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The Honourable Minister of Finance  
The Executive Director  
The Commissioner of Inland Revenue  
Ministry of Finance  
Windhoek, Namibia

2 April 2020

Dear Minister Shiimi, Ms Shafudah and Mr Mwafongwe,

## **COVID – 19 PANDEMIC – PROPOSED TAX RELIEF MEASURES**

ICAN and NIPA take this opportunity to bring to your attention our concern in respect of the effect this pandemic will have on the Namibian public and the economic well-being of our country.

### **Introduction**

We have noted with gratitude yesterday's announcement of an economic stimulus and relief package which, inter alia, includes the accelerated payment of long outstanding VAT refund claims to the value of about N\$ 3 billion. This will release much needed cash into the economy.

Please allow us to make further proposals to you in respect of income tax and value-added tax which we believe, if implemented, will further assist Namibian taxpayers to weather the financial hardships which will result from the COVID – 19 pandemic and the measures taken to combat this medical emergency.

There is no doubt that the lockdown imposed in Khomas and Erongo regions since Friday night 27 March 2020 and the potential extension thereof to other regions, presents severe challenges to our economy. Decisive and speedy intervention is required in order to minimise the impact on the economy and the Namibian public at large.

It is obvious that Namibia cannot support its economy on a similar basis as certain large countries are doing elsewhere. Nevertheless, the Namibian economy must be protected and be kept alive and for that to happen, Government should intervene using appropriate measures within its financial capabilities. We believe that the intervention should come as quickly as possible, with minimum bureaucracy and be communicated to the business community in sufficient detail and clarity for all to understand what is being done and what each business must do in order to access benefits which have been made available.

We also suggest that tax related interventions need to apply to the broader economy and not only to the tourism, construction and related industries, as eventually the economic downturn will affect all businesses in all sectors of the economy.

## **Proposed tax relief measures**

Proposals which the Ministry of Finance could implement to assist taxpayers while the COVID -19 related State of Emergency prevails and spanning not less than two financial years: -

Any changes to the Value-Added Tax Act No. 10 of 2000 and the Income Tax Act No. 24 of 1981 should be foreshadowed in a detailed ministerial press release to enable taxpayers to assess the impact these changes will have on their cash flow positions, at the same time allowing the Ministry to prepare the changes to these acts in a comprehensive and unambiguous way.

## **Value-added tax**

1. That all import VAT payments on goods imported by a registered person be abolished for the period mentioned above. This would result in the registered person importing goods not being allowed to claim any import VAT as input tax during this period, unless the import VAT was actually paid. The rationale for this proposal is that it will provide taxpayers with immediate cash flow relief, at the same time not impacting the net cash flow of the fiscus.
2. Pay all current and future VAT claims without applying the standard verification procedures for all claimants who have in the past not drawn the IRD's attention for submitting fraudulent or erroneous claims.

Claims for refunds which have been paid under the 'emergency' measures can be audited afterwards by the IRD on a sample basis and where applicable, taxpayers will have to repay any moneys which are found to have been incorrectly refunded to them. We believe that this should not present a problem to the IRD, as the vast majority of Namibian taxpayers maintain high standards of integrity.

3. Allow taxpayers who must make VAT payments, provisional and final income tax payments to off-set these payments against any credit balance due to them, without the taxpayers first having to obtain approval from the IRD. This will provide relief to the IRD from a significant time-consuming administrative burden to approve the set off. Taxpayers should confirm the existence of the credit balance on ITAS or in writing to the IRD.
4. Where a taxpayer experiences cash flow problems as a result of the COVID – 19 emergency, the taxpayer should be allowed to arrange a payment schedule for VAT and income tax payments with the IRD, with interest accruing at a rate which does not exceed the rate which applies to loans granted under the recently announced economic stimulus and relief package.
5. Zero-rate the supply and import of all medication, materials or any other items which are used directly in combatting the COVID - 19 threat.
6. Zero-rate the supply/import of any basic foodstuff not already zero-rated, if any. This measure is aimed at alleviating the plight of the most vulnerable section of our population.

