



Taxation of international executives: Namibia



January 2024

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01

Overview and Introduction

1 Overview and Introduction

The Namibian tax system is source based. In terms of the source basis of taxation, any amount of cash or otherwise which is received by, or which accrues to any person from a source within or deemed to be within Namibia is subject to tax in Namibia, unless the receipt is of a capital nature.

Non-residents are taxed on their Namibian-sourced income only, by virtue of the true source of their income. The source of employment income is determined as the place where the services are rendered, irrespective of the residency of the person making the payment or the place from where the payment is made.

A sliding scale is used to determine the tax rates applicable to individuals. The minimum rate is nil percent and the maximum rate applied is 37 percent.

Any change in the tax rates is announced in the yearly budget speech once the draft bill is promulgated for comments and approved by Parliament. The Namibian tax year commences on 1 March to the last day of February that subsequent year. The Namibian tax authority is known as the Namibia Revenue Agency ("NamRA").

The official currency of Namibia is the Namibia Dollar (NAD).

02

Income tax

2 Income Tax

2.1 Source Provisions

Although the Namibian tax legislation is source based, the Income Tax Act does not define the term 'source'. The meaning of the source is determined with reference to case law, which establishes the meaning to be 'originating cause'.

Therefore, where a person (i.e., an ordinary resident of Namibia or a Non-resident of Namibia) receives income where the 'originating cause' is services rendered within Namibia, the income will be subject to Namibian tax. Where the person is a Non-resident, the person may receive relief from being taxed in Namibia if a Double Taxation Agreement ("DTA") is available which provides for exemption or a credit for tax.

Ordinarily Resident

The concept of 'ordinarily resident' is not defined in the Income Tax Act but is widely held (from case law) to be the country/jurisdiction which an individual considers to be their real home, i.e., the place where their permanent place of abode is, where their belongings are stored, which they leave for temporary absences and to which they regularly return after such absences. If the taxpayer is habitually and normally resident in Namibia, apart from temporary or occasional absences of long or short duration or if they decide to settle permanently in Namibia, Namibia is recognized as being their real home and the individual will become a resident by virtue of ordinary residence.

Where an ordinary resident of Namibia renders services outside Namibia during any temporary absence, for or on behalf of any employer by whom the ordinary resident is employed in Namibia, the income received by the ordinary resident is subject to tax in Namibia, subject to relief if a DTA is available.

2.2 Types of Taxable Compensation

Generally, most types of remuneration and benefits received by any person from a Namibian or deemed Namibian source for services rendered constitute taxable income regardless of whether the person making the payment is a resident of Namibia or not or where so ever payment is or is to be made subject to certain exceptions.

Typical items of an expatriate compensation package set out below are fully taxable:

- Basic salaries, wages, leave pay, and bonuses
- Fees, commissions, etc.
- Contractual gratuities
- Cash allowances (which include travelling, entertainment, or any other allowances)
- Non-cash benefits as discussed below.

Non-cash items which are fully taxable unless otherwise indicated:

Reimbursements of Foreign and/or Home Country/Jurisdiction Taxes

In most cases where the Namibian taxes are by reason of tax equalization the employer's responsibility, the compensation should be grossed up for the tax liability. This gross-up must account for the full tax-on-tax effect of the employer paying the taxes.

Home Leave Flights

- All home leave flights in respect to the assignee's family, which is paid by the employer or where the employer reimburses the assignee in respect to assignee's family flight cost, are taxable in the assignee's hands.
- Any relocation flight and/or flights provided for travel in conjunction with business travel paid by the employer on behalf of the assignee is not subject to tax. Where the flight cost paid by the employer relates to private purposes, the benefit is subject to tax.

Cost-of-Living Allowances

Cost-of-living allowances are fully taxable in Namibia.

Accommodation

- The accommodation provided to an employee by the employer is fully taxable in Namibia. The value of the taxable benefit will depend on whether the employer owns the residential accommodation or whether the employer is renting the residential accommodation.
- If the employer owns the residential accommodation the taxable benefit is determined with reference to the table issued by the NamRA set out in Appendix A, less any consideration paid by the assignee to the employer. Therefore, where the residential accommodation supplied by the employer has 4 living rooms and is located in Swakopmund the monthly taxable benefit will be NAD1,000 less any consideration paid by the assignee.
- If the employer is renting the residential accommodation the taxable value is the amount of rent paid by the employer less any consideration paid by the assignee for the residential accommodation.
- The taxable benefit can be reduced where the employer has a housing scheme registered with the Namibian Ministry of Finance. In this case, a third of the cash equivalent of the housing benefit will be exempt for tax, that is, where the taxable benefit for housing is NAD15,000, only two thirds (NAD10,000) will be included as a taxable benefit and subject to tax.

