


Beyond 35: For a Prosperous Future

Deloitte commentary on the Namibian Budget 2025/2026



An abstract graphic on the left side of the slide, consisting of a dense network of interconnected nodes and lines. The nodes are represented by small circles in various shades of blue, green, and yellow, while the lines are thin and light blue. The overall shape is irregular and organic, resembling a molecular structure or a complex web. A vertical light blue line is positioned to the right of this graphic, separating it from the text area.

“In addition to celebrating 35 years as a free and independent country, the theme also serves as a clarion call on us all to redouble our efforts to create an even more prosperous future for our beloved Namibia.”

Minister of Finance and Social Grants

Hon. Ericah B. Shafudah, 27 March 2025



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Foreword



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Over the past weekend, Namibia celebrated 35 years of independence and the swearing in of our fifth president, President Netumbo Nandi-Ndaitwah.

The President reduced government ministries from twenty-one to fourteen and appointed her new cabinet over the weekend.

Newly appointed Minister of Finance and Social Grants, Hon. Ericah Shafudah tabled the 2025/2026 budget on 27 March 2025.

Per the Minister, global growth is estimated at 3.2 percent in 2024 and 3.3 percent in both 2025 and 2026, while sub-Saharan Africa growth is estimated to be 3.8 percent in 2024 and 4.2 percent in 2025 and 2026. For Namibia, GDP growth is estimated at 4.5 percent in 2025 and 4.7 percent in 2026.

The 2025/2026 budget priorities are economic development, social protection programmes, youth empowerment and food production.

A budget of N\$106.3 billion was tabled, with a N\$12.8 billion development allocation and a N\$79.8 billion operational allocation.

The budget deficit for 2025/2026 is estimated at N\$12.8 billion, 4.6 percent of GDP.

Revenue for the 2025/2026 year is estimated to be N\$92.6 billion, a 1.9 percent increase from the 2024/2025 year.

As in prior budgets the Minister announced tax proposals and noted that these are aimed at supporting economic growth, broadening the tax base and to remain competitive.

In the Namibian environment all of these proposals need to be further considered, converted into draft bills and tabled in Parliament before they will become effective. Only once the draft bills have been passed through Parliament and gazetted will they become law. Effective due dates will be clearly indicated in the gazetted laws.

We have set out the revenue collection, expenditure outcomes and tax policies in more detail below.

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Fiscal Policy Development - Revenue

The Minister noted that the fiscal fundamentals remained strong and continued to improve resulting in the revenue collection of N\$84.5 billion. This equates to a collection rate of 90% for the eleven months of FY2024/2025.

Strong collection rates were reported for corporate income tax, VAT and personal income tax.

The extended tax incentive programme that has been in place since 1 April 2023, has yielded revenue of N\$3 billion from April 2023 to February 2025. In the FY2023/2024 budget amnesty revenue between April 2023 and January 2024 was reported to be N\$2.5 billion. This means that only N\$500 million was collected between February 2024 and February 2025. It would be interesting to see a breakdown of the amnesty revenue and to understand trends of non-compliance.

Revenue estimates for FY2024/2025 are totalling N\$90.9 billion. In October 2024, revenue collection was expected to reach N\$101.2 billion, i.e. a downward revision of N\$1.2 billion.

Fiscal Policy Development - Expenditure

At the end of February 2025, non-interest expenditure stood at N\$72.9 billion. The budget execution rates stood at 86.8% for operational expenditure and 63.4% for development expenditure. The spending rate is below spending rates of the past.

For the FY2024/2025 fiscal year total debt stock stood at N\$165.9 billion, equivalent to 66% of GDP. In the prior year debt was 61.3% of GDP.

The budget deficit for FY2024/2025 is estimated at 3.9% of GDP compared to initial estimates of 3.2% at mid-year, due to lower nominal GDP outcomes and revenue reprioritisation.

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Fiscal Priorities

Unemployment

Unemployment was identified as a key macro-economic targets in this budget statement. Despite the strengthening economic activities, the Minister acknowledged that high unemployment, poverty, and income inequalities remain pervasive and entrenched challenges faced by the country. She stressed that the pace at which the economy has been generating jobs remain glaringly inadequate. In response, the fiscal and economic focus of the new administration will be to redouble efforts into fostering conditions to promote job growth through accelerating improvements in the business climate, as well as tax and regulatory frameworks. The Minister did not provide further details how an improved business climate will be achieved.

