

# PAYROLL UPDATE 2021

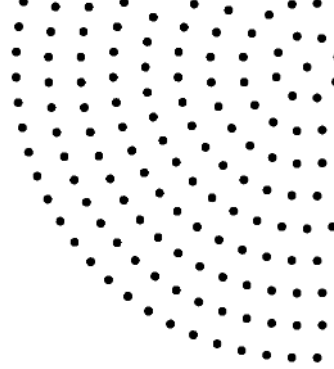
08 NOVEMBER 2021



PRESENTED BY

**OLIVIA PS ABIATAL  
CA(NAM)**

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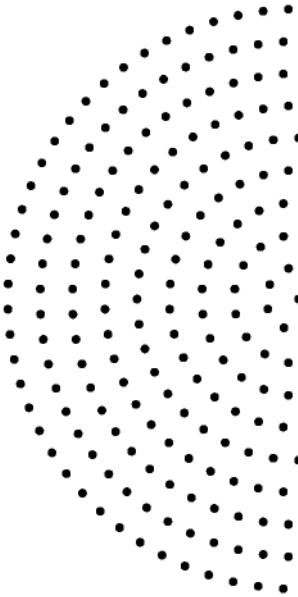
SAIBA DESIGNATIONS

# About the presenter

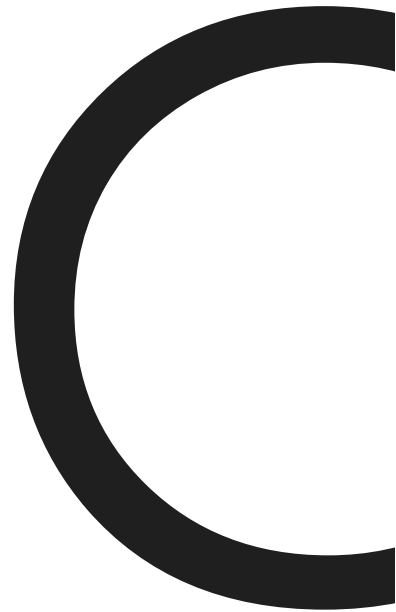


Olivia PS Abital is a qualified chartered Accountant, registered with the institute of Chartered accountants in Namibia. Olivia completed her articles with PwC Namibia in January 2020 and furthered to serve the First National Bank of Namibia, as a Finance Manager within the space of Human Capital. Olivia is eager to learn and identifies to build strong skills in connecting the Accounting and Finance discipline within Human Capital.

With a teaching passion, Olivia provides tutor classes to the center of distance learning at the University of Namibia.



# CPD CERTIFICATE



To obtain your CPD certificate complete the questions in the Quiz section. A CPD certificate will automatically be issued when you obtain above 75% within 3 attempts.

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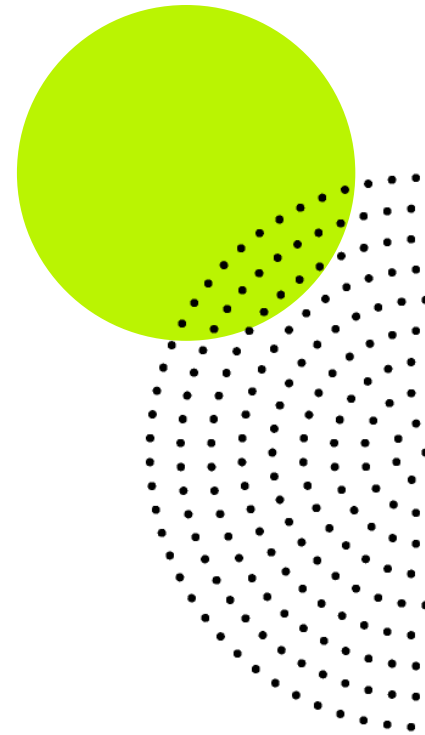
**[cpd@saiba.org.za](mailto:cpd@saiba.org.za)**

# QUESTIONS & ANSWERS

Email questions to:

**[technical@saiba.org.za](mailto:technical@saiba.org.za)**

Questions and Answers will be  
shared later in the Q&A section.