Right of private use of a company car or rental car

- The monthly taxable value of a company vehicle is 1.5 percent (18 percent per annum) of the purchase price of the vehicle, where all running, maintenance and fuel costs are carried by the employer.
- The monthly taxable value of a company vehicle is 1.4 percent (16.8 percent per annum) of the purchase price of the vehicle, where the fuel cost is carried by the employee.
- The monthly taxable value is NAD100, where the use of the vehicle is restricted to trips only between the employee's private residence and the place of employment.
- The taxable value of a rental car available to the assignee for both private and business use where the employer is responsible for the rental payments is equivalent to the rental payments made by the employer.

Benefits-in-Kind

- Benefits-in-kind generally form part of taxable compensation.
- Employer contributions to an approved Namibian medical aid, pension, provident, retirement annuity fund and policy of insurance for educational purposes are not taxable in the hands of the employee. Employee contributions to Namibian registered pension, provident, retirement annuity funds and policy of insurance for educational purposes are deductible to a maximum amount of NAD150,000 per annum, with effect from 1 March 2022.

Intra-group statutory directors

- 1 Will a Non-resident of Namibia who, as part of their employment within a group company, is also appointed as a statutory director (i.e., member of the Board of Directors in a group**

company situated in Namibia) trigger a personal tax liability in Namibia, even though no separate director's fee/remuneration is paid for their duties as a board member?

A personal tax liability will be triggered because fees/ remuneration is paid for services rendered in relation to a company situated in Namibia, irrespective of where the director is tax resident or from where they render the services. This would constitute Namibian-source income which is subject to tax in Namibia.

2 Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Namibia?

Directors' fees/remuneration derived by Non-resident directors in relation to a company situated in Namibia are taxable in Namibia, irrespective of the physical presence of the individual in Namibia.

3 Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Namibia (i.e., as a general management fee where the duties rendered as a board member is included)?

A specific analysis is required to determine whether withholding tax on services is applicable on the management fees. Any other compensation received for duties performed by the director would be taxable in terms of the general source rules in Namibia, in relation to services regarded as being derived from a Namibian source.

4 In the case that a tax liability is triggered, how will the taxable income be determined?

Namibia has a source basis therefore only the portion that relates to a Namibian source or deemed Namibian source will be subject to tax in Namibia.

2.3 Tax-Exempt Income

The following items are not taxed in the hands of the employee:

- Reimbursement of costs to relocate an employee to Namibia at the beginning and end of an assignment.
- Compensation payable to any person (other than an ordinary resident of Namibia) who holds office in Namibia as an official of another government, or any specialized agency of the United Nations.
- Any allowance or alimony received from the taxpayer's spouse or former spouse if there is a divorce order or judicial order or written agreement of separation.
- Any dividend payment received by an ordinary resident of Namibia. There is, however, a 20 percent or 10 percent withholding tax charge where the shareholder is a person not ordinarily resident in Namibia, subject to DTA relief if available.
- Any lump-sum received as a result of relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment, excluding lump-sum payments from any pension, retirement annuity or benefit fund. For the exemption to apply the relinquishment, termination, loss, repudiation, cancellation or variation must have been as a result of an employee having become redundant as a result of the employer having effected a reduction in personnel or the employer ceased or intends to cease carrying on trade in respect of which the taxpayer was employed or the employee has attained the age of 55 years; or relinquishment, termination, loss, repudiation, cancellation or variation is due to superannuation, ill-health or other infirmity. The amount exempted is however limited to NAD300,000.

Salary Earned from Working Abroad

To the extent that a non-resident individual renders services outside of Namibia, the remuneration attributable to the time worked offshore would not be taxable in Namibia, as it would not be sourced in Namibia. This apportionment will usually be done based on days spent working inside and outside Namibia. It is however our recommendation that the requirement for the individual to render services

offshore be detailed in a contract of employment (such as a split contract arrangement which could be entered into).

2.4 Expatriate Concessions

There are no special tax concessions for expatriates.

2.5 Taxation of Investment Income

Non-residents are taxable on Namibian-sourced investment income.