In addition to redeeming the Eurobond, the Government is also making substantial principal repayments to settle the N\$2.3 billion IMF Rapid Financial Instrument financing in FY2025/2026 and the final tranche of N\$1.2 billion in FY2026/2027.

Government's focus will shift to domestic funding as there are sufficient liquidity levels as well as demonstrated appetite for Government securities.

National debt

Management of national debt has been identified as another key priority, especially with the imminent redemption of the US\$750 million Eurobond on 29 October 2025. An amount of US\$463 million, mainly SACU revenue receipts, has been accumulated in the sinking fund over the past financial years, for redemption of the bond. The Minister aims to add another N\$3.0 billion (US\$162 million) to the sinking fund during the course of FY2025/2026 before the maturity of the bond. Effectively, this will leave a balance of N\$2.3 billion (US\$125 million) which is planned to be refinanced through the domestic market.

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Revenue outlook

The Minister highlighted that the revenue outlook is still subject to elevated uncertainties, particularly in the global economy. The Minister estimates total revenue for FY2025/2026 to be N\$92.6 billion, a 1.9% increase from the revised estimates of FY2024/2025.

The substantial strain on revenues is mainly due to a N\$6.9 billion reduction in SACU receipts and subdued activities in the diamond sector.

However improved performance on several domestic revenue streams is anticipated that includes:

- VAT is estimated to increase by N\$2.6 billion compared to the revised estimates for FY2024/2025;
- Income tax on individuals is estimated to increase by N\$1.8 billion;
- Non-mining company taxes are estimated to increase by N\$1.3 billion;
- N\$450 million from the sale of the remaining 9.0 percent shares in the Mobile Telecommunication Company (MTC) have been shifted to the next year estimates;
- Dividends of N\$720 million is anticipated from the Bank of Namibia; and
- Anticipated dividends of N\$1.6 billion from the dissolution of the Namibia Post and Telecom Holdings (NPTH).

SACU revenue

SACU revenue are customs and excise duties that are collected by all Member States and transferred to the Common Revenue Pool on a quarterly basis.

Each year, revenue shares are determined by the Council of Ministers (Ministers of Finance and Trade of each Member State) and payouts to Member States are made on a quarterly basis. Pay-outs are calculated with a sharing formula which has a customs component, an excise component and a development component.

The customs share is allocated on the basis of each country's share of intra-SACU imports. The excise component is allocated on the basis of each country's share of Gross Domestic Product (GDP). The development component is a fixed percent of total excise revenue and is distributed according to the inverse of each country's GDP per capita.

