KPMG

Beyond 35: For a Prosperous Future

KPMG in Namibia's 2025/26 Mid-Year Budget Summary

Finance Minister, Ms Ericah B Shafudah, delivered the National Mid-Year Budget address on Tuesday, 21 October 2025

Ten income tax-related amendments previously announced in the annual Budget Statement which was delivered on 27 March 2025 have been highlighted during the Mid-Year Budget address.

The proposals are aimed at enhancing equity in the tax system and the Tax administration, as well as broadening the Tax base, improving the tax regime for extractive industries and emerging sectors and enhancing tax competitiveness.

Enhancing equity in the Tax system

1 Single commutable amount retirement benefits

To address poverty and inequality for those who have contributed significantly to society, the proposal is to raise the minimum commutable amount from N$50,000 to N$375,000. Only amounts above N$375,000 can be commuted, with N$125,000 eligible for a single payment, while the remaining N$250,001 will go toward purchasing an annuity.

2 Housing allowance PAYE to address income progressivity

The government is proposing that a ceiling amount of N$400,000 be set on the annual housing benefit amount that is subjected to the one third exemption. Therefore, an employee will not be able to structure more than N$400,000 from their total amount of remuneration as housing benefit for PAYE purposes.

Enhancing the Tax Administration

3 Dividends derived from certain shares and equity instruments deemed to be income in relation to recipients thereof

Dividend income from preference shares to be classified as taxable as a means to distinguish between equity and debt instruments to combat tax avoidance and increase tax revenues.

4 Deletion of the "dividend" definition in section 16 and insertion in the same section a provision to exempt grants received by SOEs

Central government grants to state-owned enterprises (SOEs) should not be taxed, as they come from tax revenue, which would otherwise lead to an illogical tax outcome. However, grants from other entities are taxable if they are not classified as capital.

Broadening the Tax base

5

Determination of taxable income derived from long-term insurance business

Over time the corporate structure of life insurers has evolved from mutual companies owned by policyholders to being owned by shareholders as in a normal business structure. The effective tax rate of life insurance companies remained below 15 percent in Namibia, while in comparable markets they pay applicable corporate tax rates. The proposal will integrate financial accounting rules with tax principles.

6

Local dividend income

Domestic Dividend Tax is a tax that will be levied on the distribution of dividends to natural persons or the estate of a deceased person. A person who is a holder of a bearer script will also be liable to pay dividend tax upon the distribution of such dividend. The Domestic Dividend Tax will be a final tax that will be charged at a rate of 10%.

7

New corporate tax rate for MSMEs

In line with SDG 8 and 9, it is proposed to introduce a non-mining Micro, Small and Medium Enterprises (MSMEs) corporate tax rate of 20% which is the same rate charged in the large special economic zone.

Improving tax regime for extractive industries and emerging sectors

8

Deductibility of environmental rehabilitation costs

Under the "polluter pays" principle, extractive industries are required to restore the environment or bear the related costs. The proposal is to incentivise saving for rehabilitation costs by mining activities, costs incurred and cash paid to rehabilitation funds during positive cash generative years.

Enhancing tax competitiveness

9

Corporate (non-mining) tax rate reduction

Lowering the non-mining corporate tax to 28% to enhance competitiveness within SACU and other nearby SADC nations. Funding for this rate reduction comes from economic growth and dividends tax. Over time, the rise in investment and greater business earnings from the lower rate is expected to counterbalance a part of the loss.

10

New corporate tax rate for SEZ (former EPZ enterprises)

Introduction of a 20% corporate tax rate for Special Economic Zones (SEZ), well above the global minimum effective rate of 15%, that with deductions the effective tax rate will be above the minimum.

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