NAMIBIA TAX REVIEW

ABRIDGED FINAL REPORT

ON

TASK 2: REGIONAL COMPARISONS

NAMTAX CONSORTIUM

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TABLE OF CONTENTS: **Page**

Introduction		3
Table 1	Major Tax Issues	4
Table 2	Corporate Taxes in Selected African Countries with Special Reference to the SADC Countries	53
Table 3	Depreciation Rates in Zimbabwe	55
Table 4:	Taxable Capital Gains Tax Brackets (Botswana)	56
Table 5:	The year 2002 Income Tax Rates for Residents (Botswana)	56
Table 6:	The year 2002 Income Tax Rates for Non-Residents (Botswana)	57
Table 7	The year 2002 Estate Income Tax Rates (Botswana)	57
Table 8	The year 2002 Capital Transfer Tax Rates (Botswana)	58
Table 9	The year 2002/03 Income Tax Rates (South Africa)	58
Table 10	The year 2002 Income Tax Rates (Namibia)	59
Table 11	The year ending 2001 and subsequent years Income Tax Rates (Zimbabwe)	59
Table 12	Taxable Income in Namibia and South Africa	60
Table 13	Exemptions	60

REGIONAL COMPARISONS

Introduction

This workshop document compares the salient features of the Namibian tax system with those of other countries in the region. In particular, it is compared with the Botswana, South African, Zambian and Zimbabwean tax system. The four countries have been selected because of the following reasons:

1. They form the immediate competition. They are the countries that Namibia may have to compete with on tax basis. This means that if the Namibian tax system is to remain competitive then it must approximate the tax systems of the neighbouring countries, especially in the areas where the other tax systems are considered to be at an advantage.
2. They are Namibia's main regional trading partners and neighbours.

The common features of the 5 countries' tax systems are:

a. The tax laws in all the 5 countries are modelled on the British tax laws of the 19th Century.
b. The corporate tax, individual income tax, customs and excise duty, and VAT (except for Zimbabwe where it is in the process of being introduced) are the main taxes in each of the 5 countries
c. All the countries tax on source base except for South Africa which levies taxes on a residence base.

The review highlights the major differences between the tax legislation in Namibia on one hand and the tax legislation in each of the other four countries on the other hand. Although the review analyses the differences in tax legislation in general, it concentrates on the Income Tax Act. As a whole the tax laws are fairly similar.

The following tables show different tax issues and tax rates applicable in Botswana, Namibia, South Africa and Zimbabwe. We have compared the Namibian Tax System with tax systems of the other three countries. All these 4 countries, including Namibia, are members of SADC. The data used in this study were valid as of January 2001 with exceptions explicitly stated in the paper. The tax legislations of the different countries are fairly similar in many facets. This paper tries to highlight the salient features of each country's tax legislation and provides comments on the major differences between the Namibian tax laws and those of the other three countries. Table one shows the major tax issues covered in this comparative analysis exercise.

Table 1 MAJOR TAX ISSUES

NO	**ISSUES**	NAMIBIA	SOUTH AFRICA	BOTSWANA	ZIMBABWE	COMMENTS
1	**Tax Base: Source or residence**	Mainly source base *plus* deemed source	Mainly residence base income tax (world-wide income). In terms of the amended South African legislation 'resident' is defined in s 1 in relation to a natural person as a person either ordinarily resident in the Republic or a person who meets the requirements of the 'physical presence' test. 'Ordinary residence' which as a concept is vital as to whether a person may be liable for tax is a matter of fact and has no technical meaning. A natural person will however be 'resident' if he is physically present in the Republic for certain periods: 1. For a period or periods exceeding	All companies operating in Botswana are subject to a tax on earnings in Botswana.	In general, income tax in Zimbabwe is source based.	Only South Africa has a residence based tax system. Namibia, Botswana and Zimbabwe have source based tax system.

			ninety-one days in aggregate during the current year of assessment, and 2. For a period or periods exceeding ninety-one days in aggregate during each of the three years of assessment preceding the current year of assessment and 3. For a period or periods exceeding five hundred and forty-nine days in aggregate during the three years of assessment preceding the current year of assessment.			
2	**Corporate Income Tax**	All companies operating in Namibia are subject to Namibian income tax on their earnings. Branches of foreign companies doing business in Namibia have to register as foreign companies. Other associations (such as close corporations) registered or incorporated outside Namibia that carry on business or have an office in Namibia are taxed as companies. Corporate income tax is levied primarily on income from Namibian sources.	Effective for tax years beginning on or after 1 January 2001, a residence-based tax system applies in South Africa. Companies are considered to be resident in South Africa if they are incorporated or have their place of effective management in South Africa. South African-resident companies are taxed on their worldwide income, excluding branch profits derived from "designated countries". Under various look-through rules, the foreign operating income of subsidiaries derived from non-business establishment operations in nondesignated countries is taxed on an accrual basis. The income of	All companies operating in Botswana are subject to tax on earnings in Botswana.	Income tax is levied on all amounts (other than capital) received or accrued from a Zimbabwean source, less expenditures not of a capital nature incurred in the production of income or for business purposes. Certain specific types of income are exempt. Foreign interest and dividends accruing to residents of Zimbabwe are deemed to be from a source within Zimbabwe. A resident corporation is one that is incorporated in Zimbabwe.	Namibia, Botswana and Zimbabwe tax corporations on their earnings in the country. In addition Namibia and Zimbabwe levies tax on some income deemed to be within the

			subsidiaries with business establishments in nondesignated countries is taxed when the dividends paid out of such income reach South Africa. Income derived by subsidiaries in "designated countries" is exempt from South African tax in all circumstances. All designated countries impose a tax rate of at least 27% without any right of recovery (right to obtain a refund of corporate tax paid), provide for a tax base that is substantially the same as South Africa, and comply with other requirements prescribed in regulations issued by the Minister of Finance. Non-resident companies are taxed on their South African-source income only. Income is considered to be from a South African source if its originating cause is located in South Africa.			country. Companies are considered to be resident in South Africa if they are incorporated or have their place of effective management in South Africa. South African-resident companies are taxed on their worldwide income, excluding branch profits derived from "designated countries".

3	**Individual Tax Rates**	The same progressive tax rates apply to all individuals. Income tax for the tax year ending 28 February 2002 is levied at the rates given in Table 10.	All individuals are taxed at the same rates. The rates for the 2002/03 tax year are presented in Table 8.	Refer to Table 5 and Table 6 below.	Refer to Table 11 below.	
4	**Corporate Tax Rates**	*Rates of tax*: -Companies (other than mining) 35% - Mining companies – According to formulas Companies operating in the EPZ – exempt from income tax, transfer duty and stamp duty.	*Tax Rates*: The basic corporate tax rate is 30%. Branch profits tax at a rate of 35% is imposed on South African branches of non-resident companies. In addition, secondary tax on companies (STC) is levied on South African-resident companies at a rate of 12.5% on dividends declared net of exempt dividends received. Branches subject to the 35% tax rate and non-resident companies do not pay STC. Oil and gas producers are exempt from STC on their mining income. The maximum effective rate of company tax and STC is 37.8%. This rate applies to companies that distribute all of their after-tax profits as dividends. The following are significant features of the STC:	The corporate tax rate for companies other than manufacturing companies is 15% plus a 10% additional company tax (ACT). Approved manufacturing companies are subject to tax at a reduced basic tax rate of 5% plus a 10% ACT. In considering the application for approval the Minister will have regard to - -the number of citizens employed -the training of citizens -the replacement of non-resident employees with skilled citizens -citizen management participation	Resident and non-resident companies are subject to income tax at a rate of 30%. Resident companies are also subject to income tax at a rate of 20% on gross foreign dividends. An AIDS levy of 3% is imposed on income tax payable (excluding tax on income subject to special rates). Special Tax Rates apply to the following enterprises: 1. Approved new manufacturing operations in designated growth point areas (first 5 years) 10%. 2. New projects begun in growth point areas on or after 1 April 1991 for the construction of roads, bridges, sanitation facilities or water-distribution facilities (first 5 years) 15%	The corporate tax rates range from a low of 25%(15% plus a 10% additional company tax) in Botswana to a high effective rate of 37.8(30% + 12.5% STC) in South Africa. This means that Botswana has the lowest tax rate followed

			-STC is imposed on the company, not on the shareholders, and is regarded as a tax on income. STC is payable regardless of whether the company is liable for normal company tax. Gold mining companies may elect to have their mining income taxed under one of two formulas. One of these formulas includes the STC while the other formula does not include it. Gold mining companies are subject to tax at a rate of 38% on their nonmining income. Petroleum and gas production is taxed in accordance with a specified formula contained in a master-operating lease with the state oil exploration company. Life assurance companies are subject to special rules that separate the taxation of policyholders' and corporate funds and apply different tax rates to such items. STC is not payable on the portion of an exempt dividend allocable to profits derived from certain "designated countries".	-the level of citizen investment or opportunity therefor. The tax rate for a branch is 25%. The reduced 5% rate for approved manufacturing companies does not apply to branches. Botswana does not impose a branch remittance tax. International Financial Services Centre (IFSC) companies are taxed at an effective rate of 15%. Mining companies are taxed in terms of the following formula with a minimum rate of 25%: $\frac{70 - 1500}{1 \quad X}$ $X = \frac{\text{taxable income}}{\text{...gross income}} \times \frac{100}{1}$ Diamond companies are taxed in terms of agreement between the companies and	3. Licensed investors operating in export-processing zones: First 5 years 0% Thereafter 15% Mining operations 25% Holders of special mining leases 35% Build-own-operate-transfer (BOOT) projects Years 1 through 5 0% Years 6 through 10 15% Years 11 through 15 20% Years 16 and thereafter 30% Industrial park developers: First 5 years 0% Thereafter 15%	by Namibia, then Zimbabwe and finally South Africa. In Botswana, approved manufacturing companies are subject to tax at a reduced basic tax rate of 5% plus a 10% ACT. South Africa has a company tax rate of 30% and a Secondary Tax on dividends of 12.5% while Namibia has a

			Exempt foreign dividends received are deductible in computing the amount of dividends subject to STC. Double taxation is avoided by the granting of a credit to companies for dividends received from South African companies that have already been subject to STC. Consequently, STC is effectively imposed on the distribution of operating profits. Exemptions from STC apply to scrip dividends and dividends distributed by certain companies, including tax-exempt companies, property unit trusts and companies in liquidation, and to listed shares distributed in an approved unbundling of a corporate structure. Exemption from STC may be elected for dividends distributed by a wholly owned subsidiary to it is South African parent company, if the subsidiary has been held for a t least 12 months and if the dividends are paid out of profits derived after the acquisition. Such exemption should not be elected if the subsidiary had in turn received dividends subject to STC because the credit available for that lower-	the government.		company tax rate of 35% and normally tax dividends declared to non-residents at 10% (residents do not pay any tax on dividends).

			tier STC would then be lost. -Payment of STC is due on the last of the month following the month in which a dividend is declared. -Anti-avoidance provisions prevent, among other actions, the withdrawal of profits through loans.			
	INDIVIDUALS:					
5	**Individual: Tax Rate (top marginal rate)**	36%	40%	25%	40% plus 30% surcharge.	Individual marginal tax rates range from a low of 25% in Botswana to a high of 40% in South Africa and

