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Namibia

NAVIGATING OPPORTUNITY. CREATING IMPACT.

The Energy Opportunity

Quick Reference Guide

2026/7


MAKING AN
IMPACT THAT
MATTERS
since 1845

CONTENTS

FOREWORD

Shaping Namibia's Future Together

Welcome to a journey through the possibilities shaping Namibia's future. As new opportunities emerge across mining, energy and broader economic development, we invite you to explore how collaboration, innovation and informed decision-making can create lasting impact.

At Deloitte Namibia, we are driven by a clear purpose: **to make an impact that matters** for our people, our clients, and the communities we serve. We recognise the privilege and responsibility that come with being a trusted advisor and contributing to Namibia's growth, resilience, and long-term prosperity. We firmly believe in Namibia's future and remain confident in the opportunities that lie ahead. While the country continues to navigate a complex and evolving landscape, these challenges also create opportunities for innovation, partnership and meaningful progress. Our purpose calls on us to play an active role in helping businesses, institutions and communities create sustainable value and drive positive change. As Namibia enters a new era of energy and economic development, Deloitte remains committed to helping stakeholders understand opportunities, manage risks and build a resilient future. Together, we can harness the potential of today's decisions to create enduring value tomorrow.

The story of Namibia's next chapter will not be defined solely by its resources, but by **the vision, leadership and collective ambition of its people.** By working together to transform opportunity into progress, we can help shape a future that is not only prosperous and globally competitive, but also inclusive, sustainable and meaningful for all who call Namibia home.

Melanie Harrison
Country Leader
Deloitte Namibia

THE ENERGY OPPORTUNITY

Understanding Namibia’s Upstream Petroleum Impact

Few sectors have the potential to transform Namibia's economy as profoundly as the upstream petroleum sector.

Significant offshore oil and gas discoveries, growing investment in renewable energy, and the emergence of green hydrogen have positioned the country as one of Africa's most exciting energy markets. Together, these developments have the potential to drive economic growth, create employment, attract investment and expand local industry participation.

As projects move from discovery and planning into development and execution, the focus is increasingly shifting towards building local capacity, developing supporting infrastructure, strengthening supply chains and ensuring that the benefits of growth are shared across the economy.

This presents a unique opportunity for businesses, investors, government and communities to play a meaningful role in shaping Namibia's energy future.

As Namibia enters a transformative period of growth and investment, particularly within the energy sector, Deloitte Namibia is committed to helping organisations navigate opportunity and create lasting impact.

Through local insight, multidisciplinary expertise and access to global experience, we support clients in turning potential into progress and opportunity into sustainable value.

DELOITTE AT A GLANCE

Proudly Namibia. Connected Globally

For more than six decades, Deloitte Namibia has supported organisations across the public and private sectors, helping clients navigate change, manage risk and create lasting value.

Since establishing operations in Namibia in 1959, the firm has grown alongside the country's development, serving businesses, institutions and government entities across a broad range of industries.

Today, Deloitte Namibia brings together local knowledge, industry experience and multidisciplinary expertise to help organisations make informed decisions, meet evolving regulatory requirements and respond to an increasingly dynamic business environment. As part of Deloitte Africa and the broader Deloitte network, our clients benefit from both local understanding and access to specialised skills, insights and experience from across the region and around the world.

Whether addressing today's priorities or preparing for tomorrow's opportunities, we are committed to building lasting relationships and delivering practical solutions that create value for our clients, our people and our communities.

OUR PARTNERSHIP:

Melanie Harrison
Country Leader
Assurance and Consulting Director

Johann Cronjé
Audit Leader/Partner

Gerda Brand
Tax Director

Helen De Bruin
Audit Partner

Piquet Parry
Audit Partner

OUR SERVICES

Multidisciplinary Solutions. One Deloitte.

Our multidisciplinary model brings together specialists across assurance, consulting, tax and legal services to help organisations navigate complexity, manage risk and achieve their strategic objectives. Drawing on local experience, regional capability and global leading practices, we deliver integrated solutions tailored to each client's needs.

Audit
External Audit
Independent audit services that enhance stakeholder confidence, support transparent reporting and strengthen trust in financial information.

