

APRIL 2025

BUDGET SPEECH SUMMARY

Tax Policy and Administration Reforms

On 27 March 2025, Finance and Public Enterprises Minister Ericah B. Shafudah, delivered the 2025/26 Budget Speech in Parliament.

The announcements in terms of Tax Policy and Administration are summarized as follows:



GENERAL FOCUS

- Support economic growth by boosting domestic demand.
- Broaden the tax base and improve revenue mobilisation.
- Enhance tax system competitiveness to attract investment and support private sector development.





CORPORATE & STRUCTURAL TAX CHANGES PROPOSED

- Tax Court legislation expected during FY2025/26 (draft bill under review).
- Non-mining corporate tax rate reduced incrementally over the medium term from 31% to:
 - 28% effective FY2026/27
- Introduction of 10% dividend tax effective 01 January 2026.
- Finalising Special Economic Zones (SEZ) regime and SME turnover that will provide them with the benefit of a reduced tax rate of 20%.

KEY TAX POLICY PROPOSALS

- Zero-rate schedule amended to include state-acquired commercial properties.
- Retirement funds single commutation threshold increased from N\$50,000 to N\$375,000 for senior citizen relief.
- Finalisation of VAT legislation on imported digital services to ensure fair treatment with local providers.
- Introducing an annual housing benefit tax cap of N\$400,000 to increase fairness across income brackets.
- Introducing anti-avoidance provisions to look at the substance of loans so that financing cannot be structured as preference shares. The provisions will result in the income (dividends) being seen as interest (taxable) rather as apposed to dividends (tax exempt).
- Tax bracket for individuals will be adjusted for inflation in the 2026/2027 year only.

REVENUE ADMINISTRATION ENHANCEMENTS

- E-invoicing system for VAT registered persons to launch April 2026.
 - Expected benefits: reduced admin costs, better accuracy, curb VAT fraud.
- Tax amnesty program continues until 31 October 2026.
 - Full interest and penalty write-off if capital is fully settled.



EXCISE DUTY ADJUSTMENTS (EFFECTIVE 12 MARCH 2025)

- Sparkling wine: +N\$1.20/litre
- Spirits (750ml bottle): +N\$5.53
- Cigars: +N\$369.36/kg
- Fortified wine: +64c
- Absolute alcohol: +N\$18.52/litre
- Cigarettes (pack of 20): +N\$1.04

TAKE AWAYS

- ☐ Retirement commutation threshold increased to N\$375,000 ✓
- ☐ E-invoicing system for VAT to roll out April 2026 ✓
- ☐ Delay in inflation adjustments to tax brackets ✗
- ☐ 10% dividend tax effective 1 Jan 2026 ●
- ☐ Housing fringe benefit capped at N\$400,000 ●
- ☐ Continued tax amnesty until 31 October 2026 ✓
- ☐ Excise duties on alcohol & tobacco increased above inflation ✗