## **Income tax**

1. Inland Revenue to focus on all arrear tax assessments for income tax which have been submitted prior to the implementation of ITAS so that taxpayer assessments are up to date. We wish to draw your attention to the fact that arrear tax assessments cause delays in the payment of income tax refunds in excess of two years.

2. Refund all long outstanding, current and future income tax claims relating to the overpayment of tax without applying the standard verification procedures.

Claims for refunds which have been paid under the 'emergency' measures can be audited afterwards by the IRD on a sample basis and where applicable, taxpayers will have to repay any moneys which are found to have been incorrectly refunded to them. We believe that this should not present a problem to the IRD, as the vast majority of Namibian taxpayers maintain high standards of integrity.

3. Allow provisional and final income tax payments to be set-off against outstanding income tax and VAT refunds, without the taxpayer first having to obtain approval from the IRD. Taxpayers to confirm balance due to them on ITAS or in writing with the IRD.
4. Allow taxpayers a full deduction in the year the expense is actually incurred for all assets falling under section 17(1)(e) for tax years commencing on or after 1 March 2020. This is aimed at encouraging taxpayers to continue to invest in productive assets in these troubling times.
5. Grant employers an additional allowance under section 17(1) of 25% of all bona fide remuneration paid to employees. This incentive is intended to encourage employers to retain existing employees and to refrain from retrenchments.
6. Grant all business owners an additional allowance under section 17(1) of 25% of all bona fide rent paid or interest on building loans paid in respect of property occupied for the purpose of trade or in respect of which income is receivable. This incentive is intended to encourage businesses to continue to occupy their existing facilities and to carry on trading once the lockdown is lifted.
7. Allow contributions to the proposed COVID-19 fund and any other bona fide COVID initiatives to be deducted as a special deduction under section 17(1).
8. Consider reducing the corporate tax rate to 30%.
9. Increase the tax-free amount of taxable income of natural persons to N\$ 150 000 annually, without changing the existing thresholds higher than the revised tax-free amount or marginal tax rates as they apply to the existing tax brackets after implementing the new tax-free amount.
10. Consider the exemption from tax of all amounts payable to employees by reason of retrenchment which are currently not exempted by section 16(1)(o), like leave pay and any other amounts linked to past services of the retrenched employees. We recommend that the IRD waives the need for tax directives during this two-year period.
11. Consider the exemption from tax of the value of interest free loans granted by employers to employees during the two-year period, provided the loan has been advanced to alleviate any hardship an employee experiences because of the COVID-19 emergency measures.

#### **Other related matters**

1. Currently taxpayers have the opportunity to update all their records on ITAS and by doing so before 30 June 2020, the penalties which have accrued on their account will be remitted. We recommend that this incentive be extended to 28 February 2021.
2. We suggest that a moratorium is implemented for six months on all interest payable by taxpayers and that thereafter, the taxpayer is allowed to pay the arrear interest off over a further period of six months.

3. The dates for the submission of all income tax and VAT returns which were due for submission to the IRD after 27 March 2020 should be set at two months after the date on which the lockdown is lifted. Tax practitioners and their staff as well as taxpayers are required to work from home, which severely impairs their ability to work as efficiently as they are used to and consequently, less work gets done as would have under normal circumstances.
4. The retirement fund industry is obliged to request directives from the IRD whenever the benefits payable to a retiree exceed N\$ 50 000 and where members are withdrawing from a fund or payment is due to the death of a member. The problem the industry is currently facing is that the process of applying for the directive has been interrupted as staff at the IRD is not able to attend to these requests. Consequently, the industry is not able to finalise these claims until such time that the IRD's staff is back at the office. Currently, the State loses much needed cash flow that could have been received based on the requested directives, whilst members and beneficiaries cannot get retirement fund benefits paid out to them, often adding to their destitute. We recommend that the IRD waives the need for tax directives during this two-year period.
5. For any of the above-mentioned tax related measures which your Ministry agrees to implement, it is important that the parameters in ITAS are amended in line with the necessary changes to the relevant legislation, in order to avoid the situation where taxpayers are subjected to penalties and interest charges which are based on rules which applied prior to the implementation of these changes.