Assurance
Helping organisations enhance governance, control environments and reporting confidence through:

- Internal Audit, IT, Data & Analytics
- Accounting & Reporting Assurance
- Controls Assurance
- Sustainability & Emerging Assurance

Deloitte combines local knowledge, African reach and global capabilities to help organisations navigate change, manage complexity and create lasting impact

Consulting
Delivering practical solutions that help organisations transform, adapt and grow.

- Strategy & Transactions
- Risk, Regulatory & Forensic
- Enterprise Technology & Performance
- AI & Data
- Cyber
- Human Capital

Tax & Legal
Providing integrated tax and legal solutions to help organisations navigate an increasingly complex regulatory environment.

- Business Tax
- Indirect Tax
- M&A Tax
- International Tax
- Transfer Pricing
- Legal

UPSTREAM OIL & GAS

Spotlight: Industrial Baseline Survey

Building Local Content and Economic Participation

Upstream Oil and Gas Industrial Baseline Survey (IBS)

To Read More
Scan the QR code

A Defining Economic Opportunity for Namibia

The Upstream Oil and Gas Industrial Baseline Survey (IBS) report commissioned by TotalEnergies and Shell represents the most comprehensive assessment undertaken to date of Namibia's readiness to participate in and benefit from a future upstream oil and gas industry.

Supported by the Ministry of Mines & Energy, NAMCOR and PTEROFUND, the report was conducted from July to December 2023.

Commissioned in response to recent offshore discoveries in the Orange Basin, the study evaluated Namibia's supply chains, workforce capabilities, economic landscape and local content potential across the full oil and gas project lifecycle.

Our findings show that Namibia is well positioned to capture substantial value from the sector, provided that investments continue in skills development, infrastructure, supplier capability and industry readiness. Importantly, it highlights that the oil and gas opportunity extends beyond exploration and production, creating potential for growth across logistics, construction, engineering, hospitality, financial services, education and support services.

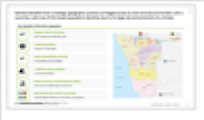
The report highlights where Namibia is well positioned to secure quick wins and where further investment and development are needed to unlock longer-term opportunities.

Why the IBS Matters

Unlike many producing jurisdictions that conduct industrial baseline surveys after a Final Investment Decision (FID), this assessment was done during the pre-FID phase. This proactive approach provides government, industry and local businesses with an early understanding of what will be required to maximise local participation and economic benefit over the decades-long lifecycle of offshore developments.

We analysed the complete oil and gas value chain, from exploration and appraisal through construction, production and eventual decommissioning. Our assessment confirms that offshore developments could span more than 30 years, creating opportunities well beyond the initial construction phase.

Overview of project activities



Extensive desk research: *LC policy & regulations, socio-economic landscape, labor market, etc.*

Communications: *large-scale communication campaign involving local newspapers and radios, webinars and social networks*

Stakeholder mapping & engagement: *online surveys, interviews and site visits to understand local challenges and expectations*

In-depth analysis of Supply Chain (SC) & Workforce (WF): *assessment of local SC & WF and project demand estimation to quantify and qualify SC & WF gaps*

Economic impact analysis & Identification of potential next steps: *valuation of LC economic impact on Namibian GDP and next steps for Oil & Gas Sector*

UPSTREAM OIL & GAS

Spotlight: Industrial Baseline Survey

Summary of key findings

Challenges

- Lack of knowledge of sector
- Lack of anticipation of economic upset (risk of "Dutch Disease")
- Risk of corruption

Expectations

- Positive contribution to GDP
- Maximum contribution from Namibian suppliers
- Meaningful skill transfers and training
- Transparent legal and political environment

Supply Chain Assessment

- 80% of suppliers showed clear interest
- 45% of Supply Chain's (SC) can be ramped up without major investment
- Significant need for investment in HSSE

Workforce Assessment

- Some critical qualifications for technical jobs were identified as insufficient in terms of volume
- Specific O&G qualifications do not exist in-country

LC Impact Assessment

- 1 FPSO: 5.8% GDP growth and 7k jobs created in the Production phase
- 4 FPSO: 21% GDP growth and 26k jobs created in the Production phase

Summary of potential next steps

Increase awareness of the oil & Gas industry requirements, incl. project timeline, demand scale, standards of HSSE, ethics & compliance, etc.

