

The Namibian President announces some relief for poor through VAT cuts on basic food items and unveils plans to improve the Road Fund Administration's cash flow

The State President announced yesterday, 17 June 2008, that relief measures were discussed by Cabinet on 10 June 2008 to address the sharply rising food prices. It was decided that certain basic foodstuffs will be zero rated from VAT once the Value-added Tax Act, Act No. 10 of 2000 has been amended.

The following additional foodstuffs will be zero rated in terms of this announcement: beans, cooking oil, fat, bread and cake flour.

Currently maize meal and mahangu are the only zero rated foodstuffs and once the amendment legislation has been promulgated, the above food products will also be zero rated. It must be stressed that the announcement by the President **is not effective immediately**, but only once the VAT Act has been changed to give effect to the Cabinet decision to zero rate additional basic foodstuffs. VAT should therefore still be levied on the items mentioned in the President's announcement in the interim.

Once an effective date as been determined in the Amendment VAT Act, purchases of these foodstuffs by the retailers from wholesalers will be zero rated as well as sales to the consumer.

The imports of goods into Namibia, which are subject to VAT at the zero-rate if sold locally, are exempt from Import VAT. This implies that the import of the affected basic food stuffs will not be subject to Namibian Import VAT as from the date of the Amendment VAT Act. It must be stressed that controls at the borders of Namibia are extremely important to ensure that **only these foodstuffs** qualifying for exemption are so cleared by Customs and Excise Namibia to prevent a loss of revenue.

Retailers are strongly advised to ensure **compatibility of their operating/accounting systems** to accommodate the anticipated change in the VAT rate on the selected foodstuffs and that their staff are adequately trained.

The **rising fuel prices** also led to discussions on the reduction of levies included in the pump price. It is advised that these levies not be abolished or decreased as the **levies on fuel** are paid over to amongst others the Road Fund Administration in the fulfilment of its obligations. These levies are **currently falling outside the VAT net, and zero rating this revenue stream to these entities instead** (which is currently not the case) **will enable VAT registration of the Road Fund Administration** or other entities receiving their revenue from the proceeds of fuel sold at filling stations in Namibia, **enabling them to claim back input tax and hence increase cash flow of the Road Fund Administration and these other entities.**

(Courtesy of PricewaterhouseCoopers, Windhoek, Namibia – 18 June 2008)