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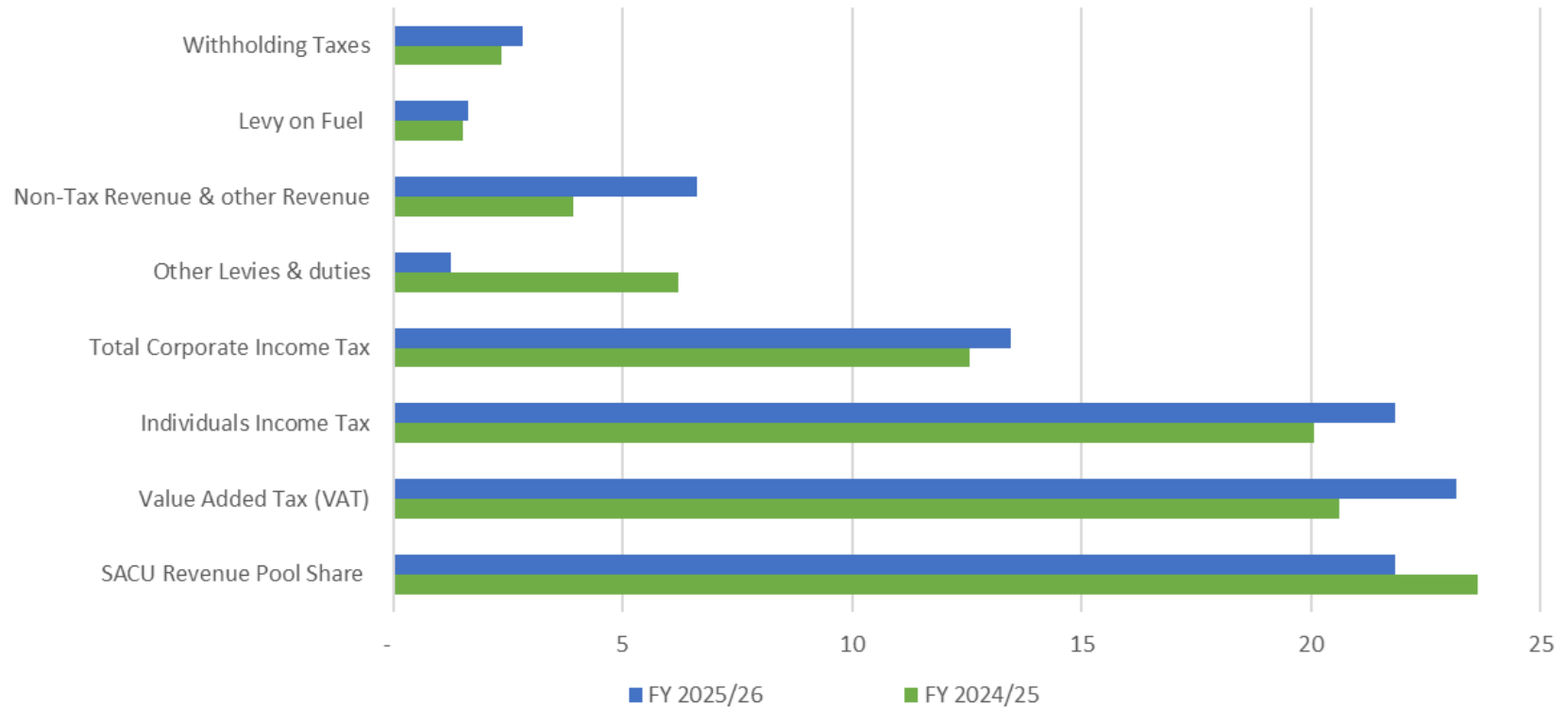
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Revenue Estimates - N\$Billion



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Economic Policy

From an economic policy perspective, the Minister highlighted the following allocation priority areas:

- **Economic development** – the budget has made provisions to support and facilitate economic development through continued investments in infrastructure, such as housing and informal settlements upgrading, education, water, power generation and health facilities, amongst others, to unlock economic opportunities and ensure delivery of social services across the country.
- **Social protection** – to continue safeguarding livelihoods, support the most vulnerable sectors of society, empower the youth the budget makes sustained allocations to the various social protection programmes.
- **Youth empowerment programmes** – the budget makes specific provisions to address youth empowerment programmes and capacity enhancement activities.
- **Food production** – the budget makes allocations to various initiatives to promote food production and stimulate agricultural activities given the elevated incidences of drought and the need to improve food security at a national level.

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Ministries that were integrated and merged	
Previous ministries	New ministries
Ministry of Industrialisation and Trade - Trade directorate Ministry of International Relations and Cooperation	Ministry of International Relations and Trade
Ministry of Fisheries and Marine resources Ministry of Agriculture, Water and Land Reform	Ministry of Agriculture, Fisheries, Water, and Land Reform
Ministry of Higher Education, Technology and Innovation Ministry of Education Arts and Culture Ministry of Sports, Youth and National Services	Ministry of Education, Innovation, Youth, Sport, Arts and Culture
Ministry of Industrialisation and Trade - Industrialisation directorate Ministry of Mines and Energy	Ministry of Industrialisation, Mines and Energy
Ministry of Labour, Industrial Relations and Employment Creation Minister of Justice	Ministry of Justice and Labour Relations
Additions to offices and Ministries Office of the President* Office of the Vice President** Ministry of Finance and Social Grants Management*** Ministry of Gender Equality and Child Welfare****	
*Oil and Gas Industry will be placed in the Office of the President **Marginalised and disability will be place in the Office of the Vice President ***Social Grants will fall under the Ministry of Finance ****Poverty Eradication will have programmes in all Government Offices, Ministries and Agencies	
Ministries and agencies that remained the same Ministry of Defence and Veterans Affairs Ministry of Home Affairs, Immigration, Safety and Security Ministry of Health and Social Services Ministry of Environment and Tourism Ministry of Information and Communication Technology Ministry of Works and Transport Ministry of Urban and Rural Development National Planning Commission National Central Intelligence Services	