						Zimbabwe
6	**Individual income tax: who is liable**	Individuals are taxed on employment and self-employment income at progressive marginal rates. Income tax is assessed only on income from sources within or deemed to be within Namibia and is generally not affected by the residence of the taxpayer.	Effective from 1 March 2001 (the 2002 tax year), individuals resident in South Africa are subject to tax on their worldwide income. Non-residents are subject to tax on income from a South African source or from a source deemed to be South African. The place where the services are rendered is generally the source of remuneration. However, short-term visits of fewer than four weeks do not generally give rise to South African tax liability if the individual's presence in South Africa is incidental to employment elsewhere. An individual is regarded as a resident for tax purposes under either the ordinarily resident rule or the physical presence rule. Under the ordinarily resident rule, an individual is regarded as being ordinarily resident in South Africa if South Africa is the place, considering all personal and financial circumstances, to which the individual would naturally return from his or her travels, and that is the individual's real home.	Individuals earning income from employment in Botswana are subject to income tax. Individuals are considered residents in Botswana for any tax year (1 July to 30 June) if they meet any of the following conditions: - Their permanent place of abode is in Botswana; - They are physically present in Botswana 183 or more days during they tax year; or - After staying in Botswana 183 or more days in a tax year, they physically remain in Botswana into the next tax year even if they do not stay in Botswana 183 days during the latter tax year.	Residents are subject to income tax on income accrued, or deemed to accrue, from a source in Zimbabwe. Compensation for services rendered in Zimbabwe is deemed to be derived from a Zimbabwe source, regardless of where the payment is made or where the payer resides. The term "resident" is not legislatively defined. Residential status depends on the facts and circumstances indicating a degree of presence. A person living and working temporarily in Zimbabwe is considered resident, for example, but a transient visitor is not considered resident.	Individuals resident in South Africa are subject to tax on their worldwide income. In case of Botswana, income tax is assessed only on income from within Botswana. Zimbabwe follows the same rule as Namibia. However, the issue of residence is also considered in Botswana and

			The physical presence rule applies if the individual is not ordinarily resident at any time during a particular year, but is physically present for more than 91 days in the relevant year and ins physically present for an aggregate of more than 549 days in the preceding 3 years and for a *de minimus* period of more than 91 days in each of those preceding years. For purposes of determining the 91-day and 549-day periods, a partial day counts as a full day. If an individual is physically outside South African for a continuous period of at least 330 full days after the day of last physical presence, under the physical presence rule that person is not resident for the entire period of continuous absence.			Zimbabwe.
7	**Individual Income Subject to Tax:**	*Employment Income*: Employment income is taxable in Namibia if it arises from a source within, or deemed to be within, Namibia. The place where the services are rendered generally determines the source of remuneration. However, income from	*Employment Income*: The basis of employee taxation is remuneration, which consists of salary, leave pay, allowances, wages, overtime pay, bonuses, gratuities, pensions, superannuation allowances, retirement allowances and stipends, whether in cash or otherwise. These payments form part of the gross income of an employee, together	*Employment Income*: With a few exceptions, income derived from sources outside Botswana is not subject to tax. All salaries paid, and benefits provided, for work performed in Botswana are taxable, regardless of where paid or provided. Special tables are used for calculating	Employment Income: Tax is levied on salary, wages and the value of employment benefits. Income tax liability is calculated in the following manner. Step I: Calculate the income tax on the taxable income according to the tax rate structure	Individuals resident in South Africa are subject to tax on their worldwide income.

		services related to employment or a profession in Namibia is deemed to be from a Namibian source, regardless of where services are performed or payment is made. For example, income for services rendered during a temporary absence from Namibia by a person ordinarily resident in Namibia is subject to tax if the services are rendered for or on behalf of a Namibian employer. Taxable employment income consists of salaries and bonuses, in cash or in kind, and fringe benefits, including the use of company vehicles, free housing and interest-free or low-interest loans. Self-Employment Income. Capital and exempt receipts and allowable deductions are subtracted from gross income to arrive at taxable self-employment income, which is taxed with other income at the rates described in income tax	with the cash value of any fringe benefits received. Fringe benefits are taxed in accordance with a schedule of valuations. Remuneration from employment on extended absence outside South Africa is exempt from tax if the employee is outside South Africa for an aggregate of more than 183 full days in any 12-month period beginning or ending in the tax year, and for at least one continuous period exceeding 60 full days during the same 12-month period. For residents, any amount received or accrued under the social security system of another country or any pension received from a non-South African source (and not deemed to be from a South African source) in consideration of past employment outside South Africa is tax-exempt. A pension is deemed to be from a South African source if the services for which the pension was granted were performed within South Africa for at least two years during the ten years immediately preceding the date on which the pension first became due. *Self-Employment and Business*	the taxable value of fringe benefits. For individuals who receive retrenchment packages, one-third of the amount of the package, or an amount equal to the tax threshold, whichever is higher is tax-exempt. *Self-Employment and Business Income*: Business profits from self-employment activities are taxed at the rates described in Rates. Partners are individually subject to tax on their shares of business profits. If the owners of a company are residents and their gross income is less than P 300,000, they may elect to have business profits taxed in the same manner as partnership profits. *Directors" Fees*: Directors' fees are added to the taxable income of residents and non-residents. Investment Income: Interest paid to a resident is included with other taxable income and	Step II: Calculate the tax credit entitlement discussed in Personal Credits. Step III: Deduct the amount in Step II from the amount in Step I to determine the income tax payable. Non-residents are taxed on their employment income in Zimbabwe at the rates described in Rates. *Self-Employment and Business Income:* Partners are individually subject to tax on their share of business profits. Income tax is levied on all income (other than capital gains) received or accrued from a Zimbabwean source, less noncapital expenditure incurred in the production of income or for business purposes. Certain specific types of income are tax-exempt. Income from sources other than employment is subject to tax at a flat rate of 30%.	In Botswana, income tax is assessed only on income from within Botswana. Zimbabwe follows the same rule as Namibia, that is, employment income is taxable if it arises from a source within, or deemed to be within, the country.

		rates. *Investment Income*: Interest and dividends from building societies received by a Namibian resident from anywhere in the world are deemed to be from Namibian sources and are taxable with other income at the normal income tax rates. An exception is made if the investment originates outside Namibia or is made for a business carried on outside Namibia and if the interest is taxed outside Namibia. The following income is tax-exempt: -The first N$ 500 of interest accruing to each taxpayer from financial institutions in Namibia. - Interest from stock or securities issued by the government of Namibia or any local authority. - Interest from deposits in the Namibia Post Office	*Income*: Professional fees paid to non-residents are subject to employee withholding tax (if from a South African source), even if the non-resident is an independent contractor. *Investment income*: Domestic dividends paid to residents by companies and close corporations are tax-exempt. Foreign dividends paid to residents are taxable, subject to the provisions of any relevant double tax-treaty. Credit for foreign tax paid may be available. For residents, interest and foreign dividends of up to R 3,000 (R4,000 for individuals older than 65 years of age) are tax-exempt. Anti-avoidance legislation restricts spouses from splitting their investment income to reduce their tax burden. Dividends paid to non-residents by companies and close corporations are tax-exempt. Royalties paid to non-residents are subject to a final 12% withholding tax. Non-residents are not subject to withholding tax on South African-	taxed at the rates described in Rates. Up to P 2,500 of interest received in a tax year by residents from banking institutions or building societies in Botswana is exempt from tax. Royalties and rental income from Botswana sources are also included with other taxable income and are taxed at ordinary rates. Dividends from resident companies are not included in taxable income. Interest, dividends, royalties, and management and consulting fees paid to non-residents are subject to a 15% final withholding tax.	Non-residents are taxed on business income at a flat rate of 30%. Withholding taxes are imposed on non-residents at a rate of 20% on fees for technical, managerial, administrative and consulting services. The withholding tax is allowed as a credit against tax assessed at the normal rates. The amount of the credit is limited to the lesser of the tax assessed or the withholding tax. *Directors' Fees*: Directors' fees paid to working directors are taxed with other income at the normal tax rates. Fees paid to nonworking directors are taxed at a rate of 30%.	

		Savings Bank -Worldwide dividends accrued on ordinary and preference shares - Dividends from special tax-free, indefinite-period shares in any building society on an invested amount of up to N$100,000 -One-third of dividends from any other shares in a Namibian building society in Namibia Rental income is aggregated and taxed with other income. In the absence of an applicable double tax treaty, non-residents are subject to the following final withholding taxes: a 10% non-resident shareholder's tax (NRST) on dividends declared and a 10.5% tax on royalties paid to non-residents. NO withholding tax is imposed on interest paid to a non-resident.	source interest if they are physically absent from South African and do not carry on business in South Africa (employment is not a business for these purposes). Interest paid to non-residents of up to R 3,000 (R 4,000 for individuals older than 65 years of age) is exempt from tax.			

		Directors' Fees: Namibian-source directors' fees are taxed together with other income. Partnerships are not treated as separate taxable entities. Partners are taxed on their net partnership income.				
8	**Capital Gains Tax: Individuals**	Capital gains tax is not imposed in Namibia.	For individuals, only 25% of a capital gain is taken into account for CGT purposes. Therefore, the effective CGT rate for an individual taxed at the highest marginal income tax rate of 42% is 10.5% (25% x 42%). CGT applies only to increases in value occurring on or after 1 October 2001. Inflation indexing of base cost is not allowed. Rollover relief is available in certain circumstances, including the destruction or scrapping of assets. Gain derived from the sale of an individual's primary residence is not subject to CGT unless the amount of the gain exceeds R 1 million. Capital losses, other than those incurred on the disposal of personal use assets (assets used primarily for purposes other than the carrying of	Capital gains tax is levied on gains from the sale of immovable capital assets used in a business carried on in Botswana from the sale of corporate shares and debentures. To compute capital gains on sales of property acquired before 1 July 1982, the cost of acquisition and improvements is increased at a rate of 10%, compounded for every 12-month period from the date of acquisition to 1 July 1982, and then indexed for inflation from 1 July 1982 to the date of sale. For property acquired on or after 1 July 1982, the cost of acquisition and improvements is indexed for inflation in computing capital gains.	Capital gains from the disposal of marketable securities listed on the Zimbabwe Stock Exchange are subject to tax at a rate of 10%. Gains from the disposal of other marketable securities, including shares in private companies, and from real property are subject to tax at a rate of 20%. Capital gains tax is levied on the sales price of the shares or property after deducting the cost plus 15% of the cost for each year of ownership. A 10% withholding tax applies to gross proceeds derived from the sale of immovable property. The withholding tax is credited against the capital gains tax. Rollover relief is available for sales of real property used in a trade or business if individuals	All the countries, except Namibia, levies taxes on capital gains.

			trade), may offset capital gains. However, capital losses may not be offset against regular taxable income.	Only 50% of gains derived from sales of corporate shares is subject to tax. Gains derived from the sale of shares listed on the Botswana Stock Exchange are exempt from tax. Net aggregate gains are subject to tax at the following rates for 2002. (Refer to Table 4: Taxable Capital Gains Tax Brackets)	or companies sell business premises and purchase replacement premises or if individuals sell business premises to a company under their control and, in both cases, if the business continues to be carried on in the new premises. Rollover relief is also available for the sale and replacement of a principal private residence. The capital gains tax rate on the sale of principal private residence by individuals 60 years of age and older is 10%. Gains of Z$5,000 or less are tax-exempt. Capital losses in excess of Z$1,000 may be carried forward indefinitely.	
9	**Capital Gains Tax: Corporations**	Capital gains tax is not imposed in Namibia.	Effective from 1 October 2001, capital gains are subject to capital gains tax (CGT) at a rate of 15%. Resident companies are subject to CGT on capital gains derived from disposal of worldwide tangible and intangible assets. Non-residents are subject to CGT on capital gains derived from disposal of fixed property and interests in fixed property, and assets of a	The capital gains tax applies to gains on the sale of capital assets (immovable property) of a business carried on in Botswana and on the sale of corporate shares and debentures. For computing gains on sales of immovable property acquired before 1 July 1982, the cost of acquisition and improvements is first	Capital gains derived from sales of immovable property and securities issued by private companies are taxed at a rate of 20%. For capital gains on securities listed on the Zimbabwe Stock Exchange, the tax rate is 1-%. Gains are determined by deducting cost plus an annual allowance of 15% of cost from the selling price. Capital allowances recouped for income tax	

			permanent establishment located in South Africa. An interest in immovable property includes a direct or indirect interest of at least 20% in a company if, at the time of disposal of the interest 80% or more of the value of the net assets of the company is attributable to immovable property (land and buildings) located in South Africa. A capital gain is equal to the amount by which the disposal proceeds for an asset exceed the base cost of the asset. A capital loss arises if the base cost exceeds the disposal proceeds. Capital losses may offset capital gains, and regular income losses may offset net capital gains. However, capital losses may not offset regular income. The base cost for an acquired asset includes the sum of the following: the amount actually incurred to acquired the asset; cost of the valuation of the asset for the purposes of determining the capital gain or loss; expenditure directly related to the acquisition or disposal of the asset, such as transfer costs, advertising costs, cost of moving the asset from one location to another and cost of installation; expenditure	increased by a 10% rate, compounded for each complete 12-month period from the date of acquisition to 1 July 1982. It is then indexed for inflation from 1 July 1982 to the date of sale. For computing gains on immovable property acquired on or after 1 July 1982, the cost of acquisition and improvements is indexed for inflation during the period of ownership. Only 50% of the gain on the sale of shares is subject to tax. Taxable capital gains are subject to tax at a rate of 25%.	purposes are excluded from gains. A 10% withholding tax is imposed on the gross proceeds derived from sales of immovable property. This tax is offset against any capital gains tax assessed on the transaction. Withholding tax on sales of shares has been suspended until further notice.	

