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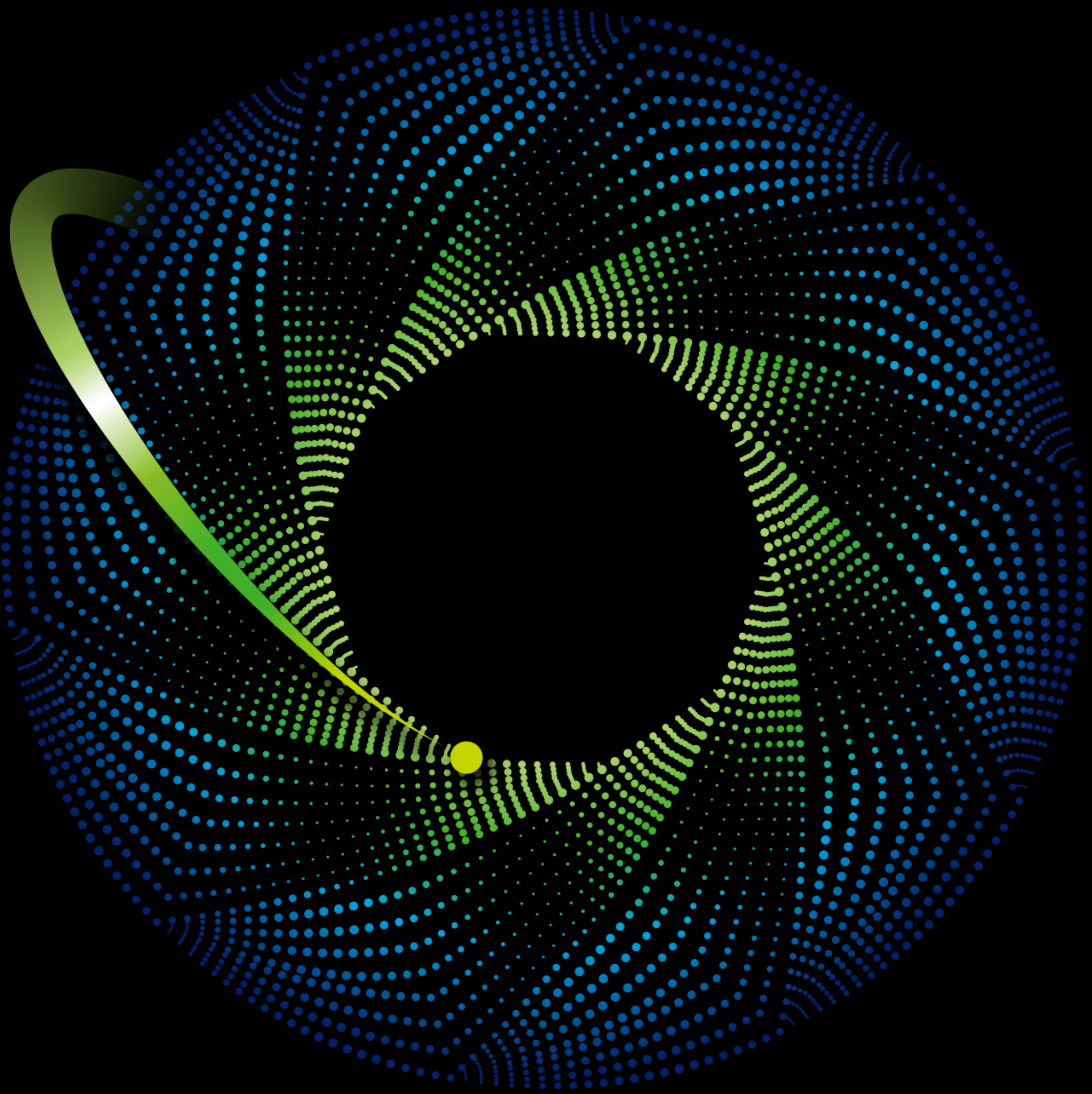
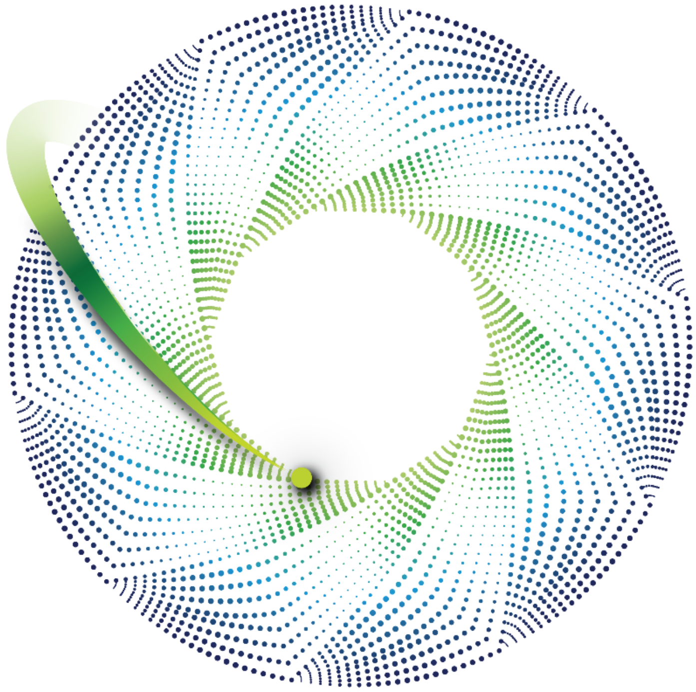


