



Republic of Namibia

**Special Incentives
for
Manufacturers
and Exporters**

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INTRODUCTION

The Government of the Republic of Namibia is committed to stimulate economic growth and employment and to establish Namibia as a gateway location in the Southern African region.

Incentives are largely concentrated on stimulating manufacturing in Namibia and promoting exports into the region and to the rest of the world.

The following tax general regulations are indicative of Government commitments:

- a) Non-resident Shareholders' Tax is only 10 percent;
- b) Dividends accruing to Namibian companies or resident shareholders are tax exempt;
- c) Plant, machinery and equipment can be fully written off over a period of three years;
- d) Buildings of non-manufacturing operations can be written off, 20 percent in the first year and the balance at 4 percent over the ensuing 20 years (manufacturers operations have even more generous allowances);
- e) Import or purchase of manufacturing machinery and equipment is exempted from
- f) General Sales Tax and Additional Sales Duty;
- g) Preferential market access to the EU, USA and other markets for manufacturers and exporters is provided.

To make manufacturing in Namibia more competitive, Government has introduced a further package of tax and non-tax incentives, applicable to both existing and new manufacturing enterprises.

1. INCENTIVES FOR MANUFACTURERS

1.1. Tax Incentives for Manufacturers

1.1.1. Tax abatement

The Government has allowed a 50 percent special tax deduction on the taxable income derived from manufacturing enterprises for a period of five years, to be phased out on a straight-line basis over a subsequent period of 10 years. This abatement is applicable to all operations approved and registered as manufacturers by the Ministry of Finance in consultation with the Ministry of Trade and Industry.

1.1.2. Establishment tax package for new investments

Where companies wish to establish a new manufacturing venture in Namibia, or relocate an existing operation to Namibia, a special tax package may be negotiated through the Ministry of Trade and Industry, which then makes appropriate recommendations to the Ministry of Finance. The Minister of Finance is empowered to grant, in consultation with the Minister of any line Ministry, special conditions to certain manufacturing enterprises on:

- a) the rate of tax payable, and
- b) the terms under which this rate shall apply.

To be considered for an establishment tax package, a full feasibility study must be presented showing that:

- i) existing industry will not be unfairly disadvantaged, and
- ii) the enterprise will contribute positively to Namibia's long term economic growth. The conditions, as negotiated, will be published in the Government Gazette as soon as they have been approved by the Ministry of Finance.

1.1.3. *Special building allowance*

Building erected by manufacturing enterprises for manufacturing purposes (i.e. not including office buildings), can be written off at the rate of 20 percent in the first year and the balance at 8 percent per year over the ensuing 10 years.

1.1.4. *Tax incentives for export promotion activities*

The following expenditure, which is already fully deductible for tax purposes, will be allowed as an additional deduction from income according to the percentages prescribed in (i) to (iii) below:

- a) research on the marketing of goods in a foreign country;
- b) advertising and soliciting of orders in a foreign country, including attendance of approved foreign trade exhibitions and outward trade missions, economy air fare, local travel and accommodation and exhibition costs;
- c) provision of samples or technical information to prospective customers in a foreign country;
- d) bringing prospective buyers from a foreign country to Namibia, including economy air fares and accommodation;
- e) preparation or submission of tenders or quotations in respect of goods to be exported to a foreign country;
- f) expenditure incurred to finalise contractual agreements.
- g) the appointment of agents in foreign countries

The additional deduction in respect of the above expenses is as follows:

- i) 25 percent if the 'current export turnover exceeds the basic export turnover* by 10 percent or less;
- ii) 50 percent if the current export turnover exceeds the basic export turnover by more than 10 percent, but less than 25 percent; or
- iii) 75 percent if the current export turnover exceeds the basic export turnover by 25 percent or more.

*Where the "basic export turnover" is defined as the average export turnover of the preceding three years, as supported by an audit certificate.

These export promotion incentives will only be granted on approval of the programme, stating details of the envisaged export promotion venture and the expected resultant exports.

1.1.5. *Additional deductions for production line wages and training*

An additional deduction of 25 percent will be allowed for registered manufacturing enterprises in respect of wages paid to production line workers and training costs.

1.1.5.1. *Production fine wages*

As an encouragement to manufacturing enterprises to utilise more labour intensive processes, an additional deduction from income of 25 percent will be allowed in respect of wages paid to Namibian workers directly involved in the manufacturing process. For example if an enterprise has an approved remuneration package of N\$100 000 to such workers, N\$125 000 will be allowed as a deduction from taxable income.

1.1.5.2. *Training expenses*

The Government believes that efficiency in the manufacturing sector can be increased dramatically through the professional training of technical personnel. An additional deduction of 25 percent from income will be allowed on approved technical training expenses.

The content, duration and costs of training programmes and a list of candidates must be forwarded to an approved by the Ministry of Finance, in consultation with the Ministry of Trade and Industry and the Ministry of Labour and Human Resource Development.