			incurred to establish, maintain or defend the legal title to, or right in, the asset; and expenditure on improvement costs. The base cost is reduced by any amounts that have been allowed as income tax deductions. Inflation indexation of the base cost is not allowed. Special rules apply to the valuation of a "pre-valuation date asset", which is an asset acquired before 1 October 2001 and still held on 1 October 2001. In principle, a taxpayer may elect to use the market value of such asset on 1 October 2001 as the base cost of the asset or, alternatively, it may use a time-apportionment basis, which is determined by a formula. If the taxpayer elects to use the market value of the asset, the asset must be valued before 30 September 2003. However, if the market value of the asset exceeds R 10 million (or R 1 million in the case of an intangible asset), the taxpayer must submit proof of the valuation with its first tax return submitted after the valuation. A disposal is defined as an event			

			that results in the creation, variation or extinction of an asset. It includes the transfer of ownership of an asset, the destruction of an asset and the distribution of an asset by a company to a shareholder. For CGT purposes, a company does not dispose of assets when they issue shares or when they grant an option to acquire a share or debenture in the company. The proceeds from the disposal of an asset by a taxpayer are equal to the amount received by, or accrued to, the taxpayer as a result of the disposal. The proceeds from the disposal are reduced by any amount that is included in the taxpayer's taxable income for income tax purposes. If a company makes a distribution of an asset to a shareholder as a dividend, the company is deemed to have disposed of the asset for proceeds equal to the asset's market value. A liquidation dividend is effectively treated as proceeds from the disposal of shares. Rollover relief is available in certain			

			circumstances including destruction of assets and scrapping of assets. All related-party transactions are deemed to occur at market value, and restrictions are imposed on the claiming of losses incurred in such transactions. Corporate emigration (this occurs when the effective management of the company is moved outside South Africa) triggers a deemed disposal at market value of the assets of the company.			
10	**Capital Transfer Tax**	There is no capital transfer tax in Namibia	Estate duty and donation tax are levied at a flat rate of 25% on all capital transfers concluded for non-consideration or for inadequate consideration. Effective from 1 October 2001(with the introduction of CGT), the rate of estate duty and donation tax will be reduced to 20%.	Capital transfer tax is payable on donations and estates less allowable deductions at a rate of 12.5%. *Estate Income Tax*: An estate is subject to tax at the same rates as individual residents on income earned in the 2002 tax year.	*Estate and Gift Taxes:* Estate tax is levied on the estates of all deceased persons with assets located in Zimbabwe or with foreign assets arising from Zimbabwean sources. The maximum rate of estate duty is 20%. A surviving spouse is entitled to a rebate of Z$50,000, which phases out if the dutiable estate reaches Z$375,000. A rebate of Z$25,000, which phases out at Z$375,000, is granted if the deceased does not have a surviving spouse. If a spouse or minor child survives the deceased, the value of the family is not taxable.	All the countries, except Namibia, levies some form of capital transfer tax on donations and estates.
11	**Sales Tax**	Sales Tax has been replaced	Sales Tax has been replaced with	Sales tax is charged on	There is sales tax levied on sales	Botswana,

		with VAT	VAT	specified goods, specified services, imports and hotel room and board. The rate varies from 0 – 10%. The country is however in a process to change over to a VAT system.	of specified goods and services. Plans are under way to replace sales tax with value-added tax, with a probable effective date of 1 January 2002.	Namibia and South Africa have replaced their Sales Tax with VAT. Zimbabwe is in the process of doing the same.
12	**VAT**	VAT is charged at a rate ranging from 0 – 15% on a wide range of goods and services. The 30% VAT rate will be abolished when the VAT Amendment Act of 2002 is promulgated.	Value-added tax, levied on supply of a wide range of goods and services Standard rate 14% Disposal of going concern and certain exports 0% Regional services (rates vary by region); average rates: On remuneration 0.35% On turnover 0.14% Skills development levy, on remuneration 1%	The Government of Botswana has enacted legislation introducing Value Added Tax (VAT) of 2000 to replace the current Sales Tax regime, effective 01 July 2002. The VAT Act will be administered by the Department of Customs and Excise. The rate of VAT is 10%.	There are plans to introduce VAT. Effective date of introduction of VAT that was initially set for 1 January 2002 is yet to be decided.	The VAT tax rate ranges to from a low of 10% in Botswana to a high of 15% in Namibia. Zimbabwe is yet to decide on the rate that it will apply.
13	**Foreign Tax Relief**	In the absence of treaty provisions, a unilateral tax credit is available for	In the absence of treaty relief provisions, unilateral relief is granted through a credit for foreign		If relief is not provided by a treaty a unilateral tax credit is given for foreign withholding	Foreign tax relief is limited

		foreign direct and withholding taxes paid on dividends and royalties. The credit may not exceed the Namibian tax attributable to such income. The credit is denied to the extent that a refund of the foreign tax is possible.	taxes paid or attributed under the foreign dividend or the controlled foreign entity rules, limited to the lesser of the actual foreign tax liability and the South African tax on such foreign income. Excess credits may be carried forward but they are lost if they are not used within seven years. STC is recognized as a creditable tax under certain tax treaties.		tax. The tax credit may not exceed the Zimbabwean income tax imposed on the income.	to income tax imposed on the income.
14	**Small companies**	No such provisions.	Small business corporations (SBCs) are taxed at a rate of 15% on their first R 100,000 of taxable income and 30% on taxable income exceeding that amount. To qualify as an SBC, a company must satisfy the following requirements: -Its gross income for the year must not exceed R 1 million; -Its shares must be held by individuals who do not hold interests in other companies; and -Its total personal service and investment income must not exceed	The shareholders of a small company may elect to be treated for tax purposes as a business carried on in partnership. This election must be unanimous and must be notified in writing to the Commissioner of Taxes. Where all the shares are held by a single resident individual, he may elect to be treated for tax purposes as an individual carrying on business. A small company is defined as a resident private company whose gross income does not	No such provision	South Africa taxes small business (as defined) at 15% on the first R 100,000 of the taxable income. The rest of the taxable income is taxed at the normal corporate tax rate.

			20% of its gross income.	exceed BWP 300,000 in any tax year. Where an election as above is made then it will apply for that year and the next 2 subsequent years unless the company in question ceases to be eligible for treatment as a small company in that period. Where a company is thus treated, as a partnership the chargeable income of the company will be apportioned among the shareholders in the proportions in which they own the equity capital and such apportioned shares of income will be included in the chargeable income of those shareholders. *An assessed loss will be similarly apportioned.*		
	Withholding Taxes:					
15	**Tax on Dividends**	Dividends paid to residents are exempt from tax. Dividends paid to non-residents are subject to a withholding tax of 10% unless they are paid out of	*South African-source dividends*: South African-source dividends are exempt in the hands of the recipients and, accordingly, recipients may not deduct expenses relating to the earning of the dividends, such as	A withholding tax of 15% is levied on all dividends paid to residents and non-residents. It is a final tax and may be offset against the 10% additional company tax.	Dividends received by a resident corporation from another resident corporation are exempt from withholding tax and income tax. A 15% withholding tax is imposed on dividends paid	Botswana levies a final withholdin g tax of 15% on all

		oil and gas profits. Dividends received by a company are exempt from tax, and expenses incurred in the production of dividend income are not deductible in the determination of the company's taxable income.	interest and other expenses incurred on the acquisition of their shares. In general, South African-source dividends are dividends paid by South African companies. *Foreign Dividends*: Effective from 23 February 2000, foreign dividends accruing to or received by South African residents are taxable and, accordingly, expenses incurred in earning the dividends are deductible. Foreign dividends are dividends paid by non-resident companies or out of foreign profits of resident companies that were previously considered to be non-resident. The amount of foreign dividends subject to tax varies, depending on whether the holding in the company distributing the dividend is considered a portfolio investment. A portfolio investment is an investment in which the recipient holds less than 10% of the equity in the distributing company. If a company is part of a group of companies that is 75%-owned directly or indirectly by a parent company, all of the shares held by members of the group are taken into account in determining whether the 10% threshold is met.	Dividends received by a resident company from a resident subsidiary are exempt from tax if they are paid out of dividends received that suffered withholding tax.	by companies listed on the Zimbabwe Stock Exchange to resident individuals. A 20% withholding tax is imposed on other dividends paid to resident individuals and on dividends paid to non-residents. Dividends received from foreign companies are subject to tax at a rate of 20%.	dividends paid to residents and non-residents.

			For portfolio investments, the amount subject to tax is the dividend received before the deduction of any withholding tax. A credit against the South African tax is granted for any withholding tax imposed on the dividend in the country of the distributing company. Alternatively, a taxpayer may elect to be taxed on the net dividend received after the deduction of withholding tax. If the taxpayer elects to be taxed on the net dividend, the election is deemed to apply to all foreign dividends received in the tax year of the election. A credit against the South African tax is granted for any withholding tax imposed on the dividend in the country of the distributing company. Certain foreign dividends are exempt from tax, including those declared by the following companies: - Controlled foreign entities paying dividends out of income that was previously attributed to the South African parent; - For dividends paid to			

			portfolio investors, non-resident companies listed on the Johannesburg Stock Exchange. - For dividends paid to nonportfolio investors, companies located in "designated countries"; - South African incorporated companies paying dividends out of profits derived from foreign branches located in "designated countries" that have been subject to tax at a rate of at least 27%. Dividends paid out of profits derived from participations in certain projects approved by the Department of Trade and Industry, which are generally located in Southern African Development Community countries, are also exempt from tax. Withholding Tax: Dividends paid and remittances by a branch to its head office are not subject to withholding tax.			
16	**Interest**	Interest and dividends from building societies received by a Namibian resident from anywhere in the world are deemed to be from	Non-residents are not subject to withholding tax on South African-source interest if they are physically absent from South African and do not carry on business in South	There is a 15% withholding tax on interest payable on offshore foreign loans.	Interest received by residents from Zimbabwean financial institutions and building societies is subject to a final withholding tax at a rate of 20%.	Zimbabwe levies a final withholdin g tax of