# Disclaimer

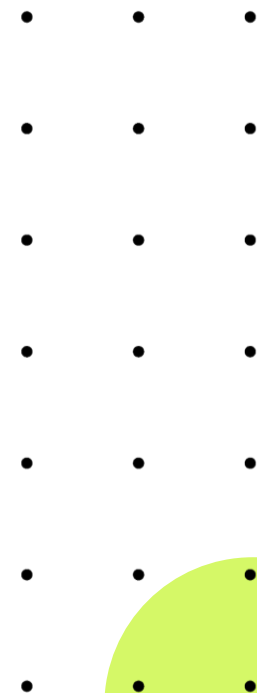
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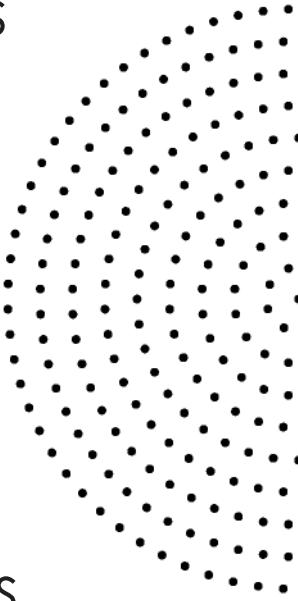
SAIBA PARTNERS



PAYROLL UPDATE  
2021

# INDEX

1. Amendments to Payroll Taxes 2020/2021
2. Employee taxes and COVID-19 considerations
3. Matters on pension and provident funds
4. Allowances and Fringe benefits
5. Employment agreements
6. Payroll reconciliations
7. Social Security and workman's compensations







# Amendments to Payroll Taxes 2020/2021



# Amendments to payroll taxes

## 2020/2021 FISCAL YEAR

### Tax Policy and general reforms

- Relief to the tax payers
- There has been no other amendments to the policies and general reforms to PAYE tax in Namibia.
- General tax rates and the individual tax table remains the same as that of the prior year.

### Worth noting for 2022/2023 Fiscal Year:

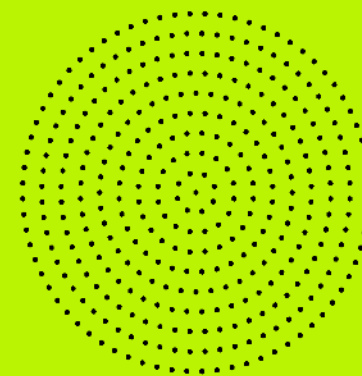
- Tax deduction of pension fund and educational policies contributions increase from N\$ 40,000.00 to N\$ 150,000.00



# Amendments to payroll taxes

## Individual Tax Tables 2020/2021

Taxable income (NAD*)		Tax on column 1 (NAD)	Tax on excess (%)
0	50,000	0	0
50,000	100,000	0	18%
100,001	300,000	9,000	25%
300,001	500,000	59,000	28%
500,001	800,000	115,000	30%
800,001	1,500,000	205,000	32%
1,500,001		429,000	37%

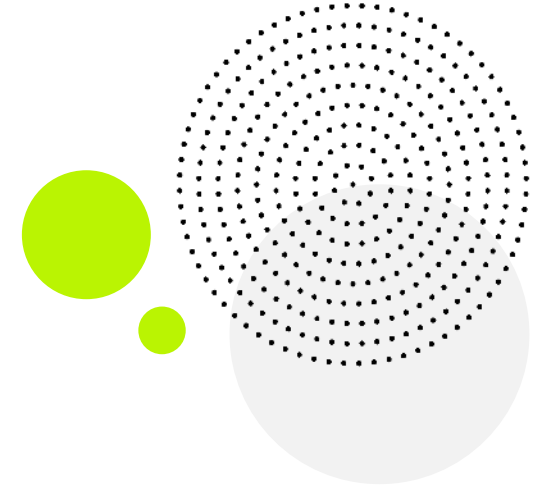


No changes to the individuals  
tax tables and tax rates for the  
2020/2021 fiscal year.

