Namibia

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A. At a glance

Corporate Income Tax Rate (%)	33 (a)
Capital Gains Tax Rate (%)	0
Branch Tax Rate (%)	33 (a)
Withholding Tax (%)	
Dividends	10/20 (b)
Interest	10 (c)
Royalties from Patents, Know-how, etc.	9.9 (d)
Services	25 (e)
Branch Remittance Tax	0 (f)
Net Operating Losses (Years)	
Carryback	0
Carryforward	Unlimited

(a) Under an announcement made by the Minister of Finance in her 2013 budget speech, this rate is expected to be reduced to 32%, effective for years of assessment beginning on or after 1 January 2014. At the time of writing, an amendment to confirm the reduction of this rate had not yet been tabled in the National Assembly.

(b) This is a final tax applicable to nonresidents. Dividends paid to nonresidents are subject to a final 10% withholding tax if the recipient of the dividend is a company that holds at least 25% of the capital of the company paying the dividend and if it is the beneficial owner of the shares. For all other cases, the dividend withholding tax rate is 20%. Dividends paid out of oil and gas profits are exempt from withholding tax.

(c) This withholding tax applies to interest paid to all persons, excluding Namibian companies, by Namibian banking institutions and Namibian unit trust schemes.

(d) This withholding tax applies to nonresidents. The rate is determined by applying the regular corporate tax rate of 33% to a deemed taxable profit of 30% of gross royalties. This rate is expected to decrease in accordance with the reduction in the corporate tax rate (see footnote [a]).

(e) The withholding tax on services applies to amounts paid by Namibian residents to nonresidents directly or indirectly for the following:
- Management, administrative, technical or consulting services
- Directors' fees
- Fees paid for entertainment including payments for cabaret, motion picture, radio, television, theatre artists, musicians and sportspersons

(f) In the absence of treaty protection, the 10% dividend withholding tax may be imposed on branch profits when the parent company declares a dividend.

B. Taxes on corporate income and gains

Corporate income tax. Companies subject to tax include companies registered in Namibia and branches of foreign companies in Namibia deriving income from a Namibian source. Other associations (such as close corporations) registered or incorporated outside Namibia that carry on business or have an office in Namibia are taxed as companies. Corporate income tax is levied primarily on income from Namibian sources.

Rates of tax. The rate of tax for companies, other than those companies that have been awarded manufacturing status, is 33%. The tax rate for companies that have been awarded manufacturing status is 18% for their first ten years of registration as a manufacturer and 33% thereafter. The Receiver of Revenue, in consultation with the Ministry of Trade and Industry, reviews and approves applications to register as manufacturers. Approval is granted only if the company is engaged in manufacturing and if its activities economically benefit Namibia or its inhabitants (see Section C for information regarding special deductions available to registered manufacturers).

Mining companies are taxed at a rate of 37.5% for hard-rock mining and 55% for diamond mining. Companies that render hard-rock mining services are taxed at a rate of 37.5%, effective from 1 January 2008. Companies that render diamond mining services are taxed at a rate of 55%. Petroleum exploration and production companies are taxed at a basic rate of 35% plus additional profit tax that is calculated in accordance with a complex formula.

Under the Export Processing Zone Act, an export processing zone has been established in Walvis Bay. Companies operating in the zone are exempt from corporate income tax. Value-added tax, transfer duty and stamp duty are not imposed in the zone.

Capital gains. Capital gains tax is not imposed in Namibia.

Proceeds received as consideration for the alienation or disposal of a mineral license, as defined in the Minerals (Prospecting and Mining) Act, or the sale of shares in a company that own such a license are specifically included in the gross income of a taxpayer, effective for years of assessment beginning on or after 1 January 2012 for companies and for years of assessment beginning on or after 1 March 2012 for taxpayers other than companies.

Administration. Annual financial statements must be prepared as of the last day of February, unless another date is agreed to by the tax authorities. In practice, permission to use the company's financial year-end is always granted. A company's tax year generally coincides with its financial year.

A company is required to make two provisional tax payments, the first payment six months after the start of the financial year and the second at the end of the year. Payments must be based on an estimate of the current year's taxable income and must be accurate to within 80% of the actual tax liability for the year for which the payment is due. A penalty for underestimation of the first or second provisional tax payment is imposed if the respective payments are less than the minimum payment required.

Companies must file an annual return within seven months after the tax year-end unless an extension is obtained. If the total provisional tax payments are less than the tax liability shown on the return, the balance of tax due must be paid within seven months after the end of the tax year, regardless of whether a company has obtained an extension to file its tax return. Interest accrues at a rate of 20% per year on any unpaid tax liability.

