

## Withholding Taxes in Namibia

### Background

What is withholding tax? Tax withholding, also known as tax retention, is tax paid to the government by the payer of the income rather than by the recipient of the income.

The tax is thus withheld or deducted from the income due to the recipient and only the net amount paid to the recipient, and the tax amount paid to government by the payer.

### The Case for Namibia

In case you find yourself wondering about the nature and types of withholding tax in Namibia, there are currently five (5) types:

1. Non-Resident Shareholders Tax (NSRT),
2. Withholding Tax on {Local} Interest,
3. Withholding Tax on Foreign Interest,
4. Withholding tax on Royalties, and
5. Withholding Tax on Services.

Withholding taxes are applicable to certain types of payments made to Namibian and non-Namibian residents and applies to natural persons or business.

### Final Tax

You will notice that a number of these withholding taxes are defined as being a final tax.

This means that the transaction subject withholding tax will not be included into taxable income again.

For example, where Withholding Tax on Interest was charged, that interest will not be included into the taxable income of an individual again.

### Non-Resident Shareholders Tax (NRST)

Dividends declared by a Namibian company to a shareholder not ordinarily resident, doing business or managed or controlled in Namibia, are subject to Non-Resident Shareholders Tax.

Non-Resident Shareholders Tax is also applicable to dividends declared by a Namibian company to an entity where more than fifty percent (50%) of the shares of that entity is directly or indirectly held for the direct or indirect benefit of a company not managed or controlled in Namibia.

Non-Resident Shareholders Tax is a final tax levied at a rate of twenty percent (20%) on the amount of the dividend declared.

If the owner of the company holds directly or indirectly at least twenty-five percent (25%) of the capital of the company paying the dividends the rate is reduced to ten percent (10%).

The rate may be reduced in terms of a double tax agreement

#### [Withholding Tax on {Local} Interest](#)

Withholding Tax on Interest is a final tax levied at a rate of ten percent (10%) on interest accruing to or in favour of any person (other than a Namibian company) from a Namibian banking institution or a unit trust scheme registered in Namibia.

Interest accruing from stocks and securities, including treasury bills, issued by the Namibian government, regional and local authorities in Namibia, are not subject to Withholding Tax on Interest.

The rate may be reduced in terms of a double tax agreement.

#### [Withholding Tax on Foreign Interest](#)

Withholding Tax on Foreign Interest is a final tax levied at a rate of ten percent (10%) on interest paid to non-residents.

This withholding tax was introduced with effect from 30 December 2015.

The rate may be reduced in terms of a double tax agreement.

#### [Withholding Tax on Royalties or Similar Payments](#)

Withholding Tax on Royalties is a final tax levied at a rate of ten percent (10%) of the royalty amount.

The ambit of this tax includes the right to use industrial, commercial, or scientific equipment.

This withholding tax was introduced with effect from 30 December 2015.

The rate may be reduced in terms of a double tax agreement.

#### [Withholding Tax on Services](#)

The Withholding Tax on Services is a tax levied on payments by a resident for services rendered by non-residents to said resident and is a final tax levied at a rate of ten percent (10%) on the amount due for the service.

This withholding tax was introduced with effect from 30 December 2015.

A tax at a rate of twenty-five percent (25%) must be withheld on directors and entertainment fees paid by residents to non-residents.

For purposes of withholding tax on services, a branch of a foreign entity is regarded as a resident. This means that a locally registered branch will thus not be subject to Withholding Tax on Services.

### In Conclusion

Namibia has currently double taxation agreements with Botswana, France, Germany, India, Malaysia, Mauritius, Romania, Russia, South Africa, Sweden and the United Kingdom.

If you need further information or explanation, please approach a Namibian tax advisor for assistance.