Deloitte Africa Tax Pulse

Your go-to newsletter for the latest tax developments across the continent

March 2025

Introduction



Welcome to the Deloitte Africa Tax Pulse, your go-to newsletter for the latest tax developments across the continent.

As African economies evolve, governments are implementing new tax policies to enhance revenue collection, promote transparency, and streamline compliance. These changes significantly impact businesses, individuals, and key industries.

In this edition, we cover Ethiopia's updated value added tax (VAT) regulation and new tax penalty waiver directive, Kenya's court rulings on VAT and excise duty, Malawi's implementation of the Tax Administration Act, Uganda's proposed tax amendment bills, Namibia's tax policy updates including VAT on digital services and e-invoicing, South Africa's budget highlights and new regulation for non-resident suppliers of electronic services, and Ghana's wide-ranging 2025 budget tax proposals impacting income, corporate, and indirect taxes.

Stay informed and prepared as we navigate Africa's evolving tax environment together.

Ethiopia

New tax penalty waiver directive introduced

Ethiopia's Ministry of Revenues issued Directive No. 189/2025 in March 2025, updating rules on tax administrative penalty waivers.

Notable changes impact late filing, VAT, and electronic system non-compliance penalties, moving them to a higher penalty category. The directive also introduces tiered waivers based on payment timing: 80/70/60% for low/medium/high penalties if paid within 31-60 days, and 70/60/50% if paid after 60 days.

This new directive aims to enhance fairness and encourage tax compliance through a transparent waiver system. Taxpayers should familiarise themselves with the new conditions and apply for waivers when eligible.

Ethiopia updates VAT regulation: Digital economy focus

On 17 March 2025, the Council of Ministers of Ethiopia issued a Value Added Tax (VAT) Regulation No. 570/2025 for the proper implementation of VAT proclamation No. 1341/2024.

The VAT regulation introduces key changes, notably for the digital economy and VAT administration for foreign suppliers. The regulation clarifies detailed requirements for VAT registration and the conditions for registration suspension. It mandates VAT registration for foreign e-commerce platforms and taxes passenger transport services provided electronically.

The following are key areas addressed by the regulation regarding the administration for foreign suppliers:

- supply of goods and services by electronic means;
- registration of foreign suppliers;
- VAT documentation for registered foreign suppliers; and
- filing of VAT returns and payment of VAT by registered foreign suppliers.

Suppliers are recommended to comply with the requirements of VAT laws to remain tax compliant and avoid penalties due to non-compliance.

Kenya

VAT chargeable on the supply of commercial property

The Court of Appeal (CoA), in its judgement in ***Kenya Revenue Authority v Ndegwa,*** has ruled that VAT is chargeable on the supply of commercial property, overturning a previous High Court decision.

The CoA clarified that the VAT Act, 2013 exempts only vacant land and residential property, not commercial buildings. The Court emphasised the importance of interpreting laws within their specific contexts, noting that the definition of land in the Constitution does not universally apply.

The conclusion of this matter at the Court of Appeal sets a precedent and provides much-needed clarity on the VAT treatment for the supply of commercial property.

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East Africa

Kenya

Excise duty on additional interest charged on late repayment of loans

The Tax Appeals Tribunal (TAT) rendered judgment in ***SBM Bank Kenya Limited v Commissioner of Legal Services and Board Coordination*** wherein it ruled that excise duty is not applicable on additional interest charged for late loan repayments.

The TAT reiterated its position as outlined in its judgement ***in Key Microfinance Bank Limited v Commissioner of Domestic Taxes***, where it concluded that additional interest levied for late payment of loans falls within the ambit of interest which is not subject to excise duty based on the definition of "other fees" under the Excise Duty Act. The TAT argued that in the absence of a definition of interest under the Excise Duty Act, the definition of interest under the Income Tax Act should apply.