Define competitive LC policies and incentives,
e.g.,: Incentives for investment, skill development, and partnerships

Create more favourable financing conditions
e.g.,: Facilitate access to lending, de-risk investments in capability building, Improve working capital conditions

Prioritise infrastructure development
e.g.,: Developing maritime/onshore logistics base

Establish National Talent Register and Workforce enablement system
e.g.,: Online Talent Portal, Set-up of O&G specific modules within the curriculum for engineering and TVETs, workforce certifications

Establish National Supplier database and Supplier Development Centre
e.g., Supplier Portal, Support development of the local supplier ecosystem

Prioritise Supply Chains for development
e.g.: Priorities investments on quick wins supply chains, focus investments on supply chains with limited demand-supply gaps

What Will Determine Success

The survey stresses that the size of offshore discoveries alone will not determine Namibia's long-term success. Real economic impact will depend on: Effective local content policies and implementation. Investment in workforce development and skills transfer. Strengthening institutions and financing mechanisms. Development of supporting infrastructure. Building competitive local suppliers capable of meeting international standards. Strategic use of future revenues from taxes, royalties and other fiscal benefits to support long-term economic diversification

The survey also found that Namibia already possesses a strong base of relevant skills, including engineering, construction, finance, logistics and business services, although specialised oil and gas qualifications will require targeted training and upskilling. Success will ultimately depend on continued investment in workforce development, supplier capability, infrastructure and effective local content policies that enable Namibians and Namibian businesses to participate meaningfully throughout the more than 30-year lifecycle of offshore developments.

TAX GUIDE

Understanding Namibia's Upstream Petroleum Sector

This guide provides a summary of the applicable taxes and is not intended to serve as a comprehensive statement of the law. No liability is accepted for any errors or omissions contained herein. Readers should seek detailed advice from Namibian tax professionals.

INTERNATIONAL OIL COMPANIES & LICENCE HOLDERS

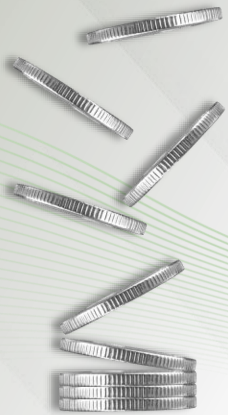
The tax types set out below are applicable to upstream oil & gas activities of International oil companies and license holders. Exceptions may apply depending on the Petroleum Agreement negotiated with Government.

TAX TYPE	(%)
Petroleum Corporation Tax (PIT)	35%
Additional Profit Tax (APT)	3 Tiers *(Based on project profitability)*
Value Added Tax (VAT)	15%, 0% e.g. exports
Petroleum Royalty	5%
Export Levy (Unrefined Oil & Gas)	1.5%

Withholding Taxes

Subject to Tax Treaties ("**DTAs**") and domestic exemptions.

Payment Type	**Rate**
Dividends (petroleum profits)	0%
Royalties / Know-how	10%
Equipment Lease/Charter	10%
Management Services	10%
Consulting & Technical Services	10%
Interest	10%



PETROLEUM INCOME TAX

Upstream oil & gas activities are taxed according to the provisions of the Petroleum Taxation Act, which imposes petroleum income tax ("**PIT**") and additional profit tax ("**APT**"). Generally, except for certain administrative provisions and withholding taxes, the provisions of the Income Tax Act do not apply to such activities.

PIT is calculated on the taxable income received by or accrued to or in favor of any person from a licence area in connection with exploration operations, development operations or production operations carried out a tax year in a licence area. Such tax shall be paid separately for each licence area and is calculated at 35% on taxable income.

APT is calculated on the after-tax net cash flow from petroleum operations in each licence area. APT is only payable if the petroleum operations in a licence area earn an after-tax real rate of return of 15%. The second and third tiers of APT become payable once the profitability level exceeds 20% and 25% respectively.

Rates

The rate for PIT is 35%. APT rates for the different tiers are generally determined in the Petroleum Agreement entered into with Government.

Taxable income

Taxable income from petroleum activities is derived at by deducting allowable expenses from "gross income" as set out below.

Revenue

Gross income is defined and includes:

- amounts actually received or accrued in or outside Namibia in respect of petroleum produced, saved, delivered, and disposed of at arm's length sale;
- the fair market value of petroleum produced, saved, delivered, and disposed of at non-arm's length sale; and
- the fair market value of petroleum produced, saved, and appropriated for refining or other purposes.

