Namibia Country Profile

Africa Tax Centre: 2020 Fiscal Guide

May 2021

2020 Key tax factors for efficient cross-border business and investment involving Namibia

Business Income

Income tax is levied under the Income Tax Act No 24 of 1981, as amended on both individuals and companies, except for 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

* Applicable for existing registered manufacturers until phased out.

** 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 is subject to income tax under the special inclusions to the gross income definition.

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.

Individual & Trust income tax (excluding Unit Trusts registered as a management company)

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
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

Rates (cont.)

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***
Dividends (Non-residents shareholders tax - NRST)	10%/20%****
Royalties	10%*****
Interest	10%
Management and consultancy fees	10%

* As for residents.
** Applicable for existing registered manufacturers until phased out.
*** 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 is subject to income tax.
****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.
***** The withholding tax on royalties is taxed at 10% and is a final tax. Included are payments made to a person not ordinarily resident in Namibia relating to the right of use of commercial, industrial or scientific equipment.

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 with limitations on the creation of losses as well.

Transfer pricing rules

General transfer pricing 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.

Documentation requirement

A taxpayer is required to be in possession of transfer pricing documentation, which is readily available, to substantiate the arm's length price applied as a consideration, should the Minister query this.

The following general guidelines are provided in relation to transfer pricing documentation:

- Documents should show that consideration was borne to determine the most suitable method based upon information gathered and analyses performed.
- Details of the methodology is provided along with abridged documentation identifying the relevant transfer pricing.

Thin capitalization rules

Namibia also has thin capitalization 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 generally applied in practice.

It should be noted that the 3:1 debt to equity ratio is not prescribed in the Income Tax Act and is per the Bank of Namibia guidelines.

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 utilizing the company's assessed loss by (generally) diverting income to that company.

Assessed Tax Losses

A taxpayer can carry forward any assessed tax losses brought forward from the previous year, provided that the entity is carrying on trading activities. Losses may be carried forward even if the entity is not generating any income from the trade. No carry back of the assessed tax losses is allowed.

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 compulsory VAT registration threshold is N$500 000 and N$200 000 for voluntary registrations.

Stamp and transfer duty

Stamp 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 suretyship, 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.
Persons other than natural persons pay transfer duty at a flat rate of 12% on the value of the property acquired.
Transfer Duty
Transfer duty is levied on the value of land and buildings or mining rights acquired under the Transfer Duty Act 1993. 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

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 Investment Promotion Act of 2016 by the Namibia Investment Centre, a division of the Ministry of Industrialization, Trade and SME Development. The Investment Promotion Act serves to promote economic growth and sustainable development through the evaluation of investment proposals and the issuance of recommendations to the Ministry regarding the approval of proposals. The Minister may, by regulations, reserve certain economic or business sectors for the State, Namibians and entities with a Namibian majority-ownership, for joint ventures between Namibian and foreign investors or investments that qualify in terms of section 4 of the Act.

Investment Rules

Further provision has been made for economic empowerment through the National Equitable Economic Empowerment Framework ('NEEEF') bill. This economic framework, once enacted, will empower the 'previously disadvantaged' – persons with disabilities, women and those deemed to be racially-disadvantaged.

Policies implemented by the private and public sector, that are aimed at empowerment and transformation, will be expected to conform to NEEEF. It is the intention of government to implement policies that align to the principles upheld by NEEEF.

The NEEEF bill is still pending Cabinet approval.

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; 10% for management and consultancy fees and 25% for director's and entertainment fees.

Country	Dividends (%)	Interest (%)	Royalties (%)	Service fees (%)
Botswana	10	10	10	0/10[6]
France	5/15[1]	10	10	0[6]
Germany	10/15[1]	0	10	0[6]
India	10	10	10	0/10[6]
Malaysia	5/10[2]	10	5	0/5[6]
Mauritius	5/10[2]	10	5	0[6]
Romania	15	10	5	0[6]
Russia	5/10[3]	10	5	0[6]
South Africa	5/15[2]	10	10	0[6]
Sweden	5/15[1]	10	5/10[5]/[7]	0/10[7]
United Kingdom	5/15[4]	10	5	0[6]

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.
7) Local rates lower than the 15% rate per the treaty.

