On 25 February 2016, the budget speech was delivered by the Honorable Minister of Finance, Mr. Calle Schlettwein. The tax proposals made are summarized below. The Tax Bills containing the proposed amendments to be tabled in the National Assembly may contain changes and include items not referred to in the Minister’s speech.

Tax proposals

**Export levy**
The export levy on the export of unprocessed minerals and other natural resources to promote local value addition is likely to be in the form of the levy previously proposed on minerals, fish, game, crude oil and gas. The rate is expected not to exceed 2% of the value of the goods exported. This Bill is expected to be tabled in the National Assembly in the near term.

**Environmental tax**
The implementation of the first phase of the environmental taxes will include a carbon dioxide emission tax on motor vehicles, as well as taxes on incandescent light bulbs and motor vehicle tires. This Bill is expected to be tabled in the National Assembly in the near term.
**Fuel levy**
The fuel levy administered in terms Schedule 1, Part 5 of the *Customs and Excise Act* will be increased for the first time since 1998. No further details are available in respect of the increase or the effective date.

**Presumptive tax**
The Ministry of Finance will continue to investigate the feasibility of a presumptive tax on the informal sector.

**Double taxation agreement policy**
According to the Minister’s speech, the Ministry of Finance is in the process of developing a policy with respect to double taxation agreements with the aim inter alia of leveraging on international tax cooperation and exchanges of information on illicit trade flows and transfer pricing by multinational enterprises.

**Solidarity tax**
Consultations with regard to the proposed solidarity tax are ongoing. The solidarity tax is aimed at being a progressive, redistributive tax with a relatively high threshold taking into account income levels and the ability to pay. The tax collected will accrue to a designated fund subject to separate audit and Parliamentary approval. A task team has been established that will formulate a White Paper on the tax proposal and its functionality. This White Paper will form the basis of further consultation and ultimately the formulation of the tax proposal.

**Recovery of tax debts**
Further provisions to strengthen the recovery of tax are under consideration.

**Integrated tax system and semi-autonomous Revenue Agency**
The new integrated tax system will be deployed and the transitional modalities for the establishment of a semi-autonomous Revenue Agency will be implemented.

**Tax synopsis**

**Corporate tax rates**
The corporate tax rate for non-manufacturing and non-mining companies is 32% effective for years of assessment commencing on or after 1 January 2015.

The rate of tax payable by manufacturing companies remains unchanged at 18% for the first 10 years of assessment as a registered manufacturer. The normal tax rate of 32% will apply after the 10 year period.

The rate of tax payable by hard rock mining companies and companies rendering services in connection with mining on behalf of a person licensed to conduct hard rock mining operations remains unchanged at 37.5%.

The rate of tax payable by diamond mining companies and companies rendering services in connection with mining on behalf of a person licensed to conduct diamond mining operations remains unchanged at 55%.

The basic rate of tax payable by oil and gas extraction companies remains unchanged at 35%. These companies are also subject to additional profits tax that is calculated in terms of a complex formula contained in the *Petroleum Taxation Act*.

**“Namibia” for income tax purposes**
With effect from 30 December 2015, “Namibia” is defined as inter alia including the territory up to the 200 nautical mile limit, the exclusive economic zone and continental shelf. Prior to this amendment the Namibian territory extended to the 12 nautical mile limit from the low water mark. As such, Namibia’s taxing rights extend to the 200 nautical mile limit and income earned by any person in this area is now subject to Namibian income tax.

**Tax rates for individuals and trusts**
The maximum marginal rate for the year of assessment ending 28 February 2017 remains unchanged at 37% and applies to taxable income in excess of N$1.5 million. The minimum tax threshold remains unchanged at N$50,000.

**Proceeds on sale of oil and gas exploration and production licenses**
The proceeds on the sale of petroleum licenses and rights to explore for, develop or produce petroleum as well as the shares in companies that directly or indirectly own such licenses or rights are taxable with effect from 30 December 2015. Provision is made for deducting the cost of the license as well as costs incurred in improving the value of the license or right. No loss may however be created.
Proceeds on sale of mineral exploration and production licenses

The proceeds on the sale of mineral licenses and rights to explore, develop or produce petroleum as well as the shares in companies that own such licenses or rights have been taxable with effect from years of assessment commencing on or after 1 January 2012.

The ambit of the specific inclusion in gross income was widened to include different ways to alienate shares as well as to specifically include indirect transfers of shares. Provision was made for the deduction of the cost of the license. No loss may however be created. These amendments became effective on 30 December 2015.

Withholding tax on services (WHTS)

The rate of WHTS imposed on service payments for managerial, technical and consultative services reduced to 10% (previously 25%) with effect from 30 December 2015. The definition of a resident for WHTS was amended and specifically includes any person doing business in Namibia and a branch of a foreign company. The tax rate may be reduced further in terms of a double taxation agreement (DTA).

Withholding tax on foreign interest (WHTFI)

WHTFI is payable at a rate of 10% on interest payments by a Namibian resident to a nonresident with effect from 30 December 2015. Any interest paid to a nonresident after 29 December 2015 is subject to the WHTFI at a rate of 10%. Interest paid by Namibian banks to foreign banks as well as interest paid by the Namibian Government is exempt from WHTFI. The tax rate may be reduced in terms of a DTA.

Withholding tax on royalties (WHTR)

WHTR is imposed at a rate of 10%, with effect from 30 December 2015, on payments for the use or right of use of any patent, design, trademark, copyright, model, pattern, plan, formula or process or any other property of a similar nature (previously 9.6%). It also includes payments made for the imparting of any scientific, technical, industrial or commercial knowledge or information for use in Namibia or the undertaking to render any assistance or service in connection with the application or utilization of the knowledge or information.

With effect from 30 December 2015 WHTR is also imposed on payments to nonresidents for the use of industrial, commercial or scientific equipment. Rentals of movable goods likewise attract WHTR from this date. The tax rate may be reduced in terms of a DTA.

Nonresident shareholder’s tax (NRST)

NRST is imposed on dividends declared to nonresidents and to Namibian companies where more than 50% of the shares are owned by nonresidents. The rate is 10% where more than 25% of the shares are held by a nonresident company and 20% in all other cases. No NRST is imposed on the remittance of branch profits. Dividends declared by the foreign head office attract NRST to the extent that these dividends include Namibian sourced profits. The tax rate may be reduced in terms of a DTA.

Value-added tax (VAT)

The VAT registration threshold was increased from N$200,000 to N$500,000 with effect from 1 January 2016. Criteria were introduced for voluntary VAT registration and VAT import accounts. Mandatory security requirements will be introduced for the deferral of import VAT on goods.
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