		Namibian sources and are taxable with other income at the normal income tax rates. An exception is made if the investment originates outside Namibia or is made for a business carried on outside Namibia and if the interest is taxed outside Namibia. The following income is tax-exempt: -The first N$ 500 of interest accruing to each taxpayer from financial institutions in Namibia. - Interest from stock or securities issued by the government of Namibia or any local authority. - Interest from deposits in the Namibia Post Office Savings Bank. Interest accruing to a jointly account is deemed to belong one-half to each spouse.	Africa (employment is not a business for these purposes). Interest paid to non-residents of up to R 6,000 (R 10,000 for individuals older than 65 years of age) is exempt from tax beginning from the 2002/03 tax year. Non-resident companies are exempt from tax on South African-source interest income unless the income is directly related to the operation of a branch. The interest exemption is R 6,000(R10,000 for taxpayers over 65 years of age).		A final tax at a rate of 20% is imposed on the yield of treasury bills purchased by residents. This tax is payable at the time of purchase of the bills. No deduction for expenses and losses is permitted with respect to interest subject to the final taxes described above. Other interest received by residents is not subject to withholding tax and is taxable at the regular corporate income tax rate (30%) and may be offset by expenses and losses.	20% on all interest received by residents from Zimbabwean financial institutions and building societies. A final tax at a rate of 20% is also imposed on the yield of treasury bills purchased by residents. This tax is payable at the time of purchase of the bills. No deduction for expenses

						and losses is permitted with respect to interest subject to the final taxes described above. In South Africa the interest income exemption is R6,000 (R10,000 for taxpayers over 65 years old) while the interest exemption in Namibia is only N$500.
17	**Determination of trading Income**	Taxable income includes both trade and nontrade income (interest) not of a capital nature. Revenue amounts and realized	The assessment is based on taxable income determined in accordance with the Income Tax Act. Taxable income normally approximates profit calculated in accordance with	Taxable income is net income reported in the financial statements, modified by certain provisions of the tax law. Expenses are deductible	Income tax is levied on all income from a source in Zimbabwe or deemed to be in Zimbabwe. Post office savings bank interest and income from	Taxable income approximates but rarely

		foreign-exchange gains are subject to tax. Taxable income rarely coincides with profit calculated in accordance with accepted accounting practice. To be eligible for deduction, expenditures must be incurred in the production of income in Namibia, must be for purposes of trade and must not be of a capital nature. However, realized foreign-exchange losses are deductible even if they are of a capital nature. Scientific research expenditure are deductible if the research is undertaken for the development of business or is contributed to an institution approved by the Council of Scientific and Industrial Research.	accepted accounting practice, before adjustment for specific allowances and non-deductible items. To be eligible for deduction, expenditures must be incurred in the production of income and for purposes of trade, and must not be of a capital nature. Prepayments of insurance, rent and certain other items may not be deducted in full in the tax year of payment unless the related service or other benefit is enjoyed within six months after the end of the tax year of payment. Non-resident companies are exempt from tax on South African source interest income unless the income is directly related to the operation of a branch.	to the extent incurred in producing taxable income. The rules for determining taxable income for an IFSC company are different from those of a normal company. Collective-investment undertakings (as defined) are subject to tax on their undistributed income only.	certain building society investments are exempt from tax. Interest received from financial institutions and building societies is exempt from income tax if withholding tax is imposed on such interest. The yield on treasury bills purchased by residents is subject to a final tax at a rate of 20% which is payable on the purchase of the bills. The expenses incurred for business purposes are generally deductible. The following expenses are not deductible: Expenses incurred in the production of exempt income or income not derived or deemed to be derived from Zimbabwe: -Rent or repairs for premises not occupied for purposes of trade; -Payments in restrain of trade; -Entertainment expenses; and -Payment under leases of	coincides with profit reported in the financial statements.

					passenger motor vehicles (as defined in excess of Z$300,000. For mining operations, the following expenses are not deductible: - Interest relating to excess debt in a company with a debt-to-equity ration that exceeds 3 to 1; and - General administration expenses charged by a foreign head office or parent that exceed 0.75% of expenditure incurred during the preproduction phase or 1% of gross mining income during the production phase. Donations of up to Z$10 million per year for the construction, maintenance or operation of hospitals run by the state, local authorities or religious organisations are deductible.	
18	**Deductions**	*Deductible Expenses:* Noncapital expenses incurred in the production of income are deductible. An annual deduction of	*Deductible Expenses*: Expenses not of a capital nature incurred in earning taxable income are deductible. Donations to public benefit organisations are deductible,	The main requirements for expenses to qualify as deductions are: - Carrying on any trade in	The expenses incurred for business purposes are generally deductible. The following expenses are not	In Zimbabwe, with some exceptions

		N$30,000 per person is allowed for total contributions made to approved retirement annuity funds, pension funds and provident funds. Donations to registered welfare organisations and approved educational institutions are deductible if the recipient issues to the donor a certificate recording certain specific information. *Special Deductions*: The following special deductions are available to registered manufacturers: An additional deduction of 25% of the wages paid to their manufacturing staffs; -An additional deduction of 25% of the wages paid to their manufacturing staffs; -An additional deduction of 25% of approved training expenses for their manufacturing staffs; -An additional deduction of 25% to 75% of export	up to R 1,000 or 5% of taxable income, whichever is less. The maximum deduction for current approved pension fund contributions is the greater of R 1,750 and 7.5% of pensionable income. Approved retirement annuity fund contributions are deductible, up to the greatest of the following amounts: - R 3,500, less pension fund contributions. - 15% of nonpensionable income, including income from investments, pensions and annuities; and - R 1,750. Medical expenses and expenses relating to a physical disability may be deducted only if they exceed the greater of R 1,000 or 5% of taxable income. No limit applies to persons older than 65 years of age. Handicapped persons may deduct annual medical expenses in excess of R 500. *Personal Deductions and Allowances*: Mortgage interest	Botswana - In the production of income - Not of a capital nature - Wholly, exclusively and necessarily for the purposes of trade Employee accommodation allowance. An allowance is granted in respect of expenditure incurred on the construction of dwelling houses for employees employed in the taxpayer's business (other than those in the mining sector). The allowance amounts to Botswana Pula (BWP)5000 per house and is deductible in the year it is incurred. *Special training allowance*: A special deduction from taxable income is available in respect of expenditure incurred by any person carrying on business in Botswana on training approved by the Commissioner.	deductible: Expenses incurred in the production of exempt income or income not derived or deemed to be derived from Zimbabwe: -Rent or repairs for premises not occupied for purposes of trade; -Payments in restrain of trade; -Entertainment expenses; and -Payment under leases of passenger motor vehicles (as defined in excess of Z$300,000.	, the expenses incurred for business purposes are generally deductible. In the other three countries noncapital expenses incurred in the production of income are deductible. However, in Botswana, the expenses should be wholly, exclusively and necessarily for the purpose of trade.

		marketing expenses, depending on the level of increase in export turnover; and - A deduction equal to 50% of income derived from manufacturing for the first five years of registration, phasing out at 5% per year for the following nine years. The Receiver of Revenue, in consultation with the Ministry of Trade and Industry, reviews and approves applications to register as manufacturers. Approval is granted only if the company is engaged in manufacturing and if its activities economically benefit Namibia or its inhabitants. Losses resulting from these special deductions may not be used to offset other income. Taxable income derived from exports of manufactured goods excluding fish and meat	paid is not tax-deductible. For 2002/03, a primary rebate of R4,860 is deducted from tax payable on taxable income. The amount of the secondary rebate, which applies to individuals 65 years of age and older, is R 3,000. Individuals younger than 65 years of age who have taxable income of less than R 27,000 are not subject to tax. For individuals 65 years of age and older, the threshold is R42,640.	The allowance, which is deductible in the tax year in which the expenditure is incurred, amounts to 200% of such expenditure. *Development approval orders:* The Minister of Finance may issue a development approval order granting additional tax relief to any project which he considers would be beneficial to the development of the Botswana economy or to the economic advancement of its citizens. In considering any application for tax relief in respect of a development project the Minister must have regard to: - the number of Botswana citizens who will be employed and the capacities in which they will be employed; - any facilities proposed for the training an		In South Africa individuals earning below R27,000 a year (R42,640 for senior citizens) do not pay any personal income tax while in Namibia the threshold is only N$20,000 for all individuals including senior citizens.

		products, is reduced by 80%. This allowance is available to trading houses and manufacturers. For manufacturers, this allowance applies in addition to the special deductions listed above. The combination of this allowance and the fourth special deduction listed above reduces the effective tax rate for manufacturers of export s to 0%.		imparting of skills to Botswana citizens; - any provisions made for the eventual replacement of non-resident employees by Botswana citizens; - any provision made for participation by Botswana citizens in the management of the business; - the degree of investment in the business of capital owned by Botswana citizens; - the area in which the proposed development project or activity will be carried on; and - any effect which the proposed project or activity might be expected to have (i) on stimulating the development of other economic, industrial or commercial activities in		

				Botswana, whether of the business or otherwise, or (ii) in reducing the price in Botswana of consumer goods or services. Any order issued will specify the types and rates of additional tax relief to be granted to the project in question. *Financial assistance policy:* Under the government's Financial Assistance Policy, launched in 1982, a number of incentives are available generally to business involved in small-scale (involving an investment of up to BWP 75,000), medium-scale (an investment of BWP 75,000 – BWP 2 million) and large-scale (over BWP 2 million) projects. Funding for small-scale projects is restricted to citizens while that for medium- and large-		

				scale projects may be accessed by citizens and non-citizens alike. Such incentives include income tax holidays, grants towards training for job creation and to boost sales and direct financial aid. Application is generally to the Ministry of Commerce and Industry after initial contact with the relevant Ministry depending on the sector concerned, e.g. mining, agriculture, etc.		
19	**Capital Allowances**	*Machinery, Equipment and Vehicles*: The cost of machinery, motor vehicles, utensils, articles, ships and aircraft may be deducted in three equal annual amounts, beginning in the year of acquisition. *Buildings*: An initial allowance of 20% of construction cost is permitted for commercial buildings in the year the buildings are first used. An allowance of 4% is permitted in each of the	*Industrial Plant and Machinery*: New or used plant and machinery purchased or brought into use in a manufacturing or similar process on or after 1 April 2000 qualifies for a 20% straight-line allowance. The same allowances apply to foundations for plant and machinery if they are built specifically for particularly machines and have a useful life limited to the life of the relevant machine. Industrial Buildings: A 5% annual straight-line allowance is granted on the cost of the construction of, or improvements to, buildings begun	Moveable assets are depreciated on the straight line basis at the following rates: Rate % Industrial buildings 2.5 Commercial buildings 2.5 Office Equipment 10 Motor Vehicles 25	Depreciation charged in the financial statements is not deductible; instead a 50% special initial allowance is granted on the cost of certain assets. A wear- and-tear allowance of 25% of cost is granted in the following 2 years. The special initial allowance is granted on the cost of construction or additions to fixed assets other than land and certain buildings and also on the purchase price of movable property. If the special initial allowance is not elected, a wear-and-tear allowance at varying	Namibia has the most generous capital allowances. Depreciation allowance on Plant and Machinery ranges from a low of 15% in Botswana

		following 20 years. For industrial buildings of a registered manufacturer, an initial allowance of 20% and an annual allowance of 8% are allowed. No allowance is granted for employee housing. *Patents, Designs, Trademarks and Copyrights*: If used in the production of income, the cost of developing purchasing or registering patents, designs, trademarks, copyrights and similar property is allowed in full if such cost is not more than N$200, or the cost can be amortized over the estimated useful life if more than N$200. The period of write-off may not exceed 25 years. *Mining Including Oil and Gas*: Prospecting and development expenses incurred in mining operations are not subject to the tax depreciation rules described above. In general, prospecting expenses may be deducted in the year	after 1 October 1999 or brought into use after 31 March 2000. Purchased industrial buildings generally qualify for annual straight-line allowances at the following rates: 2% if originally constructed before 1 January 1989; 5% if constructed during the period of 1 January 1989 through 30 June 1996; and 10% if constructed during the period of 1 July 1996 through 31 March 2000. Construction of and improvements to hotels qualify for a 5% straight-line allowance if the construction of the hotel or improvements commenced on or after 4 June 1988. Capital expenditure on the internal renovation of hotels, however, qualifies for straight-line depreciation at an annual rate of 20%. *Wear-and-Tear Allowances*: An annual wear-and-tear allowance may be calculated using the declining-balance method or the straight-line method, but the straight-line method is generally preferred by the Inland Revenue. The allowance may be claimed based on the value (generally the cost) of movable nonmanufacturing machinery and equipment used by the taxpayer for the purposes of its trade. Rates for	Plant and Machinery 15-25 Capital allowances are subject to recoupment on the sale of an asset to the extent that the sales proceeds exceed the tax value after depreciation. Mining companies, other than diamond-mining companies may deduct 100% of their mining capital expenditure in the year in which the expenditure is incurred. *Business Deductions*: Business expenses of sole proprietorships and partnerships are deductible to the extent incurred in producing taxable income. Resident sole proprietors and partners may take the same salary deductions as employees. Rates. The following table sets forth the 2002 income tax rates for residents. *Personal Deductions and*	rates is granted on these assets. The following are the depreciation methods and the rates of this wear-and-tear allowance for certain assets. The maximum depreciable cost for passenger motor vehicles (as defined) acquired on or after 1 January 2001 is Z$300,000. All capital allowances are subject to recoupment on the disposal of assets on which such allowances have been claimed. Any amounts recouped are subject to tax at the regular corporate tax rate. The full sale price of mining assets on which capital allowances have been granted is subject to tax at the regular corporate tax rate.	to a high of 33.33% in Namibia. In South Africa Assets are depreciated over 4 years while the depreciation rates in Namibia are more favourable as assets are written off over 3 years.