# Payroll Taxes

Important to keep note on individual tax

- The Namibian tax system is source based: 'originating cause' of income. (Resident)
- If 'originating cause' is services rendered within Namibia, the income will be subject to Namibian tax
- Non-resident - relief from being taxed in Namibia if Double Taxation Agreement ("DTA") is available which provides for exemption or a credit for tax.
- *NB: Returns in Namibia is always submittable, even if an individual is working in foreign country.*
- Section 95 of Income Tax Act of 1981 - Onus is always on the taxpayer to prove that transactions or schemes are not with purpose of avoiding tax as defined within Section 95 of the Income Tax Act.
- **IF** any other income is received above N\$5 000, the taxpayer is liable to register for provisional tax.



# Payroll Taxes

Important to keep note, anti avoidance Act

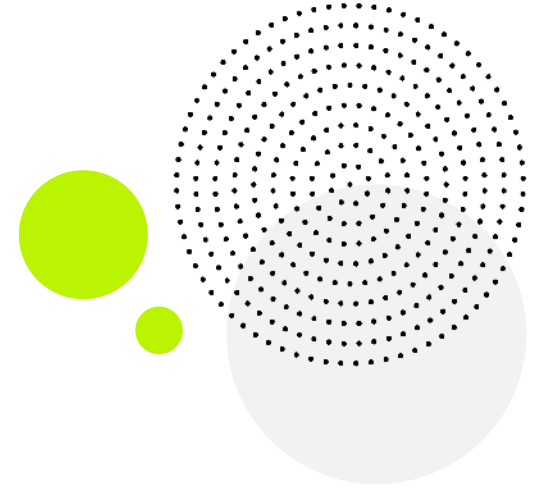
- Some remuneration (terms and conditions apply) of heads of foreign governments and United Nations (UN) employees stationed in Namibia is exempt from taxation.
- Any relocation and movement expenses paid directly by the employer are not taxed as fringe benefits in the employee's hands. *(Cost to company)*
- Reimbursement of actual business expenses paid on behalf of the employer is not taxable.
- Where an approved scheme by the Receiver of Revenue is established for the provision of employee housing, the taxable fringe benefit arising from provision of accommodation, housing allowances, or mortgage interest subsidies is reduced by a maximum of one-third. *\*Proof of housing expenses should be retained by the employer to verify the tax benefit provided to the employee.*
- Employer contributions to approved Namibian retirement funds and medical aid schemes (private health insurance) are not taxable in the hands of employees.

# Payroll Taxes

Important to keep note on individual tax

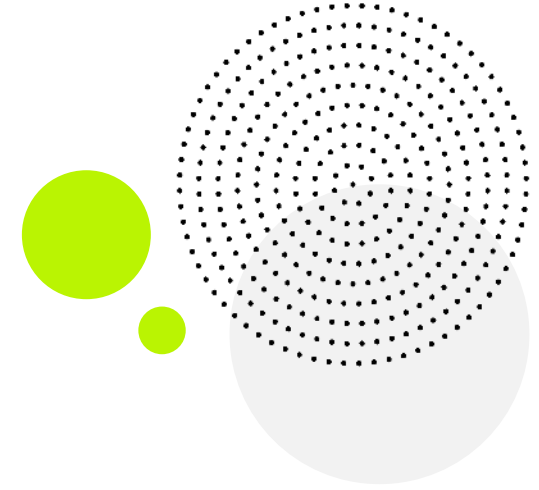
## Countries with DTA (Double Tax Agreement with Namibia:

1. Botswana
2. Malaysia
3. France
4. Germany
5. India
6. Mauritius
7. Romania
8. Russian Federation
9. South Africa
10. Sweden
11. United Kingdom