#### **Cash flow**

1. We recommend that the Ministry of Finance determines the extent of funds or reserves available to the National Training Authority and the Social Security Commission to assist the Government with cash to cover shortfalls arising as a result of the COVID – 19 emergency measures. After all, these are funds that have been contributed by employers and the citizens of Namibia and could be utilised to cushion the cash flow strain the incentive package places on the fiscus.

In the annexure to this letter, please find an overview of the tax measures which have been or are proposed by various other African countries.

We thank you for the opportunity to address our concerns to you in this letter. Please do not hesitate to contact our institutes should you wish to discuss any of these proposals in more detail.

Yours faithfully



Hartmuth van Alphen

**CHAIRMAN: ICAN Tax Committee**

## **ANNEXURE**

### **African Countries - Covid 19 Tax relief measures:**

#### **South Africa VAT:**

Certain essential goods as defined in the lockdown regulations will be subject to a VAT exemption and a full rebate of customs duties on importation during the COVID-19 pandemic. These essential goods include:

1. Food

(i) Any food product, including non -alcoholic beverages;

(ii) Animal food; and

(iii) Chemicals, packaging and ancillary products used in the production of any food product.

2. Cleaning and Hygiene Products

(i) Toilet Paper, sanitary pads, sanitary tampons, condoms;

(ii) Hand sanitiser, disinfectants, soap, alcohol for industrial use, household cleaning products, and personal protective equipment; and

(iii) Chemicals, packaging and ancillary products used in the production of any of the above.

3. Medical:

(i) Medical and Hospital Supplies, equipment and personal protective equipment; and

(ii) Chemicals, packaging and ancillary products used in the production of any of the above.

4. Fuel, including coal and gas

5. Basic goods, including airtime and electricity.

#### **South Africa Individual taxes:**

A tax subsidy of up to R500 per month is to be provided from 1 April to 2020 to 31 July 2020 for private sector employees earning below R6,500 under the Employment Tax Incentive (ETI). The maximum amount of ETI claimable during this four month period for employees eligible under the ETI will be increased by R500. In addition, a monthly ETI claim in the amount of R500 will be allowed during this four month period for employees from the ages of 18 to 65 who are not eligible for the current ETI. Employment Tax Incentive refunds are to be accelerated from twice a year to monthly.

- (PROPOSED): The temporary reduction of employer and employee contributions to the Unemployment Insurance Fund and employer contributions to the Skills Development Fund are being explored. Legislation would need to be passed to give effect to this.

#### **South Africa Tax payments and amnesty:**

Tax compliant businesses with a turnover of less than R50 million will be allowed to defer 20% of their pay-as-you-earn liabilities from 1 April to 2020 to 31 July 2020 without penalties or interest. The deferred PAYE liability must be paid in equal instalments over the six month tax period commencing on 1 August 2020.

- Tax compliant businesses with a turnover of less than R50 million will be allowed to defer a portion of the payment of the first and second provisional tax liability for a period of twelve months, beginning 1 April 2020 and ending on 31 March 2021 without penalties or interest. The first provisional tax payment due from 1 April 2020 to 30 September 2020 will be based on 15 percent of the estimated total tax liability, while the second provisional tax payment from 1 April 2020 to 31 March 2021 will be based on 65 percent of the estimated total tax liability. Provisional taxpayers with deferred payments will be required to pay the full tax liability when making the third provisional tax payment in order to avoid interest charges.

#### **Kenya Corporate Tax**

30 March:

- A reduction in the corporate tax rate for companies from 30% to 25% has been proposed as has a reduction in the turnover tax rate from the current 3% to 1% for all micro, small and medium enterprises.