Manufacturing Allowances and Export Processing Zones

Repeal of certain existing preferential treatment granted in respect of registered manufacturers

A bill was passed in 2020 which phased out the preferential treatment granted to certain manufacturers and Export Processing Zone ("EPZ") licence holders. The legislation for the repeal was originally published on 22 June 2020, with the effective dates set via government notice 328 published on 31 December 2020.

Existing companies carrying a registered manufacturer status may:

- Apply a reduced 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 an additional 25% of remuneration and training costs in respect of employees directly involved in a manufacturing process (Section 17A);
- Deduct an additional 25% of certain export marketing costs (Section 17B).
- Deduct an allowance equal to 80% of taxable income derived from exports of goods (excluding fish and meat products) (Section 17C); and
- Deduct an additional 25% of certain land-based transportation costs for a 10-year period from the effective year of registration as a registered manufacturer (Section 17D)

Manufacturing Allowances and Export Processing Zones (cont.)

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

Per consultations made with Ministry of Finance, additional amendments/ clarifications are intended to be issued to the effect that Sections 17A, 17B and 17D of the Income Tax Act will continue to be available to existing registered manufacturers until 31 December 2025, the same time period applicable to section 17C of the Income Tax Act. The special incentives will be replaced by the Special Economic Zones, whose implementation is yet to be gazetted.

Repeal of certain provisions of the EPZ Act

In addition, the enactment of the bill repealed the tax exemptions for EPZ companies with effect from 31 December 2025 for companies that were issued with EPZ certificates on or before 31 December 2020. For companies that obtain an EPZ certificate issued after 31 December 2020, they will still be accorded EPZ status, but will not able to enjoy the tax holidays.

Benefits accruing to existing EPZ enterprises are as follows:

- No VAT is be payable;
- No customs and excise duties are payable on imports or goods manufactured in an EPZ;
- No income tax is payable in respect of income derived in an EPZ by an EPZ management company or enterprise;
- No transfer duty is 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 Namibia Investment Promotion Act and the 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.

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 March or April of each year.

Trade and bilateral agreements

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

Economic statistics

Prime Interest Rate (April 2021)	7.5%
US$ Exchange Rate (as at 6 April 2021)	N$ 14.587
Inflation (NCPI as at April 2021)	2.7%
Expected economic growth rate 2021 and 2022	2.6% and 3.2% respectively

Languages	English is the official language.
Official holidays - 2021	○ 1 January (New Year's Day) ○ 21 March (Namibian Independence Day) ○ 22 March (Namibian Independence Day Holiday) ○ 2 April (Good Friday) ○ 5 April (Easter Monday) ○ 1 May (International Workers' Day) ○ 4 May (Cassinga Day) ○ 13 May (Ascension Day) ○ 25 May (Africa Day) ○ 26 August (Namibia Heroes' Day) ○ 10 December (Human Rights Day/ Women's Day) ○ 25 December (Christmas Day) ○ 26 December (Family Day Holiday)
COVID-19 Resources	An overview of tax developments being reported globally by KPMG member firms in response to the Novel Coronavirus (COVID-19) is available here. For further insight into the potential tax, legal and mobility implications of COVID- 19, please refer to the dedicated KPMG page.

Source: Namibian Income Tax Act No 24 of 1981; Companies Act No 28 of 2004; LexisNexis Concise Guide to Tax in Namibia 2016, 9th edition; Bank of Namibia website

Currency

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

Travel information

Visa requirements	Visas are generally required
Flights	There are regular direct flights from Cape-Town, Frankfurt, Qatar, Holland, Johannesburg, Luanda, Lusaka, Accra, Maun and Lagos. NB: The Covid-19 restrictions would need to be observed.
Inoculations	Yellow fever inoculation may be required for certain countries

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