# Payroll Taxes

Important to keep note on individual tax



## **GOOD TO KNOW TIP: Calculating taxable income formula**

Gross Income	:	Gross employment income/ remuneration includes all receipts in respect of services rendered, in cash or in kind
<u>LESS exemptions</u>	:	Income Tax Act provides specific exclusions for exemptions
Equals	:	Gross Income
<u>LESS deductions</u>	:	Income Tax Act provides specific deductions as deductions
Equals	:	Taxable income







# Employment Agreement



# Remuneration

As per Labor's Act 11 of 2007:

- “Remuneration” means the total value of all payments in money or in kind made or owing to an employee arising from the employment of that employee;

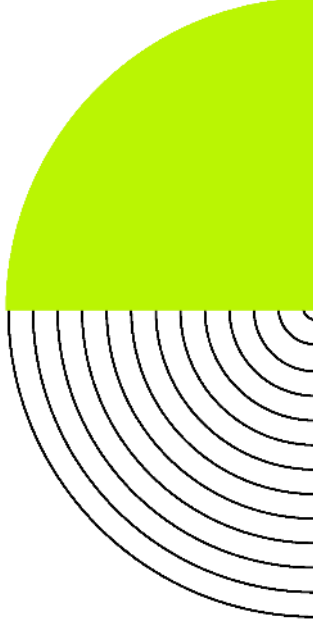
Furthermore:

- Gross employment income/ remuneration includes all receipts in respect of services rendered, in cash or in kind, including but not limited to the following:

- Remuneration (Salaries and fees)
- Fringe benefits
- Allowances and subsidies (subject to incurred business expenses)
- Deemed value of accommodation provided by employer
- Deemed value of the use of a company motor vehicle

## Elements included in remuneration

1. **Base Salaries and wage fees**
2. **Leave Pay**
3. **Cash incentives**
4. **Share Plans**
5. **Commissions**
6. **Allowances**

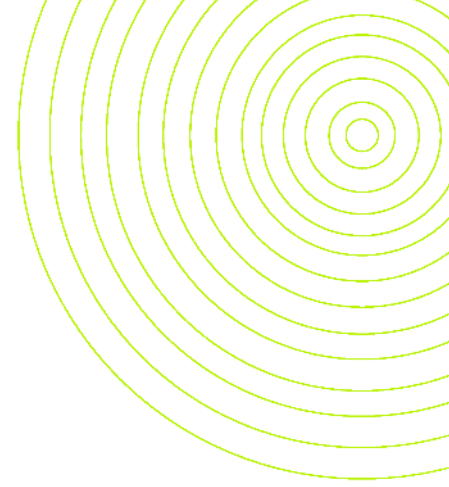


# Full time vs Temporary employment

## Temporary employment vs full time employment

- Temporary employment also known as fix term employment or contract employment
- Fixed start or end or employment is linked to completion of a project or job.
- Regulated by the Labors Act 11 of 2007
- Income tax payable as per tax table
- No different treatment to Permanent employment
- Temporary remuneration is annualized and weighted for tax per tax table.

# Employment Agreement



- Terms of employment



- Detailed employee responsibilities



- Performance expectations and requirements



- Employee remuneration summary



- Discuss policy and include regarding annual leave, and specific leave: sick leave, special leave, maternity leave



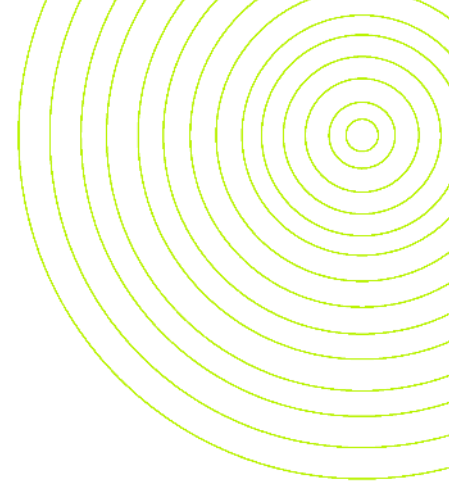
- Dispute resolutions








- Non-disclosure agreement



# Employment Agreement



-  • Non-compete, Restrained of trade *(30 days after)*
-  • Ownership agreements, anything the employee works during this period.
-  • Employment opportunity limitations
-  • Termination terms and procedures
-  • Severance pay



An aerial photograph of a modern office lounge. The space features large windows on the right side, providing a view of the outdoors. Several people are seated at small, square tables, some of which have coffee or food on them. The floor is made of light-colored tiles. A large, semi-transparent green banner is overlaid across the middle of the image, containing the text "Allowances and Fringe benefits".