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Malawi

Government Notice No.21 confirms commencement of the Tax Administration Act, 2021

On 19 March 2025, the Minister of Finance and Economic Affairs announced 1 April 2025 as the commencement date for the Tax Administration Act, 2021 (TAA).

The Act introduces several key measures, notably the mandatory licensing of tax practitioners. Under Section 31 of the TAA, individuals or firms intending to practice as tax practitioners must apply to the Malawian Commissioner General for registration in the prescribed manner. Only licensed tax practitioners are authorised to provide tax advice, represent taxpayers in their tax affairs, prepares tax returns and/or handle appeals.

A violation of this licensing requirement constitutes an offence. Section 31 does not apply to legal practitioners handling legal work on behalf of a taxpayer in tax disputes.

Uganda

Uganda's Ministry of Finance issues tax amendment bills 2025

On 27 March 2025, the Uganda Ministry of Finance issued tax amendment bills with proposed changes to existing tax laws with an effective date of 1 July 2025. The Bills are yet to be presented to Parliament for debate and passing into law after assent by the President.

The proposed tax amendments will affect the income tax, VAT, tax procedures code, excise duty, and stamp duty acts.

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Southern Africa

Namibia

2025/2026 Budget Speech announcement

The introduction of VAT on imported digital services was announced in the 2025/2026 Budget Statement dated 27 March 2025. No further details were provided. Any changes to the VAT Act, in respect of digital services, still need to go through the full legislative process before implementation.

E-invoicing was also introduced with an anticipated rollout in April 2026. No further details were provided. However, the Ministry of Finance issued a further fiscal strategy document in early April 2025 in which no mention was made of the introduction of e-invoicing.

Additionally, for tax years commencing on or after 1 January 2024, the non-mining corporate tax rate reduced from 32% to 31%, and for tax years commencing on or after 1 January 2025 the rate has reduced to 30%. A further rate change to 28% is expected in 2026/2027.

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South Africa

Rising to the challenge: South Africa's commitment to economic resilience

On 12 March 2025, South Africa's Minister of Finance delivered the highly anticipated National Budget Speech, following a postponement on 19 February 2025.

The implications for lower-income households necessitate robust mitigation strategies beyond those indicated in the budget. Despite a new three-year wage agreement to reduce budget uncertainty, managing the public sector wage bill remains challenging. A sustainable approach to remuneration and productivity is needed to align with long-term fiscal plans and ensure effective service delivery.

Read the post-budget commentary, and access the budget publications

New regulation for non-resident suppliers of electronic services

On 14 March 2025, the National Treasury of South Africa released the regulations prescribing electronic services for purposes of the definition of "electronic services" in section 1(1) of the Value-Added Tax Act, 1991 (Act No. 89 of 1991). These regulations came into effect on 1 April 2025 and repeal all relevant prior regulations.

As a result of the amendments included in the regulations, non-resident suppliers of electronic services that carry out only business-to-business transactions with South African customers may not be considered as providing taxable electronic services.

Read the full article for more

Ghana

Key individual income tax measures in the 2025 budget statement

On 11 March 2025, Ghana's Minister for Finance presented the 2025 Budget Statement to Parliament. Among various key tax measures, the 2025 Budget Statement proposes a review of the tax-free chargeable personal income tax band for resident individuals, scrap the electronic levy charged on electronic financial transactions, and remove the current withholding tax on lottery winnings, commonly referred to as "betting tax".

We await amendment to the relevant laws to make these proposals effective.

Detailed commentary on these policy proposals can be found here.

Key corporate tax and regulatory measures in the 2025 budget statement

Ghana's 2025 Budget Statement presented by the Minister for Finance includes significant tax policy proposals to abolish several taxes. To close the resulting revenue gap, the government has also proposed an increase in the rate of the growth and sustainability levy (GSL) on mining companies, an extension through 2028 of the sunset clauses for the special import levy and the GSL, and the reintroduction of road tolls, among other proposals.

Taxpayers are encouraged to take steps to prepare for the proposed changes to ensure compliance once they become effective.

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Key indirect tax measures in the 2025 budget statement

The 2025 Ghana Budget Statement included proposals to implement VAT on non-life insurance other than motor vehicle policy, extend the sunset clause of the special import levy to 2028, rationalise port taxes, fees and charges, as well as consolidate the energy sector levies.

In addition to the above, the budget statement highlighted the government's intention to undertake comprehensive VAT reforms to eliminate the current distortions and the cascading structure of the regime.

The implementation of these proposals would require an amendment to the respective legislations.

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