KPMG

Beyond 35: For a Prosperous Future

KPMG in Namibia's 2025/26 Budget Summary

Finance Minister, Ms Ericah B Shafudah, delivered the National Budget address on Thursday, 27 March 2025

Finance Minister Ericah Shafudah presented the 2025/26 Namibia Budget Statement with the theme **"Beyond 35: For a Prosperous Future".**

"In addition to celebrating 35 years as a free and independent country, the theme also serves as a clarion call on us all to redouble our efforts to create an even more prosperous future."

The budget for the fiscal year 2025/26 is designed with a focus on four key policy pillars aimed at accelerating development, creating jobs and broadly improving the living conditions of Namibians:

1. Prioritizes supporting and facilitating economic development through continued investments in infrastructure.
2. Focuses on various social protection programmes to continue safeguarding livelihoods, supporting the most vulnerable sectors of society, empowering the youth and protecting gains in social metrices.
3. Addresses youth empowerment programmes and capacity enhancement activities.
4. The last pillar promotes food production and stimulates agricultural activities given the elevated incidences of drought and the need for improved food security.

Tax Policy

In the area of tax policy and tax administration reforms during the Medium Term Economic Framework ("MTEF"), the proposals are aimed at supporting economic growth through boosting domestic demand, broadening the tax base to improve revenue mobilisation and to enhance the competitiveness of the tax system to attract investments and foster private sector development. In that regard, the following is proposed:

Corporate tax

- The non-mining company tax rate has been reduced to 30 percent effective 1 January 2025. It was confirmed that the non-mining company tax rate will be further reduced to 28 percent during FY2026/27. This reduction will be undertaken alongside broadening the corporate income tax base by:
  - having replaced 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 bridge the gap between the existing dividends tax already paid by non-residents.
- To curb the estimated revenue leakage of approximately N$41 million from substance loans disguised as preference shares, an anti-avoidance provision is proposed that removes the tax exemption and deems this as income.
- The Ministry of Finance, in conjunction with the Ministry of Industrialisation and Trade, are finalizing the Special Economic Zones (SEZ) regime, as well as the annual turnover threshold for SMEs. 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.

Individuals

- The adjustments to all tax brackets to counteract inflation will be postponed FY2026/27 and FY2027/28 due to the constrained outlook of revenue.
- The retirement funds single commutation threshold at retirement will increase from N$50,000 to N$375,000 to provide relief for senior citizens from the high inflation experienced in recent years.
- An annual benefit cap of N$400,000 on housing benefits will be introduced to improve fairness of housing fringe benefits across income tax brackets.

VAT

The zero-rated supplies schedule of the VAT Act will be amended to include State-acquired commercial properties.

VAT legislation on imported digital services is being finalized to ensure an even economic playing field with domestic service providers.

Administration

Tax amnesty programme

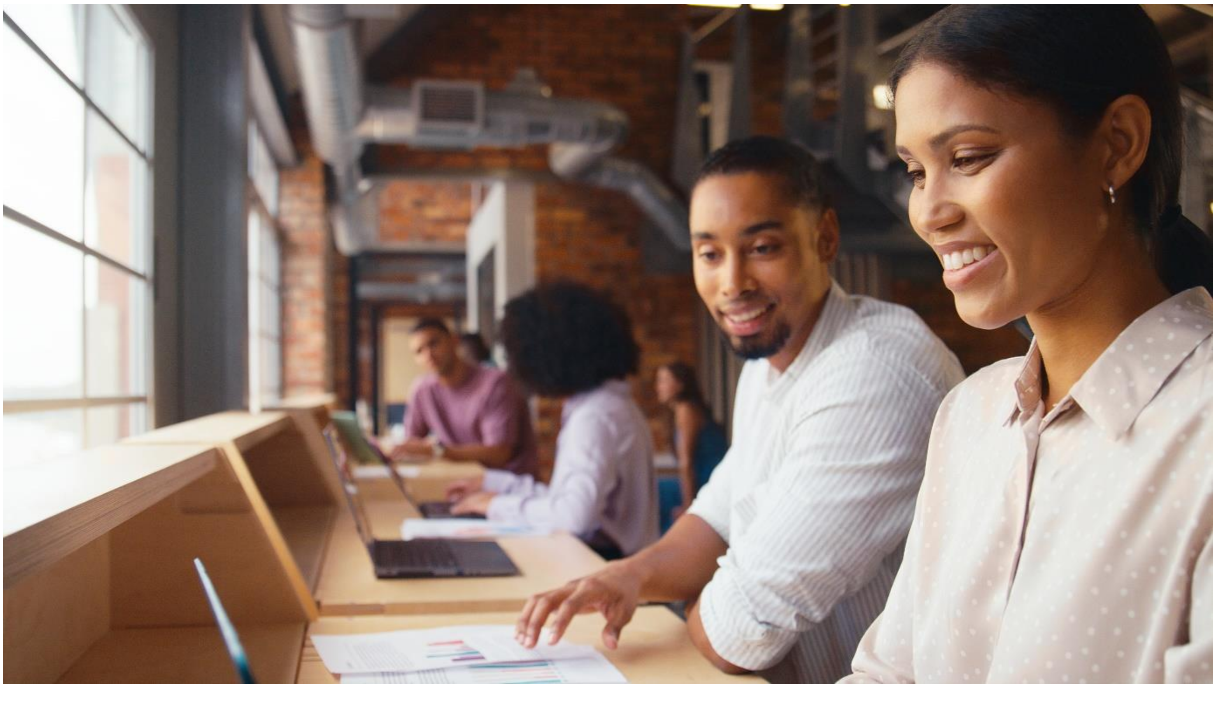
NamRA will continue with the final instalment of the tax arrears relief program, whereby all interest and penalties will be written off if outstanding capital is settled in full by 31 October 2026.

