs. A certificate must be obtained from the relevant EPZ managing entity before an EPZ enterprise may be set up. Benefits accruing to EPZ enterprises are as follows:

- No VAT will be payable;
- No customs and excise duty will be payable on imports or goods manufactured in an EPZ;
- No income tax will be payable in respect of income derived in an EPZ by an EPZ management company or enterprise;
- No transfer duty will be payable in respect of the acquisition of immovable property situated in an EPZ nor any stamp duty on deeds relating to activities in an EPZ; and
- The provisions of the Foreign Investment Act 1990 and Labour Act 2007 (subject to certain conditions) do not apply in an EPZ.

Subsidised loans for the establishment and expansion of manufacturing enterprises, concessional loans or cash grants of up to 50% for certain export promotion costs and assistance with feasibility studies are available.

### Registered Manufacturers

Entities carrying a registered manufacturer status may:

- Apply a tax rate of 18% for a 10-year period (the year in which the registration is effected and each of the following 9 years);
- Deduct 125% of certain land-based transportation costs for a 10-year period from the effective year of registration as a registered manufacturer;
- Deduct an allowance equal to 80% of taxable income derived from exports of goods (excluding fish and meat products);
- Deduct 125% of training costs incurred in respect of employees directly involved in a manufacturing process;
- Deduct 125% of remuneration costs in respect of employees directly involved in a manufacturing process; and
- Deduct 125% of certain export marketing costs.

Generous capital allowances are available in respect of expenditure on fixed assets.

### Exchange control

Namibia is part of the Common Monetary Area (CMA), together with South Africa, Lesotho and Swaziland, and has few restrictions on inward investment by foreigner investors. Prior approval is not required where the requisite funds are introduced through normal banking channels. Remittance of profits, interest and fees, licences and royalties may be made although prior approval is required. The receipt of loan funding from abroad is subject to specific exchange control approval.

## Residence and work permits

Work permits are required for all foreign citizens wishing to take up employment in Namibia. Considerable delays may be experienced in obtaining work permits.

## Annual budget announcement

The Minister of Finance generally announces the annual Budget and Taxation Proposals in February of each year.

## Trade and bilateral agreements

Membership: WTO, ACP-EU Partnership Agreement, SADC, SACU and COMESA.

## Economic statistics

Prime Interest Rate (February 2016)	10.25%
US\$ Exchange Rate (February 2016)	N\$ 15.9810
Inflation (NCPI as at January 2016)	5.3%
GDP (Q3 )	3.5%

## Travel information

Visa requirements	Visas are generally required
Flights	There are regular direct flights from Cape-Town, Frankfurt, Harare, Johannesburg, Luanda, Lusaka, Accra, Maun and Victoria Falls.
Inoculations	Yellow fever inoculation may be required for certain countries

## Currency

The Namibia dollar (N\$) divided into 100 cents.

## Languages

English is the official language.

## Official holidays

- 1 January (New Year's Day)
- 21 March (Independence Day)
- 25 March (Good Friday)
- 28 March (Easter Monday)
- 1 May (Workers' Day)
- 4 May (Cassinga Day) 25 May (Africa Day)
- 5 May (Ascension Day)
- 25 May (Africa Day)
- 26 August (Heroes' Day)
- 10 December (International Human Rights Day)
- 25 December (Christmas Day)
- 26 December (Family Day)







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