## **Kenya VAT**

30 March:

- The President directed the National Treasury to reduce the standard VAT rate from the current 16% to 14% with effect from 1 April 2020.
- The President also directed the Kenya Revenue Authority to pay all verified VAT refund claims to the tune of KES 10 billion within three (3) weeks.

## **Kenya Individual taxes:**

- An exemption from Pay As You Earn of workers earning a monthly gross income of up to KES 24,000 per month has been proposed along with a reduction in the marginal tax rate for PAYE from 30% to 25%.

## **Kenya other taxes:**

The President ordered the KRA to allow the offset of WH VAT against other tax obligations as an alternative to paying refund claims.

## **Egypt in general:**

22 March:

- The Egyptian Government has announced various measures to support the local economy. These include tax related measures such as the postponement of property tax payments and reductions in stamp duty and dividend withholding tax, and non-tax related measures such as the reduction of energy prices.

## **Egypt Corporate Tax:**

22 March:

The Egyptian Government has announced the following measures (subject to the issuance of a law to this effect):

- The exemption from taxation of capital gains on securities listed on the Egyptian stock exchange (EGX) for Egyptian residents will be extended to 1 January 2022 (originally due to expire 17 May 2020);
- The exemption from the taxation of capital gains on securities listed on the Egyptian stock exchange (EGX) for non-residents will be made permanent; and
- Withholding tax on dividends paid by companies listed on the EGX will be reduced from 10% to 5%.

## **Egypt Vat:**

24 March:

- The Egyptian Ministry of Trade and Industry (the Foreign Trade Sector) issued a statement confirming (i) documents, such as commercial invoices, would be accepted without being accredited by the Chambers of Commerce (this usually being a requirement) and (ii) certificates of origin would be accepted without authorisation from the Egyptian Embassy abroad.

## **Egypt Other taxes:**

22 March:

The Egyptian Government has announced the following measures (subject to the issuance of a law to this effect):

- Stamp duty on transactions on the Egyptian stock exchange (EGX) will be reduced from 0.15% to 0.125% for non-residents;
- Stamp duty on EGX transactions will be reduced from 0.15% to 0.05% for Egyptian residents;
- All spot transactions on the EGX will be exempt from stamp duty; and
- Three month extension for the payment of property taxes for companies in the industrial and tourism sector. The property taxes shall become payable in monthly instalments over the following six months.

**Nigeria General:**

25 March:

The Federal Inland Revenue Service (FIRS) announced certain measures relating to filing of returns, correspondences and communications as well as visits, tax audits and physical meetings with the tax authorities.

**Nigeria Corporate Tax:**

25 March:

- The due date for filing Companies Income Tax returns has been extended by one month. Taxpayers may file returns using unaudited accounts but must subsequently submit audited accounts within two months after the revised due date of filing.

**Nigeria VAT:**

25 March:

- Extension of timeline for filing VAT and withholding tax from 21st to the last working day of the month, following the month of deduction.

**Nigeria Individual taxes:**

30 March:

- The Federal Capital Territory (FCT) Internal Revenue Services has extended the due date for filing the 2019 Individual Income Tax Returns from 31st March to 30th June, 2020.

26 March:

- Lagos State Internal Revenue Services extends the deadline for filing of annual returns for individuals, including self-employed person(s) till 31st may 2020.

**Nigeria Payment of taxes and filing returns:**

25 March:

FIRS plans to publish information requests for desk reviews and tax audits on its website and create a portal where such information can be uploaded by taxpayers for online review by the FIRS.

24 March:

- FIRS provided eportal contacts for the various State Revenue Services.

Source:

[PwC Global / Services / Tax / Navigate tax measures in response to COVID-19](https://www.pwc.com/gx/en/services/tax/navigate-tax-measures-in-response-to-covid-19)

<https://www.pwc.com/gx/en/services/tax/navigate-the-tax-measures-in-response-to-covid-19.html?c1=georgia&filter=tax+response+measures+-+reporting>