In addition, other prescribed amounts e.g., petroleum is produced and sold but not delivered, insurance proceeds and the sale of petroleum information should be considered for inclusion in gross income.

Deductions and allowances

The following deductions are allowed:

- any expenditure actually incurred in the production of gross income in a licence area excluding expenditure of a capital nature i.e., operating expenses
- cost in respect of education and training of Namibian citizens at approved institutions;
- cost in respect of the provision of education and scientific material and equipment specified in a production licence;

Deductions and allowance (cont.)

- restoration and rehabilitation expenditure specified in terms of a licence;
- all exploration expenditure incurred prior to the year of first production (first oil). Prior to the year of first oil, such costs are accumulated and carried forward until the year of first oil in which 100% of exploration costs are deductible;
- one third of all development expenditure incurred prior to first oil. Prior to first oil such costs are accumulated and carried forward until the year of first oil. Development expenditure is deductible on a straight-line basis over three years.
- on-going exploration expenditure incurred in tax years after first oil is deductible as incurred.
- on-going development expenditure incurred in tax years after first oil is deductible on a straight-line basis over three years.

Where an expense is incurred in respect of more than one licence area, the taxpayer should make a reasonable apportionment between the different licence areas.

Losses

Losses incurred in one licence area may not be offset against taxable income earned in another licence area or against income from other operations, i.e., the assessed losses per licence area are ring-fenced.

From the 2024 tax year onwards, there is some uncertainty regarding how long tax losses may be carried forward.

Decommissioning

A licence holder is required from the date when half of the estimated petroleum reserves have been produced to make annual contributions into a decommissioning trust fund. These annual contributions will be deductible in the computation of taxable income for both PIT and APT.

ADDITIONAL PROFIT TAX

The determination of APT is complex but at a high level APT is levied on a three-tier cash flow position for the year concerned and is based on the "net cash receipts" for the year.

"Net cash receipts" is the amount made up of gross income less deductible operating, exploration and development expenditure, royalties, export levies and PIT payable for the year.

APT is a formula-based tax and is determined as follows:

(AxB) + C

A= the first/ second/ third net cash position of the tax year immediately prior to the tax year in question

B = if the net cash receipts are negative the amount needs to be adjusted by:

- 115% for the first position plus an inflation adjustment

- 120% for the second position plus an inflation adjustment less any APT on the first position

- 125% for the third position plus an inflation adjustment less any APT on the first and second positions

C= the first/ second/ third net cash position of the tax year in question.

PAYMENTS RECEIVED FROM/PAID TO RELATED PARTIES

Transfer pricing

All companies subject to Namibian tax are required to undertake their transactions with connected parties on an arms' length basis. NamRA may adjust income received or expenses paid where the arm's length principle was not followed. Best practice is to have a master and local transfer pricing policy to support international connected party transactions.

Interest deductibility

Generally, interest payments made to a connected party on any borrowings are tax deductible. From the 2024 tax year onwards, there is some uncertainty whether such deductions will be limited to 30% of Tax EBITDA (a defined term).

Exchange control

Exchange control rules may apply to payments made to non-resident suppliers and to salary payments made to non-resident employees. Readers are advised to consult a local banking institution to ensure compliance with exchange control regulations.

ASSET TRANSACTIONS

Farm-out transactions

Namibia does not generally impose capital gains tax, but a specific inclusion in the gross income definition has the result that the sale of petroleum rights or licences or the sale of shares in companies that holds petroleum rights or licence is subject to tax at prevailing corporate income tax rate. The tax value of such a transaction will be the proceeds less acquisition costs, exploration costs or cost to improve the licence or right. The deductible costs cannot create a tax loss.

Asset disposals

Asset disposals may give rise to taxable capital gains and a recapture/ recoupment of capital allowances (tax depreciation) for PIT purposes. The taxable gain will only be included once production has commenced.

The allocation of consideration for asset disposals is important for taxation purposes for both seller and purchaser as it will determine capital allowances (tax depreciation) and recapture/ recoupment of capital allowance for the buyer and seller respectively.