Dividends. Dividends received by a company are exempt from the regular company tax, and expenses incurred in the production of dividend income are not deductible in the determination of the company's taxable income. Dividends paid to nonresidents are subject to a final 10% withholding tax if the recipient of the dividend is a company that holds at least 25% of the capital of the company paying the dividend and if it is the beneficial owner of the shares. For all other cases, the dividend withholding tax rate is 20%. Dividends paid out of oil and gas profits or long-term insurance business profits are not subject to dividend withholding tax. A tax treaty may reduce the rate of dividend withholding tax.

Foreign tax relief. In the absence of treaty provisions, a unilateral tax credit is available for foreign direct and withholding taxes paid on dividends and royalties. The credit may not exceed the Namibian tax attributable to such income. The credit is denied to the extent that a refund of the foreign tax is possible.

C. Determination of trading income

General. Taxable income includes both trade and non-trade income (interest) not of a capital nature. Revenue amounts and realized foreign-exchange gains are subject to tax. Taxable income rarely coincides with profit calculated in accordance with accepted accounting practice.

To be eligible for deduction, expenditures must be incurred in the production of taxable income in Namibia, must be for purposes of trade and must not be of a capital nature. However, realized foreign-exchange losses are deductible even if they are of a capital nature.

Scientific research expenditures are deductible if the research is undertaken for the development of business or is contributed to an institution approved by the Council for Scientific and Industrial Research.

Special deductions. The following special deductions are available to registered manufacturers:
- An additional deduction of 25% of the wages paid to their manufacturing staffs
- An additional deduction of 25% of approved training expenses for their manufacturing staffs
- An additional deduction of 25% of export marketing expenses
- An additional deduction of 25% of expenses incurred to transport by road or rail raw materials and equipment used in the manufacturing activity for the first 10 tax years as a manufacturer

Losses resulting from these special deductions may not be used to offset other income.

Taxable income derived from exports of manufactured goods, excluding fish and meat products, is reduced by 80% if the goods are manufactured in Namibia. This allowance is available to trading houses and manufacturers. For manufacturers, this allowance applies in addition to the special deductions listed above. For the first 10 years of operation, the tax rate for registered manufacturers that export all goods manufactured is 3.6%. After the 10-year period, the rate increases to 6.8%.

Inventories. Trading stock includes all goods, materials or property acquired for manufacture or sale, including packaging but excluding consumables and machinery parts. The value of stock is based on original cost plus the costs of preparing stock for sale. The last-in, first-out (LIFO) method of stock valuation may be applied on approval by the Minister of Finance, subject to various conditions.

Provisions. Deductible expenses must be actually incurred, and consequently, provisions are not deductible. However, an allowance for doubtful accounts may be established equal to 25% of the debts that the Minister of Finance is satisfied are doubtful. The amount of irrecoverable debts written off is allowed as a deduction if the debts were once included as taxable income or if the write-off can be construed as an operating loss incurred in the production of income (for example, the write-off of casual loans to staff members who are unable to repay).

Tax depreciation (capital allowances)

Machinery, equipment and vehicles. The cost of machinery, motor vehicles, utensils, articles, ships and aircraft may be deducted in three equal annual amounts, beginning in the year of acquisition. No amount may be deducted in the year of disposal of the asset.

Buildings. An initial allowance of 20% of construction cost is permitted for commercial buildings in the year the buildings are first used. An allowance of 4% is permitted in each of the following 20 years. For industrial buildings of a registered manufacturer, an initial allowance of 20% and an annual allowance of 8% are allowed. No allowance is granted for employee housing.

Patents, designs, trademarks and copyrights. If used in the production of income, the cost of developing, purchasing or registering patents, designs, trademarks, copyrights and similar property is allowed in full if such cost is not more than NAD200, or the cost can be amortized over the estimated useful life if more than NAD200. The period of write-off may not exceed 25 years.

Mining including oil and gas. Prospecting and development expenses incurred in mining operations are not subject to the tax depreciation rules described above. In general, prospecting expenses may be deducted in the year production begins. Costs incurred on infrastructure may be deducted over three years, beginning in the year production begins.

Recapture. Capital allowances are generally subject to recapture to the extent the sales proceeds exceed the tax value after depreciation. In addition, capital allowances are recaptured if assets are withdrawn from a business or removed from Namibia, regardless of whether the assets are sold. The market value of the assets is used to determine the amount recaptured if no proceeds are received.

Relief for trading losses. Companies may carry forward unused losses indefinitely to offset taxable income in future years if they carry out a trade. Losses may not be carried back. Companies that carry on mining operations may offset current-year and prior-year trading losses from mining against other trade income and vice versa. However, such losses must be apportioned on a pro rata basis between mining and other trade income to determine taxable income from each source in the current year. Oil and gas companies may not offset losses from oil and gas activities against other trade income, or vice versa, in any year.

Groups of companies. A group of companies is not taxed as a single entity in Namibia, and an assessed loss of one company cannot be offset against the taxable income of another company in the group. An assessed loss of a branch of a foreign company may be transferred to a Namibian subsidiary under certain circumstances.