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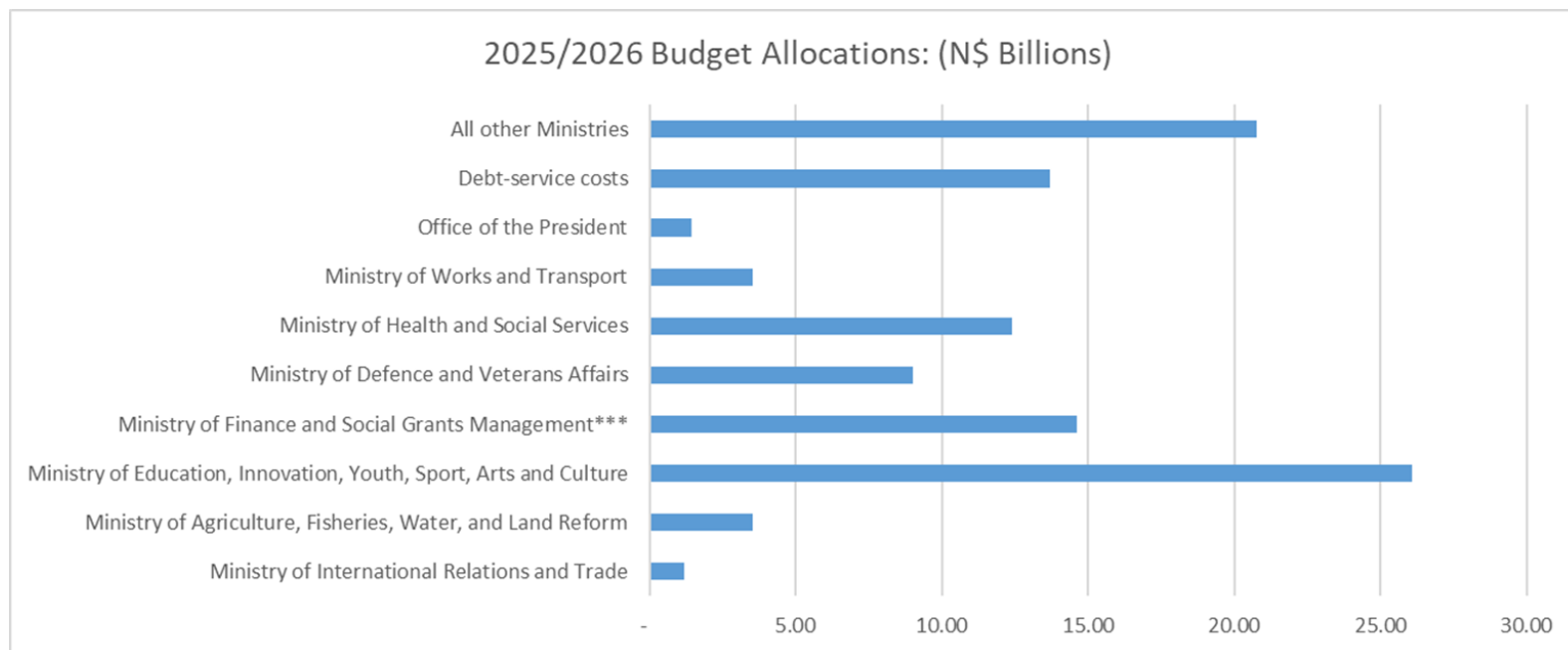
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Expenditure Estimates

A budget of N\$106.3 billion was tabled, with a N\$12.8 billion development allocation, a N\$79.8 billion operational allocation and N\$13.7 billion allocated to interest payments.