WITHHOLDING TAXES

Dividends

There is no withholding tax on dividends paid to non-resident shareholders where dividends are paid out of petroleum profits.

Interest

A withholding tax of 10%, subject to tax treaty provisions, is applicable on the payment of interest by a resident person to a non-resident person.

Rent and royalties

A withholding tax of 10%, subject to tax treaty provisions, is applicable on payment of royalties on, for example, intellectual property. Similarly, payments for the rent/lease/charter of commercial, industrial, or scientific equipment to a non-resident person are subject to a withholding tax of 10%.

Services

A withholding tax of 10%, subject to double tax agreement provisions, is applicable on non-resident director's fees, and the payments for administrative, managerial, technical, consulting, or similar services provided by a non-resident person.

Tax treaties

Namibia currently has eleven double tax treaties in place, namely:

Botswana	France
Germany	India
Malaysia	Mauritius
Romania	Russia
South Africa	Sweden
United Kingdom	

Namibia has signed the multi-lateral agreement (MLI), but it has not been ratified yet.

Employees' taxes

Monthly, employee tax ("**PAYE**") must be withheld from all remuneration (salary and benefits) at the prevailing individual tax rates. PAYE is applicable to all employees working in Namibia, whether or not they are Namibian residents.

Monthly, social security contributions must be deducted from employees' salaries, whether or not the employee is a Namibian resident. From 1 September 2026, contributions are 0.9% of monthly remuneration, with a maximum monthly salary of NAD12 500 and a minimum monthly salary of NAD500. This translates into a monthly contribution of NAD112.50 for employees earning more than NAD12 500 a month. Monthly employer contributions much match employee contributions.

INDIRECT TAXES

Value added tax and import VAT

VAT registration is required when an entity has a "taxable activity" in Namibia and if the value of that entity's taxable supplies exceeds NAD1 million for any 12-month period. Voluntary registration may be applied for where this threshold is not achieved and where there is an intention to make taxable supplies in future.

The standard rate of VAT is 15% and certain specified supplies of goods and services may be zero-rated, for example the exportation of goods from Namibia.

Import VAT is applicable and payable (at an effective rate of 16.5%) on all goods (movable items) imported into Namibia unless an exemption is granted. Generally, import VAT exemptions are available for exploration activities.

Services provided from outside Namibia are only subject to 15% if the recipient of the service is using or consuming the service to make exempt supplies.

A VAT registered entity will be entitled to an input tax deduction in respect of any goods or services acquired that were subject to Namibian VAT and any import VAT payments, with a few exceptions. Entities need to show that the goods and/or services will be used or consumed in making taxable supplies or future taxable supplies. Input tax and import VAT claims must be substantiated with valid tax invoices or in the case of import VAT, proof of import VAT payments.

Input tax on goods or services must be claimed within three years of the invoice date or date of import VAT payment, respectively, otherwise the claim is forfeited.

Refunds are subject to VAT refund verification audits by the Namibian Revenue Agency.

Customs duties

Customs duties are applicable on the importation of goods from countries other than South Africa, Lesotho, and Swaziland ("SACU"), unless an exemption applies. Customs duty rates for imports from outside SACU will depend on the product classification. Generally, customs duty exemptions are available for exploration activities.

OTHER TAXES

Royalties and export levy

Petroleum royalty is levied at the rate of 5% of the market value of oil and gas produced and saved.

An export levy of 1.5% is applicable on the export value of oil and gas.

Licence fees and training levies

Annual licence area rental charges are payable (which are deductible for PIT purposes) and rates depend on the square kilometers of exploration area held during certain specified years, for example USD7 per square kilometers for the first 4 years, USD 10 for the next 2 years, etc. The exact amount is usually determined in the Petroleum Agreement entered into with Government.

Annual training levies are also payable by licence holders, the amount is biddable and negotiable.

Vocational training levies of 1% of the monthly payroll are payable to the Namibian Training Authority by an employer where the annual payroll exceeds NAD1 million. Annually, a portion of training costs incurred in the prior year may be claimed from the Namibian Training Authority.

OTHER

Choice of business entity

Namibian operations could take the form of a subsidiary or an external company (i.e., a branch of a foreign company).

