



Namibian Mid-year Budget 2024/2025

Deloitte Namibia
October 2024



Continuing the legacy of H.E. Dr. Hage G. Geingob by caring for the Namibian child.

"... the ongoing drought that has weighed negatively against domestic economic activities and caused considerable hardship for many of our citizens. As a result, it has become necessary to make additional provisions to mitigate the impact of the drought on livelihoods. . ."

Minister of Finance & Public Enterprises

Mr. Iipumbu Shiimi, 30 October 2024



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Foreword



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Third time's a charm. After two false starts as a result of not having a quorum, Minister of Finance and Public Enterprises, Iipumbu Shiimi, tabled his mid-year budget statement for FY2024/25 in Parliament on 30 October 2024.

As we present a summary of the mid-year budget for FY2024/25 we want to highlight the objectives of the mid-year budget statement. The mid-year budget statement is aimed to provide final fiscal indicators for the year ended March 2024 and to provide revised estimates for FY2024/25.

Although the Namibian economy continues to recover, revisions were made to the FY2024/25 budget mainly due to an expected lower contribution by the mining sector, as a result of low global demand, and the agricultural sectors as a result of the ongoing drought.

We present the main highlights of the mid-year budget here.

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Fiscal Policy

The Minister stated that the **macro fiscal policy framework** tabled in February 2024 remains largely applicable. The budgetary framework is built on three reinforcing policy pillars: stimulating domestic demand, accelerating investments in productive public infrastructure, and cultivating fiscal prudence. The Minister emphasised the need to rebuild fiscal buffers and stabilising public debt to safeguard long term macroeconomic stability

Final fiscal indicators for FY2023/24

The final **total revenue collection** for FY2023/24 was N\$81.5 billion. In the main budget in February 2024 revenue was estimated to be N\$81.1 billion. The main contributors were individual income tax and withholding taxes.

Operational expenditure of N\$67.9 billion was recorded at an execution rate of 98.9%. On the **development expenditure** side N\$7.1 billion was recorded at an execution rate of 84.5%. **Interest payments** amounted to N\$12.5 billion.

The **FY2023/24 deficit** was N\$5.6 billion equivalent to 2.4% of GDP, significantly outperforming the revised projections of 3.2% and a major improvement from 5.2% recorded in the previous financial year.

Total debt stock as at the end of March 2024 stood at N\$153.7 billion, equivalent to 65.1% percent of GDP, a moderation from 67.6% of GDP in the previous financial year.

Mid-year fiscal indicators for FY2024/25

Revenue collected at mid-year stood at N\$45.7 billion, equivalent to 50.5% of the initial budgetary projections.

Total **revenues** were revised upwards by N\$1.7 billion to N\$92.1 billion with expectation of revenue growth of 13.1% year-on year.

The **revenue outlook** over the remainder of the MTEF remains uncertain, especially taxes on international trade. These taxes are subject to trade and economic developments in the region and consequently revenue flows into the SACU pool.

On the **expenditure** side, 48% of the operational budget and 37.4% of the development budget were spent at mid-year. **Total debt** was 60% of GDP at N\$161 billion.

Growth in the Namibian economy is estimated at 3.6% in 2024 and 5.4% in 2025. In the main budget tabled in February 2024, these growth expectations were set at 4% for 2024 and 3.9% for 2025. These revisions considered the gravity of the drought and significant weaknesses in the diamond sector.

Inflation rates went from 5.9% in 2023 to 3.4% in September 2024 and are expected to remain between 3% - 6% over the medium term.