# Allowances and Fringe benefits



# Allowances and Fringe benefits

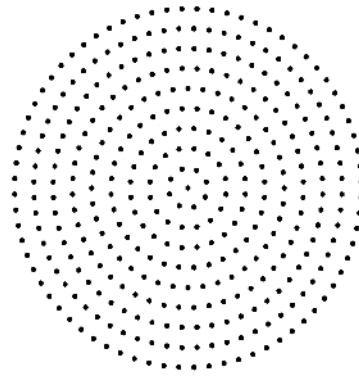
## Tax Treatment

### Allowances and fringe

- Fringe benefits such as housing allowances, Car allowances, travel allowances, entertainment and long service awards and any other cost of living are taxable employee benefits.

### Deduction on expenses

- Expenses of revenue nature incurred wholly and necessarily in the production of income may be deducted from taxable income of employee. The onus is on the employee to prove they have incurred the expense in the production of taxable income.



# Housing Allowance

## TAX TREATMENT

- Fully Taxable should employer have no housing scheme

The value of the taxable benefit will depend on whether the employer owns the residential accommodation or whether the employer is renting the residential accommodation.

less any consideration paid by the assignee to the employer.

- Taxable benefit is reduced if employer has a registered housing scheme registered with the Namibian Ministry of Finance. A 1/3<sup>rd</sup> of the cash equivalent of the housing benefit will be exempt for tax.

# Right of private use of a company car or rental car

## Tax treatment

- The monthly taxable value of a company vehicle is 1.5 percent (18 percent per annum) of the purchase price of the vehicle, where all running, maintenance and fuel costs are carried by the employer.

The monthly taxable value of a company vehicle is 1.4 percent (16.8 percent per annum) of the purchase price of the vehicle, where the fuel cost is carried by the employee.

- The monthly taxable value is NAD100, where the use of the vehicle is restricted to trips only between the employee's private residence and the place of employment.
- The taxable value of a rental car available to the assignee for both private and business use where the employer is responsible for the rental payments is equivalent to the rental payments made by the employer



An aerial photograph of a modern office lounge. The space features large windows on the right side, providing a view of the outdoors. Several people are seated at small, square tables, some of which have coffee or food on them. The floor is light-colored and polished. A large, semi-transparent green banner is overlaid on the right side of the image, containing the text "Employee taxes and COVID-19 considerations".

# Employee taxes and COVID-19 considerations



# COVID-19 PAYE considerations

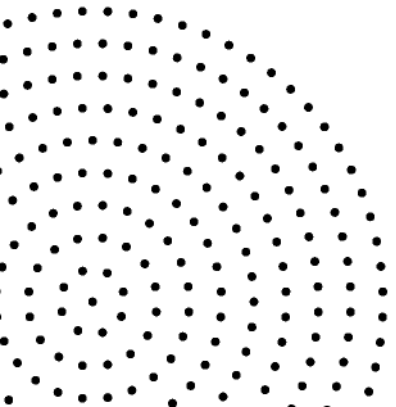
- No COVID-19 tax relief issued for individuals on PAYE
- No changes to individual tax table.

New  
employee  
benefits and  
allowances

Loans and  
employee  
financial  
assistance

Re-  
imburseme  
nts enabling  
working  
from home

Lump sum  
payments  
due to loss  
of office



# New employee benefits and allowances

1. Health and medical coverage benefits
2. Paid Leave benefits
3. Financial Impact considerations
4. Financial wellbeing benefits

- Consider the nature of allowance, are these in as a respect of employment income?