A Namibian branch and subsidiary are treated the same for Namibian tax purposes. The main tax-related differences between a Namibian branch and subsidiary are:

Withholding tax on dividends

In the case of a branch no withholding tax on dividends is applicable when branch profits are remitted to its "head office". If the "head office" subsequently declares a dividend to its shareholders, the portion of that dividend attributable to Namibian-sourced profits should be subject to Namibian non-resident shareholder's tax ("**NRST**").

In the case of a subsidiary, NRST will be payable where dividends are declared to non-Namibian shareholders.

In both instances, NRST is only applicable where dividends are declared out of non-petroleum related profits.

Company annual duty

Company annual duty is payable by both subsidiaries and branches. Annual duties are calculated at NAD6.50 for every NAD10 000 or part thereof of issued share capital inclusive of share premium. This annual duty is payable annually in advance.

In the case of a branch, annual duty is payable on the issued share capital including share premium account (if any) of the foreign company ("head office").

In the case of a subsidiary the annual duty is calculated on the Namibian subsidiary's share capital and share premium.

SUPPLIERS TO THE UPSTREAM PETROLEUM INDUSTRY

Suppliers to the upstream petroleum industry are subject to corporate income tax (companies) on activities with a Namibian source or deemed source. The following taxes are applicable to such suppliers:

Corporation Tax	For tax years 1 January 2025 - 30%
Value Added Tax	15% unless zero-rated

Withholding Taxes

* Subject to reduction under double tax agreements and domestic law exemptions.

Payment Type	Rate
Dividends	10%/20%
Royalties / Know-how	10%
Equipment Lease/Charter	10%
Management Services	10%
Consulting & Technical Services	10%
Interest	10%

Comments in the rest of this section apply to non-resident suppliers.

CHOICE OF BUSINESS ENTITY

Where a non-resident supplier establishes a fixed place of business in Namibia (whether or not for a short duration), it should register a business entity in Namibia in the form of a subsidiary or an external company (i.e., a branch of a foreign company).

A Namibian branch and subsidiary are, generally, treated the same for Namibian tax purposes. The main tax-related differences between a Namibian branch and subsidiary are:

Withholding tax on dividends

In the case of a branch no withholding tax on dividends are applicable when branch profits are remitted to its “head office”. If the “head office” subsequently declares a dividend to its shareholders, the portion of that dividend attributable to Namibian-sourced profits should be subject to Namibian NRST.

In the case of a subsidiary, NRST will be payable where dividends are declared to non-Namibian shareholders. NRST rates are discussed below.

Company annual duty

Company annual duty is payable in Namibia. Annual duties are calculated at NAD6.50 for every NAD10 000 or part thereof of issued share capital inclusive of share premium. This annual duty is payable annually in advance.

In the case of a branch, annual duty is payable on the issued share capital including share premium account (if any) of the foreign company ("head office").

In the case of a subsidiary the annual duty is calculated on the Namibian subsidiary's share capital and share premium.

CORPORATE INCOME TAX

General principle

Under Namibia's source-based tax rules, a non-resident company must determine whether income from supplying goods and/or services to a Namibian-registered company is derived from a Namibian source or a deemed Namibian source.

Source needs to be determined by considering the originating cause of the income and where that cause is located. In some instances, relief from paying Namibian corporate tax could be provided based on the provisions of a relevant tax treaty. And in some instances, withholding taxes as opposed to corporate tax would be applicable depending on the nature, duration and location of the supply (goods or services).

Thus, non-resident suppliers should consider whether Namibia's source-based corporate tax rules or withholding tax rules apply to their activities when supplying Namibian clients.

Rates

The current corporate rate is 30%.

Taxable income

Taxable income is derived at by deducting allowable expenses from "gross income" as set out below.

Revenue

At a high-level, gross income includes income actually received or accrued in or outside Namibia, in respect of Namibian sourced based activities.

Deductions and allowances

Tax deductions include, but are not limited to:

- expenditure actually incurred in the production of gross income i.e., operating expenses.
- capital expenditure e.g. movable assets that are deductible on a straight-line basis over three years.
- erection costs of buildings on land owned of 20% in the first year of use and 4% for the next twenty years.
- where applicable, leasehold improvement costs over the duration of the lease;
- costs for repairs and maintenance.