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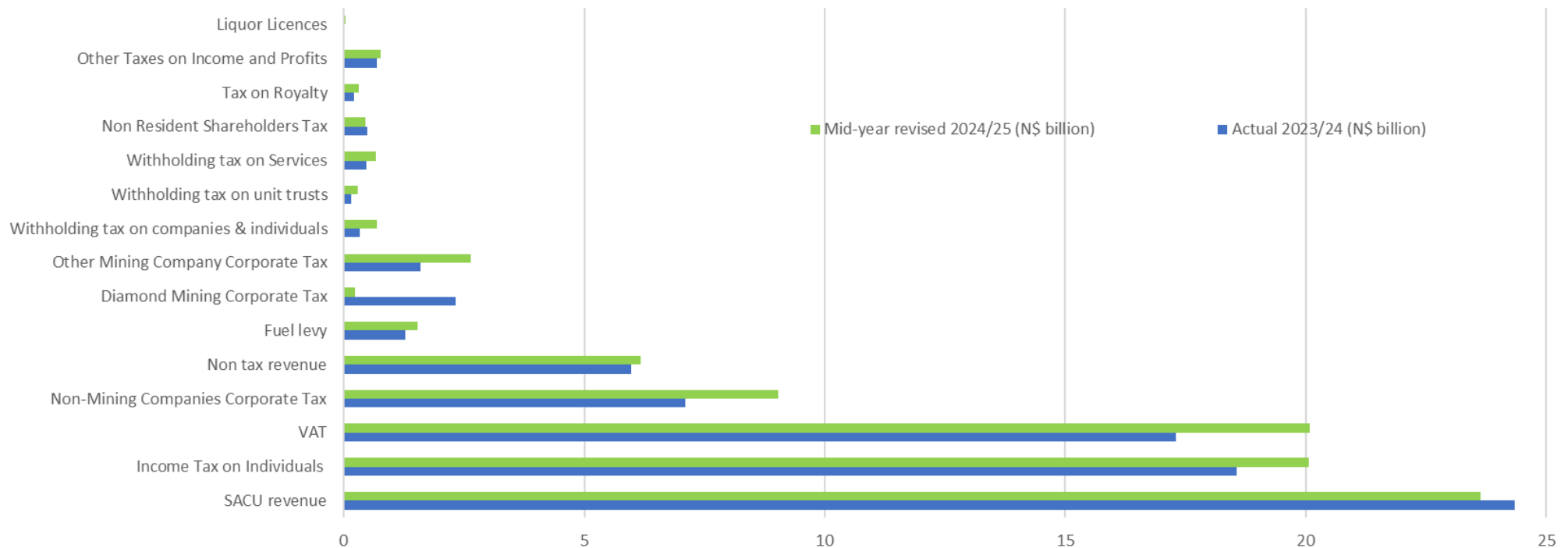
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Revenue estimates



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Economic Policy

From an economic policy perspective, the Minister maintained that the national priorities remain enshrined in the second Harambee Prosperity Plan (HPP II) and that the National Planning Commission is developing the sixth National Development Plan (NDP VI) which is scheduled to be launched in April 2025.

The Minister reported progress, in amongst others, the following areas:

- the enactment and implementation of various **tax amendments** that were completed in September 2024 to provide some measure of relief to taxpayers and stimulate domestic economy;
- commencement of the implementation of the 2023 **National Housing Policy**;
- 296 **classrooms** were already constructed countrywide by end of September 2024 with a further 216 still be constructed;
- drilling of 185 **boreholes** and 20 **earth dams** in rural communities were completed by September 2024, with another 83 boreholes and 34 earth dams in the pipeline;
- connection of 18 public institutions and 88 rural households to the **national grid** were completed by September 2024 with another 39 public institutions and about 1 000 households still in the pipeline to be connected; and
- **disbursements** of up to N\$398.8 million to 360 SMEs through the Small and Medium Enterprises (SMEs) Recovery Loan Scheme.

Expenditure Estimates

At mid-year, the **operational expenditure** execution rate was at 48%, while the **development budget** implementation rate including expenditure commitments stood at 37.4%, significantly below the desired levels.

The **expenditure budget** is revised to N\$101.2 billion with the operational expenditure budget increasing to N\$78.2 billion and the development expenditure budget reducing to N\$10.4 billion.

