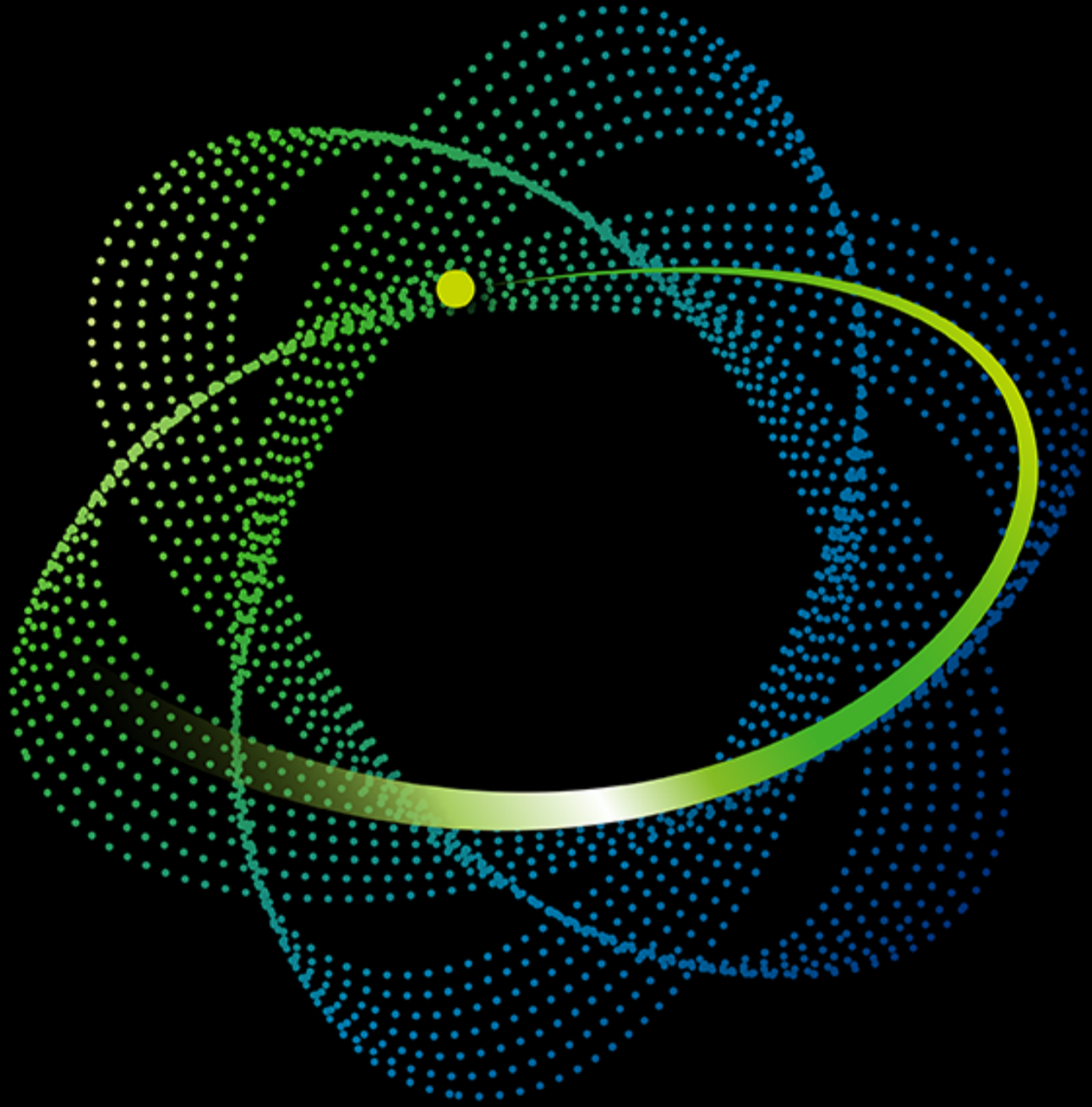


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## Namibian Budget Newsletter 2023/2024



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*“The theme of the budget that I am presenting before this house today is **Economic Revival and Caring for the Poor!**”*

Minister of Finance, Ipumbu Shiimi  
22 February 2023

## Economic Revival and Caring for the Poor

The budget for 2023/2024 is a balancing act between propelling the economy and looking after vulnerable members of the community. The budget is aimed to be pro-sustainability, pro-growth and pro-poor.