Gross employment income includes all receipts in respect of services rendered, in cash or in kind, including, but not limited to, the following:

- Remuneration (e.g.. salaries and fees).
- Fringe benefits (e.g.. free use of company assets or benefits provided by the employer).
- Allowances and subsidies, subject to deductions for business expenses.
- Deemed value of accommodation provided by employer.
- Deemed value of the use of a company motor vehicle.

- Costs incurred by the employer in respect of the services rendered by the employee, in cash or kind, will be considered taxable benefits to the employee.
- No specific pardon has been granted to individuals with effects to covid-19.

# WORKING FROM HOME

## RE-IMBURSEMENTS AND CASH INCENTIVES

Re-imbursments  
enabling working  
from home  
Working from home  
incentives

- Re-imbursments for enabling working from home e.g. on office equipment, internet data, electricity etc.
- Cash incentives for enabling working from home e.g. cash incentive to purchase office equipment etc.

Employee re-imbursments as well as cash incentives are generally taxable benefits.

The Namibian Revenue Agency has not given any tax pardon to re-imbursments and incentive benefits for covid-19 relief.

# Lump sum payments due to loss of office

Lump sum payments from loss or variation of office



Lump sum  
payments from  
loss or variation  
of office

- Where a lump sum payment is received as a result of the relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment because the person was considered redundant, as a result of the employer having effected a reduction in personnel or the employer ceased or intends to cease carrying on trade in respect of which the taxpayer was employed , an exemption of up to NAD300,000 is available on the lump sum received.
- Not specific to loss of office due to COVID-19, however, highly notable considering the impact of COVID-19 on the Namibian economy and businesses.

# COVID-19 Employment-related measures

2020/2021 COVID-19 measures observed



## Aviation, Tourism and Construction

1. Cash subsidy of 17%
2. SSC contribution holiday, or both for a period of three months.







# Pension and Provident funds



# Types of retirement funds

## Retirement annuity fund

A retirement fund with monthly contributions, usually via debit order, completely independent from employer

## Pension fund

A retirement fund that usually receives frequent contributions (usually monthly) from employee and their employer.  
1/3<sup>rd</sup> of benefit in cash, and  
2/3<sup>rd</sup> to income annuity.

## Preservation

A retirement fund specifically designed to receive lump sum benefits from a pension or provident fund at resignation from employment before retirement.

## Provident funds

Same as a pension fund, but prior to 1 March 2021, it differed that sum benefit is accessed as.



# TAX TREATMENT

## DEDUCTIONS AND CONTRIBUTIONS

**Retirement  
annuity  
fund**

Deductible to a  
maximum amount  
of NAD40,000 per  
annum

**Pension  
fund**

Deductible to a  
maximum amount  
of NAD40,000 per  
annum

**Preservation**

Deductible to a  
maximum amount  
of NAD40,000 per  
annum

**Provident  
funds**

Deductible to a  
maximum amount  
of NAD40,000 per  
annum

# TAX TREATMENT

## Lump sum Payments

**Retirement  
annuity  
fund**

Lump-sum  
payments from  
retirement annuity  
funds are exempt  
from tax

**Pension  
fund**

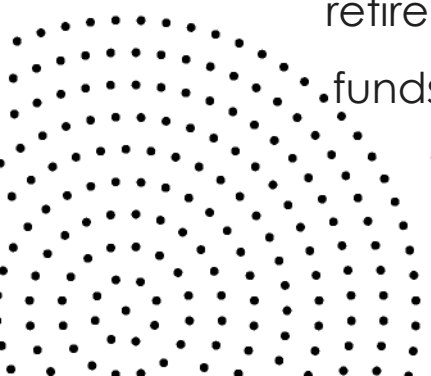
Exempt from tax if  
the payment is  
a result of:

- Death
- Superannuation
- , ill-health or
- other
- infirmary
- Retirement

**Preservation**

Lump-sums from a provident and preservation  
funds paid out as a result of resignation or  
dismissal, termination or dissolution of the fund  
are fully taxable. One third of the lump-sum  
paid out by a provident and preservation fund  
is exempt, subject to