		production begins. Costs incurred on infrastructure may be deducted over three years, beginning in the year production begins. *Recoupment*: Capital allowances are generally subject to recoupment to the extent the sales proceeds exceed the tax value after depreciation. In addition, capital allowances are recouped if assets are withdrawn from a business or removed from Namibia, regardless of whether the assets are sold. The market value of the assets is used to determine the amount recouped if no proceeds are received.	the wear-and-tear allowance are not prescribed by statute, but certain periods of depreciation are generally accepted by the tax authorities. The following are some of the acceptable periods of straight-line depreciation. Asset: -Aircraft (light passenger, commercial and helicopters) 4 or 5 years. -Computers (mainframe) 5 years -Computer software (mainframes) Purchased 3 years Self-developed 1 year -Computer software (personal computers) 2 years -Furniture 6 years -Passenger cars 5 years. Apportionment of the wear-and-tear allowances is required for assets acquired during the course of a year. *Special Capital Allowances:* The cost of developing, registering or	*Allowances*: A single tax-free allowance of P 25,000 is incorporated into the individual tax table applicable to residents. A deduction for approved pension fund contributions is also allowed, limited to 15% of income. Tax-Free Gratuities for Noncitizens. A noncitizen employee who completes a two-year contract of employment may be paid a gratuity of 25% of his or her cumulative salary if so provided in the employment contract. For the second contract with the same employer the percentage of the gratuity may be increased to 27.5% (30% for third and subsequent contracts). One-third of the gratuity is tax-exempt; the remaining two-thirds is subject to tax at the regular tax rates.		

			acquiring patents, copyrights or similar property, and related know-how may be written off over the lesser of the probable period of use of such assets or 20 years. Designs and related knowledge are written off over 10 years. The cost of developing and registering trademarks and trade names is written off over 20 year. However, deduction is allowed for the acquisition cost of trademarks and trade names. Goodwill is not depreciable for tax purposes. Deductions with respect to restraint of trade payments are allowed over the period of restraint, with a minimum period of three years. A 10% annual allowance is granted for the cost of new and unused pipelines used for transportation of natural oil, gas and refined products. A 5% annual allowance is granted for the following: telephone lines or cables used for the transmission of signals for the transportation of persons, goods and other items.			

			Other special capital allowances are provided for expenditures on ships and aircraft, hotel equipment, scientific research and employee housing, plant and machinery of small business corporations, aircraft hangars, aprons, runways and taxiways, as well as for certain capital expenditures for mining and agriculture. A new incentive allowance applies for the period of 31 July 2005 with respect to industrial assets used in qualifying strategic industrial projects. The allowance equals either 50% or 100% of the cost of the industrial assets, and is granted in addition to any other allowance that may be allowed. To qualify as a strategic project, among other requirements, the Minister of Trade and Industry must be satisfied that the total cost of the industrial assets to be acquired by the taxpayer for the industrial project will exceed R 50 million within three years of the approval by the minister. Full details of minister's requirements for approval are not yet available. The amount of depreciation claimed on an asset may be recouped when			

			the asset is sold. In general, the amount recouped is the excess of the selling price over the tax value, but it is limited to the amount of depreciation claimed.			
20	**General Provisions**	Deductible expenses must be actually incurred, and consequently, provisions are not deductible. However, it is the Receiver of Revenue's practice to allow an allowance for doubtful accounts equal to 25% of the debts that the Minister of Finance is satisfied are doubtful. The amount of irrecoverable debts written off is allowed as a deduction if the debts were once included as taxable income.		General provisions are not allowable for tax except for certain specific provisions. Doubtful debts to the extent that the tax authorities agree to.	In general, only specific provisions are deductible for tax purposes.	In general, only specific provisions are deductible for tax purposes.
21	**Inventories**	Trading stock includes all goods, materials or property acquired for manufacture or sale, including packaging but excluding consumables and machinery parts. The value of stock is based on original cost plus the costs of preparing stock for sale. The last-in, first-out (LIFO) method of stock valuation may be applied on approval by the Minister of Finance, subject to various	Inventory is valued at the lower of cost or net realizable value. Last-in, first-out is not an acceptable method of valuation for tax purposes. Appropriate overhead expenses must be included in the valuation of inventory. Consumable stores and spare parts are included as trading stock.	Inventories are valued at the lower of cost or net realizable value.	The only acceptable inventory valuation methods for tax purposes are cost, using the first-in, first-out (FIFO) method, and market value.	Lower of cost or net realizable value, FIFO and market value are the different methods that the countries use to value

		conditions.				stock.
22	**Relief for Losses**	All companies may carry forward unused losses indefinitely to offset taxable income in future years. If a taxpayer carries a loss forward from the previous year and has no trading activities during a year of assessment, the loss is terminated and may not be carried forward into the following year. Losses may not be carried back. Companies that carry on mining operations may offset current-year and prior-year trading losses from mining against other trade income and vice versa. However, such losses must be apportioned on a pro rata basis between mining and other trade income to determine taxable income from each source in the current year. Oil and gas companies may not offset losses from oil and gas activities against other trade income, or vice versa, in any year.	Tax losses may not be carried back but may be carried forward indefinitely, provided there is trading in every tax year. A tax loss incurred by a South African branch of a foreign company may be transferred to a South African company established by the foreign parent company to take over the branch operations. Foreign tax losses may offset foreign income only if a foreign tax loss exceeds foreign income, the excess may be carried forward to offset foreign income in future years for an unlimited period. Business losses of a self-employed person may be carried forward indefinitely if the trade is continued.	In general, tax losses may be carried forward for five years on a first-in, first-out basis. Mining, prospecting and farming losses may be carried forward indefinitely. Only farming enterprises may carry back losses.	Mining losses are ring fenced to specific locations and may be carried forward indefinitely. Other losses may be carried forward for six years. Losses may not be carried back.	Only Botswana allows farming enterprises to carry back losses. Otherwise, in general, all the countries all tax losses to be carried forward indefinitely, provided there is trading in every tax year.
23	**Administration**	Annual financial statements must be prepared as of the	The tax year for a company is its financial year. A company must file	The fiscal year runs from 1 July to 30 June. Companies	Zimbabwe's tax year ends on 31 December. Tax returns must be	The new system in

		last day of February, unless another date is agreed to by the tax authorities. In practice, permission to use the company's financial year-end is always granted. A company is required to make two provisional tax payments, the first payment six months after the start of the financial year and the second at the end of the year. Payments are based either on the taxable income of the most recent year assessed or on an estimate of the current year's taxable income. Penalties are imposed if provisional taxes are less than 90% of the final tax assessment unless the prior year's tax assessment was used as the basis for estimating taxable income. Companies must file an annual return within seven months after the tax year-end unless an extension is obtained. If the total provisional tax payments are less than the tax liability shown on the return, the	its annual tax return in which it calculates its taxable income and capital gains, together with a copy of its audited financial statements, within 60 days after the end of its financial year. Extensions of up to 12 months after the end of the financial year are usually granted. No payment is made with the annual return. The tax authorities issue an official tax assessment based on the annual return. The company must pay the balance of tax due after deduction of provisional payments within a specified period after receipt of the assessment. Companies must pay provisional tax in two installments during their tax year. The installments must be paid by the end of the sixth month of the tax year and by the end of the tax year. A third ("topping up") payment may be made within six months after the end of the tax year. If this payment is not made and if there is an underpayment of tax, interest is charged from the due date of the payment. SARS has introduced an e-filing system, which allows provisional	may, however, choose to use a different 12-month period as their accounting year. Companies are taxed on the income reported in their latest completed financial statements. Returns must be rendered 60 days after 30 June. Provision is made for extension in certain circumstances. An advance payment of tax and self-assessment system is effective from the 2001/02 tax-year. Under this system, companies must estimate their tax at the beginning of the tax year and pay the estimated tax in four equal quarterly instalments on 30 September, 31 December, 31 March and 30 June. Tax returns must be filed, and any balance of tax due must be paid, by 30 September of the following tax year. Underpayments and late payments are subject to interest at a rate of 1.5% per month. The tax year runs from 1 July	filed within 30 days of the date a return form is issued (usually in March). The Revenue Authority prefers that companies use accounting years ending September, October, November or December of a given tax year. Companies are required to make three provisional tax payments on 28 February, 30 June and 30 November of the year following the tax year. The other two payments must each be equal to 25% of the estimated tax payable. Zimbabwe does not have an advance payment system. Penalties can be imposed for late or incorrect returns, and late payments are subject to interest at an annual rate of 35%. Withholding taxes that are not considered final taxes are credited to the income tax imposed on the income from which the tax has been withheld. *Tax Filing and Payment Procedures*: Employers withhold tax under the Pay-As-You-Earn (PAYE) system.	Botswana will affect the liquidity of companies .

		balance of tax due must be paid within seven months after the end of the tax year, regardless of whether a company has obtained an extension to file its tax return. A company's tax year generally coincides with its financial year. The tax year in Namibia runs from 1 March to the end of the following February. In general, individuals must file annual tax returns by 30 June, unless an extension is granted. Husbands and wives are taxed separately in Namibia. Individuals carrying on a trade are required to file annual tax returns by 30 September unless extension is granted. The Pay-As-You-Earn (PAYE) wage withholding tax system operates in Namibia. Individuals who have no more than N$500 in investment income and who are employed by the same employer throughout the tax year are not required to file	payments and tax returns to be submitted electronically. The year of assessment in South Africa is from 1 March to 28 February. Nonresidents are subject to the same requirements for filing tax returns as residents. *Employees*: Resident employers or the representative employer for nonresident employers must deduct tax monthly from the remuneration of their employees and must pay these amounts to the Inland Revenue. Annual tax returns must be submitted to the Commissioner of Inland Revenue at the end of February of each year, unless the taxpayer is subject solely to Standard Income Tax on Employees (SITE). These taxpayers are not required to file tax returns because the correct amounts of tax payable are withheld by their employers. SITE applies to all taxpayers earning less than R 60,000 a year. *Provisional Taxpayers*: Persons deriving income, excluding exempt income, of R10,000 or more a year from sources other than remuneration are considered provisional taxpayers and are	to the following 30 June. Returns are due within 60 days after the end of the tax year unless an extension is requested. Payment is due within 30 days of assessment. The pay-as-you-earn (PAYE) scheme covers noncash benefits, including employer-provided housing, utilities and cars. Married persons are taxed separately. The 2000/2001 budget proposed a self-assessment system, effect from 1 July 2001. Under this system, tax payments will be required during the tax year.	The tax year in Zimbabwe is the calendar year. Tax returns are issued in February or March and must be filed within one month after the date of issue. Late returns may incur penalties. Nonresidents are subject to the same filing requirements as those described for residents, but are usually allowed 90 days to file returns. Tax must be paid within one month after assessment. Annual payment dates are prescribed by law. Individuals must pay one-half of the estimated tax liability on 28 February of the following tax year. The balance is payable in two equal installments on 30 June and 30 November. Married persons are taxed separately on all types of income.	