**Pro-sustainability** in that the budget continues to reduce the deficit, **pro-poor** as the budget provides support to vulnerable members of the society and **pro-growth** as the budget continues to advocate for timely implementation of policy reforms, improving ease of doing business, boosting business confidence and entrenching policy certainty.

“ Global economic growth is estimated to be 2.9% in 2023 and 3.1% in 2024. Slower growth in 2023 is largely due to the impact of higher central bank rates to counter inflation. Increased growth from 2024 is anticipated due to expected recovery from the Ukraine conflict and inflation pressures. ”

“ Regional economic growth is expected to be 3.8% in 2023 and 4.2% in 2024. Growth in the Namibian economy has been revised upwards to 4% in 2022 against the mid-year estimate of 2.8%. Growth is projected to be 3.2% in 2023 and 2.2% in 2024. Policy efforts need to continue to maintain fiscal sustainability and necessary reforms need to be implemented to enable broad based economic expansion. Reforms for expansion should be focused on sectors with potential for employment creation e.g., agriculture, tourism. ”

“ Budget deficit for 2022/2023 was 5.2% against an initial estimate of 5.6% and a revised estimate of 5.3% at mid-year. ”

## Inflation

“ Annual inflation rate increased from 3.6% in 2021 to 6.1% in 2022 and January 2023 data indicates an inflation rate of 7%. ”

## Revenue collection

“ Total revenue is estimated to increase from N\$64.2 billion in 2022/2023 to N\$74.7 billion in 2023/2024 (14.5% increase) and is projected to increase to N\$77.3 billion in 2024/2025 and N\$79.8 billion in 2025/2026. ”

“ The significant increase in revenue comes from an increase of N\$ 6.4 billion in SACU receipts as well as recovery in economic activities supported by early gains from improved tax compliance. ”

“ Estimated revenue for 2023/2024 includes expected dividends of N\$600 million from Namibia Post and Telecom Holdings Company, N\$300 million from Namibia Desert Diamonds, N\$400 million from the Bank of Namibia and over N\$1.2 billion from the Namdeb Group. ”

“ Revenue is expected to be 34% of GDP for the 2023 to 2026 period. ”

## Expenditure

Total **operational** expenditure for 2022/2023 was N\$66.1 billion, 10% above the estimated expenditure. Total **development expenditure** for 2022/2023 was N\$6.5 billion, 18.7% above the estimated expenditure. Total expenditure for the period is N\$74.5 billion.

Total expenditure for 2022/2023 is estimated to have increased mainly due to the 3% increase in the public employees' remuneration, an adjustment to cater for a shortfall in personal expenditure, rising cost of utilities and general inflationary pressures.

Expenditure is projected to increase to N\$84.5 billion in 2023/2024 and N\$88.9 billion in 2025/2026.

In 2023/2024 interest payments amounted to N\$10.2 billion equivalent to 13.4% of revenue and 4.7% of GDP.

## Social grants

Old age grant increase from N\$1 300 to N\$1 400 per month

Disability grant increase from N\$1 300 to N\$1 400 per month

Disability grant for under 18 beneficiaries from N\$250 to N\$1400 per month

Orphan and vulnerable children grant increased from N\$250 to N\$350 per month

Monthly conditional income grant increased from N\$500 to 600 per month

## Fiscal policy

Fiscal policy priorities will include, among others:

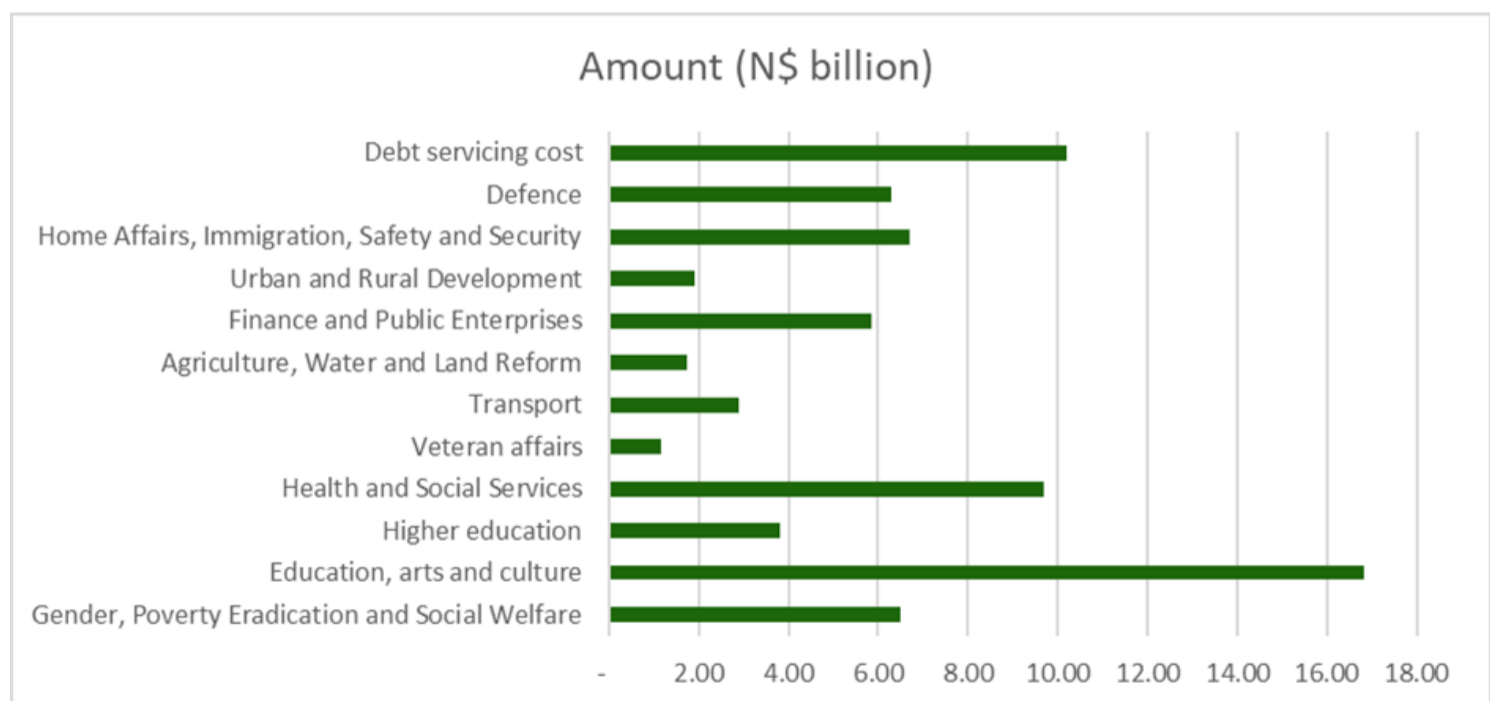
- Finalisation of the draft sixth National Development Plan (NDP6) aimed at charting the policy pathways upon the completion of the Harambee Prosperity Plan (HPP II);
- Implementation of reforms to support fiscal consolidation programme, inclusive tax administration reforms, reduction of the public sector wage bill, public enterprises reforms and review of PSEMAS governance and benefit structure;
- Completion of research work on the economic diversification strategy;
- Execution of large capital projects through long-term funding from Development finance institutions aimed at minimising the pressure on budget;
- Realise and maintain a primary budget surplus over the MTEF to stabilise debt and commence on a gradual reduction of debt;
- Executing recommendations from public expenditure reviews in the health and education and extend such targeted reviews to other sectors;
- Use PPPs as alternative source of financing, for infrastructure development and service delivery;
- Undertake National Census in FY2023/24;
- Undertake the National Household Income and expenditure survey (NHIES) in FY2024/25;
- Adjust all social safety nets in FY2023/24;

## Budget allocations

In line with the theme of the budget, “Economic Revival and Caring for the Poor” the Social Sector emerged as the largest beneficiary of the budget with an allocation of N\$38.4 billion translating into 53% of the budget. Education, arts and culture received the largest share of the allocation with N\$ 16.8 billion followed by Health and Social Services at N\$9.7 billion.

Second in the allocation ranking is the Public Safety sector taking 19% of the budget at N\$14.1 billion with the majority funds going to Home Affairs, Immigration, Safety and Security getting N\$6.7 billion and Defence getting N\$6.3 billion.

The major allocations are represented in the graph below.



## Tax reforms

No sufficient recovery in the economy was noted to warrant new taxes. The Minister noted that an increase tax burden has the risk of stifling economic recovery. For the time being focus will be on tax administration reforms.