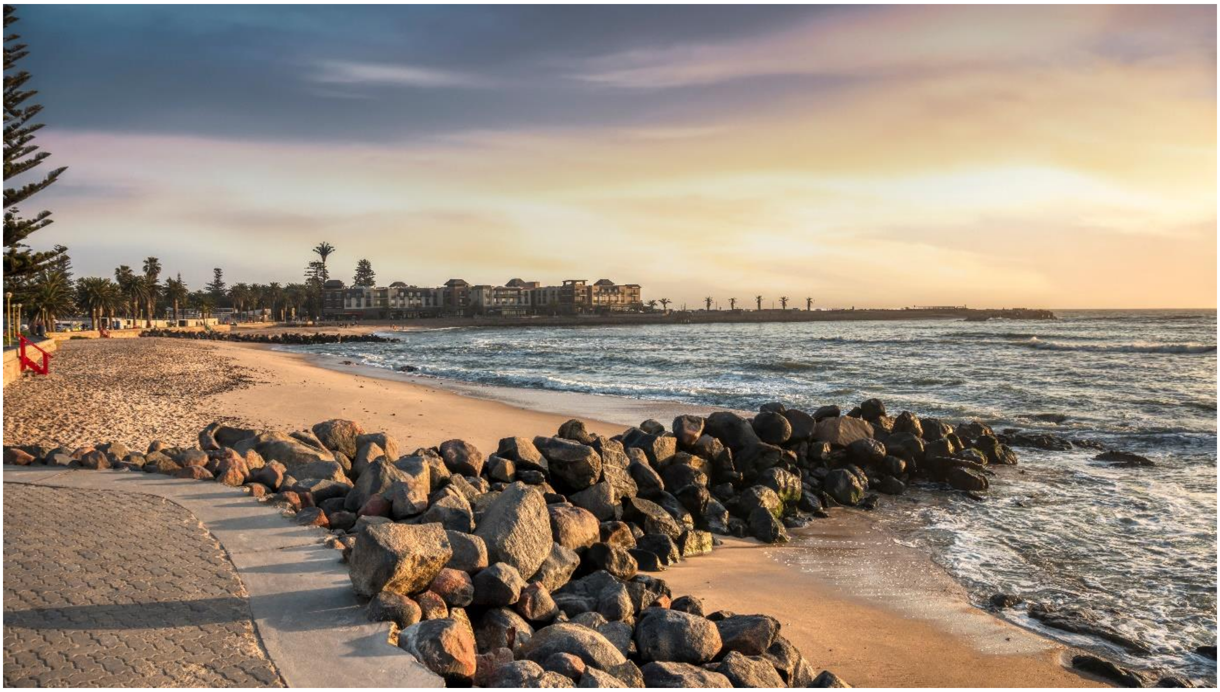
The relief is aimed at promoting the online filing of tax returns and the general use of the Integrated Tax Administration System (“ITAS”).

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.

Other matters

- NamRA has completed the research and benchmarking regarding the introduction of a VAT e-invoicing system. This is aimed at enhancing tax data management, reducing administrative costs, and minimising VAT fraud and facilitating efficient tax enforcement. This is anticipated to be rolled out on in April 2026.
- The establishment of a dedicated Tax Court is at an advanced stage and requisite legislation is expected to be tabled during FY2025/26. The draft bill is under review by the Legal Drafters.





Sin Taxes: Excise duty proposed increases

With effect from 12 March 2025 and in terms of the SACU Agreement, the following changes were announced, in relation to the “sin” taxes:

- a litre of sparkling wine will cost an additional **N$1.20**
- fortified wine will increase by **64c**
- a 750ml bottle of spirits will increase by **N$5.53**
- spirits will increase by **N$18.52** per litre of absolute alcohol
- cigars will cost an additional **N$369.36** per kg
- a pack of 20 cigarettes will cost an additional **N$1.04**

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