Interest income

- A withholding tax at a rate of 10 percent is deducted by a Namibian registered financial institution, that is registered banks and unit trust schemes, which is a final tax, therefore there is no filing obligation for the person to whom the interest accrues.
- Interest received by an individual from the following sources is exempt from tax:
 - Interest received from a Namibian Post Office Savings Bank
 - Any interest credited as interest in respect of any subscription share in any building society in Namibia.
 - Interest income from stock or securities (including Treasury Bills) issued by the Government of Namibia.

Dividends

- Dividends received by ordinary residents are exempt from tax.
- A person not ordinarily resident in Namibia is taxed on dividends from a Namibian source. A non-resident shareholders' tax is withheld from the dividends payable to a non-resident. The non-resident shareholders' tax is payable at a rate of 10% if at least 25% of shares are held in the Namibian company and the shareholder is a company. The 20% rate is applicable in all other cases.
- Where the beneficiary of the dividend is a resident of a country/jurisdiction with whom Namibia has a DTA, tax relief may be available.
- Dividends on special tax-free indefinite period shares in building societies in Namibia are however not taxable for both non-residents and ordinary residents, subject to certain limitations.

2.6 Taxation of lump-sum payments

Lump-sum payments from retirement/pension/preservation/provident funds are fully taxable unless otherwise indicated. The amount of the lump-sum payment is generally governed by the rules of the fund:

Retirement annuity fund

- Lump-sum payments from retirement annuity funds are exempt from tax.

Pension fund

- Lump-sum payments from pension funds are exempt from tax if the payment was as a result of:
 - Death
 - Superannuation, ill-health or other infirmity
 - Retirement

Preservation and provident funds

- Lump-sums from a provident and preservation funds paid out as a result of resignation or dismissal, termination or dissolution of the fund are fully taxable. One third of the lump-sum paid out by a provident and preservation fund is exempt, subject to certain conditions being met.

Payment of the entire lump-sum from a pension, provident and preservation fund into another approved pension, provident, retirement annuity and preservation fund, transferred for the benefit of the taxpayer during or within 3 months after the year of assessment, is not taxable.

2.7 General deductions

The items, which are allowable as a deduction in the calculation of income tax payable by an individual, depend on the nature of the income and the trade.

Expenses of a revenue nature which are wholly, exclusively, and necessarily incurred in the production of gross income, and which are not specifically disallowed, are deducted in the computation of taxable income.

No deduction can be made in determining the taxable income, where the expenditure items include among others:

- Maintenance costs of the taxpayer, their family or establishment
- Domestic or private expenses
- Any loss or expense recoverable under any insurance contract, guarantee, security or indemnity
- Taxation levied on income
- Expenditures not laid out or expended for the purposes of trade.

Individuals are entitled to the following deductions.

- Contributions to Namibian registered provident, pension and retirement annuity funds as well as premiums paid to a policy of insurance for the education of a dependent, limited to an aggregated maximum amount of NAD150 000 per annum.

2.8 Tax rates

Taxable Income (NAD)	Base Rate (NAD)	Percentage %
0 - 50,000	0	0% (Exempt)
50,001 - 100,000	0	18 % of the amount exceeding NAD50,000
100,001 - 300,000	9,000+	25% of the amount exceeding NAD100,000
300,001 - 500,000	59,000+	28% of the amount exceeding NAD300,000
500,001 - 800,000	115,000+	30% of the amount exceeding NAD500,000

800,000 - 1,500,000	205,000+	32% of the amount exceeding NAD800,000
Exceeds 1, 500,000	429,000+	37% of the amount exceeding NAD1,500,000

There has been an introduction of tax relief for individuals in the N\$50,000 to N\$100,000 tax bracket, effectively reducing their tax rate to zero effective in FY2024/25. This has, however, not been enacted yet and we are awaiting the new tax table.

2.9 Return of income and compliance

- The deadline for submission of individual returns of income, other than provisional taxpayers, is 30 June every year.
- The submission date for a provisional taxpayer is the last day of September every year.
- NamRA will assess the return of income and notify the taxpayer of any taxes outstanding or refunds due.
- Late payment of any final tax amounts outstanding will attract penalties of 10 percent per month or part of a month and interest charges of 20 percent per annum.