The **debt servicing cost** was maintained at N\$12.9 billion.

Overall, the **budget deficit** is expected to decline by N\$277.3 million to N\$8.7 billion while remaining steady at a ratio of GDP at 3.2%.

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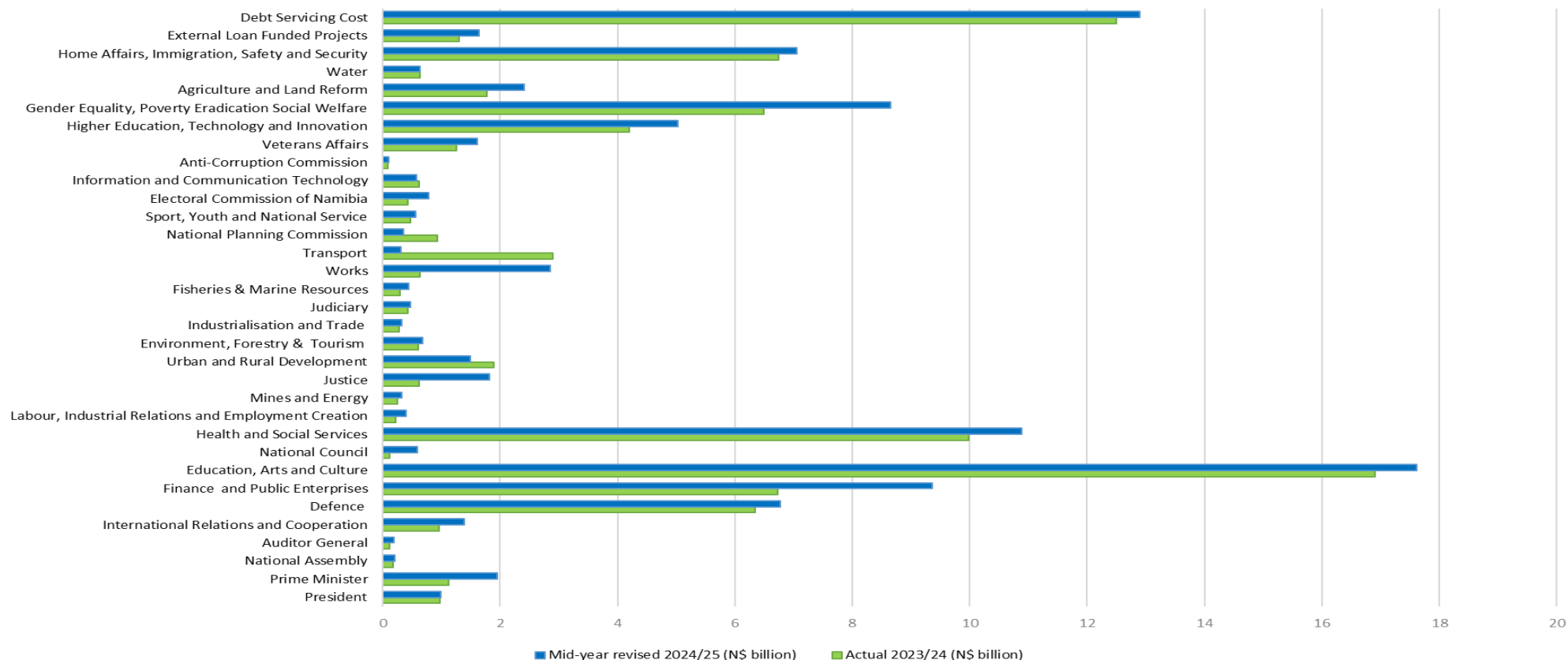
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Budget Expenditure Allocations



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Additional budget allocations

