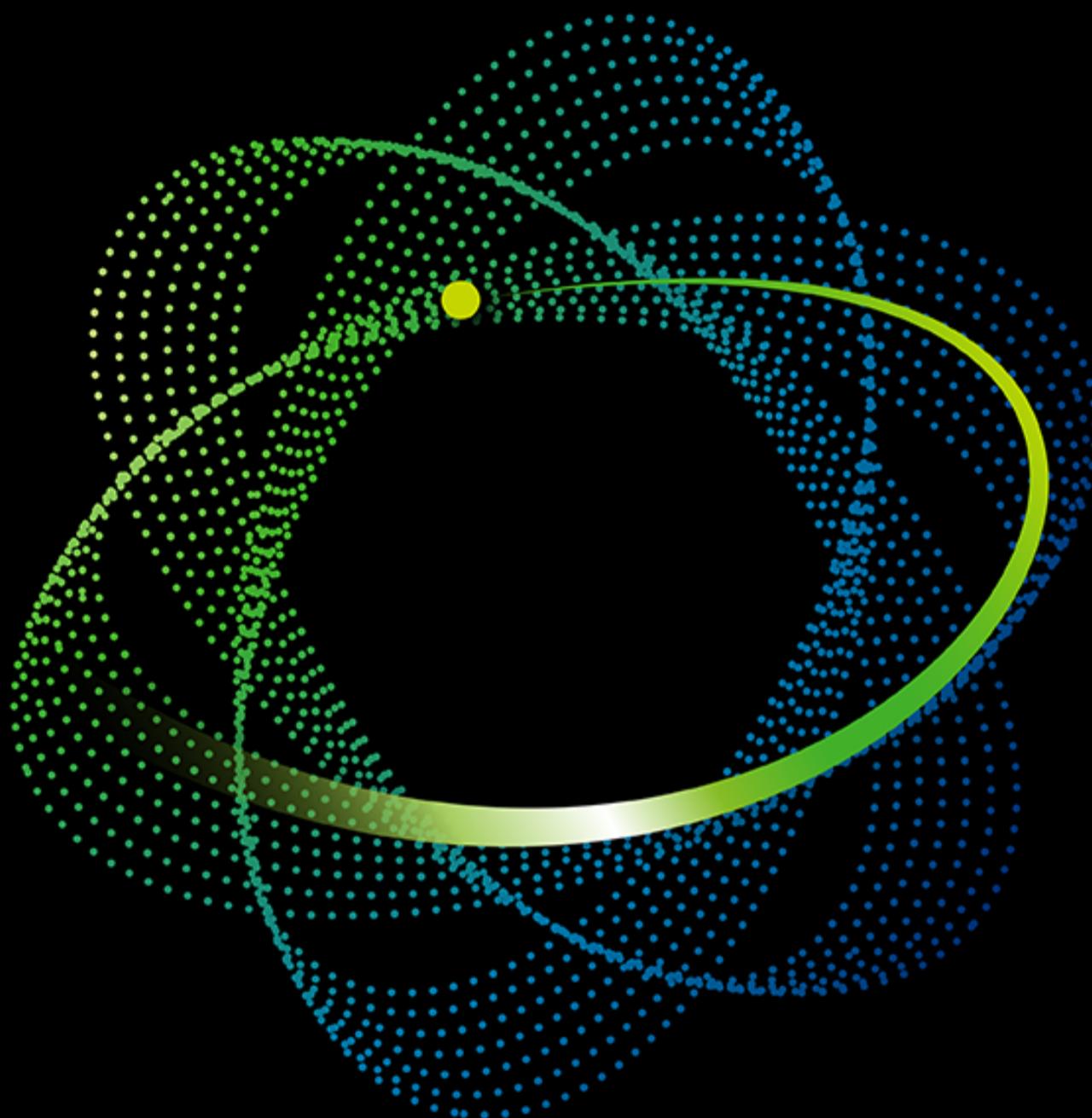


Deloitte.



Namibian Budget Newsletter
2023/2024



Contents

Economic Revival and Caring for the Poor.....	4
Inflation	5
Revenue collection.....	5
Expenditure	6
Social Grant	6
Fiscal policy	7
Budget allocations.....	7
Tax reforms	8
Sin taxes.....	9

*“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:

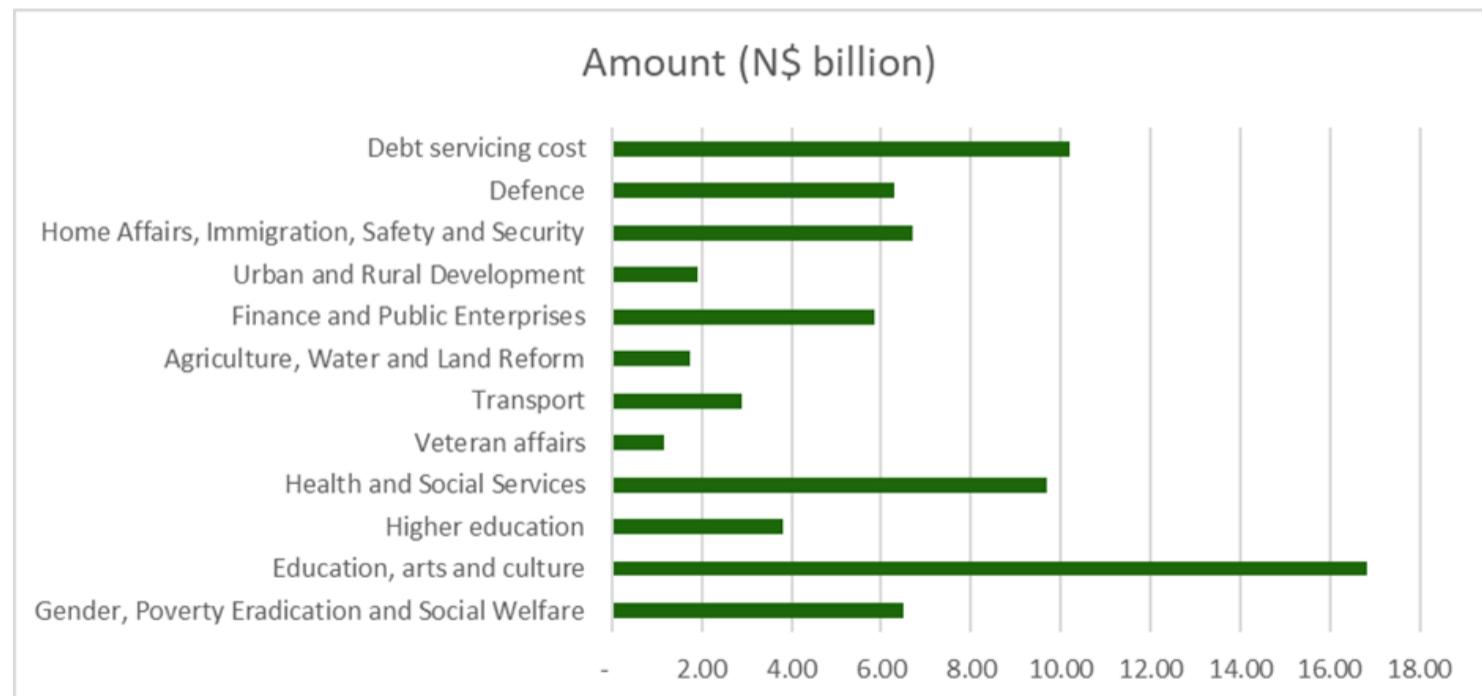
- Finalisation of the draft sixth National Development Plan (NDP6) aimed at charting the policy pathways upon the completion of the Harambee Prosperity Plan (HPP II);
- Implementation of reforms to support fiscal consolidation programme, inclusive tax administration reforms, reduction of the public sector 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	Jul-17	N\$972 million collected
	100% relief on penalties		
	80% relief on interest		
(12 months)	Feb 2021	Apr-21	Jan-22
	100% relief on penalties	100% relief on penalties	
	95% relief on interest	75% relief on interest	
(6 months)	June 2022	Nov-22	N\$747 million collected
	100% relief on penalties		
	70% relief on interest		
(6 months)	Dec 2022	May-23	N\$?
	100% relief on penalties		
	60% relief on interest		
?	?	Oct-24	N\$?
	? relief on penalties		
	? relief on interest		

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

”

Contacts

For more information, contact your nearest Deloitte tax office.

Gerda Brand
Tax Director
gbrand@deloitte.co.za
+264612855062

Never Muleya
Tax Manager
nmuleya@deloitte.co.za
+264612855106

Lahya Shapwa
Tax Manager
lshapwa@deloitte.co.za
+264612855123

Aron Haifene
Senior Tax Consultant
ahaifene@deloitte.co.za
+264612855037

Shoopala Angombe
Tax Consultant
sangombe@deloitte.co.za
+264612855054

Marikka Nekwaya
Junior Tax Consultant
mnekwaya@deloitte.co.za
+264612855104

Sandy Katjinaani
Junior Tax Administrator
skatjinaani@deloitte.co.za
+264612855117



Facebook: <https://www.facebook.com/DeloitteNamibia>
Twitter: <https://twitter.com/deloittenamibia>
Website: <https://www2.deloitte.com/za/en/namibia.html>
LinkedIn: <https://www.linkedin.com/company/deloitte/>

This newsletter is based on the Budget Statement tabled in Parliament by the Minister of Finance on 22 February 2023. The information contained in this guide is for general guidance only and is not intended as a substitute for specific advice in considering the tax effects of particular transactions. While every care has been taken in the compilation of the information contained herein, no liability is accepted for the consequences of any inaccuracies contained in this guide.

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's approximately 415 000 people worldwide make an impact that matters at www.deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.