



COVID-19 Pandemic: Clarifications on the economic stimulus package and summary of Social Security package announced

Tax Alert 5/2020 - Namibia

In our newsletter dealing with the stimulus package announced by the Minister of Finance on 1 April 2020 we mentioned that we will communicate any further developments as we become aware of them. We have obtained some clarification and aim to comment on those in this newsletter. We also summarise the National Employment and Salary Protection Scheme recently announced by the Ministry of Finance and the Social Security Commission.

- **Ministry of Finance stimulus package – clarification on loan schemes**

The majority of the measures included in the Ministry of Finance’s stimulus package comprised of various loans options to companies and individuals. The aim of these loans is to protect the productive capacity of the economy by keeping companies and individuals afloat and avoiding retrenchments or salary reductions.

In all of them, although the normal loan processes and assessments by commercial banks will still apply, such processes and assessments will not be as stringent as normal and the application process should be much quicker. In essence, financial institutions will be taking on what is normally considered as risk loans, as such loans will be guaranteed by the government.

Non-agricultural small business loan scheme

These loans will be provided by the Development Bank of Namibia (“DBN”). We understand that qualifying criteria will be set-up between the Ministry of Finance and DBN. DBN should be able to confirm the qualifying criteria.

No further details have been provided on the interest rates that will be applied.

Agricultural business loan scheme

These loans will be provided by the Agricultural Bank of Namibia (“AgriBank”). We understand that qualifying criteria will be set-up between the Ministry of Finance and AgriBank. AgriBank should be able to confirm the qualifying criteria.

No further details have been provided on the interest rates that will be applied.

Tax-back loan scheme for non-mining corporates

Non-mining companies will be able to borrow one-twelfth of the tax payments made in the past year. We now understand that the qualifying tax payments on which the loan amount will be based are income tax payments only and does not include, PAYE, VAT, import VAT or withholding taxes.

The previous tax year refers to the previous financial year.

Taxpayers are required to provide proof of such tax payments to their chosen commercial banks.

Where no income tax payments were made due to the company being in a tax loss position in the previous financial year, such company will not qualify for the loan scheme.

Tax-back loan scheme for individuals

Individuals will be able to borrow one-twelfth of the tax payments made in the past year. We now understand that the qualifying tax payments on which the loan amount will be based are PAYE payments for the tax year ending 28 February 2020.

Individuals are required to provide proof of such tax payments to their chosen commercial banks.

- **Ministry of Finance stimulus package – fast-tracked payment of overdue and undisputed VAT refunds**

We understand that the VAT refunds that will be fast-tracked are those relating to periods whose audits have already been completed and where all other tax accounts of the relevant taxpayer are in good standing.

For the periods that are still in the process of being audited or those whose audits have not commenced yet, the normal audit process will have to take place before refunds are paid out. We however understand that pending and outstanding audits will be expedited.

We encourage taxpayers with outstanding VAT refunds to approach Inland Revenue for the status of the refund where such audits have been completed or in the process of being finalised. For the periods where audits are yet to be started, we encourage taxpayers to approach Inland Revenue for the allocation of an auditor for the process to commence.

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- **Combined relief package announced by Social Security and Ministry of Finance**

The Ministry of Finance and Social Security Commission proposed a wage subsidy program to support employers and employees impacted by COVID-19 in an announcement made on 28 April 2020. The Ministry of Finance and Social Security Commission have combined their programs to ensure effective utilization of state resources.

The Ministry of Finance has made available N\$ 400 million and the Social Security Commission has contributed N\$ 253 million to the scheme.

The National Employment and Salary Protection Scheme will provide support to the hardest hit sectors, namely aviation, tourism and construction and has two programmes:

The Employer Wage Subsidy Program

The program is designed to potentially assist 7,900 employers who is estimated to employ 65,420 employees. The program is budgeted to receive N\$150 million from the Ministry of Finance. This will be combined with some waiver relief from the Social Security Commission discussed in more detail below.

To qualify for the program prospective beneficiary employers:

- Should agree not to retrench staff for three months (we assume this is for the period 01 May 2020 to 31 July 2020); and
- May not reduce staff salaries by more than 50%; and
- Should be in good standing with the Social Security Commission.

The application process is set out below.

Employers in affected industries and that are successful with their application will receive a subsidy based on their total wage bill. The subsidy will be in the form of social security contribution waiver and a cash pay-out. The subsidy will be a cash subsidy of 17% of the total wage bill and a social security contribution holiday, or both for a period of three months. There were no further details provided regarding the calculation of the total wage bill. In addition, the three month period was not confirmed – we assumed it is for the period 01 May 2020 to 31 July 2020.

Any benefits to be received should be netted off against any claims the employer in question may have received from Government or other forms of compensation (FIDIC or insurance).

The Affected Employees program

This program has a budget allocation of N\$350 million and is anticipated to cater for between 56 000 and 117 000 participants.

To qualify for the program, participants:

- Should have been registered with the Social Security Commission as at 1 February 2020; and
- Should be able to prove loss of income related to COVID19. Detailed eligibility criteria in relation to proving the loss of income will be confirmed by the Social Security Commission; and
- Should earn less than N\$50 000 per annum.

The application process is set out below.

The benefit will be limited to 50% of monthly salary, subject to a maximum of N\$1 000 per month for a three month period. We assume the three month period referred to is 1 May 2020 to 31 July 2020.

The benefit will be netted of other benefits received from Government (e.g. Emergency Income Grant).

Application process

- Applicants will need to apply to the Social Security Commission offices via electronic templates that will be available on the website of the Social Security Commission (www.ssc.org.na).
- Application forms will be available during the first week of May 2020.
- The Social Security Commission also confirmed that more information will be available on its website from 30 April 2020.
- Payments and relief measures will depend on the applicant providing all required documentation and information.

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