NEWS ALERT

INCOME TAX

Proposed Changes: layman's bill out for comments

These are proposed **income tax** changes that are still under discussion and not yet in effect. This summary is provided to keep you informed and assist with planning in case the changes are implemented.

New Commutation Rules for Pension, Preservation, and Retirement Annuity Funds

To increase the commutation threshold for pension, preservation, and retirement annuity funds from N$50,000 to N$375,000.

- If the annuity value exceeds N$375,000, only one-third can be taken as a lump sum.
- If the annuity value is N$375,000 or less, the entire amount may be taken as a lump sum.

Definitions added

- "Small and medium business" as a Namibian-registered business with annual turnover ≤ N$10 million (excluding personal service providers).
- "Personal service provider" as a company/trust mainly providing services through connected persons under conditions resembling employment, unless it employs at least 3 unrelated full-time staff.

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Certain dividends derived from hybrid mismatch arrangements deemed to be income in relation to recipients thereof

Dividends from hybrid instruments (a mix of debt and equity) will be taxed as regular income.

Exemptions

- Removal of dividend tax exemption
- Add an exemption for government grants received by State-Owned Enterprises

Changes to Housing Benefits

- Increase the tax exemption on housing benefits for low-income earners – where the remuneration is ≤ N$100,000, the housing benefit is fully tax-exempt.
- Where the above does not apply, one-third of the housing benefit is tax-exempt, if the total annual housing benefit does not exceed N$400,000.

Assessed Losses

The rules for carrying forward tax losses are changing:

- 5 years for any taxpayers, and
- 10 years for entities in mining, petroleum, green hydrogen, or renewable energy (hydro, solar, wind, thermal) industries.

Determination of taxable income derived from insurance business

The tax rules for long-term insurers will be updated to match global accounting standards (IFRS).

Introduction of Dividend Tax

- Rate: 10% on dividends (including interim dividends) declared by resident companies.
- Applies to: Namibian residents, businesses, deceased estates, and holders of bearer scrip.
- Certain exemptions would apply.

Deductibility of environmental rehabilitation costs

This will allow mining companies to claim tax deductions for contributions to approved rehabilitation companies or trusts, however under strict conditions.

Proposed Tax Rates

- Non-Mining companies: 28%
- Small and Medium Enterprises (SMEs): 20%
- Export Processing Zone (EPZ) Enterprises: 20%

Proposed Effective Date of Amendments

- For individual taxpayers (non-companies), it applies from the year of assessment starting on or after 1 March 2026.
- For companies, it applies from tax years starting on or after 1 January 2026.
- For provisions in section 21(Limitation of Assessed losses), it applies from tax years starting on or after 1 January 2024.
- For provisions in section 35C (dividends tax), it applies from tax years starting on or after 1 January 2026.

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