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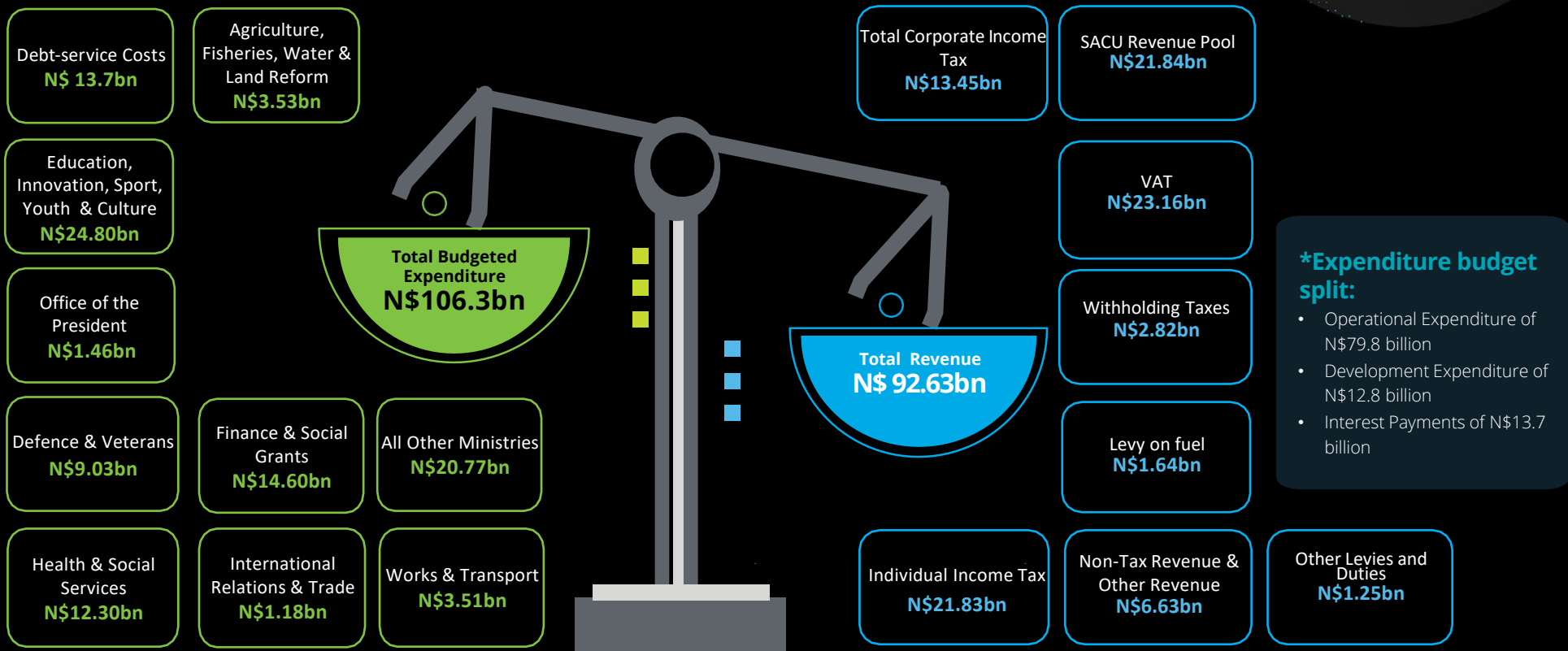
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Summary of revenue and expenditure FY2025/2026



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Tax policy

The aim of the tax policy reforms highlighted by the Minister is to support economic growth through boosting demand, broadening the tax base to improve revenue mobilisation, and enhancing the competitiveness of the tax system to attract investments and foster private sector development.

The Minister announced the following key tax policy proposals in the budget. Note that all proposals need to be gazetted as law before they will become effective.

Income tax changes

Individual income tax rates

In the prior fiscal year, the individual tax tables were changed with the promise that further changes will be made to counter inflation creep. The proposed adjustment has now been postponed from FY2026/2027 to FY2027/2028 owing to constrained revenue outlook. The proposed changes are expected to account for N\$712.9 million savings for taxpayers.

Non-mining corporate tax rate

The Minister confirmed the reduction of the non-mining corporate tax rate from the current 31% to 30% effective 01 January 2025 and a further reduction to 28% during FY2026/2027.

Withholding tax on local dividends

The Minister mentioned the introduction of a local withholding tax on dividends again. In the mid-year budget review in October 2024, indication was that the amendment will come through in FY2026/2027.

Increase in retirement funds single commutation threshold

Currently if a pension fund pay-out is less than N\$ 50 000 the whole amount will be paid as a tax-free lump sum. If the pay-out is in excess of N\$ 50 000 one third of the pay-out will be paid out as a tax-free lump sum, while the remaining portion will be paid out as an annuity. The Minister proposed that the lump sum threshold be increased to N\$ 375 000, i.e. if the pension pay-out is less than N\$ 370 000 the whole amount will be paid as a tax-free lump sum and if in excess of N\$ 375 000 one third of the pay-out will be paid out as a tax-free lump sum while the remaining portion will be paid out as an annuity. The proposal will also be applicable to pay-outs from other types of retirement funds.