2.10 Relief from foreign tax liability

Subject to certain conditions, relief from Namibian tax will apply where the assignee is a resident of Namibia and on an assignment to a treaty country/jurisdiction, where:

- the individual is tax resident in a treaty country/jurisdiction and not present in Namibia for more than 183 days in the period defined,
- the employer responsible for the remuneration is not a resident of Namibia, and the remuneration is not borne by a permanent establishment or fixed base of the foreign employer.

Namibia has double tax agreement with the following countries/jurisdictions:

- Botswana
- France
- Germany
- India
- Mauritius
- Romania
- Russian Federation
- South Africa
- Sweden
- United Kingdom
- Malaysia.

2.11 General Tax Credits

There are no general tax credits that can be claimed against a taxpayer's taxable income.

2.12 Sample Tax Calculation

This calculation assumes a married taxpayer resident in Namibia with two children whose 3-year assignment begins on 1 March 2020 and ends 28 February 2023. The taxpayer's basic salary is 100,000 US dollars (USD) per annum and the calculation covers 3 years.

Year ended	2021 USD	2022 USD	2023 USD
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	9,000	9,000	9,000
Relocation expense reimbursement	20,000	NA	NA
Home leave flight cost (only for the assignee and for business purpose)	5,000	NA	10,000
Pension premiums paid to a Namibian registered pension fund	3,000	3,000	3,000
Interest income from a Namibian registered bank	6,000	6,000	6,000

Exchange Rate: USD1 = NAD15 (for illustration only)

Other Assumptions

- All earned income is attributable to Namibian sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.
- The company car, with a cost of USD50,000 is used for both business and private and the employer is responsible for maintenance and petrol costs, i.e., the taxable benefit will be 18 percent of the cost of the car per annum.
- The employee is non-resident throughout the assignment.
- Tax treaty agreements are ignored for the purpose of this calculation.
- The employer has a housing scheme registered with the NamRA.

Calculation of Taxable Income

Year ended	2021	2022	2023
Days in Namibia during tax year	365	365	365
	NAD	NAD	NAD
Salary	1,500,000	1,500,000	1,500,000

Year ended	2021	2022	2023
Bonus	300,000	300,000	300,000
Cost-of-living allowance	150,000	150,000	150,000
Housing allowance (only 2/3 of NAD180,000 is taxable)	120,000	120,000	120,000
Company car (18 percent x USD50,000 x 15)	135,000	135,000	135,000
Relocation expense reimbursement (not taxable)	NA	NA	NA
Home leave	NA	NA	NA
Total gross income	2,205,000	2,205,000	2,205,000
Less: Pension fund contributions (limited to NAD40,000 and 150,000 from 1 March 2022)	(40,000)	(40,000)	(45,000)
Taxable income	2,165,000	2,165,000	2,160,000
Calculation of Namibian tax liability	675,050	675,050	673,200
On an amount of NAD1,500,000	429,000	429,000	429,000
37 percent on balance exceeding NAD 1,500,000	246,050	246,050	244,200

FOOTNOTES

¹“Employer” is defined by the Income Tax Act as “...any person...who pays or is liable to pay to any person other than a company any amount by way of remuneration...”

²Sample calculation generated by KPMG Advisory Services (Namibia) (Pty) Limited, the Namibian member firm of KPMG International, based on the Income Tax Act, No 24 of 1981.

03

**Special considerations
for short term
assignments**

3 Special considerations for short-term assignments

3.1 Residency Rules

Are there special residency considerations for short-term assignments?

Namibia does not have the concept of residency in its legislation, but any income earned by a person who is not ordinarily resident in Namibia which is considered to be from Namibian source or deemed Namibian source will be liable for tax in Namibia, subject to DTA relief where applicable

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

There are no special payroll considerations.

3.3 Taxable income

What income will be taxed during short-term assignments?

Where a person earns income from a Namibian or deemed Namibian source and that income exceeds 50,000 Namibia dollars (NAD) per year, that person would need to register for tax in Namibia. Furthermore, there has also been an introduction of tax relief for individuals in the N\$50,000 to N\$100,000 tax bracket, effectively reducing their tax rate to zero effective in FY2024/25. This has, however, not been enacted yet and we are awaiting the new tax table.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short-term assignment in Namibia?

N/A.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social Security Levies

There are social security taxes paid to the Commissioner of Social Security. The contribution rate for social security is 0.9 percent by the employer and 0.9 percent by the employee up to a maximum of NAD81 per month per employee.