Special youth internship allowance

In addition to the actual internship costs that are deductible, an internship allowance, calculated in accordance with a prescribed formula, may be claimed provided that a registered internship agreement was in place during the relevant tax year.

An internship agreement must be certified by a designated authority.

Losses

Tax losses incurred in a particular tax year may be accumulated and carried forward for a limited number of years, provided there is no interruption of trade or operations. The applicable limitation is five years. In addition, where taxable income for a particular tax year exceeds NAD1 million only 80% of accumulated tax losses may be utilized. Tax losses may not be carried back.

PAYMENTS RECEIVED FROM/ PAID TO RELATED PARTIES

Transfer pricing

All companies subject to Namibian tax are required to undertake their transactions with connected parties on an arms' length basis. NamRA may adjust income received or expenses paid where the arm's length principle was not followed. Best practice is to have a relevant transfer pricing policy to support international connected party transactions.

Interest deductibility

Generally, interest payments made to a connected party on any borrowings are tax deductible but limited to 30% of Tax EBITDA (a defined term).

Exchange control

Generally, consideration for supplies made by a Namibian registered person to a Namibian registered client may not be received in foreign currency.

Exchange control rules may apply to payments made to non-resident suppliers for services provided outside Namibia or goods provided from outside Namibia. Exchange control rules may also apply for salary payments made to non-resident employees working in Namibia. Readers are advised to consult a local banking institution to ensure compliance with exchange control regulations.

WITHHOLDING TAXES

Dividends

Withholding tax on dividends is not applicable when branch profits are remitted from the Namibian branch to its "head office." Once the 'head office' declares a dividend to its shareholders, the proportion of that dividend resulting from Namibian originated profits should be subject to Namibian NRST.

In the case of a subsidiary, NRST will be payable where dividends are declared to non-Namibian shareholders.

The domestic NRST rate, subject to tax treaty provisions where applicable, is 10% where shareholding exceeds 25%. Where shareholding does not exceed 25%, the NRST rate is 20%.

Interest

A withholding tax of 10%, on the payment of interest by a resident person to a non-resident person is applicable, subject to tax treaty provisions.

Rent and royalties

A withholding tax of 10%, subject to tax treaty provisions, is applicable on payment of royalties on, for example, intellectual property. Similarly, payments for the rent/lease/charter of commercial, industrial, or scientific equipment to a non-resident person are subject to a withholding tax of 10%.

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Value added tax and import VAT

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Import VAT is applicable and payable (at an effective rate of 16.5%) on all goods (movable items) imported into Namibia unless an exemption is granted.

Services provided from outside Namibia are only subject to 15% if the recipient of the service is using or consuming the service to make exempt supplies.

The VAT registered entity will be entitled to an input tax deduction in respect of any goods or services acquired that were subject to Namibian VAT and any import VAT payments, with a few exceptions. Entities need to show that the goods and/or services will be used or consumed in making taxable supplies or future taxable supplies. Input tax and import VAT claims must be substantiated with valid tax invoices or in the case of import VAT, proof of import VAT payments.

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Customs duties

Customs duties are applicable on the importation of goods from countries other than South Africa, Lesotho, and Swaziland ("SACU"), unless an exemption applies. Customs duty rates for imports from outside SACU will depend on the product classification.

DECISION TREE

Decision tree for foreign service providers*

Company registration, corporate tax registration, VAT registration and withholding taxes.*

Will the Foreign Service Provider establish a place of business in Namibia?

Yes

Register:

- **External company/ Namibian subsidiary**
- **Relevant Namibian taxes, e.g. corporate tax, VAT**

No

Does the contract income /activity meet the Namibian source / deemed source requirements?

Yes

Consider:

- Company registration
- VAT implications and registration
- Corporate tax vs withholding tax
- Tax treaty, where applicable

No

- Consider VAT implications and registration
- It is likely that withholding taxes will be applicable.
- Consider tax treaty, where applicable.

*This decision tree is a high-level guide only and does not address all tax, regulatory, or industry-specific requirements that may apply to foreign service providers in Namibia. Specific facts and circumstances should be considered before determining the Namibian tax and registration obligations.

This guide provides a summary of the applicable taxes and is not intended to serve as a comprehensive statement of the law. No liability is accepted for any errors or omissions contained herein. Readers should seek detailed advice from Namibian tax professionals.

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