1.2. Non-tax incentives for manufacturers

1.2.1. *Grants and loans for exporters*

To further assist exporters in securing new markets, export promotion funding of efforts as detailed in Section 1.1.4., will be considered, up to a maximum of 50 percent of direct costs. Such export promotion activities must be pre-approved by the Investment Centre and can, on the basis of substantive quotations and / or invoices, be paid in advance, subject to full verification of expenditure within 30 days.

1.2.2. *Industrial studies*

Studies under taken by Government, whether on its own initiative m; on request of private sector enterprises, can be made available at 50 percent of their production cost to companies that wish to develop investment opportunities. Executive summaries will be made available for perusal free of charge. Requests by the private sector for commissioning such studies will only be considered where full project proposals and pre-feasibility studies are submitted.

2. INCENTIVES FOR EXPORTERS OF MANUFACTURE GOOOS

2.1. Tax allowance on income derived from the export of manufactured goods

Government intends to promote Namibia as a trading centre within Southern Africa. Taxable income derived from the export of manufacture goods, with the exception of fish and meat products, whether they have been produced in Namibia or not, shall be reduced by an allowance equal to 80 percent of the amount.

3. EXPORT PROCESSING ZONE INCENTIVES

Enterprises which undertake manufacturing, assembly, re-packaging and break-bulk operation and gear all or almost all of their production for export, earn foreign exchange and

employ Namibians, will be eligible for EPZ status, which confers an attractive range of both tax and non-tax benefits.

3.1. Tax incentives for EPZ enterprises

Enterprises with EPZ status do not pay:

- a) corporate tax;
- b) import duties on imported intermediate and capital goods;
- c) sales taxes, stamp and transfer duties on goods and services required for EPZ activities;

These benefits are of unlimited duration.

3.2. Other incentives for EPZ enterprises

- Because Government recognises the considerable costs of establishing new operations and training a new workforce, EPZ enterprises investing in upgrading the skills and productivity of Namibian workers will receive a grant to cover a substantial part of the direct costs of on-the-job and institutional training. The grant is paid by the Government of the basis of pre-approved training plans, one training is complete.
- EPZ enterprises are also allowed to hold foreign currency accounts in local banks.
- They also enjoy industrial calm as no strikes or lock-out are allowed in the EPZ-regime.
- Companies operating under the regime are free to locate their operations anywhere in Namibia.
- Through the Offshore Development Company, EPZ enterprises also have access to factory facilities rented at economical rates.

4. REGISTRATION AND IMPLEMENTATION

All manufacturing concerns claiming incentives must first register with the Ministry of Trade and Industry, and, in respect of Taxation Incentives, must also be registered with the Ministry of Finance. The Minister of Finance is empowered to prescribe accounting procedures and regulations for manufacturing enterprises qualifying for Taxation Incentives. To promote control and prevent the misuse of Taxation Incentives, enterprises qualifying for such incentives will not be relieved of the duty to submit fully substantiated annual tax returns.

For further details please contact:

The Investment Centre
Ministry of Trade and Industry
Private Bag 13340
Windhoek, Namibia
Tel: +264 (61) 283-7335
Fax: +264 (61) 220-278

To obtain EPZ status, applicants should apply to the Investment Centre or

The Offshore Development Company
Private Bag 13397
Windhoek Namibia
Tel: +264 (61) 283-7360 / 283-7311
Fax: +264 (61) 231-001

The Walvis Bay
EPZ Management Company
Private Bag 5017
Walvis Bay Namibia
Tel: +264 (64) 205095 / 7
Fax: +264 (64) 206-132

Summary of Special Incentives for Manufacturers and Exporters

	REGISTERED MANUFACTURERS	EXPORTERS OF MANUFACTURED GOODS (excluding meat and fish products)	EXPORT PROCESSING ZONE ENTERPRISES
Eligibility and Registration	<ul style="list-style-type: none"> • Enterprises engaged in manufacturing • Application to the Ministry of Trade and Industry and approval by Ministry of Finance 	<ul style="list-style-type: none"> • Enterprises that export manufactured goods, whether produced in Namibia or not • Application and approval by the Ministry of Finance 	<ul style="list-style-type: none"> • Enterprises engaged in manufacturing, assembly, packaging or break-bulk and exporting mainly to outside of SACU markets • Application to the EPZ-Committee, through the ODC or EPZMC
Corporate tax	50% abatement for 5 years linear phasing out of abatement over the following 10 years	80% allowance on taxable income derived from exporting manufactured goods, unlimited duration	Exempt
GST/ASD	Exemption on purchase and import of manufacturing machinery and equipment	Normal treatment	Exempt
Stamp & Transfer Duty	Normal treatment	Normal treatment	Exempt
Establishment Tax Package	Negotiable rates and terms of special lax package	Not eligible	Not eligible
Special Building Allowance	Building written off at 20% in first year and balance at 8% for 10 years	Not eligible	Not eligible
Export Promotion Allowance	Additional deduction from taxable income of between 25% and 75%	Not eligible	Not eligible
Incentive for Training and Production wages	Additional deduction from taxable income of 25%	Not eligible	Substantial, issued by government upon implementation of approved training programme
Industrial studies	Available at 50% of cost	Not eligible	Not eligible
Cash grants	50% of direct cost of approved export promotion activities	Not eligible	Not eligible