D. Value-added tax

Value-added tax (VAT) is levied on supplies of goods or services, other than exempt supplies, made in Namibia and on imports of goods and certain services.

The standard VAT rate is 15%. The following items are zero-rated:
- Exports of goods
- Certain services rendered to nonresidents who are not registered for VAT
- Disposals of going concerns
- Local supplies of fuel levy goods (petrol and diesel)
- Maize meal, fresh or dried beans, sunflower cooking oil, fried animal fat used for the preparation of food, bread and bread or cake flour, if these items are not served as cooked or prepared food, fresh milk and white or brown sugar

Local public passenger transport, medical services, services supplied by registered hospitals, educational services and long-term residential rentals are exempt from VAT.

E. Miscellaneous matters

Exchange controls. Namibia is a member of the Common Monetary Area, which also includes Lesotho, South Africa and Swaziland. Consequently, it is subject to the exchange control regulations promulgated by the Reserve Bank of South Africa. If Namibia withdraws from the Common Monetary Area, it is likely to introduce its own exchange control restrictions along similar lines.

Exchange controls are administered by the Bank of Namibia, which has appointed various commercial banks to act as authorized foreign-exchange dealers.

The Namibian dollar (NAD) is the Namibian currency. The Namibian dollar and the South African rand (ZAR) are convertible one for one (that is, ZAR1 = NAD1), and this rate does not fluctuate.

Debt-to-equity rules. The tax law includes measures that counter thin capitalization by adjusting both the interest rate and the amount of the loan based on arm's-length principles. Although no guidelines have been published in this area, a debt-to-equity ratio of up to 3:1 is generally acceptable.

Transfer pricing. The Namibian Income Tax Act includes transfer-pricing measures, which are designed to prevent the manipulation of prices for goods and services, including financial services (loans), in cross-border transactions between related parties.

Anti-avoidance legislation. Namibian legislation contains a general anti-avoidance provision to attack arrangements that are primarily tax-motivated and, in certain respects, abnormal when considered in the context of surrounding circumstances. In general, the Bank of Namibia requires a debt-to-equity ratio of 3:1 when approving foreign investment into Namibia. Another anti-avoidance provision deals with transactions involving companies (including changes in shareholdings) that are designed to use a company's assessed loss, usually by diverting income to, or generating income in, that company.

F. Treaty withholding tax rates

Namibia has entered into double tax treaties with Botswana, France, Germany, India, Malaysia, Mauritius, Romania, the Russian Federation, South Africa and Sweden. In addition, it has a treaty with the United Kingdom, which is the 1962 treaty between the United Kingdom and South Africa as extended to Namibia.

The treaties provide for withholding tax rates on dividends, interest and royalties paid to residents of the other treaty countries as indicated in the following table.

	Dividends %	Interest %	Royalties %	Services %
Botswana	10	10	10	0/15 (h)
France	5/15 (a)	10	10	0
Germany	10/15 (b)	0	10	0
India	10	10	10	0/10 (i)
Malaysia	5/10 (c)	10	5	0/5 (j)
Mauritius	5/10 (c)	10	5	0
Romania	15	15	15	0
Russian Federation	5/10 (d)	10	5	0
South Africa	5/15 (c)	10	10	0
Sweden	5/15 (a)	10	5/15 (e)	0/15 (h)
United Kingdom	5/15 (f)	20	5	0
Non-treaty countries	10	0 (g)	9.9	25

(a) The 5% rate applies if the recipient is a company that owns at least 10% of the payer of the dividends. The 15% rate applies to other dividends.
(b) The 10% rate applies if the recipient is a company that owns at least 10% of the payer of the dividends. The 15% rate applies to other dividends.
(c) The 5% rate applies if the recipient owns at least 25% of the payer of the dividends. The 10% rate applies to other dividends.
(d) The 5% rate applies if the recipient is a company that owns at least 25% of the payer of the dividends and has invested at least USD100,000 in the share capital of the payer. The 10% rate applies to other dividends.
(e) The 5% rate applies to royalties paid for patents, secret formulas or information relating to industrial or scientific experience. The 15% rate applies to other royalties.
(f) The 5% rate applies if the recipient is a company that controls directly or indirectly more than 50% of the voting power of the payer of the dividends. The 15% rate applies to other dividends.
(g) A 10% withholding tax is imposed on interest paid to all persons, excluding Namibian companies, by Namibian banking institutions, Namibian unit trust schemes and the Namibia Post Office Savings Bank.

(h) The 15% rate applies to payments for administrative, technical, managerial or consultancy services performed outside Namibia.
(i) The 10% rate applies to technical, managerial or consultancy fees paid by Namibian residents.
(j) The 5% rate applies to technical, managerial or consultancy fees paid by Namibian residents.

Namibia has a signed tax treaty with Canada, but the treaty has not yet been ratified. Namibia is negotiating tax treaties with Lesotho, Seychelles, Spain, Zambia and Zimbabwe.