		tax returns unless requested to do so by the Receiver of Revenue. Individuals who earn remuneration that is not subject to PAYE must calculate their taxable income tax payable, and must pay the tax owed by 30 June each year. Individuals deriving annual income of N$5,000 or more that is not subject to PAYE are considered provisional taxpayers and are required to make two provisional payments each year, one on the last weekday in August and one on the last weekday in February. Half of the year's estimated tax is due with the first provisional return, and the balance is due with the second return. Penalties are imposed for underpayment of provisional tax and for late submission of the second provisional tax payment. Any balance due is payable by 30 June each year if the taxpayer's income is received from employment only. If the taxpayer receives income	required to make provisional tax payments each tax year on 31 August and in the following tax year on 28 February and 30 September. The third payment must bring the total amount paid to 100% of actual liability to avoid an interest penalty. The penalty does not apply if taxable income does not exceed R 50,000. A limited exemption from filing provisional tax returns is granted to individuals over 65 years of age who have annual taxable income of R 50,000 or less.			

		from conducting a business, for example, as a sole trader, the balance of tax due is payable by 30 September each year. Interest is payable at an annual rate of 20% per annum which is calculated daily and compounded monthly, if the final tax payments and the provisional payments are paid after the due dates.				
23	Exemptions for EPZs				Export-processing zones have been designated for the major business centres and border areas of Zimbabwe. Operations of licensed investors in these zones are exempt from the following taxes: Income tax on profits for 5 years (15% tax is imposed in subsequent years); Capital gains tax; Non-resident and resident shareholders taxes on dividends; Non-resident taxes on interest, remittances, fees and royalties; Customs duty; and	

					Sales tax on goods and services (to be refunded). Foreign entities that provide finance for development in Zimbabwe are exempt from income tax and capital gains tax.	
24	**Other Taxes**	VAT is levied on supplies of goods and services, other than exempt supplies, made in Namibia and on imports of goods and certain services. The standard VAT rate is 15%. The following items are zero-rated: exports of goods; certain services rendered to non-residents who are not registered for VAT; disposals of going concerns; and local supplies of fuel levy goods and maize meal. Local public passenger transport, medical services, education services and long-term residential rentals are exempt from VAT. *Social Security*: Employees under 65 years of age who are employed for more than	Other significant taxes include: Value-added tax, levied on supply of a wide range of goods and services Standard rate 14% Disposal of going concern and certain exports 0% Regional services (rates vary by region); average rates: On remuneration 0.35% On turnover 0.14% Skills development levy, on remuneration 1% *Capital Gains Tax*: Effective from 1 October 2001, capital gains are taxable in South Africa. Capital gains tax (CGT) is imposed through the income tax system by including	Sales tax, on specified goods (primarily manufactured), specified services, imports, and hotel room and board 0 to 10% 2. Capital transfer tax, paid by the recipient on all gratuitous receipts of property, corporate shares and inheritances, less allowable deductions 12.5%. *Estate Income Tax*: An estate is subject to tax at the same rates as individual residents on income earned in the 2002 tax year. *Capital Transfer Tax*: The recipient of property transferred gratuitously or by inheritance is subject to capital transfer tax. Liberal exemptions apply. For example, all transfers	*Estate and Gift Taxes:* Estate tax is levied on the estates of all deceased persons with assets located in Zimbabwe or with foreign assets arising from Zimbabwean sources. The maximum rate of estate duty is 20%. A surviving spouse is entitled to a rebate of Z$50,000, which phases out if the dutiable estate reaches Z$375,000. A rebate of Z$25,000, which phases out at Z$375,000, is granted if the deceased does not have a surviving spouse. If a spouse or minor child survives the deceased, the value of the family is not taxable. No gift tax is levied in Zimbabwe. However, the market value of a donation of marketable securities or real property is subject to capital gains tax.	The effective Transfer duty in Namibia is higher than the effective transfer duty in South Africa especially on developed land on low value. The Road Accident Fund Levy is not applicable in Namibia.

		two days a week and all employers are subject to social security contributions. Employees must contribute 0.9% of month compensation, subject to a minimum of N$ 2.70 and a maximum of N$ 27 per month. Employers must contribute an amount equal to the employee's contribution. Self-employed individuals must contribute 1.8% of monthly compensation, limited to N$54 per month. In addition, a contribution to the Workers' Compensation Fund must be made for each employee earning less than N$72,000 a year. Transfer Duty: Transfer Duty for developed land are as follows: 1% on the first N$60,000 5% between N$60,000 and N$250,000 8% on the excess over N$250,000	in taxable income a proportion of the calculated gain. For residents, CGT applies to capital gains derived from the disposal of worldwide tangible and intangible assets. Non-residents are subject to CGT on capital gains derived from the disposal of fixed property held directly or indirectly through a company, or the assets of a permanent establishment in South Africa. A deemed capital gain arises on emigration. For individuals, only 25% of a capital gain is taken into account for CGT purposes. Therefore, the effective CGT rate for an individual taxed at the highest marginal income tax rate of 42% is 10.5% (25% x 42%). CGT applies only to increases in value occurring on or after 1 October 2001. Inflation indexing of base cost is not allowed. Rollover relief is available in certain circumstances, including the destruction or scrapping of assets. Gain derived from the sale of an individual's primary residence is not subject to CGT unless the amount of the gain exceeds R 1 million. Capital losses, other than those	between spouses and the first P 100,000 transferred by inheritance are exempt. The rates of capital transfer tax on Table 8 below apply to individuals. *Social Security*: Social security taxes are not levied in Botswana.	Tobacco Levy – A 1.5% levy payable by the seller is imposed on the sales price of all tobacco sold on an auction floor. An additional 1.5% levy payable by the merchants who purchase tobacco is imposed on the purchase price of all tobacco sold on an auction floor. These levies are not deductible for tax purposes. *Informal Traders Tax*- Effective from 1 January 1998, lessors must withhold tax at a rate of 10% from rent paid by informal traders (traders who are not registered with the tax authorities). This tax may be credited against income tax due on an assessment. *Social Security* – Social security payments of 3% per month, up to a maximum of Z$120 of employees' monetary earnings are withheld by employers and paid to the National Social Security Authority together with an equal amount contributed by the employer.	There is no donations tax and estate duty in Namibia.

			incurred on the disposal of personal use assets (assets used primarily for purposes other than the carrying of trade), may offset capital gains. However, capital losses may not be offset against regular taxable income. *Estate Duty and Donations Tax*: Estate duty and donation tax are levied at a flat rate of 25% on all capital transfers concluded for non-consideration or for inadequate consideration. Effective from 1 October 2001(with the introduction of CGT), the rate of estate duty and donation tax will be reduced to 20%. Exemptions from donation tax are granted for donations of up to R 30,000 for individuals and R10,000 for companies made each year. A deceased's estate is subject to duty only to the extent that the net value exceeds R 1.5 million plus the value of bequests to a surviving spouse. Residents are subject to estate duty and donation tax on worldwide assets, except offshore assets acquired by inheritance or donation from a non-resident or owned prior to becoming resident. Non-residents are subject to estate duty on assets			

			located in South Africa only and are exempt from donation tax. *Transfer Duty:* Transfer duty is levied on the acquisition of fixed property. The transfer duty rates for on developed land are as follows: 0% on the first R100,000 5% up to R300,000 8% on the excess over R300,000. If the purchase price is less than the property's fair value, the tax authorities may calculate the amount of transfer duty payable based on the fair value. *Unemployment Insurance*: Limited unemployment insurance and accident or illness benefits are provided. The Unemployment Insurance Fund provides benefits to unemployed people and to dependents of deceased contributors. All employees and employers must each contribute 1% of employees' earnings to the fund. This means that the UIF contributions equals to			

			2% of all employees earnings. A person who enters South Africa for the purpose of carrying out a service contract does not fall within the scope of the fund if, on termination of the contract, the employer is required by law or by contract to repatriate the person. Employers are required to make contributions to the Workers' Compensation Fund to insure their employees against industrial accidents or illnesses that result in death or disability. The Commissioner for Workers' Compensation determines the amount of the contributions after the employer reports the annual total remuneration of employees. Contributions re payable on annual remuneration of up to R 115,284. Persons seconded from a foreign country who do not take up employment with a South African company are not required to register with the fund. Fuel Levy: There is a 2c a litre Road Accident Fund levy.			
25	**Groups of Companies**	A group of companies is not taxed as a single entity in Namibia, and an assessed loss of one company cannot	Companies in a group may not share their tax losses with other profitable companies in the group.		Zimbabwean law does not contain measures for filing consolidated returns or for relieving losses with a group.	

		be offset against the taxable income of another company in the group. An assessed loss of a branch of a foreign company may be transferred to a Namibian subsidiary under certain circumstances.			Transfers of assets in a merger or group reconstruction between companies under common control may be made at the tax value for both income tax and capital gains tax purposes. On the subsequent disposal of such assets outside the group, the gain or loss to the seller is computed with reference to the cost to the first transferor within the group.	
26	**Anti-avoidance legislation**	Namibian legislation contains no specific transfer pricing, thin-capitalization or controlled foreign corporation provisions. It does, however, contain a general anti-avoidance provision to attack arrangements that are primarily tax-motivated and, in certain respects, abnormal when considered in the context of surrounding circumstances. Namibia has a specific anti-avoidance proviso in section 12 of the Act. In general, the Bank of Namibia requires a debt-to-equity ratio of 3:1 when approving foreign investment into Namibia.	In addition to transfer-pricing rules, South African law contains a general anti-avoidance provision to attack arrangements that are primarily tax-motivated. South Africa has a specific anti-avoidance proviso in the form of section 7 of the Act. The Inland Revenue can tax an amount, ignoring any scheme entered into, if it can establish all of the following: - A transaction, operation or arrangement had the effect of avoiding or postponing tax liability. - The transaction was entered into solely or primarily to avoid or postpone tax. - Either of the following circumstances existed: - - The transaction was entered			Namibian legislation contains no specific transfer pricing, thin-capitalization or controlled foreign corporation provisions.

		Another anti-avoidance provision deals with transactions involving companies (including changes in shareholdings) that are designed to use a company's assessed loss, usually by diverting income to, or generating income in, that company.	into in a manner not normally used for *bona fide* business purposes; or - In a nonbusiness context, the transaction was entered into in an abnormal manner, or created rights or obligations not normally created by persons dealing at arm's length.			

Source: Ernst and Young web page for International Taxes

Table 2 Corporate Taxes in Selected African Countries with Special Reference to the SADC Countries

The following table shows the different taxes and tax rates applicable in each of the 19 African countries.