### Corporate tax rate

Non-mining corporate tax rate to reduce to 31% from 32%. The Minister noted that this change will be from 1 April 2024. Changes to corporate tax rates normally have to be for years commencing on or after a specific date (generally 1 January of a particular year) to allow for corporate taxpayers with different tax years. For example, the 2024 tax year of a company with a December year-end will be from 1 January 2024 to 31 December 2024. If the corporate tax rate is amended from 1 April 2024, this taxpayer will have a tax rate of 32% for 3 months of its tax year and a tax rate of 31% for the remainder of its tax year. We believe the reference to 1 April 2024 was meant to be the 2024 fiscal year and that the actual amendment will refer to years commencing on or after a particular date. We are eagerly awaiting the draft amendment bill to obtain more clarity on the announcement.

The corporate tax rate will further reduce to 30% in the 2025/2026 fiscal period.

### Individual tax rate

A decade since the last change to the individual tax rates, we will see an amendment to these rates with the tax threshold increasing from N\$ 50 000 to N\$ 100 000. The change will be implemented in the 2024/2025 fiscal period. We hope this means that the change will be from 1 March 2024.

If we assume the tax bracket ranges will be maintained and not changes to the tax rates, we anticipate the new tax table to be:

Current tax tables		Proposed tax tables		
Taxable income	Rate of tax	Taxable income		Rate of tax
N\$ 0 - N\$ 50 000	Not taxable	N\$ 0	N\$100 000	Not taxable
N\$ 50 001 - N\$ 100 000	N\$ 0 + 18%	N\$ 100 001	N\$ 150 000	N\$ 0 + 18%
N\$ 100 001 - N\$ 300 000	N\$ 9 000 + 25%	N\$ 150 001	N\$ 350 000	N\$ 9 000 + 25%
N\$ 300 001 - N\$ 500 000	N\$ 59 000 + 28%	N\$ 350 001	N\$ 550 000	N\$ 59 000 + 28%
N\$ 500 001 - N\$ 800 000	N\$ 115 000 + 30%	N\$ 550 001	N\$ 850 000	N\$ 115 000 + 30%
N\$ 800 001 - N\$ 1 500 000	N\$ 205 000 + 32%	N\$ 850 001	N\$1 550 000	N\$ 205 000 + 32%
Over N\$ 1 500 001	N\$ 429 000 + 37%	N\$ 1 550 000		N\$ 429 000 + 37%

The proposed rates represent annual savings of:

Annual taxable earnings	Annual tax per current tax tables	Annual tax per proposed tax tables	Annual saving	Monthly saving
NAD	NAD	NAD	NAD	NAD
50 400	72	-	72	6
60 000	1 800	-	1 800	150
99 000	8 820	-	8 820	735
250 000	46 500	34 000	12 500	1 042
450 000	101 000	87 000	14 000	1 167
650 000	160 000	145 000	15 000	1 250
900 000	237 000	221 000	16 000	1 333
1 600 000	466 000	447 500	18 500	1 542

### Further tax relief programme

Surprisingly the Minister announced a further tax relief/ incentive programme that will end in October 2024. The programme will again see penalties and a percentage of interest being waived if all tax balances are settled within a certain period of time. Further details will be provided in due course.



History of tax relief programme

(6 months)	Feb 2017 100% relief on penalties 80% relief on interest	Jul-17	N\$972 million collected	
(12 months)	Feb 2021 100% relief on penalties 95% relief on interest	Apr-21 100% relief on penalties 75% relief on interest	Jan-22	N\$ 1.3 billion collected
(6 months)	June 2022 100% relief on penalties 70% relief on interest	Nov-22	N\$747 million collected	
(6 months)	Dec 2022 100% relief on penalties 60% relief on interest	May-23	N\$?	
?	? ? relief on penalties ? relief on interest	Oct-24	N\$?	

## Sin taxes

As per SACU agreement, the following increases, effective from 23 February 2023 have been announced by the Minister,–



- a pack of 20 cigarettes goes up by 98c
- a kg of cigars will cost an additional N\$237.79
- unfortified wine will increase by 24c per litre
- fortified wine goes up by 41c per litre
- sparkling wine will increase by 12c per litre
- spirits will cost an extra N\$12.08 per litre
- clear malt beer will increase by N\$5.99 per litre
- ciders and alcoholic fruit beverages go up by N\$5.99 per litre



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