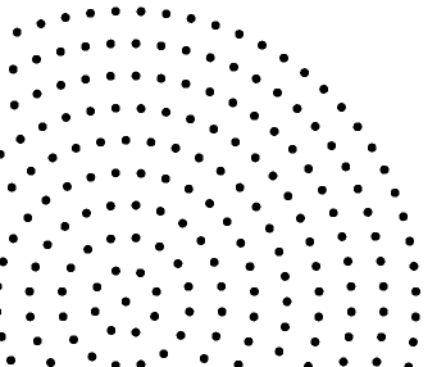
**Provident  
funds**



# TAX TREATMENT

## Lump sum Payments

Payment of the entire lump-sum from a pension, provident and preservation fund into another approved pension, provident, retirement annuity and preservation fund, transferred for the benefit of the taxpayer during or within 3 months after the year of assessment, is not taxable.







# Social Security and Workman's Compensation



# Social Security

2020/2021 contributions

- **Compulsory Maternity Leave, Sick Leave, and Death Benefit Fund.**
- 1.8% of the basic salary.
- 50% employer contribution, 50% employee contribution.
- Limited to NAD 81.00 per month
- Contribution of both employee and employer to the fund
- Thus, total limit of NAD 162.00 per month

## **Amendments to social Security**

- No amendments observed

# Social Security

COVID-19 considerations 2020

## Employer Wage Subsidy Program

- Waiver and cash injection from the state
- Tourism & Hospitality, Construction and Aviation
- agree to not retrench staff for the 3 months in question (April, May and June 2020)
- not be allowed to reduce staff salaries by more than 50%.
- Employers who are outside of the selected sectors affected by Covid19 impacts and can provide proof in this regard can also apply for the contribution waiver, with applications to be considered on merit

## The Affected Employees Program

- Low-income earners and employees in vulnerable
- Safety net for those who have been adversely impacted by COVID19

# Workman's compensation

- Governed by Employees Compensation Act
- Employers contribution
- Fund for cash benefits for injury, disability, and death
- Rates based on occupational risk
- Range from 1% low risk occupations to 8% high risk occupations.

## Amendments to workman's compensation

- No amendments observed







# PAYROLL RECONCILIATIONS



# PAYROLL RECONCILIATIONS

## Payroll Reconciliation

In finance terms, "reconciliation" is to ensure all records of payroll, are verified to the ledger and matches the actual payments sent to employees and payroll third parties. All of the bookkeeping records need to reflect the employee's actual pay plus all of the deductions from employee packages.

## Importance

- Running accurate payroll
- Accurate financial reporting and compliance tracking
- Identifies areas for payroll updates

## Importance

- Payroll system to accounting system
- Payroll system to pay slips reports
- Pay slips report to employee payments
- Pay slip report to 3<sup>rd</sup> party payments
- May include recalculation of 3<sup>rd</sup> party payments
- Recalculations of provisional movements.

# PAYROLL RECONCILIATIONS

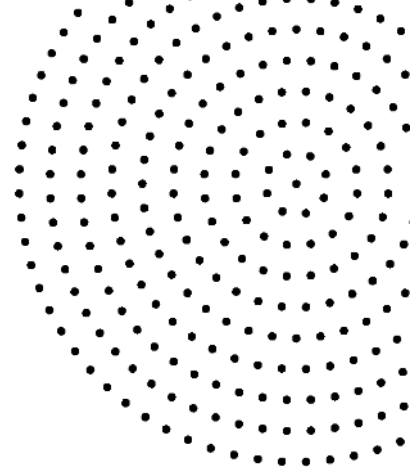
Effectiveness of payroll reconciliations

**Payroll reconciliation is  
most effective when:**

- Good understanding of payroll system
- Effective integration with accounting system
- When conducted before pay day. (Eliminates the risk of wrong payments)
- Consistently applied as a mitigating control within the payroll cost environment
- Evaluation of monthly payroll reconciliation at year end



# Keeping in contact



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thank you