Sector	Amount (N\$ mil)	Reason
Office of the Prime Minister	698.80	For drought relief
Minister of Gender Equality	139.00	To extend conditional basic income grant
Ministry of Health and Social Services	450.00	To meet various emergencies
Green schemes	233.00	For summer cropping
Electoral Commission of Namibia	200.00	Supplement to budget
Ministry of Education, Arts and Culture	187.80	For hostel catering and utilities
Ministry of Defence and Veteran Affairs	140.00	To cover utilities
Minster of International Relations	86.80	To cover foreign exchange rate fluctuations
University of Namibia	386.00	To cover operational expenses
Public Service Employees Medical Aid Scheme	500.00	To cover projected shortfalls
Namibia Student Financial Assistance Fund	88.00	To cover shortfalls on student funding
Electricity Control Board	40.00	To absorb the suspended electivity tariffs increase

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Tax proposals

In the light of the objectives of the mid-year budget statement and in line with our expectations, there were **no new tax proposals announced**. Our expectations come on the back of the recent tax amendments enacted in September 2024. For more insights, see our Commentary to the 2024 amendments [here](#)

The Minister reiterated its commitment to providing relief to taxpayers at the same time supporting economic growth and maintaining fiscal sustainability. Taking this into account, the Minister confirmed his comments in the main budget that the **non-mining corporate tax rate** is expected to gradually reduce to 28% by FY2026/27. A reduction from 32% to 31% for tax years commencing on or after 1 January 2024 and to 30% for tax years commencing on or after 1 January 2025 has already been made.

Further **adjustments to the recently amended individual tax brackets** are expected in the outer two years of the MTEF, to counter the effects of inflation creep. The current threshold for individual tax is N\$100 000.

It is still up for debate whether Namibia will in future implement a global minimum corporate tax rate, in response to the Organisation for Economic Cooperation and Development's (OECD) **Pillar Two** framework, of which Namibia is a member. The global minimum corporate tax rate requires multinational corporations to be subject to an effective tax rate of at least 15%, regardless of where their profits are located.

Tax amnesty

Probably the most talked about comment of the Minister's statement since he tabled the budget review is **the extension of the tax amnesty program to 31 October 2026**.

According to the Minister, the extension was considered to provide relief to taxpayers, taking into account the impact of the COVID-19 pandemic which significantly reduced incomes of many taxpayers. As per the conditions of the current amnesty, that would have ended on 31 October 2024, taxpayers are required to settle any outstanding capital before 31 October 2026 for the interest and penalties to be fully written off.

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Proposals introduced in the main budget; still under discussion

Oil and gas

The Minister once again recognised the upsurge in the exploration activities in Namibia and accordingly the need to **review and update the petroleum upstream fiscal regime**, with input from stakeholders. This will be a welcomed move considering the complexities that may come with the application of the current legislation, particularly as activities move into development and production phases.

Long-term insurers

Review of the **long-term insurers tax regime**, especially the shareholders portfolio and the alignment of such portfolio to normal non-mining corporate tax is still on the table.

Local withholding tax on dividends

Introduction of a **local dividend withhold tax** of 10 percent in FY2026/27 with exemptions to certain juristic persons such as Government, pension funds and medical aid funds.

Special Economic Zones

The planned Special Economic Zones regime is expected to have a **corporate income tax rate of 20 percent**, same as all SMEs with annual turnover below a defined threshold.

Building improvement allowance

Introduction of a **building improvements allowance** of 10 percent each year on the cost of improvements on buildings. This proposals is aimed to stimulate the construction industry and to support the net zero promise so older buildings can reduce their carbon emissions.

Interest rate on tax debts

Review of the **interest rate of income tax debts** from the current fixed rate of 20 percent to a variable market rate.
We expect this amendment to be in line with the recent changes to the Value-added Tax Act that exchange the 20% interest rate with the prime lending rate.

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This guide is based on the Mid-year Budget Statement for the 2024/25 Financial Year presented by the Minister of Finance & Public Enterprises on 30 October 2024.

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