	Comparative Tax for Selected African Countries at a Glance																								
		SADC Countries	**Namibia**	Angola	Botswana	Lesotho	Mauritius	Mozambique	Seychelles	South Africa	Swaziland	Tanzania	Zambia	Zimbabwe	**Non-SADC Countries**	Ghana	Cameroon	Ivory Coast	Kenya	Morocco	Nigeria	Uganda	**Lowest**	**Highest**	**Mode**	
1	Corporate Income Tax Rate (%)		**35**	35	15	35	25	35	40	30	30	30	15-45	30		35	38.5	35	30	35	30	30	**15**	**45**	**30**	
2	Additional Company Tax Rate				10																		**10**	**10**	**10**	

3	Capital Gains Tax Rate		**0**	35	25	35	0	35	0	15	0	10	0	10/20.		5	38.5	35	0	35	10	30	**0**	**38.5**	**0**	
4	Branch Tax Rate		**35**	35	25	35	25	35	40	35	37.5	30	15-45	30		35	38.5	35	37.5	35	N/T	30	**15**	**45**	**35**	
5	Branch Remittance Tax		**0**	0	0	25		0	0	0	0	20	0	0		0	25	12	0	10	0	15	**0**	**25**	**0**	
6	Remittances													20									**20**	**20**	**20**	
7	Dividends		**10**	10	15	25	0	18	15	0	15	5/10.	15	15/20		10	16.5	12/18/10	10	10	10	15	**0**	**25**	**10**	
8	Interest		**0**	15	15	25	0	18	10/40		10	15	15	10/20.		10	16.5	18	15	20/30	10	15	**0**	**40**	**15/**	
9	Royalties from Patents, Know-how, etc		**10.5**	10	15	25	0	15	0/15	12	0	20	15	20		15	15	20	20	10	15	15	**0**	**25**	**15**	
10	Management and Technical/Professional Fees				15		0					3/20.	15			15	15		20		10	15	**0**	**20**	**15**	
11	Payment for Services					10	0											20					**0**	**20**	**20**	
12	Fees													20									**20**	**20**	**20**	
13	Directors Fees															15	15	12					**12**	**15**	**15**	
14	Non-resident Contractors and Professionals										10												**10**	**10**	**10**	
15	Non-resident Entertainers and Sportspersons										10												**10**	**10**	**10**	
16	Sports and Entertainment Fees																		20				**20**	**20**	**20**	
17	Insurance Commissions/Commissions											7.5							5		10		**5**	**10**	**5/7.5/10**	
18	Rent, Premiums and Similar Consideration											15/20.											**15**	**20**	**15/20.**	
19	Transportation Income											4											**4**	**4**	**4**	
20	Goods and Services											2											**2**	**2**	**2**	
21	Rental Income																				10		**10**	**10**	**10**	
22	Rent-Real Estate																		30				**30**	**30**	**30**	
23	Rent-Equipment																		15	10			**10**	**15**	**10/15.**	
24	Agency, Consultancy or Contractual Fees																		2				**2**	**2**	**2**	
25	Wages and Indemnities paid to Nonpermanent																			30			**30**	**30**	**30**	

	Employees																									
26	Building, Construction and Related Activities																				5		**5**	**5**	**5**	
27	Contract Supplies																				5		**5**	**5**	**5**	
28	**Payment by Government Entities**																					**4**	**5**	**5**	**4**	
29	Net Operating Losses (Years)																									
	Carryback		**0**	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	**0**	**0**	**0**	
	Carry forward (U=unlimited)		**U**	3	5	U	U	3	5	U	U	5	5	6		5	4	5	U	4	4	U	**3**	**U**	**U**	
30	Individual Income Tax Rate highest %		**36**	15	25	35	25	40	40	40	33	30	30	40		35	60	60	30	44	25	30	**15**	**60**	**30/40**	
31	Individual Income Tax Brackets		**5**	5	5	2	2	3/4.	4	6	N/A	5	3	7		6	12	7	5	5	5	4/3.	2	12	5	

Source: Constructed using information from Ernst and Young web page for International Taxes

Table 3 Depreciation Rates in Zimbabwe

Serial No.	Asset	Method	Rate (%)
1.	Commercial buildings	Straight-line	2.5
2.	Industrial buildings (including toll roads and toll bridges declared to be such under the Toll Roads Act)	Straight-line	5
3.	Office equipment	Declining-balance	10
4.	Motor vehicles	Declining-balance	20
5.	Plant and machinery	Declining-balance	10

Table 4: Taxable Capital Gains Tax Brackets for the year 2002 (Botswana)

Taxable Income		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
P	P	P	%
0	12,500	0	0
12,500	43,750	0	5
43,750	62,500	1,562	10
62,500	81,250	3,437	15
81,250	100,000	6,250	20
100,000	-	10,000	25

Table 5: The year 2002 Income Tax Rates for Residents (Botswana) **The year 2002 Income Tax Rates for Residents**

Taxable Income		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
P	P	P	%
0	25,000	0	0
25,000	43,750	0	5
43,750	62,500	937	10
62,500	81,250	2,812	15
81,250	100,000	5,625	20
100,000	-	9,375	25

Table 6: The year 2002 Income Tax Rates for Non-Residents (Botswana)

Taxable Income		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
P	P	P	%
0	43,750	0	5
43,750	62,500	2.817	10
62,500	81,250	4,062	15
81,250	100,000	6,875	20
100,000	-	10,625	25

Table 7: The year 2002 Estate Income Tax Rates (Botswana)

Taxable Income		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
P	P	P	%
0	43,750	0	5
43,750	62,500	2,817	10
62,500	81,250	4,062	15
81,250	100,000	6,875	20
100,000	-	10,625	25

Table 8: The year 2002 Capital Transfer Tax Rates (Botswana)

Taxable Gain		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
P	P	P	%
0	100,000	0	2
100,000	300,000	2,000	3
300,000	500,000	8,000	4
500,000	-	16,000	5

Table 9: The year 2002/03 Income Tax Rates (South Africa)

Taxable Income		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
R	R	R	%
0	40,000	0	18
40,000	80,000	7,200	25
80,000	110,000	17,200	30
110,000	170,000	26,200	35
170,000	240,000	47,200	38
240,000	---	73,800	40

Tax threshold: Below age 65 R 27,000
Age 65 and over R 42,640

Table 10: The year 2002 Income Tax Rates (Namibia)

Taxable Gain		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
N$	N$	N$	%
0	20,000	0	0
20,000	40,000	0	18
40,000	80,000	3,600	30
80,000	200,000	15,600	35
200,000	-	57,600	36

Table 11: The year ending 2001 and subsequent years Income Tax Rates (Zimbabwe)

Taxable Gain		Tax on Lower	Rate on
Exceeding	Not Exceeding	Amount	Excess
Z$	Z$	Z$	%
0	60,000	0	0
60,000	90,000	0	20
90,000	120,000	6,000	25
120,000	150,000	13,500	30
150,000	180,000	22,500	35
180,000	840,000	33,000	40
840,000	-	297,000	40*

- Plus a 30% surcharge. This surcharge has since then been abolished.

Table 12 Taxable Income in Namibia and South Africa

The taxable income comparison between Namibia and South Africa is as follows.

Taxable Income	Namibian Tax Payable	South African Tax Payable
20,000	0	0
27,000	1,260	0
40,000	3,600	2,340
80,000	15,600	12,340
100,000	22,600	18,340
200,000	57,600	53,740
300,000	93,600	92,940
316,500	99,540	99,540

Table 13: EXEMPTIONS

Section	**Heading**	**Namibia**	**South Africa**	**Botswana**	**Zimbabwe**
S16(1)(a)	Government and any state	The revenues of the Government of Namibia and any state	Same	Same	Income of the Government and agencies of other governments and certain Government organizations.
S16(1)(b)	Local authority	The revenues of local authorities	Same	Same	Same

S16(1)(c)	Foreign subjects	The income of officials of foreign governments or specialized agencies of the united nations	Same	Same	Same
S16(1)(d)	Certain funds and associations	The income of funds and associations i.e. pension fund, provident fund, trade unions etc.	Same	Same	Same
S16(1)(e)	Institutions conducting scientific, technical or industrial research	The income of institutions conducting scientific, technical or industrial research	Same	Same	Same
S16(1)(f)	Companies and associations promoting common interests of people or societies	The income of associations promoting common interest of people or societies for example medical, dental hospital or other services	Same	Same	Same
S16(1)(g)	Amateur sporting associations	The income of amateur sporting associations	Same	Same	Same
S16(1)(i)	Companies and associations doing business with its own members	The income of companies and associations doing business with its own members	Same	Same	Same
S16(1)(j)	Ecclesiastical,	The income of ecclesiastical, charitable and	Same	Same	Same

	charitable and educational institutions	educational institutions			
S16(1)(k)	War pension	Any amount received as a war pension	Same	Same	Same
S16(1)(l)	Interest received: Government stock	Interest received from stock issued by the government or local authorities Interest received from the post office savings bank Interest received from subscription shares	None	None	Same
S16(1)(m)(i)	Post office savings bank		None	None	Same
S16(1)(m)(ii)	Subscription shares	Interest received from special tax-free indefinite period shares with a maximum investment of N$100 000 per person General interest exemption of N$500 per natural person of interest from financial institutions in Namibia	None	None	Interest on any class C permanent shares in Building Societies
S16(1)(m)(iii)	Special tax-free indefinite period shares		None	None	None

S16(1)(m)(iv)	General interest exemption		-in the case of any taxpayer who is a natural person -as does not during the year of assessment exceed * in the case of a person who is 65 or over R4000 * in the case of a person who is under 65 R3000	Any amount payable as interest accrued in any year to any resident individual from any banking institution or building society in Botswana, up to a limit of P1000	Any interest received by a natural person up to $1000
S16(1)(n)	Dividends	Any dividends received by Namibian residents	Same	Same	Same
S16(1)(o)	Lump sum from employer	Any lump sum from employer with a maximum amount of N$100 000 provided that the person is 55 years old or has ill-health or is retrenched	Any lump sum received or accrued i.e. termination of employment due to old age, ill-health or retrenchment with a maximum of N$30 000.	None	None
S16(1)(p)	Special uniform	The value of any special uniform allowance	Same	None	None
S16(1)(q)	Alimony	Any amount received as alimony	None	Same	Same
S16(l)	Certain foreign interest	Any interest received from foreign sources except where the investment was made for business purposes or the capital was from foreign sources	None	None	None
S16(1)(t)	Labour promotion fund	Any income of the labour promotion fund	None	None	None
S17(1)(v)	Higher academic	Any amount received on obtaining a higher academic qualification	None	None	None

	qualification				
S16(1)(w)	Bursary	Any amount received as a bona-fide bursary	Same	Same	Same
S16(1)(y)	Occupation allowance	Any amount received as a occupation allowance	None	None	None
S16(1)(z)	Withdrawal benefits: pension and provident funds	Any withdrawal proceeds from pension, provident or preservation funds where it is paid into another retirement fund	None	None	None
S16(1)(aa)	Death and retirement: provident funds	One third of the proceeds from, except in the case of resignation, dismissal, or dissolution of the fund	None	None	None
S16(1)(ab)	Education policies	Any amount received i.r.o. an education policy which has been expended for providing education to a child or a stepchild.	None	None	None
S16(1)(ac)	Unit trust companies	Any income derived by a unit trust company	None	None	None
S16(1)(ad)	Foreign purchased annuities	Any amount paid by a foreign insurer to any natural person who is ordinary resident in Namibia if the contract was entered into outside Namibia and the capital was obtained from foreign sources.	None	None	None
S16(1)(ae)	Foreign managed retirement funds	The receipts and accruals of any pension, provident, preservation or retirement fund managed and controlled in a foreign country provided that the receipts and accruals of similar funds managed and controlled in Namibia are exempt from tax	Same	None	None

		in such foreign country.			
S16A	Taxation of housing benefits	Where employers provide housing benefits to employees the benefits could be exempt from tax ranging from 33 1/3 % to 100% depending on the income of the employee.	None	None	None
S16B	Capital element of purchased annuities	The capital element of a purchased annuity is exempt from tax.	Same	None	None
10(1)(c)	Government	None	The pension of any State President elected to the post in terms of the previous political dispensation or his surviving spouse. The pension of an ex-Vice State President or his surviving spouse. The salary of foreign diplomats and their foreign domestic or private servants. The salary of certain foreign subjects temporarily employed in the republic.	Same	None
S10(1)(cE)	Political Parties	None	The receipts and accruals of any political party registered under the 1979 Electoral Act.	Same	None
S10(1)(cG)	Non-resident ship owners	None	The receipts and accruals of non-residents and external companies acting as owners or charterers of ships or aircraft in South Africa if their country provides	None	None