4.2 Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

As mentioned above, Namibia has a source-based income tax system whereby only income earned from a source within, or a source deemed to be within Namibia will be subject to income tax.

Considering the above, only assets that have a bearing on the income earned from a Namibian source or deemed source should be declared to the NamRA.

4.3 Appendix A

No of rooms*	1	2	3	4	5	6	7	8	8+
Location	Monthly taxable benefit (NAD)								
Windhoek	500	750	1,000	1,400	1,800	2,200	2,800	3,400	4,000
Swakopmund/Walvisbay	350	550	750	1,000	1,300	1,700	2,100	2,550	3,000
Other municipal areas**	250	375	500	700	900	1,100	1,400	1,700	2,000
Other towns	125	175	250	350	450	500	700	850	1,000

* By room is meant living rooms, such as bedroom, lounge, dining-room, study, etc. and does not include kitchen, scullery, pantry, bathroom, toilet, corridor, lobby, laundry, shower cubicle or bar. Any outbuilding which includes a flat must be divided into rooms.

** Other municipal areas include: Gobabis, Grootfontein, Keetmanshoop, Luderitz, Mariental, Okahandja, Ondangwa, Oshakati, Otjiwarongo, Rehoboth and Tsumeb.

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This document is based on the interpretation of the current income tax law and international tax principles by KPMG in Namibia. These principles are subject to change occasioned by future legislative amendments and court decisions. You are therefore cautioned to keep abreast of such developments and are most welcome to consult KPMG in Namibia for this purpose.

05

Immigration

5 Immigration

5.1 Work permit/visa requirements

(Please note all documentation must be in English and certified)

Short term Employment Permit (1 – 6 Months)

Applicant

- 1 Completion of visa application form (N.3-1/0033)
- 2 Accompanying, dependent must complete separate visa application
- 3 Certified copies of passports (if in Namibia attach current status)
- 4 Copy of Curriculum Vitae
- 5 Certified copies of qualification and must be translated into English
- 6 Motivation letter from employer
- 7 Proof of tender/contract awarded
- 8 Proof of advertisement of the post in 3 three local news papers
- 9 Original police clearance from country of origin and must be translated in English
- 10 Radiological reports
- 11 Medical certificates
- 12 Filming application must attach filming permit from Namibia filming commission
- 13 Media application must attach accreditation letter from the Ministry of Information and Communication Technology.
- 14 Tour operator application must attach Namibia tourism board certificate from Ministry of Environment and Tourism

Full Employment Permit (12 -24 Months) (applicant only)

Applicant

- 1 Completion of application form (form number 3-1/0001)
- 2 Visa form number 3-1/0033 (Applicant's spouse and dependent child or children must complete separate application forms)
- 3 Attached copy of marriage/divorce certificate if married. (Only if Spouse will be accompanying Applicant)
- 4 Copy of certified passport (only those pages reflecting the particulars of the applicant, two passport size photos and current status ID in Namibia or exit stamps in the passport) (Applicants and Spouse/Children) (Certified copies of birth certificates for Children accompanying)
- 5 Copy of Curriculum Vitae (Applicant only)
- 6 Certified copies of Educational certificates (Applicant only)
- 7 Copy of Certificate of Service (if any)
- 8 Radiological report (Applicant and each member over 12 years)
- 9 Medical Certificate (Applicant and Spouse/Children)

- 10 Police Clearance Certificate from country of origin or last country of residence for both applicant and spouse (Original) (For any person over the age of 18 years accompanying the applicant)
- 11 Proof of registration with the Namibian Professional Board/ Council or Association, if the profession requires that.

Employer

- 1 Completion of representation by the employer (form 3-000)
- 2 Company profile
- 3 Dead of surety form must be signed by the bank of the employer (See instructions for completion at the bottom of document)
- 4 Proof of advertisement of the post in local newspapers (Post must be widely advertised, and copies of newspaper advertisements must be provided)
- 5 Company Tax certificate of Good Standing from Social Security Commission.
- 6 Company Good Standing certificate with Inland Revenue and Company registration.
- 7 Copies of CVs of unsuccessful Namibian Candidates
- 8 Proof of non-availability of such positions through NIEIS.
- 9 Detailed motivational letter from Employer
- 10 Proof of Employment Equity Compliance certificate from Ministry of Labour, Industrial Relations and Employment Creation.

FOOTNOTES:

¹ Ministry of Home Affairs website

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