



## MINISTERIAL STATEMENT TO THE NATIONAL ASSEMBLY

### *Pay-As-You-Earn (PAYE) Deduction Reimbursements*

**IPUMBU SHIIMI, MP**

**MINISTER OF FINANCE AND PUBLIC ENTERPRISES**

**17 SEPTEMBER 2024**

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*Honourable Members,*

*Honourable Speaker,*

I raise before you today to announce that the various tax legislation amendments as deliberated on and subsequently passed by this august house last month, have been signed into law by His Excellency the President and were published in the Government Gazette yesterday, 16 September 2024. The specific acts are the:

- Income Tax Amendment Act, 2024 (Act No. 4 of 2024)
- Value-Added Tax Amendment Act, 2024 (Act No. 5 of 2024)
- Transfer Duty Amendment Act, 2024 (Act No. 6 of 2024)
- Stamp Duties Amendment Act, 2024 (Act No. 7 of 2024)

*Honourable Speaker,*

*Honourable Members,*

As you are all aware, these amendment to the various fiscal legislations give effect to the tax relief measures I announced when tabling the National Budget on 22 February 2024. As I reiterated at the time, the amendments are aimed at stimulating domestic demand through a menu of policy actions to boost household incomes and create a conducive environment for businesses to thrive and expand investments.

*Honourable Speaker,*

I would like to provide additional clarity specifically on the implementation of the Income Tax Amendment Act, 2024 (Act No. 4 of 2024) – in particular, the adjustments pertaining to the increase of the threshold for Income Tax on Individuals from N\$50,000 to N\$100,000. Firstly, as confirmed in the Budget Statement, the adjusted statutory tax rates are effective from **01 March 2024**. This adjustment effectively means that **all individual taxpayers** will be exempted from paying tax on the first N\$100,000 of their income. As such, there has been over deduction of PAYE from **all employees earning annual income above N\$50,000** over the 7-month period from 01 March 2024 until 30 September 2024.

Since the tax amendments were enacted in the middle of the financial year, the normal course of operation ought to be that employees would wait until the end of the tax year (28 February 2025 – 30 June 2025) to claim the PAYE over deducted from the Namibia Revenue Agency (NamRA) when filing their 2024/25 annual tax returns. Nevertheless, cognizant of the **urgent need to provide relief to taxpayers** and boost domestic demand, the Ministry has taken the initiative to institute operational arrangements that will **facilitate taxpayers receiving their refunds as soon as possible** as opposed to waiting for the period between March-June 2025 under normal circumstances.

In this regard, alongside the gazetting of the Amendment Act, we have issued a General Notice (09/2024) granting authority and directing **employers to reimburse the PAYE over deducted** from employees between 01 March 2024 – 30 September 2024 by deducting

the reimbursed PAYE from the monthly employee's tax amount to be paid to NamRA between 01 October 2024 - 28 February 2025.

With such adjustment employers will ensure that the total amount of employee's tax deducted for the 2024/25 year of assessment will be equal to the amount of employees' tax due as per the new statutory tax rates. This action is legally provided for in paragraph 12A of Schedule 2 to the Income Tax Act, 1981 (Act No. 24 of 1981).

*Honourable Speaker,*

I would like to dispel the misconception that the directive for employers to refund PAYE could force businesses to close down. There is no truth in such an assertion. The Ministry is requesting employers to deduct the PAYE reimbursements from the employee's tax to be paid to NamRA. As such, on a net basis, there is no cash flow implications for employers.

**Example:**

Between March and September 2024, Company A deducted and paid over to NamRA a total of N\$100 in respect of PAYE for Employee X. Given the new individual statutory tax rates, Company A ought to have deducted only N\$70. As such, there has been an over deduction of N\$30 from Employee X that needs to be refunded. Meanwhile, Company A is due to pay NamRA N\$90 in respect of PAYE for Employee X between October 2024 and February 2024. The directive thus requires Company A to refund N\$30 to Employee X and pay only N\$60 (90-30) to NamRA. There is, therefore, no additional financial burden for Company A on a net basis by the end of the financial year.

We take note that there could be instances where employers do not have sufficient tax payable liabilities to effect the full PAYE reimbursements to all employees in a single month. As such, we did not prescribe a time period within which employers should process the refunds. We trust employers will determine the reimbursement period following a comprehensive assessment of their respective monthly cashflows, payroll size and systems as well as their internal operational and administrative procedures. We, therefore, encourage **employees to engage their respective employers for confirmation of the specific dates** when they will be in a position to process their refunds.

Furthermore, as indicated in our General Notice (09/2024), this action is not compulsory. We have indicated that in the exceptional cases where employers do not have sufficient employees' tax payable from which amount they can deduct and refund employees, such employees will have to claim a refund when submitting their 2025 tax return between 1 March and 30 June 2025.

Lastly, I would like to highlight that in addition to the tax relief through individual income tax, there is further relief for consumers through adjustments to the brackets for transfer duties and stamp duties which also takes effect in due course. We believe these amendments will go a long way to improve access to housing.

Thank you, *Honourable Speaker*.

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