			reciprocal relief to South African residents.		
S10(1)(cH)	Land Rehabilitation	None	The receipts and accruals of any company, partnership, association or trust fund engaged in land rehabilitation activities, and approved by the Commissioner.	None	None
S10(1)(cM)	S21 Agricultural Companies	None	The receipts and accruals of a s21 company its sole or principal object is to promote the distribution of agricultural and related commodities.	None	None
S10(1)(cF)	Residential housing	None	The receipts and accruals of certain entities (not co-ops) formed to provide residential accommodation to persons over 60 years of age or to persons who have retired by reason of ill-health or infirmity.	None	None
S10(1)(cI)	Residential housing	None	The receipts and accruals of a section 21 company or any other association or trust approved by the Commissioner if the sole object is to facilitate residential housing projects for low income communities.	None	None
S10(1)(cJ)	Residential housing	None	The exemption under this section applies to any	None	None

			company, association or trust which is approved by the Commissioner and which has as its sole or principal object the raising or receiving of money by way of donations or loans to lend or donate to companies or associations contemplated in s10(1)(cC),(cI) or (cJ).		
S10(1)(e)	Levies of body corporate	None	Paragraph (e) exempts amounts received by way of levies by bodies corporate, share block companies and other associations of persons formed solely for purposes of managing the collective interest common to all its members including the collection of levies and administration of the expenditure in respect of the common property.	None	None
S10(1)(gA)	Disability pension	None	Any disability pension paid under section 2 of the Assistance Act, 1992.	None	Same
S10(1)(gB)	Workmen's compensation	None	Compensation paid in terms of the Workmen's Compensation Act or the Compensation for Occupational Injuries and	None	None

			Diseases Act.		
S10(1)(h)	Interest	None	Interest received by or accrued to a non-resident or external company, not carrying on business in the Republic, from - Government stock or securities - Local authority stock or securities - Electricity Supply Commission (ESKOM) stock, - South African Broadcasting Corporation (SABC) stock	None	Same
S10(1)(hA)	Interest	None	Interest received by or accrued to a person who is ordinarily resident outside the Republic or a company which is managed and controlled outside the Republic.	None	None
S10(1)(m)	Copyrights	None	An amount received by an author (not a company) i.e. the grant of an interest in a copyright, of which the author is the first owner, is exempt if the amount is taxed in another country.	None	None
S10(1)(mB)	UIF Benefits	None	A benefit or allowance payable in terms of the Unemployment Insurance Act is exempt.	None	None

S10(1)(o)	Ship Crews	None	Any remuneration derived by any person as an officer or crew member of a ship engaged in international *transportation* for reward of passengers or goods is exempt if such person was outside the Republic for periods exceeding 183 days in aggregate during the year of assessment.	None	None
SS10(1)(t)	Government Organizations	None	The receipts and accruals of certain quasi-government organizations such as the CSIR, SAIDCO, and the Development Bank of Southern Africa, are exempt from tax.	None	None
S10(1)(z)	Rebates and subsidies	None	Any amount received by or accrued to or in favour of any person from the State by way of a subsidy on interest payable by him on any amount owing by him on any loan or advance utilized by him for the purposes of pastoral, agricultural or other farming operations carried on by him.	None	None
S10(1)(zA)	Rebates and subsidies	None	Any amount received by or accrued to a registered	None	None

			exporter by way of a *rebate* or other assistance, under a scheme for the promotion or financing of exports.		
S10(1)(zB)	Rebates and subsidies	None	Amounts received by or accrued to an employer from training funds established under the Labour Relations Act (s 48(1)(d) of that Act), or the Manpower Training Act (s 39(4) of that Act).	None	None
S10(1)(zC)	Rebates and subsidies	None	Amounts received from the State by way of a subsidy under any scheme to encourage the establishment, expansion, or carrying on of undertakings in an economic development area (EDA), if the subsidy is for wages or training expenses.	None	None
S10(1)(zD)	Rebates and subsidies	None	The reimbursement by the State of non-tax deductible expenditure incurred in relocating to an EDA.	None	None
S10(1)(zE)	Rebates and subsidies	None	Subsidies paid by the State to the Small Business Development Corporation (SBDC).	None	None
S10(1)(zF)	Rebates and subsidies	None	Any amount (other than interest)received by or accrued to any person from	None	None

			the State in terms of any export incentive scheme, being a payment in lieu of any allowance or credit which the person would have claimed under s 11*bis* (6).		
S10(1)(zG)	Rebates and subsidies	None	Any film subsidy from the State, received or accrued on or after 15 May 1989.	None	None
S10(1)(zH)	Rebates and subsidies	None	A State subsidy received in terms of: (i) the Regional Industrial Development Programme. Etc.	None	None
Sch(2)1(xii)	Motor Vehicle Insurance Fund	None	None	Motor Vehicle Insurance Fund	None
Sch(2)1(xiii)	Southern Africa Centre for Ivory Marketing	None	None	Southern African Centre for Ivory Marketing	None
Sch(2)1(xiv)	Botswana Institute of Accountants	None	None	Botswana Institute of Accountants or any other professional institution established by statute.	None
Sch(2)2(iv)	National Assembly	None	None	Allowances exempted under the National Assembly (Salaries	None

				and Allowances) Act.	
Sch(2)2(v)	House of chiefs	None	None	Allowances exempted under the House of Chiefs (Salaries and Allowances) Act.	None
Sch(2)2(vi)	Judges	None	None	Allowances and gratuities exempted under the Judges (Miscellaneous Provisions) Act.	None
Sch(2)2(vii)	Public servants and teachers	None	None	Any amount accrued to a public servant, teacher or consultant to the Government as director of any company other than his principal employer, where such amount is paid to his principal employer or to the Government.	None
Sch(2)2(viii)	Public servants and teachers	None	None	Any amount accrued to a public servant or teacher as a foreign service allowance while serving outside Botswana in a diplomatic mission of Botswana.	None
Sch(2)2(x)	Interest	None	None	Interest payable by the Botswana Savings	None

				Bank, including interest on Botswana Savings Bank Certificates.	
Sc h(2)2(xi)	Interest	None	None	Interest on national development bonds exempted under the National Development Bank Act.	None
Sch(2)(2(xii)	Interest	None	None	Interest on bonds exempted under the Development Loan (Botswana Registered Bonds)Act.	None
Sch(2)2(xiii)	Interest	None	None	Any amount accrued to the government of any other country, or to any non-resident institution or company by way of interest on any loan, to the extent to which the Minister is satisfied that the exemption of such amount is in the public interest.	None
Sch(2)2(xv)	Loan society	None	None	Payment to members by any co-operative thrift and loan society.	None
Sch(2)2(xvi)	Sickness Benefits	None	None	Payments by way of sickness or accident	None

				benefits to any person or to his dependants or heirs, by any approved benefit fund, a trade union, or under a policy of insurance covering sickness or accident.	
Sch(2)2(xviii)	Non-Resident	None	None	Any amount payable to an employee, not being a citizen of Botswana, upon the bona fide termination of his employment where such payment is made by the employer.	None
Sch.(2)2(xix)	Technical Assistance	None	None	Any amounts accrued from a business or employment carried on in Botswana by a citizen of any other country or by a company registered under any law in force in any other country, where such business or employment is carried on in Botswana under an agreement with the	None

				Government for the provision of technical assistance to the Government or the extent to which the Minister may, by notice in writing to the Commissioner, declare such amounts to be exempted from tax.	
Sch.(2)2(xx)	Interest	None	None	Any amount payable by way of interest: - (a) by Bamangwato Concessions Limited or BCL (Sales) Limited; or - (b) by Botswana RST Limited.	None
Sch.(2)2(xxi)	Non-residents	None	None	Any amount accrued from employment carried on by a non-resident aboard an aircraft or road or rail vehicle in the course of the operation of an international transport service by a non-resident.	None
Sch.(2)2(xxii)	Pension	None	None	Any amount payable as a pension under the	None

				Overseas Officers' Pensions Agreement (Implementation) Act, 1976.	
Sch.(2)2(xxv)	Productive Employment Development Fund	None	None	Any amount paid to the Commissioner out of the Productive Employment Development Fund as tax payable by any person for any tax year.	None
Sch(2)2(xxvi)	Allowances	None	None	Terminal, sitting, ward, subsistence and meal allowances payable to a councilor of a local authority, or to a member of a land board or a subordinate land board.	None
Sch(2)2(xxvii)	Pensions	None	None	Where under any law in force in Botswana an employee is permitted to commute a portion of his pension, an amount not exceeding one third of the pension entitlement at the time of retirement.	None
Sch(2)2(xxviii)	Pension	None	None	In the case of any	None

				person other than a person subject to paragraph (xxvii), who, being entitled to a pension or annuity on retirement, elects to receive a part of such pension or annuity as a commuted lump sum, an actuarially calculated sum representing a commutation of not more than one third of his full entitlement at the date of his retirement.	
Sch(2)2(xxix)	Pension	None	None	In the case of any person other than a person referred to in paragraphs (xxvii) and (xxviii) who is entitled bona fide to an annual pension or annuity of not more than five hundred Pula, an actuarially calculated sum representing the commutation of that	None

				pension or annuity.	
Sch(2)2(xxx)	Life insurance fund	None	None	The investment income, as defined in section 50(3) of a statutory life insurance fund.	None
Sch(2)2(xxxii)	Common wealth	None	None	The salary and other emoluments of an employee of the Commonwealth of Virginia Trade Office who is not a citizen of Botswana.	None
Sch.3(1)(h)	Reserve Bank	None	None	None	Any non-resident arising in connection with a loan or other facility granted to the Reserve Bank of Zimbabwe.
Sch.3(4)(a)	President and Staff	None	None	None	Salary and emoluments paid i.e. his office to- (i)the President; (ii) a member of the staff of the President in so far as such salary and

					emoluments are paid by the President.
Sch.3(4)(b)-(g)	Allowances to Government Officials	None	None	None	Various allowances payable to government officials and full-time state employees, defense force staff and military staff.
Sch.3(4)(h)-(e)	Gratuities	None	None	None	Various gratuities payable to government officials, defense force staff and military staff
Sch3(4)(O)	Bonuses to employees	None	None	None	Various gratuities to government officials.
Sch.3(4)(p)	Retrenchment gratuities	None	None	None	The first ten thousand dollars or one-third, whichever is the greater, of the amount of any

					severance pay, gratuity or similar benefit, other than a pension of cash in lieu of leave, which is paid to an employee on the cessation of his employment, where his employment has ceased due to retrenchment under a scheme approved by the Minister responsible for labour or the Public Service
Sch.3(5)(a)	Presidential pension and allowances	None	None	None	A pension or allowance payable in terms of the Presidential Pension and Retirement Benefits Act.
Sch.3(5)(h)	Pensions	None	None	None	A pension paid from a pension

					fund or the Consolidated Revenue Fund with a maximum of $3000 a year.
Sch.3(8)(g)	Zimbabwe development bank	None	None	None	Interest received on any loan to the Zimbabwe Development bank.
Sch.3(8)(g)	State Loans	None	None	None	Interest received on any loan made to a person carrying on mining operations or undertaking prospecting or exploratory works for the purpose of acquiring rights to mine minerals as is used by the person in carrying on or undertaking such operations

					or works in Zimbabwe.
Sch.3 (13)	Traditional beer	None	None	None	An amount accruing by way of the sale of traditional beer
Sch.3(16)	Export processing zone	None	None	None	The receipts and accruals of a licensed investor from the investment to which his investment license relates in the year of assessment in which he first commences operations in an export processing zone and in each of the next following four years of assessment.