Introduction of annual tax benefit cap on housing benefits

An annual tax benefit cap of N\$400 000 on housing benefits has been introduced. This means that where an individual's annual housing allowance is in excess of N\$400 000, the 1/3 housing exemption may only apply to N\$400 000. The aim of the proposal is to improve fairness of the housing fringe benefit across income brackets. However, it is not clear how the proposed amendment will achieve fairness.

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Income tax changes - continue

Preference share arrangements

The Minister announced the Introduction of an anti-avoidance provision in respect of preference share arrangements that are in substance loans. In terms of the proposal dividends earned under such an arrangement will be deemed as income subject to tax. The Ministry expect the proposal to stem revenue leakage of approximately N\$41 million annually.

Proposals under discussion and review

Special Economic Zones

The Special Economic Zones (SEZ) regime is said to be close to finalisation. Per the previous proposal, participants in the SEZ will be subject to a corporate income tax rate of 20%. The normal deductions in terms of capital allowances will apply in the SEZ regime while zero-rated VAT provisions will apply.

Dedicated Tax Court

Namibia has not had a tax court since 2019 due to a technicality in the law. We welcomed the announcement by the Minister that the re-establishment of a dedicated tax court is at an advance stage with the draft bill under review and expected to be tabled during FY2025/2026.

VAT proposals

Zero-rating of state acquired commercial properties

The Minister announced a changed to the zero-rating provision which seems to indicate that where Government purchases commercial properties, such transaction should be zero-rated. We understand that the intention of the proposal is to exempt government from paying VAT on acquisition of commercial property.

Introduction of e-invoicing

The Minister proposes an introduction of an e-invoicing system for VAT registered persons, which is anticipated to be rolled out in April 2026. The system, to be developed by NamRA, will integrate business cash registers with the Integrated Tax Administration System (ITAS). With the e-invoicing system, every invoice generated through the portal will receive a unique identification number. All invoice data will be transferred to the ITAS system in real-time, eliminating the need for manual data entry when creating invoices. The move to real-time transaction reporting will also help taxpayers to pre-file VAT returns. This will enable more efficient VAT data collection and monitoring. It is also expected to reduce administrative workload, lower compliance costs as well as combat VAT fraud.

Other African countries which are looking to introduce e-invoicing or have introduced e-invoicing already include South Africa, Zambia, Botswana and Angola.

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VAT changes - continue

VAT on digital services

The introduction of VAT on digital services aims to collect VAT from foreign digital service companies (e.g. streaming media and games, e-books, web hosting, cloud services, subscriptions to membership websites, online gambling, broadcast (TV and radio) or satellite services, etc.) in the countries where their customers are residing. This rule ensures fairness between local and international companies selling services online.

The Minister indicated that the drafting of VAT legislation on imported digital services was finalised. The Minister did not provide further details, but we expect several amendments to the VAT Act in respect of the place of supply rules, registration threshold, administration, etc.

Sin taxes

The following excise duties on the consumption of alcohol and tobacco took effect on 12 March 2025 in conformance with the SACU Agreement:

- a litre of sparkling wine increases by N\$1.20;
- a litre 750ml bottle of spirits goes up by N\$5.53;
- a kg of cigars goes up by N\$369.36;
- fortified wine increases by 64c;
- spirits increase by N\$18.52 per litre of absolute alcohol;
- a pack of 20 cigarettes, the duty rises by 98 cents.

Amnesty programme

The Minister confirmed that the tax amnesty program will remain in place until 31 October 2026.

No changes

No changes to the VAT rate, fuel levies, export levies, stamp duties or transfer duties have been announced.

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.

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Proposals introduced in the FY2024/2025 main budget; not mentioned

Oil and gas

The Minister made no mention of changes to the upstream petroleum fiscal regime that was discussed in previous budget statements.

Long-term insurers

No mention of the review of the long-term insurers tax regime which was included in previous budget statements was made.

Building improvement allowance

No mention was made to the introduction of a building improvements allowance. Previously it was said that the 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

Previously it was mentioned that the interest rate of income tax debts from the current fixed rate of 20 percent to a variable market rate will be introduced. The VAT Act was amendment in this regard in September 2024. and we expected the Minister to confirm a similar change to the Income Tax Act.

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This guide is based on Budget Statement for the 2025/2026 Financial Year presented by the Minister of Finance & Social Grants on 27 March 2025.

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